

Strategies & SOLUTIONS

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Divestiture: An Emerging Solution to Financial Underperformance

Divestiture, including terminating or selling business units or functions, is emerging as an increasingly attractive option for health care organizations in financial distress. While divestiture has historically been considered a "last resort," the size of current or expected future operating losses has compelled executives to reconsider the value of divestiture as a strategy for revitalizing the financial health of hospitals and systems.

Health Strategies & Solutions has advised many clients about divesting various types of programs and services. The most frequent divestiture targets for health care organizations, along with suggested solutions, are listed below.



Divestiture Targets and Solutions

- 1. Physician practices**
Reprivatize
- 2. Small (redundant) system hospital**
Sell, convert to other uses, or close
- 3. Behavioral health program**
Eliminate, cut back services, or partner with niche company
- 4. Wellness and health promotion**
Cut components without acceptable ROI
- 5. Outpatient clinics**
Eliminate low-volume clinics and marginal locations
- 6. Subacute care**
Significantly downsize or eliminate
- 7. Home care**
Reduce services/geography or merge with other programs
- 8. Nursing home**
Sell to or partner with nursing home company
- 9. Managed care plan**
Sell to or partner with insurance company
- 10. Small, peripheral, nonintegrated business units**
Terminate peripheral ventures; focus on core services

Catch Up with Us at Our New Site

Health Strategies & Solutions recently launched a new and improved website at hss-inc.com. We hope the new format and design will make it easier for you to use us as a resource for timely information on health care management and strategy.

Our new resource center now includes online access to our newsletters, most of our published articles, information on our books, and a speakers bureau. We have also added a new section called HSS Data Bytes that will highlight interesting health trends and data. A comprehensive list of recommended websites also appears in our resource center to give you easy access to health-related associations, government/regulatory sites, state hospital associations and departments of health, and health-related journals and publications.

If you have any questions about our new site or would like to provide us with some feedback, please contact Susan Arnold at sarnold@hss-inc.com or 303-841-7774.

continued

Off the Press

Recent Articles

"Other-than-Economic Models for Physician-Health System Partnerships," by Craig Holm and James Schroeder, M.D., May/June issue of *Journal of Healthcare Management*



"Getting Back to Basics: Restoring Financial Health through Divestiture," by Alan Zuckerman, July issue of *Trustee*

"Restructuring Employment Relationships between Health Care Organizations and Primary Care Physicians," by Craig Holm and Lou Glaser, July/August issue of *Journal of Healthcare Management*

"Is There a Future for Joint Operating Agreements?," by Alan Zuckerman, July/August issue of *Health Progress*

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Health Strategies & Solutions, Inc., is a national management consulting firm dedicated to helping organizations discover innovative strategies and solutions for today's complex health care challenges. Our staff has enabled hundreds of health care organizations across the country to address complex issues, make decisions that achieve lasting results, and set courses for success in the new millennium.

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