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Children's Health Care - A World Apart

Even the casual observer understands that a pediatric patient base calls for a unique approach. However, in a health care industry caring for patients of all ages, it is easy to oversimplify the differences between adult and pediatric care. Creative approaches to facilities and atmosphere abound, such as child-friendly décor, play areas in waiting space, and room layouts designed to accommodate parents. Approaches to topics such as financial management, medical staff development, and competitive strategy are less often tailored to the idiosyncrasies of the children's health care industry.



Children's hospitals and other major pediatric providers exist in an environment that does not conform to some of the expectations of the overall health care industry. A reasonable analogy can be made to behavioral health or rehabilitation service lines that operate with a different set of industry trends and norms. Some of the more notable differences between the pediatric and adult health care industries are summarized below.

1. **Age as a predictor of health care utilization** – In adult health care, the older you get the more health care you require, with children it is the opposite.

According to the Agency for Healthcare Research and Quality (AHRQ), 80 percent of pediatric medical/surgical inpatient days (based on 2003 U.S. inpatient discharges excluding normal newborns, behavioral health, and teen pregnancy and related conditions) are for children under the age of five and over half of all pediatric medical/surgical discharges are for infants under the age of one year. According to the National Association for Children's Hospitals and Related Institutions (NACHRI), care in children's hospitals is even more concentrated with infants under the age of one year representing more than 70 percent of total admissions.

2. **Medicaid** – Medicaid represents approximately half of total discharges in children's hospitals, a sharp contrast to adult hospitals where Medicaid rarely tops 20 percent of total discharges.

Currently, one in four children nationally (24 million) are covered by Medicaid, and five million more are covered by the State Child Health Insurance Program. Payor mix is a major challenge for children's hospitals, according to NACHRI, since Medicaid reimburses, on average, less than 80 cents on the dollar.

3. **Top service lines** – Cardiovascular care is the main driver of business in the typical adult hospital; respiratory, digestive, and neonatal care account for the most discharges within pediatrics.

AHRQ reports that over two million of the approximately 3.2 million pediatric medical/surgical discharges fell into respiratory, digestive, and neonatal major diagnostic categories (MDCs) in 2003. These pediatric patients require a substantially different mix of facility, staff, and ancillary resources than those required to care for the typical adult patient mix. For example, according to NACHRI, more than one-quarter of children's hospital beds are intensive care, compared to only about 10 percent in general acute care hospitals.

4. **Ambulatory care** – In the children's hospital world, ambulatory care usually refers first to the ambulatory clinics and secondarily to the emergency, ancillary, and outpatient procedure activity that is top of mind in adult ambulatory care.

Despite the vast size of the ambulatory clinics of major pediatric providers, ambulatory visits at children's hospitals represent a small piece of the total market. NACHRI members see approximately 8.3 million ambulatory visits annually compared to the more than 200 million annual pediatric visits to physician offices and hospital outpatient departments reported by the National Center for Health Statistics. Plagued by long wait times and seemingly limitless demand for ambulatory visits, children's hospitals are

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sometimes more explicit than their adult counterparts in determining the scope of care that is appropriate for their ambulatory clinics and collaborating with community-based physician offices to keep patients in the community setting.

- 5. Physician specialization** – Many hospitals are having difficulty attracting a sufficient base of well-qualified specialists, but subspecialty shortages are particularly intense in the field of pediatrics where the vast majority of physicians are generalists.

According to the American Board of Pediatrics, general pediatricians outnumbered certified pediatric specialists by a ratio of five to one in 2004. Even considering that some pediatric patients see adult specialists, it is reasonable to conclude that the majority of pediatric care is delivered by general pediatricians. By comparison, only one out of three non-pediatricians in direct patient care was in general practice in 2004. Medical staff development efforts need to take this unique situation into account.

- 6. Physician employment** – Pediatric subspecialty physicians are much more likely to be employed than their adult counterparts.

Pediatric subspecialists today typically have some type of employment relationship with a larger entity, usually a practice plan or hospital. This arrangement, while common in academic medical centers, creates an unfamiliar dynamic in the private practice medical community common in most adult hospitals. Hospitals investing in children's services development can spend almost as much on physician recruitment packages and salary support as they do on pediatric facilities and equipment.

- 7. Academics** – The majority of children's hospitals and major pediatric centers view teaching and research as fundamental to their mission, but in adult medicine, these activities are more concentrated in major academic centers.

It is common to see adult community hospitals with minimal involvement in academics able to support a thriving clinical business. However, a robust academic environment is much more necessary to compete effectively in pediatrics. Children's hospitals and large pediatric departments of academic medical centers train the majority of pediatricians and virtually all pediatric subspecialists, as well as undertake nearly one-third of all NIH-supported pediatric research. Virtually all children's hospitals participate in clinical trials and 70 percent perform basic science and health services research.

- 8. Philanthropy** – Many not-for-profit hospitals operate with modest philanthropic support, but for children's hospitals, philanthropy is a core activity.

Nearly 80 percent of children's hospitals have a foundation dedicated to fundraising. Even in today's fundraising climate, children's hospitals raise

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impressive amounts every year to support ongoing clinical and academic activities. Recent philanthropic campaigns at some of the nation's leading children's hospitals are raising hundreds of millions of dollars.

9. **Regionalization of care – Pediatric subspecialty care is becoming increasingly concentrated in large regional children's hospitals, a trend that is much less universal in adult health care.**

One of the most consistent trends in the health care industry is the migration of complex care and technology to lower intensity settings. Some adult providers are using a center of excellence strategy to counter this trend for select service lines, but adult health care in most markets remains fragmented. However, in an era of flat or declining pediatric admissions, the nation's 200 to 250 children's hospitals are growing by leaps and bounds. It is not unusual to find one major pediatric center serving an entire metro market, or in some cases an entire state.

10. **Building boom – Facility investments are up industrywide, but the pace of building is even faster among children's providers.**

Children's hospitals are investing billions of dollars in new and expanded children's hospitals. To be in children's health care today means competing with strong regional providers with the latest facilities and technologies. Children's hospitals who have not yet undertaken major projects are pressured to update facilities to keep up and other providers considering expanding pediatric capabilities face enormous capital hurdles to enter the market.

Hospitals and health systems striving to take pediatric services to the next level of development must understand that while pediatric health care may resemble the adult health care field, the differences can be quite dramatic. Program development efforts can be diluted, or even wasted, without careful attention to the unique nature of pediatric health care. Important success factors include a sufficient population base to support depth of care, appropriate models to attract and retain scarce pediatric subspecialists, aggressive contracting strategies to maximize reimbursement, careful attention to academics, and a plan to ensure ongoing philanthropic support beyond the initial campaign.

For more information on children's health care, contact [Christie Markham](#) or call 215-636-3500.

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