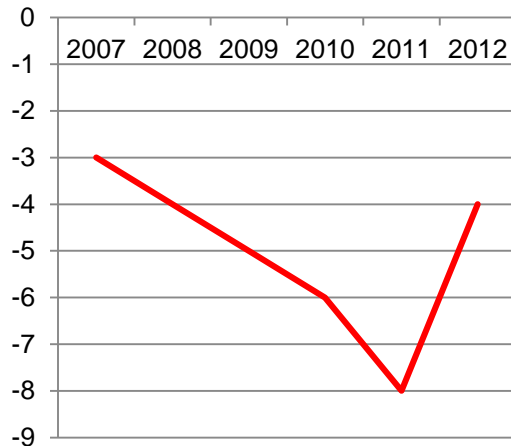


Background

The Hospital is part of a rural, single hospital system established in 1905. While stable for over 100 years, the Hospital has consistently lost money the last several years.

Patient volumes have been steadily declining.

Net Operating Margin in Millions



Hospital critical statistics

Number of beds: 154

Average Daily Census: 62

Average Daily E.R. Visits:

85

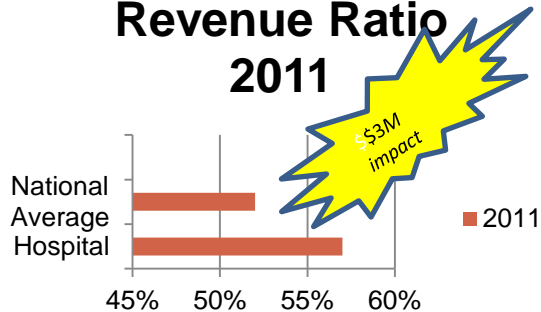
Problem Statement

Hospital has lost millions of dollars since 2005 and cannot uphold the mission statement to the community under current conditions. Services will be cut and employees will be laid off if the financial situation is not rectified. The Board of Directors issued a directive to find ways to meet the 2012 budget (a \$3.5 million loss) and to break even in 2013.

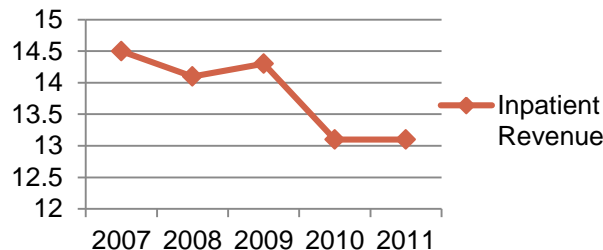
Current Conditions

Staffing for census of 100 while average census is 62

Salaries/Ben to Net Revenue Ratio 2011



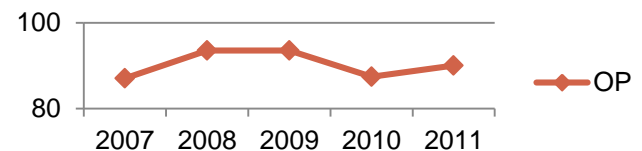
Inpatient Revenue in Millions



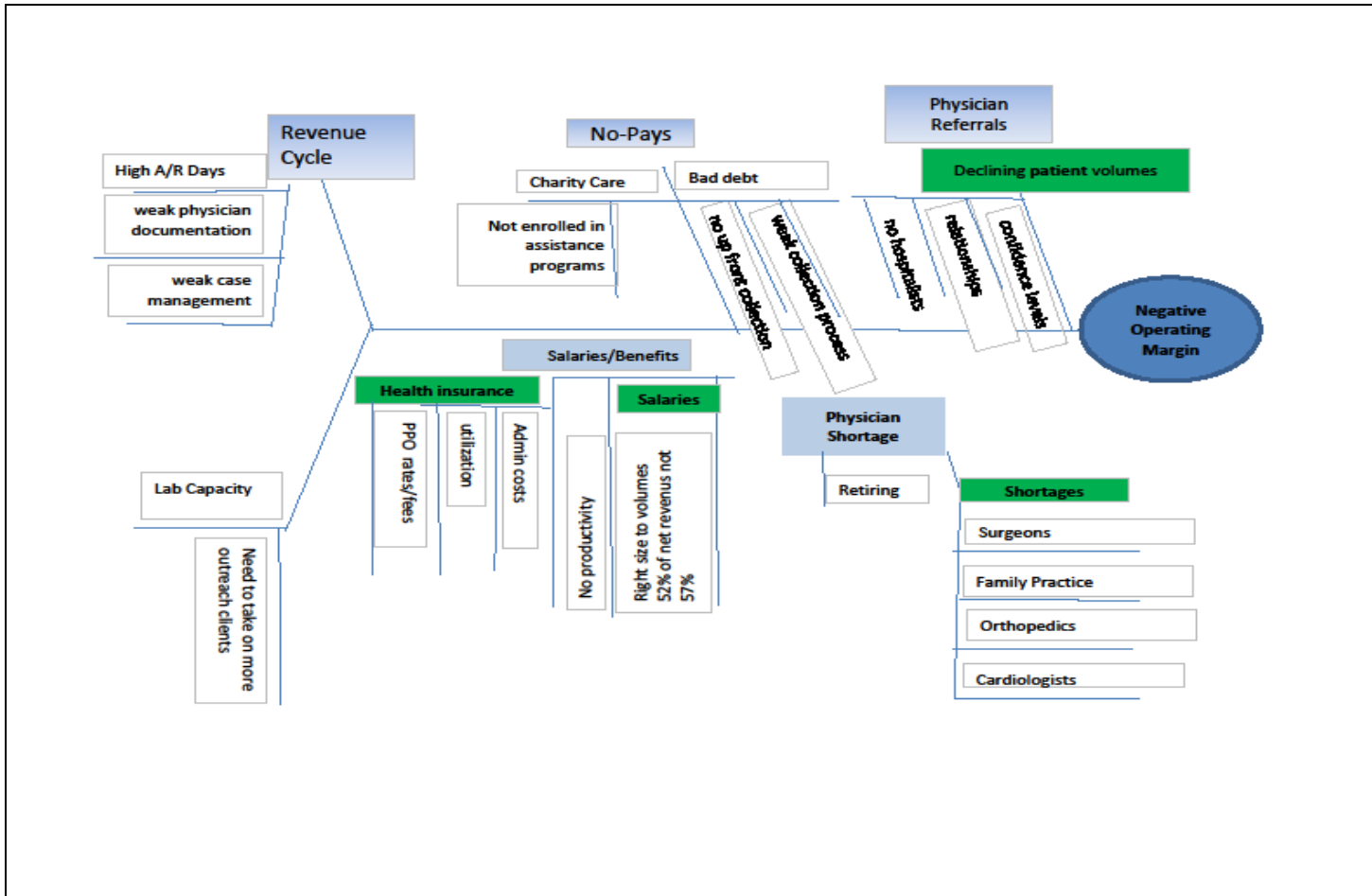
Goal

Improve net operating margin from \$8 million loss in 2011 to \$3.5 million loss in 2012.

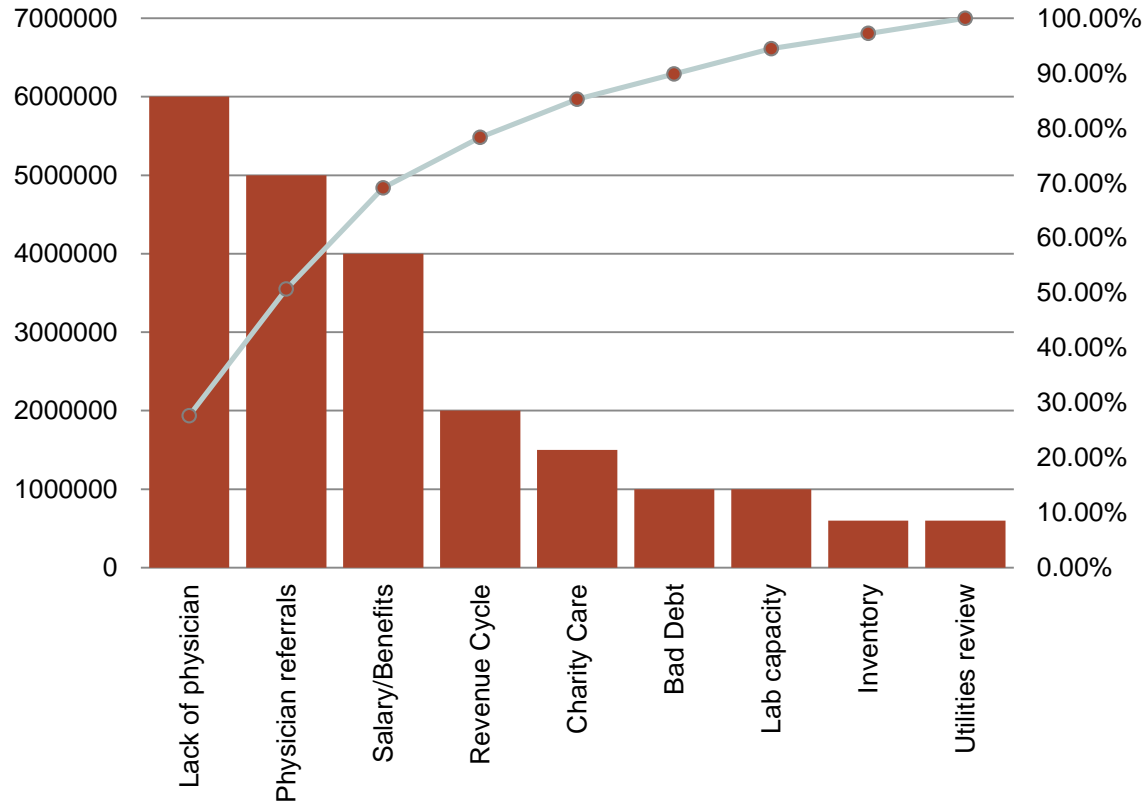
OP Revenue in Millions



Analysis



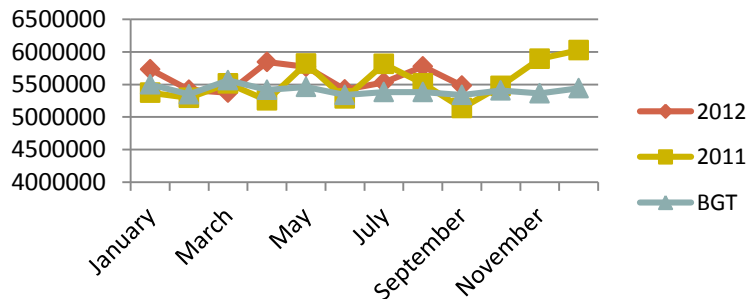
Analysis



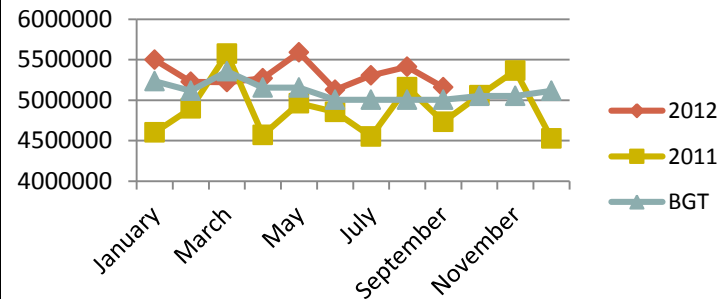
Develop Countermeasures

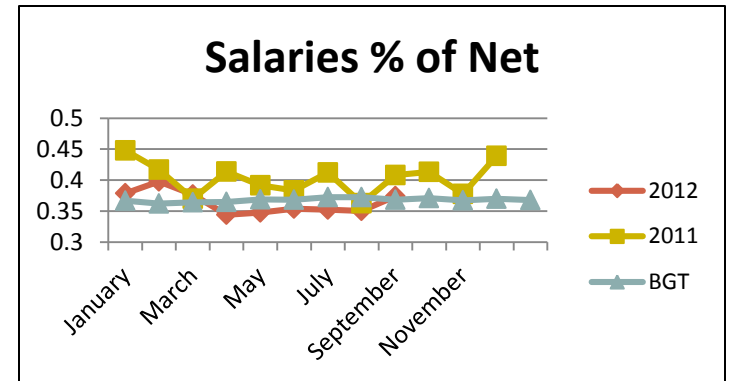
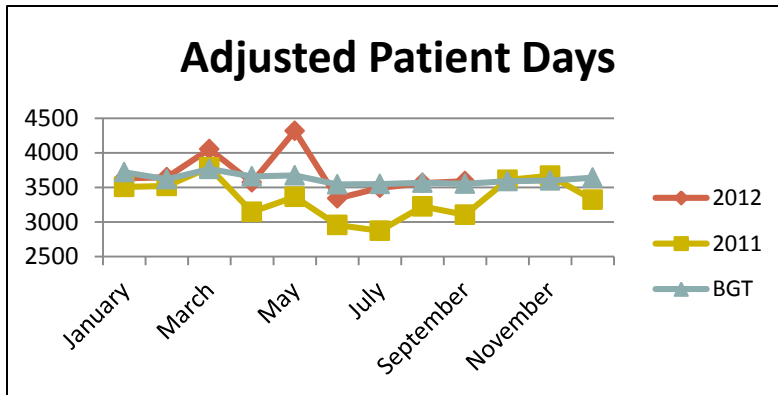
| COUNTERMEASURES | Action Plans for Countermeasures | LEAD | WHEN | POTENTIAL IMPACT | ACTUAL IMPACT |
|---|----------------------------------|--------------|-----------|------------------|-----------------|
| Physician Recruitment | Physician Recruitment | | | | |
| Create recruitment plan for targeted physicians | 2 Surg | CEO | 4/1/2012 | \$ 2 m | \$ 1 m |
| | 3 FP | CEO | 9/1/2012 | \$1.5 m | \$750 k |
| | OH license delay | 1.5 Ortho | 10/1/2012 | \$1.5 m | 0 |
| | | 2 Cardio | 3/1/2012 | \$1 m | \$1 m |
| Become a teaching hospital utilizing residents for potential hire | Residency Program starts | Med Director | 8/1/2012 | \$ 300 k | 0 |
| Physician referrals - increase | | | | | |
| Interview non-referring local physicians | Conduct interviews | CEO | 3/1/2012 | \$ 4m | \$2.8 m |
| Create hospitalist program | Hire hospitalists | CNO | 1/31/2012 | \$1 m | \$500 k |
| Complete physician satisfaction survey | Complete survey | CHRO | 3/1/2012 | | |
| Salaries/Benefits - reduce | | | | | |
| Create productivity metrics hospital-wide | Productivity metrics | CFO | 4/1/2012 | \$1 m | \$800 k |
| Staff hospital-wide for volume | Staff -right sized | C SUITE | 2/1/2012 | \$2 m | \$1 m |
| Conduct RFP for health insurance administration | Health insurance RFP | CHRO | 9/1/2012 | \$ 300 k | \$ 500 k |
| | | | | \$ 14.6 m | \$ 7.8 m |

Total Operating Expenses



Net Revenue





Follow-up/Impact of Countermeasures

| | |
|---|-----------------|
| Pt. Satisfaction improved by | 23% |
| Inpatient net revenues increased by | \$1m |
| Outpatient net revenues increased by | \$5m |
| Sal/ben reduced from 57% to 54% of net revenues | \$1.8m |
| Operating margin goal | (\$3.5m) |
| Actual to date | (\$3.7m) |

Hospital Laboratory renovations and upgrades to improve working conditions and effectively allow for growth in services

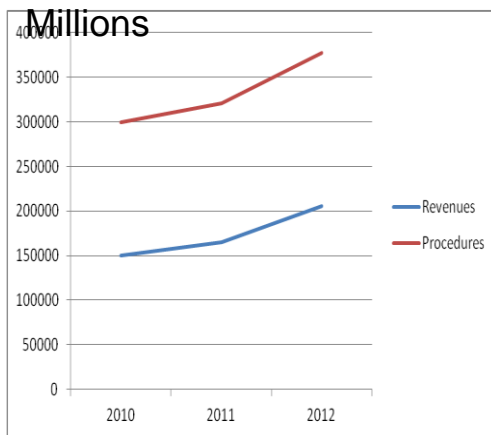
Background

Laboratory services have been growing, primarily outreach accounts, in revenues and procedures over the last 3 years

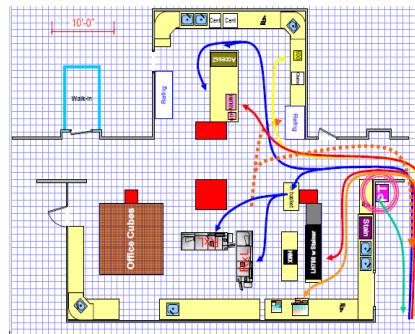
- Humidity problems in the current location has been causing issues with equipment, specimen integrity, and physical discomfort to employees.
- Some of the current equipment is outdated causing additional steps in processing for employees.
- The current layout of the lab causes additional walking by employees.
- Employees are overburdened due to the increase of procedures along with current vacancies that are not filled.
- There is a shortage of lab techs making recruiting difficult.
- Doctors are complaining about turnaround times for certain tests.

Current Conditions

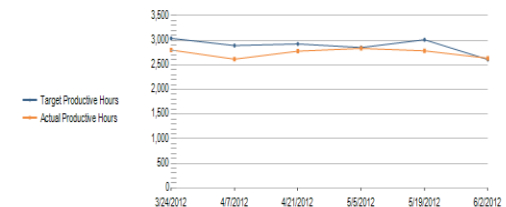
Lab Growth in



Poor line of sight: Analyzers spaced from top to bottom



Working at 101% productivity levels



Current Conditions

5 HUMIDIFIERS STUCK BETWEEN ANALYZERS



| | |
|------------------------------------|------------------------|
| Turnaround times-high volume tests | |
| THS | 24-48 hours - sent out |
| Cortisol | 24-24 hours -sent out |
| Vitamin D | 48-72 hours -sent out |

Problem Statement

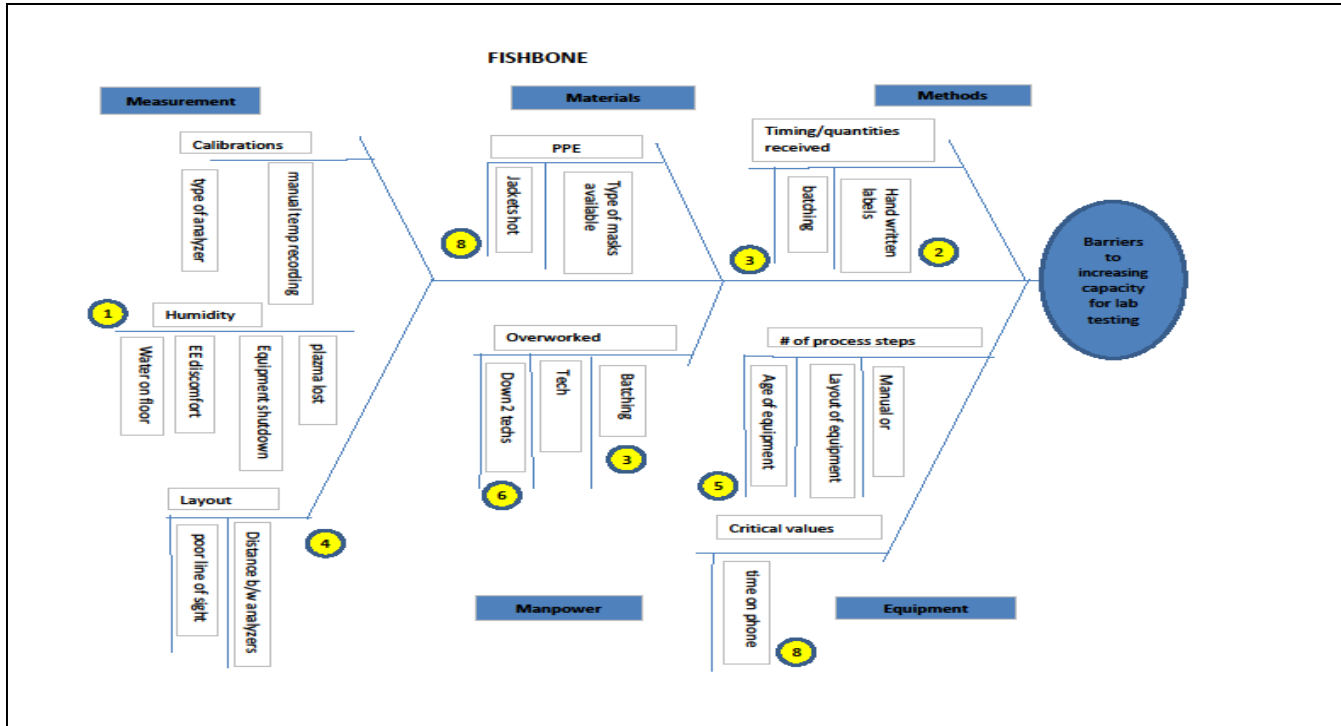
Most revenue producing departments in the hospital are losing money or breaking even. There is potential to grow revenues even more in the lab, but current physical conditions

and the shortage in staff have halted marketing efforts. \$18,000 in plasma was discarded over the past year and equipment nearly shut down 8 times due to humidity. Condensation drips from the ceiling to the floor causing a safety hazard along with physical discomfort while working. Techs are working in a batch setting versus a cell concept, which is increased lead times and setting

Goals/Targets

1. Reduce days with unacceptable humidity levels in the lab to 0 by 12/31/2012
2. Reduce amount of product lost due to humidity to 0 BY 12/31/2012.
3. Reduce TAT for THS, Cortisol, and Vit D by 50% by 11/30/12 (effects core measure quality scores)
4. Improve productivity to 85%
5. Reduce send out costs by \$40,000 annually

Analysis



Countermeasures

| COUNTERMEASURE | DESCRIPTION | IMPACT | FEASIBILITY | Selected |
|------------------|--|--------|-------------|----------|
| 1Replace HVAC | Determine cost of updating HVAC system to control humidity | H | H | yes |
| 1Move Lab | Consider moving lab to another area to control humidity | H | L | no |
| 2Bar coding | Hand held bar coding devices scan patient information and produce labels | H | H | yes |
| 3Reduce batching | IP/OP specimens sent as drawn not held in batches | H | H | yes |
| 43P process area | Align analyzers and accessioning to reduce motion/walking and process time | H | M | yes |
| 5Upgrade | Upgrade analyzers to reduce manual steps in processing | H | M | yes |
| 6Hire more techs | Hire more staff to keep up | M | L | no |
| 7Don't wear | Review regulations for PPE for techs the current jackets are too hot | M | H | yes |
| 8 | Separate A3 - time spent on phone | M | M | |

Plan

DO

| | Owner(s) | Due Date | Progress | Complete? | Action Items | Owner(s) | Due Date | Progress | Complete? |
|--|------------|----------|------------|------------|---|---------------|----------|-----------|---------------|
| | | | | | Run VSM training/Gemba visits lab/business office | Pam | 01/31/12 | | ongoing |
| Check vendors for bar coders | Brenda C | 01/15/12 | | Yes | Purchase printer to reduce walking | Delmas | 02/01/12 | | Yes |
| Prepare VSM training for techs (batching) | Pam S | 01/31/12 | | Yes | Training for bar coders | Brenda C | 02/01/12 | | Yes |
| Determine vendors to quotes analyzers | Delmas | 02/15/12 | | Yes | Go "live" with bar coders | Brenda C | 03/01/12 | | Yes |
| Plan Vendor visits for analyzers | Delmas | 05/01/12 | | Yes | Master Facility plan lab outcomes | Pam S | 04/01/12 | Location | Yes |
| Prepare Board approval for analyzers | Pam S | 06/30/12 | | Yes | HVAC system selected | Joe K | 05/01/12 | | Yes |
| 5S Inventory | Brenda C | 07/15/12 | | Yes | Visits from analyzer vendors | Delmas | 05/15/12 | | Yes |
| 3P OP area | Pam S | 07/25/12 | | Yes | Analyzer selected | Delmas/Pam | 06/01/12 | | Yes |
| 3p Main lab | Pam/Del | 09/30/12 | this phase | 11/12/2012 | Board approval for funding | Pam S | 07/25/12 | | Yes |
| | | | | | OP area 3P and renovations | Pam S | 09/30/12 | WIP - | WIP |
| | | | | | Main lab 3P and renovate | Delmas/Pam | 12/31/13 | Phase I | WIP |
| | | | | | CHECK (GOALS) | | | | |
| Jackets removed by vendor (see note #1) | Delmas | 08/01/12 | | Yes | HUMIDITY LEVELS | Delmas/Joe | 09/01/12 | 20 loss | 0 |
| HVAC installation progress | Delmas | 09/01/12 | WIP | | PRODUCT LOST B/C HUMIDITY | Delmas | 09/01/12 | 20 LOSS | 0 |
| New analyzer calibrations | Delmas | 11/01/12 | WIP | 11/30/12 | REDUCE TAT'S 50% | Delmas | 12/31/12 | 12-24 hrs | 2 hours |
| Finalize 2013 capital -complete cell model | Delmas/Pam | 12/15/12 | | Yes | PRODUCTIVITY AT 85% | Delmas | 12/31/12 | Training | 95% |
| | | | | | REDUCE SEND OUT COST ANNUALLY | Delmas/Brenda | 12/31/12 | | 12/01/12 live |

Note #1: \$5000 annual savings