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Technology and Leadership Reviving Douglas Hospital Videoconferencing is Being Used to Broaden Services and Cut Costs

| HERALD/REVIEW

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DOUGLAS — In its convalescence, the county-owned, long-struggling hospital in Douglas is expected to bring new services and value to hospitals, clinics, and institutions throughout Cochise County.

In the past year under new management, coming out of its most recent federal bankruptcy process, the facility has seen an overhaul among its administration and vendors. An array of new medical equipment has been installed, a groundbreaking telemedicine communications program is afoot, and the new managers are meeting the hospital's payroll obligations.

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The hospital was built at a time when counties had more frontline responsibility for indigent care, Britt Hansen, the chief civil deputy for the Cochise County Attorney's Office, explained on Wednesday, during a meeting with the county board of supervisors and representatives of the hospital's new management firm. For many years, the county leased the hospital to a non-profit medical entity called Southeast Arizona Medical Center, which operated the facility until

the firm's most recent bankruptcy disposition. During those years, the SAMC lease agreement with the county amounted to rent of \$1 per year.

"They were always struggling financially, and the last time they came to us, they were hoping they could make it over the hump until Medicaid expansion occurred, until Obamacare kicked in, which would help with providing more funding," Hansen said. "One of the problems that SAMC had was uninsured people showing up at the hospital, who they had to take care of and pay for, not getting reimbursed for."

People's Choice Hospital specializes in picking up distressed hospitals and turning them around financially, and the organization took the helm of Cochise Regional Care and picked up the \$1 per year rent, which expired for the new management firm on July 1, 2014.

"We want to come to a meeting of the minds where you're paying fair rent and the people of Douglas and Cochise County are still getting a hospital," Hansen said.

Befriending the State

County board members stressed that the hospital is the county's, and that the county has felt ignored after a lack of response to contact attempts made since the lease agreement expired last summer.

One week after PCH took over the management of the hospital, the Arizona Department of Health Services came in and attempted to close the facility, said Dr.

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Seth Guterman, president of People's Choice. After department agents visited once in 2012 and not at all in 2013, they visited more than a dozen times last year, each time issuing massive citations, he said.

"We wanted to communicate with you more, but we had to prioritize the hospital," Guterman said.

Dr. Luciano Fochesatto, the chief medical officer for the management firm, elaborated to the board that finances were but one of many problems at Cochise Regional Care hospital, and assured that management now has a much more stable relationship with the Department of Health.

Market Factors

"We've been working with distressed hospitals for 20 years. These rural hospitals are not just going into bankruptcy multiple times but they're liquidating at an incredible rate," Guterman said. He also argued that rural hospitals are not failing because of poor Medicaid or Medicare reimbursement.

"The main reason all these hospitals are going under is because the patients are being transferred to tertiary facilities, in this case to Sierra Vista or Tucson, and the clinical revenue that would've gone to the hospital to employee local people to increase clinical services is taken to the other towns," he said. "This is a national issue. If we're going to keep these hospitals and access to medical care for these residents, we have to stop transferring the clinical revenue to these tertiary facilities when we can."

Personnel and Finances

After fine-tuning the hospital's leadership, the focus shifted to budget reduction. "It was clearly operating at a substantial loss," Christopher Alise, the management firm's vice president of finance, said. "There were many vendor contracts that were seriously in arrears. The coding and billing situation was dire, they had a single resource who was very often in arrears in terms of processing the coding, billing, and accounts receivable."

"They had antiquated, disparate software systems and processes. We had to redesign the financial system," Alise said. "They had a financial staff that was simply larger than was needed for the productivity that was occurring."

Technology

Meanwhile, there have been major investments made in clinical and operational technology, and diagnostic equipment. The hospital is bringing in real-time medical expertise by way of videoconferencing, through a virtual cloud of physicians with a Chicago-based central hub. So rather than directly hiring actual doctors and physically moving their families here, the experts telecommute to Douglas, thereby giving local residents the affluence that flourishing hospitals have access to.

Cochise Regional is the first hospital in the country to have access to all these doctors' presence at any moment's notice, Guterman said, and because the infrastructure is already there now, it can be deployed to another hospital in just a few days.

"We'll be able to offer procedures that a hospital of that size historically has not been able to offer," Alise said.

Negotiations, Psychiatry, and Proposals Due

District 2 County Supervisor Ann English noted that Willcox and Benson have hospital districts, and reiterated that Arizona law requires the county to get something for its capital assets.

"Any money we divert right now means we have to pull a clinical service, and that's the hard discussion because we want to keep growing as fast as we can," Guterman said. "Are there other things that we can bring to the table, as we want to think out side the box? We're entrepreneurs. Since the technology piece is very inexpensive for us, to offer access to your other hospitals, and clinics, is something that we can do. I would love to go into discussion so you can give other residents of Cochise County something that is tangible. All that infrastructure that's in place in Douglas, because of the Internet it's pennies to deploy."

The board and county staff summarized the current status of psychiatric care in the Cochise County that includes the contract with Pima County to provide service to the Cochise County Jail. "They are able to provide a good chunk of what we need, but some we have got to send up to the state hospital which is a very expensive proposition for us," Cochise County Administrator Michael Ortega said. "We also have an established relationship to bring folks down under contract, to the jail, and some of that is by technology. So, yes, that is one opportunity we can explore."

County employee-related wellness services are also a bargaining chip for the hospital, Ortega said. The board asked the hospital's managers to return with proposals for compensating the county, that will likely include some combination of rent, bartering for services, and perhaps ultimately the acquisition of Cochise Regional. It is acceptable if People's Choice wants to phase the proposal over years, Hansen said, and the principals may have three to five years to turn the economics of the operation around. The hospital representatives said they would like six more months, in order to deal with a \$2.2 million debt while growing clinical services. Ortega instructed them to discuss with Mary Gomez, the county health director, in order to investigate what sort of agreements could be at hand for services to the county.

The county attorney's office asked for the proposal by July 1, and the board instructed the hospital managers to return by January 1 for discussions that will incorporate input from the county Health and Social Services Director Gomez.



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