This Little Tweener Went to Market

AHA Rural Health Leadership Conference
February 2015
The views expressed by the speaker does not necessarily reflect the views of the American Hospital Association and Health Forum
2000: A Traditional Community Hospital

With a Cancer Center

And, 1 rural dialysis outreach
The Prairie Lakes Strategy: 2003

Build Medical and Specialty Services

Establish New Referral Relationships

**Primary Care Core**
- Family Medicine
- Internal Medicine
- Pediatrics
- OB

Outmigration

**Local Services**
- General Surgery
- Orthopedics
- Cardiology
- Ophthalmology
- Urology
- ENT
- Oncology
- Nephrology
- Pulmonology
- Vascular Surgery
“Geography is our friend.”

Decrease outmigration
Keep competition out of the market
Vision of Partnership with Large System

Build a Regional Medical Center

Grow New Services

Recruit Physicians

Expand Market Share
Objectives...

1. How we built it
2. The market challenge
3. Future challenges and sustainability
Organizational Profile

• 81-licensed beds
• 501-c(3) Hospital
• Independent

• Ten County Service Area
• Nine Critical Access Hospitals
• Service Area Population: 90,000

• Payer mix: 55% Medicare
  5% Medicaid
Organizational Profile

$6.9 mil operating income
$82 mil net patient service revenue
Operating margin > 5% past 25 years
>800 days cash on hand

Financial Success:
Net Savers; building reserves
Aggressive expense management
Profitable growth
Reinvest in facilities and operations
Large Health System Strategic Moves

• Acquire primary care clinic #1

• Acquire primary care clinic #2

• Management contract with community hospital

• Acquire ownership interest in local, privately owned surgery center
Large Health System Strategic Moves

• Acquire primary care clinic #1

• Acquire primary care clinic #2

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The Mixed Medical Staff

1. Private Practice Primary Care Clinic

2. Large Health System Primary Care Clinic

3. Private practice ortho group

3. Hospital employed physicians – specialists

4. Out-of-Town specialists
The Mixed Medical Staff

Plus, regional primary care
Strategic Agenda

• *Physician recruitment*

• *Grow specialty services*

• *Market expansion*

• *Upstream/downstream partnerships*

• *Make the moat bigger*
Physician Recruitment
A Progressive Approach

Medical Staff Development Plan

Use capital resources to recruit specialists
Medical Staff Development Plan

Service area population

How many of each specialty do we need to serve this population?

Specialty recruitment and start-up support for PCPs

Aligning initiatives as a regional provider (trust factor)
Physician Recruitment
A Progressive Approach

Business model options
Flexible arrangements
Work/life balance
Autonomy & program leadership
Kept “whole”
Bring your friends
Building Cardiology:

New Partners

Overcoming Resistance
Building Cardiology: New Partners
Building Cardiology:
We have a program!
Vascular Surgery Program
First Case December 2009

“Upstream” Partnership

Itinerant Surgery Hurdle

General Surgery Coverage
70 Board Certified Radiologists

Interventional Radiology

“Upstream” Partnership

Consulting Radiologists, Ltd.

Goal: Regional Presence
Service Expansion Since 1998

1998  Sisseton Dialysis
1999  Cancer Center
2003  Ortonville Dialysis
2004  Brookings Dialysis
2005  Surgery Center Acquisition
2005  General Surgery 3 to 4
Service Expansion Since 1998

2007  Cardiology and Cath Lab
2008  Nephrology Program
2009  OB/GYN 3 to 4
2010  Orthopedics 2 to 3
2010  Urology Program
2010  Vascular Surgery
<table>
<thead>
<tr>
<th>Year</th>
<th>Service Expansion</th>
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<tbody>
<tr>
<td>2012</td>
<td>ER MDs Employment Model</td>
</tr>
<tr>
<td>2013</td>
<td>Hospitalist Program</td>
</tr>
<tr>
<td>2013</td>
<td>New Radiology Service</td>
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<td>2014</td>
<td>Pulmonology Program</td>
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<tr>
<td>2015</td>
<td>ENT Surgery</td>
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<tr>
<td>2016</td>
<td>General Surgery 4 to 5</td>
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Growth

- Net Revenue (FY05): $45 mil
- Net Revenue (FY15): $82 mil

- 2003: 1 employed physician
- 2015: 22 employed physicians
  4 midlevel providers
To the Market

Strategic marketing is not advertising

It is meeting the needs and wants of your customer through an exchange process

Marketing = Business Development
Establishing Outreach: Hurdles

Large health systems already established

PCP concerns about keeping the patient
Market Collaboration

Commitment to viability of the community hospital and referring PCPs

Partner to keep care local

Recruiting assistance
## Rural Outreach Clinics

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Sites</th>
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<tbody>
<tr>
<td>Medical Oncology</td>
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<tr>
<td>Nephrology</td>
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<td>Urology</td>
<td>2</td>
</tr>
<tr>
<td>Cardiology</td>
<td>2</td>
</tr>
<tr>
<td>Pulmonology</td>
<td>4</td>
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**Total** 18

Plus...increased referrals from regional PCPs without outreach clinic presence.
Future Challenges
Future Challenges

Higher fixed costs due to physician employment

Continued competition for market share

Lack of deep bench for key service lines

Uncertainty about payer contracting trends
Vision: Prior to 2003

A community hospital that would eventually be acquired by a large health system
Vision: 2003-2014

Regional Medical Center
Vision: 2015-2020
Affiliated Regional Network and Preferred Provider
Success Factors

Corporate neutrality enabled more partnerships

“Claim the market” without competing with regional (rural) or local providers

Overcoming old models

Resisting nuclear options

Building reserves for adequate liquidity

Investing resources
Thank you!

Q and A