

DEEP MARKET INSIGHTS LEAD TO BOLD EXPANSION

Case Study

Strategic Planning

Spectrum Health System

Before breaking ground on a \$7.9 million outpatient center in a highly competitive market segment of West Michigan, Spectrum Health knew it needed hard data prior to making such a bold move.

Spectrum Health, one of the nation's leading integrated delivery systems and winner of more than 100 awards for quality care, was looking to expand in the southwest region of its footprint, which currently contributed 30 percent of inpatient admissions, representing 62 percent market share and was growing at a 2 percent annual rate.

It started by taking a closer look at its existing Canal Street Center that provided diagnostic imaging, lab, occupational health, primary care, and urgent care services. With a competitor's medical center already under construction in this crucial market, Spectrum Health needed to know which would give them the biggest boost in patient volume, market share, and referrals: move the Canal Street Center or expand the current location?

COURSE OF ACTION

To lay the groundwork for the decision, Spectrum Health put the **Strategic Planning Solutions** from Thomson Reuters on the job. A thorough analysis of the proposed new location revealed that the innovative pavilion-like design would accommodate one-stop shopping, had plentiful and improved highway access, and was conveniently located to capture the attention of the outpatient community.

Using demographic data including population, growth, and household segmentation, along



SPECTRUM HEALTH SYSTEM

Location:
Grand Rapids, Mich.

Size:
1,820 beds

Scope and services:
Spectrum Health is a not-for-profit health system in West Michigan that offers a full continuum of care through the Spectrum Health Hospital Group, a collection of seven hospitals and more than 140 service sites; the Spectrum Health Medical Group and MMPC, multi-specialty physician groups with more than 400 providers; and Priority Health, a health plan with nearly 500,000 members. Spectrum Health's 16,000 employees, 1,500 medical staff members, and 2,000 volunteers are committed to delivering the highest quality care. The organization provided \$111.1 million in community benefit during its 2008 fiscal year. As a system, Spectrum Health has earned more than 100 awards during the past 10 years.

Solutions:
The Market Planner® Plus
Outpatient Procedure Estimates
HouseholdView®

with outpatient estimates projections, physician statistics, and financials, Spectrum Health determined the reach within a 20-minute drive of the Canal Street location and projected a 5.1 percent five-year growth opportunity. It then compared this to the newly proposed location and found it would allow Spectrum Health to increase its reach into higher-income households with high outpatient utilization and greater presence of chronic conditions, adding up to a 10.2 percent five-year growth opportunity.

This compelling case for moving was further strengthened by:

- Identifying a similar payer mix at both the existing and proposed sites, but a bigger absolute volume of favorable payers at the new location
- Determining the volume of hospital-based services and projected growth over the next five years
- Examining physician supply data to determine how many primary care physicians were available in the market
- Determining which targeted procedures could potentially contribute to the system's growth in five years' time



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RESULTS

In December 2006, Spectrum Health's new 60,000-square-foot West Pavilion opened its doors and brought to the community a pavilion architecture model to enhance the one-stop-shopping experience for patients. While Spectrum Health anticipated a five-year return on investment of 5 percent based on demand, the new West Pavilion produced first-year results that far exceeded projections and increased volume across almost every service line:

- Patient satisfaction scores in 'likely to recommend,' up 3 percent
- A positive return on investment of \$429,000 was achieved within two years

In addition to a stronger financial position going into a rough economic climate, Spectrum Health's bold and successful move brought other intangible benefits to the System. Through the thorough use and analysis of Thomson Reuters planning data, Spectrum Health System:

- Learned that data analysis does more than help make data-based decisions — it fosters buy-in from stakeholders such as employees, physicians, other departments, and regulators.
- Could now use objective criteria to evaluate locations that were best suited to achieving financial goals rather than being unduly influenced by price or stakeholder preferences.
- Affirmed that ambulatory strategies must prioritize access and emphasize the patient and physician experience.
- Garnered favorable feedback from physicians using HouseholdView® data which expanded their understanding of population needs and behaviors beyond the typical age/gender variables.

“By providing the data to support an ambulatory strategy focused on access and the patient and physician experience, Thomson Reuters helped us plan an outpatient center that stands out in every dimension.”

Joseph Klesney

Director, Market Strategy
Spectrum Health System

- Would now use household-level data, insurance coverage, and outpatient estimates to develop new sites.
- Found useful applications of data in developing and promoting primary care, physician, and hospital modalities. This will also help in their recruitment of physicians to Spectrum Health's newly formed Medical Group, whose ranks are planned to double in the next two years.

Even with outcomes like these, Spectrum Health System continues to use the Strategic Planning Solutions to keep the momentum going on their long-term strategic plan.

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