# Healthcare Financial Management and Economics

# Week 4 Assignment

## Supply of Primary Care Workforce

**Scenario:** Your hospital has an opportunity to participate with an Accountable Care Organization (ACO) contract with 10,000 ACO patients. The ACO patient population expects about 1,000 avoidable hospitalizations per year with a potential savings of $10 million, which will be shared as follows: 50% revenue to the insurer and 50% revenue to the hospital. The ACO patient population will require an average of six office visits per year, and 60,000 total office visits will need to be supplied by your primary care workforce.

**To prepare for this Assignment:**

Based on the scenario and financial data provided by the course Instructor, conduct a financial projection (revenues, expenses, and profit) that analyzes the efficiency of the supply of health services.

**The Assignment:**

In a 2- to 3-page Word document that includes tables and/or calculations, make recommendations on the following: 1) number of physicians and nurse practitioners needed; 2) reimbursement method: salary or fee-for-service; 3) recommendations for financial incentives to address the challenges of supplier-induced demand and how to ensure efficiency. Interpret the net profit from the ACO contract based on your recommendations. Explain the rationale behind your recommendations, including the impact made by your financial calculations.

**Financial Data**

|  |  |
| --- | --- |
| **ACO revenue:** |  |
| Number of ACO patients | 10,000 |
|  |  |
| **Potential savings:** |  |
| Number of avoidable hospitalizations per patient | 0.1 |
| Total avoidable hospitalizations per year | 1,000 |
| Cost per avoidable hospitalization | $10,000 |
| Total cost of avoidable hospitalizations | $10,000,000 |
|  |  |
| **Demand for healthcare/utilization:** |  |
| Number of office visits per patient | 6 |
| Total office visits per year | 60,000 |
|  |  |
| **Supply of workforce/expense:** |  |
| Employed providers (salary) |  |
| Physician salary per year | $200,000 |
| Nurse practitioner salary per year | $100,000 |
| Contracted providers (fee-for-service) |  |
| Physician fee per visit | $100 |
| Nurse practitioner fee per visit | $50 |
|  |  |
| **Productivity:** |  |
| Physician visits per year | 3,000 |
| Nurse practitioner visits per year | 2,000 |
|  |  |
| **Financial incentives:** |  |
| Salary bonus to ensure efficiency | 10% |
| Bonus fee per visit to ensure efficiency | $1 |