

How to Determine How Much Hospital Support A Department Needs?

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“All Politics is Local”

Historical Perspective: The Good Old Days

- Harvard Study 1985
- William Hsiao 1988
 - Physician work 54%
 - Practice expenses 41%
 - Malpractice expenses 5%
- OB Starting Pitocin = Anesth for AAA

Historical Perspective: The Good Old Days

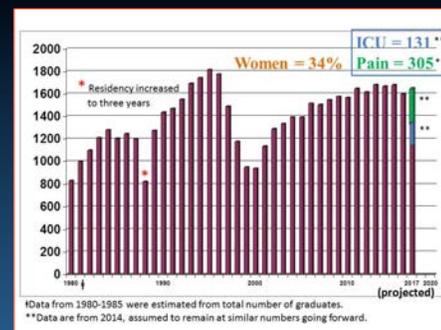
- Harvard Study 1985
 - William Hsiao 1988
 - Physician work 54%
 - Practice expenses 41%
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 - OB Starting Pitocin = Anesth for AAA
- We Got a Bad Deal : Never % CMS**

Historical Perspective: The Good Old Days

Until late 1990's Pro Fees covered cost,
What changed?

- Payer mix ↑ Medicare/Medicaid
- Increased CRNA/Resident Ratio
- Offsites Expanded
- Faculty Shortage → ↑ Salaries

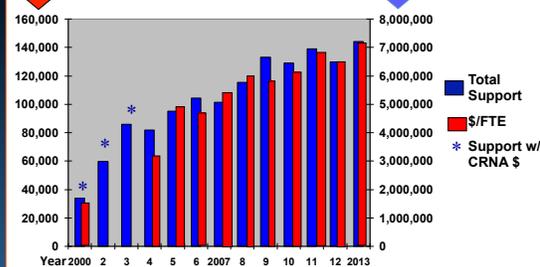
Resident Graduates 1980 - 2017



Basic Approach

- Comparative Data: SAAA Survey
- Services Requested: ORs/Offsites
- Cash Balance: In \geq Out
- Call a Friend: Misery loves company

Total Department Support (without CRNA Support)



First, review sites requested

Second, agree on safe coverage ratio

Third, do the math

Services Requested: OR & Offsites

- Frequently ORs Cover Cost
 - 2 on 1 Resident
 - ¾ on 1 CRNAs
- Offsites Don't (except GI Scopes)
 - MRI/CT
 - IR
 - OB
 - GI/ERCP
 - EP

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- Good Offsite vs Bad Offsite : Activity Based

"Average" Department: SAAA

$$\text{Faculty/Site} = \frac{50.7}{44.8} = 1.1^*$$

$$\text{Units/Faculty} = 11,000/\text{year}$$

$$\text{\$/unit collected} = \$35.80$$

(charge \$112)

$$\text{Hospital Support} = \$144,000/\text{FTE}^\#$$

* Sites = # "ORs" + # of Faculty on other clinical assignments (OB, Preop, Pain, CCM, etc)

Very dependent on \\$/unit/collected

Two Approaches:

Support / Unit – High utilization
but low unit value

Support / Site – Low utilization
e.g. off-sites

Or Both?

Determine Support Required/Unit

$$\frac{\text{Expenses/yr.}}{\text{Units Billed/yr.}} = \$ \quad X \quad \text{Exps/Unit}$$

$$\text{Avg \$ collected/unit} = \$ \underline{\quad Y \quad}$$

$$\text{\$ needed \$/unit} = \$ \underline{\hspace{2cm}}$$

Support / Site

First, have the other department
make the request... EP, IR etc

Second, "I'll cover whatever is
needed, just need to be made
whole."

Third, open the books.

Gross Simple Calculation of Support Needed

$$\frac{\text{Total \$ Dept. Budget}}{\text{Total Units Billed}} = \$/\text{unit needed}$$

$$\$/\text{units needed} - \$/\text{units} = \$/\text{unit support}$$

Example:

$$\frac{34,200,000}{814,000} = \$42/\text{unit}$$

$$\$42 - \$35.80 = \$6.10/\text{unit}$$

This does not account for poorly utilized
OR/sites

Michigan FGP Model

1. All Pro fees are collected by FGP.
2. All clinics (non-inpatients) are managed by Faculty.
3. Facility margins in clinics are split 60% FGP, 40% Hospital.
4. The 60% \$ → supplement RVU payments for all Departments.

Michigan Anesthesia Agreement

Using MGMA and SAAA salary data it was agreed upon that:

$$\text{Faculty} = \$411,000/\text{year}^*$$

*after taxes and other non-salary expenses.

We are guaranteed this amount per site
requested (off-sites predominantly).

"Made Whole"

