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
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
# Economic Impact of Health Sector

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

*Source: 2008 Iowa Hospital Association Utilizing 2006 Data*
**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?
### Growth & Equity / GO Support

**Capital Need:** $29M  
**Projected Maximum “Affordable” Project Costs**

<table>
<thead>
<tr>
<th>Project Philanthropy &amp; GO Debt</th>
<th>Annual Growth (Volumes)</th>
<th>Growth Rate (Volumes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>None</td>
<td>2.0%</td>
</tr>
<tr>
<td>($0.6M)</td>
<td>$3.5M</td>
<td>$9.2M</td>
</tr>
<tr>
<td>$3.1M</td>
<td>$7.2M</td>
<td>$12.9M</td>
</tr>
<tr>
<td>$4.3M</td>
<td>$8.4M</td>
<td>$14.1M</td>
</tr>
<tr>
<td>$5.5M</td>
<td>$9.7M</td>
<td>$15.3M</td>
</tr>
<tr>
<td>$8.6M</td>
<td>$12.7M</td>
<td>$18.4M</td>
</tr>
<tr>
<td>$11.7M</td>
<td>$15.8M</td>
<td>$21.5M</td>
</tr>
<tr>
<td>$15.8M</td>
<td>$21.5M</td>
<td>$27.6M</td>
</tr>
<tr>
<td>$21.5M</td>
<td>$27.6M</td>
<td>$33.0M</td>
</tr>
<tr>
<td>$27.6M</td>
<td>$33.0M</td>
<td>$36.9M</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>“Mid-Line”</th>
<th>High</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hosp/Clinic (EBIDA)</td>
<td>14.6%</td>
<td>14%</td>
<td>18%</td>
<td>38%</td>
</tr>
<tr>
<td>Long Term Care (Margin)</td>
<td>-19%</td>
<td>-10%</td>
<td>0%</td>
<td>7%</td>
</tr>
</tbody>
</table>
## The Results ... Recruitment

<table>
<thead>
<tr>
<th>Specialty</th>
<th>FTE</th>
<th>Expected Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Family Practice</td>
<td>1.0</td>
<td>2004</td>
<td>2004</td>
</tr>
<tr>
<td>• Internal Med</td>
<td>1.0</td>
<td>2004</td>
<td>2005</td>
</tr>
<tr>
<td>• OB/Gyn</td>
<td>1.0</td>
<td>2005</td>
<td>N/A</td>
</tr>
<tr>
<td>• Orthopedics</td>
<td>1.5</td>
<td>2005</td>
<td>2003</td>
</tr>
<tr>
<td>• Urology</td>
<td>1.0</td>
<td>2005</td>
<td>N/A</td>
</tr>
<tr>
<td>• Physician’s Asst</td>
<td>1.0</td>
<td>2004</td>
<td>2005</td>
</tr>
</tbody>
</table>
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 $300,000 USDA grant was a great success. The grant will help fund the construction of a new campus.
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:

<table>
<thead>
<tr>
<th>Community</th>
<th>Yes</th>
<th>No</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alton</td>
<td>180</td>
<td>54</td>
<td>76.9</td>
</tr>
<tr>
<td>Orange City</td>
<td>1,162</td>
<td>151</td>
<td>88.5</td>
</tr>
</tbody>
</table>
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 representative from 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
## Project Funding Uses

($ Millions)

<table>
<thead>
<tr>
<th>Use</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction, Arch, CM, Fixed Equip</td>
<td>$24.58</td>
</tr>
<tr>
<td>Capitalized Interest</td>
<td>1.10</td>
</tr>
<tr>
<td>Equipment</td>
<td>3.18</td>
</tr>
<tr>
<td>Land</td>
<td>.36</td>
</tr>
<tr>
<td>Issuance Costs</td>
<td>.38</td>
</tr>
</tbody>
</table>
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
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
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
It’s all about the people.

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