



Rural Hospital Networks: Stability & Growth In Challenging Times

Tim Size, Executive Director
Rural Wisconsin Health Cooperative
Hawai'i Rural Hospital Flex Conference
Waikoloa Beach Marriott, August 28th, 2004

Presentation Outline

- RWHC Overview
- Personal Beliefs/Experience about Networks
- Communication as a Core Competency
- How Networks Create & Maintain Value
- Summary

Note: Up to you to determine what from our experience may be applicable to rural health in Hawai'i.

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RWHC Vision & Mission (1 of 3)

Vision (Our Ideal) The Rural Wisconsin Health Cooperative (RWHC), begun in 1979, supports and enhances rural health and quality of care. RWHC is a strong, innovative and mutually supportive network of hospitals with diversified services who combine their strengths to meet local community health needs through advocacy and high value products and services.

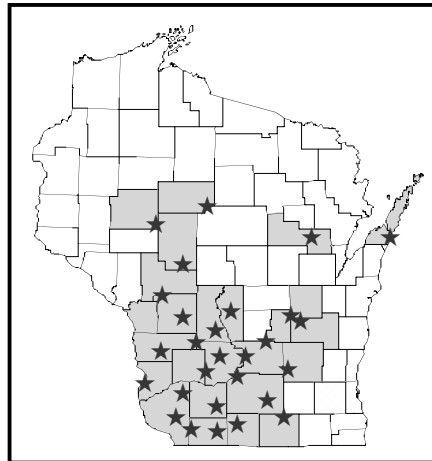
Mission (Our Approach) RWHC will continue to be a member owned and operated cooperative that serves rural Wisconsin hospitals in a number of basic ways—(1) local and national advocacy for rural health (2) clinical/management products and services tailored to the needs of individual Members and (3) collaborative managed care & other insurer contracting.

RWHC Strategic Plan as of 10/1/04

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RWHC Quick Stats (2 of 3)

- Cooperative owned and operated by 29 diversified rural hospitals (in aggregate \$500 M; 2,000 hospital & nursing home beds)
- \$4M RWHC budget (70% member fees, 20% other fees, 5% dues, 5% grants); excludes significant other dollars applied by partners for RWHC members
- About 2/3 will be CAHs; 16 independent, 5 outside managed, 8 system/affiliate



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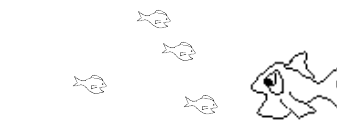
Principle RWHC Products & Services (3 of 3)

- | | |
|---|--|
| <ul style="list-style-type: none">• Advocacy (Market, Government)• Clinical: Audiology, Speech, PT• Coding Consulting Service• Compliance (Medicare)• Credentials Verification Service• Financial Consulting Service• Grantsmanship• HMO & PPO Contracting | <ul style="list-style-type: none">• IT Services, Wide Area Network• Legal Services• Patient Satisfaction Survey• Peer Review Service• Professional & Staff Roundtables• Quality Indicators (JCAHO)• Recruitment (Nursing/Allied)• Reimbursement Credentialing |
|---|--|

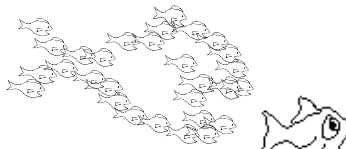
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Founding Principle: Strength in Numbers

RWHC - Eye On Health



Before



After

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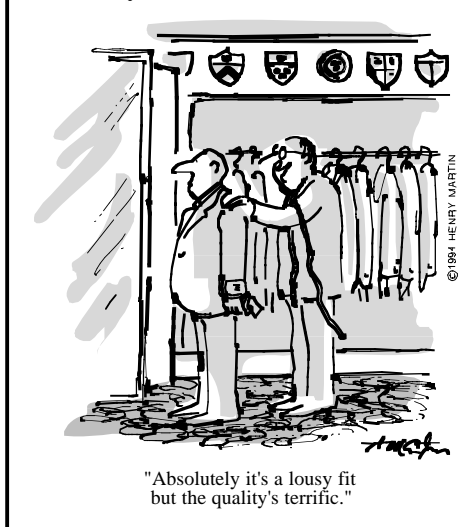
Belief #1: Not Every Group Is a Network

- A rural health network has a written agreement that defines the roles and responsibilities of the members and the purposes of the network.
- It performs collaborative activities according to an explicit plan of action.
- It is not owned or controlled by one entity.

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Belief #2: Like Politics, All Networking Is Local

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All cartoons
in this
presentation
are from the
RWHC
monthly
newsletter and
with others
available for
copying at
www.rwhc.com

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Belief #3: It's About Entrepreneurship

- Rural networks have attracted significant government, foundation and local investments of time and money.
- But network development is an entrepreneurial activity and as such success is not certain. The odds can be increased if all participants understand that networks are businesses, albeit typically "non-profit."
- A key responsibility is to NOT become a small business startup that closes after running through its initial grant or capital.

(This talk focuses on those practices particularly relevant to successful networks; it is not intended as a primer on business management fundamentals.)

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Belief #4: Rural Networks Are Rural Advocates

- Networks are well positioned to advocate for their communities in both private and public sectors.
- The governance and management of network advocacy and shared services use largely the same organizational structure and skill sets.
- Advocacy, particularly about a common threat, is a powerful glue to hold a network together as it develops concrete shared services and deals with other day to day pressures.
- Advocacy is both external and internal; network leaders, while subordinate to their board also have the obligation to challenge the board with information and expectations from the "outside."

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Advocacy & Shared Services Support Each Other

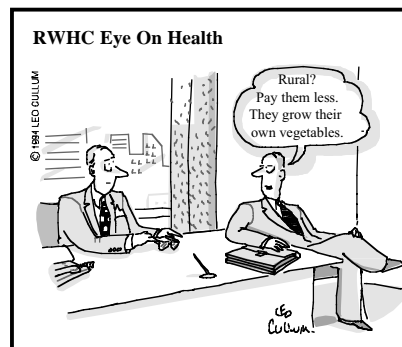
- Discovered by accident but now at core of RWHC Mission
- External Credibility
- Similar Infrastructure
- Shared Services Profits Contribute to Operating Margin
- Shared Services Informs Advocacy
- Advocacy Needs to Be Data Driven
- RWHC "Brand Familiarity" Translates from Advocacy to Services to Non-Members
- Advocacy Is Not Just Political—Also With Private Payers

From *The Natural Synergy Between Advocacy & Shared Services*

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Rural Advocacy: We Are in a "Calm" Before The Storm

- Still Need To Address Ongoing Myths About Rural Health
- Medicare & Medicaid Funding & Reform
- Workforce Shortages & Maldistribution
- Cost of Care & Insurance
- Quality Accountability & Transparency
- Community & Population Health Focus Increasing



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Belief #5: Network Sustainability Starts Yesterday

There are many reasons to participate in a network but few can be accomplished if the organization can't achieve at least a basic level of financial stability. ALL network decisions must include the consideration of how the decision helps the network achieve financial stability.

If grant funded, sustainability is too often thought of as just one of those annoying questions one has to answer at the end of most grant applications about "life after the grant." While grants are not paid back like a bank loan, the underlying and tedious detail of good strategic and business planning is fundamental.

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Belief #6: Networks & Systems Add Value Differently

Network Traits

- Supports Local Autonomy
- Focus On Local Communities
- Strength: Local Credibility
- Tends To Non-Profit Values
- **Participation Voluntary**
- **Depends On Trust**
- Leverage Tertiary Support
- More Health Plan Choices
- Senior Local Leadership
- System Hospitals Active

System Traits

- Assumes Local Responsibility
- Focus On Central Issues
- Strength: Capital
- Brings For-Profit Alternatives
- Participation Required
- Less Dependent Upon Trust
- Committed Tertiary Support
- Health Plans—Fewer Choices
- Junior Local Leadership
- Participation More Restricted

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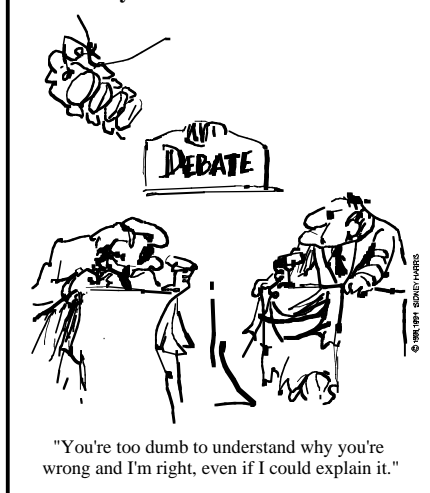
Belief #7: Network Leadership Needs To Be Developed

- Significant management behaviors necessary for successful cooperatives are not commonly seen in traditional vertically organized organizations and systems.
- Most administrators have had little experience and even less training regarding leadership within the network context.
- The "natural" administrative response will frequently come out of traditions that may be inconsistent with the actions needed to support networking.
- Network development can look easy, but collaborative processes require more time up front to build trust.
- Enlightened self-interest is necessary for members to begin and continue working together.

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Communication as a Core Competency

RWHC Eye On Health



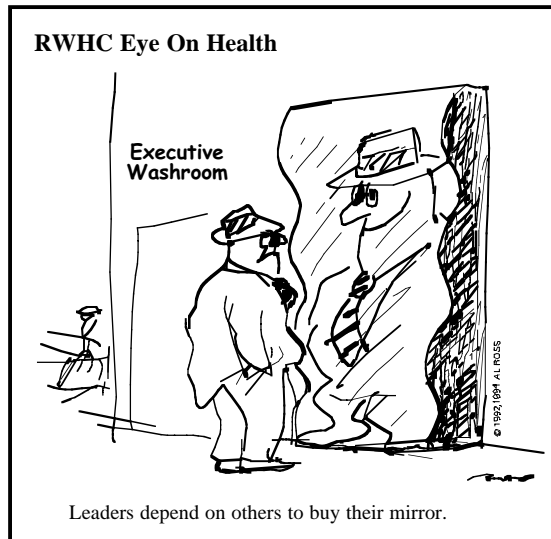
RWHC Meeting Guidelines from Tercon, Inc.

- Everyone Participates, No One Person Dominates
- Listen As An Ally—Work To Understand Before Evaluating
- An Individual's Silence Will Be Interpreted As Agreement
- Assume Positive Intent First When Things Go Wrong
- Minimize Interruptions And Side Conversations

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Communicating Starts With Listening



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Board Agenda Explicit, Maintenance & Growth Focused

10:20 am RWHC Programs and Services (Bonnie Laffey) *Enclosure #3*

Enclosed is the monthly update regarding RWHC Programs and Services. Several items will be highlighted-services that would benefit from more participation, services with pending changes, etc..

Opportunity for questions, discussion.

10:30 am Product & Member Development (Larry Clifford)

- 1) Before developing a plan for membership expansion, feedback is requested re the prospects of the following hospitals as potential new members: xxx.
- 2) Review three recommendations for collaborating with Primary Resources, Ltd., including:
 - Self-funded Equipment Maintenance Plan
 - Group Purchasing
 - Joint Education Programs
- 3) Survey results regarding Occupational Health Roundtable will be reviewed; approval needed if new roundtable to be implemented.

Direction requested as noted.







External Relationships Embedded in Board Agenda

- | | |
|---|---|
| <ul style="list-style-type: none"> • American Hospital Association • Area Health Education Centers • Bioterrorism Preparedness Advisory Committee • CAH Coalition Committee • La Crosse Medical Health Science Consortium • National Rural Health Association • Rural Health Development Council | <ul style="list-style-type: none"> • WI Hospital Association • WI Health & Educational Facilities Authority • WI Academy of Family Physicians • WI Association of Homes and Services for the Aging • Wisconsin Council on Long Term Care Reform • WI Primary Care Association • WI Quality Steering Com. |
|---|---|

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Communication Requires Planning & Follow Through

Frequency	Examples		
Annual	Work Plan, Exec. Dir. Review	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Quarterly	Balance Score Card	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Monthly	Members Open Mike*	<input checked="" type="checkbox"/>	
“ ”	Program/Advocacy Direction Asked*	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
“ ”	Newsletter		<input checked="" type="checkbox"/>
Ongoing	Staff to Staff Phone Email & Phone	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
“ ”	RWHC Web Site		<input checked="" type="checkbox"/>
“ ”	3rd Party Word Of Mouth	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

* = Board Meeting  = Receive Information
 = Give Information

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Explicit Staff Accountability to Network Board

RWHC Strategic Priorities for 2000 to 2003, Status Report As Of 10/2/00

Legend: A = On Schedule
B = Behind Schedule
C = Completed
D = Deleted
E = Ongoing
NA = Not Applicable (Ongoing Action)

[TS:XX%] = Indicates A Key Indicator With Weight For The Annual Review Of Executive Director

RWHC 2000-03 Strategic Priorities	SST Staff	Target Date	Status	Comments
To fulfill its mission and implement its vision, RWHC will focus on the following:				
1. Meet or exceed the annual budgeted operating margin	All	6/01	A	[TS:30%]
2. Add two new member/owners through strategic, controlled growth	LC	12/00	C	[TS:10%]

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RWHC Balanced Scorecard Helps Focus (Just Started)

Financial/Business

What we must do to achieve vision?

- Profit Margin Variance
- Days in Accounts Receivable
- Non-Member Revenue
- Advocacy Strategic Objectives Met

Customer

What must we do for our customer?

- NCQA Credentialing Satisfaction
- RWHC Roundtable Satisfaction
- Wide Area Network Usage

Internal

How will we do it, internal focus?

- Member CEO Participation
- Operational Strategic Objectives Met

Investment

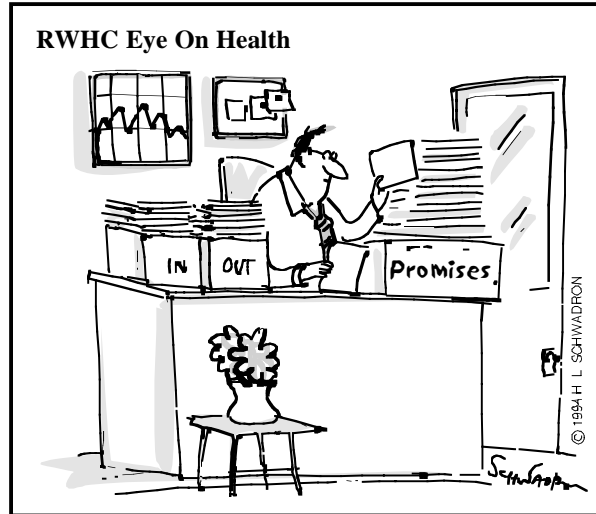
What investments/learning must occur?

- Staff Satisfaction
- Staff Training
- Staff Annual Reviews

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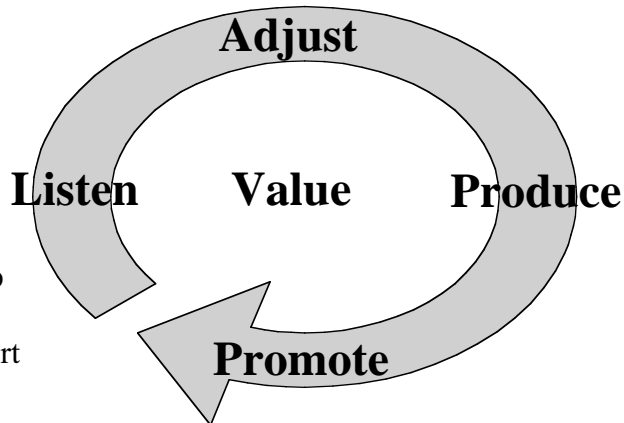
How Networks Create & Maintain Value



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Strategic Networking Requires Ongoing Art & Science

Strategy:
"The art and
science of
employing the
political,
economic and
psychological
forces of a group
to afford the
maximum support
to adopted
policies."



Above "network growth cycle" is a variation of the
traditional PDSA (plan, do, study, act).

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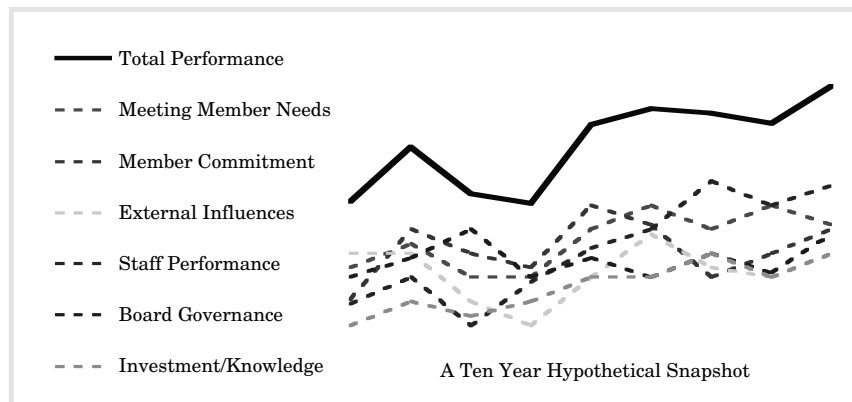
Seek A Mixed Portfolio of Developing Services

Risk	Value Added	
	L, L	L, H
	H, L	H, H

Networks have multiple opportunities to invest scarce resources. When developing new services, it is useful to think in terms of maintaining a degree of "portfolio" diversification. Some low risk, low return products/services to maintain network member interest in the short run and some higher risk, higher return initiatives to provide substantive value over the long run.

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Multiple Factors Drive Ongoing Reinvention



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Network Services: General Principles

- Network goals frequently satisfied by shared services.
- They must produce real member benefit.
- Member and "network" perspectives may differ.
- They are shaped by the environment (market, technology, member proximity and relationships).
- Successful services help to build trust to build service.
- The decision to offer a service and the decision to use a service are determined by financial & other criteria.
- More complex services require more complex structures.
- Shared services increase network cohesion.

From *Networking For Rural Health* by Anthony Wellever
available at <http://www.ahsrhp.org/ruralhealth/ruralpubs.htm>

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Network Services: Basic Planning Questions

- What are key areas which determine network success?
- How attractive is the opportunity?
- What is the payoff for the network, for the members, for the communities?
- What is the timeframe?
- Chances of success?
- What are the risks? Are they acceptable?

From *Networking For Rural Health* by Anthony Wellever
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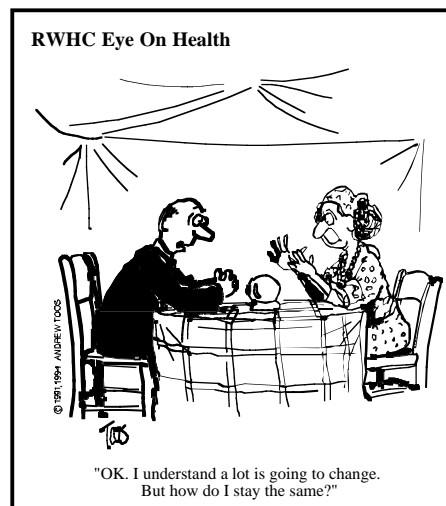


Network Services: More Than One Way to Skin Cat

- Contract with a vendor.
- Create and manage a joint venture (include hiring staff) among some or all members to share service.
- Coordinate a shared service that is owned by a member or members.
- Negotiate terms of a master contract with vendors for members to sign bilaterally with vendors.

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"Say 'Yes, if ...' rather than 'No, because...' " *



*Anne Woodbury, Chief Health Advocate for Newt Gingrich's Center for Health Transformation in her keynote address at the WHA 2004 Annual Conference

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Summary: Networks Are Built on Relationships

1. Make Yourself a Partner Who Can Be Trusted
2. Respect the Need to Effect One's Own Future
3. Involve All in the Planning Process
4. Assure All Participants Know They Are Needed
5. Share Your Big Picture
6. Agree on Methods of Accountability Up Front
7. Assure that a Fair System of Arbitration is Available
8. Participation Must Makes Sense

From *Managing Partnerships* by Tim Size available at
[Http://www.rwhc.com/General.Info.html](http://www.rwhc.com/General.Info.html)

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Communication Is Core Competency for Relationships

RWHC Eye On Health



"Don't tell me, but we really don't have the least idea what each other is saying, do we?"

- Collaboration is as traditional as competition or going it alone.
- Most of us have less experience & training with cooperation.
- We learn best by doing it.

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A copy of this handout is available online at:

<http://rwhc.com/new.html>

2004 RWHC Quality Indicators Program is included on the Joint Commission's list of acceptable systems. With 100+ rural participants, RWHC offers one of only two national rural- focused performance measurement systems. Information is available at:

<http://rwhc.com/products.services/quality.html>

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Resources For The Afternoon Session

"The Natural Synergy Between Advocacy & Shared Services"

"Managing Partnerships: Perspective of a Rural Hospital Co-op"

Sample quarterly

Strategic Plan Update

Sample monthly

Board Agenda

Services Report

Balanced Scorecard

Newsletter

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