BACK FROM THE BRINK
A Syracuse hospital's dramatic turnaround comes on the heels of bankruptcy.

Sometimes a strong balance sheet simply validates what a once-struggling hospital’s leaders have known for a long time: The hospital has turned a corner.

Such is the case in Syracuse, N.Y., where the local newspaper recently called Crouse Hospital’s turnaround “more than just financial.” Chief Financial Officer Kimberly Boynton’s proof of her facility’s comeback from a traumatic bankruptcy filing in 2001 is right there on the balance sheet. When a turnaround firm was hired in 2002, Crouse owed secured creditors $26 million and had lost $23.1 million and $19 million, respectively, in the prior two fiscal years (see HealthLeaders, January 2004).

In October 2003, the hospital emerged from bankruptcy, and by 2005 it turned a $6.2 million profit.

But Boynton is the first to say that the numbers illustrate nor only a financial recovery, but that the “bad old days” of poor physician relationships and disintegrating trust between management and staff members are behind the 431-staffed-bed facility. Chief Executive Officer Paul Kronenberg, M.D., who was talked out of his 20-year position as chief of medicine and catapulted into the top leadership spot three years ago, credits much of the transformation to a “giant leap of faith,” not to any complex financial machinations.

“If we do the right thing for our patients, the financial performance should follow,” he says, repeating the mantra he spoke to hospital insiders the day he was announced for the top job.

That’s not to say the recovery has come without considerable heavy lifting. Kronenberg started by repairing physician relations—his area of expertise. “We started out with a physician hotline they could call 24-7 if they were encountering a problem, and they would get a response,” he says. The hotline applies to anything that might annoy a referring physician, from the OR having the wrong size scrubs to parking problems.

Further, the hospital developed a support team led by the vice president of strategic planning and the director of business development that visited physicians in their offices to craft promotion plans for the hospital service line that corresponded to them. Then Crouse started advertising its service lines—putting physicians who ran them at the top of the brag list—and started a consumer-oriented physician lecture series that drove business, Kronenberg says. “We meant it when we said that when we are successful, they are too.” Recently, for the first time in three years, physicians preferred Crouse over other hospitals at which they worked.

Finance not forgotten
At the same time, the hospital instituted full transparency in its financial operations to help show interested parties why decisions were being made and the results from those decisions, Boynton says. “No one has to worry that we’re hiding anything,” she says. “Financial accountability has to be the backbone.”

To gain credibility outside the hospital, Crouse initially had to come up with $2 million in escrow for vendors to assure them they’d be paid. All of those deposits have now been returned as vendors have gained confidence that the hospital will be able to pay its bills.

Crouse recently solicited bids for a $5 million capital equipment loan and received “very favorable” proposals, Boynton says. The recent bankruptcy precludes Crouse from being rated for bond issuance—a potentially crippling blow for a hospital in need of money for capital investment. But Boynton contends that the hospital doesn’t need the bond rating. Crouse is recovering its financial footing; it achieved a positive net asset position as of Dec. 31, 2006, Boynton says, “and we track to Baa,” a middle-of the road rating based on Moody’s Investors Service’s rating system.

The hospital now has 62 days cash on hand, up from 12 as the turnaround kicked off, and completed its two most recent capital projects—a $6 million ICU renovation and a $15 million garage renovation—with money from operations. In 2007, it will issue a $28 million bond offering backed by a letter of credit that will be used in a $34 million renovation of its outpatient and OR suites.

Some $6 million of the funding will come from a fundraising campaign.

In the finance department, Crouse empowered a revenue cycle improvement group that includes directors of revenue producing departments, encouraging them to share information monthly that might benefit them all. In addition, every two weeks the directors of each department, senior management and finance meet. One meeting might focus on volume of denials, the next might look at expenses, the next productivity.

“These guys are there to support each other,” she says. “They’re not there alone trying to figure out how to do this.”

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