



# 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 have 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.
- Administrative and regulatory burdens.

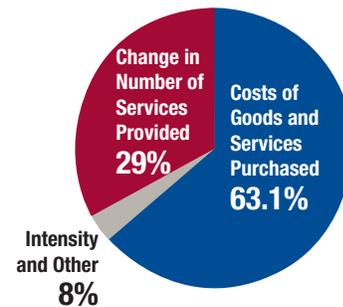
## Rising costs to hospitals for the goods and services purchased to provide care accounted for 63 percent of overall growth in spending on hospital care from 2006 to 2010.

- About two-thirds of every dollar spent by hospitals goes to 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 long term shortages of critical staff. 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.

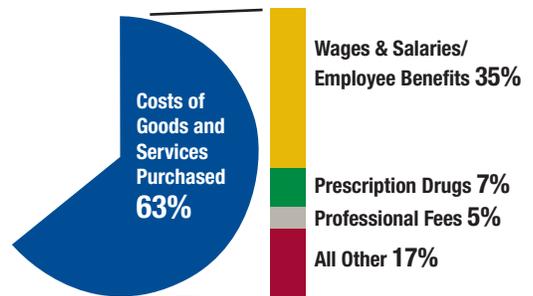
## Rising demand for care accounted for about 29 percent of the overall growth in spending on hospital care between 2006 and 2010.

- 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 8 percent of growth 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.

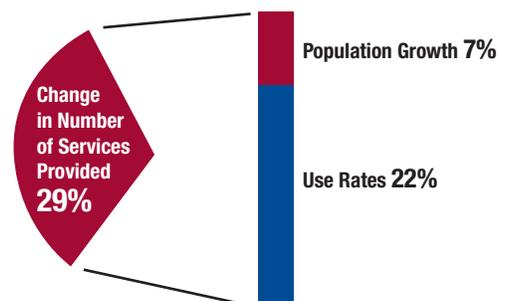
## Share of Spending on Hospital Care Explained by Various Factors 2006–2010



## Share of Spending Growth Explained by Key Components of Hospital Costs 2006–2010



## Factors Influencing the Number of Services Provided 2006–2010



Source: AHA analysis of American Hospital Association Annual Survey data, 2006–2010, for community hospitals; Centers for Medicare and Medicaid Services, Office of the Actuary.