



## Turning Hospitals into Hotels: How Increasing Amenities Could Sacrifice Quality

The current healthcare delivery system is often plagued by challenges, including cost containment; quality of care and patient safety improvement metrics; outcome benchmarks; and, efficiency goals. Although all of these metrics ideally work together to form a more streamlined, coordinated, and effective healthcare delivery system, consumer perceptions and the resulting current impact on the marketplace has the potential to skew these priorities in the name of consumer satisfaction. A recent media release by the New York Times posted several images of hospitals and hotels, challenging readers to discern the difference between them. The accompanying article notes that, for new U.S. hospital construction and renovation, administrators are marketing private rooms; gourmet food; and, other amenities to draw consumers, a departure from the traditional utilitarian designs that are seen in many European hospitals.<sup>1</sup> With decreasing reimbursement to providers and increasing emphasis and regulation focused on patient safety and outcomes, some stakeholders may question whether the comforts of a hotel or the principles of healthcare reform appear to be more important to U.S. hospitals.<sup>2</sup>

Despite the looming implementation of healthcare reform, and its potential impact on healthcare safety; delivery; and, reimbursement for facilities, in today's marketplace, consumer perceptions play an increasingly larger role in a healthcare entity's success, or failure, in a challenging economic environment. A desire for transparency in healthcare delivery has led to public reporting of safety and quality measures, and websites that "grade" healthcare institutions and professionals for consumer consumption.<sup>3</sup> In addition, *value based purchasing* (VBP) takes into account patient evaluations of hospitals via the *Hospital Consumer Assessment of Healthcare Providers and Systems* (HCAHPS). Formally implemented in 2006, the HCAHPS is a standardized nationwide public survey containing 21 items to assess patients' satisfaction regarding their recent stay at a hospital.<sup>4</sup> HCAHPS became standard practice in many hospitals in order to avoid the 2% reduction in annual payment update from Medicare, as mandated by the *Deficit Reduction Act of 2005*, and may have an even greater impact on a hospital's

reimbursement in the new era of VBP.<sup>5</sup> Not only may a hospital's bottom line be directly affected by HCAHPS scores, but the impact of consumer perception on HCAHPS scores may also have a significant impact on competition in regional markets. In one example, marketing for the Ronald Reagan UCLA Medical Center, which re-opened in 2008 after renovation (touting private rooms with a view and other amenities including massage therapy), observed a 20% increase in HCAHPS scores related to a consumer's likelihood to recommend the hospital to family and friends.<sup>6</sup>

While many stakeholders recognize the importance of the healthcare consumer experience, there are several significant drawbacks to this new "fad" of hospital competition. Some studies and surveys have indicated that patients' choice of provider is not always correlated with proximity or outcome measures, but rather with the reported quality of amenities offered.<sup>7</sup> In one survey, 82% of surveyed consumers indicated that they have a "preferred hospital" that they would go to,<sup>8</sup> casting doubt on whether consumer volume is booming based on a hospital's quality metrics in the most clinically sound of institutions. Additionally, hospital spending on amenities may artificially inflate the "price" of healthcare, and according to one study, "...improvements in amenities cost hospitals more than improvements in the quality of care, but...have a greater effect on hospital volume."<sup>9</sup> In a time where 17.9% of the U.S. Gross Domestic Product is dedicated to the healthcare industry,<sup>10</sup> and when U.S. spending on a variety of medical procedures greatly outstrips the average cost of that same procedure in several other developed countries,<sup>11</sup> these drawbacks are concerning to U.S. industry stakeholders. Given the move towards a more patient-centered model of care and the increasing importance of patient perception on hospital volume; patient satisfaction metrics; healthcare spending choices (i.e., money for quality improvement versus amenities); and, hospital reimbursement, it remains to be seen whether increasing transparency related to health care delivery and consumer choices will positively or negatively impact the overall quality of care in U.S. hospitals.

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<sup>1</sup> “Is this a Hospital or a Hotel?”, by Elisabeth Rosenthal, The New York Times, September 21, 2013, [http://www.nytimes.com/2013/09/22/sunday-review/is-this-a-hospital-or-a-hotel.html?\\_r=0](http://www.nytimes.com/2013/09/22/sunday-review/is-this-a-hospital-or-a-hotel.html?_r=0) (Accessed 9/14/13)

<sup>2</sup> *Ibid*, by Elisabeth Rosenthal, September 21, 2013

<sup>3</sup> E.g., <http://www.medicare.gov/hospitalcompare/search.html>, <http://www.leapfroggroup.org/cp>,

<http://www.hospitalsafetyscore.org/>, <http://www.healthgrades.com/>

<sup>4</sup> “HCAHPS Fact Sheet”, Centers for Medicare & Medicaid Services, August 2013, p. 1-2

<sup>5</sup> *Ibid*, Centers for Medicare & Medicaid Services, August 2013, p. 2-4

<sup>6</sup> “The Emerging Importance of Patient Amenities in Hospital Care”, by Goldman et al., The New England Journal of Medicine, Vol. 363, No. 23, December 2, 2010, p. 2185

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<sup>7</sup> *Ibid*, Goldman et al., December 2, 2010, p. 2186

<sup>8</sup> “Perception is Almost Everything for Consumers and Hospitals”, by Lee Ann Runy, Hospitals & Health Networks, June 2008, [http://www.hhnmag.com/hhnmag/jsp/articledisplay.jsp?dcrpath=HHN/MAG/Article/data/06JUN2008/0806HHN\\_Scope\\_DataPage&domain=HHNMAG](http://www.hhnmag.com/hhnmag/jsp/articledisplay.jsp?dcrpath=HHN/MAG/Article/data/06JUN2008/0806HHN_Scope_DataPage&domain=HHNMAG) (Accessed 10/14/13)

<sup>9</sup> *Ibid*, Goldman et al., December 2, 2010, p. 2186-2187

<sup>10</sup> “NHE Fact Sheet”, by Centers for Medicare and Medicaid Services, 2013, <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NHE-Fact-Sheet.html> (Accessed August 13, 2013)

<sup>11</sup> “2012 Comparative Price Report: Variation in Medical and Hospital Prices by Country”, by the International Federation of Health Plans, 2012



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