Provider Restructuring
Opportunities to Achieve
High Performance
Health care providers across the United States face harsh economic realities. State and federal reimbursement and special funding levels are being cut back. Competition from traditional and nontraditional providers is increasing. States are mandating closures and consolidations. Yet the demand for patient services of improved quality and at lower cost continues to grow.
Accenture's approach to provider restructuring is grounded in a fundamental philosophy—when the condition is critical, the most powerful medicine available is the best prescription.

To overcome such complex challenges and achieve high performance, providers need to consider new strategies and innovative approaches. Every aspect of provider operations—including strategy, finance, organizational structure and services—can benefit from a thorough analysis to determine optimal approaches for moving forward.

With market conditions so hostile that some providers are concerned about their very survival, it may not seem appropriate to focus on high performance. Yet Accenture's approach to provider restructuring is grounded in a fundamental philosophy—when the condition is critical, the most powerful medicine available is the best prescription.
Providers’ distinctive capabilities in achieving high performance

For Accenture, the term high performance has a precise meaning: the enduring or sustained out-performance of an organization relative to its peers, across business and economic cycles, often across generations of leadership, and as measured by widely accepted performance metrics. It’s a definition demonstrated in reality, and tested and validated through ongoing Accenture High Performance Business research. This insight is infused into all of Accenture’s work with clients across multiple industries.

High Performance Business research into the health care provider sector in the United States reveals two fundamentals for success: improved patient outcomes and business excellence. Improved patient outcomes are achieved through enhanced clinical quality and customer satisfaction. Improved business excellence comes from financial optimization, operational focus and market strategies. When these factors work together, they drive sustainable growth.

The research further shows that hospitals and hospital systems on the road to achieving high performance have a strategic vision, a willingness to embrace change and outstanding execution skills.

Accenture professionals help providers move toward these positive outcomes.

The pursuit of high performance

The volatile health care delivery and funding environment means that providers can easily find themselves with the need to restructure to address new market, economic or political conditions. When providers are out of sync with prevailing conditions, they cannot grasp current and future opportunities. Their actions are limited as they are uncertain where to refocus, how to change or how to manage the potential upheavals of any significant action. It’s a set of circumstances that all too easily can lead to business failure.

So in any hospital-in-crisis situation, there is a need to consider fundamental strategic options, including a list of possible restructuring approaches: consolidation, affiliation, merger, acquisition, alliance and remissioning. This last possibility refers to a situation where the current operational purpose of a hospital unit or facility is no longer sustainable, but an alternative presents a viable future.
Whatever restructuring choice or choices prove to be appropriate, they will essentially be a means to the same end—adding value to the enterprise and the stakeholders it serves.

Accenture helps US providers analyze and make restructuring decisions, and then works with them to help them achieve interim and long-term objectives by transforming the systems and processes that underlie every facet of their performance.

A typical provider restructuring project consists of three key phases:
1. Establishing the restructuring framework
2. Conducting the restructuring and redesign planning
3. Executing the restructuring plan

1. Establishing the restructuring framework
During this phase, Accenture works with clients to identify restructuring options and criteria for prioritization via a thorough understanding of internal and external factors. The internal analysis establishes the hospital’s financial, strategic and operating goals. The external analysis evaluates current and future political, economic and market environments. From here, the team sets a guiding strategy. Throughout this phase, Accenture professionals facilitate decision making and communication.

2. Conducting the restructuring and redesign planning
With a guiding strategy in place, Accenture provides tools to redesign and refine the financial, strategic and operational models associated with the recommended restructuring option. Figure 1 shows areas that are reviewed and assessed to create an appropriate operating model. This phase includes the identification of possible risks or barriers to progress, and relevant solutions. The Accenture team helps facilitate the required action plan and helps implement team development.

3. Executing the restructuring plan
Finally, Accenture professionals provide comprehensive support throughout the restructuring implementation phase: assessing readiness and establishing timelines; preparing communication plans; providing Project Management Office support; and establishing tracking and measurement processes.

Provider restructuring creates a transformational route away from inappropriate strategies and blocked growth paths. Teaming with a provider, Accenture addresses the operation holistically to create an integrated series of solutions to help them move toward high performance. This means using the three-phase restructuring sequence to address strategies, structures and other factors that contribute to performance in each domain and to the overall performance of the enterprise.

The three phases of restructuring in action
"Unbundling" a flagship hospital to enable it to succeed
Due to a lack of clear corporate strategic direction and funding, the flagship hospital in a multi-hospital system saw its position diminishing, because it was funding losses elsewhere.

Accenture professionals evaluated the impact of alternative operating structures on the flagship hospital’s market, operating and financial position; evaluated various independent management and governance models; and modeled the hospital’s financial performance as a stand-alone provider, including determination of its financial rating.
Accenture works with clients to identify restructuring options and criteria for prioritization via a thorough understanding of internal and external factors.

Figure 1. Target operating model
Market, operating and financial analyses indicated that the flagship hospital could succeed as an independent provider. So the Accenture team designed a platform for its restructuring on that basis. Accenture then developed the hospital's baseline strategic plan as an independent provider, prepared work plans for the restructuring and conversion, supported external relationship development, oversaw the transition of clinical and nonclinical operations and ran the Project Management Office.

Evaluating deal options in a state-wide health care system

A large integrated health care system recognized that opportunities existed to support and strengthen health care in its state by reviewing the strategies for acute care entities in its system.

In the process of reviewing potential opportunities, Accenture was asked to support the evaluation of a number of proposed deals. Accenture carried out the financial modeling that included a cost-to-close analysis; an alternative use analysis with a focus on remissioning to non-acute services; and a patient migration analysis that determined the contribution margin of potential volume shifts from one facility to another. This initiative helped guide the health system's management away from potentially costly deals.

To help them determine the right strategy, Accenture conducted internal and external market analysis, defined the nature and characteristics of an optimum future operating model and prepared market demand models and financial forecasts to test feasibility.

A service-line model, site selection model, and financial feasibility model helped hospital officials decide on a future delivery model based on full information.
Figure 2. Overview of a typical provider restructuring program, including typical timelines

Estimated Timing:
- **3–6 Weeks**
  - 1. Set Directional Strategy
  - 2. Conduct Portfolio Analysis
  - 3. Undertake Market Projections
  - 4. Establish Financial Goals
  - 5. Define Top-Level NewCo Leadership
  - 6. Establish Operating Benchmarking
  - 7. Prepare Financial Projections
  - 8. Plan Decision Criteria Development
  - 9. Establish and Launch Communications
  - 10. Develop Redesign Guiding Principles
  - 11. Prepare High-Level Redesign Integration Roadmap

- **2–6 Months**
  - 1. Develop and Implement Change of Control Priorities
  - 2. Identify Early Integration and Business Risks
  - 3. Undertake Cost-to-Close Analysis
  - 4. Conduct Alternative Uses Analysis
  - 5. Conduct Prioritization Analysis/Modeling
  - 6. Review Financial Scenarios
  - 7. Conduct Capacity Planning
  - 8. Plan and Implement Synergy Management
  - 9. Define and Implement Risk Management
  - 10. Create Integration Teams

- **6–18 Months**
  - 1. Prepare Team Charters and Key Decisions
  - 2. Analyze and Define Target Operating Model
  - 3. Assess Gaps, Impacts and Interdependencies
  - 4. Develop Team-Level Integration Plans
  - 5. Plan and Manage Customer Experience
  - 6. Plan and Manage Employee Experience
  - 7. Develop High-Level Organization
  - 8. Plan and Manage Culture Transition
  - 9. Update Redesign Integration Roadmap

**Program Management Office (PMO)**

**Value Creation and Integration Enablement Teams**
Accenture worked with the health system's management to develop and present a thorough review of the situation, looking at numerous options to preserve health care in the community.

Enabling objective decisions around facility losses
A regional health center, part of a $2+ billion health system, had been sustaining losses of more than $10 million a year for the past 10 years. Although it was a financial drain on the system, numerous stakeholders felt that the health system's mission was to serve its community, therefore the system should do everything possible, including supplementing a losing entity, to preserve that mission.

Accenture worked with the health system's management to develop and present a thorough review of the situation, looking at numerous options to preserve health care in the community. The options reviewed included a financial and environmental overview of the last 10 years of operational performance; a cost-to-close analysis; an alternative use analysis; a patient migration and contribution margin analysis; a five-year P&L model for all entities including a five-year cash flow analysis; and a cost-to-sell analysis.

As a result of the findings, the health system and the regional health center were able to make an objective decision to close the facility. Accenture continues to work with the health system leadership as they move forward.

A collaborative approach
All of Accenture's provider restructuring activities are supported by deep industry knowledge about the US health care environment and health care providers' issues. As a restructuring project moves from diagnosis, conceptual planning and review of options, to implementation of redesigned organizational structures and capabilities, Accenture professionals are able to provide broad experience and relevant knowledge while working as committed members of a collaborative team.

This end-to-end approach ensures continuity throughout all stages of the process, from diagnosis through to stakeholder management. Accenture professionals, onshore or offshore within Accenture's Global Delivery Network, are cocreators who team with client personnel, listening as well as talking, absorbing as well as imparting knowledge. The working relationships they build and the trust they earn produces a solid, provider-wide alignment of strategic purpose and shared agreement around tactics and objectives.

A pragmatic approach
Because the political, economic and marketplace threats confronting health care providers are often dangerous and urgent, Accenture has developed a number of models to fast-track the analyses required to get to accurate diagnoses and plans.
These models are based on extensive experience working with hospitals and other health care organizations to improve profitability and market position by planning and implementing new organizational structures. The expertise includes first-hand experience of the end-to-end hospital remissioning process, operational focus on the critical outcomes that help achieve high performance, and the proven ability to link restructuring with economic and market value.

Accenture’s provider restructuring is a proven approach for providers to confront and overcome many of today’s tough challenges. In addition, it is a highly focused approach to help providers identify and implement future options that can create real and lasting value. The result is that providers do more than just survive—they move toward high performance.
About the Accenture Institute for Health & Public Service Value
The Accenture Institute for Health & Public Service Value is dedicated to promoting high performance in the health care sector and in public service delivery, policy-making and governance. Through research and development initiatives, the Institute aims to help health care and public service organizations deliver better social, economic and health outcomes for the people they serve. Its home page is www.accenture.com/healthpublicservicevalue.

About the Accenture Innovation Center for Health
The Accenture Innovation Center for Health provides innovative resources and recommended actions for achieving high performance in the health care industry. The Center, part of the Accenture Institute for Health & Public Service Value, produces industry-leading white papers and hosts engaging client workshops and roundtable discussions. The Accenture Innovation Center for Health, combined with Accenture’s deep health industry experience, offers exceptional reach, speed and flexibility to help clients achieve high performance. Its home page is www.accenture.com/innovationcenterforhealth.

About Accenture
Accenture is a global management consulting, technology services and outsourcing company. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. With approximately 177,000 people serving clients in more than 120 countries, the company generated net revenues of US $21.58 billion for the fiscal year ended August 31, 2009. Its home page is www.accenture.com.

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