THE HEALTH CARE CRUCIBLE
LESSONS FROM A RURAL HEALTH CARE REVIVAL

In collaboration with

SAMARITAN SOLUTIONS INSTITUTE

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ELEVATING THE HEALTH OF HEALTHCARE
Facing an Uncertain Future

The word “crucible” can have several definitions. One references, “a place or occasion of severe test or trial.” Another focuses on, “a place or situation in which different elements interact to produce something new.” Both are appropriate explanations to illustrate the challenges rural health care providers are dealing with today, and how one system, Samaritan Health Services in Lebanon, Oregon, faced those challenges and built a model to follow in the process.

As initial background, one must understand the dire situation facing rural health care providers today, especially those seeking to maintain some level of independence or autonomy. According to a recent article in the Washington Post, the National Rural Health Association (NRHA), which represents approximately 2,000 small hospitals and rural care providers across the country, said nearly 50 rural hospitals have closed since 2010 and close to 300 others are in financial difficulty.

There are several factors contributing to this situation. For example, declining populations in rural areas make it difficult for hospitals to survive. Although many people in rural areas qualify for subsidized health insurance, their policies often come with high deductibles, which they do not always have the funds to cover. In addition, health care reform is shrinking federal reimbursements for hospitals, adding to the financial woes of health care facilities overall.

Hospitals are key to economic survival in our nation’s struggling rural communities, and are usually among the largest employers in their areas. Once a hospital closes, it often takes other businesses with it — and makes it difficult to attract new businesses according to government officials, subsequently severely impacting these communities.

Emblematic of the struggle of rural health care providers, Samaritan Health Services was feeling the pinch of declining population, rising costs and shrinking reimbursements. The local economy in Lebanon had traditionally been dominated by employment in the lumber industry. In the late 1970’s, approximately 75 percent of the industrial-based jobs in the community were connected with lumber. This domination of the local economy by the lumber industry left the community vulnerable and the recession of the 1980’s, coupled with the closure of a local plywood mill in the mid 1990’s, resulted in significant job losses in the area.

Since then, the community had worked to diversify the local economy to protect against recession. Understanding the coming storm and the need to exert some control of their future sustainability, Lebanon’s Mid-Valley Healthcare and Corvallis’ Samaritan, Inc. merged in 1997 to form the not-for-profit Samaritan Health Services. Two years later, they were joined by FirstCare Health, based in Albany, Oregon, which included a hospital, physicians’ group and outpatient services. Still, Samaritan was facing what would eventually become a $5 million operating deficit. “We, like many rural health care providers around the country were confronted with some hard decisions, that generally amounted to close, consolidate or create,” said Larry Mullins, president and CEO of Samaritan Health.
Taking Inventory…What Have We Got?

Mullins and his leadership team began the task of undertaking a comprehensive analysis of the strengths and weaknesses of their institution and community, making sure to “blue sky” initially and taking nothing off the table.

“I think the most important thing, first of all, is that leaders need to learn to be visionary and innovate,” said Mullins. “Too many times, we can get caught up in the minutia of saving every penny we can, when the true, sustainable answers lie in playing to your strengths and acting more globally.”

In the drive to create new revenue, Mullins realized that the organization did not have much of a balance sheet to speak of, but what it did have was land, and strong relationships with community leaders who were dedicated to bringing economic development opportunities to the community.

The health organization had been gifted a 50-acre plot of land across the street from Lebanon Hospital and it became apparent that this could be a strong “bargaining chip” to get things moving. According to Mullins, land is an asset that many rural providers across the country have, but many times, lack the resources and vision to understand how to use it to their advantage.

Using Land for Leverage to Support a Vision

“As leaders, we need to be more adept at being entrepreneurial, ‘shopping the concept’ and reaching out to other local leaders to begin the process,” said Mullins. “We began to search for projects, exploring and advancing any opportunity we felt might have a chance.”
Collaborating Locally

Lebanon officials were committed to developing the infrastructure needed to help support business growth in the community, and had implemented many strategies to ease the burden, including streamlining the city’s permitting process. They had also established several urban renewal districts (URD) in the area, an idea which seemed like an excellent fit for the Samaritan property. URDs use tax increment financing to implement infrastructure improvements to properties to assist in spurring development.

“When I came to Lebanon in the early 2000s, I found the area had good potential in terms of location and available land, but we lacked suitable infrastructure in those areas to really attract development,” said John Hitt, former city manager. “We made it a priority to begin providing that infrastructure.”

For their part, Samaritan leadership saw their role as a “convener,” involving as many community stakeholders as possible in discussions and meetings. Shelley Garrett, executive director of the Lebanon Chamber of Commerce, remembers that, at the time, the attitude toward development was not necessarily positive. A large national retailer had proposed a new store in the community, but had been rejected.

On the Samaritan discussions, however, everyone – from the chamber, to the county commissioners, the economic development committee, possible financiers, and the local Lions and Rotary Clubs – was involved, showing the community they were serious, and positioning any project as a collaborative partnership. That recollection was shared by Ernesto Toskovic of the local Key Bank. “They treated everyone like a true partner,” he said. “Brought us in early, shared plans and budgets. They were well-prepared and well-thought out, and able to answer every question asked.”

In 2008, the city of Lebanon Urban Renewal Agency partnered with Samaritan to start an urban renewal area on their land. The urban renewal area was established to provide the financing for the construction of the street network and utilities to the area.

The main objective was the development of the Western University College of Osteopathic Medicine of the Pacific Northwest. The idea for a medical school was one that Mullins had entertained initially when Samaritan began hosting medical students from California for rotations and he thought it would be advantageous if they could have a school closer for their academics. Sharing his idea with a colleague at a conference led to discussions with Western University and the wheels were set in motion.

Seeing positive movement and interest in the site, but also understanding capital was limited, Samaritan also cultivated a number of joint-venture partnerships. Those included an office building, and a hotel and conference center that could serve the future needs of the medical school and others in the community.

Soon after, the foresight to develop the site and further infrastructure paid more dividends, when the state of Oregon sent a request for proposals to the community for a new veterans’ home. Samaritan, the city and county dedicated staff to the project, and the commissioners worked to fast track a bond issue to support building the center. Against long odds, they landed the project.
Big Dreams = Big Growth

The resulting development on the medical school campus has been unprecedented in Lebanon. The city of Lebanon entered into a development agreement with Samaritan Health Services whereby Samaritan would pay for the infrastructure improvements and be reimbursed as the tax increment becomes available. Through 2015, a total of $4,082,228 was spent on infrastructure improvements and building fees. The estimated value of construction is $47,278,342, with 350 to 400 jobs created. Since the summer of 2011, the following projects have been completed or are currently under construction:

- Western University medical school campus
- Event and conference center
- An 85-room hotel and restaurant
- Healing garden
- Medical office building (kidney dialysis)
- Oregon Department of Veterans’ Affairs 156-unit home
- Medical office building and pharmacy
- Linn Benton Community College Occupations college building (under construction)
- SamFit health and fitness center

The level of activity on the site spurred additional development of a 50-acre mixed-use project to the north of the campus to provide housing and additional commercial services. According to Garrett, the vision and collaboration, “started people dreaming big.” Toskovic added, “People wanted to be part of history here in the community, and the drive and courage to develop something great here were appealing.”

Mayor Paul Aziz said, “The development has been a fantastic boon to the community. Unemployment, which had been as high as 11 percent has dropped to 6.4 percent. We are now focused on keeping the ball rolling with a revitalization of our downtown.” Lebanon City Manager Gary Marks added, “This development has played a catalyst role in building a new sense of pride in the area.”
Can We Do It Here?

Mullins acknowledges that along with the hard work and collaborations, some fortuitous situations helped to advance their plans and spur an organization facing a $5 million deficit to one with a $50 million positive balance over a few years. But he also believes in the old adage, “fortune favors the bold.” “As leaders, we must understand the connectivity we have to the community, and constantly be scanning the environment and looking for opportunities,” he said.

He explained that nearly every community has assets that can be leveraged to begin productive conversations and grow relationships that build confidence. Leaders must also understand that not everything is going to come to fruition.

“I liken it somewhat to baseball. If we are able to bat .300 or .400, we are doing pretty well.” Forging strong community relationships is more important than ever. Leaders must be partners in healthy communities’ work and leading advocates with policy makers, media and business leaders. Creating a brand around your facility as an innovator and community builder, and being the facility’s and area’s foremost brand ambassador is just as important as approving budgets and making workforce decisions.

John Hitt stressed that long-term commitment and patience are important as well, as many of these types of projects can take five to 10 years from concept to completion. But if key elements are available —

- Planning/zoning and land use assistance
- Funding (public, such as tax increment financing, bonds or grants, as well as private sector)
- Commitment and committed staff and community

— chances for success can be high. A common theme echoed by many involved in the projects and those in the community is unwavering, unanimous support when word filters out about proposed projects. Betty Koehn, president of the Samaritan Foundation, shared that the rising tide of development has been an inspiration to the community as a whole, and also on a very personal level to citizens. “An employee at the hotel told me getting a job there was the best thing that had ever happened to her. It gave her hope and optimism for a brighter future.”

With that knowledge, motivation and focus in mind, rural providers can survive the “crucible,” and forge a sustainable model that can bring positive growth to them and their communities.

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