



STRATEGIC PLANNING FOR A SUCCESSFUL COLLABORATION AND FINANCING: A CASE STUDY FOR RURAL COMMUNITY HOSPITALS

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"Health Care with a Heart"

LEARNING OBJECTIVES FOR TODAY'S PRESENTATION

1. The benefits of multidisciplinary strategic planning
2. How to analyze the current and prospective condition of your hospital
3. Ways to develop a strategic plan with hospital resources and external consultants
4. The power of consensus building during the strategic planning process
5. How to incorporate multiple partners into the strategic planning process

STRATEGIC ASSESSMENT: CAPITAL, DEBT & AFFILIATIONS

CORPORATE DECISION MAKING

ESTABLISH GOALS



IDENTIFY (1) projected challenges, (2) current & forecasted cash flow & capital needs, (3) available resources to achieve your goals, and (4) potential partners



DETERMINE how your hospital will pursue and achieve its stated goals and objectives



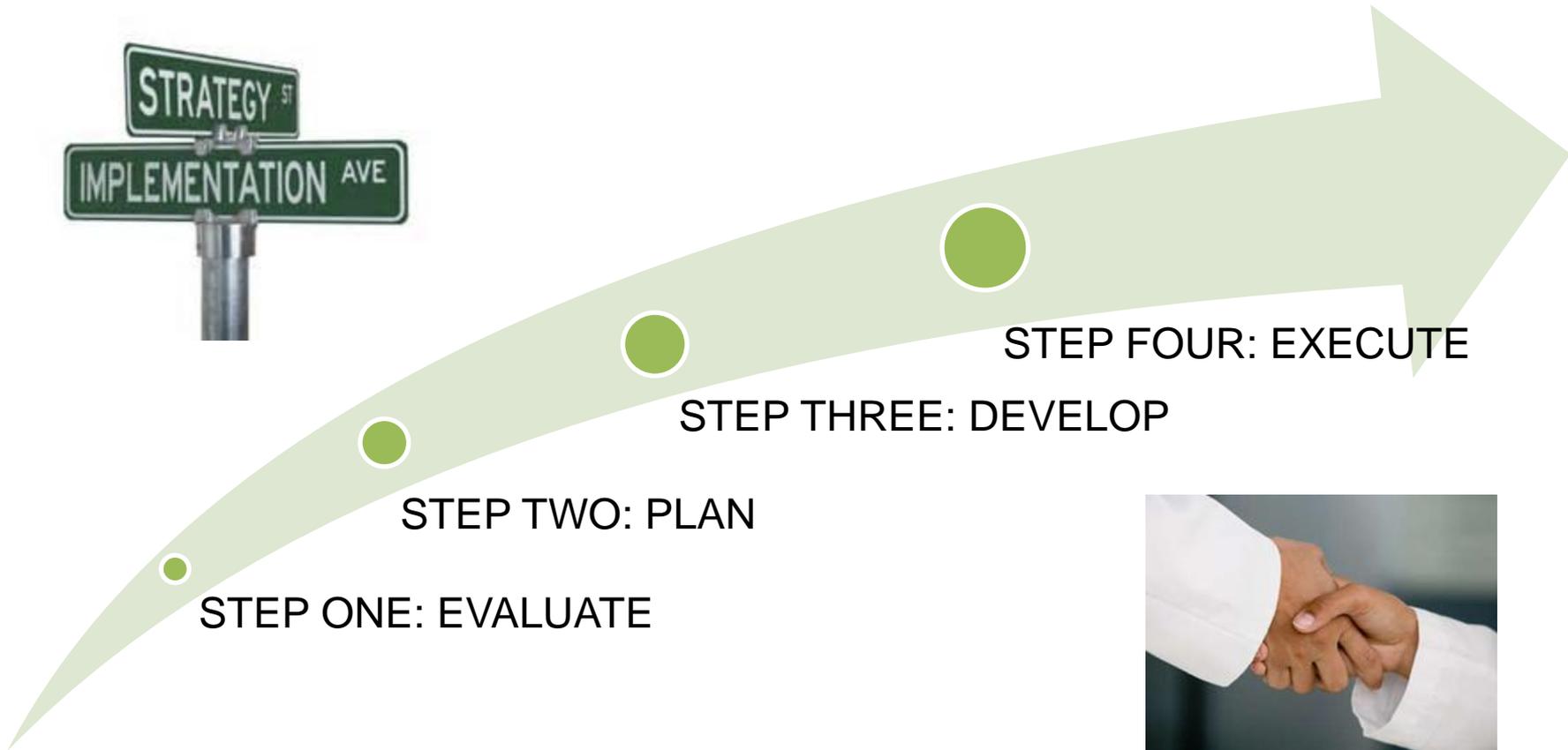
DEVELOP The Strategic Plan



EXECUTE The Strategic Plan

GOALS AND OBJECTIVES

ROAD MAP



ROAD MAP

STEP ONE: EVALUATE

- Understand & analyze your market share
- Analyze your operational and financial performance
- Benchmark performance against similar & regionally significant hospitals
- Analyze your service lines v. current and forecasted service area
- **Highlighted Evaluation Documents – Assessments and Benchmarking**

ROAD MAP

STEP TWO: PLAN

Possible recommendations based upon your evaluation:

- Reconfigure service lines to better suit your community
 - Adjust or reallocate staffing levels
 - Prioritize the payment of bills and collection of receivables
 - Institute a plan of cash accumulation (This will help when trying to implement larger changes down the road)
 - Discuss possible collaborations or affiliation opportunities with regional healthcare centers
 - Consider the state of your physical plant, short-term and longer term.
- **Highlighted Planning Documents – Strategic Plan**

ROAD MAP

STEP THREE: DEVELOP

- Send RFPs to industry professionals to work to achieve stated goals (new facility, operational changes, organizational partnerships).
- Send RFIs to hospitals to begin the process of reviewing possible collaboration/affiliation partnerships
- Obtain Board approval
- Select professionals and commence:
 - Implementing organizational changes
 - Financing transaction process and project design
 - Soliciting a Letter of Intent from a prospective hospital partner
- **Highlighted Development Document – RFP's**

ROAD MAP

STEP FOUR: EXECUTE

- Sign Definitive Agreement with Affiliation/Collaboration Partner
- Procure any supplemental funds, guarantees, or, outside support required to demonstrate your hospital's ability to fund its total project costs and comfortably afford the debt service payments on its loan
- Obtain loan underwriting approval, or investor commitment
- Receive the guaranteed minimum price contract for the project
- Recruit and retain necessary new staff and doctors
- Close the loan transaction
- **Highlighted Execution Document – Definitive Agreement, Physician Agreement and Loan Terms**

CASE STUDY



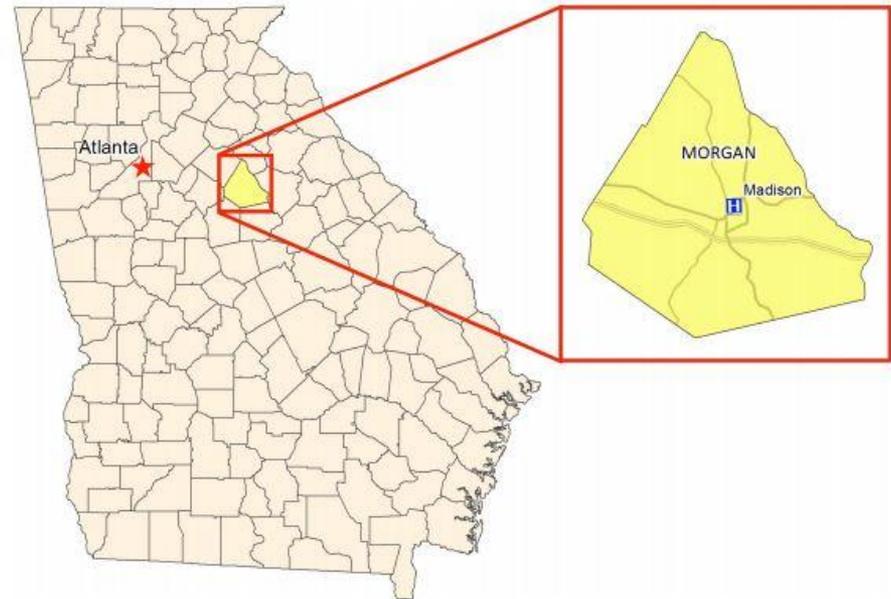
"Health Care with a Heart"



MORGAN MEMORIAL HOSPITAL

HOSPITAL OVERVIEW

- Morgan Memorial Hospital (MMH) is a 25 bed CAH, located in Madison, Georgia, 60 miles east of Atlanta
- MMH opened in 1960 and operates as a county hospital, governed by its hospital authority
- MMH is the only CAH in Georgia certified as a Level IV Trauma Center
- Morgan County has a population of 18,000 and is a popular shopping destination outside Atlanta



MORGAN MEMORIAL HOSPITAL

ASSESSING THE STRENGTHS OF MMH

Administration, Board and Community meetings confirmed the following:

1. Strategic location for a CAH
2. Morgan County is an excellent location to recruit doctors
3. Financially sound County
4. Very attractive community hospital partner for large health systems
5. Level IV Trauma
6. Well-regarded hospital leadership
7. Low debt



MORGAN MEMORIAL HOSPITAL

Defining the Goals

- The need to collaborate with a regional healthcare provider
- The need to construct a replacement healthcare facility
- The need for County financial support

Defining the Challenges

- Lack of community support – financial and satisfaction
- Need for more primary care doctors and specialists
- Outdated facility
- Declining market share and limited utilization

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Tackling the Challenges

- Communicate to hospital stakeholders - Work w/ county and community leaders to understand:
 - Patient satisfaction
 - Service demand
 - The rationale for hospital tax support and community fundraising
- Assemble your professional team
 - An independent financial advisor
 - Feasibility consultant
 - Economist
 - Physician recruitment firm
 - Public relations company
 - Project management

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MMH's STRATEGIC PARTNERS



- ARHS is comprised of a 350+ bed hospital and clinical care system, including several hundred employed and contracted physicians
- ARHS is a nonprofit health system serving its surrounding 17 counties



Morgan County

- Morgan County population of 17,868
- As a county hospital MMH receives County funding for a share of its indigent care

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STRATEGIC PARTNER -



Required Collaboration Benefits

1. Rotational specialists
2. Developing a collaboration team including:
 - Public Relations
 - Facility Planning
 - Community Outreach
 - Co-Branding
 - Strategic Planning
3. Hospitalist Coverage
4. Emergency Room Coverage
5. A general surgeon
6. A primary care physician



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STRATEGIC PARTNER - MORGAN COUNTY

Required Collaboration Benefits

1. Annual mileage
2. Upfront contributed capital
3. Property
4. Public support
5. Funding guaranteed for life of loan



MORGAN MEMORIAL HOSPITAL

DESIRED OUTCOMES ACHIEVED TO DATE

- Clinical collaboration announced between MMH and Athens Regional Medical Center
 - Contributed physicians, technical expertise, and clinical care positively impacts financial forecast.
 - Improved financial outlook limits required level of County tax support
 - Generates sufficient debt capacity for a much-needed replacement facility project
 - Increases the likelihood of a favorable loan underwriting
 - Optimism for a County approval of required level of annual tax support

EVALUATE, IMPLEMENT, CONTINUE

Continue

- Because of the changes we implemented, we have been able to engage Athens Regional and finalizing the collaboration
- Our next steps are to seek capital funding solutions to replace our current facility.

Keys to Remember

- Since implementing these initial changes, MMH has increased our negotiating advantage with both the county and Athens; additionally our bottom-line improved.
- As a CEO/CFO or board member, you are a primary advocate for your community's healthcare.
- Preserving local controls is a key to a lasting healthcare in your community.

Always negotiate from a position of strength

FINAL THOUGHTS

STRATEGIC HOSPITAL AFFILIATION CONTINUUM							
<i>Expected Level of Invested Capital, Contributed Goodwill and Assumed Risk of External Party</i>							
NONE	LOW		MEDIUM			HIGH	
Independent or Network Collaboration	Contractual		Joint Operating Agreement	Joint Venture Merger	Sole Member Replacement	Lease	Sale Acquisition
	Clinical Affiliation	Management Agreement					
<i>Degree of Post-Affiliation Control Maintained by Current Hospital and Community</i>							
HIGH			MEDIUM			LOW	

- Review the pros and cons, plus costs of independence v. affiliation/collaboration.
- Be **aware** of the many forms of affiliation/collaboration
- An RFP process and evaluation of respondents based on prioritized goals should direct your choice.
- **ALWAYS** work from a position of strength. Conduct a market study, forecast and create a strategic plan to help develop and strengthen your organizations outlook **BEFORE DISCUSSING WITH OTHER PARTIES.**

QUESTIONS

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