Tale of Small Cities: How 360 Degree Engagement Saved Franklin Hospital

Becker’s CFO & CEO Roundtable
November 7, 2016
4:30 – 5:10 PM
INTRODUCTION

Hervey Davis, MBA
President
HerveyWerks, LLC

- 20+ years CEO / 35+ administration
- Franklin Hospital CEO from 2002 - 2016
- HerveyWerks decision-support software
- Charter board member of Illinois Critical Access Hospital Network

Tammy Tiller-Hewitt, MHA, FACHE
Chief Executive Officer
Tiller-Hewitt HealthCare Strategies

- 20+ years BJC HealthCare
- Health system and physician practice management experience
- Physician relations and retention consultant, effectiveness trainer and keynote speaker

Franklin Hospital:
- 25-bed Critical Access Hospital
- Family medicine and specialty clinics
- Full service – inpatient and outpatient
- Serving Franklin county and approximately 40,000 residents

Tiller-Hewitt HealthCare Strategies:
- 15+ Years Nationwide Practice Scope
- Team with 50+ Years Experience
- Physician-hospital relations strategy and execution
- Physician and advanced practice provider onboarding
WHAT WE’LL DISCUSS TODAY

Identify the Critical Success Factors

Triple Win

“Win/Win/Win” solutions:
- Patients close to home
- Local physicians retained and busy
- Specialists and tertiary care centers engaged as partners vs. competitors

Focus

Prioritize service lines:
- Show immediate results
- Drive sustainable growth
- Based on your unique strategy and payer mix
HOSPITAL LEADERS: “WHAT’S ON YOUR MIND?”

In Three Words or Less, What is Your Biggest Barrier to Growth? Note: Submit up to three different words, or connect a short_phrase_with_underscores.
“It was the best of times, it was the worst of times”

Charles Dickens
MEDICAID EXPANSION LIFELINE

Rural Illinois hospital enjoys revival, while Missouri facilities cut back

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Which states are most likely to set up exchanges if subsidies are killed? / Page 8

Bonuses produce healthy bumps in association CEOs' paychecks / Page 14
CEOs in Crisis...

...Are Skeptical and Risk-Adverse
“Reports of [its] death were greatly exaggerated”

Mark Twain
CASE STUDY:
BACK FROM THE BRINK TO SURPLUS

HERVEY DAVIS
PRESIDENT, HERVEYWERKS, LLC
FRANKLIN HOSPITAL CEO FROM 2002 - 2016
COMPETITIVE LANDSCAPE

Franklin Hospital
Critical Access Hospital
Prospective hospital
Closed facility
**HISTORICAL PERSPECTIVE**

**1955**

- Hospital opens in Benton, Illinois in 1955 with 115 acute beds and 83 nursing home/skilled beds as Franklin Hospital and Skilled Nursing Unit.
- It shares the population of Franklin County, Illinois with 99 bed Miner’s Hospital in West Frankfort 8 miles away.
- There are about 50,000 people living in Franklin County at this time and the people are employed in coal mines producing what will later be called “high sulfur coal.”
**HISTORICAL PERSPECTIVE**

**1955**
- Hospital Opens

**1990**
- Population is now about 40,000.
- Clean Air Acts Amendments of 1990 cause utility companies to stop using high sulfur coal.
- Mines in Franklin County close and an era of high unemployment begins.
- Hospitals in southern Illinois begin having problems with low volume and the volume tends to be people with low or poor income or no jobs at all.
- In 1995, the Franklin Hospital District Board is told by auditors that absent a cash influx the hospital would close.
HISTORICAL PERSPECTIVE

1955
Hospital Opens

1990
Brink of Closing

Mid 90s to 2002
- Regional health care network offers to manage Franklin Hospital in 1996.
- Over five year period the hospital as a prospective facility loses about $12,000,000.
- Amid great controversy and negative press, regional network terminates its management agreement with the District Board in October of 2001.
- The District Board borrows $4,000,000 from the USDA and begins independent operation of the hospital in fall of 2002.
- Hospital becomes a critical access hospital (CAH in August of 2002).
HISTORICAL PERSPECTIVE

1955
Hospital Opens

1990
Brink of Closing

Mid 90s to 2002
Losses Under Regional Network

2002 - 2010

- Being a CAH, the hospital breaks even or produces a small net income each year (on average, some gains some losses).
- Hospital acquires a stable physician practice in 2005 and converts to Rural Health Clinic (as a RHC owned by a critical access hospital Medicare reimbursement is cost without limitation, Medicaid receives favorable reimbursement as well).
- Hospital establishes physician relations / liaison program through Tiller-Hewitt HealthCare Strategies.
HISTORICAL PERSPECTIVE

1955
Hospital Opens

1990
Brink of Closing

Mid 90s to 2002
Losses Under Regional Network

2002 – 2010 continued

- Efforts are made to shift Medicaid and uninsured business from the emergency room to the RHC.
- Nursing home is sold to a third party adding profitability to the hospital.
- State passes a law that provides cost based reimbursement on same basis as Medicare for Medicaid. This is accomplished by effort of all 51 CAHs in Illinois and through presentations and analysis put forth by the Illinois Critical Access Hospital Network (ICAHN) and the Illinois Hospital Association.
- Hervey Davis performed much of the analysis and statistical work required.
Historical Perspective

1955
Hospital Opens

1990
Brink of Closing

Mid 90s to 2002
Losses Under Regional Network

2002 - 2010
Break-Even through Successful Operational, Payor and ICAHN Strategies

2011 - 2015
- Two new physicians added to active hospital providers.
- Four new advanced practice providers added to the in-house RHC.
- Hospitalist program is added.
- Revenue grows from $24M in 2010 to $42M in fiscal 2015.
- Hospital takes steps to become a 340B provider.
- Board approves hospital renovation project to prepare the hospital for the future.
REVENUE AND EXPENSE (MILLIONS)
**Comparison of Revenue and Expense Growth**

- **Revenue Growth:**
  - 2005: 30%
  - 2010: 16%
  - 2015: 16%

- **Expense Growth:**
  - 2005: 5%
  - 2010: 5%
  - 2015: 27%
INPATIENT DAYS 2004 – 2016 (PROJECTED)

Dr. Khan Retires

Contract Hospitalist Program Added

Inpatient Days

EMERGENCY ROOM REGISTRATIONS

OUTPATIENT VISITS BY MONTH - BY EMERGENCY ROOM - ALL PAYORS
RURAL HEALTH CLINIC REGISTRATIONS

OUTPATIENT VISITS BY MONTH - RURAL HEALTH CLINIC REGISTRATIONS - ALL PAYORS
Changes in Payor Mix

Payor Mix – Fiscal 2010
Total Revenue = $24.2M

Medicare: $11,749,841 (49%)
Medicaid: $5,477,199 (23%)
Uninsured: $2,272,794 (9%)
Other Payors: $4,677,187 (19%)

Payor Mix – Fiscal 2015
Total Revenue = $41.8M

Medicare: $20,317,582 (49%)
Medicaid: $10,611,348 (25%)
Uninsured: $1,320,640 (3%)
Other Payors: $9,516,250 (23%)
SO – WHAT IS THE SECRET?

- It is not magic. It makes a difference to run the hospital like a business.
  - Control your expenses.
  - Grow your revenue and enhance hospital programs and services.
  - Make your decisions rationally using good data.
  - Stay engaged with your physicians.
  - Answer your phone!

- You HAVE to collaborate with the RIGHT constituents. Your community, your state and federal legislators, state and federal bureaucrats, state and federal advocacy groups.

- A word of advice to the “younger me”……
CHANGES THAT HAVE MADE THE BIGGEST DIFFERENCE RELATED TO REIMBURSEMENT

- Conversion to CAH status in 2002.
- Passage of a law giving the hospital cost based reimbursement for Medicaid volume.
- Decision on the part of the state to use Medicaid as insurance coverage vehicle for indigent patients.
- Grow your revenue base and control your expenses.
WHERE DOES THIS LEAD US?
KNOW YOUR BUSINESS – ACT ON THE FACTS

- For Franklin, focus was on the development of outpatient volume. If a large portion of your business is NOT cost based (Medicaid and commercial insurances) and you are able to control your costs (which for the most part Franklin was able to do) then put your effort into development of this volume.
- On the inpatient side of the business where most of the business is cost based (no opportunity for profitability in most CAHs), you have the luxury of focusing on service to those constituencies that reimburse on a cost basis. Efforts to grow a segment of your business with little opportunity for profitability will not be productive.
- Develop decision making tools that will facilitate making this all happen.
- Know your own book of business. What works for Franklin will not necessarily be the formula for success for you.
RESULTS

- Measurable growth
  - $1.9 million incremental growth in targeted physician revenue
  - 39% increase in first year
  - Market share increased from 31% to 44%
  - 42% increase in first two years

- Recruited quality providers
  - Growing primary care
  - Attractive to specialists

- Robust growth
  - Rural Health Clinics
  - Ancillary O/P services

- Secured financing
  - Three-phase, $8 million building program
CRITICAL SUCCESS FACTORS

Market Growth

Physicians & Staff

Executives

Patients

Community

Employees

360 Degree Engagement & Focus
CRITICAL SUCCESS FACTORS

Implementation must:

- Achieve significant, measurable results from straightforward, incremental changes

- Hardwire a well-structured engagement program, based on readily available data, to run without adding to administrative burden

- Utilize proven tools and training to sustain an affordable and efficient program

- Elevate professionalism of outreach with well-trained staff to take program to a new level
CRITICAL SUCCESS FACTORS

“Win/win/win” solutions must ensure:

- Patients stay close to home
- Physicians and advanced practice providers retained and busy
- Specialists / Specialty rotations – Red Carpet Treatment
- Neighboring healthcare facilities engaged as partners/competitors – to keep business we CAN deliver
- Consistent and frequent in-field communication with providers and their staff
PHYSICIAN-HOSPITAL RELATIONS
PILLARS OF SUSTAINABLE PERFORMANCE

GROWTH

SYSTEMS

DATA

PEOPLE

HOSPITAL AND PHYSICIAN RELATIONSHIPS THAT WORK
PILLARS OF SUSTAINABLE PERFORMANCE SYSTEMS = FOUNDATION

- Strategic Approach
  - Org/Mkt Initiatives and Goals
  - Training & Educational Programs
- Communication Structure
  - Physician-Hospital Relations (PHR) Council
  - Physician Advisory Council
- LEAN Initiatives / Value Stream Analysis
  - Evaluate **Access** Points, Throughput, Experience
- Accountability Systems

HOSPITAL AND PHYSICIAN RELATIONSHIPS THAT WORK
PILLARS OF SUSTAINABLE PERFORMANCE
DATA = NAVIGATION

GROWTH

- Timely and Relevant – Internal/External
- Define Market – Networks
  - What’s Yours, **Mine**, Ours
- Identify / Tier / Trend
- Direct/Redirect Attention
  - Quick Response System
- Results Measurement
- PRM System (**Intel** – **Hot off the Press**)
- National Best Practice Standards

HOSPITAL AND PHYSICIAN RELATIONSHIPS THAT WORK
PILLARS OF SUSTAINABLE PERFORMANCE

PEOPLE = EXECUTION

- G2G Model
  - YOU – Critical Success Factor
  - YOU – Make it Matter!
- Committed/Engaged Leadership
- Consistent Communication / Collaboration
- Accountability & Responsiveness
- Growth Team Leaders (Lean)
  - Key Strategic Service Lines
- PHR Council Members
- Continuous Learning – Stay Sharp - Resourceful
TRANSLATING BEST PRACTICES TO UNIQUE MARKETS, ORGANIZATIONS AND RESOURCES

“...but we’re different!”

TELL US HOW!
ADDITIONAL RESOURCES

To request a copy of today’s resources, email: tth@tillerhewitt.com

Presentation:
How 360 Degree Engagement Saved Franklin Hospital

Article:
Modern Healthcare

White Paper:
Review Of Financial Performance
By Hervey Davis

Case Studies:
PHR Produced Rapid Improvement and Sustainable Growth
Moving the Needle from Employed to Loyal
Liaisons Move the Needle for Hospitalist Programs

The Art of Execution:
Executing a National Outreach Strategy
ADDITIONAL QUESTIONS?
PLEASE CONTACT US!

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THANK YOU!