

SNB provided ideal terms for a group of physician-investors seeking financing for the construction of a specialty hospital.



**SNB CASE STUDY:
HEALTHCARE FINANCING**

When a group of physician-investors sought financing to build Lafayette Surgical Specialty Hospital, they turned to SNB. With over 25 years experience financing healthcare projects, SNB was able to structure financing that helped make the hospital a reality and be successful its first year of operation.

Lafayette Surgical Specialty Hospital (LSSH) in Lafayette, Louisiana, opened in March 2004, approximately 15 months after ground was broken on the \$16.6 million facility. The facility boasts eight operating rooms, 20 beds and is averaging over 30 cases per day. There are currently 70 physicians on staff, of which 27 are investors in the 95% physician-owned hospital.

The vision for LSSH dates back to 2000 with Dr. John Cobb – an Orthopedic Surgeon who was a proponent and leading backer of the facility. Dr. Cobb’s vision began to take shape in 2001 with a visit to the Oklahoma Spine Hospital, which served as a model for the development and operation of LSSH. An initial group of eight physician investors was formed, a group that eventually expanded to include 27 physicians. Thomas W. Cooper, an accountant whose background working with physicians spans over 20 years, became involved in the project and today serves as the CEO of LSSH.

The Business Plan

Like most projects of this scope, this one began on paper. During the initial planning phase, a feasibility study was completed. A key element of the feasibility study was survey of physicians to forecast surgery volumes if the hospital were built. A pro-forma was developed around these projected case numbers, which helped the developers determine the ideal size to build the hospital. The result of the feasibility study was a

decision by the investors to proceed with the construction of the hospital.

Cooper and the investors obtained an estimate on construction in order to secure financing. At the time, all the investors were with a local bank, but as a condition of financing the project, that bank would require the physician investors to put up 20% of their own money. These physicians

strongly preferred to finance construction out of future revenues of the hospital rather than invest their own money. As Cooper was investigating financing alternatives, he was referred to Stillwater National Bank (SNB), a financial services company with over 25 years experience financing all aspects of healthcare in a multi-state area. The SNB healthcare team, consisting of lenders and consultants,

worked closely with Cooper and the investors to structure a unique financing solution that included construction, equipment and operations.

“SNB let us know they were interested in looking at our project,” said Cooper. “They came to meet with the investor group and brought a proposal to finance our project at that was very appealing to the investors. Three other banks looked at this deal, but none of the other banks had enough confidence in this type of project to finance it based on the success of the hospital. After looking at the alternatives, we chose SNB because of the experience and confidence it had in what we were doing.”





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Early Success

LSSH opened in March, 2004. As the one year anniversary of the facility approached, all projections for its operation were met or exceeded. “The case volume projection stated we would do 27 to 28 cases a day and we are actually averaging over 30 cases a day,” continued Cooper. “In the areas of production, bills and collections, we have exceeded what we thought we expected to do. We also met revenue objectives, and profit-wise we are going to meet our 2005 budget.”



*Tom Cooper
CEO, Lafayette Surgical Specialty Hospital*

The success of LSSH is not measured only in its financial statements. Patient and customer satisfaction surveys are administered regularly, and the results are consistently positive. Staff morale is also a reflection of LSSH’s success. “It’s exciting to see the enthusiasm in the staff, the people and employees love it,” said Cooper. “Our employees seem to enjoy what they are doing and seem to enjoy coming to work. The doctors are excited about it as well.”

SNB as a Healthcare Financial Solution Provider

Over the course of the years, Cooper has worked with banks on many projects. “Some banks tend to go out of their way to make it as difficult as possible. I can only say good things about SNB. I value the service end of it as much as the cooperation and participation. I’ve come to expect good service; the people there want to do things to make it as easy as for me as possible.”

The professionals at SNB have expertise that provided value to Cooper and the investors beyond just financing it. “I am an accountant and I like to be in control of things. This project was big enough on the financing side of things that there was so much for me to keep up with. I could always fall back on the SNB staff. They always had the project well under control and understood exactly what was going on.”

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Should Cooper find himself advising a group of investors in similar circumstances in the future, he would not hesitate to get SNB involved: “I would recommend that SNB be given an opportunity to look at financing a project. If I were involved in arranging financing, it would be so easy to work with SNB. When I want to discuss a piece of the project, they will sit down with me and discuss the financial needs. I don’t know any banks that like to or want to do that. I have enjoyed the experience so far, and SNB made it so easy. I would have no hesitation at all in recommending SNB.”