HOSPITAL ADMINISTRATION ORAL HISTORY COLLECTION

Bernard J. Lachner

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BERNARD J. LACHNER

In First Person: An Oral History

Interviewed by Donald R. Newkirk
July 1994

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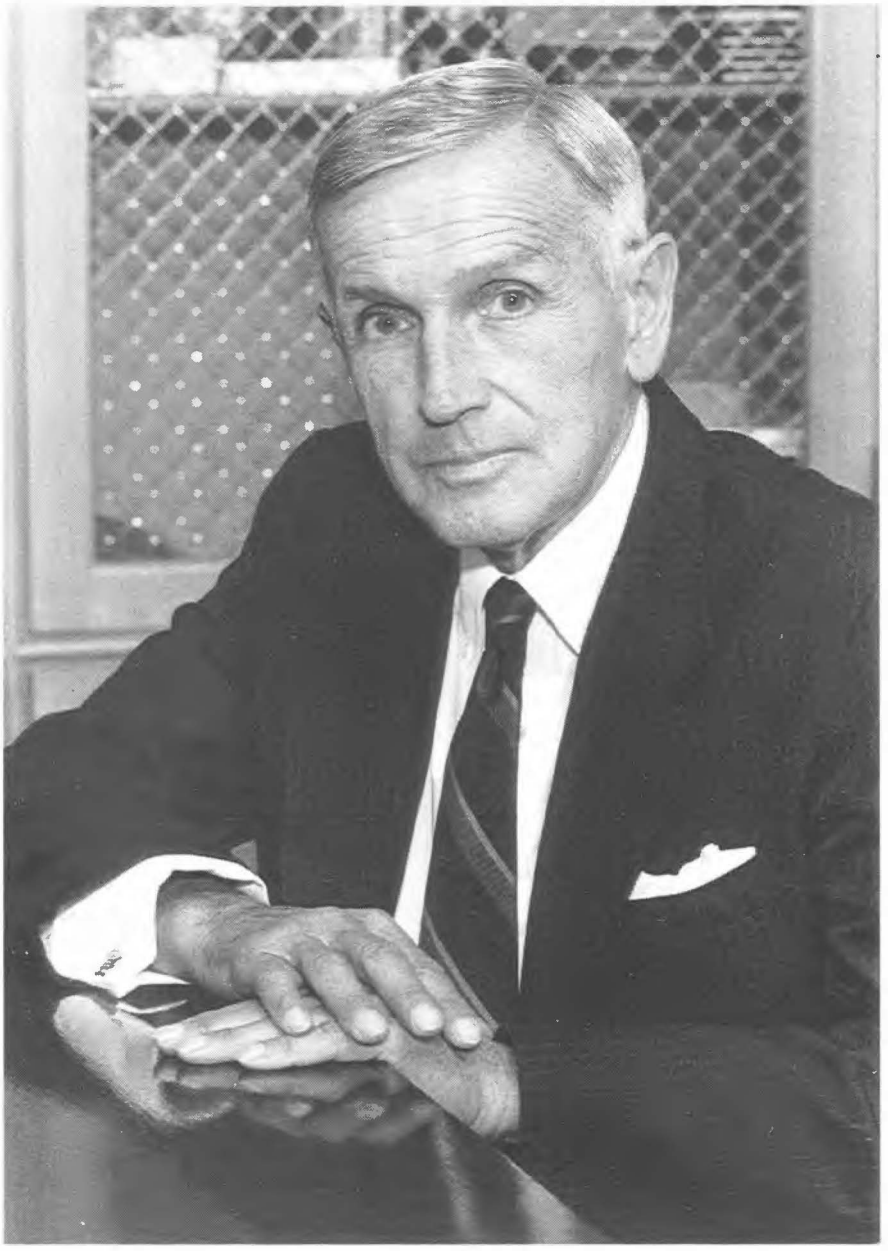

Bernard J. Lachner

CHRONOLOGY

1927	Born October 13, Rock Island, Illinois
1946-1947	U.S. Army
1945-1948	University of Notre Dame, Notre Dame, Indiana
1950	Creighton University, Omaha, Nebraska, B.S.
1950-1954	Iowa Methodist Hospital, Des Moines, Iowa Administrative Intern, 1950-1952 Administrative Resident, 1953-1954 Administrative Assistant, 1954
1953	University of Chicago, Chicago, Illinois, M.B.A.
1954-1958	Ohio Tuberculosis Hospital, Columbus, Ohio Assistant Director
1954-1972	The Ohio State University Hospitals, Columbus, Ohio Assistant Administrator, 1954-1958 Associate Administrator, 1958-1962 Administrator, 1962-1972
1961-1972	The Ohio State University, Columbus, Ohio Assistant Dean, College of Medicine, 1961-1971 Director, Graduate Program in Hospital and Health Service Administration, 1967-1971 Professor (1967-1972) and Adjunct Professor (1972-present), Graduate Program in Hospital and Health Service Administration Assistant Vice President for Medical Affairs, 1971 Vice President for Administrative Operations, 1971-1972
1972-1992	Evanston Hospital, Evanston, Illinois President/Chief Executive Officer, 1972-1989 Vice Chairman/Chief Executive Officer, 1989-1992
1972-	Northwestern University Lecturer, Department of Community Health and Preventive Medicine Professor of Management, Graduate School of Management

MEMBERSHIPS AND AFFILIATIONS

Allstate Insurance Co.
Structured Settlement Trust Board, 1991 to present

American Association of Colleges of Pharmacy
Member, Study Commission on Pharmacy, 1975

American College of Healthcare Executives
Member, Committee on Membership, 1967-1970; Chairman, 1969-1970
Chairman, Subcommittee on Licensure, 1968
Chairman, Committee for Executive of the Year, 1968-1969
Member, Committee on Awards and Testimonials, 1968-1969
Member, Coordinating Committee, 1969-1970
Member, Subcommittee on Examinations, 1970
Member, Committee on Budget and Finance, 1970-1971
Member, Council of Regents, 1970-1971
Member, Gold Medal Award Committee, 1972-1973
Member, Committee on Insurance, 1974-1976
Member, Board of Governors, District IV, 1976-1980
Fellow

American Dietetic Association
Advisory Board, 1986-1988

American Health Capital, Inc.
Member, Advisory Committee, 1983-1986

American Hospital Association
Member, House of Delegates, 1969-1972, 1975-1978
Member, Council on Legislation, 1971-1973
Member, Executive Search Committee Advisory Committee, 1972
Member, Special Committee to Evaluate Relationships with Societies, Assemblies, and Sections, 1972-1973
Member, Subcommittee on Liaison with Other Organizations, 1972-1973
Representative, American Academy of Pediatrics Committee on Hospital Care, 1973-1974
Member, Selection Committee, Edwin L. Crosby Memorial Fellowships, 1974 to present
Member, Advisory Panel on Nursing, 1974-1975
Member, Accrediting Commission on Graduate Education for Hospital Administration, 1974-1976
Member, Committee on Continuing Physician Competence, 1977
Member, Committee on Medical Education, 1977, 1979; Ex-officio Member, 1981
Member, Committee to Study the Role of the Coordinating Council on Medical Education in the Distribution of Specialty Residencies, 1977

Chairman, Committee to Study Impact of New Medical Schools and the Issues of the Increasing Enrollment, the Size and the Establishment of New Medical Schools, 1977
Representative, Coordinating Committee on Medical Education, 1977-1980
Chairman, Regional Advisory Board V, 1978-1980
Member, Ad Hoc Finance Committee, 1978-1981
Member, Board of Trustees, 1978-1982
Chairman-elect Designate, Board of Trustees, 1979
Chairman-elect, Board of Trustees, 1980
Member, Executive Committee, 1980
Chairman, Finance Committee, 1980
Chairman, General Council, 1980; Member, 1981
Member, Joint Committee with the National Association of Health Services Executives, 1980
Chairman, Board of Trustees, 1981
Member, Joint Committee with the Blue Cross and Blue Shield Associations, 1980-1981
Member, Joint Committee with Health Insurance Association of America, 1980-1981
Chairman, Hospital Research and Educational Trust, 1981
Representative, Council for Medical Affairs, 1981
Speaker, House of Delegates, 1982
Liaison to the following organizations: American College of Hospital Administrators; American Medical Association; American Protestant Hospital Association; Association of American Medical Colleges; Catholic Health Association of the United States
Member, Kings Fund Delegation, 1983-1986
Member

American Society of Hospital Pharmacists
Member, Commission on Goals, Advisory Body to Board of Directors, 1975-1976

American Unity Insurance Co.
Board member, 1985 to present
Chairman, 1995

Association of American Medical Colleges
Chairman, Committee on House Staff Relations to the Hospital, 1971
Member, Executive Committee, Council of Teaching Hospitals, 1971-1973
Member, Management Programs Coordinating Committee, 1973-1974
Member, Management Systems Development Liaison Committee, 1973-1976
Member

Association of Universities for Research and Astronomy
Member, Board of Directors, 1971-1972

AT&T Bell Laboratories
Advisory Board, Chairman, 1983-1991
Medical Diagnostic Imaging

Baxter Corporation
Consultant, Travenol Management Services, 1978-1983

Blue Cross Plan of Central Ohio
Chairman, Hospital Advisory Committee, 1965-1971

Case Western Reserve University
Member, Executive Advisory Board, Health Systems Management Center, 1980

Chicago Council on Foreign Relations
Member, Chicago Committee, 1977-present

Crusade of Mercy
Co-Vice Chairman-Hospitals, Region IV, 1974
Chairman, Special Committee-Hospitals, 1975-1976

Downtown Kiwanis Club of Columbus, Ohio
Member, Board of Trustees, 1969-1970

Evanston-in-School Music Association Council
Member, 1973-1974

Heart Association of North Cook County
Chairman, Northbrook Heart Fund, 1975

Health Care Executives Study Society
Member, 1963 to present
Chairman, 1980

Health Care Leadership Council
Member, Executive Committee, 1990-1992

Health Providers Insurance Co.
Board, 1988-1995

Herman Smith Associates
Consultant, 1968-1972

Hospital Administrators Correspondence Club
Member, 1974-present

Hospital Financial Management Association
Member, Advisory Committee, 1972-1976

Hospital Research and Development Institute
Member, 1969-1993
Chairman, 1989-1993

Illinois Hospital Association
Member, Board of Trustees, 1973-1976
Member, Task Force on Fiscal Policy, 1974
Chairman-elect, 1975-1976
Member, Executive Committee, 1975-1978
Chairman, Leadership Committee, 1976; Member, 1980
Chairman, 1976-1977
Chairman, Illinois State Cost Containment Committee,
Blue Ribbon Committee, 1977-1978, 1980
Member

International Hospital Federation
Board Member, 1983-1991
Executive Committee, 1986-1991
Treasurer, 1986-1991

LAMBS
Member, 1978 to present
Chairman, 1986

McArthur Foundation
Consultant, 1982-1985

Medical Care Seminar Group
Member, 1984 to present

Medicus Corporation
Advisory Committee, 1975-1979

Mid-Ohio Health Planning Federation
Vice Chairman, Administrators Council, 1968-1971

National Committee for Quality Health Care
Board member, 1985-1992
Chairman, 1990

National Institutes of Neurological Diseases and Stroke
Member, as special consultant to Directors of the National Institutes of Health, Communicative Disorders Review Committee, 1973-1977

National League for Nursing
Member

NBD Evanston Bank
Director, 1988-1995

North Suburban Association for Health Resources
Member, Board of Directors, 1972-1973
Member, Executive Committee, 1972-1973

Northwestern University
Preceptor, Graduate Program in Hospital Administration
Honorary Member, Alumni Association, 1974 to present

Northwestern University, McGaw Medical Center
Member, Administrative Committee, 1972-present; Chairman, 1974-1977
Member, Board of Directors, 1972-present
Chairman, Long Range Planning Committee, Subcommittee on Education, 1978

Northwestern Health Care Network
Board Member, 1990-1992

Ohio Hospital Association
Member, Board of Trustees, 1963-1972
Vice President, 1968-1969
President, 1969-1970

Ohio Hospital Management Services
Member, Board of Directors, 1969-1971

Ohio League for Nursing
Member, Board of Directors, 1969-1970

Ohio State Regional Medical Program
Member, Hospital Service Task Force Committee, 1969-1971

Ohio State University
Member, Faculty Advisory Committee to Office of University Development, 1970-1971
Preceptor, Graduate Program in Hospital Administration

Sangamon State University
Member, National Advisory Committee, 1973

St. Joseph Health System
Board Member, 1982-1989

Superior Consultant Co. Inc.
Advisory Board, Chairman, 1992 to present

United States Department of Health, Education, and Welfare
Member, Health Services Research Training Committee, National Center for Health Services Research and Development, 1970-1971

University of Chicago
President, Hospital Administration Alumni Association, 1967-1968
Preceptor, Graduate Program in Hospital Administration

University of Illinois
Member, Citizens Committee, 1973-present

University of Michigan
Preceptor, Graduate Program in Hospital Administration

University of Minnesota
Preceptor, Graduate Program in Hospital Administration

VHA Enterprise Board, 1979-1985

W. K. Kellogg Foundation
Member, Ad Hoc Advisory Committee for Improved Management for Nursing Services, 1972

AWARDS AND HONORS

American College of Healthcare Executives
Gold Medal Award, 1984

Creighton University
Alumni Merit Award, 1977

Medical College of Ohio
Honorary Doctorate, 1981

Ohio Hospital Association
Honorary Member, 1971

The Ohio State University, Graduate Program in Hospital and Health Administration
Distinguished Service Award, October 1978
Honorary Member, Alumni Association

PUBLISHED WORKS

Cordes, D. W., and Lachner, B. J. Keeping equipment where it belongs. Modern Hospital. 81(5):62-64, Nov. 1953.

Lachner, B. J. Nurse education costs less than you think. Modern Hospital. 87(2):69-71,144, Aug. 1956.

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Lachner, B. J. Dilemmas and paradoxes of the voluntary hospital industry. Hospital Progress. 56(8):65-68,72, Aug. 1975.

Lachner, B. J. Book review: "Selected papers of the Commission on Education for Health Administration, volume II." Hospital & Health Services Administration. 21(2):97-99, Spring 1976.

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Lachner, B. J. Point of view: marketing--an emerging management challenge. Health Care Management Review. 2(4):25-30, Fall 1977.

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Lachner, B. J. Pharmacy coordinated unit dose dispensing and drug administration system - administrative implications. In: Sourcebook on Unit Dose Drug Distribution Systems. Washington, DC: American Society of Hospital Pharmacists, 1978, pp. 246-248.

Lachner, B. J. Hospital survival through effective marketing. Osteopathic Hospitals. 22(2):8-11, Feb. 1978.

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DiPaolo, V., and Lachner, B. J. Aggressive hospital marketer will preside over AHA general counsel. Modern Healthcare. 9(10):28, Oct. 1979.

Lachner, B. J. Hospitals must be businesslike. Hospitals. 53(21):107-108,111-112, Nov. 1979.

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Lachner, B. J., and Rosenberg, D. O. Environmental change faces hospital CEOs. Hospitals. 54(1):75-78, Jan. 1980.

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Arnwine, D. L., Cathcart, H. R., and others. Challenges for '89. Modern Healthcare. 19(1):28-30,34,36, Jan. 6, 1989.

Lachner, B. J. What hospitals owe physicians: an overview. In: Jaeger, B. J., editor. What Hospitals Owe Physicians; What Physicians Owe Hospitals: Report of the 1989 National Forum on Hospital and Health Affairs. Durham, NC: Department of Health Administration, Duke University, 1990, pp. 1-7.

King, J. G., O'Leary, R. W., and others. The outlook for healthcare and hospitals in 1990: roundtable discussion. Modern Healthcare. 20(1):38-39, Jan. 8, 1990.

Lachner, B. J. Advice to grads: use service, not salary, to measure success. Modern Healthcare. 22(25):54, June 22, 1992.

NEWKIRK:

It's just a bit past 8:00 a.m. on a beautiful summer day somewhere in southern Wisconsin off Road Z, in a town called Powers Lake. I'm sitting here across the table from Bernard J. Lachner, and we're looking out on the lake from his beautiful summer home. Now to get to this place, you have go down Road Z and turn right at Risky's Bar. Risky's Bar. I have not probed that yet, but it must be a rather notable place in this area. But once found, this location gives much joy and great views.

Bernard Joseph Lachner, also known as Bernie and B.J. Over the years it has been my distinct pleasure to be a close professional and personal friend of both Bernie and his wife Bonnie, so you can imagine my pleasure at being asked to do this interview.

We are going to cover a sort of a modified chronological format and just guide it. We'll jump around a bit, but pretty generally what we're going to do is cover early childhood and family history, then his education, work history, organizational service, publications, some name recall, some thoughts on the history and future of health care, and sort of finish up with a potpourri. These will all intermingle as we talk, but in general they're the subjects we'll cover. We'll work from an outline, but we're going to try very hard to remain spontaneous. Now let's hear from Bernie. Start at the beginning, which I understand was October 13, 1927. Is that correct?

LACHNER:

That is correct. October 13, 1927. I was born in Rock Island, Illinois, at St. Anthony's Hospital, run by the Franciscan sisters from Kewanee, Illinois. After 10 years or so, in 1937, my father, who was a physician and surgeon, passed away, and as you can imagine, following the Depression, the amount of resources that were available to a family of father and mother and three children were limited in those days, in the middle '30s. When my father died, my mother had

to go to work. My father was a physician and surgeon, my mother, who was the secretary/treasurer of the Federal Bakeries, both married late, so that at the time of my father's death, my mother was looking for a position and at that time the Blue Cross/Blue Shield Company of Des Moines, Iowa, was moving into the Rock Island County area—Rock Island, Moline, and Davenport, Iowa. Because of my father, she was an ideal person to work with physicians and hospital administrators in that area with the selling of the program.

In early 1941, it became apparent that Blue Cross/Blue Shield in Iowa was a successful venture, and Fritz Lattner—F. P. G. Lattner—no relationship—asked my mother to become the director of personnel and public relations, but that required that our family move to Des Moines, Iowa, which we did. And then her relationship with Blue Cross continued until her death in 1958. I went to school in Des Moines, Iowa, of course. It was wartime in the '40s, and I was of draft age, and so when I graduated from high school in 1945, I immediately took a first year of a program beginning in July 1945 to March 1946 at Notre Dame. I finished one year and then went into the army as a dogface private, and my service of 14 months was carried out for the most part in Japan. One of the interesting things about that experience was that I was a clerk typist assigned to a medical general dispensary in Tokyo, Japan, in a building they called the Dai Ichi Building, Headquarters of the Supreme Command of the Pacific, which was General MacArthur's headquarters. We were the people in the dispensary that took care of not only the military personnel and the Japanese people that were working in the area, but also were the personal physicians to General MacArthur. So one of the interesting points was that many trips were made at night in the jeep with Major Hobson, who was the physician in charge, and a couple of us out to the American Embassy where General MacArthur had his home, to take care of little Arthur or Mrs. MacArthur, as the case may be. After finishing my military service . . .

NEWKIRK:

Bernie, could I interrupt for a second?

LACHNER:

Yes.

NEWKIRK:

Before we go any further, back up a little bit and tell us about your brothers and sisters. You sort of skipped over that.

LACHNER:

Okay. I have a sister that went to the University of Iowa, married a history professor. Over the years, they moved to Cuyahoga Falls, Ohio, where he became chairman of the Department of History, Akron University, and he has retired in the last year or so. They had a family of four children. I have a brother who lives in Phoenix, Arizona, and has lived there most of his life. He is married, has three daughters, and is, interestingly, in the microfilm business. He originally got into this through his own company with the banks and insurance companies in that area, and has subsequently broadened it into the health-care-related business.

NEWKIRK:

Okay.

LACHNER:

So, after the military I came back, finished another year at Notre Dame. Then, because our family lived in Des Moines, which was in those days train travel back and forth through Chicago to South Bend, it became easier as my mother and grandmother were getting older, for me to go to school in Omaha. I did two more years at Creighton—graduated in June of 1950.

NEWKIRK:

Back up again. In your C.V., you have University of Notre Dame, 1945 and '46 and '47 and '48. Did you go two stints at Notre Dame?

LACHNER:

Two stints at Notre Dame. Graduated from high school in June of 1945 and with my draft number coming up, it was possible for me to get in one year of schooling—I think, in nine months in those days—so I went off to Notre Dame, finished my first year, went in the military, then came back and did another year at Notre Dame, and then transferred my junior and senior year to Creighton University. When I got out of school in 1950, I was fresh with a baccalaureate degree and no real prospects for a job.

NEWKIRK:

What was your major?

LACHNER:

In biology, chemistry, and a minor in philosophy, as you would expect from a Jesuit school. And I found that none of those skills were very useful in obtaining a job. My mother, because of her position, clearly had relationships around, and one of the people she knew very well was Don Cordes, who was the administrator of the Iowa Methodist Hospital in Des Moines. Don, at that time, needed a summer worker to fill in on some of the jobs in the hospital, and I was hired in June two days after I got out of school to be summer relief in a variety of departments in the hospital.

NEWKIRK:

That was not part of a graduate program like a residency or something. That was just a summer job.

LACHNER:

Just a summer job. It had nothing to do with any future interests or anything else. But as I went through that rotation of departments—I was a janitor, an orderly, a clerk, teller in the business office. I think I did just about everything in that hospital for two or three months, worked in the laundry department, maintenance, up on the floors as an orderly, the OR as an orderly, transportation—you name it, I did it in those days, and it was a great learning experience for me.

NEWKIRK:

Knowing Cordes as we both do, do you suppose he had some idea that he might be luring you into the health care field?

LACHNER:

Well, I think he probably did, and I was easy. And it worked out just fine. Don had a very good friend at the University of Chicago, Ray Brown, and in those days, the classes were small and the health care administration programs were really just getting started, and so I think, by luck of the draw, Don was able to get me into the University of Chicago program in 1951, and I spent the year there, and then came back to Iowa Methodist Hospital for my residency and that for the most part was my experience at Iowa Methodist Hospital. Great learning experience as well as an extraordinary opportunity to start my career with graduate education with a mentor without peer.

NEWKIRK:

Did you have any thoughts of a health care career prior to going to Iowa Methodist? Your mother, of course, was related—in a related field. Did that ever enter your mind?

LACHNER:

I don't think it did. I don't think I knew anyone, prior to graduating from Creighton, that was a hospital administrator. I didn't know what the job was. I really knew very little about hospitals even though, as you say, my mother was involved in this, my father was a physician, and I spent a year or so in the army in a medical general dispensary with physicians, nurses, and others. But that kind of career never crossed my mind.

NEWKIRK:

Cordes sort of took you under his wing in that summer job, which of course was more than a summer job because he rotated you around various departments and gave you a good look at it, and then you became . . .

LACHNER:

I think so, yes.

NEWKIRK:

The University of Chicago in 1951—tell us about that.

LACHNER:

Well, that was obviously a great learning experience for me in the development of some friendships that over the years have lasted. In my class at the University of Chicago were people like Cliff Schwarberg, Charles Goulet, Oscar Marvin, Eugene O'Meara—I think they are the surviving members of that crowd. The Ray Brown relationship that developed was very important over the years. The relationship with faculty at that time consisted of people like Irv Wilmot, Richard Johnson, Dick Withrup, who were part of the faculty at that time and over the years have been close in a professional sense.

NEWKIRK:

How many were on the faculty at that time?

LACHNER:

I think that was the faculty. There were hospital administrators in the area that came in to teach a course for awhile, and Dr. Bachmeyer was there for the first half of the semester and taught several of the courses. But then Ray Brown took over when he retired.

NEWKIRK:

What was the course work like at that time? Was it similar to now?

LACHNER:

Well, in a way, yes. The course work was very similar to the experience I had had in Iowa Methodist Hospital. It was discussions relative to how to behave in nursing service, the role of admissions, the role of the voluntary board, the role of the organized medical staff, the role of community, philanthropy, the developing program in health care insurance, which was just getting started way after World War II, you know, and prepayment programs, discussions by Rufus Rorem on that kind of issue. So it was—those were the days, I think, as I look back, that were really the development of health care administration programs at the university. It was really the development of the role of the health care administrator in the hospital.

NEWKIRK:

The courses were heavily experiential in contrast to the policy type stuff, which we now sprinkle through the curriculum.

LACHNER:

Absolutely. Hands on management. Very little theory.

NEWKIRK:

Health care policy was probably unknown at that time, because we were trying to survive from day to day and manage well, and they were more of a plant manager than a policymaker.

LACHNER:

I don't think there was a course identified as health policy or sessions that we had that perhaps even could be related to it. The University of Chicago was heavily oriented in those days to the business degrees. We had a lot of statistics and economics and what have you in that regard, but as far as the health care side of the program, health policy was pretty well masked, if there was some.

NEWKIRK:

The portion of your résumé dealing with education refers to a Medical College of Ohio doctorate back on page one. Can you tell me just a little bit about that?

LACHNER:

That related in part, I think, to the year I was chairman of the American Hospital Association. An acquaintance and friend of mine, Dr. Richard Rupert, who was an assistant dean at the time that I was an assistant dean at The Ohio State in the College of Medicine. Rupert had gone on to be the dean and president of the Medical College of Ohio at Toledo. Dick and I, over the years, had maintained a correspondence of sorts, and I think he needed a graduation speaker. I think my name fell out of the hat, and I think it was an extraordinary honor for me to be recognized in that sense with an honorary degree.

NEWKIRK:

You've never used that, I presume because it's not an earned degree.

LACHNER:

I only use it in the sense that an old good friend of ours, Edgar Mansfield, used it. When you were paged in an airport or if you needed a reservation in a restaurant or something in that regard.

NEWKIRK:

Now for the record—Edgar Mansfield also has a doctorate, unearned, but he uses the title all the time. You understand now that this is going into the history—the annals of health care.

LACHNER:

Well, I'm sure you'll be careful with what you put into this, but I know Edgar received his honorary PhD, I think, from Ohio Northern and majored in pharmacy or something like that. When we were all in Columbus in those days, we always used to kid him about that, yourself included, because I think he used it with some discretion at very important times.

NEWKIRK:

Bernie, let's just play with these dates again. 1950, 1951 you worked at Iowa Methodist—we talked a bit about that. That was not during the University of Chicago Graduate School period, was it?

LACHNER:

I think that the-I'm not sure exactly the date, but I went to work for Don Cordes in June of 1950, and I think I entered the program in Chicago in September of '51, got out then in June of '52, finished my residency in June of '53, and stayed on at Iowa Methodist for another year.

NEWKIRK:

Okay, now tell us about your residency. That was in 1952 and '53 at Iowa Methodist. Don Cordes still there, of course. You came back to haunt him, didn't you?

LACHNER:

Well, I don't know. I thought I came back with an important usefulness to Don Cordes and the administration of the hospital in those days. My garb changed overnight from wearing orderly's clothes or janitor's clothes or what have you. I always wore a suit or sport jacket, but it was always with shirt and tie, had an office next to Mr. Cordes at that time, and he gave me, in my view, increasing responsibilities as far as doing things for him and in his name with the department heads and his assistant administrator.

NEWKIRK:

Was Don Cordes a course graduate?

LACHNER:

No. Don Cordes had what he called an internship with Claude Munger at St. Luke's Hospital in New York City. Dr. Munger was a physician. So that my time in the second round with Iowa Methodist was a great learning experience for me. It was a time when Don Cordes was very active in the American Hospital Association, beginning to do some things with the American College of Hospital Administrators, and he was involved in just lots of things that opened my eyes to what health care administration was and the role of everybody that was involved in the world of health care.

NEWKIRK:

You were there from 1953 to 1954 and had a title of administrative assistant. You must have been sort of a jewel, being one of the fresh master's degree graduates. They were rather rare in those days. So that was a find for Don. I would imagine you did a very fine job for him.

LACHNER:

Well, I thoroughly enjoyed it, but I know I used to introduce myself at that time as the oldest, longest living resident in health care administration because I had the year before I went to Chicago, the year of residency afterward, and then received the title of administrative assistant for almost another year, I believe, before leaving Iowa Methodist Hospital.

NEWKIRK:

But you weren't the oldest—that was not an atypical situation at that time after the war. There were a lot of people like you.

LACHNER:

That's true, but I think my learning period probably was—Cordes probably thought that was necessary in my case.

NEWKIRK:

Tell us a bit about Iowa Methodist at that time.

LACHNER:

Well, Iowa Methodist Hospital in Des Moines, Iowa, was the largest hospital in town. Mercy Hospital, Broadlawns Hospital, Iowa Lutheran Hospital were all major health care institutions at that time. Des Moines was a center for osteopathic medicine with an osteopathic medical school and two hospitals at that time.

NEWKIRK:

Now the osteopathic physicians were not on the staff, as I remember.

LACHNER:

No, they were not.

NEWKIRK:

I was assuming.

LACHNER:

You were assuming correctly. And they were not on the staff of any of the other hospitals in town, hence that's why they started their own two hospitals. And, of course, that's an interesting story too. But Iowa Methodist Hospital was engaged in building programs; they built a new wing that included all the things important at the time, new surgery, new obstetrics, new psychiatry, which was a major new program in those days. Iowa Methodist Hospital had just completed a children's hospital called the Raymond Blank Memorial Hospital and immediately adjacent to it was the pediatric program of the hospital. It was a very busy place at the time when physicians were coming back from their military service and polio care was at its peak. So all kinds of new surgical procedures were being performed, new therapies, new pharmaceuticals were being introduced into the program. It was a time when the professionalism of practically all of the hospital departments was beginning to take hold. It was a time when pathologists and radiologists and anesthesiologists in this country were beginning to assert themselves with their hospitals relative to the clinical programs and the economics involved. It became very important political discussions in those days. Hospital boards in those days weren't much different than they are now. The leadership of the community—business leadership community—made up the board. There were always a half dozen individuals who were the leadership group. One interesting part of that is there was a fellow on the Iowa Methodist board by the name of Ralph Jester, who was also chairman of the board of the Kohler Hospital in Rochester.

NEWKIRK:

Rochester, Minnesota?

LACHNER:

Rochester, Minnesota, one of the Mayo hospitals. And he was a very important part of changing that program, the Kohler Hospital to what became known then as the Rochester Methodist Hospital. Mr. Cordes again was a part of that exercise, and that gave me access to what was going on, how they were it doing and why.

NEWKIRK:

You were in a real petri dish of a lot of things going on in the Midwest—you know, large hospital. How large was Iowa Methodist at that time?

LACHNER:

It was 500 beds, including the Children's Hospital—big OB program—so it was a good learning experience for me.

NEWKIRK:

You stayed there until 1954, and you were lured to Columbus, Ohio. Now what happened?

LACHNER:

Well, I think—the way things worked in those days was that you spent a year in your residency after your year in the graduate program, and then you moved on. I think during that last year or so, it was important that I begin to look around, and you couldn't look around on your own at that point in time. You needed help. So Mr. Cordes was a real help to me. As a matter of fact, he had a friend by the name of Merton Knisley, who was the administrator of St. Luke's Hospital in Milwaukee, Wisconsin. Mert needed a junior assistant—out of school, out of residency—and so he and Mr. Cordes decided that I might be a prospect in that regard, so I went up to Milwaukee the night before, spent it in a hotel, and showed up in Mr. Knisley's office at

8:00 on the appointed morning. I walked into his office and on his desk was this folder with my curriculum vitae in it and about the only thing that caught his eye was the fact that I graduated from Creighton in Omaha. He looked at me, and he said, "You aren't Catholic, are you?" And I said, "Yes, I am." And he picked up the phone and got his secretary, and he said, "Would you please cancel all of Mr. Lachner's other appointments for the day, because he'll be leaving," and put the phone down, and said, "I'm very sorry." And I think he really, truly was. He had brought me up there at a time when religion played a very important part in hospitals and who the administrator was and what he represented. A Catholic at St. Luke's Hospital, which I believe is a Lutheran hospital, just wouldn't work in those days. I think—you know, I had discussions with Mr. Cordes about that at a Methodist hospital, that effectively I had no future in the administrative group at Iowa Methodist Hospital and he knew it, I knew it, we understood it, and that was part of the plan, and it was no big deal in that sense. But it was a very important time, I think, in health care management, to have that understood. I left friendly with Mr. Knisley. As a matter of fact, over the years, until his death, he and I were good friends and often called each other.

NEWKIRK:

That's very interesting. I had an opposite experience in my first hospital job, which was a Catholic hospital. I informed the administrator of the hospital early on that my father was a 33rd degree Mason. She proceeded then to sail out of the office, and her last words were, "Mr. Newkirk, that's your problem, not ours."

Well, Bernie, let's go back to how you got to Columbus. You went to Milwaukee, and that sort of fizzled because you were the wrong blood type.

LACHNER:

Well, another friend that Mr. Cordes had was J. Milo Anderson. Milo Anderson was the administrator of The Ohio State University Hospital, and there were three hospitals there. The big general hospital was operated by The Ohio State University. The tuberculosis hospital, 300 beds, was operated by the Ohio Department of Health, and the 150-bed psychiatric hospital was operated by the Department of Mental Hygiene. Mr. Anderson was responsible for the general hospital. The people that ran the tuberculosis hospital were confronted with the sudden death of the assistant administrator there. Dr. Robert Browning, who was the director, asked Milo if he knew of anybody, and, in the course of time, my name came up with Milo and Don Cordes and I went out for an interview and subsequently took the job, I believe, in November of 1954, and became the assistant director of the Ohio Tuberculosis Hospital of the Ohio Department of Health in Columbus, Ohio.

NEWKIRK:

Was that connected with the university at that time?

LACHNER:

It was part of the teaching program of The Ohio State University College of Medicine, but it was not administratively related to either of the other two hospitals on that campus. The interesting part of that also was that a fellow by the name of Lou Blair, who was the administrator of The Ohio State University Hospital before Milo Anderson took over, was the administrator of St. Luke's Hospital in Cedar Rapids, Iowa. I had gotten to know him as part of my time with my mother in Blue Cross and with my relationship with Don Cordes, which was interesting, because Don Cordes and Lou Blair in those early '50s were very active in the Iowa Hospital Association.

NEWKIRK:

You were then at the tuberculosis hospital from '54 to '58?

LACHNER:

Yes.

NEWKIRK:

And how then did you get into The Ohio State University College of Medicine?

LACHNER:

Well, you know, in those days, anywhere from 1950 on, anybody that took a job in a tuberculosis hospital or a psychiatric hospital had to be crazy because they were dead ends. Tuberculosis admissions were down and the treatment of tuberculosis was taking hold on an ambulatory basis and a whole series of things were happening that suggested the demise of tuberculosis hospitals and tuberculosis disease in this country.

NEWKIRK:

Well, if they were a dead end, why did you take the job?

LACHNER:

Oh, I think I was encouraged to take the job by Mr. Cordes and I think . . .

NEWKIRK:

Who wanted you out because you were a Catholic.

LACHNER:

I don't think the Catholic part was part of Don's feeling, but I think he recognized that I needed to make a job change to improve my management skills, take on responsibility and that kind of thing. And the three hospitals at Ohio State at that time worked very closely together. The administrators, the administrative staff, met once a month for luncheon, with a journal club

type program. So when the senior associate administrator at Ohio State at that time, Bill Claypool, left to go to West Allis, Wisconsin, the job was open, and Dr. Peter Volpe, who was the successor to Milo Anderson, asked me to take the job as associate administrator of The Ohio State University Hospital, and I moved across the street to take on that spot.

NEWKIRK:

Then the Tuberculosis Hospital was in close proximity to the College of Medicine?

LACHNER:

There were three hospitals. There were four programs, by the time '58 rolled around, because the Ohio Rehabilitation Program was approved by the legislature. But they're all very closely physically related, and they were all integrated with the University College of Medicine program.

NEWKIRK:

Okay. Now we're going to digress for a second. What happened to tuberculosis hospitals? I understand that they're no longer in existence in Ohio.

LACHNER:

I think what happened—it was my impression that the state of Ohio had a very well-developed tuberculosis program beginning in the '20s, '30s, through the war years. They were funded by the state government. The Department of Health had a major role in their programming and staffing and assignment of patients to hospitals, the setting of the rates, which were then paid by the county, but I think what happened was that when drug therapy really came on the scene—Izoniazid was the big drug I believe in those days—and the patient population dwindled and the economics of running health care programs became substantial, the surgical treatment of tuberculosis declined. Their patient population just dwindled, the economics became

difficult for the county to maintain its programs, and, for the most part, I think they're probably all gone.

NEWKIRK:

And as a matter of fact, about that time the legislature enacted a bill that closed them all, as in fact they weren't needed.

LACHNER:

Yes. Well, I think that's, you know, that's one of the milestones in the health care delivery system. It was so important at the time that there be places for these patients to be taken care of and the wisdom of closing them down, I think, was a pretty responsible move.

NEWKIRK:

As was done, of course, in an orderly fashion, but as you point out, the patient population had slowed and the few patients left were cared for in other hospitals, and the legislature in one of its few moves of wisdom, did something right. So that's a very interesting development. Now you moved over to The Ohio State University Hospitals—plural, there were more than one hospital in that spectrum.

LACHNER:

At the time I moved in 1958, there was one hospital operated by OSU, The Ohio State University Hospital, and the other two hospitals in the center were separately owned and operated by the other two departments. In 1963, the three hospitals and the four programs were combined by the Ohio legislature into what was known as the OSU Hospitals.

NEWKIRK:

Those were . . .

LACHNER:

The Ohio Tuberculosis Hospital operated by the Department of Health, and the Psychiatric Institute, which was operated by the Department of Mental Hygiene.

NEWKIRK:

Tell us a bit about The Ohio State University Hospital singular.

LACHNER:

Well, The Ohio State University Hospital, I believe, was opened in 1949, a 500-bed hospital, the TB Hospital was 300 beds, the Psychiatric Hospital was 150 beds—an enormously modern, up-to-date physical plant immediately adjacent to the College of Medicine and the School of Nursing, the College of Dentistry at The Ohio State University campus. Again, most of the physicians at the College of Medicine and the University hospitals in those days were young, middle-aged physicians who had wartime experience. Wartime experience for a physician carried a major administrative responsibility for logistics in caring programs, and the physician-in-charge mentality. I think, in the major medical centers after World War II, whether it was the dean of the College of Medicine and directors and vice presidents for medical affairs, all of whom encompassed one job for the most part, they were enormously powerful and mostly capable people in the university hierarchy and effectively in charge of the medical care programs at the hospital.

NEWKIRK:

This was probably a very large part of the total university budget.

LACHNER:

A very large part. A very large part in those days, and it was a separate line item in the Ohio legislative budget for free care for people in Ohio that came to the OSU for care. But what

happened—if you want me to develop that a little bit . . .

NEWKIRK:

Yes, we'll develop it a little bit.

LACHNER:

I went over to The Ohio State University Hospital as associate administrator at the invitation of Dr. Peter Volpe, who was the administrator at the time. It was clear from an administrative standpoint that the relationship of the hospital to the university, the relationship of the hospital to the College of Medicine, and the relationship of the budgetary process to the Ohio legislature needed some work. It fell to me, I believe, to take on the work responsibilities, which I did. The relationship of the College of Medicine was a very important one because of the intermingling of the university's money, the College of Medicine's location in part within the hospital, and the relationship with the university as far as the credibility of the fiscal responsibilities and the operation of the hospital, which, in large part, was carried out by the university. All of these things were points of contention and obviously needed some work. Dr. Volpe asked me to take on these responsibilities, which I did.

The College of Medicine relationship turned out to be a very real opportunity for both parties to work together. Dr. Richard L. Meiling, who was a major general in the United States Air Force during the war, was associate dean of the College of Medicine, subsequently the dean of the College of Medicine, vice president for medical affairs of the university, was very receptive to a close working relationship with the hospital. The president of the university, Novice G. Fawcett, and his staff were very receptive to working on a relationship with the College of Medicine and the hospital, and with Dr. Meiling's major interest in the Ohio legislature, that situation also was amenable to improvement. So as this development went along, Dr. Volpe

retired, I became Administrator of the hospital, and because of some of the work that we had all done together, Dr. Meiling appointed me as assistant dean of the College of Medicine, which allowed for a very close working relationship fiscally with all the monies that came in for research, education, and patient care to be allocated in a way in which everyone knew what everyone was doing.

NEWKIRK:

Let me break in again and let's get the dates straightened out. From 1958 to 1962, you were associate administrator at the OSU Hospital, and then in 1962, you became administrator. Is that correct?

LACHNER:

That's correct. And I believe at about the same time, maybe just before that, I was appointed assistant dean in the College of Medicine.

NEWKIRK:

That was in 1961, correct?

LACHNER:

That was in 1961, okay. And again, that appointment was a critical one at the time because then department chairmen, hospital department heads, or whatever, had three different pots of money to draw from. The central authority had no control over what was going on.

NEWKIRK:

Now which central authority are you talking about?

LACHNER:

I'm talking about the dean of the College of Medicine in this case. And having to tie all those together, Dr. Meiling appointed me as assistant dean to control all of the budget for all of

the monies that came into the College of Medicine.

NEWKIRK:

Wasn't that a rather grandiose move to put a nonphysician in as assistant and give him that kind of authority?

LACHNER:

I don't know if it was grandiose, but it was something brand new in fiscal management in medical education in this country as it related to hospitals and research money. In those days, patient care money was just beginning to burgeon. As these monies became available through prepayment programs hospitals in a way, physicians in a way, were beginning to drown in how to use the money. The federal government was pouring research money into these major university medical centers, and the obvious beginnings of the need for controls were obvious, and they became obvious to us at Ohio State, and this is how that program developed. It was a very positive move. It was certainly an important move for me because it allowed me access to the university management and College of Medicine deans and department heads, and the Ohio legislature through Dr. Meiling and my education would not have been possible as a single hospital administrator type.

NEWKIRK:

So the scenario was, in this bold—I call it a bold scenario— how old were you at that time?

LACHNER:

Well, I was probably 34.

NEWKIRK:

A 34-year-old person was given a new position, rather impressive, and it's not only in

Ohio but across the country, as the assistant dean of a major College of Medicine, and not only that, you were given control of this money that was pouring in from the federal government, from the state legislature, and all of a sudden, The Ohio State University Hospital was getting patient reimbursement kind of money from private sources—Blue Cross and so forth. So what a big responsibility.

LACHNER:

It was an extraordinary opportunity for me. Fiscal responsibility was never part of my education or training along the way, but it was an enormous opportunity for me again for these other reasons, to really understand what a hospital was—a major university teaching hospital was—but also, the important ingredients of medical education, graduate medical education, what that meant, what the School of Nursing programs meant, allied health programs meant, and what it meant to have research going at the same time. The other thing that made that experience so important, I think, was the four years I spent at the Ohio Tuberculosis Hospital gave me an insight into long-term care that I think many health care administrators never seem to understand or perhaps rarely. The needs of long-term care patients are different than what you see in an acute hospital. You need additional staff and programs, and understanding of the needs of these people's circumstances are very important, and I think were again, an exceptional part of my experiences and one of health care's greatest opportunities across the country.

NEWKIRK:

Dr. Meiling must have thought a lot of your abilities in putting you in this position and, I might add, on the record, that there has not been another assistant layperson since. That's not because you didn't do a good job; it's probably because you did such a good job it was not necessary in later years. What do you think?

LACHNER:

Well, I don't know. Dr. Meiling himself was an exceptional person whose position was an educator and dabbled in research, but he was a politician probably at the top of the list.

NEWKIRK:

As I recall, he was General Eisenhower's physician at one time, wasn't he?

LACHNER:

Yes, he was. And he was Assistant Secretary of Defense for Medical Affairs under President Truman.

NEWKIRK:

Remarkable person.

LACHNER:

Remarkable person. He was president of the Ohio State Medical Society, which very few deans who make their way through the political chairs of the State Medical Society achieve, but he had all of these attributes which were important to the university, important to the College of Medicine and the hospitals. I think it allowed the development of the grand scheme of The Ohio State University Hospitals to develop, because it was shortly after that—'63, '64, somewhere in there—where the plan to put all of these hospitals together was developed. Part of that program also, you remember, in the early '60s was when the federal government couldn't put enough money not only into research and people but into buildings. They were building programs for everything you could ever imagine that was needed or useful in the medical center.

NEWKIRK:

Every county and state, for instance, was a beneficiary.

LACHNER:

Yes, that's right. And then there was the program that if you needed a school of nursing, there was a program for it. If you needed allied medical programs, there was one. Pharmacy, dental school, cancer program, mental retardation program, ambulatory facilities, if you needed a new college of medicine basic science building, if you needed a new medical library, if you needed a college of medicine administration building, there were programs in Washington for that, and we went after every one of those and secured every one of those as part of the development of a medical education campus at The Ohio State University, and I think today another program was the Ohio Rehab Center. Part of that, the Ohio Department of Health, received a new laboratory facility in the center. So that the physical development on the campus at Columbus and The Ohio State University was extraordinary.

NEWKIRK:

You had a well-connected, politically oriented dean at the time that you needed him, and there were monies available.

LACHNER:

Monies available and with Dr. Meiling, one of the men that joined us at the time was a fellow by the name of Donald Westra, who was a retired colonel in the Air Force that Meiling had known in Washington. Don Westra was an extraordinary person in the development of research protocols and the capabilities needed in response to the need for Washington to send money for new building programs. Don Westra was exceptional in that respect in that he could put the physicians, and the rest of us and the politicians, together and we all worked just fine.

NEWKIRK:

Okay. Now with this background—all this money pouring in, politically active deans,

good personnel, we have an early career. Bernard Lachner given a tremendous responsibility to carry out these programs, manage things between the university, between physicians and the faculty, legislature and certainly the dean, who is doing a great job. Against that backdrop, how did you feel? Do you remember how you felt in 1961 when you were made assistant dean? How did it seem to you at that time?

LACHNER:

Well, I think in part it was a recognition of an assumption of responsibilities that Dr. Meiling and I and Dr. Volpe had talked about prior to the official appointment by the university in this regard. You have noted that it was controversial in a sense that there are very few assistant deans that are not physicians. But there are also very few university and college of medicine programs that at that time recognized the need for coordination of the fiscal programs so that I guess I felt just fine. It moved me into, again, an arena that because of the title and because of the visibility at the university that I wouldn't have had otherwise, and it was a tremendous learning experience for me. The assistant dean job, you know, in a university as large as Ohio State with 50,000 students and a couple dozen colleges—you know, assistant deans are a dime a dozen, but in the College of Medicine fiscal sense, it's a pretty huge job. It's not true in an academic sense. There's an assistant dean for students, or curriculum, or for faculty appointments or for what have you in that regard, but fiscal strains are pretty key, and it was a time and an era and an environment in which it worked out just fine.

NEWKIRK:

The fact that this was so successful attests to your ability without a doubt. Now, in addition to your work with the hospitals, College of Medicine at OSU, you had other academic and administrative assignments that were also very interesting. From 1962 to '71, for instance,

you were director of the graduate program in hospital and health services administration. Did you start that program?

LACHNER:

I was a part of starting that program. The associate dean of the College of Medicine at that time, a fellow by the name of Dr. Lloyd Evans, a practitioner from Wyoming, was a key. Dr. Evans as well as Dr. Meiling, together with some people in the College of Commerce of the University at the time, had watched the national development of emerging health care administration programs. I think it was obvious, appeared obvious, appeared useful to us that this was an ideal setting. There was effectively a closed system in health care at Ohio State in which the whole thing kind of, we thought at the time, worked together to be an exceptional environment for the student at large as far as the health care program. There was education, research, and all of the ancillary professions that were involved. So we all sat down early in the '60s, I guess it was, and started to talk about should this be a program in medicine or in the College of Commerce or where else in the university? The university was also interested in this. The assistant vice president in the university for curriculum was interested in this, and again we all decided, finally, let's put it in medicine. We put it in the new school of Allied Medical Professions and developed a curriculum. I think we used basically the existing program of the University of Chicago, basic curriculum in the development of this program—one year on campus and one year as an administrative residency, which was important at the time—may still be important. But that is how the program was developed.

NEWKIRK:

Now a full academic and then a full year of residency.

LACHNER:

Full year of residency . . .

NEWKIRK:

. . . and then you were awarded the degree after residency.

LACHNER:

Correct. As this program was developing, and then through the first class, I was the director of the program, and during part of that time we were looking for a full-time permanent director. Then we hired Don Dunn, who I believe had come to us from Minnesota where he was the director of the Minnesota Hospital Association.

NEWKIRK:

Iowa?

LACHNER:

Minnesota first and then he went to Iowa. I don't know that exactly. But Don came, took over the reins of the program, and the director of a graduate program is really a full-time job. It can be a full-time job. Don took it on as a full-time job, and selected the faculty, developed the curriculum and its refinement, and the selection of students, which became more and more important over the years. He did that job I think for two years, three years, maybe four, and then the fellow that came after Don was Johnson, George Johnson. I think George also came from the University of Minnesota. George was at the program for a longer period of time and further refined the program, and subsequently Dr. Steve Loebs took over the program and is the current director. I think The Ohio State program, at this time, is probably one of the top three programs in the country as noted by the Association of University Programs in Health Administration.

NEWKIRK:

It's interesting to note, to me, that as far as I can tell in the records, you're the oldest living faculty member of that movement.

LACHNER:

That might be.

NEWKIRK:

Do you know who the second oldest is?

LACHNER:

Probably you.

NEWKIRK:

Me.

LACHNER:

This year is, I think, the 25th anniversary of that graduate program, and again it's interesting to note that they've had over 500 students graduate from that program. We had pretty humble beginnings, I can tell you that, back in the '60s. But again, a very, very important niche in this whole Ohio system of health care, and you were right there at the switch and just pulled the switch and ran that for awhile.

NEWKIRK:

That's very, very notable. Another position that showed up on your résumé was that in 1971 you were appointed assistant VP for medical affairs. Now is that an academic appointment or was it an administrative appointment?

LACHNER:

It was an administrative appointment in July of '70, I believe, '71. At the time, Dr. Meiling

was appointed vice president for medical affairs. I think what happened was they moved some assistant deans to assistant VPs, and I think that's how that happened.

NEWKIRK:

So this was not a real change in duties. It was a change in title.

LACHNER:

Title, I think for the most, right, yes.

NEWKIRK:

The genesis of that I believe was that the deans who had huge fiscal budgets were moved into vice president positions denoting more than just the academic, and you came in with him in that regard. Now, 1971 and 1972 you were vice president for administrative operations of the university. Tell us about that. Moving out of the College of Medicine . . .

LACHNER:

Moved out of the College of Medicine over to the Office of the President of the University. I think in part that was an offshoot of the size of the College of Medicine Medical Affairs budget at that time, and in part a relationship that had been developed with the Office of the President and his staff, with the College of Medicine. A fellow by the name of Gordon Carson, who was a major architect of the expansion and fiscal credibility of the university, retired, and they were looking for a successor, and they came upon me and it looked good to me. There were lots of things that I had thought about over the years that could be improved in the relationship with the university as to who was in charge of what. And it had become obvious to me, I think, but not to others that the freedom to manage the Medical Center could be improved with the relaxation of some of the day-to-day controls of the university that related to money, that were related to buildings and grounds, that related to employee relations. It related to a whole

series of programs, and one of the attractive features of this was that this job would be the number-two job in the university and would allow me to do that with the approval of the President and his Cabinet. So that's why this job was attractive and why I didn't hesitate to move, and it was also a job that had the full encouragement of Dr. Meiling at the time because he and I in our work together did recognize that we could do some things and the university would be better off and so would the Medical Center. Again it worked out fine. Again, one of those learning experiences that were exceptional in my career. I'd always looked at faculties and doctors as having similar attributes, and I'd always looked at patients and students as having similar attributes, and this allowed me a chance to see how that worked in a much broader sense.

NEWKIRK:

Well, you seem to have a good feeling about it but were you able to crack the bureaucracy which was certainly entrenched?

LACHNER:

Absolutely. I think the university administration, the president and his executive vice president in many ways put up with the Medical Center because the Medical Center was an administrative organizational dynamo in a sense that things happened. Patients were similar to the athletic department of the university. It's the bane of their existence, because there is a large amount of money and people and anxiety and problems and what have you and if they can get somebody to run them, they will, they would, they should. And this was an opportunity, I think, for the university in a way to understand why the Medical Center would operate more effectively if you did this, this and this, and it was, I think, in the first month or two, all of these things were settled, solved and on their way for the new management in the College of Medicine. The people that had earlier responsibility for some of those things at the university were greatly relieved at

not having to go through this business if a pipe broke in the College of Commerce building we can fix it next week. If a pipe breaks in the hospital in a patient room, it needs to be fixed right now. And there might even be a need for some preventive maintenance. Those things were just foreign to many of the university administrative people. And so again this was an opportunity that would win on both sides.

NEWKIRK:

That's very interesting and that's something of a record, I guess. It did not happen at a lot of universities in this state, and therein these medical centers are in great, great jeopardy, and it's because of this bureaucracy. It might also be interesting to note that at The Ohio State University Medical Center, this has now taken on another face all the way to the corporate structure, the proof of which is that the current environment in the health care system is probably as important as cracking the bureaucracy, the fixing of prices, and things like that. So there's a new phase to this development now occurring.

LACHNER:

Yes, and I think you're probably more familiar with what's going on now than I am, but at the time that I was there, we did not have a board of directors of the hospital. All this went up right to the president of the university and his staff, and the board of directors of the university really had no input in it at the time, and I don't say that negatively, about what was going on in the Medical Center. It was just not part of their monthly program.

NEWKIRK:

You're right. The board, while still advisory, the board of the hospital, now the Medical Center, is one of some power and some prestige, and they are able to do a lot of things that help the Medical Center and hopefully help the patients. I guess I have to write in the record also that

I'm an employee of The Ohio State University Medical Center right now and that's why we're going into this in some detail. But Mr. Lachner over the years made contributions that are so notable, not only locally in Ohio but nationally in setting precedents that these should be entered into the record. Now when you left OSU to become vice president for administrative operations at the university, someone took your place there at the Medical Center. Is that correct?

LACHNER:

I think it was G. Edwin Howe. Interestingly enough, he is now the administrator at St. Luke's Hospital in Milwaukee, Wisconsin, which is now Aurora Health Services.

NEWKIRK:

Is he a Catholic? [Laughter]

LACHNER:

But I believe part of the Aurora system is a couple of Catholic hospitals now.

NEWKIRK:

We've transcended our early biases.

LACHNER:

Oh, I think we're well along on that. We're not entirely out of the woods on that though, nationally.

NEWKIRK:

Mr. Lachner, we now need to move from The Ohio State University to Illinois and your tenure at Evanston. How did they lure you away?

LACHNER:

Well, that's an interesting story, Don. The administrator at Evanston for a long period of time was John Danielson. And John Danielson left the Evanston Hospital to go with the

Association of American Medical Colleges in Washington, DC. He left, and he was replaced by a fellow by the name of Joseph Terenzio, who was then the director of hospitals for the City of New York. And Terenzio was there for about 13 months and left, and the Evanston job opened up then in 1972, I think, and at exactly the same time in the Spring of '72, Novice G. Fawcett, president of OSU, announced his retirement.

NEWKIRK:

The president of The Ohio State University?

LACHNER:

The Ohio State University. And that sort of thing created a dilemma for the vice presidents of all sizes and shapes because you can be sure that the new man will probably bring in his own people. So that at the time we became aware that the president was leaving, I became aware that Joseph Terenzio was leaving Evanston Hospital, and I subsequently had a call, and Judson Branch, who was chairman of the board of Evanston Hospital got my name along the way, and after a series of interviews, we agreed that I would come down to the hospital July 1, 1972, which is what happened.

NEWKIRK:

You were president and CEO of Evanston Hospital from 1972 through 1992. Now there was a twist of titles in there—1989, 1992, you were vice chairman and CEO, again a very, very unique title across the country, not just in Illinois or Ohio. How did that occur?

LACHNER:

Well, one of the things that seemed to me to be important in a management sense has been succession. In 1974, '75, a young man joined the staff of the Evanston Hospital, a graduate of the OSU program in health care management by the name of Mark Neaman, M.B.A. Mark's

management skills developed over the years, and it became obvious to me and, along the way, obvious to the medical staff and the board that when my retirement year of 1992 came along that Mark was a real prospect for succession. In 1988 to '89, it was obvious to a lot of people outside of Evanston that Mark Neaman was one of the rising stars in health care management. He was visible, important, and could make a move. So in discussion with our board and medical staff, it was agreed that I would stay as the chief executive officer, change my title to vice chairman, and give Mark Neaman the title of president, which was important to him and to others in his professional development relations mostly outside the hospital but also inside the hospital. So that's how that title changed positions, and it worked out just fine.

NEWKIRK:

It was a generous move on your part. You were not clinging to titles until you retired. A very good move, and a good move for him.

LACHNER:

And it was interesting after that the number of calls from colleagues around the country who were in exactly the same situation who either were reluctant to give up the title of president or who were worried their boards would not be receptive to the idea of having a paid employee be the vice chairman of a board, for example. The CEO title was not critical. It was these other titles that, for example, were problems around the country and largely routine after that. Again, recognizing the importance of the succession.

NEWKIRK:

Bernie, what was the Evanston Hospital like in 1972 when you got there and what happened in those 20 years?

LACHNER:

Well, I think in 1972 the hospital was in some turmoil as evidenced by Joe Terenzio's leaving after 13 months. It was pretty clear that the board and medical staff and the hospital management were on different pages of the music score, and what needed to be done was to bring them all back together and get that hospital, in an organizational sense, working. Over a period of time, this happened with a variety of things happening. Again, an improved relationship with the medical school, which had something to do with medical staff appointments at Evanston and research program at Evanston.

One of the early moves was to put physicians on the hospital board, which had not happened before. Almost immediately, it doused the criticism and the antagonism between the medical staff and the board that one group was planning something that the other didn't know about. And we worked on the management staff to improve its capability. Its fiscal management improved at the same time and with a building program on the Evanston site to expand our services and then a building program in Glenview, Illinois, to establish a new hospital there, the Glenbrook Hospital, 150 beds, in a rapidly developing section of the Northwest. That was the program that was set in motion.

NEWKIRK:

The Evanston Hospital is a private, nonprofit hospital, not the university hospital in the sense of OSU.

LACHNER:

Correct.

NEWKIRK:

But had strong ties to what was . . .

LACHNER:

Strong ties that related to the graduate medical education program of Northwestern University. It related to the appointment of all staff members who must have faculty appointments at Northwestern University in the College of Medicine and that was your basic part of the affiliation again relating to the quality of the medical staff, which was very important to us and I think to the university. Things like one-third of the medical students at Northwestern were at Evanston and approximately 185 residents.

NEWKIRK:

Mr. Lachner, talk some more about universities. We're going to leave the work experience now and just talk about some general things: University academics, sort of straight academic appointments of the teaching variety I have found in your resume look like this: Professor, Graduate Program in Hospital and Health Services Administration. Was that an academic appointment or teaching appointment? That was 1967-'72. Then adjunct professor, Graduate Program in Hospital and Health Service Administration for Ohio State University, 1972 to this date. At Northwestern, professor of management in the Graduate School of Management in Evanston in 1972 to present. Tell us a bit about that.

LACHNER:

The latter was primarily a relationship with the graduate program in the Kellogg School of Business of Health Care Management, and it relates to participating in class programs on an ad hoc basis once or twice a year. It also includes a commitment on the part of the hospital to take students each summer as part of Northwestern's Kellogg curriculum.

NEWKIRK:

Each summer what?

LACHNER:

The Northwestern program is two years on campus, and the summer between the two years is spent in what they call a summer residence. Three months on site with a preceptor.

NEWKIRK:

Okay. Lecture in the Department of Community Health and Medicine, Chicago, 1972 to present. I think that means University of Chicago.

LACHNER:

No, that means Northwestern University College of Medicine, Department of Community Health. And what that is is a series of lectures on health care management.

NEWKIRK:

You like these things.

LACHNER:

Oh, sure. It's important in the intellectual development, in preparation, and it's fun to deliver them, and it's fun to get the comments from students.

NEWKIRK:

What do you tell the students?

LACHNER:

Well, I tell the students that health care management is one of the greatest opportunities in the world. It may not be as rewarding as some of the other professions economically, but it's certainly rewarding emotionally and intellectually, and I highly recommend it to them.

NEWKIRK:

Is your teaching pretty much experiential, or do you go into the philosophy of health care, or do you follow whatever the professor asks you to do?

LACHNER:

I think it's the first, Don. I think it's all related. I don't spend a lot of time on health care management groups or divining the future.

NEWKIRK:

Now you, over the years, have served as preceptor in several graduate programs. Of course, preceptor means that you receive students on a work site and give them an educational experience of varying lengths. This has been at the University of Chicago, University of Michigan, University of Minnesota, The Ohio State University, Northwestern University. Did you, have you discerned any differences in these students because of where they came from or their preparation? What are your observations, having had how many students?

LACHNER:

I suppose you have two or three a year almost forever. And I think there are differences. One of the basic differences, I believe, is that students in some of these programs now come with absolutely no work experience. They do a three month's summer assignment, and when they leave us, go back to school, graduate, and start looking for their first job, they're almost without hands-on experience in doing anything. I think that one of the major deficits in graduate health care management these days is not only there's a deficit as far as the student is concerned and his ability to take on management responsibilities doing things, but it's also a major deficit as far as the health management education and the expectations of the student to go much beyond their ability to perform. I think we come from a period of time where we've learned that young hospital administrators, in whatever the type position they may have in a hospital, don't have the experience or maturity of judgment to get involved in complex organizations that surely hospitals are, and so there's a void between the educational period, the expectations of the student, and the

ability of hospitals to add educational programs that will carry students at the very beginning level up to the senior level.

I'm sure I've talked to executives in other fields; they wouldn't think of taking an MBA out of a graduate program with no experience and putting them in a management operating position in their company—Amoco, Sears Roebuck, Allstate Insurance, Abbott, Baxter, you name it—these people when they come out of school start at the bottom level, and that's what they do. Hospitals have a problem in this regard. They missed the boat on experience but have grand expectations.

NEWKIRK:

The trend now is toward postgraduate fellowships that last either a year or a year to two years. Do you think this is an admission by the educators that the students are not prepared to go to work?

LACHNER:

Oh, sure. I think, well, I think it's still monkey business as far as the educators are concerned, because it's nothing more or less than again a residency or a first-line job, and I think we're still tied in a way to university education and the education of the doctor. We're still trying to play that side of the street. But I think if you look at health care management as a management profession, how do these people get jobs when they get out of school? They get a job in a low level, an important job, somebody with an MBA, but you have to learn too—you have to have experience and you have to have maturity and you have to be able to make judgments and work for people. For the most part, the younger person coming into an organization doesn't have that, and the people that you work with have it, and somehow you've got to develop those skills.

NEWKIRK:

Well, I hear you speaking like a top-level manager, which you've been all your life. I hear,

however, some of these system managers, health care system managers saying give us thinkers, conceptualizers, give us people who can help develop policy. Give us these kinds of people. And yet, you don't see many jobs available for this type of student. It's a great dilemma for the student. Throw in the fact that everything is changing extremely rapidly. You hardly know where to go or what to do.

LACHNER:

Well, I think this whole issue of the policy development is inconsequential as far as that goes. I'm not much on that business because of the time it takes to develop it, implement it, fund it, and get it on its way. It seems to me that we're in the organizational business of managing enterprises. We clearly need a strategic plan, clearly need thoughtful people. But I think the development of staff in different places—hospitals, government, wherever—that spend their time "thinking" in a nonenvironment, I think, I hope we don't spend too much on that as far as national resources.

NEWKIRK:

I have to agree. I think that many other industries have gone through this and blocked off whole layers of management people who wouldn't know production from a hole in the head . . .

LACHNER:

. . . or how to sell. And they simply don't know in that kind of environment necessarily the service impact of what you're trying to do, that you're trying to take care of patients. You're trying to do it through a group of professional people who are not organizations of business, but they are organizationally concerned about patients and their families that are challenges of health care management. You get that job done through those people.

NEWKIRK:

Okay. That's out of our system now. Being a participant in an educational program at this level, I can sympathize with you. After finishing through two years of academic graduate work, you don't even know what they're interested in, let alone what they want to do with the rest of their lives. It can be very, very alarming.

LACHNER:

Don, you know one of the things that is important in this educational scheme is an issue of mentoring. You mentioned it earlier. Mentoring in the health care management business, I think, is very, very important. Somehow for young people to get their first job, second job, third job, whatever it is, they have to have help and I don't say that negatively that the students aren't bright enough to get a job or that the hiring of people need some direction or whatever, but I think everyone who I think is a success—10-year success—needs some help from someone. And I don't say that negatively. I say it positively because it's—I think it's particularly important in health care.

NEWKIRK:

You've done a lot of that over the years. How many residencies would you say you've preceptored over the years?

LACHNER:

Probably 100 students.

NEWKIRK:

Probably more than that.

LACHNER:

Probably more.

NEWKIRK:

You're atypical in another way, Mr. Lachner. You're not exactly an itinerant in the health care profession having had—having only worked for three organizations in 41 years. According to my calculations, Iowa Methodist about 4 years, OSU 17, and Evanston 20 years. What about the theory that you should only work three or four years in an organization and then move on? How do you feel about that?

LACHNER:

Well, I don't think it's very good for the person, and I don't think it's very good for the organization. I think from a personal standpoint, the broadest possible abilities—ability is not the right word—but the broadest possible access to the personal development of what is health care in this country, the various economic pieces of it, the educational pieces of it, the service pieces of it are complex. They're almost numberless, and if you try to size them up, how do you have access to build up your background and experience? I think it's very important, and I think as I look back on my time at Iowa Methodist at the absolute ground level, my opportunities at The Ohio State University in the education and research side, plus the service side of a great university and the opportunity in Evanston—community responsibility with nonprofit board and all of that—I think I had access to the pieces that make up the health care industry. Some people in some jobs probably would never have that, and if they want to continue to expand their own capability and their own education, then maybe they have to move to do that. But if the goal is improving yourself, your management skills, your education background, experiences, if you can do it in one or two places, fine. If you can't and your goal is still the same, you need to move around.

NEWKIRK:

This is a very important part of our discussion today. Now if we could leave the work experience . . .

LACHNER:

Don, if I might, one key piece of the Evanston experience was the development of marketing. Marketing, I think, in part at the Evanston Hospital was the appointment of the right person for marketing back in 1972, '3, or '4, or somewhere in there. The physician who was on our staff and who had a bent for this was a student of Phillip Kotler, a market guru at Northwestern University. He's written a book about it, and when we had our discussions, we tried to define marketing in those early days of this development in health care management. We defined marketing as not selling. We defined marketing as having a direct relationship in the interest and needs of the patient and the ability of the institution or the provider to provide it. Okay? And this guy took on this job and did a first rate job of it, and we think it's been a huge success in that sense. What it identified, not marketing as such, but it identified our interest in searching for what the patient's piece was and identified our ability to be successful in providing it.

NEWKIRK:

Organizational services. Looking at your professional organizational service, I wonder if you were ever at home. You seemed to do very well in your job, but when did you have time for that? Let's sort of take a look at them. Start with the American College of Healthcare Executives, also known as, in those days, American College of Hospital Administrators. You did about everything for them. Talk about that organization for awhile.

LACHNER:

Well, I guess at the time I got interested in that and had the opportunity to serve on

committees and the rest of the opportunities of the college, it was a time when education, improved education, was very important to the practitioner. It came at a time when education beyond your master's degree was important, and the development of the educational program and the requirements to enter into the college and to improve your status over the years, I think, has gone along very well, and I think it was an opportunity on that side of continuing education that this was the vehicle that I wanted to be a part of.

NEWKIRK:

You served as a Regent in the College, you served on the Board of Governors of the College, many, many committees. What do you think was the greatest contribution?

LACHNER:

I think my greatest contribution was creating an awareness that it was possible for the American College of Healthcare Executives to elect as chairman an association executive of some prominence in the field and thus open the door to another large group of people who should have access to that organization.

NEWKIRK:

Well, I'd better ask you to explain that.

LACHNER:

Well, I think, in fact, I had forgotten exactly the dates involved with this, but like any organization, it gets pretty hidebound and nominating committees and different pieces of the organization that are very important and have impact on the succession, as the word was in those days. You had to be a practicing hospital administrator to serve on the board, and in the absence of any real alternative candidates coming in, that's fine. I think when the board had a candidate and a visible, knowledgeable right person for chairman of the college, that was it. [Laughter]

The ACHE then elected an association executive to be chairman—you, Don Newkirk!

NEWKIRK:

I can recall very vividly that Bernie was also on the board of the American Hospital Association, and he declared my election as chairman of ACHE as his major project. I happened to be that person. The American Hospital Association, certainly a very, very important part of your career, going all the way back to 1969, being a member of the House of Delegates of the AHA as far back as 1969 and then again in 1975, a member of the House of Delegates. You were a member of many Councils as they were then called. You were chair of the Council on Legislation. You worked on the executive search committee to hire some new presidents and many, many other things. Talk to me about the AHA.

LACHNER:

Well, there were two people that I think opened the doors for me for the American Hospital Association. When I was in Ohio, the person who opened that door was Don Newkirk, who was the executive director of the Ohio Hospital Association at the time. He made it possible for me to be a member of the House of Delegates and to have the contacts of that organization when that was available. Kenny Williamson, the executive VP of the AHA, gave me my first appointment to the Council on Legislation and opened the door at that level of AHA. So it gets back, Don, I think, in a way to this whole business of mentoring. I think the graduate programs in health care administration are graduating something like 3,000 students a year; 5,000 hospitals in this country, there are enormous other opportunities in health care management, but it's a pretty full pot of people. There has to be a way to allow people to come out of that based on visibility rather than on culpability. But that's basic without somebody to raise their hand to help and not have to do it by yourself.

NEWKIRK:

You've put the finger on an extremely important matter, that being how you get talent into these organizations and into the system, and who the people are who are now rising to the top spots. Are these people going to be system people, are they going to be managers of insurance organizations, are they going to be physicians? They're certainly not going to be the traditional single hospital, private, nonprofit organization kind of person. Who are they going to be?

LACHNER:

Well, I think that's going to be interesting to watch, because I think to be chairman of the American Hospital Association, chairman of the College, chairman of the Association for American Medical Colleges, you have to look at who the membership is. The membership is pretty much type molded as far as it goes. So that who's going to be in these top spots is almost predetermined by the membership. And that's why some of us become involved in organizations like the Health Care Leadership Council, the National Committee for Quality Health Care, and some organizations like that in which the base is much broader and in ways is more representative of the health care emerging field than AHA, the ACHE, or the Association of American Medical Colleges. I think that's very important.

NEWKIRK:

Are you saying that the hospital managers—CEO, president, and so forth are no longer in the driver's seat? Take The Ohio State University Hospital with thousands of beds—that person is going to sort of drop in the background and give way to other types of organizational heads?

LACHNER:

I think the CEO of a hospital could very well become chairman of the American Hospital Association or a college. On the other hand, that person may find their interests broader than the

program of the AHA and the college and be more interested in a program that might be politically oriented in a group that includes executives, politicians, product firms, pharmaceutical firms, hospital supply houses, medical school deans, American school deans. Just take a cross-section of the health care leaders, put them all in a row, and have them talk about what's going to happen in health care, and I think that's an organization that might be useful to be a part of.

NEWKIRK:

The American Hospital Association as a professional group is most interested in advocacy—it's amazing how advocacy has changed in relationship to the way it used to be. The self-interest of the American Hospital Association and its hospitals, the individual hospital, and now, of course, that's a different organism. Whether it's for the good or bad, we don't know.

LACHNER:

I think it's very difficult being an association executive now. It's always been difficult because of the conflict of interest of the members, and I think the American Hospital Association has a very, very difficult task to represent the interests of hospitals because I don't know that the political system cares much. I don't think it's necessarily negative, but it maybe doesn't care much about the provider's side. It assumes it will be there. I think that the whole system is being driven by economics now in Washington. I don't think that service to patient or freedom of physician expression or what's the future of nursing is very high on their agenda. I don't—it's not that they don't care; it's just not what's driving the system. Politicians are driving the system, and part of the system is rotten, it's because of the PACs and the amount of money that's going into them. I used to be a real advocate of PACs in Illinois. I spent a lot of time and effort speaking on behalf of PACs, and over the years, I've just come to the point where PACs are driving the system in the wrong way, and I just don't like it.

NEWKIRK:

Expand on that a little. You say that PACs are going the wrong direction. You mean the money that's raised by the PAC is used for the wrong purposes? Or . . . I'm not sure I understand.

LACHNER:

Well, it goes back to my being naive about the interests of politicians on my behalf. Buying and selling of influence I think has gotten out of hand. To just give money and find out that the organization gives money to the Democrats and Republicans in the same amount, and neither of them vote for your program, the association sustains an institution that I don't like.

NEWKIRK:

It becomes more of a subsidy than . . .

LACHNER:

Right. And as a state association executive and a leadership role in the college and other things, I know you probably feel more amenable to PACs than I do. But you are involved, and you know why PAC money is given. You know why you have to give it to a Republican, Democrat, and you know why those things are being done because you wanted a seat at the table. You want to be a part of the discussion. You want to be involved. My view of that is that I don't think a PAC—the PACs, being as dumb as I am, that the PACs are the way to make it work.

NEWKIRK:

I think we know that's the system, how purchasing influence has become more of a subsidy and the legislators do what they want with the money. This is, of course, prejudiced by some of the things that have gone on in Chicago (with Rostenkowski) if I might say. But good point. All right, you were a member of the Board of Trustees of the American Hospital

Association from '78 to '82. You were chairman of your Regional Advisory Board, you were chairman-elect designate of the American Hospital Association, chairman-elect, of course, after that, and chairman after that. How was your experience as chairman of the AHA?

LACHNER:

Well, I think it was an extraordinary educational experience for me. It was an interesting time in the field at that time. It was a time of further understanding of the relationship with the national association with the state association, which I'd been exposed to in Ohio and Illinois at the state level so that I became more aware of the fact that AHA rides very heavily on the states.

NEWKIRK:

I believe I've oversimplified your role. I know I was chairman of ACHE at the same time you were chairman of AHA, and I know you and Bonnie and Peggy and I spent a lot of time together. We saw the big picture. It's AHA that was a massive organization, lots of members. A real big job. That must have taken three or four days a week out of your schedule just to serve as chairman.

LACHNER:

Well, I don't think it was that much, Don. But it was a time when the AHA was probably at its, one of it's highest employee peaks, when there was some concern inside the AHA about who was in charge of what, and concern about what some of the programs of the AHA were. Were they useful or not? One of the important roles in the AHA at that time was working with the AMA and Dr. Sammons. A good relationship at the board level. But step aside from that and you find out that the membership of the AHA and the membership of the AMA didn't really care for each other.

NEWKIRK:

Let's move on to the Association of American Medical Colleges. You were on the Executive Committee. You did lots of things with the Association of American Medical Colleges. Tell me about that organization and your experiences within this group.

LACHNER:

Well, I think the Association of American Medical Colleges has had a role over the years. It has been called the Dean's Club in the past. It was only after a good bit of twisting and turning that the Council of Teaching Hospitals became an organizational piece of the AAMC. Once that happened, the hospital CEOs were a part of that and became much more visible in the organization. If you look at the AAMC as a medical school organization, what are the pieces of the medical curriculum—students, faculty. You can see how the hospital CEO coming into that arena can be very disruptive. I think over a period of time, the Council of Teaching Hospitals was a subdevelopment of the association, but both sides knew that it was important to the AAMC's development, a useful one.

NEWKIRK:

It's been an extremely interesting organization in how it's related to all of the power structure in medicine.

LACHNER:

Again, it's been important in the sense that if you look at the power model of health care, the power model, right after World War II, of the university teaching centers, was the dean. The dean ran everything, and his title included being director of the medical center, vice president for medical affairs, whatever, and the hospital CEO type did not have that visibility. Over a period of time, the deans had a time in the sun and now their visibility is within the College of Medicine and

not in the management of the hospital. Now my guess is they have a major role in what's going to happen to graduate medical institutions. How many cardiovascular surgery residents are we going to have in administration? I think we're finding that they're not up to the task. Taking residencies away from hospital administration, disapproving them, unapproving them, whatever they have to do to get the number of responses aligned correctly, and then make sure that it happens.

NEWKIRK:

Bernie, do you have anything else that you'd like to put in the record about the Association of American Medical Colleges?

LACHNER:

No, I don't think so, Don.

NEWKIRK:

Well then, let's move on to the Illinois Hospital Association. Prior to going through the chairs at the AHA, you were chairman and a lot of other things at the Illinois Hospital Association. Of course, while you were working at Evanston. Talk to us a bit about the Illinois Hospital Association.

LACHNER:

The Illinois Hospital Association, I think, was a real opportunity to talk about state rate control and whether or not comprehensive health planning was going to be staying and increased and supported in Illinois. Hal Maysent and I and Robert O'Leary, who was the IHA president at the time, we were involved in those discussions, and again they're isolated in the sense of happening and I think useful at the time.

NEWKIRK:

Who was the CEO of the Illinois Hospital Association when you were chairman?

LACHNER:

Robert O'Leary.

NEWKIRK:

Robert O'Leary, who's gone on to other things. What's Bob doing now?

LACHNER:

Bob, I think, is chairman and CEO of American Medical International (AMI), an investor-owned hospital corporation in Dallas.

NEWKIRK:

The McGaw Medical Center, Northwestern University, one year. On your CV you were listed as a member of the Administrative Committee from 1972 until now and chairman for awhile. What is that?

LACHNER:

Well, the McGaw Medical Center was designed and developed by Ray Brown back in the late '60s as an attempt to bring together the hospitals—the typically owned, operated, financed hospitals of the orbit of the Northwestern Medical School. It never reached its potential over that period of time, and now there is a Northwestern Healthcare Network, which is made up of some of the same institutions and is organizationally sound, and we'll give them an opportunity to contribute. But at the time, the McGaw Medical Center was in the organizational process and couldn't suggest any hospital do anything they didn't want to do without the individual hospital approval. It did make a major impact on graduate medical education programs, however.

NEWKIRK:

Are you still on the board?

LACHNER:

No.

NEWKIRK:

The Ohio Hospital Association takes you way back to the dark ages. It takes you back to Columbus days. As early as 1963, you were on the board of trustees of the OHA; you were president in 1969 and '70. What are your recollections of your service with OHA?

LACHNER:

Well, I guess those were recollections, which maybe reflect the time status of post World War II health care management in which all of the professional organizations had their own membership, were part of the state associations for the most part, I think, except for nurses and medical societies, but I think it was a time of growth of the health care professional groups in membership, and I think this made the OHA a flourishing organization. The OHA was involved in management programs, cost-containment programs. In those days, I believe, they were involved in Blue Cross discussions relative to perhaps some mergers. They were involved in a variety of things like that.

NEWKIRK:

Doing sort of a sweep through the other activities that you were involved in, I find such things as an interest in nursing, an interest in pharmacy, an interest in neurological disorders, engineering, of course a strong interest in education of health care administrators, and you've just done an awful lot of things.

LACHNER:

Don, I think two of those things are of special note to me. They relate to the federal government's National Institutes of Health assignment. One was a Council on Administrative Research. The other was a Council on Neurological Sciences, I believe. And those were related to research grants. The site visits, the review of the programs, and the assignments of projects was an exceptional opportunity for me across the country, international trips to visit medical schools, to visit research institutes, to talk with researchers around the country about the things that they were interested in, and again to view the breadth of the manpower availability and complexity of this as part of this health care scenario.

NEWKIRK:

It certainly is that. Another organization that is listed was Kiwanis, also music type things, art association, infant welfare, foreign relations, Crusade of Mercy. What is that?

LACHNER:

That's the United Appeal. That's what they call it in Chicago. Don, two other observations of our recent involvement. In a way, the visibility of the health care delivery systems in this country and the narrow interests that different organizations have. Several years ago I became interested in the National Committee for Quality Health Care. It was a broad-based provider, supplier, insurance group in Washington, DC, whose program brought all of these people together, but it did not have a lobbying arm. It was discussion, research, projects, reviews, and that kind of thing. Out of that—I was Chairman of that in '89 or '90—but it reflected a real interest on my part in the discussion opportunities with insurance and suppliers. Out of that came a very real need for another group that would lobby, that would put more money into the organization, and out of this came the Health Care Leadership Council, which is a group of 50

organizations around the country, similar to the National Committee, but with a broader mandate to lobby, to purchase services relative to cost of care, cost of pharmaceuticals, and that kind of thing that we would not get through the college or the associations that, for the most part. Very successful, very visible, and I think useful.

NEWKIRK:

Very interesting. In looking over these professional memberships and references and things like this, I notice that you are listed in the Blue Book, Leaders of English-Speaking World, Community Leaders of America, Dictionary of International Biography, Who's Who in America, Who's Who in the Midwest, and Lord knows what else. Probably in all those types of things. That's very interesting. Usually, you know when you read these things you see one or two, but not that many.

LACHNER:

Don, related to that, two assignments I had as part of the American Hospital Association that I thought were important—one was the King's Fund Fellowship Program that brought people from the English-speaking countries of the world to a couple of meetings a year sponsored by the King's Fund of Great Britain, and that was a broadening experience for me. And then there was an assignment to the International Hospital Federation board and the treasurer to participate in their activities. That group, in particular, broadened the horizons beyond the health care problems of the United States of America. The problems and the discussions of the development of the IHF Congress program of what's the most important problem in South Africa or India or Bangladesh or Australia, for example. Identify the problem and then what's the organizational means to address it? All these health care systems are different, problems are different.

NEWKIRK:

The service on the International Hospital Federation, of course, is linked to AHA. I don't know how, exactly, but I know that the IHF (International Hospital Federation) activities were linked with AHA. How did that grow?

LACHNER:

It came from a fellowship program funded program-wise out of the King's Fund. The hospital association paid for participants to attend IHF meetings. The International Hospital Federation, for the most part, is funded by its membership. The King's Fund (England) participation financially was almost down to zero at the time I finished.

NEWKIRK:

I saw you many times in International Hospital Federation meetings, and this is certainly a very, very important part of your career, which you will probably never get credit for except in this document. You did a tremendous amount in that regard, and I know of your interest in helping across the world. You're to be congratulated on that. In terms of publications, let me give you some subjects that you've published on and as you can imagine, this is pages and pages of publications, but if any of these ring a bell or if you'd like to comment on, please do so. You published on nursing education, internship training, paramedical personnel, budgets, costs, pharmacy, national health systems, and on and on and on. Did you ever have a subject that you particularly liked to write on?

LACHNER:

Quite an interesting list—the costs of running hospitals, control of those costs in different ways. The first one that you mentioned was that nursing education costs less than you think. That was my first little flap with Don Cordes.

NEWKIRK:

That was right before you left?

LACHNER:

Very close. Very close. I don't know how I got into this project, but I got into it in a way that nursing floors, patient care floors, were being staffed with student nurses, and hospitals were decrying the expense of nurse education in those days, and I had a view along the way that if you attached a cost to these student nurses who were covering the floors—3-11, 11-7—there was not one graduate nurse on the floor. They were all in the nursing office, supervising, 3-11 supervising, 11-7—the senior student nurses were running these floors. And my view was that if you put a cost to that, the hospital's got a real bargain, rather than hire graduate nurses. Graduate nurses weren't available in those days. But hospitals were making a lot of noise about costs for nursing education, hoping the federal government or somebody would pick it up. Again, my view was you had a real bargain, and that's what that paper proved, in my view, based on my research at Iowa Methodist Hospital. That was the best bargain in the world. Don Cordes saw this, and he had a stroke. But I got—I had a friend—friend of a friend, who was with Modern Hospital in those days, who happened to be a pediatric resident at the hospital, and his wife was an editor for Modern Hospital. And so my wife took this article to her, and said, oh, there's something to this cost control. The roof fell in on me.

NEWKIRK:

But the point is well taken. We have provided value that was to a great extent compensated for. As a matter of fact, the first hospital unions eventually picked up on that and came down on us. You've done several things on pharmacy. Why this pharmacy interest?

LACHNER:

I somehow got involved with the advisory group, advisory board of the American College of Hospital Pharmacies, and did a lot of things with them, which resulted in some publications.

NEWKIRK:

Does the name Clifford Latiolais . . .

LACHNER:

Clifford J. Latiolais. Director of pharmacy at The Ohio State University Hospital, currently a consultant of pharmacy to Baxter. He was, in my view, the number one guy in hospital pharmacy back in the '50s and '60s. Very bright guy.

NEWKIRK:

I thought maybe you and he had collaborated on some articles. Matter of fact, he worked with you. Yes. Director of pharmacy at the OSU Hospital.

Let's do some name recall now. Let me mention some names and just off the top of your head, talk for a second about them. We won't do them all. I have a list of some 20 names here, but we're not restricted in time so let's do this and then we're going to end up, hopefully, with your views on where this health system has been and where it's going. Start with Ray Brown.

LACHNER:

We've identified Ray Brown. I think he was a very knowledgeable guy. I remember giving a talk at the 25th anniversary of Congress for the ACHE several years ago about Ray Brown. A very knowledgeable guy, very important guy at the time.

NEWKIRK:

Ed Crosby.

LACHNER:

Ed Crosby was the director of hospitals at Johns Hopkins, came to the AHA. Very important guy and a big tough job.

NEWKIRK:

Walter McNerney.

LACHNER:

Walter McNerney is now a professor at Northwestern University. I think Walter did a first-rate job for the Blue Cross Association in its developmental phase, and I think trying to tie these disparate Blue Cross plans together finally caught up with Walter back in the late '60s or early '70s, and I think he decided it just was not worth it to try and make a scheme out of Blue Cross and Blue Shield.

NEWKIRK:

He was chief executive of that association.

LACHNER:

And had the job for a period of time. Always a very visible man and important.

NEWKIRK:

Well, we've talked a lot about Don Cordes, but tell me about the airplane trip and the nurse's residence and all this other stuff you neglected to tell me about earlier.

LACHNER:

Don Cordes. My very first airplane ride was this Braniff DC3 from Des Moines, Iowa, to Minneapolis to Duluth, Minnesota. Don was making a visit to a hospital in Duluth. Dick Fox was the assistant administrator and a friend of Cordes and had just opened a brand-new rehabilitation unit. Cordes was thinking about that for Methodist, so he wanted to make a visit to

see what it looked like, how it operated, took me along with him. One of the most exciting trips of my life, of course. First airplane ride. We landed in Duluth with snowdrifts three times as high as the airplane. Just one of those things that you never forget in life.

NEWKIRK:

Well, now at the time you were working for Don Cordes, the first time, summer job, one of your jobs was to clean the nurses' residence. Did anything occur? [Chuckle]

LACHNER:

One of the jobs that I had was to be janitor in the student nurses' residence. I was the janitor in the student nurses' residence, and that consisted primarily of cleaning toilets and hallways and showers and that kind of stuff. Not in the rooms at all, just to make that clear for you. And it was one of the first opportunities I had to meet the lady that became my wife, Bonnie Lachner. She was Bonnie Groen at the time, and we used to see each other during that work experience. But it was unique in the sense that probably most hospital CEOs don't have that opportunity in a lifetime.

NEWKIRK:

Chuck Goulet.

LACHNER:

Chuck Goulet, in our class at University of Chicago, was number one in our class and I think one of the brightest guys in the business. He was superintendent of the University of Chicago Hospitals for awhile, was executive VP of the Illinois Blue Cross Plan, and I always thought Chuck was right at the top of the list.

NEWKIRK:

Another classmate of yours was Cliff Schwarberg.

LACHNER:

Cliff Schwarberg was at Ohio State when I first came there. He moved on to Whittier, California, as a hospital administrator, and Cliff's been a good friend over the years. Cliff has been involved in some of the knife-and-fork organizations that I belonged to over the years, and so we've maintained a close relationship.

NEWKIRK:

Irv Wilmot.

LACHNER:

Irv Wilmot was assistant superintendent at the clinic for awhile and then went on to New York—New York Hospital, New York University Hospital, and then the Blue Cross plan in New York—and again a member of the knife-and-fork clubs, and I've always respected him.

NEWKIRK:

What are these knife-and-fork clubs?

LACHNER:

These you would call study groups. These are groups that have small memberships, meet once a year in different places around the country, with programs provided primarily by the membership. There's a social side to these events, and for the most part they're stimulating presentational sessions.

NEWKIRK:

Now another person who I run across is Dick Withrup.

LACHNER:

Dick Withrup again was part of that University of Chicago faculty crowd, as I remember it now. Very close associate of Ray Brown and the Johnson brothers. Dick Withrup has had an

interesting career because he worked for the Herman Smith consulting firm. He had an assignment for three or four years or so in Saudi Arabia and the hospital engaged him. Herman Smith had a contract for it. He came back and is now one of the executive assistants to the president and CEO at Henry Ford Hospital.

NEWKIRK:

You mentioned the Johnson brothers—Dick and Everett.

LACHNER:

Two of the brightest minds in this system who, I have always thought, were ahead of the rest of the people. They were always running; for the most part they were running faster than the organizations they belonged to and had to put up with whatever came out of that kind of thing, but very bright guys.

NEWKIRK:

Did you know Dr. Bachmeyer?

LACHNER:

Not really. He taught one semester of our program. About the only thing I remember about Dr. Bachmeyer was a lecture he gave us on health hygiene, which was on the program at that time. I remember a discussion between he and Chuck Goulet on how to clean urinals. Chuck's view of cleaning urinals was to put a piece of soap in it, and the smell would go away because of that. Bachmeyer's view on how to clean a urinal was clean it out, wash it with Lysol® or soap, and leave it clean. He said he had no truck at all with smelly oils you put in there to cut out the stench. I remember that well. [Chuckles]

NEWKIRK:

It's amazing how people impress you with different things. [Laughter] Did you—do you

know George Bugbee? George is still active.

LACHNER:

Yes. I do know George Bugbee. George has had a lot of jobs over his career, but most recently we had a relationship when he was director of the program in hospital administration at the University of Chicago and we were taking residents from the University of Chicago program. I think George in many ways has been misunderstood because he's so nice, quiet, and a gentleman. He is a very brilliant guy in my view and played a very important role in health care management in his career.

NEWKIRK:

You mentioned Edgar Mansfield.

LACHNER:

Edgar Mansfield. I always thought there are a few hospitals in this country that have been better managed than any other I've ever seen. One was the Riverside Hospital in Columbus, Ohio. My view of Edgar Mansfield was that he was at the top of the list of hospital administrators in a difficult time when doctors and board members would second guess the hospital administrator. Riverside Hospital had everything—site selection, building program, patient care program, and its economics I've always thought was tops. Shortly after I went to The Ohio State University, Edgar and I broadened our journal club to include both administrative staffs. We did this for several years, and once a month we'd travel back and forth, and somebody had a responsibility to deliver one or more papers during that evening. It was a very good relationship that we had, I thought, over the years. It turned out as some may remember that Edgar Mansfield and I were two candidates for the chairmanship of the American Hospital Association the same year. When it was all said and done, I don't know of anyone that was more gracious than Edgar Mansfield. It

worked out fine, we were friends afterward, and it was kind of a critical time for us both.

NEWKIRK:

Karl Bays.

LACHNER:

Karl Bays was the chairman of the American Hospital Supply Company and Chairman of the Baxter Corporation after the merger. I suspect that if you look at the health care delivery system, there was no more visible goodwill ambassador or there was no person in the field that everybody knew who was more visible than Karl Bays. Karl Bays passed away a couple of years ago, and in the view of some people there's been a real void in who's the ambassador from the health care field now? There isn't one, and I think that we have our leaders in the organizations, but there's no one who's been like Bays. I think the person that may be assuming that role is Chuck Lauer of Modern Healthcare, the publisher of Modern Healthcare journal, who has gotten an awful lot of visibility recently with the awards that he's received—the B'nai B'rith Award, he was going to receive the Honorary Fellowship from the College this year, and he's every place. He's every place at the invitation of other people, and I think he may be assuming that role in a different way than Bays did, but I think it's been very important.

NEWKIRK:

Somebody who sometimes gets overlooked but has done an awful lot prior to his death was John Danielson. I know you knew him well. Can you tell us about him?

LACHNER:

John had an interesting career. John had a mentor who was Ed Crosby, and if there was ever going to be an anointed AHA president or chairman at the time, it was going to be John Danielson. He was chairman of the first Council on Nursing, he was the CEO at Evanston for a

long period of time—16 years or so—and he was in the right place at the right time when Ed Crosby became president of the American Hospital Association. John left Evanston to go to the Association of American Medical Colleges and then had a couple of positions after that and subsequently passed away at the time he was the CEO up in northern Wisconsin. A very bright guy, did a lot of things, was the instigator of a system way back in the '60s that was known as the triad in which the doctor, nurse, and the administrators would try running the patient care unit. It failed miserably, of course, because the doctor and the nurse were seeing the patients and knew what was going on and the young hospital administrator couldn't find his way to the patient care unit. We talked about young hospital administrators before, but the concept I think is a very important one. It just didn't work because the administrative person didn't have the weight the other two did.

NEWKIRK:

John Danielson took very interesting assignments, as you'll recall, in Detroit.

LACHNER:

The Detroit Medical Center. That's right. That was a tough assignment, and it was unfinished when he left just because of the difficulty of putting that scheme together. But it was public hospitals in Detroit, plus Grace, plus the hospital George Cartmill ran—Harper. Those places were worlds unto their own, when the economics of the Detroit situation deteriorated, moved them into the Detroit Medical Center, and they had increasing success.

NEWKIRK:

I remember John telling me one time that one of his problems of the day was that they built a building on the wrong property. But that was typical of the kinds of things he got into.

Alex McMahon.

LACHNER:

Alex McMahon, I think, was the right man at the right time in the American Hospital Association. He had a Blue Cross background, came to the AHA position, I think, with a great deal of enthusiasm and understanding of the role of organized medicine, and I think one of his great contributions was his ability to work with Dr. Sammons and the AMA, but he also was very active on the political scene in Washington. I believe he came up with the idea of a voluntary effort and was able to sell it around the country in the face of prospective cost controls and did a Herculean job for those who supported voluntary efforts. For those on the cost-control side, they perhaps could see right through this and maybe knew what it was.

NEWKIRK:

Alex, of course, was president of the American Hospital Association. Are there other names that come to mind out of history or some of the younger people? We sometimes forget to mention the younger people.

LACHNER:

Well, I don't know, Don. As chairman of the American Hospital Association, I had an opportunity—once-in-a-lifetime opportunity—in the appointment of committees and councils to select new faces for these three-year assignments, and I think one of the most interesting and satisfying jobs I had was to see how successful these young people were if they had the opportunity. That was one situation that I found rewarding.

Don, there's one other thing I'd like to comment on if I might, and that is the Voluntary Hospitals of America. The Voluntary Hospitals of America, in my view, was a creature of the anxiety that some health care administrators had in trying to address the issue of the investor-owned hospital movement. The Humanas and the Hospital Corporation of America, the NMEs

(National Medical Enterprises), and a couple of others at the time back in the late '60s and early '70s. The VHA, in my view, is a result of that anxiety, and I think it's still looking for a mission. Now that it's pretty clearly accepted in this country, the investor-owned hospitals are here to stay, they're on the stock market, their mission of taking care of patients works. Nonprofit hospitals aren't the only ones that have a lock on taking care of patients with care, love, interest, and energy, and investor-owned hospitals are an enormously useful industry in this country in providing alternatives, not only for investors but also for ways of providing care. They're not the bogeymen that some people thought.

The other side of this is this enormous organization called VHA. What is VHA doing in this country now after 20 years, whatever it is? I think it's difficult to identify what the role of a huge national organization is other than its purchase programs. Part of this may be a lack of awareness on my part of the important contribution they're making, but I think if you look at it across the country, 800 or 900 hospitals and outside of the purchasing exercise, which proves to be very important, I think we're finding that the local systems, the local mergers, and what have you that are useful in providing better service to patients more economically than a massive voluntary effort that lacks ownership.

NEWKIRK:

Mr. Lachner, we're going to go now to the history and future of health care management and policy if you'd like to get into that as you see it. One of the most valuable things about the interview will be your analysis of what's gone on before, where we are now, and whatever else you want to tell us.

LACHNER:

Okay. I think as I look at the last 40 years or so, we've seen the birth and maybe the

adolescence of the modern hospital and the development of medical science in a way that would never have been predictable back in the 1950s. World War II was the impetus for this, of course, and the expertise of physicians coming out of the military was a major addition in the armamentarium of the health care provider. It also has allowed us, as we look at the development of the hospital, to see the development of the professional technical providers of health care. For the most part, they all have their own organizations, they've tried to carve out their own niches, and have set their own standards for membership, and I think in a way we've come full circle on that and that many have fallen by the wayside and have become more and more a part of an organized patient care development organization. All of this has been accompanied by enormous economic growth both in physical plants and the technology inside the building as well as outside, and this kind of enormous development—health care must be a multibillion-dollar organization by now—presents all kinds of problems in an organizational sense from the standpoint of the patient receiving care.

The physician is still the key provider, in part because the physician has been very successful with legislatures and the medical practice PACs. My guess is that as we look down the road, there is some managed care potential, that we're going to find the role change. It's going to change with some halts and stops and starts because of the Medical Practice Acts. It may include what the pharmacist does and what the role of the provider is going to be. The economics is going to change, of course, and that's not necessarily negative. Anything that happens probably will suggest an enormous continued infusion of money into the health care system. The prospect of containing health care costs isn't going to work at all. There may be some ability to arrest the rate of increase in the cost of health care, but to suggest that we're going to reduce the cost of health care has no basis in fact or prospect in my view. The appetite of the American people for

health care is insatiable. They're going to take every opportunity they have to assure themselves and their families that they're healthy, able to get around, and to live comfortably, and I think there's been many successes in the health care field, and this is certainly one of them—that medical care, health care can do so much to make it easier to live, to work, and to play.

Well, Don, I think we were talking about health care systems as some might imagine it. To be sure, there are people that don't have health insurance. I guess I've always had some problem with the Clinton Administration on accessibility because, for the most part, people in this country are not dying in the streets. Clinton has focused on the 15 percent that don't have insurance. For the most part, the 85 percent that have it don't want change. Health care is available through a variety of organizational schemes. It might be life-and-death capability. It may not be complete. It will never be complete. And it may not include all of the things that people would like to have. But I make a general assumption that this country cannot afford all of the health care that everybody wants, and so we're going to have to have some limits. And one of the ways of limiting the health care that's provided in this country can occur through not having a segment of the population insured.

Senator Paul Simon the other day, in response to President Clinton's saying that I only need 95 percent of the people covered by insurance, Simon took note that that's 12 million people in this country, and it's getting pretty close to some of the figures that people talk about that people that don't have insurance now that really want insurance. There's a large portion that don't want insurance. I think some of the changes that relate to physicians are going to be very important, and I don't know how they're going to sort out. Younger physicians are much more amenable to the managed care programs that are developing in this country. Senior physicians are not.

There need to be some limits on the development and the expense as technology is used in this country—unnecessary care and unneeded care—you know they're different. Unnecessary care is care that's given that results only in additional costs to the patient. The technology is available, so let's wait. Unneeded care is care that's provided that you don't need for your diagnosis to be determined. I think the prospects of the Clinton program—there's one or two things that are attractive to me. One is the portability of insurance; if you have it, you don't lose it when you change jobs.

NEWKIRK:

Organizations merging helter-skelter or combining through affiliation. In another industry—this is some years ago—a large paper company diversified and merged to include doing everything, including making golf balls. Then all of a sudden decided what they really were was a paper company. Now they're back to making paper, the best paper you can imagine. Do you think we in health care are going through this sort of throes of reorganization and will at some time cut back to our original, base type of activity?

LACHNER:

I think you've hit on a very, very important subject. I think combining units—similar units, same town—is potentially very destructive. I think systems that are now developing are fraught with all kinds of dangers organizationally as to what services they provide. I think it's going to be very difficult if one of the goals is economical care, and I find it very difficult to imagine how you could put your major university teaching hospital together with a community hospital and have one contract for managed care. But I think there are lots of problems with that and the diversity of services, moving of services from one institution to another, I think, is fraught with all kinds of potential problems. Some have done it, and they've done it successfully. Some have not. Some

won't, and I don't think that blueprint is going to fit all over the country. It'll work some places, but in a large number of places it won't work.

NEWKIRK:

You spent a lot of time in university settings of various kinds. How do you think something like capitation would work in a university hospital as a hospital only—and let's just talk about the hospital and not the College of Medicine. You have a hospital at risk along with its physicians who are faculty and may be marching to another tune.

LACHNER:

It'll work at least some of the time. If you take a look at what's happening to the economics of medical education in this country, I believe you'll find that the economics of the faculty are ultimately tied to patient care.

NEWKIRK:

In other words, you're saying it could work. Under normal circumstances, it's difficult. Under extreme circumstances, there would have to be lots of changes in thought patterns, hierarchies, bureaucracies, and, of course, this can be done, but at various . . .

LACHNER:

Somebody has to be in charge. Somebody has to agree going in on what the capitation rate is and who gets it.

NEWKIRK:

And then they have to have a lot of backup, a lot of support.

What else do you have on any subject?

LACHNER:

I think I've probably exhausted you by this time and maybe gone after all of the bogeymen

I can think of.

NEWKIRK:

If you have taken the time to read this document, it will be evident that this interviewer has great admiration and respect for Bernard Lachner. The same is true for hundreds of his colleagues, peers, professional associates, and former students. They all hold him in high esteem. Mr. Lachner is one of the major contributors to the advancement of health care management and policy. We salute him and congratulate him for an exemplary career, for numerous contributions to the management of our country's health care system.

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