

The Competition

With the successful completion of the first module of a cost accounting system, Wes decided to turn his attention to the competition. One of the obvious reasons for the decline in patient volume was Snowline Medical Center, ten miles to the south. From visiting with Cheryl Thomas of the Utah Healthcare Association, he learned the facility had been built by Consolidated Healthcare of Arizona, a for-profit hospital corporation formed in 1985.

Wes was told that the company was well capitalized and that most of its facilities were new. The company boasted saving from centralizing the purchasing, housekeeping, financial, and dietary functions. Its charges were slightly higher than many not-for-profit hospitals in the state—not including Brannan Memorial Hospital, which had raised prices in its struggle to remain solvent.

Cheryl reported that the company was vertically integrated, owning hospitals, nursing homes, and a health insurance company that served as the nucleus for its managed-care program. The corporation had recently started an aggressive program of physician practice acquisition in an attempt to control physician referrals.

Although the corporation had been criticized for its aggressive marketing practices, Cheryl was impressed by its efficiency and financial strength and suggested that Wes meet with Jon Einarsson, the local hospital administrator. At Wes's request, she called Einarsson and set up the appointment.



"Today's hospital employees are too expensive," Jon Einarsson snarled. At age thirty-five he stood six foot three and tipped the scales at a muscular two-hundred-twenty pounds. His closely cropped red beard overcast the rawboned features he had inherited from his Icelandic ancestors, and his sea green eyes could penetrate an opponent like a Viking pikestaff.

For the past two hours Einarsson had hosted Wes on a tour of his building, highlighting efficiencies in design that had allowed the hospital to reduce staffing by 20 percent. Now both dined in the private dining room off the Einarsson's office.

Einarsson reached for his steak knife. "A good administrator knows how to slash labor costs," he said cutting the fat from his heavy steak. "That's why we ax old facilities. In five years we can pay for a new facility in labor savings alone. We design our buildings to save labor.

"Prior to entering the market," he continued, "we approached your board with a purchase offer. Your finance committee chairman, Edward Wycoff, killed it." Einarsson took his first bite and nodded approvingly at the flavor.

"It was a mistake," Einarsson continued. "Park City would have been a better location for us, but your board resisted our for-profit ownership. In the long run, the decision will hurt us both."

"Why's that?" asked Wes.

"Because there isn't a big enough population to support two new hospitals. That's why we were pleased when we heard you wanted to meet with us. Hopefully, you've come to the same conclusion," said Einarsson.

"The board will never support a consolidation," said Wes. "The community tradition is too strong."

"The tradition is wrong," Einarsson retorted. "Hospitals are too expensive to plop in every community along the Wasatch Front. What your board is doing is a disservice to the community. If you want to do the right thing for Park City and yourself, you'll work with us. We can make it worth your time."

"What do you have in mind?"

Einarsson swallowed, then wiped his face with his napkin. He leaned forward conspiratorially, dropping his voice to a whisper. "You don't have to take explicit steps to sabotage the operations. Your hospital's a sick patient, Wes. Remove the life-support systems, and it will die on its own."

"What specifically are you suggesting?" asked Wes.

"We've heard about your efforts with budgeting, cost accounting, etc. Don't waste your efforts. Let nature take its course."

"What if I do as you suggest?" Wes asked

"When the hospital closes, there will be a position for you with Consolidated Health Systems, at a generous salary. We'll give you a two-year contract at \$150,000 a year. You won't have to do anything; use the time to rest or find a new job."

"Three hundred thousand dollars to close the hospital," Wes mused. "What you're talking about sounds like bribe."

"Don't get caught up in semantics, Wes. When the place falls apart, you'll need a new job. The board will use you as the fall guy. Wycoff's not going to take responsibility for the stupid things the board's done. When the newspaper gets through with you, your career will be dead. You won't be able to get a job waiting tables."

Wes was surprised at the boldness of Einarsson's offer. What he was proposing was clearly a conflict of interest. Einarsson hadn't risen to the top of his profession through timidity. Wes paused in mock seriousness as though considering the offer. "You don't mind if I discuss your generous offer with my board?"

Einarsson saw through the sarcasm and was offended. "Don't be stupid, Wes. We must be discreet. I'm doing my best to save your hide, and you're insulting me."

Wes Douglas folded his napkin and placed it on the table. "Thanks," he said as he rose to leave, "but I'm not interested."

"You'll be sorry," Einarsson said.

"Perhaps."

"Quote me, and I'll deny it," Einarsson said as Wes left the room. Wes closed the door behind him.



Thane Ford swore—not a soft, mealy-mouth cuss like his grandmother used when she burned the rolls or dropped a knitting stitch, but a blaspheming imprecation that fermented angrily in his guts and exploded with the violence of an Irish pipe bomb. Slightly ashamed, he glanced over his shoulder to see if anyone was listening. At 4:00 a.m., that was not probable since the newspaper office was empty. He was about to miss the deadline for the Wednesday edition of the *Park City Herald*. The press was broken—again.

He grabbed a rag from the table and wiped his hands. The press wouldn't be easy to fix this time. Manufactured in 1952, parts were hard to get, and money was tight as subscriptions were down. It wasn't enough that national papers like *USA Today* targeted rural markets. Even the state wide newspapers like the *Salt Lake Tribune* had online editions that stole readers from the smaller biweekly rural newspapers.

At 6:00 a.m., he'd call Edward Wycoff, his silent partner. Wycoff would write a check to fix the press—but not to replace it. Ford doubted there would ever be that commitment. There would be a price, of course—not just the verbal abuse. Ford could take that, but Wycoff would require more. Ford would agree. If it were a question of ethics or of feeding his family, he would choose the latter. There weren't other options at his age.