Case Study: Debt Capacity

Situation: A Midwestern hospital completed a master facility plan and identified $80 million in needed investment, while the debt capacity was pegged at $50 million based on historically lackluster financial performance.

Approach: Rather than accept an incremental investment approach that would not re-position them strategically in the market, the hospital looked for alternatives.

Solution: Upon finding that its contracts were substantially below the dominant regional competition, the hospital entered into a dialogue with third party payers.

Result: Faced with the prospect of losing all negotiation position if the hospital were to consolidate with the dominant player, the payers agreed to substantial rate increases effectively funding the debt capacity gap.

STROUDWATER ASSOCIATES