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EXECUTIVE REPORT

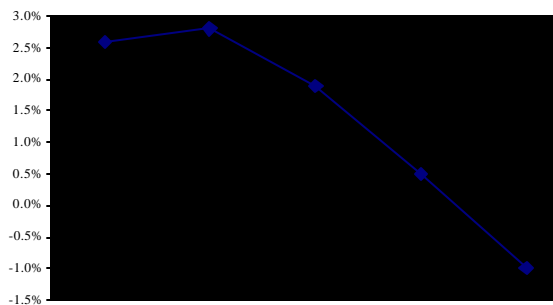
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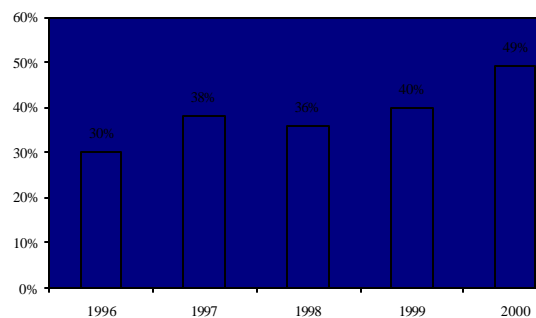
How Denver Health Compares to Peer Public Safety Net Hospitals

Despite an increasingly difficult economic environment, Denver Health maintained profitability over the study period while many of its peers did not. The National Association of Public Hospitals (NAPH), an organization representing many public safety net hospitals in the country, reveals the challenges that the hospitals in this industry are facing. As the charts below reveal, the industry average operating margins decreased from 2.6% in 1996 to -1.0% in 2000. In those same years, the number of NAPH members reporting negative earnings grew to 49%.

Total Margins for NAPH Members, 1996-2000



Percentage of NAPH Members with Negative Margins, 1996-2000



Medicare, Medicaid, and Disproportionate Share Hospital (DSH) payments are failing to keep up with changes in medical trends and populations served. This insufficient funding will be a growing concern for the future of public safety net hospitals.

Denver Health attributes its success to the integrated medical service delivery system, a model for health care facilities across the nation. This integrated system provides efficient and accessible alternatives to the main hospital, enabling patients to receive care at appropriate treatment facilities. This project evaluates several factors that may help determine if the Denver Health integrated medical delivery system is the differentiating factor that has made the organization financially successful while maintaining a high quality of care. Ten single-location hospitals in similarly sized cities were selected for comparison.

The analysis shows that Denver Health's low number of emergency room visits and lower revenue per patient compared to other NAPH members could be a result of successfully caring for patients at less costly community centers, rather than the emergency room. In addition, Denver Health has been able to collect more revenue on the amounts charged to patients than many of the comparable hospitals. This contrast may be attributed to its efficiency in treating patients and its unified billing and tracking processes, all part of the integrated system. Finally, Denver Health has a lower occupancy rate, which may be a result of effective utilization of its community centers. This study also briefly examines the possibility that Denver Health is benefiting from its operating environment, but no direct relationships were observed.

The data do support the hypothesis that Denver Health's integrated system could be a positive factor in making the Hospital profitable. Whether this is the case or not, it is clear that Denver Health has been able to remain financially stable, while other hospitals are on the decline.