Business of Healthcare: Communicating with Patients and Staff

Tammie R. Jones, RN, MS
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Components included in this module

1. Healthcare Reform and Clinical Practice

2. Communicating with Patients/Families and Healthcare Team Members

3. Integrating Costs into the Care and Leadership of the Patient
Healthcare Reform and Clinical Practice

Jennifer Olson, MS
Pre-test

1. Over the last 10 years, healthcare spending has increased by
   a) 25%
   b) 50%
   c) 75%
   d) 100%
2. Prescription drug costs account for
   a) only 10% of the total healthcare spending
   b) 25% of total healthcare spending
   c) nearly 50% of healthcare spending
3. Medicare has
   a) 1 part
   b) 2 parts
   c) 3 parts
   d) 4 parts

Answer Key:
1. D  2. A  3. D
Objectives

The new graduate nurse will be able to:
- Identify three key changes due to healthcare reform
- Examine how healthcare reform is changing the role of nurses in patient care
- Identify emerging roles for nurses
- Identify nursing’s role in population health management
Why reform healthcare?

Citizens need more affordable health coverage

Spending in the US totaled nearly $2.6 trillion in 2010 or 18% of the GDP (Centers for Medicare and Medicaid Services, 2011).

Healthcare expenditures are some of the highest in the world per person, almost double what they were a decade ago (data.worldbank.org).
do we need to credit the graph?
Marian, 6/12/2015

Graph is from data.worldwide.org
FAIS, 8/14/2015
Why reform healthcare?

Citizens need better access to care
49 million Americans lacked health insurance in 2011 (US Census Bureau, 2012)

50,000 Americans lacked coverage due to pre-existing conditions

34% of surveyed adults said they skipped medications or didn’t seek care due to cost (Schoen et al., 2007)
Why reform healthcare?

Healthcare providers have an opportunity to improve the quality of care

The United States has the worst outcomes when compared to other developed countries on infant mortality and life expectancy

<table>
<thead>
<tr>
<th>Country</th>
<th>Health Spending Per Capita</th>
<th>Health Costs Covered by Government</th>
<th>Percent GDP Spent on Health Care</th>
<th>Infant Deaths Per 1,000</th>
<th>Average Life Expectancy</th>
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</thead>
<tbody>
<tr>
<td>Japan</td>
<td>$2,581</td>
<td>81.3%</td>
<td>8.1%</td>
<td>3</td>
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<td>Netherlands</td>
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<td>80%</td>
<td>9.4%</td>
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<td>80</td>
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<tr>
<td>Canada</td>
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<td>70.4%</td>
<td>10%</td>
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<td>U.S.</td>
<td>$6,719</td>
<td>45.8%</td>
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<td>Mexico</td>
<td>$778</td>
<td>44.2%</td>
<td>6.6%</td>
<td>29</td>
<td>74</td>
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</table>

Source: World Health Organization Data, 2005
Accountable care organizations

An **accountable care organization** (ACO) is a group of providers that agree to work together to care for patients. The ACO seeks to incentivize providers to achieve **high quality, low cost** care. The ACO is **accountable** to the patients and payers for the **quality, appropriateness** and **efficiency** of the care provided.
Three primary levers for ACOs to reduce spending

ACOs Targeting Total Cost of Care

Options for Risk-Bearing Providers

1. Prevent Utilization through Medical Management
   - Example: High-risk patient care management (e.g., medication management, care transitions management)

2. Retain Utilization Within Network
   - Example: Cost incentives to encourage in-network referrals

3. Direct Unavoidable Utilization to Low-Cost, High-Quality Partner
   - Example: Steering patients to high-value long-term acute care partners; steering patients to immediate care centers instead of the ER
   - Inpatient, outpatient procedures
   - Select inpatient medical care

Source: Health Care Advisory Board interviews and analysis.
What will the future look like?

As the ACO finds success, what changes should nurses expect to see?

- Focus on population health
- Emphasis on patient education and engagement
- Lower volumes/higher acuity patients
- Patient-centered, outcomes focused care
  - Focus on assessment and the plan of care
  - Focus on safe and coordinated transitions of care
- Integration of new technologies
Nursing at it’s fullest potential

- According to the Institute of Medicine’s Report, *The Future of Nursing: Leading Change, Advancing Health*, nurses are ready to “spread their wings” and reduce the gaps in care.

- When nurses are allowed to work to their fullest potential, they can strike a balance between providing the best clinical care at the lowest cost.

- Nurses today are engaging in value-based purchasing, care coordination, health coaching, disease managers and population management.

(IOM Report, 2010)
Beyond the bedside

Nursing today
- has become more complex and technology is merging with patient care
- the profession is for the intellectually curious and for the life-long learner

Healthcare today
- is calling for nurses to be a new generation of thinkers, who want to be agents of innovation

(Tiffin, 2013)
Nursing’s role in healthcare reform

- As healthcare reform changes the environment, so the role of nursing must change
- There still is not a right answer to nurses’ roles
- This leaves nurses free to imagine their roles and staffing possibilities under healthcare reform
Nursing’s role in healthcare reform

Nurse staffing in a world of healthcare reform and accountable care is uncertain and creates fear not only for the nurse leaders, but all RNs

(Mensik, 2013)

Under healthcare reform, the nurse’s role will constantly evolve to provide better access and higher quality care
So--what can you do?

**Keep an open mind** – nurses are the most invested in caring for patients

**Dream** of the possibilities

**Participate** in the conversation

**Advocate** for the nursing profession

**Learn** more
References
Post-test
1. Over the last 10 years, healthcare spending has increased by
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Answer Key:
1. D  2. A  3. D
Healthcare Reform and Clinical Practice
pre and post-test answers

1. D
2. A
3. D
Communicating with Patients, Families and Healthcare Team Members

Tammie R. Jones, RN, MS
## Pre-test

1. Medicare is a federal insurance program for individuals over 75 years of age  
   a) True  
   b) False  
2. Medicaid insurance is for low-income individuals  
   a) True  
   b) False  
3. The Affordable Care Act provides some coverage options for individuals unable to afford insurance  
   a) True  
   b) False
Objectives

Upon completion of this program, the new graduate nurse will be able to:
1. Describe the rising healthcare costs
2. Discuss healthcare coverage programs and options
3. Teach patients about the different parts of Medicare
Rising healthcare costs

- In 2010, the U.S. spent $2.6 trillion on healthcare, an average of $8,402 per person
- The share of economic activity (GDP) devoted to healthcare has increased from 7.2% in 1970 to 17.9% in 2009 and 2010
- Half of healthcare spending is used to treat just 5% of the population
- Prescription drug costs account for only 10% of the total healthcare spending, but this represents an increase of 114% from 2000 to 2010

(Kaiser Family Foundation, 2012)

Healthcare costs represent a large portion of the U.S. economic pie. Each year healthcare spending continues to increase beyond any other goods and services – the slice of the pie continues to grow larger. Additionally, cost increases have negatively impacted households, businesses, and federal, state, and local government budgets. Often times, as a result of the high cost, individuals put off receiving care that they need. For taxpayers, government programs such as Medicare and Medicaid comprise a large portion of the federal and state budgets and because of increasing costs, could require government officials to seek additional revenue or reductions in benefits, eligibility, or payment rates to balance their budgets. The Affordable Care Act, is one approach to address the rising healthcare costs.
Different healthcare coverage options exist. Medicare, Medicaid, and Veterans benefits are all government sponsored programs that exist for the elderly, disabled, low-income, or veteran population. Employer or private insurance is another option that can be supplied by an employer or purchased by an individual. Self-pay refers to patients who do not have any form of insurance and assume the entire healthcare cost liability.
Medicare, the largest insurance product in the world, was signed into law by President Lyndon B. Johnson in July 1965. It is funded by payroll taxes deducted from employees’ paychecks. Originally, Medicare was intended for only those persons greater than 65 years of age. As time went on, Medicare coverage extended to those younger people with disabilities, and for people with end-stage kidney disease. Since Medicare does not cover 100\% of the costs, many purchase private insurance to cover the gap.
There are four parts to Medicare. Medicare Part A is primarily used to cover hospital care. Whereas, Part B covers doctor visits and other medical services, including screenings for heart disease, diabetes, and some types of cancer. Part C, usually referred to as Medicare Advantage plans, are plans offered by Medicare-approved private insurance companies. It provides the same coverage as Medicare Part A and B, as well as, in most instances, prescription drug coverage. Part D, provides some coverage for prescription drugs for those who have Parts A & B.
Government sponsored programs

Medicaid
- Created at same time as Medicare
- Federally run health insurance program
- For low-income people
- Eligibility varies from state to state

Veterans benefits
- Covers healthcare costs of veterans
- Supported by federal funding through the Department of Veterans Affairs

(Centers for Medicare and Medicaid Services, 2015; Sherman and Bishop, November 2012)
Prior to the ACA, most employers provided employer sponsored or private insurance to their employees. Meaning that the employer selected an insurance company to cover the healthcare costs of their employees. The employer would identify a given plan or provide more than one plan option (with varying benefit options and associated employee costs) employees could choose from. The employer and the employee shared the cost of the insurance. With the advent of the ACA, some employers are choosing not to offer private/employer sponsored health plans and as a result, employees are required to sign up with a plan offered through the ACA.
There are two types of employer sponsored or private health plans – managed care plans or indemnity plans. Managed care plans are the majority of plans offered. Managed care plans limit (to varying degrees) the providers a patient see to those who are in-network or approved by the health plan. The patient bears a higher out-of-pocket expense if they choose to see a provider out-of-network. Indemnity plans are very rare and offer greater flexibility in what providers the patient can see, but usually cost the patient more.
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Self-pay

Patients without health insurance benefits or coverage

- Affordable Care Act (ACA) will provide some coverage options for patients unable to afford insurance
- Despite ACA, uninsured patients will continue to need care
- Emergency Medical Treatment and Active Labor Act (EMTALA)
  - All patients, regardless of ability to pay, are entitled to emergency care under EMTALA
  - Patients will still be responsible for the expenses related to the emergency care
- Charity care
  - Hospitals have policies and procedures that outline financial assistance for patients struggling to pay for their care
  - In order for hospitals to maintain their not-for-profit status, they must provide evidence of their charity care

(Sherman and Bishop, November 2012)

Self-pay refers to patients without health insurance. The ACA is one approach being utilized by the government to provide affordable coverage – limiting the number of patients without health insurance as a result of lack of sufficient funds to purchase health insurance. Despite not having insurance coverage, patients, by law, are entitled to be treated for emergent conditions. With that being said, patients are still responsible for the expenses related to the care provided. Hospitals have developed policies and procedures to assist patients in meeting their financial obligations. Hospitals deemed to be not-for-profit are required to provide a level of appropriate charity care in order to maintain their not-for-profit status. A not-for-profit hospital is not required to pay property or sales taxes – a valuable benefit that most do not want to lose.
Activity

1. Explain the different parts of Medicare (Parts A, B, C, and D)

2. Develop a written teaching tool to be utilized in explaining the different parts of Medicare (Parts A, B, C, and D) to Medicare patients
Post-test

1. Medicare is a federal insurance program for individuals over 75 years of age
   a) True
   b) False

2. Medicaid insurance is for low-income individuals
   a) True
   b) False

3. The Affordable Care Act provides some coverage options for individuals unable to afford insurance
   a) True
   b) False
Communicating with Patients, Families and Healthcare Team Members pre & post-test answers

1. False
2. True
3. True
References


Integrating Costs into the Care and Leadership of the Patient

Tammie R. Jones, RN, MS
Pre-test

1. Hospital Reimbursement, as a result of the passage of the Affordable Care Act, is based on the volume of services provided to the patient
   a) True
   b) False

2. Medicare, Medicaid and Veterans benefits are forms of government sponsored healthcare
   a) True
   b) False

3. Nurses have the ability to impact hospital reimbursement
   a) True
   b) False

1. F
2. T
3. T
Objectives

Upon completion of this program, the new graduate nurse will be able to:
1. Describe hospital reimbursement
2. Explain items included in a nursing unit budget
3. Discuss the staff nurse role in contributing to the hospital’s financial success
Healthcare is different from most other businesses. The process by which hospital
get paid is very complex. There are multiple sources of payment – Medicare,
Medicaid, private, employer sponsored, and self pay. Most payers do not reimburse
hospitals for the cost of delivering the care. Medicare and Medicaid pay what they
have decided is a reasonable amount – not what it actually costs to provide the care.
Since Medicare and Medicaid comprise the largest portion of revenue source for
most hospitals, financial viability can be a challenge.

Hospital reimbursement overview

- Hospital reimbursement is a unique and complex process
- Number of different revenue sources or payment sources
- The largest portion of hospital revenue (for most hospitals) comes from Medicare and Medicaid
- Medicare and Medicaid payment amounts are set by law and generally do not cover the full cost of care

(Florida Hospital Government and Public Affairs, November 2013)
Different healthcare coverage options exist. Medicare, Medicaid, and Veterans benefits are all government-sponsored programs that exist for the elderly, disabled, low-income, or veteran population. Employer or private insurance is another option that can be supplied by an employer or purchased by an individual. Self-pay refers to patients who do not have any form of insurance and assume the entire healthcare cost liability.

Payment sources

Government sponsored/public payers

- Medicare
- Medicaid
- Veterans Benefits

Employer or Private Insurance

Self-Pay/uncompensated

(Sherman and Bishop, November 2012)
Payment rates Medicare and Medicaid

- Payment rates for Medicare and Medicaid are determined by the government and are non-negotiable

- The payment rate is a set amount based on the patient’s discharge diagnosis (regardless of how long the patient is hospitalized or how many services are provided during the hospital stay)

- In almost all circumstances, the payment rates do not cover cost of care provided, resulting in underpayments

- In 2012, Medicare payments to hospitals (as a whole) only covered 86 cents for every dollar spent by hospitals in caring for Medicare patients of the costs of caring for Medicare patients and Medicaid reimbursement only 89 cents for every dollar spent

  (American Hospital Association, 2014)
Employer groups or privately insured individuals will attempt to negotiate discounted payment rates in order to save them money. In turn, the employer may put additional cost on to the employee to cover the costs of the insurance. This could be in the form of a higher out-of-pocket expense. For example, the employer sponsored health insurance may pay 80% and the employee would be responsible for 20% of the bill. Although private insurance rates generally do not cover the costs of the care, they are higher than what Medicare and Medicaid pays.

Uncompensated care includes the shortfall or underpayments from what the hospital receives from Medicare, Medicaid, or other payers and the actual cost of providing the care. It also includes the debt that is not recovered when patients do not pay their portion of the bill. And lastly, uncompensated care also includes the charity care provided to patients who cannot pay or discounted rates that do not cover the costs of care.

Payment rates

**Employer/private insurance**
- Generally negotiate discounted payment rates with hospitals
- Higher rates than what Medicare and Medicaid pay

**Uncompensated Care**
- Shortfall between the cost of care and what is reimbursed (underpayments)
- Bad debt related to unpaid co-pays, deductibles
- Charity discounts related to care provided for free or at a reduced rate based on the patient’s financial need

(Florida Hospital Government and Public Affairs, November 2013)
Since Medicare and Medicaid, in most instances, do not cover the costs of hospital care, hospitals negotiate payment rates with insurance companies to compensate for the lost revenue associated with underpayments or no payment. This is necessary to balance hospital budgets and to remain open and available to the communities they serve.

### Payment rates

**Cost-shifting**

- Negotiated payment rates with private insurance groups
- The higher payments compensate for hospital losses from underpayment from Medicare and Medicaid, bad debt, and charity care
- Used by hospitals to maintain viable financial position

(Florida Hospital Government and Public Affairs, November 2013)
With the enactment of the Affordable Care Act, payment to hospitals for care of the Medicare and Medicaid population has shifted to a performance-based model where quality and service are rewarded. As a result of the ACA, a portion of the hospital’s Medicare reimbursement is withheld. Hospitals have the opportunity to earn back the withheld reimbursement based on their performance with clinical, quality, financial, and patient satisfaction measures. If the hospital performs better than other hospitals, they can earn back a portion or all of the withheld reimbursement. If they score lower than other hospitals, they are at risk of losing the withheld reimbursement.

### Payment rates

**Affordable Care Act (ACA)**

- Medicare and Medicaid payment rates, since the ACA, have shifted more to a performance-based model.
- In addition to underpayments, hospitals can also be penalized and have additional reimbursement withheld if certain clinical, quality, financial, and patient satisfaction measures are not met.
- Hospitals, however, have an opportunity to garner additional reimbursement if they exceed in meeting the clinical, quality, financial, and patient satisfaction measures.

*(Kaiser Family Foundation, May 1, 2012)*
Nursing unit budget

Revenue or income

- Payments from Medicare, Medicaid, or private insurance for the care provided to discharged patients from the unit
- Lower reimbursement or no payment at all, if a patient is readmitted within 30 days or if a patient suffers a never event such as pressure ulcers, falls, or hospital acquired infections
- Nursing care is not considered revenue-generating – it is included in overall room charge

(Sherman and Bishop, November 2012)

The nursing unit budget is comprised of two major sections – Revenue or income generation and expenses. Furthermore, the expense section is generally divided into salary expenses and non-salary expenses. Nurses can play a role in contributing to revenue enhancement as well as expense reduction.
The nursing unit budget is comprised of two major sections – Revenue or income generation and expenses. Furthermore, the expense section is generally divided into salary expenses and non-salary expenses. Nurses can play a role in contributing to revenue enhancement as well as expense reduction.
Nurse’s role and finances

Nurses can contribute to the financial success of the hospital by

- Utilizing appropriate infection control practices to reduce the incidence of hospital acquired infections
- Answering call lights in a timely fashion to decrease the risk of patient falls
- Asking for help to minimize the use of overtime
- Appropriate utilization of medical supplies and equipment
- Treating patients as if they were a family member to enhance patient satisfaction

With passage of the ACA, nurses can contribute to revenue generation by minimizing revenue losses related to poor quality outcomes. Since hospitals are not paid if a patient suffers an adverse outcome (never events), nurses can minimize losses by utilizing infection control practices, answering lights in a timely fashion. Furthermore, nurses need to feel comfortable asking for help when they feel overwhelmed in order to minimize their overtime use and provide patient care in a timely manner. Patient satisfaction is a component of the performance-based reimbursement model and therefore, treating a patient as if they were a family member will aid in receiving a positive patient satisfaction survey. There are many ways in which a nurse can contribute the the financial success of the organization, these are just a few.
Activity

#1
Identify a cost saving measure

#2
Assume a leadership role in creating a plan to implement a cost saving measure on a nursing unit
Post-test

1. Hospital Reimbursement, as a result of the passage of the Affordable Care Act, is based on the volume of services provided to the patient
   a) True
   b) False

2. Medicare, Medicaid and Veterans benefits are forms of government sponsored healthcare
   a) True
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3. Nurses have the ability to impact hospital reimbursement
   a) True
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1. F
2. T
3. T
Integrating Costs pre & post-test answers

1. False
2. True
3. True
References


