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Health Care

Recognizing and Acting on Little Changes can Help Hospitals Move Forward

It can be argued that a combination of "little things" dragged the economy from a lofty high where nearly every individual and every business could borrow money. Now, "big things" in the forms of stimulus bills and bank restructures are attempting to stabilize the credit markets. Hospitals, however, are stuck in a meantime that hasn't been generous to their "big thing" projects. Lack of liquidity in the current market has forced many to postpone projects or shrink their scopes, limiting the constant progress required of modern hospitals.

Fortunately, large-scale projects aren't always the only answer for hospitals. Facilities across the country are showing that modest changes also have the potential to help hospitals stabilize their own internal economies and continue moving forward, and small changes to financing options should create opportunities for future big-ticket borrowing.

Little Moves with Big Potential

In Fremont, Ohio, 132-bed Memorial Hospital competes with several newer facilities. In seeking to constantly enhance its strong image in the community, the hospital identified opportunities to improve its "first impressions" with patients and visitors. Following some reconnaissance work involving photographs of competing hospitals, it is brightening and modernizing its lobby with new

furniture, carpeting, lighting, a water feature and a fireplace.

"Even though ours wasn't bad, you could tell ours was dated," Chief Financial Officer Rick Ruppel said. The lobby was last renovated in 2001. "One issue in ours particularly was lighting. It was very dark."

The lobby renovation is expected to cost about \$200,000, and 75 percent already has been raised from within the hospital and the community. "Those kinds of first impressions, if they're not positive, then that can influence a patient or visitor's perception," Ruppel said.

Golden Valley Memorial Hospital in Missouri is moving forward with patient satisfaction efforts a bit farther inside the building. With eventual goals of remodeling to have 100 percent private rooms, the interim plan includes more modest aesthetic changes with new ceiling tiles and paint for patient rooms. And following the Disney philosophy that every client is a guest, Golden Valley has



Brighter lighting, and new furniture and a fireplace like these, will help Memorial Hospital put its best face forward.



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empowered its staff to resolve patient satisfaction issues when they happen. Managers, for example, can offer a meal voucher to help assuage an upset family member, rather than escalating the issue through administration and delaying a resolution.

Staff satisfaction also is a good area to find opportunities for small changes that make a big difference. Sidney Health Center's new work site wellness program offers a low-cost way to provide smoking cessation, healthy living and other programs to staff members.

Sometimes the best answer is still a more comprehensive project. New and proposed changes to existing financing options may help with access to capital.

Hospitals still have access to lower-interest federal hospital mortgage insurance through the FHA Section 242 program. The Section 242 program has been used for replacement facilities, new construction and renovations. It cannot currently be used for straight refinances because 20 percent of the funds must be used for new projects. Taking on additional leverage or a complex project in this economy, however, is not tenable for many hospitals. The elimination of this requirement has been suggested, which could open up the 242 program as a viable

refinancing option for hospitals now facing expiring debt, onerous bank covenants or other issues.

Local resources also have been boosted lately. The Federal Home Loan Bank can now provide its AAA credit rating to local banks for use with tax-exempt hospital bonds. This allows hospitals to issue bonds through local banks at lower rates usually available only from large banks, which tend to be lending only to the highest credits right now.

Bank-qualified bonds also are looking at a boost, as the federal stimulus bill includes provisions to increase the amount of bank-qualified bonds from \$10 million to \$30 million per year per borrower. This increase could allow a hospital to accomplish a larger project via an affordable financing vehicle that may have greater market appeal, so long as the community's banks have an appetite for the bonds.

Little things weakened the economy, and though some saw it coming, few recognized how the combination of these elements would play out. But little things also have the potential to come together to help hospitals. The keys are to be aware of what changes are forthcoming both within and without the facility, and to identify and act on small, low-cost items so their benefits can combine and compound to carry the hospital forward.