

HEALTHCARE IN ROCKDALE TEXAS

A PERSONAL JOURNEY

By Dr. John M. Weed

I am recording this history as a personal journey because I do not have access to precise dates and times of certain events. Please do not quote me as this is my vision of a difficult past but I think the lack of accuracy will be made up by for the drama of the events. This was drama filled with triumphs and defeats. Lives were saved and lost. Eventually a community was placed in peril. Unfortunately, this is largely a systemic issue as rural healthcare is a dying entity throughout our country but that is another story and a problem for future generations.

My journey begins in July of 1974 when I came to Rockdale to practice medicine. It is my home town, and I knew the doctors that practiced there as I did a six-week rotation at the end of my senior year in medical school. Those doctors were John T Richards, Philip Young and Larry Selden.

The practice itself was a professional association and had gone through a series of changes since its founder, Dr Richards came to Rockdale (also his home town) in 1948. He practiced in a series of rooms over Prewitt's drug store and like other doctors in town had privileges at St Edwards hospital in Cameron. To make hospital rounds he would have the twenty-mile drive to Cameron in addition to house calls which were frequent in this those days.

Other doctors in town at that time were Dr. Barkely and a little later Drs Wood and Green. Dr. Wood's office was at the corner of Bowser and Murray, a building later occupied by a urologist, Dr Jackson. Dr Green had an office on Cameron Avenue in a building that at the time of this writing in next to Steve's garage. Unfortunately, there was significant competition between these physicians, and they were unable to form an alliance that could have built a hospital in Rockdale. So, Dr Richards decided to go alone in the building of an inpatient facility in Rockdale.

It was interesting how this construction occurred. Land was purchased at the corner of Main And San Andres street. At that time Ft Hood (now Ft Cavazos) was giving away army barracks to anyone who could haul them away. Dr Richards hired Jack Wells, a local contractor, to assist him in moving the barracks and arranging the buildings in an array that could be utilized as a clinic/hospital. This was accomplished in the first half of the 1950's (unsure of the date). Dr Richards then began recruiting other physicians to join his practice.

Several candidates came his way until around 1955 when Drs Slaughter and Young (friends from the University of Arkansas) established their practices at what was now Richards Clinic and Hospital. Dr. Slaughter left after a few years, but Dr. Phillip M. Young stayed until his retirement some forty years later. In 1956 Dr Larry Selden joined the practice and they were the main stay of the clinic until I arrived in 1974. Dr Travis Green continued his practice until the late 60's when he suffered a severe heart attack.

On a personal note, Dr Green was a mentor to me while I was in high school and encouraged me to become a physician. He and his family were close friends of ours and we took several fishing trips together, along with the local dentist Dr, Charles O'Connor. Rockdale was very segregated in those days, as was our school. I remember the white only signs in town and Dr Green having two waiting areas. Looking back, I am embarrassed about the clear discrimination of the times but that was just the way it was. Interestingly the man most instrumental in changing that also had a profound effect on rural healthcare.

President Lyndon Johnson's successful attack on segregation and his passage of civil rights legislation profoundly changed our country. The effects of his Great Society plan profoundly changed healthcare. Medicare and Medicaid were strongly opposed by physicians as they saw it an intrusion into their domain. What was not well understood was that the first thirty years of these federal programs would be a godsend to the middle class and lower class of citizens, particularly the elderly, as well as a significant economic boost to the hospital industry.

Physicians could now receive payment for care of folks who could not afford insurance or did not work for a company that provided it as a benefit. Medicaid paid for nursing home

benefits if the residents could qualify. Sadly, this caused persons who had been self-sufficient all their lives to divest themselves of well-earned property to qualify. Families had to make hard decisions. They still do. But at least the stigma of the “poor house” went away. Interestingly there are studies showing that “warehousing” of our elderly has caused an increase in incidents of dementia. In societies where the elderly are kept in the home and considered “head of the household” until their death, brain competence lasts much longer. But I digress, a real winner from the Great Society was rural hospitals. So it was in Rockdale.

Around 1963 the Rockdale clinic facilities were expanded by the addition of a brick building attached to the north side of the hospital building. This doubled the size of the clinic space which until then was the south wing of the building. The wing was now made into more hospital rooms and created a very efficient healthcare delivery system. Babies were born there, and surgery was performed by visiting surgeons. I warmly remember Dr. Ray Cruse coming from Hearne to perform elective and emergency surgeries. He seemed always to be available and to this day the best surgeon I ever scrubbed with. The hospital was financially sound due to the new federal insurance programs but with federal payments came new regulations. This spelled the doom of many quaint but not up to federal standards, facilities. Richards Hospital was in that category.

No federal inspectors questioned the quality of care at Richards, but we didn't have a fire suppression system. So, for fifteen thousand dollars a sprinkler system was installed as well as a fire door installed to break up a long hallway. The next year a system of inspectors insisted on a second fire door. Later that year another inspector saw that door and asked why we put it in. It became very frustrating and the doctors, now a three-man partnership, realized the old wooden barracks may not ever be up to snuff.

In January of 1969 the Doctors agreed on buying property from Leon Noack just north of the clinic parking lot, on which they would build a new hospital. Over the next two years the doctors pursued the idea of building the facility. In 1969 Mr. Norman Croslin, AIA, of Austin was commissioned to draw plans for the new facility but over the next two years with rising interest rates and construction costs, the possibility of the doctors taking on this project dimmed.

By 1972 a volunteer community board had been formed to try to get the project on track. Mr. Emory Camp led this effort.

Mr. Camp was a successful lawyer from a prominent family of lawyers and land owners. He was significantly involved in the politics of the Democratic Party and a friend of senator Lloyd Bentsen. In 1946 the Hill-Burton Act was passed under President Harry Truman. This act provided new money for hospitals (mostly rural) who had not been well funded during the depression and World War II. Those hospitals receiving the funds, either as loans or grants, were required to provide a certain amount of “free” care for twenty years. At the time the Rockdale committee needed the funds, the request was for a loan, the allocation for that year had run out. Mr. Camp enlisted the assistance of Senator Bentsen who could not get a loan but ironically, was able to get a grant. We were in business.

Alcoa was generous in donating 10 acres of land in the middle of town for the site and no doubt helped significantly with the project. Mr. Glen Hodges did yeoman duties as a fund raiser and Bill Cooke, with the Rockdale Reporter, did the advertising and the entire community contributed to the funding of the facility.

In December 1974 Richards Memorial Hospital opened its doors. The entire staff of the old hospital and all the patients were transferred in one day. Little did we know how much of a saga this would become. Charles Upshaw, who had been hired to oversee construction and manage the hospital, took over the reins. Things went well for the first few years of the hospital. Babies were delivered, surgery performed, a much-improved ER and inpatient service was in place with the latest lab and diagnostic imaging equipment.

Mr. Upshaw was a banker in his earlier life and knew how to manage a business. Unfortunately, the doctors in town had been used to being in charge of the hospital’s day-to-day activities and there was a bit of friction between business and healthcare, but adjustments were made and we all worked together pretty well. The board was made up of Mr. Camp and most of the leading citizens who had helped with bringing life to the hospital. Doctors Richard, Young and Selden were also on the original board.

Mr. Upshaw came up with a plan to expand the medical staff and services of general surgery, obstetrics, pediatrics, urology, orthopedics, and radiology were recruited. A clinic building was built on campus. The new doctors were reasonably well accepted by the primary care staff and the revenue for the hospital grew. Hospital board meetings were congenial and though open to the public, it was rare for anyone to attend. This was the honeymoon period for the hospital. It was not to last.

Unfortunately, the system that created so many new (mostly rural) hospitals, created a dramatic increase in the financial burden of the federal government. People who had previously received no or marginal healthcare were now being cared for in new hospitals in their hometowns and the bill was being taken care of by the federal government. Medicare and Medicaid were much more expensive than what was originally planned. There had to be a way to reduce the cost. In 1982 Medicare instituted a new system of payment to hospitals. Hospitals would be paid based on the diagnosis of the patient's problem, not utilization of services. At the same time a peer review system was put into place to assure that the patients who were in the hospital were there appropriately and did not overstay their welcome. This was devastating to the rural healthcare system.

In our area alone hospitals in Giddings, Hearne, Cameron, Caldwell, and Elgin closed. Our hospital's financial situation became tenuous. I still remember the board meeting when Mr. Upshaw tried to explain to the board how difficult things were going to be. They laughed and said "Charley, you'll work it out". Mr. Upshaw looked at me and simply said "they don't understand". Mr. Upshaw did not see the damage as he died shortly after from acute leukemia.

The next twenty years were tumultuous to say the least. I am not going to go into great detail about this period but do a rough summation. A series of administrators came and went as did doctors. Dr. Ron Crossno had joined the staff in 1984, a gifted family practitioner who was a real boon to our system. We tried to recruit others to replace Drs Richards, Young and Selden but were never successful. We eventually hired companies to cover our ER and we stopped providing obstetrics, as the cost of anesthesia was prohibitive. The income from our practice

dropped and costs went up, causing Dr. Crossno and I to have to moonlight in out-of-town ERs to send our kids to college. Then in 2000, Kings Daughters Clinic bought our practice, and we were able to give up moonlighting.

The hospital had to find other sources of revenue as well. A taxing district was formed which was not a popular option but was becoming the norm across the United States in rural areas to maintain some form of healthcare. To avoid conflict with Alcoa, the district was limited to the city boundary which captured the majority of the patient population but eliminated any access to an industrial base. This was likely an error but at the time the board felt it had no choice. Administrators kept cutting costs and trying to provide more services to enhance revenue, but the hospital kept going in the red. At one point it almost closed but a heroic employee, our controller, Mike Song, thought we could keep going. We did but soon got into more financial trouble. Vendors were not getting paid and one of our largest threatened suit. The only answer was bankruptcy or closure. We declared Chapter 9 bankruptcy.

This might have been the beginning of seeing a light at the end of the tunnel, although to any sane person it would appear the train was coming at us. The board had taken on some new leadership and under the guiding light of Mr. Bill Eckert, progress started to be made. Proper cost cutting and some enhancement in services started turning the little ship around and in 2004 a new administrator, Jeff Madison, was hired. He was no doubt the youngest we had hired, and it turned out the most ambitious. He was not timid about cost cutting but his goal for the future was a robust expansion of services. I must admit I was skeptical and remained so, but the plan worked. We started adding services that we had contracted out and utilization exploded. We had been using an ultrasound service that would come once a week. Jeff insisted we get our own machine and provide daily service. I thought he was nuts but with access to the service daily providers were ordering more and we made money off the service. We located a portable CT scanner and again increased utilization brought in more revenue and it paid for itself, plus we kept patients in Rockdale, further increasing our revenue. With the steady hand of Mr. Eckert and the boldness of our new administrator, the hospital started showing signs of recovery. Then one Monday night just 30 minutes after I had left the hospital board meeting Karen Eckert called.

She was frantic as she told me she thought Bill had just died. I rushed to their house to find Bill collapsed on the floor with no pulse. The hospital had lost its rudder, and I lost a close friend.

This was certainly not the way I wanted to become chairman of the hospital board. Bill's long-term management experience was invaluable to the success of our hospital. One of the last things Bill did was to have Jeff look into a new hospital management company for the hospital. We had already made the decision that the district would be hampered for growth capital since it was a public entity. We had been looking for a potential private partner to affiliate with to get us the capital we needed to invest in growing our facility. We had also made a commitment to the town that we would get rid of the dreaded tax. We had lowered it from 48 cents/dollar of evaluation to 14 cents but we thought we could get rid of it. The company Bill wanted us to look into was Blackhawk healthcare. It was actually just three men. Two with healthcare experience and the third with money. We met with them and hit it off immediately.

Matt Hainline, the CEO of the company, was a charismatic entrepreneur with a passion to rescue small town hospitals. Blackhawk had acquired a hospital in Magnum, Ok and was looking for another healthcare facility that was looking to grow. We fit the bill. The next ten years would be an exciting roller coaster ride and become a drama fitting a TV mini-series. It should have been titled Sisyphus vs Icarus, for Greek mythology fans.

From about 2006-2008 Richards Memorial underwent incredible growth. The first dramatic change was a change in name. Blackhawk thought re-branding would bring in patients who thought the hospital had a bad reputation. We had acquired Mike Locker's practice in Cameron and the name Little River was mentioned as it was the border between the two competing communities. I was sad to see the name change but was the minority decision. We became Little River Healthcare.

Mr. Madison began to contract with specialty physicians to come to Rockdale, usually once a week, to provide services. This included both medical services such as cardiology and gastroenterology as well as general and specialty surgical services. These new departments required enhanced diagnostic capabilities and we needed more space. The results were a major

capital investment by Blackhawk in imaging and the addition of a new clinic building. Expanded imaging included a 64 slice CT scanner, a 1.5 Tesla MRI, nuclear medicine, and advanced ultrasound, including echocardiography. The icing on the cake was a Portable Cardiac Cath lab, permanently stationed at the new clinic building. We had an active outpatient surgery program with general, orthopedic and ENT surgeons. Other services included allergy, pulmonology, neurology, urology, pain management and podiatry. Then Alcoa closed.

Now started the journey of Sisyphus. For those not familiar with Greek Mythology, Sisyphus was doomed to push a huge boulder up a hill, only to have it roll down the hill again. We had success but then we had the boulder roll down the hill again. Shortly after Alcoa closed Blackhawk started having financial problems; we never found out what the problem was but one Wednesday, while I was on the golf course, I got a frantic call from one of our administrative staff. Mr. Madison had been promoted out of Rockdale to the central office of Blackhawk and I knew he had recently resigned. We had a New administrator and nursing supervisor who initiated a cost reduction plan. They gutted the contracts with the specialty providers and closed the Cath lab. I knew the president of Blackhawk, Todd Biederman, had resigned as well. The phone call on the golf course was to inform me that Blackhawk had abruptly shuttered the Bastrop Hospital which they had just acquired the year before. Then two days later I got an even more drastic phone call.

Kevin Owen who was president of the hospital board in Bastrop and an experienced healthcare provider himself, called me and related the experience of standing in front of TV Cameras while the hospital employees had been locked out of the hospital. The patients had been transferred out in the middle of the night. The sound of employees crying and distraught patient relatives demanding answers were too much for him to handle. He called to tell me Little River Would be closed the next week and he couldn't stand to see people go through that again. I have always referred to him as our "White Knight". He called to tell me he would do whatever he could to keep our hospital open and he planned to call Matt Hainline to see if he could buy our operations. Little did he know he was about to assume nine million dollars in debt and that trucks had been commissioned to come and pick up equipment. By the way, Kevin had never been to Rockdale.

Blackhawk had not been paying its vendors and they were coming to get what was rented or bought on credit to try and get some of their money. In summary, somehow Kevin had enough financial power and reputation to stop the trucks. We were back in business. Jeff Madison was brought back as administrator and the climb up the hill started again. The story was another miracle. We were able to secure the services of our specialists, renew contracts for equipment and pay off the accumulated debt in the next two years. We were off to the races.

Little River started to expand outside of Milam county. New central offices were established in Round Rock where most of our business office functions were performed. Little River Acquired an Orthopedic practice in Georgetown, we acquired the hospital in Cameron as it was about to close, a hospital in Guyton, Ok and then a hospital in Crocket. We also acquired the multi-specialty clinic, Kings Daughters in Temple. Little River was acquiring quite a reputation in central Texas. But we were a paper tiger.

The Rockdale hospital remained successful, thanks to a wonderful administrative staff, great clinical staff, and loyal patients. But the miracle was not being repeated. Our central leadership seemed to think we could take a losing facility, put the Little River name on the door and things would turn around. They did not appreciate the uniqueness of the Rockdale operation. Within a year the Crockett hospital was closed and the local physicians and board in Guyton took the hospital back. The physicians in the clinics we had assumed management of started to grumble.

The final straw that broke the company was the establishment of a reference lab in the hospital. All hospitals make the majority of their income from insurance payments. This may be government plans such as Medicare or private insurance such as Blue Cross/Blue Shield. Since these entities control the purse, they have significant influence over how a hospital does its business. Hospitals negotiate contracts with these insurers and the rates will depend on how much business is done with them. A small operation such as a rural facility will get more favorable rates than a large facility. By growing into a multiple site company, Little River was

making a dent in the expenses of the insurers. They started reducing their contractual payments. We needed additional sources of revenue.

An investment group out of Chicago was now the source of capital for the organization. They had some experience with establishing reference laboratories. So, to stabilize our income the leadership decided to partner with a lab management company experienced in setting up reference labs. This was very unique for a rural hospital, but we had a history of unique answers to our problems. But the insurers were very skeptical and did not think we had actually built a lab in our facility. They cried fraud and refused to pay lab bills coming from our facility. In short order they owed our facility about forty million dollars. We could not tolerate the short fall. Bankruptcy again raised its ugly head.

Our staff was initially told this would be a chapter 11 process with re-organization but the capital investors in Chicago had seen enough. They were owed the greatest amount of money and had little hope they would see it. They did not have faith in our battle against a behemoth like Blue Cross. Icarus had flown too high, too close to the suns and his wings had melted. On December 1, 2018, the hospital declared Chapter 7 bankruptcy and closed its doors. So ended hospital care in Milam County.

Ironically this is not the end of the story. Within the next year what was left of Little River sued Blue Cross and won a 108 million dollar settlement. But the money went to the creditors and as of this writing (six years later) no hospital or ER exists in Milam county. The only thing that might bring some form of emergency care is growth in the county and continued involvement of its citizens. Fortunately, both are occurring. A group of citizens have formed an Emergency district and a vote passed to allow taxation to help fund it. And there is new business growth in the county. Someday I hope we can get a freestanding ER and maybe an outpatient surgery center opened here. We will likely never need inpatient services again but boy it was fun while it lasted.