



A B O U T TM

Here's How Much Revenue Every Transferred Patient Brings to Your Health System...

...and how to increase the number of those transferred patients.

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EXECUTIVE SUMMARY

- ABOUT commissioned a study that demystifies revenue per transferred patient
- On average, each additional patient **represents a contribution margin of \$10,836**
- To maximize contribution margin and ROI, health systems should focus on capturing patient volume in the highest margin service lines and extending the reach of their referral catchment area
- A 500-bed hospital that captures 300 additional inpatient admissions per month will, on average, realize an incremental **increase in contribution margin of \$3.25 million monthly or \$39 million annually**

At ABOUT, we do everything we can to help our clinical and strategic partners understand the financial benefit of a high-performing transfer center. We show our partners how, by increasing referrals from a health system's potential service area and retaining current patients who might have otherwise been transferred to other health systems, a transfer center can create significant revenue growth.

Yet there's one question that almost always comes up during our initial conversations with a health system: What is the dollar value of a transferred or retained patient? The answer is vitally important to any health system investing in staffing, infrastructure and transfer center technology.

That's why we commissioned a study of the contribution margin per inpatient admitted through a hospital's transfer center. Our intent was to provide an exact number that health system leaders could use to project the cumulative revenue impact and return on investment (ROI) for their own organization, thereby showing the positive, real-world impact of an investment in an integrated health system transfer center.

Here's what we found.

RESEARCH FUELED BY A COMPREHENSIVE SET OF DATA

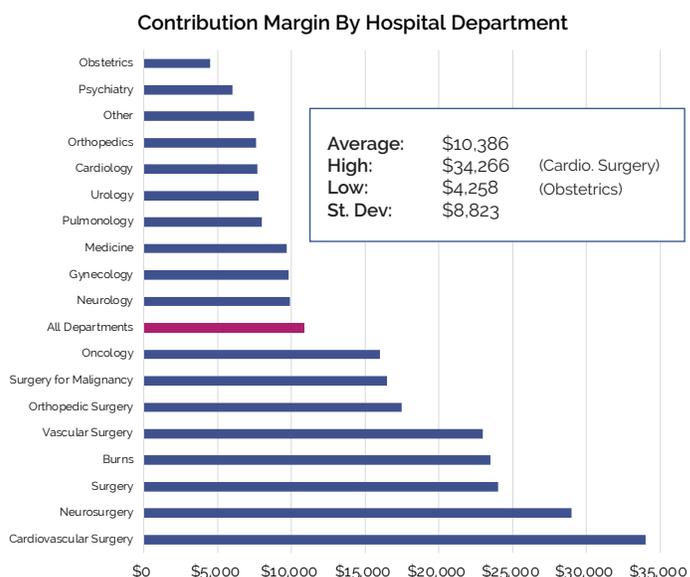
For the study, we enlisted researchers at the University of Utah David Eccles School of Business. To ensure their findings were sound, they relied on nationwide data from a variety of sources, including AHA Hospital Statistics and AHRQ Online Database.

Key inputs for their analysis included:

- Net patient revenue
- Hospital fixed costs
- Hospital variable costs
- Number of discharges by diagnosis-related group

They found that, on average, **each additional patient generates \$10,836 for health systems across the country.** Further analysis revealed substantial differences in contribution margin by state, with \$8,000 separating the highest and lowest state averages. Other factors affecting actual contribution margin included payer mix, hospital department/service line, and patient acuity.

The most significant variance was the \$30,000 range in contribution margin by hospital department or service, from obstetrics at the low end (\$4,258) to cardiovascular surgery at the high end (\$34,266).



Contribution margin calculations: 2014 AHRQ HCUP Data



UNDERSTANDING THE REAL-WORLD FINANCIAL IMPLICATIONS

How should health system leaders interpret the University of Utah's research findings? And how does this translate to cumulative financial results and, ultimately, return on an organization's investment in its transfer center?

First, keep in mind that a health system's per-patient contribution margin could be significantly higher or lower than the \$10,836 national average depending on the factors discussed above, as well as wide variations in how different health systems account for fixed and variable costs.

Second, while certain elements such as geographic location are not modifiable, other elements can be adjusted with the right strategic approach. Health systems who want to increase their mission's reach, for instance, may opt to transfer as many patients as possible to their centers of excellence.

This targeted approach to the transfer process has a remarkable upside for both patient care and revenue potential, but it requires coordinated initiatives such as aligning physicians and high value service lines within the organization, educating providers about the availability of these services, and marketing to consumers in the health system's service area.

Identifying per-patient contribution margin is key to understanding the potential bottom-line impact and ROI of a transfer center. But the next step is perhaps even more important: determining *how many patient admissions* can be generated by a high-performing transfer center.

CALCULATING THE CUMULATIVE IMPACT

To properly forecast the number of transfers that could conceivably be produced by a high-performing transfer center, we examined national data from Becker's Hospital Review and coupled this data with information supplied by more than 500 of our clients. This ABOUT analysis was conducted independent of the university study.

Transfer center activity accounted for about 22% of patient admissions in these hospitals, all of which use the ABOUT solution. The other main admission sources were the hospital's emergency department and pre-scheduled procedures.

We applied this percentage to the hypothetical example of a 500-bed hospital, and the results were eye-opening. Based on the national average pre-pandemic occupancy rate of 70% and a typical length of stay (LOS), a facility of this size could expect about 2,275 patient admissions each month. Multiplying that number by 22% amounts to roughly 500 transfers per month.

Now, a hospital or health system without a transfer center would likely not reach this 500-transfer mark, but the number wouldn't be zero either. To establish a baseline, let's assume the hospital captures only 200 transfers per month, so 40% of its potential. The transfer center could thereby bring in an additional 300 transfers.

Using the average per-patient contribution margin of \$10,836, the cumulative net impact of such improvement would be **\$3.25 million monthly or \$39 million annually**. Even if the number of additional transfers is half that (150), the numbers remain impressive: **\$1.6 million monthly or \$19.5 million annually**.

The other side of the equation—what it costs to implement and operate a high-performing transfer center—will vary from one organization to the next. However, the experiences of many health systems across the country point to a very strong ROI of 5-10x the implementation and operational cost, providing ample justification for investing in the people, infrastructure, and technology necessary to operate an integrated transfer center that consistently delivers on a health system's referral expectations.

IT'S ABOUT PERFORMANCE

A high-performing transfer center can deliver numerous clinical, operational, and financial benefits to a health system. Health system leaders deserve reasonable assurances that their transfer center will enable them to increase incoming patient transfers and yield a sufficient

return on their investment. On the clinical side, getting patients where they need to go quickly, the first time, can improve patient outcomes and even drive positive outcomes in staff morale.

Numbers will vary based on a variety of factors, but health systems now have a solid analysis from which to base key strategic decisions surrounding their investment in an integrated transfer center.

Next, let's take the mystery out of your own investment. Contact ABOUT today and we'll provide a free assessment and ROI analysis of your current operations so that you can see precisely what an investment in our transfer solutions will do for you.

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About Us

ABOUT offers a flexible, purpose-built solution that empowers hospitals and health systems to operate as one connected network of care. We enable easy access for clinicians to move patients into and out of the acute care setting — getting them to the next, best care setting faster and easier. Complemented by our clinical experts and best practices, we provide health systems the necessary controls and insights to grow with resilience, drive clinician effectiveness, and improve patient outcomes.



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