

## Succeeding in the Face of Challenges

Strategies from the Front Line of a  
Physician Owned Hospital



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## Agenda

- History of Texas Spine & Joint Hospital
- Early Obstacles & Solutions
- Clinical & Other Success Strategies
- Current Hospital Status & Awards
- Questions & Answers



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## What is Texas Spine & Joint Hospital?

- Specialty hospital located in Tyler, TX
- Specializes in spine, joint, & pain management
- 20 bed hospital, outpatient surgical center, & imaging center
- 17,000 procedures performed each year on four campuses
- Physician owned hospital – 40 partners



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## History of Texas Spine & Joint Hospital

- Founded in 2001/ Opened December 2002
- Vision of 23 surgeons & physicians
- Believed specialty hospital would allow them to focus on delivery of care
- Wanted to control the decisions that affect care:
  - Surgical teams
  - Implants
  - O.R. efficiency/ procedures



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## Before We Were a Hospital...



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## Texas Spine & Joint Today

- State-of-the-art-Specialty Hospital in Tyler, Texas
- Opened in December 2002
- Fully equipped, 20 bed hospital, outpatient surgical center, & imaging center



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## Early Obstacles



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## Entering a New Market

- Challenges
  - Three health systems as competitors
  - Community not sure what to expect
  - Managing physician reputations
- Solutions
  - Receiving national awards from HealthGrades
  - Focusing on customer service



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## Vendor Relations & Implant Pricing

- Hospital developed a vendor relation program with two goals:
  - Provide the best patient care & deliver the best outcomes
  - Keep implant costs to a minimum
- This was accomplished by:
  - Identifying high-volume procedures that utilize costly implants
  - Comparing quality & pricing options from multiple manufacturers & present this information to all the physicians
  - Physicians agreed on 2-3 kinds of suppliers & negotiated pricing
  - Tracking & evaluating every two years to ensure quality & price



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## Successful Clinical Operations



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## Optimizing Turn Around Time in the O.R.

- O.R. Assistant ensures that rooms stay on time & communicates all obstacles (Our own "Air Traffic Controller")
- Frequent discussion with pre-op
- Communication with patients in regards to their arrival time
- Set up custom packs to speed up "opening" time
- Float teams to help clean the room & assist manager



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## Maintaining Low Infection Rates

- Clinical Improvement Specialist Nurse (Our sneezing & hand washing monitor)
- Investigate every reported infection & analyze O.R., personnel, type of procedure, time of day, length of surgery, pathogen, process used, prep, & patient risk factors
- Analyze monthly trends & reports from the Medical Executive Committee & Board
- 2011 surgical site infection rate - 0.10%.
- Average since 2003 - 0.29% (10X lower than national average)



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## Most Recent Awards

- #1 in Texas for Spinal Fusion & Spine Surgery 2012
- #7 in the nation for Spinal Fusion
- #1 in The Market for Major Orthopedic Surgery 2012
- #1 In the Market for Overall Hospital Care 2012
- #1 in the Market for Overall Surgical Care 2012
- PRESS GANEY SUMMIT AWARD recipient in 2011



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## Joint Commission Accreditation

- Joint Commission Accreditation
  - Prove our level of patient care
  - Compete with local hospitals
- Required considerable time & dedication from leadership team
- December 2011 successfully received the Gold Seal of Certification

Certification



Achieve the Gold Seal



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## Additional Success Strategies



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## Self-Insurance Plan for Employees

- Popular insurance trend for small businesses
- Hospital bears risk & pays claims through fund
- Eventually hired Third Party Administrator (TPA) to manage
- Results from hiring a TPA to handle day to day work:
  - Increased control over plan design
  - Ability to tailor a specific plan for our employees
  - Cost savings
  - Better cash flow



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## Benefitting from Insurance Lobby

- Small insurance companies exempt from taxation on profit
- Hospitals have countless underinsured and uninsured risks
  - Excess liability & excluded causes of loss
  - Loss of key employees
  - Loss of income (contracts, reimbursements, etc.)
- Can deduct up to \$1.2 million in premiums for self insurance
- No taxation on underwriting profit
- Can use funds for acquisition, growth, diversification



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## Self-Insurance Plan for Other Risks

- Another trend for small business
- Formally insure previously under-insured risks such as employee acts, loss of key referral source, business interruption, IT failure, many others
- Up \$1.2 mm of annual premium pre-tax
- Insurance company owned by partners, but outside of Hospital asset base



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## Successfully Competing as an “Out of Network” Hospital

- TSJH competes with three larger healthcare systems & does not always get “in network” contracts
- TSJH started two very successful programs to overcome this huge obstacle:
  - Competitive Cash Pay
  - Prompt Pay Discount



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## Competitive Cash Pay

- Available for every procedure offered at the hospital
- Most beneficial for:
  - Uninsured patients
  - Patients with high deductibles
- Allows patients to receive the same medical procedures at a cash price



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## Prompt Pay Discount

- Most beneficial for:
  - Uninsured patients
  - Patients with high deductibles
- Allows patients to pay for the procedure within 30 days
- Patients must have “out of network” benefits
- Most patients will pay less for their procedure in comparison to their “in network” plan



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## Section 6001 of the Healthcare Reform Act

- Section 6001 of the Healthcare Reform restricts Physician Owned Hospitals' right to compete by prohibiting any new construction or expansion projects
- Conflict with Section 6001
  - TSJH had invested more than \$3 million in an expansion project in the Tyler community
  - Expansion project was based on community need



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## Overcoming Section 6001 of the Healthcare Reform Act

- Solution to overcome Section 6001
  - TSJH filed a federal lawsuit against healthcare bill in June 2010 to protect patients rights & maintain quality care & competition in the marketplace
  - Two bills have been introduced in the House to overturn Section 6001
- Physician owned hospitals fighting back:
  - 265 POHs in 34 states
  - A POH ranks first for patient satisfaction in 20 states
  - 14 of 36 Summit Award Winners in 2010 were POHs
  - TSJH is a 2011 Summit Award Winner



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## Moving Forward

- TSJH decided to renovate the existing hospital
  - Update existing patient rooms
  - Add clinical space
  - Add parking space
- Use insurance lobby for our benefit for a change
  - Self-insure against various underinsured/uninsured risks
  - Build pre-tax war chest to protect against liabilities and regulations
  - Tax-efficiently fund expansion, acquisition, diversification



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## Current Hospital



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## New Hospital Entrance Currently Under Construction



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## Future Hospital



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Questions?



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