Evaluating the Contribution to a Hospital of Specific Physicians Through the Use of a Financial and Social Weighting Criterion Developed on a Microcomputer

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This paper will address how a hospital was able to utilize a microcomputer to determine weighting criteria to allocate Medicaid patient days to certain physicians when the State reduced the allowable days by 59 percent. The allocation basis had to address the following: the hospital's mission, financial viability, the impact on its teaching programs and university affiliations and antitrust and anticompetition laws and regulations.

INTRODUCTION

Over the past few years many operational changes have been imposed on hospitals because of changes in reimbursement methodologies by local, state, and federal authorities. Most recently, nationally, the Medicare Prospective Payment System (PPS) has required hospitals to implement new methods of management in an attempt to control costs and volume rather than to manipulate reimbursement methodologies through the use of creative cost accounting and reimbursement techniques.

After almost 1 full year of operating under PPS, hospitals in Illinois were faced with a new challenge when the Illinois Department of Public Aid (IDPA) established an innovative program for hospitals to bid for Public Aid (Medicaid) business. The Illinois Competitive Access and Reimbursement Equity program (ICARE) was announced to the hospitals in November 1984. The ICARE contract negotiation process had a 45-day timetable, and two planning areas in Chicago were targeted to be negotiated first.

This paper will discuss the results of the ICARE bidding for Cuneo Hospital, part of the Columbus-Cuneo-Cabrini Medical Center, and the management strategies that were needed to implement the ICARE contract.
COLUMBUS-CUNEO-CABRINI MEDICAL CENTER—BACKGROUND

The Columbus-Cuneo-Cabrini Medical Center, sponsored by the Missionary Sisters of the Sacred Heart, has been in existence since 1905 and currently is operating three acute-care hospitals providing a wide range of services in Chicago.

The role of the Columbus-Cuneo-Cabrini Medical Center extends beyond that of a traditional medical center, which focuses on the delivery of inpatient care, because it has evolved into a health care delivery corporation, a "multiinstitutional system," which aims to meet the health care needs of service area residents through its network of three health care providers while meeting both religious and teaching missions.

Columbus Hospital is a 479-bed teaching hospital affiliated with Northwestern University Medical School. Columbus provides a full range of primary, secondary, and tertiary care for residents of the North Side of Chicago.

Frank Cuneo Hospital comprises a 161-bed acute-care hospital, a 40-bed acute-rehabilitation unit, and a 25-bed Women’s Alcoholism Treatment Center. Cuneo provides primary and secondary care and frequently uses Columbus Hospital’s special services.

St. Frances Xavier Cabrini Hospital, offering a full range of primary care programs, is a 223-bed acute-care general hospital located on Chicago’s West Side and has achieved national distinction for its trail-blazing "City Doctor Program," whereby the hospital establishes private physicians in medically underserved and economically depressed neighborhoods of the city.

THE PROBLEM

Cuneo Hospital is made up of an acute-care hospital, an acute-rehabilitation unit, and a women’s alcohol treatment center. For sophisticated care, Cuneo transfers patients to Columbus Hospital for special services, which are provided by both teaching physicians and residents, and these transfers represent needed resources for the teaching programs.

For calendar year 1985, based on historical performance, it was projected that Cuneo would have 6,570 Medicaid patient days, being paid $384.51 per day by the IDPA. Because Cuneo had excess capacity, it was decided to bid for more days. However, when the final bid was determined, Cuneo received only 3,362 days, which represents a decrease of 49%. The problem the hospital had is that five physicians would account for that many medicaid patient days, and a system had to be devised to allocate the 3,362 days to all the admitting physicians so the hospital would continue to operate profitably and would not show favoritism to one physician or a group of physicians while keeping in mind the Medical Center’s missions. Obviously, operating profitably and continuing to provide patients to Columbus Hospital for the teaching programs was dependent upon keeping good relationships with the medical staff, but the hospital could not continue to admit Medicaid patients because it would not be paid for them. Columbus Hospital has 75 residents in all major specialities, and a continued flow of patients from Cuneo and Cabrini was considered vital in order to maintain that teaching status.

LEGAL IMPLICATIONS

There are many different legal implications that were raised by the ICARE nego-