Health

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MANAGED CARE: CURSE OR CURE, PART IV

The Upsides and Downsides to Rightsizing

The '90s Trends: Hospitals are Out, Home Care is In. Managed Care Sets New Standards for the Paying Patients

by Mary Bryant

In 1968, the room was small, complete with a few gurneys and minimal instrumentation, kept open only part of the day. In this room, the doctor responding to an emergency was almost any physician who happened to be at the hospital seeing another patient or attending a meeting.

In 1994, the emergency department is a suite of rooms constructed and equipped at a cost of nearly $4.5 million, ready around the clock with advanced technology and a team of specialized technicians, nurses and doctors certified in the practice of trauma care.

Not that emergency medicine or the emergency department at Dominican Santa Cruz Hospital are the only examples of the extraordinary growth and development in medicine during the past few decades.

In 1964, Americans spent about $40 million during the year for care. In 1994, that figure is expected to top $1 trillion, emphasizing what most have known for some time. When it comes to medicine, Americans have gone head over heels, spending progressively more money on health care to the point that most business and national leaders say it's time to diet, and to accept that less is plenty.

How They Plan To Save Money in the Age of Managed Care

When politicians talk about curbing the country's appetite for health care, they don't like to use words like rationing care or restricting choice. Instead, they talk about managing care.

The concept of managed care is based on the notion that a significant percentage of the health care delivered by the nation's 500,000 doctors is unnecessary or delivered in a setting that is unnecessarily expensive to maintain.

By trimming duplicate tests and avoidable surgeries from the health bill and delivering more care in the home setting, reformists say managed care plans can save consumers money, lots of money.

Estimates of savings range from 15 percent to 30 percent of the total bill, depending much on a region's historic spending patterns and the efficiencies that can be gained by the management of care based on a population's average age and overall health.

But beyond the talk of saving valuable resources and reapplying those savings to cover the cost of universal coverage for every citizen, there has been little discussion of the downsides of downsizing. And, there are plenty of downsides to downsizing for health care workers employed by hospitals throughout the nation.

With about 5,300 community hospital across the United States, a recently released Northwestern University study predicts that the pace of hospital closures will increase during the next few years leaving only about 4,800 hospitals in the country open for business. And, with American Hospital Association officials saying that about one- third of the country's hospital beds go empty each night, study authors also emphasize that by the turn of the century the remaining hospitals will be in the control of a few dozen major conglomerates. However, hospitals aren't the only industry threatened by the spread of managed care fever.

While a newly released report from the U.S. Centers for Disease Control and Prevention (CDC) calculated Americans spent $329 billion on hospital stays, $90 billion on doctor's visits and $80 billion to treat heart disease during the past year, it is still estimated that there will be a surplus of 165,000 specialists within six years, according to research by economists from John Hopkins School of Public Health Study.

In May, Chicago area hospitals joined to study the economic impact of downsizing on the local economy. Of the $30 billion a year the health care market in the Windy City contributes to the economy, the direct costs of even modest reforms would cost the area's economy nearly $6 million a year, hospital officials said.

And, while there are no local studies to draw comparisons, just looking at recent changes in the market would suggest that local residents will experience some of the same fallout as managed care marches through Santa Cruz county.

In July, in advance of settling a contract with management and union employees, Santa Cruz County Supervisors gave workers two options. Accept one of the health care plans offered through the state's employee benefit program (PERS), or be prepared for the higher costs of running the county's then- independent insurance fund to be deducted from employee paychecks.

While union leaders maintain that had push come to shove union employees could have fought to assure the county government cover the looming shortfalls in the local health care program, with initial payroll deductions approaching $800,000 each year employees finally accepted new coverage. However, while employees and county supervisors saved a bundle, their combined savings of $800,000 is money that will not be spent locally in the area's health care market during this year; money for tests, money for doctor visits and money for hospital stays.

The Dawning of the Age of Managed Care in Santa Cruz

In Sacramento, nearly 90 percent of the under- 65 commercially insured population is enrolled in a health maintenance organization (HMO) plan, better known as a managed care plan. In San Jose, this number is now topping 50 percent of the commercial market, and is expected to reach more than 80 percent within five years (see chart: Santa Clara County Experiences Shift in Enrollment in Managed Care).

In fact, scanning most Bay Area communities, there are few that show much less than a majority of insured families not part of a HMO plan, except Santa Cruz (see chart: 1994 Estimated Prepaid Health Care Plan Enrollment by County). In Santa Cruz, life has been different.

In Santa Cruz, even with the recent shift of health benefits for county workers, the total commercially insured population enrolled in HMOs is projected to barely reach 20 percent of that insured population by the end of the year.

What has made Santa Cruz County different from most Northern California communities is partly a matter of perspective. However, there are some common characteristics.

Unlike virtually every other county in the state, the Santa Cruz market has been dominated by non- profit hospitals sponsored by organizations committed to keeping resources within the local community, and prices down in an area which boasts one of the best health care ratings in the state. Unlike many counties, Santa Cruz County has maintained a relatively small base of specialty physicians and multi-specialty group practices despite the presence of hospital resources. And, unlike many counties, the Santa Cruz market is not overshadowed by a few very large companies with large workforces, corporations that might have used their economic clout to demand a managed care approach to local health care or encouraged Kaiser Permanente to enter the market.

However, despite the extraordinary discounts providers have been willing to give contracting insurance companies and the fact there is less savings to gain with a managed care approach because of historically low rates of health care consumption, managed care has arrived.

Of the estimated 180,000 in the county who are insured through commercial coverage, approximately 33,000 were enrolled in a HMO plan at the beginning of the year (about 14 percent when compared to the county's total population of about 240,000). The majority of those enrolled were members of either TakeCare or Health Net (about 12,000 members), with another large percent belonging to the Kaiser Permanente group (about 6,000).

TakeCare and Health Net are HMOs contracting with Santa Cruz Medical Clinic, the county's largest and dominant multi- specialty group. Or, at least until recently, Santa Cruz Medical Clinic has been the county's biggest multi- specialty group.

With the recent expansion of Physicians Medical Group, this newly enlarged alliance of independent practice physicians is challenging the Medical Clinic's hold on the market, leaving open more and more opportunities for a handful of HMOs to gain wider acceptance, among these are CaliforniaCare, Blue Shield and

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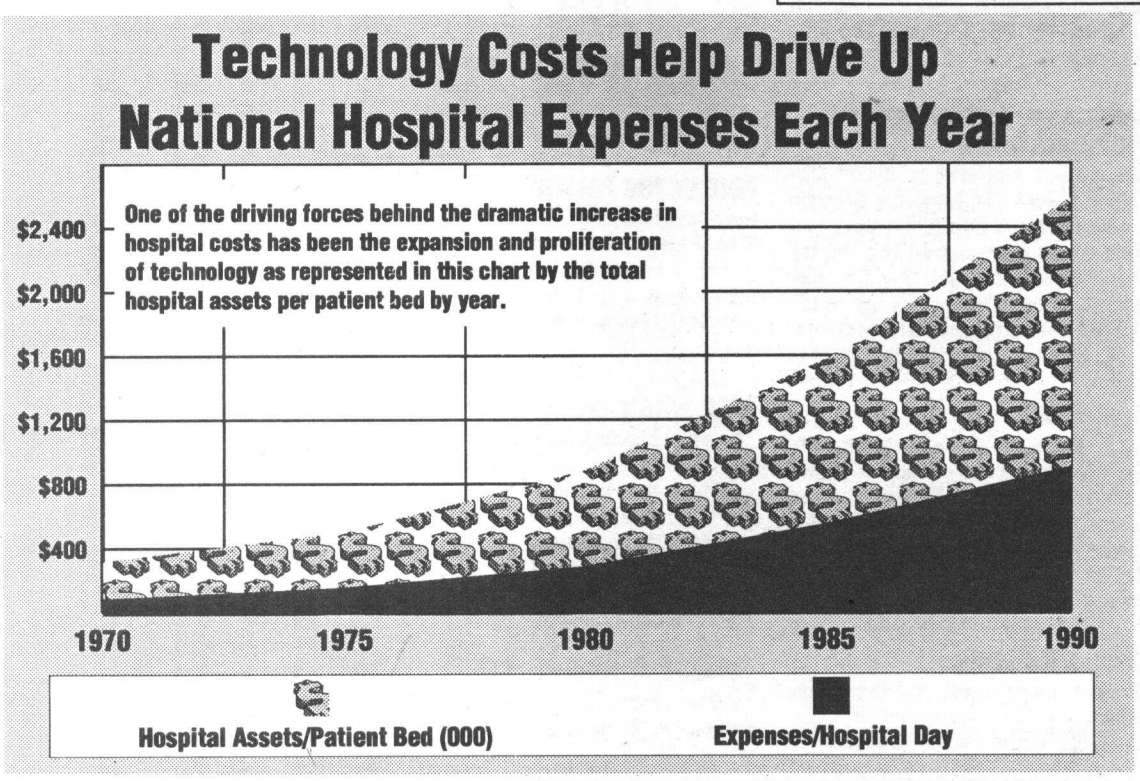

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PacifiCare.

Which leaves only one to guess at whether it is employers or providers driving the move toward greater enrollment in local managed care plans.

Impacting the Market

Rightsizing, downsizing, reinventing and restructuring are the buzz words used to describe the future staring the nation's largest industry in the pocketbook. Learn to live within a budget or be prepared to die.

In Santa Clara Valley, the force of managed care can already be seen in the drop of patient days at area hospitals (see charts: Santa Clara Valley Hospital Register Impact of Changes in Drop of Patient Days and Hospitals Pinched by Declining Census). A report by Milliman and Robertson Inc, actuaries and consultants, using some of the larger markets in the nation as test studies concluded that about 60 percent of the care delivered to under- 65 adults is medically unnecessary if doctors were to prescribe to "optimally" efficient practice guidelines.

Using these guidelines as they apply to common hospital stays, women delivering babies would stay in a hospital on average 1.69 days, about half a day shorter than a mother was admitted on average at Watsonville Community Hospital in 1992. Not much of a change, and even less of a difference for Dominican Hospital where the average length of stay for obstetrics was 1.82 days.

However, where the authors of the Milliman and Robertson study would cite excesses is in the general acute length of stay at both Watsonville Community and Dominican Santa Cruz Hospital.

The Milliman researchers suggest that an optimally managed hospital would average about 3.8 days for every general acute admission (excluding psychiatric, skilled nursing or alcohol and drug services), about two days shorter than the stays at Watsonville Community Hospital and about 32 hours shorter than the stays at Dominican Hospital, according to state records.

While this comparison does not provide for a weighted average for Medicare populations nor is adjusted to reflect differences among various regions in the country, studies like this one have been the topic of local discussions.

The executive director of Physicians Medical Groups says that acknowledging the changes ahead in the local market has been the topic of weekly meetings with managers at both area hospitals.

However, patient days also translate into jobs. Within the past three years, the Santa Clara Valley hospitals studied showed a loss of about 60,000 patient days a year, translating to hundreds of full- time positions in nursing, laboratory and dietary services and general housekeeping duties. Losses that have turned an employment market upside down.

In the late 1980s, hospitals in the Bay Area were routinely flying in nurses from around the country to keep beds open. Now, local nurses are standing in unemployment lines. A changing employment market has also produced some of the smallest gains for hospital nursing payrolls in the past decades. About 80 percent of the contracts held by the California Nurses Association were negotiated last year, and many of the agreements were hammered out during the final hours before strike deadlines with union officials making concessions.

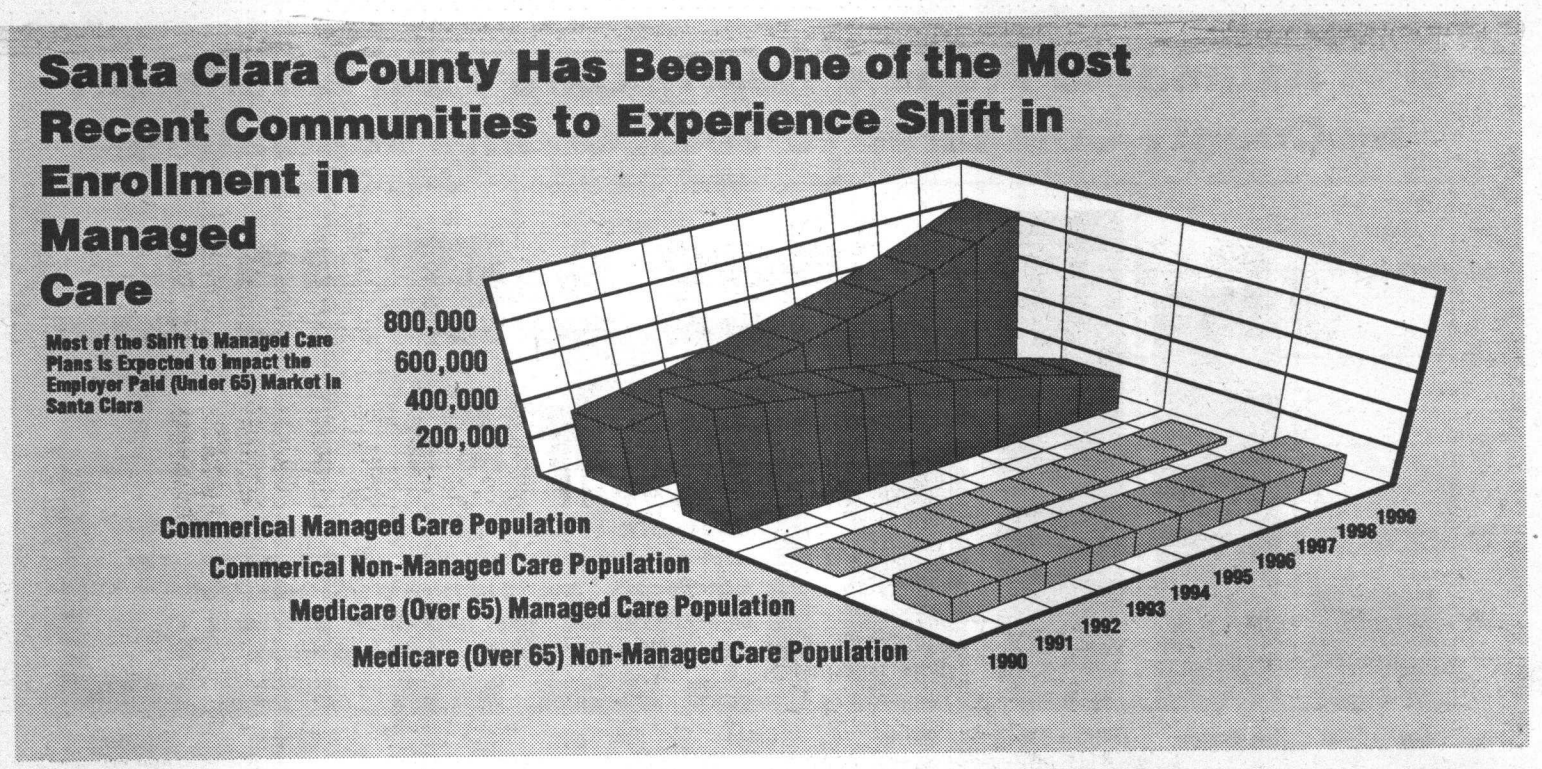
However, the era of hospital downsizing has fueled the expansion of a newer industry known as home health care.

With patients routinely leaving hospitals sooner, the same patients are requiring more care when they return home, oftentimes care delivered by registered nurses who once cared for patients in the hospital setting. In some cases, patients are not even admitted to the hospital prior to receiving advanced drug therapies in the home setting.

In 1983, state reports showed there were 3.5 million visits made by nurses and aides from state licensed home health agencies to see patients. By 1992, this number had almost tripled to 9.1 million visits, while the number of patients seen in the home had only doubled. This suggests nurses may be spending less time in the hospital and more time in homes delivering care in the years ahead.

What this means to your health remains a matter of debate.

Some say that properly managing, organizing and aligning physicians into practice groups will spur competition and result in better care for most patients. What is for sure, is that restructuring the nation's single largest industry means the nation's economy is heading towards another patch of rocky road in the years to come. ❐



Local Leaders Prepare for Changes

Some Upsides to Reinventing Hospitals Are Unfolding

by Mary Bryant

"When federal leaders began to pay close attention to what they were spending on the MediCare program in the mid- 1980s, we had to make changes in the way we did business," said Sister Julie Hyer, president of Dominican Santa Cruz Hospital. "Some of the changes we made were to increase the rates we charged patients privately insured, which seemed quite reasonable because commercial rates had been partially subsidized for decades by federal programs. ... When private insurance companies began demanding steep discounts in the late 1980s to offset the increases in bills, we had to begin finding additional ways to reduce expenses like consolidating departments, closely monitoring capital purchases and reducing [some] of the redundancies

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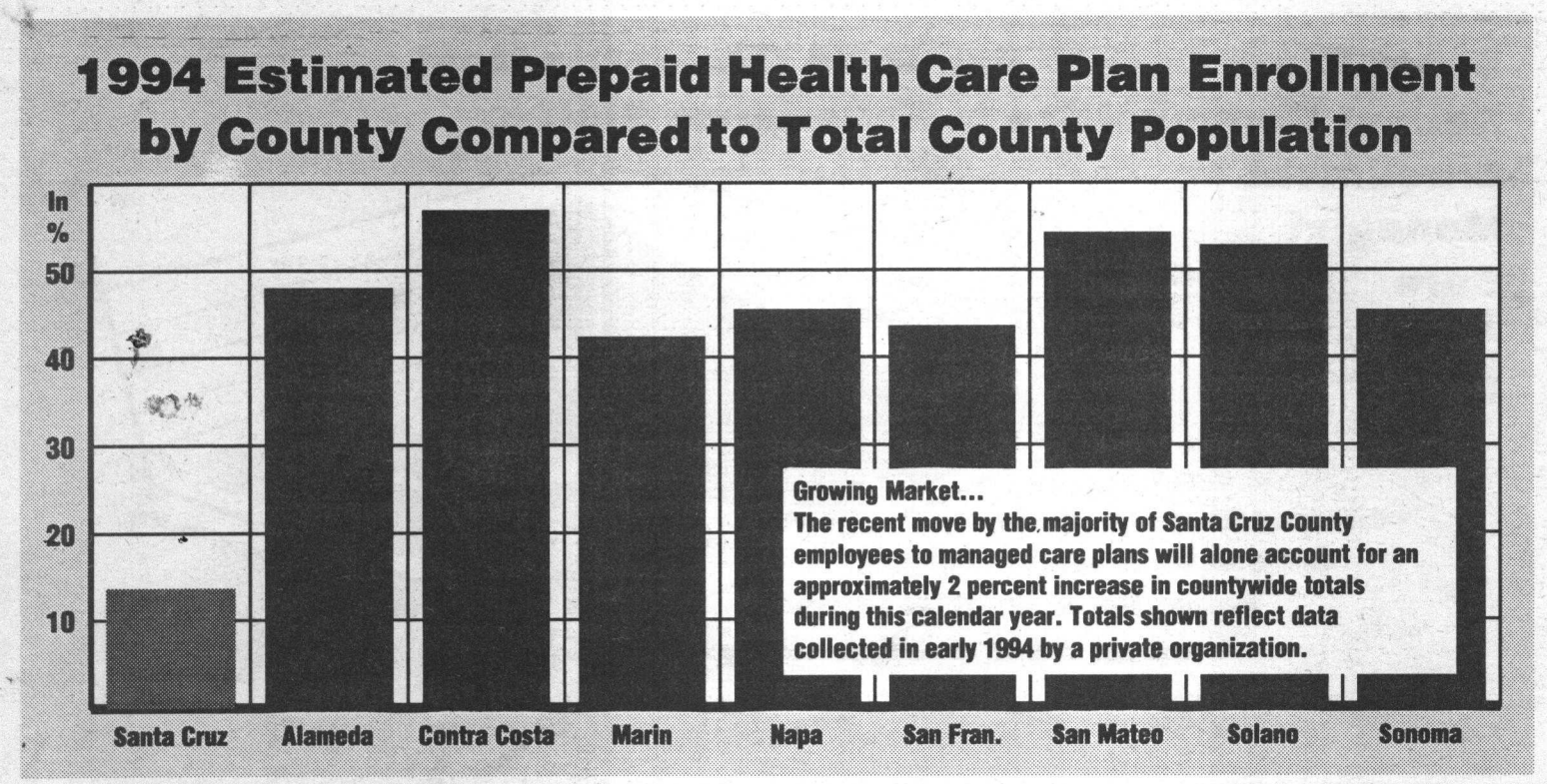

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Elise Dempsey, Domincan's critical care unit's nurse manager

in the market. ... Now, the managed care plan contractors are providing incentives for physicians to find ways to care for patients outside of the hospital, and we have literally no other place to turn except to again look at every aspect of the way we do business. We can no longer afford to assume that the way we have always provided care to patients is the only way to provide quality care.''

As part of "meeting'' this year's budget, Dominican leaders eliminated the equivalent of 40 full- time positions from their staff of about 1,300 employees, which resulted in the loss of 14 senior and middle management jobs along with a mix of staff and specialized nursing positions.

In total, 16 employees were laid-off, with the remainder taking early retirement or opting to accept other staff level positions. Job losses or consolidations hit many of the hospital's departments, including the chemical dependency recovery, public relations, laboratory, human resources and housekeeping departments.

While, Sister Hyer said that there would be no additional lay- offs should admissions stay relatively steady for the upcoming fiscal year which ends in June of 1995, she didn't want to consider what the losses might have been had the hospital not implemented consolidation plans during the past five years.

"I'm sure there are a number of areas where we could point and say we were very good at predicting the future, I'm also sure there are things we could have done better. ... [And], even if only a relatively few people lost their jobs, the small number doesn't make the loss any more bearable,'' Sister Hyer said. "However, we have no other choice than to be prepared for a changing market.''

Chimeric Market

"First of all, it's always how can we better take care of the patient. And, I don't think it necessarily ties to managed care. I think what managed care is forcing us to look at is how we deliver care. And, it's not the same thing as just saying we have to slash costs,'' said Joe Wierzba, executive director of Physicians Medical Group.

While Wierzba recognized that there were many changes in store for hospital leaders in the advent of managed care, he added that there were also many new ways doctors were finding to keep patients out of the hospital.

"The physician's ability to keep patients out of the hospital setting is enhanced with drugs, new treatment methodologies, new diagnostic equipment and new technology,'' said Wierzba.

Wierzba said that area hospital directors were preparing to face a rapidly changing future, a time when the patients they admit will be more acutely ill, stay shorter periods in the hospital and require more care despite declining budgets and the ever- present demand for more resources.

What is driving the changes in the way hospitals do business is the emergence of insurance plans that provide incentives to physicians to keep patients out of hospitals and reduce the total health care bills. And, with fewer patient days to ring up each year, hospital leaders are also bracing for a drop in revenues, since most hospitals are reimbursed by commercial insurance payers on the number of patient days versus the services delivered.

As an example, at Dominican the total number of patients admitted to the hospital remained slightly ahead of projections during the budget year while the length of stay has continued to drop, resulting in cutbacks to staffing, according to Dominican's Chief Financial Officer John Petersdorf. Not that Dominican leaders are the only ones making plans for the future.

At Watsonville Community Hospital, an emphasis has been placed on expanding the South County facility's successful home health program, along with changes in the way jobs are delegated among the various unit staff (see related article: Nurses Following Patients Home).

Changing the Way They Do Business

"We have been struggling on TCU [Telemetry Care Unit] for quite some time. We had experimented with adding nurses' aides, how many to add. We had tried a variety of different options to decrease the heaviness of the floor for the nurses,'' said Elise Dempsey, Dominican's critical care unit's nurse manager. "We began meeting in a steering committee [about a year ago].''

Dempsey said the steering committee was made up of nurses, doctors, laboratory and cardio- pulmonary technicians, managers and housekeeping staff.

What the steering committee was charged to do was to find a different way to deliver care to patients that would increase the quality of care while containing budgets, including assessing both the quality of services before and after changes were implemented.

Being a kind of planning process that strikes at the heart of staffing ratios, Dempsey said that sometimes the meetings spawned rumors that would spread throughout the hospital, including concerns nurses were being discharged.

"I didn't let go of any nurses. I hired more nurses, in fact,'' Dempsey reported.

What the committee did finally produce was a model adopted from one unveiled at Mercy Hospital in San Diego, a working model which was "rolled out'' exclusively in the TCU unit, but will be considered for advancement to other departments.

The model is called Partners in Caring, sloganed on the premise that partnering nurses with trained technicians provides more care for patients. The model is designed to provide additional staffing hours by combining jobs traditionally staffed by personnel from a variety of hospital departments. In total, this will increase the direct care hours allocated for each patient day without increasing the costs of care, according to Dempsey.

In achieving this goal, the model works by adding non- licensed trained employees known as patient care technicians and relocating the work stations commonly deployed on a unit.

Working at mini- nurses stations located at various junctions on the unit floor, the team of a patient care technician and a registered nurse will do the job that previously was attended by a single nurse relying on laboratory technicians, respiratory therapists, aides and cardio-pulmonary staff. While the patient load for the nurse is slightly increased, the dedicated patient care technician brings down the weighted average, allowing more

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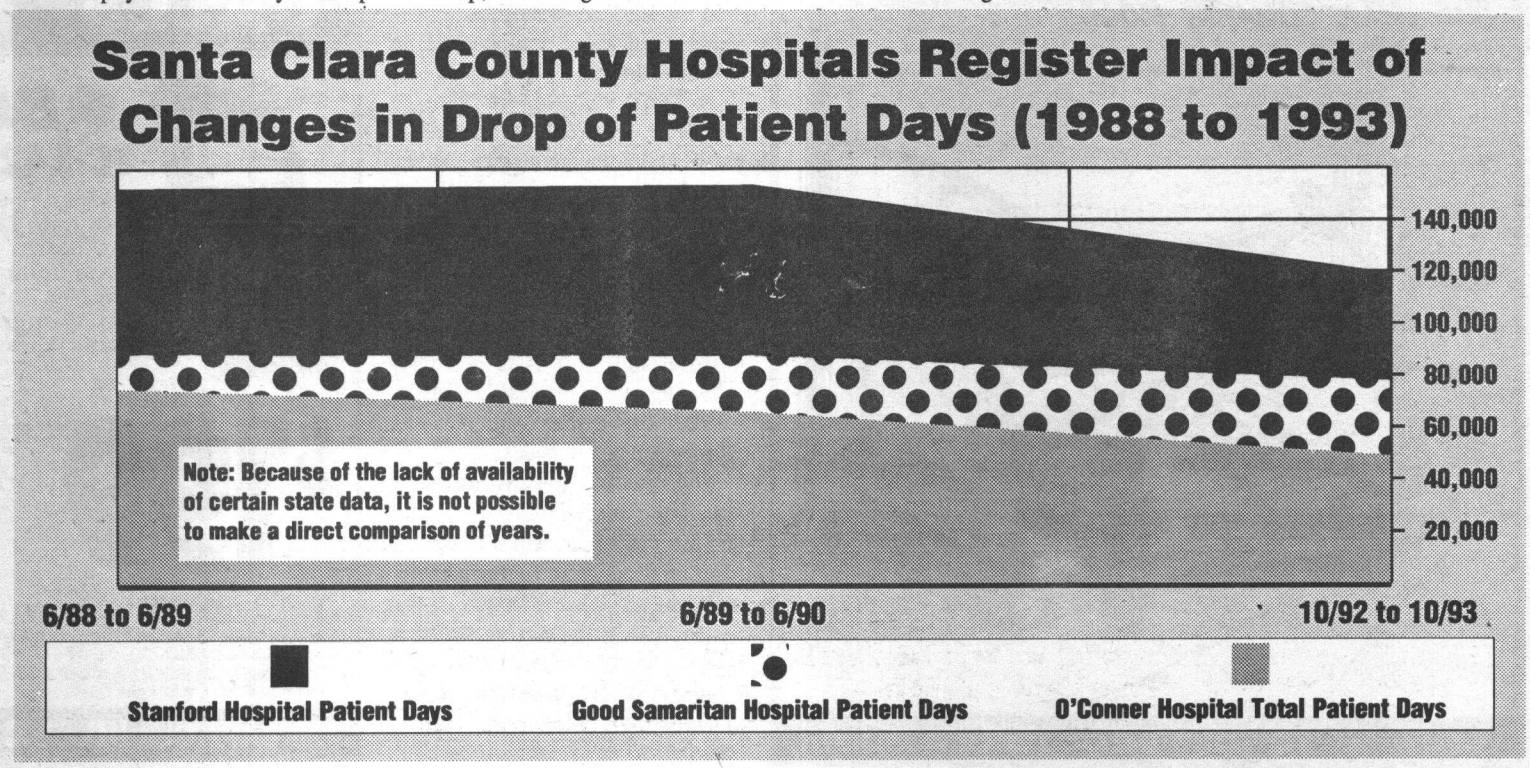

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direct patient care time to be delivered each patient."I helped to set it up. I knew what was going to be going on," said Noah Lev

ine, a Dominican patient care technician who had originally trained to work as a paramedic. "We went and looked at different models used around the country and we decided this is what we're going to do. But it wasn't a packaged deal unfolded out of a box."

Levine said that his experience with the program allowed him the chance to work directly with patients, and that he had received positive support from the patients on the unit.

"I've gotten only positive feedback. I personally have enjoyed it tremendously. It's really a great opportunity to work with the patients," said Levine. "They get a lot more attention, they just do. Me, the tech, or the nurse is always in the room, or right there for the patients. It's not like before when the nurses were here for the paperwork, and the patients were over there. Now we're directly in front of the rooms. You can see all the patients rooms. So, you're always right there if they need anything."

Levine's partner is a registered nurse, who has worked for Dominican Hospital about four years, transferring from AMI's Community Hospital after the acquisition.

"At each station we have a cart that contains the basic things that you normally use," said Jacki Cooksby, a Dominican nurse. "I think that the training has been sufficient. People came from all different areas of the hospital [to be patient technicians]. ... They went through the training and then they had to do hands on and get signed off. ... I think it was organized well in that way."

Addressing one of the concerns nationally about the use of non- nurse technicians in the delivery of care, Dempsey said Dominican's team members tried to avoid worries by organizing a training and testing program for non-licensed personnel drawn from the ranks of paramedics, laboratory technicians and nurse's aides. Dempsey said this assured the nurse remains in complete charge of regular assignments.

Dempsey believes the net result is that the nurse also is permitted to spend more time with the patients, an observation that so far Cooksby supports.

"I think it makes [patients] feel more safe. Because when a patient is in a room and doesn't see anybody, then people start wondering am I here. This way the technician does the vitals ... and then he'll come out and chart them," said Cooksby. "Then, I'll go in and do the assessment. There's

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more movement and more visits."

Cooksby did acknowledge that some nurses were concerned the model might be used sometime in the future to decrease nursing hours, an apprehension Sister Hyer said was unnecessary.

"If we only wanted to decrease the ratio of nurses to patient days we wouldn't have spent a year designing a model, remodeled the floor, brought in new equipment and trained staff. We would have just cut hours," said Sister Hyer. "Our goal continues to remain a top-flight acute care hospital, and we sincerely understand that we will maintain that reputation by only providing top quality care."

Some of the Jury Still Out

"CNA is very concerned about that model because it provides a lesser quality of care for patients. There is no way an unlicensed personnel with several weeks of training, who does not have the scientific background of a nurse, can possibly give the same quality of care," said Beth Shafran, a labor representative for the California Nurses Association (CNA), a union which represents about 29,000 nurses throughout the state. "At Watsonville [Community Hospital], very specifically, administration agreed that primary care is to be given by nurses, and that nurses if they believe it's unsafe in anyway for a patient to get any kind of a procedure from an unlicensed personnel can say, 'No, I'm the nurse, I will do this.' "

Shafran added that Watsonville Hospital leaders had worked closely with union officials to develop a model acceptable to the union, while Dominican managers had chosen to only involve nurses, physicians, technicians and direct hospital staff.

While Dominican nurses remain in charge of all units at Dominican Hospital, Shafran says her organization has not been appropriately updated on any changes being considered.

"We certainly believe from CNA's perspective that there is a place for sister personnel in the hospital. The important thing though is the nurse who is the direct patient care person, the person who is the patient advocate, is able to determine what's safe for the patient," Shafran said.

Shafran recognized that many of the duties assumed by the patient care technician were those traditionally administered by non-nursing staff.

"It's certainly traditional in many places that the lab will send someone up to do the EKG [electro cardiogram], or a phlebotomist [person who draws blood] upstairs to do same thing, and those are accepted," Shafran said. "The danger in restructuring plans is that if you try and look at what a nurse does as simply a list of tasks, you can take a nurse away from a patient so much that they can't possibly be able to monitor the overall condition of the patient."

While Shafran could not comment directly on the program, she did say that CNA representatives would continue to closely monitor changes at Dominican Hospital. She added that during the past week, CNA officials filed a class action lawsuit against Alta Bates Hospital in Oakland as a result of proposed staffing restructuring plans at the acute care facility.

Shafran also said that despite the national cry to cap health care spending, consumers should be prepared to get what they pay for.

"When you look at one of the reasons why patients spend less time in the hospital, a lot of it has to do with insurance companies demanding that," Shafran said. "There are larger societal questions that we all need to ask about how medical care is financed. ... It's part of lots larger questions than just what's happening at Dominican or any hospital."

However, while introducing a pilot program on one unit of one floor of one hospital will not address the looming effects of health care reform efforts, the Partners in Caring model has already gained one fan.

Gracie Torres was recently admitted at Dominican as a patient after suffering heart failure while in the area on a vacation.

"I don't want to put any other hospitals down, but I can tell you that hospital really took good care of me," said Torres, who was admitted to TCU. "The whole environment was very comfortable. I was really impressed with the medical staff. ... It was like [my nurse] knew what my needs were, and just took care of it." ❐

Noah Levine, Dominican patient care technician and his partner, registered nurse Jacki Cooksby.