Successful hospitals will be those that focus on the fundamentals: solid core business functions, well executed operations, excellent clinical performance/patient satisfaction and effective medical staff alignment.
Nationally, daunting challenges face hospitals¹:

- 38% of respondents reported a moderate or significant decline in admissions
- 51% reported a moderate to significant increase in uncompensated care
- Non operating revenue dropped from $396 million in the third quarter of last year to ($831.5) million the third quarter of 2008
- Total Margin has dropped from 6.1% last year to -1.6% this year
- Medicare and Medicaid programs are in real trouble, with reimbursement cuts likely
- 69% of 412 hospitals reported that physicians have approached them regarding employment or other subsidy
- 56% of hospitals surveyed are reconsidering or postponing capital expenditures due to reduced earnings and difficulty financing
- 8% are considering merger to weather the storm (58 of 736 hospitals)

How will your organization weather the storm? What initiatives should you implement to succeed in this environment? Successful hospitals will be those that focus on the fundamentals: solid core business functions, well executed strategy and operations, excellent clinical performance/patient satisfaction and effective medical staff alignment.

CHIP

Stroudwater Associates has developed the Community Hospital Improvement Program (CHIP) to identify the key areas a community hospital should focus on for improved performance.

Through CHIP, Stroudwater Associates provides an objective analysis of your organization’s strengths and challenges to help you prioritize strategic and operational initiatives and resource allocation.

We assess your current financial, clinical, operational, and market positions and identify concrete opportunities for improvement to help you succeed in the current environment and be strongly positioned to meet the future. Our recommendations are designed for rapid deployment and improvement of operating performance consistent with the long term strategic vision of your hospital.

CHIP Objectives

In partnership with Executive Leadership, the CHIP diagnostic process:

1. Evaluates historic and projected utilization and determine the potential demand for clinical services in the defined service area

2. Identifies opportunities to improve patient safety, clinical outcomes, and the cost of providing care

3. Assesses quality and performance improvement strategies

4. Identifies operating efficiency, revenue cycle, capital access, and medical staff issues that may inhibit current or future performance

5. Support leadership’s ability to develop action plans based on CHIP findings to significantly improve performance.
<table>
<thead>
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<th>CHIP Components</th>
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| 1. | Market Assessment  
What key market factors can help us drive growth and help us inform decisions we are making today? |
| 2. | Financial Analysis  
How do my organization’s operating performance, market position, and balance sheet impact our ability to access capital? |
| 3. | Revenue Cycle Analysis  
How effective is our revenue cycle management? Where are the opportunities to improve cash collection? |
| 4. | Medical Staff Assessment  
Is our medical staff aligned and what risks exist from changes to referral patterns, physician retirements, or physician competition? |
| 5. | Clinical Operations Opportunity Assessment  
Where do opportunities exist to significantly improve patient outcomes and safety while increasing efficiency? |
| 6. | Departmental Operations Review  
For targeted departments, such as the ED, OR, or materials management, what opportunities exist to improve operating efficiency and performance? |
| 7. | Facility Assessment  
What future facility investments can be anticipated and how should these needs be prioritized given the current state of your hospital’s facilities, current and projected service volumes and current code requirements? |
The final report will be a compilation of analyses and priority recommendations from each CHIP component. Preceding these in-depth reports are an Executive Summary and Initiative Matrix that prioritizes the recommendations from all CHIP components. The matrix will estimate annual cost savings, annual incremental revenue, and identify cash conserved for each priority initiative. The incremental operational benefit will be separated into a short-term “bucket” with benefits accruing within 12 months and a longer term “bucket” with benefits accruing between during years two and three. CHIP will provide a hospital’s administrative team with a road map that will help the team navigate through these turbulent times and better position their organization to meet community’s needs now and in the future.

### CHIP Deliverables

<table>
<thead>
<tr>
<th>Improvement Initiative</th>
<th>1 to 12 Month CHIP Initiatives</th>
<th>Year 1 to Year 2 CHIP Initiatives</th>
<th>Year 2 and Year 3 Total</th>
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<tbody>
<tr>
<td></td>
<td>Annual Cost Savings</td>
<td>Annual Incremental Revenue</td>
<td>Monetized Assets/Cash Conserved</td>
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<tr>
<td>Ex: Identify highest priority ambulatory investment and enlist JV partner</td>
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<td>Ex: Sell MOB and nursing home</td>
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<td>Ex: Focus and prioritize medical staff development</td>
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<td>Ex: Three targeted clinical or business improvement initiatives</td>
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<td><strong>12 Month Total</strong></td>
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<td>Ex: Identify highest priority ambulatory investment and enlist JV partner</td>
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<td>Ex: Sell MOB</td>
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<td>Ex: Focus and prioritize medical staff development</td>
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<tr>
<td>Ex: Top three clinical or business process improvement initiatives</td>
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<tr>
<td><strong>Year 2 and Year 3 Total</strong></td>
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Optional Analyses

**IT Assessment**
What are your current and future business requirements and objectives? Assess functional areas, assess current IT strategy, and project requirements, sourcing, and technology needs.

**Organizational Readiness Assessment**
What capability gaps may emerge in our staff as a result of new working relationships, changes in processes, procedures, and technology? Are we prepared to team in new ways to function efficiently while continuing to provide optimal patient care? What are the most effective approaches to closing any identified capability gaps?
The Team

Susan R. Stowell, MBA, Senior Consultant

Ms. Stowell is Stroudwater’s Physician-Hospital Alignment practice leader. Her professional focus is on hospital-physician relations, facilities planning, and medical staff planning. She has experience working with physician practices as well as hospitals of all sizes ranging from critical access hospitals to academic medical centers. Recent accomplishments:

- Development and implementation of the Community Service Plan, a deferred compensation plan for ED Call, at a large community hospital in the south
- Hospital employment offers and arrangements for physicians
- Affiliations, acquisitions, joint ventures, and divestitures work with acute care hospitals and long-term care facilities in several regions of the United States
- Strategic facilities location project for an academic medical center

M.B.A., Willam E. Simon Graduate School, University of Rochester
B.A., Princeton University

Robert G. Wallace, MSHA, Principal

Mr. Wallace has over 30 years of experience in the healthcare industry. He has worked clinically in various departments, administratively as a Hospital Administrator and Regional Administrator, corporately as the Vice President of Development and Construction for a public hospital company and has been an independent consultant to hospitals and healthcare systems on design and construction issues since 1988. During his career he has managed over ninety healthcare projects from feasibility through licensing with total project costs of over $1.2B. Recent accomplishments:

- Westwood Medical Center, Midland, Texas - New free standing 100 bed acute care hospital
- Heartland Medical Center, Fargo, North Dakota - Renovation and new Women’s Center 250 bed acute care
- Pali Momi Medical Center, Honolulu, Hawai’i - New free standing 120 bed acute care hospital with 250,000 ft MOB
- Metropolitan Hospital, Richmond, Virginia - Complete renovation of seven story acute care facility
- Cumberland, Williamsburg, VA - New 80 bed acute / rehab specialty hospital for children

M.S.H.A., Trinity University,
B.A., St. Edward’s University, Business Administration - Healthcare

Jeffrey B. Sommer, MPP, Senior Consultant

Mr. Sommer’s is Stroudwater's Capital Planning and Access practice leader. Jeff has assisted recently formed multi-hospital systems and community hospitals with strategic planning processes, often with specific emphasis on clinical centers of excellence and physician alignment, master facility planning, and capital planning and access. Recent accomplishments:

- Financial strategy development and implementation assistance for $900M in replacement hospital, new bed tower and clinical centers of excellence projects
- Master facility planning assistance, including demand projections, scenario modeling, site selection analysis, project phasing, and financial strategy development
- Medical staff development planning assistance to optimize the allocation of physician staff development resources via physician need, strategic priority, financial, and market opportunity metrics

M.P.P., The Kennedy School, Harvard University
B.A., Williams College

Don Horstkotte, MMgt, Senior Consultant

Mr. Horstkotte provides management consulting to a variety of clients in healthcare and other industries. He specializes in Business Strategy, Operations Improvement, Implementation Planning, Supply Chain Management Strategy and New Market Assessments. Recent accomplishments:

- Directing strategic planning processes
- Developing a comprehensive supply chain strategy for a major health system
- Leading the operational implementation of a managed care product at six provider locations
- Training employees in and facilitating Continuous Quality Improvement philosophy and techniques
- Cumberland, Williamsburg, VA - New 80 bed acute / rehab specialty hospital for children

M.MGT., J.L. Kellogg School of Management, Northwestern University
B.A., Amhest College
Coursework, Sloan School of Management, Massachusetts Institute of Technology

October 2009
Mary J. Guyot, RN, BS, CRRN
Senior Consultant
Ms. Guyot has over 34 years experience in the healthcare industry in every nursing department including management. Mary currently assists hospitals and clinics with process analysis. She engages administration and departmental personnel in performance and quality improvement which results in greater efficiencies and opportunities to serve an increasing population. Recent accomplishments:
- Assessment of operational and clinical performance and subsequent action plan development and recommendations
- Hospital-wide performance improvement process analysis
- Assessment and process improvements for nursing and case management
- Trainer for distinct part SNF or swing bed implementation and utilization at different state level associations and in multiple individual hospitals

RN., Hôtel-Dieu School of Nursing, Edmundston, New Brunswick, Canada
B.Sc., University of Maine

Paul Bergeron, M.D.
Senior Consultant
Dr. Bergeron is a physician with a very diverse background. He practiced medicine in hospitals, nursing homes, as well as outpatient ambulatory settings. He has worked for two start-ups companies, one as Medical Director the other as VP of Clinical Business development, held multiple leadership positions at hospitals, a nursing home and medical practices, created a small business educating interns and residents about the “business of medicine,” created a non-profit program that provides free medication to indigent patients in the Seacoast region of NH, and serves on Medical Society and QIO boards. He is interested in network development including affiliations between hospital providers, physician administration relationships, performance improvement in clinical care and the financial performance of medical groups, hospitals and healthcare systems. Recent accomplishments:
- Increased/implemented customer base of medium to large employers (employees up to 20,000) with projected annual revenue of $3.5 million within one year of joining disease management company
- Created physician Education Company that educates Residents/Fellows how to function in the real world of medicine after they leave their training programs
- Created peer review and quality assurance/performance improvement policies and procedures at the hospital and group practice levels

Paul is ABIM Board Certified and a Certified Physician Executive through the American College of Physician Executives
Internal Medicine Residency, Stanford University Medical Center
M.D., University of Vermont
B.A., College of the Holy Cross

Michael D. Comer, DM, Consulting Partner
The Hayes Group International, Inc.
Mike Comer is Consulting Partner for The Hayes Group International, Inc. His concentration is in the areas of organizational development, leadership development, and training development and delivery. Mike has a wealth of consulting experience, including 6 years at Andersen Consulting (Accenture) in Washington, D.C. as a change management leader, and 10 years as an independent consulting at Ameritech, Digital Equipment Corporation, KPMG Peat Marwick, and Pharmacia Corporation. Mike joined the Hayes Group in 2000. Michael’s clients include Federal Express, International Paper, Department of Defense, ABB, Promus Companies (Embassy Suites, Hampton Inns), Westinghouse, Quintiles, UnitedHealthcare, and Burger King Corporation.

M.B.A., James Madison University
D.M., University of Phoenix
Josh Broder, President

Tilson Technology Management

Mr. Broder is the President of Tilson, and consults in IT leadership and project management. He is an experienced leader of major IT initiatives and projects across several industries ranging from Marine Science to Distribution/Logistics.

Prior to joining the Tilson team, Josh served as an Army communications officer, managing the network operations center and over 300 communicators that controlled the US and coalition government communications network and IT infrastructure in Afghanistan, Uzbekistan, and Pakistan.

Recent Accomplishments:

- Architected and controlled hospital and med evac IT support and telemedicine for the US government humanitarian relief operation in response to the 2005 earthquake in Pakistan
- Managed web projects for physician social-networking and hospital cost recovery sites (PracticeCity.com and Inventorycircle.com – New York and Calgary)
- Supported the security operations center at Hannaford Brothers in the wake of the 2008 security breach
- Practiced emergency and sports medicine in a clinical setting as an EMT for four years

B.A., Middlebury College
NR-EMT-B, Stonehearth Open Learning Opportunities
WEMT, Stonehearth Open Learning Opportunities

Doug Smith

Tilson Technology Management

Mr. Smith has over 30 years of experience with information systems and management gained while working with high growth companies and consulting firms in the health care business sector. Doug’s major strengths include:

- Company start-ups, operations, and interventions
- Primary care practice operations
- Software development and systems installation and management
- Negotiating and contracting for products and services
- Financial and business assessments

Member and guest speaker for the FIRe Conference, American Health Insurance Plans (formerly AAHP), HIMSS, CHIME, and the American College of Healthcare Executives. Have served as a guest speaker and instructor at Duke University and University of Southern Maine. He has served on corporate product development advisory councils for IBM, Toshiba, Symantec, Microsoft, and Kryptiq.

Served as the representative to the Tennessee Governor’s Roundtable on Medical Communications Technology for Vanderbilt University Medical Center. More recently, in Maine, he has served on the statewide health information network (HIN) technical advisory committee and the pilot project steering group. He was the co-founder and serves on the New England Telehealth Consortium (NETC), which has secured $24.6 million for the FCC to demonstrate the effectiveness, support the formation and subsidize (85%) a private network for the exchange of health care information among 500+ health care delivery sites across New England.

Was appointed in 2009 and now serves on the Board of Examiners for the Malcolm Baldrige National Quality Award.

M.H.A., Duke University
B.A., Saint Michael’s College

October 2009
The consultants of Stroudwater Associates apply a unique combination of thought leadership and hands-on implementation capabilities to actively facilitate key initiatives which assist healthcare leaders to guide their institutions through change toward a vastly improved future. These initiatives include:

- Strategic Master Facility Planning
- Clinical Performance and Patient Safety
- Hospital and System Strategic Planning
- Capital Planning and Access
- Physician-Hospital Alignment
- Mergers, Acquisitions, and Affiliations

**History and Multidisciplinary Approach**

Stroudwater Associates began as a three-member healthcare advisory firm founded in 1985 by a group of senior healthcare executives offering clients multidisciplinary expertise. Stroudwater Associates offices are located in Maine, Tennessee, and Georgia. Stroudwater Capital, a wholly owned subsidiary of Stroudwater Associates, is a firm centered on affiliation, joint venture and divestiture transactions and has an office in Arizona.

From any one of these practices, a Stroudwater client manager can draw on a wide spectrum of expertise appropriate to each client's particular needs. This ability to tackle pragmatic issues from multiple perspectives with a senior project team allows Stroudwater to avoid re-framing client needs to fit pre-packaged solutions.

The Stroudwater companies have dedicated more than two decades to help healthcare clients exclusively achieve their goals.

**Industry Experience**

Stroudwater differentiates its advisory services with professionals who have a deep domain experience from inside healthcare and related businesses. The firm is able to serve a broad range of clients from tertiary care and academic medical centers, long-term care providers, physician practices, rural health providers, and large hospitals in highly competitive metropolitan markets. Our consultants have completed more than 200 strategic, operational, and policy advisories and 150 acquisition, development, and divestiture projects during their healthcare careers.

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**Contact information**

For additional information on the CHIP program please contact:

Susan Stowell  
207.221.8263  
sstowell@stroudwaterassociates.com

Additional information about Stroudwater Associates, our capabilities, and our consultants is available at:  
www.stroudwaterassociates.com