

Case Study



Client: 238-bed, full-service community hospital in Michigan as part of a system serving a population center of 140,000 people

Engagement: Interim Chief Financial Officer

Issues to be Addressed:

- Identifying true financial picture of organization
- Establishing a reality-based budget with margin
- Determining go/no-go joint venture with physicians for Ambulatory Surgical Unit
- Decrease expenses for organization overall
- Determine true financial position for bondholders

B. E. Smith's Process for Success

Assessment

- Financial position was more fragile than previously believed
- Joint-venture results were likely to decrease revenue substantially
- Department managers were not financially skilled
- Expenses, especially related to FTEs, were not in control
- Contracts required renegotiating to improve hospital's financial position

Recommendations

- Redo 2009 budget to accurately state revenue projections and expense reductions
- Implement expense-reduction strategies immediately
- Educate all department leaders with Finance 101
- Decrease contract expenses by over \$3 million
- Engage all leadership in financial turnaround activities
- Engage physician partners in review of joint-venture pro forma

Action Plan Results

- Decreased contract expenses within 60 days
- Successfully engaged leadership with expense reductions
- Comparative benchmarking resulted in decreased staffing levels
- Board with accurate understanding of organization's financial position
- Scheduled turnaround strategies to be implemented within 75 days