

CASE STUDY: MEMORIAL HEALTH SYSTEM · LUFKIN, TEXAS



THE SITUATION

A long history and sterling record of providing quality healthcare services and technologies to a large rural area are no guarantee of ongoing success. After six decades of prominence in deep East Texas, Memorial Medical Center in Lufkin weathered a multi-year trend of declining financial performance, cash reserves and patient volume, culminating in a bond rating downgrade. Competition from a for-profit hospital just one mile away put even more pressure on hospital leaders. The time had come to call in reinforcements.

BACKGROUND

Memorial Medical Center is one of four rural hospitals that make up the Memorial Health System of East Texas, founded in 1949. The Lufkin campus comprises a 271-bed acute care facility; the area's first primary stroke care center; and emergency, intensive and extended care units. System-wide, the hospitals provide a quarter of a million patient services each year.

Building on its history had gotten Memorial only so far. To regain its bearings and move forward, the hospital sought guidance from CHC Consulting, the management and consulting arm of Community Hospital Corporation (CHC). The hospital's engagement of CHC Consulting for help with strategic planning, revenue cycle, supply spend, productivity, IT planning and financial forecasting was deemed by Moody's Investor Service as a strength offsetting the problems and challenges that led to the bond rating downgrade in 2011. Before, "We felt fairly isolated as far as being able to work with others in the industry," says Memorial Health System's CFO, Kristi Gay. "CHC proved to be a great resource outside our small community and an excellent source of expertise and recommendations."

In August 2011, Memorial Health System signed a management contract with CHC Consulting in order to preserve its status as a not-for-profit, community-based hospital.

We were to the point where something had to be done. A year into our management services agreement with CHC, I absolutely believe in this company, what they do, and how they do it. CHC came in as a partner, and instead of just taking charge, they coach us to be more independent.

Kristi Gay, CFO
Memorial Hospital System of East Texas





THE PLAN

CHC Consulting met with hospital leaders to “frame and prioritize critical actions and get the organization focused in the right direction,” says Wilson Weber, CHC’s chief operating officer.

This marked the start of a significant financial turnaround. Within 45 days, CHC Consulting had completed an operational assessment and a 170-page report identifying challenges and opportunities. Together with the hospital board’s finance committee and organizational leadership, CHC Consulting then developed detailed action plans with timetables for completion. At that point, reenergized leaders rolled up their sleeves and got down to business — and CHC Consulting did the same.

“They didn’t just walk away and leave us to implement all these plans and ideas,” Gay says. “We worked together, with CHC bringing a sense of structure and discipline to the process,” including biweekly face-to-face meetings.

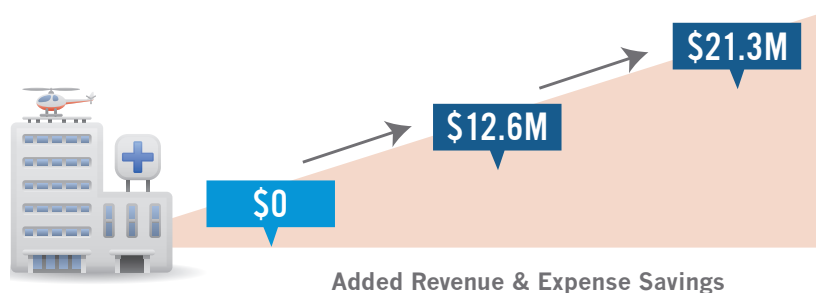
CHC’s ambitious but achievable plans included:

- Conducting a coding audit, pricing analysis and chargemaster review
- Significantly reducing supply chain spend by enrolling Memorial Health System into CHC’s group purchasing organization
- Driving a cultural shift to encourage the four hospitals to function more like a system, with shared resources and fewer redundancies
- Appointing physicians to the hospital board to strengthen communications and lend clinical expertise
- Conducting an IT platform cost-of-ownership analysis
- Renegotiating managed care contracts
- Optimizing reimbursement from federal and state programs
- Implementing the proprietary CHC Productivity Tool to monitor labor expenses and maximize staff productivity
- Connecting Memorial Health System with vendors vetted by CHC

THE RESULTS

CHC Consulting’s partnership with the Memorial Health System of East Texas highlights three of our core competencies in both consulting and hospital management services — operational improvement, financial improvement and strategic vision. Working with CHC Consulting, the four hospitals collectively achieved revenue enhancements and expense savings totaling \$12.6 million in fiscal year 2011, and is expected to realize similar savings in FY2012 for a total of \$21.3 million. Consequently, Moody’s revised the hospital system’s outlook to stable.

Rapid & Measurable Financial Improvement



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