

Friday, February 22, 2008

Newark hospital biz plan on fast-forward

Business First of Columbus - by [Carrie Ghose](#) Business First

Business is picking up faster than planned at the rechristened **Medical Center of Newark LLC**, which in December completed its transformation to a hospital from an outpatient surgery center.

The 22-bed hospital was averaging about 10 patients a night within two weeks of its opening, double the fewer than five a night that were expected for the first three months, interim President David Sheppard said.

And national accreditation from the Joint Commission, usually arriving somewhere within six months of a hospital's opening, was granted Jan. 31 after six weeks of operation. That allows the medical center to apply for Medicare and Medicaid billing numbers and get paid for government-insured cases much earlier than planned, helping boost cash flow.

An 11-bed wing needing only beds and televisions could open by summer instead of waiting a year, Sheppard said.

"We're ahead of where we thought we would be on our business plan," said James Havens, a Columbus attorney and one of three partners in **Scout Development Ltd.**, which undertook

the \$20 million expansion and has ownership in the hospital along with nearly 100 physicians.

His partners, Drs. Don Jones and Alex Juan, are among the founders of the former **Newark Surgery Center**.



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Jim Havens, left, and Don Jones led a \$20 million expansion that quadrupled the size of the Newark facility.

The 45,000-square-foot, two-story addition quadrupled the center's size and merged the surgery business with the neighboring imaging center. The merged business expects threefold growth.

'General' hospital, please

Progress is slower, however, on shaking the unwanted label of "specialty hospital."

"People assumed we're not going to have that medical component," Sheppard said, but the private, for-profit hospital depends on partnerships with area family doctors

and expects 40 percent of its cases to be medical instead of surgical. It also accepts Medicaid, Medicare and self-pay patients, and delivers some charity care.

The percentage of patients under government health plans is expected to go up in the conversion, but the increase over the first few weeks has not been alarming, Havens said.

About half of the business will remain outpatient care, but the Medical Center of Newark can accept complex outpatient cases it had to turn away before because of the risk that complications could require an overnight stay. And surgical patients who leave within 23 hours still benefit from the expansion because once awakened from anesthesia, they'll move to a spacious room until discharge instead of waiting in a curtained bay in the recovery unit.

The rooms, at 300 to 400 square feet, include sleek wood armoires and nightstands, plus 27-inch flat-panel TVs and wireless Internet, not to mention free valet parking.

"You do pay to have that kind of look," Havens said, but that won't be reflected in rates.

Insurance payments are lower for procedures at the medical center compared with **Licking Memorial Health Systems**, the nonprofit community hospital a mile up Main Street, said Michelle Mathieu, **Aetna Inc.**'s lead network negotiator for Ohio and Kentucky.

The hospital is also in the networks of the other largest insurers in Central Ohio: **Anthem Blue Cross and Blue Shield**; UnitedHealthcare, as of March 1; and Medical Mutual, but they would say only that rates are based on the market.

"Instinctively, you would think my gosh, this is the difference between going to Hotel 8 and the Hilton," Mathieu said. "It ends up being the exact opposite. ... They actually don't have a lot of the other overhead spend that a full-service hospital would."

Leaner, not meaner?

The medical center doesn't operate an emergency room, a big financial drain at most hospitals. But it was developed with covered ambulance bays, triage rooms and a dedicated elevator to patient rooms if currently idled state legislation to require emergency departments in all hospitals becomes law.

The business also saves on administrative costs with a relatively small management staff, Havens said. Sheppard, for example, is also chief financial officer. Several services, such as pharmacy, rehabilitation and dietary, are run by contract employees of outside companies.

Also, the average length of stay is three to four days, allowing for faster turnover and more admissions, which drives revenue up.

The expansion cost about \$600,000 a bed, compared with \$1.6 million at **OhioHealth Corp.**'s 94-bed **Dublin**

Methodist Hospital that opened in January. But the medical center started out with three of its four operating rooms and its imaging center already built.

Some of the benefit comes from being a for-profit business, Havens said: "It forces you to be efficient, and you're accountable."

Competition is with Franklin County hospitals, not Licking Memorial, Havens said. Columbus-based OhioHealth, Mount Carmel Health System and Ohio State University Medical Center commanded 46 percent of the Licking County market in 2006, according to a **Deloitte & Touche LLP** study.

"The hope is that patients having a choice here will elect to stay in the county more," said Dr. Patrick Scarpitti, a Newark family physician for 25 years.

"Some patients refuse Licking for any reason," though the reputation may not be deserved, said Dr. Thomas Petryk, a family physician who spent his first five years in the city employed by Licking Memorial. For the past five years he's been in private practice in offices next to the Medical Center of Newark and owned by a partnership led by Jones.

Licking Memorial employs skilled physicians and works to improve health regionally, spokeswoman Veronica Link said.

"We feel that we have a very strong relationship with the community," she said.

Petryk sends patients to both hospitals but prefers service at the medical center.

"It's convenient to (patients), and of course it's convenient to me," he said.

Medical Center of Newark LLC

Business: For-profit, 22-bed hospital that incorporates the former Newark Ambulatory Surgery Center Ltd. and Newark Health Imaging LLC

Based: Newark

Owner: Physician investors

Interim president: David Sheppard

Employees: 123

2007 revenue: Would not disclose

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