



American Hospital Association

The Cost of Caring

Hospitals are the place where the most complex care is provided for ill and injured patients, and they account for the largest share (33 percent) of the health care dollar. Spending on hospital care has grown more slowly than spending on other health services as hospitals worked hard to make care more effective and efficient.

Factors driving the growth:

- The rising costs to hospitals of the goods and services used for patient care.
- Increasing demand for care due to aging and chronic conditions.

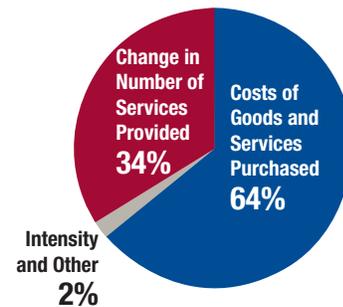
Rising costs to hospitals for the goods and services purchased to provide care accounted for 64 percent of overall growth in spending on hospital care from 2004 to 2008.

- More than half of every dollar spent by hospitals goes to the wages and benefits for qualified, trained nurses, physicians, caregivers and other staff.
- Growth in labor cost is the most important single factor driving up the cost of hospital care, accounting for about 35 percent of overall growth and more than half of the growth in the costs of purchased goods and services.
- Hospitals face continuing shortages of critical staff. Continued workforce shortages during a period of rising service demand likely will put further cost pressure on hospitals.
- Further investments are needed to keep up with the demand for pharmaceuticals, new technologies, and information systems.

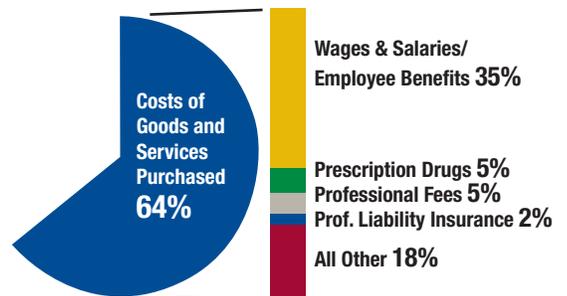
Rising demand for care accounted for about 34 percent of the overall growth in spending on hospital care between 2004 and 2008.

- Both a growing population and more hospital use per person have led to higher service volume.
- Our aging population is driving some of the increase—as people age they use more health services to treat more complex problems. At the same time, the population is getting sicker, more than half of Americans suffer from a chronic condition like heart disease or diabetes.
 - But rising volumes also reflect advances in medicine. These advances lead to longer and better lives but add to the number of hospital services provided and drive up spending.
 - About 2 percent is due to other factors including increased intensity of hospital care.
 - Hospitals are using more resources to care for each patient. Increased intensity can be attributed to a variety of factors, including sicker, more complex patients as well as the high costs of advances in technology.

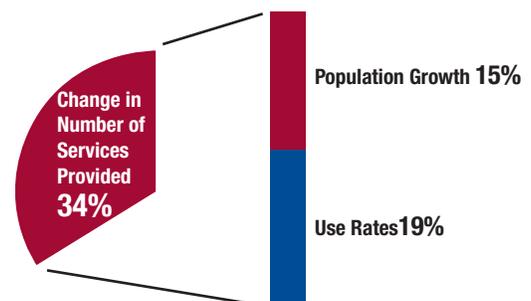
Share of Hospital Cost Growth Explained by Various Factors 2004–2008



Share of Cost Growth Explained by Key Components of Hospital Costs 2004–2008



Factors Influencing the Number of Services Provided 2004–2008



Source: AHA analysis of American Hospital Association Annual Survey data, 2004–2008, for community hospitals; Centers for Medicare and Medicaid Services, Office of the Actuary.