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Some Economic Problems Affecting Hospitals Today and Suggestions for Their Solution

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As "HARD HIT" as every other institution are the hospitals. Never before have they been faced with so serious an economic problem as the present one. A survey of the southern states, for instance, reveals many hospitals struggling to keep their doors open, and unless the near future brings relief, many will be forced to give up the fight and cease to carry on. Even the well endowed institutions are feeling the strangling jaws of the depression. An outstanding hospital in Chicago with a four million dollar endowment recently made an appeal through the press with a headline which read as follows: "Funds Needed for Children's Hospital—Cases Increase 200 Per Cent but Pledges Drop." The situation is critically serious and demands our closest, most intensive consideration.

Stock crashes, bank failures, frozen assets, depreciated earnings, diminished benefactions, together with lessened payment by patients and decreasing departmental earnings and all that comes in the wake of these, have depleted the hospital treasury. Hospital trustees and executives are staggering under the valiant attempt to maintain adequate standards in order to insure safe and efficient care of their patients.

REDUCTION IN BED OCCUPANCY

For many months hospitals generally have been experiencing a gradual reduction in bed occupancy. For a considerable time it has been agreed that a 75 to 80 per cent occupancy is normal, but very few hospitals today, apart from tax-supported institutions, are approximating this average. Individual institutions frequently show an occupancy even below 40 per cent, whereas collectively the average occupancy including tax-supported hospitals is not more than 50 to 60 per cent. An average occupancy of less than 60 to 65 per cent may probably result in difficulty in balancing the budget, which in most instances is the cause of a resultant deficit. But a deficit need only be feared when there is no way of meeting it. This is a major problem at present.

The depression has adversely affected the average bed occupancy in our hospitals. Of that there is no doubt. But economic conditions are not entirely to blame. One must not overlook the achievements of scientific medicine, which have greatly decreased the average duration of illness.

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1Read before the Western Hospital Association, Salt Lake City, June 14.
In many cases this has been cut in two so that one can justly claim a 50 per cent reduction in the average time spent by patients in hospitals as compared with a decade or two ago. Furthermore, our people are in a healthier condition today than they were in recent years. There have been no epidemics of any account. The vast army of health workers and allied groups have made substantial progress in keeping people well and preventing disease.

There is another factor affecting bed occupancy which must be taken into consideration and that is over-hospitalization, which is most pronounced in some communities. The private, community, or independent hospital has been further depleted of many patients and much revenue by the liberalization of service in federal, state, county, or municipal hospitals. Of the thousands of patients who are receiving treatment in federal, state, county, and city hospitals, many should be revenue cases in community or private institutions paying hospital and professional fees.

MANY PEOPLE WANT FREE MEDICAL CARE

There seems to be an ever-increasing tendency on the part of many people today to feel that they should receive free medical and hospital care. In this connection an intimate knowledge of city, or municipal, and county hospitals reveals a great lack in many instances in properly investigating all cases as to which should or should not be recipients of charity. No doubt the loosely managed political, tax-supported hospital and the badly organized and improperly controlled out-patient clinic are markedly depleting the pay hospitals of revenue as well as the members of the medical profession of their legitimate fees. This should in no way be interpreted as a universal condemnation since the criticism does not apply to all hospitals. If all tax-supported institutions were as free from politics and as efficiently managed as the hospital over which our president, Dr. Black, presides (I refer here to the Highland Hospital, Oakland, California) we would not have abuses but would develop instead real institutions. I consider this hospital a model in every respect for any tax-supported institution to follow.

When we analyze hospital accommodations today we find that there has been much shifting in social strata in recent times. The de luxe room is in very little demand unless at considerably reduced prices. Patients who formerly sought private rooms for from eight to ten dollars a day now ask for the more moderately priced accommodations of from four to five dollars a day. In many instances they share a room with another patient on what we call the semi-private plan. The former semi-private or part-pay patient now accepts without a murmur the ward service. In fact,
many full-pay or private patients of former days now seek free care in the private or public hospital.

This is but a brief picture of the financial transition which is now going on among the different classes of our population, all because of general economic conditions. All sources of revenue of the hospital have been reduced. The decrease in revenue from private patients and the increase in part-pay and free patients without increasing sources of revenue have brought about a serious economic crisis in many hospitals.

NATIONAL EXPENDITURES

That the present economic condition in respect to hospitals could exist one can scarcely realize when he learns that only approximately one billion dollars of the national wealth is needed annually to maintain hospitals so that the twelve million in-patients and seventeen million out-patients may be cared for.

On cosmetics and beauty culture our American women spent in 1931 the staggering sum of $1,515,949,150. For tobacco there is a national expenditure annually of $1,500,000,000 and our American people devote each year $1,250,000,000 to motion pictures. Five hundred million dollars leaves the pockets of our people each year for the purchase of toilet articles, and that is just half of what it costs to keep the hospitals of this country open. When we take into consideration that $3,500,000,000 is spent annually by this great nation for all forms of medical service, which amounts to approximately $30 per person, $100 per family, or 4 per cent of the national income in a normal year, we naturally wonder why hospitals should not have more community support for the charity work they do.

IMMEDIATE ACTION NECESSARY

Nevertheless, our hospitals are now involved in the worst financial crisis they have ever experienced. It is absolutely necessary that all of us put our heads together and try to find some solution. If we are to have effective results we must have concerted and coordinated immediate action. We have all heard it said that even calamities have their ultimate benefits. Therefore, it devolves upon us to find somewhere in this financial wreckage some solid foundation upon which to build. Repeated adjustments of expenses to income have been made. Never before has there been such a careful analysis of hospital accounting and study of financial policies. It is entirely possible for us to inaugurate improvements in business methods which will lead to better ways and means of financing hospitals in the future.

Let us ask ourselves the question: What can hospitals do individually and collectively to weather this stormy economic disturbance through which
ECONOMIC PROBLEMS AND SUGGESTIONS FOR THEIR SOLUTION

they are all passing? Or perhaps you think it would be more consistent to ask: What can be done to remedy the present economic status of the universe? But our province and responsibility apply specifically to the hospital field. It is true that all hospitals have already trimmed their sails to better meet the financial conditions of their respective communities. This has been done chiefly through economies of administration. There has been more or less universal reduction in personnel and salaries; many economies have been effected. Everything possible has been done to reduce expenditures, but this has not been sufficient to bring about immediate relief in the majority of instances. The continuance of the present economic conditions will force hospitals generally to further action. The time has come when this problem must be given even greater thought, both from its community and from its national aspect. We must find the lighthouse in this gloomy fog of economic depression so that our hospitals will not crash on the rocks of disastrous calamity. We must steer our hospital ship into the safe harbor of security so that as many lives as possible may be saved. To this end a few suggestions follow.

1. National Hospital Conference

During stressful times the President of the United States has on many occasions called into conference various highly talented groups in their respective fields to consider economies and developmental aspects of different problems of national significance. In this he has shown great forethought and judgment, for through such means he has been able to arrive at the crux of each situation. Certainly, the seriousness of the hospital situation from an economic standpoint warrants the intensive thought of the best leaders in the hospital field. What could be more helpful and more desirable at the present time than a national conference of this nature dealing with hospital problems? Could not forty or fifty of the outstanding executives and trustees of this nation get together to deliberate on this matter so that they might bring to light valuable information for all hospitals now in economic distress? The intensive review and thought of such a group would be of untold value to all hospitals. Therefore, I submit to you this suggestion for your careful consideration.

2. Local Hospital Conferences

That the national study of the economic condition of hospitals would be of great value, I am sure. In addition, however, I would suggest more group studies of the problem locally. This is the time when hospitals in adjacent vicinities should cooperate to study the matter close at hand. Perhaps problems incident to each may be of common solution. Perhaps means of better coördination or consolidation may be worked out tem-
porarily. At least, the contact resulting from these conferences would tend toward greater cooperation and harmony.

3. Further Building of Hospitals Inadvisable

At this moment there are many vacant hospital beds throughout the United States. Perhaps a very conservative estimate would place the number at from 250,000 to 300,000. While there exist so many vacant beds it is right to question the advisability of further construction of federal, state, county, or municipal hospitals. Certainly, they should not be built unless warranted by dire necessity. First of all, we must utilize the empty beds we have, and give them to those who need them. It is true that the extra charity load of every community which cannot be cared for by tax-supported institutions is gradually absorbing many of the vacant beds, but this is not bringing financial relief to the hospitals. In fact, the extra load has only increased the financial burden. We must look now to other sources to provide the cost of maintenance. In this connection private or community hospitals have already offered the United States government 300,000 beds for the care of veterans with non-service-connected disabilities requiring hospitalization.

4. Filling Vacant Beds

But why not consider other groups of patients in the community? Those empty beds could be used to advantage. There are many tuberculosis and mental cases who could be treated in general hospitals. Either they could pay their way, or the hospital offering treatment should be subsidized by the state, county, or municipality. Many of these patients are now being sent to already overcrowded municipal and state institutions. Infectious cases, which are usually municipal charges, are being handled in the same manner. I see no objection to the city, county, or even the state contracting with a private or community hospital for the care of the tuberculous, mental, and infectious diseases.

In the future two hospitals in a certain community will care for all the infectious diseases, for which the city will pay $3.00 per day. This will permit the city to close its isolation hospital, resulting in less worry and a considerable saving to the tax-payer. It would be, therefore, of advantage to everyone concerned for each hospital or group of hospitals in a community to extend their services to all types of patients so far as facilities and personnel would permit. This would not only fill the empty beds, but would also assure greater use of the already existing facilities and save the local, state, or federal tax-paying groups considerable money. In such a plan there should be no lowering of efficiency, but an increased service in offering the patient the advantages of a fully organized medical staff including the various specialties close at hand.
5. Coöperation in Use of Facilities and Services

Serious thought should also be given by the hospital management to better coöperation in the use of highly expensive facilities and services. The sharing of costly facilities and the services of pathologists, radiologists, physical therapists, and highly specialized technicians would be of untold advantage in reducing expenses and improving service. For example, a good pathologist or a good radiologist might be able to distribute his services among two, three, or four hospitals, depending on the size of the institutions and the technical assistance available. The cost of this plan would be much less than if each hospital had its own high-powered specialists, for then the expense would be distributed. In these times we must forget all about “keeping up with the Joneses.” There are innumerable ways in which the hospitals in any community can coöperate to prevent duplications of services. The facts can best be derived from a study of each individual community.

6. Use of Hospital Facilities by Local Physicians

In addition to the coöperation of hospitals in the use of expensive facilities is the possibility for local practicing physicians to utilize hospital equipment. Instead of each doctor setting up his own facilities why should he not use the hospital laboratories for his own office or private patients? Such a system would cut down expenses considerably. Many doctors have their own diagnostic and therapeutic facilities in their offices, necessitating additional personnel. Naturally, the individual overhead is increased tremendously, thereby adding to the cost of medical care as well as cutting down the business of the community hospital. In recent years there has been a marked tendency to duplicate these services in one community. We should realize that in most instances the hospital facilities can be used by the private practitioner with much less expense and frequently with greater facility and efficiency. It would seem, therefore, well worth while for every hospital wherever practicable to offer complete diagnostic and therapeutic facilities to the local medical profession for their private patients at as reasonable a charge as possible.

7. Remove Political Influence from Tax-Supported Institutions

I have already alluded to the matter of tax-supported hospitals and the inefficiency with which some of them are operated. With but few exceptions tax-supported institutions are badly messed up in politics; they are inefficient because of poor management or from lack of essential funds. Not infrequently the cause of an institution’s being unsanitary, inadequately equipped, over-run with infections, and subject to unusually high mortality rates can be traced directly to the effect of politics. When municipal or
county hospitals get so bad that patients sleep two in a bed; when women are admitted to men's wards and are not discovered for days; when commissioners or "city fathers" refuse electric fans in the extreme heat for seriously ill and dying patients but willingly supply them for monkeys in the zoo; when hospitals are picketed by strikers, endangering the lives of nurses, attendants, and others; when tear bombs are thrown into nurses' homes; when interns are allowed without supervision to do anything they like with human beings; when many other atrocities and disgraceful practices are permitted which jeopardize human life—then is it not time to have a clean-up of county and municipal hospitals? State general hospitals with similar conditions can be placed in the same category.

But, you will ask, why has this any bearing on the present economic conditions of hospitals? It is quite apparent that conditions such as I have cited are malignant with wasteful practices wherein the tax-payers' funds are dissipated in useless avenues, and frequently are not used for the purpose intended, that is, the saving of human lives. But, notwithstanding all I have said, there are a number of outstanding instances of fine types of tax-supported hospitals. It must not be considered that they are all in the category described, but there are many glaring examples which require immediate remedial measures.

It is time to free these institutions from the putrid influence of politics. With each new political régime there come many changes, a constant upheaval, and steadily declining efficiency. Hospitals controlled by political interests cannot be of service to humanity. They must be taken out of the hands of politicians and placed under the direction of boards made up of outstanding citizens who are not dependent on the votes of a flattered populace but are representatives of meritorious service and are acting in behalf of the good of humanity.

8. Distribution of Charity Cases among Existing Hospitals

In many instances these tax-supported hospitals are much more costly and much less efficient in handling charity cases than would be a plan through which all this work could be distributed among existing hospitals and paid for by the respective taxing bodies.

The average tax-supported hospital takes in patients with little or no investigation as to what they can pay. They lack proper social service departments to determine eligibility. No doubt innumerable cases are admitted who could pay their way including professional fees.

The distribution of necessitous cases among existing approved private or community hospitals subsidized by the city, county, or state would not only tend to efficiency but would promote much economy. We are told
that the Pennsylvania system is working out very satisfactorily. Here the state pays private or community hospitals $3.00 per day for each indigent or necessitous patient. There are very few city or county hospitals throughout the state.

Other places have similar arrangements for the care of charity cases by private or non-tax-supported institutions. The Canadian system of distributing free cases among private or community hospitals subsidized jointly by city and province has worked out to the utmost satisfaction. The distribution of the work in this manner helps the local hospitals in carrying their overhead, assures an efficient service, and saves the taxpayer money.

9. Distribution of Services in Plan of Group Hospitalization

While it is true that some good may be achieved from the present economic upheaval, the financial crisis may stimulate certain irregularities which it is our duty to forestall. Much is being done today to promote what is known as group purchase of hospital services. This is being attempted by certain clinics, hospitals, and hospital associations. It is advisable that a plan of this kind should not restrict the patient to one hospital only. Nor must his choice of doctors in the community be limited to one or a few members of the medical profession. In a plan of group hospitalization on a monthly fee basis or under any other system, the patient not only should have free choice of an approved hospital and a licensed physician, but he must not in any way be subject to too many restrictions in the plan of treatment. Any plan which limits the patient to one particular hospital for treatment or one particular group of doctors leads to uneven distribution of services and naturally works financial hardship on other hospitals and members of the medical profession.

It is advisable in any new plan of hospitalization on a group purchasing basis that it be as far as possible divorced from the doctor’s fee and be endorsed by the local medical society and the hospitals generally. And it should be remembered that the best interests of the patient must always be uppermost in putting forth any plan for the financing of hospitals.

10. Governmental Aid to Local Hospitals

Perhaps the most advisable and effective measure of immediate financial relief for all hospitals at the present time would be found in a plan of city, county, or state subsidy to private or community hospitals for all free or charity work. From economic surveys conducted recently in the five states—Pennsylvania, Texas, Illinois, Indiana, and Wisconsin—it was found that almost all of the non-tax-supported hospitals were carrying on a varying but vast amount of charity work which generally averaged from
In the city of Chicago, after eliminating tax-supported institutions, the charity or free work in private or community hospitals ranged from 2 to 65 per cent, or, on an average, from 30 to 40 per cent, as already mentioned.

It would be natural and feasible that the responsibility for paying for this free or charity work should be placed on one or another of the tax-paying groups—municipality, county, or state. This is particularly justifiable at the present time because many tax-supported institutions are not able to care for all the free or charity patients and the burden must, of necessity, be thrown on other hospitals in the community. It is felt in many communities that a determined effort should be made to effect such an arrangement.

There has always been an unwritten code, a sort of tradition, that no patient requiring hospital care shall be denied admission in any institution. In order to fulfill this obligation there must be some means of providing each hospital with financial assistance for the cost of service to a large number of patients who cannot pay their way. It would seem to me that it is the direct responsibility of the municipality, county, or state concerned to provide such a fund.

11. Special Taxes to Finance Hospitals

Special taxes diverted to hospitals to finance the care of charity or necessitous cases would be of immense assistance to the large number of institutions caring for such patients. As an illustration, in Quebec the charging of a 5 per cent tax on all meals eaten in public places has proved to be a blessing to the hospitals inasmuch as this money is given them for free and part-pay work.

Likewise in British Columbia, a unit represented in this Association, a share of the profits derived from the sale of liquor under governmental control is distributed to various hospitals doing free or charity work. Hypothetically speaking, if the Eighteenth Amendment should be rescinded in the United States and liquor control vested in the different states as it is done in Canada, it might be feasible for the hospitals to share in the profits derived therefrom.

There is no reason why hospitals should not participate in special taxes such as the amusement tax, gasoline tax, meal tax, or other forms of special levies which might be devised. I am sure that local communities would not be averse to contributing in this manner especially if they knew that the revenue was being spent for the relief of pain and suffering.

12. Extraordinary Sources of Revenue for Hospitals

Extraordinary means are being put into effect in some localities for the
financing of hospitals. We know that the Irish sweepstakes have cleared the hospitals of Ireland of indebtedness and have placed them on a sound financial basis. While we cannot employ such means as those in this country because they are illegal, I personally see no objection to such a plan.

Many hospitals have or are developing various plans to derive extraordinary sources of revenue. The drug store, the dining room for visitors and friends of patients, florist shops, barber shops, beauty parlors, and innumerable other types of revenue-producing devices, all having the effect of accumulating revenue, are to be found in operation in many hospitals at the present time.

Possibly one of the most elaborate plans for securing extraordinary revenue is that promoted by the Baptist Hospital, Memphis, Tennessee. Here a large building has been erected providing doctors' offices, hotel accommodations for visiting doctors, relatives, and friends of patients, restaurant facilities, a drug store, surgical instruments and supplies, and other commodities which might be required by the different groups associated with the institution and the public, which visit the hospital so frequently. In other words this building stands beside the hospital as a revenue-producing institution for the support of free and part-pay work. This extraordinary plan has proved to be a substantial help to the hospital in meeting the obligations which cannot be taken care of through ordinary revenue.

It is entirely possible that hospitals in the future may become important medical centers for their communities by extending the use of their buildings. It is not a far-fetched dream to see the hospital of the future providing office space for physicians and dentists, headquarters for visiting nurses, for official and non-official health agencies, for a pharmacy, a surgical supply store, a restaurant, and hotel accommodations.

CONCLUSION

Finally, to those of us who look at the present economic situation honestly and squarely, there is the realization that many of our hospitals today are facing a serious financial problem. With endowments depreciated, donations and benefactions more or less paralyzed, and earnings greatly diminished, hospitals must find some means of meeting the crucial situation. It is toward this purpose that the foregoing suggestions are submitted, with the realization that the ideas presented in this paper are by no means adequate and all-inclusive. There are many more, but these are sufficient for immediate thought. And from a meeting of minds resulting from conferences such as the present one will come more concrete recommendations to guide us all in the serious economic problem which all hospitals must face intelligently and unflinchingly in the immediate future.