

Mass. Hospital Network Plans to Acquire R.I.-based Care New England

Care New England has signed a letter of intent to be acquired by Partners HealthCare, of Massachusetts, and is also exploring the sale of Memorial Hospital to California-based Prime Healthcare Foundation

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Care New England, Rhode Island's second-largest hospital system, has signed a letter of intent to be acquired by Partners HealthCare, of Massachusetts, while at the same time exploring the sale of Memorial Hospital to California-based Prime Healthcare.

Care New England announced the two agreements on Wednesday morning. They come six months after a merger with Southcoast Health, of Massachusetts, was called off and less than a week after Lifespan, the state's largest hospital network, said it had made an offer to merge with its financially struggling rival.

Although neither move by Care New England, a Providence-based nonprofit, is a done deal, they have the potential to shake up the health-care landscape in Rhode Island.

The acquisition by Boston-based Partners, the largest hospital network in Massachusetts, would include Kent Hospital, in Warwick; Women & Infants Hospital of Rhode Island, in Providence; the VNA of Care New England, in Warwick; Butler Hospital, in Providence; and The Providence Center, which has locations throughout Rhode Island.

Care New England said it selected Partners after reviewing possible deals with 12 state, regional and national health-care organizations, including for-profit and not-for-profit entities.

Partners is a nonprofit that Care New England already has a relationship with through an affiliation with Boston-based Brigham and Women's Hospital, one of the founding members of Partners, in cardiovascular and other services, and through work on psychiatric issues between McLean Hospital, a Partners member in Belmont, Massachusetts, and Butler Hospital, in Providence.

Care New England board chairman Charles R. Reppucci said that the smooth relationship with Partners since 2009 was a key factor in signing the agreement.

"We've worked so successfully with them for so many years," he said in a conference call with reporters.

Care New England president and chief executive officer Dennis Keefe said a deal with Partners was considered at the time of the potential Southcoast merger. But Partners wasn't offering an equal partnership, as Southcoast did, and there were questions then about the feasibility of an acquisition.

"We felt at the time, the execution risk of doing something with Partners didn't make any sense," he said.

The letter of intent with Partners sets out a process for talks. Once agreement is reached on merging, the organizations would seek state and federal regulatory approvals. Keefe said an agreement is expected within three months and that approvals could come within another three months.

He said layoffs will be considered in support services, but added that there will be opportunities to grow Care New England's presence in Rhode Island and add staff in other areas.

Partners president and CEO Dr. David Torchiana said the agreement is aimed at a larger regional strategy.

"Today's announcement is the beginning of a process that will better meet the needs of this region's patients by improving access to specialized care while working to create new efficiencies in the delivery of that care," he said in a statement.

The sale of Pawtucket-based Memorial Hospital would free Care New England of an underused institution that is bleeding money — \$32.8 million in the last fiscal year — and in need of maintenance and upgrades.

"We could no longer continue to pump money into Memorial," Joseph Iannoni, executive vice president and chief financial officer of Care New England, said in the conference call.

Care New England brought in Illinois-based SOLIC Capital last fall, which advised the organization to sell Memorial. Eighty-eight entities were approached before Prime Healthcare was selected, said Iannoni.

Prime is a private, for-profit system with 44 hospitals in 14 states, including Landmark Medical Center, in Woonsocket, and The Rehabilitation Hospital of Rhode Island, in North Smithfield. It bills itself as a specialist in turning around financially troubled hospitals.

"Prime Healthcare's motto is saving hospitals, saving jobs and saving lives, and we are confident Memorial Hospital will grow stronger under our management," Dr. Prem Reddy, chairman, president and CEO, said in a statement.

Two labor unions, which collectively represent thousands of nurses and other health-care workers in the Care New England system, reacted with caution to the announcements.

"It is important that any proposed hospital merger ensures the continued provision of quality care for Rhode Islanders, safe staffing levels in our hospitals, and good jobs for health care workers," Patrick J. Quinn, executive vice president of Service Employees International Union District 1199NE, said in a statement.

Linda McDonald, president of United Nurses and Allied Professionals, said her union only recently learned of the proposals.

"This proposed merger has the ability to impact thousands of jobs and the quality of care in Rhode Island and should be thoroughly scrutinized," she said in a statement.

She continued, "Memorial Hospital provides critical care to scores of Blackstone Valley residents every year and preserving its status as a fully-functioning community hospital will be among our top priorities as this process continues to unfold."

AT A GLANCE

Care New England

CEO: Dennis Keefe

Employees: 6,580

FY'16 operating income/(loss): (\$68 million)

Affiliates: Women & Infants Hospital, Butler Hospital, Kent Hospital, Memorial Hospital, The Providence Center, VNA of Care New England

Partners Healthcare

CEO: Dr. David Torchiana

Employees: 68,000

FY'16 operating income/(loss): (\$108 million)

Affiliates: Brigham and Women's Hospital, Massachusetts General Hospital, McLean Hospital, Neighborhood Health Plan, and more than two dozen other hospitals and medical centers in Massachusetts and New Hampshire

Prime Healthcare

CEO: Dr. Prem Reddy

Employees: 43,500

FY'16 operating income/(loss): NA

Affiliates: Landmark Medical Center, Rehabilitation Hospital of Rhode Island, and 42 other hospitals and medical centers in 13 other states

Founded in 1996, Care New England has experienced financial struggles in recent years. The planned merger with Southcoast was dropped during the due diligence process last October.

Afterward, Keefe told The Providence Journal that he planned to reach out to Lifespan for what would have been the third attempt to merge Rhode Island's two largest health-care systems, after failed efforts that started in 1998 and again in 2007.

When he announced the offer to Care New England last week, Lifespan president and CEO Dr. Timothy J. Babineau described the proposal as "compelling, visionary and fair-minded." In a statement on Wednesday, he reiterated Lifespan's commitment to an agreement and did not comment on the specifics of the Partners deal.

"Partners Healthcare is a Massachusetts-based health system," Babineau said. "We continue to believe that keeping health care local will result in better patient care, keeping jobs in Rhode Island, and will help to contain the rising costs of health care."

In a letter to Care New England providers announcing the Partners deal, Keefe said that it had been "a long road leading up to this moment."

"As we have persevered in this effort to seek long-term stability and opportunity, we have continually struggled to right our ship in the face of challenging economic adversity, dramatic shifts in service line volume, and perhaps most difficult, some of the most stringent state-imposed insurance reimbursement caps in the country," he said.

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