

## **OUR CLIENT**

An academic medical center in the northeast United States with more than 1,000 acute and long-term beds that serves as a premier regional referral center and as the hospital of last resort for thousands of uninsured and underinsured patients.

## **THE CHALLENGE**

Preparing to separate from government ownership, our client faced daunting challenges:

- Organization had consistently lost money over a 10 year period; a turnaround firm hired in the late 1990s failed to reverse the negative trends
- Financial, operational and customer service accountability was virtually non-existent
- Cost of wages, salaries and benefits was a staggering 74 percent of net revenue
- Cumbersome civil service regulations protected poor performers; local politicians used the hospital for political patronage appointments
- Less than \$5,000 in cash on hand
- The hospital did not have its own bank account and there were limited internal financial management systems
- Revenue cycle system, like many other departments, performed poorly; cash flow was severely impaired

## **THE CASE**

In 2004, a 1000-bed academic medical center with a large long-term care center faced a crisis that was unparalleled in its long history. Attempting to move from a government department to a separate not-for-profit public benefit corporation, the medical center faced significant operational and financial hurdles. The senior leadership team was in crisis. Critical planning deadlines were missed and some senior executives joined with other hospital competitors to oppose the transaction. Yet failure to complete the \$100 million transaction on time would push the local government into a credit default. Moreover, with more than 3,400 employees, failure of this transaction would have a devastating impact on the area's already shaky economy. Many local banking and business leaders were skeptical that the deal could be done.

## **THE BOARD**

A newly appointed board, charged with completing the deal, took charge. They fired their CEO and immediately evaluated their options. This new board was comprised of business leaders, attorneys, physicians, and civic leaders. All were committed to the success of the medical center, recognizing that this transaction was the last, best hope for its survival. They quickly evaluated their options:

1. Bring in a turnaround firm which would provide a leadership team
2. Recruit their own turnaround CEO and supporting executives to provide longer-term continuity and stability

Timing was critical. Board members knew they had one chance to succeed. A turnaround firm could begin within weeks but the board, concerned with past performance as well as the multi-million dollar price tag, quickly ruled out that option. Board members contacted several national and regional search firms. They were looking for experience, national reach, performance guarantees, and accountability for the outcome.

## **THE JOHN MARCH SOLUTION**

The board selected JohnMarch Partners. Members said their selection was based on the Firm's reputation for being able to rapidly master the operational and financial details of complex academic teaching hospitals, and a deep understanding of the associated political hurdles. The Firm's experience in recruiting an executive leadership team for a public hospital, a willingness to commit to a specific project schedule and a rock-solid commitment to be accountable for the quality of its work and the performance of its recommended candidates, were critical issues in the board's deliberations.

Partners John Self and Gary Pfleiger spent a week at the medical center interviewing dozens of board members, physicians, employees, union officials and other stakeholders. Within days, the Firm completed a comprehensive 64-page Position Prospectus detailing the selection criteria and the operational, financial, and political challenges facing the CEO and a new leadership team, as well as the Board's performance expectations.

Candidates for the position say this document was critical to their evaluation of the opportunity.

The Firm moved quickly to build a panel of outstanding candidates with exemplary records of performance.

The Firm presented its panel of recommended candidates to the search committee five days ahead of schedule. The panel was fully vetted, from criminal and civil records, to their past performance. They had undergone five hours of screening interviews, including a 30-minute video session. The Firm presented complete candidate dossiers that included background reports, references and a DVD with a video summary of their interview with each candidate.

## **THE OUTCOME**

The Client selected the Firm's number one candidate. Working with the new CEO, the Firm quickly recruited a replacement CFO, Senior Vice President of Operations, and a Controller.

Today, this organization is one of the most successful hospitals in the market, with a strong balance sheet, more than \$175 million of cash in reserve and leading the development of a regional health system that will enhance quality of care, expand and strengthen critical business lines and reduce costs. The medical center operates the state's top-rated trauma center and consistently turns in high physician and patient satisfaction ratings, winning the respect of the local business community and competitors alike.

Board members say the JohnMarch recruited leadership team was the key to their success.

The Firm delivered on its commitments, ahead of schedule and on budget.

Contact our Dallas office:

**John G. Self, Chairman and Senior Client Advisor, 214-220-1234**

**Gary Pfleiger, President and CEO, 214-220-1234**

**JohnMarch Partners  
Republic Center  
325 North St. Paul, Suite 3910  
Dallas, Texas 75201  
[www.johnmarch.com](http://www.johnmarch.com)**

