Session Objective

Explain the major types of organizations that deliver health services, and understand ownership types and a framework for comparing organizations
- Hospitals
- Ambulatory Care
- Long Term Care

Health Care Organization

- Delivers health care services
- Assumes financial risk for delivery of services
- Functions as a business

A System: Health Care Organization

Inputs (resources)
- Doctors/Nurses
- Staff
- Equipment
- Facilities
- Computers

Processes
- Services to patients
- Admissions
- Visits
- Surgeries

Outputs
- Feedback

External Factors
- ACA law of 2010 (health reform)
- Increased accountability
- Medicare/Medicaid provisions

U.S. Health System

Inputs
- Hospitals
- Clinics
- Nursing Homes
- Labs
- Other

Processes
- Services
- Admissions
- Visits

Outputs
- Health outcomes
- $$$$$

External Factors
- ACA law of 2010 (health reform)

IOM Report

September 2012

www.iom.edu
See “Reports” link
Health Spending in U.S.

~ 83% Personal Health Services

~3% Government Public Health

% of Total Health Expenditures, 2011

<table>
<thead>
<tr>
<th>Percent</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>31%</td>
<td>Hospitals</td>
</tr>
<tr>
<td>20%</td>
<td>Physicians/Clinical Services</td>
</tr>
<tr>
<td>10%</td>
<td>Prescription Drugs</td>
</tr>
<tr>
<td>5%</td>
<td>Nursing Homes</td>
</tr>
<tr>
<td>5%</td>
<td>Dental</td>
</tr>
<tr>
<td>3%</td>
<td>Home Health</td>
</tr>
</tbody>
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Private versus Public Health Services

- Difference – private health services
- Private health services operate as a business
  - Pursue strategies to provide more service to increase revenue
  - Not rewarded for providing care as efficiently possible

Hospital Ownership, 2010
(Source: Hospital Statistics, 2012)

Florida Hospital Ownership, 2010
(AHA Hospital Statistics)

Order of Priorities

For-Profit                     Public
Cost                           Access
Quality                        Quality
Access                         Cost
PRIVATE FOR-PROFIT

For-profits – owned by individuals or shareholders

For-profit entities are prevalent in health
  – Pharmaceutical companies
  – Health insurance plans
  – Most nursing homes

FOR-PROFIT ENTITIES

Goal is to achieve a return on investment
Pay taxes on these profits
Pay dividends to owners or shareholders
Are not created for charitable mission
  – Often contribute to charitable causes

PRIVATE Not-for-Profit (NFP)

Governed by IRS Section 501(c)(3)

For hospitals - major requirement to benefit indigents as financially able to do so
  – How quantified?

NFP – Use of Retained Earnings

Retained earnings ("profits") are reinvested in organization
Profits cannot "inure" to the benefit of an individual

NFP - TAX EXEMPT STATUS

Federal income tax
State income tax
Sales tax
Property tax

PUBLIC HOSPITALS

Businesses (different from health agencies as choose to use or not use)
Serve community
Provide access to poor persons
Often teaching hospitals
Decreasing in number
**Safety Net Hospital**

- Provide a significant level of care to low income, uninsured and vulnerable populations
- Committed to provide access to those with limited or no access to health care

**Florida Safety Net Hospitals**

- 14 safety net hospitals
  - 10% of hospitals
  - Provide 50% of charity care
- Safety Net Hospital Alliance of Florida
  - www.safetynetshospital.org

**EMTALA**

Emergency Medical Treatment and Active Labor Act

- Federal law requires all hospital emergency departments to treat emergencies and women in active labor
- Non-emergencies require a screening visit only (to assure the condition is not an emergency)

**DIFFERENCES FROM OWNERSHIP**

**PUBLIC**

- Commitment to a specific community
- Commitment to product lines
- Emphasis on value

**FOR-PROFIT**

- Lack of a commitment to a specific community
- No commitment to product lines
- Integrate financing constraints

**Private Not-for-Profits**

Similar to Public
- Commit to specific communities (greater flexibility in expanding or contracting)
- Commit to product lines (may add or divest)

Similar to For-Profit
- Integrate financing constraints

**Point of Contention**

- Concern – Are not-for-profit hospitals providing adequate charity care and community benefit to justify their tax exemption?
- Internal Revenue Service (IRS)
  - Requires hospitals to report charity care and other community benefits beginning with 2009 year
Charity Care Revealed

- Half of non-profits analyzed
  - 1,800 hospitals
- Charity care = 1.52% of hospital expenditures (median)
  - 7% of hospitals provided >5%
- Unpaid share of Medicaid (federal/state welfare program) = 3% of expenditures

Mintzberg’s Basic Parts of Organizations

- **Strategic Apex**
  - Individuals who establish the strategic direction and policy for an organization
  - Governing Board or owners (if applicable)

- **Operating Core**
  - Those who do the basic work of the organization
  - Physicians, nurses, technologists, and therapists

- **Middle Line**
  - Managers located between the operating core and strategic apex
  - In hospitals, includes department heads

- **Support Staff**
  - Support staff provide indirect services
  - Fundraising, marketing, finance, legal counsel
**Hospital Organizations**

- Board of Directors
- Chief Executive Officer
- Vice Presidents
- Medical Staff
  - Nurses
  - Physical Therapists
  - Occupational Therapists
  - Speech-Language Therapists
  - Audiologists
  - Respiratory Therapists
  - Physician’s Assistants
  - Clinical Social Worker
- Department Heads
- Finance
- Accounting
- Legal Planning
- Engineering

**REGISTERED NURSES in Hospitals**

- Provide majority hospital nursing care
  - Staffing requirements based on acuity
  - Measured in RN-Patient Ratios

- Education - Fragments Profession
  - Bachelor of Science in Nursing
  - Associates Degree (greatest percent)
  - Diploma

- Dissatisfaction among RNs
  - Autonomy, salaries, security, expectations

**Hospital Medical Staff**

- Admit patients & write orders for all hospital inpatients and outpatients

- Assess quality through peer review & committees

- Self-governing through medical staff bylaws
  - Physicians given privileges to practice at a hospital (not hospital employees)

**Patient Length-of-Stay**

- The number of days between a patient’s admission and discharge. The day of admission is counted, the day of discharge is not.

- Example - admitted on Monday and discharged on Wednesday = 2 day stay

**Inpatient Admissions to Hospitals, 1991-2010 (in Millions)**

- Source: Fast Facts 2010, American Hospital Association

**Average Length of Stay**

- Average length of stay (ALOS) - the average for all hospital patients

- Total days divided by total patients
**Hospital Average Length of Stay (in days)**

![Hospital Average Length of Stay graph]

Source: Hospital Statistics 2008, American Hospital Association

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**Community Hospital Expenditures Per Inpatient Day**

Hospital Adjusted Expenditures per Inpatient Day
- $1,148 in 2000
- $1,612 in 2006
- $1,696 in 2007
- $1,834 in 2009
- $1,910 in 2010
66% increase in 10 years from 2000 to 2010

Source: www.statehealthfacts.org

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**Occupancy Rates at Community Hospitals**

![Occupancy Rates at Community Hospitals graph]

Source: Hospital Statistics 2008, AHA

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**Hospital Outpatient Visits in Community Hospitals 1994-2008 (in thousands)**

![Hospital Outpatient Visits graph]

Source: Trendwatch Chartbook 2010 by AHA and Avalere Health

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**Part 1 Questions**

1. In a system, what is meant by inputs, processes and outputs?
2. What are implications of hospital ownership type regarding access to elective services?
3. What is a Safety Net Hospital and how does this designation differ from EMTALA?
4. What are the basic parts of an organization (Mintzberg)?
5. Why are ALOS and occupancy rates important efficiency measures (i.e., minimizing resources in producing services) for hospitals?