THE HISTORY OF
THE FORMATION OF
ALBANY MEDICAL CENTER

BY GREG McGARRY
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This brief updating of Dr. Richard Beebe’s wonderful book on Albany Medical College and Albany Hospital contains an important message to those at other academic health sciences centers who are trying to perform academic medicine’s missions in a way that delivers more value and quality to their patients, students and other customers, and to do so in a way that is more cost efficient. In a word, that message can be reduced to one word: integrate.

This book provides a stark comparison of Albany Medical Center for the 12 years (1982-1994) before it took the mandate of the Omnibus Resolution seriously with the 12 years (1994-2006) after it did. The difference in the approach to, and the delivery of, our missions during this later period has been fundamental; and that difference has not merely assisted our survival during the difficult days following the federal Balanced Budget Act and the New York State Health Care Reform Act, it has actually propelled us to a position of unchallenged leadership among healthcare deliverers in the vast geographic region that we serve.

Why did full integration of the College and the Hospital make such a difference? When critical decisions can be made rapidly by a single Board of Directors, management is given the guidance that it needs to execute new approaches. When those new approaches could be executed rapidly by a single management team, that team has been able to turn this huge and complex institution quickly. Both governance and management are highly integrated here; each works with the other, without governance stepping into management, or management fearing to bring tough policy problems to governance.

Moreover, the integration of the various components of management has significantly assisted our work efficiencies. Gone are the days of multiple finance functions, multiple HR departments, multiple information services that could not interface, multiple facilities managers, multiple everything. How could work be done, or costs be saved, in that paradigm? They could not. But now they can, and are.

As the 24-year period indicates, our march toward integration was lengthy. It was the separate cultures of the two organizations, College and Hospital, that stood in the way. Yet there had to come a time when someone said “enough.” When someone said that our insistence on disparate cultures would
result in extinction, not enhancement. When someone said that there was a better way; that we were going there; and that those who chose not to follow would be left behind. That message, as unpopular as it was in many quarters, became my message. In saying this, I claim no particular insight. Most could see what I saw. Most could even agree with the vision. But they were not in the central position of being both Board Chair and Chief Executive Officer, and I was. So the vision, and its articulation, fell to me.

Along the way, mistakes were made. I am responsible for them. Perhaps some of them were inevitable. When one is moving quickly, changing culture, dealing with resistance, some things can go wrong. However, there were two things that did not, and these I consider to be at the heart of our success. First, a strong senior management team was built, one person at a time. When mistakes were made in selecting the wrong person, we admitted them, repaired them humanely and moved on. Today, I would not trade a single member of that core team for anyone else. We work hard together. We listen to each other, respecting (sometimes even adopting) minority positions. And, we have become friends. This latter is a bonus; but it has proven to be invaluable.

Second, as a team, we never lost sight of the vision. Indeed, we are still pursuing it — keep pushing back the boundaries of the impossible; keep growing, while maintaining financial integrity; but, beyond all this, keep the missions central and sacred. Albany Medical Center is nothing today, if it is not driven by its missions.

During the course of countless conversations with residents of our region, a notion that I have heard repeated consistently is that Albany Medical Center is a great place to come for healthcare, because it is so big. (The meaning, as I take it, is that we have a large cadre of superb physicians, both faculty and non-faculty, on our Medical Staff, who are able to care for, virtually, any type of disease, injury or condition. And, they are supported by superb nurses, technicians and others.) Of course, the truth is just the opposite. Albany Medical Center has grown to be a big place because the care it provides is so great. And, it has grown to be a big place because the education is so outstanding. And, it has grown to be a big place because the research is so focused and vital.

I would like to think that some years from now, another updating of Dr. Beebe’s book will be written. And, at that time, new authors will comment that those in our generation took to heart our solemn responsibilities to the region
that we serve—that we were successful. That Albany Medical Center flourished because of our efforts. And, that its reputation grows only stronger and stronger. That is a goal worthy of Alden March, of Richard Beebe, of Arnold Cogswell and of countless thousands of others who have worked so hard for almost a century and three-quarters to show the nation the real meaning of academic medicine.

JAMES J. BARBA

President & Chief Executive Officer
Albany Medical Center

August 2007
It is our hope that this summary of the incorporation of Albany Medical Center in 1982 will be viewed as an important addendum to the rich history of academic medicine in Albany profiled in the book “Albany Medical College and Albany Hospital — A History: 1893-1982” by the late Richard T. Beebe, M.D.

Concerned that the opportunity for capturing the oral history of the formation of Albany Medical Center, and its initial years as an academic health sciences center, might be forever lost, Albany Medical Center President and Chief Executive Officer James J. Barba asked us to interview past leaders, Board members and others involved in the establishment of Albany Medical Center and prepare a summary of this historic development—and the institution’s subsequent struggles and successes. This paper is the result of that effort. It involved 14 interviews over a span of 18 months (in 2005 and 2006).

The narrative is divided into four sections. The first briefly traces the founding of Albany Medical College and Albany Hospital (the predecessor to Albany Medical Center Hospital) in 1839 and 1849 respectively, and discusses their complementary and reinforcing missions and the fact that they remained separate organizations for nearly a century and a half.

Section II details the various attempts at consolidation that occurred between 1970 and 1982.

Section III addresses the incorporation of Albany Medical Center in 1982 and its ensuing difficulties.

Section IV provides an overview of organizational and cultural changes made during the past decade, when the vision of a unified Albany Medical Center was finally realized.

We wish to thank all those who agreed to be interviewed for this report. Special thanks go to John A. Beach, who shared a detailed description of how Albany Medical Center came to be formed in a white paper titled “Albany Medical Center—Final Quarter of the 20th Century—Centralizing the Center”—which he submitted to Albany Medical Center’s senior management team in 1999. This document formed the springboard for our work and it appears in its entirety at the end of this report. It is our hope that this brief history of the formation and evolution of Albany Medical Center will
contribute to an even greater understanding of—and appreciation for—the institution by those who work in support of its noble missions.

Richard M. Cook  
*Executive Vice President for Policy, Planning and Communications*

Greg McGarry  
*Vice President for Communications*

*August 2007*
Chapter 1

Albany Hospital and Albany Medical College: Complementary Missions but Separate Institutions

Dr. Alden March arrived in Albany in 1821 at the age of 26 with a medical degree from Brown University. He was an enterprising young physician who, in addition to caring for patients, published medical papers, taught anatomy classes in both Castleton, VT, and Albany, and was active in local and national medical societies.

His vision for healthcare in Albany was great and far-sighted: first he wanted to establish a medical school to prepare physicians to care properly for patients, which he did in 1839 by founding Albany Medical College in the former Lancaster School at the corner of Lancaster and Eagle Streets in the City of Albany. Then, a decade later, he started a hospital where these doctors could care for the region’s sickest patients. Albany Hospital was incorporated in 1849 and “in business” two years later on the southwest corner of Dove Street and Lydius Street (now Madison Avenue).

Although Dr. March had a clear vision for improving healthcare in Albany, he could not possibly have foreseen all the subsequent advances that were to be made by Albany Medical College and its faculty, students and graduates. From trauma care to AIDS therapies, Albany Medical College research scientists have made a number of major discoveries in the understanding and treatment of a wide variety of diseases. And, true to his dream for Albany, the college itself constitutes a physician “feeder system” for the region by graduating outstanding doctors each year, many of whom choose to remain and practice in the area.

Despite his progressive nature, Dr. March also could not have foreseen the growth and ultimate impact of Albany Medical Center Hospital, one of New York’s largest teaching hospitals. The institution offers a variety of unique programs such as transplantation, trauma, and a full range of pediatric services that are vital to the well being of residents of the region.

Nor could Dr. March have imagined the ultimate fruit of his efforts, the formation of Albany Medical Center in 1982. With nearly 7,000 staff members, Albany Medical Center is now the second largest private employer in the Capital Region, and the largest in terms of payroll. More importantly, it is the leading healthcare organization in northeastern New York.
What Dr. March did understand, however, was the great need for both a medical school and teaching hospital in the state’s capital. Since their founding, the two institutions shared complementary missions of patient care (hospital) and biomedical research and education (college). And in 1926 the two organizations—for the first time ever—shared the same location at the eastern end of New Scotland Avenue in what is now known as the University Heights section of Albany.

Throughout the years, physicians who taught in the medical school saw patients in the hospital, and students transitioned from lecture halls in the medical school to “shadowing” assignments on the floors of the hospital. Additionally, the research component in the medical school helped attract the very best physicians to the hospital—physicians who took great pride in being associated with an academic and research enterprise, with its promise of translational benefits to their patients.

But while both institutions depended on each other to be successful, they, nevertheless, remained fiercely independent not-for-profit corporations with distinct and separate cultures. The college’s focus was on academics, while the hospital concentrated on delivering care to patients.

Neither institution was the “child” of a greater government authority or large university—the healthcare model commonplace throughout the country—and so each grew up with a sense, if somewhat naïve in the 20th century healthcare arena, of being in control of its own destiny. Each was led by its own board, its own management teams, and neither gave much thought to the idea of consolidation despite the fact that both entities were dependent upon each other to fulfill their respective missions.

From time to time, the two institutions collaborated on a special project, such as fundraising for—and construction of—the K Building at the west end of the campus, which was dedicated in 1951 and featured 132 new hospital beds, new operating rooms, an outpatient clinic and offices for faculty members.

In the 1950s, the institutions even went so far as to publish “The Manual of Inter-institutional Relationships,” according to Michael Vanko, Ph.D., who worked in the college laboratories at the time.

“In black and white, the manual stated, ‘This is what you owe me and this is

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1 Dr. Vanko served as president and CEO of the Albany Medical Center Hospital from 1981 to 1982 and as executive vice president of the Albany Medical Center and general director of the Albany Medical Center Hospital from 1982 to 1987. He also served as executive vice president for corporate resources from 1987 to 1988.
what I owe you,’” he explained, pointing out that it was how the leaders of both institutions kept track of the small “loans” that, often begrudgingly, occurred between them from time to time. These modest attempts at collaboration, however, were continually undermined by the staunch rivalries that existed between the two institutions.

For example, many in the hospital criticized what they considered to be unbusinesslike attitudes and processes in the college while those in the college often felt underappreciated for the critical educational and research roles they performed. Many of the leaders and board members of both institutions contributed to this competitive and even distrustful atmosphere by isolating themselves from the other entity and each other as much as possible.

It would take a toughening financial environment to begin ‘thawing’ the iciness that had built up over decades of coexistence.
Chapter 2


After nearly a century and a half of going it alone, increasing financial pressures on both institutions in the late 1960s and 1970s forced each organization reluctantly to consider what previously had been heresy—joining forces to better face these significant and growing environmental challenges. The factors involved included:

- Business and government payers’ rising concerns over escalating healthcare costs.
- The state’s capping of Medicaid rates and the initiation of the first elements of a rate-setting system for hospitals.
- The federal government’s institution of price and wage caps, and its insistence that Medicare rates be based on a hospital’s historic cost factors, which hurt the hospital because it had been managed so conservatively.
- The reality that the college had no significant endowment and no parent university to bail it out.

While these market and environmental elements were forcing consideration of a marriage, no one was in any rush to get to the altar. In fact, the engagement period was to last more than a decade (1970-1982) and include at least two break-ups before the eventual exchange of vows. And there certainly was no joyous celebration afterwards. Yet, as in the most fortuitous of pre-arranged marriages, the partners would gradually warm up to each other, and ultimately recognize the value of each other’s contributions and the wisdom of their shared commitment.

Speaking of the era prior to the consolidation discussions of the 1970s, Arnold Cogswell,2 a key player on the hospital board of governors at the time, noted: “There was a real dislike between hospital and the college—not only at the Board level but also at the head of each organization.”

“The college felt that they wanted to stand on their own two feet, and at the time, the college was getting all the grants they wanted. And the government

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2 Mr. Cogswell served as chair of the hospital board of governors from 1963 to 1972 and pushed for consolidation for more than a decade.
was giving a lot of money for research,” Mr. Cogswell explained. “The doctors were an important interest group in this, and they weren’t too crazy about the idea of being brought under a central authority that was going to look at centralizing planning and finance. They were making big money in those days—remember this was before Medicare and Medicaid. And the thinking was ‘As long as I’m smart enough to get my own research money, why do I need the hospital?’ ”

Members of the hospital and college boards never met with each other and the dean of the college, Harold Wiggers, Ph.D., and the director of the hospital, Thomas Hale, M.D., didn’t get along. There is a popular anecdote told about their often contentious meetings, for which they had agreed to alternate offices as the host site.

“Hale and Wiggers met weekly, and they did not get along,” said Robert Friedlander, M.D., who served as dean of the Medical College from 1979 until 1987. “Hale got to know that Wiggers could abide no cold so he would ice his office and Wiggers knew Hale couldn’t stand heat so he’d heat up his office to 90 degrees.” Similar animosities were present among certain members of the two institutions’ boards.

Albany Medical Center Hospital, from the era of Dr. Hale (1946) and his successor Dr. Thomas Hawkins (through 1981), was an institution that counted every penny and subsequently expended whatever change it had earned very conservatively. This was a strategy that kept the institution solvent but, as already indicated, penalized it when government payers began basing reimbursement on historic costs.

“Tom Hale’s philosophy of medical services and running a hospital—which Dr. Hawkins continued—was to provide the least expensive care to the population, and that meant that spending money was carefully done and also meant that when regulation came in there was not much fat left in the hospital and so the hospital was always—in the early days of regulation—skating on the edge,” remarked Matthew Bender IV, a longtime Albany Medical College and later Albany Medical Center board member.

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1 Dr. Wiggers served as dean from 1953 to 1974.
2 Dr. Hale served as hospital director from 1946 to 1968.
3 Dr. Hawkins served as hospital director from 1968 to 1981.
4 Mr. Bender served as chair of the College board from 1982 to 1984 and supported and participated in the consolidation discussions of the 1970’s and early 1980’s.
The public was indifferent to this growing internal debate. In fact, some members of the public thought a medical center already existed since the term was in common usage by this time. John Beach, a partner of the Albany law firm of Bond, Schoeneck & King who crafted the legal documents that led to the actual formation of Albany Medical Center, points out in his white paper that, “By mid-century the hospital and college, physically and functionally interconnected at their common New Scotland Avenue venue, had come to be thought of and referred to as ‘Albany Medical Center,’ notwithstanding the absence of any common ownership or control (typically in the hands of a government unit, or of a private university) which characterized most of the nation’s 100 or so academic medical centers elsewhere.”

By 1970, certain individuals on the college and hospital boards began exploring the possibility of unification, a 12-year-long effort that would see three distinct joint committees formed for this purpose.

The first was the Committee on Central Administration, which began meeting in 1972 and which developed a Joint Administrative Agreement in the fall of 1973 that delineated a formal partnership between the hospital and the college. The committee’s proposal was adopted by each of two separate governing boards in a joint session on Jan. 7, 1974. The agreement called for an administrative structure headed by a president and a 15-member governing board to “coordinate all matters of mutual concern” while retaining the corporate and financial independence of each entity. Or, in the words contained in an announcement that appeared in the alumni organization’s Alumni Bulletin that April, this action represented “a legal agreement between the two institutions to work together under a single administrative head.” But the agreement never moved from document to implementation. The board was stymied in its 2-year-long effort to recruit a president. A perfunctory glance at the job description and organization chart made apparent to prospective candidates that neither they, nor the supposed governing board, would have any real authority over the two entities.

As Mr. Beach noted in his analysis, “The inherent weakness of the partnership structure—that nothing prevented either of the corporate ‘partners’ from withdrawing from the partnership if it believed its best interests were not being served by the partnership—became either the reason or excuse for the partnership’s failure to survive its unsuccessful effort to

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7 Mr. Beach served as counsel to the College starting in the early 1970s; as counsel to Albany Medical Center before and after its legal formation; and as interim president and CEO of Albany Medical Center from July 1989 through March 1990 upon the resignation of its first CEO J. Richard Gaintner, M.D.
recruit a president.”

A small cadre of board leaders was not willing to give up on the consolidation notion. This group included—among others—Mr. Cogswell and Richard F. Sonneborn, who had served on the Hospital Board of Governors since 1968, including as chairman, and who would later serve as the first chairman of the Albany Medical Center Board of Directors from 1984 to 1988.8 “Basically everybody knew that cooperation and collaboration was essential to both organizations, and that was the bottom line,” recalls Mr. Sonneborn. “But I can tell you that it was a very difficult thing getting the two organizations together, because each had some concern that the other would detract from their importance; and it took a long time to break that up and have a real cooperative attitude,” he explained. “I think there was a real concern that one organization’s administrative ability and goals might be endangered if the other group dominated,” he added. “So there was a lot of friction, but it was, I think, mostly superficial, and down deep they all knew that the concept of the Medical Center made a lot of sense and would have to work.”

Carl Touhey,9 another longtime Albany Medical Center board member, shook his head when he recalled the infighting that typified the two institutions prior to consolidation.

“I was on a committee to consider a new telephone system,” Mr. Touhey recalled. “It turns out that the hospital had its own telephone system and the college had its own. And believe it or not it took a long afternoon argument to convince everybody that we ought to have one telephone system. Now you would say ‘That’s ridiculous!’ but habit isn’t easily changed.”

He described the two institutions prior to consolidation as “clubs.”

“I say this respectfully,” Mr. Touhey explained. “They used to be two clubs—good clubs where everybody was dedicated. The college was a nice cozy academic thing. Dean Wiggers was a hell of a guy, and he did a good job and he’d been dean longer than any other guy in America (21 years). And I think the hospital (under Dr. Hale) was a cozy little nook with its officers and

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8 Earlier in his career Mr. Sonneborn served in various leadership roles on the hospital Board of Governors including as Treasurer (1970-1974); as Vice President (1974-1976); as President (1974-1980) and as Secretary (1980-1984). He is now an Emeritus Director of the Board of Directors of Albany Medical Center. He, too, was involved in many of the consolidation discussions.

9 Mr. Touhey is a highly successful area businessman and longtime board member who headed up the successful fund for 21/21 fundraising campaign, which raised $27 million in the late 1980’s and later served as honorary chair of the Pillars Campaign, which ended in 2004 and raised more than $131 million for the Albany Medical Center.
distinguished members. But when they merged, that’s when it became a big business.”

Mr. Touhey is glad they did because he believes that neither institution would have made it without the consolidation. “The merger was inevitable and I’m surprised it took so long.”

The second serious effort came quickly on the heels of the first. Mr. Cogswell headed up a Liaison Committee of Board members, which retained the New York City-based firm of Booz, Allen & Hamilton as consultants. Over the course of a year, vice presidents of the firm visited Albany and conducted more than 60 interviews with representatives of the governance and management structures of both the college and the hospital. The consultants also visited four existing academic health sciences centers to study their respective models—the New York Hospital-Cornell Medical Center in New York City, the Bowman Gray-North Carolina Baptist Medical Center in Winston-Salem, N.C., the Dartmouth-Hitchcock Medical Center in Hanover, N.H., and the Rush Presbyterian-St. Luke’s Medical Center in Chicago.

In their interim report to the Liaison Committee, the firm suggested three possible models:

- The establishment of a holding company to own the hospital and college.
- The continuation of two separate corporations with the same individuals acting as both trustees and governors.
- Formal consolidation of the hospital and college corporations.

Asked to consult and review these recommendations, Mr. Beach shared his opinion that only one of the models—formal consolidation—would be legal given existing New York State laws, and then only after approvals from both the state Department of Education (Board of Regents) and the Department of Health. Informally, Mr. Beach suggested another possibility—the creation of a parent or umbrella corporation which would be over the hospital and college entities and which would guide the two organizations in pursuit of shared missions and complementary goals. “At the time, however, there was little enthusiasm for perpetuating the two separate corporations; indeed, there was considerable impatience with any more dealing with or through more than one governing board,” Mr. Beach pointed out in his paper.

In their final report, dated June 9, 1976, the consulting firm made the case for a formal consolidation, noting that it would preserve the basic strengths of
each institution and overcome their weaknesses. “The final reason for selecting the unified corporate model,” wrote the authors, “is that potential external pressures are so critical that Albany Medical Center must be able to respond and take action effectively and in a coordinated manner. The (alternate) consortium approach, with multiple boards and lack of authority for decision-making, shows less ability than the unified model to make timely, unbiased, binding decisions—decisions that may serve the Center’s long-term overall purpose, but may not be in the best short-term interests of all components.”

The Liaison Committee, backed by both boards, approved implementation of consolidation, and Mr. Beach was asked to prepare the necessary documents and secure pre-approvals from the state Department of Health and from the state Department of Education, which he did. All that was wanting were the signatures on the final documents.

But a private meeting between outgoing College Trustee Chairman Andrew Fisher, incoming College Trustee Chairman Woods McCahill,10 and Dean Stuart Bondurant11 would bring everything to a screeching halt.

As Mr. Beach recalled, “The train for consolidation was moving full steam ahead on greased tracks. But suddenly there came a derailment on Feb. 1, 1977 when Dr. Bondurant sent a four-page memorandum to the College trustees and various others involved in the collaboration effort, throwing the fatal switch in the first sentence:

“After considerable thought I have reached the judgment that the interests of the Albany Medical College and those of the Albany Medical Center Hospital will not be served by corporate consolidation at this time.”

Five major reasons were cited, all of them centering on the potential negative financial impact on the college. “In times of financial restriction, control of an academic enterprise by an academic enterprise seems even more necessary,” wrote Dr. Bondurant. He pointed out that in a crunch, the hospital’s well being would take precedence over the college’s, if the two institutions became one corporate entity. “Since the purposes of the hospital, the care of the sick, are fulfilled on a day-to-day basis, financial constraints in a single corporation will likely require any reasonable leadership to favor the enterprise of the hospital when budgets are tight,” Dr. Bondurant explained.

10 Mr. McCahill served as chair of the College board of trustees from 1977 to 1982.
11 Dr. Bondurant served as dean of Albany Medical College from 1974 to 1979.
His memorandum, no doubt, stunned most who received it, since there had already been agreement on consolidation by the leadership of both institutions as well as both boards. As Mr. Beach pointed out, “The fear expressed by Dean Bondurant and other supporters that being formally united with the hospital might involve sharing potential future losses of the hospital, and the reciprocal fear by hospital supporters about potential college losses, was logical enough, but it had existed openly during all the previous years and had been a central consideration informing attempts at administrative unification. Indeed, it had been analyzed, and resolved, in most minds. To most, an intense focus on that fear overlooked the extent to which those risks were already inherent, de facto, in the functional overlapping of missions and personnel of the two corporations. Whether legally separate or not, the functional and financial stability of the college and hospital had become inseparably linked.”

Dr. Bondurant’s memo concluded with a one-paragraph suggestion that a single office for planning and financial coordination be developed that would ultimately report through the hospital director and dean to both boards—a far cry from the unification plan previously agreed upon.

Four days after Dr. Bondurant sent the memo, McCahill formally moved that the plan for consolidation be abandoned by the college Board of Trustees, and they did so.

“I think there were a number of people on both sides of the aisle here who feared the consolidation,” said Albany Medical Center President and CEO James J. Barba (1995 - to present) who would shortly afterward become a member of the college board. “And I think that perhaps, in some way, the case for consolidation was not made strongly enough. The college was always concerned, from the beginning of these conversations, that somehow the hospital would want to take its very, very small endowment and use it for hospital purposes. Similarly, the hospital was afraid of the college because the culture was so different.”

But the believers in consolidation refused to throw in the towel. When asked how it happened that serious discussions were renewed within just a matter of months, Mr. Cogswell responded, “I think they (fellow board members) were seeing that we’d gotten this far and there were still people on the boards that said, ‘Well, we have the groundwork done and let’s try to do it.’

“Everybody was talking about consolidation all over the country and they (most board members) didn’t want to get left behind,” Mr. Beach concurred.
“These topics were being widely discussed among the nation’s hospitals. The discussions were prompted by accountants, lawyers, and management consultants throughout the healthcare industry, casting seeds and instilling fears of being left behind in the general shuffle, if not race, to somehow reorganize for strategic positioning.”

“The deficits were driving it all, and I think the rank-and-file board members were asking some very hard questions to board leadership and to the dean and to his administration about what was going on and how were we going to stop it, and what made sense,” Mr. Barba added.

At the beginning of the 1980s, an attorney named Earle “Duke” Collier of Hogan & Hartson in Washington, D.C., was hired by the hospital to shepherd some rate appeal matters through the regulatory maze. He was also asked by a second Liaison Committee headed by Mr. Bender to analyze the issues associated with a possible reorganization of the hospital and college. His subsequent memorandum, rather than delivering a blueprint for consolidation, noted the importance of careful planning and the inherent risks associated with fundamental change. “If the organization as finally created is found to be inappropriate, the college and hospital may face problems worse than those presently encountered,” Mr. Collier cautioned. Woven throughout his memorandum was a concern that board members of both institutions remained uncertain of the goals and values of a solid partnership, despite a decade of study and discussion—and mounting financial pressures!

Nevertheless, Mr. Beach was asked by the Liaison Committee to prepare documents that would do precisely what he suggested at the time of the Booz, Allen report—namely, create a new Albany Medical Center Corporation that would direct and control both the college and the hospital.

Still the nagging question: What changed to bring the discussion once again to a point of action?

“I think that the circumstances just got more dire,” Mr. Barba stated. “Most of my early work as a college trustee was trying to figure out how to stop the budget deficits. And on the other side, on the hospital side, while the deficits weren’t as serious, it was predictable, given the reimbursement schemes at the time, that they easily could be serious at any point in time. So the cultural arguments (against consolidation) paled in comparison to the reality of the financial issues, at least on the board leadership level.”

Mr. Cogswell concurs. “The hospital was having a tough time during this
period (in the 1980s) too, because the state had moved toward a rate-setting system. They had set up their first efforts to control Medicaid by controlling payments to hospitals, and I remember a brief discussion I had with Tom Foggo (then in finance in the hospital and later to become its director from 1986 to 1999) who was telling me that every day he had to work with accounts receivable to review the institution's cash position.”

“And so I think these financial stressors provided the pressure to do something. The fact that we had just gone all through the report (Booz, Allen) made us see that there may be a possibility. And some of the tough individuals (who were opposed to consolidation) had left or retired.”

Mr. Beach drafted an Omnibus Resolution, which spelled out, in clear language, just where ultimate authority was being ceded to the Center, e.g., in all budgetary matters; fund-raising; endowment management (subject to requirements and restrictions imposed by endowment donors); real property dealings; creation of indebtedness; contractual authority; long term and financial planning; and faculty practice terms and conditions. Conversely, it gave assurance of continuing autonomy for the College in the conferring of academic degrees.

After both boards reviewed and approved the document, and both state departments signaled their approval to proceed, Mr. Beach was asked to draft a charter and certificate of incorporation, which were filed with the Secretary of State on October 8, 1982. Simultaneously, Dr. Vanko filed a certificate of need for establishing Albany Medical Center with the New York State Department of Health with subsequent approval by the New York State Public Health Council and the Commissioner of Health. In this manner, Albany Medical Center was formally created. The first meeting of the new, combined Board of Directors was on January 19, 1983. Ten months later on November 14, J. Richard Gaintner, M.D., 46, fresh from Johns Hopkins School of Medicine, where he had served as vice president and deputy director, became the first president and chief executive officer.
Albany Medical Center: A Vision of Unity but a Divided Reality (1983-1995)

More than 1,200 people turned out at The Egg within the Empire State Plaza on Nov. 14, 1983 for the formal installation of J. Richard Gaintner, M.D., as the Albany Medical Center’s first president and chief executive officer. Dr. Gaintner had been recruited in a national search from the prestigious Johns Hopkins School of Medicine, where he had served as vice president and deputy director. During an interview shortly after the ceremonies, he expressed excitement about the prospect of bringing the two institutions together.

“We have component institutions, the hospital and the college, which have long histories, and very good histories,” he stated. “Today I think we have the advantage of blending them together into an entity which far exceeds the sum of the two parts.” With a new unified management and Board structure, he promised that the two entities would now “speak as a single voice.” But, as he would soon learn, this would prove to be easier said than done.

Dr. Gaintner was excellent at articulating the vision of what an academic health sciences center should be, and he garnered recognition for Albany Medical Center in a number of national forums by active participation with such groups as the Association of American Medical Colleges and the University HealthSystems Consortium. But, unfortunately, achieving the vision would not happen under his watch.

“Dick Gaintner helped put this place on the map by getting us involved in organizations like the UHC and others,” said Gary Kochem, who was then vice president for fiscal affairs and who is now executive vice president and chief operating officer of Albany Medical Center. But he wasn’t able to integrate both organizations in the manner that the authors of the Omnibus Resolution had intended. “The Board and its leadership thought that they had put together a cohesive organization, but we never got trust between the board and senior management and medical management,” Mr. Kochem noted. “Dick Gaintner was not able to bring together the different factions.”

One of Dr. Gaintner’s first decisions—to locate his office in the Center Building at 628 Madison Avenue some two blocks away from the college and hospital on New Scotland Avenue—raised a number of eyebrows, including those of long-time Board member Carl Touhey.
“I said, ‘You know Dick, this is a ridiculous idea being over here away from the college and hospital’ and he said, ‘But it's good for management to be separate.’”

As the institution's financial struggles continued in the early 1980s, both the college and the hospital remained at odds with each other. There was an open cynicism on the part of many staff members who began referring to the Center Building pejoratively as “The Ivory Tower” and “The Vatican.” Their cynicism was fed by the fact that new personnel were being added to the organization (fundraising, public relations, marketing, etc.), raising costs, without any immediately discernable operational paybacks.

“Everyone expected that everything was going to happen immediately—that human resources was going to come together immediately, information systems was going to come together immediately—that it was all going to come together like the next day and, of course, it didn't happen for a long time,” noted Cathy Halakan, who was then a manager in the hospital human resources department.

When a new mission statement—which stressed the importance of providing outstanding medical education, biomedical research and advanced patient care—was formulated, it caused some consternation. It put the educational and research missions before the patient care mission to underline the fact that the composite organization was now an academic health sciences center. Ms. Halakan recalls her colleagues’ reaction:

“I remember the hospital people emotionally reacting to the fact that patient care was last because we didn’t understand academic medicine. The staff in the hospital at all levels were concerned that the college would dominate and tell them what to do, and they would just be second class citizens within this Albany Medical Center framework,” she explained.

To his credit, Dr. Gaintner—working closely with Dr. Vanko and his team—oversaw a major portion of the implementation of the institution's massive facilities redevelopment project, which included the construction of a modern hospital, an outpatient center and other badly needed facilities, as well as the highly successful “Fund for 21/21” fundraising campaign, which raised more than $27 million.

The facilities project was the first visible sign that something positive was

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12 Ms. Halakan currently serves as senior vice president for human resources.
happening, and it helped thaw the cynicism of hospital staffers. “The thing that first began to bring this organization together was the renovation that occurred in the late 1980s,” Ms. Halakan noted. “It caught the imagination of the hospital staff, and now they began to understand that they were part of a larger plan.”

The first steps toward operationalizing consolidation did occur late during Dr. Gaintner’s tenure, in 1987 when the college and hospital human resources and information management departments were merged. “For the first two or three years, we tried to operate collaboratively between organizations, but in 1987 we just needed to pick up speed and move things forward and the Information Services and Human Resources functions were put together,” Ms. Halakan pointed out.

While jealousies and distrust continued to exist between the two institutions, there was a marked improvement in the civility of the discourse at the leadership levels, according to Dr. Friedlander. He pointed out that he, and Dr. Vanko, the hospital director, and Medical Director Anthony Tartaglia, M.D. 13 “all got along and were very good friends. No one was interested in going any place else and building their career. We were all happy doing what we were doing.”

But goodwill notwithstanding, by 1989 the hospital’s ongoing financial troubles had reached a crisis point with the posting of a $8.5 million deficit.

“The philosophy of the old Albany Hospital for 25 years under Drs. Hale and Hawkins was to run the cheapest university hospital in the country, but when Medicare and the state came along and based reimbursement on historical costs we were under water and we never recovered from that,” said Dr. Tartaglia.

Shortly after the multi-million dollar deficit was posted, both Dr. Gaintner and then Chairman of the Board Thomas O’Connor got called on the carpet by Victor Riley, a Board member, but more importantly, the powerful head of Key Bank, at the time Albany Medical Center’s prime lender.

“Dr. Gaintner and Tom O’Connor went down to his office, and he literally bawled these two guys out,” recalls Mr. Touhey. “He said, ‘You get your act straightened out or else we won’t lend you any more money.’ ”

13Dr. Tartaglia also served as executive vice president of patient care from 1985 to 1990 and as dean of the Albany Medical College from 1990 to 1995.
Not surprisingly, dissatisfaction among Board members with Albany Medical Center’s performance continued to mount.

The following June, Dr. Gaintner tendered his resignation, and the Board asked Mr. Beach to serve as interim president and CEO, which he agreed to do for a period not to exceed 15 months. No national search was launched at the time because, in Touhey’s words, “there was a sense that we’ve got to straighten the place out first” in order to be in a position to attract good candidates.

During his year as interim CEO, Mr. Beach reorganized executive management, garnered control of substantial cost overruns in the renovation project, and directed Thomas Fitzpatrick, then executive vice president for finance, “to redirect the functions and attitudes of all our financial people so that three things occur: First, we can truly report what is happening—reality—in meaningful relation to a budget; second, we can budget two and three years out; and third, we can report, budget and analyze on a Center-wide horizontal basis.” He also urged all members of the Medical Center staff to renew their commitment to pride, dedication and quality, noting that the latter was “an attitude; a preoccupation; a commitment.”

Mr. Beach fulfilled his 15-month commitment and returned to his law firm duties. He was succeeded as Interim President and CEO by Robert Whalen, M.D., former state Health Commissioner, and a longtime Board member.

Dr. Whalen “did a yeoman’s job in just holding the pieces together” until a new CEO could be recruited, according to Mr. Barba. John Picotte, who was serving as the third chairman of the Center Board at the time, recalls coaxing Dr. Whalen out of retirement to accept the position on an interim basis at a time when no one was interested in it.

“It was a time when we had grave concerns about the future of the institution,” Mr. Picotte recalls. “We even had bankruptcy papers drawn up. The fact is that we were trying to find someone to come into an organization that looked like it was teetering—you weren’t going to attract the brightest and best—but we needed someone good to hold the place together. Before Dr. Whalen started, however, he wanted an answer to one simple question, ‘What do you want me to do?’ ”

Mr. Picotte recalled, “I said, ‘The first thing we have to do is get out of here (Center Building).’ I said, ‘You’ve got to go over there and find the highest trafficked area in the institution, and put your office where you’re visible and never close the door. Anytime you don’t have anything to do just walks the halls.
... talk to the nurses and to the people at their stations.’ And that’s what he did. He even had dinner in the cafeteria on Thanksgiving Day, and when the union election came up in January we were successful in turning it back. I attribute all of that to Dr. Whalen stepping in when there was that void during that very difficult period.”

In November of 1990, David Cornell was appointed president and CEO of Albany Medical Center and Dr. Tartaglia, who had served as executive vice president for patient care under Mr. Beach, was named the 15th dean of the Albany Medical College, succeeding Nancy Gary, M.D.

Mr. Cornell, who had served as president and CEO of the Western Reserve Care System in Youngstown, Ohio, had built a reputation as a skilled operations man who could turn around a troubled hospital. But he was not an academician, which was duly noted by faculty and others in the college.

“David was an individual who came from a smaller institution and whose knowledge base was day-to-day operations,” said Mr. Kochem.

“It was my sense that David Cornell never had the vision for consolidation that Dick Gaintner had,” Mr. Barba concurred. “But David saw his role differently. His primary focus had to be on getting the D Building (“the patient tower”) construction project completed, which he did. It was all time-consuming for him, so he didn’t concentrate on whether we should have an integrated Medical Center such as the Omnibus Resolution suggested—he just didn’t have the time to do that.”

In fact, as far as consolidation went, Mr. Cornell would actually take a step backward. Shortly after arriving, he responded to pressures from department chairs in the college, who had been complaining about the ineffectiveness of the centralized recruiting process, by dividing the human resources department back into separate college and hospital departments. During his three-year term, the institution continued to struggle with deficits. Mr. Cornell announced his resignation in 1994.

Mr. Cornell’s successor was Richard Ryan, Jr., D.Sc., who had served as executive dean of Tufts University School of Medicine in Boston. But Dr. Ryan, who assumed command in September of 1994, served only six months before resigning in March of 1995 following an illness.
Chapter 4

The Center Vision is Finally Realized (1995-2006)

By 1995, the Board of Directors had become frustrated by the frequent turnover of executive leadership (five CEOs in less than 10 years), the ongoing financial difficulties, and the obvious failure to realize the promises of a consolidated Albany Medical Center that had been articulated when the Omnibus Resolution was passed in 1982.

Robert J. Higgins,14 who had recently served as Board chair (from 1992-1994), advocated appointing Mr. Barba—the institution’s then current Board Chairman—to the additional post of president and CEO. As Board chair, Higgins had insisted on sound business principles and financial accountability, and he felt Mr. Barba would be the best person to embrace this philosophy and lead the institution into the 21st century.

“I’ve always said that the best thing you can do is find the right successor,” Higgins noted. “And I think that is the thing that I’m most proud of.”

Mr. Barba was determined not to repeat the mistakes of the past. So what did the institutional turmoil he witnessed as a Board member during the prior 16 years teach him?

“It taught me not to be a CEO without having some real authority, and the authority that I felt I needed—because there was really no credibility to speak of in the office of CEO when I took that position—was to remain as Board chairman. This is a very unusual model for not-for-profits, but I needed some basis of authority from which to operate; and since it was the position of chairman that I wanted initially—not the position of CEO—it was that position that I said I needed to keep, at least for a while.”

Even before assuming the title of CEO, Mr. Barba had instituted some fundamental changes in direction. Perhaps the most significant was overseeing a revision of the Board bylaws to make every member of the Center Board of Directors both a hospital board member and a college trustee.

“The way governance had evolved here after the leaders had put these two boards together was that the Center Board of Directors was split into two factions—one half of the Center directors was designated as trustees of the

14 Mr. Higgins is one of the Capital Region’s most successful businessmen, serving as chairman and chief executive officer of Trans World Entertainment Corporation.
college and was responsible for being the college board, and the other half was designated as being governors of the hospital board—you see we couldn't make those two corporations go away under New York State law so we needed those two boards,” Mr. Barba stated.

“Among my very first and serious contributions was to say to the entire board: ‘That era is finished and from now on we’re going to change the bylaws and all of us are going to be hospital governors, and all of us are going to be college trustees, and we’ll have small operating committees of just a few directors to oversee operations in the college and to oversee operations in the hospital. But, the fiduciary responsibility is all of ours.’

“The results of that amazed me, because overnight this vapor that had surrounded all the discussions in the board room, and promoted the splits between one side and the other, disappeared. We suddenly all realized that we were in this together, and that’s the model still today. I certainly see no reason whatsoever for changing it. It has worked beautifully for the last 12 years.”

Next, Mr. Barba asked his fellow board members what now seems to be almost an heretical question: “Are you sure we want to be an academic medical center?” He didn’t insist that his board colleagues answer on the spot. Rather, he suggested the creation of the Commission on the Center, which was chaired by Mr. Bender, and which consisted of Board members and outsiders who would study the model elsewhere in the country and report back in several months.

Mr. Barba noted that, “the commission reported back some months later and said, ‘Yes! What the directors did in 1982 in passing the Omnibus Resolution was the right thing to do, and you have to start operationalizing it.’ ”

Next he enlisted the consulting firm of Ernst & Young to work with faculty and managers to assess the culture and recommend possible changes that would make the organization more effective. The E&Y consulting team visited Albany and conducted interviews and surveys that confirmed what Mr. Barba and others close to the institution had known all along—namely that Albany Medical Center remained two distinct cultures (college and hospital) in which “there does not appear to be a very strong expectation for any particular set of behaviors.”

With full Board approval, Mr. Barba set about the long overdue task of finally bringing the two organizations together—in substance as well as form.
The formal announcement of the institutional reorganization came in September of 1995 in a series of meetings with managers. The restructuring created centralized management for the entire Albany Medical Center including a consolidation of finance, human resources and information services functions. “The very first thing I did was to put finance together. Oh, I tell you there was wailing and gnashing of teeth on that one,” said Mr. Barba.

This action alone signaled a fundamental change, he noted. “It was a strong, powerful message to the cultures that this new CEO intended to do things differently and intended to bring the organization together—period,” Mr. Barba stated.

He also began working with Board and management to develop a Strategic Plan that would provide a roadmap for future success.

Another major change was return of responsibility for the physician group practice to the dean’s office. A new administrative position of associate dean and president of the faculty practice plan was established as was a practice operating committee to be composed of chairs and faculty members to try to bring a unified structure and common standards to outpatient care delivery.

Specifically, the new executive team consisted of three executive vice presidents (the dean, the hospital general director and a chief administrative officer) and four senior vice presidents (information systems, finance, integrated delivery systems, and development).

In his announcement to staff, Mr. Barba urged them to support the reorganization with these words: “Managed care is beating at our door, capitation is right behind it; there’s no longer publicly funded support for undergraduate medical education, and research funding has fallen off dramatically. It is imperative that all of us support this reorganization through our behavior and actions. The fact is, we must pull together in this very difficult environment.”

In a letter to staff dated January 10 of 1996, Mr. Barba outlined the challenges the institution was facing at the time—and exhorted staff to join together to meet them.

“The messages from our elected representatives in both Washington and Albany have been very clear and consistent—the Medicare and Medicaid programs will not be sustained at anywhere near their traditional funding levels. In addition, a state task force has recommended that New York make
the transition from a regulated to a ‘free-market’ environment for setting hospital rates, which is certain to intensify economic competition throughout the state. The impact of these changes on our institution will be profound.”

A key component of his strategy for meeting this challenge was the introduction of global budgeting, which was an imperative if Albany Medical Center was to be successful in an era when external forces (the state, federal government and third party payers) were acting to constrain healthcare spending. Predictably, a number of department chairs used to having their way and their own budgets revolted and threatened to resign, providing Mr. Barba with his first real test.

“I announced that my office was going to be open the next day from morning until night to accept any resignations from anyone who wanted to walk in and put them on my desk; and I let that word out very, very distinctly. I was gratified that no one took me up on it. The point I was making was that there was a new sheriff in town, and the sheriff was going to be as fair as he possibly could be; but what he was aiming at was mission and he was not going to cave in to personalities.”

The institution continued to be rocked financially by federal and state cutbacks which significantly curtailed its revenue stream. The Federal Balanced Budget Act cut over $50 million in Medicare payments to Albany Medical Center over a 5-year period (1997-2001). At the same time, the state was deregulating the hospital rate-setting system and establishing other new policies which were similarly encouraging competition.

Throughout the 1990s, the institution also struggled with a shortage of nurses and other allied healthcare professionals, which resulted in the closure of some hospital beds. In addition, new diagnostic and outpatient surgery centers in the Capital Region, and new open heart surgery centers outside the region, took a toll on the Medical Center’s business. From 1998 to 2000, the number of discharges from the hospital dropped precipitously—by 1,500 cases annually. Further stressing the institution was an overcrowded emergency department, which limited the number of transfers that could be accepted.

Ironically, even as the hospital struggled financially, it was being cited as one of the nation’s Top 100 hospitals (1997-1999) for its outstanding clinical quality and overall efficiency by HCIA and the Health Network. Both Dr. Tartaglia and Mr. Foggo attributed the improvement in clinical quality to a focus on this discipline that occurred during the late 1980s and 1990s. “The better quality in
our hospital was a function of our managers—in both the college and the hospital—working more closely together,” Mr. Foggo explained.

Even as the quality accolades garnered headlines, so did the deficits. Facing an alarming $17 million deficit in 2000, Mr. Barba led a planning process that resulted in the development of a strategic plan designed to stabilize the Medical Center’s finances. The plan approved by the Board of Directors recommended two specific strategies—the first aimed at growing inpatient volume and revenue, and the second constituting the most aggressive fundraising campaign ever undertaken by a healthcare institution in northeastern New York—the 5-year Pillars Campaign with an initial goal of $75 million.

In order to grow clinical revenue, a variety of initiatives were put in place to improve access to the Medical Center and a slogan of “Just Say Yes” was adopted by hospital managers. These initiatives included:

- A series of meetings with hospital management staff to ensure they appreciated the importance of increasing hospital admissions.
- The assignment of nurse managers—who would be a key in the success of the access initiative—to cover on a 24/7 basis.
- Thrice daily meetings of bed access teams assigned to oversee the efficient movement of patients to the most appropriate unit at the most appropriate time.
- The initiation of new nursing recruitment and retention efforts including sending nurse recruitment teams to the Philippines and the institution of more flexible scheduling.
- New clinical performance standards in the faculty practice to ensure prompt appointments for patients and a variety of other efficiency enhancements.

Just one year into the plan, additional steps were necessary. With full Board approval, Mr. Barba announced that the 350-member faculty practice would be downsized by 98 positions. In making the announcement, he noted that he expected that many of the physicians would return as affiliated partners, members of community physicians groups that the Medical Center would contract with to provide services. Nevertheless, the announcement sent shockwaves throughout the institution and the community. Times Union columnist Fred LeBrun sounded the alarm with his headline, “Albany Medical
Plan Creates Uncertainty.” He noted that the *Times Union* and the entire community would watch developments at the Medical Center closely, since Albany Med was the healthcare institution “that trumps them all.”

“It’s a constant and reassuring symbol of our (the Capital Region’s) strength, the ultimate go-to place, one of the big pluses we tick off when skeptical strangers ask why we want to live in the Capital Region.

“We need to take real notice,” the column concluded.

But the concern the writer raised would be assuaged in the coming months and throughout the next few years as the Medical Center announced new partnerships with community physician groups—creating virtual departments without the accompanying overhead—and began returning its bottom line to positive numbers.

The 5-year-long Pillars Campaign also helped to fortify the institution for future success. It exceeded all expectations, raising $131.6 million, forever raising the bar for institutional philanthropy.

The Albany Medical Center organization finally had begun looking and acting like the institution envisioned by the authors of the Omnibus Resolution—and none too early. The 1990s and the early years of the new millenium constituted the most financially challenging period in the history of modern healthcare, and it is highly doubtful that either the college or the hospital could have flourished on its own.

A subsequent Strategic Plan (2004-2006) stressed continued market growth through continued attention to access, physician alliances, quality and workforce issues. It also underlined the importance of education, research and strategic resources, particularly information systems, and recommended the development of the computer infrastructure necessary to provide patients and physicians with an electronic health record.

These successful strategies contributed to the increase in admissions to the hospital (from 24,500 in 2000 to nearly 30,200 in 2006) and attendant positive financial results experienced by Albany Medical Center in recent years, including the $23.5 million surplus posted in 2005 and a $12.5 million surplus posted in 2006. By 2007, the Medical Center’s workforce has grown to nearly 7,000.

Further signs of institutional growth included the purchase of Child’s Hospital and Child’s Nursing Home, now all part of the institution’s South
Clinical Campus, as well as the renovation and expansion of a number of facilities at the New Scotland Avenue campus including the pediatric intensive care unit and child cancer center in the Children's Hospital, the emergency department, new cardiac catheterization suites, a new endovascular operating room, and the Physicians Pavilion on the west side of the campus, which provides one convenient location for all outpatient care. The latter facility permitted the opening of an additional 22 beds in the hospital in 2007, bringing the operating capacity to 612 beds. In addition, the Hilton Garden Inn at Albany Med opened in the spring of 2007 to accommodate patients and family members traveling to the Medical Center from 24 counties of northeastern New York and western New England.

There also has been a number of positive developments at the Albany Medical College in recent years. Research in the college was reorganized by a Strategic Research Initiative that created interdisciplinary research teams keying on established institutional strengths. And the curriculum in the medical school was re-fashioned to focus on interdisciplinary themes and humanism. The results were stabilization of the research enterprise—currently there is about $23 million in externally funded projects—and continued yearly success in placing graduating students into the nation's premier residency programs.

These investments, reorganizations, and growth initiatives were made possible because a Center-wide management team—working with a Center Strategic Plan and a single operating budget—could make and implement critical decisions that would not have been possible had the college and hospital remained separate organizations.

The institution's current Strategic Plan (2007-2009) projects further growth through a continuation of the successful strategies of the last plan including nurturing physician alliances, making continued investments in the workforce, paying greater attention to quality and patient safety, and increasing efforts to grow the college's endowment and partnerships.

While Mr. Barba is justifiably proud of the institution's many accomplishments, he is most proud of the way the two organizations have truly united for the greater good in providing the very best patient care, biomedical research and medical education in an integrated fashion.

"The glory of the place is that it did come together and to date we have made it work in what I think—and, of course I have a vested interest in this—is a
rather superb way. When I see Dr. Vincent Verdile, our dean, and Dr. Steven Frisch, our hospital systems general director, sit down and discuss difficult problems not merely as colleagues but genuinely as friends, I just revel in that.”

A far cry from the days when their predecessors took great delight in adjusting the thermostat to make each other even more uncomfortable.
Dr. Alden March had a strong vision for healthcare in Albany, which led him to found the Albany Medical College in 1839 and the Albany Hospital a decade later.

Thomas Hale, M.D., served as hospital director from 1948 until 1968 and as president of the Hospital Association of New York State in 1955 and 1956. He advocated conservative fiscal policies, as did his successor Dr. Thomas Hawkins.
Harold C. Wiggers, Ph.D., served as dean of the Albany Medical College for 21 years (1953 to 1974), a period during which the medical school’s facilities and research capabilities expanded significantly.

During the 1970s, college and hospital officials often did not see eye-to-eye. Woods McCahill, left, served as president of the College Board of Trustees from 1977 to 1982 and Thomas Hawkins, M.D., was president and director of the Albany Medical Center Hospital from 1968 to 1981.
Arnold Cogswell served as chair of the hospital Board of Governors from 1963 to 1972 and was a key participant in consolidation discussions for more than a decade that led to the creation of the Albany Medical Center in 1982.

Matthew Bender IV served as chair of the College Board of Trustees from 1982 to 1984 and helped advance the consolidation discussions of the 1970s and early 1980s which led to the successful creation of the Albany Medical Center in 1982.
Richard Sonneborn, who helped shepherd the consolidation efforts, served as the first Chairman of the Board of the Albany Medical Center from 1984 to 1988 and in a wide variety of other important governance positions.

Albany Attorney John Beach played a major role in the formative years of the Albany Medical Center, drafting the Omnibus Resolution which became the touchstone document for consolidation. He also served as interim president and chief executive officer from July 1989 through March 1990.
Former hospital heads Michael Vanko, Ph.D., left, and his predecessor Thomas Hawkins, M.D., are pictured together in this file photo. Dr. Hawkins was known for running a “tight ship” and Dr. Vanko followed in his footsteps, expertly shepherding both the detailed CON approval process and the construction and renovation associated with the massive facilities redevelopment project of the 1980s.

J. Richard Gaintner, M.D., was recruited from Johns Hopkins School of Medicine, where he served as deputy director, to serve in 1983 as the first president and CEO of the Albany Medical Center. He articulated the vision of a unified medical center and helped make important linkages to national organizations such as the Association of American Medical Colleges and the University Health Systems Consortium.
Thomas O’Connor, who served as the second chairman of the Board of Directors of the consolidated Albany Medical Center from 1988 to 1990, also contributed to the earlier consolidation discussions.

In 1979, Robert Friedlander, M.D., left, succeeded Stuart Bondurant, M.D., right, as dean of the Albany Medical College. Both men championed the important educational and research missions of northeastern New York’s only medical school.
From the early 1980s until the mid-1990s, Anthony P. Tartaglia, M.D., served in a variety of positions at the Albany Medical Center including medical director, executive vice president of patient care, and finally as dean of the Albany Medical College (1990-1995). He noted that the conservative fiscal policies of the Albany Medical Center Hospital in the mid-20th century penalized the institution financially when the government payers switched in the 1980s to a reimbursement system that began paying hospitals according to a formula based upon their historic costs.

David Cornell served as president and CEO of the Albany Medical Center from 1990 until 1994.
John Picotte served as chairman of the Board of Directors from 1990 to 1992. He also co-chaired the largest fundraising drive in the institution’s history, the Pillars Campaign, which raised more than $131.6 million.

Carl Touhey, a longtime Board member and philanthropic supporter of the Albany Medical Center, served as chair of the Fund for 21/21 fundraising drive in the late 1980s. The highly successful fundraising campaign raised $27 million. Touhey also served as honorary co-chair of the Pillars Campaign. Robert Higgins, who served as the fourth chairman of the Board of Directors of the Albany Medical Center, co-chaired the Pillars Campaign. He and his wife Anne made the largest personal gift ever to the Albany Medical Center, a $10 million pledge announced at the start of the campaign in 2001.
During Thomas G. Foggo’s tenure as president and director of the Albany Medical Center Hospital, the institution began receiving national recognition for its outstanding quality and efficiency.

Gary J. Kochem, executive vice president and chief operating officer, pointed out that creating a medical center out of two distinct organizations was easier said than done since the hospital and college had quite different cultures. In fact, it took more than a decade to accomplish.
Cathy Halakan, senior vice president for human resources, credited the massive facilities redevelopment project of the 1980s with helping the hospital staff realize that they were now part of a larger institutional plan.

Steve M. Frisch, M.D., began serving as executive vice president for integrated delivery systems and hospitals systems general director in 2000. Under Dr. Frisch’s leadership, the hospital business has expanded dramatically with admissions rising to over 30,000 per year in 2007.
Vincent P. Verdile, M.D., began serving as the 17th dean of the Albany Medical College in 2001. Under Dr. Verdile’s leadership, applications to the medical school have risen dramatically (from approximately 6,000 in 2001 to approximately 9,000 in 2007), graduates of the medical school continue to place successfully into the nation’s most competitive residency programs and research remains vibrant.  

James J. Barba, who served as president, CEO and chairman of the Board of Directors of Albany Medical Center for more than a decade and who continues to serve as president and CEO, instituted centralized administration, global budgeting, a strategic planning process and provided the overall leadership that played a major role in converting the vision of having a unified medical center in Albany into a reality.
CENTRALIZING THE CENTER

John A. Beach

March 1999

INTRODUCTION

As Albany Medical Center looks toward the 21st Century, I submit this brief narrative to supplement and update the general history of its origins. Those origins reside in two organizations tracing from the 20th century:

Albany Medical College, founded in 1839 and moved various times within the City of Albany until coming to its present New Scotland Avenue location, physically connected to Albany Hospital, in 1928; and

Albany Hospital, founded in 1849, opened to patients at Dove and Lydius—now Madison—in 1851, moved after a year or so to Eagle and Howard Streets close to the College’s location at the time, and ultimately to New Scotland Avenue in 1899.

The Hospital’s name was changed to Albany Medical Center Hospital well after the concept and the name “Albany Medical Center” had been introduced to common usage in the 1920s and ‘30s. The name reflected some perceived synergies from physical and functional closeness of the Hospital and the College, and presaged a strong impetus for more complete administrative unification into a true academic medical center.

The story of the Hospital and College, from their early days up to circa 1982, has been told elsewhere, most notably by Dr. Richard T. Beebe, one of the towering figures of both institutions until his death at age 96 on July 26, 1998: Beebe, Albany Medical College and Albany Hospital, A History: 1839-1982.

The central theme of this update is the struggle that took place, from approximately 1970 to 1982, to meld the two institutions into a cohesive academic medical center. It seeks to provide a narrative thread stringing together a blizzard of papers reflecting the effort of over two decades.

INDUCEMENTS AND IMPEDIMENTS TO THE MARRIAGE OF TRUE MINDS

The two institutions were, and are, separate charitable/educational not-for-profit corporations with separate governing boards: the Board of Governors of the Hospital, and the Board of Trustees of the College. Neither was, or is, a part of government or public
ownership, or of any university. (But see discussion of the College’s anomalous membership in “Union University” below.) Their missions of patient care and medical education were separate and distinguishable. Yet those missions tended to overlap; e.g. often the same doctors who provided care in the Hospital also engaged in teaching or research in the College. In actual practice, almost from the two institutions’ inceptions, and from 1927 by more formal agreement, chiefs of the service in the Hospital have been heads of the apposite academic departments in the College. As time went on, research and other space needs, building needs, fund-raising efforts, and above all the ever-increasing involvement of College faculty doctors in expanding patient care programs, all had direct and overlapping efforts upon both the College and the Hospital.

Indeed the patient or visitors in the halls in the 1950s, ’60s, or ’70s might never have been sure when he or she was in College property or Hospital property. Even the hallways—especially the hallways—adjoined and overlapped, as did the heating plant and parking facilities. By mid-century the Hospital and College, physically and functionally interconnected at their common New Scotland Avenue venue, had come to be thought of and referred to as the “Albany Medical Center,” notwithstanding the absence of any common ownership or control (typically in the hands of a government unit, or of a private university) which characterized most of the nation’s 100 or so academic medical centers elsewhere. Thus the concept of the Albany Medical Center historically has been induced from the overlapping missions of its two separate corporate parts. This differs somewhat from the more typical pattern of deduction of a hospital and a medical college from the very initial concept of an academic medical center. At Albany Med, function has dictated an evolving unifying form.

By the 1970s a number of growing pains started to be felt regarding the evolution and shaping of that form. It was, and continues to this day to be, an evolution growing out of—and sometimes despite—two different mind sets. The mind set typically existing in the Board of Governors (and other Hospital supporters) is not necessarily congruent with that of the Board of Trustees (and other College supporters). If the two mind sets analytically need not be mutually exclusive, at a practical and emotional level they can have substantially different emphasis. The care, feeding and satisfaction of patients in a hospital, and keeping the hospital full enough and cheap enough to assure its permanence, can be markedly different from educating men and women to be doctors and bio-medical scientists and researchers. What makes a board member take satisfaction (to say nothing of public status) from getting friends, neighbors, and the public generally cared for in a hospital is often different from what makes a board member take satisfaction from a fairly elite academic enterprise.

Throughout the nation the 1970s brought increasing fiscal dependence by medical colleges upon their faculty doctors’ patient care income. Net practice income received by the colleges, which had been a negligible percentage of college budgets previously, jumped to nationwide averages around 15% by the late ’70s. That percentage has continued to increase sharply up to the present. At the same time hospitals, beginning to be caught in
nation-wide health policy initiatives to cut costs and reduce lengths of patient stays, began to reorganize themselves as competitors of other hospitals for patients, and for the good will of the area’s doctors who admitted those patients. At Albany Medical Center Hospital, policies that might favor the 300 or so full-time College faculty physicians who admitted patients to the Hospital had to be justified to the larger number of non-faculty area doctors who also admitted (or declined to admit) their patients to the Hospital. The Hospital was fairly equally dependent upon both groups of doctors to keep its beds full, in a competitive environment where there was a glut of hospital beds.

In light of these and other intimations of important changes certain to be required by the health care environment at the end of the 20th century, several efforts were made to capture and formalize the reality of the name and promise of Albany Medical Center. Three major efforts starting in the ’70s will be discussed. The first two were abandoned, but nevertheless provided some “self awareness” lessons that were essential evolutionary steps to the third effort, which culminated in creation of the Albany Medical Center Corporation in 1982.

The Albany Medical Center Joint Partnership

According to the green booklet dated December 10, 1973, following a discussion at a meeting of College administrators in Williamstown, Mass. in 1970, the Presidents of the College and of the Hospital appointed a “Working Committee to investigate the inner workings and interrelations of the two institutions.” As a result of those efforts, by 1972 a number of members of the Board of Governors, and a like number of the College’s Board of Trustees, began meeting regularly as a “Committee on Central Administration” to explore possible unification of the two entities. There was a confidential report by the “AMC Central Administrative Committee” from Andrew Fisher and George Pfaff, dated July 26, 1973, concerning their visitation and review of the Cornell Medical College-New York Hospital model.

The Committee found, seemingly as proof that the time had come, that the two entities existing side by side in Albany had already had manuals of agreement running to hundreds of pages pertaining to a vast number of operational topics where both entities had important stakes. The 6 members of the Committee—3 Governors and 3 Trustees—were Arnold Cogswell, Andrew Fisher, Hollis Harrington, Frank Wells McCabe, Woods McCahill and George Pfaff. The first paragraph of the previously cited green spiral-bound booklet of December 10, 1973 stated:

“This document presents the reasons for and the means of accomplishing central administration in the Albany Medical Center. Its contents are based upon the studies made by many groups over the past three and one half years, and upon the advice of consultants experienced in medical center operations, all of whom are listed in an appendix attached hereto.”

My Albany-based associate Richard Smith and I (still a resident partner in my law firm’s
Syracuse office) are listed as legal counsel in Appendix A, “Individuals and Institutions Involved in Formulating Central Administration Proposal,” although we were relative late-comers. Our involvement hadn’t started until the fall of 1973, when I was asked to consult with the Committee concerning the presentation of its conclusions in a concrete fashion to the boards of the College and Hospital. The Committee had already drafted a “Joint Administrative Agreement” which was bound into the green booklet; but I suggested a somewhat revised version, with a transmittal letter dated October 20, 1973, in anticipation of a meeting of the joint boards to be held January 7, 1974.

The result was the creation of a formal partnership between the Hospital and the College, not surprisingly called Albany Medical Center. They remained as separate autonomous corporate entities, but each agreed to be governed by a Joint Board of Directors (chosen equally from the two existing boards) with respect to any matter “as it deems proper in furtherance of consistency and efficiency in the administration of the Albany Medical Center, wherever the policies or practices of either the College of the Hospital may substantially affect the other….”

The Joint Board also was given express power to employ the “President of the Albany Medical Center on such terms as it may approve …” who was to coordinate all matters of mutual concern to the two constituent entities, and to exert innovative administrative leadership for an evolving Center.

The Joint Administrative Agreement was passed by each of the two separate governing boards in joint session on January 7, 1974. My introductory remarks to the Governors and Trustees prior to their voting on this agreement—that nothing prevented either of the corporate “partners” from withdrawing from the partnership if it believed its best interests were not being served by the partnership—became either the reason or the excuse for the partnership’s failure to survive its unsuccessful effort to recruit a President.

**Formal Consolidation of the Hospital and the College into one new Albany Medical Center Corporation**

Despite failure of the “partnership” approach, its perceived need and desirable ends prompted creation—again by parallel action of the Governors and Trustees—of a new joint “Liaison Committee.” It retained the management consultant firm of Booz, Allen & Hamilton, whose various vice presidents spent considerable time interviewing College and Hospital personnel, especially significant Board members, trying to discover what they really wanted. Its discussion draft, entitled “Interim Report on Recommended Organizational Relationships,” was presented to the Committee, dated March 1, 1976. I was consulted soon thereafter.

During a long interview with two of the Booz, Allen vice presidents in New York City on March 15, 1976, it became apparent that they did not yet have a clear picture of what was wanted, needed, or indeed possible for a workable reorganization. My letter of April 9, 1976
to Arnold Cogswell—Chairman of the Liaison Committee—discussed at considerable length the three “models” suggested in the Booz Allen interim report, and stated my opinion that of those three only one—formal consolidation of the College and Hospital corporations—would be accommodated by applicable law, and then only upon approvals from the Department of Education (Board of Regents) and Department of Health, and perhaps others.

Informally I had also mentioned an additional model—maintaining the separate College and Hospital corporations but subordinating their management to a new “umbrella” corporation through amendment of their charter and certificate of incorporation respectively. At that time, however, there was little enthusiasm for perpetuating the two separate corporations; indeed there was considerable impatience with any more dealing with or through more than one governing board.

Ultimately a thick report was presented by Booz, Allen & Hamilton suggesting formal consolidation of the separate Hospital and College corporations into one new corporation to be known as Albany Medical Center. Their earlier suggestions for a “holding company” to own the College and Hospital, or alternatively that the same individuals act as both Trustees and Governors with the two separate corporations continuing, were abandoned.

The Committee, backed by the two Boards, approved implementation of consolidation, which entailed drafting of a formal Plan of Consolidation and supporting papers for pre-approval by both the Dept. of Education and the Dept. of Health. I was asked to prepare draft documents for consolidation, and to help obtain all requisite approvals on an informal basis in anticipation of formal consolidation. Approval was obtained, after some skirmishing with each department, mostly as to matters of form.

To satisfy the Dept. of Education, legislation was drafted (and ultimately passed and signed into law) to confirm that some state aid statutes would remain applicable to the College even though it was being absorbed by a new not-for-profit corporation which had not itself specifically been charted by the Legislature or the Board of Regents. For the Dept. of Health the primary issue was preparation and review of economic and other data required by the Department, by the Albany Regional Health Council, and by the Public Health Council. Preliminary approvals were obtained from both departments with the help of Robert D. Stone and his staff, and Peter J. Millock, Counsel to the Dept. of Health, and his staff.

By late fall of 1976 all steps were completed through “Execution of documents in final form” originally scheduled for November 1976 and moved to the beginning of 1977, as reflected in the “Minutes of the Meeting of the Steering Committee of the Albany Medical Center” held November 30, 1976. Thus the train for consolidation was moving full steam ahead on greased tracks. But suddenly there came a derailment. It left a number of injured and angry parties, and either created or exacerbated some “them-and-us” feelings between College supporters and Hospital supporters which continued to run deep for the next decade and—who knows?—perhaps still into the next.
The derailment came on February 1, 1977 when the College’s Dean Stuart Bondurant sent a four-page memorandum to the College trustees and various others involved in the consolidation effort, throwing the fatal switch in the first sentence:

“After considerable thought I have reached the judgment that the interests of the Albany Medical College and those of the Albany Medical Center will not be served by corporate consolidation at this time.”

Had this memorandum been delivered six to nine months earlier it would have no doubt enlivened the discussions but would not necessarily have been fatal to the consolidation effort. By February 1997, however, all internal debate on the outlined issues ostensibly had already been resolved. Both governing boards had approved the consolidation plans, and all outside regulators had been engaged and persuaded. The abrupt turnaround killed formal consolidation instantly, like a telegram from a fleeing bridegroom read to wedding guests assembled for the formal ceremony.

**THE SUCCESSFUL ALTERNATIVE: CREATION OF THE ALBANY MEDICAL CENTER CORPORATION TO DIRECT AND CONTROL BOTH COLLEGE AND HOSPITAL**

The fear expressed by Dean Bondurant and other College supporters that being formally united with the Hospital might involve sharing potential future financial losses of the Hospital (and the reciprocal fear by Hospital supporters about potential College losses) was logical enough, but it had existed openly during all the previous years and had been a central consideration informing attempts at administrative unification. Indeed it had been analyzed, and seemingly resolved, in most minds. To most, an intense focus on that fear overlooked the extent to which those risks were already inherent, de facto, in the functional overlapping of missions and personnel of the two corporations. Whether legally separate or not, the functional and financial stability of the College and Hospital had become inseparably linked.

The general topic of “hospital reorganization” was in vogue nation-wide as health care headed into the 1980s. Yet another “Liaison Committee” of Trustees and Governors had been created to yet again explore administrative unification. In an (initially) unrelated matter Earl “Duke” Collier—one of the several bright young innovative assistants to Commissioner David Axelrod in the Department of Health, who recently had left to head up health care specialty work at the Washington, D.C. law firm of Hogan & Hartson—had been retained to shepherd some rate appeal matters through the regulatory maze. By 1981 he had furnished the Liaison Committee with his firm’s general analysis of hospital reorganization modes in light of developments in Medicare, Medicaid, hospital licensing, and tax laws. These topics were being widely discussed among the nation’s hospitals. The discussions were prompted by accountants, lawyers, and management consultants throughout the health care industry, casting seeds and instilling fears of being left behind in the general shuffle, if not race, to somehow reorganize for strategic positioning.
The Hogan & Hartson Analysis of Issues regarding Reorganization of Albany Medical College and Albany Medical Center Hospital, dated April 28, 1981 contains a fascinating “Introduction” of 30 pages (plus 6 illustrative organizational chart possibilities) designed to make the balance of the thick report, relating to hospital reorganization structuring, meaningful in the more complicated setting of the ongoing Hospital/College struggle to work out their separate or joint futures. It is fascinating today because of its candid posing of basic questions which, despite the lengthy history of review between 1973 and 1981, were still unanswered—and worse perhaps—not yet fully understood, e.g.:

“The importance of careful initial planning cannot be overstressed. If the organization as finally created is found to be inappropriate, the College and Hospital may face problems worse that those presently encountered. The risk is especially high in this situation. Most mergers and reorganizations that have been studied involved situations where one of the parties was logically or in fact dominant. And most of these have involved only hospitals or hospital support functions, or the grafting onto a hospital of a financially distressed and largely subordinate school. Here there is no dominant partner. And, while the missions of the College and Hospital are allied, they are fundamentally different. Coordination of a College and Hospital as equal partners is a novel and delicate undertaking.”

“More fundamentally, neither College or Hospital has determined how its operations might be improved or its future enhanced by reorganization. Certainly the merger of the region’s only medical college and its leading tertiary hospital, if undertaken in the proper spirit, could create the principal health care institution in northeastern New York. This institution in turn could play a leading part in effecting changes in health delivery over the next generation. It is not clear now, however, if this is the goal of either Board. For example the College has not finally decided whether - and how - it will be a resource to northeastern New York, pursuing clinical support, continuing education, medical research and faculty practice opportunities. Nor has it finally decided the extent to which its future entails partnership with the Hospital."

“The Hospital faces a similar need for careful thought to the future … One important aspect of this discussion may not have been fully appreciated following the reorganization presentation to the Liaison Committee in December. Most of the discussion during that presentation involved models and hypotheses that pertain chiefly to hospitals. This may have exaggerated the short-term financial value of restructuring the Hospital and College … What is principally at issue in a reorganization of both the College and Hospital is not short-term financial gain, but improvement of the institutions’ ability to plan and implement long-term changes that eventually will produce financial stability.”

The Hogan & Hartson memorandum was presented to me for comment, which was delivered in my memorandum of May 6, 1981. That memorandum and its five appendices attempted to add the College’s legal, organizational, and regulatory context to the hospital context discussed in the Hogan & Hartson memorandum. That is, it attempted to move the discussion beyond hospital management to academic medical center management. After
the years of previous discussion of joint administration and even consolidation, it was sobering to confront the possibility that the distinction remained unclear to many, notwithstanding their prior involvement and ongoing fiduciary roles.

The memorandum also summarized the history of the eight years of efforts toward some form of administrative unification, and attached the document that had been duly created, approved, but ultimately abandoned in the process.

It also brought out for general understanding a legal question that had been simmering for years: was the College (and indeed any or all medical colleges) “practicing medicine” through its expanding faculty practice arrangements, and if so was it legally empowered to do so. Dept. of Education counsel Robert D. Stone had been pressing this rather pointedly. Although he finally let it drop, he may not have been convinced by our response; but over the next few years the issue had to be litigated with a defecting faculty physician. Ultimately it was settled in the College’s favor in 1985 by New York’s highest court, in Albany Medical College vs. McShane.

Finally, the memorandum laid out the 1977 amendments to the New York Education Law that had been requested in anticipation of consolidation, and pursued and obtained even though consolidation had been derailed earlier in the year.

I was asked by the Liaison Committee to prepare documents creating a new Albany Medical Center corporation, which would direct and control both the College and the Hospital; to supervise amendments to the College charter (and bylaws) and the Hospital’s certificate of incorporation (and bylaws) acceding to such direction and control; and to advise on obtaining all necessary internal corporate, and external regulatory and judicial approvals. In this effort there was superb coordination from attorneys Duke Collier of Hogan & Hartson; Albert Hessberg II of Poskanzer, Hessberg, Blumberg, et al (in behalf of the Hospital, of which he was a Governor and Board officer); Warner Bouck of Bouck, Holloway, et al (in behalf of the College, of which he was a Trustee and Board officer); as well as from Robert D. Snow and his staff in behalf of the Dept. of Education Board of Regents), and from Peter J. Millock and his staff in behalf of the Dept. of Health.

To obtain regulatory approval the Liaison Committee pre-filed all proposed legal documents for creating the center corporation, and for subordinating the College and Hospital to its direction and control.

Of particular interest was the so-called “Omnibus Resolution,” ultimately adopted by all Center entities. Although it did not technically create the shift of ultimate control over the College and Hospital to the new Albany Medical Center corporation—the charter and certificate of incorporation amendments, together with the Center’s corporate powers, accomplished that—it was very effective in illustrating the shift in control very pointedly for the understanding of all concerned. It spelled out, in clear language, just where ultimate authority was being ceded to the Center—e.g. in all budgetary matters; fund-raising; endowment management (subject to requirements and restrictions imposed by endowment donors); real property dealings; creation of indebtedness; contractual
authority; long term and financial planning; and faculty practice terms and conditions. Conversely, it gave assurance of continuing autonomy for the College in conferring of academic degrees. The “Omnibus Resolution” made it impossible for anyone to claim lack of understanding as to where ultimate power and authority would lie. It remains a formal part of the bylaws of all Center entities: the Center, the College, the Hospital, and Albany Medical Center Foundation, Inc.

The most significant issue in obtaining the Dept. of Health’s required approval for the reorganized state of the Hospital, under the direction and control of the Center, was which entity would hold the Hospital’s operating certificate, issued by the Department and subject to revocation by the Department in the event of serious operating deficiencies. Our initial request was that it be held by the Hospital as always, as the true ongoing operational entity. The Department’s initial request was that it be held by the Center, as the new entity of ultimate authority. The agreed compromise was that it be held jointly, but that the Center would not suffer duplicative reporting requirements imposed upon hospitals for all manner of operational data. For this and other reasons of statutory definition, the new Center corporation was formally established as an “Article 28” (of the New York Health Law) entity, similar to the Hospital but unlike the College.

The Dept. of Education, for its part, was curious about its power to regulate a college that was controlled by another entity. This presented a policy question more rare than difficult. The Board of Trustees would continue within the Department’s familiar regulatory grasp, however and by whomever the Trustees were to be appointed—i.e., by the Center corporation. A discussion “Outline of Reorganization Efforts” of this issue, including the rationale underlying the effort for administrative unification, dated July 12, 1982 was sent to the Board of Regents with a transmittal letter of the same date which summarized the situation as follows:

“Conceptually it calls to mind two colleges united within a university; or a medical college and a hospital existing within a university, or perhaps two orphan siblings adopting a new parent in search of family discipline.”

The technique of continuing the College and Hospital as separate legal entities was helpful in maintaining ongoing regulatory authority over the College in the Dept. of Education alone, and over the Hospital in the Dept. of Health alone. The correlative need to continue three governing boards (at least as demonstrable, technically ongoing legal bodies) drew some impatience from the Center’s first CEO and from some later Board members and officials. My own view is that such impatience tends to be misdirected. The governing boards of the College (i.e. its Board of Trustees) and of the Hospital (i.e. its Board of Governors) need be nothing more than mere committees of the Center’s Board of Directors, each focusing on the subject-matters or regulatory requirements of the respective operating entity peculiar to it, and subject to whatever policy or agenda guidance and limitations the Center’s Board might desire to establish. Such committees, like any other committees of any board, can be extremely helpful in getting essential or required actions
accomplished which would be of little interest to the full Center Board, and would indeed have the potential for engendering legitimate irritation over undue occupation of time on the full Board’s agenda.

The true source of irritation over “multiple boards,” albeit directed at the form of organization, tends to be the actual or potential attitudes or partisanship relating to College or Hospital matters expressed by members of such committees/subordinate boards. Yet these inevitably are irritations of substance, not of organizational form. However management and the full Board want to approve or disapprove, or encourage or discourage, such matters of substance can be readily implemented, just as is true regarding the reports and recommendations of any committee of any board. Irritation with the form of the organization tends to mask irritation over the potential for voicing of views, which is an entirely different matter. In any event, even the squelching of views doesn’t require structural change. To impose upon the full Board the duty of approval of promotions and academic degrees at the College, or the tedious review and enactment of Hospital rules and regulations as prescribed by the Dept. of Health (to cite two illustrations of mundane necessity) would be as counterproductive as it would be unnecessary.

Because the review process for approving Article 28 authority was expected to be time consuming, the Center’s original certificate of incorporation was filed—thus creating the corporate entity and allowing for considerable corporate organization and action (such as recruitment of a CEO)—without Article 28 powers, but expressly contemplating future amendment of the certificate to add such powers once the review process ground to its conclusion.

Thus the original certificate was filed with the Secretary of State, creating the new center corporation, on October 8, 1982; a Certificate of Amendment, removing the original restrictions upon exercise of Article 28 powers, was filed August 8, 1983. In the meantime the Center’s first President and CEO, J. Richard Gaintner, M.D., was recruited and began vigorous reshaping of the Center’s role as the leading health care entity of the region.

Thus organization theory and documentation finally corresponded with the theory and practice that already had evolved over many decades—the existence of a true academic medical center, known both formally and informally as Albany Medical Center.

The Affiliation with Union University

Union University is a university without employees, budget, or physical reality except on paper. Yet it is a legal entity, given life and recognition by the New York State Legislature. It has a Board of Trustees which meets at least annually, and by convention the President of Union College is its Chancellor. It is comprised of five member institutions, all not-for-profit education corporations under the regulatory jurisdiction of the Board of Regents: Union College, Albany Medical College, Albany Law School, Albany College of Pharmacy, and Dudley Observatory. Their 19th century pact and various agreements were given corporate life by the Laws of 1873, Chapter 193, and by the act of the Regents (known technically as
Over the years various institutional members of this “university” have launched efforts to promote cohesive actions among the membership to create some semblance of a true university, but at present little significance adheres other than the sometimes useful power of one member to grant degrees which another member is expressly empowered by the Regents to grant. A letter of May 27, 1983 to Dean Friedlander of the College suggests that “the College may want to consider seeking an amendment to its own charter to pick up the power to grant graduate degrees, in addition to medical degrees, without regard to its affiliation with Union University.” That suggestion to date has not been followed, perhaps because any discussion of Union University tends to have an inherent political charge stemming from the state of cooperative feelings, or lack thereof, existing at the time between or among the various members.

Whether under the banner of “Union University” or otherwise, the concept of greater cooperation between and among the area’s many fine educational institutions remains a challenging opportunity for the future.
Formation of Albany Medical Center Timeline

1839
Albany Medical College founded

1849
Albany Medical Center Hospital founded

1920s and 1930s
Inception of term “Albany Medical Center”

1927
Formal agreement officially sanctions long-time practice: chiefs of service in Hospital are heads of corresponding academic departments in College.

1953
College and Hospital boards form committee to explore creation of the “New York Northeastern Medical Center” but no such entity is created.

1970
Presidents of the college and the hospital appoint a “working committee to investigate the interworkings and interrelations of the two institutions.”

1972
Committee on Central Administration, made up of a number of members of the Hospital’s Board of Governors and the College’s Board of Trustees,* begin meeting to explore possible unification of the two institutions.

* Committee included Arnold Cogswell, Andrew Fisher, Hollis Harrington, Frank Wells McCabe, Woods McCahill, and George Pfaff.

1973
Fisher and Pfaff provide Committee on Central Administration a confidential report on their visit and review of the Cornell Medical College-New York Hospital model.

John Beach is asked to consult with committee and suggests revisions to committee’s “Joint Administrative Agreement” which are adopted.

1974
Joint Administrative Agreement creates a formal partnership between the
Hospital and the College and both institutions, while remaining separate, autonomous corporate entities, agree to be governed by a joint Board of Directors (chosen equally from the two existing boards) with respect to any matter “as it deems proper in furtherance of consistency and efficiency in the administration of Albany Medical Center, wherever the policies and practices of either the College or the Hospital may substantially affect the other ....”

(This partnership is never able to recruit a president—perhaps due to the inherent weakness of the structure in that nothing prevented either of the corporate “partners” from withdrawing from the partnership if it believed its best interests were not being served.)

1976
Booz, Allen & Hamilton, a management consultant firm retained by the Liaison Committee, presents its “Interim Report on Recommended Organizational Relationships” to the committee suggesting three possible “models” (the establishment of a holding company to own the Hospital and the College, the continuation of the two separate corporations with the same individuals acting as both Trustees and Governors, or formal consolidation of the Hospital and College corporations.)

Final Booz, Allen & Hamilton Report suggests formal consolidation and the committee, backed by the two Boards, approves implementation. Legislation is drafted to confirm that some state aid statutes would remain applicable to the College even though it was to be absorbed by a new not-for-profit corp. and preliminary and informal approval is secured from Department of Education and Health Department.

1977
On Feb. 1, College Dean Stuart Bondurant sends four-page memo to College trustees and various others saying “interests of Albany Medical College and those of Albany Medical Center will not be served by corporate consolidation at this time” effectively derailing the effort.

1980
Liaison Committee formed (Matt Bender, College Trustee Chair Woods McCahill, Spencer Johnson, Dean Robert Friedlander, Hospital Board Chair Thomas O’Connor, Richard Sonneborn, and Hospital Director Thomas Hawkins). Committee recommends initiation “of discussions aimed at merging the two institutions.” On Sept. 5, the Hospital Board of Governors and the College Board of Trustees approved the recommendation.
1981
DC-law firm of Hogan and Hartson delivers its report to Liaison Committee titled “Analysis of Issues Regarding Reorganization of Albany Medical College and Albany Medical Center Hospital (authored by Earle “Duke” Collier). Emphasizes importance of planning carefully and expresses concern that despite all the discussions “neither the College nor the Hospital has determined how its operations might be improved or its future enhanced by reorganization.”

Liaison Committee asks John Beach to “prepare documents creating a new Albany Medical Center corporation which would direct and control both the College and the Hospital.” He is also asked to supervise amendments of the College charter and bylaws and the Hospital’s certificate of incorporation and bylaws, and to advise on obtaining all necessary internal corporate and regulatory and judicial approvals.

Omnibus Resolution of Nov. 24 spells out just where ultimate authority was being ceded to the Center (all budgetary matters, fund raising, endowment management, real property dealings, creation of indebtedness, contractual authority, long-term and financial planning, and faculty practice terms and conditions).

1982
Original certificate creating Albany Medical Center is filed with the Secretary of State on Oct. 8 Recruitment of CEO under way.

1983
New Center Board of Directors meet for first time on Jan. 19. Certificate of Amendment (removing the original restrictions upon exercise of Article 28 powers) filed on Aug. 8. Dr. J. Richard Gaintner is installed on Nov. 14 as first president and chief executive officer of Albany Medical Center.
Arnold Cogswell, one of the “founding fathers” of the Albany Medical Center, passed away on February 12, 2008 as this publication was going to press. To honor his memory and his many contributions to our institution, this eulogy, given by Albany Medical Center President James J. Barba at Mr. Cogswell’s funeral service on February 16 at St. Peter’s Episcopal Church in Albany, is reprinted here in its entirety.

My friend and mentor, Arnold Cogswell, died on Tuesday just three days short of his 84th birthday. He was a wonderful husband to his wife, Jessie; a loving father to his children Arnold, Jessie and Elizabeth; and a devoted grandfather to his six grandchildren. Certainly, Arnold did not leave us as a young man. The passing of young people is so often an occasion for grief. Nor did he leave us as a middle-aged man, about whom one might say, “his important work was still ahead.” Far more profoundly, Arnold left us as a great man, and the death of a great man is universally a time for sorrow, but also a time for reflection.

How does one remember a great man? The qualities that make an individual great are neither easily defined, nor easily articulated. Yet, they are tangible. They are observable. They are real.

I can only define Arnold Cogswell by relating to you small pieces of conversations that we had over the years, and hope that in the relating, you will appreciate the measure of this man.

Shall I tell you of our conversation in 1974, the first that we ever had, in which he telephoned me to ask if I might volunteer my legal services at the Albany Medical Center Hospital? Ever the advocate for the Hospital, and later for the Medical Center, he told me that if I got involved, perhaps I would enjoy the experience, and I might, eventually, do other work there. I can recall, upon hanging up, that I thought: “Arnold Cogswell just called me! One of the most influential and respected people in our region called me and asked a favor!” He had that effect on people. Those who knew him only from afar might have the wrong impression of this quiet man, thinking him sober and stand-offish. He was, in fact, genuine and down-to-earth and quite approachable.

Shall I tell you of our conversation, two decades later, in early May of 1994, when I was considering becoming Chair of the Medical Center Board, and he encouraged me to do it. Here was a man who was the very creator of the Albany Medical Center, encouraging someone more than 20 years his junior to
take on a responsibility that I knew he, at one time, would like to have had, but understood that it was not to be. He also understood that he did not need positions in order to be profoundly influential.

Shall I tell you of a conversation not a year later, in the late winter of 1995, when I turned to him for guidance, yet again. This time the issue was the Presidency of the Medical Center. Historically, a position that did not treat its incumbents well, Arnold asked me to step up to it, saying it was my responsibility to the community. And then he said something far more significant. “Jim, don’t fear failure. Do your best. I promise that I will always be there to help you. You will not be alone.” That promise he kept until his last day.

Shall I tell you of a conversation that we had early in 2003, when a piece of advice he had given our Investment Committee turned out, in the difficult economy of the post 9/11 world, to be not as good as he had hoped. “I made a mistake, Jim, pure and simple. We should have done things differently.” That a man of his stature would take ownership of a mistake, and apologize for it, defines him. Perhaps there is nothing that fits greatness as comfortably as humility. Happily, he lived long enough to redress that mistake and to put all things in order again.

Dear God, this man loved his community. And central to it, he loved his Medical Center. Born to privilege, Arnold’s public life could have taken many paths. Virtually all were open to him. He chose the path of citizen-servant. Understanding that the real measure of success was, as articulated by Emerson: “to know that even one life breathed easier because you have lived.”

To make thousands upon thousands of his fellow citizens “breath easier,” he was, quite literally, the architect of the Albany Medical Center.

In 1970, after spending 27 years on the Hospital Board, Arnold, along with his good friend, Dick Sonneborn, began to ask the central question: would we not be better able to fulfill our missions of patient care, education and research if we combined the Medical Center Hospital and the Medical College. The debate that this single, simple question engendered lasted 12 years. And, the longer it went on, and the more resistance that developed, the stronger Arnold felt that the notion was the right one. When it concluded with an approving vote of both Boards in 1982, Arnold said to me, simply, “we have done the right thing.” Later he celebrated as Dick Sonneborn became the first Chair of the new Albany Medical Center Board.
Our Medical Center, the one that Arnold envisioned and created, is a true reflection of his spirit. Like the man, the Medical Center is a great equalizer. When someone enters our hospital for care, it doesn’t matter who he is, or where she came from, or whether such a person can pay. It matters only that help is needed, and that the best help is offered, without charge if necessary. Our institutional hand has become an extension of Arnold’s hand—outstretched and ready to offer assistance.

And so, this afternoon, I have all of these thoughts about my friend. I try to put them together in some order that will capture a life lived fully, and a life of great significance. What are the adjectives that can describe this man? Honest, astute, hard working, philosophical, caring, human and humane. A man for whom the word integrity was devised. A man who cared about things greater than himself so intensely, that he himself seemed to be subsumed into them. A man who accomplished what he set out after, but who set out only after those things of substance; those that would benefit the greatest number and the greatest good. A man who was a consistent source of unvarnished truth.

And, I think, selfishly, about how my life will be changed because Arnold won’t be there to lean on. To speak to. To joke with. To listen to. To care for.

The final conversation that I would share with you occurred about a dozen years ago at a Medical College Commencement. I had delivered an address, whose message I had labored over. As we stepped off the stage, Arnold, always a man of few words, said to me, “Good speech. I liked the poem.” In his memory, I would like to share that poem with you.

The poet—the Twentieth Century American, Robert Frost. The scene—a woods, not far from here, in Vermont. And this is what he wrote:

Two roads diverged in a yellow wood.
And sorry I could not travel both
And be one traveler, long I stood
And looked down one as far as I could
To where it bent in the undergrowth
Then took the other, just as fair
And having perhaps the better claim
Because it was grassy and wanted wear.
Though as for that, the passing there
Had worn them really about the same.
And both that morning equally lay
In leaves no step had trodden black.
Oh, I kept the first for another day!
Yet knowing how way leads onto way,
I doubted if I should ever come back.
I shall be telling this with a sigh
Somewhere ages and ages hence.
Two roads diverged in a wood
And I took the one less traveled by,
And that has made all the difference.

The death of a great man is universally a time of sorrow. But we are delivered from that emotion today by the reflection that many, many years ago, Arnold Cogswell chose to take the road less traveled. For his family, his friends, his community and for those countless thousands who never knew him, but have so benefited by his life and work, that has made all the difference.
The History of the Formation of Albany Medical Center

by Greg McGarry