



# Vantage Healthcare Network, Inc.

*A Partnership of Community Hospitals Serving Western Pennsylvania*

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## **Vantage Programs Summary For Pennsylvania Community Hospitals**

### **Brief Overview of Vantage**

Vantage is a partnership among non-profit community hospitals. Started in 1984, Vantage's mission is to develop partnership services, formally structured with commitment to share risk and revenues. Each hospital owner is a shareholder, based upon a formal investment. The governance is "one hospital, one vote", regardless of size. The hospital CEO is the designated Board member. Annual revenues exceed \$27 million dollars. Employees number 210 full time equivalents. Savings, defined as dollars saved from market prices and cash distributions, comprise the return to owners. Two or more hospitals can start a program if the program is Board approved, the partnership meets the needs of the hospitals, and they agree to fund development costs. Once created, the service is sold to the market place capturing profit that ordinarily would have been left to outside suppliers. The remaining owners have a right to join at a later date at the net book value of the investment. The average return of savings and profits over the years since inception in 1984 has been 17% per annum. Though future results cannot be guaranteed, positive returns and self-supporting operations are expected.

Vantage's goal is to create and maintain shareholder value. The hospital shareholders are the stakeholders of the company. The PA hospital shareholders who appoint the Board of Directors are:

Armstrong County Memorial Hospital • Corry Memorial Hospital • The Ellwood City Hospital • Meadville Medical Center • Millcreek Community Hospital • UPMC Northwest Medical Center, Franklin and Oil City • Saint Vincent Health System • Titusville Area Hospital • UPMC Horizon, Greenville and Farrell • Warren General Hospital.

### **The Opportunity**

Hospitals can achieve a systematic process that allows a better use of scarce resources, by partnering. The Vantage sense of partnering is a formal commitment, and an investment. A return on this investment is expected. Dues contributions are not required. This provides an owner hospital the opportunity to create its future with the best hospitals in the region as partners. The hospital will be part of the governing board of directors with other hospitals who have made a formal commitment to succeed through business partnerships.

### **The Vantage Programs**

The following list of services represents active, ongoing business units and programs. There are several other programs under investigation and development, which are not included in the list. The current businesses description are as follows:

#### **VHLS - Vantage Healthcare Linen Services**

Vantage Healthcare Linen Services is a limited liability partnership or LLP. Vantage Healthcare Network is the managing general partner. The laundry is located in Erie, PA. and has an immediate capacity for 10 million pounds per year. The building and operations are designed for expansion. A state-of-the-art facility providing top quality laundry service, timely delivery, and cost savings for hospitals and healthcare institutions.

#### **Human Resources Task Force**

Two or more hospitals that participate in a group insurance comparison of life and disability insurances. Benefit designs can and should vary. The achievable savings is to reduce the sales and administrative expenses of the insurance company by centralized enrollment and other administrative processes, through Vantage, in return for a net savings to the participant hospitals.

#### **Temp Staff for Pharmacy/Others**

Installed at one hospital and used by other clients as needed. Pharmacist shortages and the number of pharmacists Vantage maintains for its programs allows the temporary staffing service. The same concept is applied to radiology techs, and nurses. When Vantage can provide its staff during non-peak periods, it better serves both the owner hospitals and customers.

## **Operations Management Consulting**

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The Vantage/ RPI venture is a new addition to the Vantage Healthcare Family of Companies with recognized consultants on staff specializing in productivity and operational systems. Process Engineering and a proprietary software system is installed based on key volume indicators for staffing. This is not a "report and leave" program but a process that is installed, coached, monitored and reviewed for capturing operational savings. Services are offered at competitive market pricing. Our approach is self-funding and early phases pay for future projects, resulting in expense reductions. This is a *mission critical* service that has a proven track record for hospitals and long term care facilities.

## **PEO - Professional Employer Organization**

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This is a "professional employer organization" that offers human resource services to small business including payroll services if desired. Human resource or HR services include hire and fire policies, employee handbook, coordination and negotiation of benefit packages, regulatory compliance and other routine services. Physician offices are a target for this program but any business under 50 employees can use the service. The PEO is a limited liability company or LLC a wholly owned subsidiary of Vantage Healthcare Network, Inc.

## **PPO - Preferred Provider Organization**

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This is a "preferred provider organization" formed as an LLC or limited liability company. It is a wholly owned subsidiary of Vantage Healthcare Network, Inc. The PPO is a network model. It contracts with facility and individual providers of care at a fixed fee schedule and/or discounted rates. The network is then rented to insured and self-funded employers. The PPO is a non-risk bearing PPO. The direct market region is all of Northwest Pennsylvania. Secondary markets are Western New York and Northeast Ohio.

## **RT - Home Respiratory Services**

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Respiratory Therapy and DME (or medical equipment and supplies for consumers) is a limited partnership with Vantage Healthcare Network being the general partner. The service is provided through a company called Vantage Home Respiratory Services.

## **HGT - Health Group Telecommunications**

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Health Group Telecommunications is a LLC. A non-profit but taxable corporation, HGT, Inc., holds the license as a CLEC, (competitive local exchange company), created by the 1996 Telecommunications Reform Act. HGT uses its CLEC status to obtain discounts as a reseller, from established tariff rates to save costs and passes those savings on to its customers. HGT also acts to serve as an aggregator working with incumbent local exchange (telephone) companies or ILECs. Lastly, when volume levels justify, infrastructure (i.e. switch) is owned. HGT services include local telephone services, long distance, pagers, cell phones, T-1 lines, Internet connections and all other telecommunications/data needs.

## **LTC - Care Apothecary**

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This is a closed-door pharmacy called Care Apothecary, a co-general partnership where Vantage Healthcare Network and Care Health Systems are the general partners. This provides medications delivery to nursing homes and other facilities, for use by the residents and clients these facilities serve.

## **QIMC - Quality Institute**

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The Quality Institute for Medical Care is a non-profit but taxable corporation that does quality studies for and with participating hospitals. The QIMC brings two physician appointees from each participating hospital as its Board of Directors and coordinates quality studies using a Regional Quality Committee or "RQC". The RQC is appointed by each hospital to serve to develop the study parameters and develop a written report of the outcomes. The report is reviewed by the QIMC Board and then reported to the hospitals. A patient handbook and telephone follow-up program for CHF patients has been the most notable program as well as standard clinical pathways.

## **Premier - Group Purchasing Organization**

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This is a national group purchasing organization (GPO) whereby Vantage is an owner, using its 501(e) non-profit corporation, Vantage Health Group. Vantage is one of 212 owners of the largest group purchasing organization in the country with over 15 billion dollars of purchases. As owners, Vantage Health Group receives dividends each year and passes those on to the participant hospitals. Thirty percent of dividends come from Premier investments, seventy percent from GPO fees. No dues is charged, Premier is self-supporting.

## **Provider Select LTC**

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This program uses Premier group purchasing contracts to bring discounts to long term or post-hospital facilities. The opportunity and need is the same as the previously program describes.

## **PET - Mobile Services**

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Positron Emission Tomography uses an isotope called FDG to detect cancer and other disease at an early stage. This is done in a mobile unit, which travels to the hospital and patient. PET is provided through a limited partnership called Advanced Litho Care, which does business through a "DBA" as Vantage Mobile Services. Vantage Healthcare Network is the general partner and Vantage hospitals are limited partners. In starting this service, Vantage is contracted with a private company called NEO-PET, of Cleveland, Ohio. The contract calls for eight days of service per month. Volume beyond this level will be developed as either a joint venture with NEO-PET or owned by the hospitals whichever is most economical to all parties.

## **Lithotripsy - Mobile Services**

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This is also a mobile unit that is brought to the hospital in a van and then rolled out into the operating room to do the procedure. Kidney stones are broken up and passed by the patient avoiding an invasive procedure or surgery. Other urology services may also be provided as needs arise. The services are offered through Vantage's Advanced Mobile Services.

## **MRI - Mobile Services**

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Magnetic Resonance Imaging has been provided by Vantage since 1986. One mobile unit functions between two or more hospitals. Services are also provided to fixed unit hospitals to reduce backlogs. The program is offered by Vantage's Advanced Mobile Services.

## **IV - Home Infusion Therapy Services**

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IV or Infusion Therapy is done through a limited partnership where Vantage Healthcare Network is the general partner. Until 2004 this is an "Option Care" franchise, a national franchising company for this type of home service. The franchise will terminate in 2004 and Vantage will provide the service as an independent. Services are provided by Vantage Home Infusion Therapy Services.

## **Provider Select Physicians**

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This program uses Premier group purchasing contracts through a major supplier to bring discounts of supplies and services to physician's offices and practices. The program name may change but the need and opportunity exists to bring this type of service to the region. With Vantage's current infrastructure, the program can be done effectively and economically.

## **Supply Chain** (working with Regional groups on standardization of group purchased items)

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Vantage is actively looking to standardize hospital purchase items whenever possible. Experience proves that all hospitals cannot standardize completely. Therefore, for those items that can be standardized, Vantage is looking to combine its volume with other regional groups such as Seagate, and Yankee Alliance who are also owners of Premier, a national group purchasing organization, (GPO). Other regional groups can be added to the list as may be necessary. The items not covered by the national GPO or items that are covered but can be improved through greater standardization and commitment is the starting point. Supply chain programs will combine the infrastructure developed by Vantage (warehousing, purchasing and distribution) and the needs of owner hospitals.

## **Self-Funded Messenger**

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When payers want a contract for health plans they are referred to Vantage. Vantage acts as the messenger with the payer and the hospital to broker the contract process. The contract is used for all Vantage PPO products and is used for payers with other products as each hospital instructs. This allows the hospitals to simplify and monitor their contracts. Rates of individual hospitals cannot be shared and strict confidentiality is maintained. The legal name for this process is commonly referred to as the "messenger model".

## **Management Company**

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This is a limited partnership intended to raise needed working capital for future Vantage programs by allowing more hospitals and others to invest in Vantage. The Company is an LLC with Vantage as the general partner. The company will contract to manage Vantage companies and will earn its profit through performance fees based upon profit targets. The management company is restricted to manage only non-medical services so that there is no incentive to artificially inflate the need or volume for medical services at any time.

## Holding Company

All Vantage companies as deemed appropriate by the shareholders will be transferred as wholly owned subsidiaries of a new company, an LLC, called Vantage Holdings Company. This combines the assets of the separate Vantage companies into one holding company so the holding company may then leverage these assets for financing rather than requiring the hospitals to fund Vantage operations. Over the sixteen life of Vantage several million dollars of equity has been built. This equity can be used to obtain future equity based loans as Vantage's capital needs grow.

## Growth

The expansion of Vantage into other markets is a desired goal. Expansion is not simply based on adding numbers of owner facilities but rather on the contribution of the added owner-facility to the knowledge sharing of the whole group and the opening of new markets to Vantage programs. Northwest Pennsylvania is the target of expansion. Other regions of Pennsylvania, New York, Ohio and West Virginia and elsewhere, where opportunity exists, are also appropriate.

## Home Health Network

Vantage has formed a Home Care Group. Vantage Owner hospitals that have home care programs are invited to join the Home Care Group. Their goals are to coordinate marketing, to develop referral protocols whereby patients/clients seeking care, can access the home care program of their choice with one call and to share expenses when feasible.

## Home Vantage Nursing

This Vantage Nursing service includes high tech pharmacy services, skilled professional and paraprofessional services, custodial care, and medical equipment provided or delivered to the home. Vantage Nursing is working with the Crawford County VNA to offer quality home health services in Erie and Crawford counties.

## Sales Support

Vantage has full time sales staff in the region. This staff is prepared to make calls on physicians and employers promoting hospital programs in addition to Vantage services.

### Vantage Services Directory

COMPANY	CONTACT	PHONE	E-MAIL
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