

Financial Implications: The Push From Inpatient To Outpatient Care

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CHAPTERS

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Education Plans for 2015

Date	Topic	Format
Jan	Health Information Exchange: Implementation in the Real World	Webinar
Mar	Physician-Hospital Integration in the 21st Century	Webinar
May	The Healthcare Executive's Role in IT Decisions	Webinar
July	Green Hospitals and Healthcare	Face to Face
Sept	Reinventing Customer Service in healthcare: Lessons Learned from the Best	Face to Face

Program Description

The prospect and implementation of significant healthcare reform, partly as a result of the Patient Protection and Affordable Care Act, has caused healthcare organizations to reconsider their strategy and policies as they relate to revenue, volume, clinical operations, and human resources. Healthcare organizations- especially hospitals and ambulatory care centers- have witnessed a changing financial landscape as it relates to the healthcare reform policies.

One element of healthcare reform has been the shift from inpatient to outpatient care for Inpatient care. Outpatient care encompasses all patients who seek medical care that are not officially admitted to a hospital under the inpatient status. Observation status is considered an outpatient level of care.

Program Description

This shift from inpatient to outpatient care, which has been partly driven by payers across the financial continuum, aims to reduce healthcare costs associated with expensive inpatient admissions, emergency room visits and to provide safe, efficient care in the most cost-effective setting.

The degree of financial impact from this shift in care delivery structure will vary from organization to organization, however all organizations will be affected.

Topics

- Healthcare reform and how it relates to inpatient versus outpatient care
- Observational level care and reclassification of inpatients to observation
- Revenue differences between inpatient and outpatient care
- Financial strategy during healthcare reform
- Costs of creating outpatient care networks and payer relations
- Management of chronic vs. acute conditions and how do we partner with outside resources
- Financial impact of declining inpatient volumes and increasing outpatient volumes



Robert Miller, FACHE

VP Operations

Advocate BroMenn Medical Center

Normal, Illinois

Advocate Eureka Hospital

Eureka, Illinois

- Bob Miller is currently the Vice President of Operations at Advocate BroMenn Medical Center in Normal, Illinois and Advocate Eureka Hospital, Eureka, Illinois. BroMenn is a 221- bed acute care facility that has served and cared for the people of central Illinois for nearly 115 years, with 1,800 associates and a medical staff of over 350 physicians.
- Bob is accountable for the daily operations for the Lab, Cardiopulmonary Services, Imaging, Facilities Management, Construction Management, Biomedical Services, Supply Chain, Nutritional, Environmental, and Laundry Services and Operations Improvement.
- Bob has over 30 years experience in the acute care hospital setting and is skilled in leading transformational change while building a collaborative environment with key stakeholders.
- Bob received his MBA with a concentration in Health Services Management at Webster University of St. Louis Missouri, is a Fellow in the ACHE and a Senior Professional in Human Resources with the Society for Human Resources Management. He has also completed additional training in Lean and Zig Ziglar Public Speaking.
- Bob and his wife are parents of four, spanning high school, college and career ages. He is also actively involved in various community organizations in various roles such as the United Way, Rotary Club, local Chamber of Commerce, YMCA, Art on the Square, Luke 18 Youth Ministry, and other local organizations over the years.



Paul Pedersen, M.D.

VP and Chief Medical Officer
OSF St. Joseph Medical Center
Bloomington, Illinois

- Dr. Paul Pedersen is currently the Vice President and Chief Medical Officer at OSF St. Joseph Medical Center, Bloomington Illinois. OSF St. Joseph Medical Center is a 149 bed, not for profit, acute care, and Level II Trauma Center facility.
- Dr. Pedersen's focus is on the quality and safety of the care patients receive. His leadership provides a critical link between the hospital and some 350 medical professionals.
- Dr. Pedersen studied biology at Illinois Wesleyan University, earned his MD at the University of Illinois Medical School and then specialized in internal medicine. He was in private practice for several years and then joined the OSF family in 1995 as an Internist.
- The mission of providing "the greatest care and love" to everyone is what inspired Dr. Pedersen to also become active in community health care. The clinic he established now has nearly 7,000 patient visits annually and on a bare-bones budget of \$500,000, has provided some \$10 million worth of medications and medical care.
- Dr. Pedersen is also actively involved in many community organizations and has three grown children.



John Hesse,
VP Business Development
Advocate BroMenn Medical Center
Normal, Illinois
Advocate Eureka Hospital
Eureka, Illinois

- John is the Vice President of Business Development for both of the Advocate facilities in central Illinois and a member of ACHE.
- BroMenn is a 221- bed acute care facility that has served and cared for the people of central Illinois for nearly 115 years, with 1,800 employees and a medical staff of over 350 physicians. In addition to being known for excellence in cardiovascular services, neurosciences, orthopedics and women's health, BroMenn Medical Center offers many services unique to their area, such as inpatient mental health unit, adult day care services, and hyperbaric oxygen treatment for wound care.
- Eureka is a Critical Access Hospital and the only facility in Woodford County, with a wide range of clinical services.
- John heads the strategic planning and market development for BroMenn and Eureka. In addition, he leads the Therapy services, Women's Health, Community Wellness, Wound Healing, Adult Day Services, Sports Medicine, and Health Facilities Planning.
- John received his Master's in Hospital and Health Administration from the University of Iowa and earned his undergraduate degree in Business Administration at Northern Illinois University.
- John and his wife have a daughter and two sons. He has been involved in many community activities such as the Kiwanis, YMCA, and is on the Board for Easter Seals.

Healthcare Reform And How It Relates To Inpatient Versus Outpatient Care

- Quality of care (Core measure performance) is assumed
- Safety and Service become Hallmarks of care
- We will live in a Bi-polar world where volume is still a part of what we must do to survive but another part of our world will demand decreased utilization
- Inpatient services become cost centers
- Ambulatory Care must develop sound management

Observation Level of Care and the Reclassifications of Inpatients to Observation

2-Midnight
Rule



The 2MN rule and its requirements add complications:

- Signed order for admission prior to patient discharge
- Statement by the attending physician as to why the patient is expected to stay across 2MN
- Discharge plan
- Decreased focus on IS/SI criteria so provider documentation becomes very important
- RAC auditing to determine compliance generally concentrating on 1MN stays
- Increasing percentage of patients in observation status with less robust information available and different utilization efficiencies

Revenue Differences Between Inpatient And Outpatient Care

- CMS projected a net increase in inpatient admissions under the 2MN Rule
- Medicare Payment Impact
 - DRG vs APC payment
 - Medicare observation cases rose 88 percent between 2007 – 2012
 - 2012 OIG Report found CMS paid an average of \$5,142 for short stay inpatient cases compared to \$1,741 per day for observation care
- Patient Impact
 - Responsibility for co-payments and physician fees and must pay for routine drugs the hospital provides that they take at home for chronic conditions
 - Nursing home coverage

Financial Strategy During Healthcare Reform

- Expand impact
 - Focus on health and wellness
- Ensure network capacity
- Cost management
 - Make decisions related to “differentiators” versus “keep the lights on”
- Focus on system-wide strategies
- “Fixed” costs need to be addressed
- Capital spending
 - Consider net cost reducing projects for capital funding

Costs Of Creating Outpatient Care Networks And Payer Relations

- Retail marketplace forming for commodity services
- Virtual healthcare will disrupt the health care industry
- Narrow networks forming as a result of public and private exchanges
- Make, buy or partner decisions to expand network capabilities

Management of Chronic Versus Acute Conditions: How Do We Partner With Outside Resources ?

- Poly-chronic & frail elderly are the largest consumers of resources.
- Palliative Care and End-of-Life care are in their infancy and need to be robust
- Difficulty in justifying cost of these services based on the theory they prevent excess expenditure in these patients
- The higher risk chronic populations will likely need to be managed differently than the lower risk acute population
- A 15 minute RVU based compensation methodology in this group of patients will likely only continue their utilization rates
- The goal of the lower risk acute care is to prevent them from moving into the poly-chronic phase

Financial Impact Of Declining Inpatient Volumes And Of Increasing Outpatient Volumes

- Inpatient growth projected to decline 2% over next 10 years despite >10% growth in population
- Outpatient growth projected to increase 19% over same period
- Health systems have remained hospital centric
- Shifting outpatient focus leading to decreased reimbursement
 - Coupled with high deductible health plans
- Cost focus more important than ever



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Questions



Comments



Moderator

Robert Miller, FACHE
VP Operations
Advocate BroMenn
Normal, Illinois



Presenter

Dr. Paul Pederson
VP and CMO
OSF St. Joseph
Bloomington, Illinois



Presenter

John Hesse
VP Business Development
Advocate BroMenn
Normal, Illinois

References

- Baugh, Christopher W., and Schuur, Jeremiah D.. “Observation Care - High Value Care or Cost-Shifting Loophole?” New England Journal of Medicine 369:4 (July 2013).
- Center for Medicare & Medicaid Services/“Are You a Hospital Inpatient or Outpatient?”
<http://www.medicare.gov/Pubs/pdf/11435.pdf>

Questions that may be asked by Moderator to Panelists for discussion

- What Trends Are You, Or Organizations You Work With, Seeing With Respect to Chronic vs. Acute Mental Health Conditions in your area/facilities? What sort of impact have these trends had on operations?
- How Will Your Organization Accommodate Growing Outpatient Volumes And What Resources Will Be Necessary?
- What Financial Trends Have Your Organization Seen Related To Shifting Or Decreasing Volumes? Do These Trends Vary By Payer?
- How has the Affordable Care Act impacted Self Pay/Medicaid payers and how and where these patient receive care?
- How has the 2 Midnight Rule impacted reimbursement and how care is delivered and how are you adapting to mitigate its impact?
- What Are The Long-Term Financial Implications Of The Shift From Inpatient To Outpatient Care For Healthcare Organizations?
- Has Your Organization Seen An Increase In Payer Denials Due To Reclassification of Patients? If So, What Affect Is This Having?