‘A voice of reason’
Decades of service help keep hospital independent

LARGE HOSPITALS

For 45 years, RoseMarie Reno has sought to ensure that Tri-City Medical Center in Oceanside, Calif., is a thriving, independent, publicly owned hospital.

Reno, 83, was the director of nursing in the emergency department from 1967 to 1974, helping shepherd the ED’s expansion from two beds and three gurneys to 11 beds. Though she left the hospital’s payroll in the mid-1970s, she never cut ties to the facility. As a professor of nursing at MiraCosta College in Oceanside, she conducted hands-on clinical training at Tri-City. And since 1984, the area’s voters have repeatedly elected her to the hospital’s seven-member board of directors.

As a board member, she has backed numerous proposals to improve the hospital’s clinical capabilities, such as the addition of a Level 3 neonatal intensive-care unit and expansion of the emergency department, which now has 47 beds, including six reserved for fast-track patients.

“She has been a voice of reason on the board,” says Vista, Calif., Mayor Judy Ritter. The hospital, which has grown to 330 beds and has annual net revenue of about $400 million, serves north suburban San Diego County, including Vista, Oceanside and Carlsbad.

For her accomplishments, Reno has been selected as the Trustee of the Year for a large hospital.

Reno’s commitment was put to the test in 2008 when the hospital was beset with problems. Scripps Health purchased Sharp Mission Park, a 65-physician medical practice, which represented 30% of the hospital’s primary-care physicians. Meanwhile, the interest rate on the hospital’s $73.9 million bond debt, which was set at weekly auction, soared as high as 18% after the financial markets collapsed that year, costing the hospital more than $1 million a month. In addition, the hospital had not complied with California’s seismic safety standards.

Given the situation, some vocal members of the medical staff wanted the board to sell Tri-City to a private health system.

Not on Reno’s watch. At a meeting in December 2008, she convinced the board to put Tri-City’s eight-member executive team on administrative leave and launch an investigation into the hospital’s financial condition, Reno says.

“I felt that, by God, what have we got to lose? I am going to stick my neck out there, and I am going to pursue this to the end. I am going to save this hospital,” Reno recalls.

In January 2009, the board hired Larry Anderson as interim CEO, making his position permanent in July 2009. Meanwhile, Anderson—who formerly was president and founder of Integrated Healthcare Holdings, a four-hospital chain in Santa Ana, Calif.—fired the previous administrative team in April 2009. “There were major issues that should have been dealt with by the executive staff that were not dealt with,” Anderson says.

Anderson addressed the problems systematically, which led to a $16 million profit, or excess of revenue over expenses, in fiscal 2011, ended June 30, and an $8 million profit in fiscal 2012, up from a $5 million loss in 2009 and a $11.2 million loss in 2010.

The hospital refinanced its debt and now has a $51 million term note, which is secured by an equal amount of cash, and equipment leases totaling about $6 million.

It also has improved or added clinical programs to increase revenue. For example, the hospital and North County Health Services, a federally qualified health center with multiple locations, launched a midwifery program to increase the number of Medicaid births at the hospital, enabling it to qualify for Medicaid’s disproportionate-share program.

The hospital also embraced robotic surgery, purchasing four devices including two specifically designed for spinal procedures.

While it still has not recruited nearly enough primary-care physicians to replace those it lost in 2008, the hospital launched North Coast Medical Accountable Care Organization, which is participating in Medicare’s shared-savings program.

Tri-City also renovated its lobby, ER entrance and inpatient rooms and has nearly completed construction of a new medical office building.

Reno, who was board chair off-and-on during this period, ensured that board members were informed and involved in decisionmaking. For example, Reno put together a four-inch-thick binder packed with background information.

“She sits down with new board members and goes through it,” Anderson says. “I have never seen a trustee do the amount of work that she does. She loves the hospital. It is her life.”


Close to his heart
Hospital’s unique respite facility fills urgent need

Daniel W. Farrell Jr.—board chairman at Defiance Regional (Ohio) Hospital—prefers to give of his time, talent and resources quietly and without fuss.

When asked to list his accomplishments as a

SMALL HOSPITALS

trustee, Farrell, 68, quips, “Just learning all the terms.” He then adds, “I attribute the successes to the people who work there.”

But in 2011, when the hospital’s management proposed a project close to his heart, Farrell took a very visible role.

The project is a unique homelike facility on the hospital’s campus that offers respite services for caregivers of disabled people between 16 and 40 years old, giving the teens and young adults a place to go for short stays.

See FARRELL on p. 28

February 11, 2013 • Modern Healthcare 27
Farrell and his wife, Sharon, offered to match the first $1 million raised toward the facility, named after their granddaughter, Kaitlyn, a special-needs teenager who has Rett syndrome and cannot walk or talk.

"It endorses the fact that, yes, there is a big need for it. It is real, and people are willing to open up their pocketbooks and help make that happen," says Farrell, a retired entrepreneur who owns manufacturing businesses in aeronautics and medical devices and supplies, such as saw blades and splints.

As Gary Cates, the hospital's president, explains, "We announced the project at an annual golf pro-am fundraiser in June of 2011. A year later, at our event in 2012, we opened the doors to that facility," named Kaitlyn's Cottage.

For Farrell's support of Kaitlyn's Cottage and his overall work at 35-bed Defiance Regional, he has been selected as the 2013 Trustee of the Year for a small hospital—those with fewer than 100 beds.

Farrell has been a trustee of Defiance Regional since 2004 and chairman since 2007. He also is a trustee for ProMedica, a Toledo, Ohio-based health system and parent organization for Defiance Regional, which was named to Modern Healthcare's 2012 list of the most profitable critical-access hospitals, with net income of $16.5 million.

Farrell is “a finance guy, so he gets the numbers," says Cates, who often sits down with Farrell to talk through the “business pressure and dynamics” the hospital faces. But Farrell also “really has a genuine heart for people, and if you get to know Dan, a project like Kaitlyn’s Cottage doesn’t surprise you,” Cates says.

The cottage offers overnight and daytime respite services in a 4,500-square-foot facility with four bedrooms, a library, activity room and dining areas. Daytime activities include crafts, baking and music.

Services are offered on a sliding scale that “starts at zero. We don’t ever want to be in a position to tell a family ‘no’ to services for financial reasons,” Cates says.

To date, the hospital has raised $2.1 million of the $2.8 million goal. A total of $1.3 million of the donated funds financed construction, while the remainder has been allocated toward an endowment. The hospital contributed an additional $600,000 for roadwork and utilities.

The current operating budget for Kaitlyn’s Cottage is $500,000, of which Cates estimates that the hospital will collect about $70,000 in fees from parents.

Kaitlyn’s Cottage is very unusual, in the opinion of Jill Kagan, chairwoman of the National Respite Coalition, Annandale, Va. “I am not familiar with any other out-of-hospital respite, homelike facility that is located on a hospital campus,” Kagan says. She also notes that there are far fewer services nationally for the young-adult age group than there are for children or the elderly.

Kaitlyn’s Cottage addresses several important barriers to respite services: Its services are affordable and it “gives families increased confidence—knowing that a hospital is close by, but it is still a homelike setting,” Kagan says.

While that is the message the hospital uses to promote Kaitlyn’s Cottage, “It has not been easy. (Parents) don’t necessarily trust anybody,” Farrell says. “It took a while for Kaitlyn to stay overnight there.”

Making it his business

Entrepreneurial background helps system through recession, merger talks

When it comes to making business decisions, Stephen Howard believes in an open mind and meticulous due diligence. It’s an approach that has proved invaluable during his years of healthcare governance.

"He explores different options and selects what is best, as opposed to having a preconceived idea of how something should work," says Hugh Carney III, a Detroit-based investment consultant who has been a close friend of Howard’s since college.

As an entrepreneur, for example, Howard toured the manufacturing operation and customer locations of a German company that designed machinery to produce trim for molded automotive parts. Satisfied with the findings of his research, Howard agreed to license the rights to produce the machinery in the U.S.

"It was a technology that was not here at the time" in 1981, says Howard, 63.

Howard has been applying his judgment and business expertise for nearly two decades at three-hospital Beaumont Health System, Royal Oak, Mich., where he became a trustee in 1994 and a member of the board of directors a few years later. At Beaumont, the 27-member board of directors is the actual decisionmaking body, while the 60 trustees, who meet twice a year, advise the board. Howard has served as board chairman since January 2011.

"It helps to be a better leader, in his mind, if he has a really deep understanding of how the place works," says Gene Michalski, Beaumont Health’s president and CEO. "He frequently tours the hospital—sometimes accompanied and sometimes not."

For his accomplishments—including helping to steer Beaumont through the Great Recession and for playing an integral role in merger talks with another not-for-profit system last year—Howard has been selected as the Trustee of the Year for a not-for-profit healthcare system.

In 2008, Howard recalls, Beaumont "had a lot of things in the pipeline that we were