

Community general hospital case study

Business



As a student case analysis assignment the case is appropriate for an undergraduate Capstone course in business policy presented in the context of strategy for non-profits, single business strategy, or provenance topics, and for a senior or master's level course in health case management. While class presentation depends on the instructor's choice of scope of the subjects covered, a full discussion and analysis can be rendered within a 50 minute period. A student should anticipate a 2-3 hour commitment to complete the case questions.

Initiate Memorial Hospital is a small community hospital created to serve the health needs of the African American community in the early sass's.

The hospital has over time expanded but by the sass's has experienced declining demand and growing uncial problems which result in an attempt to reorganize under Chapter 11. The Hospital Director Dry. Bryant in 1995 has successfully led an attempt to save the hospital from a merger by contesting the authority of the sitting board and pledging to continue the hospital's operation as a community institution.

The case narrates in background the history of a unique American institution, the African American hospital, and traces through the case of Whitaker Memorial the complexities of surviving in a changed society. The case presents the hospital's difficulties with management, operations, and changed market conditions. As the original 'community' of the East End has changed by 1995 the issues of "Who is the community served by the hospital?" and "Who has a claim to govern the community hospital?" are raised and resolved in the narrative.

At the 1993 dedication of the W. Bernard Howard, Jr. Wing of the hospital the man for whom the new facility was named expressed to those assembled the collective worry of the East End community, “ We hope the situation is turned around. Personally, I am optimistic about the future of the hospital. We pray that the hospital will get even teeter as we move into the next century.

” Journal of the International Academy for Case Studies, Volume 12, Number 5, 2006
The situation in 1993 was that the hospital was in bankruptcy.

By November 1995 “ When the new Executive Director Dr. Bryant took charge after a divisive battle over direction and control of the hospital, mounting financial problems were mitigated only by the determination that the Director, the new board, and the community hospital would not close. Dr. Bryant’s commitment was that he would develop a strategy to save a long time, cherished community institution.

Whitaker Memorial Hospital was founded in 1908 in the East of Newport News.

The community was growing as a transportation hub for shipping coal mined in the Ohio Valley to an Industrialization nation and the concomitant demand for new ships built by the Newport News Shipbuilding and Dry Dock Company. Excluded from the nearby ‘ white’ hospitals, four African American physicians pooled their resources to rent a four room wood building to create one of the nearly twenty “ colored” hospitals that populated a “ Jim Crow’ nation. In 1914 the Whitaker Memorial Association was established as a

community, non-profit organization to provide governance and financial support to the hospital.

The By-Laws provided that a Board of Trustees would be elected to oversee the hospital and maintain community control. Within a year the Association had raised funds to construct a hospital building in the East End.

Like many of the African American hospitals a School of Nursing was created to train needed personnel. When it closed in 1932 the Nursing School had graduated 112 nurses. Because of shipbuilding demand and the area's important naval role, World War II increased the community's prosperity and population.

The federal Lankford Act providing funding of needy community projects financed the construction of a new 58 bed Whitaker Memorial Hospital in 1943. The hospital was accredited under the first set of national standards set by the American College of Surgeons and again in 1948 under new national standards of the Joint Commission on Accreditation of Hospitals (COCA) now called the Joint Commission on Accreditation of Healthcare Organizations (COACH). In 1956 the Whitaker Memorial Hospital Association rebuilt the hospital to a "state of the art" 81 -bed medical facility.

The \$628, 000 building was financed using a combination of federal Hill-Burton funds made available after World War II to improve the nation's system of health care and a matching share was raised by a City of Newport News bond issue. By the 1950's Newport News like most southern cities had become part of "the new South." African American physicians were active medical staff of the three larger, previously "white" hospitals. Affluent

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blacks had moved from the “ East End” into distant integrated, middle class and affluent neighborhoods.

Surrounded by impoverished neighborhoods Whitaker Memorial Hospital began to be identified as the “ public hospital”, a moniker that unfairly incommunicado inferior care for the indigent.

The hospital was financially impoverished also. By the end of 1984 the hospital’s costs exceeded revenues by \$749, 000. Demographic changes in the East End community were not the sole cause of the hospital’s declining position. Hospital care pricing at Whitaker Memorial had not kept pace with other community hospitals.

The region’s average daily charge for hospital care was \$456.

95 but Whitaker Journal of the International Academy for Case Studies, Volume 12, Number 5, 2006 85 Hose tall’s average daily charge was \$381 76, the lowest to all regional hospitals. There were allegations that the hospital did not charge for all services delivered and that some charges simply may have been lost in accounting. These were clear signs of management problems that the board thought would be reversed by contracting out administration to a nationally reputable management firm.

Despite cost cutting, layoffs, and tighter management of admissions the contracted national firm left Initiate Memorial after one year and recommended that the hospital affiliate or merge with one of the area’s larger hospitals. rhea hospital’s board thought differently. To escape the “

public hospital” image a new facility would be built at a different location and with a new name.

The 126-bed Newport News General Hospital opened in July 1985. To finance construction the old Inimate Memorial Hospital building was sold for \$960,000 and converted into a home for the elderly.

Nearly half of the money was used to pay off debts and half to help finance the new hospital’s construction. An additional \$1.5 million was contributed through a fund raising drive spearheaded by a prominent actor.

Another \$15 million was borrowed by selling bonds backed by the Federal Housing Administration. A “AAA” bond rating guaranteed that the bonds would be bought. The new hospital started with a \$136,000 monthly interest payment for the next twenty five years. NEW BEGINNING? The hospital’s financial health seemed to improve with a new name and a new administrator.

Although the hospital’s board planned to operate 126 beds administration decided to open only 80.

With an average of 64 inpatients General Hospital’s occupancy hovered at eighty percent, above the area’s hospitals average occupancy. The president of the hospital’s board announced, “ We feel the hospital as progressed. We feel that it has progressed by our own efforts. We believe that if En can maintain it that would be a credit to us – having an independent hospital. ” Noting that General Hospital was now one of a few remaining African

American owned and operated hospitals, he added: “ The trustees did not want to abandon that legacy.

At the end of the first year General Hospital reported a loss of \$184, 000 and the administrator left. The hospital board hired the city mayor as administrator to turn things around. To improve management systems a \$500, 000 main frame computer was purchased. To cut costs personnel were laid off, reducing hospital staff from 200 employees to 100. Except for the shipyard, the new General Hospital was the East End’s major employer and the community was in an uproar over the firings. Nurses that were not laid off protested management’s action by calling in sick and Nerve also fired.

Payroll checks were not cashed by banks due to “ insufficient funds”. rhea hospital’s mortgage payments were not being made. The number of patients at the hospital fell to an average of fifty inpatients. Over the next five years here was a stream of new administrators, plans for new cosmologies that failed to materialize, lawsuits to recover unpaid supplier bills, and an offer by a group of doctors Journal of the International Academy for Case Studies, on the medical sat tat General Hospital to buy the hospital The General Hospital board rejected the offer to sell preferring to keep the hospital under community control.

The Whitaker Memorial Hospital Association which was the original ‘ community,” however, had for some time become inactive by 1990. BANKRUPTCY ay 1990 the hospital reported \$20 million in debt.

Even the most ardent supporter understood that General Hospital was bankrupt. The hospital board acting for the Initiate Hospital Association filed <https://assignbuster.com/community-general-hospital-case-study/>

for bankruptcy under Chapter 11 which was granted in 1993. This provided relief from lawsuits from nearly 900 creditors. The bankruptcy petition showed a debt of \$22.4 million against assets of \$14.

6 million.

Since the mortgage was insured by the Department of Housing and Urban Development, the federal government assumed payments of the mortgage. There was over \$4 million in unsecured debt outstanding, but Chapter 11 enabled General Hospital to reorganize and develop a plan for future operations. The bankruptcy judge gave notice, "If everything else is equal, the people who want it must support it." For now General Hospital, formerly Whitaker Memorial Hospital, remained one of the eight remaining African American hospitals in the nation still alive. In the state there were only three remaining historically black hospitals left.

The closest, Dixie Hospital in nearby Hampton, had been sold for one dollar to Hampton University to be remodeled as a student dormitory.

BATTLE OF THE BOARDS The hospital board examined a number of options to reorganize the hospital. Converting to psychiatric care was not an option as it required outside approval for a different license and modifications of the building which were expensive. Unable to identify a clear niche for the hospital the board attempted a political strategy to bailout the hospital with government funding. This failed when Virginia voters rejected the hospital's Senatorial champion.

By 1995 General Hospital was in a continuing downward slope of declining occupancy and revenues and faced increasing debt. The hospital board's president and the administrator proposed that General Hospital ally and merge with one of the larger hospitals, Riverside.

As news of the proposal spread, opposition was immediate. Key members of the board stated that they were uniformed of talks with Riverside. Many in the community voiced opposition because they feared they would be without any medical care if Riverside closed General Hospital. Members of the medical staff filed suit against the board to forestall the merger.

Opposition members of the board, community activists and leaders joined in the suit to dissolve the hospital board. Dry.

Bryant as a prominent member of the hospital's medical staff assumed leadership of the opposition and took the position that the hospital board could not decide the fate of a hospital wend by the Whitaker Memorial Hospital Association. His group now Journal of the International Academy for Case Studies, Volume 12, Number 5, 2006 87 claimed to be the Whitaker Memorial Hospital Association and reclaimed community control over the hospital. He issue of which group, the sitting board or the opposition, could determine the torture to the hospital went bettor Circuit Court Judge Frank who returned to become entangled in reconstructing an eighty-one year history of the hospital's ownership. rhea Judge ordered both parties to come to a mutually agreeable resolution. The solution was an election of a new board under the 1914 By-Laws. The By-Laws of the Whitaker Memorial

Hospital Association simply required that members be “ of good moral character” and “ people of the community.

” In 1995 who were “ people of the community? In 1914 the issue was clear: African Americans living in the East End, segregated, racially homogeneous, income diverse section of Newport News. Influential members of both camps now lived outside this geographical area. Both sides agreed that anyone could register for membership in the Association at the hospital’s business office. Either side could challenge an application for membership. Once the membership was established, a meeting would be called to vote on By-Laws and elect an Advisory Board which, in turn, would elect a Board of Trustees responsible for hospital governance and management.

The opposition group headed by Dry. Bryant assumed control of the hospital in late 1995. If anyone could breathe life into General Hospital it would be this former military surgeon and prominent community leader. CURRENT OPERATIONS In reorganizing the hospital Dry. Bryant assessed its operations.

The Emergency Room (ER) was one of the first points of contact with patients. Of the 700 patient visits to the ER each month most cases were for minor ailments not requiring admission. While the ER was serving as a clinic, major injuries in the neighborhood were transported by ambulance to nearby, larger hospitals.

A study of bed utilization showed that of the 126 beds available, 98 were allocated to medical and surgical patients. Utilization of these beds has fallen to about 20 percent. Psychiatry was allocated 22 beds and demand was increasing largely due to drug abuse cases.

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Courts and community service groups in the region were referring patients to General Hospital for drug rehabilitation. The hospital charged \$650 a day for psychiatric care. Medicaid typically paid 85 percent of the hospital's bill for patients enrolled in the program.

Because these were indigent residents the balance of a hospital bill usually was unrecoverable. About 32% of the medical and surgical cases were covered by Medicaid. Medicare insured another 33% of patients who were on Social Security retirement.

While the government was reducing its payments under Medicare, General Hospital received full reimbursement of the costs of services provided under Medicare. The remaining 26 percent of patients were equally split between those covered by insurance and those that had no coverage.

Private insurance companies paid nearly all of the hospital charges as long as the services delivered met reasonable expectations for the kind of care needed. COMPETITIVE MARKET In 1995 the region was served by four hospitals (Appendix A). The largest Riverside Regional Medical Center located in Newport News was a 534-bed comprehensive, community hospital offering a broad spectrum of services in a modern, technologically sophisticated facility. It typically reported a 60% occupancy.

Closer to General Hospital, but located in the city of Hampton, was Senator General Hospital. Owned by a corporation with a multiple hospital system the Hampton hospital operated 237 beds, mostly medical and surgical services, with a 67% occupancy. The Hampton hospital building was aging and the <https://assignbuster.com/community-general-hospital-case-study/>

neighborhood was increasingly poorer. Senator had announced that it would be building a new, larger facility in another part of the city closer to more affluent neighborhoods and the city booming commercial district. General Hospital's third rival was the Catholic owned Mary Immaculate Hospital (MI).