

Clovis Community Medical Center

Clovis, California

This hospital sought to complete a feasibility study for a \$300 million expansion and renovation of a hospital, which included the construction of a new bed tower with all private beds and expansion of the emergency department (“ED”).

Background

Clovis Community Medical Center (“CCMC”) is one of three hospitals in the Community Medical Centers (“CMC”) healthcare network in California’s Central San Joaquin Valley. To meet the area’s growing demand, CCMC needed to expand, and engaged GE Healthcare Camden Group to conduct a feasibility study to help determine the number of beds and ED stations that would meet the projected demand. Additionally, CMC needed to understand the financial impact of such expansion and capital deployment on CMC’s credit rating by testing various funding scenarios – operating cash flow, unrestricted cash, and new debt. The primary goal of the feasibility study was to ensure that the expansion and renovation project would be the right size to meet the current and future needs of the community, funded with the right mix of operating cash flow, unrestricted cash, and new debt proceeds.

Our Approach

Market Size Analysis

We projected the total size of the potential patient pool in the primary and secondary service areas in order to project demand for inpatient beds by service line and outpatient services. This entailed performing a market scan to identify market characteristics and relevant trends including population, ethnicity, socio-economics, payer mix, health status indicators, competitive and payer landscape, and recent changes to referral patterns. Interviews were conducted to support qualitative assumptions.

Utilization Projections

Based on the market size analysis, we produced baseline projections of beds needed by bed type, operating rooms, and emergency department stations.

Market Growth Scenarios

We conducted an on-site working session to review utilization projections and develop assumptions and phasing that drove service line projections for three scenarios: Most Likely, Conservative, and Aggressive. This was a real-time interactive process, and the scenarios involved variability in service line market share percentage and in-migration draw.

Financial Projections

Simultaneously, we built a financial model that the utilization projections fed into and produced income statements, balance sheets, and cash flow statements. Additional schedules included a sources and uses statement and project description with cost and timing of capital expenditures. The result was an analysis on key financial ratios such as operating margin, EBIDA margin, days cash on hand, maximum annual debt service, average age of plant, average annual capital deployment versus historical depreciation expenses, and debt to capitalization at the system level where the debt resided.

Computer Simulation Solution to Model Efficiencies (Optional)

While not utilized for this engagement; Hospital of the Future is a complex computer driven simulation solution developed by GE Healthcare to visualize future state physical environments and the constraints – conflicts that arise from space design. Whenever possible, this step should be included when considering a large capital project such as this. Case studies specific to this solution are available.

Results



Determined Number of Beds

As a result of our analysis, a 5-story bed tower with 141 new private beds was planned.

Determined Number of ED Stations

Guided the organization to convert 13 semi-private ED stations to 38 private stations.



Cash from Operations vs. New Debt Tested

Determined how much of the project could be funded from operating cash flow, unrestricted cash, and new debt to maintain or improve CMC’s credit rating.



Imagination at work

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