

A Presentation to the Senate Health Policy Committee: Oregon's Acute Care Hospitals

Capacity, Utilization and Financial Trends, 1995 to 2003

February 2005

Full report available at

http://oregon.gov/DAS/OHPPR/RSCH/docs/HospRpt_122304.pdf

Background

- Report covers acute care community hospitals. Most patients have short-term illnesses or are recovering from accidents or surgeries.
- Does not include psychiatric hospitals, long-term care facilities, specialty hospitals (e.g., Shriners), or federal government facilities (VA).
- Oregon has tracked capacity, utilization and financial health of acute care hospitals since 1981.

Background (cont'd)

- Oregon currently has 59 acute care hospitals (not including VA).
- 57 are not-for-profit facilities, 2 are for-profit
- For the purposes of this report, hospitals are divided according to how they are reimbursed by Oregon's Medicaid program: DRG Hospitals, Type A and Type B Hospitals

Background (cont'd)

■ DRG Hospitals

- Since 1984, under Medicare law, hospitals receive a fixed payment for each patient based on which diagnostic-related group (DRG) the patient falls in to.
- These hospitals are primarily large, urban hospitals.

Background (cont'd)

- Type A, B and C Hospitals: In 1987, Oregon legislature, recognizing particular vulnerabilities of rural hospitals, granted authority to Office of Rural Health to categorize rural hospitals into three classifications:
 - Type A: remote (50 or fewer beds, more than 30 miles from another acute inpatient facility-12 facilities)
 - Type B: rural (50 or fewer beds and 30 miles or less from another inpatient facility-20 facilities)
 - Type C: considered rural, but have more than 50 beds.
- Type A and B are reimbursed at 100% of reasonable costs by Medicaid.
- Type C are reimbursed as DRG hospitals.

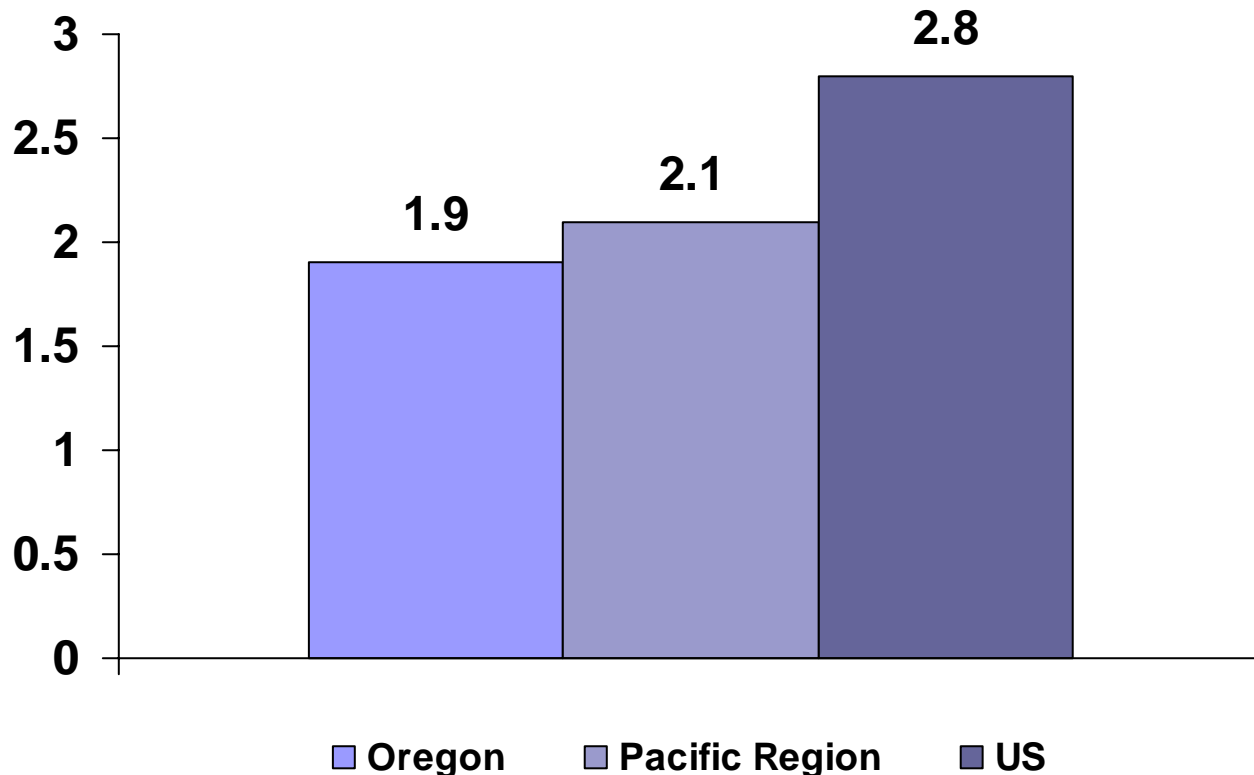
Background (cont'd)

- In addition...another reimbursement piece
 - Critical Access Hospitals
 - In 1997, Congress established a hospital payment system called Critical Access Hospitals (CAH) aimed at improving the financial stability of small (no more than 25 beds) rural hospitals
 - CAH's receive enhanced Medicare reimbursement (101% of reasonable costs).
 - All but two of Oregon's Type A rural hospitals are CAH and 10 of the 20 Type B Hospitals are CAH

Hospitals As Part of the Healthcare Delivery System

- Hospitals account for more than 1/3 of national health care expenditures.
- In 2003, Oregon hospitals:
 - Employed more than 51,000 people (not including physicians);
 - Accounted for more than 377,000 inpatient discharges;
 - And almost 8 million outpatient visits

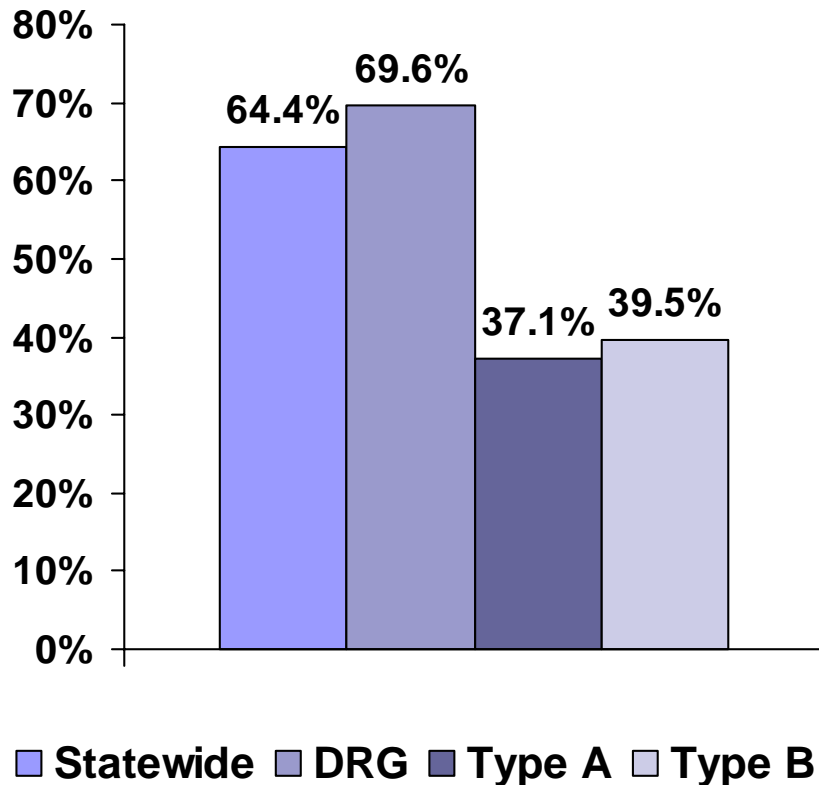
Capacity: Licensed Beds Per 1,000 Oregon vs. Region and U.S. (2003)



Pacific Region includes Hawaii, Alaska, Washington, Oregon and California.

Pacific Region and U.S. data from "AHA Hospital Statistics, 2005"

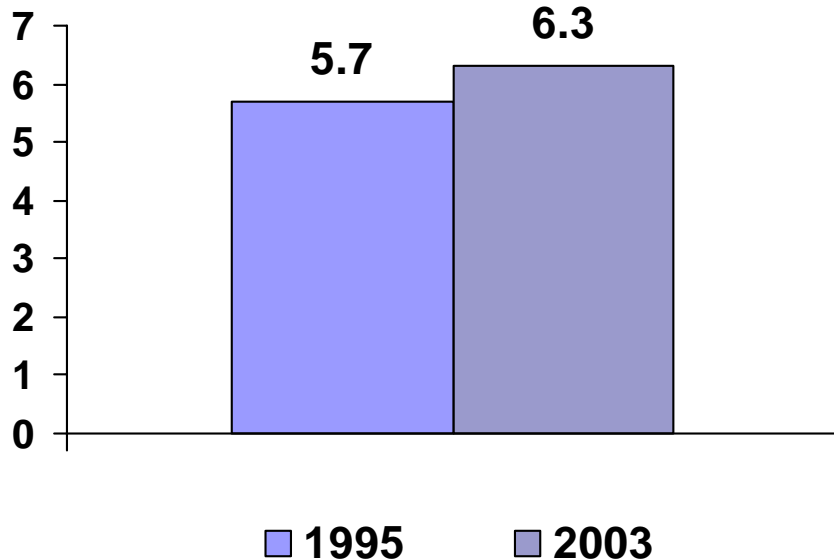
Occupancy Trends, 1995 to 2003 and Oregon vs. Region and U.S.



- As a result of hospital closures or consolidations, capacity decreased by 6%-- number of staffed beds went from 6,633 to 6,200
- Overall, occupancy increased from 48% to 64%.

Workforce

Non-Physician Workforce Per
100 Adjusted Admissions

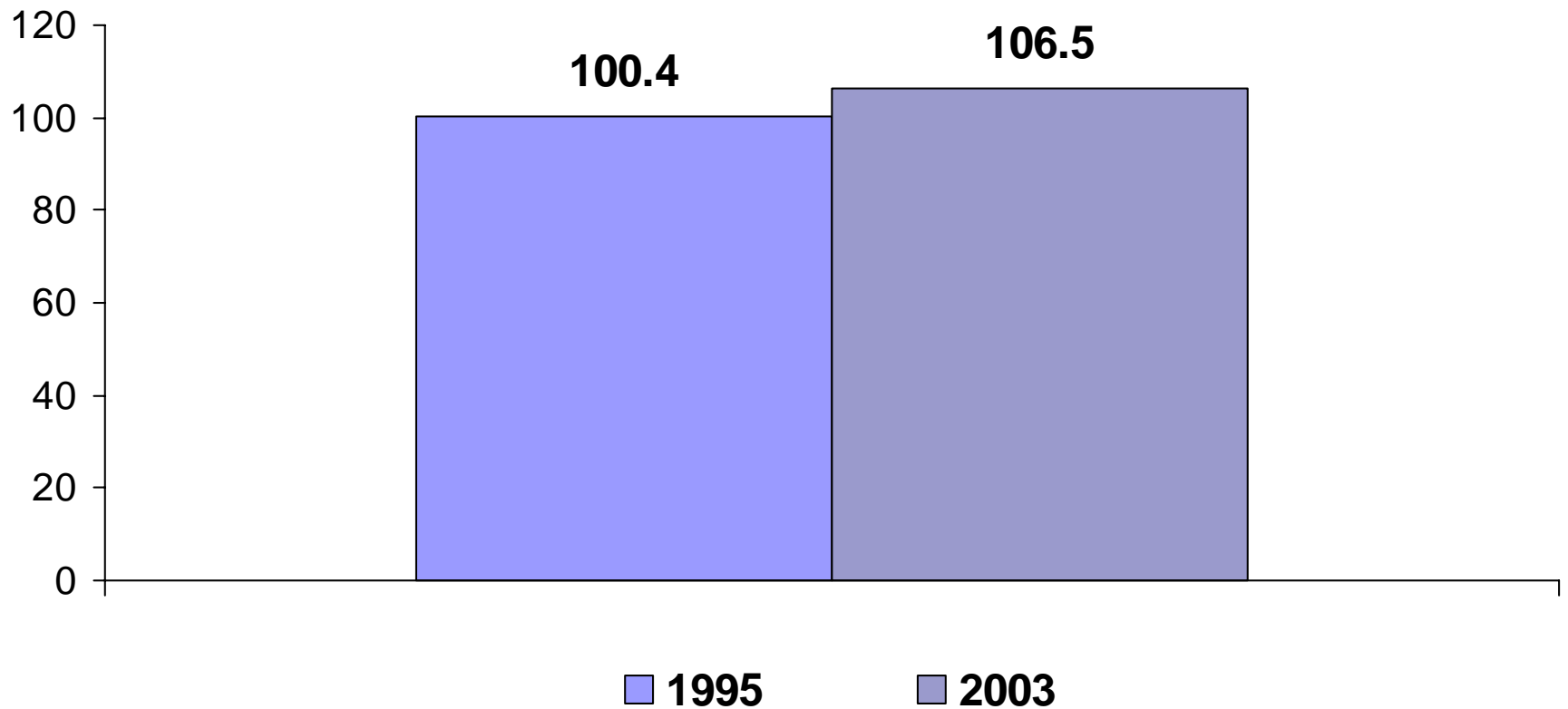


- Total non-physician workforce FTE increased 35.5% between 1995 and 2003.
- Nurse FTE grew by 20.3% during this time period.
- Most significant increases in aides and orderlies category (92.4%) and technicians (100.1%).

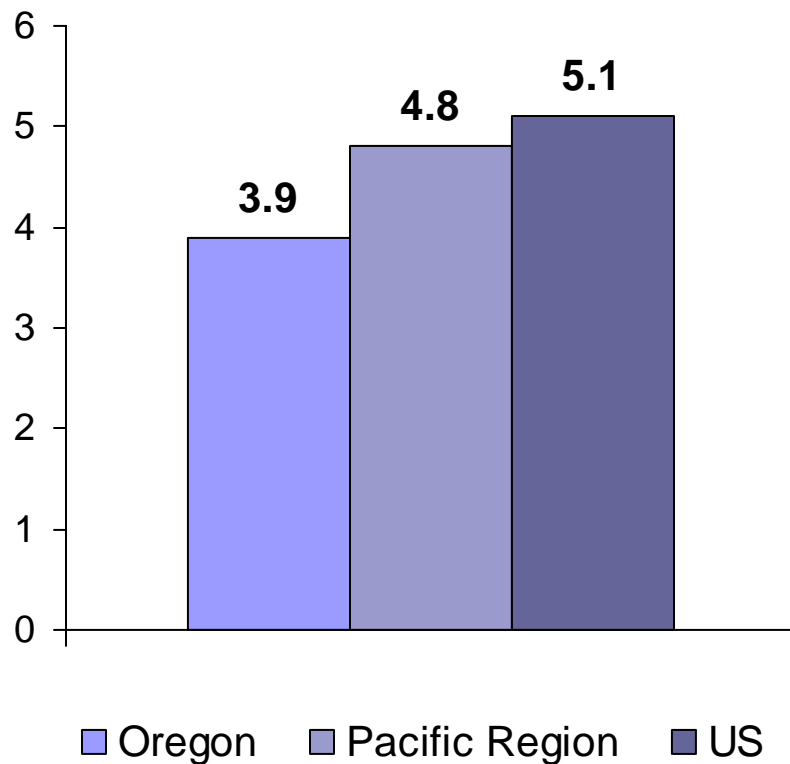
Utilization of Hospital Services: Top Ten DRGs, Oregon, 2003

1. Normal newborn
2. Vaginal delivery w/o complications
3. Psychoses
4. Major joint & limb reattachment procedures of lower extremities
5. Cesarean section w/o complications
6. Simple pneumonia & pleurisy
7. Heart failure and shock
8. Uterine and adnexa procedure for non-malignancy w/o complications
9. Chest pain
10. Back and neck procedure except spinal fusion w/o complications

Admissions Per 1,000 Population

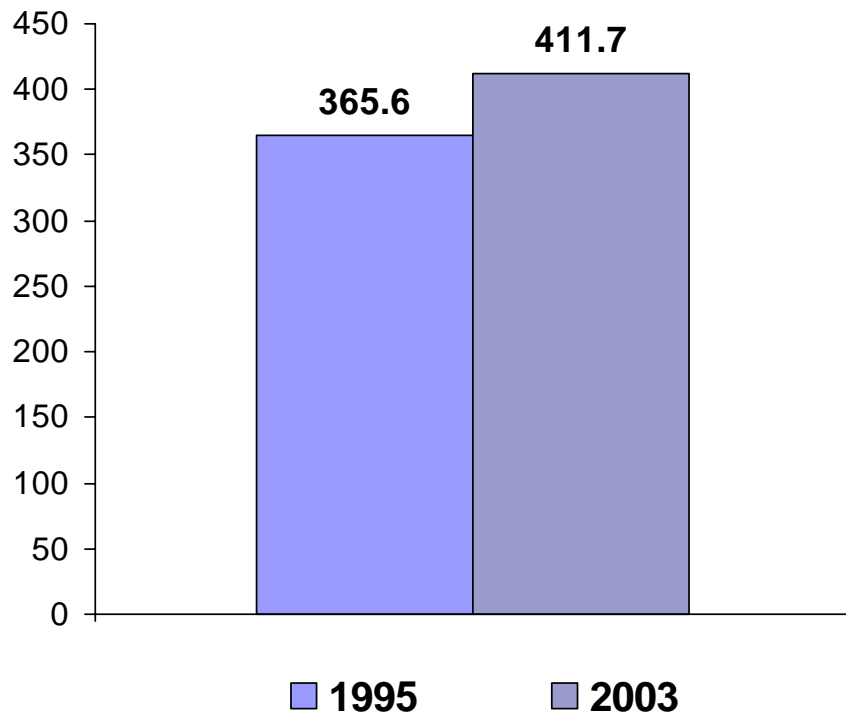


Average Length of Stay Oregon vs. Region and U.S.



- Length of stay remained basically even, increasing slightly from 3.8 in 1995 to 3.9 in 2003.
- Oregon has short length of stay, but high expenses per inpatient day.

Inpatient Days Per 1,000 Population



Pacific Region, 2003

■ 506.6 inpatient days per 1,000

U.S., 2003

■ 676.2 inpatient days per 1,000

Pacific Region includes Hawaii, Alaska, Washington, Oregon and California.

Pacific Region and U.S. data from "AHA Hospital Statistics, 2005"

Measuring Financial Health

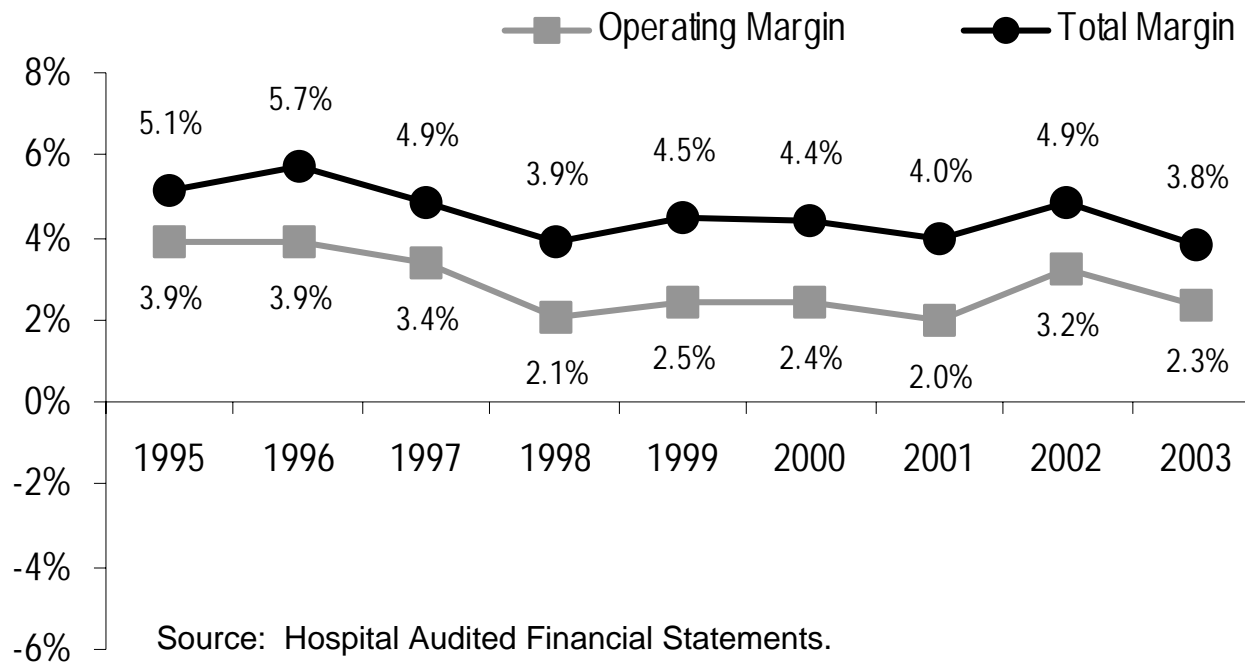
- OHPR focuses on operating margin and total margin, calculated from annual hospital audited financial statements.
- Operating margin measures how “profitable” the hospital is when looking at its direct patient care activities.
- Total margin includes revenue from all sources including tax appropriations and non-patient care activities.



Hospital Finances

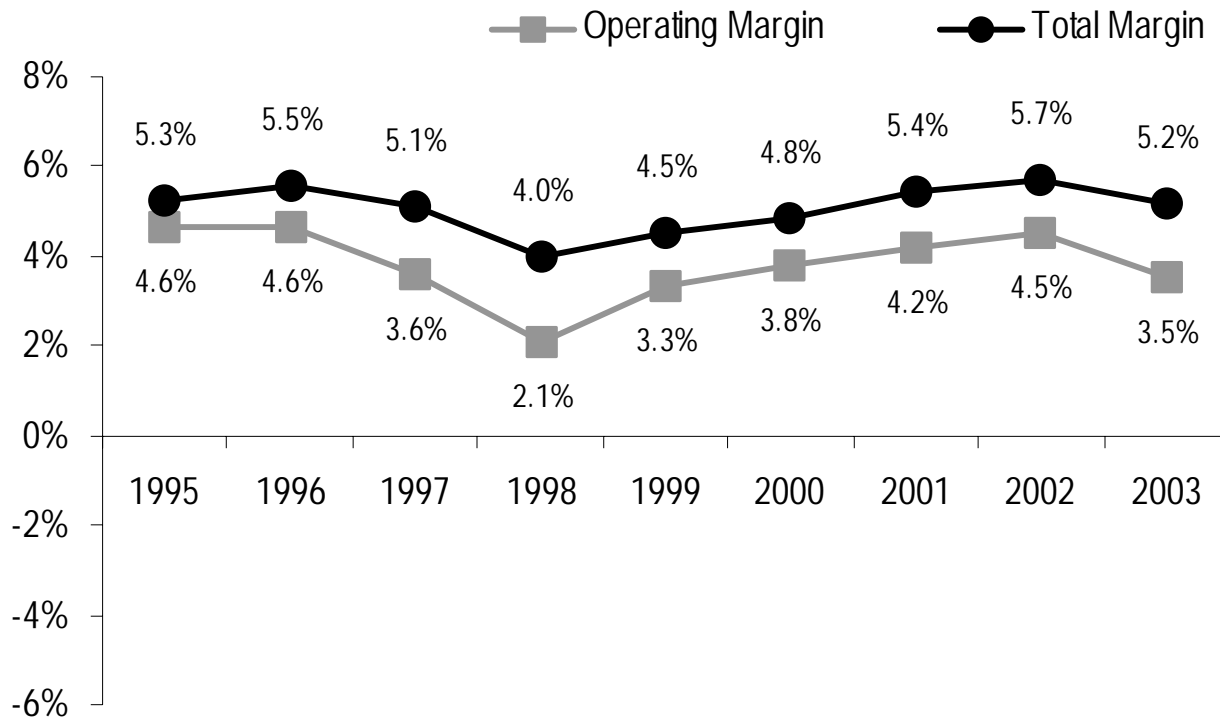
- Total operating revenue in 2003: \$5.1 billion (up 54% from 1995).
- Total operating expenses in 2003: \$4.9 billion (up 54.5% from 1995).
- Net operating income of \$233 million in 2003.

Oregon Acute Care Hospitals: Median Operating and Total Margins



Operating Margins in the 3% to 5% range generally considered an indication of financial “health”....but combining all hospitals masks some important differences.

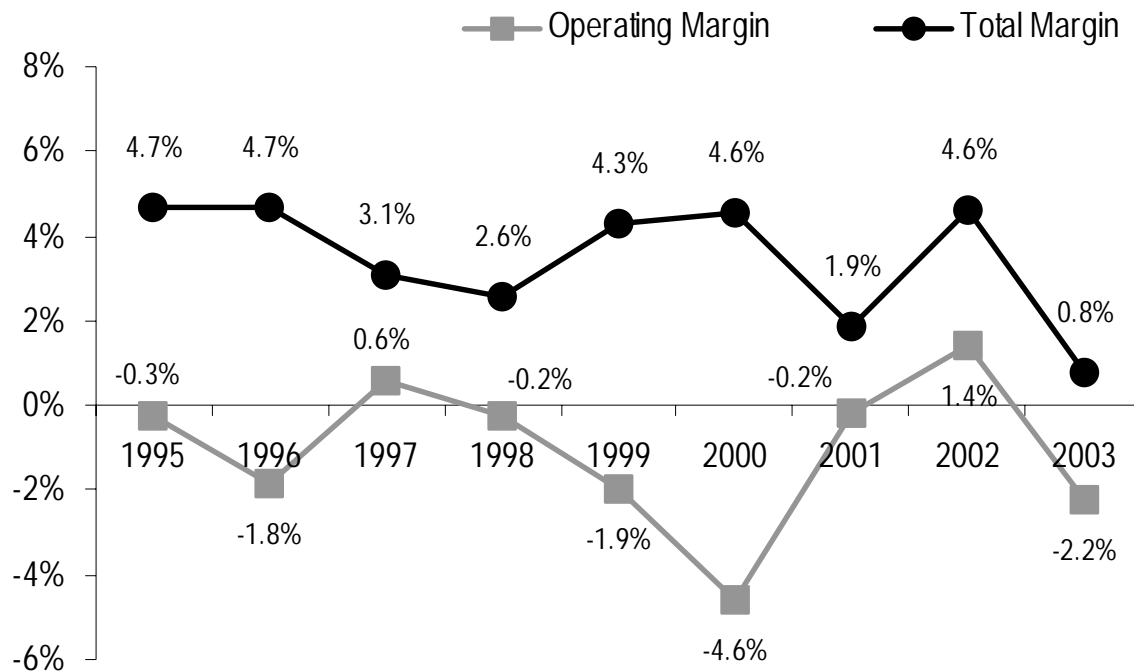
Oregon DRG Hospitals: Median Operating and Total Margins



Overall, positive operating margins throughout reporting period.

Source: Hospital Audited Financial Statements.

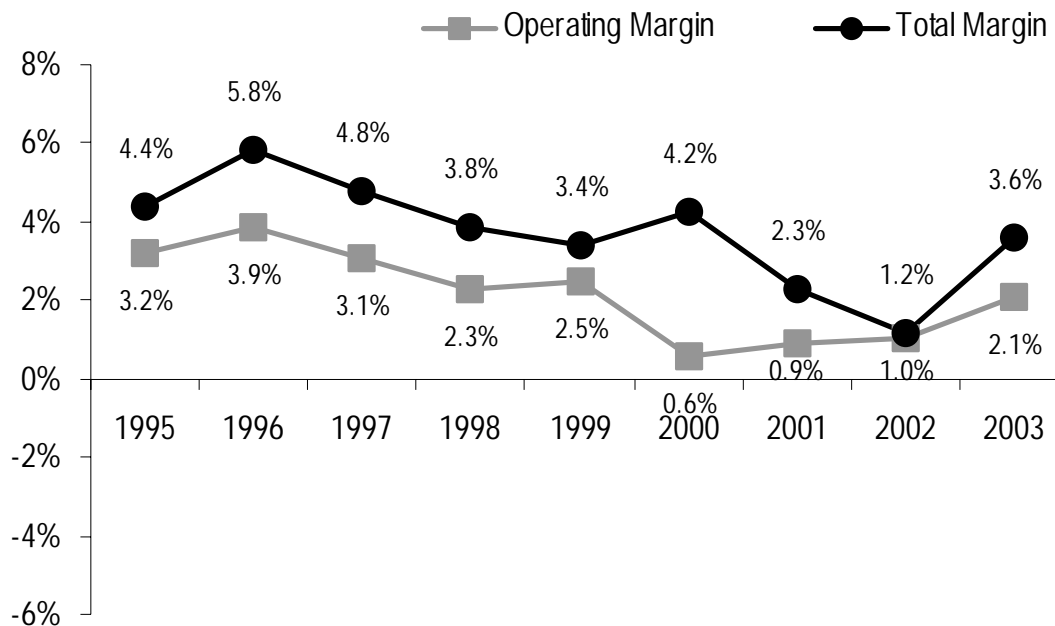
Oregon Type A Hospitals: Median Operating and Total Margins



Negative operating margins in 7 of 9 years.

Source: Hospital Audited Financial Statements.

Oregon Type B Hospitals: Median Operating and Total Margins

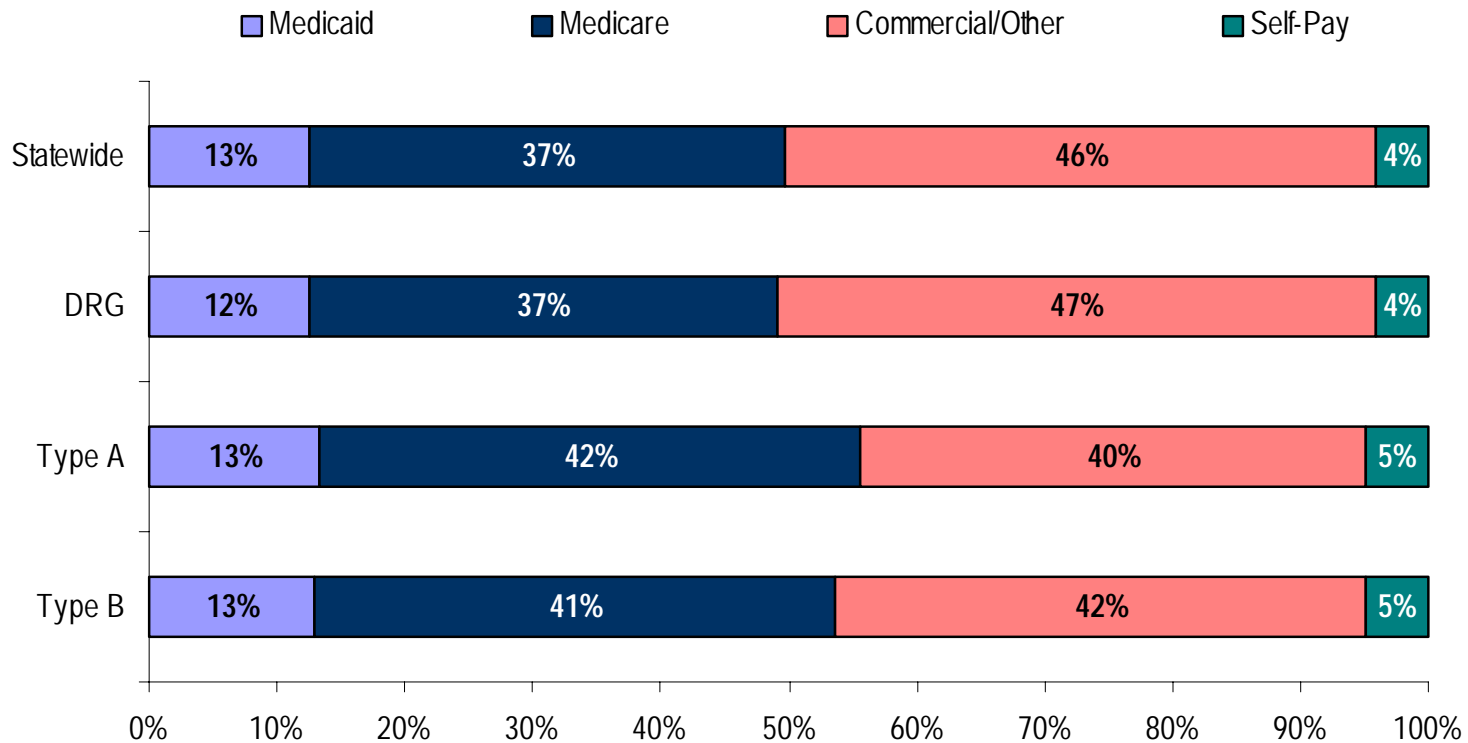


Positive, but low operating margins.

Source: Hospital Audited Financial Statements.

Payer Mix, 2003

Public payers account for half of all hospital payments...



Uncompensated Care: Charity Care + Bad Debt

- Charity Care: Services (valued at full charges) provided to patients determined by the hospital to be unable to pay.
- Bad Debt: Unpaid obligations for care provided to patients determined to be able to pay.

Median Charity Care and Bad Debt as a Percent of Gross Patient Revenue, Oregon Acute Care Hospitals, 2003

