Top 5 Factors for Critical Access Hospital Success
Our Discussion Today

- Meet Our Panelists
- Introduction to Preston Memorial Hospital
- Top 5 Factors
  - Finance, Fundraising, Community, Team, Program
- Lessons Learned
- Q & A
About Our Speakers

**Michael Killian:** Project Executive, Hammes Company
- Responsibilities include project management for greenfield replacement hospitals and major facility expansions and renovations
- Extensive experience leading A/E project management and engineering design
- Successfully managed four critical access hospitals in the last five years

**Bob Milvet:** Vice President for Physician Services, Monongalia Health System
- Previously served as CFO at Preston Memorial Hospital where he substantially improved the financial health of the hospital and developed a capital plan to construct the replacement hospital
- 18 years+ experience in healthcare including multiple executive financial leadership roles in academic medicine, community acute care hospitals, large physician practices
Key Project Facts:
Preston Memorial Hospital
Preston Memorial Hospital

- Non-profit, critical access hospital in Kingwood, West Virginia
- Mission to provide exceptional healthcare services to the community
- Next hospital over an hour away
- Leader in rural healthcare and part of Mon Health System
Preston Memorial Hospital

- While the original hospital opened in 1955, a new facility was required

- Drivers for new hospital:
  - Market factors
  - Volume
  - Competitor changes
  - Facility obsolescence
  - Business case
  - Community desire
Key Project Facts

- **Project Initiation:** Spring 2010
- **Groundbreaking:** September 2013
- **Opening Date:** May 2015
- **Hospital:** 25 private rooms, 80,000 SF
  - Physician Offices
  - Outpatient Physical Therapy Center
  - Olympus Integrated One-Touch Surgical Suite
  - Expanded Emergency Department
  - 24-hour Laboratory Services
  - Diagnostic Imaging
  - Outpatient Services
- Designed with modern clinical adjacencies for improved efficiency
## Project Challenges

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<th>Population changes &amp; market changes</th>
<th>Land donated by the county</th>
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<td>Financing challenges</td>
<td>Community engagement: Political &amp; fundraising</td>
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<td>Ability to secure contractors and partner with local businesses</td>
<td>Timing &amp; determining site requirements: Size, location, access</td>
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<td>Connecting leadership and staff into clinical engagement</td>
<td>Asking the right questions and seeking necessary guidance</td>
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How can we build a team to successfully execute a new hospital in our rural healthcare market?

**Imperatives:**
- Access local resources
- Planning and building the “right” project for our community
- Executing swiftly and appropriately on the construction side
Top 5 Factors
Critical Access Hospital Success
# Project Schedule

**Preston Memorial Hospital**  
Kingwood, WV

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<th>Project Elements</th>
<th>2012</th>
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**Preston Memorial Hospital**

- Project Planning
- Programming
- CON Applications
- CON Approval
- Design Team Selection
- Early/Design Development Documents
- Complete Construction Documents
- Fundraising
- Arrange Financing
- Construction Team Selection
- Resolve GMP
- Project Construction
- SiteWork, Enabling & Utility Relocation
- New Construction
- Relocate Hospital
- Facility Activation
- Open For Business

*Hammes Company*

*The shortest distance between idea and reality.*
TOP FIVE FACTORS: Finance

- PMH Financial Strategy
  - Critical Access status in question
  - Decision made to evaluate Chapter 11 or reorganize the financial situation
  - The Board authorized an 18-month financial reorganization in 2009:
    - Recruit general surgery physicians
    - Close the birth center and spin off non-producing assets
    - Renegotiate managed care contracts

- Financial Sustainability
  - Two years of proven financial performance later, we applied for debt status with USDA
TOP FIVE FACTORS: Finance

- **Loan Breakdown**
  - $26 Million: 35-year fixed loan at 3.5% interest with USDA
  - $12.5 Million: loan with a local financial institution at 3.65%
    = $38.5 Million debt capacity
  - $800,000: ongoing capital campaign from the Preston Memorial Hospital Foundation
  - Fundraise within debt capacity
  - Didn’t utilize full borrowing potential
  - Acquired by Mon Health System to guarantee debt with an A-rated organization
TOP FIVE FACTORS: Finance

- **Public Disclosure**
  - Budget under scrutiny
  - Community perception of “cost of care”
  - Remained sensitive to any money that would be conveyed as unused

- **Funds Management**
  - Public document clearly stated project was $1.5 Million under budget
  - Could / should that be used for aesthetics?
  - Final decision was made to expand the revenue-generating functions but retain the same footprint
TOP FIVE FACTORS: Fundraising

- Capital fundraising campaign with external consultant
  - “How To Run a Capital Campaign”
    - Dinner?
    - Mass mailings?
    - Targets?
  - Remained in close communication with community leaders; even those unknown to the hospital
  - Break through the barriers and reach across to new audiences
TOP FIVE FACTORS: Community

- Demographics / Understanding the Community
  - Very remote area with local community of 6,500; currently 30,000 who remain passionate about medical services
  - Nearest medical center is an hour away
  - Older community; decision made to close birthing center, focus on services more consistent with demographics to better care for population
  - Community Needs Health Assessment
  - Boarder community / reverse out-migration
TOP FIVE FACTORS: Community

- Creative Financial Mechanism
  - Required fundraising, cash reserves from the Foundation and merging the hospital into a larger health system
  - Proposed replacement hospital was added to the election in 2012
    - Did we need community support?
    - Did the hospital take the lead?
  - Hospital leadership knew they should not compete with school referendums
  - Coordinated approval and funds with great needs of community.
TOP FIVE FACTORS: Team

- **Consultants**
  - Expertise in healthcare design
  - Architect with rural healthcare design experience
  - Balance the need for specialty consultants (enclosure consultant)

- **Project Delivery Method**
  - CM/General Contractor (GMP vs. Hard Bid)
  - Ensure contractor will heavily involve local qualified subcontractors
TOP FIVE FACTORS: Program

- **CAH Model**
  - Understand 25-inpatient-bed, CAH model and associated components
  - Right size ED/ORs, imaging department, lab, pharmacy, support spaces

- **Right Sizing**
  - Ensure individual spaces are right sized (size of ORs, hallways, patient rooms) to maximize efficiency

- **Eliminate Scope Creep**
  - Keep approved program at forefront of design process to ensure scope stays on track
Challenges & Solutions
**CHALLENGE:**
- Initial GMP comes in $3 Million (15%) over budget, three months before construction mobilization

**SOLUTION:**
- Working with the design and construction team, cost-saving ideas are proposed and reviewed with owner
- Overall SF was maintained through cost-savings process. Items that were reduced/eliminated include:
  - Building height (allowing mechanical ductwork size to be reduced)
  - Roof to white EPDM
  - Concrete curb and gutter
  - Roof screenwall
  - Prominent building clerestory
  - Value engineering
Lessons Learned
Lessons Learned

- During the construction process, focus attention on small “non-performing subcontractors”
- Lead with a team philosophy rather than developing an ‘us vs. them’ mentality
- Realize there are challenges building in remote locations. - Geography, weather, site conditions can play a role in construction progress
- Documentation with local municipalities is key
- Leadership was honest about their knowledge and own inexperience - Ask questions and ask the RIGHT questions
Questions & Answers
Please direct all inquiries to:
webinars@hammesco.com