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"The Situation of the Nation's Urban Public Hospitals"

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THE SITUATION OF THE NATION'S URBAN PUBLIC HOSPITALS

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Increased attention has been paid in recent years to the valuable public hospital network that serves as the safety net for America's health care system. This network is comprised of a surprisingly small group of large public teaching hospitals in our nation's largest cities. These hospitals provide essential health care services to the residents of their communities, poor and non-poor alike. By providing services to the uninsured and underinsured who would otherwise have difficulty finding necessary services, and by providing unprofitable specialty services for the community at large, these hospitals have established themselves as the foundation of our nation's urban health care systems.

While there are a small number of non-profit and for-profit community hospitals within this network, the majority are government-supported facilities. These include city and county hospitals, state university hospitals, hospital district and authorities, and quasi-governmental hospitals.

While these safety net hospitals operate under a variety of legal structures, they share a common mission, and many common characteristics that set them apart from other community hospitals. These hospitals provide a significantly higher volume of inpatient and outpatient services than their private sector counterparts; they have seen increases in occupancy rates while the hospital industry in general has seen occupancy rates fall; they provide many unprofitable specialized services; and they are major

educators of our nation's physicians and nurses. They are funded to a much greater degree than other hospitals by governmental sources (local, state and federal). They continue to bear an enormous and increasing share of the burden for care to the poor in comparison to other segments of the hospital industry. The remainder of this section will discuss each of these important characteristics in turn, drawing on data from our as yet incomplete analysis of a 1988 NAPH survey.

A. Volume of Service

Although NAPH member hospitals are few in number, they provide a huge volume of care. In 1986, 48 NAPH hospitals provided 819,155 inpatient admissions. NAPH hospitals averaged 19,050 admissions per hospital, while other short-term hospitals in the same metropolitan areas averaged only 7,038 admissions per hospital. By 1987, NAPH hospitals were averaging 19,249 admissions per hospital. NAPH members also provided a disproportionate share of outpatient services, averaging over 242,000 visits per hospital in 1986, compared with other short term community hospitals, which averaged only 50,414 visits per hospital. By 1987, NAPH hospitals averaged over 278,000 visits per hospital.

Member hospitals average 3,873 births per hospital, while other short term hospitals averaged just 763 per hospital. Our members experienced almost twice as many surgical cases than did other community hospitals, averaging over 8,000 cases in 1986 as compared to 4,607 for other short term community hospitals.

B. Occupancy Rates

Another striking difference between NAPH member hospitals and other community hospitals is illustrated by hospital occupancy rates, and by the changes in these rates in recent years. Average occupancy rates for NAPH member facilities has been and remains well above occupancy rates for other community hospitals. The AHA reports that occupancy rates for community hospitals have been declining, from 75% in 1975 to 69% in 1984, and 65% in 1985. In 1986, community hospitals showed a modest increase, to 67%. For NAPH hospitals, however, the rates have been considerably higher and remain so. In 1984, occupancy rates for NAPH members averaged 79%, and in 1985, 80%. By 1986, occupancy rates were 83%.

C. Specialized Services

In addition to providing care to the poor, NAPH hospitals also provide many specialized services that are unprofitable and subsequently not likely to be offered by other hospitals in the community. For example, NAPH hospitals are 3 times more likely to be designated a trauma center than private facilities. 76% of NAPH member hospitals are designated as a trauma center, while only 24% of other short term hospitals provide this service. 39% of NAPH hospitals have a designated burn center, while only 3% of other community hospitals are so designated. 100% of NAPH hospitals provide organized outpatient services, while the community hospital average is 69%. 74% provide neonatal ICU services, as compared with only 14% of other community hospitals. 41% perform open heart surgery, compared to 17% of other hospitals. NAPH hospitals are also more likely to offer psychiatric services, with 78%

offering inpatient psychiatric services, as compared with 39% of other hospitals.

D. AIDS

NAPH member hospitals have also been in the forefront of the AIDS epidemic, treating a disproportionate share of the AIDS population. According to an NAPH study of the financing and care of AIDS patients in US hospitals, NAPH member hospitals treated 55% of the AIDS patients included in the survey, but represented fewer than 25% of the beds. NAPH hospitals treated an average of 87 AIDS inpatients in 1985; by 1987, that average was up to 222 inpatients, for an increase of over 150%. Outpatient services to AIDS patients increased even more dramatically. NAPH hospitals provided an average of 139 outpatient visits during 1985, and an average of 1,331 visits during 1987, for more than an 8-fold increase. The financial impact of this volume of care has been documented as well. Only 8% of AIDS patients in 1985 were covered by private insurance. 26% were described as "self-pay" or "other" patients, a good proxy for non-paying patients. 62% were covered by Medicaid, pointing to the importance of that program in the financing of AIDS care. Medicare covers only a small fraction of AIDS patients, at about 1%. In all, 92% of the AIDS patients treated in public hospitals were supported by some kind of government program or funding. Preliminary data from 1987 indicates that these percentages have not changed significantly.

E. Medical Education

NAPH members have maintained a commitment as major teaching hospitals, as well, with member hospitals averaging 173 residents per hospital in 1986. The average ratio of residents per bed, .35, indicates the strength of this commitment.

F. Sources of Revenues

Support for low income patients, through Medicaid and city, county, and state funds, continue to represent the major source of revenues for large urban public hospitals. In fact, in 1987, private insurance represented only 13% of gross revenues and 19% of the net revenues for NAPH hospitals. Funds for low income persons represented 61% of net revenues, at an average of $71.01 million per hospital ($39.65 million for Medicaid and $31.36 million for local/state funds).

G. Care to the Uninsured and Underinsured

Although all of the characteristics outlined above distinguish safety net hospitals from other health care providers, it is their open door for the medically disenfranchised that make these hospitals particularly vulnerable to federal budget reductions. The financial and programmatic situation of these hospitals has been affected by several factors, including increases in the medically needy population, decreases in the Medicare coverage of costs, and declines in Medicaid coverage.

In 1985, NAPH hospitals averaged 167,184 inpatient days per hospital, of which 42,877, or 25.65% were considered bad debt/charity care. By 1987, bad

debt/charity care represented over 28% of patient days (an average of 51,788 uncompensated out of 180,052 total days per hospital).

On the outpatient side, hospitals averaged 278,463 visits per hospital in 1987, of which 116,136, or 42%, were bad debt/charity care visits. For some individual hospitals, the percentages of bad debt and charity care were much higher. For the Harris County Hospital District, in Houston, Texas, for example, bad debt/charity care represented 79% of all inpatient days and 79% of all outpatient visits in 1987. Parkland Memorial Hospital in Dallas reports that bad debt/charity care accounted for 47% of inpatient days and 44% of outpatient visits in 1987. For 16% of NAPH hospitals, more than half their inpatient days were bad debt/charity care and for 22% of NAPH hospitals, more than half their outpatient services were bad debt/charity care.

H. Operating Margins

A very important indicator of hospital financial condition is the overall hospital margin, or revenues over expenses. The typical NAPH hospital has had and continues to have a negative margin, a result of revenues inadequate to cover costs of care. In 1985, NAPH hospitals' average net revenues were $111.6 million. Average expenses were $118.66 million. Therefore, on average, NAPH hospitals had a deficit of $7.06 million, for a margin of -6%.

48% of NAPH member hospitals reported a deficit in 1985. For those hospitals with a deficit, the deficit averaged $24.48 million. By 1987, there had been a small improvement in the deficit situation among NAPH members. However, the average margin was still negative. NAPH members reported average revenues of $117.76 million per hospital and average expenses of $123.96

million. The average margin was -$6.26 million or -5%. In spite of this small improvement, however, 48% still remained in a deficit position, and the average deficit of these hospitals was over $14 million.