Health Care Organizations

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PHC 6102
Principles of Health Policy and Management
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

Outputs
- Admissions
- Visits
- Surgeries

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

Feedback
U.S. Health System

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

Processes
- Services
- Admissions
- Visits

Outputs
- Health outcomes
- $$ $$ $$ $$

Feedback
- ACA law of 2010 (health reform)

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

~ 83% Personal Health Services

~3% Government Public Health
<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>
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<tr>
<td>5%</td>
<td>Nursing Homes</td>
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<tr>
<td>5%</td>
<td>Dental</td>
</tr>
<tr>
<td>3%</td>
<td>Home Health</td>
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</table>
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)

- State & Local: 50.5%
- For Profit: 22.9%
- Non-Profit: 17.6%
Florida Hospital Ownership, 2010
(AHA Hospital Statistics)

- 39.1% State & Local
- 49.1% For Profit
- 22.9% Non-Profit
## Order of Priorities

<table>
<thead>
<tr>
<th>For-Profit</th>
<th>Public</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>Access</td>
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<tr>
<td>Quality</td>
<td>Quality</td>
</tr>
<tr>
<td>Access</td>
<td>Cost</td>
</tr>
</tbody>
</table>
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?
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
- Middle Line
- Operating Core

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

Source: Fast Facts 2010, American Hospital Association
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
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)

Source: Hospital Statistics 2009, American Hospital Association
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
Occupancy Rates at Community Hospitals

Source: Hospital Statistics 2008, AHA
Hospital Outpatient Visits in Community Hospitals 1994-2008 (in thousands)

Source: Trendwatch Chartbook 2010 by AHA and Avalere Health
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?