

Healthcare finance in the united states of america

[Countries](#), [United States](#)



In United States the Congress had passed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 or MMA and with this imposed a stoppage for 18 months on the starting of new physician owned specialty hospitals. At the same time, they also wanted to know the position regarding certain matters of physician owned heart, orthopedic and surgical specialty hospitals through MedPAC. The team visited sites, made legal analysis and met the share owners in these hospitals and finally presented a report to the Congress. It had also gone through the cost reports received from Medicare and inpatient claims of 2002, which was the most recent at that time. This will naturally form the basis of such hospitals being permitted or not.

(Physician-owned specialty hospitals)

The findings of this committee showed that:-

Physician owned hospitals generally treated patients who had less severe problems and concentrated on specific diagnosis related groups and the reason for both of this was that these were expected to be more profitable than other patients.

These hospitals do not treat as many Medicaid patients as community hospitals.

Regarding the costs of patients in these hospitals for the patients, the Medicare patients did not get benefits of lower costs though the inpatients had shorter periods of stay.

There was no appreciable impact of physician owned specialty hospitals on the community hospitals as seen in 2002, and there was also no impact on the financial performance of the community hospitals.

Most of the differences in profitability can be rectified by improving the prospective patient system for inpatients that are made by Medicare.

Thus according to the findings there are not major differences between the community hospitals and physician owned specialty hospitals in terms of costs or capability for services. (Physician-owned specialty hospitals)

Differences among types of hospitals:

We shall make comparison of the hospitals in India and USA. In India, apart from the government hospitals, there are a number of large hospitals run by trusts or large corporations. In the city of Bombay or Mumbai, the hospitals named Jaslok or Hinduja are run by trusts and Wockhardt Heart Hospital is run by a major pharmaceutical company. Even when the hospital has been promoted by a physician, still the hospital is run like a corporation as is seen in the case of Apollo Hospitals.

There is now a new hospital named as Asian Heart Hospital in Bombay which has been promoted by a physician team and they have a large stake in the hospital. The team of physician is led by one Mr. Panda who is now the CEO of the hospital. These physicians have all invested their own funds, and to get more funds, they have even asked for more contributions from other physicians who are now not resident in India. The hospital is the result of a plan by these physicians in 1993-94. The hospital took about 10 years to

complete. Thus one should realize that a hospital takes a long time to take shape up. (Doctors in arms)

The biggest problems in the management of hospitals come from physicians and renowned physicians are sought for empanelment by hospitals. The physicians then continually force the hospitals to upgrade their infrastructure and also charge heavy fees from the patients. At the end of the services by the physicians, it is they who get the biggest returns. It is also difficult to retain the physicians as they leave at the earliest opportunity, and this statement is from one of the promoters of the hospital, GW Capital. They are now investing money in the concept of physician managed private hospitals. This resulted in its investment of Rs 150 million or about 3 million dollars in buying a 26 percent stake in another hospital group in Hyderabad, in 2000 called the Care Group.

That group has expanded very fast and now has over a 1000 beds in its operations in six centers. (Doctors in arms) Thus the costs of the hospitals will require about 12 million dollars for a 1000 bed operation. At the same time, not all hospitals are made with money in mind and there are hospitals in Chennai or Madras in India which have 150 physicians, 500 nurses and 371 Para-medical staff. The entire team works within a budget of Rs 120 million or 2.4 million dollars. (Healing Ministry of the Madras Diocesan Medical Board) This hospital is run by a religious mission and its objective is to provide service to the people and this hospital does not want to make money, but run at break even costs.

In United States, during 2002 there were 48 hospitals found to be physician owned hospitals. Of them 12 were heart hospitals, 25 were orthopedic hospitals and 11 were surgical hospitals. These hospitals are generally very small with average capacities of orthopedic hospitals being 16 beds, the surgical specialty hospitals being 14 beds and heart hospitals are the largest with average capacity being 52 beds. The general conditions of these hospitals are not full fledged as they do not have emergency departments, whereas 93 percent of the community hospitals have emergency departments. The reason for existence of these hospitals is the physician control over the hospitals. (Physician-owned specialty hospitals) At the same time, one of these hospitals has been named as one of country's top 100 heart hospitals. (Parkwest Medical Center)

Financial position of private hospitals:

According to available reports, the private hospitals are in a position to take on patients who are capable of paying for them, and not take on patients who have to depend on managed care organizations. This increases the incomes of the hospitals by 20 to 50 percent. This reduces the cost of a bypass surgery at one of the hospitals in India, Care to about Rs 80, 000 or \$1, 700. The cost in India is higher by about 30 to 40 percent in corporate hospitals.

Even the new hospital, Asian Heart has predicted a cash break even during the second year of operations, and by the end of the second year it expects to pay a 15 percent dividend to the investor. Thus on an investment of \$50 million, the returns would be \$7. 5 million from the second year. (Doctors in

arms) The position in United States is the same, and in spite of some private specialty hospitals not having made any distributions to stockholders, the study showed that the margin in these hospitals was about 13 percent in 2002 as compared to 3 to 6 percent that was seen for community hospitals. (Physician-owned specialty hospitals)

The advantages of physician owned specialty hospitals:

To find this aspect out, there were discussions with the physicians who were investing in these hospitals. The cardiologists and surgeons want to admit their patients, perform the required procedures and have the patients recover with minimum disturbance. They believe that community hospitals cannot match their services as those hospitals have a variety of services and missions that they have to undertake.

The direct control by the physicians help to increase productivity through less disturbances to the schedules in operating room which come from the emergency cases that come about, decreasing the down time between operations between two different surgeries and this is due to cleaning the operating room more efficiently, increased ability to work between two operating rooms even when the operating rooms are blocked due to some other work and better efficiencies through direct control of operating room staff.

As mentioned earlier, they also like to form specialty hospitals as they have increases in income. There is some increase due to productivity, but they are able to collect a share of the profits from the facility for themselves and

other associated physicians. They concentrate on providing services that are profitable, on treating patients who are less sick and thus more profitable.

(Physician-owned specialty hospitals) Even in India the same situation exists and most of the physicians who have now started developing hospitals have been working together earlier, and one of the main aims is to remove the pressure from managedhealthcare systems that they have to face otherwise.

There is now a distinct change in the formation of hospitals and new hospitals are being formed by physicians. The total costs have been discussed to some extent, but without the participation of physicians, the hospitals are unlikely to be successful.