

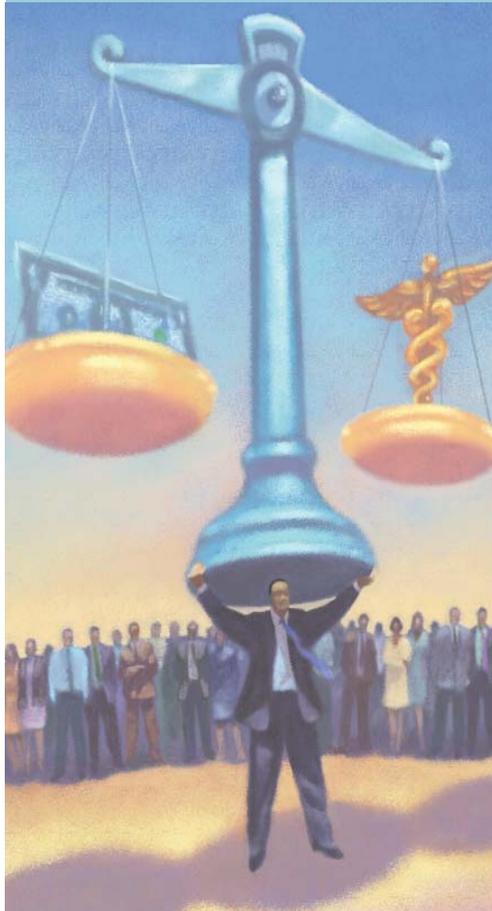
QHR

Management
Services

Success Stories

A Return to Local Healthcare

A group of physicians and community leaders had a vision of a new locally controlled not-for-profit hospital. They put their money and their hard work behind it... and with the help of QHR and InnoVative Capital, they're making it happen.



A Return to Local Healthcare

Doctors' Hospital, Bridgeport, Texas

SOMETHING WAS MISSING

The dynamic town of Bridgeport had award winning schools, booming industry and a growing population -- but no hospital.

There was a facility in nearby Decatur, but Bridgeport native Dr. David Ray didn't believe that was enough. "We had a hospital here until ten years ago," he explains. "It didn't close for lack of need or profitability -- it closed because its parent company had financial troubles."

Adding outpatient surgery to his Bridgeport clinic to fill the gap, Dr. Ray maintained his busy primary care practice... all the while campaigning for a new hospital.

"It was truly a team effort," describes Mayor Don Majka. "Dr. Ray and his group of physicians were the driving force, but we could never have succeeded without the support of the whole community and the professionalism of QHR and InnoVative Capital."

STEADFAST THROUGH UPS AND DOWNS

Seventeen area physicians and others joined Dr. Ray, investing \$3 million of their own money to start the process. But they didn't intend to own the hospital. It would be a not-for-profit facility owned by the community. They made their loans and donations to give their dream a chance. With support from other community leaders, they retained Texas native Paul Owens as CEO, arranged financing, hired an architect and began construction.

When funding fell through, they simply regrouped. "There was never any question of giving up," remembers Dr. Ray. "Paul Owens held the group together without a single fallout."

THE RIGHT TEAM

The setback convinced the group to contact Alan Richman, CEO and President of InnoVative Capital, a HUD-licensed FHA 242 mortgage lender and financial advisory firm. "Alan knows hospital construction projects and capital financing," reports Owens. "And when he brought us QHR -- which knows hospital development and management -- things began to materialize."

QHR experts began with a demand analysis, reviewing patient mix, demographics and physician availability. Validating the construction budget, they also worked with a CPA firm to conduct a feasibility study.

"The verdict was yes," Alan Richman smiled, "it appeared the hospital could be financially sustainable." Start up working capital was required to supplement construction funds, which came through bank lines of credit and non-rated municipal bonds. A small startup non-profit hospital is considered a high risk investment -- "equivalent to a junk bond," he admitted.

IMPLEMENTING THE VISION

QHR and InnoVative Capital met with Dr. Ray, Paul Owens, Mayor Majka and others to discuss next steps. Together, the group needed to convince investors of the project's viability. The community was already convinced:

- The city of Bridgeport had purchased the land for the building site and secured a \$3 million line of credit
- The state of Texas pledged \$750,000 in matching funds to build access roads
- A seven-member board of strong community/medical supporters was formed
- A local foundation pledged \$1 million to the project

"This is no typical project," Richman insists. "It may be the only one of its kind: the physicians were so committed to their town and the project that they personally funded initial development costs for a non-profit hospital. It's inspiring."

When selecting an investment banking firm, Richman told the story with passion and was supported by QHR's commitment to open and manage the hospital. He leveraged his financial expertise to negotiate favorable bond financing terms:

- \$59.1 million in municipal bonds, including \$6 million in working capital, at a blended rate of 6.5 percent
- Borrower-friendly bond covenants which protected investors without overburdening management

With CEO Paul Owens, QHR will oversee pre-opening operations and then shift to ongoing management resources, including:

- Recruitment of an experienced CFO
- Consulting expertise to create effective financial and operational systems, before and after the hospital opens
- Group purchasing power for supplies and equipment
- Support for managed care contract negotiations
- Education programs to support staff needs

THE COMMUNITY WINS

Opening with 36 beds and anticipating 150 employees by the end of year 1, the new hospital will provide state of the art medical and general surgical care, OB, ED and the latest in radiology, including PACS. "We won't perform brain surgery, but we'll do what we do very well," notes Dr. Ray, who will serve as board chair.

"This hospital will do a lot of good for our community," declares William Myers, Bridgeport Director of Economic Development. "There hasn't been a baby born in Bridgeport in ten years! And there are regions of the county that are underserved; the drive to other hospitals is just too long."

News of the coming hospital is already attracting employers, shops, restaurants and housing. Over a ten year period, Myers forecasts an impressive impact in the small town of Bridgeport alone (est. 6,000 population):

- Estimated 350 new employees
- \$174 million in new salaries
- \$23 million in residential construction
- \$15 million in additional revenue from visitors

"The psychological effect is even greater," Myers points out. "The really big story here is our physicians' desire to return

"I've worked with QHR before, and I'm 100 percent behind their pre-opening and management expertise. We could never have sold the bonds without QHR and InnoVative Capital. And I'm grateful to have QHR's ongoing support."

PAUL OWENS, CEO
DOCTORS' HOSPITAL

hospital services to Bridgeport. They could be in business anywhere, but chose to stay here. Lives will be saved because of their perseverance."

WHAT WILL THE FUTURE LOOK LIKE?

Dr. Ray predicts that "The community will grow, and we'll draw patients and physicians from a large service area."

"We'll have a hospital to be proud of," Mayor Don Majka asserts. "It will be because of our physicians' unwavering dedication, Paul Owens' leadership and QHR's expertise."

AN OVERVIEW OF QHR

QHR provides pre-opening and ongoing hospital management advisory services, consulting and implementation support, education and training programs to independent hospitals and health systems.

For more information about QHR, please call Susan Hassell, Vice President, at 1-866-371-4669, contact her at Susan_Hassell@qhr.com, or go to our web site – www.qhr.com.

QHR Marketing and Service Center
105 Continental Place
Brentwood, TN 37027