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Managing for change: May 3, 1989

The University Hospital

Managing for CHANGE

A Publication for the Managers of the University Hospital — May 3, 1989

Keep an eye out for TV campaign telling the hospital story

TV viewers across the Commonwealth are being warned about the dire financial plight of the state's hospitals. A set of three vivid 30-second messages tells the story of the problem from the point of view of a nurse, a hospital volunteer, and a community frightened by the closure of its community hospital.

The ads are part of a massive effort to organize a grassroots coalition of interested citizens committed to a "Campaign To Save Our Health-Care System." The campaign has been developed for and is being coordinated by the Massachusetts Hospital Association. The grassroots strategy is based upon research that showed that most citizens, once informed about the facts, would be willing to support higher taxes benefiting health care.

Independent study shows both the key role and the fiscal plight of Boston hospitals

We've all heard the compelling news of the University Hospital's financial challenges. Expenses are outpacing revenues. Federal and state policies seem to offer little relief. As managers, we've been encouraged to become better acquainted with the content and meaning of the financial statements. Most of us now have a better understanding of our balance sheet, profit and loss statement, and perhaps even the sources and uses of cash statements.

But it's one thing for us to comprehend and believe in what the numbers show. In the face of the dismal prospect for legislative relief, it's advisable to have an unbiased, independent expert verify the numbers. When we go to the wall with legislators, we need to know that the data are believable; indeed, the role of the independent auditor is to perform such a function.

Similarly, when a group of hospitals get together to advocate for legislative relief, it's just as important that they seek authentication of their aggregated numbers, even those based on audited financial statements. In that spirit, the CEOs and CFOs of the downtown teaching hospitals, who have formed the Coalition of Boston Teaching Hospitals to advocate for legislative relief, recently asked the Coopers & Lybrand accounting firm to authenticate their aggregated data.

Coopers' review of the data received its first use several weeks ago when Dr. J. Robert Buchanan, general director of MGH, addressed a hearing of the subcommittee on health of the U.S. House Ways and Means Committee. Among the findings mentioned by Dr. Buchanan in his remarks, which were made on behalf of the Boston coalition:

- The teaching hospitals in Boston make a unique contribution to the health-care system. Together, seven teaching hospitals provided $133 million of uncompensated care in 1988, fully one-third of all such care in the

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Project OMEGA: Phase I of HIS is off the ground

While athletes were running the Boston Marathon on Patriots Day, the UH Technical Support Staff in Management Information Services (MIS) were installing Baxter HealthCare's OMEGA system on our computer. OMEGA is the new Hospital Information System (HIS) that will provide on-line access to current, accurate data for the many departments that use patient, clinical and financial information. Our race into the future has begun.

The OMEGA Phase I installation includes the following inpatient and outpatient functions: appointment scheduling for all outpatient visits; admitting and outpatient registration; patient accounting; and medical records/utilization review. Plans for Phase II, the order entry/results reporting function, will be developed during the next three to six months.

It has taken months of planning and preparation to reach this stage. Here is where we are:

Computer Installation: A new mainframe computer has been installed, along with high-performance disk and tape drives. (Visit the Computer Center to see the new display terminals used by the operations staff—they show four displays on a single screen.) We also have installed several new system software products required for OMEGA.

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How UH is faring, according to two leading indicators: Excess Days and Length of Stay

The last issue of **Managing for Change** reported that the Hospital's average length of stay (ALOS) had shown a dramatic drop during Period 6. While this certainly is a favorable trend, our actual ALOS must continue to perform well to offset reimbursement constraints, since our year-to-date ALOS (10.48 days) is still well above our budgeted figure (10.18 days).

The below graphs, supplied by David Browne of Planning Services, illustrate our year-to-date performance in length of stay and in excess days.

ALOS: How we're doing

▲ — Case-mix index measure
■ — Length of Stay measure

Measuring excess days

The graph at left above shows that our length of stay has been dropping as of late—most dramatically during Period 6—while at the same time, our case-mix index remains high. Case-mix index is a broad measure of the intensity of illness of the patients in the Hospital.

The indication: We are being more efficient at treating patients of similar intensity levels.

This is reflected more dramatically in the graph at right above, which shows a great reduction in excess days—the measure of unreimbursed or partially reimbursed days—in Period 6.

Managing for Change's 'Grin-and-Bear-It' Department

(The following commentary was originally broadcast by Paul Harvey, and is reprinted from a recent publication of the New England Association of Hospital Development. The editors of ***Managing for Change*** *thought it worth lifting. Read on and see if you agree.)*

There is a way to make grocery store prices much higher than they are. As is, food is one of the consumer's best bargains. The cost of living would be much higher than it is except for comparatively reasonable food prices.

But there is a way to skyrocket those grocery store prices if you want to.

If you want to multiply the prices of everything you buy at the grocery store, here's how:

Subject your grocer to the same regulations under which hospitals are required to operate. That means:

The grocer would have to keep a record of the total number of customers served, broken down by employer.

He would have to record the precise number of minutes each customer was in the store.

The record must show which customers purchased only meat and nothing else, which customers bought bread and meat.

Separately, the grocers' report must state which customers bought meat and milk. Also, the number of customers who came in for one item and purchased more than one.

Further, the grocery store is required to give away $50,000 worth of groceries each year and signs must be posted in the store in three languages telling customers that the store is required to do this.

Records must be maintained on all customers and all groceries given away under this plan.

Further, for one half of the customers the store is not allowed to set prices. Government will determine those prices—and if those prices are arbitrarily held down to "no more than last year's prices" then the store owner must pay his higher expenses by charging higher prices to the other half of his customers.

But for the other half, the store cannot collect cash from the customer, but must send a bill to the customer's employer.

Further, the store manager is responsible for planning each customer's meals. If he errs in judging what's best, the customer may sue him.

Also, the store must keep careful records of each can of peas sold by brand name, size, customer age and employer of the customer. Similar reports are required on each product sold.

The store must certify in writing that each customer needs groceries before permitting him to enter the store.

The store must have a committee to establish a "shopping-time limit" for each customer. Any customer permitted to shop longer than the pre-established time may not be required to pay for his or her groceries.

The store must have the written approval of government authorities before adding or deleting any product or brand.

The store manager must have a Masters Degree in Marketing.

There are many more regulations to which hospitals are subject, but this is enough to help you to understand why the costs of medical care have gone up faster and higher than the prices for groceries.

Independent Review

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Commonwealth. Our aggregate occupancy was 81.7 percent of licensed beds and 88.2 percent of staffed beds. For the state as a whole, the occupancy rate in 1987 (the last year for which data are available) was 67.0 percent. In 1988, we brought into the state $245 million in research sponsored by the government or industry; cutbacks in Medicare will impair the base of patient care upon which much of this research depends.

- The data show that the downtown hospitals lost money in 1987 ($20 million aggregate), lost money in 1988 ($14 million aggregate) and have budgeted an aggregate loss of $22 million in 1989. But through the first five months of fiscal 1989, the hospitals have lost a total $33 million.
- Medicare payments to these hospitals are woefully inadequate. Back in 1986, the hospitals as a group "made" nearly $60 million from treating Medicare patients. In 1989, we project a combined loss of $37 million from treating Medicare patients. Our costs for treating these patients increased at a compounded annual rate of 10.4 percent; but Medicare payments themselves have increased only 5.8 percent during the four years.
- Should Congress enact the 7.7-percent decrease in indirect support of medical education, we would lose an additional $29.5 million.

"We need your help," Dr. Buchanan told the subcommittee members. "We simply cannot absorb such losses. In Massachusetts, we are prevented by law from shifting all these losses to the private sector." Buchanan will make another appearance before the same committee in May, and he is scheduled to be joined in his testimony by UH's Michael Blaszyk, senior vice president and CFO.

Donald R. Giller
Marketing/Public Affairs

Project OMEGA

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Project Workspace Set Up: With about ten full-time staff, many part-timers, and the need to hold frequent working meetings with groups of users, we needed project-team workspace. Space on D-6 is being reconditioned to provide desk space, two conference rooms, and a Training Center. The Training Center includes nine terminals, space for 18 students and a projection terminal for the instructor. The Computer Information Center, which supports users of personal computers, will move to D-6 as well.

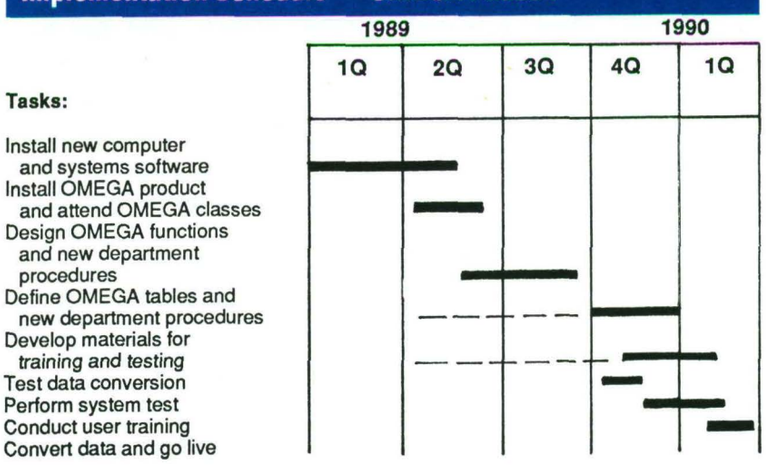
Terminal Device Selection: MIS has been testing display and printer terminals from several vendors. We recently installed five displays from four vendors in Admitting and MIS to evaluate function, communications quality, and ergonomics.

Workplace Definition: Phase I implementation activities are summarized in the Implementation Schedule chart at left. The user project has begun its first assignment, collecting samples of documents involved in department work functions.

To learn more about the OMEGA product and our plans for the Phase I implementation, come to the OMEGA Kickoff Meeting on Friday, May 5, from 2-4 p.m. in the Keefer Auditorium.

Lynn Crane
Computer Center

Implementation Schedule — OMEGA Phase I



Managing for Change is published biweekly by the Office of Publication Services, Department of Marketing Communications & Public Affairs, Donald R. Giller, director. Story suggestions may be addressed to Giller at x8149, or to Owen McNamara, Mike Paskavitz or Paula Gilligan of OPS at x8482. The publication's Advisory Board is made up of David Browne, Planning; Larry Burton, Pastoral Affairs; John Moran, Environmental Services; Lynn Gaertner and Susan Hancox, Trip Folland, Human Resources; Jeff Jenkinson, Financial Planning; Cass Ladd, Rehabilitation Medicine, and Nancy McAward, Nursing.