Restructuring of Nonprofit Community Hospital

DRESKIN
HEALTHCARE LEADERSHIP ADVISORY

CLIENT:

An 80-year-old community not-for-profit hospital with 344 licensed beds and 2,200 staff, among the largest in Alabama and home to the busiest emergency department, 27% of the region's inpatient beds, and the largest multi-specialty outpatient clinic network. It is a Level 3 Trauma Center, a Primary Stroke Center, and a Primary Heart Attack Center.

344 BEDS

LEVEL 3 TRAUMA CENTER

2,200 STAFF

DISTINCTIVE FACTOR:

The hospital's service area in Alabama's fourth-largest city encompasses a majority of the region's medically underserved population, as defined by the Health Resources & Services Administration.

SITUATION:

The hospital experienced a prolonged period of leadership dysfunction, as well as poor financial management, leading to an eventual default on its bond obligations and a credit rating downgrade. Ron Dreskin was engaged as the Chief Executive Officer, and the Board of Directors also hired a Chief Restructuring Officer to strengthen leadership, enhance revenue, and better manage costs and liquidity. At the commencement of the engagement, the hospital was financially insolvent, facing a looming closure with materially compromised operations, reduced cash collections due to poor revenue cycle management, increasing debt, loss of key suppliers, technological obsolescence, deferred maintenance, and an aging, neglected facility.

ENGAGEMENT:

Dreskin served as Interim CEO and led a healthcare team from a global accounting, tax and business advisory firm to assist in developing and implementing a turnaround plan. The decision was made to seek protection under Chapter 11 to effect a turnaround and potentially facilitate a sale.

Dreskin led efforts to stabilize finances and instituted a new revenue cycle team and leader, resulting in $38.5 million in revenue enhancements and $7.5 million in cost savings. He also built a strong leadership team, stabilized medical staff attrition, initiated a comprehensive action plan to rebuild critical service lines, and worked to restore employee and community trust through the "One Team, One Dream" and "Stronger Together!" initiatives. He led media efforts to ensure clear and transparent communications with all stakeholders and to reassure the public that the hospital would not close.

Interim Leadership | Independent Board Member | Board Advisory
Operating Executive | Performance Improvement | Crisis Management

Throughout the engagement, Dreskin worked diligently with State, City and County leaders to garner grants and financial support. Negotiations were held with Blue Cross and Blue Shield of Alabama to increase reimbursement rates. He also worked closely with the Board, the Chief Restructuring Officer, and other stakeholders throughout the restructuring process, as well as with the debtor-in-possession (DIP) lender. He played a crucial role in negotiations with multiple interested parties throughout the sale process. By the end of the engagement, Dreskin had implemented 15 separate strategic initiatives to improve revenue growth, implement cost savings, optimize facilities, technology, and programs, and engage staff and community.

OUTCOME:

- Stabilized the attrition of medical staff
- Positioned to exit bankruptcy and transition controlling interest to an affiliate of the DIP lender
- Rebuilt employee and staff trust in management
- Stabilized financial foundation and retained nonprofit status
- Developed business continuity, master technology and master facility plans
- Repaired community relationships