

WHAT HAPPENS IF MEDICARE BECOMES THE ONLY PAYER?



Is Medicare the Reason For Your Financial Distress?

I was recently asked what I thought would happen to community hospitals if our only payer becomes Medicare? The implication seemed to be that Medicare is the cause of distress, and hospitals would suffer even greater distress if Medicare were the only payer. If a community hospital is already fragile, and already believes Medicare is the cause of distress, it is already on a self-fulfilling path to ultimate closure. You cannot change Medicare. There are two related questions that have more immediate relevance:

- 1. What is the effect of Medicare on viability?**
- 2. Is it possible to operate effectively within a market that includes Medicare as it exists today?**

Let's look at the effect of the most relevant characteristics of Medicare upon community hospitals.

CALL US AT:
1.877.881.8783

EMAIL US AT:
insight@HospitalMD.com

400 Westpark Court,
Suite 230
Peachtree City, GA 30269

HospitalMD.com

MEDICARE IS DESIGNED FOR SOME HOSPITALS TO BE PROFITABLE. IT IS YOUR CHOICE.

Medicare reimbursement rates are based on average cost for all hospitals' nationally which means that some hospitals' costs are lower and some higher than average. Therefore, hospitals that operate efficiently and keep their labor costs below the national average can be profitable.

THE MEDICARE MARKET IS BIG

Medicare effectively represents all 65 year olds and older, makes up about 50% of all community hospital revenue, and about 80% of profit potential. 65 year olds and older are a larger percent of community population than urban. And, although smaller community hospitals are seeing population declines, the number of 65 year olds and older are not declining in any material way.

MEDICARE SPENDS MORE ON WHAT YOU DO BEST

Medicare spends more on lower acuity conditions than

higher acuity which community hospitals are best suited to provide.

A CAPTIVE MARKET

Acute inpatient services are the community hospital's lowest market share (typically 10% to 30%) and have a higher profit margin than outpatients; making inpatients the highest profit margin and greatest revenue growth. A 5% admission rate on 700 ED patients is \$2 million you are transferring.



CAH MAY BE THE BIGGEST BARRIER STANDING IN THE WAY OF YOUR SUCCESS

The CAH reimbursement model has not accomplished its original goal of stabilizing

small community hospitals. Rather, it has unintentionally led many hospitals to closure because CAH was not intended to make a profit. CMS could save \$690 million from de-certification of 64% of all CAHs that would not qualify if required to re-certify. CMS could save \$1.4 billion over 10 years if it reduced reimbursement by 1%. Attempts have been made in the past, and tried again. Life will not get better.

MONOPOLY

Many small community hospitals are the only competitor in their market and resemble a monopoly. You have the first choice regarding how much medical need you want to serve. Continuing current practices will not change your outcome if you are struggling now. However, Medicare inpatients are a large growth opportunity that is not declining, is profitable, and is what you do best. Physicians generate over 90% of hospital revenue. EM and HM physicians generate over 85% of this revenue.

HospitalMD's integrated EM and HM physician practice model is designed specifically to intercept revenue that is already flowing through and out




of your ED every day. I'd like to talk with you about how we can partner and ensure your future. We are confident in your growth opportunities to such an extent that we guarantee results results if you qualify.

PROFIT

There is only one measure of financial success for any enterprise that competes in an open market—profit. And there are only two variable that determine profit—**revenue** and **cost**. The good news is that

the same business principles that work for other industries apply equally well to effect community hospital revenue and cost. We know how to apply these principles to help you be successful.

Call 877.881.8783 or email me at insight@hospitalmd.com with any questions or comments you may have. I would like an opportunity to visit with you personally about your needs and ways that we can help you grow.

I'd like to make a great resource available to you for free. **CLINICAL IN•SIGHT** features insights for clinicians with hot topics, standards of care, and other relevant issues facing your clinical staff each day. Just email us with that request and we will make sure you receive each issue. 



Jim Burnette is the Founder and CEO of HospitalMD. Jim has worked in healthcare for more than 20 years. His mission is to strengthen small community hospitals across the nation and help

them thrive in today's rapidly changing healthcare climate. Jim is a graduate of Georgia Tech and resides in Peachtree City, a small community right outside Atlanta.

Insights and Innovation for Community Hospital Leaders and Clinicians

Free!



Executive in-sight™ | Clinical in-sight™

Always timely. Always innovative. Always Free.

Email insight@hospitalMD.com with "subscribe" in the subject line and indicate which resource you want to receive (or both).