

MERGER

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the past 30 years to less than a half dozen.

More and more, the boards of those hospitals see a future dominated by reduced payments from government-backed insurance programs such as Medicaid, and increasing demand from formerly un- or under-insured patients.

"We have communities that care passionately about hospitals," said Katharine Webb, senior vice president of the Virginia Hospital & Healthcare Association.

"The boards have made decisions that are often challenging to do, but they take into account what's in the long-term best interest of the community," she said.

That nationwide health-care reform effort is "certainly a driving force for consolidation both in Virginia and across the country," said Fauquier Health President and CEO Rodger Baker.

"We want to come out on the other side of that not just surviving but also thriving and being able to grow services in the community," Baker said.

According to Webb, smaller hospitals struggle with access to capital to grow their facilities or even stay current on medical technology and patient expectations.

Issues such as access to capital, ability to consolidate and reduce expenses, the growth of uninsured patients and cuts in government payments, all drive the move to consolidate.

"We have had uncertain times in health care, but this is about as uncertain as it gets," Webb said.

For Fauquier Health, the merger offers much greater resources to meet the health needs of the community.

The rising costs of goods and services accounted for 63 percent of the overall growth in health-care spending from 2006 to 2010, according to the American Hospital Association.

And, the increased demand for care contributed 29 percent to the growth in spending, the trade group reported.

LifePoint brings purchasing power that allows smaller hospitals tremendous advantages when it comes to buy-

ing equipment and supplies.

For example, Carpenter said several years ago, LifePoint bought 35 CT scanners at a locked-in price in a single transaction, then rolled them out to hospitals that needed them over the next several years.

That kind of purchasing power dwarfs the ability of small facilities such as Fauquier to negotiate with equipment manufacturers.

"We'll bring the resources of a hospital support center that a hospital may not have had," Carpenter said.

LifePoint provides legal, compliance and reimbursement departments, all services that Fauquier Health has had to contract out.

"When you have the scale they have, they can develop those resources at the corporate level," Baker said.

And a company that had \$3.39 billion in revenues last year brings with it the ability to fund those projects out of its own operating budget without having to borrow.

"We see opportunity to expand and grow the hospital," Carpenter said. "There are many things that you do well here that we have the opportunity to build on."

He acknowledged that change makes people nervous, which is why the LifePoint management team will spend a significant amount of time talking with Fauquier Health staff over the next several weeks.

"They're nervous. Change is hard. And we understand that change is hard," Carpenter said.

"The first thing we're going to tell them, they're all going to be hired. They'll get the years of service they have earned, same pay scale," he said.

"As quickly as we can get employees feeling comfortable, we'll take away that anxiety and get them back to caring for patients," he said.

According to Webb, at the Virginia Hospital & Healthcare Association, LifePoint has reputation for becoming part of the community.

"They're very respectful of the need to involve yourself in the community in which you are working and living," Webb said.

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