Loyola to sell medical center to Trinity Health

Maywood medical, nursing schools remain in university hands

By Bruce Japsen
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Amid the rapidly changing health care landscape that demands large amounts of cash to provide consumers with the latest bells and whistles, Loyola University Chicago said Friday afternoon that it will get out of the hospital business by selling its medical center complex to a large national Catholic hospital operator.

The market is demanding more from hospital operators to stay competitive. By merging, hospitals can pool capital to buy new computer systems, electronic record-keeping systems and the latest medical technology something that Loyola executives say will be easier as part of a larger entity.

By selling to Michigan-based Trinity Health, Loyola University Health System, the parent of Loyola University Medical Center in west suburban Maywood and a network of health facilities, the university will no longer be the holding company. But the Jesuits who ran the operation for decades will remain involved.

The medical center will also retain its name and be considered a teaching hospital, training residents, fellows and nurses from the medical and nursing schools that will remain owned and operated by Loyola University Chicago on the sprawling 61 acre campus.

Under the proposed arrangement, Loyola Health will remain sponsored by Roman Catholic operators of hospitals and Loyola faculty will continue to provide medical care to patients and research.

Trinity Health, based in Novi, Mich., was founded by two orders of Catholic nuns and owns or manages 46 hospitals in nine states with more than $7 billion in annual revenue and more than $3 billion in cash and investments.

“We are going to be getting scale while we contribute skill,” Rev. Michael Garanzini, Loyola University Chicago president, said in an interview with the Tribune.

The university’s exit from clinical care also puts its children’s facility and the Gottlieb Memorial Hospital in Melrose Park under the Trinity Health, which will have its first access to a teaching and research enterprise in Loyola’s doctors and medical center. Loyola University Chicago will continue to operate its educational and research enterprises such as the medical school, nursing school and a proposed new medical research facility that will be created from proceeds of the Trinity deal.

Financial terms were not disclosed but Garanzini said the consolidation would call for “substantial investments” to advance health sciences and medical research. In the next three
years, for example, Trinity will contribute $75 million to a new $150 million medical research center. “There is no way that could happen this quickly” without Trinity’s investment, Garanzini said.

The deal has been in the works for some time. A letter of intent signed this week by the university begins a process that will include drafting a definitive agreement and state and federal regulatory approvals.

Others in Chicago also will be invited to merge into the system, including Mokena-based Provena Health and Chicago-based Resurrection Health Care, which are working on a proposal to merge their dozen community hospitals.

“We have a Chicago vision that would go with this,” said Joseph Swedish, president and chief executive of Trinity Health. “It is natural to look at the landscape and try to engage Catholic providers in the marketplace.”

Like an increasing number of independent community hospitals and smaller providers of medical care across the country, academic medical centers have been hurt financially as patients have had trouble paying medical bills, a byproduct of job losses and other economic woes. So, such hospitals are turning to partnerships aimed at creating economies of scale and looking for ways to create a more streamlined patient experience.

Though Loyola health system has dramatically improved its cash position in recent years to nearly $250 million as of the end of January, that is still several times less than its Chicago area rivals such as Advocate Health Care, which has more than $2 billion in cash and Northwestern Memorial Hospital, which has more than $1 billion and has built two new hospitals in the last 15 years.

The new buildings, which can cost hundreds of millions of dollars, are needed because the health law requires hospitals to operate more efficiently. As one example, hospitals that have high rates of readmissions for patients insured by Medicare might have their government payments reduced.

“The health-care industry is going through accelerated change across the country, and so we believe that now is the right time for (Loyola University Chicago) and Trinity Health to seize the opportunity to strengthen Catholic health care,” Swedish added.

Hospitals are expected to see an influx of business between now and 2014, when more than 30 million uninsured patients will gain access to subsidies to pay for their medical care under the health overhaul law.

Amid the economic downturn, Loyola’s health system has already cut scores of jobs and “taken $100 million out of (its) cost structure,” Loyola health system CEO Dr. Paul Whelton said.

The health system has about 6,800 employees and Whelton was not ruling out additional job cuts but he said the plan is to expand its in the Chicago area. “We are in growth mode,” Whelton said.