

National Conference of State Flex Programs

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July 2, 2008



CAH Replacement Process: Agenda

1. Background
2. Project Description
3. Project Team and Workgroups
4. Project Methodology
5. *“The Roadmap”*
6. *“The Manual”*
7. Full Project Coordination
8. Advice from the Experts
9. Other Useful Studies

CAH Replacement Process: Background

- Almost 1,300 CAHs in U.S.
- About 500 are 50 years old
- Most are making money
- 90 replacements done over past 10 years
- HUD=12; USDA=25; Capital markets=53

CAH Replacement Process: Project Description

- *“The Roadmap”*
a clear, step-by-step visual guide through the entire process
- *“The Manual”*
a more detailed document packed with useful tools , tips and strategies

CAH Replacement Process: Project Team and Work Groups

ORHP guides the Project Team & Work Groups:

- Project Team includes:
 - Chris Boesen, Former Director, HUD 242 Program
 - Mike Seymour, Former HHS Division of Facilities and Loans
 - Jenine Jenkins, Professional Writer, Phineas Consulting

- Work Group and Consultation Group
 - 19 and 23 members, respectively
 - Expertise in feasibility studies, financing, mortgage banking, design & construction, federal enhancement programs, community development, economic impact, CAH operations, etc.

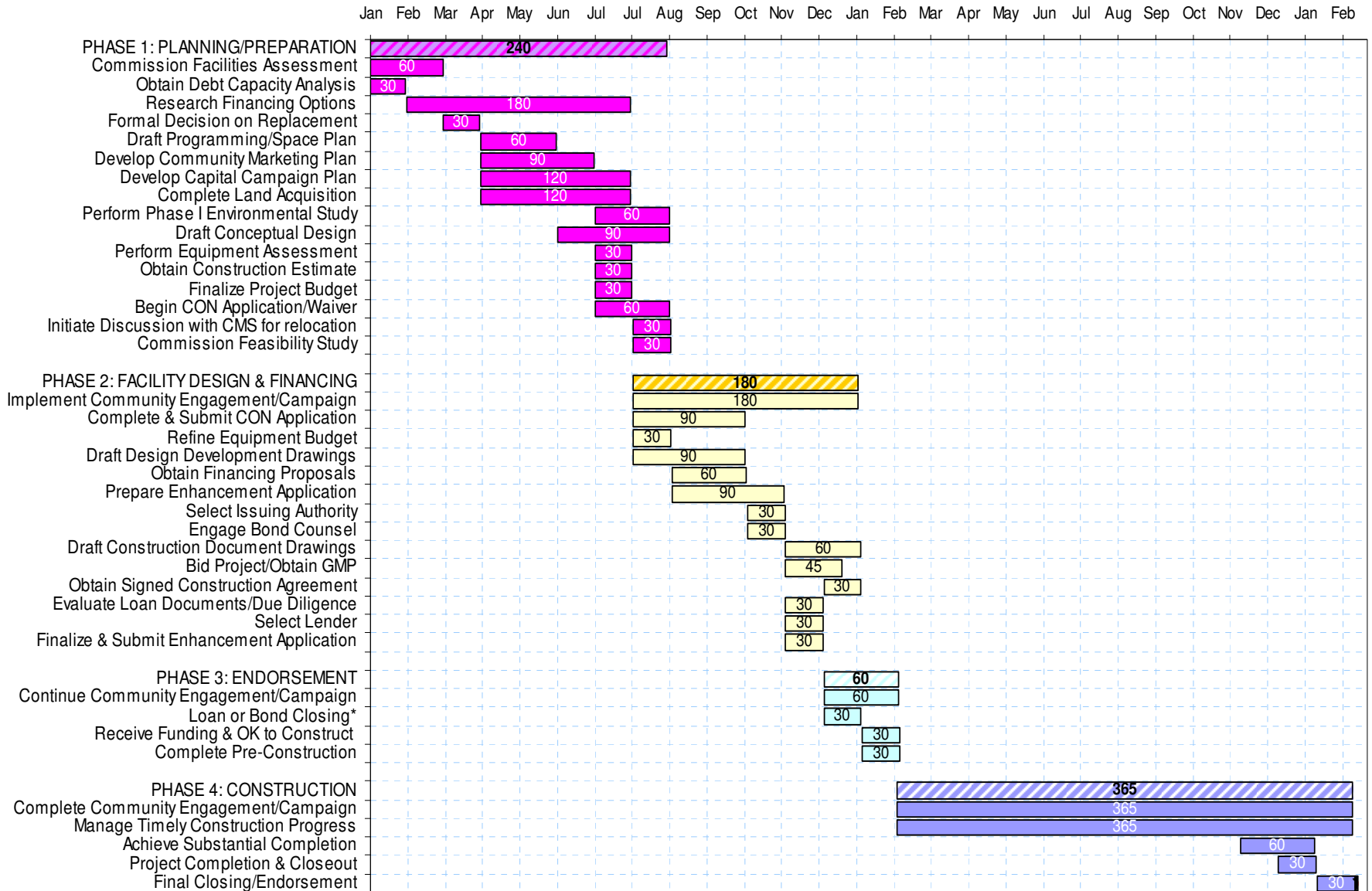
CAH Replacement Process: Project Methodology

Project Team used site visits, interviews, and feedback from Work Groups to develop “*The Roadmap*” and “*The Manual*”

- Site Visits (April – October 2007) and Interviews:
 1. Drumright Hospital (Drumright, OK), HUD 242
 2. Kewanee Hospital (Kewanee, IL), Capital Markets
 3. Franklin Hospital (Franklin, LA), USDA
 4. Shoshone Medical Center (Kellogg, ID), HUD 242 and State

- Interviews with the Experts
Conducted 14 interviews on roadmap and manual (December 2007 – May 2008)

“The Roadmap”



CAH Replacement Process: *“The Roadmap”*

- Roadmap has 4 Phases

Phase 1: Planning/Preparation (6-12 mos.)

Phase 2: Facility Design & Financing (3-12 mos.)

Phase 3: Endorsement/Pre-Construction (1-2 mos.)

Phase 4: Construction (12-30 mos.)

- Process may take as little as 2 years or as long as 4 years or more to complete

CAH Replacement Process: *“The Manual”*

- Entire process from initial discussions and community engagement to construction completion
- Aligned with the roadmap phases
- Detailed information about the process, key participants, and costs
- Includes CAH Facility Replacement Resources
- Simple and short: 30 – 40 pages

CAH Replacement Process: Full Project Coordination

Hospital Senior Leadership Team

- Keep hospital operations running efficiently and effectively
- Difficult to coordinate facility replacement simultaneously

Full Project Coordination (FPC)

- Goal: Minimize financial risks and maximize results
- Critical to have people with the proper experience and expertise from beginning of process
- Three areas of expertise/functions: 1) Financial Guidance, 2) Programming and Space Planning, and 3) Design and Construction Management
- CAH determines FPC resources/structure; cost reimbursable

CAH Replacement Process: Advice from the Experts

- Prepare for a significant commitment of senior leadership time
- There is a lot of emotion in small, rural communities about replacement.
- Know your message before you begin community engagement and begin early in the process.
- Hospital and community leadership must convince stakeholders of the need and ability to pay.

“People are fearful that a new building will end up costing them money or raising taxes even when it is clear the money is coming from a mortgage and has nothing to do with local taxes.

CAH Replacement Process: Advice from the Experts

- The owner's interests must always be represented.
- Build a team with experience in CAH replacements.
- A lot of CAHs start with the architect; BUT design must be based on debt capacity.
- Start with visits to completed projects to examine space planning and equipment options.
- Identify replacement as an investment, especially with cost-based reimbursement.

“Hospitals don't know what they don't know and they need an advocate.”

CAH Replacement Process: Other Useful Studies

- Stroudwater Associates: *Rural Hospital Replacement Study*.
Found improved patient discharge growth, operational efficiency, recruitment and customer and employee satisfaction
For a copy of report: <http://www.stroudwaterassociates.com/>
- Center for Rural Health Works: *Economic Impact of a New Hospital in Drumright, OK*.
Found created 81 jobs, \$2.6M payroll and \$681K in retail sales.
For a copy of study: <http://www.ruralhealthworks.org/>
- *Prototype CAH Architectural Design* is at:
<http://www.hud.gov/offices/hsg/hosp/hsghospi.cfm>

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