

Health Sciences News

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For Immediate Release

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USC Signs Agreement to Purchase Two Private Hospitals

LOS ANGELES, Feb. 10, 2009—The University of Southern California and Tenet Healthcare Corp. today announced the signing of a definitive agreement for USC to acquire the USC University Hospital and USC Norris Cancer Hospital. The deal is expected to close on March 31, 2009.

USC, one of the world's leading private research universities, will invest \$275 million to acquire assets including 471 inpatient beds within the two private hospitals located on USC's Health Sciences Campus and more than 1,600 hospital employees.

"The hospital acquisition is an historic investment by USC and a strategic move to create an integrated academic medical center, enhancing the quality of patient care and elevating the Keck School of Medicine of USC to a nationally acclaimed leader among the nation's medical schools," USC President Steven B. Sample said in making the announcement.

The hospitals will report to USC Executive Vice President and Provost C. L. Max Nikias, who said, "We are eager to welcome the personnel of both hospitals into the Trojan Family as we work closely with them and with the leadership of our Keck School and our faculty physicians to create a new, physician-driven model for the delivery of excellent clinical care."

President Sample credited key members of the USC Board of Trustees with helping to bring this acquisition to a successful conclusion.

"We also are most grateful to the USC Board of Trustees, including Board Chairman Edward P. Roski Jr., for their visionary leadership and commitment to enhancing USC's clinical enterprise through the creation of a University-owned, integrated academic medical center," Sample said.

He added, "We owe a debt of gratitude to immediate past Board Chairman Stanley Gold, who provided leadership in overseeing this process since 2006," Sample said. "He also has served us well as USC's chief negotiator in this most significant acquisition."

Provost Nikias has appointed Mitchell R. Creem as Chief Executive Officer of the two hospitals, following a national search led by Nikias. A seasoned hospital administrator widely known for his experience in revitalizing academic medical centers, Creem joined USC as Vice Provost in June. With 25 years of management experience, Creem has influenced all aspects of the healthcare industry, including hospital, research and faculty group practice management.

“Mr. Creem has provided crucial expertise throughout the due diligence and negotiation periods, developing a sound business plan and operational model for going forward,” Nikias said. “I am confident that he will provide exceptional leadership to the hospitals in his new role.”

As CEO, Creem will report to Nikias and work collaboratively with Keck School of Medicine Dean Carmen A. Puliafito, who also reports to Nikias. Puliafito joined USC in November 2007.

“We have a dynamic, experienced leadership team in place as USC prepares to assume ownership of the two hospitals,” Nikias said. “I am eager to work with them as we advance USC’s clinical and research enterprise to new levels of success.”

According to Nikias, the strategic hospital acquisition will ensure USC’s position among the nation’s top-ranked research universities in the 21st century, an era in which medicine and biology and the interdisciplinary connections between these sciences and other disciplines become the focus of innovation and growth.

USC faculty at the Keck School of Medicine excel in medical education and training, innovative biomedical research and clinical practice. With the hospital acquisition, USC faculty physicians will conduct their private practice at two hospitals owned and managed by the University, allowing for greater physician direction of clinical programs and acceleration of innovative therapies and surgical techniques for cardiovascular and thoracic diseases, urologic disorders, neurological issues, organ transplantation, cancer treatment, disease prevention, and other health concerns.

Negotiations have been under way since April, when the two parties signed a non-binding letter of intent for USC to acquire the two hospitals. Throughout the negotiations, USC has been advised by Moelis & Company. The University filed a lawsuit in August of 2006 seeking to end the relationship with Tenet, and Tenet filed a counterclaim against the University seeking monetary damages. This agreement will resolve the pending legal action.

As Creem assumes the hospital CEO position, no other immediate changes in hospital operations are expected, Nikias said, emphasizing that patients will continue to receive excellent clinical care during the transition period and beyond. USC is planning several activities to welcome all hospital personnel into the Trojan family, while also recruiting new physician leaders and other key personnel in the new calendar year.

In recent weeks the dean of the Keck School of Medicine announced the recruitment of Inderbir Gill, M.D., a world-renowned leader in urologic surgery, who comes to USC from the Cleveland Clinic, ranked number two among the nation’s leading urology programs. Gill will lead the new USC Institute of Urology when he arrives in March. Another recent announcement from the Keck School of Medicine is the appointment of Vaughn Starnes, M.D. -- a pioneer in cardiothoracic surgery and founding director of USC’s Cardiovascular and Thoracic Institute -- as the new chair of the Department of Surgery. He is expected to be named Surgeon-in-Chief of the two private hospitals when USC assumes ownership. Another distinguished clinician, Michael Selsted, M.D., will leave the University of California at Irvine to assume leadership of the pathology department Feb 1.

USC’s recruiting efforts going forward will focus on academic physicians who have distinguished themselves as world leaders in their specialties, according to Nikias.

In addition to the recruitment of new faculty physicians, the move to integrate clinicians’ outside private practices into the Doctors of USC practice plan is an important step toward success in

USC's new clinical business model, Nikias said. "We are very grateful to the clinical department chairs of the Keck School of Medicine, who are in the process of folding all of their faculty practice plans into the Doctors of USC umbrella, which will provide great opportunities to aggressively expand the number of patients cared for by the Doctors of USC, while achieving universal enhancements in customer service."

USC University Hospital opened in 1991 under the ownership of National Medical Enterprise Inc., which later became Tenet. An acute care hospital, USC University Hospital currently tracks 7,700 inpatient visits and 56,000 outpatient visits each year.

Tenet acquired Norris Cancer Hospital in 2003. Devoted exclusively to the treatment of patients with cancer, the hospital is affiliated with the USC Norris Comprehensive Cancer Center, one of the original three such centers in the U.S.

Facilities at the 411-bed USC University Hospital include the new 10-story Norris Inpatient Tower, which provides 11 new operating rooms and 146 inpatient beds, most of which have never been used. Facilities at the USC Norris Cancer Hospital include 60 beds. When USC opens the new inpatient beds at University Hospital, the Doctors of USC will be caring for patients throughout a 1,400-bed system, including the new 600-bed Los Angeles County+USC Medical Center hospital that opened last month and the 314-bed Childrens Hospital Los Angeles.

USC's more than 500 physicians are well known for the care they have provided to patients at LA County's LAC+USC facilities for more than 100 years, building the largest academic training program in the country with more than 900 residents and fellows. In recent decades, faculty physicians – known as the Doctors of USC – also have built private practices at the USC Norris Cancer Hospital and the USC University Hospital. The acquisition of the two private hospitals will allow the Keck School of Medicine to recruit additional world-renowned academic physicians who are committed to excellence in patient care both at the County facilities and at the private hospitals, while also committing to excellence in medical education and clinical research.

When the deal closes, USC will join UCLA as the only two Los Angeles area universities owning hospitals.

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