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JULY 2004

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Hospitalists Programs: Better Care, Lower Costs

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Hospitalist programs are becoming an increasingly common and effective approach for the care and management of inpatients.

Hospitalist programs can enhance quality of care, increase volume and revenue, decrease the cost of providing care through greater efficiency, and strengthen a hospital's relationship with affiliated physicians. Physicians who refer patients to a hospitalist can also benefit from improved efficiency and a more manageable workload, while offering a valuable alternative of care to their patients.

Background

Hospitalists primarily deliver inpatient hospital medicine and care for patients from the time they are admitted to a hospital until the time they are discharged. This approach is distictive in that clinical services are organized around the site of care rather than a particular medical condition.

The hospitalist model has existed for quite some time in Canada and Europe, where roles are often differentiated between hospital-based and community-based physicians. The hospitalist model has become prevalent in the United States over the past 10 years. The acceptance of hospitalists was initially slow because many physicians were concerned that they would lose their professional autonomy by turning inpatient care over to hospital-based phy-sicians. They viewed this change in practice patterns as another means for insurance companies and hospitals to restrict physician autonomy and reduce access to professional fees for attending to hospitalized patients. Some physicians also argued that consumers were against the movement because of discontinuities in patient care.

Today, hospitalists are one of the fastest growing medical specialties. Based on a recent survey, the Philadelphia-based Society for Hospital Medicine (SHM) concluded that there are more than 10,000 hospitalists practicing in the United States. This figure is more than double the number of those who were in practice five years ago. The SHM projects that the number of hospitalists in the United States will increase to 30,000 in the next decade.

The hospitalist specialty is particularly popular among young physicians, appealing to those who want to care for patients with a broad array of medical conditions yet maintain a relatively fixed schedule. Roughly 85 percent of hospitalists are trained in general medicine or family practice. Another 10 percent are trained in pediatrics. The balance of hospitalist physicians are trained in subspecialty fields, according to the *2003-04 SHM Hospitalist Productivity and Compensation Survey*. A movement is under way to designate hospitalist medicine as an official specialty, and some organizations are planning to develop hospitalist residency programs.

Hospitalists typically work eight- to 12-hour shifts, and average 50 hours of professional time per week. The 2003-04 SHM survey reports median annual compensation for a hospitalist is about $150,000, which is roughly the same as medians for adult primary care physicians (family practice and internal medicine).

Compensation arrangements for hospitalists vary among organizations:

- 38 percent receive a salary
- 8 percent receive payment based on productivity
- 45 percent receive payment based on a mix of salary and productivity incentives
- 9 percent receive payment based on other compensation arrangements

Demand for Hospitalists

Fuelling the growth of hospitalist programs is the increasing acuity and complexity of inpatients' conditions combined with cost pressures on providers and payers. For many physicians, attending to patients in the hospital is a time-consuming task for which they receive relatively modest professional reimbursement. This dynamic is complicated by the fact that inpatients nowadays tend to be sicker and in greater need of more immediate and specialized clinical care than they were in years past.

Many primary care and specialist physicians are insisting that hospitals develop a hospitalist program or recruit a private hospitalist group. An increasing proportion of primary care physicians are telling hospitals, "Provide a hospitalist service, or I will refer my patients elsewhere." A recent survey published in *Medical Economics* indicates that more than 50 percent of family/general practitioners

and nearly 25 percent of internists no longer attend to patients in the hospital. The variety of technological options available (fax, e-mail, voice mail, etc.) allows these referring physicians to communicate regularly with the hospitalist groups that care for their patients.

Estimates indicate that one-half of U.S. hospitals now have hospitalist programs of some nature. Hospitalist programs are in place in almost all of the top 15 hospitals on the 2002 *U.S. News & World Report*'s list of the nation's best hospitals.

Key Considerations

When evaluating the feasibility of developing a hospitalist program, healthcare organizations should consider undertaking the following activities:

- Survey potential referring physicians regarding interest level.
- Recruit rather than buy hospitalist coverage (an independent group requires less, if any, administrative and financial support than an employed hospitalist group).
- Make the hospitalist program optional for referring physicians.
- Establish dashboard indicators to continually evaluate performance, such as volume, average length of stay, variable and direct costs per case, readmission rates, and mortality rates.
- Establish a formal liaison program to maintain channels of communication and interaction between the host hospital and referring physicians.
- Use the hospitalist group to assist in handling unassigned emergency department patients and call coverage.
- Foster a collaborative environment between hospitalists and intensivists who treat critical care patients.
- Measure and monitor patient and physician satisfaction.
- Measure and monitor overall operating and financial performance.

> ***A hospitalist program can reduce hospital costs by about 13 percent and average length of stay by more than 15 percent.***

Key to Success

The key to success for any hospitalist program is efficient and effective communication between referring physicians and the hospitalists. Organizations implementing a hospitalist program should mandate a certain level of communication either in a written contract with the hospitalist group or via formal hospital policies. At a minimum, the hospitalist and the referring physician should communicate at the points of patient admission and discharge. During the hospital stay, the referring physician should also be notified of any significant changes in the patient's condition. Hospitalist programs that fail to meet expectations typically do so as a result of inadequate or ineffective communication among the hospitalist, referring physician, and patient.

Benefits of a Hospitalist Program

Organizations that offer hospitalists programs can experience a number of significant benefits. Because hospitalists are on site, they can generally see patients more frequently than community-based physicians. It's not unusual for a hospitalist to attend to a patient three to four times per day.

Hospitalists also become more skilled than community-based physicians at functioning within the hospital operating environment. Not only can they address operating issues and challenges, but also they are able to follow up more quickly on results of laboratory, X-ray, and other ancillary services.

Hospitalists also provide more efficient care because they have greater familiarity with hospital staff and operations, develop enhanced skills for treating inpatients, and expedite the referral process for postacute providers, such as home health care, skilled nursing, and rehabilitation. Proponents also state that hospitalists reduce the cost of providing care, while maintaining the quality of care.

Hospitals and healthcare systems that employ or contract with hospitalist groups are using them to reduce medical errors and improve clinical processes. Hospitalists oversee and coordinate care delivery regularly, in stark contrast to community-based physicians who have limited interactions with hospital care (on average 12 percent of their professional time). Given their on-site presence, an increasing number of hospitalists are being asked to take leadership roles on quality review and patient safety committees.

In successful programs, referring physicians believe that hospitalists increase their productivity, improve patient satisfaction, and make their workload more manageable. Less time spent traveling to hospitals allows the referring physicians to concentrate more on their outpatient practice, provide care for more patients, and ultimately generate increased revenue. Larger patient panels for the referring primary care physicians also results in greater revenue potential for the hospital(s) to which the physician refers patients.

Successful hospitalist programs can increase referrals from affiliated primary care physicians by more than 10 percent (according to Health Strategies and Solutions estimates based on internal research). For a hospital with 20 employed primary care physicians, establishing a hospitalist program could result in $500,000 to $1,000,000 in incremental revenue as a result of higher office-based productivity.

Studies have shown that hospitalists improve the efficiency of care. Estimates indicate that hospitalists can reduce hospital costs by about 13 percent and average length of stay by more than 15 percent. A hospital with six full-time hospitalists can reasonably expect those physicians to attend to a total of 2,700 inpatients per year (450 per physician).

At a target savings rate of 13 percent on expenses, applied to estimated direct

costs of $5,000 per admission, the hospital could reduce costs by $1.75 million.

Of course, these savings are offset to a certain extent by the subsidy that is often required to support a hospitalist program. Estimates are that two-thirds of hospitalist physician groups receive a subsidy of some kind. For employed hospitalists in a mature program, the annual subsidy required typically ranges from $50,000 to $70,000 per FTE physician.

One hospital reports that its 12-physician employed hospitalist group receives a subsidy of $300,000 to $400,000 annually, but that the estimated savings from resource efficiency and decreased length of stay is 10 times that amount. Given the shortages of bed capacity and staffing that exist at many hospitals, a successful hospitalist program can also speed patient throughput, thus enabling the hospital to accommodate more patients.

A hospital in the Northeast has had a hospitalist program in place for the past six years. In 1998, the hospitalists, all employed physicians, attended to 500 inpatients. In 2004, the number is expected to reach 4,000 inpatients. The hospital subsidizes the group between $150,000 and $200,000 annually. However, the hospital estimates that 25 percent, or 1,000 of the total inpatient cases are incremental, directly as a result of the hospitalist program. At an average of $10,000 in net revenue per inpatient, $10 million in incremental revenue is attributed to the hospitalist program.

As hospitals and healthcare systems face increasing demands to cut costs, improve efficiency, enhance patient care, and forge stronger relationships with their affiliated physicians, hospitalist programs offer the rare opportunity to successfully address all of these pressing concerns. ■

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Reprinted from the July 2004 issue of *Managing the Margin.*
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