

VIEWS



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solving the \$31 billion uncompensated care problem

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The U.S. healthcare system is under tremendous pressure to bring cost increases under control. The Centers for Medicare & Medicaid Services and the Office of the Assistant Secretary for Planning and Evaluation estimate that the country spent an astounding \$2.5 trillion on health care in 2008.

Even with all this money moving through the healthcare system, many Americans do not have healthcare coverage because their employers do not offer it or they cannot afford to pay their portion of the premium. Today, an estimated 47 million Americans are uninsured.

We have an uninsured crisis in our country that is creating great imbalances in the healthcare delivery system. A significant source of this imbalance is the result of the large number of uninsured patients that are turning to hospitals for medical care. Data show that nearly two-thirds of all uncompensated care is delivered in hospitals. In 2006 alone, hospitals nationwide provided more than \$31.2 billion in uncompensated care, an increase from the previous year's total of \$28.8 billion, according to the April 2008 issue of American Hospital Association's *Trendwatch*.

As the number of uninsured rises, many health systems are not able to tolerate the load of uncompensated care and are starting to bleed financially. As this problem magnifies, an increasing number of health systems are beginning to fear they will go out of business. Some have reflexively moved to collect more aggressively from the uninsured. However, this approach has only temporized matters somewhat.

Sadly, the care that many uninsured consumers receive from hospitals is just the wrong care. Patients with chronic diseases cannot keep their diseases in check using the emergency department (ED). There are only so many times that symptoms can be controlled in this setting without real follow-up care in the community or medications. Because chronic diseases require ongoing treatment—medications, primary care, and diagnostics—they cannot be managed successfully with episodically administered rescue medications and other treatments in the ED.

When patients who are admitted are finally discharged, it is only a matter of time before the cycle begins all over again if they do not receive appropriate follow-up care. This is an expensive way to care for the chronically ill.

As healthcare executives, we would qualify judicious primary care with medication compliance as a “win-win” way of treating chronic diseases for both patients and the healthcare system. The problem is money. Who is going to pay for the outpatient care, the medications, and other medical treatments that uninsured, chronically ill patients need to keep them healthy and out of the hospital?

As a society, we need to determine how we will provide coverage for the uninsured. In the meantime, it is in the best interest of health systems to pay for outpatient care for uninsured, chronically

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ill patients who are already using hospitals for medical care on an ongoing basis.

Outpatient care and medicines are much better economic options than repeated ED visits and hospital admissions for the health systems that incur these costs. Sponsoring outpatient care and medicines for high-cost uninsured patients with chronic diseases who rely on ED and inpatient care many times per year makes great economic sense for health systems. The net financial impact can be significant, and the medical and moral value is unquestionable. Granted, paying for outpatient medical care for uninsured patients is not a typical hospital mission, and it is certainly not a core business practice. However, when hospitals examine their spending on uncompensated costs, they will likely find that a relatively small number of patients drive much of the costs. These are the patients that the health system needs to consider helping.

Developing and deploying a care management program to manage the medical needs of chronically ill patients on an outpatient basis is not easy, but it is doable. At the highest levels, health systems should:

- > Understand their uncompensated utilization and costs for patients with chronic diseases
- > Identify the specific patients to participate in the program
- > Engage the patients
- > Determine the medical needs for each patient
- > Find and assign medical homes to patients
- > Address barriers to care
- > Address resources to care (e.g., funding for medications, transportation, and therapy)
- > Monitor patient progress

Through such care management programs, health systems will develop new competencies in care management that can be applied to all patients in their service area, not just the uninsured. The

business model for health systems stands to expand to that of managing the medical needs of patients in the community—not just when they are in the hospital. This is particularly applicable for the growing number of health systems that employ physicians. For these systems, physician practice revenue and care management fees represent a tangible and accessible business opportunity.

To get to this point, health systems will have to develop some new competencies (e.g., data analytics—and fortify others (e.g., case management). There will be risks. These programs should target the right patients, and physicians should follow guidelines of care so that good medical care is also cost-effective care. There is also the fear that health systems will become magnets for sick patients without insurance. The reality is that in most instances, health systems already are.

This approach is not meant to cover all medical needs for the uninsured. In fact, most uninsured patients will not be eligible for this kind of a program because their medical needs will not match those targeted by this type of service. Also, the care does not have to be gifted. Health systems can bill uninsured patients for this care. Perhaps collections will be no better than they are today, but the program will deliver better quality of care, reduce utilization within the facility, and be less costly for the patients who pay for their care as well as for health systems.

Ultimately, our society needs to find a real solution for caring for the uninsured. In the meantime, a care management program as described above may do a lot of good for some very ill, uninsured patients and bring true financial relief for struggling health systems. ●

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