Chapter 2: Organizational Trends
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Hospitals continue to modify their organizational structure and services offered in response to the changing health care environment and consumer demand. The number of community hospitals slipped under 5,000 in 1999. Hospital beds and beds per thousand population are still decreasing though there remains significant variation across states. Meanwhile, hospital outpatient revenue is increasing; outpatient revenue now represents 34 percent of total hospital revenues, up from 13 percent in 1980 (Charts 2.1 - 2.4).

After declining between 1997 and 1998, the number of hospitals in systems increased in 1999. Horizontal integration strategies can help hospitals achieve economies of scale and increase market leverage. On the other hand, hospitals continued the recent shift away from vertical integration. The percentage of hospitals engaging in various physician relationships or offering insurance products declined again in 1999 after steady increases through the mid-nineties. Hospitals also continued their pull back from non-hospital services including home health, hospice, skilled nursing, and long term care. Medicare reimbursement pressures likely played a role (Charts 2.5 - 2.8).
Chart 2.1:
Number of Community Hospitals\(^{(1)}\)
1980 - 1999


\(^{(1)}\) All nonfederal, short-term general, and special hospitals whose facilities and services are available to the public.

Chart 2.2:
Number of Beds
and Number of Beds per 1,000 Persons
1980 - 1999

Chart 2.3:
Beds per 1,000 by State
1999

Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1999 for community hospitals

Chart 2.4:
Distribution of Outpatient vs. Inpatient Revenues
1980 - 1999

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**Chart 2.5:**
Number of Hospitals in Health Systems\(^{(1)}\)
1985 - 1999

Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1985 - 1999 for community hospitals

\(^{(1)}\) Hospitals that are part of a corporate body that may own and/or manage health provider facilities or health-related subsidiaries as well as non-health-related facilities including freestanding and/or subsidiary corporations

**Chart 2.6:**
Percent of Hospitals with Physician Affiliates\(^{(1)}\)
by Type of Relationship
1994 - 1999

Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1994 - 1999 for community hospitals

\(^{(1)}\) A hospital is considered to have a physician relationship if the relationship exists as part of the hospital or a system or network of which the hospital is a part
Chart 2.7: Percent of Hospitals with Insurance Products by Type of Insurance 1994 - 1999

Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1994 - 1999 for community hospitals

Chart 2.8: Percent of Hospitals Offering “Non-hospital” Services 1995 - 1999

Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1995 - 1999 for community hospitals