CEO Advisory Network

University-owned Teaching Hospital: Developing a Strategic Template for Stabilization and Growth

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CLIENT CASE STUDY

"Our team concluded that the Teaching Hospital was on the verge of precipitous decline and that without a major strategic redirection, the hospital faced an uncertain future, and very likely would not be able to survive in its current role as a free-standing acute care institution."

BUSINESS OVERVIEW

The University-owned teaching hospital is located in a highly competitive medium-sized Midwestern Healthcare market. The hospital historically served as a primary teaching site for the University School of medicine and allied health sciences. The physician faculty is organized into a medical group serving the hospital in a closed physician staff model with no community physician admitting privileges. It serves as a valuable community health resource and a primary source of care certain under-served community areas surrounding the facilities.

Over the recent years, the School of Medicine Medical Group has contracted with various other hospitals and health providers to provide teaching residents with significant impacts on the University-owned Teaching hospital. Areas impacted include declines in inpatient and outpatient volumes, decreasing Case Mix Index (CMI), declines Gross Revenues, Net Revenue Yields and Cash Flow. These actions resulted in unsustainable losses at the teaching hospital and a significant burden on the University. Serious consideration was being given to the sale or merger of the hospital.

WHAT WE DID

Faced with a deteriorating situation, CEO Advisory Network with its partner Integrated Clinical Solutions was requested to investigate the situation and develop an in-depth understanding of *what* was happening and more importantly *why.* We began a Current State Assessment of the organizations operating status, and volume trends. Looked at the Service Portfolio identifying Clinical strengths, Gaps, and Growth Opportunities. We Quantified a "momentum" scenario –where the organization would be in 1.3 years without major redirection. We also identified the potential drivers of a stabilization growth and profitability, and quantified "what-if" scenarios. We then developed a strategic template for change that included an Action Plan and Timetable.

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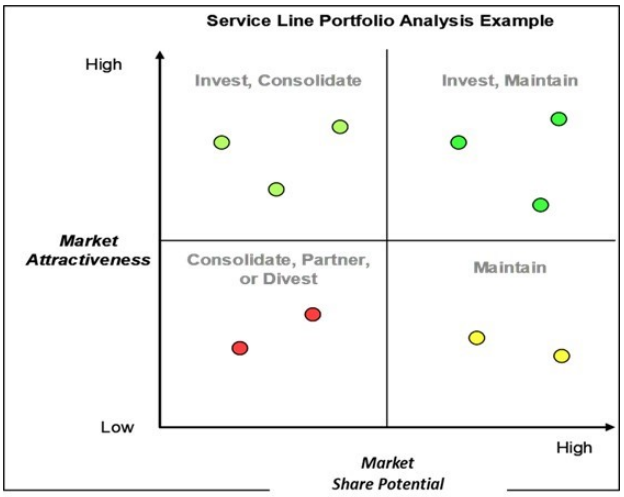
CLIENT CASE STUDY | HOSPITAL GROWTH STRATEGY

BOTTOM LINE

Our team concluded that the Teaching Hospital was on the verge of precipitous decline and that without a major strategic redirection, the hospital faced an uncertain future, and very likely would not be able to survive in its current role as a free-standing acute care institution. We felt however, that the hospital served as a vital healthcare resource for an otherwise underserved geographic segment of the market and we needed to set a realistic pathway to achieve stabilization and growth.

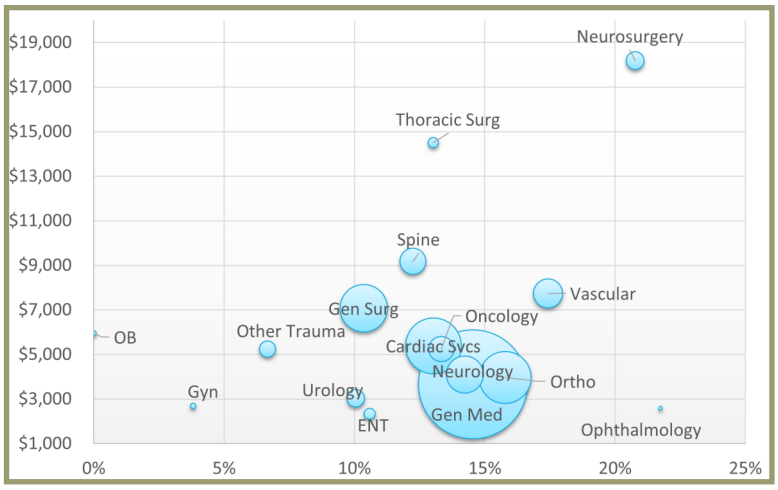


RECOMMENDATIONS FOR STABILIZATION AND GROWTH

The hospital's dependency on the University Medical Faculty Group as a negative primary driver of the hospitals decrease in volume and financial losses. We recommended that the University hold/delay any further residency transfer programs, immediately open the medical staff to the community physicians and develop partnerships with the large community-based physician groups serving the hospital market.

We also identified certain clinical service lines that demonstrated community need and recommended that the hospital invest in those services that would provide a pathway to growth and profitability. We also recommended that the hospital reposition itself as a community teaching hospital rather than a University-teaching hospital.

OPPORTUNITY MATRIX



Additionally, we analyzed the Physician FTE coverage levels needed to sustain operations, support the targeted service lines and generate utilization levels based upon service population and national guidelines for Physician FTE coverage/100,000 population.

CLIENT CASE STUDY | HOSPITAL GROWTH STRATEGY

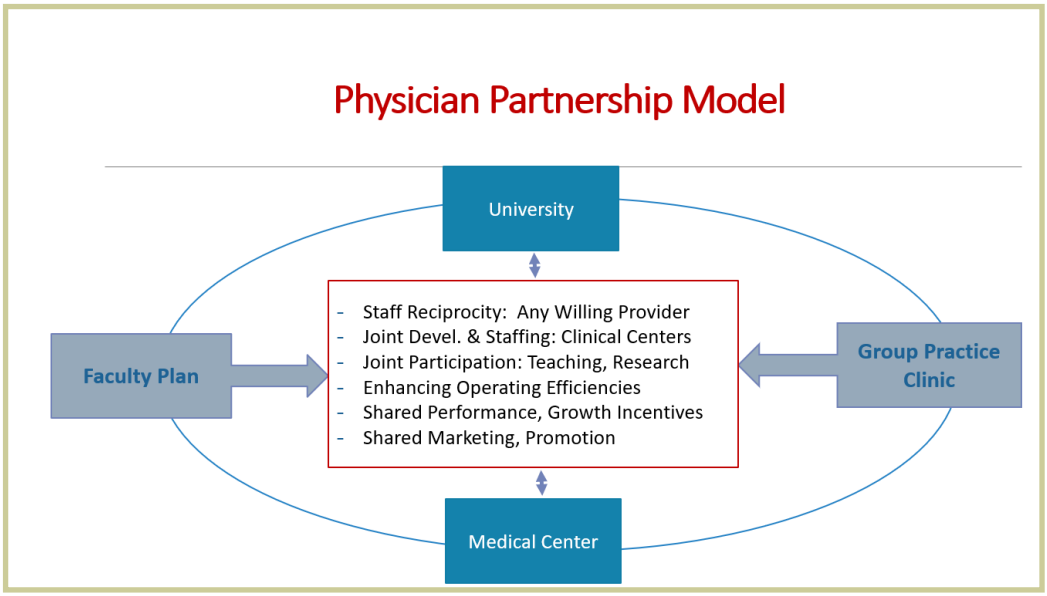
PHYSICIAN COVERED NEEDS

SERVICE LINE	DR FTE'S NEEDED	Current DR FTE	NET FTE NEED
PRIMARY CARE			
Family/Gnl. Practice	41	20	(21)
General Medicine	28	13	(15)
MEDICAL SPEC.			
Cardiology - Medical	11	8	(3)
Neurology	5	0	(5)
Internal Medicine	29	23	(6)
SURGICAL SPEC.			
Cardiac Surgery	2	1	(1)
ENT	2		(2)
General Surgery	11	2	(9)
Neurosurgery	2	1	(1)
Ophthalmology	6	0	(6)
Orthopedics	16	10	(6)
Spine	2	1	(1)
Trauma	10	0	(10)
Urology	4	3	(1)
Vascular Services	1	3	2
TOTAL	170	85	(85)

RAMPING UP PHYSICIAN COVERAGE

As a result of our analysis we developed target physican coverage levels by specialty/ subspecialty focusing on those clinical services that can provide growth and profitability for the organization.

TEACHING/COMMUNITY PHYSICIAN PARTNERSHIP MODEL



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