

FACTFILE

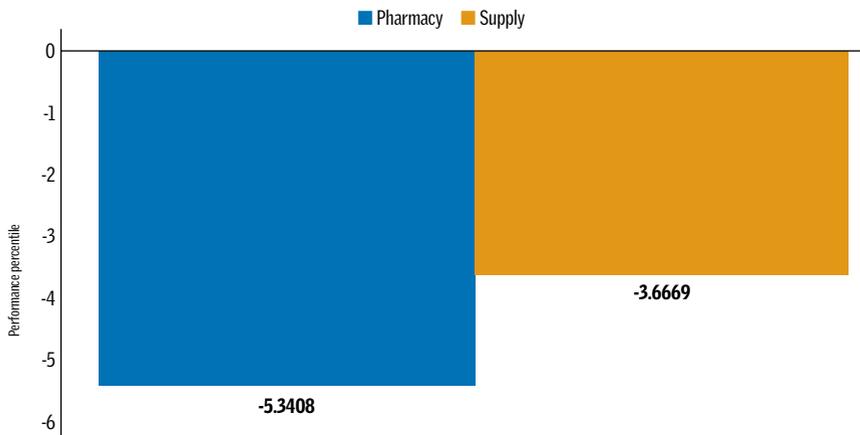
Efficient Purchasing and Performance

Impact of Hospital Supply and Pharmacy Intensity on Performance

Spending on supplies and pharmaceutical services varies among U.S. hospitals. It is not uncommon for hospitals with similar types of patients, including case mix and severity, to have significant differences in purchasing intensity for certain clinical services. Even small changes in efficiency can make a difference for hospitals and health systems, because supply-chain spending typically accounts for hospitals' biggest spend after labor costs. Costs totaled about \$74 billion in 2012, according to the Healthcare Supply Chain Association. 

SPENDING AND SAFETY

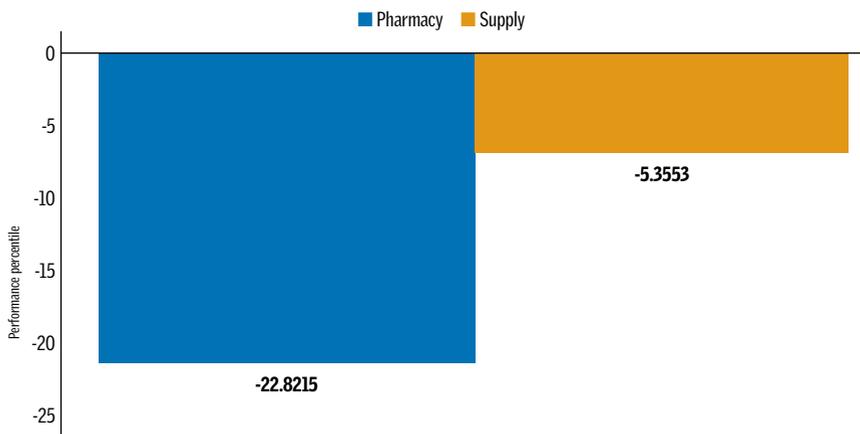
Hospitals that spent more than expected on supplies and drugs had diminished performance in patient safety.



SOURCE: Truven Health Analytics.

SPENDING AND DISCHARGE COSTS

Hospitals that were less cost-efficient spent more per discharge on supplies and pharmaceuticals than expected and, therefore, had higher costs per discharge.



SOURCE: Truven Health Analytics.

Spending Expectations and Discharge Costs

Among the hospitals studied, most spent less than what they expected to spend on supplies and pharmaceuticals in the 2013 federal fiscal year, with an average observed/expected ratio of 0.992 for supplies and 0.998 for pharmaceuticals. A hospital with a ratio of 1.0 would have spent exactly what it projected. However, some hospitals in the study spent as much as 9.5 times more than projected for supplies and 6.9 times more than expected on drugs. The hospitals' average supply cost per discharge was \$2,440, and the average pharmacy cost per discharge was \$1,062.

Methodology Information

Here is additional information on the methodology and meaning of the information in this report.

- Included in this analysis were 2,560 hospitals from the Truven Health Analytics 100 Top Hospitals study for which supply and pharmacy data were available from Medicare. Together, the hospitals reported nearly 5.3 million discharges.
- Intensity Scores (IS) were derived for hospitals at the CMS Medicare Severity Diagnosis-Related Group (MS-DRG) level, and reflect hospital-specific expected intensity based on relatively homogeneous patient populations in terms of case mix and patient acuity or severity.
- The IS is similar to the CMS case-mix index (CMI) in the sense that the CMI looks at patient distribution across MS-DRG to produce an estimate of how a given hospital compares with other hospitals in terms of costs based on the case mix of a patient population. The IS can be used by hospitals to compare their average cost per case for supplies and pharmacy with a stable national norm or selected benchmarks.

- In the results, higher percentile performance is equivalent to "better" or "more desirable" performance. Only significant findings are reported.

SOURCE: Truven Health Analytics.

Upcoming Topic:

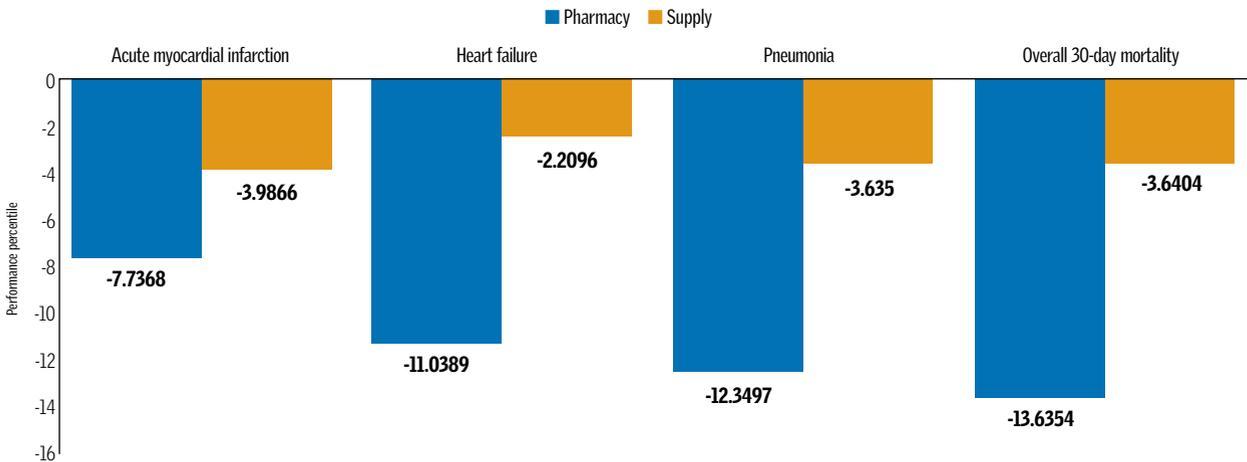
> Medicare Spend per Beneficiary

FACT FILE PARTNER:



SPENDING AND MORTALITY

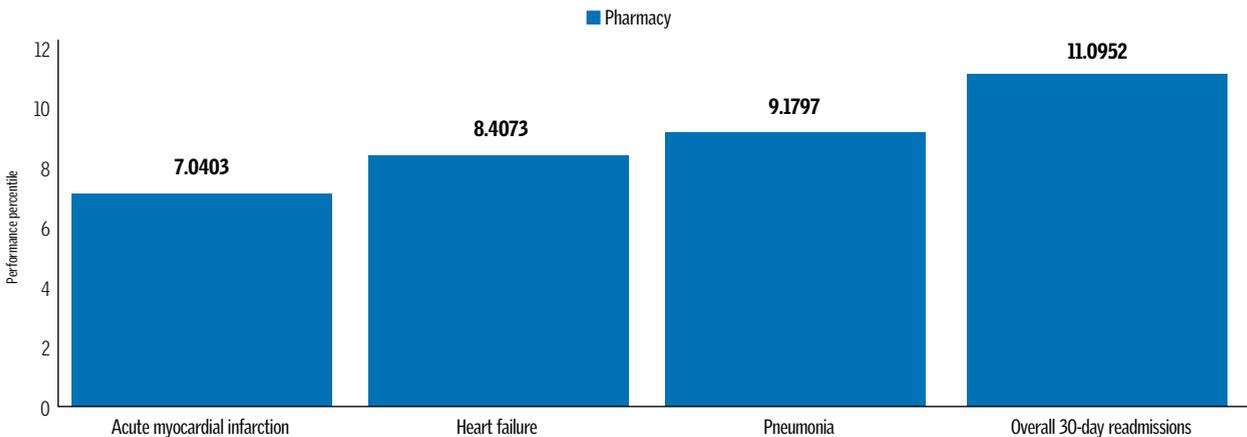
Hospitals that spent more than expected on supplies and drugs had higher patient mortality rates, both overall and for specific conditions.



SOURCE: Truven Health Analytics.

PHARMACY SPENDING AND READMISSION RATES

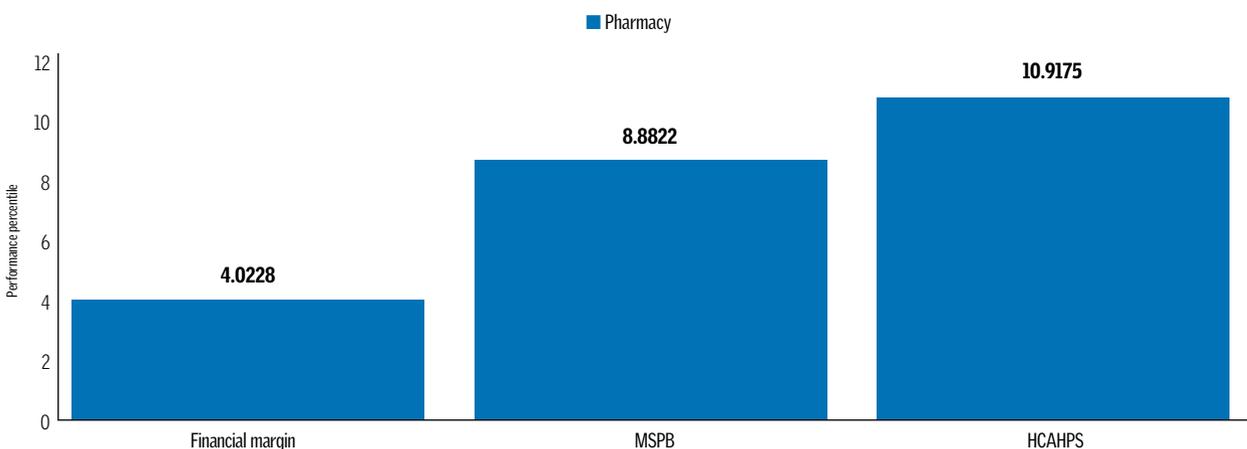
Hospitals that spent more than expected on pharmaceuticals had better readmission rates, both overall and for specific conditions. Findings were not significant for supply intensity, except heart failure, with a positive value of 2.1800.



SOURCE: Truven Health Analytics.

PHARMACY SPENDING AND MARGIN, MSPB, AND HCAHPS

Hospitals with increased pharmacy spending had higher financial margins, lower Medicare spend per beneficiary, and higher patient satisfaction, as measured by the Hospital Consumer Assessment of Healthcare Providers and Systems survey. Findings were not significant for supply intensity.



SOURCE: Truven Health Analytics.

