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## Improving Hospital Quality and Net Revenue

### The Role of Focus Centers

Health care costs have increased for both consumers and hospitals, yet hospital net revenues continue to decline. Industry reports revealed a national decrease of 44.6 percent in hospital net revenue from 2002 to 2005, resulting in continued hospital closures across the U.S. The need for improved hospital net revenues is increasing.

Previous research has attempted to resolve the need for improved financial performance. Some examples include studies on types of efficiency or patient accounts and medical billing. More recently, many hospitals have invested in ‘focus centers’ as a way to improve quality of care as well as to increase net revenue. While any average hospital would be expected to include such services as emergency care, imaging, and various surgical services (i.e. cardiac, orthopedics), the ‘focus center’ provides specialized care beyond that of the average general hospital. A ‘focus center’ within a hospital’s scope of services will extend the reach of the standard services offered by providing supplementary focused care. Focus centers must be accredited, guaranteeing superior care and may be recognized by accredited titles such as cancer center, primary stroke center, cardiovascular center, as well as others.

A recent study by William R. Pratt, a Ph.D. student in Finance in the College of

Business Administration at The University of Texas–Pan American, published in the Spring 2008 issue of Hospital Topics analyzed the inclusion of the accredited focus center among hospital services as an essential revenue generating tool. This research included a random sample of 212 hospitals in metropolitan areas in the United States. Findings revealed that hospitals with focus centers typically report greater net revenues. As expected, this also increased overall quality of care across the hospital as a whole. Interestingly, the increased quality of care due to the presence of the focus center results in an increase in patient demand for the particular hospital.

The data were collected on hospitals in metropolitan areas across the United States from 2000-2004. The sample included 212 hospitals with two thirds having implemented at least one focus center. Hospital size was assessed using bed count. Quality of care was measured using morbidity per patient days, which lends to direct comparison of hospitals. This data set was used to measure whether the presence of an accredited focus center will result in an increase of net revenue and quality of care in hospitals.

Present research focuses on many possibilities for increasing revenue, however, the additional benefits of the focus center (i.e. quality of care,



hospital-specific patient demand), makes the focus center a much more desirable revenue source. The focus center affords practitioners a channel to provide their patients a high level of care. Similarly, the focus center can strategically empower hospital administration that wish to attract highly qualified medical professionals. Hospitals in more rural locations may not need to draw patients using the focus center due to the limited choice of hospitals for patients. However, rural hospitals may consider inclusion of the focus center as it consistently increases quality of care and allows more of an increase in available medical resources for patients with limited access to other locations with a broad availability of services.

Overall, focus centers are an important - even essential - tool with many beneficial outcomes. The potential impact of the

inclusion of a focus center should be considered by hospitals that wish to avoid closure and that want to better serve their community.

*IPHP Research Brief 08-06 is based on excerpts/summary from the article: William R. Pratt (2008). "Keeping Hospitals Healthy: Focus Centers Translate into Greater Net Revenue," Hospital Topics, 86(2), 13-20.*