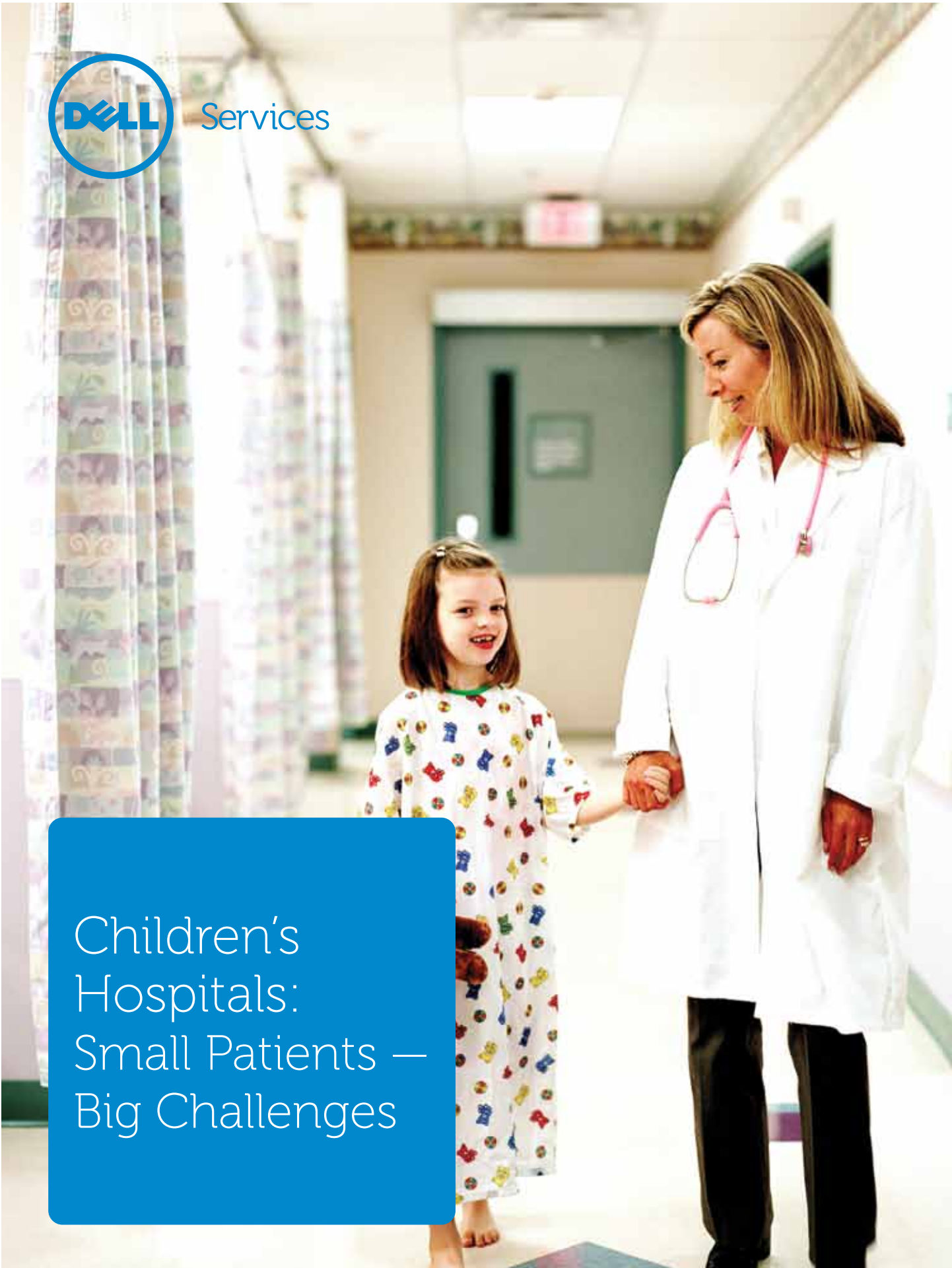




Services

Children's
Hospitals:
Small Patients —
Big Challenges



“Research shows children who are treated in pediatric facilities recover faster and have better outcomes overall. This is due to the specialized care – from the equipment used to anesthesia and radiology procedures – it’s all tailored to their specific sizes and needs.”

Patty Gregory
Children’s Healthcare
of Atlanta (CHOA)

Children’s Hospitals Have a Special Place in the Community

Children’s hospitals comprise only 3 percent of all hospitals in the United States, yet they face many unique challenges. One of the obvious challenges lies in its core patient population – children – and the sensitivities inherent in a hospital’s ability to resolve accounts while keeping its revenue stream flowing amid uncertain times for both patients and families.

Children’s hospitals deal with the same struggles as any acute care hospital – access to care and maintaining a high level of patient care while maximizing revenue and cutting costs. In addition, the research that many children’s hospitals conduct is critical because the bulk of clinical and pharmaceutical research is based on the adult population and not children.

According to the National Association of Children’s Hospitals and Related Institutions (NACHRI), here are what children’s hospitals say are their top concerns as they look to the future:

1. Provide universal coverage for all children and reform and improve the payment system for pediatric providers so that pediatric providers get paid what it costs to provide the care.
2. Recognize the unique medical needs of children in legislation – children are not just small adults, they have unique health needs that constantly change as they develop.
3. Continuing to invest in and support pediatrics and pediatric sub-specialties through the use of loan forgiveness programs and adequate payment for care.

How Children’s Hospitals Are Different

Just as children’s hospitals are uniquely equipped to treat children, from specialized equipment to the additional years of doctor and caregiver training in pediatrics, its front office and billing processes must be fine-tuned to deal with the hospital’s unique and sensitive demands, including account resolution. Hospital administrators must focus on the patients’ account resolution in a sensitive manner, understanding that in most cases, parents must continue to focus on the care their child needs and receives long after they have been discharged.

While parents are fiscally responsible for their children’s care, they are also emotionally preoccupied with concerns about anticipated outcomes and long-term responsibilities that the family faces for both care and financial obligations. In addition, children’s hospitals need to maintain a strong and positive community image, which can quickly erode if family billing issues create negative perceptions. Therefore, children’s hospitals typically act as an advocate on behalf of the family and seek out every avenue of support in resolving accounts – with third-party collection methods typically used as a last resort.

These facilities also have a vested interest in seeing that patients are insured and take advantage of alternate funding sources that may be available. In many cases, hospitals find that families typically are not even aware that they might qualify for Medicaid, the State Children’s Health Insurance Program (SCHIP), or other programs.

“I wouldn’t say that we are more sensitive than acute care facilities in collecting on accounts, but we definitely have a commitment to helping families.”

Patty Gregory
CHOA

Admissions at children’s hospitals can also vary widely as they typically treat children between the ages of 0 and 21. Similar to typical acute care facilities, most have specific areas of expertise such as neonatal intensive care, cardiology, orthopedics, hematology, or even organ transplantation and many facilities have long differentiated themselves in the marketplace by focusing on these specialty offerings.

As children’s hospitals like to point out to the community, it is important that they specialize because children are not small adults – they are different from their anatomy and physiology to the kinds of illnesses they suffer to the treatments they need. Children require specialized care from healthcare providers who understand and are trained in those differences.

The Payer Mix and Relying on Medicaid

In many cases, Medicaid is necessary for patients who lack insurance coverage, or who qualify for additional assistance. As a result, children's hospitals have to place an added emphasis on managing the Medicaid qualification and application process, in addition to managing the billing and claims process for covered patients.

Medicaid is the single largest payer of care delivered by children's hospitals, according to the National Association of Children's Hospitals and Related Institutions (NACHRI). Much like general hospitals, a children's hospital must negotiate the slippery slope of maintaining its revenue stream while securing reimbursement from government and third-party payers — all without compromising the level of care they provide. This means taking a long look at its payer mix in order to maintain viability. Many children's hospitals are nonprofits and receive some disproportionate share funding, but not enough to keep them afloat.

A few quick facts about children's hospitals and Medicaid:

- Medicaid is the single largest health insurer for children (27%)
- Children represent more than half of all Medicaid recipients (51%)
- Children's hospitals provide about 44% of the hospital care required by children on Medicaid
- Children insured by Medicaid typically require more care than other children's hospital patients
- On average, Medicaid only pays 75% of costs

Children's hospitals are also essential "safety net" providers for children who are uninsured or depend on Medicaid and other public sources for their insurance. Medicaid accounts for more than 55 percent of the inpatient care and 48 percent of outpatient care at freestanding, acute care children's hospitals. As an example, in the state of Georgia, where there are more than 100 hospitals, CHOA is the largest Medicaid provider in the state.

To offset losses from Medicaid reimbursements and cuts to Medicaid, children's hospitals, much like their general acute-care counterparts, are looking at how they can set themselves apart in their communities and maintain a competitive edge. To do this, some are expanding their range of specialized services or working harder to distinguish themselves as a provider of specialized care, whether it's pediatric oncology, NICU or transplant services. Further, many children's hospitals are nonprofits and must work to maintain a nonprofit status amidst growing federal and state requirements to meet those standards.

What Federal Healthcare Reform Will Mean for Children's Hospitals

The impact of federal healthcare reform on individual states will have immense consequences for children's hospitals and their ability to provide high quality of care to children. As states start to look at implementing federal health reforms, hospitals are

already looking at ways to cut costs while increasing access to care for children — no small feat.

Children's hospitals face an extremely difficult situation as the federal government pushes to cover more children under Medicaid while at the same time cutting reimbursement rates. In this scenario, hospitals are forced to find creative ways to cut costs without jeopardizing quality of care.

Some are counting on their technology investments to help make up the difference by streamlining processes. This includes pushing for more cross-departmental cooperation with a united management philosophy that supports maximizing revenue while decreasing costs and ensuring high quality, safe patient care.

Others say that both the HITECH Act and meaningful use requirements are helpful in implementing quality improvements long-term, but are not the sole drivers — as many, such as CHOA, have been paperless for years. But even in this case, the health system may still lack an EHR/EMR system that works with affiliated physicians at all of its community clinics and can help track patients within the health system while bolstering the concept of creating "a medical home." Hospital administrators say despite physicians lobbying hard for such technology, the biggest challenge is funding.

Looking Ahead

While increasing access to care for children remains a top priority, cutting costs while the federal government looks to increase access and cover more children will be the top challenge for these facilities moving forward.

In addition, it is extremely likely that the "medical home" model of care concept is going to continue to gain momentum. Children's hospital administrators say this model is necessary in order to give children a personal physician who operates in a physician-directed medical practice where patients receive coordinated, high-quality and safe care.

Improved Revenue Cycle Processes Can Help

As children's hospitals face intensifying financial pressures, enhancing revenue cycle administration and collections may help sustain their operations. Cash left on the table as uncollectible could impact the progress of capital projects, as well as your institution's ability to deliver outstanding patient care.

Many times, revenue cycle service specialists can instill the expertise and best practices needed to accelerate cash collections while reducing processing costs. The most successful children's hospitals look to achieve high-value service and successful AR management through:

- Government Eligibility Services
- Patient Access Transformation
- Best Practices Implementation
- Training Programs
- Streamlined Claims Administration

Summary

There is little doubt that children's hospitals face a difficult set of challenges surrounding care delivery, social responsibility, and financial performance. Not only must they act as big advocates for the smallest patients and their families, they must also be model community citizens and use every available resource to maintain fiscal viability.

References

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