



THE RURAL TEXAN

Volume 3, Issue 4

OFFICE OF RURAL COMMUNITY AFFAIRS

Fall 2006

At Issue: Rural hospitals prove that a healthy bottom line is no accident

Rural communities depend on their local hospitals for more than healthcare; jobs, economic stability and even population are linked to the hospital's financial condition. In this issue, ORCA asked CEOs of two profitable rural hospitals to share their strategies for success in rural Texas.

How to Make a Rural Hospital Profitable

By Steve L. Hartgraves, CEO of Hansford County Hospital District

A reporter once asked Doug Hawthorne, President & CEO of Texas Health Resources, if he could sum up the provision of health care services into one word. Without hesitation, Doug (as he prefers) responded, "Relationships." The relationships that exist between boards, physicians, hospital administration, employees, patients and other stakeholders, drive the organization to success or failure.

So, how do relationships "create" a profitable rural hospital? The answer includes focusing on six elements: (1) medical staff relations; (2) board collaboration and strategic direction; (3) strategic planning; (4) leadership development; (5) employee buy-in and strategic alignment; and (6) community support.

Medical Staff Relations

The literature supports that physicians control up to 90 percent of hospital activity, but one could argue that without a medical staff, the other 10 percent wouldn't exist. Medical staff members must be included in decisions that drive the rural hospital. Establishing open and

honest channels of communication is the first step.

Board Collaboration and Strategic Direction

The line between governance and operations is often blurred when board members desire to be involved in the daily operations of the hospital.

"Many hospitals do a great job developing their strategic plan, only to place it on a shelf never to be looked at again (until the next strategic planning cycle)."

Operations belong to the hospital administrator, who acts on behalf of the board by implementing their strategic direction for the hospital. This direction guides the strategic planning process to support sustainability and growth.

Strategic Planning

Many hospitals do a great job developing their strategic plan, only to place it on a shelf never to be looked at again (until the next strategic planning cycle).

To correct this the CEO's job

description should be tied directly to implementation of the strategic plan. As the plan is implemented, the CEO should provide board members with ongoing updates of the plan's implementation. "Plan the work... then work the plan."

Leadership Development

Hospital department leaders help the CEO realize the strategic goals of the board of directors. To that end, leadership development becomes of increasing value to the rural hospital. According to author Stephen Covey, you "manage" things ... you "lead" people.

Leadership staff of the rural hospital must recognize that success will only occur through getting things done through "people" of the organization. Those "people" are hospital employees.

Employee Buy-in and Strategic Alignment

To achieve employee buy-in to the hospital's strategic direction all employees must understand key elements of the hospital's strategic

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Resource Guide

ORCA's Rural Health Grants

Applications for ORCA's Outstanding Rural Scholar Recognition Program (ORSRP), the grant Childress Regional Medical Center used to recruit two physicians, are accepted for spring, summer and fall terms. Deadlines are as follows:

- Fall Semester: 3rd Friday in May
- Spring Semester: 3rd Friday in September
- Summer Semester: 3rd Friday in January

The ORSRP grant assists rural communities in "growing their own" healthcare professionals by matching community funds with state funds to support a student of the community's choice in a health professional education program. In addition to the ORSRP, ORCA has an extensive selection of recruiting and retention programs, including a job fair.

At the end of every summer ORCA hosts **HealthFind**, a healthcare recruiting event where rural communities from across the state meet with health professionals to explore the many practice opportunities in rural Texas.

ORCA also offers numerous grants and services designed to help rural hospitals become financially stable and grow. These include but are not limited to:

Critical Access Hospital (CAH) Designation, which has the potential to **increase hospital margins** by increasing Medicare reimbursement to allowable cost levels and by protecting the CAHs from the financial impact of the outpatient prospective payment system (PPS). ORCA offers training reimbursement for CAH board members to assist trustees in the governance of a CAH.

The agency's **Rural Health Planning** Grant supports strategic health planning activities and feasibility studies to improve financial performance for small rural hospitals in Texas. CAHs may apply for funds for strategic planning activities. Eligible rural Texas hospitals may apply for funds to determine the impact of CAH status and conversion.

Support for **technology investment** is available to CAHs through the Rural Health Technology Grant, which provides funding for technology-related capital equipment purchases and telecommunication capabilities, such as telemedicine, telemetry, and radiology.

Grants or loans are available to rural hospitals through the Rural Health Facility Capital Improvement Loan Fund Program to make capital improvements to existing health facilities, construct new health facilities, or purchase capital equipment.

The Small Rural **Hospital Improvement** Program (SHIP) grant provides funding to small rural hospitals to help them do any or all of the following: 1) pay for costs related to the implementation of the Prospective Payment System (PPS), 2) comply with provisions of the Health Insurance Portability and Accountability Act (HIPAA) and 3) reduce medical errors and support quality improvement.

The Office of Rural Community Affairs' Rural Health Division is the federally designated State Office of Rural Health. The Rural Health Division provides services and programs in the following healthcare arenas:

- Critical Access Hospital & Rural Hospital Support
- Emergency Services
- Health Facility Improvement
- Recruitment & Retention of Primary Care Practitioners
- Recruitment & Retention of Non-primary Care Practitioners

Application availability and deadlines are posted on the agency's web-site at www.orca.state.tx.us. For more information, contact the Rural Health Division at orca@orca.state.tx.us.

Teamwork, Strategy Land Childress in Top 100 Hospitals

By Julie V. Kelly, ORCA

Can teamwork and sound financial strategy boost a small rural hospital into the ranks of the top 100 hospitals in the nation? Yes, apparently. In March 2006 Childress Regional Medical Center (CRMC) was recognized in that number by Solucient®, a national supplier of healthcare information products.

Solucient® judged the top 100 hospitals in the nation on excellence in patient outcomes, patient safety, operational efficiency, financial stability and growth. The last two criteria do not typically go hand-in-hand with small and rural.

"We have been successful in spite of our small rural status by working hard, working together and being responsible in the way we spend," said John Henderson, CEO of CRMC. "We've got a good staff and make good local decisions. I think that is reflected in the award."

Conserve Resources

CRMC conserves its resources by making equipment maintenance a priority and operating a lean budget with little room for gratuitous expenses. The hospital routinely

seeks grants to accomplish goals and has benefited from ORCA grants.

Reinvest in the Hospital

Reinvestment of revenues may be the golden rule for financial success. CRMC reinvests revenues the smart way, by first assessing community needs and considering physician recommendations for services and equipment from which the community would benefit. In 2007, the hospital will begin offering MRI services and will start construction on a new facility.

Recruit and Retain Dedicated Healthcare Staff

Competitive wages and good employee benefits bring high-quality medical staff to the hospital and allow the hospital to keep expectations high for employee performance. CRMC prefers to recruit healthcare professionals who are committed to serving rural patients for the long term.

"One of the ways we've been successful is home-growing doctors with help from ORCA's Outstanding Rural Scholar program," said Henderson.

Build community loyalty

Building loyalty with the community by providing excellent care and unique services is one way to grow.

"We still deliver babies, and that's rare," said Amy Kendall, a member of the staff at CRMC. "We are able to provide the technology and the physicians to do this and that contributes to financial growth because the whole family will return for medical care from the hospital."



Board members of CRMC accepted an award as one of the nation's top 100 hospitals from Solucient®.

ORCA would like to thank the sponsors of HealthFind 2006:

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Rural Laughs

By Robert Wuest, ORCA



Where rural Texas comes first.

As the state agency dedicated solely to rural Texas, ORCA makes the broad resources of state government more accessible to rural communities. The agency ensures a continuing focus on rural issues, monitors governmental actions affecting rural Texas, researches problems and recommends solutions, and is a coordinator and provider of rural-focused state and federal resources.

“Keeping the doors open at a small rural hospital not only means better access to healthcare for local residents, it also improves the community’s ability to attract new businesses and employment opportunities.”

Charles S. (Charlie) Stone
 ORCA Executive Director

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Printed on 30-percent recycled paper.

How to Make a Rural Hospital ...

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plan. The most effective word-of-mouth advertising comes from the organization’s own employees. The hospital’s employees know more about the great care provided within the organization than anyone else, so encourage them to spread the word. After all, each employee has a vested interest in the success of the hospital.

Community Support

Community support for a rural hospital can dramatically and lastingly affect profitability.

Board members and hospital administrators should constantly

focus on developing community stakeholder relationships. These relationships will yield future patients, financial contributors, hospital volunteers, board members and employees.

In conclusion, there is no magical formula for creating a profitable rural hospital. However, sticking with the basic elements of success and maintaining relationships with key stakeholders provides a foundation on which to build a strong community hospital that serves the mission of the organization: to improve health.

ORCA Executive Committee

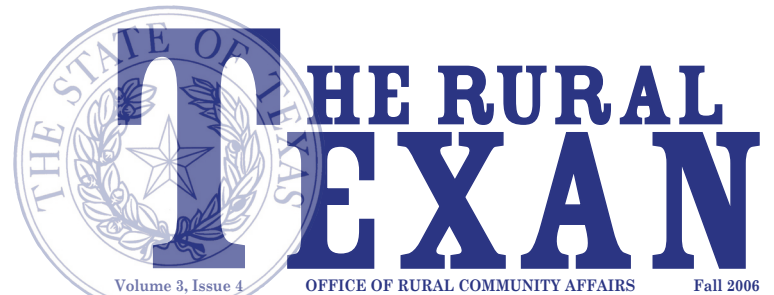
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ORCA’s Mission:

“To assist rural Texans who seek to enhance their quality of life by facilitating, with integrity, the use of the resources of our state so that sustained economic growth will enrich the rural Texas experience for the benefit of all.”



“Operating like a business, with an eye on the bottom line, should be a top priority for every rural hospital CEO. Financial stability and growth ultimately enable rural hospitals to continue to serve their communities with the best possible care.”

Michael Waters
 Chair, ORCA Executive Committee

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