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Determining When a LTACH is a Good Idea

A Model Case Study by Murer Consultants, Inc.

With the ever changing healthcare environment placing more pressure on hospitals and health systems to do more with less, Murer is often engaged to become a strategic partner in helping an organization best determine how patients are placed in the right setting at the right time. Coupled with the ongoing struggle to decrease length of stay in the acute care setting, these pressures are the focus of the following client case.

THE CLIENT:

- 400 BED COMMUNITY HOSPITAL IN THE SOUTHWEST SERVING A HIGH RATE OF MEDICARE PATIENTS WITH COMPLEX, ACUTE CARE NEEDS

THE CHALLENGE:

- ACUTE CARE LENGTH OF STAY OF 6.2 WITH EXCESSIVE HIGH COST OUTLIER PATIENTS
- GREATER THAN 48% MEDICARE POPULATION
- CLIENT IDENTIFIED MORE THAN $4 MILLION DOLLAR LOSS IN UNCOMPENSATED CARE
- COMPLEX PATIENT POPULATION WITH A NEED FOR LONG-TERM ACUTE CARE DISCHARGE DISPOSITION BUT NO VIABLE DISCHARGE DISPOSITION TO MEET ACUTE CARE NEEDS
- CHALLENGES IN MEETING TARGETED BENCHMARKS RELATED TO NURSE STAFFING PRODUCTIVITY, AVERAGE LENGTH OF STAY AND PATIENT SATISFACTION.

THE ANALYSIS:

Through careful study of the hospital's acute care patient discharge data, including those diagnoses appropriate for long term acute care venue of care, population data, market analysis, administrative, clinical and medical staff interviews, Murer Consultants identified the need for a 38 bed long term acute care hospital (LTACH).

- Acute Discharges
  Murer Consultants conducted an analysis of DRG care loss as part of this study, reviewing acute discharge data provided by the hospital for the twelve month period. 12,874 discharges were analyzed.

- Uncompensated Care Loss
  Murer Consultants used the hospitals actual Medicare Base Rate and applied it to the Federal DRG relative weight for those patients staying beyond the DRG AMLOS. Murer Consultants identified approximately $11 million dollars of uncompensated care loss utilizing PPS to benchmark length of stay and per diem limitations by diagnosis. Approximately 41%, or $4.5 million, of the total amount of uncompensated care loss was from Medicare patients.

- Top DRGs Contributing to Uncompensated Care Loss
  Murer Consultants analyzed the Top DRGs by Uncompensated Care and the Top DRGs by Patient Volume. Only those DRGs which exceeded the DRG length of stay were reviewed. Overall, the majority of the Top Uncompensated Care Losses were those DRGs typically associated with a long term acute care hospital.

- Analysis of DRG Care Loss by Product Line Specializations
  When examining uncompensated care loss by DRG, it is helpful to group the DRGs into related diagnostic categories. In reviewing and analyzing the DRG data, Murer Consultants noted particularly significant trends of overutilization of acute care in several groupings of related diagnoses, specifically:

  - Medically Complex
  - Respiratory/Pulmonary
  - Cardiovascular

LTACH Bed Need – DRG Analysis

CATEGORY	PATIENT DAYS	BEDS NEEDED
Medically Complex	5593	15
Respiratory	3554	10
Cardiovascular Care	4905	13

Initial Projected Bed Need = 38*

It is important to note that the breakdown of uncompensated care loss into categorizations is significant; it targets the specializations which should be developed in alternative post-acute venues of care. Further, it provides insight into the order of priority to be given to each specialization, given the magnitude of uncompensated care loss.

THE OUTCOME:

The concept behind post-acute venues of care is placing the patient in the appropriate venue based on medical need and expected length of stay for the proper reimbursement. The long term acute care hospital is an ideal vehicle to stem losses due to extended lengths of stay and increased patient acuity. The long term acute care hospital should reflect the patient diagnostic population of the short term acute in harmony with the mission and philosophy of the health system and its medical staff. Together the long term acute and short term acute hospitals form the continuum of care with appropriate reimbursement reflective of each venue's purpose and anticipated length of stay.

By reviewing patient discharge data, Murer identified the appropriate number of beds based on the primary affiliated hospital, as well as those acute care beds in the geographic area, physical space needed to meet compliance, service line identification, staff requirements, and the regulatory process to develop a long term acute care hospital. Murer Consultants believes that the number of acute patients with extended lengths of stay, justifies bed need for at least 38 long term acute care hospital beds.

The long term acute care hospital can thus mitigate the care loss of patients staying beyond the DRG length of stay. In addition, the LTACH affords the "host hospital" the opportunity to capture additional monies in the form of bed turn over, lease and utilities, and vended services, which can total in the millions of dollars.

Following the detailed feasibility analysis conducted by Murer Consultants, the health system developed and is now operating a 32 bed long term acute care hospital. Today, the health system is operating a successful long term acute care hospital with revenue in excess of $800,000 per year. Additionally, the hospital has seen a significant reduction in its acute care length of stay commensurate with the anticipated DRG length of stay, a decrease in uncompensated care loss, and enjoys offering this much needed venue within its post-acute care complement. In addition, due to placing the patients in the right venue for the extended stay patient, nurse staffing has been right-sized and the acute care hospital has seen an increase in patient satisfaction scores and productivity.

GET IN TOUCH:

With the anticipated sunset of the LTACH moratorium, the time is ripe to evaluate how best your organization can position itself to include this specialized venue of care in its post-acute care continuum. Give us a call at 708-478-7030 or send a note to lbrick@murer.com.

About Murer Consultants

Based in Mokena, Illinois, Murer Consultants is owned by Lyndean Lenhoff Brick, a nationally recognized expert in healthcare consulting and regulatory compliance. Murer focuses on strategic positioning, regulatory compliance, licensure and certificate of need, consolidation/acquisition, financial management, hospital feasibility, development, management and physician relations, including clinical co-management. The 40-member Murer team includes some of the nation's leading healthcare consultants.

Murer represents clients in nearly all 50 states and is well known nationally for developing strategies and organizational structures that remain responsive to an ever-changing healthcare regulatory and delivery system. Murer clients range from large multi-hospital health care systems and academic medical centers to mid-sized physician-owned group practices. Murer is designated a woman-owned business.