IS UNCOMPENSATED CARE AFFECTING QUALITY ASSURANCE OF RURAL HOSPITALS?

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INTRODUCTION

Definition of Uncompensated Care (UCC)

- “The uncollected and unrecoverable cost of services rendered to the uninsured and indigent population” (CMS, 2005).
- “Combined cost of hospital charity care and bad debt resulting from providing care to the indigent and uninsured” (AHA, 2006).
- “Healthcare provided in which full payment was not received”.
- “The amount of provided care that is not compensated from out-of-pocket costs, third-party reimbursements, or government subsidies” (Hadley & Holahan, 2004).
INTRODUCTION

• Total uncompensated care provided in 2004: $124.5 billion.

• Breakdown: about 63% (hospital); 19% (community healthcare centers and providers); 18% (private physicians), (Kaiser Foundation, 2004).

• Rural hospitals provide healthcare for approximately 54 million Americans (AHA, 2006).

• In 2000, rural hospitals made up 46% of total hospitals.
INTRODUCTION

• In 2000, 13% of discharges were from rural hospitals which serve 21% of the U.S. population.

• Rural hospitals have a much higher % of UCC (9.7% vs. 6.3% of net inpatient revenue), when compared to urban hospitals, respectively.

• 5 Quality Assurance measurements: access, patient experience, process, structure, and outcome.

• Uncompensated care can affect quality measures through reducing the financial stability of hospitals.
PURPOSE OF THE STUDY

• The main objective of this research is twofold:

(1) To review the literature in terms of how UCC affects quality care of rural hospitals.

(2) To provide strategic alternatives to sustain competitive advantages in response to UCC.
METHODOLOGY

• The literature review used in this study followed the normal methodologies of a systematic search and was limited to articles and databases published in the English language.

• All electronic articles came from (1) four electronic databases including EBSCO Host, Medline, Springer, and Pub Med and (2) the Internet, such as Google Scholar and Dogpile search engines.

• Agency websites: CMS, AHA, US Census Bureau, IOM, AHRQ.
METHODOLOGY

• All articles referenced and researched for the literature review were published within the last ten years (1999-2010).

• The majority of articles used for the research were compiled through the following search terms:

• “Uncompensated care” OR “quality of care” OR “financial effect of uncompensated care AND “rural hospitals”.”
RESULTS

• Urgent Care Centers
  – The cost savings of utilizing an urgent care center can be up to 50% compared to an ER visit.

• Improved Medical Technology
  – Healthcare spending rose from 5.7% in 1965 to 14.9% in 2002, with technological changes accounting for at least half.

• Population Density
  – The majority of the U.S. population (79%) is located in urban areas leaving roughly 21% to rural areas.
RESULTS

• Easier Travel:
  Has not only made it easier and quicker for patients to reach healthcare facilities within a timely manner; it has given them the ability to bypass rural hospitals and clinics.

• Falling Reimbursement Rates:
  The switch in payment methods by CMS was followed by third-payer payers, which enabled them to negotiate price contracts providing them discounts placing a greater burden of risk on healthcare facilities.

• Uncompensated Care:
  Is linked to quality of care through the financial viability of healthcare institutions.
<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Year</th>
<th>Type of Study</th>
<th>Keywords</th>
<th>Key Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thorp, Seiber, &amp; Curtis</td>
<td>2000</td>
<td>Qualitative Literature Review</td>
<td>• Billing Software</td>
<td>Differences in billing software calculates uncompensated care differently.</td>
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<tr>
<td>Kellermann</td>
<td>2003</td>
<td>Qualitative Interview/Statement</td>
<td>• Competition • Profit Margins</td>
<td>Competition has shrunk rural hospitals profit margin and has affected quality of care.</td>
</tr>
<tr>
<td>Lubitz</td>
<td>2005</td>
<td>Quantitative</td>
<td>• Healthcare spending • Medical costs • GDP</td>
<td>With the GDP costs increasing to 14 percent in 2002 Medical Technology can account for almost half.</td>
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<td>Enthoven, Tollen</td>
<td>2005</td>
<td>Qualitative Case Study</td>
<td>• Hospital Systems: The outgrowth or merging of hospitals or satellite healthcare services.</td>
<td>Hospital systems make it easier to operate in rural areas.</td>
</tr>
<tr>
<td>Institute of Medicine (IOM)</td>
<td>2005</td>
<td>Qualitative Case Study</td>
<td>• Uncompensated Care</td>
<td>Uncompensated care is linked to quality of care through the financial status of healthcare institutions.</td>
</tr>
<tr>
<td>Dobson, DaVanzo, &amp; Sen</td>
<td>2006</td>
<td>Qualitative Literature Review</td>
<td>• Cost Shifting</td>
<td>Healthcare services offered outside of the hospital ER will eliminate cost shifting that takes place which makes urgent care visits cheaper than the ER for non-emergent needs.</td>
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# Key Findings

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<tr>
<td>ARC</td>
<td>2006</td>
<td>Qualitative Literature Review</td>
<td>• U.S. infrastructure</td>
<td>Easier travel in rural areas gives greater access to health facilities.</td>
</tr>
<tr>
<td>Casto &amp; Layman</td>
<td>2006</td>
<td>Qualitative Literature Review</td>
<td>• Prospective Payment System</td>
<td>Price contracts providing third-party payers discounts places a greater burden of risk on healthcare facilities.</td>
</tr>
<tr>
<td>Guggenheim</td>
<td>2008</td>
<td>Qualitative Literature Review</td>
<td>• Unemployment Rates</td>
<td>As unemployment rates rise the # of uninsured will increase,.</td>
</tr>
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<td></td>
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<td></td>
<td>• Profit Margins</td>
<td>Rural hospitals w/ thin profit margins will not be able to provide large amount of UCC.</td>
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STRATEGIES

1. Urgent care centers.
2. Medical technology.
3. Certificate of Need.
4. Rural telemedicine and geographical isolation.

• These strategies could be viewed as threats, rather than opportunities, if rural hospitals do not utilize them wisely, I.E.

• The cost savings of using urgent care centers can be up to 50% compared to an ER visit in terms of UCC (Falteland & White, 2006).
Medical technology investment & utilization are expensive.

Certificate of Need (CON) may help lessen financial difficulty for rural hospitals when introducing and utilizing medical technology.

Electronic Intensive Care Unit (e-ICU) refers to a technology-enabled care model and has been widely utilized within medical communities. Some evidence: reduced LOS, lower mortality (Zawad et al., 2009).
DISCUSSION

• Rural hospitals are geographically located in areas that contain higher levels of uninsured individuals, compared to urban hospitals.

• The higher the amount of UCC provided by rural hospitals, the higher the probability of financial instability that can affect quality of care.

• Competition between rural hospitals and urban-based care will continue to increase as satellite services from urban hospitals continue to grow.
DISCUSSION

• Increasing the number of uninsured due to unemployment, raise of premiums, cost shifting, etc.

• Collaborating with urban hospitals – forming strategic alliance will help and strengthen the marketplace position of rural hospitals.

• Market competition will leave rural hospitals to merge or close leaving a significant population without a source of care.
Questions?
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