

Example of the er that became the emergency case study

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The ER that became the emergency

Problem Overview

Community Memorial Hospital (CMH) is one of the main hospitals in Middleville, Ohio. Although the reputation of the hospital is quite good, there have been a number of concerns in the recent years regarding the financial situation of the institution. Although CMH is a not-for-profit organization, stable financial performance is crucial for maintain high level of customer service and to support clinical trials. That is why the hospital has launched a new marketing campaign, which seemed to have attracted quite a number of people. However, a more in-depth analysis of the demand patterns has revealed that most of the demand increase can be attributed to the diversion of patients from the City Hospital. This hospital is the biggest and the most respected in Middleville and it receives federal reimbursement for the patients, who are medically indigent. Since Community Memorial Hospital is not reimbursed for the patient care by the city tax, it is unable to receive patients from the City Hospital, especially if they cannot pay for their healthcare. Therefore, Ralph Peterson, the CEO of CMH, had to take actions in order to relieve the financial burden on the hospital. While it is understandable that no other party wants to get involved into the problem, and the City Hospital has no capacity to receive all the patients in their area, the sustainability of the CMH future is dependent on the solution that Peterson finds.

Key stakeholders and their stakes

The situation described in the case considers several stakeholders. Firstly, an important stakeholder is the CMH itself. The hospital is balancing between the risk of bankruptcy and the threat of reputation loss. Both outcomes are negative for the organization, therefore Ralph Peterson is looking for an appropriate course of actions that would minimize the negative impact of the situation on the hospital.

The second major stakeholder is the City Hospital. Despite the additional funding provided by the government in order to cover the cost of treatment for medically indigent patients, City Hospital is facing both financial problems and ER capacity constraints. The only way for the hospital to provide quality treatment for the patients is to divert some of the ambulances to the CMH. While this provides a temporary relief for the City Hospital ER, this method does not address the key problem. Therefore, in case CMH refuses to accept diverted patients, City Hospital may run into significant problems.

The third group of stakeholders is represented by the government and by the mayor. The reputation of the city government in this situation may be strongly affected by the way the problem is addressed. Firstly, if CMH refuses to accept additional patients, the quality of medical care will decline, especially for medically indigent patients, who represent quite a vocal group of citizens. In this case it is reasonable to expect that the general public will blame the government for their inability to provide healthcare to its citizens, especially to those in need of financial assistance. However, the government is the only party that can act as a mediator in the negotiations between the

city hospitals. Therefore, it may be up to the mayor to convince the CEOs of all the hospitals to cooperate.

Lastly, the most important stakeholders affected by the current situation are patients and the society in general. Although they are in the centre of the conflict, therefore they could suffer most from the inability to negotiate favourable conditions for diversion, patients have little influence on the decisions made. Despite the fact that hospitals in Middleville exist as not-for-profit organizations, the need to adopt customer-oriented approach to the decisions made by the management remains the key to a successful problem resolution. Therefore, the interests of the patients should be put above those of the other stakeholder groups, while maximizing customer value should be considered as the primary “raison d’être” of the hospitals (Buchbinder & Shanks, 2011).

Alternative Courses of Actions

In order to develop the most appropriate course of action for the hospitals, it is crucial to identify the root cause of the current problems and to set priorities in terms of the urgency of addressing the issues. Since the joint capacity of the hospitals is sufficient for serving all the city patients, the core problem is in the underdeveloped mechanism for transactions among the hospitals. The problem in the transaction scheme does not only come from the current flaws of the system, but also from the rigidity of the legislative structure and the impossibility to make major changes in the short-run. Thus, it is impossible to redirect funding for medically indigent patients to the hospitals that actually treat them, because the city code allows only the City

Hospital to receive reimbursements. Although a referendum to change the legal background for reimbursements is needed, it cannot be considered the main strategy for addressing the current issues due to the urgency of providing patient care. Therefore, the highest priority should be given to the development of a formal or informal framework for the transactions among the city hospitals, which could provide a temporary solution for allocating expenses for treating patients, especially those who are medically indigent.

The first way to address the short-term problem is to apply targeted diversion. In this way only those people, who are not medically indigent will be sent to CMH. Although such measures can threaten profitability of the City Hospital, all the losses will be covered by the city tax. However, the following plan has a number of advantages and disadvantages.

Advantages

Disadvantages

Fast solution;

addresses the needs of all patients;

helps CMH to obtain reimbursement without a referendum.

the selection process can increase the cost and time of handling patients;

it can possibly spoil the reputation of CMH.

The second alternative is to introduce a mechanism for transfer pricing, which would allow City Hospital to transfer the 550 dollars of the reimbursement to the CMH. In this case, the treatment of the City Hospital's

patients will be considered as an external service provided by the CMH, while the patients will be officially registered in the City Hospital.

Advantages

Disadvantages

Fast and simple implementation;

addresses the needs of all patients and does not affect the quality of care;

has no impact on the hospital perception by the general public;

helps to reduce the financial burden on CMH.

It is unlikely to be approved by the CEO's of the other hospitals, in particular by the CEO of the Capital Hospital;

implementation may be complex and expensive;

additional transactions may reduce efficiency

The third solution would be to search for additional sources of funding or to reduce hospital costs. Although this solution could relieve the pressure of financing the treatment of medically indigent patients, the likelihood of its implementation is quite low. Moreover, further cost reductions may affect the quality of the provided service.

Advantages

Disadvantages

Beneficial for all stakeholders, unless the quality of healthcare declines (in this way patients will be disadvantaged);

fast to implement;

Risky and hard to implement;

potentially harmful for the quality of CMH services;

only possible in the long-run, since funding is hard to find.

In case CMH cannot find another solution and the CEOs of the other hospitals are unwilling to find a compromise, CMH needs to stop accepting patients, who do not belong to the hospital's area. Although there are numerous problems associated with this solution, it may become the only viable course of actions, which can help the hospital to stay financially healthy and to have enough resources in order to provide care to all their patients.

Advantages

Disadvantages

Plan's success does not depend on the cooperation with the other stakeholders

Easy to implement

It can destroy CMH's reputation

Harms patients, who will not be able to obtain quality healthcare due to capacity constraints

Assessment and Implementation

In order to decide on the optimal action plan for CMH, it is first necessary to identify selection criteria and to assign importance to each of them. For CMH patients are the most important stakeholders. That is why all decisions about the next steps of the hospital should be made in a way that would not compromise the quality of the patient care. The second most valuable group

for CMH is the society in general. It is crucial to maintain a positive image of healthcare institutions and to earn people's trust. Therefore, the possible damage to CMH's reputation should be the next assessment criterion.

Finally, the impact on financial performance should be closely investigated, since the hospital cannot provide adequate healthcare to its patient if it does not have sufficient funding.

Taking into consideration the abovementioned criteria, CMH should follow the second recommended strategy. Thus, it should cooperate closely with the other hospitals, in particular with the City Hospital, in order to develop a transfer pricing mechanism. In this way patients will be able to receive the best possible service without facing a full ER in the City Hospital. The hospitals should also benefit from this arrangement, since it allows addressing capacity problems, however all the additional funds will be provided by the city government.

References

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