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EXCHANGE

HEALTHCARE

Capella Healthcare

Forging Partnerships that
Make Communities Better

MAY/JUN 2014



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Willamette Valley Medical Center was the top-performing hospital in Oregon relative to pay-for-performance last year. Shown here (from left) are: Jan Mellgren, accounting; Juan Rangel, RN; Rosemari Davis, CEO; Stan Wiens, laboratory; Jamie Bartley, RN; Kym Snively, admitting; and Elda Gonzalez, housekeeping.

Cover:

Featured on the cover is Capella's Willamette Valley Medical Center (McMinnville, OR) which has been recognized nationally for its high quality care. They are one of just 182 hospitals in the nation to be named a Top Performer on Key Quality Measures for three consecutive years by The Joint Commission. The past two years they've been named one of the nation's strongest hospitals in The Hospital Strength Index™.

Read more about how they've done this at CapellaHealthcare.com/SuccessStories.

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Taking care to the next level at Capital Medical Center (Olympia, WA) involved a strategic collaboration with nationally renowned UW Medicine. Shown here signing the agreement this spring are (from left) Michael Wiechart, president and CEO of Capella Healthcare, Johnese Spisso, UW Medicine chief health system officer, and Jim Geist, CEO of Capital Medical Center.

CAPELLA HEALTHCARE

Michael Wiechart,
President and Chief
Executive Officer

Forging Partnerships that Make Communities Better

Capella Healthcare may be in the business of acquiring and partnering with community hospitals for the sake of building strong local healthcare systems, but the organization has not embraced some of the approaches common in today's marketplace.

Rather, Capella approaches all potential partners, in the words of Michael Wiechart, president and chief executive officer, with a different kind of "due diligence." Capella wants to make sure it is right for the community and that the community is right for it.

"We are differentiating Capella through quality and--because we are a smaller company--every single hospital in our family is vitally important," he said. "So we aren't looking to acquire hospitals simply for the sake of growth. If we can't add value for the hospital and the community or the hospital doesn't have the commitment it takes to improve quality, then we're not going to waste our time or theirs."

Based in Franklin, Tenn., Capella currently owns and/or operates 13 acute-care and specialty hospitals across six states. Known for its creative and collaborative partnerships, Capella has been recognized for two consecutive years by Modern Healthcare as one of the nation's fastest-growing healthcare companies.

Wiechart has been with the organization since 2009 when he came over from LifePoint Hospitals to serve as senior vice president and chief operating officer. In January, as part of a succession plan, he stepped into the president and CEO role. His early initiatives have involved repositioning the company internally to navigate the challenging waters of healthcare reform and to advance the transition from volume to value.

"While we're seeking to grow externally, we want to make sure that we are reprioritizing and focusing internally on the most vital initiatives that are going to help our current family of hospitals succeed," Wiechart said. "We're going to continue our growth because our hospitals are differentiating themselves in quality, service, and constituent satisfaction."

EVALUATING THE CURRENT NEED

The last six months have involved a comprehensive evaluation of Capella's present holdings and the full gamut of services those facilities provide, Wiechart said. The desired goal was to pinpoint service gaps. This has resulted in additional investments in quality and service that are designed to recalibrate Capella's resources in a way that will enhance the support it provides to its hospitals.

Wiechart's goal is to add one to two new hospitals each year for the foreseeable future, but only if those hospitals are the right partners.

"We will continue to be very selective," he said. "We think that the 'best fits' for us as a company are those hospitals that are big enough to make a significant difference in the region they serve, yet sized relative enough to be nimble and effective in this dynamic environment."

SEEKING SUPPORTIVE COMMUNITIES

Wiechart agrees that there is a rush around the nation to buy up hospitals. This level of haste often leads to regret, and regret is not on Capella's agenda. The organization takes a disciplined approach both to acquisitions and to partnerships, he said.

"We have to make sense of a potential partnership with a community. That community has to feel comfortable with Capella. We have to be in agreement about the changes that have to occur to be successful in the long-term. And the only way to get to that mutual conclusion is a significant investment of time and energy as together we evaluate the opportunity."

In evaluating new markets, Capella is seeking organizations in which the community strongly supports the hospital and understands the value that partnering with Capella will bring. Naturally, in some communities, there is resistance to an out-of-town entity seeking a role in the community.

"That's a natural reaction, and we understand that," Wiechart said. "The best approach is to simply let them get to know what we've done with other community hospitals."



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In communities where the hospital traditionally has been not-for-profit, Capella needs to make sure the community understands charitable care will not be affected, even though the partnership will make the hospital one of the largest taxpayers in the community.

“In our work with non-profit and faith-based hospitals in a number of markets, we’ve been able to demonstrate objectively that our hospitals’ policies and procedures on charity care as well as the percentage of uncompensated care we provide is virtually identical to theirs,” Wiechart said. “Frankly, this surprises a lot of people. Additionally, we reinvest 100 percent of net cash flow back into our hospitals. Aggressively addressing those areas of misconception is especially important to our employees and physicians.”

Capella also asks itself if the community hospital is prepared to be better.

“We can provide the tools, leadership resources, and capital investment, but none of that matters as much as the local commitment to become the best,” he said. “When that’s the basis of the transaction or more importantly, the relationship, that’s when you can really see significant improvement results in all aspects.”

Capella has improved its physician-satisfaction scores over the last six years from the 13th percentile to the 55th percentile, and those scores as well as its hospitals’ composite employee-satisfaction scores and quality scores outrank many of its competitors. In fact, during the first quarter, the core-measures composite scores for its hospitals exceeded the national average in every single category.

“We’re very proud of the significant and sustained progress our hospitals have made,” Wiechart said. “So when we’re faced with resistance, it’s my responsibility to help people understand that we’re not trying to take away from you or to reinvent your hospital. What we’re trying to do is provide resources and support to help the hospital become a better version of itself, to become all that it can be.”

PARTNERING FROM A POSITION OF STRENGTH

For Capella, the collaborative landscape is just as important as the competitive landscape.

“As healthcare evolves toward a more collaborative landscape as opposed to a purely competitive landscape, we’re thinking about how we can best partner with other providers for success, enabling our hospitals to partner from a position of strength,” Wiechart said.

Capella has been recognized nationally for its creative, collaborative partnerships. In Tennessee, for example, Capella partnered with faith-based Saint Thomas Health, a member of Ascension Health and a Catholic ministry that is the largest non-profit health system in the United States. That partnership led to a joint venture involving four hospitals in middle Tennessee.

In March, Capella announced a collaboration with a nationally renowned academic medical center in Washington, UW Medicine, and one of its legacy hospitals, Capital Medical Center in Olympia, Wash.

“This partnership marries a top academic medical center that has very strong primary-care resources with a best-in-class community hospital,” Wiechart said. “This unique collaborative partnership will become a case study for how an outstanding community hospital can provide world-class care without compromising the unique attributes for which it is most appreciated: compassionate personal care delivered close to where people live and work.”

He added that these partnerships are not prescribed. Instead, they’re always about what makes the most sense for that community. Capella’s goal is to help a community hospital achieve its full potential, becoming the best it can be for the people it serves.

BY PETE FERNBAUGH



Southwestern Medical Center (Lawton, OK) has made remarkable strides since joining the Capella Healthcare family of hospitals as one of its four legacy hospitals in 2005. Last year they received two “best workplace” honors: named by Becker’s Hospital Review as one of the nation’s “100 Best Places to Work in Healthcare” and by The Oklahoman as a “Top Workplace” in the state.

Pictured from left are: CEO Steve Hyde, CNO Steve Owens, CQO Dinah Lazarte, HR Director Danny Hale, Associate Administrator Lanya Doyle and CFO Wayne Colson.

Read their story at: CapellaHealthcare.com/SuccessStories



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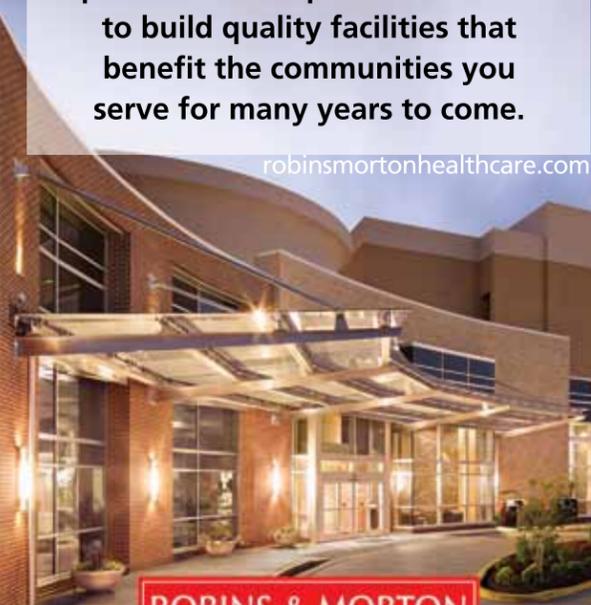
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