HCS 449 Capstone

Business Plan Scenario

Background

Community Hospital is a 180-bed acute care hospital that is qualified as a not-for-profit facility. The hospital was originally a county-owned facility and transferred status to an independent facility three years ago. The hospital receives no external funding from governmental agencies for operations. The hospital is accredited by The Joint Commission and received reaccreditation during their triannual survey last year. The hospital has an aggressive quality management program and a low volume of medical malpractice claims. The hospital is located in Bedford, which is a city of 50,000 people with 80,000 people in the regional market. The hospital provides a general range of acute care services including medical and surgical, rehab and emergency care. The president of the hospital has asked you to evaluate the feasibility of establishing an off-site urgent care center at a local mall. You will use data provided in this scenario to make your decisions and recommendations.

Current Performance Analysis

# Mission and Vision

Our Mission- To improve health by providing high-quality care through a comprehensive range of services.

Our Vision- Community Hospital and its affiliates will be the health care provider of choice for physicians and patients. Our five-year vision is to create a large, multispecialty physician practice system that would include at least six family practice physicians and specialists in cardiology, oncology, and women’s services. Currently the hospital employs three family practice physicians, one obstetrician, one medical oncologist, and one non-invasive cardiologist.

Market Forces Affecting Hospital

# Volumes

# Patients

The continued growth of chronic disease will require changes to the care management model.

Percent of population by age:

|  |  |  |
| --- | --- | --- |
|  | Five years ago | Five years from now |
| Under 18 | 24 | 18 |
| 18 to 44 | 46 | 32 |
| 45 to 65 | 26 | 30 |
| Over 65 | 4 | 20 |

Over 53% of residents have at least some college education, with just over 29% possessing an associates, bachelors, or graduate degree. Over 90% of residents possess at least a high school diploma.

The average unemployment rate in the county is currently 9.9%:

Market share distribution percentage with major competitor:

|  |  |  |
| --- | --- | --- |
|  | Five Years Ago | Last Year |
| Community Hospital | 48 | 35 |
| Competitor | 30 | 43 |
| Out of County Hospitals | 22 | 22 |

Patient Origin by Zip Code

96101 is Community Hospital zip code

94963 is major competitor hospital zip code

# Payment

Continued focus on pay-for-performance and increased wellness programs. Affordable Care Act creating more covered lives, however often with high deductibles.

The median household income for county residents is $59,548. On average, households in county earn more than the state median household income of $44,446 and more than the national average of $53,650. The addition of a new automotive manufacturing plant to the local market this coming year is projected to add 1,500 production line jobs and 300 administrative jobs by year end. Median income for the production positions is estimated at $45,000 and will provide health, vision, and dental insurance benefits.

*Projected Payer Mix 5-years*

*Current Payer Mix*

**Percentage of Population by Insurance**

As part of your review of this data, consider that a portion of the population will become Medicare eligible, the addition of manufacturing positions that include benefits will increase commercial insurance coverage and changes from the Affordable Care Act will increase the number of patients in the market with insurance coverage.

# Employers

Expected growth in large employers with addition of automotive factory in northwest sector of county.

# Physicians

Continued shortage of medical staff, especially in orthopedics, oncology, and primary care will require increased recruitment efforts.

# Competitors

Other hospital in county, Hanover County Hospital, has an updated facility, which has drawn more market share to their facility.

|  |  |  |  |
| --- | --- | --- | --- |
| **Competitor** | **Key Areas of Competition** | **New Programs and Facilities** | **Risk to Market Share** |
| Primary Competitors | | | |
| Hanover County Hospital | Facility upgrade  Quality Scores | Significant renovation of core hospital to update aesthetics  Added new wide-bore MRI machine last year  Reaching 95% percentile in five of six HCAPS categories | Drawing patients to newer facility  Accommodates heavier patients  Patient perception of higher quality and patient satisfaction |
| Medical Center in county south of Stevens | Physician clinics  Financial stability | E-visits with specialists  Low debt and high cash on hand | Drawing patients out of primary and specialty care at Stevens  Ability to cash flow projects |
| Secondary Competitors | |  |  |
| Retail pharmacy instant clinic | Low acuity office visits | Pharmacy added instant clinic in north end of county 6 months ago | Loss of patients from primary care physicians practices |

# Technology

Addition of e-visits by large hospital system in adjoining county has drawn more market share to their physician practices.

# Regulatory Changes

Health care reform through the Affordable Care Act has increased the number of patients with some form of insurance payment. These patients are now seeking care in greater numbers from a primary care physician. Community Hospital currently struggles with accommodating patient scheduling requests to establish care with a primary care physician.

# Financial summary

|  |  |  |
| --- | --- | --- |
|  | This year | Last year |
| **Operating Revenues** |  |  |
| Net revenues from services to patients | 343,737,280 | 344,726,245 |
| Other operating revenues | 16,846,309 | 20,311,534 |
| Total operating revenues | 360,583,589 | 365,037,779 |
|  |  |  |
| **Operating Expenses** |  |  |
| Salaries and benefits | 192,053,379 | 182,853,245 |
| Supplies and other expenses | 130,173,477 | 135,560,131 |
| Depreciation | 18,969,799 | 20,644,157 |
| Interest | 2,695,623 | 2,226,437 |
| Foundation | 628,184 | 1,182,308 |
| Total operating expenses | 344,520,462 | 342,466,278 |
|  |  |  |
| **Income from Operations** | 16,063,127 | 22,571,501 |

# Urgent Care Location Options

**Location One** is located at a strip mall on the north side of town with a twenty-minute drive to the main Community Hospital campus. The potential lease space is a vacant storefront that previously housed a video store. The building is mostly an empty shell that would require $30,000 in renovation to create acceptable medical office space with four exam rooms.

Lease cost of location is $3,000 per month for a total of 1,800 square feet. Utilities are not included in the lease rate.

**Location Two** is located at a strip mall location on the south side of town with a thirty-minute drive to the main Community Hospital campus. The lease space is a vacant grocery store. The building is mostly an empty shell that would require $35,000 in renovation to create acceptable medical office space with four exam rooms. However, the total space is very large, at 5,000 square feet, so there are other options available that could also be housed in that space.

Lease cost of location is $6,500 per month for a total of 5,000 square feet. Utilities are not included in the lease rate. The owner is not willing to subdivide the space for lease by multiple parties.