

Future role of hospitals essay

[Business](#), [Accounting](#)



Universal health care is on the way for all Americans. President Obama's Health Care Reform will mandate that all Americans have medical insurance by 2014.

(Jackson ; Nolen, 2010) Either the employers will provide the medical insurance or the individual will have to purchased the medical insurance themselves. Who is responsible for purchasing the medical insurance depends on several factors but those details are not the scope of this paper. The key point of the health care reform law is that every American will be mandated to have medical insurance. Universal health care coverage will have a major impact on all aspects of health care. We will focus on the impact of universal health care on hospitals.

There is no doubt, that all hospitals will have to make major changes in their day to day operations. As the new law takes effect, the hospitals will have to evolve to meet the new requirements. A transformation will need to take place in order to adjust to the new volume of patients that can be expected after the mandate is put in place. The role the hospitals will play in the future will depend on many different factors.

We will investigate these evolving roles as we examine what the future role of hospitals will be in America. Today there are 5, 815 registered hospitals in the United States. Of the 5, 815 registered hospitals, 5, 010 are community based hospitals. There are 2, 923 Not-for-Profit community hospitals, 982 For-Profit community hospitals and 1, 105 state and local government community hospitals. The remainder of the hospitals are comprised of Federal Government hospitals, Nonfederal Psychiatric Hospitals, Nonfederal

Long Term Care Hospitals and a number of Hospital Units of Institutions. “Fast Facts”, 2010) Each year over 35 million people are admitted to the hospital.

More than 118 million people are treated in the emergency department and 481 million people are treated as outpatients. Hospitals also deliver over 4 million babies each year. In 2006, hospitals provided care to people in need at a cost of over \$31 billion of care for which no payment was received. (“Hospital Facts”, 2008)The Emergency Medical Treatment and Active Labor Act (EMTALA) require all hospitals to screen each patient that comes through the Emergency Department. (Emtala. com, n.

d. If an emergent condition is found, they must stabilize the patient. Many times these emergent patients do not have insurance or a means to pay for their care.

In the future, hospitals will be asked to do more while keeping cost down. A major role hospitals will have to play in the future is that of cost containment. Today, one third of hospitals lose money on operations. They have a meager operating margin of only 4% on average. It will be very difficult for many hospitals to keep their doors open in the future if they continue to lose money.

Hit the hardest are the rural hospitals. It has become more and more difficult for rural hospitals to stay in business. During the decade of the 1990's, 186 hospitals closed their doors and went out of business. (“Cracks in the Foundation”, 2002) One major reason hospitals have a hard time with their

operating cost is because of payment shortfalls from Medicare and Medicaid. Roughly 54% of gross revenues come from the charges to Medicare and Medicaid.

In 2003, Medicare accounted for 40.4% percent of the hospitals' gross revenues and Medicaid accounted for 14.4% of the hospitals' gross revenues. The hospitals' financial performance is based on these government payments because they cover the majority of the patients seen. In fact, the majority of hospitals lose money in treating Medicare and Medicaid patients. In 2003, 59% of the hospitals were losing money treating Medicare patients and 61% of the hospitals were losing money treating Medicaid patients. ("Fragile State of Hospitals", n.

d.). This is important information because in the future, hospitals will not only have to manage cost of treating Medicare and Medicaid patients but also be responsible for managing the cost of treating patients under the new universal health care coverage. In order for the hospitals to maintain their doors open, they will have to do better at collecting payments of the newly insured patients. A concern hospitals will have to contend with is the reality that not all individuals will opt to buy into a universal health care plan.

These individuals may opt to pay the small penalty of not carrying insurance. Not buying medical insurance will be an option for some individuals. (Jackson ; Nolen, 2010) This will present a problem to the hospitals. A lot of these patients bills will go on the books as bad debt. With hospitals already losing money by treating Medicare and Medicaid patients, they will not be able to tolerate additional losses in operating cost by treating non-insured patients.

Hospitals make enormous economic contributions to our society. Hospital care is the largest component of the health care sector and represented 16.2 percent of the Gross Domestic Product. The hospital care sector accounted for \$2.3 Trillion of which hospitals accounted for \$718 billion of that total. In addition, community hospitals created over \$2 trillion of economic activity. The goods and services hospitals purchase from other businesses create additional economic value for the community.

With these ‘ripple effects’ included, each hospital job supports about two more jobs and every dollar spent by a hospital supports roughly \$2.30 of additional business activity.” (“Economic Contribution of Hospitals”, 2010) Hospitals play a major role today and in the future in the creation of jobs for both themselves and for the surrounding communities.

In 2008, hospitals employed over 5.3 million people and were the second largest source of private sector jobs. Hospitals support nearly one of 9 jobs in the U. S. Nursing jobs are the foundation of every hospitals. They must have enough nursing staff to take care of the patients that are admitted on a daily basis. In the future hospitals will have to partner with universities and technical and vocational schools that produce the supply of nurses.

Nurses of different skill levels will be needed to take care of the hospitalized patients. The hospital will need Registered Nurses (RNs), Licensed Vocational Nurses (LVNs), Certified Nursing Assistants (CNAs), and other specialized medical technicians. Most important are the RNs. Depending on the services offered by the hospitals, RNs with various skills sets will be required. Some hospitals will require Critical Care RNs, Emergency Care RNs, Pediatric Care

RNs, etc. As more and more hospital services are being utilized, the number of RNs required will increase.

For the past decade, the demand of RNs has increase but the supply has decreased. It is estimated that there will be a shortage of 800, 000 RNs by the year 2020. (" Fragile State of Hospital Finances", n. d.) In the future, the demand for hospital services will continue to increase. Breakthroughs in medicine has contributed to the increase in the average life of expectancy.

" Medical advances have greatly improved the health and longevity of Americans. A person born in 2000 can expect to live 3. 3 years longer than a person born in 1980. New treatments have led to sharp reductions in mortality for heart disease, cancer, stroke and many other diseases. " (Lutz & Rodgers, 2003) The increase in the growth of the population combined with the increased number of people aged over 65 will create a demand for more hospital services. A sharp increase in the population aged 65 and over is expected to increase because of the large number of Baby Boomers reaching this milestone. " In coming decades, the sheer number of aging baby boomers will swell the number of elderly with disabilities and the need for services. " (Walker, 2002) There were 34.

8 million people aged 65 or older in 2000 which accounted for 12. 7 percent of the country's total population. It is estimated, that by 2020, the percentage of Americans age 65 or older will reach 16. 5 percent. By 2020, one in six Americans will be 65 years old or older representing close to 20 million people.

The General Accounting Office estimates that by 2040, the number of people aged 85 years and older will triple and reach 14 million. (Walker, 2002)

Hospitals in the future will need to plan to for the care of advanced age patients. This age group tends to use more resources and have longer lengths of stay. Often times, they require specialty care and more nursing care.

These patients also tend to be more critically ill with several co-morbid chronic conditions. Hospitals will need an infrastructure capable of handling an increase in these types of patients. Critical Care beds will need to be increased and the nursing staff will need to be trained to care for these complicated patients. In addition to the elderly, people 65 and older, the hospitals will play a vital role in taking care of a new group of patients, the obese. Obesity has become a major problem in the United States. “ Obesity in America has dramatically increased in recent years and become an urgent health concern. Approximately 22 percent of adult Americans are obese — defined as having a body mass index (BMI) of 30 or more. Among children, 13 percent are considered overweight — defined as having a BMI of 25 or more.

(Lutz & Rodgers, 2003) This is a great concern for hospitals. There is a strong correlation between obesity and numerous chronic medical conditions. If the prevalence of obesity continues, the hospitals in the future can expect to treat a larger amount of obese patients with multiple chronic condition. Obese people tend to have a higher risk of hypertension, coronary heart disease, type 2 diabetes, stroke, and various forms of cancer. “ Overweight

and obesity, and their associated health problems, have a considerable economic impact on hospitals and the health care system. An estimated \$177 billion is spent annually as a result of overweight and obesity. Recent estimates suggest that obesity accounts for about 5.

7 percent of total U. S. direct health care costs, excluding costs related to increased mortality among obese and overweight individuals.

Recent research also suggests that compared to patients who are obese, patients with a BMI of 20-24. 9 have approximately 51 percent lower prescription drug costs, 28 percent lower hospital inpatient costs, and 12 percent lower hospital outpatient costs. (Lutz ; Rodgers, 2003) If these trends continue, the hospitals will have to make more accommodations for the obese patients. The hospitals will not only have to invest more on nursing care for these patients but always make some capital investments. The hospital would require wheel chairs large enough to handle the size and weight of these patients.

Larger operating tables would be required. Special surgical equipment would be needed. Extra large beds for the inpatient rooms would have to be available. These are some of the considerations hospitals will have to make in the future role of obese patient care. In recent years, hospitals have been treating more and more sicker patients than in the past.

This trend is expected to increase as the population ages and as the number of elderly increases. The complexity and acuity of these patients is due to the greater presence of complex co-morbidities. These acutely ill patients

utilize a lot more hospital resources. Treating these patients creates a financial burden for the hospital because in most cases the re-imbursements are less than the cost of the patient care.

Between 2000-2002, hospitals saw a 15 percent rise in extremely ill patients that were treated in their facility. (Lutz ; Rodgers, 2003)In the future, hospitals will have to adjust to an increase in the demand of hospital utilization. Hospitals are already seeing an increase in outpatient and inpatient visits today and they can expect it to increase in the future as more and more people will demand the services of the hospital.

It is already anticipated that more Americans will use the hospital services as universal health care plans are initiated. Millions of Americans who otherwise would not go to the hospital will now have medical and hospital insurance. These people would typically avoid a trip to the hospital because of the exurbanite out of pocket cost.

These people will demand more hospital services and will drive over all hospitalization up. A concern hospitals will have is the over utilization of the Emergency Department (ED). Americans have become accustomed to the availability of 24-hour care.

Approximately a third of hospital care begins in the ED. Hospitals have seen a 25 percent increase in ED volume over the past decade. In 2004, there were 112.

6 million ED visits. The majority of these visits required immediate care and more than half of the ED care takes place outside of normal business hours.

(“ Prepare to Care”, n. d.)Hospitals today and in the future need to provide an extensive array of resource in order to meet the many different and often unpredictable needs of emergency care for the patients. Patient volume can vary dramatically; therefore, hospitals must have medical staff, both physicians and nurses, on standby in order to meet the demand of patient volume. In addition, hospitals providing 24/7 emergency care have to have other support staffing available to support the ED. Hospital EDs require services from the laboratory, radiology, pharmacy, surgical services, general and intensive care units, labor and delivery, plus on-call physicians.

It is not uncommon for hospital EDs to see more than 1, 500 unique patient conditions. A problem most hospitals face is the use of the ED as a patient’s “ safety net”. “ Often lacking a ‘ medical home,’ Medicaid beneficiaries and people without health care coverage — together, 103 million individuals — disproportionately look to the hospital ED as their access point for care. ” (“ Prepare to Care”, n. d.) Acting as the “ safety net” for these patients is very costly to hospitals.

As discussed earlier, most hospitals lose money taking care of Medicaid patients. Also, most uninsured patients rarely have the means to pay for their ED visit. This problem continues to persist as evident by the 22 percent increase in ED utilization by Medicaid and uninsured patients during the years of 1998-2003.

A current problem and a problem that will have to be addressed in the future by hospitals is the care of the behaviorally ill. “ Declining reimbursements from payers and the erosion of public support have resulted in reductions

and/or eliminations of inpatient psychiatric units and/or beds in hospitals as well as in private, free-standing and state behavioral health facilities. Many outpatient centers also have closed and some behavioral health specialist are limiting their practices to fee-for-service patients only. As a result, individuals suffering from mental health and substance abuse (MHSA) conditions increasingly turn to EDs for care.

" (" Prepare to Care", n. d.) With limited resources and a thin profit margin, most hospitals will continue to lack the ability to take care of this patient population.

Hospitals have a challenge today and they will be challenged in the future when it comes to providing 24/7 emergency care. A concern hospitals will have is covering the cost of the uninsured. Even as the new insurance mandate is implemented, there will still be people who will risk not having coverage and opt to pay the penalty for not having an insurance premium. The hospitals also take a risk in absorbing the cost of these individuals without the means of paying for their services. The majority of hospitals already lose money on the Medicaid and Medicare patients, they cannot afford to add another category of non-paying patients.

The future role of hospitals will definitely involve new technology and medical advances. The government has already mandated that every provider will transition to electronic medical records by the year 2014. " Information technology (IT) has been identified as an essential tool in improving the quality of clinical care and reducing health care costs. Hospitals and health systems currently leading the field in IT adoption report

that they generally begin by improving the safety of medication administration, both by automating the ordering process and matching medications electronically to patients at the time of administration. " (Lutz & Rodgers, 2003) The one drawback to IT is the cost of implementation. Over the next few years all medical records will be transitioned into electronic medical records.

The hospitals will be the leaders in the medical community in the adoption of the new requirements. They will play a vital role in recruiting the physicians into adopting the use of electronic medical records. Hospitals will also take the lead in the interoperability between hospital electronic medical records and physician electronic medical records. New biomedical and technology advancements has vastly improve the quality of life of people and has extended the life expectancy. Because of the advancements of less invasive procedures, patient demand has increased.

Advancement in imaging has been a huge breakthrough in patient care. Newer high tech imaging devices such as magnetic resonance imaging (MRI) and computed tomography (CT) functional imaging with positron emission tomography (PET) has lead to early detection of diseases and early treatment. " Research indicates advances in medical care are contributing to longer, healthier lives. Disability and mortality rates have consistently declined since the 1970's.

" (Lutz & Rodgers, 2003). The downside to all the advancements in health care is the cost. As with all health care, paying for the new technologies and advancements will be the major obstacle. The majority of hospitals today are

losing money year over year. In the future, hospitals will have to develop more cost effective ways to implement new medical advancements and field new technology.

One thing is for sure, hospitals will play a major role in health care in the future. Hospitals are the foundation of this country's health care system. They are major contributors to the economy of the U. S. Hospitals will always play a lead in the care of Americans.

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