

Valley County Health System (VCHS) New Hospital Project Frequently Asked Questions (FAQ)



Q: Why does VCHS need a new facility?

A: Space and Obsolescence – Our current facility was designed for healthcare delivery in the 1960s. Technology advancements have led to the evolution of many new medical services. This means healthcare facilities need more space to provide those services to meet patient, physician and staff expectations.

The shift from inpatient to outpatient services and an increased need for preventative and rehabilitation treatment have also made a significant impact on space utilization.

The current hospital facility was dedicated in 1964 and contains 32,000 square feet of space. VCHS has determined that a facility with 67,000 square feet is needed to meet and maintain progressive healthcare standards for generations to come. The hospital is completely out of space now and continually deals with the inefficiencies of having professional and support staff housed in separate locations. Bringing everyone together under one roof will be a significant boost to productivity, efficiency and satisfaction levels.

Increased privacy and safety – We also want to offer patients private rooms with private bathrooms. The current facility lacks flexibility in meeting privacy requirements for admission and hospital stays. In addition, the parking lot is undersized and difficult to maneuver, especially during colder months.

Recruitment and retention – Updated facilities that meet modern standards will enhance VCHS's ability to attract and retain quality healthcare professionals and specialists. The clinic will be housed in the new hospital and will be twice its current size with all the modern amenities to house a complement of six to eight medical physicians and providers.

Because of these and related issues, VCHS must have more and better space in order to deliver optimal healthcare today and in the future.

Q: Why can't the current facility be renovated?

We have previously determined that renovation and expansion of the current facility would be cost prohibitive, given the alternative of building a completely new facility.

Hospital renovation means building around supports and other structural impediments. In addition, off-site construction eliminates disruption of services and day-to-day operations, decreased productivity and concessions by patients. The asbestos issue alone would be a huge workaround considering delivery of 24/7 patient care.

Finally, renovation means complying with the same building codes that are applicable during new construction. That leads to large expenses redoing and modernizing existing infrastructure.

Q: What is the size and cost of the new hospital?

A: The hospital will be 67,000 square feet and will be built at a cost of \$19.5 million. This figure includes site acquisition, architect/engineering fees, construction services and costs. The budget also includes \$1.3 million in equipment and furnishings. Much of our modern, moveable medical equipment will be moved from the current hospital.

In addition to creating more space for existing services, personnel and equipment, the facility plan allows for future expansion as well.

Q: Where will the new hospital be located?

A: The new hospital will be built directly west of the existing hospital, facing the intersection of Highways 11 and 70. This gives us the opportunity to build a new healthcare destination for services and care in a very visible physical destination in direct sight of the busiest intersection in Valley County.

Q: The bond issue is for \$21.265 million. What is the difference between construction and bond costs?

A: The difference is the amount of interest to be paid during the period of construction.

Q: How much will this cost taxpayers?

A: Nothing. The projected revenues of VCHS are expected to be sufficient to pay annual principal and interest on the bonds and create a positive operating margin (profit).

Q: Then why does the wording on the sample ballot for the new hospital indicate a tax levy of 50¢ per \$100 of taxable value when we are being told that our taxes would not increase?

A: Municipalities issue two types of bonds, General Obligation bonds and Revenue bonds. We will be issuing General Obligation bonds which are defined as “backed by the taxing power” of the governmental entity.

The ballot language legally must be worded as follows: “Shall the County Board cause to be levied and collected annually a tax upon the valuation of all the taxable property of said County, which may exceed the County’s constitutional limitation for levying taxes of 50 cents per \$100 of taxable value, sufficient to pay the interest and principal of said bonds as the same become due and payable.”

This simply is the collateral or security interest statement required so that **IF** Valley County Health System is unable to pay any portion of the principal and interest then taxes can be levied. We do not anticipate any tax subsidy for this project. As we’ve stated many times, if this project is not financially viable on its own, then it would never go forward. We believe, as demonstrated by our current and projected operations, that the cash

flow generated by this project will pay all the bills, plus the principal and interest payments, and leave us with a three to five percent profit.

Q: What about hospital charges? Will they go up to help increase revenue to pay for this project?

A: The project costs will not be recovered from increases in hospital charges. While rates will continue to be reviewed on an annual basis, with adjustments made as appropriate, they will not be increased at an accelerated rate to service the debt for this project. VCHS is striving to keep healthcare affordable by remaining competitive with other healthcare facilities.

Q: Is the cost in keeping with industry standards?

A: Although the total project cost is significant, it is well within industry standards for new healthcare construction projects.

Q: What is a Critical Access Hospital?

A: A Critical Access hospital (CAH) is a hospital that is certified to receive cost-based reimbursement from Medicare. The reimbursement that CAHs receive is intended to improve their financial performance and thereby reduce hospital closures.

Q: How many CAHs are there and where are they located?

A: As of August 2007, there were 1,283 certified Critical Access Hospitals located throughout the United States which includes Valley County Hospital. CAHs must be located in a rural area and can be no closer than 35 miles to another hospital.

Q: How many CAH hospitals have closed since the CAH program was enacted in 1997?

A: To our knowledge, only six CAHs have closed. In five of those six cases, respondents "felt that the closure resulted from poor management/administration." Closure of any necessary provider would pose a threat to the health of residents in an area. The board and administration at VCHS are committed to the progressive, profitable and sustained healthcare in Valley County that a new facility will provide for generations to come.

Q: What do our CAH peers say?

A: According to a National Rural Healthcare Association survey, CEOs of 39 new Critical Access Hospitals were surveyed. The summary responses pertained to the effect a new hospital had on operations and statistics compared to the old facility:

"Inpatient and outpatient growth exceeded expectations."

"Ten percent overall growth in patient and diagnostic volumes."

"Higher staff productivity helped to hold down operating costs."

"Replacement opened new opportunities to improve clinical processes."

"Building design and outcome improvements reduced incidence of infection, increased patient safety and enhanced surgery outcomes."

"New facility helped to meet tightened federal regulatory rules."

"If we didn't replace the hospital, we wouldn't be here today. We could not stay competitive in the old hospital."

"It would have cost more to renovate the existing facility than to build a new one."

Q: What is the industry perspective on this strategic move?

A: When carrying out their fiduciary responsibilities, hospital boards of directors and chief executive officers must strike a delicate balance between attending to the institution's critical short-term demands while planning

for its long-term financial and facilities needs. The decision to replace an existing facility is among the most complex challenges a hospital board and management team will ever face. Hospital leaders must exhibit tenacity to overcome community anxiety about perceived risks and adopt creative approaches to facility design and planning.

Q: What are the chances of the government changing funding for Medicare/Medicaid so that our Critical Access Hospital designation is lost along with reimbursement?

A: The CAH program makes up a small percentage of the total budget for Medicare/Medicaid. Eliminating the program would not change the programs expenditures much and would be politically unpopular as the CAH program has strong support.

Q: How many beds will the replacement hospital have?

A: Sixteen private rooms.

Q: Which hospital services will be located in the new facility?

A: All hospital services will be located in the new facility with the exception of Valley View Living Center and The Heritage Program for Senior Adults. These will remain at their current locations.

A new hospital will allow for consolidation of diagnostic and outpatient services in one location. This will be especially evident with an on-site medical clinic.

Q: Why won't Valley View Living Center be located in the new facility?

A: Our financial feasibility shows that our reimbursement for patient services would favor leaving the long term care facility in its current location and not attaching a new facility to the new hospital.

Q: How long will the construction take?

A: Our architectural firm expects the project to be completed by the fall of 2010.

Q: Will local companies and workers be hired.

A: Yes. It is in everyone's economic interest to fit local contractors into this project.

Q: Will VCHS offer any new services once a new facility is operational?

A: Initially, we will continue to offer the same services that are offered now. However, these services will be offered more efficiently and comfortably for patients. For example, patients will have private rooms and clinic patients will be able to walk down the hall to get a test, rather than going to another building.

We will continue to review our services and offer new services if they are needed by residents in Central Nebraska.

Q: What about permanent jobs? Will any new jobs be created with a new facility?

A: Not immediately. This new building will allow employees to become more productive and efficient than they are able to be in the current facility. However, as new service expansion occurs with opportunity, we will add staff as needed.

Q: Besides housing Valley View Living Center, how will the current facility be utilized?

A: During the two-year period of construction, we will involve the community in the best and most practical use of the old hospital. Some options include renting out portions for a variety of public or private office uses. We believe at this point that the Zlomke building – which currently houses support services and Home Health/Hospice staff – will be vacant and available for sale. Home Health will probably be headquartered in the current facility. We may use the current physical therapy space for a community fitness and wellness center.

Community daycare is another consideration. The current hospital will not be a financial burden and it will not be demolished; rentals will provide a revenue source.

Q: How will Emergency Services be enhanced by a new hospital?

A: Valley County Hospital is one of 30 hospitals in Nebraska with a designated trauma unit. We are recognized as providing exceptional ER services including an immediate telemedicine connection with our affiliated hospital in Kearney. We have three paramedics on staff, 24/7 physician coverage and, since we manage the transport ambulance service for the County, we have two ambulances available for transport. In extreme cases, we utilize helicopter service and are the largest user of helicopter services in a 15-county area.

Emergency services will be expanded to include an enclosed arrival garage, expanded treatment and triage areas and immediate access to a well-equipped, modern laboratory and radiology diagnostic center.

Q: Will there be kitchen and laundry in both structures?

A: Yes.

Q: What is your estimate on the increase in revenue this new facility will bring to the area?

A: We have been conservative in our growth estimates for purposes of evaluating the positive financial feasibility of the new hospital. However, based on a study of 39 new Critical Access Hospitals, inpatient utilization increases an average of eight percent and outpatient utilization increases an average of 15 percent in the first year. These additional services increase revenue over current levels.

Q: How will building a new hospital stimulate our local economy?

A: Note the answer above. Valley County Health System employs 250 people and is the largest employer in Valley County with an annual payroll of \$8 million and net revenues of \$15.5 million. Most of these dollars stay in the immediate area. One job created in the healthcare sector of Valley County leads to the creation of another 0.50 jobs; one dollar of income leads to another 0.40 of income; and one dollar spent leads to another 0.70 spent in other sectors of the County's economy, respectively.

Do you have other questions?

Submit your questions at our website www.newerainhealthcare.com or call 728-4347.