


FACTFILE

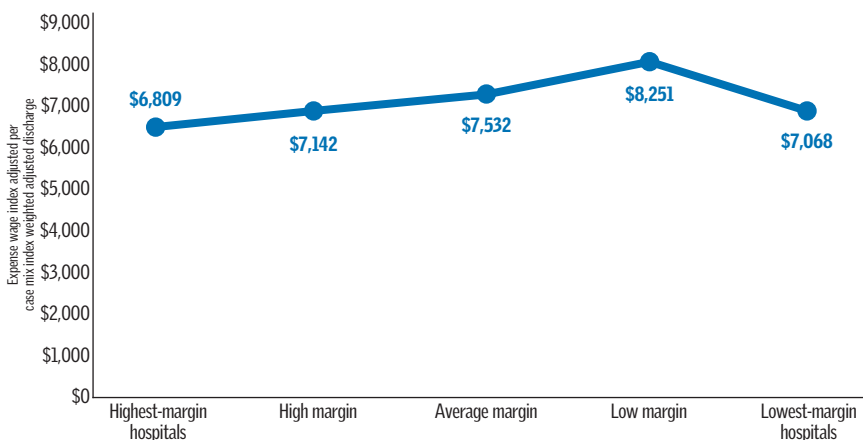
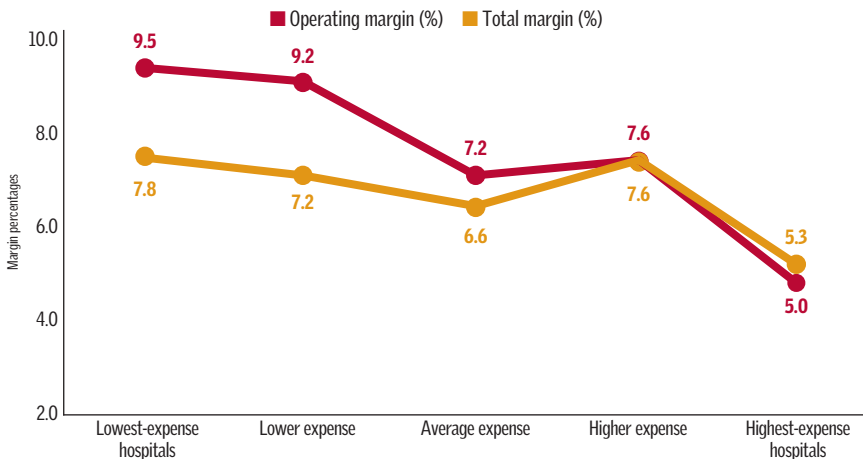
High- and Low-Performing Hospitals

High-margin versus low-cost providers

The changing healthcare environment has put pressure on healthcare organizations to deliver top-quality care while keeping costs under control. Superior operational and financial performance can be measured by high margins and low costs. But there are significant operational indicators that differ between high- and low-performing hospitals, depending on whether performance is defined by expense or by margin. Often, hospitals with the lowest costs are considered the most successful. But low-cost hospitals do not necessarily behave the same way as hospitals with healthy margins. Low-cost hospitals can include both efficient hospitals and hospitals that are in dire financial circumstances that have forced them to even eliminate expenses necessary for their long-term fiscal health. 

EXPENSES AND MARGINS

The data indicate that low-cost hospitals tend to have higher margins. High- and low-margin hospitals tend to have lower expenses. The lowest-margin hospitals must make decisions to lower expenses. Note that in these 2015 data, operating margins actually exceeded total margins.



SOURCE: Truven Health Analytics™

ABOUT THE DATA: The 2015 FY operational and financial data from more than 750 healthcare organizations across the country were used, including age of facility, cash on hand, average payment period, expenses and margins, average length of stay, and medical supply expense. All statistics are the medians of annual values reported by hospitals who contribute data to Action01. Hospitals are assigned to quintiles within hospital class based on (1) expense AWI adjusted per CMI Weighted Adjusted Discharge, and (2) operating margin percentage. Quintiles groups are defined as the hospitals with values for the classification variables (expense or margin): Lowest 20%; Next 20%; Middle 20%; Next 20%; and Highest 20%. Finally, data were weighted by hospital class, location, and ownership type to reflect the national composition of hospitals.

U.S. Healthcare Expenditures

The share of expenditures that goes to total healthcare spending is more than \$2 trillion in the United States. By state, the dollar amounts range from a high of more than \$230 billion in California to a low of \$3.83 billion in Wyoming.

Location	Total health spending (in millions)
United States	\$2,089,862
California	\$230,090
New York	\$162,845
Texas	\$146,735
Florida	\$132,463
Pennsylvania	\$97,414
Illinois	\$87,112
Ohio	\$81,598
New Jersey	\$65,924
Michigan	\$65,888
Massachusetts	\$61,162
North Carolina	\$60,297
Georgia	\$53,655
Virginia	\$49,427
Washington	\$45,246
Indiana	\$42,780
Maryland	\$42,616
Missouri	\$41,681
Wisconsin	\$40,871
Tennessee	\$40,331
Minnesota	\$38,994
Arizona	\$35,797
Louisiana	\$30,507
Connecticut	\$30,416
Colorado	\$30,060
Alabama	\$29,524
South Carolina	\$28,798
Kentucky	\$28,443
Oregon	\$25,155
Oklahoma	\$24,074
Iowa	\$20,822
Mississippi	\$19,384
Kansas	\$19,107
Arkansas	\$17,806
Nevada	\$15,133
Utah	\$13,990
West Virginia	\$13,964
New Mexico	\$13,350
Nebraska	\$12,649
Maine	\$11,213
New Hampshire	\$10,365
Hawaii	\$8,833
Rhode Island	\$8,786
Idaho	\$8,739
Delaware	\$7,497
Montana	\$6,468
Alaska	\$6,341
District of Columbia	\$6,209
South Dakota	\$5,721
North Dakota	\$5,005
Vermont	\$4,745
Wyoming	\$3,833

NOTES: Total health spending includes spending for all privately and publicly funded personal healthcare services and products (hospital care, physician services, nursing home care, prescription drugs, etc.) by state of residence. Hospital spending is included and reflects the total net revenue (gross charges less contractual adjustments, bad debts, and charity care). Costs such as insurance program administration, research, and construction expenses are not included in this total.

SOURCE: Kaiser State Health Facts, Health Care Expenditures by State of Residence (in millions), <http://kff.org/other/state-indicator/health-care-expenditures-by-state-of-residence-in-millions/>; Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group, National Health Expenditure Data: Health Expenditures by State of Residence, December 2011. For more information on definitions, sources, and methods, please see the following CMS resource: National Health Expenditures Accounts: Methodology Paper, 2012.

Upcoming Topic:
 > Health System Performance

FACT FILE PARTNER:

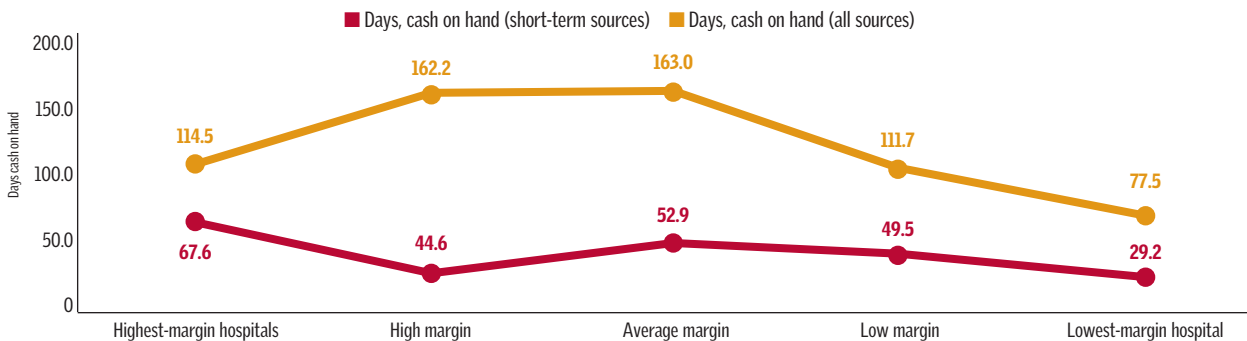
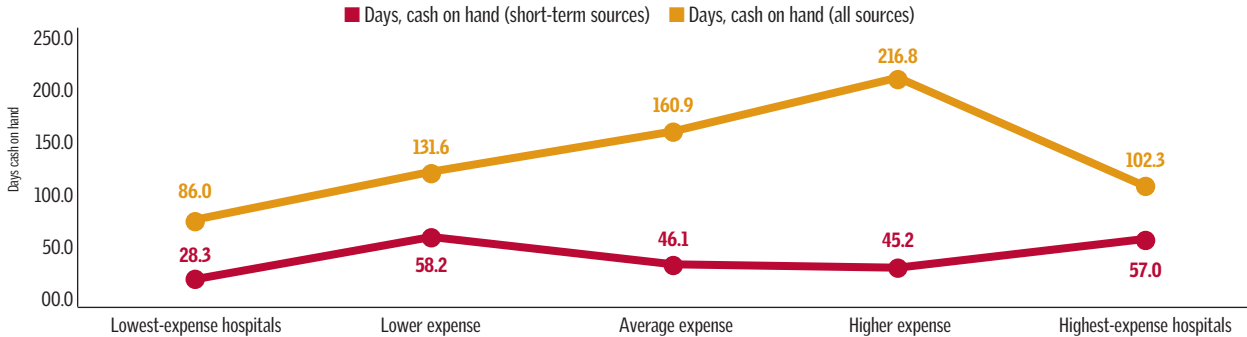


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CASH ON HAND, BY EXPENSE AND MARGIN

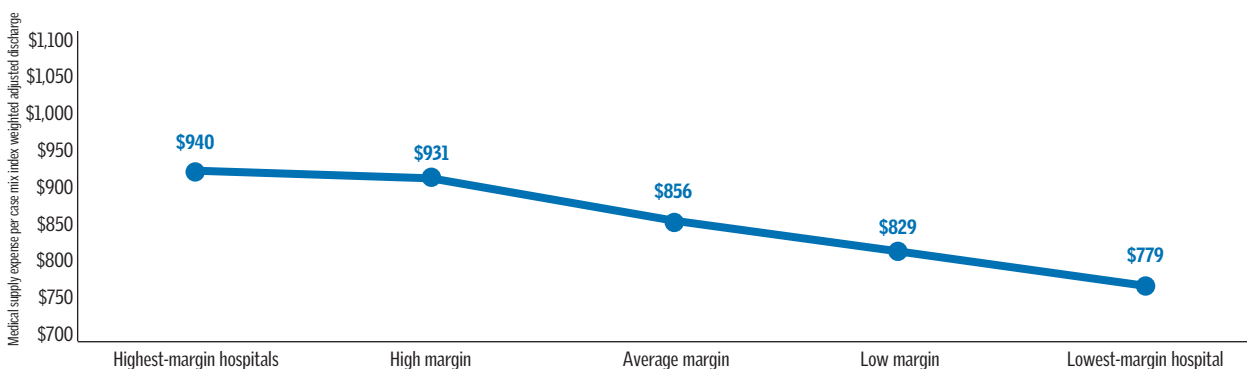
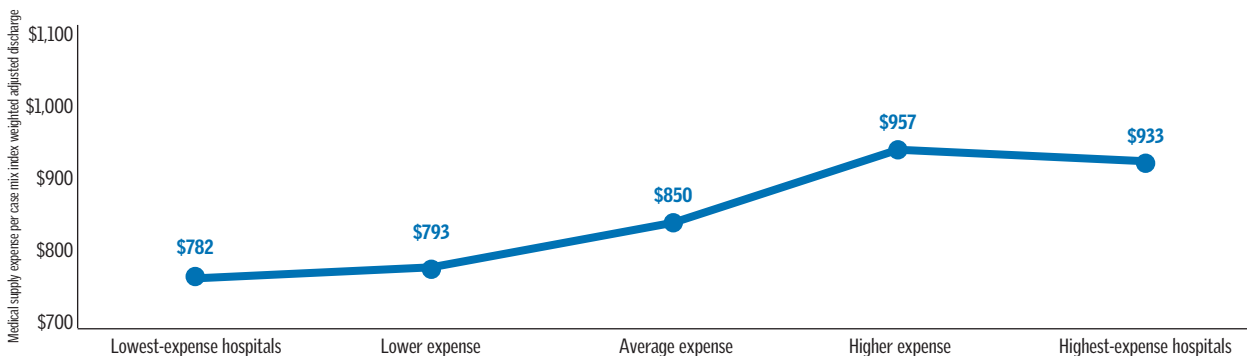
The data indicate that both low-cost hospitals and hospitals with the highest expense have less cash on hand from all sources (long term). Hospitals in the lower margin categories tend to keep less cash on hand.



SOURCE: Truven Health Analytics™

MEDICAL SUPPLY EXPENSE (EXCLUDING DRUGS), BY EXPENSE AND MARGIN

Low-expense hospitals spend less on supplies per patient. Interestingly, high-margin hospitals spend more.



SOURCE: Truven Health Analytics™

