

Susquehanna Health System, FTC & DOJ Panel Discussions

**Friday, April 11, 2003
FTC Annex Building
Washington, D.C.**

TOPIC: Post-Merger Efficiencies

Presented by: Kirby O. Smith
President & CEO
Susquehanna Health System

Susquehanna Health System (1993 - 2002)

PREPARING FOR THE MILLENNIUM

Acute Care Bed Counts

	<u>1993 beds</u>	
✓ TWH	325	in Williamsport (NCPHS)
✓ DPH	212	in Williamsport (PHS)
✓ MVH	<u>70</u>	in Muncy, PA (PHS)
Total	607	

September 1993

**PHS & NCPHS announced their
intent to join together to form**

“Susquehanna Health System.”

FAQ

What were the compelling reasons for PHS & NCPHS to undertake this Alliance?

Answer

- **Business revolt about trend in increasing health costs in the region in late 1980's**
- **Both the community & Catholic city hospitals had significant patient service duplications**
- **Area Medical Staffs called for improved technology investment & stewardship**
- **Community foundation cut-off financial support to hospitals in early 1990's, until patient service cooperation was realized**

SHS's MISSION –

**To improve the health status of
the communities we serve
through
high-quality, compassionate,
accessible
and cost-effective care.**

SHS's VISION:

**To become the Healthiest
Community
in the United States.**

Our Values

FOCUS –

**Those who receive our care
and
those who provide our services.**

Sponsors embraced the following objectives:

- **Eliminate waste/duplication of services**
- **Lower cost of healthcare**
- **Increase access to care**
- **Enhance quality of care**
- **Promote sound health policy**
- **Keep decisions about healthcare local**

Spring 1994

- **Department of Justice review**
- **PA Attorney General review**
- **Consent decree negotiated & filed**

Consent Decree Highlights

- 1. Save \$ 40,000,000 by June 30, 1999**
- 2. Pay PA AG in cash for any shortfall**
- 3. Return savings to the community of 60% 1st year and 80% years 2 – 5.**
- 4. PA AG retained “expert” to “keep the score”**

**During the first 5 years, we
completely restructured the
health delivery system.**

**Eliminated virtually all
duplicative overhead and
patient care services.**

Overhead service Consolidations

- **Admin Staff from 34 VP's to 18 VP's**
- **Reduced positions by 450 FTE's ++**
 - **Patient billing departments**
 - **Human Resource & Payroll department**
 - **Accounting Department**
 - **Utilization Review Department**
 - **Information Services Department**
 - **Purchasing & Materiel Management Dept.**
 - **Facility & Housekeeping Departments**

Overhead service Consolidations

- **City Medical Staffs - from two to one**
- **Dietary Department**
- **Switchboard and Telephone systems**
- **Security Department**
- **Marketing Department**
- **Management Education Department**
- **Strategic Planning Department**
- **Risk Management Department**

Inpatient Consolidations

- **All Rehab Beds to TWH**
- **All Cardiology to TWH**
- **All Urology to TWH**
- **All Oncology to TWH**
- **All Orthopedics to TWH**
- **All OB/GYN Beds to TWH**
- **Providence House at DPH**
- **Behavioral Health Services to DPH**

Inpatient Consolidations

- **Laboratory to TWH**
- **Pharmacy to TWH**
- **Radiology to TWH**
- **New Diagnostic CT to TWH & MVH**
- **Ultrasound Exams to TWH**
- **All City Medical Surgical Beds to TWH**
- **All Critical Care to TWH**

Outpatient Consolidations

- **City's only ER to TWH, Closed DPH's**
- **Nuclear Medicine Lab to TWH**
- **Family & Reproductive Health to TWH**
- **MRI to DPH**

Outpatient Consolidations

- **Home Health & Hospice to SRHHS**
- **Bone Densitometry to DPH**
- **Surgi-Center to DPH**
- **Behavior Health Partial Hosp. to DPH**
- **Pharmacy Services to SV, Inc.**

Outpatient Consolidations

- **Cancer Treatment to DPH**
- **GI Lab to DPH**
- **Sports Medicine Program to DPH**
- **Industrial Health Program to DPH**
- **Diabetes Program to DPH**

Quality of Care Focus

- **HEALTHIMPROVE Process**
- **JCAHO – 2001, 1998, 1995**
- **CARF – 2001, 1998, 1995**
- **Patient Surveys--Press Ganey**
- **Employee Climate Surveys**
- **Chairman's Quality Award**

Helped create support:

Lycoming County Health Coalition

30 non-profit agencies

Their objective:

to identify needs and measure the
improvement of our
County's health status

**Increased access to the poor
through the addition of
services like the**

**Community Health Center
11,500 visits per year
&
Dental Clinic
8,600 procedures per year**

Patient Service Improvements

- **Breast Health Center (donor)**
- **Pain Therapy Program**
- **Heart Hospital within a Hospital**
- **Community Health Center**
- **Dental Clinic**
- **Eye Center to MVH**
- **Podiatric Service Center to MVH**

System Recognitions:

YEAR

- Hospital & Health Networks Magazine - 2002
Top 100 Most Wired Hospitals in the Nation
- Modern Healthcare Magazine - 100 Top Hospitals 2001
Orthopedic Benchmarks for Success Study
- PA Healthcare Cost Containment Council - 2001
Certificate of Excellence-Cost & Quality of Care
- Press Ganey, Inc. - Top 3% in Satisfaction for 2000
Patient Services
Top 2% in Nursing Care
- Modern Healthcare Magazine - 100 Top Integrated 1999
Healthcare Networks in the United States
- Global Best Practice Award in 1999
Exceeding Customer Expectations
- VHA National-Leadership Award for 1996
Organizational Management

**Our 5th Year Report
to the PA Attorney General's Office
Reported Savings
through June 1999
\$105, 000,000**

**Savings returned to Third
Party Payors and the
Community through 1999**

\$117,000,000

FAQ's

Did the Alliance (“merger”) achieve the efficiencies it promised?

Answer

Yes, indeed:

	<u>1994 beds</u>	<u>Today's beds</u>
✓ TWH	325	241
✓ DPH	212	31 Psych
✓ MVH	<u>70</u>	<u>15</u>
Total	607	287 (57%)

Answer:

- **YES, in first five years of Alliance**

Cost Savings

Returned

- | | | |
|-----------------|----------------------|----------------------|
| • <u>Target</u> | \$ 40,000,000 | \$31,500,000 |
| • <u>Actual</u> | \$105,000,000 | \$117,000,000 |

**Thank you for the opportunity to
present our 8 years of
consolidation accomplishments.**