Rice, Baylor College of Medicine step up merger talks
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Rice University and Baylor College of Medicine have entered into formal merger negotiations, the schools announced Thursday, a day after Baylor said it plans to suspend construction of its hospital.

In a statement, the school's presidents announced the two governing boards have signed a memorandum of understanding (MOU) outlining the broad framework that will guide merger negotiations. MOUs are typically considered the first stage in the formation of a formal contract.

"While no decision on a merger has yet been made and many issues remain to be resolved, our boards have concluded that a closer affiliation has abundant potential benefits for both institutions, as well as for our home city of Houston," Rice President David Leebron and Baylor interim President Dr. William Butlersaid in the statement.

Both declined interview requests.

The statement gave no timeline but said that in the next few months, the two boards will address issues and concerns that have surfaced during the previous months of informal discussions.

The Chronicle reported in October that Baylor and Rice had begun holding preliminary discussions that could lead to a merger. Since then, an MOU has been eagerly awaited as a sign the negotiations are making real progress.

A merger is seen as a potential boon to the city because it could create an academic powerhouse, the state's top private university paired with one of the country's best medical schools.

It would bring Rice the reputational enhancement it has long desired and Baylor the financial security of a university affiliation, often necessary to keep medical schools afloat financially.

Baylor, one of only 10 freestanding medical schools in the country, has struggled financially since splitting in 2004 with the Methodist Hospital. Saddled with significant debt that threatens the proposed merger, it has been striving mightily in recent months to reduce expenses.

On Wednesday, the board announced it will delay construction of its hospital's interior after the exterior is completed in the spring of 2010.
The once highly anticipated but debt-ridden facility has been under construction since 2007.

The Baylor hospital is considered a potential stumbling block to the merger. Leebron told the Houston Chronicle editorial board in November that the big question is how a hospital would fit into a deal.

The statement made no reference to the fate of the hospital, instead simply saying the MOU will allow the boards to systematically and thoroughly move ahead with the next stage of discussions.