

Delta Region Community Health Systems Development (DRCHSD) Program

Strategic Healthcare Facility Planning - Navigating Challenges and Securing Funding



The Center's Purpose

The National Rural Health Resource Center (The Center) is a nonprofit organization dedicated to sustaining and improving health care in rural communities. As the nation's leading technical assistance and knowledge center in rural health, The Center focuses on five core areas:

- Transition to Value and Population Health
- Collaboration and Partnership
- Performance Improvement
- Health Information Technology
- Workforce



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DRCHSD Program Supported by FORHP and DRA



U.S. Department of Health & Human Services



HRSA

Federal Office of Rural Health Policy

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National
Rural Health
Resource Center

Diversity, Equity, Inclusion, & Anti-racism



Building a culture where difference is valued

The Center is committed to DEI and anti-racism. We create an environment that reflects the communities we live in and serve; a place where everyone feels accepted and empowered to be their full, authentic selves; and where everyone belongs.

We understand the impact of and seek to defeat racism and discrimination in ourselves, our workplace, and the world. This guides how we cultivate leaders, build our programs and resources, and deliver our technical assistance.

We are an organization that honors, celebrates, and respects all dimensions of diversity. These principles are central to our mission and to our impact.

[Read more at ruralcenter.org/DEI](https://ruralcenter.org/DEI)

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Today's Speaker:



Brian Haapala, MHA
CEO, Stroudwater Capital
Partners



STROUDWATER
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Getting Past Stop

RURAL HEALTH GUIDE TO MOVING FORWARD WITH FACILITY INVESTMENTS

“Attention is the currency of leadership.”

- Ronald Heifetz

UNINTENDED CONSEQUENCES

Declining investments in infrastructure

New York Times: Longer Commutes, Shorter Lives- The Cost of Not Investing in America

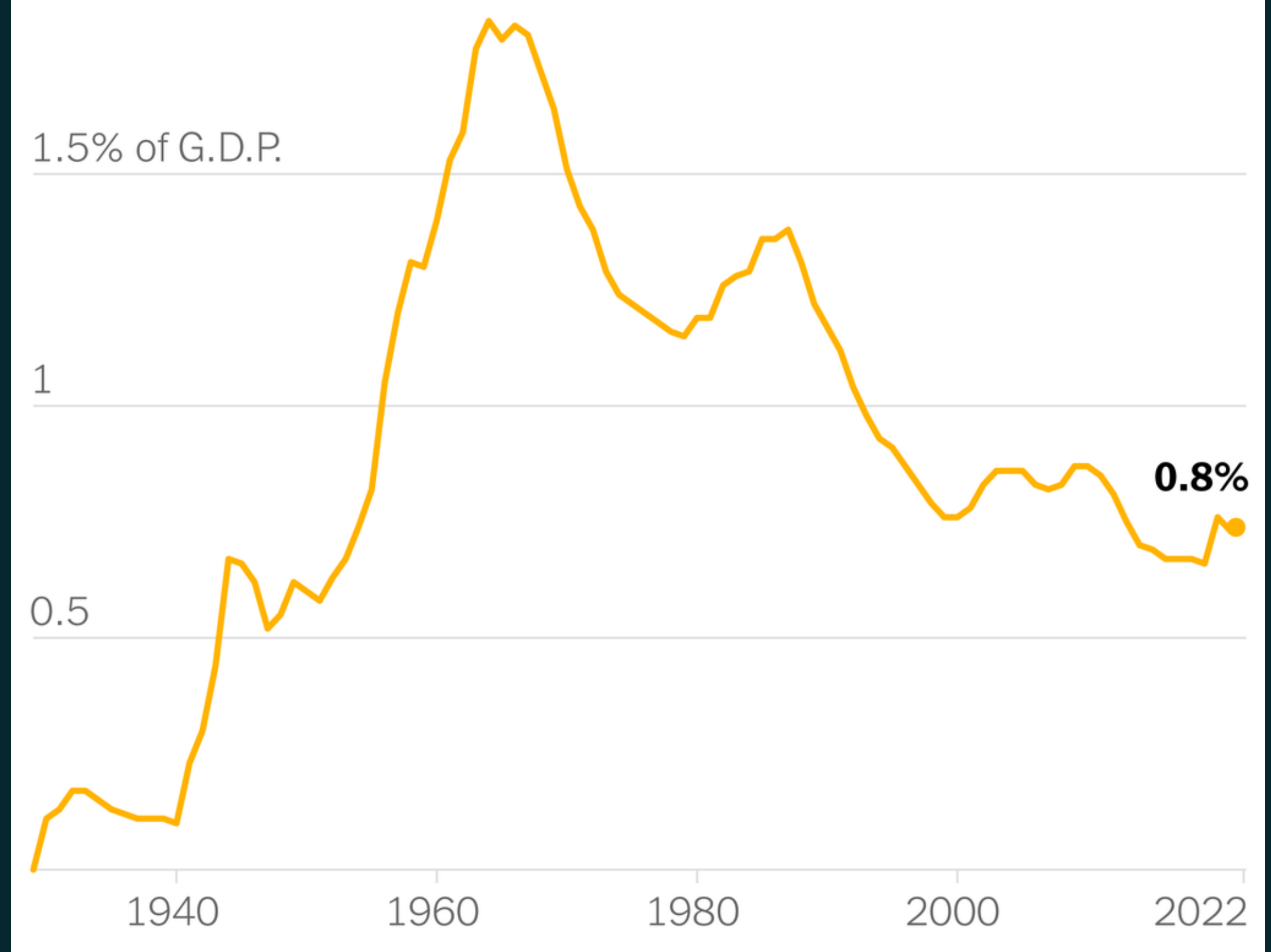
“In one area of U.S. travel after another, progress has largely stopped over the past half-century.”

Rural health examples

- * Low perceptions of quality
- * Infrastructure work-arounds
- * Challenges in recruitment and retention
- * Lack of space for new services
- * Barriers to efficiency



Share of G.D.P. spent on federal research and development



SOURCE:

Bureau of Economic Analysis | By The New York Times

October 17, 2023

BRIGHT SPOTS

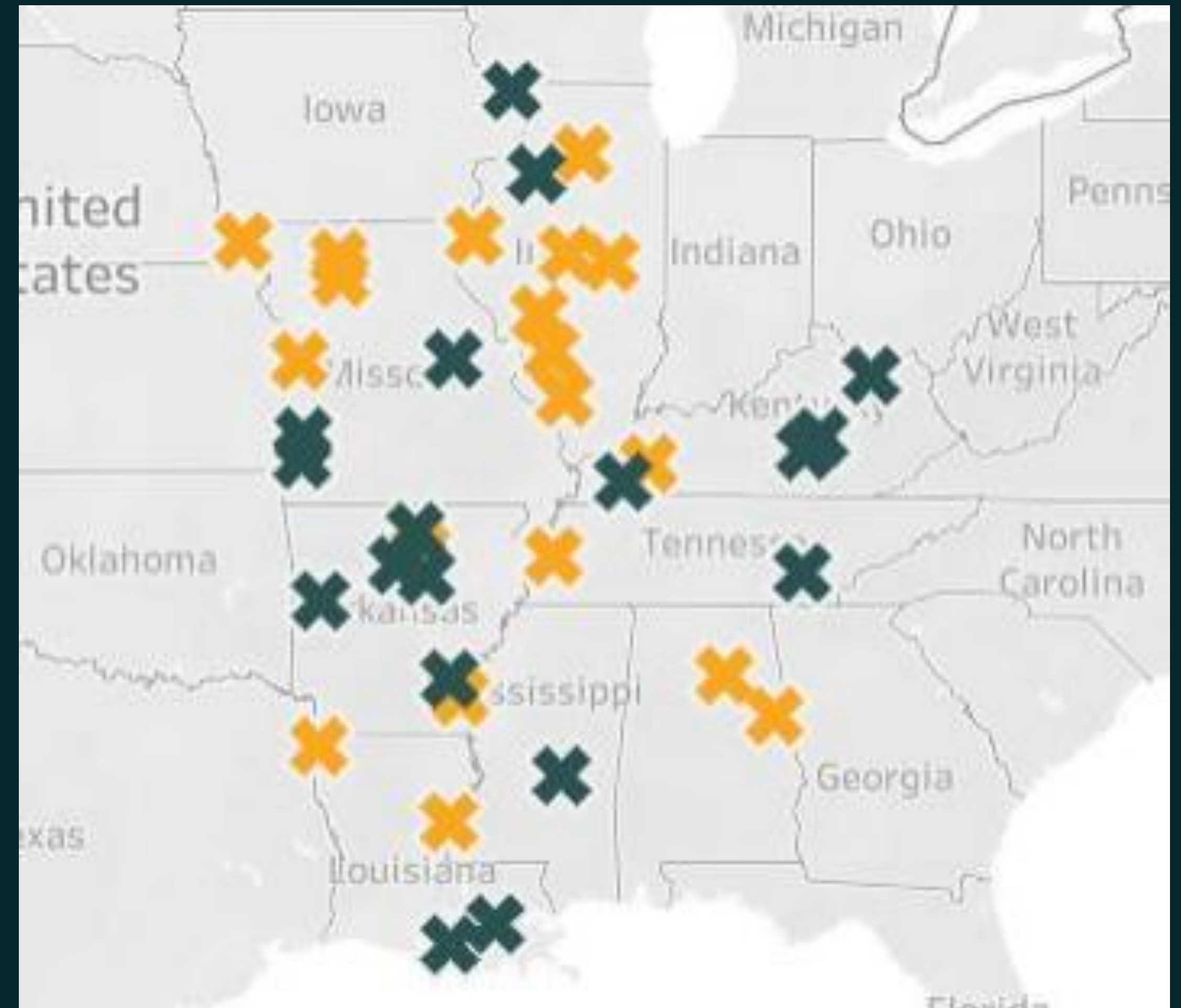
Learning from Peers

2022 RURAL HOSPITAL CAPITAL STUDY DIRECTORY

- * 243 total Critical Access Hospitals nationally in the 2022 study
- * 37 located in the Delta region
- * Replacement years from 2000-2019
 - Teal represents 2000-2009
 - Gold represents 2010-2019

SUMMARY OF FINDINGS

- * -1.9% change per year- inpatient volumes
- * 2.9% change per year- total volume
- * 2.2% change per year- FTE's
- * -1.1% change- FTE's per unit of service



Delta Region CAHS in Capital Study

Alabama

- St. Vincent's Blount (2019)
- Tanner Medical Center- East Alabama (2016)

Arkansas

- Baptist Health Medical Center (2007)
- Delta Memorial Hospital (2007)
- Izard County Medical Center (2005)
- McGehee Hospital (2017)
- Mercy Hospital Booneville (2009)
- Ozark Health Medical Center (2005)
- Stone County Medical Center (2014)

Illinois

- Carlinville Area Hospital (2008)
- HSHS St Joseph's Hospital - Highland (2012)
- Kirby Medical Center (2012)
- Lincoln Memorial Hospital (2011)
- Memorial Hospital (2010)
- Midwest Medical Center (2008)
- OSF Saint Luke Medical Center (2008)
- OSF Saint Paul Medical Center (2013)
- Pinckneyville Community Hospital (2015)

Kentucky

- Caldwell Medical Center (2010)
- Casey County Hospital (2009)
- Ephraim McDowell Fort Logan Hospital (2009)
- Fleming County Hospital (2008)
- Marshall County Hospital (2009)

Louisiana

- Bayou Bend Health System (2008)
- North Caddo Medical Center (2017)
- St James Parish Hospital (2009)
- Trinity Medical (2019)

Missouri

- Cass Regional Medical Center (2010)
- Community Hospital Fairfax (2011)
- Cox Barton County Hospital (2008)
- Hedrick Memorial Center (2019)
- Hermann Area District Hospital (2009)
- Mercy Hospital Carthage (2009)
- Wright Memorial Hospital (2011)

Mississippi

- Lackey Memorial Hospital (2004)

Tennessee

- Lauderdale Community Hospital (2010)
- Rhea Medical Center (2008)

LOOKING FOR OTHERS LIKE YOU?

The national Capital Study interactive directory is online at the Stroudwater Capital Partners website under the [Resources section](#)

DEL NORTE , COLORADO

Rio Grande Hospital

CAMPUS DEVELOPMENT IN STAGES:

- * Initial replacement facility completed in 2004
- * Clinic building in 2010
- * Outpatient expansion added in 2017
- * Wellness Center and campus housing in planning



ELMA, WASHINGTON

Summit Pacific Medical Center

CAMPUS DEVELOPMENT IN STAGES:

- * Initial replacement facility completed in 2013
- * Medical wellness center completed in 2019
- * Hospital expansion currently in progress



Conceptual Debt Capacity

The organization's financial history provides the best starting point for determining a sustainable debt total. This is based on:

- * Projected annual debt payments based on current market rates

SUPPORTED BY THE FINANCIAL

- * Trends in cash flow
 - EBITDA: Earnings Before Interest Taxes Depreciation Amortization
- +
 - * Impact of cost-based reimbursement from the proposed project
 - % of annual depreciation and interest expenses

SHOWING AN ABILITY TO MAINTAIN

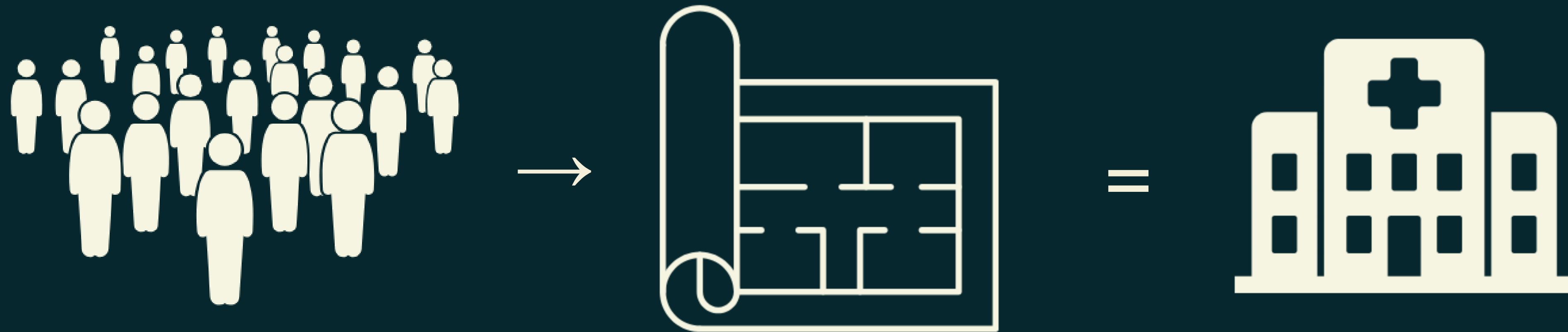
- * Debt service coverage ratio of at least 1.1 - 1.25
 - Calculated as (cash flow + cost-based payments) / annual debt service payments

The debt capacity serves as guardrails for the planning process

Assessing Need: “Four Levers” of Demand Modeling

Population	Utilization Rate (X/1,000)	Market Share	Throughput
Geography	Population health strategies	Competition	IP/OP shift
Total market	Insurance issues	Service offerings	Acuity
Aging	Readmission rate	Insurance steerage	Socioeconomic
Gender	IP/OP shift	Primary care alignment	Clinical issues
Special populations	Technology	Affiliation strategy	

Volumes → Spaces = Program



* Community need is converted into projected volumes by service line/department/modality

* Spaces are then sized and configured to support the projected volumes

- Opportunities to renovate or existing spaces

- New construction to expand existing facilities

Initial Budgeting

* Establishing an initial “allowance” for construction costs is an important first step to ensure the project is developed within available resources

- Construction costs typically represent 75% of the total project budget.

$$(\text{Debt capacity} + \text{Equity}) \times 75\% = \text{Construction budget}$$

- Architects and planners are tasked with creating a facility master plan that meets community needs within available funding

$$\text{Construction budget} = \text{Cost per square foot} \times \text{Project size square feet}$$

Primary Sources of Capital

GOVERNMENT

USDA Community Facilities Loans

- * Program growth from \$300 million to \$3.2 billion over the last 10 years
- * Approximately half of existing portfolio in rural healthcare projects
- * Current Direct Loan Rate - 3.75%
- * Technical assistance program available in partnership with NRHA

New Markets Tax Credits

- * Awards for capital investment in qualified areas that do not need to be repaid
- * \$3.5+ billion annually with 20% invested in rural communities
- * Capital allocation is competitive based on project impact
- * 7-year compliance and reporting period

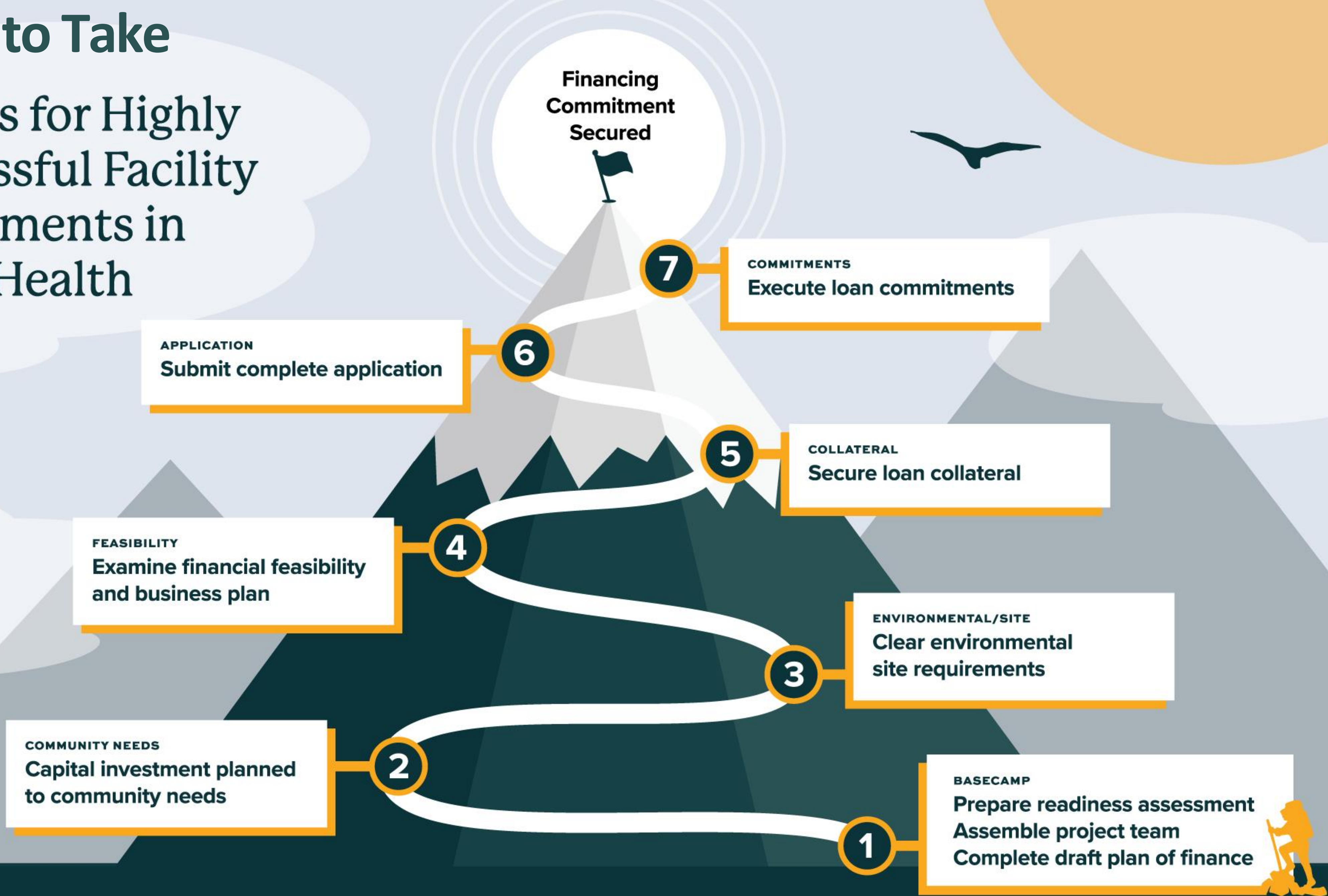
WALL STREET

Tax-Exempt Bonds

- * Bonds sold to private and/or institutional investors
- * May be backed by taxes or hospital revenues
- * Typically non-rated “junk bonds,” unless affiliated with a larger healthcare system or supported by taxes

Steps to Take

7 Steps for Highly Successful Facility Investments in Rural Health





Any questions?

Brian Haapala has served as a trusted advisor to health executives for over two decades, with a focus on developing transformative and sustainable healthcare systems in rural communities. As the CEO of Stroudwater Capital Partners, he works to develop and finance rural health investments nationally.

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Questions or Comments



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