

As seen in *Hospital News*

Positioning Your Open Heart Surgery Program to Compete

Throughout the 90s, the primary areas of attention for a cardiovascular surgery program were focused on the clinical outcome of open heart surgery procedures and a diligent eye to related product costs. Providers worked to insure that mortality and complication rates were in line with neighboring healthcare organizations. Costs were analyzed to assure that the supply expense was reasonable and controlled with a secondary focus on reducing outsourced service costs. Cost reductions were primarily accomplished through a combination of negotiating more favorable pricing terms for products and services, coaxing vendors to provide "high-ticket" items on consignment, and greater utilization of on time or just in time inventory management systems.

During this time, there were 871 Open Heart Surgery (OHS) programs in the United States. HCFA was establishing Centers of Excellence through a Medicare CABG Demonstration project to introduce an opportunity to bundle pricing and attempt to channel patients to the low cost, high volume facility in the region. The "Centers of Excellence" concept was based on the assumption that having fewer, higher-procedure OHS centers, where "practice makes perfect" would increase OHS quality. At the same time the "efficiencies in numbers" logic would reduce the costs of OHS procedures.

Fast-forward to 2002...The demand for cardiac diagnosis and treatment is growing exponentially, largely due to the following contributing factors:

- The dramatic increase in the 45+ age group in the US.
- Growth in obesity that increases each passing year.
- The vast increase in hypertension.
- The increase in Type II diabetes.
- The increase in hyperlipidemia.

These factors all pose increasing demand while hospitals struggle with a shortage of beds, nurses, and specialists. In the OHS arena, consolidation has been far from the norm, as the number of open heart surgery programs has steadily increased to 1,080 programs in 2001 (a dramatic increase of 24 % since 1995). What has happened? Why is open heart surgery such a hot service area in the healthcare industry?

Providers with strong open heart surgery programs often realize up to 40% of total hospital revenues from this high profit margin service. Given the potential financial rewards associated with OHS programs, there is tremendous interest among community hospitals to develop new cardiac surgery programs. Further, regulations and American College of Cardiology guidelines still advise immediate open heart surgery support for coronary interventions in the cath lab. Add to this mix the elimination of the Certificate-of-Need (CON) process in many states, and one can quickly realize the growing number of hospitals planning to provide these high revenue and profit-margin services.

However, hospitals can no longer afford a "build it and they will come" philosophy. Competition for open heart surgery patients is fierce and will be even more so in the next decade as routine open heart surgery shifts to the interventional cardiology arena. The stakeholders of an open heart surgery program must remain focused on cost and quality parameters that still remain the cornerstones of a successful program. However, several other factors must also be considered for a comprehensive assessment of a cardiovascular surgery program:

- **SERVICE AREA:** Is the population in the cardiovascular service area growing or shrinking? Assess the growth of the 45 year and over population since this segment utilizes 95% of cardiovascular services. Determine the open heart surgery utilization rate and compare to regional use rates, as well as the state and national levels. This, and

related mortality factors, will indicate whether the area is adequately served with sufficient access.

- **THE COMPETITION:** If two or more hospitals share overlapping cardiovascular surgery service areas, determine the market share for each program and assess the strengths and weaknesses of each. Determine why patients are referred for cardiovascular surgery at one hospital over another. Is it referral patterns, higher quality care, a more attractive facility, or better marketing?

- **LABOR COSTS:** Labor remains the largest cost component of cardiovascular surgery. Assess the ratio of supporting personnel to direct caregivers and investigate strategies to adopt new efficiencies. Revamped facility design can also contribute to increased efficiencies and reduced personnel costs.

- **SUPPLY COSTS:** Supply costs are the second largest component of cardiovascular surgery costs. For cardiovascular operating room costs, standardization of product usage along with vigilant cost comparisons will reap rewards in reducing supply costs. Some examples include standardizing cardiac valves, custom suture packs, and perfusion supplies. Streamlining on-shelf and on-hand inventory levels for these product lines will increase cash on-hand. Physician leadership and cooperation are keys to standardize products for fewer choices and increase purchasing power.

- **CAPITAL EQUIPMENT PURCHASES:** For capital equipment purchases, utilize a committee comprised of physicians, expert clinical personnel, and administrators to assess equipment for clinical merit and cost-effectiveness.

- **OUTCOMES:** Focus on clinical and cost performance. Quality of care drives patient referrals, physician preference of hospitals, and decreases in length of stay. Systems need to be in place to measure, evaluate and reduce mortality and complication rates. Complication rates need to be continually assessed and improved. Coding and documentation methods also need to be examined. Incomplete documentation and improper coding can affect not only reimbursements, but also "report cards" on the internet that compare CV programs across the country.

- **MARKETING:** Dedicated marketing support should be in place to increase awareness of the cardiovascular surgery program. Marketing promotions can be as low cost as patient education brochures (with hospital name and logo) placed in physician offices to high expense, radio and television marketing. Focus marketing efforts on areas that differentiate your cardiovascular surgery program from the competition.

- **LEADERSHIP:** Having a governance body in place that involves and empowers key physicians and focuses only on cardiovascular disease will enhance the degree of success. Committed and focused leadership is required to keep your cardiovascular surgery program on course and to maintain vigilance in assessing key cost and quality components in open heart surgery.

These considerations emphasize the need for a vigilant ongoing assessment of the many variables that contribute to the quality and financial success of a cardiovascular surgery program. Although competition between programs for patients has never been greater, the rewards are high for those cardiovascular surgery programs that accept the challenge to compete and dedicate their efforts to continually assess and improve all areas of performance.

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