

Georgia's Business #421 Enterprising Entrepreneurs Edition

Guest: Rod Laughlin Founder, Regency Hospitals

Richard Warner: I'm Richard Warner and this week on Georgia's Business, another in our special series spotlighting enterprising entrepreneurs. Successful Georgia business women and Georgia business man who are making a difference in their own way. We're videotaping in front in front of a live studio audience this week and we welcome each of you to our studio and also this week we welcome a Georgian entrepreneur who is changing the face of health care for those who need it the most. Patients who's cases are the most medically challenging, the company is Regency Hospitals and its founder is Rod Laughlin, here's his story.

(Video Tape Rolls In) Patrick Washington: Regency Hospital is a long term acute care hospital. Are specialty is taking care of the sickest of the sick, in other words we become that gap between short term acute care hospitals and those patients who are just now prepared to go home. We are a hospital within a hospital. We are located within South Fulton Medical Center on the fourth floor. We're a forty bed hospital, we have approximately twenty-six high observation rooms so acute patients that are coming directly in from intensive care units. One thing we understand within long-term acute care hospitals, patients aren't just here for a short time period, their going to be here on a average of five or thirty days.

Rod Laughlin: As an entrepreneur you always ask yourself how I can deliver a service or product in a unique way. How can I do something better than it's being done now and meet the need of a customer and in our business really being focus on taking the very sickest patient and just throwing everything thing but the kitchen sink at them to try to get them well because keep in mind, we're talking about people who come to us thinking they may die, they maybe living the rest of their life in a wheel-chair, perhaps on a ventilator, having limited mobility. If they come to Regency, we're going to try to get them well, restore their functionality and send them home and so for us it's all about the highest quality clinical programs, having the best staff that's committed to great outcomes for patients.

Women: Good Morning. We currently have a census of twenty-eight.

Dr. Samuel Erinne: There is something called flash that goes on every morning where people from all the departments meet for fifth-teen to thirty minutes, go over the entire patients in the hospital, the cases that come in the day before, the cases expected to come in, and the flash points that are expected for the day. That way from the on set we know coming in what the problems may be who the patients coming in will be whose leaving, where we're positioned and that makes for a very solid teamwork. The teamwork is very impressive and the administration through the years that we have work here have been

very responsive to suggestions and to changes that we have implemented on our own as physicians and we have asked them to do and think that has made a big difference in pushing outcome.

Rod Laughlin: We depend on the best nurses, the best physicians, the best therapists and Atlanta of course has a ton of those kinds of resources because of all the great hospitals in the city and so we're able to attract and recruit and retain some of the finest clinical care technicians anywhere in the country. Regency today is composed of over three thousand clinical personnel, nurses and therapists, thousands of doctors around the country that are on our staff and we're making a difference for hundreds and thousands of patients every year. The paradigm of success is...are we giving people their lives back? Are people coming here that thought they were going to die in being able to go home and get their life back and we try to measure our clinical outcomes and our clinical indicators as the ultimate success. If you do that and you meet the need of a customer and you impress the physicians, the business side and the financial results seem to take care of themselves. **(Video Tape Ends)**

Richard Warner: Ladies and gentleman please welcome Rod Laughlin. How are you, good to see you? These are for profit hospitals?

Rod Laughlin: That's correct.

Richard Warner: How does that the money work? I mean traditional hospitals with traditional patients have enough trouble in trying to balance the books. How do you do it with critical patients?

Rod Laughlin: Well, we except patients from Medicare and Medicaid of course. The government programs and also from private insurance and we also take care of some end junked patients and our reimbursement from Medicare is based on sicker patients who require a lot more resources and we get a longer length of stay and so the government in 1985 set up a different reimbursement for Alltec hospitals...

Richard Warner: And for those hospitals who cater to those specific kinds of patients, there's a different bucket of money than there would be for the hospital down the street?

Rod Laughlin: That's correct.

Richard Warner: What kind of growth have you enjoyed?

Rod Laughlin: Well, in the seven years of the company, we've grown from start up to twenty-three hospitals opened now. We have another five in development.

Richard Warner: A fast growing business like this, people don't realize how expensive growth is and how difficult it is to manage. What kinds of adventures have you had going from start up to where you are today?

Rod Laughlin: Well, we been very blessed in the company. Our first project came just two months after initial funding for the company and we were blessed to get that hospital in Florence, South Carolina. I've also been blessed to have a team of co-founders, several of whom are here today that have worked extremely hard to help make this company a big success. As you know anytime you have a high growth situation you got to have a lot of help and our co-founders have been fantastic in really helping what it is today.

Richard Warner: May ask you said, you said blessed three times. Is this faith based? Are you faith based?

Rod Laughlin: I certainly am faith based and believe in God's blessing and we've seen that over and over and over in our company. I think we've also seen God's blessing on our patients, we've seen results for people where even the doctors tell us they don't expect patients that are coming to us to make it.

Richard Warner: And the patients obviously know this whether they say it or not?

Rod Laughlin: We got one great story of a lady who was in our hospital in Cincinnati and she's become a great friend of our company. She fell leaving church one Sunday morning and had a traumatic brain injury and spent about thirty days in a typical short day hospital. Then they transfer her to us, she was lying on a stretcher in a coma as the doctors examined her when she came to our hospital. They were telling her daughter with for patients with this type of injury prognosis, it's not good and so anyway within about four weeks she woke up for that coma in our hospital. She gradually got her strength back was able to go to a rehab hospital where she continued to progress and now she's home with her family and the interesting thing though was she told us later I could hear those doctors saying there wasn't much hope for when I was laying on that stretcher. She said I'm just glad Regency didn't believe it and so we have hundred of great stories like that.

Richard Warner: What has this done to you as an individual being around this type of environment? Do you get desensitized? You see this everyday, every business day that your there, your around similar situations. What is it done to you?

Rod Laughlin: Well, I try not to ever be desensitized and I try to encourage our staff to be desensitized. It's easy for nurses and even physicians who walk into a room. Many times a day and they know some of those patients won't make it and it's easy to put up an emotional wall.

Richard Warner: Protection.

Rod Laughlin: Absolutely, because it's hard to just walk in there over and over and over and be disappointed, but I've said to people we've got to tear down those walls. We've got to walk in that room the way we would if it was our mother or our Dad in that bed. And we've got to do what we would do for our Mom and Dad. We've got to give our all and if we do that, our customer service will be exemplary, the word of mouth about the

hospital will be great, people will be encouraged, they will heal better in a environment where they know their loved and cared for. So it's the right thing to do and it's good business as well.

Richard Warner: So well clearly it's working, never the less there are times when it doesn't. Are you transparent with patients in situations like that?

Rod Laughlin: We are very much that way. We have just found that treating people like you would want to be treated; following the golden rule is the right way to do business.

Richard Warner: That's a good follow-up question. How would you want t be treated in other words instruct us on how we should think this way? If we're in a hospital how should we want to be treated? How should we expect to be treated?

Rod Laughlin: Well, unfortunately historically hospitals have been geared for the convenience and for the needs of the professional staff in the hospital. My wife was recently in a fine hospital here in Atlanta and we experienced some service things that obviously didn't have our interest at heart. They were for the good and I...

Richard Warner: And they didn't know who you were?

Rod Laughlin: No they didn't. I had an opportunity though. We were just sitting there and my wife had made her displeasure pretty clear and the director of nursing for the hospital came to visit us just to hear what was wrong and to see what they could do to fix it. I just broke into a smile to see who she was and why she was there and I said please come in and have a seat we have a lot to talk about ad so I share with her our philosophy I said first of all you guys have done a terrific job and I know you mean well and I'm in the business so I understand how difficult your job is, but I said let me share with you a vision that we have in our company and that is to try and deliver the care from the patient's perspective. Obviously, clinicians and doctors need information, they need lab specimens, they need to check your vital signs and they need to do all these things. But it's possible to organized all that from the patients perspective so that you don't run in all night and wake the patient up to do things that can be done automatically and you can have everybody in the hospital come and draw their specimens or whatever is they need to do around ten o'clock and let patients sleep all night which is a very healing environment for them. So we're trying to think that way in Regency, we try to have customer service programs that are not only good for the patient but there good for us.

Richard Warner: If you're a patient in a hospital is it smarter to speak your mind and be out there, the pain in the neck in room thirty-two?

Rod Laughlin: You absolutely have to do that in a hospital. For anyone who's very sick, they don't want to go a hospital without a patient advocate. That may be a family member or someone in the typical hospital who is aware of all the treatment, who is aware of what happen yesterday and what happened this morning so that when shift changes happen, somebody there has the continuity around that case and can speak to

medical personnel coming in. In Regency we are trying very very hard to make sure the communication from a day shift to a night shift is thorough, that nurses round with doctors. That we just make sure in our own processes were not having a break down of communication and that the patient is aware of what's going on. We encourage family members to be part of flash meetings that were shown on the initial introductory tape. We try to provide a ton of information to people because first of all the patients that we treat are with us for an average of twenty-eight to thirty days and sometimes several months. Many of these patients are in pain, they have a number of ailments, they don't know if they are going to survive, or if they will ever regain their functionality. So there's a great stress level to begin with and people want to know what you're going to be able to do for them and they just need information and they need somebody to answer a question and somebody to care.

Richard Warner: The demand is going nowhere but up because of us and we're getting rapidly into that age group where we're prime customers. If demand is up and if you're making money, what's your biggest challenge?

Rod Laughlin: Everyday in the hospital business you walk in and do it all over again. It doesn't matter successful you were yesterday you got another patient in this bed or you got patient who's still here and they need to be cared for at your best level and so I think the hardest thing in healthcare is motivating your staff to get up everyday and come in leave their personal at home and devote themselves to the patients as you would to your Mom and your Dad. We need to get them to measure success in a different paradigm. For me success at Regency is not about how many hospitals we had open or whether were profitable. Its how many people are getting their lives back and going home. We've been successful company in the industry even though we treat the sickest patients across the America.

Richard Warner: Yeah, that's what's such a strange economy that you could pull that off.

Rod Laughlin: It's been amazing and it's been true since the day we started the company. It was true in the first hospital and it's still true today. We take the sickest patients, the highest acuity, but we focus on those people. We have the finest clinical programs and we have I believe the best customer service programs and as a result we gotten fifty to sixty percent of our patients directly home. Another thirty percent are able to go for lesser level of care to rehab hospital or a school nursing facility as soon as there able and our mortality in an industry where mortality varies between twenty and thirty percent, we average between twelve and fifth-teen percent since the company was founded.

Richard Warner: An industry of twenty to thirty percent that's in the acute care industry or hospital industry?

Rod Laughlin: In the LTAC, long term acute care industry.

Richard Warner: Money, this is very expensive to do and needless to say we are in an environment where money is not plentiful. In fact, some would say it's just not available. To what extent has that impacted your current set up and your growth plans?

Rod Laughlin: Well, obviously I think all the banks are being more careful at this point about extending additional credit. We got five or six hospital projects right now that we want to develop and build as quickly as we can and of course I would like to have more capital to our company and...

Richard Warner: Do you think you could make a bigger mark if had access to additional dollars that are not available at the moment.

Rod Laughlin: Absolutely there's an incredible need Richard across America for the kind of service we provide. At the present time there only four hundred hospitals like Regency operates across America. There's still many large cities in some states that don't even have LTAC hospitals.

Richard Warner: Rod may I ask without going too far into politics. You have the democratic plan which was closer aligned with the national health care approach and than you have the Republican plan which is free market. You live this; where in that dichotomy do you exist? How do you feel?

Rod Laughlin: We are blessed in America with the finest health care in the world. We're also blessed in America by being able to demand health care pretty much when we want it and where we want it particularly for those people who have insurance of some sort. Clearly though Medicare is under pressure and we can not continue to afford Medicare as we know it simply because the demographic are going the wrong way. There going to be more and more people over the age of sixty-five qualified for Medicare particularly as the baby boomers continue to age and the Medicare budget is going to have more and more difficulty unless we want to raise taxes dramatically which people tend to not want to do, some changes have to happen to Medicare.

Richard Warner: A lot of folks who are in the know and very respected say politicians somebody got to step up and be honest. Somebody is got to take the hard stand that voters aren't going to want to hear, what is that stand?

Rod Laughlin: Well, it will have to be a total revamping of health-care as we know it. Hilary Clinton attempted that in 1991, some people think that her programs were too complex and Congress wasn't ready to deal with it. Something like that may have to be done again. What Congress has done over the last fifth-teen years is really just small little fixes around the edges of Medicare. It's happening to us in our business, over the last two years our revenue has been reduced over twenty percent. Even though we're treating the sickest of the sick and our cost continue to increase. We had to tighten our belts but we made a decision in Regency that we would not reduce cost in a way that patient care or patient quality.

Richard Warner: Something's got to give though.

Rod Laughlin: Well, our margins had to give and we've been under a lot of pressure. Just in the last twelve months we brought in consultants and we look at every aspect of our business and we just tested every assumption we had and we've reduced a tremendous amount of money everywhere you look. I mean we tighten non-clinical staffing, we've tried to tighten and renegotiate benefits plan as part of our HR programs, we've tighten our contracts that we have with vendors. We have just squeeze every ounce of waste or sometimes it's not waste, it's just cost that we can live without, and we squeezed that out of our business, but that's temporary fix. Once you did that you...

Richard Warner: You can only go so far.

Rod Laughlin: You can't go back and do it again so there has to be some relief to Medicare rates. There has to be a fix to this for us to continue in the long term to do what we do.

Richard Warner: And this is not like the social security bucket where perhaps pushing that age range up from two or three years will have a material impact improving it. We're going to get sick.

Rod Laughlin: Well, people are going to get sick. What you can do with Medicare is gave people pay more out of pocket, more deductibles and that sort of thing. That becomes problematic because the kind of patients we're treating are so sick and they have such a long leaf of stay. That out of pocket co-payment or deductible becomes a big number and people have a hard time handling that personally.

Richard Warner: Wow, that's scary, getting old is hard enough. Does this make you personally nervous about of course you probably know somebody, you can probably get some pretty good care but for the rest of us, is that another reason to be really frighten of this?

Rod Laughlin: Well, it's a reason to be concerned about it and reason to encourage our Congressman who are aware of the problem and who really address it in a holistic fashion but we have to be concerned about it because we can not continue basically the way Medicare been operated in the past. It's just not enough money.

Richard Warner: I wanted to ask how you got in to this. Was this something as a kid you were interested in health-care and doing good and helping people and all that or was this something you grew into?

Rod Laughlin: It's interesting as my father was auditor with the federal government and he audited hospitals and to look at how they spent government grants and that sort of thing. As a little kid I use to go with him sometimes in the summer and I grew up thinking I would ...I didn't know what I wanted to be but I didn't want to be an accountant and I didn't want to be in the hospital business and exactly where God put me. So he

does have a sense of humor but as I got in at the hospital business, there's nothing to me more interesting, you know as an entrepreneur you look at how can I deliver something better than anybody else is doing it and different result than other competitors or other hospitals maybe doing and particularly as an entrepreneur you want to do something that makes a difference. You want to have significance in your business and as I tell our people where can you have more significance than having people's lives in your hands and their future functionality. We literally hold their lives in our hands everyday...

Richard Warner: Every customer you touch?

Rod Laughlin: Everyone we touch because by design of our strategy, we only go after the sickest of the sick. I don't want patients that can be treated in a cheaper setting; I don't want people that can be seen in a nursing home or rehab hospital for less cost. That's cheating them, it's cheating the government if Medicare's paying the bill and that's not what we want to do. We want people who literally have no other options, there so sick there's no place else to go except Regency.

Richard Warner: What impact did this have on your philosophy of life?

Rod Laughlin: Well, it's been a great encouragement. As I said earlier, I feel like God has blessed us because we are attempting to do the right thing and we're attempting to honor him in the process of doing it and we been over backwards to give people their lives back. I remember the lady that I told you about who had the traumatic brain, one day before she came out of the coma her daughter sent me a e-mail and she said thank you that your staff doesn't oversell your capability and I wrote her back and I said with all do respect your e-mail made me laugh and I said the reason for that is I've been in this business a long time and I've seen people like your Mom come to our hospitals when the doctor said there was no hope and they actually laugh at us for taking the patient because they thought they were just going to be there for a week and die and I said I also been in it long enough to watch those people walk out of the hospital and get their lives back and what I know is that I don't know and the doctors don't always know who God is going to heal and send home and so my job is give them every possible resource and get our staff to deliver the finest care we can possibly give and we're going to see a tremendous number of people get their lives back.

Richard Warner: Rod Laughlin is founder of Regency Hospital, thanks for being with us.

Rod Laughlin: A pleasure.

Richard Warner: Our thanks to our audience for joining us and also thank you for watching. You can catch a re-broadcast of this show in Atlanta on the radio on WCFO, that's 1160AM. You can listen to it on iTunes, just log on, and do a search on Georgia's business. You can sound off to me directly at richardwarner.com and check us out on the web at gpb.org because after this is done, we're going to sit here with Rod and our audience and our audience is going to ask some questions and that will be an exclusive

web content so visit us at gpb.org. For now I'm Richard Warner, thanks for watching and don't sell yourself short.