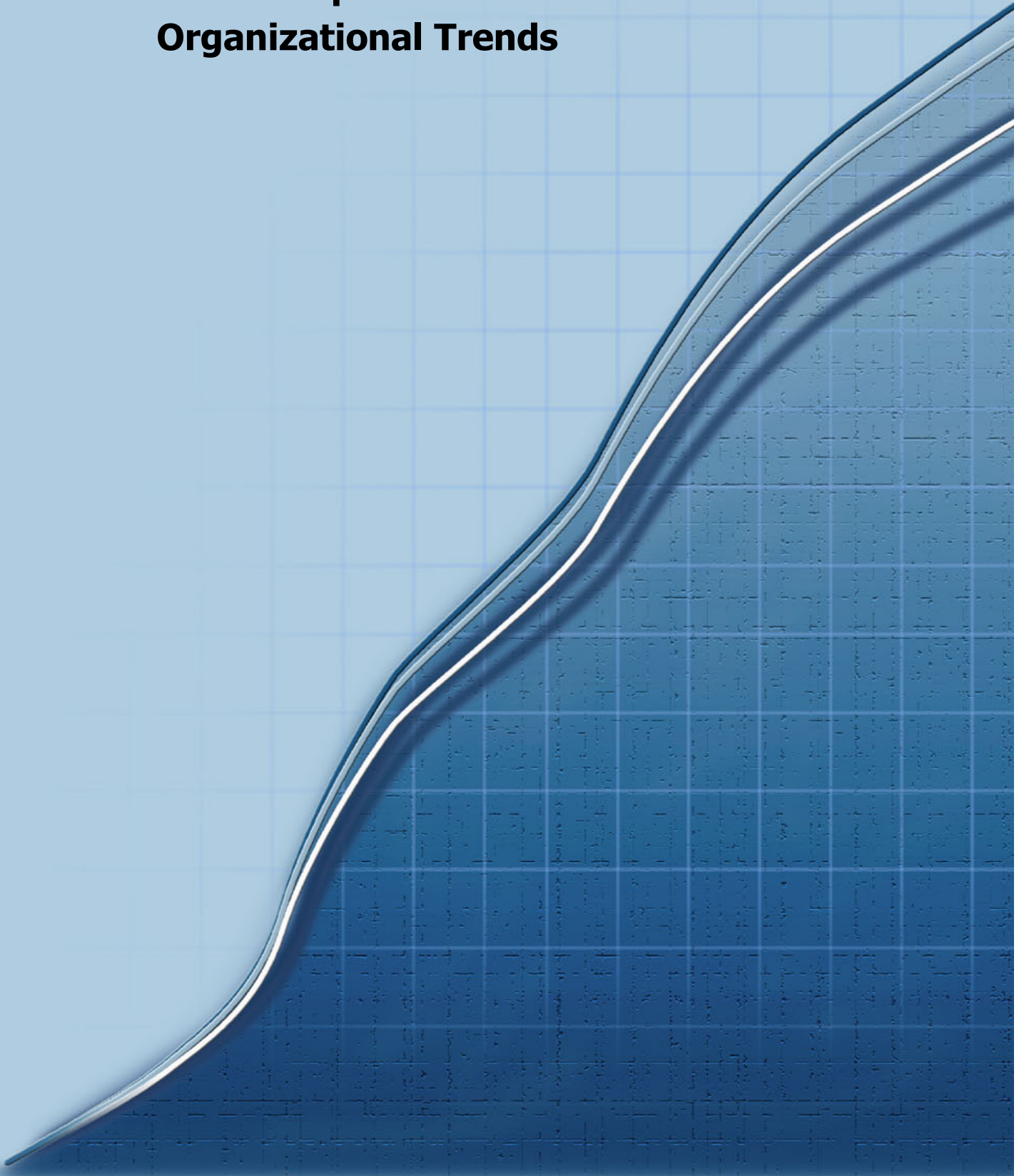


Chapter 2: Organizational Trends





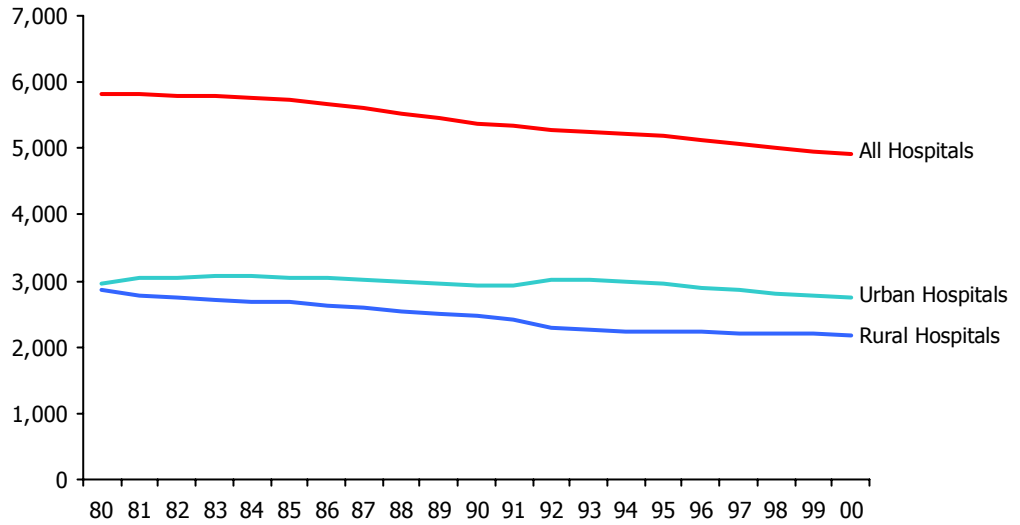
Chapter 2: Organizational Trends

Technological advances, payer pressures, the policy environment, and consumer demand influence hospitals' organizational structure and service offerings. The numbers of community hospitals and hospital beds are still decreasing even as inpatient volume (Chapter 3) has begun to rise. In addition, the number of hospital beds per thousand population continues to decline overall, though the rates for 2000 still show significant variation across states. Hospital outpatient revenue has increased to 35 percent of total hospital revenue, up from 13 percent in 1980 and 23 percent in 1990 (Charts 2.1 - 2.4).

The level of horizontal integration, as measured by the number of hospitals in systems, remained constant after a slight decrease from 1997 to 1998 and a slight increase in 1999. Hospitals continued the recent shift away from vertical integration. The percentage of hospitals engaging in various physician relationships or offering insurance products, two forms of vertical integration, declined again in 2000 after increases through the mid-nineties. With the exception of assisted living, hospitals also continued to curtail non-hospital services including home health, hospice, skilled nursing, and long term care. Medicare reimbursement pressures, specifically BBA, likely played a role. (Charts 2.5 - 2.8).



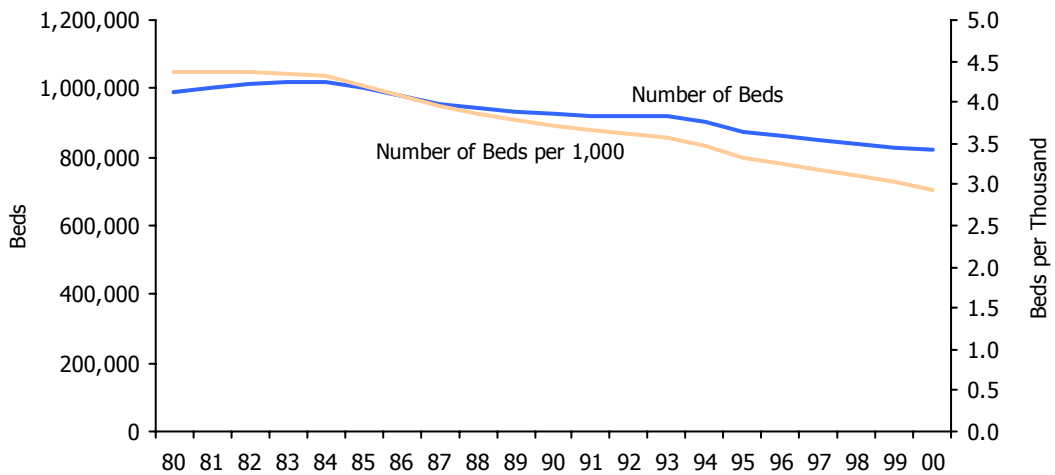
Chart 2.1:
Number of Community Hospitals⁽¹⁾
 1980 - 2000



Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980 - 2000 for community hospitals

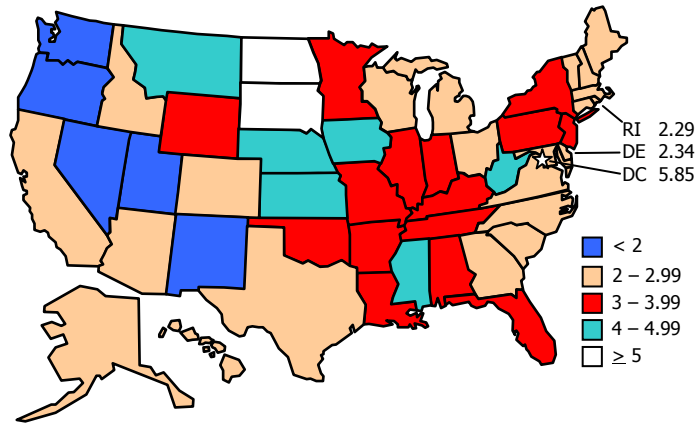
⁽¹⁾ All nonfederal, short-term general, and special hospitals whose facilities and services are available to the public.

Chart 2.2:
Number of Beds
and Number of Beds per 1,000 Persons
 1980 - 2000



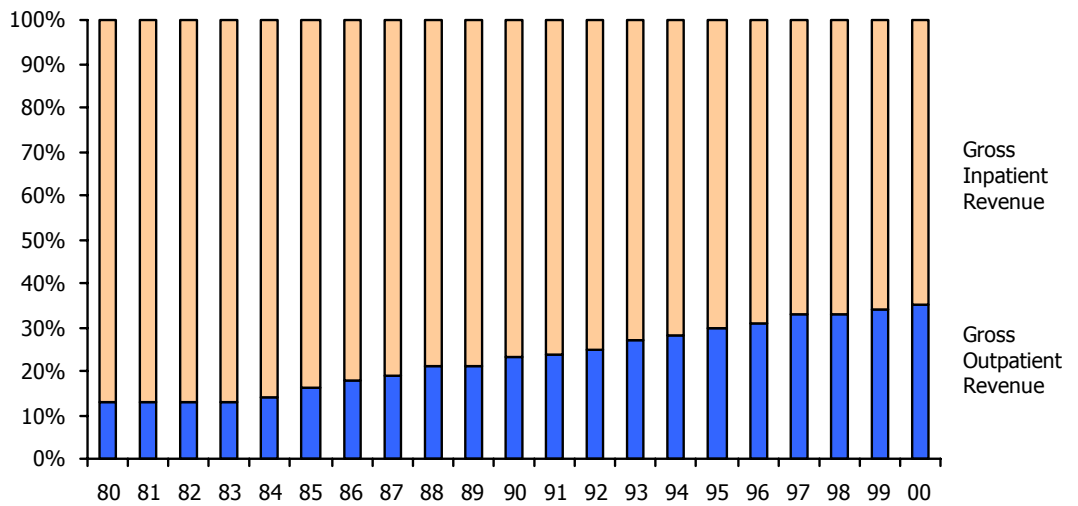
Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980 - 2000 for community hospitals

Chart 2.3:
Beds per 1,000 by State
2000



Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 2000 for community hospitals

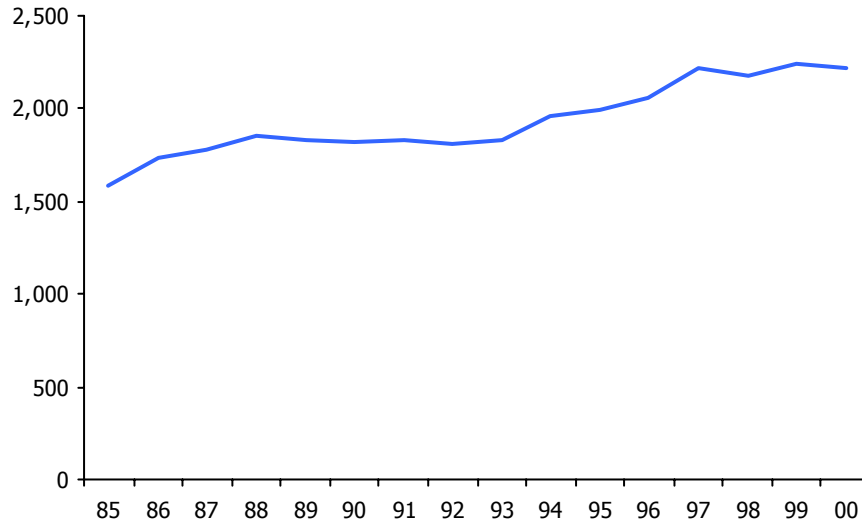
Chart 2.4:
Distribution of Outpatient vs. Inpatient Revenues
1980 - 2000



Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980 - 2000 for community hospitals



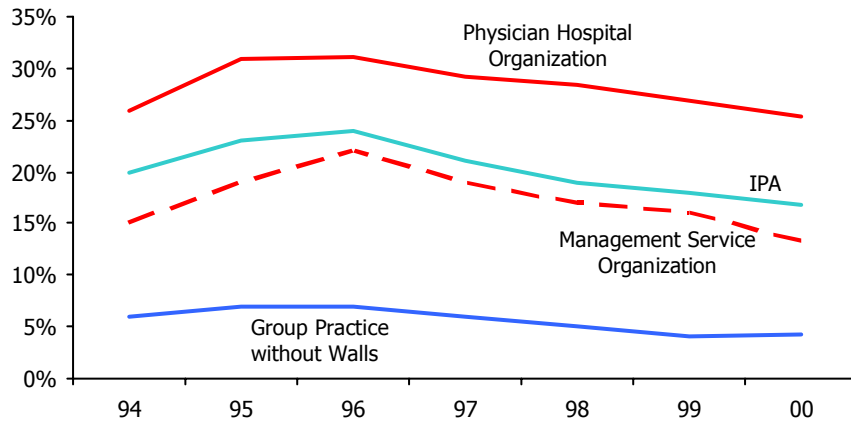
**Chart 2.5:
Number of Hospitals in Health Systems⁽¹⁾
1985 - 2000**



Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1985 - 2000 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:
Percentage of Hospitals with Physician Affiliates⁽¹⁾
by Type of Relationship
1994 - 2000**

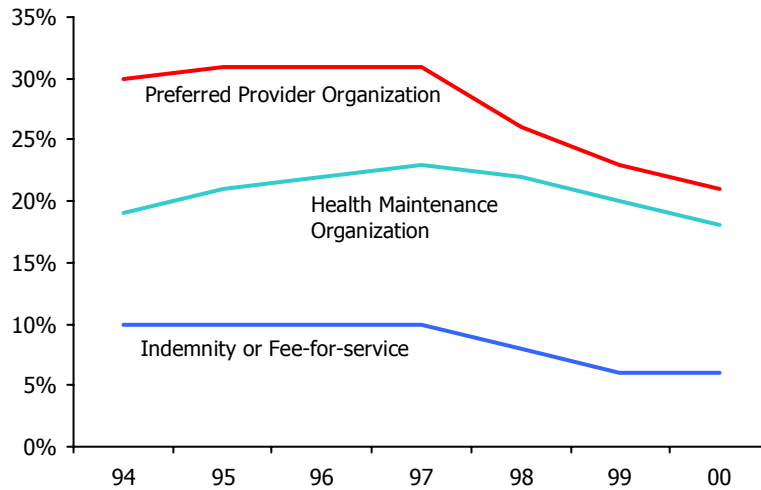


Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1994 - 2000 for community hospitals

⁽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

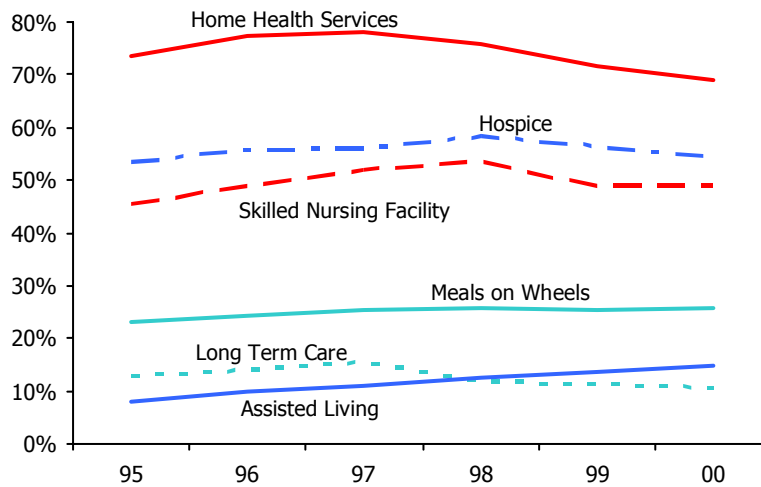


Chart 2.7:
Percentage of Hospitals with Insurance Products
by Type of Insurance
1994 - 2000



Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1994 - 2000 for community hospitals

Chart 2.8:
Percentage of Hospitals Offering “Non-hospital” Services
1995 - 2000



Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1995 - 2000 for community hospitals