GOOD GOVERNANCE CASE STUDY

AN ONLINE SERIES BY **THE GOVERNANCE INSTITUTE**

Reimagining Hospital Facility to Meet Patient Needs, Today and Tomorrow

AUGUST 2019

THE GOVERNANCE INSTITUTE

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Reimagining Hospital Facility to Meet Patient Needs, Today and Tomorrow

Organization Profiled:

Carolinas HealthCare System Blue Ridge

Kathy C. Bailey, President & CEO

Statement of Interest

Today's hospital and health system leaders must take a hard look at their hospital facilities in order to determine whether care is taking place in optimum settings for all patients, while taking into consideration quality, safety, and value. Many U.S. hospitals are facing the problems of overcapacity and duplication of services resulting from consolidation and decreasing inpatient volume. (Care models focusing on population health, prevention/wellness initiatives, and the successful reduction of unnecessary readmissions have all contributed to this decrease in inpatient volume.) Results range from hospital closures to service line elimination.

According to Merrill Goozner, Editor Emeritus at *Modern Healthcare,* it is inefficient and potentially unsafe to keep a surgical suite open at a community hospital when a flagship medical center a few miles away can easily absorb its patients, especially if volume of procedures at the community hospital is low.[1]

Carolinas HealthCare System Blue Ridge (CHSBR) faced this problem in 2013. Its Valdese hospital is only eight miles from its larger Morganton hospital, which resulted in a direct duplication of services. With an average daily census hovering around 10, leaders knew they had to make a choice: close the smaller hospital since many felt it was unneeded when the Morganton hospital had more than enough capacity and capability to absorb the patients or find another solution. This case study profiles the story of Valdese and how the CHSBR board and leadership thought creatively to come up with a win-win solution.

1 Merrill Goozner, "Editorial: When downsizing comes to town," *Modern Healthcare,* June 6, 2019.

A Profile of Carolinas HealthCare System Blue Ridge

For more than 160 years, the not-for-profit Carolinas HealthCare System Blue Ridge (CHSBR) has been caring for patients in Burke County, North Carolina and surrounding areas. The separate hospital facilities in Morganton and Valdese partnered in 1999 to create a single community health system called Blue Ridge HealthCare. In 2014, the system rebranded as Carolinas HealthCare System Blue Ridge to reflect its affiliation with Carolinas HealthCare System in Charlotte, which is now Atrium Health.

Blue Ridge has physicians in more than 30 specialties on its medical staff, including a hospitalist program, and key services reflecting the community's most widespread medical issues: heart disease, cancer, digestive diseases, bone and joint disease, diabetes, and women's health.

- Blue Ridge has almost 2,000 full-time and part-time employees, making it the second largest employer in Burke County.
- Since becoming a teaching hospital with an active Graduate Medical Education program, the system has more than 160 physicians, advanced practitioners, residents, and fellows.
- In 2018, the system had 11,000 inpatient and observation discharges, 51,000 emergency department visits, and 108,000 outpatient visits.

Our Mission:

To enhance life by excelling in care.

Our Vision:

Carolinas HealthCare System Blue Ridge will be the best community healthcare system in America.

Our Values:

Carolinas HealthCare System Blue Ridge believes a solid foundation relies on having strong core values. The values guiding us are:

- CARING: We treat you with dignity, respect, courtesy, and gentleness; responding to the needs of patients and each other.
- COMMITMENT: We are dedicated to promoting a clean and safe environment; speaking up for the safety of our patients and each other.
- INTEGRITY: We are honest and ethical; respecting the rights of patients, families, and each other.
- TEAMWORK: We are professionals working together; recognizing accomplishments of our patients and each other.

The Challenge

Kathy Bailey, named President & CEO of CHSBR in January 2013, has a background in nursing and health policy and administration. She had previously served as the Chief Operating Officer for several years. Her first step as the chief executive was to assess the system's business model and identify areas of weakness. One weakness included a decreasing need for inpatient beds forecast for the system's four-county region. The low census at Valdese figured prominently in her initial analysis, as consultants who were working with the board and senior management at the time had questioned the long-term viability of the facility. The consultants presented four different options:

1. Keep as is
2. Create a specialty hospital
3. Reinvent the facility for outpatient care
4. Completely close

"Board members preferred that we keep the hospital the way it was," Bailey recalled, but she knew that the status quo was not a viable option. So, she formed a task force of medical staff, directors, managers, and frontline staff. She gave them three months to consider each option and come up with a recommendation.

The task force presented its recommendation to a steering committee consisting of board members, medical staff, and system leaders from Carolinas HealthCare System (now Atrium Health). The plan eventually reached the full board of directors for approval.

The Direction

In this case, the outpatient option moved to the top of the list relatively quickly. Outpatient procedures had become the predominant business on that campus. "Ninety-five percent [95%] of everything done there was already outpatient, so we felt like it made sense to move to an outpatient setting," Bailey said. "We did look strongly at the specialty option, but we didn't feel like it was needed or it wouldn't position us well for the future. It still would result in duplicate services."

The board approved the plan to turn the Valdese inpatient, acute-care hospital to an outpatient care site. But how to tackle the transformation?

> "With this decision, the board and leadership at Carolinas HealthCare System Blue Ridge are looking to the future. We envision Valdese as a healthcare center of the future—the first of its kind in our region. This is an investment in the care of the communities we serve."
>
> *—J. Michael Bridges, Board Chairman in 2014, from "Inpatient care to cease in Valdese; Patients needing admitting will move to Morganton location,"* The News Herald, *June 25, 2014*

At that point, Bailey put together multiple task forces split into clinical care services, support services, communications, and medical staff. Each group needed to determine how to put the plan into action—in other words, to answer the question of what needed to happen to get this done. As the conversion began in July 2014, each task force reported to a coordinating council on a weekly basis with one goal in mind: complete the inpatient transfer by December 1, 2014.

"One patient was in the building on Thanksgiving weekend and went home that Sunday. We then announced that inpatient at Valdese was closed," Bailey said.

Atrium Health officials backed the plan; this support was an essential part of its success. CHSBR is in a management agreement with Atrium but the CHSBR governing board has full discretion as to its decisions. "We invited some of the [Atrium Health] senior leadership onto our steering committee so they knew what we were looking at, and they knew we were doing our due diligence," said Bailey. "[Atrium] supported the decision early on. They also felt it was time and that it needed to be done. So, in a way they became advocates for us to continue the process."

Facility Conversion

The process to convert an acute care hospital to outpatient facility can be complex and expensive. For Valdese, there had been steps taken previously that helped this transition. These changes also helped the task force and leadership to make the decision in the first place. "In 2007, we renovated the entire surgery department so it was accessible for outpatient surgery, and we placed a new outpatient imaging center toward the front of the hospital for easier public access," said Bailey. "When we closed inpatient, we left things the way they were and just shuttered the inpatient area."

The facility still has an emergency department, which was expanded, an upgraded cancer treatment center, imaging, outpatient surgery, and lab. From start to finish, the process to transfer patients to Morganton, make the interior conversions, and reopen took about two years. The system still holds license to the inpatient beds.

Carolinas HealthCare System Blue Ridge-Valdese is now:

- A full-service, 24-hour emergency department
- Surgery
- Cancer Center
- Wound Healing Center
- Physician practices
- Advanced diagnostic imaging
- Laboratory services
- Community room

"We are still continuing to look at whether we need to do something different to the facility," said Bailey. "Do we build a smaller facility and demo the old hospital? Or do we continue to run it the way it is? Do we look at whether there is a need to go back? That is why we didn't want to change the licensure or give up beds yet. We fully expect that will happen at some point, but we will cross that bridge when we get to it."

Helping provide validity to the decision and build ongoing support was a strong, seasoned board that "did a great job of looking at all of the options. They understood that continuing to keep a daily census of 10 wasn't good quality and it wasn't safe," explained Bailey. "They knew that healthcare was changing and that it was time to meet the current demand."

The decision was not made lightly, but rather one that took place over several meetings and long discussions.

> "We knew this was going to be difficult. We knew it would be hard to get people to understand. But we knew for the survival and long-term viability of our system it was the right thing to do."
>
> *—Kathy C. Bailey, President & CEO*

Lessons Learned

Bailey has asserted on several occasions that this was absolutely the right decision for the system. "We do annual one-on-one meetings with our board members," she said. "I asked them this year what have we done in the last five years that has made us strong. Many of the board members have said this change has made us strong."

An initial concern that the system would lose 25 percent to 75 percent of the Valdese patients did not materialize. Within the first year of this change, 20,378 patients came to the ED at Valdese. Of those, 1200 needed to be admitted. Only 0.5 percent (6 patients) refused to be transferred to the Morganton campus.

Looking back, Bailey said she should have included more members of the community on the task forces whom she thought had the potential to be naysayers. But throughout the process, leadership had a strong communication plan in place. They held an open meeting at the town hall in Valdese to walk the community through the process, the data they considered, the pros and cons, and why the decision was made. "Most of the people afterward said they understood. They would say, 'it makes perfect sense, I just don't like it,'" Bailey recalled. The local newspaper came out with a front-page headline the next day, "Hospital Closing," which gave an incorrect picture of what was really happening. Bailey and her team had anticipated this and fielded questions and concerns resulting from the newspaper article. They continued to keep communication channels open with the community.

What's Next?

The future of healthcare is hard to predict with all the changes in reimbursement and regulations. "We are being pushed to keep patients out of the hospital, keep them healthy, and deliver care in more appropriate settings in the home and community," said Bailey.

While she and her staff try to stay on top of these changes, in Valdese, "We were only on the edge for a lot of those changes, just beginning to scratch the surface," Bailey said. "This change has helped better position us for value-based care."

Bailey believes that once fee-for-service fades away more fully and most payments are based on value, the system will be ready. "But we still have one foot on the dock and one foot in the boat," she said. A delicate balance is required to stay viable and provide quality healthcare. Most systems across the state are in this position as well.

"We knew this was going to be difficult. We knew it would be hard to get people to understand. But we knew for the survival and long-term viability of our system it was the right thing to do," she said.