Profile Richard K. Rothberger

Committed CFO brings renewed financial vitality to the previously ailing Scripps Health system

By Arthur Lightbourn

Richard Rothberger is a studious-looking man.

Six-foot-one, (maybe six-two depending on the day) 180 pounds, with glasses and neatly trimmed gray hair.

He believes if you make a commitment, work hard, use good judgment and can "be yourself" in your job, you can achieve anything you set your mind to.

The proof is in the proverbial pudding.

Rothberger, a Carmel Valley resident and father of two sons, is corporate executive vice president and chief financial officer of Scripps Health, San Diego's $2 billon nonprofit community-based health network of four hospitals, 10 ambulatory clinics, nine medical centers and a cadre of home health care services, treating in total nearly 500,000 patients annually.

Eight years ago, Rothberger joined a financially in-trouble Scripps Health that was hemorrhaging at a rate of $15 million a year. Its former embattled CEO had resigned a year earlier after a no-confidence vote of its hospitals' executive committees; and had been replaced by current CEO Chris Van Gorder who went to work assembling a new management team.

Rothberger became a key member of the new team. As CFO of Mercy Healthcare Sacramento, he had orchestrated a $30 million financial turnaround. He was hired by Van Gorder in August 2001, with a mandate to perform a similar resuscitation for the financially ailing Scripps.

And resuscitate it he did.

As of this year, Scripps Health reports a $115 million turnaround from annual operating losses of $15 million that began in 1999 to a current operating margin of $100 million (cost of providing care versus reimbursements from private and government insurance plans) that has been sustained for the past five years.

The dramatic rebound has earned Scripps A+ bond ratings from Standard & Poor's and Fitch and an A1 rating for Moody's.

But it's not just all about money.

It's been accompanied by a "cultural" turnaround that brought Scripps national honors as the 2008 Top Leadership Team in Healthcare for large hospitals and health systems from HealthLeaders Media and for the second year, in 2009, was voted by Fortune magazine as one of America's 100 best companies to work for.

And restoring its financial health allowed Scripps to advance patient care by opening four new clinics, and, in 2008, injecting more than $287 million in community health benefit programs; bolstering morale among its 12,700 employees by improving benefit and retirement packages and education opportunities; and bettering communications with its 2,600 affiliated physicians.

"We are basically spending the money that we are earning to improve access and bring state-of-the-art care into the community," Rothberger said.

In recognition of his remarkable financial achievement, Rothberger was named CFO of the Year in the "large, not-for-profit" category of *San Diego Business Journal's* 2009 CFO of the Year Awards.

We interviewed the 59-year-old executive in his office at Scripps Health's corporate center on Campus Point Court in San Diego.

Rothberger was born in Brooklyn, New York, and grew up in the nearby borough of Queens. His father was a salesman. His mother was a secretary with the New York City School system for 30 years.

Asked how he might describe his personality, he said, "Collaborative." (Pause) "Outgoing." (Another pause) "And compassionate. I'm probably unusual for a money guy in terms of style. I'm able to sense other people's issues.

"I think that's [attributable to] DNA, genetic," he ventured.

Growing up, he also realized he had a gift for mathematics. "So I thought I'd be doing something with numbers and I always wanted to help people and I thought health care would be a good opportunity…where I could apply the problem-solving skills I had to help people."

In 1972, he earned a B.A. in mathematics from Queens College, City University of New York; and, in 1975, a master's degree in industrial engineering/health systems from Northeastern University followed by an internship at Massachusetts General Hospital as an industrial engineer "learning how things work from the inside out."

He met his future wife, Joy, in a Boston coffee shop in Harvard Square while listening to classical guitar music.

Later, after working briefly as a civilian operations researcher for the U.S. Army, he joined a small health care consulting firm, CSF Ltd., out of Ann Arbor, Michigan, and traveled extensively to hospitals throughout the Midwest, South and Canada as a consultant in performance improvement.

"The only thing I didn't care for was the travel and my wife and I wanted to move west…

In November, 1978, he joined Mercy Healthcare in Sacramento, a two-hospital system that grew to seven hospitals and in 1987 was acquired and became Mercy Healthcare Sacramento, a division of Catholic Healthcare West (CHW).

After serving 19 years as a "problem-solver" in a "recommending role" in various senior management positions, including that of director of management engineering, in 1997, he was appointed senior vice president and CFO in a "decision-making role."

And he discovered he really enjoyed the challenge.

But when the parent organization, CHW, centralized the senior management of all its regional divisions into San Francisco, Rothberger, after 23 years of service, decided it was time to move on.

He had been credited with positioning Mercy Healthcare Sacramento as one of the top-performing divisions within CHW before leaving in 2001 to help Scripps solve its financial problems.

"Scripps was a high profile organization with a great need and not a lot of transparency around the sharing of information," Rothberger recalled of his introduction to Scripps. "So I had a really tough time getting the financials. There were no bond ratings on Scripps. Scripps was off the radar screen."

Why?

"I think it was the historical pattern of Scripps — having a great name, a lot of donors, and focusing on strong investments and good philanthropy — but not really focusing on operations."

Scripps' former CFO had left months earlier before Rothberger arrived on the scene.

The first thing Rothberger did was assess the situation.

He discovered: "There was no leadership for the revenue cycle, which was the billing. They were looking at an outside firm to do the billing. The supply chain, which is the purchasing, was outsourced to the distributor. And we were basically not paying attention to the basic marketing tactics required to run a health care system.

"We were heavily involved in risk-based contracting where the hospital system was taking all the [financial] risk, not the health plan."

The hospital system [the provider] was paid a flat amount per patient per month [from the insurance companies] to take care of all the patients' needs.

"And the system wasn't set up to manage under that type of rigor, where the more we prescribed the more we lost," Rothberger said. "And the physicians were focused on doing what's best for the patient, not necessarily putting systems in place to manage the care. So we were heavily in managed care, but not managing care. The losses were huge.

"It was a rocky start," he recalled, "because I got here on Aug. 13 and 9/11 hit a month later. The economy got rocked. We hit a real bear market so investments started to hurt. Access to credit for borrowing was low. Federal deficits were increasing due to the war. And we were concerned about Medicare cutbacks, similar to what we're concerned with today."

Richard K. Rothberger
Photo/Jon Clark

Rothberger said Scripps had a lot of bright people on its management staff, "but they were focused on hundreds of initiatives. And everybody was rowing in a different direction.

"I knew it was time to get focused," he said.

The management team pared it's "to do" list to 100 projects.

Not good enough.

"There was some reluctance. Who is the new guy on the block? And is this thing going to work? But people realized you had to align behind some type of a theme and a leader if you want to try to make improvements because the status quo is not going to be acceptable.

"So we actually agreed that we would focus on what we called 'The Top Ten.' We took everything that was non-essential off the table."

They delayed finalizing a budget for a couple of weeks to come up with a tighter budget. CEO Chris Van Gorder got the chief executives of each of the hospitals to sign commitments that they would meet the budget targets.

"You can miss once," Van Gorder told his team, but "you won't be here to miss twice."

Rothberger said he had "support from a very strong-willed CEO who really gave me the autonomy to set the stage for what needed to occur."

Almost immediately, the turnaround began, resulting in a $9.7 million gain in 2002 followed by a $8.7 million gain in 2003, "but it was clear it wasn't enough; we had huge capital needs…and making $10 million a year was not going to do it."

Rothberger moved the organization away from risk contracting in 2004 to a fee-for-service contract basis with insurance companies; renegotiated all of its supply contracts item-by-item and began buying in bulk at better prices; accelerated cash and reduced days in accounts receivable from insurance companies by 20 percent; and sold off two skilled nursing facilities and non-core real estate to infuse cash into the system.

He also increased the visibility of finance within the organization and engaged the board, physicians and senior leadership with a visibly transparent and collaborative style.

"In 2005, the earnings went to $80 million and by 2006 they were up to $100 million," Rothberger said, "and similarly in 2007, 2008, and 2009."

In his own staff of people reporting directly to him, he was able to consolidate positions and "move people into areas where they can excel," thereby reducing his direct-reporting staff from 20 to the current number of nine.

"And I think we've got a very, very strong team now," he said.

The focus for the future?

"One is Medicare and Medicaid are going to be cutting back because of the federal and state budget problems… So we are vigorously focused on performance improvements to reduce costs because the revenue side is limited.

"There's a limit on what we can pass onto the consumer because the consumer doesn't want to pay any more — and we have an increasing number of uninsured patients.

"So I've got the balancing between federal budget and state budget deficits, increasing unemployment and uninsured, the need to continue to cut costs and provide good service and at the same time build a new hospital."

Scripps is proposing a $2.3 billion facilities and technology upgrade and expansion plan over the next decade to be funded through a combination of operating revenue, philanthropy and borrowing.

"It's going to keep me busy," Rothberger acknowledges. "When I wake up in the morning, I know exactly what I've got to do."

Quick Facts

Name: Richard K. Rothberger

Distinction: Executive vice president and CFO of Scripps Health and credited with navigating Scripps' $115 million financial turnaround since he was hired in 2001. Recently named CFO of the Year by the *San Diego Business Journal* in its "large not-for-profit" award category.

Resident of: Carmel Valley

Born: Brooklyn, New York, 59 years ago

Education: B.A. in mathematics from Queens College, City University of New York, in 1972. Master's degree in industrial engineering/health systems, Northeastern University, 1975.

Family: He and his wife, Joy (nee Ginsberg) have been married 32 years. They have two sons: Eric, 22, a recent UCLA graduate; and, Brett, 16, a student at Westview High School in Rancho Peñasquitos.

Interests: Family and sports. Has season tickets for the Padres, goes to Chargers' games. "And my wife's family has an ownership interest in the Boston Red Sox and I've been a Red Sox fan since I was a child."

Recent Reading: *Red Sox Rule: Terry Francona and Boston's Rise to Dominance,* by Michael Holley.

Philosophy: "If you make a commitment, work hard and use good judgment, you can be very successful. I try to instill that in my children as well. And have a passion for what you do. Have your vocation be you avocation…When you can be yourself, in your job, no one can stop you."