

Community general hospital



**ASSIGN
BUSTER**

Dr Noland Wright, newly appointed manager of Community General Hospital, sighed as he reviewed the hospital's financial records. He had been given the responsibility of leading the hospital's next steps, but was perplexed by the financial condition highlighted in the financial statements before him. His training was in medicine, not business, and he had recently taken early retirement. He had been talked into taking Community's reins by some old friends who live a few miles away from the facility.

Community General Hospital had initially begun in 1914 as Whittaker Memorial hospital, a community-run hospital serving the black population of Newport News, Virginia. To meet the needs of an economic expansion of the community largely due to increased commercial activity during World War II, the hospital expanded facilities and scope through federal funding. In the 1940's the hospital increased its census and gained accreditation by the America College of Surgeons. In the 1950's and 60's the hospital enjoyed a bustling business in the segregated health care industry.

With the advent of the desegregation movement in the 1960's, the hospital experienced several threats as black physicians gained the ability to admit patients to the large and better equipped traditionally 'white' hospitals in the area. The civic organization that governed the hospital began to be concerned for the hospital's survival. It was experiencing a falling census, a deteriorating reputation concerning the quality of its health care, and picked up the reputation of being 'public' hospital (which it was not).

While the City of Newport News was willing to help, it was unwilling to acquire full responsibility for the costs of a public hospital. During the 1970's,

the hospital drew on an emergency fund set up by the city. Throughout the 1970's, the hospital suffered from losses and bad debts. By 1982 the civic board that guided the hospital became inactive. The following year, the last of the segregation practices ended by court order at the large surrounding hospitals.

Few patients desired to be admitted to the small, modestly equipped hospital, preferring the larger, modern hospitals they now had access to. The hospitals ended 1983 with a \$402, 000 budget deficit. Suppliers began demanding cash payment for purchases. Employee layoffs, tightening of admission criteria, and refusal of non-paying patients were some of the steps taken to alleviate the dire financial situation. It was hoped that a new facility, new location and a future change of name to

Community General Hospital would help the hospital to survive. A \$15 million bond issue and \$1. 5 million in the community pledges the hospital to continue to operate. At the end of 1984 the fund deficit was \$749, 000. Private healthcare management firms were solicited for help, but these efforts were short-lived. In July 1985, Community General Hospital was dedicated, with a new facility and equipment, and a higher occupancy rate. Between 1979 and 1985, seven different administrators had been in charge of the hospital.

Continued losses after 1985, and continued difficulty in retaining continuous management, convinced the hospital's supporters to seek some solution to the ongoing problems. Political avenues were tried with some success, but did not last. The sale of the hospital to a doctors' investment group was

considered, but the hospital's supporters ultimately rejected the deal. By 1990 the debt was in excess of \$20 million. The ' board' of supporters agreed to file for bankruptcy. The Guarantor of the mortgage, the hospital continued to operate as the board sought affiliations with other area hospital.

The quality ratings for the hospital continued to suffer. In 1993 the hospital was granted its bankruptcy petition. HUD settled for \$4 million, and other creditors were held at bay. Political solutions for Community General's future were sought, but ultimately, did not help the hospital's condition.

Administrators were hired, but their tenures were short-lived. By mid 1996 the hospital was again running a large fund deficit and was seeking direction in what appeared to be a rather hopeless situation.