


HealthLeaders *Media* FACT FILE

APRIL 2009

Revenue Versus Costs

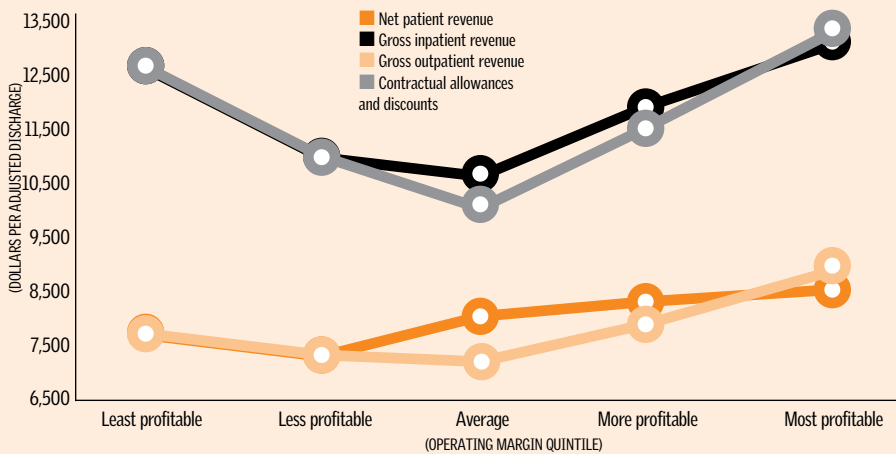
Remaining financially viable was a difficult proposition for many hospitals long before the economic downturn took hold. But as the recession wears on, hospitals are facing even greater fiscal challenges as they try to maintain their margins. Many factors complicate the balancing act of revenue versus costs, from the continuing shift to

outpatient care to the expanding payment shortfall relative to costs for Medicare and Medicaid. Ultimately, the key may lie on the intake side of the financial equation; one study found that the most profitable hospitals find a greater part of their advantage over less profitable facilities from enhancing revenues, not from controlling costs. 

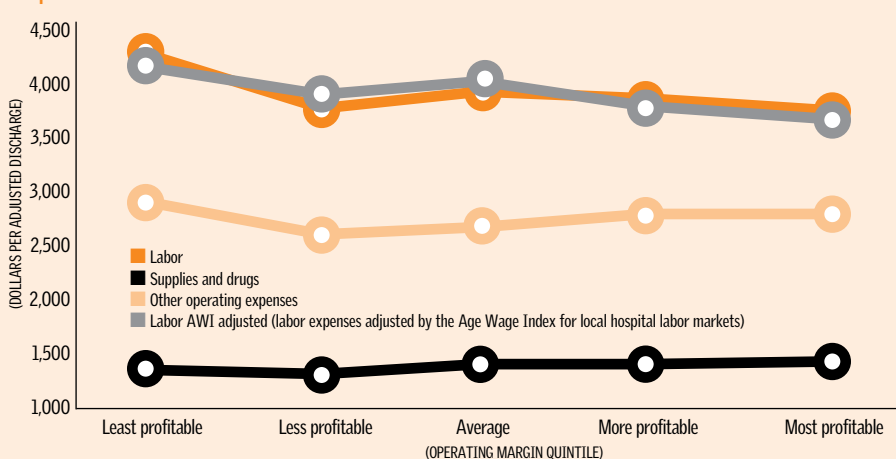
MONEY IN, MONEY OUT

There is a wide disparity between the operating margins of the most and least profitable hospitals in the United States. When compared to the least profitable hospitals, the most profitable hospitals derive more of their advantage from enhancing revenues than from controlling costs. More profitable hospitals spend more for supplies, drugs, and other direct expenses than their less profitable counterparts. More profitable hospitals also pay higher salaries and benefits, but have more productive employees, offsetting higher compensation levels.

Patient revenues



Expenses



SOURCE: Thomson Reuters

MEDICAID PAYMENTS

The District of Columbia has the highest average annual level of payment per Medicaid enrollee in a state-by-state ranking.

1	District of Columbia	\$7,941
2	New York	\$7,733
3	Alaska	\$7,699
4	Maine	\$7,691
5	North Dakota	\$7,496
6	Rhode Island	\$7,464
7	Connecticut	\$7,212
8	New Jersey	\$7,022
9	Minnesota	\$6,974
10	Massachusetts	\$6,837
11	West Virginia	\$6,121
12	Pennsylvania	\$5,932
13	Kansas	\$5,902
14	New Hampshire	\$5,896
15	Ohio	\$5,764
16	Maryland	\$5,760
17	Iowa	\$5,692
18	Nebraska	\$5,539
19	Montana	\$5,383
20	North Carolina	\$5,372
21	Vermont	\$5,315
22	Delaware	\$4,992
23	South Dakota	\$4,939
24	Wyoming	\$4,917
25	Utah	\$4,914
26	Idaho	\$4,854
27	Colorado	\$4,770
28	Kentucky	\$4,763
29	Tennessee	\$4,761
30	Indiana	\$4,685
31	Virginia	\$4,644
32	New Mexico	\$4,565
33	Wisconsin	\$4,505
34	Nevada	\$4,462
35	Mississippi	\$4,459
36	Washington	\$4,439
37	Oregon	\$4,403
38	Illinois	\$4,393
39	Florida	\$4,389
40	Alabama	\$4,378
41	Missouri	\$4,351
42	Michigan	\$4,348
43	South Carolina	\$4,260
44	Hawaii	\$4,051
45	Louisiana	\$3,823
46	Arkansas	\$3,617
47	Texas	\$3,598
48	Oklahoma	\$3,571
49	Georgia	\$3,560
50	Arizona	\$3,066
51	California	\$2,701

SOURCE: Kaiser Family Foundation, www.statehealthfacts.org

Upcoming Topic:
» General surgery

FACT FILE PARTNER:



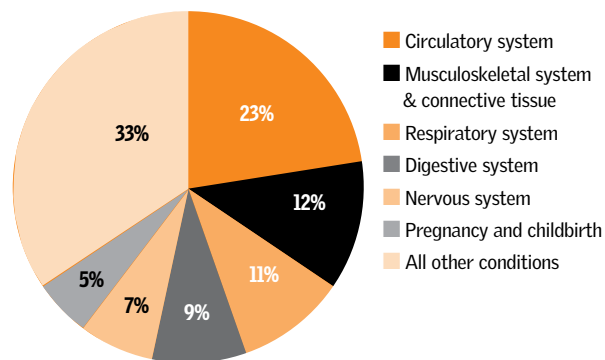
THOMSON REUTERS

thomsonreuters.com/healthcare



COSTS BY CONDITION

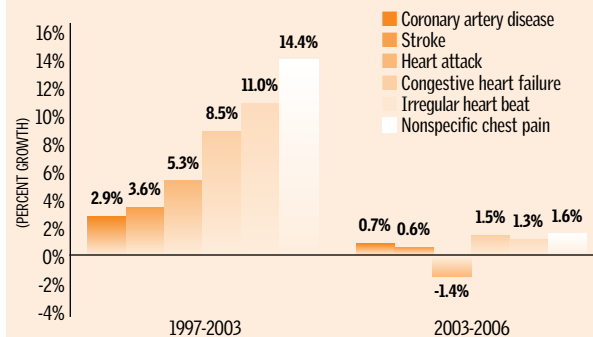
The top six conditions by body system were responsible for 67% of the total costs for all hospital stays. In 2006, circulatory conditions accounted for the largest portion (23%) of hospitalization costs, or \$79.5 billion, although they comprised only 16% of all stays.



SOURCE: U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, *HCUP Facts and Figures, 2006*, with support from Thomson Reuters

CIRCULATORY COSTS

The cost for hospitalizations related to circulatory conditions was large in 2006, with three-quarters of these costs concentrated in six specific circulatory conditions.* However, the inflation-adjusted cost growth for stays with these six conditions slowed considerably in recent years. This chart shows the average annual growth in total inflation-adjusted costs.

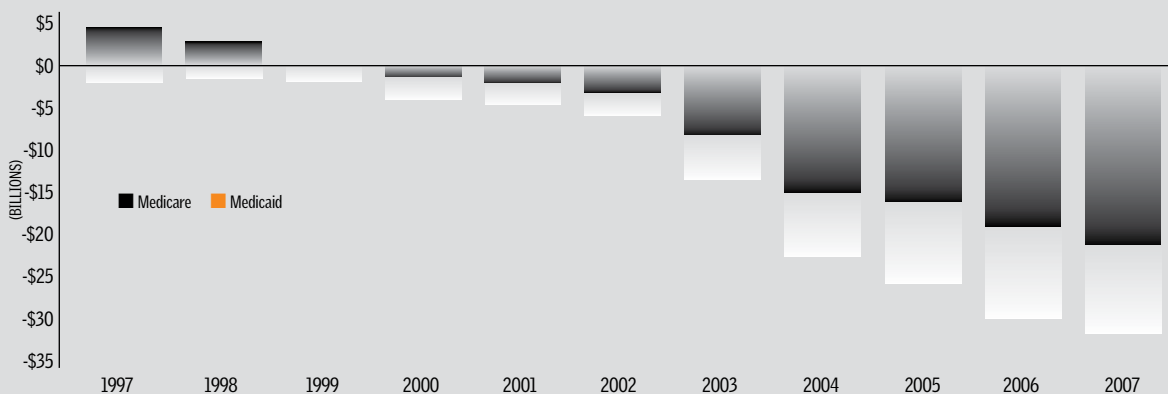


*Based on CCS principal diagnosis

SOURCE: U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, *HCUP Facts and Figures, 2006*, with support from Thomson Reuters

FALLING SHORT

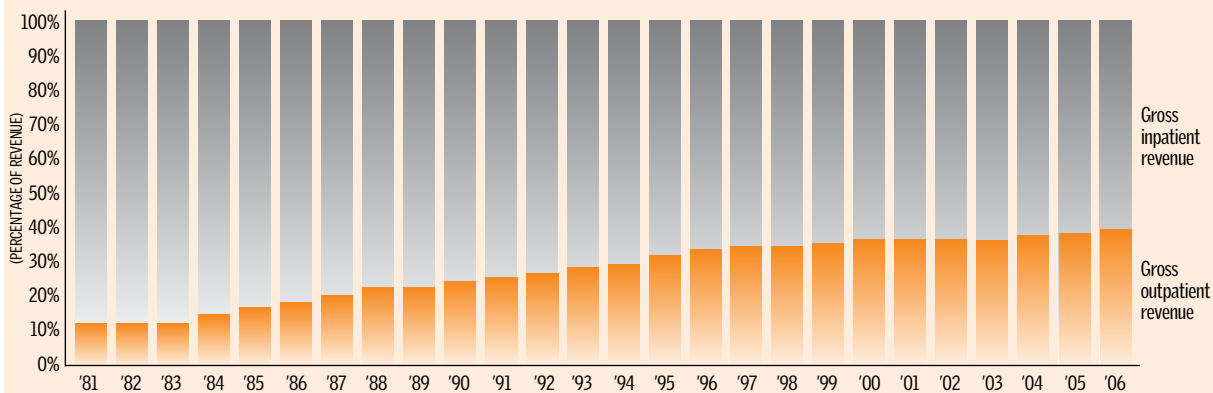
U.S. hospitals' payment shortfall relative to costs for Medicare and Medicaid has continued to grow.



SOURCE: American Hospital Association, *The Economic Downturn and its Impact on Hospitals*, January 2009

OUTPATIENT RISING

Outpatient revenue at community hospitals has seen a steady increase, while inpatient revenue has seen a steady decrease, for the past quarter century.



SOURCE: American Hospital Association, *Chartbook 2008*

