

A booming industry beckons a longtime hospital CEO

**SPECIAL
REPORT**

HEALTH CARE

BY JOHN GOLDEN

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On a recent April morning at the start of another workweek, Keith F. Safian drove from Manhattan for an interview at his sunlit country home that overlooks a wooded pond in the town of North Castle. A longtime commuter from Great Neck to his former job in Sleepy Hollow, Safian these days divides his time between an Upper East Side residence and the home he purchased outside Armonk about four years ago.

The secluded home in Westchester has become a weekend retreat and its furnishing a work in progress for Safian and his wife of seven months. The new routine of a second marriage, and the freedom to be at home at this hour on a Monday morning removed from the incessant demands of his former CEO office, are elements in what Safian called “a wonderful time in my life.”

In October, the 64-year-old hospital administrator celebrated his marriage to Kathy Gilbert, a marketing director at Mount Sinai Health System in Manhattan. Later that month, the board of directors at Phelps Memorial Hospital Center accepted “with regret” Safian’s resignation as president and CEO of the 238-bed community hospital in Sleepy Hollow.

Safian’s lauded 25-year tenure as the hospital’s top administrator officially ended Nov. 30, shortly before Phelps joined the metropolitan North Shore-LIJ Health



Keith Safian

System. The affiliation made North Shore-LIJ the “active parent” and co-operator of the Sleepy Hollow institution, which was followed last year by Northern Westchester Hospital in Mount Kisco in joining the Long Island-based health system as it expands into Westchester and the lower Hudson Valley market.

Though Phelps retains its own board of directors as a North Shore-LIJ affiliate, it no longer operates with its own CEO on campus. Safian’s successor, Daniel Blum, a former senior vice president at Phelps, leads the community hospital as its president.

“It’s a very common thing that a CEO does not continue in that role” when a hospital affiliates with a larger organization, Safian said of his decision to resign. “It’s just a typical thing. It happens all the time.”

“My job at Phelps was to do the best thing for Phelps, and that affiliation was the best thing for Phelps.” The community hospital is now part of the largest health care system and the largest private employer in New York, he noted.

Safian has been researching a nationwide trend of affiliations in the health care industry for an article he and a friend are working on. That trend has been especially driven by the implementation of the Affordable Care Act and reform measures to reduce health care costs while improving patient care.

“Ten of 12 acute care hospitals in Westchester County all affiliated within an 18-month period,” Safian said. “Nobody anticipated that, and it hasn’t happened anywhere else that I am aware of.”

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At Phelps, the hospital's strategic planning committee "saw the handwriting on the wall a very long time ago," he said. Affiliation with a larger health system was essential.

Phelps and other community hospitals contend with major cost pressures — including labor and personnel costs that account for 61 percent of a hospital budget — and reimbursement rates from the state that are among the lowest in the nation relative to the costs of operating in New York, he said. Larger health systems can reduce supply-chain expenditures and costs of personnel training, malpractice and other insurance and third-party administrative services.

"It's necessary and it's good," Safian said of the wave of affiliations that is changing the health care landscape in Westchester.

Safian recalled advice he was given early in his career by a nun who ran a hospital in the Midwest: "No margin, no mission." Although New York hospitals operate as nonprofits, "If you don't have money, you cannot fulfill the goal of providing health care for the community," he said.

Safian heeded that pithy counsel in a nearly 40-year career as a hospital administrator, first at New York University's Langone Medical Center and for five years at St. John's Episcopal Hospital in the Far Rockaway section of Queens. There he left what had been a money-losing operation with a \$2.6 million surplus before taking the top administrative job at another financially struggling hospital in Sleepy Hollow in 1989.

Phelps Memorial had lost \$4.3 million, an 11 percent budget deficit, in 1988. During Safian's quarter-century administration, its operating budget grew from \$40 million to \$240 million, its medical staff from 200 to 500 physicians, and its workforce from 800 employees to 1,700 employees. The 50th largest employer in Westchester County when Safian arrived, Phelps is now the county's seventh largest employer, due only in part to the closing of the General Motors automotive assem-



Keith Safian at his North Castle home. Photo by John Golden

bly plant in Sleepy Hollow and corporate downsizings and relocations.

"Keith rescued Phelps from the verge of bankruptcy in 1989," Phelps Memorial board Chairman Richard Sinni said last fall when announcing Safian's resignation, "and the fiscal performance he achieved thereafter has enabled the hospital to provide the highest level of medical care to the communities it serves."

The hospital's sound financial health helped make it an attractive asset to North Shore-LIJ. Safian said last year that Phelps ended 2013 with a \$4.7 million surplus and a substantial cash balance.

His resignation has "opened a door to possibilities" to explore in the booming health care industry, he said. Since leaving Phelps, he has formed Safian & Co. LLC. "I was a hospital administrator for 40 years and I've not done anything else. I'm sitting back and gathering information and looking at what the possibilities are for someone with my many years of experience."

As CEO at a nonprofit, he was not allowed to be involved in a for-profit business. Now he is free to pursue paid

consulting work, speaking engagements and other career options with a telemedicine startup, software companies developing products for the health care industry, hospital vendors and private equity firms adding health care companies to their portfolios.

As a hospital administrator, "Private equity was a term I was only generally familiar with," Safian said. Now some of those firms "want to pick my brain."

"For me, I get to step back instead of dealing with the operational issues" of a hospital. "I get to think more strategically."

Among the businesses seeking him out, Safian said he was approached by two head-hunting firms about hospital administrator jobs in the metropolitan area.

"Literally for the last 30 years, I've run hospitals," he said. "The easiest thing for me to do would be to do that again."

Yet his adjustment to life and an emerging career outside the hospital to which he devoted long working days and nights has not been difficult.

"Surprisingly, I didn't have withdrawal. Having eight meetings a day is not missed."