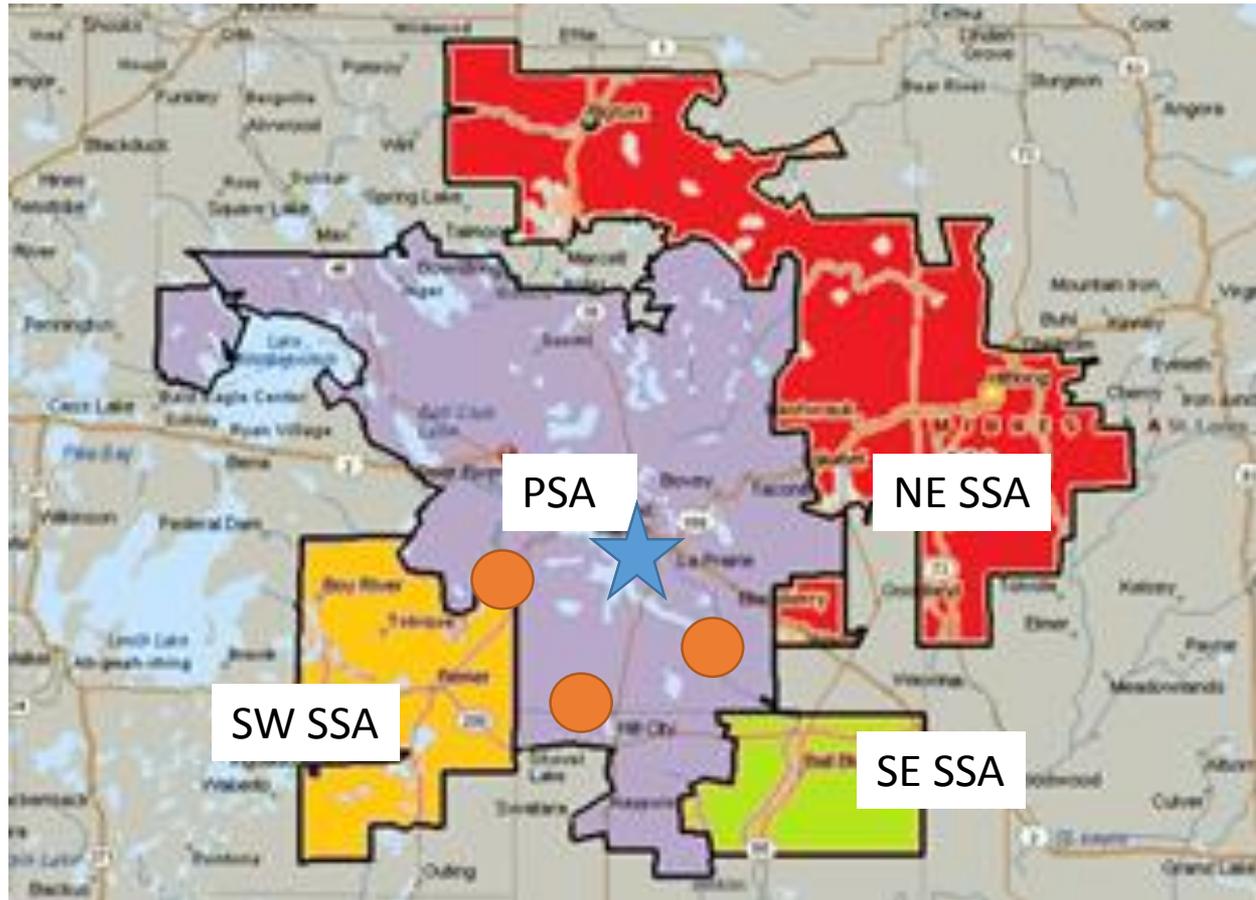


# Carlson Hospital

- Our client, Carlson Hospital, has retained our services due to their recent financial struggles, and is looking for a recommendation to help return them to a more profitable state.
- The facility is a stand alone 200-bed acute care teaching hospital located in a metropolitan area and serving a population of approximately 400,000.
- What information would you ask for to start solving our problem? (Provide the following slides when the interviewee asks for the information)

# Exhibit 1: Competitors and Geographic Outlay

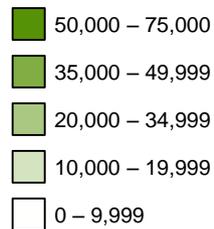
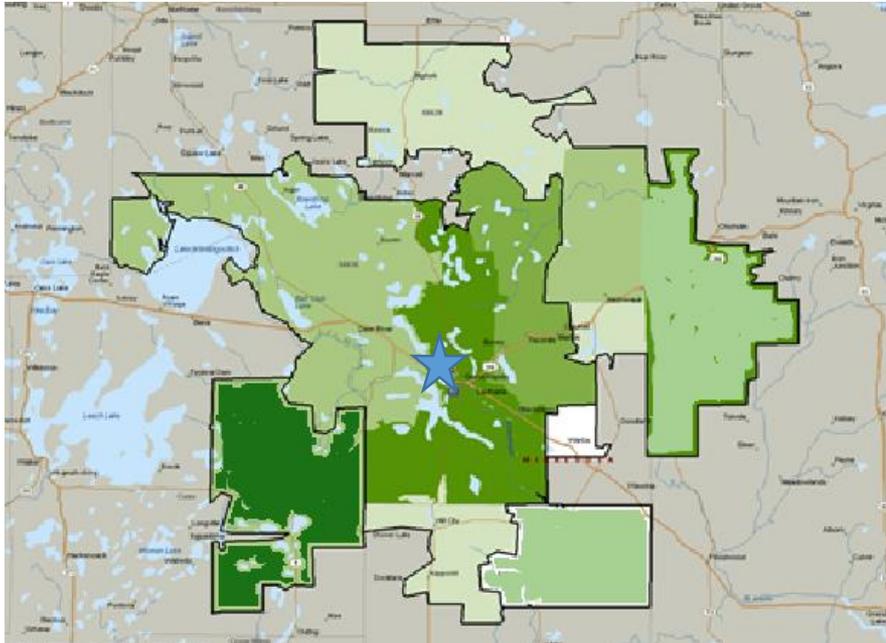


★ Carlson Hospital

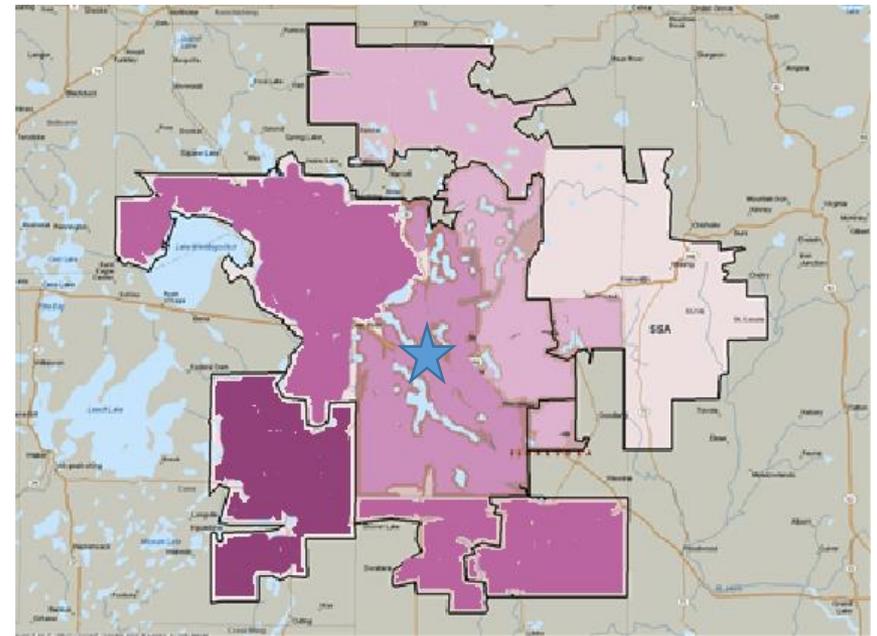
● Competitor

# Exhibit 2: Market Demographics

## Population



## Household Income

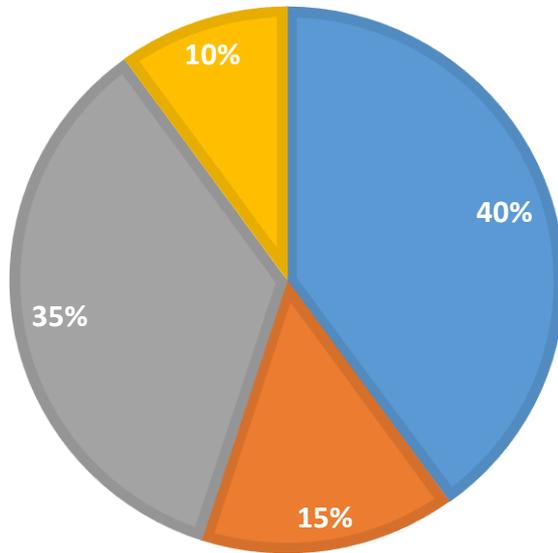


# Exhibit 3: Financials

|                    | <b>FY 2012</b> | <b>FY 2013</b> | <b>FY 2014</b> |
|--------------------|----------------|----------------|----------------|
| Inpatient Revenue  | \$150 M        | \$135 M        | \$115 M        |
| Inpatient Cases    | 6,400          | 6,200          | 6,150          |
| Outpatient Revenue | \$70 M         | \$80 M         | \$95 M         |
| Outpatient Cases   | 15,000         | 15,500         | 16,200         |
| Total Revenue      | \$220 M        | \$215 M        | \$210 M        |

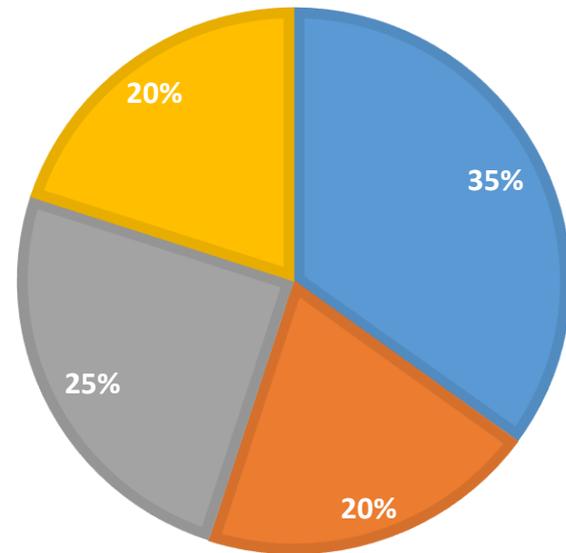
# Exhibit 4: Payor Mix by Patient

MARKET



- Medicare
- Medicaid
- Commercial
- Other

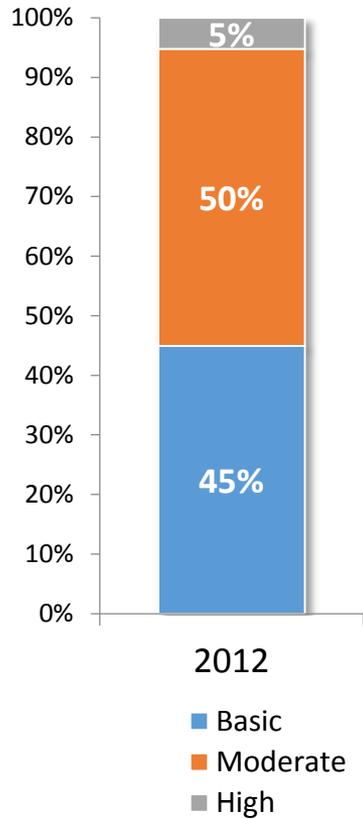
CARLSON HOSPITAL



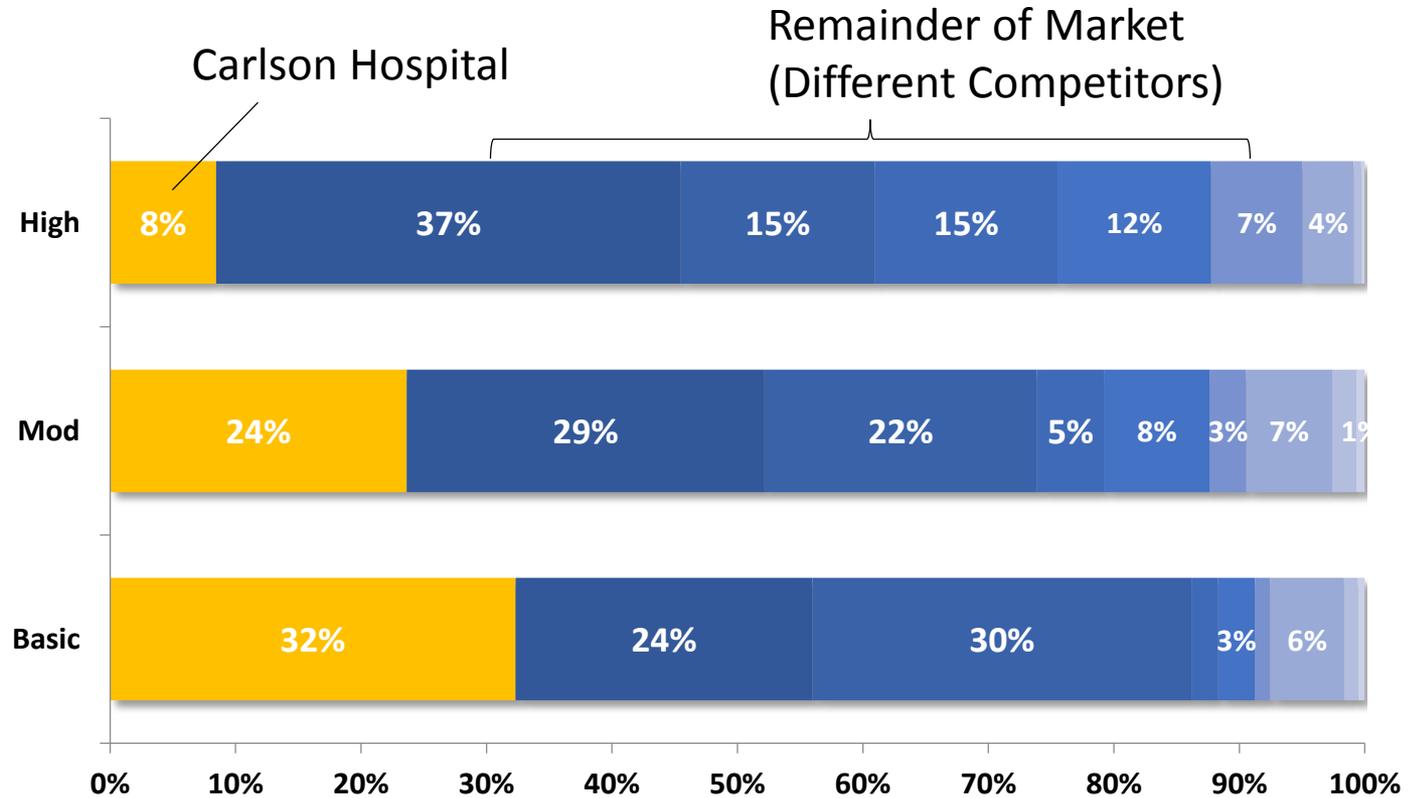
- Medicare
- Medicaid
- Commercial
- Other

# Exhibit 5: Patient Complexity

## Carlson Discharges



## Market Share by Complexity



Based on the information provided, what conclusions can you draw?

- There are a number of competitors in the area, surrounding us to the south which leaves easy access for all patients coming from the Northern Secondary Service Area
- The North SSA is disadvantaged socioeconomically with the lowest median HHI. This may be one cause of the disparity between our payor mix and the market mix
- The worsening financial situation is being caused by decreasing inpatient revenues. Outpatient volumes are increasing along with OP revenue/patient
- Carlson Hospital has a very small proportion of the market's high complexity patients. This is not a good sign for an acute care hospital as these are probably the most profitable patients.

# What additional information, if available, would you like to see?

- Full financial cost and margin data, preferably by service line. *This may lead to a discussion about what “cost” means in healthcare. How do we arrive at these numbers and how do we know if they are accurate?*
- If we are assuming the locations on the map are hospitals, what other clinics and ambulatory centers are in the region? What services are available to the population that we do not offer? *Assume we offer all tertiary services but limited elective outpatient services*
- How large are our competitors and what do they do well? Has there been a change in the services they provide?
- What does the supply/demand of physicians look like? Where do they refer their patients, and do we have a good relationship with physicians?
- What is causing the low complexity in our patients? Often, this means there are too many admits through the ED. What does patient origin and source of admittance look like?

# What do you recommend Carlson Hospital does to improve their financial performance?

- Outpatient Services: Shift our service lines to an OP focus, acknowledging that the trend from IP to OP will continue as technology improves and financial incentives push hospitals to limit inpatients stays
- Geographic Issue: We need a presence to the southwest in order to compete with those hospitals and get the commercial patients. Look into building an ambulatory clinic in this region which would help keep patients in our network
- Payor Mix (from the North): It is unknown what the status of Medicaid expansion is in this region but if we assume that financial incentives around caring for the poor continue to improve it will benefit our hospital to provide preventative care
- Physician Alignment: Paying physician for referrals is not a legal means to get more patients but we can incentivize physicians in others ways such as offering them teaching appointments at our hospital
- Payor Strategy: If we can enter a commercial or Medicare ACO we would be paid to improve quality and/or lower our costs

# What service lines should we emphasize to improve profitability in the near term?

- Surgical Services and elective outpatient procedures, particularly orthopedics. Patients with few comorbidities having elective surgical procedures tend to offer the best margin per procedure.
- Hematology/Oncology. Cancer care needs will grow as the population ages, and currently, this is particularly lucrative with 340B pricing which creates arbitrage for hospitals providing infusion services (they can buy chemo drugs at lower prices than physician offices)
- Behavioral health. While this may not be profitable in the immediate future, the need for this grows annually as we learn about the connection between mental illness and total healthcare costs. It will continue to be reimbursed at greater rates going forward.

Conclude with a final summary of the situation and all recommendations