

Money matters

By Thomas A. Colacchio, M.D., and Paul B. Gardent

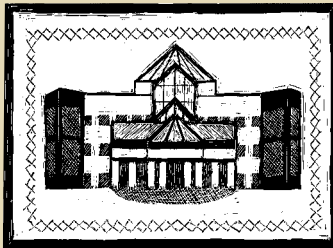
Increasingly, the nation's health-care "crisis" is being dissected on our front pages and television screens. As insurance rates keep rising, and Medicaid and Medicare cutbacks keep coming up for debate, we can expect the fiscal health of health care to continue to dominate the headlines.

Unfortunately, Dartmouth-Hitchcock Medical Center is not immune from these problems. To the contrary, as New Hampshire's only academic medical center and as one of only two rural academic medical centers in the entire country, we face challenges that are more complex than those of many other institutions. For example, care that is provided through the Medicare and Medicaid programs—which last year accounted for over 40% of DHMC's revenue—is reimbursed at rates significantly below our actual costs. In other words, we incur a loss each time we serve a Medicare or Medicaid patient.

Reimbursements: As the gap between reimbursement rates and the cost of providing care has widened, many private practices, particularly in southern New Hampshire, have begun to limit the number of Medicaid patients they will see. With nowhere else to go, these patients are turning to DHMC for their care. But this trend is worsening our financial challenges. Additionally, the state of New Hampshire is facing a severe budget crisis of its own; the state deficit is expected to grow to over \$300 million by 2006. In this climate, the state is aggressively pursuing cuts in the already inadequate reimbursements they pay to health-care providers, and unfortunately many of these cuts fall hardest on Dartmouth-Hitchcock. Most worrisome of all, Medicare, our largest payor, will be increasing its overall payments to us by less than 1% in 2005—well below the rise in our costs to care for Medicare patients.

Demand: At the same time, patient demand at DHMC has never been higher. We recently opened major portions of our Project for Progress expansion [see the Winter 2003 issue, page 36, and the Fall 2004 issue, page 6, for details about these additions], which are providing much-needed space to meet patient needs. And thanks to the commitment of the Medical Center's devoted staff, we ended our 2003-04 fiscal year a few months ago, on September 30, on budget.

Even so, we will face ongoing financial challenges. The nation's aging population, the ability to detect and treat many conditions once thought to be untreatable, and DHMC's unique position as a provider of specialist care to our region combine to make the need for our services stronger than ever. But all of these trends are also causing our



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costs to continue to climb. Pharmaceuticals, equipment, advanced technologies, and supplies—plus, of course, adequate salaries to continue to attract the personnel who are the most important part of caring for our patients—all these are part of our ongoing budget concerns. And because we have a commitment not just to deliver care, but also to advance the frontiers of medical knowledge and to train the next generation of caregivers, we feel financial pressures in the research and educational realms as well.

In short, it's a tough time to be in academic medicine. And it's

likely to continue to be very tough for the foreseeable future.

Paradoxically, in terms of delivering care, performing research, and improving treatments, times have rarely been so exciting or so filled with promise. We can see this every day in patient outcomes, research results, ambitious plans for improving clinical services, and commitment to educating future physicians, scientists, nurses, and other health professionals. Thanks to the excellence of our services and the bedrock values of our organization, we are recognized and looked to as a national leader.

Cutbacks: Yet it's clear that we'll have to continue to change and improve the way we do our work. We can't simply keep doing more of the same—business as usual is not an option. We'll have to find ways to operate ever more effectively and efficiently. We're constantly looking at all aspects of our enterprise to find savings and control costs—without sacrificing the quality of the care we deliver, the research we conduct, or the education we offer. We are also working aggressively to stop further cutbacks in reimbursements, to argue our case in Congress and in the legislatures of New Hampshire and Vermont, and to work constructively with policy-makers to address the problems in the nation's health-care system in ways that make sense.

We describe all of this not to rouse anxieties, but to share the realities of the financial challenges that confront DHMC. Daily, we are faced with enormous hurdles but also enormous opportunities. At the same time that we have the ability to deliver better and more advanced care than we ever have, we are being tested financially as never before. Our challenges are real and the solutions are complex; the situation is likely to remain difficult for some time.

Nevertheless, we are confident of our ability to be successful. All of the institution's leaders are committed to maintaining the sense of collegiality and teamwork that distinguishes Dartmouth Medical School and Dartmouth-Hitchcock Medical Center and that, we feel certain, will insure our continuing success. We believe we have one of the best health-care organizations in the world. With help from many quarters, we'll continue to pursue opportunities ahead, while at the same time addressing these real and urgent financial realities. ■

"Point of View" provides a personal perspective on some issue in medicine. Colacchio is president of the Dartmouth-Hitchcock Clinic, and Gardent is executive vice president of Mary Hitchcock Memorial Hospital and the Dartmouth-Hitchcock Clinic. This essay was adapted from a letter that they recently wrote to all DHMC employees.