



Friday, May 1, 2009

WellStar plans \$800M health-care expansion

Atlanta Business Chronicle - by [Urvaksh Karkaria](#) Staff writer

WellStar Health System Inc. plans to invest up to \$800 million over the next decade as it broadens its physician and clinical services footprint.

The investment — phased over three stages — includes the construction of a 100-bed replacement hospital in Hiram and a \$14 million outpatient campus in Acworth, WellStar CEO Greg Simone said.

Executing and paying for the project will be a challenge amidst swooning reimbursement, a blurry regulatory picture and squeezed credit markets.

The new \$100 million hospital, which will replace a 50-year-old facility in Dallas, Ga., will be environmentally friendly and virtually paperless, Simone said. WellStar expects to get regulatory approval for the hospital early next year, with an opening scheduled for early 2013.

The Acworth outpatient campus will initially include physician offices and an imaging and diagnostic center.

Plans also call for a \$120 million overhaul of the IT infrastructure — including a new data center and hardware and software upgrades.

The tech investment will include an electronic medical record system, which will help WellStar track patients' medical histories, improve patient care, and reduce errors and duplicative tests.

The IT investment will standardize and automate billing and other business processes, and eliminate waste and redundancy, said Chris Kane, WellStar's senior vice president of strategic planning and business development.

"Exceptional technology will create a preference for WellStar among physicians, employees and patients," Kane said.

WellStar's growth strategy hinges on increasing market share and adding new revenue streams, Simone said.

WellStar is in a competitive sweet spot — with a strong brand and a high-growth market, said Dan Beall, partner at Roswell-based health-care advisory firm **The Strategy House Inc.**

The health system, which employs more than 11,000 and operates five hospitals, serves Cobb, Douglas, Paulding, Cherokee and Bartow counties. The population of that market is expected to grow about 13 percent to about 1.4 million by 2013.

While WellStar faces competition in each of its markets from established health systems, none of them have a large share of the market.

“It’s a very competitive market,” Kane said, “but it’s not attributable to any single competitor.”

WellStar will focus on beefing up its 430-plus medical group — billed as the largest non-academic medical group in Georgia — through acquisitions and partnerships.

“Physicians remain the key channel for driving growth and increasing market share,” Kane said.

The health system will also add more doctors’ offices and outpatient centers in its service area — delivering care closer to where patients live.

“We’d like to have a primary-care physician within a 15-minute drive of about 80 percent of our potential customers,” Simone said. “And, we want to have specialists within a 30-minute drive.”

Acquiring physician groups is relatively inexpensive for hospitals and makes strategic sense, Beall, the consultant, said.

“It locks the physician into the hospital,” he said. “It creates some loyalty there.”

The strategy also reduces the risk of doctors competing with the hospital by opening an outpatient surgery center, Beall said.

On the clinical side, WellStar plans to grow several service lines, including cardiology, orthopedics, women and babies, oncology and surgical specialties.

“We’re already very strong in these areas,” Kane said. “It’s a question of refining and deepening.”

WellStar’s choice of strategic service lines is not likely to differentiate the health system from competitors, who are also focusing on those high-demand, high-margin services, Beall said.

WellStar, which has more than a 50 percent share of its five-county market, has navigated the choppy waters better than some of its peers.

More than six out of 10 Georgia hospitals have had to, or were considering, reducing staffing, according to a **Georgia Hospital Association** survey in January. More than one out of three hospitals have had to, or were considering, reducing services.

Emory Healthcare halted plans for a \$1.5 billion makeover of its two health-care campuses and Children's Healthcare of Atlanta iced plans for a \$100 million hospital in Forsyth County. **Grady Memorial Hospital** axed 150 jobs in March and **Piedmont Healthcare** cut about 300 non-clinical jobs in the past year.

WellStar has avoided job cuts by reassigning workers, squeezing operational inefficiencies and renegotiating supplier contracts, Simone said. The health system, for instance, has eliminated expensive contract nurses.

"Kennestone [hospital] alone, when I got here," Simone said, "was spending \$1 million a month on contract nurses."

While WellStar can plan for future demand, it is harder to plan for reimbursement shifts and uncertain physician supply.

"That's an issue that they can't control as directly," said Brad Guest, principal at **BDC Advisors** LLC, a health-care consulting firm.

"The risk could be that the reimbursement world looks different," Guest said. "It's kind of like hiking with a compass that all of a sudden has north pointing to a different direction."

Economic uncertainty, coupled with health policy shifts from Washington, could affect WellStar's decade-long strategic vision, Simone conceded.

"We don't know where the health-care system is going in the future," he said. "We just have to be flexible enough to be able to be the most adaptive [entity] in the marketplace."

By the numbers

WellStar Health System Inc. plans to invest up to \$800 million over the next decade.

\$100 million — Replacement hospital in Hiram

\$120 million — Information technology upgrade

\$14 million — Imaging center and physician offices at Acworth outpatient campus