

MILLENNIUM GROWTH STRATEGIES

for Health Care

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Welcome to our new publication. . .

The "slash and burn" mindset of the 1990s has led many hospitals and health systems to overlook untapped niche service areas and targeted marketing opportunities that can provide new sources of revenue and improve community access to services. Health Strategies & Solutions, Inc., is helping clients explore opportunities for growth and revenue enhancement that can add significant levels of contribution margin and increase the productivity of existing assets.

This new publication will profile some of the more unique and innovative ideas we've been sharing with our clients. As always, we welcome your feedback as we explore the best strategies and solutions for the next millennium.

Growth and Revenue Opportunities in Occupational Health

Well-organized and comprehensive occupational health programs are a significant market opportunity for many hospitals and health systems. The potential size of the occupational health market depends on the size and type of industry base in the hospital's service area. An economy with a heavy base of industries such as manufacturing, construction, and transportation will have a much greater need for occupational health services than one with predominantly white-collar industries.

In one medium-sized metropolitan area with 1.1 million residents, 4,000 employers, and a broad mix of manufacturing and service industries, core occupational medicine services, including physicals, substance abuse screenings, and the treatment and follow-up care of work-related injuries, represented a \$22 million business opportunity.

Referrals that occupational health programs generate for other hospital services represent another significant revenue enhancement opportunity, with

indirect revenues from referrals sometimes surpassing the direct revenues generated by core occupational health services. For one hospital-based program, 14,000 direct visits annually to the corporate health program generated nearly 800 physical and occupational therapy referrals and over 400 referrals for other specialists and ancillary tests.

A 200-bed hospital in the Mid-Atlantic region with \$80 million in total annual revenues developed an occupational health program that was recently moved to a nearby hospital-owned ambulatory center with rehabilitation, fitness, and wellness services. This program is

projected to realize a 10% operating margin on direct revenues of \$1.6 million generated by 15,000 visits. Another occupational health program in this region is realizing operating margins of 25% on total revenues, including direct core services and indirect referral services to the hospital.

Given the low capital requirements for entry and today's relatively undiscounted reimbursement levels for workers' compensation in many states, most hospitals can quickly develop a profitable occupational health service or significantly expand an existing occupational health program. *continued*



Benefits of Occupational Health Programs

- Generate significant revenues and additional demand for hospital-based and physician services
- Provide a bridge from the hospital to the community
- Introduce employees to the hospital's medical staff and services
- Create an opportunity to partner with physicians concerned about the loss of occupational health business in their practices
- Achieve increases in demand by attracting new employers and maintaining good relationships with existing employers

Keys to Success

- Understand the needs of the employers in your area
- Develop programs with managers and clinicians who have demonstrated expertise in occupational health services
- Provide comprehensive, integrated, and highly responsive services that encourage area businesses to direct employees to your program



For more information on occupational health and other growth and revenue enhancement opportunities, please contact one of our directors:

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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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