

Client Hospital

Presentation to the Client Hospital

Board of Directors

Medical Staff

Management Staff

Client Hospital: Strategic Plan

2 Agenda

Introduction and Context Setting

Client CEO

Long Range Strategic Plan Themes

Marc Voyvodich

Subcommittee Recommendations

Marc Voyvodich

Review of Long Range Strategic Plan Tasks

Marc Voyvodich

Request for Approval

Client Steering Committee Head

- The current planning process commenced August 2000 and was completed in January 2001.
- *Client Hospital's* prior strategic plan (**1997**) focused on consolidating prior gains in terms of medical staff growth, financial performance, and new service development. At that time there was a feeling of organizational vulnerability given the lack of strength in *Client Hospital's* relatively weak balance sheet.
- This plan (**2000**) focuses on growth aimed at evolving *Client Hospital* into the dominant *local Client Hospital* County health care resource.

1997	vs.	2000
Focus on consolidating gains		Focus on growing services
Hospital-wide perspective		County-wide perspective
Support new providers		Manage patient demand
Manage new services		Establish contingency plans
Operations Perspective		Strategy Perspective
Concerns over future vulnerability		Position of Strength
Emphasis on cost containment		Strategies for targeted growth

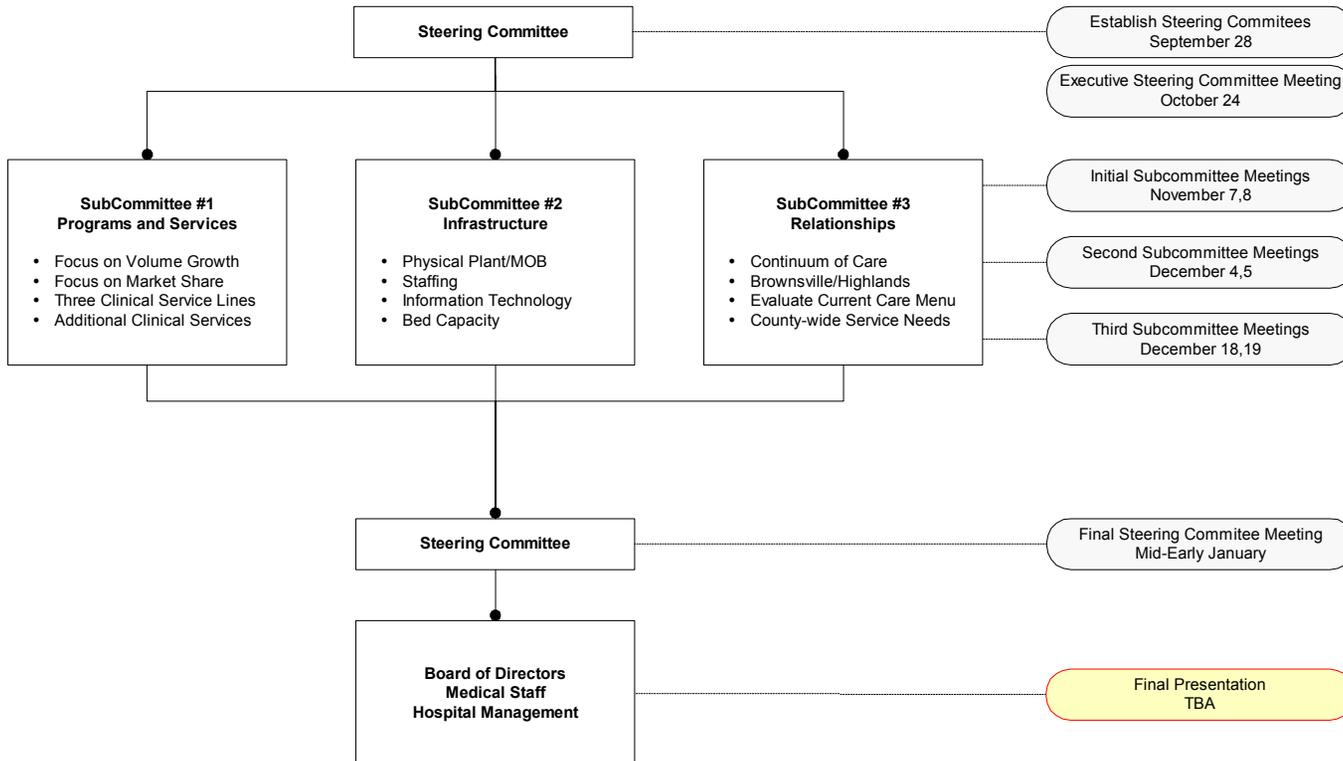
- *Client Hospital's* mission was tested by independently drafting a new mission statement following the Board/Medical Staff Planning Retreat and comparing it to the historical statement.
- The two were consistent in content and emphasis, and the following mission statement continues to serve as a guidepost for *Client Hospital's* future initiatives:

It is the mission of the *Client Hospital* and its related organizations, in cooperation with its medical staff, to serve as the leading primary care and specialty acute medical care system for *local Client Hospital* County and adjacent areas.

We will accomplish this mission through the employment of the following principles:

- We will constantly strive to improve the health status of the people we serve
- We will provide health care in a manner consistent with our goal of continuous clinical and service quality improvement
- We will remain committed to working with other health care providers to ensure continuity of care
- We will be guided by a balanced healthcare philosophy of access, clinical excellence, and fiscal responsibility

- Interviews with Key Stakeholders
- External interviews
- Physician Survey
- Review of Existing Studies
- Review of Financial and Market Data
- Steering Committee Meetings and Subcommittee Meetings
- Two Board/Medical Staff retreats





Five Major Themes

1. *Client Hospital* has the potential to assume an increasingly **dominant position** throughout the *local Client Hospital* County health care marketplace.
2. *Client Hospital* has successfully **strengthened its balance sheet** through its focus on meeting aggressive financial targets through disciplined cost management and meeting patient revenue growth goals.
3. From a strategic decision-making perspective, **time is not an ally**.
4. *Client Hospital* is **well positioned** to extract value from existing market dynamics.
5. Given existing market dynamics, **two distinct approaches to growth** will allow *Client Hospital* to maximize its potential to build market share and establish itself as the center of healthcare delivery in local *Client Hospital* County.

PS Programs/Services Subcommittee

Cardiovascular Services	Cv	Ca	Cancer Services
Neuro/Muskuloskeletal Rehabilitation Services	MS	WC	Women's and Children's Services

I Infrastructure Development Subcommittee

Medical Staff	MD	HS	Hospital Staff
Information Systems	IS	PP	Physical Plant

C Continuum Development Subcommittee

Providers	P	LC	Local Competitors
Affiliations	A	3P	Third-Party Payer Relationships

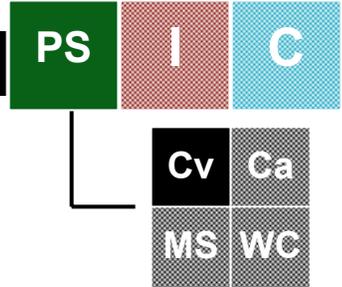
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Charge Statement

Identify those service lines and clinical offerings that have a high probability for creating value for patients throughout local *Client Hospital* County.

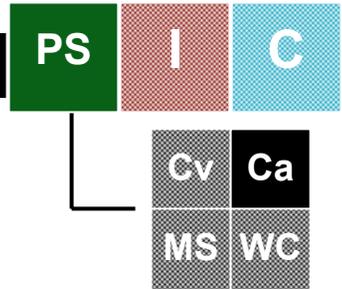
Subcommittee aims to:

- Identify clinical areas that currently offer high quality and access as a platform for growth
- Identify clinical areas that demonstrate room for improvement in terms of quality and access
- Identify clinical areas that currently are not available to patients accessing care through *Client Hospital*
- Establish plans to achieve market share and volume growth in targeted clinical areas



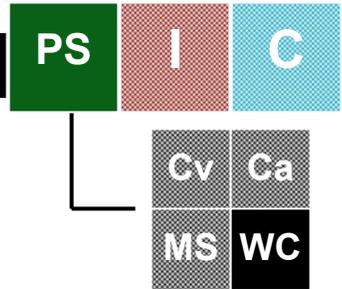
Cv Cardiovascular Services: Recommendations

1. Recruit additional cardiologists to *client hospital*.
2. Do not renew the existing *regional tertiary hospital* cardiovascular clinical affiliation as currently structured.
3. Actively pursue the development of primary and elective cardiac angioplasty and stent procedure capability at *client hospital*.
4. An opportunity exists for *client hospital* to increase its market share and volume for peripheral vascular surgery procedures.
5. If the state regulators preclude *client hospital* from developing angioplasty services without invasive cardiovascular capabilities, other, more non-traditional approaches to meeting regulatory standards may be required.



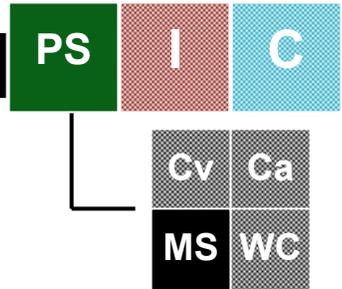
Ca Cancer Services: Recommendations

1. Actively explore the potential for closer clinical and business integration with the **regional Academic Medical Center**, including medical oncology, radiation oncology, full participation in clinical research trials, and improved service coordination
2. With the **client hospital** physician practices, plan for the refurbishment of the existing FRCC linear accelerator in conjunction with exploring the potential need for acquiring a second linear accelerator.
3. Determine the best approach for augmenting the current capacity of locally available medical oncology services.
4. Seek to address the general criteria associated with the American College of Surgeon's Comprehensive Community Cancer Center designation.
5. A specific priority should be developing coordination of care services.



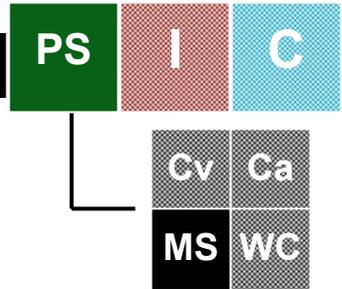
WC Women's and Children's Services: Recommendations

1. *Client Hospital* should promote OB/GYN practice expansion into the *adjacent* County market since existing service capacity in that market is expected to decline.
2. The Northeastern *Client Hospital* County market for OB/GYN services should be targeted given the likely transition of OB services from *Competitor A Hospital* to *Competitor B Hospital* over the next several years.
3. A broadly-defined Women's Center concept should be developed and operationalized by *Client Hospital*.
4. An important decision is whether the Women's Center program is developed independently from or in conjunction with OB/GYN physicians from a facility and delivery standpoint.



MS Neuro/Musculoskeletal Rehabilitations Services: Recommendations

1. Develop a plan for implementing a neuro/musculoskeletal center.
2. Business model planning for an occupational medicine program should be completed assuming finalization of OSHA ergonomic regulations.
3. A new clinical collaboration model should be pursued with a tertiary center based practice for establishing the ongoing availability of routine neurosurgery services at *Client Hospital*.
4. A plan should be developed in collaboration with *Client Hospital* orthopedic surgeons for moving from the existing 41% to a majority inpatient orthopedic market share position in the area of orthopedic surgery. Consideration should be given to bringing additional practice capacity to *Client Hospital* to meet this demand in secondary market areas.



MS Neuro/Musculoskeletal Rehabilitations Services: Recommendations

- 5. Additional capacity for supporting neurology consults at *Client Hospital* should be developed. The opportunity to support a full-time neurologist should be periodically revisited as *Client Hospital* evolves toward a more dominant County-wide service role.

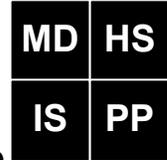
- 6. In developing opportunities to collaborate with other local providers (*specifically Local Competing Hospital*) efforts should be made to integrate rehabilitation services into a cohesive continuum of care.

I Infrastructure: Charge Statement

“Identify non-clinical service issues and priorities that need to be addressed in order for *Client Hospital* to accommodate its vision over the next five years.”

Subcommittee aims to:

- Build support for a Master Facility Planning initiative as a means of informing options for targeted growth in clinical service lines
- Make recommendations for recruitment of additional providers based on supply/demand relationship
- Determine general facility and equipment requirement related to achieving strategic goals



I Infrastructure: Recommendations

1. The decision-making framework that distinguishes between maintenance and strategic investments, and the strategic investment decision making rules that focus on service/market share expansion and blocking competitors should be routinely applied.

Capital Investment Decision Making Rules

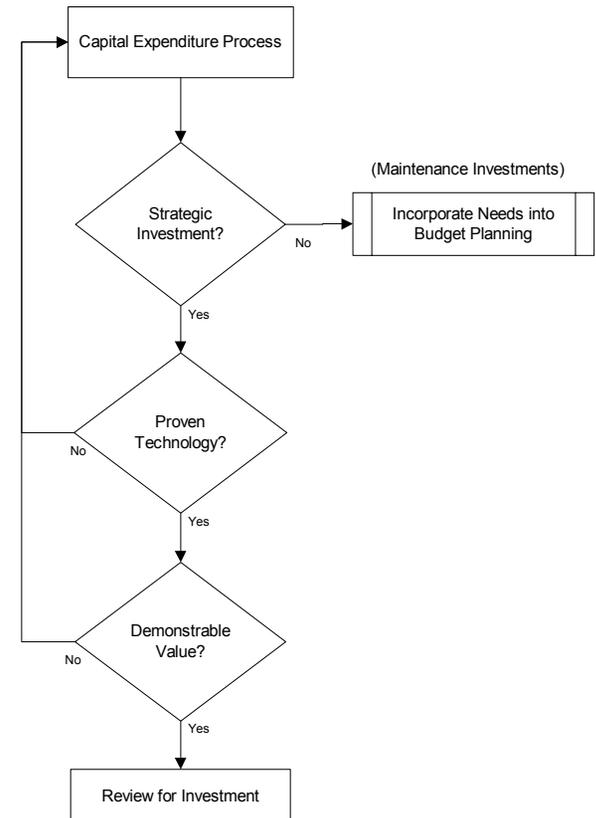
Step 1: Initiate Capital Expenditure Review Process

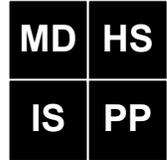
Step 2: Is it a Strategic or Maintenance Investment?

Step 3: Does the investment involve a Proven Business Model or Technology?

Step 4: Does the Business Model/Technology under consideration have a track record of demonstrable value?

Step 5: Investment under consideration meets preliminary criteria





I Infrastructure: Recommendations

2. A population-based review of *Client Hospital* market deficits in physician supply should be undertaken annually

Current significant deficit rated in:

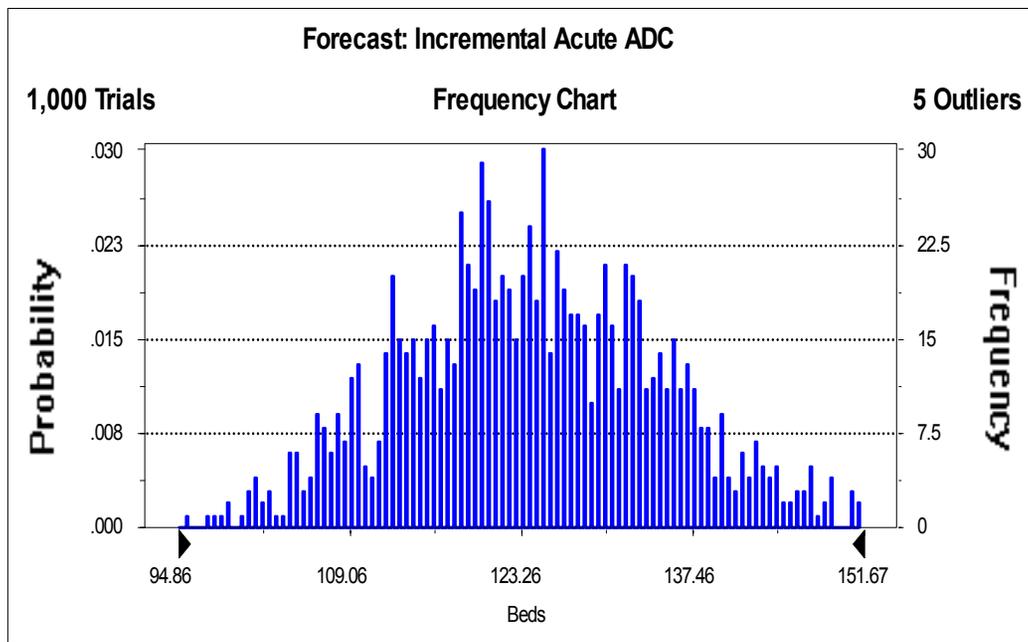
1. Primary Care
 2. Pediatrics
 3. Oncology
 4. Cardiology
 5. Psychiatry
 6. Neurology
 7. General Surgery
3. *Client Hospital* should actively pursue creative approaches for staff recruitment, retention, and scheduling to address the growing shortage in nursing and a broadening array of other healthcare professions.



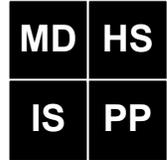
Infrastructure: Recommendations



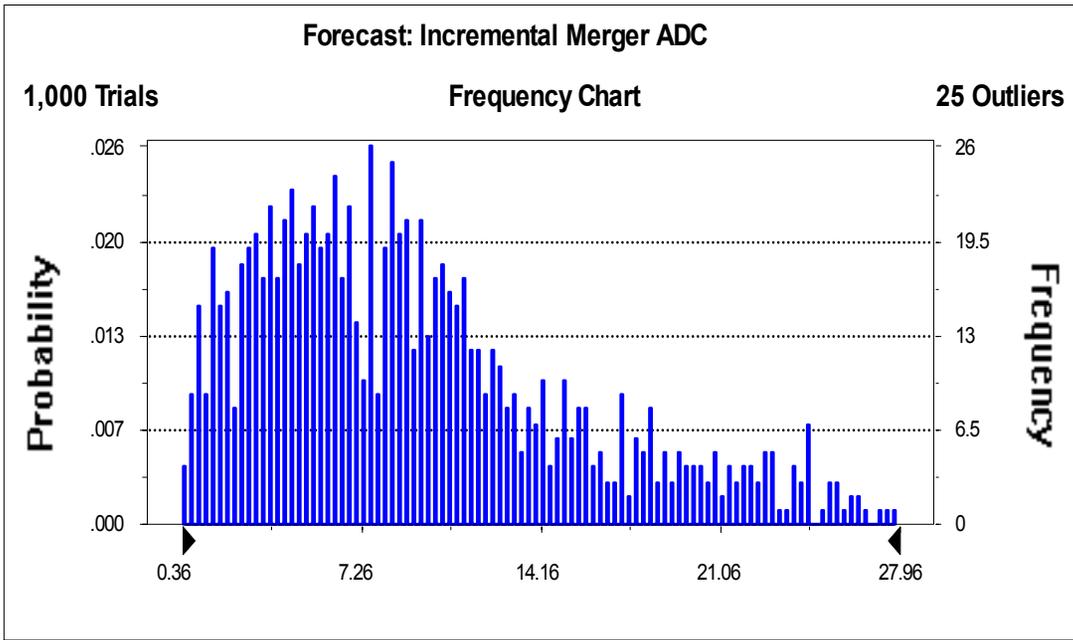
4. *Client Hospital's* Master Facility Planning (MFP) process should be initiated as soon a practical.



Mean	124.1 beds
Median	123.9 beds
Standard Deviation	10.76
Range Minimum	92.8 beds
Range Maximum	153.7 beds
<i>20th Percentile</i>	<i>114.7 beds</i>
<i>40th Percentile</i>	<i>120.9 beds</i>
<i>50th Percentile</i>	<i>123.9 beds</i>
<i>60th Percentile</i>	<i>126.5 beds</i>
<i>80th Percentile</i>	<i>133.2 beds</i>



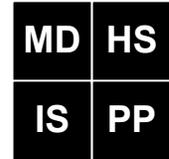
I Infrastructure: Recommendations



Mean	9.9 beds
Median	8.5 beds
Standard Deviation	6.99
Range Minimum	0.4 beds
Range Maximum	38.6 beds
<i>20th Percentile</i>	<i>4.07 beds</i>
<i>40th Percentile</i>	<i>6.82 beds</i>
<i>50th Percentile</i>	<i>8.42 beds</i>
<i>60th Percentile</i>	<i>9.89 beds</i>
<i>80th Percentile</i>	<i>14.96 beds</i>



I Infrastructure: Recommendations



- 5. An ambulatory services center (ASC) situated within the **primary** market should be aggressively studied.
- 6. Any integration arrangement between *Client Hospital* and **Local Competing Hospitals** should trigger a review of the potential to redistribute acute and sub-acute services within a more operationally efficient configuration.

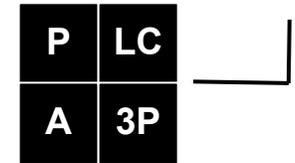
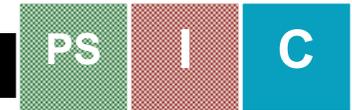
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Continuum Development: Charge Statement

Provide leadership and innovation in the areas of provider/hospital, provider/community and intra-County provider relationships *Client Hospital* 's unique position as the dominant county-wide provider.

Subcommittee aims to:

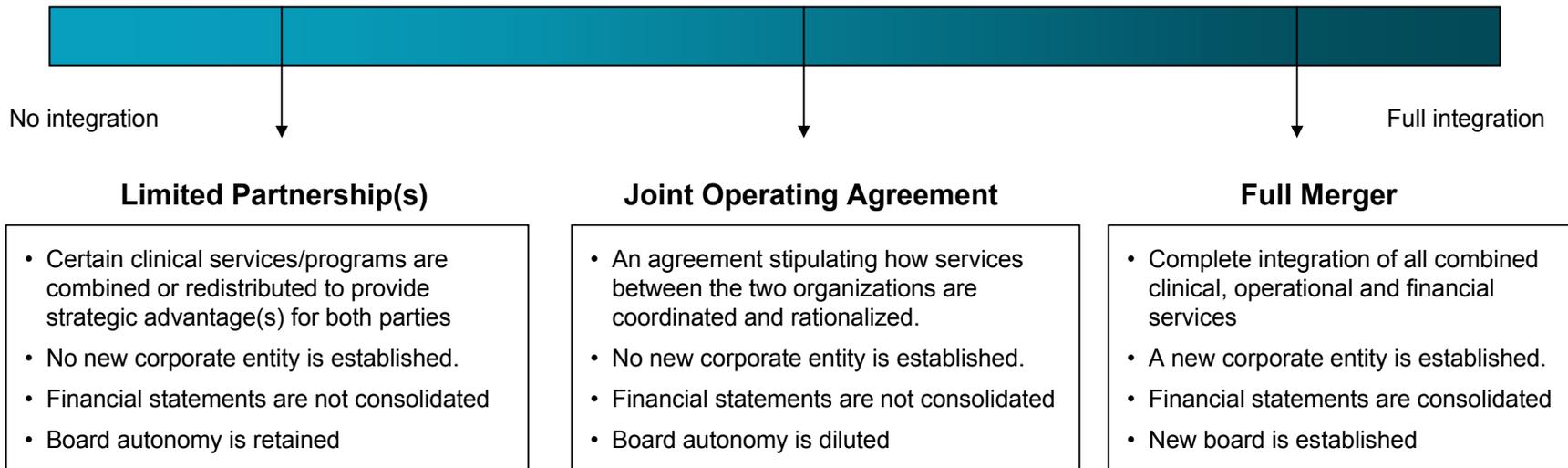
- Identify opportunities for business alignment between physicians and *Client Hospital*
- Determine relationships with out-of-county medical groups and/or tertiary referral centers
- Align community health care needs with the overall *Client Hospital* strategic plan

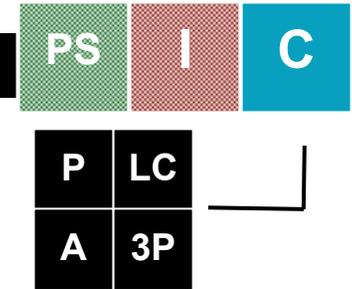


Continuum Development: Recommendations

1. Actively pursue a collaborative approach with *Local Competing Hospital* through at least a Joint Operating Agreement.

Relationship or “Quasi Merger” Continuum





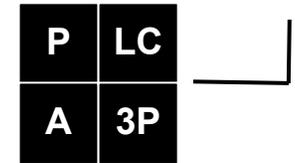
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Continuum Development: Recommendations

2. Assume a competitive stance in *primary market* by targeting recruitment of existing primary care physicians in the local market prior to the anticipated closure of *Local Competing Hospital*, and by developing an ambulatory services center in *primary market* as previously described.
3. If a failure of *Local Competing Hospital A* and/or *Local Competing Hospital B* results in a crisis of access for behavioral medicine patients in *Client Hospital* County, work with *out-of-State Tertiary Hospital* to provide access to acute care services for this population.
4. Do not continue the existing relationship with *Regional Tertiary Hospital* regarding cardiac catheterization, and seek a relationship that will better support *Client Hospital's* strategic goals as previously noted in this clinical area.



Continuum Development: Recommendations (cont.)



5. Actively pursue a joint venture relationship with the *Regional Tertiary Hospital* that includes both medical and radiation oncology services in a model that establishes the service capacities associated with a comprehensive community cancer center model.
6. A new, committed relationship with a tertiary center-based group for providing neurosurgery services locally at *Client Hospital* is indicated, and should be investigated with both *Major Regional Health System* and *out-of-State Academic Medical Center*.
7. *Client Hospital* should continue to “play the field” with health plan relationships. Continue to contract with and support the *Major Regional Health System* as a counter-balance to *Major Regional Insurer* in the *Client Hospital* County marketplace. The *Major Regional Insurer’s* product should not be actively supported. Avoid supporting growth of either *Insurer C* or *Insurer D* in the local County market.

1

Development of an explicit county-wide vision

An explicit county-wide vision finds *Client Hospital* at the center for health care delivery in *Client Hospital* County. With a collaborative agreement with *Competing Hospital* and a comprehensive Ambulatory Services facility serving the Northeast quadrant of the county, *Client Hospital* is poised to expand and enhance health care services for a larger and more diverse market. By balancing aggressive growth and collaborative relationship-building, *Client Hospital* protects its negotiating leverage without provoking additional competition.

- Average Daily Acute Census has increased by 30 patients
- Cardiovascular care has become a widely-recognized clinical strength
- *Client Hospital* County patients prefer to receive local care for increasingly complex treatments
- *Client Hospital* possesses the flexibility and financial stability to respond to a variety of external forces

2

Establishment of relationship strategies with hospital and physician providers

Client Hospital, in its position as the center for healthcare delivery in *Client Hospital* County, has the capacity to initiate and develop relationships with provider organizations that have the potential to add value for *Client Hospital* and the local patient base. A willingness to both exploit the synergies as well as an ability to compete for market share combine to form a balanced strategic approach to maintaining county-wide dominance. The approach can be distilled into three components:

1. Identify and consolidate internal *Client Hospital* strengths
2. Pursue relationships with local providers/provider organizations that provide complementary services or services *Client Hospital* does not offer
3. Compete for market share and recruit providers in areas where organizations struggle to retain a core patient base.

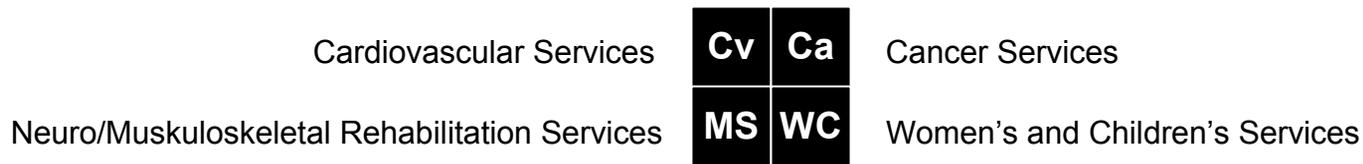
3

Determination of infrastructure development needs and priorities

On a going forward basis, *Client Hospital* will base its strategic initiatives on a comprehensive Master Facility plan Information Technology plan. These studies provide the concrete inventories, physical resource specifications and technical requirements necessary for measured and balanced strategic decision-making. By understanding existing infrastructure strengths and weaknesses, *Client Hospital* has a blueprint for incremental growth and maintenance of “mission critical” systems.

4 *Review of clinical program specific expansion plans, and integration of these plans into an enterprise-wide **Client Hospital** strategic plan*

Four discrete clinical service lines operate within *Client Hospital*.



These areas comprise *Client Hospital's* service line development focus, and are carefully managed to extract value in the form of increased patient revenue, decreased treatment costs, improved clinical outcomes and enhanced reputation.