


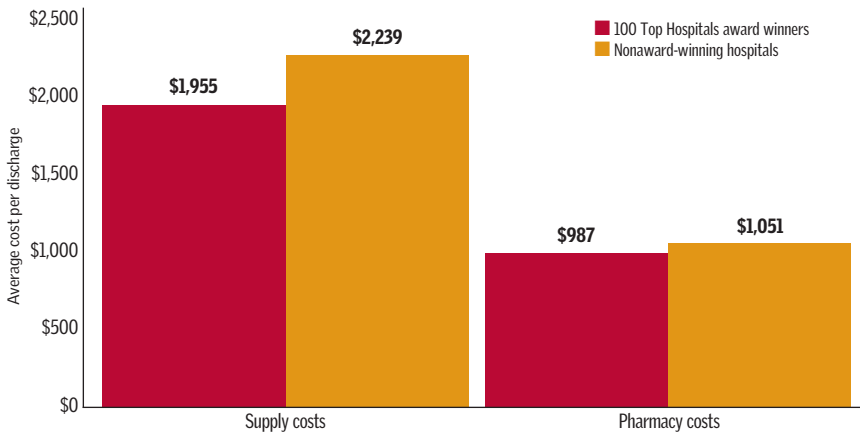
FACTFILE

Costs of Care

Substantial variation exists across hospitals on the use of many clinical services including pharmacy and supply. For example, some hospitals may use drug treatment more aggressively or use more expensive drugs than other hospitals, even though the types of patients they treat are very similar. And while one might expect that the more one spends, the better the result, research from Thomson Reuters shows that top-performing hospitals actually spend less on pharmacy and supply, suggesting that the notion of reducing healthcare costs while improving quality is, indeed, attainable. Meanwhile, despite some recent dips, labor and nonlabor costs per discharge continue to increase. 

TOP PERFORMANCE, LOWER COST

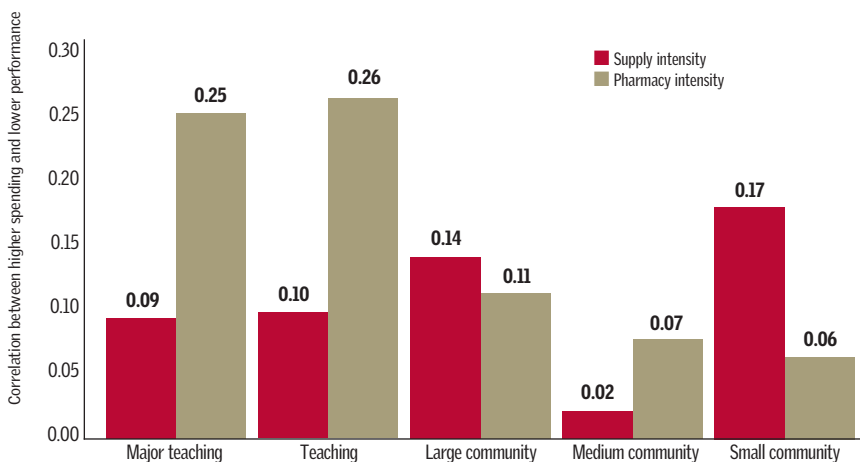
The risk-adjusted cost estimates for pharmacy and supply services are actually lower for the higher-performing hospitals. The Thomson Reuters 100 Top Hospitals award winners spent about 13% less for supply costs than nonaward-winning hospitals. Likewise, the top performers spent about 6% less for pharmacy costs.



SOURCE: Thomson Reuters.

HIGHER SPENDING, LOWER PERFORMANCE

There is a positive correlation between risk-adjusted pharmacy and supply intensity (spending) and lower ratings on the 100 Top Hospitals performance metrics. That is, as spending in these areas increased, performance decreased. More efficient hospitals, those that are performing better on the 100 Top Hospitals metrics, have lower supply and pharmacy intensity.



SOURCE: Thomson Reuters.

JULY 2011

Disproportionate Share Spending

Hospitals that serve a significantly disproportionate number of low-income patients are eligible for Disproportionate Share Hospital adjustment payments to help cover costs not paid for by other payers. Here's a look at how much hospitals received, per state, for FY2011.

	FY2011
United States	\$11,288,052,532
Alabama	\$307,827,500
Alaska	\$20,391,388
Arizona	\$101,357,836
Arkansas	\$43,183,726
California	\$1,097,417,551
Colorado	\$92,598,516
Connecticut	\$200,213,008
Delaware	\$9,062,839
District of Columbia	\$61,315,233
Florida	\$200,213,008
Georgia	\$269,036,230
Hawaii	\$10,000,000
Idaho	\$16,455,008
Illinois	\$215,228,984
Indiana	\$213,977,653
Iowa	\$39,423,082
Kansas	\$41,293,933
Kentucky	\$145,154,431
Louisiana	\$731,960,000
Maine	\$105,111,829
Maryland	\$76,331,210
Massachusetts	\$305,324,837
Michigan	\$265,282,236
Minnesota	\$74,768,422
Mississippi	\$152,662,418
Missouri	\$474,254,563
Montana	\$11,362,865
Nebraska	\$28,328,360
Nevada	\$46,299,258
New Hampshire	\$160,269,034
New Jersey	\$644,435,620
New Mexico	\$20,391,388
New York	\$1,607,960,722
North Carolina	\$295,314,187
North Dakota	\$9,562,154
Ohio	\$406,682,673
Oklahoma	\$36,251,355
Oregon	\$45,314,194
Pennsylvania	\$561,847,754
Rhode Island	\$65,069,227
South Carolina	\$327,848,801
South Dakota	\$11,056,409
Tennessee	\$305,451,928
Texas	\$957,268,445
Utah	\$19,638,877
Vermont	\$22,523,964
Virginia	\$87,700,880
Washington	\$185,197,033
West Virginia	\$67,571,890
Wisconsin	\$94,633,503
Wyoming	\$226,570

SOURCE: Kaiser State Health Facts, www.statehealthfacts.org/comparemaptable.jsp?ind=185&cat=4; Federal Register, January 3, 2011 (Vol. 76 No. 1), pp. 148, www.gpo.gov/fdsys/pkg/FR-2011-01-03/pdf/2010-32979.pdf.

Upcoming Topic:

> Partnership for Patient Safety

FACT FILE PARTNER:



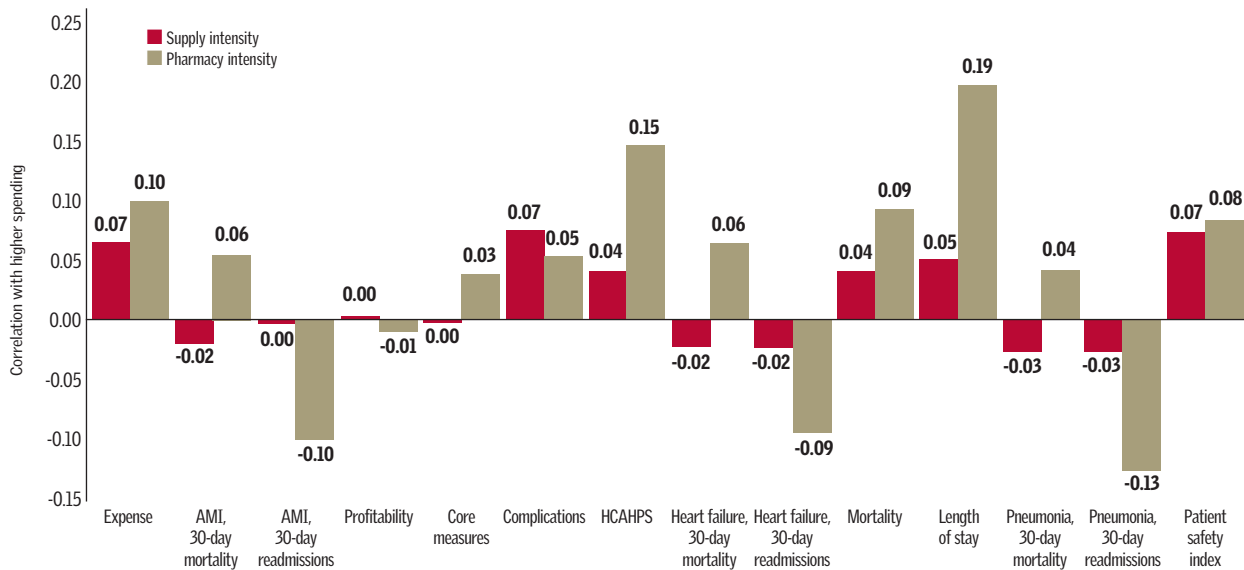
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CORRELATION BETWEEN HIGHER SPENDING AND OTHER PERFORMANCE MEASURES

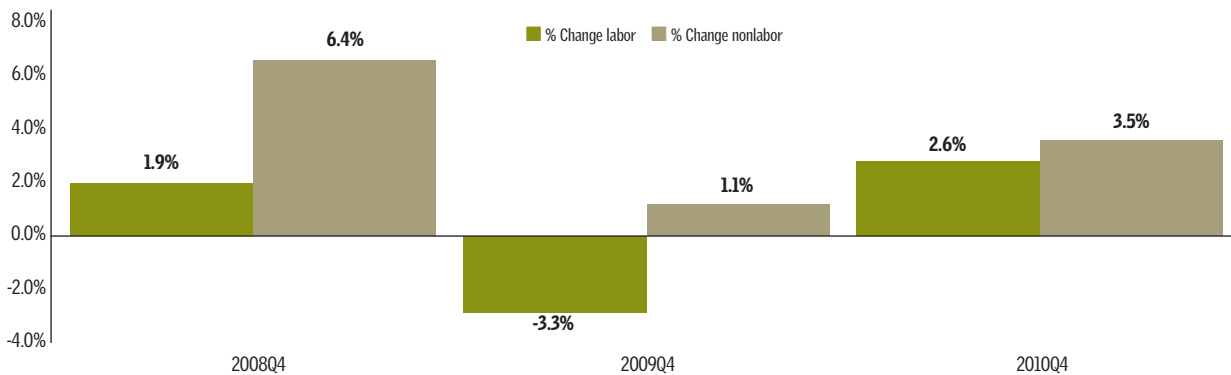
For hospitals in the 100 Top Hospitals study, we generally see correlation scores with positive values, but for certain criteria, scores drop below zero. Thirty-day readmission criteria generate negative correlations, particularly in terms of pharmacy spending, where the correlation approached or exceeded -0.10 for acute myocardial infarction, heart failure, and pneumonia.



SOURCE: Thomson Reuters.

LABOR AND NONLABOR EXPENSES

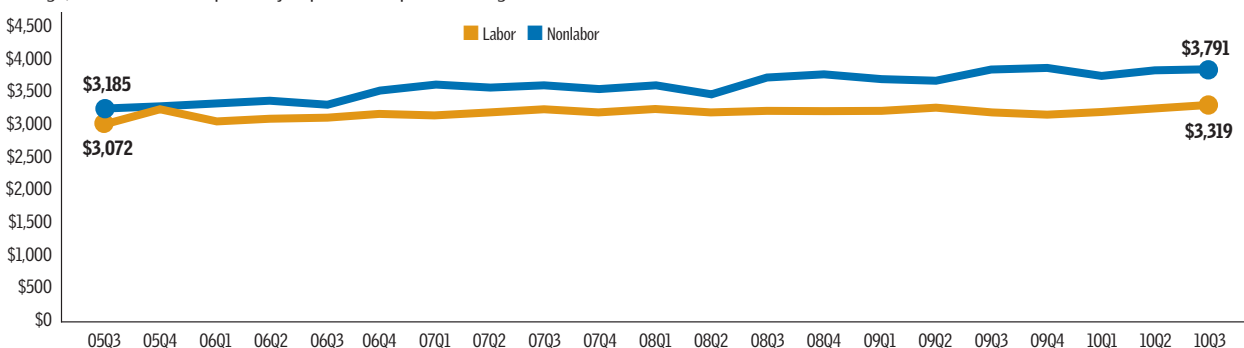
In the fourth quarters of 2008 and 2010, both labor and nonlabor expenses increased, with nonlabor expenses outpacing labor expenses. There was some improvement in 2009Q4, when labor costs declined 3.3% and nonlabor costs climbed at just 1.1%.



SOURCE: Thomson Reuters.

SHARE OF EXPENSES PER DISCHARGE

Since 2005, the overall trend for both labor and nonlabor costs has been one of increases, although there have been periods that produced a decline in expenses per discharge. For example, between 2009Q3 and 2010Q3, labor expenses per discharge climbed to \$3,319 from \$3,238, while nonlabor expenses dropped to \$3,791 from \$3,805. But over the course of the past five years, labor expenses climbed \$247 per discharge, and nonlabor expenses jumped \$606 per discharge.



SOURCE: Thomson Reuters.

