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# St. Francis hospital buyout closes

## The healthcare system sells its two medical centers for \$68 million

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**St. Francis Healthcare System of Hawaii** has completed the sale of its two Oahu hospitals to a Kansas-based investor and a group of local physicians.

The \$68 million deal transfers St. Francis Medical Center-Liliha and St. Francis Medical Center-West from a non-profit Catholic group to a for-profit hospital owned by private physicians.

The medical centers, which will be renamed Hawaii Medical Center East and Hawaii Medical Center West, will be the first physician-owned and not-for profit hospitals in the state.

"We think that we paid a fair price, said Badr Idbeis, chief executive officer of **Cardiovascular Hospitals of America** and chairman of **Hawaii Medical Center**. "We looked at (the deal) very carefully and we believe that it should be able to carry its own weight."

Hawaii Medical Center is a partnership of the **Hawaii Physician Group LLC** and CHA, which will split the ownership 51 percent and 49 percent, respectively. CHA, founded in 2002 in Wichita, Kan., by Idbeis, today develops world-class medical centers through joint ventures with physician groups.

Idbeis, whose company has acquired and improved hospitals on the U.S. mainland and in Jamaica and the Philippines, said the company was attracted by business model in Hawaii and by the sheer size of Hawaii Physician Group.

"Most of the physician groups that we have dealt with have 50 to 60 members, this group was made up of about 150 physicians," lbeis said.

Hawaii Physicians Group, established in September 2005, is an organization of Hawaii-based doctors lead by Chief Executive Officer Danelo Canete.

"Now the real work begins," Canete told the Star-Bulletin. "We can talk all we want, but now the real work begins. Now, as the owners of Hawaii Medical Centers, we are in a position to ensure that every decision made with regard to the facilities will have that same focus."

This transition is the first of its kind for Hawaii, Idbeis said.

"We will now invest substantial resources to transform them into state-of-the art medical facilities that offer the best medical technology and meet the very highest standards of patient care," Idbeis said.

Profit-based hospitals, which apply the same standards of care to the needy and the uncompensated as the tax-exempt not-for-profit models, are becoming a trend in the medical community, Idbeis said.

The CHA model is based on the principle that hospital excellence is achievable when physicians are empowered to control every aspect of healthcare delivery, he said.

The new owners plan to invest millions of dollars in improvements -- which include new staff, upgraded equipment, and the renovation of a floor at each campus each year for the next five years, along with its emergency rooms. Hawaii Medical Center will also upgrade its information technology and move toward becoming a "paperless" institution.

"We will invest \$7 to \$8 million the first year and \$5 million per year for the next five," Idbeis said.

Each campus will have a chief operating officer and a chief nursing officer as well as a chief medical officer and a chief surgical officer, both of whom will be practicing physicians.

Among its other goals are to implement a higher nurse-to-patient ratio to conform to CHA's patient care model.

The acquisition, which has been in the works for at least two years, relieves St. Francis of \$30 million in debt.

St. Francis Healthcare System goes back 78 years in Hawaii, and is sponsored by the Sisters of the Third Franciscan Order of Syracuse, N.Y.

The new medical center will not be affiliated with the Roman Catholic Church, but will utilize the church's standards of ethics and compassion.

No immediate personnel changes will result from the transaction, Idbeis said.

Following divestiture of its two medical centers, St. Francis Healthcare Systems will continue to operate five other subsidiaries, concentrating on pre-and-post hospital services, said Cheryl Tamura, a St. Francis spokeswoman.

St. Francis Development Corp. will continue plans for the Franciscan Vistas Ewa residential community, which will offer supportive care and rental housing for seniors alongside affordable leasehold homes for working people and families, Tamura said.

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