

Client Value Study

Correctional Medical Services, Inc.

Brief Overview

Correctional Medical Services, Inc. (CMS), is a \$750 million private provider of health care services to nearly 300 correctional facilities. It was founded in 1979 to bring quality, cost-effective care to incarcerated patients, and was a portfolio company of both Madison Dearborn Capital Partners and Beecken Petty O'Keefe and Company. As a contractor for 13 statewide correctional systems—more than twice the number of its closest competitor—CMS is the undisputed leader in its market, serving 270,000 patients.

But in 2006, the company found itself in a challenging situation. With contracts typically ranging from \$10 million to \$75 million and detailed information on inmate populations scarce, the stakes were high and the bidding process was tricky. To further complicate matters, the Chief Financial Officer position had been vacant for six months, due in part to the challenge of finding the right skill set for a complicated industry.

The executive search consultant assigned to fill the vacancy recommended Tatum to provide a fresh perspective and a better approach to

managing limited information. With the Tatum Interim Chief Financial Officer came long experience with managed health care, ambulatory care, hospital and physician groups.

Results

The first priority was to develop a more strategic approach to the RFP process. In the past, RFPs had been cost-based, with pricing built up from all the line-item costs of care required/per total number of patients. Tatum developed an updated model that identified key variables such as inmate age, nursing staff ratios and chronic disease in the population that could affect medical costs, as well as factoring in data on competitive pricing.

“Tatum helped us organize information to see our business better, particularly to focus on early identification and management of disease to help improve quality and lower the cost of care,” said Dick Miles, chief executive officer of CMS parent company, Valitäts Health Services, Inc.

“We’re now more proactive in identifying and treating chronic disease. By monitoring and treating high-risk patients earlier, we can provide more effective

“Beyond the analytical component, our Tatum CFO quickly became a trusted member of the CMS team.”

Dick Miles, Chief Executive Officer, Valitäts Health Services, Inc.



SITUATION

CMS RFP pricing model was not as comprehensive as it needed to be.

TATUM SERVICE

Tatum CFO Services:

Tatum developed an updated pricing model that can rapidly turn around multiple scenarios based on strategic issues, such as patient population data and competitor pricing. Better information enabled CMS to more proactively identify and treat chronic disease and provide quality care while keeping costs down.

SITUATION

CMS had done preliminary work toward building a clinical business analytic system, a project which, if completed, would have cost the company millions.

TATUM SERVICE

Tatum CFO Services:

Tatum performed a comparative study of the company's needs and recommended a far more cost-effective third-party system with powerful reporting on how healthcare dollars are spent and managed.

SITUATION

Finance staff morale was low, and relationships between CFO suite and operational side of the business were somewhat adversarial.

TATUM SERVICE

Tatum CFO Services and Financial

Leadership Mentoring:

Tatum outreach program of regular meetings between CFO and clinical team served to rebuild the relationship and establish the Office of the CFO as a partner in achieving the company's goals.

“Tatum participated in the turnaround of key contracts, and we went on to have the best year in our history. Thanks in part to their services, we were able to attract new equity partners and are strategically positioned to move forward.” Dick Miles, Chief Executive Officer, Valitás Health Services, Inc.

preventive care that is better for the patient and more cost-effective for the healthcare system. Everyone would rather have early-intervention care than require a trip to the Emergency Room,” said Miles.

CMS trusted Tatum to play a significant role in rebidding one of CMS’ largest contracts, working collaboratively with the existing team, helping the company analyze its competitive position and getting the key metrics to win the business. “Tatum brought value to the engagement from day one,” explained Miles. “Tatum provided industry knowledge and expertise that we didn’t have, plus access to colleagues nationwide to provide expertise on specific financial issues we needed resolved quickly. Beyond the analytical component, our Tatum CFO quickly became a trusted member of the CMS team.”

During the course of a six-month engagement, Tatum also implemented contracts with industry-standard terminology, coding, payment terms and adjudication, and finalized selection of a comprehensive claims and utilization management information system. In addition, the Tatum Interim CFO conducted a comparative study of third-party healthcare informatics systems and ultimately led selection and implementation of a package

that cost a fraction of what CMS had planned to spend.

“Prior to the engagement, CMS was looking at a number of business analytical tools and even considering building our own system,” continued Miles. “Tatum brought clarity to that process and was instrumental in leading us to a solution better-suited to our needs—for less than half the multi-million dollar price we had anticipated paying.”

Beyond providing powerful reporting on how healthcare dollars are spent and managed, the system allows CMS to predict at the inmate level what future healthcare costs would be based on clinical metrics. It also facilitates early intervention to contain costs.

At a time when CMS was experiencing one of its most challenging years in recent times, Tatum services proved to be just what the doctor ordered. These days, the company is in robust health.

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