

The Woodlands History

THE WOODLANDS, THE INSIDE STORY OF CREATING A BETTER HOMETOWN

The Healthcare Building Block

By Roger Galatas

Attracting first class medical care for the new town was identified early on as an important quality of life building block.

So how did we approach healthcare? By 1978, enough people had moved to The Woodlands to establish a nucleus of leaders interested in future community services including healthcare. It was within that early group of pioneers that conversations led to productive discussions with the development company that was also looking at the healthcare issue. This evolved into a more formal legal structure. The Woodlands Medical Center, Inc., a non-profit corporation, was established to define and carry forward the community's vision for healthcare with guidance from a healthcare consultant and financial support from the corporation.

The first identified need was for a clinic that would attract doctors to serve in the community. There were some in Conroe to the north. And to the south was the famed

Texas Medical Center with some of the finest practitioners of medicine in the world. But there was no substantial health delivery system within the community. By that time five or six thousand people lived here. So the first approach was to design, build and operate a clinic that would serve to attract doctors and provide outpatient services. However, because both Medicare and some insurance programs at that time provided payments for certain procedures only if the patient stayed in a hospital overnight, the clinic was planned to have two beds.

We designed the clinic and prepared an application to the state of Texas to secure a certificate of need permit required to operate the facility.

The Woodlands Corporation then recruited Dr. Jack Lesch in 1979 as the first medical director of the proposed clinic. Lesch was just finishing his family medical residency in Houston. "I had no real particular interest in the

position, but then, I was captured by the vision of what was going on in The Woodlands," Lesch said. So he turned down a nice, secure opportunity he had waiting for him in a well-established medical group to accept this more risky offer.

But as it turned out, the planned clinic never opened. It became entangled in the state medical bureaucracy. The state turned down the application by The Woodlands for a certificate of need. The 10,000-square-foot family practice clinic, already built, couldn't open. So young Dr. Jack Lesch arrived, and the clinic he was supposed to head could not open.

To bridge the problem, Dr. Lesch was provided temporary office space in an unused corner of the original Information Center and he operated his practice there until later building his own medical clinic in 1985.

Our focused quest for a hospital that started in late 1979 wasn't only for good health reasons. It was because a potential competitor, The Humana Corporation, proposed to build a for-profit hospital on Interstate 45 adjacent to The Woodlands. We felt that if the Humana Hospital was built, we would not have a chance to get one in The Woodlands. We wanted a not-for-profit hospital with a relationship with the Texas Medical Center. Officials from Baylor College of Medicine and St. Luke's, all in the Texas Medical Center, helped plan a new hospital for The Woodlands. But it was the Methodist Hospital that played an unbelievably important role. Methodist committed corporate resources and executive talent in successful support of The Woodlands Hospital. They led the way for the non-profit's certificate of need application, architectural design, initial staffing and opening of the hospital in 1985 and Methodist signed on to manage the hospital. George Mitchell approved spending \$500,000 of corporate funds for preliminary design and legal work necessary to support the application effort.

In order to get \$20 million needed to build the hospital from a consortium of 10 banks,



The Woodlands Medical Center Board of Trustees

The Woodlands Medical Center Board of Trustees at the hospital opening in 1985. (Seated left to right) John Cooper, Raymond Watts, Michael Richmond, Blanche Davis, James Gross, Kelly Ritch, Jay Hall, Jack Lesch M.D., Dan Hauser, Roger Galatas, Larry Feldcamp, Rev. Robert Gipson. (Standing left to right) Edward Lee, Jr., Robert Whittemore and Charles Spear. (Not pictured) Michael Page and Maple Avery M.D.

Mitchell additionally agreed to pay up to \$12.5 million of any operating losses. With Methodist leading the way, we begged these 10 banks to loan \$20 million to us, and they did. And not one of those 10 banks is in business today under the same name, and the hospital has flourished. Some of the banks disappeared as a result of the economic downturn of the mid-80s. Some merged with other institutions but they did not fail because of the hospital loan.

Obtaining a certificate of need for the new hospital at The Woodlands was by no means a slam dunk. Montgomery County had recently created a hospital district and built the new Conroe Regional Hospital. They were concerned about competition for their new facility. But they were more concerned about the proposed for-profit Humana facility than they were about a non-profit hospital that would be built by The Woodlands. So we gained the political support of the hospital district by being the lesser of evils.

One condition of that support was The Woodlands Hospital would initially be no bigger than 100 beds and it would be located on Interstate 45, not within the interior of The Woodlands, so it wouldn't look as if they were doing us a favor but were instead helping to bring health care to the broader area of south Montgomery County.

Soon after The Woodlands Hospital opened it ran into problems. The first problem was simply not enough people using it. When it opened there were 25 doctors with admitting privileges at the new hospital. But only five or six physicians were actually using it regularly. In the 100-bed hospital, the average daily census, patients actually occupying beds, was only 21.

In those early days, the hospital was so underutilized the parking lot looked deserted. We invited vanpools to use the parking lot at the hospital and that gave the general appearance of a lot more activity. You'd be amazed how effective marketing can be when you have a crowded parking lot. So never complain about your parking lot being too crowded if you own a business.

That helped, but what really helped was recruiting more good doctors and growth in the community. The other problem was one we could not have anticipated. Methodist was named in a lawsuit filed against another managed hospital in East Texas. As a result, the Methodist Board elected to get out of managing community hospitals.



So there we were: a board of directors of volunteer lay people. None of us knew how to run a hospital and Methodist had pulled out. Luckily the administrator, the financial officer and the head of nursing, who had been named by Methodist, elected to stay with the hospital and work with the Board. A couple of years later we were fortunate in finding Memorial Hermann Hospital System interested in expanding its ownership of community hospitals, particularly this one. They bought it for \$21 million. We paid off the \$20 million of debt, and used the extra million dollars for charitable purposes. George Mitchell's \$12.5 million loan guarantee was never needed.

The hospital in The Woodlands has continued to grow under Memorial Hermann ownership. The original \$20 million hospital investment has grown to more than \$240 million. A new tower with 252 hospital beds is complete and several medical office buildings have been added and expansion continues.

It's been a wonderful experience. It started with the question of how could we provide healthcare in this community of 5,000 people, and has grown into something quite substantial. And success breeds success. St. Luke's constructed and opened the second hospital in The Woodlands and MD Anderson and Texas Children's have joined that campus of providers. There are now some 4,000 physicians, healthcare professionals and related staff serving the community and surrounding region. So not only has it been a good asset for healthcare, it's been a good economic boost to the community as well.



Roger Galatas

Roger Galatas is the former president of The Woodlands Corporation and the author, with Jim Barlow, of the popular book, The Woodlands, The Inside Story of Creating a Better Hometown. For more information, please visit www.rgwoodlands.com.



Photos courtesy of The Woodlands Operating Company, LP/Ted Washington/Roger Galatas