Better Surgical Outcomes Costly For Hospitals

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Hospitals that succeed in reducing rates of surgical complications may pay an unintended financial penalty, depending on the mix of insurance carriers they're dealing with, researchers said.

Data from an unidentified 12-hospital system in 2010 indicated that the occurrence of surgical complications boosted the "contribution margin" -- the difference between gross revenues and variable costs associated with patient care -- relative to cases without complications, when they involved the 85% of patients who had Medicare or private insurance, according to Atul Gawande, MD, MPH, of Harvard Medical School in Boston, and colleagues.

The contribution margin was decreased when complications occurred in Medicaid and self-pay patients, but these patients accounted for only 10% of the system's caseload, the researchers reported in the April 17 issue of the Journal of the American Medical Association.

"Depending on payer mix, efforts to reduce surgical complications may result in worsened near-term financial performance," Gawande and colleagues wrote.

In the analysis, which covered more than 34,000 surgical discharges, the researchers focused on 10 severe and potentially preventable complications such as surgical site infections, deep vein thrombosis, and sepsis. A total of 1,820 patients had such complications.

Specific findings in the retrospective database analysis were that contribution margins in patients with complications were higher by $39,017 per patient with private insurance (95% CI $20,069 to $50,394) and by $1,749 in Medicare patients (95% CI $976 to $3,287), compared with patients having no complications.

Medicaid patients with complications were associated with contribution margins lower by about $24,000 per patient (95% CI -$33,000 to -$9,100); among self-pay patients, these margins were lower by $26,800 (95% CI -$33,900 to -$18,100).

Medicare patients accounted for 45% of the system's patient load and privately insured patients for 40%. Only 4% were covered by Medicaid, and 6% paid out of pocket. The remaining 5% were classified as having "other" payer status.

Gawande and colleagues found a similar pattern when they analyzed total margins -- revenues minus the sum of variable and fixed costs associated with patient care -- according to payer status, except that the occurrence of complications became a financial negative in the Medicare group.

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