2009 Issue 2

A Publication of the Association of California Healthcare Districts

A·C·H·D

Connection

Redefining Strategies...

Surviving Change

CEO Commentary

As this Commentary is being written,

California's historic budget crisis is being confronted by the Governor and the leadership of the Senate and the Assembly. There appears to be no solutions within our reach that do not threaten our most vulnerable citizens.

Compassion for our people who rely on the State for healthcare is being overwhelmed by fiscal and political pressures that cannot be ignored. At the same time, access to healthcare for Medi-Cal beneficiaries is continuing to disappear as reimbursement levels to providers fall to a level perceived to be virtual non-payment for services.

We believe that the Governor and the Legislative leaders recognize that the pending reductions in Medi-Cal payments to providers will further undermine access to care for Medi-Cal beneficiaries. Physicians in private practice are already disinclined to work for so little. The physicians currently employed by county and university public hospitals in urban LA already must provide the great majority of the care sought by Medi-Cal beneficiaries. However, it is the ability of these county and university hospitals to directly employ their physicians—*and thus mitigate the direct impact on physicians of inadequate Medi-Cal payments*—that is a primary reason why beneficiaries can obtain necessary non-urgent care in these public facilities.

At present, employed physicians in public hospitals (such as those employed by the LA county hospitals and the University of California teaching hospitals) are among the last threads holding the health care safety net together in urban California. Unfortunately, the Medi-Cal beneficiaries living in rural California (and in underserved suburban areas) often face even greater barriers to adequate care. The 46 public hospitals operated by Health Care Districts in rural and suburban California are still prohibited by California law from hiring physicians. The continuing existence of this prohibition in times of sharply declining access to care—and its toll in real and avoidable human suffering—is one of the most callous policies remaining in California law.

On May 28, 2009, the California Assembly voted 57 to 15 to approve Assembly Bill 646 (Swanson) that authorizes all 75 California Health Care Districts to employ up to 10 physicians each. The broad bi-partisan support for AB 646 reflects: (1) the compelling need to protect and expand access to medical care for Medi-Cal beneficiaries in the face of severe cuts in reimbursement, and (2) the recognition by the Assembly that increasing the number of employed physicians is the only workable solution to the critical shortage of physicians in underserved areas of California. Of great significance, no new expenditures of tax dollars are necessary to actually improve access to care for Medi-Cal beneficiaries throughout underserved areas of California.

The process of discerning "bad law" as seen by Thomas Jefferson—*It serves the few at the expense of the many*—finds disturbing relevance in the opposition to AB 646. The arguments raised in 2009 to support the archaic prohibition against Health Care Districts hiring physicians are entirely lacking in merit. The "concerns" expressed by the major medical associations regarding physician independence are entirely unsubstantiated. More likely, it is other unstated motives—i.e. protecting the market power and recruiting dominance of the large physician groups affiliated with the major health systems—that drive the major medical associations to be so strongly opposed to greater access to medical care for the poor and admittedly underserved. A classic modern example of a law serving the few at the great expense of the many.

The enactment of AB 646 is a rare opportunity for California government to partially offset what appears to be almost inevitable harm. We ask the leaders of every District to make personal contact with their Senator and Assembly member to urge the enactment of AB 646. Against long odds, the right of Districts to hire their own physicians may actually happen this year. ▲

Ralph Ferguson
Chief Executive Officer

ACHD Staff

ACHD provides a variety of services to our Member Districts, and we welcome the opportunity to be of assistance to you. Please contact us with questions, comments, or concerns, as well as with news items and suggestions for articles in the *Connection*.

ACHD
2969 Prospect Park Drive
Suite 260
Rancho Cordova, CA 95670
Phone: 800-424-2243
Fax: 916-266-5201
www.achd.org

Ralph Ferguson
Chief Executive Officer
ralphf@achd.org

David McGhee
Chief Operating Officer
davidm@alphafund.org

Curt Jones
Chief Financial Officer
curtj@alphafund.org

Jack Burrows
Executive Services Director
jackb@achd.org

Christine Chapman
Member Services Director
christinec@achd.org

Pamela Eck
Marketing Project Specialist
pame@achd.org

Linda Faircloth
Marketing & Communications Director
lindaf@achd.org

Peter Gambee
Principal Advocate
peterg@achd.org

Tom Petersen
Government Relations Director
tomp@alphafund.org

Amber Wiley
Legislative Advocate
amberw@achd.org

Kathryn Wilshusen
Human Resources Director
kathrynw@alphafund.org

Table of Contents


page 2


page 4


page 10


page 18

Comments from the Chair

Preparing for What's Ahead

Like most, change has never been easy for me. It suggests that I have to do something different than what I'm used to doing. Typically I'm not interested in that. Why "fix" something that doesn't need fixing?

Having said that, however, I've found that life is easier when change comes knocking to look at the upside—to change my perspective rather than just seeing the negatives and fighting to maintain a past that is inevitably, well, going to change…whether I like it or not. I've also learned that I should be prepared for, and expect change…. It makes my life easier.

When we look back at the history of health care districts and how they came to be, we're reminded of their purpose and recognize how much has changed, and how much has not. Originally, health care (or, hospital) districts were established to care for the many veterans that were coming home from WW II and in dire need of medical care. At the time, the number of doctors and medical facilities in rural areas to care for the veterans were insufficient. Unfortunately, that essentially still rings true today in many parts of California.

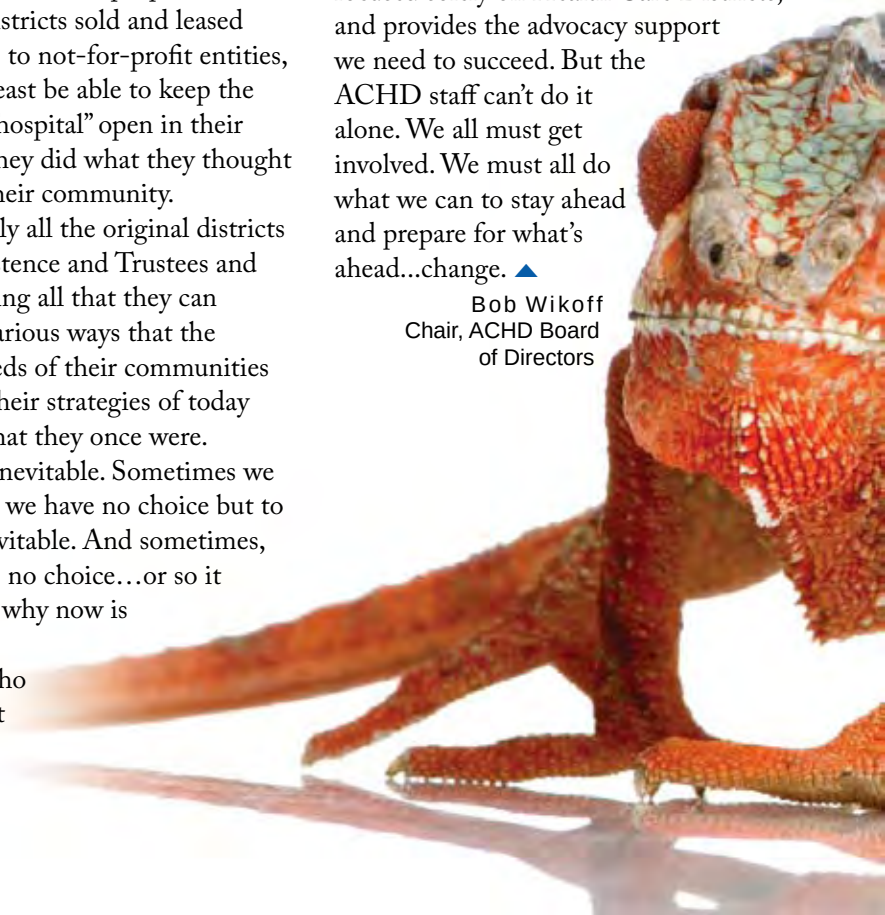
As the population grew, we struggled as a society to "take care of our own." Our districts' overall mission and ability to provide for the healthcare needs of our communities became compromised with new mandates, a growing dependency on government assistance, aging facilities, and so on and so on. Health care districts struggled to survive. Board Trustees and CEOs redefined their strategies and in some cases, even altered their purpose and their goals. Districts sold and leased their hospitals to not-for-profit entities, hoping to at least be able to keep the doors of "any hospital" open in their community. They did what they thought was best for their community.

Today, nearly all the original districts are still in existence and Trustees and CEO's are doing all that they can to ensure in various ways that the healthcare needs of their communities are met. But their strategies of today differ from what they once were.

Change is inevitable. Sometimes we feel as though we have no choice but to accept the inevitable. And sometimes, really, we have no choice…or so it seems. That is why now is the time to "rediscover" who you are—what purpose your district is serving, and whether it is serving your community well. Now is the time to redefine your strategies… because change is knocking at all our doors.

Get involved. Stay connected. My time with ACHD has provided me the opportunity to do just that. And it has helped me see what's up ahead and to do what's necessary to prepare for the coming changes. I encourage each of you to participate in ACHD's activities and events. It's Legislative Program is focused solely on Health Care Districts, and provides the advocacy support we need to succeed. But the ACHD staff can't do it alone. We all must get involved. We must all do what we can to stay ahead and prepare for what's ahead...change. ▲

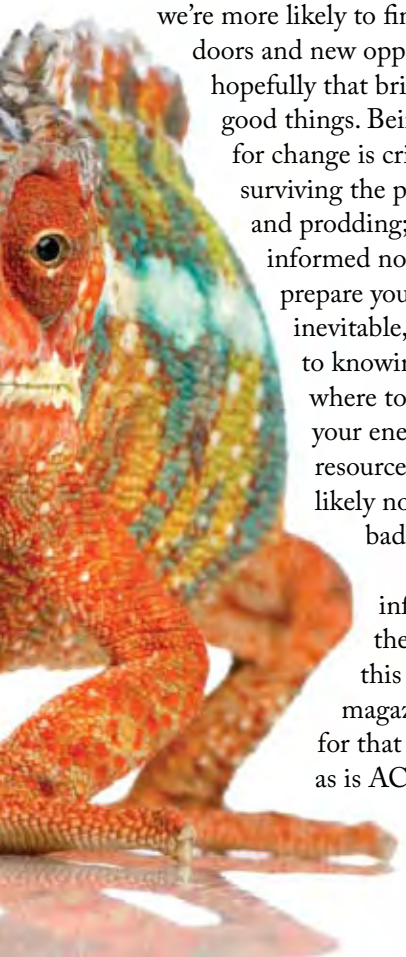
Bob Wikoff
Chair, ACHD Board
of Directors



The Editor's Notes

Redefining Strategies… Surviving Change

Change is inevitable…good, bad… there's nothing we can do to stop it. Our only choice in the matter, really, is to figure out how to deal with it. We can complain about it, ignore it (and hope that we won't be affected by it), or we can "take change by the horns" and do what we can to avoid getting poked and prodded in the spots that hurt the most—in those really, really soft spots (you know where they are…).



By taking change by the horns, we're more likely to find opened doors and new opportunities... hopefully that bring about good things. Being prepared for change is critical to surviving the poking and prodding; staying informed not only helps prepare you for the inevitable, but is key to knowing how/where to redirect your energies and resources…plus, it'll likely not to hurt so bad in the end.

Keeping you informed is the purpose of this *Connection* magazine and, for that matter, as is ACHD's *eConnection* newsletter, Legislative Alerts, and much of our communications to District Members throughout the year. Thus, the purpose of this new editorial, "The Editor's Notes." In this section I intend to give you a better insight as to what ACHD is doing for you—its District Members—throughout the year. ACHD embraces change and redefines, or rather, refines its strategies ongoing to keep true to our mission…that is, advocating, educating, and promoting success for all Health Care Districts.

In each edition following I will be writing an editorial that summarizes what we've been doing on behalf of District Members—including, Jack Burrows' work, the Legislative Team projects, information on past and future meetings and events, and just general news about what staff is up to. You may be surprised.

Jack's Business

Jack Burrows, ACHD's Executive Services Director, focuses one hundred percent of his efforts on finding solutions for Health Care Districts. He has one goal: To help maximize their profitability. Needless to say, his scope of work can be very broad, but his visits with District CEOs help him narrow the scope and focus on just a few specific approaches.

Just this past six months Jack has visited about twenty Districts. It's no surprise, really, what he reports to be the biggest issue with most of them: Lack of $$$ coming in the door! With the most recent MediCal cuts, lack of adequate reimbursement, and decreased revenue flow—blamed on the latest economic downturn (i.e., fewer elective surgeries, increased uninsured emergency visits)—the search for additional revenue sources and creative solutions has never been so challenging…especially for someone such as Jack who is known for his drive for success for ACHD District Members.

Jack's enduring involvement with the DSH (Disproportionate Share Hospital) Task Force over the past couple of years is testament to his sincerity. His experience has been nothing short of harrowing as he has worked relentlessly on behalf of many District Hospitals trying to bring in more money for them. "Harrowing" because it's not easy getting all the parties to agree that these District Hospitals should get more share of the "pot of money" that is made available to

Continued on page 6

The Editor's Notes

Continued from page 5

designated DSH hospitals…especially when it means that "all the other parties" get less. Jack would be glad to explain should you care to know more about this matter. But let me just say… *he is one of the most committed advocates Districts could ever hope to have fighting on this particular issue on their behalf.*

Jack has also found his way into the Department of Corrections … not in a bad way, of course. Over the past couple years, Jack has met with the prior and current DOC receivers, and most recently has been exploring new strategies for Health Care Districts that could help build better working relationships with the DOC. Prior to the DOC going into federal receivership, Jack had some success getting the DOC to work with some of our districts. One district in particular has turned their bottom line completely around—they went from severe red to a nice solid black once they began serving the healthcare needs of the prisoners in their district. Today they are still providing those services and continue operating in the black.

As mentioned, Jack's scope of work can be very broad. Between the district visits, DSH Task Force meetings, and the DOC efforts, Jack keeps busy working with the ACHD Legislative Team and doing what he can to promote what he calls, "good business practices." This includes keeping a look out for opportunities in group purchasing, robotic and telemedicine, and joint ventures. Plus, he's *always* looking for potential Participants for the ALPHA Fund and the DELTA Group…he just never stops. (He's like our very own personal 'Energizer Bunny'!)

If you'd like to give Jack a call to discuss how he might assist your District, please do so…it just makes his day! You can reach him at 800-424-2243.

Latest in the Legislative Department

AB 646 (Swanson) Direct Physician Employment

ACHD's legislative priority this year is to get AB 646 passed and signed into law. In many of our communities, doctors cannot support themselves financially in independent practice. The majority of doctors in California do not accept Medi-Cal patients. This makes it extremely difficult for rural and inner city communities to attract and keep the doctors their residents need. AB 646, jointly sponsored by AFSCME, ACHD and UAPD, will empower all California Health Care Districts, as well as all non-profit hospitals and clinics in Health Professional Shortage Areas, to recruit and keep the doctors their communities need to provide care to Medi-Cal patients and the uninsured.

So important is this piece of legislation to our Members that ACHD hired a professional public relations consultant to help in the passage of this bill. (Passage wasn't looking promising with Senate President pro Tem Darryl Steinberg, CMA (California Medical Association), and many others siding against it.) The PR firm recommended someone of significant political clout to help in getting our bill passed—Ms. Dolores Huerta. Ms. Huerta, founder of the Dolores Huerta Foundation, and co-founder and First Vice President Emeritus of the United Farm Workers of America, AFL-CIO (UFW), has already made visits with staff to several legislators—many of whom has indicated their support (seemingly) merely because of Ms. Huerta's support position on the bill. Peter Gambee, ACHD's Principal Advocate, described Ms. Huerta as a "political rock star." Her presence in the capitol brought staff and legislators alike out of their offices "just to see her, shake her hand, and to hear her speak." To say the least, ACHD staff is very hopeful that AB 646 will indeed pass the Senate and reach its final destination on the governor's desk, who would be, of course, expected to sign.

AB 405 (Caballero) District Hospitals: Design-Build

This "high priority" bill would authorize all District Hospitals to utilize the design-build process for construction projects that exceed $2.5 million. Currently, the Local Agency Public Construction Act requires local officials to invite bids for construction projects and then award contracts to the lowest responsible bidder. However, the Public Contracts Code does provide authorization for the use of the design-build process for cities, counties, school districts and four special districts.

This two-year bill made its way to the Assembly Appropriations Committee for consideration. Unfortunately, Assemblymember Caballero recently

pulled the bill from the Committee because of strong opposition received from the Professional Engineers in California Government (PECG), who formed a union coalition against the bill, that included SEIU. The bill is eligible to be taken up again next session. In the meantime, ACHD will be working to build a stronger coalition that can help "take on" the PECG in the next round.

You can stay informed of the ACHD | ALPHA Fund legislative activities by visiting ACHD's website, www.achd.org, click on Legislative Activities, then on 2009 Legislation. Or, for more information, contact Tom Petersen, Director of Government Relations at 800-424-2243.

What else is news?

ALPHA Fund announced at the ACHD Board of Directors meeting this past month that Workers' Compensation rates for Participants is expected to only slightly increase by 2.6%. This in comparison to the latest published recommendation to raise rates by 23.7% and filings by several providers such as State Fund—where their insureds can expect a 15% increase—is a minor compromise to make during this weather of change. "We are pleased that our focus on loss prevention and our effective implementation of the recent reform measures have benefited our Participants with incredible results. We're simply not seeing the need for a rate increase to the extent that others may see for next year," reports David McGhee, ALPHA Fund's Chief Operating Officer.

To read the latest about Workers' Compensation issues, you can visit ALPHA Fund's website at www.alphafund.org.

Have you heard? ACHD has scheduled its Annual Meeting for May 12-14, 2010. Did you notice that this event is scheduled for a different time of the year? In the past it's been scheduled for late September-early October. We rescheduled for late spring (vs. early fall) so that we could take advantage of better hotel rates during this time of the year (hotel rates were much higher when we were booking hotels). So, we're back at Lake Tahoe at the Hyatt Regency where they treat us nice and hotel rates will be about the same as they were three years ago. Plan ahead. This is a good change where you'll be able to budget using 2005 dollars. You may want to add a few extra bucks though…you never know where a little cushion might help relieve the pain of any unplanned pokes.

Pictured L to R: Assembly Member Paul Fong, Kelly Brooks, CSAC, Social Justice Leader Dolores Huerta, Assembly Member Sandre' Swanson and Assembly Member Warren Furutani

Following this year's ACHD Legislative Day, a press conference was held Tuesday, June 16, 2009 at the State Capitol to urge Senate passage of AB 646. Joining the bill's author, Sandré Swanson, was Delores Huerta co-founder with Cesar Chàvez of the United Farm Workers of America, and President of Delores Huerta Foundation who called for support of this no cost to the state solution to the shortage of doctors available to underserved, rural, and inner city communities.

Got an opinion?

I would LOVE to hear from you about what you think of this new section, or, for that matter, any of the articles in this edition of the *Connection*. Email me: lindaf@achd.org. Call me: 800-424-2243. Write me: see address on inside cover of this magazine. Until next time….don't let change get the best of you. Stay connected…look for the *eConnection* newsletter in your email monthly for more up-to-date information.▲

Linda Faircloth
Editor | Marketing & Communications Director

ACHD Legislative Day: Preserving our Communities

By Pamela Eck, Marketing Project Specialist, ACHD

The ACHD | ALPHA Fund

Legislative Day held in Sacramento, April 20th and 21st attracted the largest attendance to date for this event with Health Care District (HCD) executives and Trustees, guests, and sponsors participating.

Amidst a theme of *Preserving our Communities*, ACHD Members became directly involved in grassroots political advocacy—educating and building relationships with their Legislators.

In a letter from Governor Schwarzenegger to ACHD Members and all attendees of this year's event he wrote, "By voicing your opinion on vital issues like affordable healthcare and workers' compensation, you play an active role in our government and encourage others to do so as well. Thank you for taking the initiative to engage in dialogue and share your knowledge. Your leadership and commitment to advocacy are a wonderful example of what makes our state great."

Ralph Ferguson, Chief Executive Officer of ACHD and ALPHA Fund, provided opening remarks and acknowledged attendees for the vital role their active participation plays in the achievement of successful legislative advocacy on their behalf. Mr. Ferguson further stressed that ACHD advocacy that works in unison with the active engagement of HCD Members in strong grassroots political programs empowers their message to Legislators whose decisions have a profound and continuing impact on the communities they serve.

Health Care District representatives from all corners of the state learned the *Do's and Don'ts* of effective political advocacy, the use of technological tools to increase the acquisition of essential political information, and were prepared for their visits with Legislators. Well-organized grassroots strategies were discussed as an invaluable tool in building strong support for legislative bills targeting District and community needs. Attendees were informed that according to Capitol Hill, grassroots activities are the most effective way to influence legislative passage. Members were strongly encouraged to remain actively engaged in the political process to better assure their success in meeting, and exceeding, their community and District goals.

The ACHD legislative team workshop discussions highlighted the Budget, Stimulus Package and Medi-

Cal as well as Legislative priority sponsored bills. AB 646 (Swanson), Physician Employment, AB 1436 (Portantino), the District "Public Hospital" Definition, and AB 405 (Caballero) Health Care Districts Design-Build. (To obtain additional information or current bill status visit www.achd.org or call ACHD, 800-424-2243).

ACHD monitors the legislative process for District Members using Capitol Track, a computerized tracking system that is considered the leading source of legislative and regulatory information. ACHD legislative advocates receive e-mails on the status of bills, hearing dates, votes, etc., and are notified of legislative activities that influence their Districts. These alerts are also calls-to-action for Members to write letters, make phone calls and to formally register positions. Other sources of State legislative and political insight are provided to members through *Capital Sources* located on ACHD's website.

Winning at the Grassroots was the topic theme for two grassroots political experts who participated at Legislative Day as keynote speakers. Anthony Wright, Executive Director of Health Access California (health-access.org), a consumer advocacy coalition for health care working on behalf of the insured and uninsured for over 200 organizations spoke on, "Why Grassroots Advocacy Matters." Phil Giarrizzo, Prinicpal of Giarrizzo Campaign Consulting (giarrizzoconsulting.com), specializing in political, legislative and regulatory strategies, coalition building, grassroots mobilization, advertising and communications programs and issue advocacy campaigns addressed the subject of "Demystifying Grass Root Advocacy." Each speaker emphasized their professional perspective on the importance of strategy-based grassroots programs to create successful action, political influence and desired results.

At the Legislative Day reception and dinner Senator Tony Strickland, 19th District, addressed attendees about his work to preserve vital healthcare programs. The Senator is known

Pictured L to R: Ralph Ferguson, Larry Pistoresi, Sr. and Senator Dave Cogdill

Senator Tony Strickland

for working with both Democrats and Republicans on needed reform to California's budget process and is also known as a taxpayer advocate and representative that strives to hold government more accountable (http://cssrc.us).

A special highlight of the ACHD Legislative Day dinner was an award given to Larry Pistoresi, Sr. "WEAREAS, Larry Pistoresi, Sr., a distinguished California resident, has contributed extensively to the people of the State through his many activities, and as a tribute to his exemplary record of community service and professional leadership, he is deserving of special public commendations." Reading from the California Legislature Joint Member Resolution No. 205, Senator Dave Cogdill, 14th Senatorial District, commended Larry Pistoresi for his over 50 years of service and dedication to civic leadership.

It was an exceptional 2009 ACHD Legislative Day. HCD members are encouraged to attend every year and to become and remain actively engaged working with ACHD towards our shared mission to protect, preserve and advance the interests of Health Care Districts via the legislative process. ▲

Leadership Education

Build America B Affordable

This past year of financial turbulence has locked all but those hospitals with the highest investment grade ratings out of the credit markets. There are signs that the credit markets are beginning to loosen up for the strongest hospital credits. However, for those hospitals whose balance sheets are stressed, borrowing money for capital expenditures is still a difficult and sometimes impossible process.

A new financing option has recently emerged that combines a direct payment from the United States Treasury with hospital mortgage insurance (the FHA insurance program described herein) or bond insurance (the Cal-Mortgage insurance program described herein). Whether the need is to rebuild an outdated facility or provide for mandated seismic improvements, hospitals that qualify can now have access to affordable long-term fixed rate money supplemented by a financial infusion from the Treasury.

Made possible by the American Recovery and Reinvestment Act of 2009 ("ARRA"), this newly available mechanism permits a State or local governmental entity to issue a taxable obligation called Build America Bonds (BABs) in 2009 and 2010 to finance governmental projects. As a local governmental entity, a California hospital district is an approved issuer of BABs. A hospital owned or operated by a 501(c)(3) does not qualify for financing with BABs. If certain requirements are met, the Treasury will rebate back to the hospital district issuer 35% of the interest on the BABs throughout the life of the borrowing. A rule of thumb is that for every $10 million borrowed at 7% over a 25 year period, $4 million would be rebated back to the hospital district resulting in a 4.55% interest rate, lower than that of tax-exempt bonds. This money is not restricted and may be used according to hospital defined priorities.

Another possible option for raising capital may be for the hospital district to monetize the subsidy payment from the Treasury. In some circumstances it may be advantageous for hospital districts to pay the higher taxable interest rate on the BABs, but sell a security secured by the subsidy payment in order to generate immediate upfront cash for high priority needs (e.g. paying off existing debt). The merits of monetizing the subsidy payments needs to be considered within the context of an overall capital structure strategy for your hospital.

The determination of qualification of a hospital's ability to access the BAB funding requires experienced bond counsel. In order to qualify for a BAB which entitles the issuer to receive a subsidy payment from the Treasury, 100% of the sale proceeds of a BAB must be used for (1) capital expenditures, (2) costs of issuance not exceeding 2% of the issue price, and (3) a reasonably required debt service reserve fund. Subsidy BABs cannot be used to fund working capital or refund other debt.

The magic for CA hospital districts happens by combining a BAB with either Cal Mortgage or FHA 242 mortgage insurance. In my opinion, investors will purchase the hospital debt backed by either insurance program. Using FHA 242 for example, investors will currently purchase taxable BABs with FHA 242 mortgage insurance for a 7% interest rate. Provided the hospital has issued the debt as a conforming BAB, the Treasury will rebate back to the hospital, 35% of the 7% interest over the life of the bond. By committing to move forward and close the financing by December 31st, 2010, the hospital will receive the Treasury stipend for the life of the bond!

The FHA program is a national mortgage insurance program administered by the Department of Housing and Urban Development (HUD) that began in 1968. Initially the FHA 242 program was utilized primarily by New York state hospitals which were virtually shut out of the

onds Debt Capital for California Hospital Districts

By Charles Ervin, Vice President, Dougherty Mortgage

credit markets due to compromised balance sheets that reflected the rate regulation of the era. FHA insurance provides credit enhancement that allows hospital borrowers to issue debt backed by the full faith and credit of the US government. This insurance enables the debt to achieve the equivalent of up to a "AAA" rating.

Since the 1990's FHA consciously diversified the program's portfolio to include hospitals throughout the United States. Under current Director Roger Miller's stewardship, FHA is fast becoming the financing option of choice for many hospitals. Combining the program's loan terms with the program's goal of a 60 day processing timeframe makes the FHA 242 program a practical option for many hospitals that have been shut out of the credit markets. While FHA 242 was historically viewed by many in the hospital industry as an option of last resort, it may currently be the best financing option for low and medium quality hospitals that require significant leverage not supported by traditional lenders.

Cal Mortgage, a division of the Office of Statewide Health Planning and Development, a State Agency backed by the full faith and credit of the State of California and initially modeled on the FHA 242 program provides another option for serving the needs of California applicants. Since its inception in 1968, Cal-Mortgage has participated in more than $6 billion in financings to build, expand, or renovate health facilities throughout California without cost to taxpayers. There are a number of underwriting differences between Cal Mortgage and FHA, but both are readily acceptable in the credit markets and should be considered as complementing any BAB issuance.

The key to a successful financing using FHA 242 or Cal-Mortgage insurance is choosing the right banker and feasibility team that are familiar with the nuances of each program. Dougherty Mortgage has served as lead banker on numerous transactions. HFS Consultants, a hospital consulting firm based in Oakland specializing in financial feasibility and debt capacity analysis has represented healthcare facilities using Cal-Mortgage as well as a number of West Coast hospitals using HUD for funding.

Remember, Build America Bonds are not forever. This financing option will expire on December 31st, 2010. There is truly a premium on moving with dispatch on this unique opportunity for meeting the capital needs of your hospital district.

For more information, please contact Charles Ervin from Dougherty Mortgage at (770) 595-6465 or Richard Gianello from HFS Consultants at (510) 768-0066. ▲

Practical Turnaround Strategies for District Hospitals in a Down

The news headlines today are filled with stories about struggling hospitals. While there are glimpses of hope in the financial markets, it is likely that most of 2009 will be characterized by softer volumes and suppressed revenue streams for hospitals. For a successful turnaround, consider these strategies:

Keep board members apprised of internal and external trends on an ongoing basis so informed decisions can be made without intense public board education on each topic.

- **Invest in physician relations.** Adopt the adage that physician loyalty must be won daily. Invest resources in physician liaisons and referral tracking mechanisms for independent physicians. Address the underlying physician concerns about inefficient operations, poor access, service, or quality to keep volume from going to competitors.
- **Examine pricing strategy.** In an age of increased scrutiny on the provision of charity care and demonstration of community benefit, this strategy should be executed with precision and delicacy. While raising charges may not be a viable option for every hospital, failing hospitals often charge below market rates and do not receive what they should from paying patients.
- **Conduct a thorough review of billing/collections.** More than ever, cash is king! Ensure that the billing and collections department has the appropriate leadership, staffing, management reports, and communication processes/ relationships with operations to maximize cash collections.
- **Assess throughput in revenue generating areas.** Poor operating performance in these key areas leads not only to unrealized revenue from additional cases, but underutilized expensive resources. Engage physicians in the improvement process. Idle time not only results in physicians losing income, but it also creates frustration. Serving the physician customer is extremely important for both growing and retaining business in these times.
- **Examine the business portfolio.** While there may be a few places to trim around the edges, most hospital departments are likely already operating on a lean budget. Now is the time to critically examine the business portfolio. Identify the services and programs that are losing money and close or scale back

rategies Economy

By Michael J. Randall, MHA, Manager and Rebecca B. Bales, MPA, ASA, Senior Vice President The Camden Group

marginal programs. Likewise, ensure that profitable services have the appropriate resources to grow.

- **Reduce staffing appropriately.** At times, staffing reductions cannot be avoided and are vital for the continued well-being of the organization. Systematically review all management and staff positions compared to standard benchmarks and adjust for nuances of the business operations. Before implementing any staffing reductions, consider the downstream implications of potential cuts on productivity and quality.
- **Scrutinize staffing effectiveness to volume variations.** In a down economy, responsiveness to even small declines in volume is essential. Arm managers with the tools necessary to monitor performance and hold leadership accountable for results. Encourage the use of part-time and per diem employees in order to respond to volume fluctuations.
- **Engage and educate the board.** This is a special challenge in district boards because the meetings are public, and politics are real when dealing with elected officials. Keep board members apprised of internal and external trends on an ongoing basis so informed decisions can be made without intense public board education on each topic. Financial statements and other board correspondence should adhere to the intentions of Sarbanes-Oxley so that communication is transparent and reports are clear.

For more practical turnaround strategies, contact The Camden Group at 310.320.3990. ▲

GO Bond Elections: Winning Despite the Odds

By Larry Tramutola, CEO
TRAMUTOLA LLC

Many people in California followed the NBA Finals

pitting the Los Angeles Lakers against the Orlando Magic. Can you imagine the outcry if the Lakers won four games and Orlando just two, but Orlando was declared the winner of the Championship? It is beyond comprehension. Unfair, undemocratic, and shall we say un-American?

Every election, no matter the outcome, builds support and awareness of the Health Care District and your needs. Each election activates volunteers and new energy is breathed into the District.

Yet throughout California, public agencies including hospitals and health care districts are suffering under rules that are equally unfair, undemocratic but nevertheless very much the law of the land. Because California law requires most tax measures to pass with a two-thirds margin, many health care districts needing voter approval of bond measures to retrofit or build earthquake safe facilities are reluctant to place measures in front of voters. While numerous districts have passed bond measures, the odds of winning are stacked against them.

In studying failed revenue measures we have found some interesting things. Rarely is the amount of the tax or the effectiveness of opposition the reasons measures lose. The amount of the tax (although needing to be appropriate for the community) is much less important than turning out the vote. Most failed measures in fact achieved super majority support from their community but failed to reach the magical two-thirds threshold. The most common reason for loss is that identified supporters failed to vote.

Tri-City Healthcare District in San Diego County has "failed" three times although with each election they received more than 62 percent support from local voters. In most elections this would be the equivalent of a landslide victory, yet the Health Care District remains faced with the challenge of retrofitting its facilities to meet the requirements of SB 1953.

It is unlikely that in the near future our state "leaders" will initiate efforts to change the two-thirds requirement for revenue measures. Democrats and Republicans would have to work together, and that is not likely.

For many health care districts in California the two-thirds obstacle seems too high to even consider a bond

measure. This is in our opinion a mistake. For some it may mean going out twice or three times for voters to understand the need. It wasn't that long ago when school GO bonds needed two-thirds support for passage; it was common for school districts to go to the ballot more than once. In fact, it was only after school districts throughout the state began passing bond measures did the Legislature move to reduce the threshold of passing GO bonds to 55 percent.

There are no guarantees that a measure is going to be successful, but careful planning can increase your odds. Every election, no matter the outcome, builds support and awareness of the Health Care District and your needs. Each election activates volunteers and new energy is breathed into the District. Rather than complaining about the State, we demonstrate the power of grassroots democracy. There is no time to wait for the rules to change. We must learn to be successful playing under the rules that exist. The community is waiting. ▲

TRAMUTOLA LLC has helped the following public hospitals and Health Care Districts pass tax measures: Alameda Hospital, Alameda County Medical Center, El Camino, Grossmont, Hazel Hawkins (San Benito), Kaweah Delta, Lompoc, Oak Valley, Plumas, San Gorgonio, Tahoe Forest, Tulare, Washington Hospital Health System, West Contra Costa.

Save Valuable Time

Streamlining Your Process for Hiring Temps

By David Melkonian, COO
Valley Medical Staffing

Preparing to send out a travel nurse requirement, Lompoc Valley Medical Center's CNE, Jayne Scalise, expects to receive an avalanche of RN submittals to fill a single travel nurse opening, and she is not alone. Many hospitals are experiencing the same phenomenon. In many instances, hospitals are receiving over 100 RN submittals within just a few short hours, only to respond with "no more submittals," and closing the position to stave off even more submittals. The current economic conditions have forced more nurses into the full-time work force and many are putting off retirement, creating a temporary release from the nurse shortage for many hospitals.

So what's the problem? Compared to last year at this time a nurse executive would have been thrilled with just a single RN submittal in the same day.

Unfortunately, the majority of the candidates sent to fill openings have not been properly qualified and in many cases the nurse is not even aware that they have been submitted to the hospital. The agencies' fear of missing the submittal window of hours from days has changed the way in which candidates are now submitted. Long gone are the days when positions would remain open and unfilled for weeks (due to the nurse shortage), allowing the agency ample time to provide careful review of applicants and ensure proper matching to fill the opening.

What we see today is a dash to submit any candidate that fits the requirement regardless of whether or not the candidate is available. From the agency's view: better to present a candidate and then call to determine if the nurse is available and interested than risk being closed out of the submission process altogether.

The flood of candidates being submitted and the lack of quality process have caused many hospitals to review their current hiring process. Lompoc Valley Medical Center, aware of the problem, was looking for a way to streamline their travel nurse recruiting and hiring process for Nursing disciplines. They realized that they were working with a large number of staffing companies and spending too much time screening resumes and interviewing multiple nurses to fill a position. They knew they needed to find a competitive sourcing edge for best candidates.

Jayne Scalise, CNE for Lompoc, had a notion that developing a strong partnership with a trusted vendor would increase the quality of candidates and greatly reduce the number of applicants they currently screened to fill their open travel positions.

Valley Medical Staffing ("VM Staffing") was asked to evaluate Lompoc's current hiring practice and a detailed assessment revealed that:

- Their vendor list had grown to over 30 vendors.
- Candidate packets for submission were incomplete.
- Candidates were not aware that their resumes had been submitted.
- Candidates were not willing to work the required shift.
- Nurse executives' time spent interviewing nurses increased from one or two interviews to upwards of ten to fill a single requirement.

VM Staffing provided recommendations to implement a Preferred Vendor Program, and after careful review, was selected by Lompoc to be their Preferred Vendor Partner to staff their travel nurse openings. The strategy entailed using VM Staffing as the single vendor of choice and to post all travel nurse openings with their firm. VM Staffing built into the strategy a communication protocol that would acknowledge receipt of the position and provide immediate feedback to Lompoc as to the status of their search to fill the position or release to a list of secondary vendors.

Lompoc implemented the Preferred Vendor Program in February 2009, and since then VM Staffing has successfully staffed all travel nurse positions posted from the hospital. The change to a single vendor of choice resulted in the following:

- Candidates submissions average one applicant per opening.
- Candidates completely qualified to meet requirement.

- Candidates pre-closed to accept offer.
- Candidates close rate 100 percent.
- Single interview required to fill position.

"We could not be happier with the results of the Preferred Vendor Program. We have greatly reduced the time spent by our staff to screen, interview and hire," said Jayne Scalise, CNE.

Implementing the Preferred Vendor Program has allowed Lompoc Valley Medical Center to achieve better candidate quality, and provides them with greater confidence that their staffing needs are given priority recruitment status. VM Staffing even produced a presentation on the hospital and surrounding community that brands the hospital and is presented to each candidate they are qualifying for a position. The presentation is one of the creative and innovative ways to convince candidates that Lompoc Valley Medical Center is a hospital of choice for travel nurses.

Hospital CEO Jim Raggio noted, "Valley Medical Staffing provided a team of staffing experts to evaluate our hiring process and make the proper recommendations that has greatly increased our efficiency and allowed our organization to align our hiring methods to the current market staffing conditions. We would highly recommend Valley Medical Staffing's Preferred Vendor Program to any healthcare organization."

For more information on Valley Medical Staffing and its programs, contact Ed Solomon, President, 888-267-4174, esolomon@vmstaffing.com, or visit www.vmstaffing.com. ▲

Legislatively Speaking

How Will the Stimulus Plan Health Information Technology

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009. Within the Act is a separate new law called the Health Information Technology for Economic and Clinical Health Act (HITECH Act) which devotes a sizable portion ($19 billion of the $787 billion stimulus) to health information technology, health information exchange, privacy and security. The funds are to be used to reach an aggressive goal of national electronic health exchange by 2014.

Given the strong incentives contained in the law to implement a solution as soon as practical…hospitals are wondering what they can do now to ready themselves.

The Administration believes the federal money and standards setting provisions in the new law will be the force that breaks the barriers that have kept the electronic health record system adoption at relatively modest levels. Part of the law includes a total of $17.2 billion in Medicare reimbursement to doctors and hospitals that show "meaningful use" of a "qualifying" electronic health record (EHR) by 2014. While many groups are weighing in on these definitions, there is not yet a definition for meaningful use or parameters around what qualifies an EHR solution. Partners in the healthcare space are collaborating to define these terms and monitoring closely the requirements that will be set-forth in the HITECH Act.

The reimbursement schedule contained with the Act has been better outlined. Physicians or other qualified health professionals will receive up to $44,000 in reimbursement over 5 years. It is reported that hospitals' reimbursements will start at $2 million and could reach $11 million depending on discharges and additional metrics.

One thing is clear: the reimbursement schedule is designed to provide an incentive to implement quickly. Physicians receive a first year payment of $18,000 if implementation occurs in 2011 or 2012 and lesser amounts if they implement later. Also, all payments stop after 2016; thus, to maximize reimbursement, implementation needs to occur by 2011 since the Act provides for 5 years of payments.

Alternatively, for physicians and hospitals that do not demonstrate

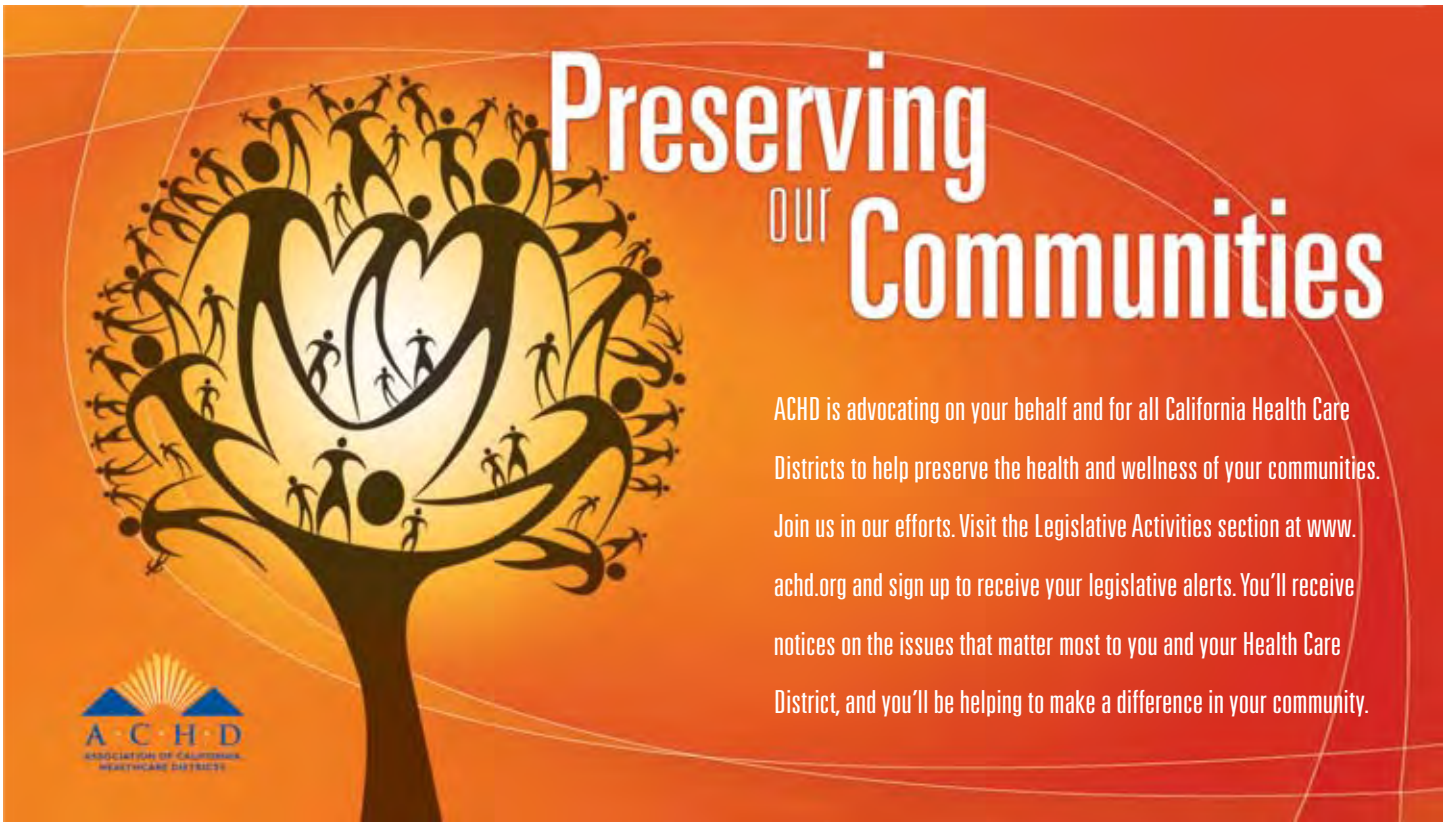
Impact mation Decisions now?

By Bottomline Technologies

a meaningful use of a qualified EHR solution there is punitive language in the law. For them, reimbursement for Medicare payments is reduced 1% starting in 2015 with an increasing percentage point each year thereafter with a jump to 5% in 2018 if less than 75% of physicians are using EHRs.

Given the strong incentives contained in the law to implement a solution as soon as practical along with the current "unknowns" surrounding the language, hospitals are wondering what they can do now to ready themselves. One way to ready yourself for these requirements is via a forms automation solution. Forms automation serves as the critical first step in the migration from paper to electronic health records. Another clear advantage of implementing now is cost. Forms automation solutions typically provide quick return on investment; those savings can then be used to finance an EHR implementation when it is time to implement. Thus, moving from paper to electronic records now and using those savings to fund EHR implementation that provides significant reimbursement later is a win-win.

For more information, please contact Bottomline Technologies at 800.472.1321.



A·C·H·D
ASSOCIATION OF CALIFORNIA HEALTHCARE DISTRICTS

2969 Prospect Park Drive
Suite 260
Rancho Cordova, CA 95670

Presorted Std
U.S. Postage
PAID
Sundance Press
85719