

CRAIN'S DETROIT BUSINESS

Oakwood reports record results

Katie Merx. Crain's Detroit Business. Detroit: Apr 26, 2004. Vol. 20, Iss. 17; pg. 3

In the past five years, Oakwood Healthcare Inc. has shortened patient waiting times, cut employee turnover and changed the field on which hospitals compete. As a result, it posted record financial results in 2003.

Dearborn-based Oakwood reported gross operating income of \$19.6 million on revenue of \$811 million last year. The total take was more than six times the hospital's gross operating income just two years ago.

Oakwood President and CEO Gerald Fitzgerald says the system is not done yet. He's aiming for the best patient-satisfaction rankings in the nation, bigger profit margins and a larger share of the market.

The health system started a serious restructuring effort in the past five years. It closed 500 hospital beds, shifted staff and sold its piece of a managed-care plan.

Then the health system made promises to see emergency room patients in 30 minutes or less, get patients in for "I-feellousy" doctors appointments within 48 hours and make sure every woman who comes in for emergency care also gets screened for heart disease.

"We started trying to offer the best care," Fitzgerald said. "We set expectations and measures of when we wanted to be where we wanted to be."

And so far, he said, it's been successful.

"We've gained tremendous market share," Fitzgerald said. "We're improving satisfaction levels among patients, employees and our doctors."

Oakwood's share of the Dearborn, Downriver and western Wayne County market grew to 39 percent in 2003 from 35 in 2001, Fitzgerald said. He wants to hit 50 percent in the next couple of years, and has set annual growth goals of 4 percent to 5 percent.

The nonprofit hospital corporation also boosted operating profits.

The \$19.6 million in gross operating income in 2003 compares with gross operating income of \$11.9 million on revenue of \$745 million in 2002 and gross operating income of \$3.1 million on revenue of \$666 million in 2001.

Some of Oakwood's operating practices have become models for other local health care companies.

In 2000, Oakwood promised that emergency-room patients would see a doctor within 30 minutes or receive an apology and compensation for the wait. Others in health care smirked and rolled their eyes.

But it was a hit with patients. In the first year of the program, Oakwood reported an increase in total emergency visits to 188,000 from 166,000.

So the hospital instituted a strict surgical starting-time policy, offered room service any time of the day, began same-day or next-day doctor's appointments and reduced the waiting time to get a mammogram.

In March, the health system launched a program in which it will screen every female emergency-room patient between ages 40 and 70 for heart disease.

"I would say the most important thing they've done is improving their waiting times. Many people will go to a place because they think they won't have to wait," said Vernice Anthony, president and CEO of the Greater Detroit Area Health Council.

Warren-based St. John Health is working on cutting down the turnaround time for operating rooms and increasing the speed of admitting patients from the emergency room. Detroit-based Henry Ford Health System has cut the time it takes to move patients from the emergency room to inpatient beds. St. Joseph Mercy Macomb has instituted a 30-minute guarantee for emergency visitors. The Detroit Medical Center is aiming to see emergency patients in 29 minutes.

"We have created expectations that weren't there before," Fitzgerald said.

In satisfaction surveys, 93 percent of patients now say they are at least very satisfied. About 55 percent of patients said Oakwood's service was excellent, up from 49 percent in 2001. But Fitzgerald wants more. To be the best in the country, the health system needs 67 percent of patients ranking the system's service excellent. That's the eventual goal.

To help it get there, Oakwood has turned to its neighbor, The Ritz-Carlton in Dearborn, for work-force training. The Ritz is teaching health-system employees the finer points of customer service.

The system's surveys say it's improved employee satisfaction in the process. Employee satisfaction rates were 70 percent in 2003, up from 48 percent in 2000, the system reported. "We're giving them education, giving them support," Fitzgerald said.

They're also giving them a share in the improved operating results. Oakwood employees received performance bonuses for the first time at the end of 2003.

Nursing staff turnover fell to 9.2 percent last year from 12.6 percent in 2002. The 2004 goal is 8 percent, Fitzgerald said. The eventual goal: 7 percent nursing staff turnover.

To keep improving and drawing more patients, the health system is spending \$200 million to add:

- * An 160,000-square-foot surgical addition at the main hospital.
- * An outpatient surgery center and medical office building.
- * \$40 million in technology improvements.
- * \$30 million in upgrades and renovations at Oakwood Annapolis Hospital.
- * \$25 million on improvements at Oakwood Southshore Medical Center.

At the same time, the health system is aiming for a 1.8 percent operating margin this year, up from 1 percent, Oakwood CFO Ben Carter said.

"We've raised a little excitement and the patients are benefiting from it," Fitzgerald said.