

Tower Health Improves Annual Operating Performance by \$180 Million with Support from Guidehouse

Health system achieves credit agency outlook upgrade following six-month financial turnaround and maintains commitment to quality, after tripping bond covenant

“Tower Health has made rapid and significant progress in turning around our operational performance since bringing Guidehouse on board. By prioritizing our top performance opportunities through process redesign and skill building, we have repositioned the organization so we can continue to service our community’s health needs with excellence.”

P. Sue Perrotty, President and CEO, Tower Health

Challenge

In late 2020, Tower Health, a regional, integrated healthcare provider/payer system with six hospitals and other entities serving 2.5 million people, faced a critical downturn following its acquisition of several hospitals and the rise of the COVID-19 pandemic. The health system posted a FY 2020 operating margin downturn of 19.3% and \$378 million in lost operating income, primarily due to the significant cost of electronic health record implementation, the acquisition of smaller community entities, and the financial and operational impact of the pandemic.

As a result, Tower Health’s long-term debt service ratio fell below required levels and the organization tripped its bond covenant. Furthermore, the health system’s operating cash flow margin was -10.1%, mainly driven by a one-time \$18 million cost associated with severance and unemployment.

Solution

Tower Health required the execution of a comprehensive financial and operational turnaround to ensure its ability to meet the needs of its community. The health system hired Guidehouse to help achieve this level and pace of change while maintaining its culture of and commitment to quality and service.

Together with Tower Health’s leadership team, Guidehouse launched a system-wide

turnaround initiative. The objective was to strengthen the health system’s financial performance by impacting its bond rating and credit quality, and to support Tower Health’s mission to provide high quality, patient-centered care.

The collaborative work effort focused on assessing and implementing rapid results to accelerate the pace of change. It encompassed a rigorous enterprisewide initiative to implement people, process, and infrastructure improvements that would enable the system to continue to deliver exceptional care and remain relevant in the future.

The following five action steps have been critical components of Tower Health’s success:


1. Working closely to enable best practices and allow Guidehouse to act as a trusted advisor
2. Instilling a culture of accountability and transparency to accelerate tough decisions and optimal change
3. Building skills, transferring capabilities, and redesigning processes to sustain success
4. Focusing relentlessly on measurable results and outcomes to address issues in real time
5. Deploying SWAT teams to rapidly implement financial and operational improvement initiatives

Result

In just six months, Tower Health realized nearly \$180 million in financial and operating performance annualized run-rate improvements.

Additionally, in October 2021, Fitch Ratings upgraded Tower Health’s outlook to stable based on material improvements on “operating income levels, combined with meaningful steps by senior management to divest underperforming assets and place Tower Health on a more strategically viable path going forward.” Fitch also suggested it “expects further progress and stabilization of both Tower Health’s operations and strategy” in the future.



 [linkedin.com/showcase/guidehouse-health](https://www.linkedin.com/showcase/guidehouse-health)

 twitter.com/guidehouseHC