



SOLVING TODAY'S TEACHING HOSPITAL CONUNDRUM: *General economic climate, dwindling physician supply and demand for superior healthcare*

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The effects of the current struggles in the U.S. economy are spreading across many industries. Of late, the failed mortgage banking industry and its stormy repercussions on Wall Street are being felt by many. The deflation in the value of our real estate investments and the costs of the automobile industry's bail-out will be impacting us for years. The healthcare industry, including medical schools and teaching hospitals, is no exception. The on-going issues of a decreasing supply of physicians coupled with an increasing baby boomer population are further exasperating healthcare's state of affairs.

The uncertain financial climate and the pressures of inflation had been most obvious at the gas pump. However, food prices, construction costs and the expense of products made with petroleum are all skyrocketing. For the healthcare industry and teaching hospitals in particular, these factors are having a significant impact.

At the same time that healthcare institutions are feeling the pinch of economic challenges, they are also facing physician shortages. It's predicted that a shortage of physicians will reach 85,000 by 2020, and some experts project a shortfall as high as 200,000¹. The economy has led to rising healthcare costs. When you combine this with the increasing medical needs of a large aging population and a dwindling supply of physicians, you have what some are calling ideal conditions for "the perfect storm."

Just what is the magnitude of this brewing storm and how can teaching hospitals and institutions survive these turbulent times?

Reverberating Consequences of Today's Economic Climate

Healthcare organizations continue to be affected by the previously high oil prices. The current relief is temporary. In fact, according to an executive at Mercer, an employee benefits consulting firm, "The price of oil is going to work its way into many, many things in the healthcare system."

Healthcare commodity suppliers were experiencing an increase in petroleum-based raw materials such as plastic and latex. As a result, prices for basic medical supplies have in some cases more than doubled². Supplies affected by the rise in petroleum costs include latex gloves, plastic bed pans, blood bags, plus syringes and tubing used for delivering medications to patients. The Health Industry Distributors Association (HIDA) states the production costs of goods containing plastics and resins rose more than 10 percent between 2005 and 2008³. To put it into perspective, a 200-bed hospital that uses 16,000 gloves per day would pay \$2.70 for a box of 100 latex gloves. Today that hospital might pay \$3.50 to \$3.80 per box—which equals approximately \$46,000 to \$63,000 more each year. That's a big hit. Another example is the hundreds of thousands of gowns hospitals use that are made from polypropylene fabrics. Medline Industries, a medical supply company, says the costs for such gowns have risen from 50 cents to 70 cents per gown—a 40 percent increase.

Past research conducted by HIDA noted that courier fuel surcharges more than doubled for airfreight

¹ 2005 Report by the Council on Graduate Medical Education, <http://www.cogme.gov/16.pdf>.

² 2008 Chicago Tribune, "Inflation and Oil Send Costs of Medical Supplies Soaring," http://lawprofessors.typepad.com/healthlawprof_blog/2008/07/inflation-oil-s.html.

³ 2008 ThomasNet Industrial News Room, <http://news.thomasnet.com/IMT/archives/2008/08/energy-oil-gas-prices-cost-medical-manufacturers-suppliers-distributors-patients-business-health.html>.

PERSPECTIVES: Solving Today's Teaching Hospital Conundrum

delivery and tripled for ground delivery. How did this impact hospitals? The price of fuel was dramatically increasing the cost of delivery of medical supplies and equipment, as well as the cost of transporting patients and lab specimens. HIDA stated common carriers such as FedEx and UPS have had to add fuel surcharges to their prices. The vehicles used by hospitals to transport patients, supplies and specimens were also affected, causing hospitals to rethink the number of trucks, vans and drivers they could afford. We can expect to see this again.

Another area affecting the budgets of academic institutions is the fluctuation of the price of food. The U.S. Bureau of Labor Statistics announced the index for finished foods was down 0.2 percent in October after rising 0.2 percent in September. They also report that finished food prices are up overall by 6.5 percent over the past 12 months.⁴

In the past, the effects of a stormy economy have forced hospitals to impose hiring freezes and tighten staffing policies in an attempt to compensate for the increased expenses. Is there a reasonable alternative to help compensate for these increased expenses and reign in strained budgets?

The Realities of Physician Shortages in the U.S.

We've seen multiple forecasts for a shortage of physicians in the U.S. The forecasts are becoming a reality. According to the Association of American Medical Colleges (AAMC) Center for Workforce Studies, one of every three doctors is over age 55 and is likely to retire by 2020.⁵ At the same time, a study from the Department of Health and Human Services found that the "aging of the baby boomers will drive demand for primary care physicians from 106,000 in 2000 to 147,000 in 2020."

Further complicating the physician supply predicament is the fact that fewer people are choosing healthcare-related careers. A 2005 Academic Medicine study found that only 27 percent of third-year internal medicine residents planned to enter general internal medicine, a fall from 54 percent in 1998.⁶ Additionally, the Health Resources and Services Administration projected that the estimated requirements in 2005 were 95 primary care physicians per 100,000 people and the requirements will increase to 100 primary care physicians per 100,000 people by 2020.⁷ Clearly, the gap between supply and demand in healthcare is becoming much greater. In fact, in Texas, the annual growth rate of the population now exceeds that of physicians in primary care specialties.⁸

Decreased Medicare and Medicaid reimbursements, the costs of medical liability insurance and licensure are like tornadoes in this storm. These threaten the physician's ability to continue to practice. A 2004 study found that financial disincentives (low Medicare reimbursement rates) are cited as the largest barrier to entry into the medical field.⁹ Furthermore, a 2005 survey found that liability concerns were impacting the specialist supply as well as access to high-risk procedures in the state.¹⁰ Forty-two percent of respondents to the survey, which included physicians in general surgery, neurosurgery, orthopedic surgery, obstetrics/gynecology, emergency medicine and radiology, have reduced or eliminated high-risk procedures all together and 50 percent noted that they were likely to do so within two years.

⁴ Bureau of Labor Statistics, <http://www.bls.gov/news.release/ppi.nr0.htm>.

⁵ June 2006. Association of American Medical Colleges, <http://www.aamc.org/newsroom/pressrel/2006/060619.htm>.

⁶ 2005 Academic Medicine Study, <http://www.academicmedicine.org/pt/re/acmed/fulltext.00001888-200505000-00021.htm;jsessionid=JRQXpC7rfymykgCmPLK1zv6BY2IGjqfkhTLP7M1G2wNSqyJvnGL!-749683226!181195629!8091!-1>

⁷ October 2006. Health Resources and Services Administration. "Physician Supply and Demand: Projections to 2020."

⁸ 2006. Health Professions Resource Center Study.

⁹ American Geriatrics Society and Association of Directors of Geriatric Academic Programs (2004). "Geriatric Medicine: A Clinical Imperative for an Aging Population."

Flexible Medicine Makes Impact

The healthcare industry is at a crossroads. The strained budgets due to the distressed economy coupled with the need to bring on more physicians are disconcerting. Evaluating alternative solutions is a must for healthcare institutions and teaching hospitals. In fact, as reported in the June 2008 Houston Medical Journal, the staffing industry and medical facilities together have found alternative solutions to physician shortages.¹¹ One solution is considering the benefits of a locum tenens provider, which includes physicians as well as mid-level providers.

If changes are made to the physician landscape as a result of hospitals decreasing budgets, there's still a need to provide patient care. While locum tenens providers are a good choice for temporary vacancies, there may be a more strategic use of these physicians that can help teaching hospitals meet their quality care initiatives. According to the Houston Medical Journal, "For the last two decades, locum tenens or temporary physician providers, have been relied upon by facilities for specialty shortages and permanent openings that they are unable to fill."¹¹

First, from an efficiency standpoint, locum tenens do not have the same research and administrative responsibilities that many academic physicians do. These responsibilities limit the amount of time these full-time physicians spend with patients. Use of locum tenens providers allows academic physicians to participate in those other important activities while their patients continue to receive competent medical care.

Second, the costs associated with screening, interviewing and credentialing are typically handled by locum tenens organizations, providing great savings for the institution. Choosing an agency that adheres to the credentialing standards set forth by the National Committee of Quality Association assures that the strict requirements of academic institutions will be met. While credentialing is perceived as a "value-negative burden" to hospitals because of the time and expense, it's the culprit for claim rejections and reimbursement denials as well as exposure to costly litigation.¹² It's imperative that hospitals choose locum tenens agencies that understand the critical nature of this process.

Additionally, using locum tenens providers to care for patients alleviates the burden of the estimated 24-42 percent of overhead and benefit costs of maintaining full-time academic faculty. Academic hospital administrators can have the flexibility to adjust resources to meet changes in demand. This becomes critical when teaching hospitals consider the staffing of satellite clinics or covering the need to care for patients during the absence of a provider. Rescheduling patients or limiting the number of patient visits can compromise patient care as well as affect their income.

As academic medicine heeds recommendations by the AAMC to make plans to increase enrollment by as much as 30 percent,¹³ the use of locum tenens will provide a necessary supplement to their physician staff. In fact, according to a recent survey of U.S. medical schools, efforts to increase enrollment are underway. It is estimated that medical school enrollment will grow to 19,909 in

¹⁰ 2005 Pew Charitable Trust. Project on Medical Liability in Pennsylvania. <http://physiciansnews.com/cover/406.html>.

¹¹ June 2008. Houston Medical Journal, "Solutions to Specialty Shortages in a Shaky Economic Climate."

¹² April 2008. Houston Medical Journal, "Financial Perspectives."

¹³ June 2006. American Association of Medical Colleges (AAMC), <http://www.aamc.org/newsroom/pressrel/2006/060619.htm>.

the 2012 academic year—a 21 percent increase from 16,488 in 2002. Locum tenens agencies will be able to partner with growing academic hospitals, providing care to patients while permanent physicians handle an increased enrollment and teaching responsibilities. A recent study led by Drexel researchers indicates that the amount of time academic hospital faculty spends with students dropped from 21 percent in 1984 to 15 percent in 2005.¹⁴ The need for greater support within the academic system is evident. Many academic hospitals choose to work with a staffing firm that

has a readily available pool of highly qualified locum tenens providers who understand the unique needs of an academic setting plus, most locum tenens providers have years of experience and offer diverse perspectives to students, residents and fellows.

Solving today's healthcare staffing conundrum will require more creative thinking and implementation of new strategies. Thus, reevaluating the resource mix of permanent and locum tenens providers can enhance patient care and contribute to overall financial and quality goals of a teaching hospital.

About the Author:

Dr. Karla Wild is the Medical Director at Whitaker Medical and is a member of the peer review committee. Her focus is ensuring practitioners representing the firm meet the highest standards in the industry. Dr. Wild believes the integrity, competency, and professionalism of Whitaker's practitioners is what keeps the firm's reputation the best in the field.

¹⁴ April 2006. Physician's News DIGEST. "Responding to Physician Shortage," <http://physiciansnews.com/cover/406.html>.

