



## **Case Study: Strategy/Execution**

### **Failing Multi-Hospital System Needs Quick Turnaround and Long-Term Strategy**

When three community hospitals faced competitive and financial challenges as independent facilities, their national health systems owners merged the institutions. Management planned to increase market share and improve financial performance through economies of scale. Instead, finances declined, and the owners wanted to know why.

#### **Client Challenge**

The parent organizations were two large, unrelated systems. Each had a unique view of the market's importance to its larger mission, and each had different appetites for continued investment in the system. Compounding the problem, the local system did not consolidate services quickly, which would have produced the expected operating and financial benefits. As a further complication, local religious leaders influenced the ability of the merged hospitals and their parent systems to act.

#### **HHA Assessment**

Although the initial consolidation made sense, we realized that the strategy needed to evolve to meet present challenges. The two parent systems needed to understand—and agree on—the investment level required to succeed. They had to study the available options and take corrective action.

#### **HHA Action**

To gain time, we prepared and helped execute a short-term turnaround plan, which produced a \$10-million increase in net profit in the first year. We then identified operating changes, program initiatives and long-term investments the owners needed to make to achieve a sustainable financial position in the long term. Next, we helped the partners evaluate their ability—and their willingness—to invest under the current ownership model. We also presented alternative ownership options. After assessing the facts, the parent systems agreed to part ways, and we developed and helped execute the



exit strategy.

### **HHA Results**

We brokered the sale of the larger hospitals to separate buyers and placed ownership of the smaller hospital in a single system. Then, we updated the surviving facility's strategic plan to reflect its new situation.