**Case Study 1: Navigating Enforcement Action, Investigations, and Settlements**

**“A Tale of Two Hospitals”**

In College Town, California, a community grew around two main institutions – an agricultural college that developed in the last decades of the 19th century, expanding into a 4 year college offering health sciences, business, and liberal arts while also staying focused on agricultural sciences – and a hospital that developed, during WWI, from a triage station at the end of a flume used, in part, to send emergency patients down the hill into town. Not surprisingly, the hospital’s services (and patient transport) grew to become considerably more sophisticated in modern times. On the other hand, sometimes old habits and old perceptions can be hard to shake. At any rate, let’s take a closer look at College Town’s love/hate relationship with its community hospital – we’ll call her (yes, hospitals are “shes”) College Town Community Hospital, or CTC.

As noted, CTC began as a very small-scale rural hospital around 1917 with a few beds in a Victorian house near downtown and expanded into a somewhat brick and mortar building down the main street by the 1930s. The same doctor who began the enterprise as a triage station pretty much ran the halls of CTC (as well as provided services to patients) during those early years with his successors following a similar pattern into the 1960s. Around that time, for the first time, a non-physician took the administrative helm of CTC; however, he still had the characteristics of his medical predecessors. He was a fatherly figure who was viewed as someone who ran the hospital, it would seem to most, out of the goodness of his heart. In fact, let’s call him Mr. Heartly.

Mr. Heartly inherited the reigns of CTC after it had spent nearly half a century as a mostly rural hospital that grew slightly (perhaps even begrudgingly) with the times. But for the most part, the clinical support staff consisted of nuns acting as nurses and nurse assistants, and other local folk (yep, I said “folk”) pitching in as well. The physicians were mostly born and raised in or near College Town. Many of them evolved from farming families….and those families and family connections remained intact up to and through Mr. Heartly’s time at CTC. He spent over 30 years at the helm of CTC and, by most accounts, he loved every minute of it – especially being able to be a figurehead and father figure. If you interview staff who were around during his time that would usually be the first sentence out of their mouth: “He was like a father to us.”

Not surprisingly, how Mr. Heartly and his medical staff conducted business was not unlike how one deals were made for a calf or two at the County Fair: verbal agreement and a handshake. Once you made a deal, it was pretty much considered a deal for life, unless either of the parties just decided to ride off into the sunset on their own. Most of the physicians providing services at CTC were “small town docs” with offices in their homes where they would see their patients (if they were not doing home visits – which they often were). They would utilize the hospital, as members of its Medical Staff, to address more complicated cases and procedures. In turn, they would take shifts in the emergency room. All in all, not a bad set up for a small-town rural community.

By the late 1990s, CTC was serving a population reaching 100,000 people. Mr. Heartly was well into his sixties (or at least that was the oldest he would admit to). As he talked about “slowing down” and “spending more time with the grandkids,” he and the Board began to talk about who would succeed him. It had been over 30 years since they had had to transitions. It had always seemed to just “fall into place” from the founding physician all the way to Mr. Heartly. Despite this, what next happened would seem, in retrospect, like the most contrary move – they decided to look for not one, but two Administrators who were very much business oriented. As you might expect, this was primarily due to at least some board members’ appreciation that business practices at the hospital would need to change in the 21st Century if CTC would be competitive or at least viable enough to remain a “stand alone” hospital.

The Board members represented the area’s business community, the majority of which reflected the agricultural character of the area. There were also leaders from financial institutions, as well as from other small local businesses. Not surprisingly, there were obvious, (and also not so obvious) ties between those business leaders and the medical staff members. It was not uncommon for board members to talk about how they had been born at CTC, how Dr. Z was there at their birth, or supporting the family through loved ones’ illnesses. This, combined with some growing realization about the economic times ahead, led to some uncomfortable discussions. The hospital needed to be run more like a business.

This led to the arrival of Mr. Fox and Mr. Nemo and, subsequently, their short-lived reign that culminated in a very public dispute between hospital Administrators and a physician group, with the Board imploding in the middle, and at least two more changes in leadership. This led them down a road where they had to grapple with:

* Building Issues
* Focus on Finance – Not Quality
* Nursing Shortages and Union Disputes
* Contract Upheaval
* Airing Dirty Laundry
* Board Crisis
* Leadership Crisis
* Heavy Handed Finance (Part II)
* Bad Stuff
* Regulatory Investigations
* Criminal Investigations
* Loss of Deemed Status (Conditional)
* Enforcement Action
* Handcuffs
* More shakeups
* Statement of Deficiency

Meanwhile – about 50 miles down the road, another hospital (we will call “Twin Cities”), with a very similar history as CTC (mirror image, practically) was about to experience similar consequences. The difference was in how they not only endured the enforcement actions, but also used the experience to make them stronger and more sustainable for the 21st Century.

We will discuss these in more detail during our presentation, but some general questions you may consider are:

1. Was the fate of CTC inevitable?
2. What good could come out of the bad?
3. What role does the Compliance Officer play in responding to and working with enforcement agencies?
4. What can a Compliance Officer do to help prevent an organization from going down the path of significant enforcement action(s)?
5. What role does Compliance play after the dust settles?