



National Economic Impact Survey

Market Research Report

February 2009

EXECUTIVE SUMMARY

Purpose

To determine how respondents hospitals are coping with the recent economic environment. The survey will give Novation insight as to how respondent hospitals are focusing their efforts to reduce costs. For example, delaying construction projects, delaying the purchase of capital equipment or staffing changes. The data will be used to enhance contract offerings and resources available to respondents.

Chief Financial Officers and Materials Management Executives from University HealthSystem Consortium (UHC) and VHA Inc received a link to an online survey. The survey was conducted in January 2009.

Key Findings by Objectives

- 1. The impact on recent economic conditions on respondent facilities.**
 - 60% of respondents indicate that their facilities have been impacted by the recent economic issues.
- 2. Whether respondents foresee any staff cuts in their facilities because of the recent economic environment.**
 - 47% of respondents foresee staff cuts in their facilities.
- 3. Areas where respondents expect staff cuts in their facilities.**
 - 68% of respondents expect staff cuts in clinical areas
- 4. Whether respondents foresee any cuts in programs within their facilities because of the recent economic environment.**
 - 30% of respondents foresee cuts in programs within their facilities.
- 5. Whether respondents facilities plan to reduce spending on supplies because of the recent economic environment.**
 - 84% of respondents plan to reduce spending on supplies.
- 6. The percentage that respondents anticipate their reduction in supply spending.**
 - 49% of respondents anticipate 6%-10% of their reduction in supply spending.
- 7. The area that respondents are focusing its efforts to reduce costs**
 - 44% of respondents are focusing its efforts to reduce costs in utilization.
- 8. Whether respondents are seeing a reduction in surgical procedures.**
 - 44% of respondents are seeing a reduction in surgical procedures.
- 9. The types of surgical procedures where respondents have seen a reduction.**
 - 45% of respondents have seen a reduction in hip (orthopedic) procedures.
- 10. Whether respondents will cancel or delay any of their facilities construction projects as a result of the recent economic environment.**
 - 53% of respondents will cancel or delay any of their facilities construction projects.

11. Whether respondents have seen an increase in the cost of care related to meeting new patient safety standards.

- 73% of respondents have seen an increase in the cost of care related to meeting new patient safety standards.

12. Whether respondents will cancel or delay any of their capital equipment projects as a result of the recent economic environment.

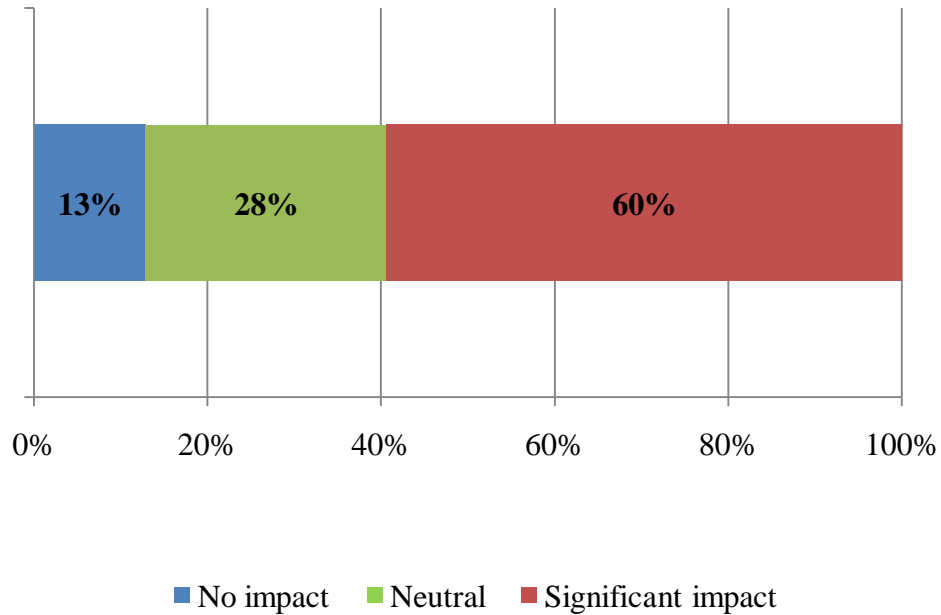
- 69% of respondents will cancel or delay any of their capital equipment projects.

13. The percentage that respondents anticipate their reduction in capital spending.

- 41% of respondents anticipate more than 20% of their reduction in capital spending.

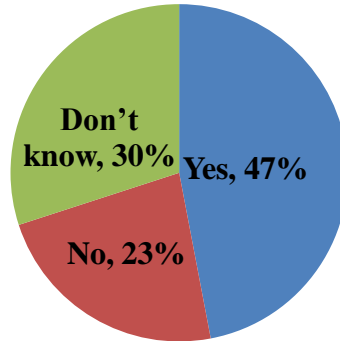
DETAILED FINDINGS

The impact on recent economic conditions on respondents facilities

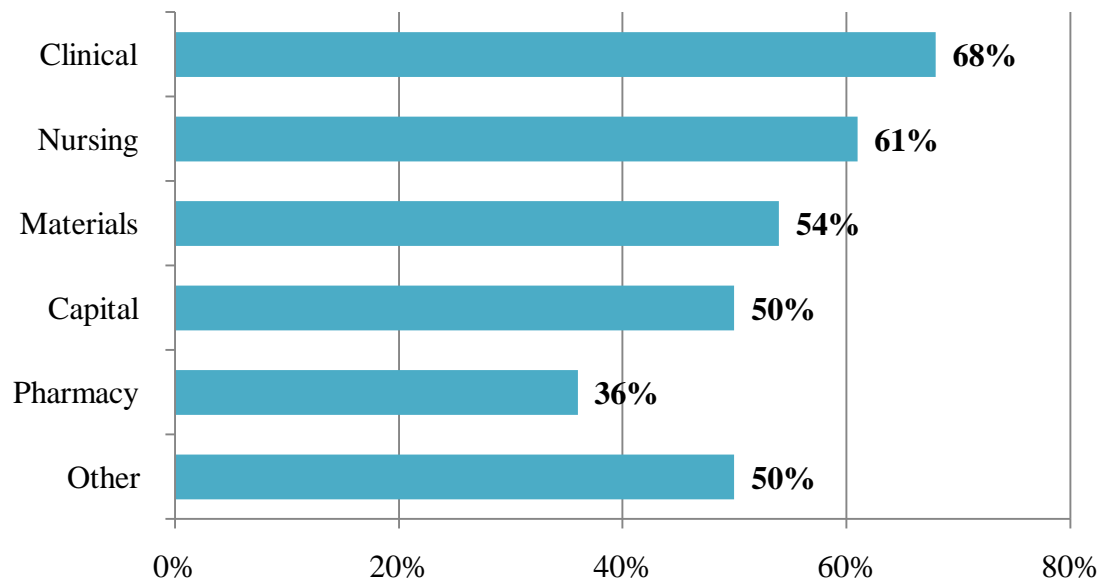


* Percentages exceed 100 percent due to rounding.

Whether respondents foresee any staff cuts in their facilities because of the recent economic environment

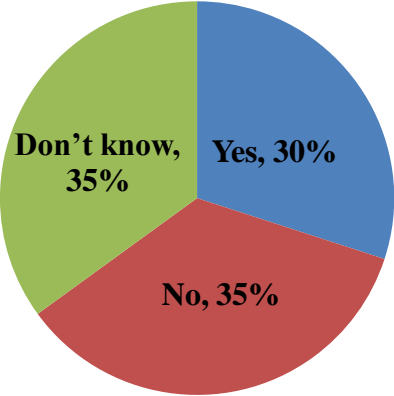


Areas where respondents expect staff cuts in their facilities

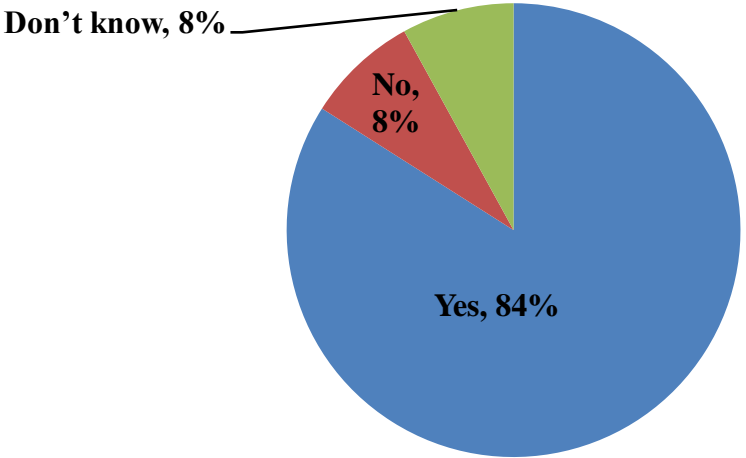


* Percentages exceed 100 percent as respondents were able to select more than one.

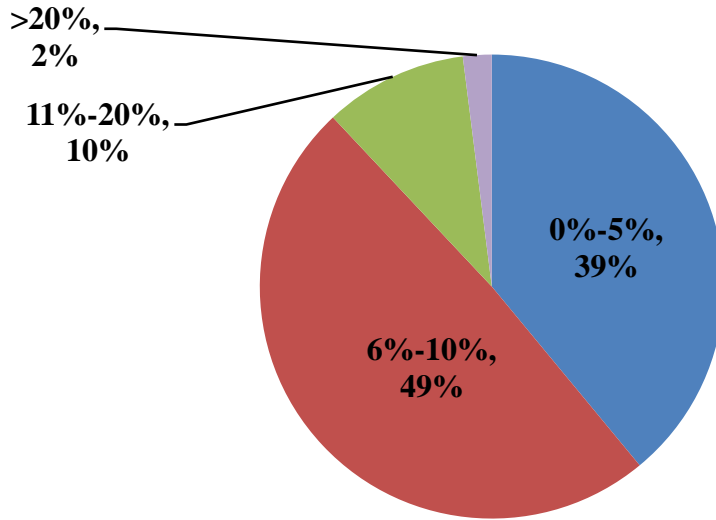
Whether respondents foresee any cuts in programs within their facilities because of the recent economic environment



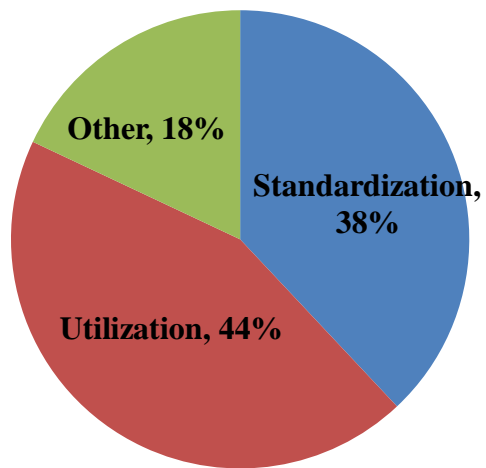
Whether respondents facilities plan to reduce spending on supplies because of the recent economic environment



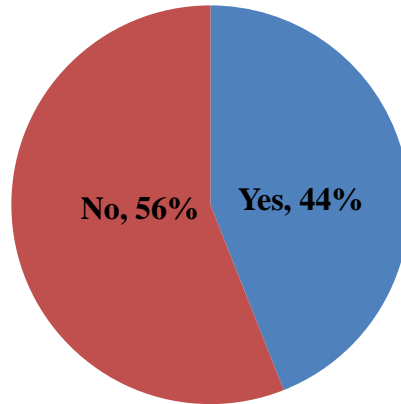
The percentage that respondents anticipate their reduction in supply spending



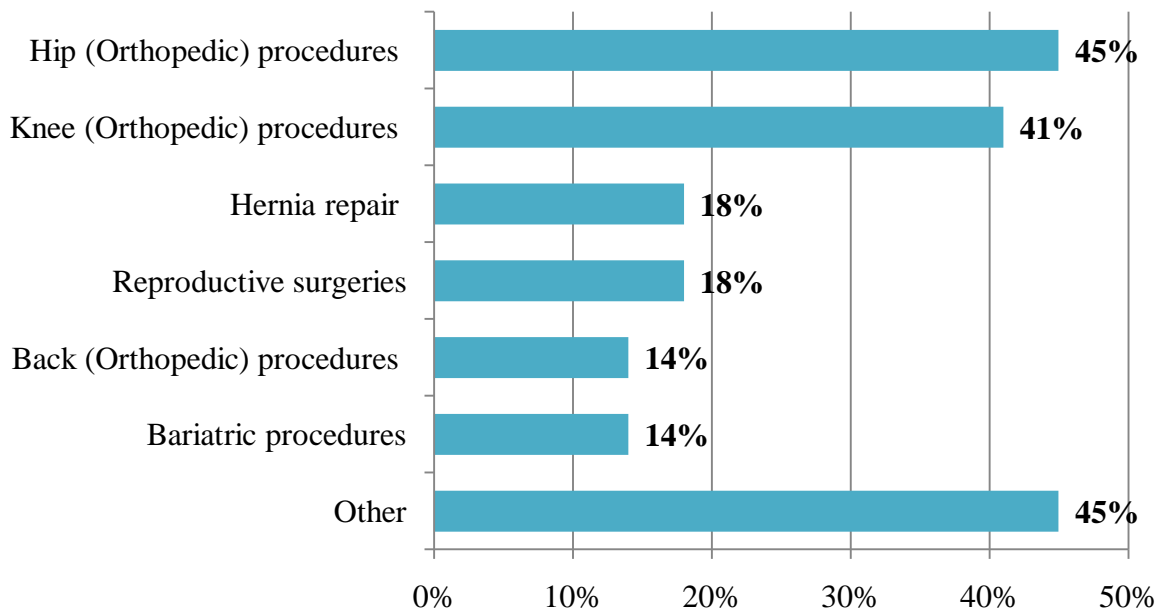
The area that respondents are focusing its efforts to reduce costs



Whether respondents are seeing a reduction in surgical procedures

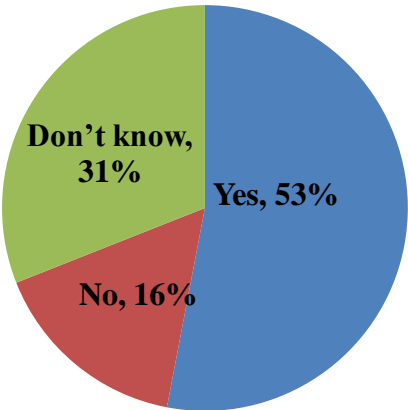


The types of surgical procedures where respondents have seen a reduction

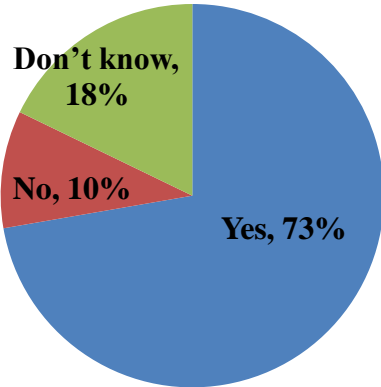


* Percentages exceed 100 percent as respondents were able to select more than one.

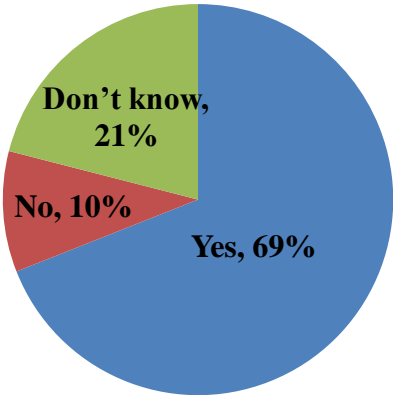
Whether respondents will cancel or delay any of their facilities construction projects as a result of the recent economic environment



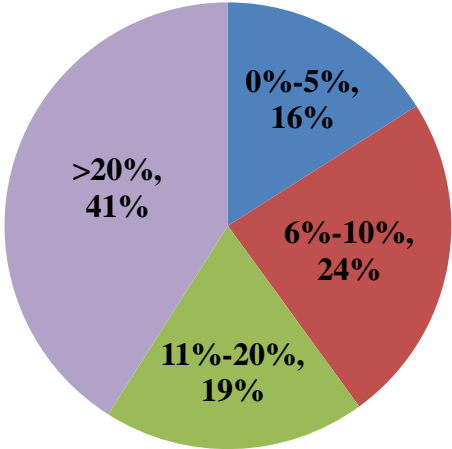
Whether respondents have seen an increase in the cost of care related to meeting new patient safety standards



Whether respondents will cancel or delay any of their capital equipment projects as a result of the recent economic environment



The percentage that respondents anticipate their reduction in capital spending



* Percentages exceed 100 percent due to rounding

LIMITATIONS

VHA ORGANIZATIONS

To reduce the survey load without affecting statistical validity, Respondents & Market Research employs a sampling methodology in the VHA population. The sampling methodology is a stratified systematic sample, with two strata – geographic region and bed-size within region. Every 3rd facility is selected in this sampling frame, and a new set of samples is drawn every year. Sample groups are rotated between surveys, so that any one VHA organization should receive a survey every third time. When multiple audiences are surveyed a unique sample is used for each audience. The sample sizes are large enough to provide feedback from a group that is representative of the VHA population.

UHC ORGANIZATIONS

Due to the small population size of the UHC membership all organizations are surveyed. Because this is not a probability sample, some caution may be necessary when projecting these results to the UHC population since the responses may not be representative. The report contains the actual number of responses and the associated percentages, based on respondent input.

RANDOM ERROR (OR VARIABLE ERROR)

The variable errors attributed to sampling. These errors occur when a probability sampling method is used to select a sample and the sample respondents may not be representative of the population.

SYSTEMATIC ERROR (OR BIAS ERROR)

Non-sampling errors associated with a research project. Types of non-sampling errors are instrument, investigator, respondent, processing, non-response and non-coverage.

Non-response error deals with the failure to obtain information from some respondents who were selected to be in the sample. There are two sources of non-response error: **Non-contact**, which is the inability to reach the respondent and **Refusal**, where the respondent declines to participate. Non-response error can be significant if respondents and non-respondents have different views and opinions.

NON-RANDOM SAMPLE

Because these were not random samples, some caution may be necessary when projecting these results to the population of respondent hospitals since the sample may not be representative. The report contains the actual number of responses and the associated percentages, based on respondent input.

MARKET RESEARCH DEFINITIONS

n

The number of respondents who answered a particular question.

Mean/Average Value

The sum of the values of all observations divided by the number of observations. It is also called the arithmetic average.

Median Value

The value above which and below which half of the cases fall, the 50th percentile. For example, if there are 5 cases, the median is the third largest (or smallest) observation. When there is an even number of observations, the median is the average of the 2 'middle' observations.

COMMENTS

2. Because of the recent economic environment, do you foresee any staff cuts in your facility? If yes, please identify those areas where you expect staff cuts in your facility. Other, please specify:

- Support Services.
- Support depts.
- Support and Clerical.
- Administrative.
- Almost all areas.
- Across the board.
- Support Departments-Housekeeping, Dietary, Maintenance.
- All depts. were affected.
- Support Areas.
- Across the board.
- Administrative Personnel.
- Food Service.

5. Where is your facility focusing its efforts to reduce costs? Other, please specify:

- Also, FTE control.
- CSC.
- Capital.
- Efforts are focused on standardization, utilization and pricing.
- Inventory Reduction.
- 2% reduction to all depts. operating budgets.
- All of the above.
- Pension freeze, delay in building project.
- All of the above.
- Salaries & Benefits.
- Cost Containment - elimination of waste & inefficiency.

7. If yes, please identify the types of surgical procedures where you have seen a reduction. Other, please specify:

- General surgery.
- General surgery.
- General.
- Elective.
- Minor Surgeries Feet, etc.
- Urological.

- Anything elective.

9. As a result of the recent economic environment will you cancel or delay any of your capital equipment projects? If yes, please provide information on what areas or projects are being cancelled or delayed.

- Construction and routine replacement cap-ex spending.
- The entire perspective....from minor equipment.....to renovation projects.....to large capital
- Equipment projects.
- Major renovation project. (2) Routine capital expenditures for equipment and IT.
- Deferring some capital while we watch the environment. Have had slight increases in the
- Uninsured & Medicaid. If we see a further uptick we are prepared to freeze (non safety)
- Capital.
- Construction, purchase/lease of equipment.
- Not sure at this point, but cuts and delays will be made.
- Facilities improvements, misc equipment replacements.
- Equipment.
- Too numerous.
- Or projects and maintenance projects (roofing, boiler).
- New construction.
- All capital equipment.
- All equipment and projects are being reviewed for importance and being delayed until State Budget impacts can be determined.
- Delaying the start of new construction projects as well as a hold on capital equipment purchases.
- Construction projects/renovations, capital equipment expenditures all on hold.
- Infrastructure improvements (heating, electrical, etc) to a 35-year-old facility is being delayed, new/upgraded Operating Rooms are being delayed (rooms are 30+ years old), imaging equipment purchases delayed, operating room towers/cameras purchases delayed. "If it's not broken, we aren't replacing".
- All capital is being slowed down.
- Cancer Care expansion, Physician office construction.
- No cancelation- just delaying purchasing.
- Unable to provide specifics, no projects have been cancelled but everything is and will continue to be more heavily scrutinized than has been the case in the past. We do expect that this may result in some delays relative to some projects at some point in the future.
- Radiology, IT.
- Major expansion tower.
- New garage construction, lab equipment upgrade, ED info system installation.
- All capital projects were placed on hold as of 10/1/08 through 3/1/09. Don't know if any will be released.
- Capital equipment purchases.

- We are looking at reducing our capital budget \$2 M. We will put off some imaging upgrades and delay some facility expansions.
- Capital Construction. Capital Equipment.
- OR Renovations. Building Infrastructure Update.

11. If you have any interesting anecdotes or other comments your facility is experiencing or hearing from patients regarding the economic situation, please provide them below.

- Maximize utilization of staff.
- In this morning's newspaper, the Governor is proposing a tax on hospitals to help cover the indigent care and insurance for children. Both Republicans and Democrats feel this is ridiculous and will only end up taxing the sick patient who comes to the hospital for treatment.
- It is hard for some patients to accept some of the changes.
- Our main goal is to research all processes for maximum utilization including staff productivity, overtime reduction etc.
- Higher percentage of indigent patients due to layoffs.
- Due to the economic situation, patients are delaying or cancelling elective procedures and "visiting the doctor less because of co-pays".
- Areas with high unemployment are seeing a large amount of charity care because those individuals can't afford health care coverage. It then becomes bad debt for the hospital.
- Visits from out-of-state patients are down due to high cost of travel.
- Carefully watching local unemployment (up, but not significantly so). Carefully watching employers' health plan changes (bad debt exp up 200%). Watching debt markets...
- Patients want to know what services we will cut, and are we going to be here to take care of them in the future.
- Patients' expectations have NOT changed regarding the health care delivery system. They still want the same, or more, service at a lower cost.