



## Turnaround from Technical Default to Nationally Ranked Hospital: Gunnison Valley Health, Gunnison, CO

### THE SITUATION

A 180-degree turnaround followed by an upward surge. That's how CEO Rob Santilli describes Gunnison Valley Health's (GVH) experience working with CHC to address financial circumstances that came to a head in 2012. Following an unexpected steep decline in volumes, GVH recruited Santilli for change management and entrusted the financial and operational overhauls to CHC. The trust was well-placed, says Santilli: "We did a one-eighty and then shot straight to the sky by every measure of hospital strength and performance." Subsequently, the independent data firm iVantage Health Analytics ranked GVH among the Top 100 rural hospitals nationwide for Hospital Strength Index scores.

CHC assigned experts to each of our departments who quickly identified opportunities for improvement. We were off and running from Day One.

Rob Santilli, CEO  
Gunnison Valley Health, Gunnison, CO

### BACKGROUND

GVH is the sole comprehensive health system for Gunnison Valley and its surrounding areas in rural Colorado. Along with a 24-bed critical access hospital, GVH offers a family medicine clinic, a range of specialty care including a cancer treatment center, and senior services including a nursing home, assisted living, home care and hospice. "We're truly a necessary health system for this community. There's no other place to go," Santilli says.

GVH is near the Crested Butte ski resort and, consequently, more than 50 percent of diagnostic and surgical services are orthopedic in nature. Historically, this has brought to GVH a high commercial payor mix (above 50 percent) and strong positive margins. So, in 2012, when patient revenues fell unexpectedly – a full 6 percent below budget – the usually healthy financial picture turned south. GVH found itself in technical default for failing to satisfy bond covenants including cash-on-hand requirements. Acting fast, GVH selected CHC over two other national hospital management support firms to recommend and oversee immediate improvements and provide ongoing strategic support.





## THE PLAN

CHC Consulting, the management and consulting arm of CHC, “came in with counterpart experts and did a ‘sweep,’ as I call it, of all our departments,” Santilli says. All told, some 20 experts were deployed in the summer of 2012 to conduct a system-wide operational assessment of staffing, supply chain, revenue cycle, information technology, clinical quality, perioperative and other areas. The 90-page report with recommendations “was both daunting and reassuring — here were all sorts of opportunities to really turn things around,” Santilli says.

CHC Consulting, hospital executives and the hospital board then worked together to develop an action plan, carried out over the next year — in adherence with the lender’s timeline for covenant compliance — including:

- Hospital board educational retreat to bring strategic vision and new mission statement into focus
- Billing process improvements for better cash flow
- Supply spend analysis and contract recommendations to reduce supply costs
- Operating room inventory reduction to eliminate surplus and waste
- Improved consignment purchasing agreements, and other processes and protocols
- Implementation of CHC’s proprietary Productivity Tool to monitor labor expenses and maximize staff productivity
- Perioperative process improvement
- Implementation of a formal IT governance structure for operational efficiency and improved patient care
- Restarted and completed Meaningful Use Stage 1 attestation to offset the cost of electronic health record implementation
- Initiated 340B Drug Discount Program
- Leadership training and cultural change initiatives emphasizing structure, discipline and accountability for long-term success

## THE RESULTS

- Total net revenue is up 16.6 percent, or \$2.4 million
- Outpatient revenue growth of \$1.8 million
- Days’ cash on hand increased 78.6 percent, from 86 to 200+ days
- Debt service coverage ratio rose from 1.25 percent (a trigger for losing financing) to a robust 3 percent
- Discharged Not Final Billed for coding reasons decreased significantly for a gain of \$1,008,790
- Received approximately \$500,000 in Meaningful Use incentives payments (year 1)
- Decreased bad debt and other write-offs for a gain of \$283,000
- Improved use of swing beds for a gain of \$301,000

Moving forward, GVH seeks to “keep healthcare in the community” as much as possible, identifying with CHC several opportunities to serve its market including an orthopedics Center of Excellence and perhaps a high-altitude performance training center in partnership with an area college.

### About Community Hospital Corporation

Community Hospital Corporation owns, manages and consults with hospitals through three distinct organizations – CHC Hospitals, CHC Consulting and CHC ContinueCare, which share a common purpose of preserving and protecting community hospitals.

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