

Hospital Facts to Know

Services

- Over 35 million patients are admitted to the hospital each year.
- Hospitals treat nearly 115 million patients in their emergency departments and provide care to 470 million other outpatients each year.
- Hospitals deliver nearly 4 million babies each year.
- In 2005, hospitals provided care at a cost of nearly \$29 billion for which no payment was received.

Contribution to the Economy

- Hospitals employ more than 5 million people.
- Behind restaurants, hospitals are the second largest private sector employer.
- When also accounting for hospital purchases of goods and services from other businesses, hospitals support one of every 10 jobs in the U.S and over \$1.7 trillion of economic activity.

Finances

- One-third of hospitals lose money on operations.
- Hospital operating margins were 3.7% in 2005, down from 4.6% in 1996 just prior to the *Balanced Budget Act of 1997*.

Payment for Medicare and Medicaid Services

- Together Medicare and Medicaid represent 55% of care provided by hospitals.
- Medicare payment falls short of the cost of caring for Medicare patients.
 - ✓ Medicare pays only 92 cents for each dollar spent caring for Medicare patients.
 - ✓ 65% of hospitals are paid less than the costs of services provided to Medicare patients.
 - ✓ The Medicare funding shortfall for hospital care exceeds \$15 billion dollars.
- Medicaid payment falls short of the cost of caring for Medicaid patients.
 - ✓ Hospitals receive an average of 87 cents for each dollar spent caring for Medicaid patients.
 - ✓ 77% of hospitals are paid less than the costs of services to Medicaid patients.
 - ✓ The Medicaid funding shortfall for hospital care approaches \$10 billion dollars.

(over)



- Medicare and Medicaid payments – including DSH payments – don’t cover the costs of caring for people covered by these programs. Without DSH:
 - ✓ Medicare payment would fall to 88 cents per dollar spent on care.
 - ✓ Medicaid payment would fall to 70 cents per dollar spent on care.

Impact of Medicare and Medicaid Cuts on Privately Insured (Cost Shifting)

- When Medicare and Medicaid fail to cover their share of hospital costs, hospitals are forced to make cutbacks that affect the whole community and/or look to the privately insured to make up the difference.
 - ✓ The actuarial firm Milliman, Inc. found that Medicare and Medicaid shortfalls in hospital payment add \$490 to the annual cost of family coverage in Washington state.
 - ✓ RAND found that growing Medicare and Medicaid shortfalls accounted for 12% of the increase in rates paid to hospitals by private insurers in California between 1997 and 2001.

Capacity Constraints

- 65% of urban hospitals and 47% of all hospitals reported that their emergency departments (ED) were at or over capacity in 2007.
- 56% of urban hospital EDs report time on “diversion” – when the hospital cannot accept additional patients by ambulance.
- Hospitals have an estimated 116,000 registered nurse vacancies.
- By 2020, the U.S. will face a projected shortage of 1 million registered nurses.