

REPORT OF THE LIBERTY COUNTY COMMISSION HOSPITAL ADVISORY GROUP

January 21, 2009

“The Blue Ribbon Panel”, as the Hospital Advisory Group came to be known, was appointed by the Chairman of the Liberty County Commission in March 2008 to perform a non-biased evaluation of Liberty Regional Medical Center. The Panel was specifically charged with addressing the following:

- 1. What is the perception by the general public of the facility and services provided?**
- 2. Is the hospital adequately accountable to the general public?**
- 3. What is the most critical weakness of the Liberty Regional Medical Center?**
- 4. What are the most critical needs of the Hospital?**
- 5. Is the Hospital meeting its mission and objective in providing medical services to the Community?**
- 6. Can the Hospital remain a viable Hospital, providing the services needed under its present financial operation?**
- 7. Is privatization or private management a viable avenue in making the Hospital more financially successful?**
- 8. What are the best ways to deal with the growing concerns of indigent care, cost and funding?**
- 9. Are there any suggestions from the Panel related to operations that it feels need to be addressed in order to sustain operations of the facility?**

The panel held its first meeting in May, and elected Judge Kenneth Pangburn as Chair. Sharen Martin, RN, was elected Vice-Chair. The other members of the panel were Annette Lloyd, RN, Julian Hodges and Russ Toal. All meetings of the Panel were posted and open to the public. The Panel met regularly from May through November. An update on the Panel’s work was provided to the Liberty County Commission by Chairman Pangburn this fall.

In the course of its study, the Panel toured the Hospital, met with hospital staff, physicians, a representative of the hospital's auditing firm (Draffin & Tucker), the director of the Georgia Hospital Association's Rural Hospital office, a Liberty County resident (Dr. Herb O'Keefe) who is a retired professor of Business from Georgia Southern University and who was involved in the conversion of Bulloch Memorial Hospital in Statesboro from a public entity to the private East Georgia Medical Center, the directors of the EMS and Coastal Manor operations of Liberty Regional Medical Center, and a representative of the Coastal Courier. The Panel also submitted a series of questions and data requests to the Hospital, reviewed the submitted materials, the latest audit and cost reports, the report of the Fanning Institute (that was commissioned by the Hospital Authority) and updates from the Hospital on physician recruitment and retention, service changes, financials and capital plans. The Panel also heard from Dr. Glenn Carter and several of his supporters.

Liberty Regional Medical Center is one of the largest employers in Liberty County, employing more than 400 individuals, the vast majority of whom are residents of the county. In addition to the health and medical services provided by the Medical Center, the Hospital generates a significant economic impact. The Hospital's auditors have reported that the total economic impact of the Medical Center's expenditures is estimated to be almost \$75 million.

In addition to the physician and hospital services provided by the Medical Center, it operates an EMS system that serves both Liberty and Long counties, and a long term care facility (Coastal Manor) which offers skilled, rehabilitation and Alzheimer's services to the residents of the counties. Both the EMS and Long Term Care services have received recognition for their service capacity and quality. In addition, Coastal Manor positively adds to the bottom line of the Medical Center, and the latest reports made available to the Panel indicated that the EMS services were breaking even, despite the high cost of operation.

Liberty Regional Medical Center is a public hospital governed by the Hospital Authority of Liberty County. The Medical Center receives significant tax support from the property taxpayers of the county. The Medical Center uses these funds to

assist with long term debt bond payment obligations and to offset the costs associated with indigent care. The Medical Center estimates that approximately 52% of the individuals seen at the Hospital are self-pay, meaning that they have no source of insurance coverage. Many of these individuals make little or no contribution towards the cost of their care. This is a particular problem for the Hospital's emergency room, which is far busier than that of the typical Georgia hospital the size of Liberty Regional. The Hospital has reported that it has provided in excess of \$2 million in indigent care to Liberty County residents who had no health insurance coverage available in the past year.

It must be noted that the Medical Center, like all business operations in the current economy, is facing many difficulties and unknowns. The percentage of Georgia citizens under age 65 without jobs and without health insurance hit new heights in 2008. Many with insurance have higher deductibles, co-pays and co-insurance costs, and while the costs of delivering care for all hospitals have increased, the reimbursement rates of insurers have not kept pace with insurers. The Hospital expressed considerable frustration with the reimbursement rates of TriCare and the barriers to receiving less than adequate payment from the Medicaid managed care organizations. The payer mix of Liberty County is atypical; according to the Georgia Hospital Association, the typical payer mix of similarly situated hospitals is 55% Medicare, 20% Medicaid, 8% private insurance and about 17% self-pay or indigent. In Liberty, Medicare accounts for only 11% of the patient revenue, Medicaid is 17%, 25% is commercial insurance of some kind (including TriCare) and the balance is self-pay or indigent. The indigent load in Liberty County is almost 2.5 times the average load of other Critical Access Hospitals in Georgia. This is due to the demographic dynamics of the Hospital's service area.

The Panel deliberated at length over the questions posed to it by the Commission Chair, and its responses to the nine questions are outlined in the following pages.

What is the perception by the general public of the facility and services provided?

For the hospital review panel to fully assess the public's perception of the hospital and its services it would be necessary to conduct a comprehensive survey of actual and potential users. The Hospital seems to acknowledge that negative public perception is a major hurdle that it must overcome (as evidenced by statements made by its administrator and the fact that it has hired a Director of Marketing and Public Relations to specifically address the concern). Based on comments heard by panel members both in meetings and in the course of normal daily activities, it is difficult to report anything other than a negative perception of the hospital and its services in the mind of the public. The panel believes that some of the negativity may be associated with negative press or letters to the editor, and that some of the negativity may be associated with the "old" hospital or with having to pay taxes to support the hospital (particularly from those that are not users of the facility); nevertheless, the Panel heard recent complaints associated with ER service experiences, physician turnover, and the limited services available at the Hospital. While some of the complaints may be unfair (e.g., a 23 bed facility cannot offer the services that are available at Savannah hospitals), the Panel believes the negative perceptions do harm to both the Hospital and the community, and that the causes of negative perception need attention.

Is the Hospital adequately accountable to the general public?

The Hospital is not accountable to the general public in a meaningful sense of the word. The Hospital is run by an administrator who reports to a Hospital Authority whose members are appointed by the county commission from a list of prospective members suggested by the Hospital Authority itself. Though the county commissioners are elected officials and indirectly accountable for the performance of the hospital, the reality is that under the current management system, neither the commission nor the general public has an active voice or role in the operation of the hospital. The current process of appointing authority members is perceived as a hindrance to effective management by tending to perpetuate a selective system

which keeps similarly minded individuals in charge, does not question Hospital management, and is not focused on accountability.

The most effective method that the general public has of expressing its approval or disapproval of the hospital is through its patronage. Unfortunately for the fiscal state of the hospital and the taxpayers who support it through their tax dollars, based on the average daily utilization of beds (approximately 50%) many potential patients who have the ability to choose seem to be expressing their disapproval by utilizing hospitals in Savannah, Jesup and Brunswick. This is a serious problem for the Hospital and the county which must be addressed in part by making the Hospital a more public entity and ending the perception of closed decision-making.

What is the most critical weakness of the Liberty Regional Medical Center?

The UGA Fanning Institute study of Liberty Regional Medical Center found that among other factors, the Hospital's weaknesses were: Public Relations, Staffing, Finances, Vision, and Physician and employee turnover. The study similarly found that the threats to the hospital included: negative perceptions, cash flow and billing, lack of vision, burnout and lack of involvement by the public, lack of physician participation, and lack of communication. As noted above, the negative perception has many consequences, the most glaring of which is the reluctance of potential patients who have the option of choosing to utilize the facility.

There are several areas that were identified as causing the most problems:

- Lack of insurance coverage for many of the users of the hospital;
- The emergency room is a recurrent source of problems and complaint;
- The apparent inability of the hospital to keep an adequate staff of doctors long term who live and maintain their offices in the community;
- An inadequate billing system;
- Inability to provide services for certain specialties (e.g., cardiology) and for serious medical problems, resulting in transfer to another hospital;
- Inadequate reimbursement by TriCare, which does not cover the cost of care;
- The Hospital's Long Term debt load; and

- A perceived reluctance of the Hospital's administration to address the causes of the negative press the hospital has received for these and other issues.

What are the most critical needs of the hospital?

The Hospital needs:

- Public confidence that when and if they have to use the Hospital that the staff will be able to meet their medical needs.
- Publicity as to the services that the Medical Center provides;
- More physicians and more physician retention. Particular recruitment attention needs to be focused on orthopedics, cardiology, gastroenterology, ENT, and pediatrics.
- More rehabilitation therapists and rehabilitation capacity.
- More community services with a focus on health, wellness and health education.
- New vision and leadership, with a commitment to openness, outreach, communication and mission.
- A new approach to delivery of after-hour services, with support ties to alternative delivery sites, case management and discharge planning services.
- Also see the response to the prior question.

Is the hospital meeting its mission and objective in providing the medical services to the community?

The Hospital may be meeting its mission in providing the most basic medical needs of the community at this time, and in some cases (such as the ER and obstetric services), it provides vital services to the County. However, many residents are choosing to utilize surrounding hospitals, and for these individuals, the Hospital is not addressing their needs in an adequate manner. More attention needs to be paid to outreach, education and development of service capacity which will keep locals local. This includes development of service capacity in the east end of the county.

Can the hospital remain a viable hospital, providing the services needed under its present financial operation?

This is a difficult question to answer, and one which may be impacted most profoundly by external factors. For example, if the nation were to adopt the kind of health reform and universal coverage proposed by President Obama, the number of uninsured individuals seen by the Hospital could be reduced significantly. Decisions to be made by the Georgia General Assembly on Medicaid and PeachCare coverage and reimbursement may impact the Hospital significantly. In addition, the Hospital is party to several grant proposals that have been submitted to the Georgia Department of Community Health, and if one or more of these proposals were to be funded, they too would positively impact the Hospital.

Conversely, if no national health reform were to be adopted, and the rate of uninsurance and joblessness were to continue to increase, the Hospital will likely be put at even more financial risk. While welcome to the community, the addition of a new brigade to Ft. Stewart will likely result in more TriCare and uninsured access to the Hospital, which will have a negative impact on the bottom line. Until there is resolution on a number of these points, it is realistic to expect that the County will need to continue to provide financial support for the foreseeable future.

The Panel wishes to note that it is in the County's interest that the Hospital become and remain a viable institution, both because medical services are needed close to home, but also because operation of a successful medical venture is critical to recruitment and retention of industry. For many county residents, the Hospital's services are of inestimable value; there is no other source for EMS, ER or long term care services. The recruitment of additional physicians and the offering of additional services could add to the financial success of the Hospital. However, this may be difficult to accomplish with the Hospital's debt load.

Is privatization or private management a viable avenue to making the hospital more financially successful?

Privatizing the hospital does not seem likely given the state of the economy, the payer mix of the Hospital, its long term debt and the limited potential for profit generation. Privatization also may be undesirable because if the hospital is not profitable for a private venture, the Hospital could be closed down completely. This would be a major blow to the community, as it is difficult to imagine a community that hopes to progress and attract new business and residents without a hospital.

Private management, in a form that takes a purely business minded approach, may well be an option worth exploring. The Hospital Authority should give serious consideration to entertaining this opportunity or to adopting a different approach, such as aligning, contracting or merging with a more established and broad based service hospital. The Panel has been told that there are consulting firms that can assist with exploring these options and opportunities.

What are the best ways to deal with the growing concerns of indigent care, cost and funding?

The Panel has been led to believe that many hospitals are facing the financial challenges the Medical Center does. While some may have the ability to manage their response to the challenges better than the Medical Center, this may be due to reasons outside the control of the Hospital (e.g., population size and proximity, payer mix, service array, etc.). Obviously, close contact with state and national politicians should be maintained in an effort to make the best use of opportunities that may exist in the form of grants and healthcare programs that could offset the burden to the local community.

As suggested previously, the Panel believes that more could be done to relieve the high indigent cost associated with the Hospital ER. The Hospital could, either in partnership with another provider or itself, offer after hour acute care services in a non-emergent setting so that the ER could be used for true emergencies only. At

present there is no alternative to the ER for after hour care. This is the most costly and least beneficial way to provide primary care.

The Panel also has been led to believe that there are additional revenue opportunities to be had from expansion of the Hospital's long term care capacity. Liberty County has very limited assisted living services available, limited Alzheimer's services and no Medicare certified outpatient rehabilitation facility.

The Panel believes there are opportunities for partnerships with the business community on wellness and delivery of preventive health services. The Panel also believes that the Hospital needs to do more outreach and education with the community, with payers and with governmental entities. Incentives for use of the Medical Center should be developed in conjunction with the County, and the Hospital needs to secure a more aggressive grantsmanship capability.

It should be noted that the Hospital has taken a number of positive steps since the Panel began its work: the short term debt and accounts payable have been decreased significantly, new ultrasound and scoping capacity has been added, the new screening program in the ER for redirecting low acuity patients with non-urgent conditions to other community resources has been fully implemented, as has the centralized scheduling system, and the Hospital is developing the capability to communicate with all its physicians electronically on test ordering and results, scheduling, radiology imaging and patient records. Full implementation of an Electronic Medical Record System is in the future.

Are there any suggestions that the Panel has related to operations which it feels need to be addressed in order to sustain operations of the facility?

This is a very broad question and has been touched on by most of the previous answers. An interesting and telling passage can be found in the Conclusion of the report by the Fanning Institute:

Should the decision be made to proceed with business as usual and make no changes, then the planning initiative was for naught; however, the Hospital Authority of Liberty County is strongly encouraged to risk going forward so it can discover how far it can go

to provide the residents of the region with a hometown health care facility to meet their needs. It also is recommended that the community and the media hold those in leadership positions at Liberty Regional Medical Center accountable to achieve the goals and action strategies that can make a difference in a community healthcare facility that so many people count on for an enhanced quality of life. The Liberty County leaders involved in the implementation efforts of this plan are encouraged to find the courage to overcome any weaknesses and threats that face the hospital, to capitalize on all its strengths, and to evaluate every opportunity presented for consideration.

The Panel is pleased that the Hospital Authority has apparently engaged the Fanning Institute to continue its work with the Hospital over the next two years and to ensure that the Hospital has set goals and measures to assess the Hospital's success over that time. The challenges in front of the Hospital are many, as has been noted, but it has some strengths to build on: the success of its OB, EMS, Coastal Manor and Nursing operations, and its unique position in the community. The perception of the Panel, and apparently of many in the community, is that the Hospital has been too reluctant to confront its problems and challenges, and that both it and the Hospital Authority have been slow to address the many residents leaving the county to get medical services elsewhere.

This Panel has not had the time or expertise to conduct the kind of thorough examination of Liberty Regional Medical Center that may be called for, but there are professional organizations that can perform such an assessment. If the Liberty County Commission is truly interested in such an examination it should consider contracting with an entity that has no vested interest in who manages the hospital, and has no stake in its future. Such an examination would certainly cost the County or the Hospital Authority some money, but it may very well save much more in the long run and offer the Hospital and the community the means to overcome both existing and future problems.

Liberty Regional Medical Center is a vital community asset worthy of county support. As a beneficiary of the county's commitment, the Hospital and the Authority have an obligation to ensure that they display a reciprocal commitment

to quality, growth, vitality, focus and mission. The Panel is convinced that the time to embrace new direction, creativity, vision and change is now.

The Panel respectfully submits this report with gratitude for the confidence and trust shown us by the County Commission. We hope that the report will be of benefit to all concerned.

Judge Kenneth Pangburn, Chair

Julian Hodges

Annette Lloyd, RN

Sharen Martin, RN

Russ Toal, MPH

Report Addendum

Another area of concern brought to the attention of the Panel was the matter of the revocation of hospital privileges for Dr. Robert Glenn Carter and the failure of LRMC to publicly justify that decision with its reasons for the action. While this particular issue was not specifically addressed by any of the questions posed to the panel, its subject is certainly touched on by those concerning the perception of the facility by the public and public accountability.

One who has lived in this community since this controversy arose cannot think of LRMC and its viability as a community hospital without also considering the dispute between it and Dr. Carter. LRMC recently published an "Open Letter to the Concerned Citizens of Liberty County Regarding Glenn Carter, M.D." in the local newspaper. This letter presumably purported to explain the hospital's position with regard to this issue and to put this issue to rest as far as the hospital is concerned. The letter made reference to the fact that two Grand Juries had heard presentations by Dr. Carter and the fact that the Hospital Authority was not asked to address the Grand Jury, but that the Hospital Authority did provide the Grand Jury with a detailed written response; whatever that written response might have been, providing it to the Grand Jury is not the same as providing an explanation to the public.

Dr. Carter addressed the panel and outlined his side of this issue but no comments were received from the hospital administration. Therein lays the problem, namely, that the hospital administration has consistently refused to publicly state their reasons for revoking Dr. Carter's privilege to practice at LRMC. Representatives of the hospital have stated that they could not comment because it is a personnel matter and they are prevented from commenting by privacy concerns. That argument, even if the full records are protected by law, does not explain why the hospital cannot state, at least in general terms, its reasons for the revocation of

privileges; after all, the hospital has publicly stated that it provided a detailed written response to the Grand Jury.

It has been stated by hospital representatives that the public should trust that the Hospital Authority members have acted in the best interests of the citizens of Liberty County because they (the Authority) are our friends and neighbors. That may well be true, but with all due respect to its members, the public does not need (nor apparently want) the Hospital Authority to make decisions of this type for them without explanation. What the public does need is to be given information so that they can make their own decision on which doctor to use. Perhaps the decision they have made is correct, but until the reasons are known there will always be some doubt.

Submitted by Panel Members Julian Hodges, Annette Lloyd and Sharen Martin

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