Rural Hospital Networks: Stability & Growth In Challenging Times

Tim Size, Executive Director
Rural Wisconsin Health Cooperative
Iowa Medicare Rural Hospital Flexibility Program
Des Moines, Iowa
May 4th, 2005

CAHs Now Serve Over 1,000 Communities!
Presentation Outline

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

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

RWHC, 880 Independence Lane, Sauk City, WI 53583 (T) 608-643-2343
Email: timsize@rwhc.com World Wide Web Site: www.rwhc.com
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

Principle RWHC Products & Services (3 of 3)

- Advocacy (Market, Government)
- Clinical: Audiology, Speech, PT
- Coding Consulting Service
- Compliance (Medicare)
- Credentials Verification Service
- Financial Consulting Service
- Grantsmanship
- HMO & PPO Contracting
- IT Services, Wide Area Network
- Legal Services
- Patient Satisfaction Survey
- Peer Review Service
- Professional & Staff Roundtables
- Quality Indicators (JCAHO)
- Recruitment (Nursing/Allied)
- Reimbursement Credentialing
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.
Belief #2: Like Politics, All Networking Is Local

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

*Absolutely it's a lousy fit but the quality's terrific.*

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.)
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.”

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
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

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.
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

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.
Communication as a Core Competency

- 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

RWHC Meeting Guidelines from Tercon, Inc.

Communicating Starts With Listening

Leaders depend on others to buy their mirror.
Board Agenda Explicit, Maintenance & Growth Focused

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

- 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

- 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.
Communication Requires Planning & Follow Through

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* = Board Meeting  ☑ = Receive Information  ✗ = Give Information

Explicit Staff Accountability to Network Board

| RWHC Strategic Priorities for 2000 to 2003, Status Report As Of 10/200 |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Legend: A                   | B                          | C                          | D                          | E                          |
| On Schedule                 | Behind Schedule             | Completed                   | Deleted                     | Gapping                    |
| NA                          | Not Applicable (Ongoing Action) | [TS:XX%] = Indicates A Key Indicator With Weight For The Annual Review Of Executive Director |

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<tr>
<th>RWHC 2000-03 Strategic Priorities</th>
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<td>To fulfill its mission and implement its vision, RWHC will focus on the following:</td>
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<td>1. Meet or exceed the annual budgeted operating margin</td>
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<td>2. Add two new member/owners through strategic, controlled growth</td>
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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

Internal
How will we do it, internal focus?
• Member CEO Participation
• Operational Strategic Objectives Met

Customer
What must we do for our customer?
• NCQA Credentialing Satisfaction
• RWHC Roundtable Satisfaction
• Wide Area Network Usage

How Networks Create & Maintain Value

RWHC Eye On Health

Rural Wisconsin
Health Cooperative

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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.”

Seek A Mixed Portfolio of Developing Services

Green: Low risk, high value added products/services.

Yellow: Low risk, low value added products/services help maintain network member interest in the short run and high risk, high value added initiatives are needed to provide substantive value over the long run.

Red: No starter.
Multiple Factors Drive Ongoing Reinvention

- Total Performance
- Meeting Member Needs
- Member Commitment
- External Influences
- Staff Performance
- Board Governance
- Investment/Knowledge

A Ten Year Hypothetical Snapshot

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
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
available at http://www.ahsrhp.org/ruralhealth/ruralpubs.htm

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.
“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

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

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.

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