



Joseph Cacchione, MD
Chief Executive Officer
Jefferson Health

JEFFERSON HEALTH

Executive Summary/Synopsis

This case study explores a significant decision made by Dr. Joseph Cacchione, the CEO of a large healthcare organization, concerning the fate of a nonprofit community hospital. Dr. Cacchione faced the challenging choice of either selling the financially struggling hospital to a competitor or continuing to invest in it, despite its considerable drain on the organization's resources. This decision was complicated by the potential impact on the national health system's financial stability and its commitment to its mission. Over three years, Dr. Cacchione navigated through this dilemma, ultimately having to make a decision that would not only affect the national health system but also the community that the hospital served.

Dr. Joseph Cacchione is the Chief Executive Officer of Jefferson Health, one of the largest hospital systems in Philadelphia. Formally known as Thomas Jefferson University Hospitals Inc., they are a teaching hospital system for Thomas Jefferson University, thus branded as Jefferson Health. Jefferson Health has many locations, totaling approximately 1,000 beds with 15,000 employees. Jefferson admits over 40,000 inpatients and cares for 1.4 million outpatients annually.

Prior to taking the role at Jefferson, Dr. Cacchione held various high-level administrative roles at three other large, multi-unit hospital systems across the country. He brought with him years of expertise and knowledge of how to execute critical decisions that not only bettered the financial health of a hospital, but the wellbeing of patients as well. At one of his previous posts, Dr. Cacchione leaned on his experience to guide him through a difficult business decision.

Background

Dr. Joseph Cacchione was born into an average, middle-class family in a midsized, Midwest city. He grew up in the Catholic faith, attending Catholic schools until college. Carrying his faith with him, he went on to medical school and became a cardiologist. For years, Dr. Cacchione saw the impact he made on patients, saving lives and bettering their own worlds, one case at a time.

After years of practicing medicine, Dr. Cacchione began to feel the need for a transition. His faith drove him to make a difference in the world. In his eyes, he saw his profession as a way to help one person at a time but felt that there was more to be done. He decided to expand his reach by taking on more administrative tasks. He slowly began taking on more administrative responsibilities before fully transitioning to the administrative side of medicine. By working in administrative roles, Dr. Cacchione felt like he could help a larger amount of people as opposed to one person at a time. He felt as though his work was more impactful in this way.

His career eventually led him to a senior position within a widespread healthcare organization managing multiple hospitals. As Chief Executive Officer, Dr. Cacchione faced a tough decision regarding a recently acquired hospital, which, despite being in physical disrepair and was financially unstable, served a crucial role in the community.

Case (Problem)

A large national health system had purchased a 400-bed community hospital in the Midwest. When the community hospital first became part of the national umbrella, it returned \$400 million to the system. In many ways it felt like the “little engine that could,” plugging away and serving its’ local patients, but profiting the national system, which spanned 22 states.

However, as time went on, the community hospital began to truly deteriorate. Dr. Cacchione was hired and put in charge of making sure each hospital operated to the best of its ability, all the while profiting the whole organization. Upon his first visit to the hospital, he discovered half-painted walls, a large hole in one of the floors and a broken air conditioning system reading 85 degrees in the intensive care unit, all due to financial strain. The hospital was deteriorating quickly and thus becoming less profitable. Dr. Cacchione viewed this as an immediate emergency; if the hospital was not able to maintain standard operations, then how would employees and medical staff be able to properly do their jobs? The environment needed to be safe for everyone - patients and staff alike.

As Dr. Cacchione was figuring out how to fix this broken hospital, the national system received an offer from a competitor to buy the community hospital for \$250 million. Meanwhile, the people who lived in the community and worked there were learning that none of the \$400 million profit the hospital originally made for the larger system had been invested back into the hospital. The community was angry and upset as they watched their only source of medical care turn to ruin.

Questions arose as to whether the hospital should be kept and invested in or sold off to keep the rest of the system healthy. Selling it would result in a \$400 million loss to the community. However, if the national system kept it and invested in the hospital, the national system itself could be significantly weakened. Selling the hospital would benefit the system but be devastating for the community, however keeping it would be bad for business but good for community welfare. This deliberation went on for three long years, and during that time period, there was no further investment being made into the community hospital.

In the end, Dr. Cacchione faced an ethical dilemma between business and healthcare. His problem was stark: prioritize the business health of the system or the healthcare needs of the community.



Should Dr. Cacchione agree to sell the hospital to a competitor, profiting on the loss of a community, or should he decline the sale and invest in the hospital, possibly weakening the national health system?

Conclusion

Dr. Joseph Cacchione had a tough decision on his hands when a competing health system came along with an offer to buy the community hospital from his national system. He understood it was a failing piece of the puzzle, but realized much of its deterioration was due to the lack of investment from the system. Furthermore, he was concerned from a financial perspective on what it could cost to renovate the hospital. In addition to the cost of a complete renovation, people in the town would still need care, which meant other facilities would have to be available to the sick. Still, Dr. Cacchione knew what could happen if the hospital was sold; the new owner could let it completely fall apart, or it could be resold to a non-healthcare corporation.

Dr. Cacchione chose to turn down the offer and invest in the hospital. He believed selling it would mean going back on his oath to help people. As he described it to us, “what will save medicine is the humanity of medicine.”