

# Community Hospitals Update



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- Craig E. Aasved, CEO of North Valley Hospital

## Critical Access status proves critical to hospital growth and stability

### North Valley Hospital discovers new opportunities through federal program

North Valley Hospital in Whitefish, Montana is a nonprofit 25-bed hospital serving approximately 30,000 people in the northwestern part of the state, about 30 minutes from Glacier National Park.

A fixture in the community for more than 100 years, North Valley's core services include obstetrics, orthopedics, emergency medicine, surgery, and intensive care. It averages about 45,000 outpatient visits a year. The only other health services available in the area are a tertiary care center 15 miles to the south and two surgery centers, one of which also offers imaging services.

North Valley recently completed a five-year mission to build a new hospital – a decision necessitated by the financial impracticality of renovating its existing facility, which had last been refurbished in 1971. Building a new hospital is an expensive undertaking for any organization, but especially for a small rural provider like North Valley.

As hospital management considered various options, it became clear that one path to achieving its goal was to apply for status as a Critical Access Hospital (CAH). This federal designation would make North Valley eligible for assistance in securing its long-term financial health and, thus, its ability to keep providing critical health care services to the community.

### Federal assistance for rural hospitals

During the 1980s and early 90s, many rural hospitals in the United States closed because they were unable to remain financially stable under the then-new Medicare Prospective Payment System. The federal response to this healthcare crisis was the Critical Access Hospital Program created by the 1997 Balanced Budget Act. The CAH program was designed as a financial safety net for rural hospitals to assure that Medicare beneficiaries in these areas would continue to have access to health care services.

Among the benefits of the program was that qualified hospitals would receive cost-based reimbursement from Medicare for inpatient and outpatient services, rather than the flat rate based on DRG classification.

In North Valley's case, the hospital was not in financial straits, but it was facing relocation and building costs of about \$29 million as it strove to upgrade its services and infrastructure to meet the needs of its growing patient base. With the support and assistance of the hospital's management company, the Montana Department of Health, and the neighboring Kalispell Regional Medical Center, the hospital was granted CAH status. This designation enabled North Valley to look ahead with more confidence through three major benefits.





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- Their reimbursement for Medicare patients changed to cost plus 1%. Since the hospital's payer mix is 50% Medicare, 8% Medicaid, 10% uninsured, and the remainder through commercial payors, the effect was significant. “Achieving critical access status means about a million dollars more in reimbursement for us,” says Craig E. Aasved, chief executive officer of North Valley Hospital.
- Their credit rating was raised due to participation in the federally-funded program, improving the hospital's financial stability and flexibility.
- They became eligible for affordable financing through the Federal Housing Administration (FHA) 242 Program administered by the U.S. Department of Housing and Urban Development (HUD). With the hospital now operating under cost-based Medicare reimbursement, it qualified for a low-interest, 28-year loan for \$29.25 million that combined both construction and permanent financing to cover the cost of land, building, and equipment for the new hospital. In addition, North Valley was able to raise over \$13 million through community fundraising and sale of the old hospital to offset some of the costs.

“Without achieving Critical Access Hospital status, we would have never been able to build a new hospital,” says Aasved. “We would have been one of those hospitals just struggling to make it. Critical Access has given us more breathing room and the ability not to just maintain our same level of performance, but to exceed it.”

## New imaging capabilities drive 12% increase in procedure volume

The hospital's new 84,000-square-foot facility was built on a 45-acre campus in a planned growth corridor for the town of Whitefish. The design enhanced all of the hospital's services with special attention to areas that are growing rapidly. “Our biggest growth areas are obstetrics and intensive care. Our emergency department, lab, and radiology department have seen significant growth as well,” says Aasved.

North Valley's radiology department conducts about 15,000 outpatient procedures a year. Their imaging equipment includes MRI, CT, mammography, ultrasound, and R&F. The financial flexibility and access to low-cost financing gained through the Critical Access Hospital status was instrumental in enabling North Valley to upgrade its imaging capabilities, says Sheri Yeager, director of imaging services at the hospital.

The hospital acquired a GE Signa HD 1.5T MRI scanner when it moved into the new facility. “Now we can offer patients the same state-of-the-art imaging that's available at the larger regional medical center,” says Yeager. In addition to giving outpatients the flexibility to stay near home for MRI scans, the hospital no longer has to transfer inpatients via ambulance to the medical center 15 miles away for more complex MRI exams. “Our patients prefer to stay here because our hospital has a smaller, family feel. It's a place where patients and caretakers know each other on a first-name basis,” says Yeager.

The infusion of capital from the FHA loan and community fundraising also enabled the hospital to upgrade from a 4-slice CT system to a GE LightSpeed VCT XT CT scanner. In addition, North Valley is acquiring digital mammography as well.

Moving up to more advanced diagnostic imaging equipment has enabled North Valley to increase its imaging procedure volume by 12%, according to CEO Aasved. He attributes this growth in referrals to the confidence that physicians have in the imaging technology that the hospital selected and the fact that their patients can now have their tests done at a facility they know and trust.



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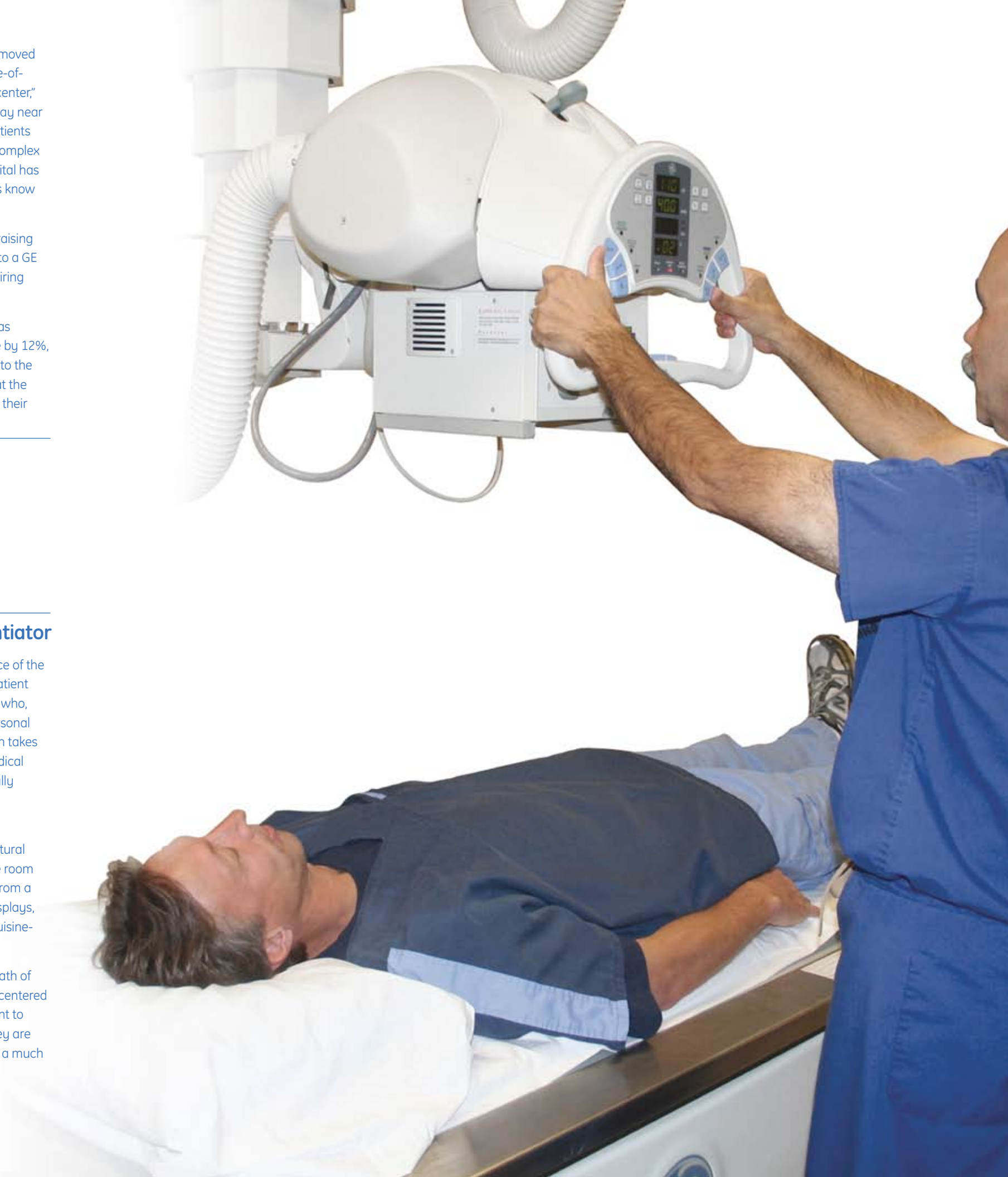
Sheri Yeager, Imaging Services Supervisor

## Patient-centered care: a market differentiator

Another competitive differentiator for North Valley is its embrace of the Planetree model of healthcare in its new building design and patient services. Planetree was founded in the late 1970s by a woman who, after several traumatic hospitalizations characterized by impersonal care, felt there had to be a better way. Her organization – which takes its name from the tree that Hippocrates sat under to teach medical students in ancient Greece – has since become an internationally recognized leader in pioneering patient-centered care.

Influenced by their precepts, North Valley Hospital emphasizes health through the physical environment and includes such natural features as waterfalls, gardens and fish tanks, as well as ample room for patients' families to be comfortably near their loved ones. From a services standpoint, North Valley provides artist and artisan displays, massage therapy, therapeutic music, certified dog visitation, cuisine-on-call, clergy-on-call, and other amenities.

“We are the only hospital in Montana that has gone down the path of becoming a Planetree hospital,” says Aasved. “Being a patient-centered hospital makes us unique. That, combined with our commitment to providing advanced medical technology, makes people feel they are getting the same results as if they went to a leading hospital in a much larger city.”



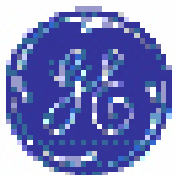
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Imagination at work