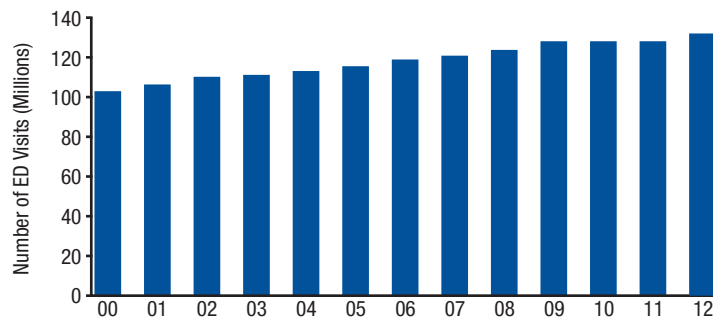


Hospital Outpatient Department (HOPD) Costs Higher than Physician Offices Due to Additional Capabilities, Regulations

Hospital emergency departments (EDs) provide essential, 24/7 care to the community.

- 91% of all community hospitals have EDs providing around the clock care.
- In 2012, hospitals cared for 133 million ED patients.
- Since 2000, ED visit volume has increased by more than 29%.

Emergency Department Visits, 2000 – 2012



Source: AHA Annual Survey, 2000 – 2011 data for community hospitals.

Hospitals must be prepared to respond to a range of natural and man-made disasters.

- **2013:**
 - Moore, Oklahoma tornado with peak winds of 210 miles per hour kills 24 and injures 377 others.
 - Boston Marathon bombing kills 3 and injures 264.
- **2012:**
 - Aurora, CO: Shooting at local theater kills 12 and injures 58.
 - Doswell, VA: Motor coach rolls over on highway kills four and injures 49.
 - Indianapolis, IN: Chemical spill prompts aquatic center evacuation. 79 people, mostly children, injured and taken to local hospitals.
- **Seven hurricanes/tropical storms have made landfall in the last two years, in addition to ongoing tornado and seismic activity.**

Americans rely heavily on hospitals to provide 24/7 access to care for all types of patients, to serve as a safety net provider for vulnerable populations and to have the resources and skills needed to respond to disasters.

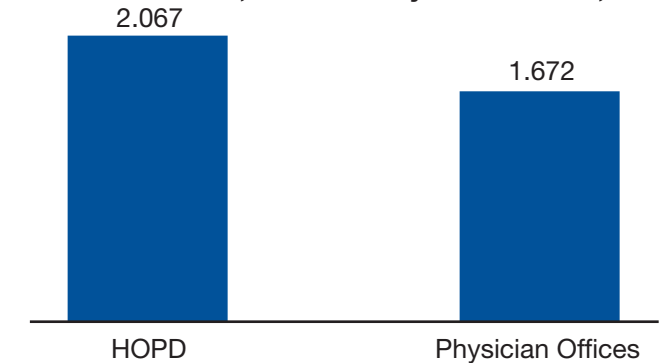
These roles are not explicitly funded; instead they are built into a hospital's overall cost structure and supported by revenues received from providing direct patient care.

Other care sites don't share these roles or bear these costs, yet some policy-makers want to make total payment for a service provided in a hospital the same as when a service is provided in a physician office.

| Hospital Outpatient Department | Physician Office |
|---|------------------|
| ✓ 24/7 Standby Capacity for ED Services | |
| ✓ Back up for Complications Occurring in Other Settings | |
| ✓ Disaster Preparedness and Response | |
| ✓ EMTALA Requirements | |
| ✓ Uncompensated Care/Safety Net | |
| ✓ Teaching/Graduate Medical Education | |
| ✓ Special Capabilities (burn, trauma, neonatal, psychiatric services, etc.) | |
| ✓ Infection Control Program | |
| ✓ Quality Assurance Program | |
| ✓ Joint Commission Accreditation | |
| ✓ Required Government Cost Reports | |
| ✓ Equipment Redundancy Requirements | |
| ✓ Stringent Building Codes (ventilation systems, hallway widths, ceiling heights, etc.) | |
| ✓ Life and Fire Safety Codes | ✓ |
| ✓ Malpractice Insurance | ✓ |
| ✓ Admin Staff/Billing | ✓ |
| ✓ Medical Supplies | ✓ |
| ✓ Nurses | ✓ |
| ✓ Space and Utilities | ✓ |

Greater capabilities allow hospitals to serve sicker patients.

Weighted Risk Scores (Measure of Patient Acuity) for Medicare Visits, HOPD vs Physician Offices, 2009

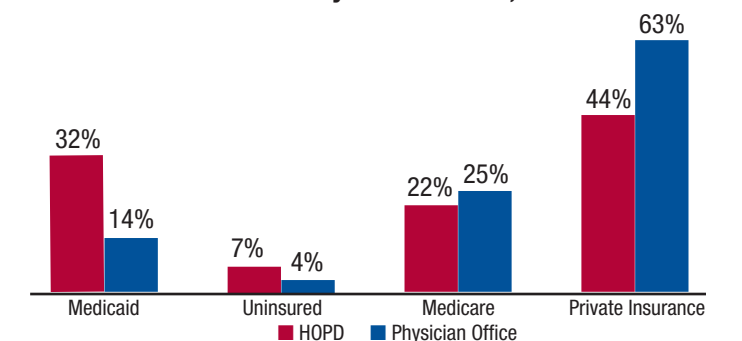


Source: Moran Company analysis of 5% Carrier and Denominator Claim Record, 2009 data.

Hospitals provided \$45.9 billion in uncompensated care in 2012.

- EMTALA requires hospitals to care for all patients, regardless of ability to pay.
- With no such requirement, physicians serve proportionately fewer Medicaid and uninsured patients.

Percent of Total Visits by Expected Source of Payment, HOPDs and Physician Offices, 2010



Source: Centers for Disease Control and Prevention, National Ambulatory Medical Care Survey 2010; National Hospital Ambulatory Medical Care Survey 2010.

Hospitals provide training for tomorrow's health care professionals.

- In 2012, hospitals provided a training site for more than 113,000 residents.