



Debt Restructuring Creates Solid Footing: North Texas Medical Center, Gainesville, Texas

THE SITUATION

Gainesville Hospital District saw light at the end of the tunnel—a new beginning for North Texas Medical Center (NTMC). The district had leveraged bankruptcy to get the legal protection and time it needed to develop a plan to restructure \$40 million in debt, pay creditors, and keep the hospital open. The district secured debtor-in-possession financing and filed a bond validation to enhance the appeal of its bonds as investments. Gainesville Hospital District was on the right track to emerge from Chapter 9, but the district needed to find a long-term resource for hospital management to keep NTMC moving in the right direction.

Community Hospital Corporation (CHC) was tapped as NTMC's synergistic partner to identify and implement operational improvements.

BACKGROUND

NTMC is a 60-bed acute care hospital located in rural Gainesville, about 60 miles north of Dallas-Fort Worth and 5 miles south of the Oklahoma border. The campus was rebuilt in 2004, but by 2016, NTMC was in financial distress.

At the end of that year, the district determined that it would run out of liquid working capital within 60 days. Therefore, in the weeks leading to the Chapter 9 petition, the district was not paying its debts and was technically insolvent. Due to financial instability, the hospital experienced considerable turnover in the executive ranks. Several CEOs and CFOs came and went in a short period of time.

Though not the right move for every hospital facing financial challenges, bankruptcy cleared the books of some long-term expenses for NTMC and gave the hospital a fresh start and solid footing for the future. However, because bankruptcy damages an organization's credit history, the Gainesville Hospital District sought to secure better interest and financing rates by entering into a partnership.

THE PLAN

In 2017, the district had formed what was thought to be a long-term structured partnership with another healthcare provider in the region. When it became apparent that the relationship with the new managing partner was not going to work out, the district contacted CHC because of the organization's hospital management experience and track record of turning around troubled hospitals. A management agreement was formed with CHC in May 2018.





CHC's Joe Thomason stepped in as Interim CEO and immediately started searching for his permanent replacement. Simultaneously, CHC conducted an operational assessment of NTMC and began implementing improvements based on the evaluation:

- Reduced supply spending by right-sizing inventory and joining CHC Supply Trust (CHC's GPO)
- Ensured all physicians are credentialed with all appropriate payer networks
- Encouraged wider use of upfront collections, an underutilized revenue stream accelerator
- Developed a stronger regulatory compliance program
- Implemented staff training and hourly rounding to improve patient experience

Improvements were well underway when Thomas Sledge stepped in as CEO in July 2018 and permanent hires for the Chief Financial Officer and Chief Nursing Officer were made soon after. Continuing to carry out the action plan, Sledge identified and addressed additional areas for improvement.

“The biggest challenges when I came on board were a lack of community trust in the hospital and the need to rebuild relationships with some of the local physicians,” says Sledge. “I believe we have made considerable headway by focusing on delivering high quality care and involving the medical staff more in the operations of the hospital. While it has taken a lot of effort to get the hospital pointed toward a brighter future, we expect to see continued improvements in both the clinical and operational areas of the hospital.”

On December 1, 2018, two major but unrelated milestones occurred that would set the course for continued success. The hospital district successfully emerged from bankruptcy and CHC leased the operations of the hospital from the district.

THE RESULTS

With CHC's professional guidance, the Gainesville Hospital District and NTMC are on a renewed, positive path and advancing on several levels, from operational and financial performance to quality of patient care.

- Since the hospital was found to have \$1 million in excess inventory, right-sizing inventory to appropriate levels significantly reduced spend and waste.
- Patient satisfaction shot up from the 25th percentile to the 85th percentile.
- Implementation of new lower cost pricing strategies to improve accessibility.
- Adding new service lines such as surgical weight loss.

“The positive changes will continue as we strive to hardwire best practices in both the delivery of outstanding healthcare and improving business operations,” Sledge says. “Our vision is to keep improving and continue adding services, though we're rightfully proud of the services we offer already.”

About Community Hospital Corporation

Community Hospital Corporation owns, manages and consults with hospitals through three distinct organizations – CHC Hospitals, CHC Consulting and CHC ContinueCARE, which share a common purpose to guide, support and enhance the mission of community hospitals and healthcare providers. Based in Plano, Texas, CHC provides the resources and experience community hospitals need to improve quality outcomes, patient satisfaction and financial performance. For more information about CHC, please visit www.communityhospitalcorp.com.

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