

Case Study

Turn Around – Healthcare

Scenario: A large health system with a majority equity position in a managed care organization was experiencing substantial financial, operational and market share challenges in their subsidiary. The subsidiary, a \$25 million HMO, was experiencing over 70% employee turnover, senior management departures, substantial negative cash flow and loss of key physician providers. Medicare had also recently terminated their accreditation. However, it was strategically imperative for the parent health system to stabilize and subsequently grow the subsidiary.

Engagement: A Harvest advisor provided interim executive management services to stabilize the subsidiary. This included facilitating an immediate capital infusion from existing owners, engaging current employees to maintain revenue sources and creating a turnaround plan for approval by state and federal regulatory authorities. In addition, a new provider risk model needed to be developed and later negotiated with all hospital and physician providers. Employee dissatisfaction had to be aggressively addressed to stem defections and loss of key personal.

Results: A \$3 million dollar injection of new capital was obtained from current owners, which included four separate owners: two hospitals and two large physician groups all with diverse strategic goals. A new business plan was created and later adopted by the board. Approval was obtained from state and federal regulatory authorities to continue operations and Medicare accreditation was re-secured. A new management team was successfully recruited including CEO, CFO and Medical Director. A new risk model and accompanying provider rates were designed and re-negotiated with all network hospitals & physicians. The provider network was also expanded and had a significant impact on sales and market share. Losses were reversed and the company was in the black within 2 years.