



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Agricultural Outlook Forum
U.S. Department of Agriculture

Presented: February 21-22, 2008

**Reconnecting with Community:
A Critical Access Hospital Relocation Case Study**

Martin Guthmiller
President and CEO
Orange City Area Health System

Reconnecting with Community

A Critical Access Hospital Relocation Case Study

***2008 USDA World Ag Expo
Arlington, VA***



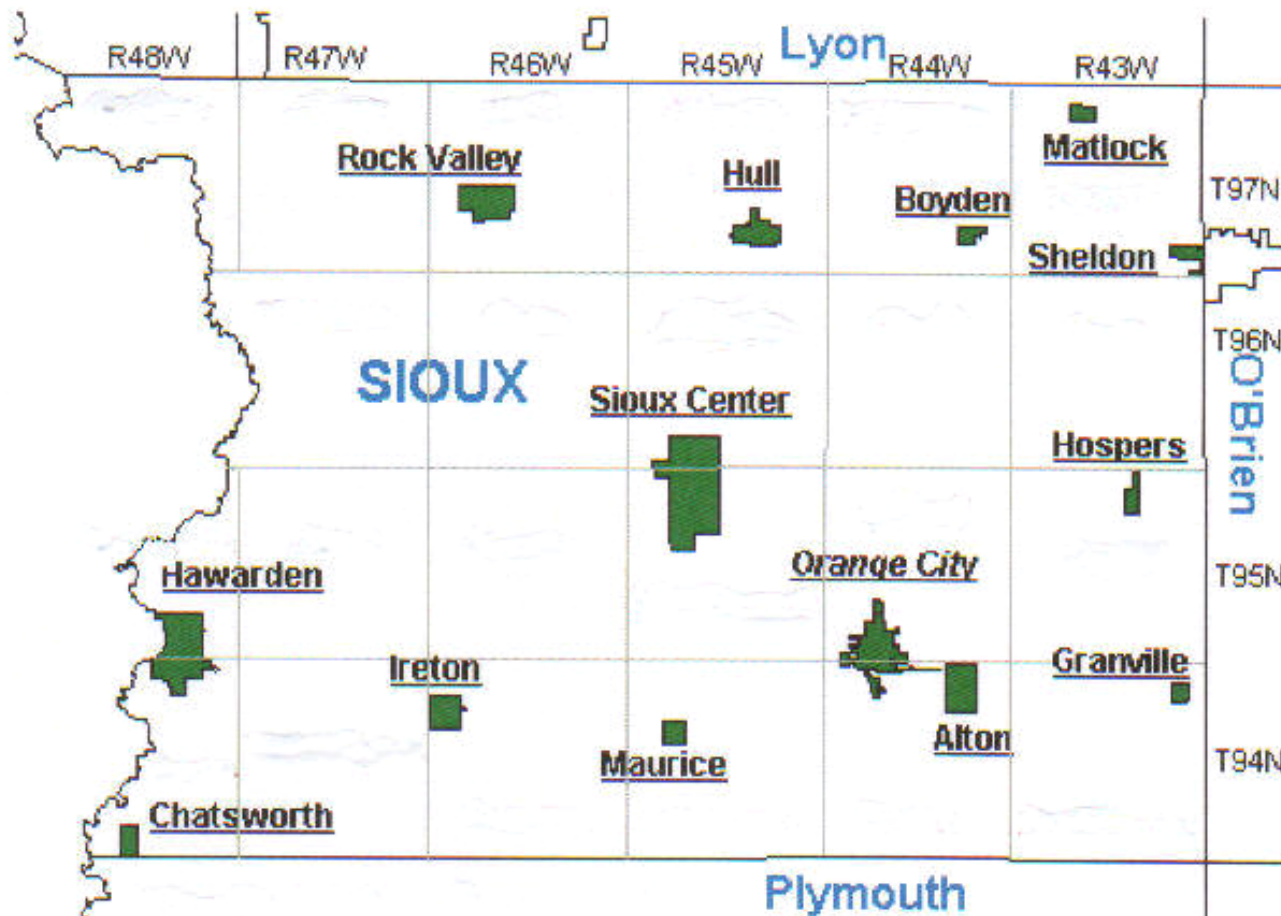
Orange City Area
Health System

Case Study Scenario

- Orange City Area Health System
Orange City, Iowa
- 1st Replacement CAH in State of Iowa
- Seven Year Journey Culminating in a
128,000 sf, \$30M New Medical Campus



Sioux County, Iowa









Orange City Area
Health System

Economic Impact of Health Sector

	Impact		
	<u>Employment</u>	<u>Payroll</u>	<u>Retail</u>
Hospitals		<u>(millions)</u>	<u>(millions)</u>
Orange City	796	\$23.439	\$6.9
Sioux Center	729	18.619	5.5
Rock Valley	255	7.280	2.1
Hawarden	<u>102</u>	<u>3.174</u>	<u>.9</u>
Total Hospitals	1,882	52,512	15.4
Other Medical/Health	800	22.539	6.6
Totals	<u>2,682</u>	<u>\$75.051</u>	<u>\$22.0</u>

Source: 2008 Iowa Hospital Association Utilizing 2006 Data



-  New Hospital Location
-  Former Hospital Location
-  Highway 60 (Major Interstate)
-  Highway 10 (Primary Regional Connector)
-  Alton Main Street
-  Puddlejumper Trail (Bike Path; former Rail Corridor)

to Sioux City (40 miles)





OCAHS ... At a Glance

- 25 Bed CAH
- 50 & 33 Bed Nursing Homes
- 48 Unit Congregate Housing
- 3 Primary Care Clinics/Employed Physicians
- Home Health/Hospice
- 500 Employees
- Annual Gross Revenue 2008: \$44 M

Why the Journey?

- Landlocked on 2 Acre Campus
- Privacy/Confidentiality Issues
- Parking Difficulties
- Insufficient Mechanical/Electrical Systems
- Insufficient Space for Future Technologies/Growth

Master Planning Facility Study

- Fall 1999
- “Expansion vs. Status Quo” Key Question

Strategic Planning Study

- Fall 2000
- Evaluated Three Strategic Options
 1. Status Quo
 2. Moderate Capital Investment
 3. Regional Facility/Vision
- Final Report to Board, Medical Staff, Senior Management, Mayor & City Council

Community Study Commission

- Board Appointed, Winter 2001
- Vision – “Rural Regional Health System”
 1. Expanded Service Offerings
 2. Regional Collaboration
- Vision Objectives
 1. Attract/Retain Best Physicians
 2. Attract/Retain/Share Scarce Staff
 3. Invest In/Share Technology & Facilities

Seeking Collaboration

- Area Board Presentations
- Radio Program
- Area Tertiary System Meetings
- Board Chair/CEO Meetings
- County Summit, Spring 2002
- County Steering Committee, Summer/Fall 2002



Conclusion –

No common vision with respect to core service offerings from within existing providers in the County.

Now What?

- Strong Board Consensus to Move Forward
Fall 2002
- Community/Staff/Physicians Expectations High
- **Same Vision – Different Manifestation ?**

Vision

Orange City Area Health System will serve the community in the role of a rural regional health service provider, by

- Expanding range of health services accessible locally &
- Formally collaborating/partnering with key stakeholders.

This new role will best position the community's health system for the future to:

- Attract and retain the best physicians possible,
- Attract and retain increasingly scarce health care staff,
- Invest in the best possible technology and facilities.



The Journey Begins Anew!



The Dilemma

How to fund \$29M of
Capital Investments with
Less Than \$2M of Current
Debt Capacity?



Orange City Area
Health System

Growth & Equity / GO Support

Capital Need: \$29M

Projected Maximum “Affordable” Project Costs

Project Philanthropy & GO Debt	Annual Growth Growth Rate (Volumes)					
	None	2.0%	3.0%	4.0%	5.0%	6.0%
None	(\$0.6M)	\$3.5M	\$9.2M	\$15.3M	\$21.4M	\$25.8M
\$1 M	\$0.6M	\$4.7M	\$10.4M	\$16.5M	\$22.7M	\$26.9M
\$2 M	\$1.8M	\$6.0M	\$11.6M	\$17.8M	\$23.9M	\$28.0M
\$3 M	\$3.1M	\$7.2M	\$12.9M	\$19.0M	\$25.1M	\$29.1M
\$4 M	\$4.3M	\$8.4M	\$14.1M	\$20.2M	\$26.4M	\$30.2M
\$5 M	\$5.5M	\$9.7M	\$15.3M	\$21.5M	\$27.5M	\$31.3M
\$7.5 M	\$8.6M	\$12.7M	\$18.4M	\$24.6M	\$30.2M	\$34.1M
\$10 M	\$11.7M	\$15.8M	\$21.5M	\$27.6M	\$33.0M	\$36.9M

Red = Potential Financial Success

Critical Success Factors

- Improve Operating Margin
- Recruit Additional Physicians
- Obtain Philanthropic Support
- General Obligation Bond Passage
- Access Capital Financing
- Plan/Design/Build New Facility Within Budget

The Results ... Margin

	<u>Current</u>	<u>“Mid-Line”</u>	<u>High</u>	<u>Actual</u>
Hosp/Clinic (EBIDA)	14.6%	14%	18%	38%
Long Term Care (Margin)	-19%	-10%	0%	7%

The Results ... Recruitment

Specialty	FTE	Expected Commitment	Actual
• Family Practice	1.0	2004	2004
• Internal Med	1.0	2004	2005
• OB/Gyn	1.0	2005	N/A
• Orthopedics	1.5	2005	2003
• Urology	1.0	2005	N/A
• Physician's Asst	1.0	2004	2005



The Results ... Philanthropic Support

Advance Brands Presents Corporate Gift to Hospital Campaign

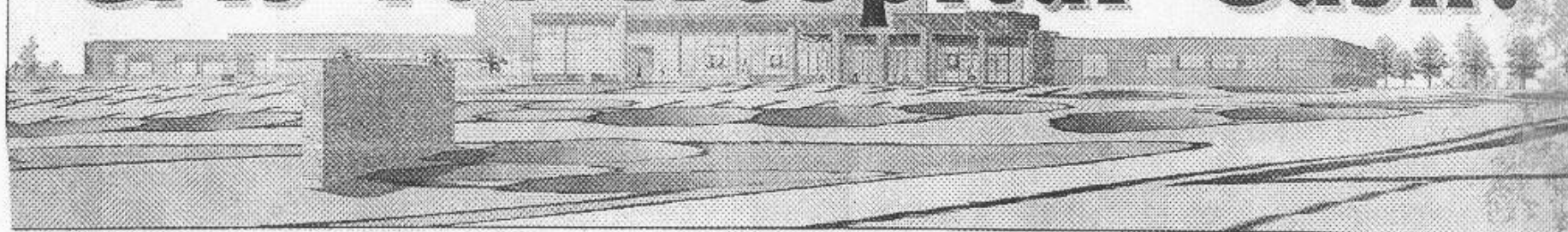


Employee Campaign Hits Home Run



ANNOUNCING . . .

Mulder Oil's GAS for Hospital Cash!



**Starting April 1 and for the following 6 months (Sept. 30)
One Cent for every gallon of gas we pump will be
contributed to the New Hospital.**

To show our commitment to Orange City and our health system, Mulder Oil invites you to help support and encourage Orange City's growth and expansion of our health system.

Fund-raising goal reached for hospital

Public campaign for new campus a success

ORANGE CITY—The final stage in the Orange City Health System's fund-raising campaign for the \$30

USDA GRANT:

■ Orange City Health Center officials were presented a \$300,000 grant from the U.S.



The Results ... G.O. Bond Passage

Orange City Health System hosts a **Community Forum**

Come learn more about Orange City Health System's plans for the building of a new hospital. The presentations will be by Marty Guthmiller, CEO, and Dan McCarty, COO and will detail the site location, building plans and financial issues.

The forums are free and open to the public.

Orange City

Mon., Dec. 1

7:30 p.m.

Northwestern State Bank

Alton

Tues., Nov. 25

7:30 p.m.

Sioux Golf & Country Club

Tues., Dec. 2

7:30 p.m.

Community Center

"Building on the Past: Reaching for Tomorrow"



Orange City Health System

Voters pass bond issue for hospital

Approval will provide funds for new facility

BY MARIAH OLIVER

STAFF WRITER

ORANGE CITY—Approval of a

THE VOTE:

Community	Yes	No	Percent
Alton.....	180.....	54.....	76.9
Orange City	1,162.....	151.....	88.5



The Results ... Capital Financing

Board, council meet jointly to approve hospital USDA loan

ORANGE CITY — The Orange City Health System board of trustees and the Orange City city council met

when they are published.

The hospital board has agreed to increase its membership to include a represen-

the new hospital campus and \$64,300 to engineer the construction of 14th Street north of Chase Lumber.

Wielenga asked the council to consider requiring the purchase of a marking flag by city residents for annual

Project Budget/Funding

- \$29.6 Million (\$231/s.f.)

Sources of Funds: (\$ Millions)

- | | |
|--------------------------|---------|
| • USDA Rural Development | \$20.00 |
| • Philanthropic | 4.90 |
| • G.O. Bonds | 4.00 |
| • REDLG Loan | .36 |
| • Reserves | .34 |



Orange City Area
Health System

Project Funding Uses

(\$ Millions)

Construction, Arch, CM, Fixed Equip	\$24.58
-------------------------------------	---------

Capitalized Interest	1.10
----------------------	------

Equipment	3.18
-----------	------

Land	.36
------	-----

Issuance Costs	.38
----------------	-----



Why USDA Rural Development?

Benefits - OCAHS Perspective

- Opportunity to involve multiple local lenders
- Keeps dollars local
- Once in place, relatively simple administratively
- Low cost (1% of Guarantee)
- Enhances philanthropic efforts

USDA Tour



Orange City Area Health System chief executive officer Martin Guthmiller points out paintings lining the walls of the entryway at the new hospital to U.S. Secretary of Agriculture Mike Johanns during a tour Tuesday afternoon. Johanns also made

The Results ... Building Design

Key Drivers

1. Form Follows Function
2. Healing Environment
3. Budget Containment



Design Awards

- Modern Healthcare
- Healthcare Design
- Contract Magazine

▼ VISIONS FOR LOCAL LEADERSHIP IN IOWA

OCTOBER 2007 ▼

CITYSCAPE

CLINICS/IMAGING
LABORATORY

2007 All-Star Community:
Orange City and Alton
build new health care facility

Budgeting for water needs ▼ Safety Committees ▼ Survival of aging cities











“Old” Building Utilization

- Long-Term Care
- Womens/Childrens Shelter
- Adult Activity Center
- BSN Laboratory
- Home Health
- Meeting Rooms
- Rental Property



Orange City Area
Health System



It's all about the people.

- Integrity matters.
- Input creates ownership.
- Opportunity to redefine community.

