

WITH MANY HOSPITALS IN THE RED, PRIME HEALTHCARE FINDS METHODS TO THRIVE

Written by James Spencer

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Lex Reddy

The dynamics of healthcare have changed dramatically in the past decade.

Most hospitals can't keep up with the increasing costs of providing care to patients coupled with lower reimbursement rates from insurance companies.

However, one California healthcare system has created a progressive and innovate model for thriving in this turbulent landscape. **Prime Healthcare Services**, with more than 8,000 employees, currently owns and operates thirteen acute care hospitals, mostly in Southern California. The mission of PHS is to provide comprehensive quality healthcare in a compassionate, convenient and cost-effective manner.



The concept of a hospital being run like a business might seem worrisome. When you think of business, you don't generally think of care.

But as hospitals crumble into the red, Prime Healthcare Services is not only profitable as a business, but is also ranked highest in quality care *and* efficiency on the west coast.

"We have to change the mentality that because we are in health care, it is not profitable," said Lex Reddy, President and CEO of Prime Healthcare Services.

"These facilities have to last for the long run. The medical care and financial success have to come hand in hand."

Ranked Top In The West

Thomson Reuters Research identified Prime Healthcare Services, Inc. as one of the Top 10 United States Health Systems based on clinical performance. Of the 252 health care systems that participated in the polling of the clinical data, Prime was the only health care system chosen west of the Mississippi. The study released this past summer relied on public data from the 2006 and 2007 Medicare Provider Analysis and Review data and the CMS Hospital Compare data sets.

It's a novel concept, ensuring that a hospital can support itself financially and be built to sustain even the toughest of economic times.

When small, community-based hospitals are deep in the red and on the brink of closure, Prime

Healthcare steps in and turns the hospitals into a profitable and quality functioning operation. “We are very proud of what we have done so far in saving all these community-based facilities and we’re proud we haven’t had to go through layoffs in the last two years,” Reddy said.

Prime’s Desert Valley Hospital and West Anaheim Medical Center were named two of the top four California medical facilities on the Modern Healthcare Top 100 list. Three of Prime’s hospitals (West Anaheim, Centinela Hospital Medical Center and LaPalma Intercommunity Hospital) were named on US News and World Report’s 2009 Best Hospitals’ List.

Prime Navigates The Tough Financial Times In Healthcare

Insurance companies have started to send patients for elective cases to diagnostic centers. This means that hospitals now see a larger percentage of acutely ill patients who need a higher level of care. This is on top of the fact that emergency rooms are being flooded with patients with no money and no insurance. Reddy said.

“People are waiting until the 11th hour to come to hospital emergency rooms. They often have multiple medical issues that consume a lot more resources than the cost of providing preventative health care.”

Recent year’s data shows that 35 to 40 percent of emergency room patients are without means to pay for their medical bills. That is a percentage that is growing as patients are losing health insurance because of the economy.

The bottom line: healthcare facilities are struggling financially and need innovative methods to be successful. Prime Healthcare does just that. To start, Prime invests at least \$10 million into the infrastructure of each of its newly acquired 100 bed community based hospitals.

This includes technological investments such as paperless records systems, new medical equipment, and digitalized radiology and information systems to provide up to the minute clinical and financial data.

After the initial investment, Prime moves to the operational side.

“As executives we don’t just throw money and people at a problem,” Reddy said. “We find the real solution. We spend time understanding each facility. Health care is very local so each issue is very different.”

Reddy said Prime focuses on five core measures to successfully run its hospitals: clinical quality efficiency, morality, medical complications, patient safety and average length of stay conforming to clinical standards of care.

Efficiency is paramount in the way Prime runs its hospitals. The flow of patients is critical and Prime focuses on reducing the time it takes a patient arriving in the emergency room to be treated. Prime expects patients to be seen by a physician within 30 minutes of entering the emergency room.

Thriving On Its Own

With all this success, there have been doubters who question how Prime has been able to thrive in a healthcare world that has seen many other hospitals close their doors.

“People don’t like outliers,” Reddy said. “When such a large percentage of hospitals are failing, they wonder how these guys can turn it around. A physiological concept that everything must fail has set in. It doesn’t have to. This country has the best health care system in the world.”

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