



CASE 5

MIDDLEBORO COMMUNITY HOSPITAL

Middleboro Community Hospital (MCH) was founded as a short-term, general acute-care nonprofit hospital in 1890. Originally built with a 40-bed capacity, it has slowly grown to its present 272-bed size and has added a significant number of outpatient services. MCH is licensed by the state, incorporated as a 501(c)3 nonprofit corporation, accredited by The Joint Commission, approved by the American College of Surgeons (cancer program), approved for Blue Cross participation, certified by the US Department of Health and Human Services for participation in Medicare, and accepts Medicaid patients. The Joint Commission recently granted a five-year accreditation based on periodic surveys. Current services, as indicated on the most recent survey by the American Hospital Association, include the following:

- Airborne infection isolation room
- Auxiliary organization
- Bariatric/weight control services
- Birthing room, LDR room, LDRP Room
- Cardiac intensive care
- Cardiac rehabilitation
- Extracorporeal shock wave lithotripter
- Health fair
- Community health education
- Health screening
- Health research
- Hemodialysis
- HIV/AIDS services
- Multislice spiral computed tomography, <64-slice CT
- Multislice spiral computed tomography, 64+ slice CT
- Positron emission tomography
- Positron emission tomography/CT
- Ultrasound

- Adult interventional cardiac catheterization
- Case management
- Chaplaincy/pastoral care
- Chemotherapy
- Children's wellness program
- Community health reporting
- Community health status assessment
- Community health status-based service planning
- Community outreach
- Complementary and alternative medicine
- Emergency department
- Enabling services
- Palliative care program
- Optical colonoscopy
- Endoscopic ultrasound
- Ablation of Barrett's esophagus
- Endoscopic retrograde
- Enrollment assistance services
- Electron beam computed tomography
- Hospital-based outpatient care center services
- Immunization program
- Medical-surgical intensive care services
- Neurological services
- Nutritional programs
- Obstetrics
- Occupational health services
- Oncology services
- Orthopedic services
- Other special care
- Outpatient surgery
- Patient controlled analgesia
- Patient education center
- Physical rehabilitation inpatient services
- Physical rehabilitation outpatient services
- Prosthetic and orthotic services
- CT scanner
- Diagnostic radioisotope facility
- Magnetic resonance imaging
- Image-guided radiation therapy
- Intensity-modulated radiation therapy
- Shaped beam radiation system
- Genetic testing/counseling
- Robotic surgery
- Sleep center
- Social work services
- Sports medicine
- Support groups
- Tobacco treatment/cessation program
- Transportation to health services
- Urgent care center
- Virtual colonoscopy
- Volunteer services department
- Women's health center/services
- Wound management services

HISTORY AND PHYSICAL STRUCTURE

Since its construction, MCH has been a model of hospital engineering and community interest. The hospital replaced three area homes used for the care of the sick. Today, the hospital is a fully air-conditioned, five-floor brick facility on a 68-acre campus. Ample parking is provided. Over the years increasing service demands required additions to the original structure. Each time these additions were built, existing facilities were modernized. Fund-raising campaigns raised the majority of resources for additions completed in 1924 and 1946. Federal Hill-Burton funds were used to partially finance the 1952 and 1966 additions. The 2002 building program relied on retained earnings, community philanthropy, and long-term borrowing.

In 1919, this hospital founded a school of nursing to train area personnel. This three-year diploma school was one of the largest in the state and trained many of the nurses

currently working at the hospital. In 1985 however, the increasing costs of the school, the declining interest of local residents, and the increasing popularity of collegiate nursing programs led the board of trustees to close the school officially in 1987. In 1988, the hospital established a clinical affiliation with the State University that continues today to provide clinical rotations for third- and fourth-year student nurses.

In 1970 the hospital, in cooperation with the Middleboro Trust Company, built Medical Office Park on land adjacent to the hospital's campus. This three-story medical office building was established as a condominium restricted to physicians with active medical staff privileges at MCH. To begin the enterprise the hospital leased sufficient land for the building and adjacent parking for 50 years to the condominium association and then constructed the medical office building on the leased land. Once all condominiums were sold, the hospital relinquished all title to the building, but it remains the leaseholder of the land. The Middleboro Trust Company holds mortgages for each condominium. Today, the building is totally owned and managed by the condominium association of physicians, a for-profit corporation. The hospital provides no services to Medical Office Park except for snow removal and general landscaping services at cost. Unless the hospital agrees to furnish additional land, Medical Office Park cannot be expanded. Currently all 30 offices are occupied. Each office has approximately 6,000 square feet. Its current assessed valuation for local tax purposes, done under a special provision in the local tax code, is \$375,670 with a cap of 2 percent increase per tax year. Real estate appraisers have repeatedly stated that given its "limited and restricted use" they are unable to provide a fair market value. The current facility meets all current building codes. Over the years, individual condominiums have been sold to other members of MCH's active medical staff. The last sale in 2010 was estimated to be for \$300,250.

Although tranquil in nature, this hospital has experienced volatile periods in its history. Since 1930, major disagreements between area physicians (MDs and DOs) created two independent systems in the community. Physicians trained in osteopathic medicine, for example, still continue to refer patients to other osteopathic physicians, often located in Capital City, even though local allopathic physicians (i.e., MDs) could manage the case.

Six years ago the board dismissed the president of MCH, who had served in this capacity for 31 years. The board of trustees cited no formal reasons, although it is known that the board refused to honor his request for a multiyear contract. The medical staff fully supported the termination of this individual. Five years ago James Higgins was appointed president.

The hospital has also experienced frequent staff changes in certain management positions. "Conflict with administration" is the most frequently cited reason for these resignations. Over the past 12 years no chief nursing officer has served for more than four years. Conflict with the medical staff involving patient care practices and administration concerning nurse scheduling and staffing levels, recently led to the resignation of Mary

Nurse, RN, after three years' service in this position. Nurse had worked for the hospital for 18 years at the time of her resignation. The vice president for nursing position is currently vacant. The director of education, Janet Martin, RN, is currently acting director of nursing. The administration accepted Nurse's resignation in stride and has told the board that she could not effectively manage the nursing department and communicate administration's policies to the nursing staff. Nurse did not support the decision to lower the staffing levels in nursing and the hiring of licensed practical nurses (LPNs) to replace registered nurses. While Nurse understood the need to reduce hospital expenses, she recommended that the hospital reorganize using small nursing units, each with a manager and support team. This plan was dismissed by the senior management team as too costly. The medical staff took no position on Nurse's resignation.

Nurse had been hired shortly before the nurses voted on unionization in 2010. In 2010, the petition to be recognized as a bargaining unit failed by the vote of 48 percent to 57 percent. Shortly before her resignation, however, Nurse had warned Higgins that another petition for another election was being discussed by nurses because of implications associated with downsizing the inpatient capacity of the hospital. Management's position for staff termination ignored seniority and emphasized "competency and job performance." On at least three occasions, terminated employees wrote to the local paper complaining that the hospital was looking to retain "only those workers who would work for less."

While members of the board were surprised by Nurse's resignation, all have expressed support for the current administration.

GOVERNANCE AND ORGANIZATION

The board of trustees is composed of 14 members, each elected for a four-year term. Elections are held at the annual meeting of the corporation. Nominees for trustees-at-large and trustee officers are chosen by the board nominating committee and presented to all hospital incorporators for consideration. Staggered terms of office ensure that no more than four new members are elected annually. The hospital's bylaws reserve two positions on the board for physicians nominated by the medical staff, but the rules specifically state that no physician nominated by the medical staff can be an elected officer of the board. Board members may succeed themselves. There are no limitations on the number of terms an individual can serve as a member of the board of trustees. Current board officers are as follows:

Name	Board Position	Occupation	Residence
Michael Rich (2)*	Chairman	President, Middleboro Trust Co.	Mifflenville
Peter Steel (1)	Vice chairman	President, River Industries	Middleboro
Mary Drew (3)	Secretary	Attorney, Giles, Giles, and Drew, PA	Boalsburg
Carl Meadows (4)	Treasurer	Accountant, Meadows and Associates	Middleboro
Peter Paul MD (4)	At-large	Physician	Middleboro
Ed Tracer MD (2)	At-large	Physician	Middleboro
Harry Water (3)	At-large	Owner, Water Hardware	Middleboro
Melvin Seed (1)	At-large	Owner, Mid-State Oil Company	Jasper
Kevin Land (4)	At-large	Real estate agent, Land Sales, Inc.	Mifflenville
Bret Crop (3)	At-large	Farmer	Minortown
Jill Wheat (2)	At-large	Vice president, Wheat Farming Supplies	Statesville
Steve Corn (1)	At-large	Farmer	Carterville
Elton Giles (2)	At-large	Attorney, Giles, Giles and Drew, PA	Middleboro
Janet Simon (4)	At-large	Homemaker	Harris City

(* = number of years remaining in current term. Note that 1 = 1 year or less)

Rich has been board chairman for the past 12 years and has more than 16 years of service on the hospital board. His term will end next year. Steel has been vice chairman for 11 years and has more than 18 years of service on the board. His term will end this year. All other board members except Elton Giles have previously served at least one complete term as a trustee. Seed has recently informed the board that, given his business interests, he will be unable to serve another term.

The hospital's president (James Higgins) and the president of the medical staff (Frederick Mask, MD) are ex-officio members of the board of trustees. Standing committee of the board include the following:

Executive Committee	All board officers
Long-Range Planning	Steel (Chair), Paul, Land, and Simon
Finance	Meadows (Chair), Water, Corn, and Giles
Quality Assurance	Tracer (Chair), Seed, Wheat, and Mask
Nominating	Seed (Chair), Crop, and Rich

The board of trustees meets monthly. Prior to the annual meeting in March, a two-day retreat is held to review progress and update corporate plans. The executive committee meets with Higgins weekly and tours the hospital. Once every two years, each board member is sponsored by the hospital to participate in a continuing education program offered by either the American Hospital Association or the State Hospital Association.

A special ad hoc subcommittee of the board, staffed by John O'Hara, the hospital's chief financial officer, is examining its options for responding to physician requests for "more good inexpensive office space close to the hospital."

The board is currently considering a change in its bylaws to reduce the size of the board from 14 to 8 and increase the term of appointment to six years.

SENIOR MANAGEMENT TEAM

PRESIDENT

James Higgins holds an undergraduate degree in sociology and master's degree in hospital administration from a major midwestern university. Prior to becoming administrator, he completed a two-year postgraduate residency at Lake Shore Hospital (450 beds) in Chicago and was the chief operating officer at Capital City General Hospital in Capital City (365 beds) for many years. He served two years with the US Army Medical Service Corps in Europe.

A Fellow in the American College of Healthcare Executives (ACHE), Higgins is vice chairman of the board of directors of the State Hospital Association. He has authored several professional papers on hospital management and is noted for his ability to interact with the medical staff and his understanding of hospital operations.

When asked what he considers to be the major issues facing the hospital, he mentioned continued financial strength, long-range planning, cooperative ventures with the medical staff, increased worker productivity, and possible affiliation with another hospital or national chain of voluntary hospitals. He indicated that Webster Hospital, given its size, was no real threat to MCH. He also said that he has every confidence in the national search

firm he has retained to fill the director of nursing position. When asked to describe the potential for union activities in the hospital, he stated, "Any movement in this direction should be curtailed when I find the right person to head up nursing."

When asked to describe MCH's primary strength, Higgins said there were two—the medical staff and the board. In contrast, when asked to list the primary threats, he indicated that less of the area's population appears to have adequate hospital insurance and that rates paid by the state for Medicaid and the federal government under Medicare were making it difficult to prosper. When asked his strategy to cope with these rates, he said, "It's simple. We will continue to strive for good inpatient occupancy and lower our operational costs throughout the hospital. Although the board has required that I bring all plans to them, they have generally approved everything." Although he was concerned that a national for-profit firm has recently purchased a hospital just east of Capital City, he sees no local consequences associated with this decision.

Quotes from his recent interview include "Our hospital wants to be the low-cost, high-quality provider in the area. We need to reduce our inpatient capacity in the future and be much more creative than we have been concerning physician recruitment and retention." When asked about the financial health of the hospital, Higgins said, "We are very conservative; we don't like to carry too much debt. While our building is getting old it is still modern, and we have the most up-to-date technology for patient and medical care."

SENIOR VICE PRESIDENT FOR FINANCE AND CHIEF FINANCIAL OFFICER

John O'Hara has been employed in this position for nine years. His education includes an undergraduate degree in accounting from State University and a master's in business administration from an eastern university. He is a certified public accountant and an active member of the Healthcare Financial Management Association (HFMA). Previous positions include being vice president for finance for Seneca Hospital (NY) and assistant controller at two hospitals in New England. He has more than 25 years of professional experience.

Since arriving at the hospital, O'Hara has revised and updated many financial practices. On six different occasions he has received special commendations for excellence from the board, most recently for upgrading telecommunication services in the hospital at a reduced cost. When asked about future plans and priorities, he mentioned that the hospital needed a better financial information system that could link financial and patient care data; he is preparing a request for proposal for the management team to review and take to the board. He also mentioned that he believed that the hospital's relationship with Regional Blue Cross as well as other insurance companies would remain as harmonious as it has been in the past. O'Hara negotiates all contracts with physician professional associations (e.g., radiology) having a contractual relationship with the hospital. He has

led hospital efforts to employ hospitalists beginning in 2012 and the selective purchase of medical practices by Medical Practices Subsidiary (MPS), Inc.

O'Hara recently reported that the most recent Centers for Medicare & Medicaid Services (CMS) calculated case mix index for the hospital was 1.5250. He indicated that MCH is following the pattern of most hospitals nationwide with this index increasing slightly over the past five years. He also mentioned the need for a budgetary process that was based on budgeted units of services in contrast to full-time equivalent (FTE) employees. O'Hara does not appear to be well liked by employees in the hospital. He has been responsible for the implementation of the hospital's plan to downsize its inpatient acute care capacity. Often he has been blamed by current and former employees for decisions to terminate or reassign staff in keeping with this plan, a plan he contributed to but that was designed and approved by Higgins and the board.

He is currently chairing a special management and medical staff committee to examine a hospital managed care plan (HMO or PPO) and different approaches to meet expectations established by recent federal legislation, including accountable care organizations. A report is expected in three months.

O'Hara serves as the chief financial officer for the hospital and reports to Higgins. He has responsibility for the hospital admitting department and the business office. He is also CEO of MPS, Inc., which owns and manages select medical practices of affiliated physicians. MPS is owned as a for-profit subsidiary of the hospital with its own board of directors.

O'Hara regularly attends all MCH board meetings.

SENIOR VICE PRESIDENT FOR INFORMATION SYSTEMS AND CHIEF INFORMATION OFFICER

Mabel Watkins was appointed to this position four years ago and is charged with implementing the new electronic medical records system. This system includes the hospital and all owned medical practices. Prior to joining the management team, Watkins was deputy CIO for a major medical center in a midwestern city. She was born in Jasper and earned her undergraduate degree in computer science at state university and MBA at a private eastern university. She has approximately 15 years' experience in hospital IT and is a member of the College of Healthcare Information Management Executives (CHIME). She manages all aspects of the internal information technology (IT) infrastructure and is also responsible for IT system security. She also co-chairs the hospital's task force on meaningful use.

When interviewed, Watkins stated, "Our electronic health record system is one of the reasons we have qualified for the maximum financial award every year since 2012 under the federal meaningful use criteria. Our system is changing how and what information we capture as well as our clinical and medical practice. Given the significant investment

we made in acquiring and implementing the system it has to lower our operational costs. I believe it is beginning to show progress." Every year the hospital has participated in the federal meaningful use program, it has qualified for the maximum financial award. Watkins also indicated that some of her most difficult challenges include the number and types of vendor and service contracts her office manages, assessing the value of new technologies, and staying in compliance with regulations and best practices for securing protected health information (PHI). Direct reports include the department of medical records and the offices of IT systems services, IT grants and contracts, IT system security, and telecommunications.

VICE PRESIDENT FOR PROFESSIONAL SERVICES

Rob Stewart has held this position for 15 years. He had previously been assistant administrator for professional services for seven years. Stewart holds both an undergraduate and graduate degree in health administration from a southern university and is an active member of ACHE. He also served six years in the US Air Force Reserve (Medical Service Corps).

Stewart first came to MCH as part of his administrative residency requirement for his graduate degree. He has held a number of management positions in the hospital. During an interview, Stewart indicated that he had recently presented a plan to Higgs for the adoption of a formal guest relations program. He reports to Higgs and is responsible for the following departments:

- ◆ Dietary
- ◆ Pharmacy
- ◆ Physical therapy
- ◆ Occupational therapy
- ◆ Recreation therapy
- ◆ Speech therapy
- ◆ Social services
- ◆ All outpatient departments and services, including the emergency department.

He is also chairman of the hospital disaster planning committee and serves on committees of the State Hospital Association.

During a recent interview he expressed hope that the medical staff would become more realistic in their view of administration, and he felt that the hospital should seriously consider providing certain services off campus. While he indicated that he was disappointed that the hospital has elected not to provide contractual therapy services to area nursing homes—a plan he worked on for more than a year—he understood that “other priorities need attention first.” He also indicated that “that past five years have been the most difficult” of his career and that too often “good employees had to be dismissed or reassigned because of the changes in the hospital sector.” When asked to describe exactly what he does in the hospital, he said he spends most of his time working with department heads “in their offices,” and he looks forward to his new project of establishing a more effective quality assurance/total quality management program.

ASSOCIATE VICE PRESIDENT FOR OPERATIONS

Ted Beck joined MCH as a billing clerk when he graduated from high school 24 years ago. Since that time he has held positions as accounts receivable manager, director of purchasing, and most recently, director of the business office. He recently completed his undergraduate degree in health administration at State University. After the retirement of Hank Wrench last year, Beck was appointed assistant administrator for operations and promoted to associate administrator six months ago. Beck is a member of ACHE and plans to complete his certification exam within two years. For the past three years, employees have voted Beck the “Outstanding Supervisor.” He is currently developing a plan for shared laundry services with area nursing homes.

He reports to Higgens and has responsibility for the following departments:

- ◆ Parking and security
- ◆ Engineering and maintenance
- ◆ Housekeeping
- ◆ Laundry
- ◆ Purchasing, materials management, and supply chain management
- ◆ Human resources

When interviewed, Beck indicated that he had just completed the plan and new job description for the director of human resources position, vacant since the recent resignation of Sally Simmons. Under his plan the new hire will be called the assistant administrator for human resources and will report directly to Higgens. Beck also indicated that, given the range of his current duties and associated details, he has just about enough time

to check that each of his departments is running smoothly. Although he is busy, as acting director of human resources he does all exit interviews. When asked to characterize the nursing department, he expressed confidence that a new director in that department could solve any problems and that LPN substitution for RNs who resign has been an effective policy in curtailing financial increases.

Beck indicated that Simmons really resigned as director of human resources over the issue of outplacement services not being provided to terminated employees. Although Beck said that Simmons had a valid point regarding the hospital's responsibility to loyal employees, he supported O'Hara's position that MCH could not afford to spend money on employees it no longer needed. Beck also said human resources was a complex area that he did not fully understand, and he was looking forward to hiring a qualified replacement quickly.

It should also be noted that Beck has strongly urged MCH to affiliate with a national voluntary chain of hospitals to access joint purchasing services. His recent analysis shows that the hospital could save up to 8 percent on medical supplies if it were to change its purchasing affiliation to a large national chain. A consultant noted that the development of a state-of-the-art supply chain management program could lower inventory costs by 11 percent and reduce warehouse space by 25 percent. According to Beck, "Supply chain management needs to become a major priority."

ASSISTANT VICE PRESIDENT FOR HUMAN RESOURCES

This newly created position is currently vacant. A regional search and consulting firm has been retained to identify qualified candidates. The hospital has indicated that it would consider changing this position to a vice president with direct report to Higgins. Sufficient funds have been budgeted to support this position and a small staff.

VICE PRESIDENT FOR NURSING

This position is currently vacant. A recruitment firm has been retained to identify qualified candidates. In addition to having a high degree of professional nursing experience, candidates must have demonstrated administrative talents. To date, no internal applications have been received. Two candidates identified by the recruitment firm were recently interviewed. One candidate withdrew before any decision could be made. The other was not retained based on her limited management experience. On recent consultation with the recruitment firm, Higgins informed the board that this position probably would remain vacant for at least another six months.

This position reports to the administrator and has responsibility for all in-patient nursing services in the hospital, including ICU/CCU and pediatrics, maternity, general medical-surgical services, and central surgical supply as well as the department of education.

Janet Martin, RN, director of education, is currently acting director of nursing. Martin has held her position as director of education for the past 20 years. She is a graduate of the Middleboro Community Hospital School of Nursing and holds an undergraduate degree in nursing and a master's degree in nursing education from State University. Combining 36 years' experience between nursing and education, Martin has held a variety of nursing positions at MCH, including staff nurse, charge nurse, evening nursing supervisor, and night nursing supervisor. On three different occasions, she has been acting director of nursing.

Martin knows every nurse in the hospital. She is very well liked and known to listen to her department heads, charge nurses, and head nurses. She indicated, however, that she still feels very uncomfortable with administration. While all department heads in nursing were relieved when Martin (again) agreed to become acting director, some indicated that Martin really was not qualified for the position on a permanent basis. One even stated, "She really doesn't have the ability to present our position. She just implements what administration tells her to do."

Martin recently informed Higgs that she would retire in six months.

The director of education is responsible for ensuring that all nurses remain proficient in professional practice. In-hospital seminars and workshops are provided. The director also serves as the liaison official with the nursing department and their student nurses from State University. In the past Martin has declined the opportunity to apply for the director of nursing position. When interviewed, she indicated that the hospital needs to listen to its nurses, attract a "good" director of nursing, and provide staff nurses more opportunity to influence patient care practices. Martin also said she "believes that team nursing, in contrast to primary nursing, was being forced on the hospital by the availability of qualified and experienced registered nurses and economics." She also indicated that she felt obligated to (again) become acting director of nursing to help the hospital.

The vice president for nursing reports to Higgs and supervises the following services:

- ◆ Pediatrics
- ◆ Maternity and nursery service
- ◆ All medical and surgical units
- ◆ ICU/CCU
- ◆ Nursing education and staff development
- ◆ Nursing quality assurance

- ◆ Case management services
- ◆ Central sterile supply
- ◆ Operating rooms

Until 2010, the vice president for nursing also managed all outpatient clinics and the emergency department. As part of the plan to downsize the inpatient capacity of the hospital and adjust to an increase in the demand for outpatient services, responsibility for these units was transferred to the associate administrator for professional services.

The vice president for nursing and the hospital's medical director, Dr. Fred Limpey, regularly convene the hospital's CMS Core Measures Working Group. Other members of the committee include Hazel Webster, RN, director of quality programs, and Candace Mathews, RN, director of case management. This group examines all CMS quality data furnished to the hospital by the area Quality Improvement Organization and institutes appropriate actions. This group also measures and monitors other specific quality measures. Eighteen months ago this group, working with a consultant, implemented a formal quality improvement program to prevent:

- ◆ Ventilator-associated pneumonia (VAP)
- ◆ Central line-associated bloodstream infection (CLABSI)
- ◆ Surgical wound infection (SWI)

Each program involved a specific bundle of services, policies, and procedures that constitute an evidence-based standard of care. For example, studies indicate that 5.3 CLABSIs occur in ICU per 1,000 catheter days and that approximately 18 percent of CLABSIs result in death. Studies indicate that VAP occurs in up to 15 percent of patients receiving mechanical ventilation. Whenever the bundle of required services, policies, and procedures is not fully implemented, the Core Measures Working Group determines the facts surrounding the case and reports its recommendations to the administrator for implementation. Frequently it must determine whether the problem is with a system or with a specific nurse or physician adhering to clinical protocols. Since implementing the standards, the occurrence of VAP, CLABSI, and SWI has declined by at least 65 percent.

SPECIAL ASSISTANT FOR PROFESSIONAL SERVICES

Marie Calley is a recent graduate of the health and hospital administration program (MBA) at a private eastern university. She has held this position for six months, having

moved back to Middleboro nine months ago when her husband accepted a position with the law firm of Giles, Giles, and Drew. She reports directly to Higgens. Calley also holds an undergraduate degree in English. While in graduate school, she studied with one of the leading academic experts in hospital strategic planning. Her previous professional experience is limited to a two-year residency at Coastal Medical Center (450 beds) in a major western city. Calley recently applied for membership in ACHE.

Calley is responsible for the operation of three departments: radiology, laboratory, and anesthesiology. Based on a recent positive evaluation, Higgens has taken her off probation, a condition for any new employee. When interviewed, she indicated that she hopes to learn more about her departments and ensure that budgets are adhered to. Medical terminology and requests for new equipment she "really does not understand" have often sent her "back to the books," and she still seeks help from Higgens. She feels the hospital needs to develop a formal marketing program and says the physicians she deals with are clearly committed to the goals of the hospital.

Calley believes that other women employees perceive her as the "young professional woman role model" in the hospital, a status she says she is somewhat uncomfortable with. She feels she made the right decision to refer a group of concerned employees to Beck as acting director of human resources to share their views about the need for a day care program for dependents of hospital employees. She is a graduate of the local high school. When asked to characterize the hospital, she said it resembles a textbook case, "a 'good' hospital beginning to run itself as a 'good' business." While she understands the distress many employees feel about the recent changes in this hospital, she said that "most just do not understand, we have to adjust to changing demands and work cooperatively with our medical staff if we are to remain a viable hospital in the future."

DIRECTOR OF VOLUNTEER SERVICES/PUBLIC RELATIONS

Janet Stock has held this position for the last four years. She holds an undergraduate degree from State University and has previously served as director of volunteer efforts at the American Red Cross Chapter in Capital City. Stock is known for her ability to attract and retain volunteers from all facets of the community. Under her direction the hospital volunteer and auxiliary programs have been expanding.

She is also responsible for media relations and the preparation of the hospital's annual report. She reports to Higgens and has said if he reassigns her to report to anyone else, she will resign. When interviewed, she indicated that hospital volunteers were getting harder to find. She also noted that hospital advertising has limited her ability to place hospital stories in the local newspaper. The mayor of Middleboro recently awarded her a community citation for her demonstrated effort involving the Middleboro Hospital Baby Car Seat Program.

THE MEDICAL STAFF AND MEDICAL RESOURCES

The active medical staff has 172 physicians, and the general medical staff has 9 hospitalists. Physicians with “consulting” status on the medical staff must maintain “active” status at Capital City General Hospital, University Hospital in University Town, or another hospital. Appointment to the medical staff requires that the physician be board certified, unless granted a formal waiver based on 20 or more years of affiliation with MCH.

ANESTHESIOLOGY

The hospital maintains a contractual relationship with Anesthesiology Associates of Middleboro (PA) to provide all needed services. Dr. Frederick Mask is president of this professional association and chairperson of MCH’s anesthesiology department.

EMERGENCY MEDICINE

The hospital maintains a contractual relationship with Emergency Medical Associates of Middleboro (PA) to provide all needed services. Dr. Simi Hines is president of this professional association and chairperson of this department.

DEPARTMENT OF FAMILY PRACTICE

This department includes physicians in private practice. Dr. Joe Apple is chairperson of this department.

DEPARTMENT OF INTERNAL MEDICINE

This department includes physicians in private practice in various specialties, including general internal medicine, pediatrics, allergy and immunology, cardiology, gastroenterology, ENT, psychiatry, oncology, and hematology. Dr. Godfrey Hurt is chairperson of this department.

DEPARTMENT OF PATHOLOGY

The hospital maintains a contractual relationship with Pathology Associates of Middleboro (PA) for all needed services. Dr. Douglas Mushroom is the president of this association and the chairperson of this department.

DEPARTMENT OF RADIOLOGY

The hospital maintains a contractual relationship with Radiology Associates of Middleboro (PA) for all needed services. Dr. Adam Picture is president of this association and the chairperson of this department.

DEPARTMENT OF SURGERY

This department includes physicians in private practice in various specialties. Dr. Limpey is the chairperson of this department.

DEPARTMENT OF HOSPITAL MEDICINE

The hospital currently employs nine physicians trained in internal medicine to provide in-house 24-hour care and services as hospitalists. Although hospitalists are members of the general medical staff and eligible for committee appointment, based on the medical staff bylaws hospitalists cannot admit nor vote on medical staff resolutions. Hospitalists are scheduled by the medical staff coordinator.

MEDICAL STAFF ORGANIZATION

Dr. Mask (department of anesthesiology) is president of the medical staff, a position he has held for the last two years. The president is elected every two years. No additional compensation is received for service as an elected officer of the medical staff. Dr. Carlos Leatros (department of pathology) is vice chair. At the last meeting of the medical staff, physicians currently located in the medical office building presented a letter asking that "the medical staff recommend to the hospital that the hospital work with the physician owners to upgrade and expand facilities and that the building be enlarged to accommodate even more members of the medical staff." After discussion it was decided that this issue was not a medical staff issue and that the current residents of the medical office building should directly communicate their request to Higgins.

Dr. Limpey (department of surgery) is employed part-time by the hospital as the medical director and chief medical officer. He provides staff support to all medical staff committees and assists the administrator on special projects. For example, he chairs the monthly meeting of the CMS Core Measures Working Group.

Standing committees of the medical staff include:

- ◆ Bylaws Committee
- ◆ Cancer Committee

- ◆ Credentials Committee
- ◆ Critical Care Committee
- ◆ Education Committee
- ◆ Emergency Services Committee
- ◆ Executive Committee
- ◆ Hospitalist Practice Committee
- ◆ Medical Records Committee
- ◆ Pharmacy and Therapeutics Committee
- ◆ Quality Assurance Committee
- ◆ Tissue/Transfusion Committee
- ◆ Utilization Review Committee

The executive committee of the medical staff meets monthly or as needed. Other committees meet monthly. The entire medical staff meets quarterly. Recredentialing is done at the annual meeting of the medical staff.

Dr. Raymond Samuels (pediatrics) has recently written to the medical staff indicating that he would like to be considered for election as president. Without criticizing the performance of the incumbent, Samuels wrote that the interests of the medical staff would be better represented by a physician in private practice, not a physician in a hospital-based practice such as anesthesiology.

OTHER INFORMATION

EMERGENCY DEPARTMENT SPECIAL STUDY

The hospital has just received a report from the Department of Health Services Management at State University that included the following information on the MCH emergency department.

Emergency Department Demand by Day of Week	Percent
Sunday	22.3
Monday	13.2
Tuesday	9.2
Wednesday	7.2
Thursday	9.0
Friday	12.8
Saturday	26.3

Demand by Time of Day

12:00–2:00 a.m.	12.5
2:00–4:00 a.m.	9.8
4:00–6:00 a.m.	5.9
6:00–8:00 a.m.	9.6
8:00–10:00 a.m.	3.7
10:00 a.m.–12:00 p.m.	2.3
12:00–2:00 p.m.	3.5
2:00–4:00 p.m.	4.2
4:00–6:00 p.m.	7.6
6:00–8:00 p.m.	9.5
8:00–10:00 p.m.	12.6
10:00 p.m.–12:00 a.m.	18.8

Source: Three-month study, 12/31/CY

Type of ED Care %	3:00 p.m.–11:00 p.m.	11:00 p.m.–7:00 a.m.	7:00 a.m.–3:00 p.m.
Emergency	3.1	12.5	4.4
Urgent	32.6	36.2	48.3
Nonurgent	64.3	51.3	47.3
Total	100	100	100

Emergency Department Patients by Age (%)	Male	Female
Under 15	14.4	10.4
15–24	11.4	7.8
25–44	19.6	14.0
45–64	6.4	6.4
65–74	1.7	2.3
75 and older	1.5	4.1
Total	55	45

Source: Three-month study, 12/31/CY

This study also documented the growing problem associated with psychotic patients and other patients in need of acute mental health services. Frequently these patients must wait in the emergency department for extended periods of time before they can be transferred to appropriate service providers. The state hospital in Capital City is the closest facility that accepts involuntary emergency admissions. Local services only provide outpatient services. The report documents that within the past year, four patients waited more than three days in the emergency department before transfer and on five days, mental health patients awaiting transfer occupied 12 of the emergency department's 27 beds.

This information was collected as part of a pilot study to determine appropriate emergency services in communities served by two or more emergency departments. This study suggests that current operational costs in the emergency department are approximately 18 percent above costs incurred in similar hospitals with similar utilization. During 2014, approximately 12 percent of emergency department visits resulted in a hospital admission.

RESULTS OF THE BOARD RETREAT

Approximately six weeks ago, the board and senior management team gathered for a special two-day strategic review of the hospital. Strategic Visions, Inc., facilitated the retreat sessions. The retreat was organized after board chair Michael Rich and vice chair Peter Steel each attended a national meeting of the American Hospital Association on strategic options for community hospitals. Both Rich and Steel returned from this meeting with specific questions regarding whether the hospital should develop off-campus services, acquire and operate additional medical practices, and affiliate with other service providers, including the possibility of an asset merger or sale to a for-profit corporation. Given the nature of topics discussed, the board has agreed not to publicly discuss these topics until the full board has had the opportunity “to better understand and address the strategic options it faces.” The board has asked that management continue to assess the implications of the Sarbanes-Oxley Act and other relevant laws and regulations on hospital governance.

The board, meeting without senior managers, also discussed whether the compensation package for the president should include financial incentives linked to financial and quality measures. The board agreed to continue this discussion and has asked the state hospital association for examples of contracts used at other similar hospitals. The retreat served to convey to the entire board the significance of these issues as well as other issues it faced, including the following:

CHANGE IN CERTIFICATE OF NEED LAW

Harry Water, a trustee and an elected member of the state legislature, has been asked by the governor to introduce legislation that would deregulate the healthcare system and allow the current Certificate of Need (CON) law to lapse at the end of 2016. Water has shared with the board that he feels that, with the governor’s endorsement, this legislation would be successful. He is concerned, however, that the demise of this legislation would allow hospitals and other currently regulated healthcare providers to move into new markets, such as Jasper. Water also shared with the board that he feels the governor could be convinced to delay the demise of the CON law until the end of at least 2018 if he were furnished with compelling reasons.

The leadership of the hospitals in Capital City and other major cities in the state strongly support the demise of the current CON laws and the community hospitals in suburban and rural areas generally want the law retained.

Water has asked the board for its views on this law and has asked Higgins to furnish the entire board with a legal opinion on whether federal antitrust laws and regulations would constrain other hospitals from attempting to serve Jasper and other communities traditionally served by MCH. Higgins has asked the hospital counsel—Giles, Giles, and Drew—to furnish this opinion within 60 days. The state hospital association has reserved

any judgment on the CON law until “after the specific legislation has been introduced.” Higgins reported that he felt that this association will be unable to present a unified position given the split sentiments of its constituents on this statute.

SINGLE-OCCUPANCY INPATIENT ROOMS

Higgins has suggested the hospital hire a consulting firm to assess whether single-occupancy inpatient rooms are possible and desirable. He feels that it would give the hospital an advantage over its competition without any significant changes in staffing or expenses if the hospital implemented such a plan over a five- to seven-year period. When he presented this idea to the board he indicated that inpatient hospital admissions rates were continuing to drop and average length of stay also was stable or dropping, indicating that a larger number of hospital rooms could be configured for single occupancy. The board wants to consider this idea. Note that current double-occupancy rooms dedicated to maternity services can be modernized for \$100,000 each, regardless of whether they are to be single or double occupancy. Current medical surgical rooms can be converted to single- or double-occupancy birthing rooms for \$115,000.

STRATEGIC VISIONS' RECOMMENDATION

Strategic Visions, Inc., recommended that the hospital consider developing a 25-bed critical access hospital and rural health center in Harris City to serve Harris City, Minortown, and Carterville. Such a facility could meet the federal requirements of the Medicare Rural Hospital Flexibility Program. The 25 beds would be dual-licensed as acute swing beds. The adjacent rural health clinic could house primary care physicians directly employed by the hospital. Higgins has not yet taken this suggestion to the board.

MEDICAL OFFICE BUILDING OPTIONS

The attorney managing the estate of the landowner (who originally leased the land to the hospital) has recently informed the hospital that this land will be bequeathed to the hospital as a result of the owner's death last month. This move creates a series of options, as the land and structures could be exempt from local taxes once they are owned by the hospital. O'Hara is currently developing a series of options to be considered.

IRS 990 DISCLOSURES

The recent release of the IRS Form 990 indicates that the 2014 salaries for the ten highest paid hospital employees are as follows: