

The Economic Value of Nursing Care

On July 14th, 2008, Dr. John Welton, Associate Professor from the Medical University of South Carolina, came to Lankenau Hospital on behalf of the Pennsylvania Organization of Nurse Leaders (PONL) to present current and proposed research which would determine the cost and economic value for nursing, including "unbundling" nursing care from the patient room charge in hospitals. His research would also help define the cost of nursing care, as well as incorporating nursing intensity into the payment formula. This is in response to proposed Centers for Medicare and Medicaid Services (CMS) inpatient payment changes.

Currently nursing costs are billed as "room and board" and at a set daily rate. Costs of nursing care are part of the departmental budget. Reimbursement is currently based on medical diagnosis or procedure (Diagnostic Related Group or DRG). Dr. Welton described the variability in the intensity of nursing care on a nursing unit, depending upon the DRGs present on that unit, and the disparity that is present in some cases, when a high nursing intensity patient, gets reimbursed at the lowest DRG rate, and vice versa. Implications of these disparities include having an impact quality of care, patient satisfaction, nursing satisfaction and retention.

Dr Welton's research supports a more accurate payment system if nursing is "unbundled" from the room and board charge, and treated as variable costs to individual patients. Additionally, there would be improved cost finding if we could collect data regarding nursing intensity and cost per patient, including daily billing based on real data.

Look for Dr. Welton's article, Implications of Medicare Reimbursement Changes Related to Inpatient Nursing Care Quality, in Journal of Nursing Administration (July/August 2008 issue).

CMS has articulated a vision of health care quality, for "the right care for every person every time". Medicare's current system is said to reward quantity, rather than quality of care, and there is no incentive or support to improve quality of care. Value Based Purchasing (VBP) links payment more directly to the care provided. In 2006, Congress passed Public Law 109-171, which, under section 5001, authorizes CMS to develop a plan for VBP for Medical Hospital Services, commencing in fiscal year 2009.

Dr Carol Watson, president of the American Organization of Nurse Executives, at the Senate Finance Committee's Roundtable on the CMS Proposed Changes for "Hospital Value Based Purchasing" Program Implementation (March 6, 2008) summed it up this way:

"The steadily increasing acuity of hospitalized patients and the ability to adequately staff to meet the growing demands for care are all part of the complex equation of value-based purchasing. It should be noted that since the inception of the Diagnostic Related Groups (DRGs), nursing has been treated as a fixed cost. It is our hope that as CMS financing moves to value-based purchasing, nursing care and the intensity of the care provided to individual patients will be examined to shed light on the importance of nursing as a resource to achieving quality and the impact of that care on

individual hospitalized patients. AONE is currently supporting research on incorporating nursing intensity into the DRG system. We hope that this research will provide some preliminary answers of how to capture the intensity of nursing care and the impact on quality."