

Framing the Issue

Should OMHS BUILD A NEW HOSPITAL?

By Rodney Berry and Fran Ellers

Issue Brief/Dialogue Guide – September 2006

BACKGROUND

A strategic decision. In an Aug. 16 presentation to the Owensboro Rotary Club, Jeff Barber, president and chief executive officer of Owensboro Medical Health System (OMHS), acknowledged that the hospital faces a critical strategic decision: Do we build a new facility or expand and renovate the existing one?

Necessary changes for inpatients. According to Barber, OMHS needs to add 140 beds, 10 operating rooms and 19 recovery rooms. Admissions of inpatients (who spend the night in the hospital) have been declining for the last few years as more medical procedures are done on an outpatient basis. However inpatient admissions are projected to increase over the next decade, partly because of the aging population, Barber said in an interview. The hospital also needs to modernize its inpatient facilities, which do not allow the safest, most efficient care, he said.

An aging population. A demographic analysis for OMHS shows its inpatient load will grow by about 13 percent over the next several years because the local population is aging and will need more health care (10 percent of the increase). Also, in outlying counties such as Spencer, the population is projected to grow (3.2 percent of the increase), Barber said.

The inpatient load is expected to increase by another 8 percent when OMHS recruits specialists who provide services that patients presently get at hospitals in Louisville, Evansville or Nashville.

Outpatient growth. The hospital's outpatient centers, such as the emergency room, are newer and do not need to be renovated or moved. However because the growth of outpatient care is outpacing inpatient care, Barber said that the hospital will eventually need to add a second convenient care center and another clinic or clinic site to serve the uninsured, as the McAuley Clinic does now.

Hospital construction boom. Many hospitals around the U.S. are constructing new buildings and expanding capacity. Analysts say the construction may be meeting legitimate health needs but could also raise costs for consumers by increasing utilization, among other things.

Increasing utilization. Part of the hospital's plan is to add doctors in the community. OMHS plans to recruit 85 physicians, about half of whom would replace retiring doctors. Of the remaining 40, about 20 would be primary care physicians, Barber said.

That would help expand access to primary care, including preventive care, throughout the area. At the same time, all those extra doctors would be detecting more problems and admitting more patients to the hospital, thus increasing utilization of health care in the community.

Cutting costs. Barber said that modernizing the hospital will help it operate more efficiently and reduce some of its operating costs over the long haul. Currently operating and intensive care rooms are too small and the size and layout of patient rooms vary by floor. If the rooms were standard, nurses and other employees would be able to do their jobs more efficiently, Barber said.

To expand and renovate. If the decision is made to expand the current facility, Barber proposes 545,000 additional square feet and renovation of 230,000 square feet. This would cost an estimated \$500 million, require five to seven years construction and cause significant disruption to hospital operations. The current 57-acre campus is difficult to expand since the hospital is surrounded by busy streets and a railroad track.

Who's for a new hospital? Who's against it?

"I'm 100 percent for a new hospital. It doesn't make any sense to renovate."

Billy Joe Miles, chairman
Owensboro Medical Health System

"The reality is we have an aging population...the big baby boomer population needs services. That's the root cause of what's going on."

Jeff Barber, president
Owensboro Medical Health System

"I'm 100 percent behind building a new hospital. If you look at the numbers and you look at the facility that they have now (parts of which date to 1939), they could spend the next five years trying to remodel it and it still wouldn't meet our needs eight or nine years down the road..."

"I'm sensitive to the fact that it's moving from the inner city...But we (at the hospital) don't just serve people in the city limits...It's just a very good opportunity to do something special (for the community), increase the job base and hire more folks..."

"The only real negative part is leaving the center of town and how do we make sure the folks in the western part of the city and county are able to access the hospital. We'll still have a very good Convenient Care and ER (emergency room) centered right there in the city...We're going to have to put in a new bus line to make sure we can adequately provide transportation to folks who need it (to the new building). But these are opportunities, not obstacles...I'm convinced that it's a way to move us forward."

"Even though we are creating this opportunity, I feel somewhat concerned about being able to attract the number of physicians because of the cost of liability insurance."

Tom Watson, mayor
City of Owensboro
Owner, Watson's Prosthetic and Orthotic Lab

BACKGROUND (CONT.)

To build new. Barber said that a new one-million square foot facility would cost the same amount, take five years or less to plan, design and build. He recommends a campus of at least 75 acres to allow for long-term growth. The current facility includes areas that were built recently, such as the Mitchell Cancer Center; other areas are nearly 70 years old.

Improvements have been made. OMHS buildings have been renovated many times through the years. Double patient rooms have been converted to singles, emergency and critical care facilities have been expanded and improved, medical offices have been added, as well as many other enhancements. Despite these improvements, some sections lack the capacity and convenience offered at other modern hospitals.

OMHS dominates the market. OMHS is the hospital of choice for its primary market. Ninety-four percent of hospital patients in 11 counties use OMHS over other options. At the same time, patients have to seek some services elsewhere because Owensboro does not have the appropriate specialists.

Owensboro's largest employer. Barber predicted the expansion would create 800 jobs on top of its current 2,690 – a 30 percent increase (500 at the hospital and 300 connected with offices of 40 physicians the hospital hopes to recruit).

Complementary initiatives. OMHS is expanding into cancer research through a partnership with the Brown Cancer Center of Louisville at the new facility on the hospital campus. At the Mid-America Airpark, OMHS acquired Kentucky Bioprocessing LLC (formerly Large Scale Biology) to expand the firm's research and product development of pharmaceuticals through the use of plant-based biotechnology, including tobacco.

Sites under consideration. OMHS has apparently focused on sites in the fringe areas of the city that are visible and accessible off the Wendell Ford Expressway (U. S. 60 By-Pass) and/or the planned East-County Corridor.

Use of Parrish campus. If a new hospital is built, Barber acknowledges that facilities such as the cancer center, outpatient services, emergency room and support services would remain at the current Parrish Avenue campus.

Timeline. The OMHS board expects to make a decision by mid-October.

Public input. The OMHS board of directors is under no obligation to solicit public input on this decision. The Public Life Foundation and other community groups may schedule events to examine these options in an open forum.

“At present the decision for the future of the hospital rests with the board of directors. They have access to the studies done and the consultant's report. So it would be premature without seeing any of the data for me to take a side on the issue. Once the board makes its decision, then the public will have the opportunity to determine if that decision is the right decision.

“I am excited about the prospects surrounding the growth of our medical facilities. I believe it speaks well of the quality of Owensboro Medical Health System and the strides it has made over the last few years in health care delivery. The hospital is a major economic development engine in our community, so its success is a success for the community.

“The greatest concern I have at present is the future of the current structures should the board decide to relocate and build a new facility. The hospital takes up a significant amount of space in the heart of the city and I would hope that any plan to move would include a comprehensive plan to address what will happen with the existing buildings. However I have great faith in the wisdom of the board and I feel comfortable that they will address that issue.

**Reid Haire, judge-executive
Davies County Fiscal Court**

“Citizens Health Care Advocates has always given the hospital opportunities to present its plans and viewpoints to the public. We hope they will continue to use our organization as one of their avenues for communication.”

**Jennifer Kaminski, secretary
Citizens Health Care Advocates**

“The Greater Owensboro Economic Development Corporation strongly supports the hospital in its efforts of expansion to better serve the Greater Owensboro region.

“Health care is the fastest growing sector of the national economy in terms of jobs and capital investment. According to the Bureau of Labor Statistics, 7 out of 10 of the fastest growing occupations from 2004-2014 will be in the health care industry. The hospital's effort to recruit a total of 100 new doctors is the equivalent of a \$100 million, 1,200 job employer with most jobs requiring college degrees and paying a wage above our median income level.

“With an aging population and a region that is less healthy than many other parts of the country, a rock solid growing health care sector will be a critical component of our economic development strategy.”

**Nick Brake, Ph.D.
President/CEO
Greater Owensboro Economic
Development Corporation**

Framing the Issue: OMHS

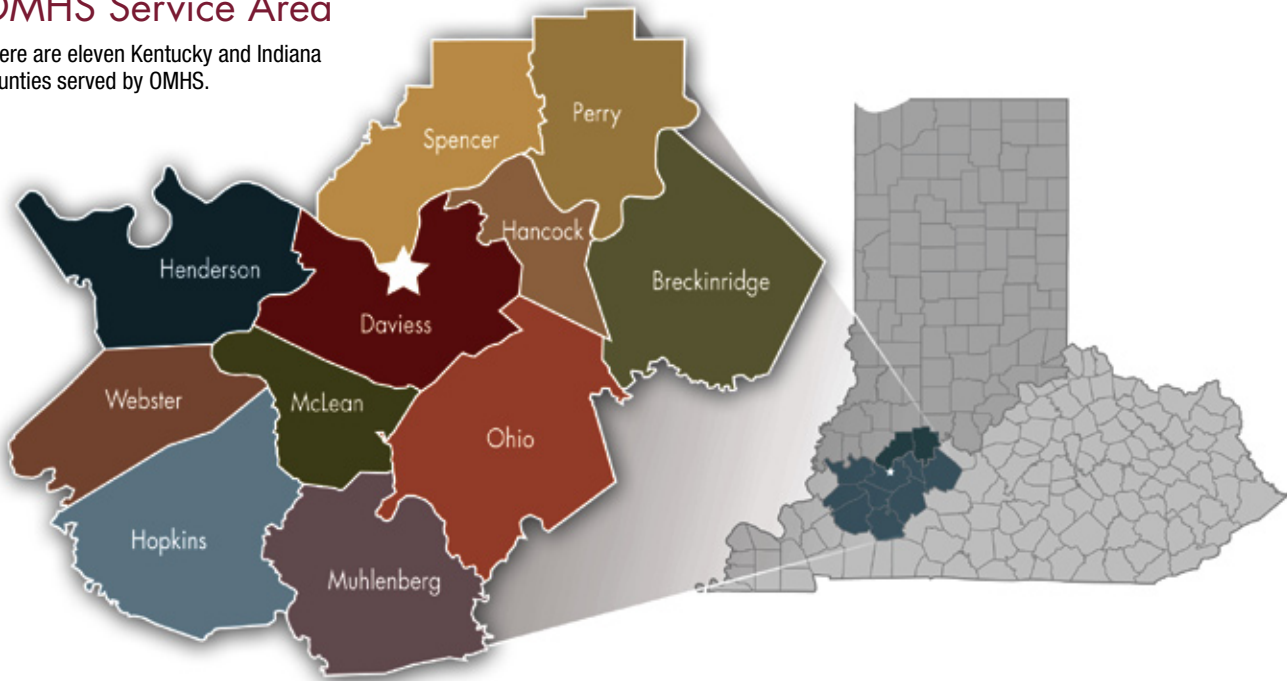


SHOULD OMHS BUILD A NEW HOSPITAL OR EXPAND AND RENOVATE EXISTING FACILITIES?

THOSE WHO SUPPORT A NEW HOSPITAL MAY SAY...	THOSE WHO SUPPORT RENOVATING THE EXISTING FACILITY MAY SAY...
<ul style="list-style-type: none"> ■ OMHS needs to build for the future. ■ A new facility will be more appealing to more patients and allow the hospital to provide better care. The current layout of some parts of the hospital is inconvenient and impractical for both employees and patients. ■ The hospital needs room to grow. Expansion at the current campus is difficult; there are major streets and a railroad to work around. Parking and access will be much improved. ■ The cost is essentially the same to build new and OMHS can afford it. ■ Building new can be completed in less time than phased expansion and renovation. ■ New construction on another site would not disrupt operations as would renovation. ■ A new hospital will help us recruit more physicians. ■ OMHS is our largest employer and the economic engine of our community and region; we need to protect it and maximize its potential. 	<ul style="list-style-type: none"> ■ By expanding, OMHS will need to increase utilization and occupancy. Increased utilization (the use of health care services) is one of the primary factors in the rising cost of health care. ■ The cost of the project will be passed along, in part, through increased charges to insurance companies and thus to patients. By phasing in necessary renovations over a period of years, costs will be easier to absorb. ■ Our community and hospital should have other priorities, such as expanding care for the uninsured and helping people change behaviors, such as smoking, that put them in the hospital in the first place. We don't need to be spending a lot of money on a new building. ■ OMHS will have a fragmented campus because it will need to keep certain facilities (cancer center, emergency room, etc.) on the Parrish Avenue site. ■ Moving many hospital services away from the current location could hurt an area that is already in need of revitalization. ■ If OMHS builds a new hospital, it may be difficult to find uses for part of the current facility.

OMHS Service Area

There are eleven Kentucky and Indiana counties served by OMHS.



Kentucky Annual Hospital Utilization And Services Report

	2001 Inpatient Occupancy*	2005 Inpatient Occupancy*	2001 Inpatient Days, Private Pay	2005 Inpatient Days, Private Pay	2001 Inpatient Days, Medicare	2005 Inpatient Days, Medicare	2001 Inpatient Days, Medicaid	2005 Inpatient Days, Medicaid
OMHS	49.7 %	40.9 %	36.1 %	30.2 %	50.4 %	56.1 %	13.5 %	13.7 %
Ranking, other hospitals	36 of 105	44 of 73	22 of 109	43 of 120	7 of 109	57 of 120	56 of 109	66 of 120
Actual numbers	71,139	61,900	25,686	23,799	35,848	44,214	9,605	10,784

*Acute, non-psychiatric inpatients

Year	Acute care		Intensive care		Neonatal		Newborn days	
	2001	2005	2001	2005	2001	2005	2001	2005
Average days per bed	258	213	229	208	18	30	124	121
Number of beds	291	291	34	34	5	5	34	34
Number of days	75,257	61,900	7,813	7,084	82	152	4,220	4,121
State average days per bed	206	212	210	269	222	232	130	115

OMHS Facts

Current Campus	57 acres
Beds	347
Employees	2,690
Staff Physicians	220
Specialties	35
Annual Payroll	\$82 million
Annual City Occupational Tax Paid	\$1.09 million
Annual Admissions	20,800
Operating Rooms	14
Recovery Rooms	26
Service Area	11 counties*
Annual Emergency Room Patients	65,000
Annual Convenient Care Patients	32,000
Annual Charity Care	\$15 million

* Daviess, Hancock, Ohio, Muhlenberg, McLean, Webster, Hopkins, Henderson, Breckenridge, Spencer (Ind.) and Perry (Ind.)

Major Hospital/Health Care Facilities Built or Planned in our Area

Facility

Ohio County (KY) Hospital
 Perry County (IN) Memorial Hospital
 Trover Hospital (Madisonville)
 Deaconess Hospital (Evansville)
 Deaconess Gateway Hospital (Evansville)
 Methodist Hospital (Henderson)
 Methodist Hospital (Union County)
 St. Mary's Hospital (Evansville)

Beds

25-bed acute care facility
 25-bed critical access facility
 410-bed
 365-bed
 116-bed
 216-bed
 25-bed acute critical access
 16-long term beds
 564-bed

LEARN MORE

Owensboro Medical Health System

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 Owensboro, KY 42303
 270/688-2000
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 jbarber@omhs.org

Kentucky Hospital Association

2501 Nelson Miller Parkway
 P.O. Box 436629
 Louisville, KY 40253
 www.kyha.com

American Hospital Association

One North Franklin
 Chicago, IL 60606
 www.aha.org

SHARE YOUR VIEWS

Owensboro Medical Health System

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 Billy Joe Miles, 2006 Board Chairman

Tom Watson

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GET INVOLVED

Citizens Health Care Advocates
 401 Frederica Street, B-203
 Owensboro, KY 42301
 270/685-2652
 Don Crask, 2006 Chair
 don.crask@ky.gov

Sources

Barber, Jeff – Interviewed by Fran Ellers, August 29, 2006
 Kentucky Annual Hospital Utilization and Services Report, Kentucky Cabinet for Health and Family Services (<http://chfs.ky.gov/ohp/dhppd/datasrsgal.htm>)
 Lawrence, Keith “OMHS forecasts major growth,” *Messenger-Inquirer*, August 17, 2006
 Lawrence, Keith “Barber: If MHS builds new hospital, it will be annexed,” *Messenger-Inquirer*, August 18, 2006