Hospitals continue to deal with an increasingly competitive and changing health care environment. Cost containment pressures and regulatory changes included in the Tax Equity and Fiscal Responsibility Act of 1982 and the more recently mandated Medicare prospective payment system represent the most radical alterations in hospital payment since Medicare began. These changes mean key hospital decision-makers require new information and more sophisticated management tools to help improve hospital performance.

Meeting the Challenge

To compete most effectively in the increasingly demanding health care environment institutions must take a long-term view and model their management of hospital resources after businesses where planning, budgeting and performance monitoring practices are based on integrated product and financial information.

A look at the information currently available to managers reveals several factors that hinder efficient resource allocation and health care service delivery. These factors include:

- difficulty in defining and measuring the hospital product;
- separation of clinical and financial information systems;
- independence of the physician from the hospital administrative process; and
- governance focused on day-to-day operations rather than strategic performance.

New systems for collecting, merging and organizing data are needed to reorient these elements in ways that will help meet the goal of improved hospital performance. A case mix management information system is needed to provide hospital executives with program- and product-based information through integrated clinical, financial and administrative data.

The system should provide a wide variety of reporting information to make decisions regarding planning, budgeting, performance assessment, marketing, staff recruitment, quality assurance, utilization review, discharge planning, reimbursement and other issues facing hospital management. The reporting information may include:

- case mix data,
- financial and clinical performance indicators,
- patient profiles, and
- comparison and population (census) information.

The system should provide tools that help users apply system information to the planning, budgeting and control process. These tools may include:

- historical information for trend analysis;
- group comparison data to aid in setting internal standards;
- educational materials explaining system and report use; and
- a methodology that enables forward projection of data.