

Ep70: Leadership through Change: Insights from Michael Duncan, CEO Chester County Penn Medicine Hospital

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PATTI BRENNAN: Hi, everybody. Welcome to the Patti Brennan Show. Whether you have \$20 or \$20 million, this show is for those of you who want to protect, grow, and use your assets to live your very best lives.

Today, I'm really excited about our topic. We're going to be talking about the evolution of healthcare delivery from the perspective of a hospital. We don't always realize everything that goes into managing a large facility and people, especially over the last 10 years. We've had a lot of changes over the last 10 years.

Joining me today is none other than Michael Duncan. Michael is president and CEO of Chester County Hospital, a member of the Penn Medicine Hospitals.

Mike, thank you so much for joining us.

MIKE DUNCAN: Patti, I'm glad to be here.

PATTI: Boy, has it been a decade. First of all, I can't believe that you've been there almost 10 years.

MIKE: That's right. It's gone fast.

PATTI: It sure has. Now, who would have thought 10 years ago? It was 2011. We had just come out of the financial crisis. Hospitals and medical facilities were reeling because Obamacare had been passed just a year earlier.

Nobody really understood exactly the implication of that, except that nobody's going to be able to make any money anymore. Then changes in Medicare, yada yada yada, etc.

Now, during that period of time, not everybody saw the writing on the wall, and as a result, a lot of facilities are going through very difficult times right now, but you did.



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Were there anything specific that you noticed that you really were paying attention to to recognize that this fiercely independent, community-based hospital might need to make some changes?

MIKE: Well, my perspective having been, this is my fifth job as a CEO. All of my time in healthcare has been leading financial turnarounds.

PATTI: Wow.

MIKE: Chester County Hospital is a great hospital, great quality, great patient satisfaction, and low employee turnover, but we didn't have any money, and we didn't have margins. As you try to figure out how you're going to get to a place where you can build everything you need to build for the community, we had to either get it through philanthropy, or we had to increase margins.

At the same time, we knew early on we needed somewhere in the neighborhood of \$300 million of capital to get what the community needs.

PATTI: It's interesting because, for those of you who are listening, I want you all to know that I was on the board for three years before Mike came along. We were experiencing those squeaky thin margins, some years not so hot, etc., and then the transition, etc.

At one point – and I don't remember when it was, Mike, but – we had a retreat. Mike laid out his vision for this hospital and was talking in numbers of \$100, \$200, \$300 million. I've got to tell you, Mike, I was ready to fall off my chair.

Like, "Where in the world are we going to get \$300 million?" It sounded amazing. It would be great to be able to deliver these services and have access to this technology, etc., but OK, how are we going to do it? How are we going to pull it off?

In that meeting, it was amazing for me to watch how you just laid it out so eloquently and came up with the solution. You identified the issue, came up with other things that we needed to consider, and then came up with a potential solution, and here we are today.

Basically, at that point, the logical conclusion was yes, we wanted to maintain our independence in terms of our culture, but to merge with a larger entity to give us access to that capital, to become the facility that, frankly, we are today was really the logical outcome. It was easier said than done, wasn't it?

MIKE: It was. One funny thing I didn't tell anybody until long afterwards was I accepted the job in March of, it would have been, 2011. Two weeks later, our bonds were downgraded to junk bond status.



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PATTI: Wow.

MIKE: Right before I started, and the plan was to build what is now the Lasko Tower. Nobody would loan us any money. I want to thank Fulton Bank for stepping in and giving us a loan. They got things started. They loaned us enough to build the structure, but not enough to build out all three floors of the hospital.

I had in my mind, “We’ll get to a point where the board sees we need a partner, but what we need to get a partner is we need to build a movie set. We’re going to build the outside of a beautiful structure, and we’re going to build one floor, so they can see what it looks. Then that’s where we’ll take them when they come see our plan in action.”

Then we did have that meeting. We had healthcare architects come in and say, “What do we need in 10 years?” You’ll probably recall, at that point, we were about 50 percent semiprivate rooms, and there’s no way you’re going to grow your patient base if you’re competing with hospitals that are private rooms, and ours are semiprivate.

That famous book, “7 Habits of Highly Effective People,” I have the book. I’ve never read it. Too many words.

I only remember one of the seven habits, but it is, “Begin with the end in mind.” That’s how I try to approach everything. Where would we like to end up? What’s our goal? There was no way we could stay the way we were.

We had to get the hospital converted to private rooms. Just going to take a lot of money. An additional challenge was the board had been committed to independence or die. It looked to me like death was imminent.

PATTI: Oh, there is no question, Mike. Having sat in that room with many of my colleagues, you’re right. It was fiercely independent, only because we wanted to make sure that we could write our own rules, that we could deliver the services that we believed our neighbors needed, and not be having to answer to some god.

MIKE: Yeah, and believe me, I think the best job in the world is an independent hospital president, because you’d make all the rules, and you don’t have a boss. I would have preferred to stay in that state, but we wouldn’t have done what the community needed.

Then it was just a process of going one layer of the onion at a time, laying out for the board, “Here’s our financial situation. Here are our financial projections if everything goes well, and if everything goes medium, and if everything goes poorly.”

Then showing them comparisons. “Here’s what our balance sheet looks like, compared to the hospitals in Pennsylvania.” We were in the bottom 10 percent, and that was



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surprising, I think, to all of us. The only way out seemed, we are in a wealthy community, so there was some consideration.

Do we have donors that would pony up big-time money? We would have needed more than \$100 million to really move things forward. Then that was abandoned, so we started looking at what are merger options?

There are a lot of different models. We had investment bankers come in and present to us different models. Then, because of what the team had done over decades, we actually were very attractive to a lot of people.

We had 17 health systems approach us about joining them. That point you've made several times, our culture is our strategic advantage. We were looking for a partner who acknowledged that and was committed to that.

When we met with Penn Medicine, Ralph Muller in the first paragraph of his statement said, "You have a culture we would love to have, and we are committed to letting the local management team run the hospital and maintain that culture." As far as I was concerned, the deal was done at that point.

PATTI:

It's interesting, Mike, because as you may recall, I was one of the three people from the community who participated in that due diligence. It was a lot, and it was so interesting for me to be involved in that, and I so appreciated that opportunity.

I found it fascinating that every single one of those –what I call dog and pony shows – these people pulled out all the stops in terms of what they wanted to do and how they wanted to grow Chester County Hospital, etc.

You're absolutely right. It was so clear that Penn was the right partner because that's what they were looking at for. It was one of those things where they perceived us as being the diamond, a facilitator, and a group of individuals, healthcare people who they could learn from.

I really appreciated that, especially coming from the great Penn Medicine. They're so well respected all over the country, and even all over the world. Here they are, coming in and saying, "We want to be more like you."

That was very, very interesting to me. What I think is also very, I don't know, it's not a very technical word, but I think what is also so cool about this is that you've maintained it. Even with Penn, they're in there, they're supporting us.

We are still Chester County Hospital, neighbors helping neighbors. It's still the same, and it's so unique. Again, having – we were talking offline about this – I've had the privilege



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of working in a city hospital in Washington, DC as a nurse.

Worked in ICU outside the city here in Philadelphia. I even worked in England, learning about socialized medicine, learning midwifery. I think I've been exposed to a lot of different cultures, and I've got to tell you, there's just nothing like Chester County Hospital.

That comes through in the quality of the care and the attention. Are we perfect? No. I think what I love and I admire so much about you is you're so transparent. It's always, "We're good, getting better." We're always looking at ways to improve.

You're very open. You want to understand what's happening for patients and for people in the community, and looking at ways in terms of how you can fix it. I guess I didn't realize that you were the CEO of five, this has been your fifth stint.

Now, it all makes sense. It all makes sense. You've turned this thing around. Really, Newsweek just came out and said that we were the number one community-based hospital in Pennsylvania. That's a big deal and something that we can all feel proud of.

Here's a question. Again, I admire your transparency, so give us the dirt. What were some of the challenges? What were some of the things that were maybe even more difficult than you anticipated or took longer, etc.? What do you think? Is there anything that stands out?

MIKE: First, I want to give a positive for why the culture stayed the same. If I could, I just want to talk about culture management a sec.

PATTI: Please do, yeah.

MIKE: One of the most remarkable things, particularly for me as a turnaround CEO, everybody on my management team except the CFO, 10 years in, was hired by my predecessor. It was good, mature, steady management, and I have kept that team together because they produce these kinds of results.

They just needed resources. They needed what Penn Medicine could provide that we couldn't provide for ourselves.

The time that was challenging was to see what we need to do and know that we're going to have a fair number of board members who were just going to have a hard time with that, and figuring out how to go step by step and get there.

There were threats along the way that could have just taken us down that I was trying to manage out of the limelight. If a big group of our doctors moved to a competitor, we'd just go under. We had no financial resilience.



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The culture pieces and there was a study done in the '90s that compared companies with a great strategy with other companies with a great strategy, but the other company had strong culture. The CEOs that are intentional about culture management, their companies outperform other companies in the industry.

What I did in the first six weeks was ask members of my new management team, I said, "You guys know the culture. I don't. I want you to sit down and write out our values because I'm not sure what they are." My only contribution was I said, "You can have five words."

PATTI: Wow.

MIKE: Back they came with five words. It was innovation, collaboration, accountability, respect, and excellence. Then I said, "All right, we're going to teach all these to all of our employees. I'm going to teach them to all new employees on their first day of work."

I did that this morning, new employee orientation. All I talk about is our culture. "Here's how we're going to treat each other," and most people can do that. If we discover you can't, then we're not going to be right for you, and we'll let you know.

We talk about the I Care values in management meetings and group huddles. It's on our website. We celebrate people who are caught in the act of their I Care values, and I think that's what been able to...We're very intentional about managing culture over time.

A threat to that was when we increased the footprint by 50 percent and moved into the new tower. That can be a culture changer. I just beat the drum that, if we move into this beautiful new facility, and we leave our culture behind, we will have wasted \$300 million.

We've got to be I Care focused when we get into the new facility.

PATTI: Wow, that is such a story. It's so interesting in terms of, you think it's all about the dollars and cents. You think it's about the strategy. It's the competitive advantage, etc. No, at the end of the day, as with most organizations, it comes down to our people.

Are people delivering the ideal of what can be done? That is so interesting.

We've been through a lot in 10 years, tons. Who would have seen not only changes in Medicare and insurance, and etc., we have a brand new disease that we're fighting, and we're fighting it incredibly well, I will add.

We'll put that aside for the next time we're together. Here's a question for you. What do you see for the next 10 years? I know that you had the goal. For the most part, we've hit it, so what do you see for the next 10 years?



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MIKE:

I've been thinking about that a lot, because I'd never stayed with one organization for 10 years. I did the turnaround, and then I'd go to another turnaround. This is different, because this is my wife's hometown.

I have the privilege of leading the hospital in the community we're going to retire in. It surprised me some that we got to the finish line. I had a 10-year plan. That sounds like something you'll never achieve, and then we got there.

The kinds of things I have been thinking about are I want to be more involved in the community. We are one of the big organizations in the community, and so I want to strengthen ties with elected officials, with church leaders, with West Chester University and see what we can all do together to make the community better.

Use the voice that is afforded to somebody who's a hospital president to make not just the hospital but the community better. An area of particular interest this past year with the social justice stuff, I saw...Well, I'm just going to stick in here my management philosophy is, "Love people, expect excellence."

You've got to do both at the same time. Take great care of the people and drive for excellence every day. Don't let being soft on people be an excuse for lower standards, and yet don't pursue excellence and leave bodies behind.

With that sort of framework, when everything was going down last summer, I saw our minority employees, and I could tell they were burdened. They didn't look like they usually looked. I just started meeting with them one at a time and just asking them their story.

"What's this look like to you? How are you feeling? What's going on with your family? Can you tell me your view of the world?" I heard story after story that, I thought we had come further. Yeah, we've made progress, but the day-to-day experience of some of my folks was a parallel experience from mine.

It was weighing them down. I've gotten very involved in talking to some of the Black church leaders, the president of the NAACP. I never thought I would talk to somebody from the NAACP. Kyle and I are now buddies.

We're trying to find ways that we can work with the whole community, and I think we can play a role in diversity and inclusion. For me, it's not a political statement. This is about love your neighbor as yourself. If I say I'm going to love people, I need to love all the people.

Trying to figure out what to do with that in the next 10 years, and then I've got work on succession planning. Everybody on my team is in the same age band. Perry handed me a



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wonderful culture and a great management team, and I owe it to my successor, and it'll be a different management team.

God willing, I'll last at least 10 years, but almost everybody on the team is likely to turn over. How do I fill in with new leaders, some from within, some from outside, that have that same vision? Those are the big, softer things that are occupying me, not the hard thing of find \$300 million and build a building.

PATTI: Right, wow. Sometimes, I would think that the softer things are often even harder.

MIKE: It is harder. You can't put it on a spreadsheet and make a plan.

PATTI: No, absolutely. Yet, just from my perspective I'll end with this story just to share with everybody how, when Mike Duncan says something, it's amazing how quickly it can happen. This story is about a walk that I was having with one of my best friends this weekend.

It was just one of those random conversations. "How you doing? What are you up to?" What have you. This person was a fervent believer in a different hospital system – I won't even mention it – and has over time, she's begun to volunteer for the hospital, for Chester County Hospital and loves it.

She told me that she is 1 of 100 volunteers who since January have been proactively been reaching out to the community, making phone calls, just to check in and see how they're doing. It's interesting. Number one, I learned two things from that conversation.

Number one, I learned how just amazing our volunteers are. The fact that they're giving up eight hours a day, the amount of time these people are spending on the phone, reaching out to random strangers, but their neighbors, that was amazing to me.

It really said a lot about, again, the culture, the hospital, and how we really want to be there for people in the community who may be vulnerable, may live alone, or just might appreciate a phone call. The second thing that I learned is that not money people answer their phone anymore. [laughs]

They leave messages, etc., but it just is...Even for someone to just put on their answer machine and hear someone saying, "Hey, I'm calling. I'm a volunteer with the hospital, just checking in to see how you're doing. Is there anything that we can do for you? Do you have any questions?"

I think that says a lot. I don't know of many hospitals that are actually doing that. Again, there's that spirit of, "Let's all come together and make our community stronger, better, and feel even more included."



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Mike, I don't know how to thank you enough. It's been an amazing 10 years. I've learned so much from you. I'm so grateful for our friendship, and I'm grateful for you being with us today.

MIKE: Thanks, Patti.

PATTI: All right. Thanks to all of you. What a privilege it is to have you here with us on this podcast. Join us again. Mike's going to come back. We're going to talk a little bit more about some of the challenges that we faced with the hospital, COVID, and anything else that might come to mind.

Thank you so much for joining us, and we'll see you soon. Take care.



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