

Client's challenge

A continuing decline in profitability prompted an urban, not-for-profit hospital to pursue a new strategy to enhance its financial performance. This hospital, with more than 400 beds, was treating a disproportionate share of Medicaid and Medicare patients; and reimbursement levels were not keeping pace with expenses. To achieve a financial turnaround, the provider considered potentially eliminating service offerings, downsizing programs, and laying off employees. Leaders of the hospital and the system to which it belonged turned to PricewaterhouseCoopers (PwC) for help in analyzing their strategic plan to identify growth opportunities and service-line improvements to make the hospital more financially sustainable.

PricewaterhouseCoopers' Advisory solution

Instead of focusing on cost-cutting, PwC brought in a team of service-line specialists to identify strategic growth and revenue opportunities. For each service line, including behavioral health, musculoskeletal, cardiovascular, orthopedics, ambulatory surgery, imaging, diagnostics, and women's and children's health, PwC analyzed market share, competition, physician complement, patient mix, and service offerings.

In addition to assessing the provider's market position and service level in each of these lines, PwC compared each line's current and historical financial performance to national trends to determine which ones held the highest probability of generating profit while delivering high-quality care. The PwC team also proposed varied, sustainable delivery models, including hospital-owned, physician-aligned, and partnerships with outside sources. The purpose was to guide this provider toward a more integrated health-delivery model.

PwC used its extensive resources in healthcare and market research and the worldwide experience of its service-line specialists to develop tactical recommendations to grow revenue. For example, instead of eliminating less profitable behavioral health services, as the client had proposed, PwC suggested expanding two sub-service lines within behavioral health that were already successful revenue generators. As a result, the hospital expanded one unit by 12 beds, immediately filled capacity, and increased incoming revenue.

Contact:

Jeff Lockridge
(317) 860-2318
jeffrey.a.lockridge@us.pwc.com

Following the same approach through other services lines, PwC recommended additional ways to create revenue growth rather than cut services and staff positions. Hospital management's focus therefore shifted from cost-cutting to finding opportunities for growth and sustainability. Aligned with this strategy, the PwC team analyzed reimbursement and revenue-cycle processes and recommended appropriate adjustments.

Impact on client's business

Although it only recently launched the implementation phase, the client has already gained short-term wins in revenue growth by putting PwC's recommendations into practice. As a result, the client considers PwC a trusted business advisor and has committed to moving forward with the growth strategy developed by the PwC team. This strategy will help the client enhance high-priority service lines to enable long-term financial performance.