

TRANSFORMATION THROUGH COST REDUCTION AND GROWTH

Case Study

Provider Performance Improvement

Temple University Health System

Temple University Health System, a major academic-based health network in a competitive market, faces more than its share of challenges.



Located in a highly competitive market of major academic centers of excellence, this four-hospital system with 1,120 beds, 7,500 employees, and a \$1 billion operating budget is located in some of the poorest neighborhoods of north Philadelphia. Almost 80 percent of its revenues come from Medicare and Medicaid—and those volumes increase every year. The system struggles to achieve and maintain razor-thin margins.

Despite the challenges, health system leadership embarked on a bold initiative to transform Temple into the leading health system and employer of choice in the Philadelphia market. To achieve this vision, the health system launched a multi-year cost reduction revenue cycle and clinical service line growth strategy.

The results so far: a \$200 million turnaround and solid financial and operational foundation for the future.

“We knew that we had several challenges ahead of us,” explained Chip Marshall, chairman and chief executive officer for Temple University Health System. “The first was to find the tools and data that would allow us to identify and execute on our best improvement opportunities.”

COURSE OF ACTION

The health system initiated the first phase of a two-pronged strategy in 2002. The first strategic goal was to improve the health system’s financial position through disciplined operational improvement. Leveraging the **ACTION O-I**® operational benchmarking solution from the Healthcare business of Thomson Reuters, helped Temple move from negative to positive margins. Currently, ACTION O-I is fully integrated into the organization’s infrastructure through budget targets and quarterly benchmarking reviews; management incentive compensation tied to annual goals and objectives; and leadership education. Today the health system is on target to reduce expenses and improve its revenue cycle by over \$64.1 million in the current fiscal year.

The other tine of the strategy is to increase revenue through comprehensive growth. Using the **Market Expert**® strategic planning solution, health system planners were able to define markets, pinpoint their competitors for specific services, and spot trends—at the ZIP code level. They were able to identify areas to strengthen payer and case mix, and refine results using the State Data Analyst and Demographic Expert modules of Market Expert. Planners also



TEMPLE UNIVERSITY HEALTH SYSTEM

Location:
Philadelphia, PA

Size:
1,120 beds

Scope and services:
Temple University Health System (TUHS) is a major academic-based health network and Employer of Choice dedicated to providing quality patient care to the residents and communities of Delaware Valley and beyond. TUHS consists of five healthcare-provider facilities; the Temple Transport Team; and Temple Physicians, Inc.—a network of community-based physician practices. Employing more than 7,500, TUHS is affiliated with Temple University School of Medicine, and is a proud and responsible member of the Philadelphia community.

Solutions:
ACTION O-I®
Market Expert®



identified more than 20 sub-markets for potential ambulatory care site development.

Based on this market data, Temple University Health System is working toward its goal to grow six clinical service lines to compete with the major academic centers of excellence in the Philadelphia area.

RESULTS

Transforming Temple University Health System from a struggling provider to a leading health system and employer of choice in Philadelphia has been a heroic and ongoing effort. The foundation of the health system’s strategic plan is evidence-based operational and strategic planning data and insights from Thomson Reuters. Temple’s leaders first worked to stabilize the health system’s core business before moving on to more complex issues and challenging strategic areas, such as managing growth. They acknowledged that the future success of the health system is contingent on striking the right balance of cost discipline between growing volume and improving revenue.

The thoughtful and measured execution of Temple University Health System’s two-pronged strategy has paid off. The system reduced costs by \$128.7 million from 2004 to 2007 and is on target for an additional \$43.4 million in cost reductions this year.

Currently, three of the four Temple hospitals are operating at or under the 25th percentile in total expense, supply, and drug expense per discharge, and full-time employees per occupied bed. In other words, they are performing better than three-quarters of the hospitals in the United States. The development of this culture of continuous improvement will serve Temple well as they face new economic challenges in the Philadelphia market.

Inpatient volumes have been restored to pre-2006 levels—benefiting from robust service lines adding volume and improving payer mix.

In 2007, 10 lung transplants were performed at Temple University Health System. Lung transplants grew from 10 in fiscal year 2007 to 60 in fiscal year 2008—a 600% increase. The Temple Transport Team volume also increased by 686 cases, generating an annual contribution margin of \$4.6 million. In the current year, Temple’s financial performance is again challenged as reimbursement and volumes continue to contract.

“Leveraging Thomson Reuters strategic planning and operational benchmarking solutions allows us to continue to be the premier health system in the communities we serve.”

Robert E. Pezzoli

Executive Vice President and Chief Operating Officer
Temple University Health System

“Temple University Health System is now a viable healthcare system in an extraordinarily challenging market,” said Marshall. “We believe there are few—if any—inner-city academic medical center IDNs of similar size that have achieved our success in multi-year operations improvement and growth strategy execution.”

Bob Pezzoli, executive vice president and chief operating officer, added, “Leveraging Thomson Reuters strategic planning and operational benchmarking solutions to help establish a strong foundation in operations management; create leadership competencies and confidence; while simultaneously pursuing complex service line and market growth initiatives, has led to the results and financial stability that allow us to continue to be the foremost health system in the communities we serve.”

In 2008, Temple University Health System was acknowledged for its accomplishments in the pursuit of excellence in performance improvement with a Thomson Reuters Insight Award. The Insight Award was established in 2005 to honor and recognize customers who have used Thomson Reuters Solutions and tools to achieve outstanding success at their organizations.

ABOUT THOMSON REUTERS

The Healthcare business of Thomson Reuters produces insights, information, benchmarks and analysis that enable organizations to manage costs, improve performance, and enhance the quality of healthcare. Thomson Reuters is the world’s leading source of intelligent information for businesses and professionals. We combine industry expertise with innovative technology to deliver critical information to leading decision makers in the financial, legal, tax and accounting, scientific, healthcare and media markets, powered by the world’s most trusted news organization. With headquarters in New York and major operations in London and Eagan, Minn., Thomson Reuters employs more than 50,000 people in 93 countries. Thomson Reuters shares are listed on the New York Stock Exchange (NYSE: TRI); Toronto Stock Exchange (TSX: TRI); London Stock Exchange (LSE: TRIL); and Nasdaq (NASDAQ: TRIN).

thomsonreuters.com

Thomson Reuters
777 E. Eisenhower Parkway
Ann Arbor, MI 48108 USA
Phone +1 800 366 7526

©2008 Thomson Reuters.
All rights reserved.
PRO-5686 09/08 JB

