Marquette General Health System Experience

2008-2012

HFMA/ACHE Fall
Conference
October 13, 2017
Traverse City, MI

The Challenges - 2008

- $10 million operating loss
- $22 million loss from employed physician practice operations
- Technical default of existing bond covenants

  Note: Days cash within $1 million of absolute default
- Unfunded Defined Benefit Pension Plan ($60 – $70 million shortfall)

The Response - 2009

- Renegotiate bond covenants
- Rework employed physician contracts
- Operations improvement

Note: Although the 2009 operating margin results improved to positive $10 million, Marquette General Hospital still faced many challenges.

CFO Misery Index 2010-2011

- Declining Medicare reimbursement
- 2 % Sequestration reimbursement reduction
- Aging plant (over 20 years)
- Physician practice losses
- Unfunded Defined Pension Plan liability ($ 90 million)
- Technical default of bond covenants
- Declining days cash
- Union demands (pay, benefits, pension, staffing ratios)
- Declining inpatient census (4-6% reduction year to year)

The Process - 2011

- Prepare financial forecasts for different scenarios (best, most likely, worse case)
- Present financial forecasts to Board of Directors as part of annual strategic planning process and discuss short and long term implications

The Board Decision

To pursue a partnership with a larger Healthcare system

The Outcome - 2012

A negotiated sale of Marquette General Health System to Duke LifePoint

The Results

- Bonds paid
- Defined Benefit Pension Plan fully funded
- Working capital infusion
- Jobs preserved
- Technology updated
- Foundation established to support U.P. community health needs
- New Hospital to be built at new site

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