



Photographs by Kevin P. Coughlin for The New York Times

Michael Dowling, the chief operating officer of the North Shore-Long Island Jewish Health System.

After Merger's Bumpy Start, North Shore-L.I.J. Is Clicking

By STEWART AIN

WE are like a mosaic, not a collection of entities," said Michael Dowling, chief operating officer of the North Shore-Long Island Jewish Health System. "Each piece has its own culture, its own beauty. When you put them together, you gain the beauty of a whole, much like the pieces of a church window. Each piece has its own characteristics, but the mission and values are the same and together you have a beautiful mosaic." Or a jumble of broken glass. But three years after their 1997 merger formed one of the largest health systems in the metro region, Long Island Jewish Medical Center in New Hyde Park and Manhasset-based North Shore Health System appear to have made a successful match.

"There were some potholes in the beginning," Mr. Dowling said. "But that is to be expected when you bring together two different cultures, two large teaching campuses. The question is, how do you manage it? We have managed it better than most. It is so integrated at this moment that it would be difficult to undo it."

Independent observers have given the merger high marks. A spokesman for the state Health Department, Robert C. Kenny, said it had "improved the financial stability of the health care network and has strengthened its ability to provide quality care to its patients."

Mr. Dowling said the Joint Commission on Accreditation of Healthcare Organizations, an Illinois-based group that sets industry standards, had "used us as a model for integration, and we have been speaking to other institutions" about North Shore-L.I.J.'s experience.

It has not been a trouble-free marriage. The biggest casualty was David Danczker, who had been president and C.E.O. of L.I.J. and became president of the merged system. He resigned in April after clashing repeatedly with the system's chief executive officer, Jack Gallagher, over style and approach. Now all the top management comes from the North Shore side of the aisle.

But many observers said that given the circumstances, the merger went remarkably smoothly.

"These were two independent, historically very competitive medical centers, each with its own department heads and teaching programs, different medical school affiliations and a totally different culture," said Dr. Martin Edelstein, who practices family medicine in Great Neck and is a former president of the North Shore Physicians Organization, an independent association. "North Shore had no unions, Long Island

Jewish had unions. Each had its own set of trustees and administrators. And they wanted to meld all of that together in the face of shrinking insurance reimbursements and added burdens of managed care. It really an incredible task."

Daniel Sisto, president of the Health Care Association of New York State, a trade association representing 500 not-for-profit hospitals and nursing homes, said that most other participants in the 1990's nationwide wave of hospital mergers had been disappointed by the result.

"Many other health systems in the country are going through a disintegration because the hospitals are being taken out of a shared fear of large insurance companies," he said. "They were having trouble dealing with cost escalation and government cutbacks, so they decided to combine out of anxiety. But there was a collective sense of where they wanted to go or a willingness to sacri-

the individual autonomy of each hospital in the system. That is what makes North Shore and L.I.J. pretty special."

Before the merger, the North Shore Health System was 10 hospitals headed by North Shore University Hospital in Manhasset. The others were in Plainview, Glen Cove, Syosset, Valley Stream, Bay Shore, Huntington, two in Staten Island and one in Forest Hills. Long Island Jewish included its main hospital, Schneider Children's Hospital and Hillside Hospital, all in New Hyde Park.

The combined system has an annual budget of \$2.8 billion, 30,000 employees, 700 staff physicians, 7,000 attending physicians and 5,671 beds. Modern Healthcare magazine ranked it the eighth-largest not-for-profit health-care system in the country and third in the region after

Once fierce rivals now find themselves a formidable force.

the New York City Health and Hospital Corporation and the New York Presbyterian Healthcare System.

Mr. Gallagher noted that for the first time since the merger, the system would end the year in the black, with a surplus in excess of \$25 million. The system lost nearly \$17 million last year and nearly \$50 million in 1999.

Mr. Gallagher attributed the improved financial picture to the system's ability to negotiate better reimbursement rates with the 40 insurance companies with which it deals. It was this promise of negotiating clout that gave impetus to the merger of the two hospitals, fierce rivals since each was founded in the early 1950's.

"We don't want to sell services below cost, and the managed care companies were very difficult when negotiating with us," Mr. Gallagher said. "A number of hospitals and doctors lost money."

The merged system has been able to negotiate from a position of strength. For example, L.I.J.'s pre-merger contract with Aetna included reimbursement rates substantially

After three years in the red, a rosier picture emerges.

below those Aetna had negotiated with North Shore. Last June, the health system informed Aetna that it would not be renewing the L.I.J. contract when it expired Dec. 1 and instead wanted the North Shore rate. When Aetna balked, the health system began giving L.I.J. doctors North Shore accreditation.

"We told the insurance company that those doctors who had their patients at L.I.J. would be moving them to Manhasset in order to get the better rate," said an official familiar with the standoff. "We could do that because we are so well integrated."

In the end, Aetna agreed to sign at the higher rate.

Jeffrey A. Kraut, senior vice president for planning and network development, said that another measure of the integration of the Manhasset and New Hyde Park systems was the 8.3 percent increase in patients in the last three years. The equivalent American Hospital Association averages for hospitals nationwide show 1.25 percent growth over the same period.

"We were expecting almost a decline in admissions because we expected managed care to aggressively keep people from coming into the hospital," Mr. Kraut said. "The merger has made this environment more attractive to patients. It's one of those things where one and one make three."

Mr. Dowling said the 8.3 percent increase "may not seem like a lot, but half a percent equals 2,500 patients. And if you look at cancer and cardiology, we have increased our market share by about 2 to 3 percent. We treat more cancer patients than any other system, including Sloan-Kettering. There are still a lot of people who go to the city for oncology and our strategy is to get them to go to us."

One of the roughest spots has been merging the clinical departments of L.I.J. and North Shore. Inevitably, toes were stepped on.

For example, Dr. Vickie Seltzer, the former chief of obstetrics and gynecology at L.I.J., now is in charge of the units at both L.I.J. and North Shore University Hospital, as well as serving as vice president of that unit for the rest of the system. Similarly, Dr. Stanley Katz, the former chief of cardiology at North Shore, is now chief of both L.I.J. and North Shore

and vice president of cardiology for the whole system. And when management decided that neither hospital's chief of surgery was up to the task, Dr. H. Hank Simms was brought in from Rhode Island to head the department.

Mr. Gallagher said there were no layoffs because of the merger but that many people opted for early retirement plans. Last year, about 200 employees took advantage of buyout offers, he said.

Although some health systems view their community hospitals as feeder institutions for their flagship hospitals, Mr. Dowling stressed that North Shore was striving to improve each of its hospitals in the belief they would make for a stronger system.

He said the health system has poured \$27 million into its Plainview hospital and more than \$50 million into hospitals in Syosset and Forest Hills.

"Plainview had been a proprietary hospital and it was in pretty bad shape," he said. "Walk in today and it is as modern and up-to-date as any hospital in the region."

Renee Pekmezaris, a health care consultant, said she had found the same improvement at two other hospitals in the system, Franklin Hospital Medical Center in Valley Stream and Southside Hospital in Bay Shore.

"I've been to Southside recently and I was impressed," she said. "It's not the same hospital it was in the 1980's. It's cleaner and newer. They have reassessed their market, and their services are more appropriate. You know it when you walk through the front door."

Mr. Dowling said the system was now preparing to upgrade another of its hospitals, Huntington Hospital, by opening a cardiac program there. In addition, he said the system was enhancing the neonatology departments at its hospitals in Huntington, Bay Shore, Plainview, Forest Hills and Glen Cove. And there are plans to pump \$250 million into renovating L.I.J., Schneider Children's Hospital and Hillside in the next five to eight years.

Mr. Dowling said the health system had saved about 10 percent by centralizing such functions as finance, planning, purchasing and construction.

Other streamlining attempts have failed. For instance, efforts to create a single center for all non-emergency laboratory work have been thwarted because the unionized lab workers at L.I.J. objected to outsourcing at a nonunionized central lab.

"We would have saved \$500,000 a year if we had integrated their lab," Mr. Dowling said. "We are still working on it."



