

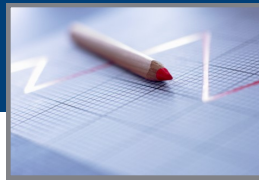
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## STRATEGIC ASSESSMENT AND CHARTBOOK

Data and Information for  
Strategic Decision Making



*Prepared by Governwell™*



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## SECTION ONE

# Introduction



# Introduction

**T**his *Strategic Assessment and Chartbook* was developed to provide Anytown Community Hospital (Anytown Community) with a broad range of data and information about the global forces for change in health care, local population and economic trends, and the most current information about Anytown Community's market and market strength. In addition, the assessment contains comprehensive information about the financial and operating trends, benchmarked against all U.S. hospitals with 100-199 beds, and all U.S. hospitals with total annual revenue between \$100-\$150 million.

This information is essential to a clear understanding of how the hospital has developed and responded to change over the past few years, and is a critical element in forging a rational long-range Anytown Community vision and strategies.

The *Strategic Assessment and Chartbook* also includes results of a recent leadership survey, which identified the viewpoints of senior leaders and board members in critical areas impacting Anytown Community's long-term direction.

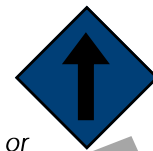
The contents of the report were developed by governWell™ using both internal information and various secondary sources.

Each section of the report begins with an overview of key findings and observations. The overview is followed by text analysis, numbered charts and tables that contain supporting detail. In several cases icons are used to indicate whether the statistic and/or trend being examined reflects a positive trend, a negative trend, or a trend that is neither positive or negative (see box at right).

*As this is the first such examination of this type performed for Anytown Community Hospital, some internally-produced data may require correction or revision in order to present the most accurate picture of the organization's operations. In addition, this Strategic Assessment and Chartbook is intended solely to provide Anytown Community leadership with data, information and findings to be used in strategic decision making. Analysis and conclusions based on the chartbook are most appropriately done by Anytown Community executives, medical staff leaders and board members, in consultation with governWell and others.*

This assessment should be updated periodically to keep Anytown Community's strategic planning fresh and responsive to change.

## ICONS USED TO IDENTIFY THE DIRECTION OF ANYTOWN COMMUNITY TRENDS



Positive or Advancing Trend



Negative or Declining Trend

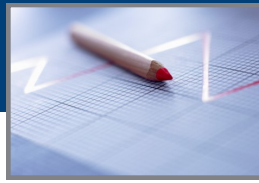


Trend That is Neither Positive or Negative

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SECTION TWO

**TrendPoints**



# TrendPoints

## Changing Demographics Will Continue to Shape the System's Future Direction and Focus

One of the most significant forces for change is imminent. The U.S. population is aging and, simultaneously, becoming increasingly diverse.

Chronic illnesses such as obesity and diabetes are on the rise. The gap in access to care is widening between consumers with discretionary income and the resources to obtain health care information, consumers with limited access to health insurance, and the uninsured. In addition, consumers are increasingly demanding a level of service and quality in health care that they expect in other service industries, and desire to play a more active and involved role in managing their health.

### ***The Aging Population Will Stress the System***

The aging of the U.S. population will increase the demand for health care services, including cardiology, pulmonology, medicine, orthopedics and gastroenterology.

Although the youngest baby boomers are just beginning to retire, the full impact of the baby boomer generation will not be felt until 2030, when the youngest baby boomers will reach 65 and the entire generation's health care is paid by Medicare.

According to the American Hospital Association, in the next 25 years demand for acute care beds will

increase by close to 50%, with patients over 65 accounting for over half of admissions and requiring six out of ten of hospital beds. This increase will undoubtedly stress the system, as Medicare is nearing predicted insolvency in 2029. Hospitals and health systems must prepare for reductions to Medicare reimbursement at a time when the number of Medicare patients is at an all-time high.

### ***Increasing Diversity Means Changing Patient Needs***

The U.S. population is becoming more ethnically and culturally diverse. Hispanic, African American, Asian and many other populations are growing faster than the U.S. population as a whole, and immigration continues to significantly impact the health care landscape. Health care organizations must ready themselves to adapt to this changing population by providing enhanced multilingual communications, including cultural competency in personnel training, and strive to develop a workforce that is representative of the patients served.

Immigrants are less likely to have health insurance and therefore have more limited access to health care services. In 2005, Hispanics were the highest percentage of uninsured individuals, with no usual source of care by significant margins over other races – nearly twice that of

Asians or African Americans and nearly three times that of Caucasians.<sup>1</sup>

To deliver care effectively and meet changing community needs, hospitals must be aware of cultural factors that can inhibit patient-provider communication and prevent patients from establishing a relationship with their physician or seeking health care when needed.

Hospital leadership must ensure that their organizations clearly understand the specific cultural needs of both the patients they serve and the people they employ.

### ***Chronic Care Needs Will Increase***

As a nation we are living longer; however, more people are becoming chronically ill. Chronic conditions are the major cause of illness, disability and death in the U.S. Medical costs for people with chronic conditions are six

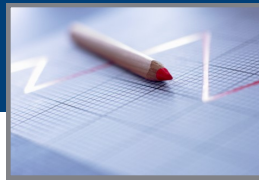




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## SECTION THREE

# The Anytown Community Market



# The Anytown Community Market

## Demographic Trends

The community served by Anytown Community is comprised primarily of sixteen zip codes located in Anytown and Anycity Counties. These counties are characterized by little or no population growth, an older population, and lower rates of unemployment and uninsured than found across the rest of the nation. Knowledge and understanding of the community's demographic characteristics and trends, coupled with their influence on community health, can provide Anytown Community's board of trustees and senior leadership with the information necessary for data-driven strategic planning and decision-making.

area are relatively stable with little growth from 2000 to 2009, and little or no growth projected through 2014 (see *Chart 3.1*).

### Age Trends in the Anytown Community Market

The median age of communities in the Anytown Community primary service area ranges from 41-46. The exception to this is the community of Russek, which has a median age of 25.5. The 41-46 median age is in contrast to the median age for the state of Any State which is 37.5 years of age and the

median age for the nation which is 36.9 years of age.

Again, with the exception of Russek, one-third or nearly one-third of each community's population falls into the 45-64 year old age group. (range 28.1% —35.1%). This contrasts with age distribution for the state as a whole, in which 26.3% of the population falls in the 45-64 year age range.

The percentage of individuals over the age of 65 for Anytown and Anycity Counties is 16.8% and 15.7%

### Anytown Community Hospital Service Area

Anytown Community Hospital's primary service area is comprised of residents in 16 zip codes located in Anytown and Anycity Counties. The 16 zip codes represent approximately 76% of Anytown Community's inpatient admissions from 2009 (see *Table 3.1*).

### Characteristics of the Anytown Community Population

The population of the communities within Anytown Community's service

CHART 3.1

Projected Population Growth Rate: 2010—2015

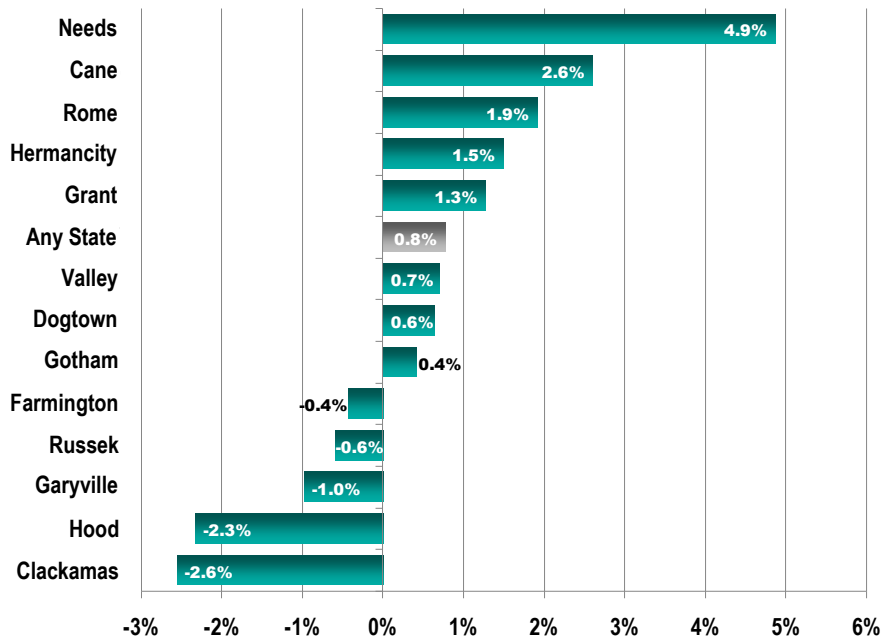
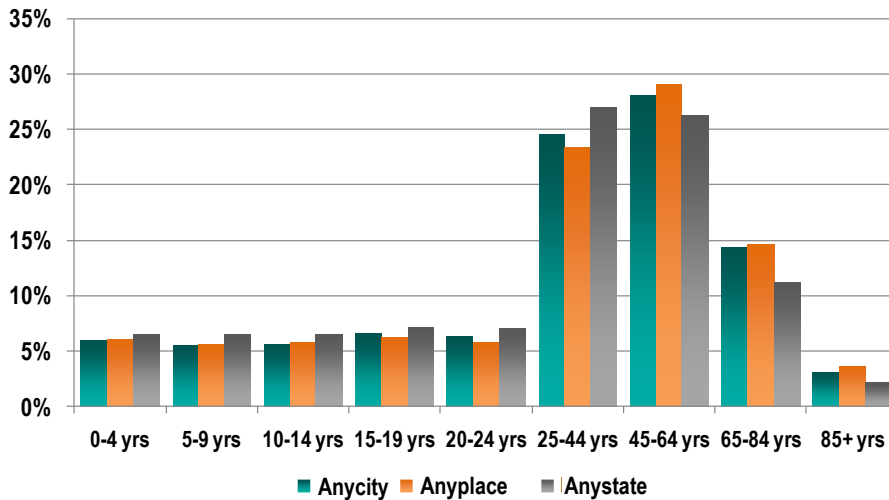




CHART 3.2

Age Distribution



respectively. These percentages are higher than those found for the state of Any State, 13.2%, and the nation, 12.6%.

Russek has a media age of 25.5, a factor potentially attributable to the location of a youth correctional facility in that community.

Chart 3.2 illustrates the age distributions for the Hood and Dogtown communities in comparison to the state of Any State. Hood and Dogtown represent the two primary communities contributing to Anytown Community's inpatient admissions base (see Chart 3.2).

The older age of the general population in the hospital's primary service area should be taken into consideration as the hospital's leadership evaluates future community health needs and develops its strategic plans.

**Race and Ethnicity**

The United States Census Bureau defines groups of individuals that identify with each other through common heritage and origin as "ethnicity" and through social and cultural characteristics as "race." The races represented in the communities served by Anytown Community are predominately white (more than 85 percent) with small percentages of Black individuals and limited percentages of other races.<sup>1</sup>

**Gender**

With the exception of Russek, there is relatively little difference between the percentage of males to females in the primary communities served. The population of Russek is 63.6% male and 36.4% female, a factor potentially attributable to the correctional facility located in Russek.<sup>1</sup>

**Household Size**

The average household size for the state of Any State is 2.65, comparable to the nation's average household size of 2.61 persons per household. The household size for Anytown and Anycity Counties is slightly less at 2.30 and 2.37 persons per household respectively.

The average family size of 3.32 is slightly more for Anytown County than the state or national average family size of 3.20, and the average family size of Anycity County is slightly less than state and national averages at 2.95.<sup>2</sup>

**Income**

The estimated median household income in inflation-adjusted dollars is \$54,873 for Anytown County, which is comparable to the median household income statewide (\$55,401) and slightly more than the median household income for the nation as a whole (\$52,175). Anycity County, however, has a median household income of \$45,837, lower than the median income of Anytown County, the state and the median income for the nation as a whole (see Charts 3.3 and 3.4).

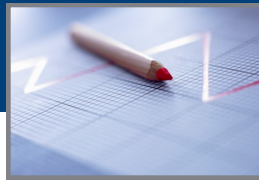
**Families Below Poverty Level.** 6.4% of Anytown County families fall below the poverty level; 7.7% of Anycity County families are below poverty level. Each county is below the 10.5% of families below poverty level in the state, and below the 9.6% of families across the nation.

**Individuals Below Poverty Level.** Both counties have a lower percentage of individuals below the poverty level

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## SECTION FOUR

# Strategic Issues: The Leadership View



# The Leadership View

**T**he Anytown Community Hospital surveyed its board and senior management leaders in June-July 2010. Fourteen board members and five senior managers responded to the survey.

## Overview

The survey secured leaders' viewpoints in the following areas:

- Relevance of the Anytown Community mission and vision as a foundation for the future;
- Anytown Community's effectiveness in exhibiting its core values;
- Desired strategic priorities for Anytown Community in 2015;
- Dominant issues and challenges facing Anytown Community;
- Major objectives to be achieved in the next five years;
- Significant organizational strengths and assets that contribute to mission achievement;
- Major weaknesses or liabilities that may prevent mission achievement;
- Critical factors in areas relevant to Anytown Community's success; and
- Most needed and valuable areas of governance strength and knowledge building.

of the needs and perceptions of Anytown Community's leaders. Verbatim answers to open-ended questions are included throughout the report, or categorized and summarized into key themes. Verbatim comments for key themes may be found in the *Appendix* on page 71.

## Mission, Values and Vision

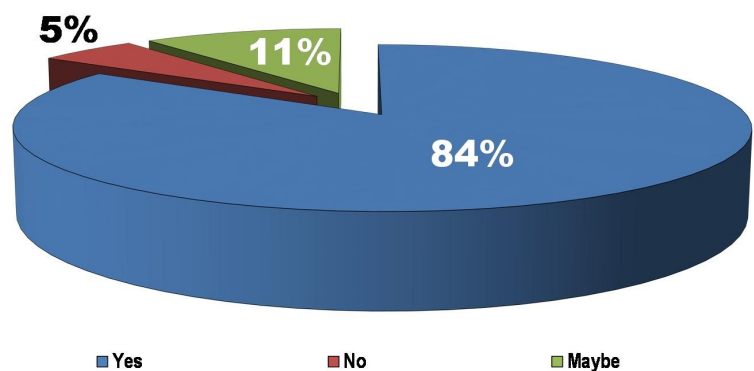
**The Anytown Community Vision**  
Leaders were asked to rate whether they believe Anytown Community's mission "to provide competent, innovative, and accessible emergency and acute care services for the residents of Anytown County, regardless of their background or ability to pay" is a powerful, distinctive and compelling statement of the hospital's core purpose (see *Chart 4.1*).

- The majority of leaders (84%) agree that the statement accurately describes Anytown Community's core purpose;
- 5% do not believe it describes the core purpose; and
- 11% believe that it may describe the core purpose.

In addition, leaders provided a few suggestions for improvement:

- It should be longer and more specific. It should provide more input as to providing high quality medical care with the best professionals available. It should also speak to the importance of maintaining a strong medical facility with our two counties. This mission statement, in my memory, has not been revised or discussed with senior managers or any trustees in the last ten years or so

CHART 4.1  
Anytown Community Hospital Mission



This summary provides a detailed view

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SECTION FIVE

**Financial and  
Operating Trends**



# Financial and Operating Trends

**G**overnWell™ examined thirty five financial and operating indicators for FYE 2005 – 2009 to gain the most accurate picture possible of Anytown Community's most current financial and services growth situation. This information is critical in evaluating the hospital's resource needs in ensuring achievement of its vision and strategies.

Anytown Community Hospital's financial performance was benchmarked against two groups, utilizing data from the 2010 Ingenix *Almanac of Hospital Financial and Operating Indicators* and data provided by Anytown Community. Ingenix uses audited financial statements from approximately 3,500 hospitals and annual survey forms from approximately 500 hospitals to develop its financial and operating indicators.

The analysis for each indicator includes a definition and explanation based on the definition included in the 2010 Ingenix *Almanac of Hospital Financial and Operating Indicators*.

Where possible, comparisons of Anytown Community's financial performance were made using the following groups:

- All U.S. hospitals with 100-199 beds; and
- All U.S. hospitals with total annual revenue between \$100—\$150 million.

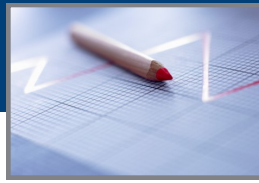
Financial and operating trends were calculated in the following categories:

- Balance sheet trends
- Revenue and expense trends
- Profitability ratios
- Liquidity ratios

- Capital structure ratios
- Asset efficiency ratios
- Other financial ratios
- Price indicators
- Volume indicators
- Length of stay indicators
- Efficiency indicators

Of the ratios calculated with measurable trends:

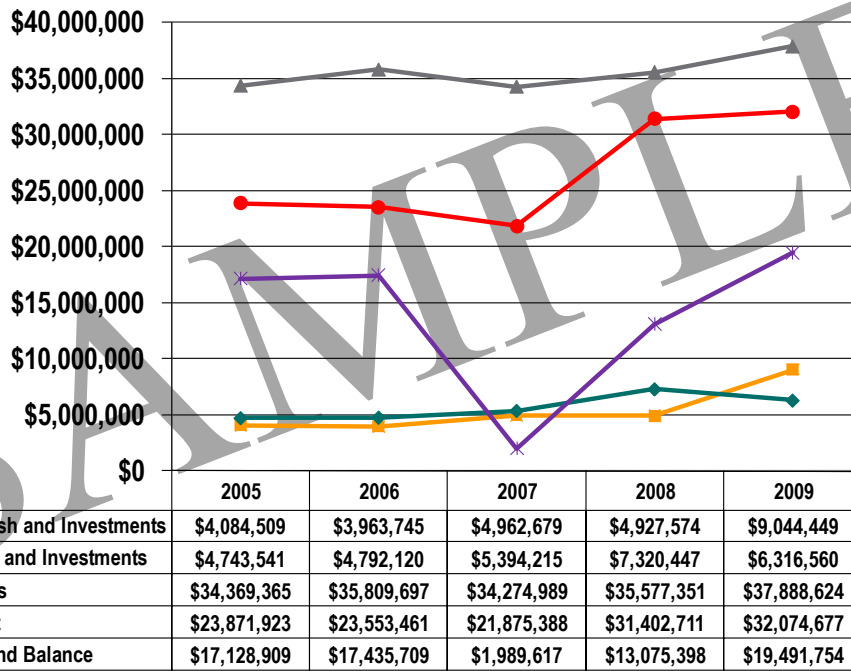
- 23 Anytown Community Hospital indicators are moving in a positive direction;
- 5 Anytown Community Hospital indicators show little change in direction; and
- 3 Anytown Community Hospital indicators show movement in a negative direction.



## Balance Sheet Trends

CHART 5.1

Balance Sheet Trends—FYE 2005-2009



Anytown Community's net fixed assets, long-term debt and unrestricted fund balance all dipped in 2007, followed by a steady increase in 2008 and 2009. Restricted and unrestricted cash and investments have both increased slightly since 2007.



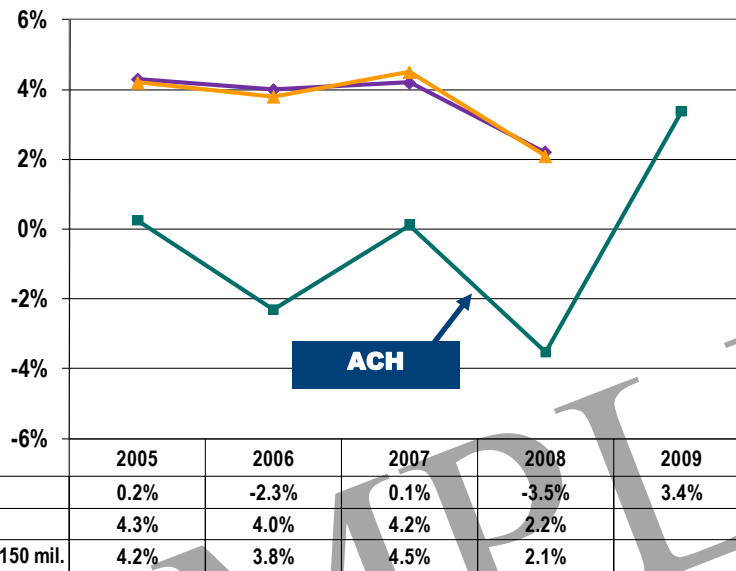


# Financial Indicators

## Profitability Ratios

**CHART 5.8**

**Total Margin**

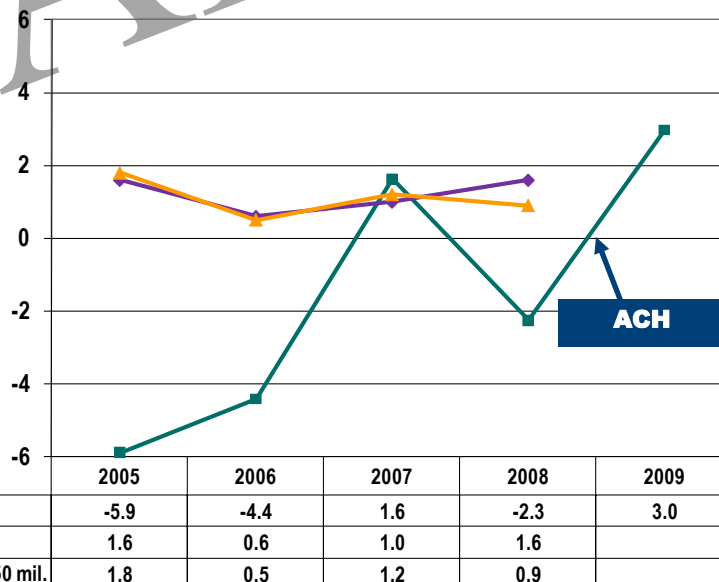


Total Margin is the percentage of total revenue that has been realized in the form of net income, or excess of revenues over expenses. It reflects profits from both operations and non-operations, and is used by many analysts as a primary measure of total hospital profitability.

*Increasing values are favorable.*

**CHART 5.9**

**Free Operating Cash Flow to Revenue**



Free Operating Cash Flow to Revenue is cash flow from operations less capital expenditures, divided by total revenue. Cash flows associated with capital expenditures are subtracted in the numerator because these expenditures are usually recurring.

*Increasing values are favorable.*

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## SECTION SIX

# Service Analyses

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## SECTION SEVEN

# Information Resources