

CASE 6-4

Greenbridge Medical Complex

BACKGROUND

Alfred Newman, Chairman of the Greenbridge Corporation, a major builder of commercial property including shopping centers and office buildings, is a longtime trustee of the Lakeview Medical Center (LMC) in North Metropolis, an affiliate of the University Medical School. LMC is the parent corporation of four hospitals totaling 1,125 beds in four suburban locations and a 500-physician multispecialty group practice that operates out of more than 40 locations. Shortly after a board meeting where Kent Clarkson, CEO of LMC, presented a less than optimistic picture of the medical center's ability to increase market share or improve its finances, Newman asked to schedule a private meeting with Clarkson.

During the meeting, which took place at the members-only Metropolis Union Club, Newman broached the idea of a joint venture between Greenbridge and LMC. The proposed plan called for Greenbridge to finance and build approximately 10 physician centers (medical office buildings) that would carry the LMC name and would be located in communities where LMC had minimal presence. Newman's idea was that these centers would be leased to a combination of LMC physicians operating satellite offices as physician groups presently operating in the communities where the offices were being built. Additionally, each building would have a host of ancillary services such as labs, radiology, ultrasound, and rehabilitation services associated with or owned by LMC. In order to get local physician groups into the new buildings, Newman proposed that an arrangement be worked out where LMC would subsidize the rent of local physician groups for 30 months. Clarkson liked the proposal and detailed one of his subordinates to work with the Greenbridge Corporation to develop a comprehensive package for the approval of the trustees. Three months later the package was ready, distributed to the trustees, and at the next board meeting approved.

THE FIRST BUILDING

The plan that was approved by the LMC board was to begin by building the first physician center as a prototype and to open it in Oak Bluffs, 21 miles north of LMC's flagship hospital, an area where LMC has traditionally had poor market penetration due to competition from the 193-bed Oak Bluffs Community Hospital (OBCH). Anticipating potential objections from OBCH, particularly after they had rejected overtures to merge with LMC 5 years earlier, Greenbridge set up a new corporation to purchase an available tract of land for the medical office building. The land is less than a mile from Oak Bluffs Community Hospital. Within a few days of the land purchase, Wayne Debruse, CEO of OBCH, learned that Greenbridge and LMC were behind the purchase and that they intended to build a physician center. Additionally, Debruse learned that three physician groups in Oak Bluffs were engaged in negotiations with Greenbridge to lease two floors of the proposed building.

THE OAK BLUFFS COMMUNITY HOSPITAL BOARD MEETING

Upon learning of the Greenbridge-LMC plan, Debruse called an emergency meeting of his board. At that meeting, he presented his board with the background information about the medical office building project and stated the following:

"I think we have a serious problem on the horizon. Greenbridge seems to be expanding into our area with a joint operation involving Lakeview Medical Center. There is no question in my mind that this is a huge threat to our hospital and that we need to launch a campaign that will prevent this building from being built in our community. This campaign needs to involve the commissioners of our town and the community in general. Although it's going to cost us a lot of money in terms of PR as well as legal expenses to fight the Greenbridge-LMC alliance, it is imperative that we do this. If we don't, I believe that we will be forced to either downsize our hospital or merge with LMC. I do not believe this building is in the interest of our community, our medical staff, or our patients. Today I am asking for your approval to both launch a campaign against this project and fund that campaign."

After 2 hours of discussion, Debruse's request was approved and the fight against the building began.

QUESTIONS

1. Assume you are Kent Clarkson, CEO of LMC. What objections to this plan do you anticipate from the Oak Bluffs Hospital? Oak Bluffs general community? Your medical staff?
2. Assume you are the Oak Bluffs medical staff. How do you plan to deal with these objections?
3. Assume you are Wayne Debruse. Why would you object to the building of a new medical office building in your community? Is the project really a threat to the hospital? Is it possible that the project may be good for the health of the community? What can you possibly do to stop the project?
4. Should either party be concerned about their actions being perceived as antitrust violations?

Reference:

Goldsmith, Seth B. (2014). Understanding Health Care Management, "A Case Study Approach", Jones & Bartlett Learning, LLC. pg. 162-164.