

HOSPITALS TODAY

DEFINITION AND DESCRIPTION OF ACUTE CARE HOSPITALS

Acute care is a level of health care in which a patient is treated for a brief but severe episode of illness, for conditions that are the result of disease or trauma, and during recovery from surgery. Acute care is generally provided in a hospital by a variety of clinical personnel using technical equipment, pharmaceuticals, and medical supplies. According to Connecticut public health code that regulates hospitals, an *acute care hospital* is defined as a short-term hospital that has facilities, medical staff and all necessary personnel to provide diagnosis, care and treatment of a wide range of acute conditions, including injuries. There are thirty-one acute care hospitals in Connecticut, including one short-term children’s hospital. In addition to acute care hospitals, there are several other types of hospitals including chronic disease, hospice, and hospitals for persons with mental illness. This study pertains only to the thirty-one acute care hospitals in the state, hereafter referred to simply as “hospitals.”

Of the thirty-one hospitals, four are affiliated with the Catholic Church, one is owned by the State, and the remaining twenty-six are non-sectarian, “voluntary” hospitals. Seventeen, or slightly over half of all hospitals are considered teaching hospitals in that they have accredited residency programs. Teaching hospitals can be classified as being “major” or “minor.”¹ A *major* teaching facility is defined as one that is a member of the Council of Teaching Hospitals (COTH). *Minor* teaching facilities are those teaching hospitals that are not members of COTH and have at least one intern and

resident. According to this classification, there are twelve major and five minor teaching hospitals in Connecticut.

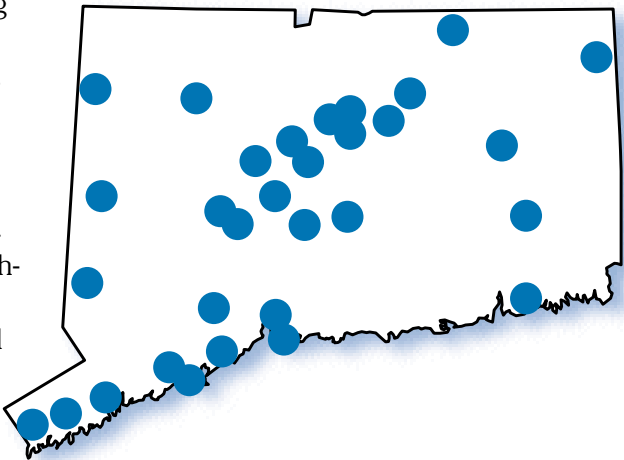
The smallest hospital in the state has 84 beds and the largest has more than 900 beds. Most hospitals do not fully staff their licensed beds; eight of the 31 acute care hospitals in Connecticut have fewer than 100 staffed beds. In comparison to the Northeast and the nation, Connecticut has 2.1 inpatient beds per 1,000 population, the Northeast has 2.6 beds and the nation has 3.1 beds. In Connecticut, as in the Northeast and the nation as a whole, the majority of hospitals have fewer than 200 beds.

Exhibit 1: Hospitals by Bed Size Categories*

Beds/Facility	Connecticut		Northeast		United States	
	#Hospitals	%Hospitals	#Hospitals	%Hospitals	#Hospitals	%Hospitals
00-99	10	30%	91	44%	2278	45%
100-199	11	33%	62	30%	1304	26%
200-299	7	21%	28	14%	644	13%
300-399	1	3%	11	5%	352	7%
400-499	1	3%	3	1%	183	4%
500+	3	9%	12	6%	254	5%
Total	33	99%	207	100%	5015	100%

*This edition used data from 1997, when Connecticut had 33 acute care hospitals. Source: AHA Hospital Statistics 2000 Edition.

Hospitals are located across Connecticut but are typically concentrated within Connecticut’s major cities and along its transportation routes.



Hospitals can be classified as urban or rural. According to American Hospital Association (AHA) definitions, Connecticut has few rural hospitals compared to the rest of the Northeast and the nation.

Exhibit 2: Hospital Location *

	Connecticut		Northeast		United States	
	#Hospitals	%Hospitals	#Hospitals	%Hospitals	#Hospitals	%Hospitals
Urban	27	82%	130	63%	2816	56%
Rural	6	18%	77	37%	2199	44%
Total	33	100%	207	100%	5015	100%

*This edition used data from 1997, when Connecticut had 33 acute care hospitals.
Source: AHA Hospital Statistics 2000 Edition.

The AHA also classifies hospitals according to ownership. All of Connecticut's acute care hospitals are not-for-profit. (However, at the writing of this report, the Office of Health Care Access expects to receive a Certificate of Need application requesting conversion of a not-for-profit hospital to for-profit status.) This compares to the rest of the country, in which approximately six in ten hospitals are operated as not-for-profit entities.

An acute care hospital requires a license from the State Department of Public Health (DPH). DPH statutes and regulations specify licensing requirements. According to DPH regulations 10-13-D1, Connecticut acute care hospitals must provide the following: Departments of Medicine, Radiology and Pathology; a clinical laboratory; blood bank; operating room, if surgery is performed; pharmacy; dietary service; and emergency room.² The service provision requirements for a short term children's hospital, according to DPH regulations 10-13-D4a, are similar to those for a regular acute care hospital with the additional need to have a Department of Pediatrics; it is not necessary for children's hospitals to have a

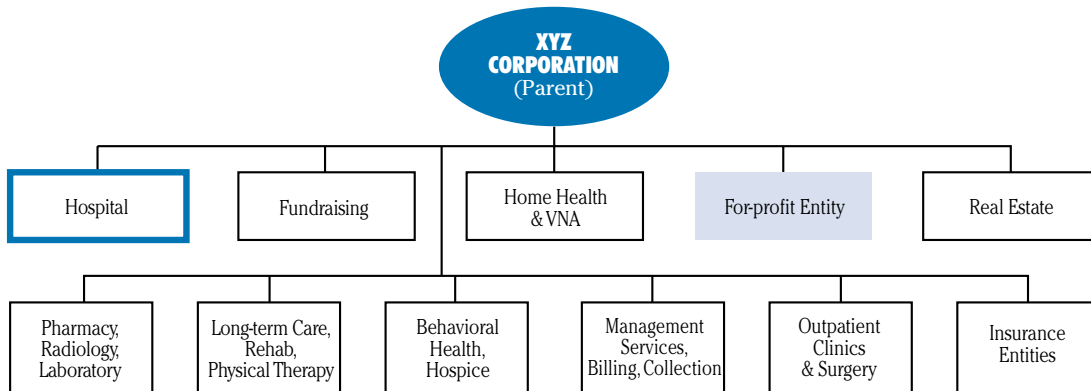
Department of Medicine, a blood bank, or an emergency room. For purposes of this report, the Connecticut Children's Medical Center is included as one of the state's thirty-one acute care hospitals.

Public health regulations also establish minimum standards in the following areas: physical plant; staffing patterns; quality of care; ancillary services (dietary, pharmacy, and therapies); specialty services (emergency room, ICU/CCU, maternity); quality assurance; and infectious disease standards and controls.

By law, Connecticut hospitals are required to provide care to stabilize a patient in case of emergency, regardless of ability to pay. These hospitals must also treat patients whose care is reimbursed by Medicaid and Medicare.

ORGANIZATIONAL STRUCTURE OF HOSPITALS AND CORPORATE RELATIONSHIPS

The complexity of hospitals' organizational structure has grown with the increased complexities in the health care delivery system. Today, most hospitals have an internal personnel structure that consists of a board of directors or trustees, an executive management team, operations management, clinical staff including nursing and technical personnel, and administrative support staff. While some hospitals employ a limited number of physicians, most physicians working in a hospital are not employees of the hospital. Instead, they are granted privileges to admit patients to the hospital. This status provides physicians with considerable influence over hospital operations as they are one of two primary means by which patients flow into hospitals.³ Hospital employees report through managers to the hospital's executive team, which typically includes a chief executive officer, a



medical director, and vice presidents responsible for various clinical and administrative areas. The board of directors typically oversees strategic decisions for hospital organization and operation, has the power to approve or disapprove expenditures and plans, and is ultimately responsible for the hospital's services.

During the 1990s Connecticut's hospitals changed in both structure and the services they offered. Hospitals experienced vertical integration (an expansion in their range of services beyond acute care) and horizontal integration (mergers and affiliations between themselves and other health care institutions). Hospitals pursued integration strategies in order to increase their range of markets and to expand their geographic service areas. Many hospitals also became part of corporations that own different types of providers along a continuum of care. These corporations also frequently own other holdings, such as real estate and other entities which might be for-profit. The corporate health system organization chart depicted above is a model used by nearly all acute care hospitals in Connecticut.

Based on a review of FY99 corporate structures and affiliations provided to the Office of Health Care Access in the annual hospital financial filing, the following

statement can be made about the various entities within corporate systems:

- ◆ Almost all corporate structures have a separate entity for foundations, auxiliary or fundraising.
- ◆ Most corporate structures have home health, real estate, and for-profit entities.
- ◆ Many corporate structures have management services, billing and collection services, rehabilitation, physical therapy, pharmacy, laboratory, radiology, long term care, outpatient clinics, surgery centers, physician hospital organizations, and community health or education entities.
- ◆ Some corporate structures have behavioral health and hospice entities.

ROLE OF HOSPITALS IN THE COMMUNITY AND AS EMPLOYERS

Connecticut's acute care hospitals have a considerable economic influence upon their communities and the state through their role as employers and purchasers. An assessment of their economic impact must also include factors that are not easily quantifiable. These include their contributions to community development and the largely free preventive care and

health education programs that foster community wellness.

Hospitals originated as charity institutions and still provide a significant amount of discounted and free care. By law, no acute care hospital in Connecticut can deny emergency treatment based upon a patient's ability to pay. From January 1998 through June 1999, hospitals provided over \$352 million in uncompensated care that included free or discounted services and uncollected bad debts. In addition to uncompensated care, Connecticut's hospitals provide numerous health education programs, preventive care services, and support groups for free or a nominal fee. For instance, hospitals within Connecticut offer such diverse courses as child care, senior healthy living, and even Tai-chi and yoga. Some hospitals provide particular emphasis on community wellness and preventive medicine programs. In some areas, mobile care units are dispatched to the community to provide health screenings and information. Still others provide health and safety programs in local schools and provide students with an interest in health care careers with an opportunity to serve internships.

While providing health care services is the most visible aspect of Connecticut's acute care hospitals' influence upon their communities, they also have profound and multifaceted economic effects as purchasers. For instance, in FY 1998, Connecticut's acute care hospitals purchased over \$409 million of products and services.

In addition to their role as purchasers, hospitals and the health care industry in general are significant employers within the state, employing nearly 160,000 people with total annual wages of \$5.7 billion.⁴ During the recession of the late 1980s and early 1990s, health services was one of the few vibrant sectors of the economy. Its workforce grew an average of 3.5% annually.⁵ Although its rate of expansion has slowed over the latter half of the decade, the health service industry employs nearly one of every ten Connecticut workers. Hospitals employ one of every three health care professionals and are generally among their communities' largest employers. Statewide, they employed more than 54,000 people and paid over \$2.5 billion in salaries, wages, fringe benefits, and professional fees in FY 1998.⁶

CONCLUSION

There are thirty-one acute care hospitals in Connecticut, including one acute care children's hospital. Most of the state's hospitals have fewer than 200 licensed beds. These hospitals are all non-profit hospitals, although there is a pending Certificate of Need application to convert one hospital to a for-profit status. Most hospitals in the state are considered urban hospitals.

Hospitals have played an integral role in the evolving health care delivery system and within their communities. In addition to providing critical health care services and community wellness programs, hospitals contribute to the state's economy through their roles as purchasers and employers. Although hospitals frequently have been considered the center of patient care, the health care delivery system continues to evolve rapidly, forcing change at every level. Hospitals have evolved in part through vertical and horizontal integration strategies and by becoming part of parent corporations that have a variety of entities.

OVERVIEW OF CHAPTERS AND TOPICS

Hospitals, like other health care providers, are challenged by forces of change and must either learn to adapt or enact counterbalancing forces. In the planning phase of this study, Connecticut hospital executives were asked to identify forces that currently have a major impact on hospitals. Through the course of this study, these topic areas emerged as forces that have a significant effect on hospital performance. The remainder of this section provides an introduction and overview to each of the seven topic areas by presenting each topic as a separate chapter. Each chapter concludes with a set of recommendations related to the topic

proposed by the participants of a summer 2000 focus group assembled to discuss the topic. Many of these seven forces have an effect on the others; it is often impossible to discuss one force without mentioning the others. Consequently, information that is needed to provide the reader with overall context may be repeated across more than one chapter.

Competition and Integrated Delivery Systems describes how the health care environment has transformed from stand-alone providers into integrated delivery systems. The chapter describes the primary drivers behind this transformation and the two types of integration—horizontal and vertical—in more detail, using specific examples from Connecticut's hospitals.

Health Care Payment Mechanisms provides an overview of the different means by which hospitals are paid for services and how changes in these mechanisms have affected hospitals. This chapter also discusses other types of revenue sources for hospitals.

The **Regulatory Environment** chapter provides an overview of the hospital regulatory environment, including a description of the primary state and federal regulatory bodies. Three areas of state regulation identified by focus group participants as having the greatest impact are discussed in more detail: Certificate of Need, Licensing, and Data Collection.

The **Nursing Workforce** chapter describes the composition of Connecticut's nursing workforce, analyzes the evolution, causes and consequences of the nursing shortage, and suggests what can be done to alleviate some of the problems.

Information Technology and HIPAA describes how the use of information technology has evolved as a tool for health system transformation and the challenges associated with this change. The chapter also describes pertinent aspects of the Health Insurance Portability and Accountability Act (HIPAA) and the effect of complying with HIPAA mandates.

The **Medical Technology** chapter provides an overview of technologies that

have the greatest impact on hospitals and the challenges associated with choosing, assessing, financing, and getting reimbursed for these technologies.

Consumerism presents an overview of the origins and evolution of the consumer movement and the major forces driving this movement. The chapter also discusses the impact consumerism has on providers and how providers have responded, further changing the delivery system.

NOTES

¹HCIA *Guide to Hospital Performance* 1999.

²In a city or town with two or more hospitals, the operation by one hospital of a twenty-four hour emergency room may be considered satisfactory compliance with this section. In other hospitals, arrangements may be made to operate an emergency room twenty-four hours a day with a physician to be available onsite within twenty minutes of the call to the physician.

³The other primary method of patient inflow to hospitals is the emergency room/department.

⁴Connecticut Department of Labor.

⁵Connecticut Department of Economic and Community Development.

⁶Connecticut Department of Labor and Office of Health Care Access Annual Reporting.