Rice, Baylor union may be close  
Schools will extend merger talks to Jan. 31  
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Negotiations to merge Rice University and Baylor College of Medicine are proceeding fruitfully and could be successfully wrapped up by January, the institutions' leaders said Friday.

In the first substantive public comments on the confidential talks in nearly a year, Rice President David Leebron and Baylor interim President William Butler said they are working through "the myriad issues such a complex proposition raises" and learning "there's much to commend a merger.

"We are pleased to report that substantive progress has been made, enough so that our respective boards have authorized us to extend the (negotiation contract) to Jan. 31, 2010," Leebron and Butler wrote in an e-mail to Rice and Baylor employees. "We will work hard to bring our discussions to a successful conclusion over the next four months."

The letter adds that the schools have agreed on many organizational and governmental issues and that they are "exploring multiple sources of funding to help the merger achieve its full potential" and are in discussions with several parties to become Baylor's primary private adult teaching hospital.

Baylor has existing primary relationships with Texas Children's, Ben Taub and the Michael E. DeBakey VA Medical Center.

The two schools have been in serious merger talks for about a year. Six months ago, they signed a memorandum of understanding outlining the broad framework that would guide the formation of a formal contract. There had been little information out of that process until Friday.

Academic giant

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 enhance Rice's reputation and Baylor's economic security.

Baylor, one of only 10 freestanding medical schools in the country, has struggled financially since it divorced the Methodist Hospital in 2004, then went over budget on its own hospital project, which is scheduled to be suspended next spring. It has been striving the past year to eliminate debt that threatens the Rice deal.
The financial struggles caused Baylor to default on bond covenants this summer, necessitating it outline a corrective plan.

The plan includes hiring a management consultant; the negotiations with Rice; and discussions with other parties concerning a possible joint undertaking to complete, own and/or operate the hospital project.

The default was a technical default, not a payment default.

In an interview with the Chronicle Friday, Leebron would not elaborate on the letter’s line that Rice and Baylor are in discussions with several parties about becoming Baylor’s private adult teaching hospital, but stressed that the word "several" was deliberately chosen.

Better relationships

A June e-mail from Methodist Hospital President Ron Girotto to Leebron suggested Methodist would be open to getting back together with Baylor as long as it only had to deal with Rice. But sources said those talks quickly proved unproductive and the focus turned to St. Luke’s Episcopal Hospital, for which Baylor left Methodist in 2004 before the relationship foundered and Baylor decided instead to build its own hospital.

St. Luke’s President David Fine confirmed this week that the hospital is talking with Baylor about strengthening the two institutions’ existing relationship. He said he is "100 percent convinced that the Texas Medical Center institutions and Rice need to help find Baylor a successful path to the future."

The e-mail from Leebron and Butler linked to a positive report by a Rice-Baylor academic committee and said the report’s recommended initiatives would be acted on if the merger goes through.