Developing New Teaching Hospitals

Key considerations and issues
AHME Spring Institute
May 18, 2016
HCA is one of the nation’s leading providers of healthcare services, comprising locally managed facilities that include 168 hospitals and 116 freestanding surgery centers in 20 states and the United Kingdom. With its founding in 1968, Nashville-based HCA created a new format for hospital care in America. R. Milton Johnson is the company’s Chairman and CEO.

168 hospitals and 116 surgery centers located in 20 states and the United Kingdom.

**Size**
- 233,000 employees
- 79,000 nurses
- 37,000 active physicians
- RANKED 75th in Fortune 100

**Patient Care**
- Approximately 5% of all U.S. hospital services happen at an HCA facility, including:
  - 26.4 MILLION patient encounters
  - 8.1 MILLION emergency room visits
  - 210,000 babies delivered

**Giving Back**
- $2.4 BILLION invested in capital spending to new services to the communities we served in 2015.
- $2.7 BILLION in uncompensated care cost, estimated for 2015.
- $21 MILLION in cash donations to charitable organizations in 2015.
HCA GME – Objectives

- Assure access to high quality medical staff during a period of worsening U.S. physician shortages
- Develop and Manage GME utilizing HCA’s economy of scale
- Fully utilize GME to support Patient Safety and Quality Initiatives
- Support clinical service line growth and development
HCA GME – By the Numbers

2016 Class

- 13 States
- 203 Programs
- 43 Hospitals
- 2,752 Residents
- 13 PSG Clinics

2020 Class

- 17 States
- 359 Programs
- 56 Hospitals
- 5,416 Residents
- 25 PSG Clinics
Hospital Growth
- 2014 (Colorado, Florida, Texas)
- 2015 (Florida, South Carolina)
- 2016 (California, Florida, Georgia, Nevada)
- 2017 (Florida, Georgia, Idaho, Texas, Utah, Virginia)
- 2018 (Florida, Indiana, New Hampshire, Tennessee, Texas)

Program Growth (the “drivers”)
- 2014 (Primary Care, General Surgery)
- 2015 (Primary Care, General Surgery)
- 2016 (Anesthesiology, Dermatology, Emergency Medicine, Internal Medicine subspecialties, and TY)
- 2017 (Emergency Medicine, Family Medicine, Diagnostic Radiology, Obstetrics/Gynecology, General Surgery, Pathology, Surgical Critical Care, and Psychiatry)
- 2018 (Psychiatry, Neurology, Medicine Subspecialties, Orthopedic Surgery)

Resident Growth
- Resident growth, goes hand in hand with Program growth
- Internal Medicine, Family Medicine and Emergency Medicine are typically larger programs
HCA GME RESIDENTS

Total Positions: 5,416
Recent activity below

Significant long-term value added

<table>
<thead>
<tr>
<th>Location</th>
<th>Specialty</th>
<th>Start Date</th>
<th>End Date</th>
<th>2015</th>
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HCA has engaged Germane Solutions (GME consultants) to develop a defined process for creating new residency programs that guides non-teaching hospitals through a step by step process with six key milestones or phases of development.
The initial feasibility assessment (phase I of the development process) is focused on developing a GME vision and overall strategic plan for the health system and individual hospitals.

There are three key questions that will be addressed:

- **Become a teaching hospital?**
- **Which programs?**
  - Hospital agenda versus University agenda
- **Structure, Timing & Clinical Training?**
- Are there any written affiliation agreements with other hospitals or medical schools to allow residents to be assigned to your hospital?

- Have any residents been claimed on the Medicare Cost Report since December 31, 1996?

- Have any residents rotated to the hospital, regardless of whether they have been claimed on the Cost Report?
Congratulations – you are already a teaching hospital.

However, the financial feasibility of developing new GME programs at your hospital is close to 0.
### Key Variables Necessary for Long Term Success as a Teaching Hospital

#### Sustainability
- Adequate GME Reimbursement
- Acceptable GME Direct Costs
- Manage Start-Up Process and Costs

#### Adequate Clinical Training
- 90% of most Residency Programs is Supervised Clinical Training of Residents
- Need Appropriate Mix and Volume of Clinical Training & Patients

#### Operational & Strategic Value
- Access and Coverage
- Infrastructure Supporting Underinsured Patient Care
- Leverage for Quality, PCMH and Care Coordination
- Medical Staff Replenishment

#### Partnerships
- Medical School
- Medical Staff and Physician Groups
- FQHCs

#### When?
- 2018?
- 2019?
- Later?
The Planning Effort & Achievement of Several Key Milestones to Begin New GME Programs Requires 2+ Years of Development

<table>
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<tr>
<th>High Level Work Areas</th>
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<th>Year 2</th>
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<th>Year 3</th>
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<td>Resident Recruitment &amp; Selection</td>
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<td>New Program Start Up</td>
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The Operating Profile of a new teaching hospital is based on determination of educational program and financial feasibility, and assessment of implementation risk.

- Adequacy of clinical & educational resources
- Key cost and operating assumptions
- Financial Pro Forma for each program
- Risk Factors in the start up phase
# Operating Profile

## Educational Resources
- Program Director
- Core Faculty
- Specialist faculty
- GME Administration
- Continuity Clinic
- Educational space
- Support for research and scholarly activity

## Clinical Resources
- Specific to each program
- Surgical volume and variety
- Outpatient visits
- Obstetrical volume
- Pediatric inpatient and outpatient volume
- Emergency Department volume
Key Cost and Operating Assumptions

Direct Costs
- Faculty
  - Academic Time
  - Clinical Time
- Residents
  - Hospital employed
  - University employed
- Other Cost
  - Administration
  - Operating expenses
  - Clinics

Operating Assumptions
- Program Size
  - Costs are largely determined by the number of residents
- Hospitals
  - More than one hospital?
  - External rotations
- Participating sites
  - Clinics
  - Physician offices
  - Community resources
Cost Per Resident

- $115 - $140 k
- Key Variables
- Specialty
- Program size
- Continuity
- Clinic

- PROGRAM DIRECTOR & CORE FACULTY $20,000 - $35,000
- RESIDENTS $75,000
- CLINICAL FACULTY/SUPERVISION $20,000 - $30,000
- TOTAL $115,000 - $140,000
10 Year Financial Model

- GME Finances are Complex
- Obtaining professional support is advisable
## Space Planning and Capital Cost

<table>
<thead>
<tr>
<th>Program</th>
<th>Category</th>
<th>Sq Ft</th>
<th>Price/Sq Ft</th>
<th>Budget</th>
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<td>$150</td>
<td>$150,000</td>
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<td>GS Simulation</td>
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<td><strong>TOTAL</strong></td>
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</table>
Space and Capital

- Approximately $2.7 million in capital investment for each new teaching hospital
- Detailed planning required
- Consider other learners, such as medical students
- Hospital space is significantly more expensive because of fire standards and other building code requirements
Teaching Clinics

Requirements

- Continuity panels of patients
- Appropriate demographic mix of patients
- Visits/resident
- Half day sessions/resident
- Must demonstrate financial loss of at least $850k/year

Key Variables

- Rotation Schedule
- Payor mix
- Patient visits per half day
- Patient visits/resident/hour
- Preceptor:resident ratio
Clinic Ownership

- **Hospital owned practice**
  - Control of location and operations

- **Independent practice**
  - Already built and in operation

- **Government**
  - Lowest cost option

Key Issues

- Clinics are often the largest single GME expense
- Legal Compliance Concerns
- Stability, location, negotiation, timing
Risk Assessment and Management

Medical Staff
- Support?
- Opposition?
- Qualified to meet faculty requirements?

Legal Compliance
- Teaching contracts
- FMV for teaching services
- Clinic arrangements
- Affiliation agreements

Cost and Implementation
- Ability to manage complex implementation
- Capital investment and ROI
- Ability to manage upfront costs
New ACGME Program Application

1. Institutional Accreditation
2. Program Director and Faculty
3. Program Application
4. Site Visit
5. Accreditation Decision
6. Timing

See:
http://www.acgme.org/Portals/0/Documents/Common%20Resources/ApplicationInstructions.pdf
Institutional Accreditation

Sponsoring Institution Options

- Hospital
- University
- Consortium

Key Issues

- Accreditation of the institution is required before a new program application may be submitted
- Appointment of DIO and Graduate Medical Education Committee
- Minimum of six months to complete the application and obtain institutional accreditation
New Program Application

**Process**
- DIO initiates the application in the ACGME Accreditation Data System
- Program Director must be listed
- Complete all sections and related documents
- Site Visit
- Accreditation Decision

**Key Issues:**
- Faculty recruitment
- Clinical data
- Facilities
- Curriculum
- Evaluation methods and forms
- Policies
- Timing
Summary

“Non est ad astra mollis e terris via" - "There is no easy way from the earth to the stars”
— Seneca