



Agenda Item 10

August 19, 2014

ITEM NAME: Challenges in Hospital Management

PROGRAM: Health Benefits

ITEM TYPE: Information

EXECUTIVE SUMMARY

A very important aspect of the health care system revolves around the challenges faced by hospitals in managing the multitude of activities for which they are responsible. These include day-to-day operations, medical management and oversight, budget, personnel, reporting requirements, and many more administrative requirements outside of direct patient care.

Given that hospital costs make up such a significant portion of our health care spending, the significant changes currently underway in the delivery system, and that California Public Employees' Retirement System (CalPERS) members rely upon the hospital system to provide high quality and appropriate medical care, it is important to understand the complexities of the system, and challenges hospitals face.

STRATEGIC PLAN

This item supports Goal A, "Improve long-term pension and health benefit sustainability."

BACKGROUND

Hospital care is the largest spending category in health care, accounting for 32 percent of spending nationally.¹ The hospital industry also is surprisingly diverse, and includes short-term hospitals, long-term acute care, mental health hospitals, and specialty hospitals. In addition, hospitals vary by type of governance (for-profit, not-for-profit, public) and by whether or not they are affiliated with a system. These characteristics affect how hospitals respond to changes in their environment, such as the transformation now underway due to the Affordable Care Act. For CalPERS, in-patient costs alone accounted for approximately 33 percent of our spend in 2013.

ANALYSIS

There are many complexities and challenges around the hospital system and a better understanding of these complexities and challenges may benefit our members in understanding how a hospital system works and the choices they have when confronted with the need to visit a hospital.

¹ Katherine B. Wilson. Health Care Costs 101. California Healthcare Foundation. July 2014. <http://www.chcf.org/publications/2014/07/health-care-costs-101>

The delivery system is responding to the continued demand for improved quality, revised payment strategies and lower costs over the long term. These efforts require seismic changes in how hospitals are managed.

Dr. Joanne Spetz, a Professor at the Institute for Health Policy Studies and in the Department of Family and Community Medicine and the School of Nursing at the University of California, San Francisco, will review the theory of the hospital to provide a framework for analysis of key issues facing hospitals today. Growing demand for services, performance-based payment, changing relationships with physicians and health care systems, and human resources challenges are pushing hospitals to rethink how they do business. These trends will likely have significant impacts on the delivery of health care and health care costs.

BUDGET AND FISCAL IMPACTS

Not Applicable.

ATTACHMENTS

Attachment 1 – Challenges in Hospital Management

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