MAINE GENERAL HOSPITAL

In July 2003, the medical staff of Maine General Hospital, a 41-bed acute care medical and surgical hospital, brought to the Hospital Board of Trustees a renovation and expansion program costing $2,900,000. The project includes the following changes in the hospital:

1. Replacement of the 20 non-conforming beds.
2. Replacement and modernization of Departments of Surgery, Radiology, Emergency, Nutrition and laboratories.
3. Renovation of office space for the Business Office, Admissions, Medical Records and Administration.
4. Expansion of the Outpatient Department.
5. Increase of acute medical/surgical beds from 41 to 51 (building in excess capacity to expand to 56 beds in the future).
6. Replacement of the Special Care Unit.
7. Demolition of the residence structure, built in 1901, which currently houses Emergency, OPD, X-Ray, Administration and Medical Records.
8. Demolition of other hospital-owned residences on-site to facilitate construction.

Mr. Bernier is a member of the Hospital Board of Trustees, which approves or disapproves such expansion plans, a member of the local HSA (Certificate of Need review committee), and is CEO (General Manager) of Lumber Industries, Inc., a company which employs about one-third of the area's work force. As General Manager, Mr. Bernier is facing the problem of sharply rising costs for employee health benefits. The Board's vote on the plan will be taken next week.

BACKGROUND

The five-town area comprising the service area of MGH has a population of approximately 11,000. There are three primary industries in the area: Lumber Industries, Sport Shoe Factory, and a publishing company. Maine General Hospital was opened in 1967 with 20 acute care beds housed in a new hospital building. Ancillary services were housed in converted private residences built at the turn of the century. In 1983 a new wing was added, bringing the total bed complement to 41. A hospital consulting firm was engaged in 2003 to explore long range development options for the hospital. The consultant's report argued that five additional acute care beds were justified as of 2003, and an additional five beds would be needed by 2008 to accommodate the projected population increase (11% between 2003 and 2008).

Maine General Hospital is 20 miles from another small rural hospital, 35 miles from a larger community hospital and 93 miles from a city with two large hospitals, one of which is a referral center. The referral center is currently undergoing expansion.

Eight new physicians moved to Maine General Hospital between 2001 and 2002 as a direct result of a successful community recruitment campaign. Several more physicians were expected to join the Maine General Hospital staff by the end of 2003. The medical staff of Maine General Hospital at the time of the proposed plan consisted of 17 physicians, 10 of whom generated 97% of the inpatient admissions. These 10 physicians included five general practitioners, two general surgeons, two internists and one orthopedist. The expansion of the Maine General Hospital medical staff had resulted in a dramatic increase in hospital admissions and patient days between 2001 and 2002 (see Table I). It was this increase in patient volume that occasioned the new plan for renovating and expanding the facility.
The Board of Trustees is an eleven-member body, with one member serving as Chairperson. Currently, the Board is chaired by Mrs. Matthews, whose husband is a physician at MGH. In addition to Mr. Bernier and Mrs. Matthews, the Board is comprised of:

1. the President of the area Chamber of Commerce
2. the President of a local bank
3. the Director of Employee Benefits, Lumber Industries
4. the Manager of Sport Shoe Factory
5. the Vice President of Maine Publishers
6. a representative from Millwork Union
7. a hospital volunteer coordinator (not a paid position)
8. a retired university professor
9. one local philanthropist (a retired businessman)

Previous expansion plans for the hospital had been approved virtually without question by the Board, as expansion is considered a key to the growth and survival of any business. The new plan for modernizing the outmoded structures and departments would certainly increase efficiency; furthermore, the recent addition of the new doctors was bound to result in more competition for medical services and force doctors to lower their charges.

Lumber Industries and Maine Publishing carry employee health insurance through Blue Cross/Blue Shield, as do many of the smaller local businesses. Sport Shoe Company is insured by Connecticut General. Over the past four years the annual increases in company expenditures for health insurance had been substantial, with the largest premium jump (28%) coming in 2003. Mr. Bernier had been warned by BC/BS that yet another increase could be expected, and with union contracts due for re-negotiation in six months, he was concerned.

Mr. Bernier's concern about his company's rising health care costs had been expressed previously, and he had instituted a second opinion program for surgical procedures. He was beginning to consider raising the deductibles and adding some percentage of coinsurance when the union negotiations began. Literature in both trade journals and news magazines pointed to hospital bills as claiming the major portion of the health care expenditures and, indeed, hospital rates had been increasing substantially. Mr. Bernier felt that he could bring his business expertise and experience to bear on this expansion decision.

The hospital and staff presented essentially two arguments in support of the need for the project. One argument was based on the fact that the newly expanded medical staff required improved and expanded hospital facilities to deliver high quality medical care to residents of the Maine General Hospital area. The hospital administrator stated that:

"Our area has been underserved medically for too long. One can easily see that the needs are now finally being met as the new doctors are seeing more patients and the hospital occupancy rate is up 20% over last year.

In addition the medical staff is finding it difficult to work in the crowded service areas. And the patient areas are old and uncomfortable. In order to be able to continue recruiting top quality physicians, we must be able to offer high quality facilities."

The other argument for expansion was based on the projected population increase in the hospital service area. Because the area was said to be growing rapidly, the renovation and expansion program would include shell space to enable bed expansion in the future without further capital investment.
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<th>Year</th>
<th>Total Admissions</th>
<th>Total Patient Days</th>
<th>Average Daily Census</th>
<th>% Occupancy</th>
<th>Average Length of Stay</th>
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*Projected from 6 months of data*