

NOBLIS INSIGHTS PANEL SURVEY RESULTS

Capital Allocation Processes Could Be Improved

Health Innovation

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In May 2009, Noblis surveyed members of the *Noblis Insights Panel* about their organizations' capital allocation processes and use of evaluation criteria to assess capital expenditures.

SURVEY PROFILE

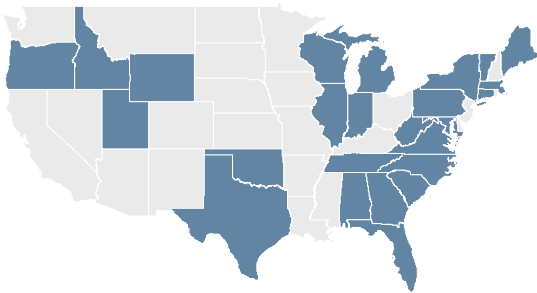
51 Total Participants

20	39%	CEO/COO/CFO
16	31%	VP/Other C-suite
2	4%	CMO/VPMA
13	26%	Manager/Director

96 Percent Are Hospitals

Hospital	49
Post-acute Provider	1
Physician Organization	1

26 States Represented



82 percent have 200+ beds¹

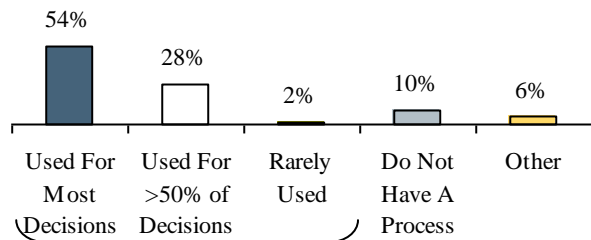
<100 beds	3
100-199 beds	5
200-499 beds	18
500+beds	24
NA	1

¹Number of beds for multi-hospital systems includes all the acute care beds in the system

KEY FINDINGS

- Four out of five respondents have a structured capital allocation process with explicit evaluation criteria that is used for more than half of capital decisions.
- Only one-quarter of respondents are very satisfied with their current allocation process and evaluation criteria.
- Nearly half of respondents have made changes to the process as a result of the economic crisis.
- Just 25 percent reported deep involvement by the Board in the process.
- Only half feel that physicians believe the capital allocation process is fair and appropriate. One in six (17 percent) don't know.
- A wide variety of criteria are used by health care organizations (41 in total cited by respondents), however, five top the list as most important: return on investment/projected profitability, total market opportunity, impact on quality of clinical care, competitive market position, and documented community need.

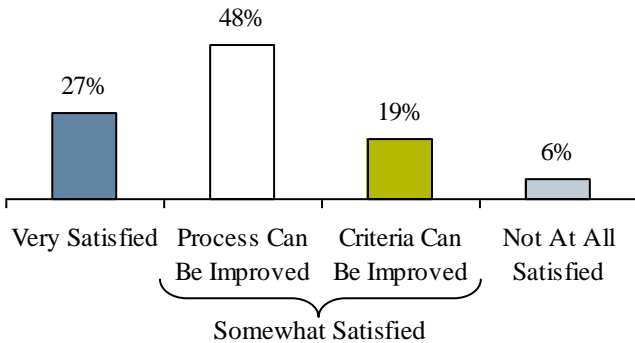
HALF HAVE A STRUCTURED CAPITAL ALLOCATION PROCESS WITH EXPLICIT EVALUATION CRITERIA THAT IS USED FOR NEARLY ALL DECISIONS



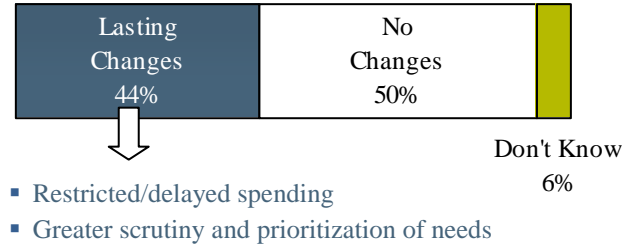
80% have a process

But, more than 72 percent acknowledged the process is influenced by other factors (power of requester, politics, etc.)

NEARLY THREE QUARTERS ARE LESS THAN VERY SATISFIED WITH THEIR CURRENT CAPITAL ALLOCATION PROCESS

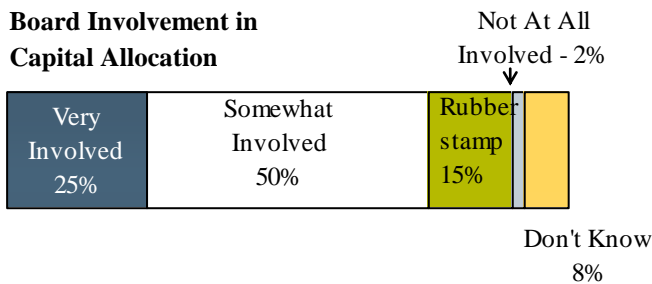


NEARLY HALF HAVE MADE CHANGES TO THE CAPITAL ALLOCATION PROCESS AS A RESULT OF THE CURRENT ECONOMIC CRISIS



ONLY ONE QUARTER FEEL THAT THE BOARD IS VERY INVOLVED IN THE CAPITAL ALLOCATION PROCESS

Board Involvement in Capital Allocation



73 PERCENT AGREE THAT PEOPLE THROUGHOUT THE ORGANIZATION KNOW HOW CURRENT ALLOCATION PROCESS WORKS – BUT ONLY HALF AGREE THAT PHYSICIANS VIEW THE CURRENT ALLOCATION PROCESS AS FAIR AND APPROPRIATE

Knowledge and Opinion of Capital Allocation Process	Strongly/Somewhat Agree	Strongly/Somewhat Disagree	Don't Know
People throughout the org. know how the process works	73%	27%	0%
Our physicians view the process as fair and appropriate	50%	33%	17%

ORGANIZATIONS USE MANY CRITERIA – BUT FIVE TOP THE LIST

**Respondents Listed 41 Different Criteria for Capital Allocation
14 Criteria Are Used by At Least 50% of Respondents (listed below)**

Market Attractiveness	▪ Total market opportunity (volume not captured)	▪ Outpatient size
	▪ Competitive market position	▪ Total market size (volume)
Financial Impact	▪ Return on Investment/Projected profitability	▪ Capital requirements
	▪ Payback period	▪ Financial/legal risk
	▪ Contribution margin	
Community/Organization	▪ Enhances quality of clinical care	▪ Enhance patient satisfaction
	▪ Meets community need	▪ Enhance access
	▪ Enhance phys/hosp alignment	

Top Five Criteria Chosen by Respondents

1. Return on investment/Projected profitability
2. Total market opportunity
3. Enhances quality of clinical care
4. Competitive market position
5. Documented community need

AUTHORS

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The *Noblis Insights Panel* consists of more than 150 healthcare executives across the U.S. Please contact healthinnovation@noblis.org with any questions about this study, suggestions for future surveys, or to become a member of the *Noblis Insights Panel*.