

Nurses Drive Hospital Revenue Too

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The relationship between hospitals and physicians although at times adversarial, has generally been symbiotic throughout most of the era of modern medicine. Physicians bring their specialized knowledge and skills to hospitals, and hospitals provide physicians with the facilities, equipment and personnel necessary to practice their art.

This benign paradigm is complicated by the fact that physicians are a key source of revenue for hospitals. In addition to their expertise, physicians also bring patients. Although hospitals engage in direct-to-consumer marketing and negotiate with third-party payers for patient lives, it is still the physician, in many cases, who ultimately determines to which hospital patients are admitted.

Every other year, Merritt Hawkins & Associates, an AMN Healthcare company, conducts a survey of hospital CFOs to determine the average amount of inpatient and outpatient revenue physicians in various specialties generate annually for their affiliated hospitals. Our 2007 survey indicated that the average for all physicians is about \$1.5 million per year, although the average for surgical specialists is considerably higher (see www.merrithawkins.com).

In recent years, it appeared that direct competition between physicians and hospitals for this revenue would become the norm, as physician-owned hospitals and surgery centers proliferated. Today, a growing number of physicians are seeking hospital employment, restoring to some extent the symbiotic nature of the physician-hospital relationship. However, there is a new wrinkle: Physicians are no longer the only type of clinical professional driving hospital revenue. Due to emerging payment systems, nurses are playing a more prominent role.

Satisfaction Matters

Indirectly, nurses have long had a hand in generating revenue for hospitals because of the close connection between nurse recruiting and retention and physician recruiting and retention. Hospitals with a full complement of qualified, motivated nurses tend to attract and retain physicians. Hospitals that are understaffed with overstressed nurses tend to lose doctors and have a hard time attracting them.

The influence of nursing care on hospital revenue is likely to become more pronounced as Medicare tracks hospital patient satisfaction through the Hospital Consumer

Assessment of Healthcare Providers and Systems (HCAHPS) survey. The HCAHPS survey will make it easier for patients to evaluate a given facility, based on the assessment of patients who have been treated there. Those hospitals with high patient satisfaction scores are likely to attract more patients and generate more revenue than those with low scores.

As patient satisfaction becomes more critical to the bottom line, so does the importance of nurses. Indeed, in a survey of more than 300 hospital chief nursing officers (CNO) conducted by AMN Healthcare, 60 percent said that patient satisfaction metrics will enhance the status of nurses at their facilities. Medicare's 2008 Inpatient Prospective Payment System rules are another factor increasing nurse influence on hospital revenue. The new rules stipulate that Medicare will not pay hospitals for care provided as a result of various hospital-acquired conditions (i.e., never events).

Nurses: A Source of Revenue

Nurse staffing plays a role because nurses, who continually monitor hospital patients, may be critical to preventing never events. According to the Agency for Healthcare Research and Quality, total costs for a surgery with an adverse event were \$66,879 compared to \$18,284 for surgeries without one. Under the new payment system, having a full complement of well-trained nurses could save hospitals considerable amounts of money. Seventy percent of CNOs in the AMN Healthcare survey said nurses will be considered a more important source of revenue at their facilities because of the new payment system.

Physicians, of course, are primarily concerned that their patients have a positive outcome at the hospital. It is reasonable to assume they will direct their patients to those facilities with the highest patient satisfaction scores and the fewest never events. This again demonstrates the connection between physician staffing and nurse staffing, which for strategic reasons, hospitals should consider collectively rather than separately. ■

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