



Institute of Medicine

Ron J. Anderson, MD, MACP

Regionalization: Potentials and Pitfalls

•Problem

- Large urban & safety net hospitals cannot compete on price in marketplace
 - Maintenance of utility-like or value-added services with high stand-ready costs
 - Higher cost of caring for high volumes of low-income and uninsured patients
 - Higher drug costs associated with special populations (ex.: HIV/AIDS)
 - Absorb cost of medical education, clinical research and development

•Potentials

- Concentration of limited or expensive healthcare services locally within an area while dispersing primary and secondary care more broadly
- Allow for sophisticated planning for public health needs, coordination of resources, referral patterns and provider relationships
- Provide a more equitable funding mechanism that shares the burden more equitably among urban and rural areas, high- and lower-users of health care

•Pitfalls

- Lack of effective funding strategies, which might be overcome by:
 - Imposing ad valorem taxes on a region to support regional missions (ex.: trauma)
 - Use of statewide matches similar to those now used for Texas counties to alleviate burdens faced by urban hospitals for out-of-county indigent care
- Even if funding is available, there is still lack of providers, transportation, shared medical information, effective referral

•Barriers

- Boundary mythology
- Free riders
- Friday Night Syndrome
- Competition vs. collaboration
- Failure to see the obvious
- Opposition to certification
- Cost of “surge capacity”
- Problem of “stand ready” costs