

Health Care Growth Strategies

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Hospitals Lose Revenues on Crowded Emergency Departments

Hospitals across the nation are experiencing increasing visits in emergency departments (EDs). ED visits per capita are on the rise due to population aging, growth in the uninsured population, a shortage of primary care physicians, a lack of alternative treatment settings in some markets (e.g., extended office hours), looser managed care controls, and greater enforcement of regulations and legislation designed to increase access to EDs.

Although demand is surging, the number of EDs has declined over the last decade as hospitals have closed in the wake of tightening financial pressures. Declining ED capacity has been exacerbated by a shortage of available inpatient beds for arriving patients, so that many EDs are experiencing more hours on diversion and more patients are leaving without being seen, resulting in lost revenue.

Growth and Revenue Opportunities: Increasing Emergency Department Visits

Increasing emergency department visits by expanding capacity and improving patient throughput represents a major revenue opportunity for several reasons. The ED is the point of entry to the hospital or system, with up to 60 percent of a hospital's admissions generated by the ED. Recent changes in reimbursement and technology are favoring EDs by supporting new ED volumes and revenue streams.

In addition, changing market dynamics and regulations have reduced restrictions on ED use for nonemergent visits.

ED visits are limited by a number of factors. Hospitals are often scrambling for beds as inpatient capacity shrinks and demand for care grows. Backlogs are increasing in EDs as patients wait for beds to become available, leading to long wait times and increasing the frequency of ambulance diversion. These conditions

are exacerbated by insufficient treatment capacity, inefficient operations, and poor facility design.

There are several ways to enhance service capabilities in the ED that will increase volumes or operating efficiencies including:

- Express or fast-track services that expedite the treatment of patients with minor problems
- Chest-pain units and stroke care teams that can raise the visibility of the ED's capabilities within the emergency medical services and patient community
- Observation units, now more financially attractive because of a recent increase in reimbursement for ED patients treated for chest pain, congestive heart failure, and asthma
- Occupational medicine programs that support the treatment of industrial injuries and can capture downstream revenues for subsequent treatment and care of workplace injuries
- Streamlined operations and improved departmental efficiencies

Potential for Increased Revenue Through ED

**Current Hours
of Diversion
(annualized) 600**

**Estimated Lost
Admissions ⁽¹⁾ 420**

**Net Revenue
Per Admission \$5,000**

**Revenue
Potential \$2.1M**



(1) Based on 30,000 visits/year, 15 percent admission rate during prime shift

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that will increase patient throughput, reduce treatment and wait times, and increase patient satisfaction

Reducing the amount of time the ED is on diversion through operational and capacity improvements will maximize visit and admission levels and ultimately increase revenues for the hospital or system. A hospital emergency department in the Northeast was experiencing a high level of diversion (50 hours per month) due to insufficient ED capacity and poor throughput, resulting in an estimated loss of over 400 admissions and \$2 million in a year (see analysis on previous page). Recapturing this revenue easily justified an expansion of the ED to increase treatment capacity and improve patient flow.

Because the ED is a key portal to hospitals and systems, enhancing service capabilities, improving operations, and expanding capacity can increase revenues, improve quality of care, and strengthen health care organizations' market position.



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Health Strategies & Solutions, Inc., is a national management consulting firm dedicated to helping organizations discover innovative strategies and solutions for today's complex health care challenges. Our staff has enabled hundreds of health care organizations across the country to address complex issues, make decisions that achieve lasting results, and set courses for success in the new millennium.

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