

# The rise of the rural replacement hospital

By Laura Rygielski and Maureen Lally

Postwar America saw an unparalleled building boom that touched nearly every industry and economic sector and the medical field was no exception.

One of the most influential factors in the postwar medical facility building explosion was the Hill-Burton Act of 1946. As a result, a significant number of the nation's 2,000-plus rural hospital facilities were built sometime between the late 1940s and early 1970s. Also known as the Hospital Survey and Construction Act, the legislation provided federal grants and guaranteed loans to improve the nation's hospital system — especially in rural areas.

More than 60 years later, these rural hospitals are quickly approaching the end of their design life. Consequently, replacement hospitals are sprouting up throughout the rural United States. The results are modernized facilities designed to support the latest technologies that minimize energy costs yet improve patient experience and staff satisfaction.

## Out with the old, in with the new

The rise of outpatient services and continual introduction of new technologies is improving efficiency and the rate of patient flow. However, the typical design of older rural facilities is geared toward inpatient care and is not designed for current technologies. Wheelchairs don't fit in patient bathrooms, for example, and rooms are not



designed to accommodate portable diagnostic equipment.

In the past two decades, the care model in hospitals has seen strong shifts, most notably a rapid increase in outpatient care. In the past, if a patient had cancer, they'd be immediately admitted for a long stay in the hospital. Today, their care would mainly be provided through outpatient visits. The shift creates a need for a different use of space than older facilities can easily accommodate. Rather than beds, growing numbers of outpatients demand more exam rooms, better diagnostic facilities and equipment, and even bigger waiting rooms.

For instance, the original Franklin Foundation facility in rural Louisiana was built in 1952. Despite expansions

in the 1960s and 1980s, the facility was simply not designed to accommodate a high volume of outpatient care.

"The old facility was not a conducive environment to provide healthcare," said Calvin Green, CEO of Franklin Foundation. "There was outdated equipment and poor traffic flow in the facility."

Because outpatient care accounts for 65 to 70 percent of Franklin's revenue, Green began to think about how a new facility could allow the hospital to capitalize on this change in patient care. After conducting a feasibility study to determine the cost differential between replacement and renovation, Franklin's board and administration determined that a new facility would be the best financial option to meet the

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organization's needs — from better patient flow to lower energy bills.

The new 65,000-square-foot facility opened in 2007, and though it maintains 25 beds in order to retain its status as a critical access hospital, the new hospital was designed to facilitate outpatient care. A new HVAC system allows for greater control of the indoor air quality and enhances efficiency. Energy efficient design and new mechanical systems also save the hospital money on energy costs.

Facility replacement offers lower expenses and positive effects on quality of care, compared to operating in their original facilities according to the *2006 Rural Hospital Replacement Facility Study* conducted by Stroudwater Associates. Patient safety and staff satisfaction — which helps recruitment — are also heightened along with 10 percent average growth in outpatient services after one year, according to the study.

Acadian Medical Center in Eunice, La., was facing a loss of physicians and a bad reputation along with code compliance and patient flow issues and an inadequate air conditioning system in its 40-year-old facility. After building a new facility, Butch Fraizer, Acadian Medical Center's CEO, sees a boost in employee moral and an increase in constituency satisfaction scores.

Acadian Medical Center went from 57,000 to 132,000 square feet for the same number of beds. In the new facility, outpatient services are located in the front of the hospital to address patient flow — which is smooth. Patients rarely have to enter the main hallway of the hospital.

### Financing and some good tips

Federal programs such as those provided by the Department of Housing and Urban Development, can provide loans with reasonable interest rates. The HUD program targets rural facilities in the Critical Access Hospital program and has more manageable eligibility requirements and covenants than other options. The federal government also has grant money available for rural facilities.

Franklin Foundation was granted nearly one-third of the funds needed to rebuild from the state of Louisiana and financed the rest of the project through the U.S. Department of Agriculture.

Additionally, private companies offer performance agreement programs that help offset capital improvement costs by guaranteeing that the cost savings that result from improved efficiency will pay for the work over a specified period. A program focused on mechanical systems, for example, allows facilities with older, outdated systems to get much needed capital improvements without having to raise money up front, or further emaciate budgets already stretched thin from normal operating costs.

Regardless of the perceived benefits, nothing can replace the value of thorough research. An integral component of this research is to consult experienced rural medical professionals that can assist with financing options and a facility master plan that includes

demographics, economic climate, medical staff, services, operations and volume projections. Seek advice from other rural hospitals that have rebuilt their facility. Ask what they like and what they would have done differently.

Franklin Foundation's CEO, Calvin Green, advises hospitals considering a replacement facility to have the project team interview key stakeholders (one to three people per department) on their wants and needs for a new facility. In Franklin Foundation's case, employees helped design the flow of the building.

A new facility can often revitalize a rural area, bringing in new jobs and revenue, but you need to understand the community's needs along with what your facility can afford. Nothing can be better than working with the community because medical centers are truly the epitome of a community center. ■

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