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Baylor Med, president to part ways, sources say

Traber meeting with trustees set for Wednesday

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JESSICA KOURKOUNIS FOR THE CHRONICLE
Most of Baylor Med President Peter Traber's executive team has already left.

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Anxious about shaky finances and seemingly constant turmoil, Baylor College of Medicine trustees will meet next week to consider the future of President Peter Traber.

Highly placed sources said they expect the board on Wednesday will part ways with Traber, who triggered the college's historic split with longtime partner Methodist Hospital, then set out to build Baylor a hospital of its own in a climate that turned unfavorable.

"He did a good job for Baylor," said one of the sources. "But the circumstances haven't worked out."

A spokeswoman for Traber declined to comment.

The strain on Baylor's finances has led to merger talks with Rice University, a pairing of the state's best private university and one of the nation's premier medical schools that observers say would create a powerhouse. The hospital is seen as a possible stumbling block.

Dr. Traber, the first outsider to head Baylor, came to the private college in March 2003 as an agent of change expected to increase the institution's clinical revenue, well behind other top medical schools. Trustees were so sure he was the right person for the job that they gave him a \$1 million signing bonus, at the 11th hour wooing him away from taking the presidency of the University of Michigan health care system. He makes more than \$1.3 million a year and was the nation's most highly compensated head of a medical school in 2006.

Rumors of Traber's possible departure have circulated in the Texas Medical Center since late summer. The talk has become more intense in the last few weeks.

Traber's turbulent tenure has been marked by staff turnover at all levels, red ink, a hospital project whose cost was initially underestimated, then further set back by the market's collapse and, finally, a growing feeling among many at Baylor that the split with Methodist was a mistake.

Baylor would not release information about its most recent finances, but sources familiar with them said the school was \$60 million in the red last year and that the 2008 budget projects a deficit in excess of \$80 million. The school's public relations office would neither confirm nor deny the numbers.

A highly placed source refused to talk specific numbers but said of Baylor's finances: "They're not good."

The pattern was apparent in Baylor's publicly available financial reports from fiscal years 2005 and 2006, the last two years the college was in the black. In that time, Baylor went from a profit of \$184 million to a profit of \$8 million.

From June 2007 to September 2008, its endowment dropped from 1.35 billion to \$954 million.

"Baylor has been experiencing increases in operating costs, while its endowment has lost value as a result of the recent turmoil in financial markets," said Bob Martin, a prominent Houston accountant who analyzed Baylor's 2005 and 2006 financial reports for the Chronicle. "Unless the college has new funding sources, this isn't an opportune time to take on capital projects."

Many in the medical center were skeptical of Baylor's ability to build and run a hospital when Traber announced the plan in September 2006. The plan called for a 250-bed hospital on a 35-acre site adjacent to the Michael E. DeBakey Veterans Affairs Medical Center — a facility, Baylor said, that would finally let it "control its destiny." Ground was broken in 2007.

The sailing wasn't smooth. Cost omissions and increases and the auction-rate bond market's collapse left it overbudget and overleveraged, and sources said that for a time it was on course to violate its bond covenants in the next 12 to 18 months.

Questions remain about the future of the hospital project, but college officials say that with its debt recently refinanced amid the credit crunch, it is on track to open in 2011. Its first building, housing an eye clinic and ambulatory surgery, opened two weeks ago.

Still, the ultimate fate of the hospital is uncertain. Some expect it to be sold or run by another institution. Rice President David Leebron said this week one challenge to a merger would be how a Baylor hospital would fit.

Traber's departure would follow that of the majority of his executive management team. In the last two years, six members of the team have left, some pushed, some voluntarily.

Baylor lost a number of department chairs to Methodist soon after the breakup, but the departures didn't end then. The list came to include the chairs of medicine, neurology, obstetrics and gynecology and urology. Star faculty, from cardiology to orthopedics to internal medicine, have continued to leave, both to Methodist and elsewhere.

Although Baylor's trustee board approved the split with Methodist, Traber became its symbol. Unafraid to butt heads, he engaged the dispute publicly, announcing in a press release Baylor's plan to build a clinic that Methodist saw as competition, releasing strongly worded letters disputing Methodist's claims when the divorce turned ugly.

"I have no problem shaking things up a bit," he told the Chronicle in 2003.

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The philosophy ultimately left many faculty jittery — first about the split with Methodist, then about moving their practices to St. Luke's Episcopal Hospital when the institution became Baylor's short-lived partner, lastly about whether the Baylor hospital would work out. Said one professor, "the uncertainty never ends."

Nor did the lingering feelings for Methodist. After Michael DeBakey died this summer, opinion pieces in the Chronicle said the best way to honor the legendary heart surgeon would be to reunite the two institutions he built up. After Dr. Ralph Feigin, Baylor's president from 1996 to 2003, died a month later, his son Michael said in his eulogy that "to the last day my father was alive, he was trying to figure out how to get back what was lost."

Because the divorce was seen at least partly as a conflict of personalities, sources said a new college administration could lead to Methodist again becoming the primary adult private hospital for Baylor doctors and students. But sources also said it could lead to Baylor again affiliating with St. Luke's.

Dr. William Butler is expected to be named Wednesday to take over as interim president, sources said. Butler, seen as a healer, was president of Baylor from 1979 to 1996.

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