

# history of carle



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## A Brief History of Carle

“Circumstances rule men; men do not rule circumstances.” – *Herodotus*

### In the Beginning

Carle Clinic Association and The Carle Foundation had the most inauspicious of beginnings. No one, including Carle’s founder, could have imagined how far the organizations would come. To understand just how unlikely a proposition Carle was, imagine a pro forma with the following premise:

*Although it is 1931, and the world is in the grip of the greatest economic depression in modern history, Dr. J.C. Thomas Rogers, a Fellow at Mayo Clinic, wishes to establish a physician group practice and hospital in an abandoned sanitarium located in Urbana, Illinois. As collateral, Dr. Rogers offers his untested skills as a physician, administrator, and organizational planner. Joining him in this enterprise is Dr. Hugh L. Davison, another Mayo Fellow, who, like Dr. Rogers, has no money, and no experience as a practicing physician.*

That is how the Rogers-Davison Clinic, the forerunner of all the Carle organizations, came to be. The two doctors arrived in Urbana with their wives and children, and because they were broke, took up residence in the former Eastern Illinois Memorial Sanitarium. In his book, *Carle: Concept and Growth*, Dr. Rogers recounts the story of Carle up to about 1978. In it he documents in detail the difficulties faced by him and the other early members of the medical staff.

It is important, I believe, for anyone who wishes to understand Carle’s history to appreciate that all of this came about because of the vision, drive, and leadership of Dr. Rogers. When I met him, he was in his sixties but retained the energy, physical condition, and attitudes of a young man. That is not to say that others, especially the five other members of the Big Six, the original physician partners of Carle Clinic,

were not instrumental in Carle’s success. But without Dr. Rogers, Carle in any form would not exist.

After the Rogers-Davison Clinic, which included an inpatient hospital, came Carle Hospital Clinic. Established in 1932, by 1935 this partnership included the six physicians who were to remain as Carle’s leaders until the 1970s. All were trained at Mayo Clinic. Besides Drs. Rogers (Surgery) and Davison (Surgery), there were Drs. V. Thomas Austin (Internal Medicine), Cesare Gianturco (Radiology), James B. Gillespie (Pediatrics), Charles H. Drenckhahn (Internal Medicine), and G. LeRoy Porter (Ophthalmology). Dr. Davison died suddenly in 1944, leaving Carle’s fate in the hands of Dr. Rogers and the other five founders.

It is human nature for each generation to claim that their lives were more difficult than are those of their descendants. We have all heard the “I walked six miles in the snow to attend school” stories. However, for Carle’s founders the hardships were genuine. For example, when not seeing patients Dr. Rogers would mow the grass and mop the floors. Pay was abysmal. Naturally, as Carle grew, the Big Six had strong opinions as to what constituted adequate remuneration. The message to all new physicians was the same: If you want to be a physician as a means of getting rich, don’t apply at Carle.

During World War II, only Drs. Davison and Austin remained on staff. Fortunately, the practice survived and upon Dr. Roger’s return to Carle and civilian life, the Clinic instituted a major physician recruitment drive. It was during the immediate postwar era that Dr. Rogers also addressed a longtime concern: Taxes. At the time, group practices were rare and thus the IRS was unfamiliar with their inner workings. As a result Carle paid what Dr. Rogers thought was an unreasonable amount of tax. To remedy this problem, the Clinic’s leaders opted to

create a not-for-profit entity, the Carle Foundation. The State of Illinois issued the charter for this not-for-profit corporation on November 6, 1946, followed by tax-exempt status granted by the IRS later that same year. The November 6 date, by the way, is the reason Foundation Day (the Foundation-sponsored educational program) always takes place during the first week of that month.

From the beginning, Dr. Rogers intended that the Foundation would someday be a strong partner to the Clinic. In his mind, the purpose of the Clinic was to enable the medical staff to practice medicine without the burden of having also to serve as property owners, landlords, and business managers. A remarkable aspect of the Foundation's creation was the physicians' decision to donate all of the buildings, which they owned outright, to this not-for-profit entity. Additionally, the Clinic doctors decided that the Foundation would own and operate the hospital while the Clinic would pay rent for its portion of the buildings. Dr. Rogers and the other partners also wanted formalized medical education programs, and a sustainable method of promoting and sponsoring research. Because of its not-for-profit status the Foundation could accept gifts that, in turn, were tax-deductible, and retain those tax-free funds to support its mission.

From its origins as a small, weak organization, dependent on the goodwill and generosity of the Carle physicians, the Foundation has grown into a very financially strong, dynamic entity. It continues to operate the hospital and serve as the Clinic's landlord, while also managing other healthcare related businesses and supporting medical education and research.

It is a little-known fact that well into the 1970s all Carle physicians, as a condition of their joining the Association, had to agree personally to cover any Foundation shortfalls. While it never came to that, I can remember thinking at the time that if it did I would have to take out a second mortgage on my house.

To me, initially the Clinic-Foundation relationship was one of parent and child with the Clinic acting as a benevolent, if somewhat nervous, parent. However, as this particular child grew and became strong the relationship eventually changed. It was as Dr. Rogers had always intended. Yet many in the Clinic have come to resent the Foundation's present power and financial strength. I believe this attitude stems from a misunderstanding of the original reasons for separating

these conjoined organizations. The Foundation exists so that the physician owners can practice medicine without the distractions that come with managing a hospital and other healthcare facilities. We should also keep in mind that, although the two organizations are now separate, they are still interdependent. The Foundation has the advantage of having more capital, while the Clinic doctors are the source of all the patients for both the Clinic and Hospital.

Beginning in the 1960s, advances in medicine and societal changes began to have a more direct effect on both Carle organizations. The most significant was the Medicare Act of 1964. Although it took several years for the healthcare industry to experience its full impact, Medicare forever changed the way we practice medicine in America. Our nation went from a private fee-for-service system to one legislated, regulated, and dominated by the federal government.

### **Carle Clinic Association**

If creating the Foundation was the first event that allowed Carle to develop into the fine medical organization it became, changing the Clinic's structure early in its evolution was the second. This change took place January 1, 1955. It was on that date that the Clinic ceased to be a partnership owned by the Big Six who employed the other physicians to an association in which all physicians had the opportunity to become owners. Had this not occurred, the Clinic could not have retained competent physicians.

### **The Branch Clinics**

The Clinic opened its first branch clinic November 16, 1978. It was in Mahomet, just east of Route 47 and one block south of Interstate 74, and consisted of a double-wide modular Marshall Erdman "trailer" with three exam rooms, a large waiting room, and a utility area (formerly the kitchen). At that time Mahomet was a fast-growing bedroom community known for its excellent schools and affordable housing. Our decision to open a satellite was a logical response to a national trend. Several other large clinics were opening satellites to expand their markets and provide additional convenience to patients. We were in a similar position and happened to be one of the few groups that had a Family Practice department – the medical services needed most in towns like Mahomet.

## Carle Branch Clinics

Primary Care Clinics	Date Opened	First Physician
Mahomet	November 12, 1978	Kathleen Beutow
Rantoul	July 20, 1980	Tamara Mitchell
Monticello	August 1985	Robert Turngren
Georgetown	1987	Edward Andracki
Southeast Urbana	1989	Paul Yardy
Tuscola	November 1990	Kurt Warkenthien
Farmer City	September 1993 (closed Feb. 1998)	Glenn Fisher
Multispecialty Branch Clinics	Date Opened	First Physician(s)
Danville	April 4, 1983	Tamara Mitchell
Bloomington-Normal	September 26, 1983	Jeffrey Swearingen
Champaign	November 14, 1983	Joyce Beitel, Kathleen Beutow, Charles Clemens, Michael Day, David Dunn, John Gocke, Warren Greenwold, Malcolm Hill, John Hirschtick, Leo Perucca, Robert Scully, Ann Tice, David Whitehill, and Paul Yardy (all part-time)
Mattoon/Charleston	1990	The Link Clinic group

With Mahomet doing well, we opened a second, similar facility in Rantoul in July 1980. Rantoul then was the home of Chanute Air Force Base, and had a large population of military personnel and dependents. It was significant that, as a training base, the base hospital was geared more toward taking care of troops rather than families. So, with another modular clinic courtesy of Marshall Erdman, we were in business. After Mahomet and Rantoul, the other branches came about as natural progressions of our original intent.

### The SBUs

While the Clinic developed horizontally, the Foundation developed vertically. And as the Clinic was developing multiple branches throughout Carle's market area to better serve the population, the Foundation developed related healthcare businesses that both supported and enhanced the branches. Examples of those businesses, known as Small Business Units (SBUs), were a nursing home (Carle Arbours), retail pharmacies (Carle Rx Express), and medical

equipment stores (Carle Medical Supply). These were all in addition to the basic Foundation operation, Carle Foundation Hospital, which continued to grow in size and sophistication.

The economics of healthcare dictated some of this development. Medical facilities were beginning to feel the crunch of reduced reimbursements, and were seeking new sources of revenue. All of the Foundation CEOs of that period – Charles Dawley, Charles Van Vorst, and Michael Fritz – directed this growth. But it was Chuck Van Vorst who, with the support of the Foundation Board of Trustees, established the majority of the SBUs, and whose vision brought the Foundation to a new level of patient care, diversity of services, and economic strength.

### CarleCare HMO

By 1979, our administrative team believed managed care would eventually replace the fee-for-service system. Dr. Harlan Failor, Clinic administrator Vernon Tock, I, and several others developed our own version

of a Carle HMO, mostly in our heads, and were determined to prepare the organization for a managed care future.

Christie Clinic had partnered with Maxicare in the early 1970s to develop an HMO, but had not aggressively marketed their plan and the number of enrollees remained low. In fact, the numbers were low enough that it didn't really affect Carle's practice. Early efforts to convince our own physicians of the need for a managed care health insurance company were also unsuccessful. At the time most doctors viewed HMOs as a communist plot to destroy medicine. After several years of ongoing attempts to convince them otherwise, the Clinic invited Dr. Mervin Shallowitz, a Chicago physician who was active in managed care, to speak to the group. As is so often the case, the words of an outsider carried more weight than had Clinic admin's and the group's opinions shifted in favor of the idea. Thus in 1979, Carle Clinic Association, PC, formed CarleCare, Inc.

### **The Not-For-Profit vs. For-Profit Dilemma**

Looking back, our decision to incorporate CarleCare (now Health Alliance Medical Plans) as a not-for-profit corporation, the common form for managed care companies in the 1970s, was a mistake. It should have been set up as a for-profit company owned by the Clinic. As a not-for-profit, CarleCare was required to have a board consisting of consumers and providers, with consumers in the majority. This led to the creation in 1986 of a for-profit company, Carle Health Insurance Management Co. (CHIMCO), controlled by Carle Clinic. CHIMCO's responsibilities gradually increased while those of the CarleCare board diminished although the CarleCare board had final authority. The Clinic decided in 1988 to purchase CarleCare and make it a for-profit company. Since the Clinic (ie, the physicians) were at risk for any losses, it seemed logical that it benefit from CarleCare's future profits. By law, a for-profit that buys a not-for-profit must donate the value of the purchased company to another not-for-profit. After much study the Clinic purchased CarleCare by donating \$1.8 million to The Carle Development Foundation. The CarleCare Fund supports research, and physician, staff, and community education. In the course of this exchange, CHIMCO faded away, and the Clinic board became the CarleCare board, with the Clinic CEO continuing to serve as the HMO's president.

### **The Clinic and Foundation Today and Tomorrow**

To physicians and staff who have recently joined Carle what came before must seem like ancient history. Yet fully to understand what Carle is, and more important, why it is, one must know the origins of today's organizations. I have spent the past five years writing a history of Carle from the 1960s to 2000. It has not been easy. Although I was a participant in nearly all that happened I continue to discover new information about which I wish I had known at the time. Granted, I recall the major incidents but as is so often the case, it is in the details (which are difficult to recall) that one discovers the larger picture.

In their structure and stated purposes the Clinic and Foundation are as Carle's founders intended them to be. But in practice it is the individuals of every era who determine what Carle is or is not. I am delighted that Dr. Jim Leonard is CEO and President of the Foundation. Having a physician in this role has brought the two organizations much closer, and diffused a great deal of the antagonism that existed during the 1980s and '90s. On the Clinic side, Dr. Bruce Wellman is also a good leader and an excellent doctor. And because these two people enjoy a cordial relationship, the relationship between their respective organizations is, for the most part, also cordial.

As for what the future holds for Carle, I can only guess. Certainly it will continue to expand its current standing as a regional medical center. One key to Carle's success has been its willingness to change with the times. Another has been its commitment to hiring the best people and then giving them the means to do their best work. And the need to change with the times and to have the best people will be even more important in the years to come. The increasing demand for healthcare services that meet the needs of an aging population coupled with a decreased labor pool will require new ways of providing care. The pace of technological advances that improve our diagnostic and therapeutic capabilities will accelerate, and will require continuing education in order for all Carle staffers to stay current. Increasing government involvement and increased pressure to reduce costs will complicate how Carle operates. The change from treating the sick to keeping people healthy will require ongoing adjustments of our corporate and individual mind sets – the list goes on and on.

Although at times the challenges of the future can seem overwhelming, one need only reflect on all that Carle has already endured to keep things in perspective. Whatever happens it cannot possibly require a greater leap of faith amid the most adverse circumstances than did Drs. Rogers' and Davison's decision to make their dream a reality.

*John Pollard, MD, FACP, FACC, FACPE, joined Carle in 1963 and worked in the departments of Internal Medicine and Cardiology until his retirement in 1997. In 1969 he became medical director of the Carle Clinic and Hospital and served in those roles until 1979 at which time he was appointed CEO of Carle Clinic. He retired as CEO in 1994 and became vice president of Medical Affairs for the hospital until his formal retirement in 1997. He currently serves as an officer at Physician Advisory Resources (PAR), a company he helped form that provides personal financial advice to physicians. His illustrious background at Carle makes him duly suited in his current role as an official Carle Historian. His book **Carle: Change and Challenge** was published this spring by The Carle Foundation.*