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**Trends Affecting Hospitals  
and Health Systems**

*TrendWatch  
Chartbook*

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## *TrendWatch Chartbook 2003*

Trends Affecting  
Hospitals and Health Systems

July 2003

Prepared by  
The Lewin Group, Inc.  
for  
The American Hospital Association

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TrendWatch is a partnership between The American Hospital Association and The Lewin Group designed to provide research and analysis of important and emerging trends in the hospital and health care field. The TrendWatch team members track hospital and health care issues, prepare quarterly reports on emerging and important trends, and offer technical support to AHA and member organizations.

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The American Hospital Association (AHA) is the national organization that represents and serves all types of hospitals, health care networks, and their patients and communities. Close to 5,000 institutional, 600 associate, and 40,000 personal members come together to form the AHA.



The Lewin Group is a strategic health and human services consulting firm with over 30 years' experience in the US and around the world. The Lewin Group's mission is to help improve health policy and increase knowledge about health and human services systems worldwide.



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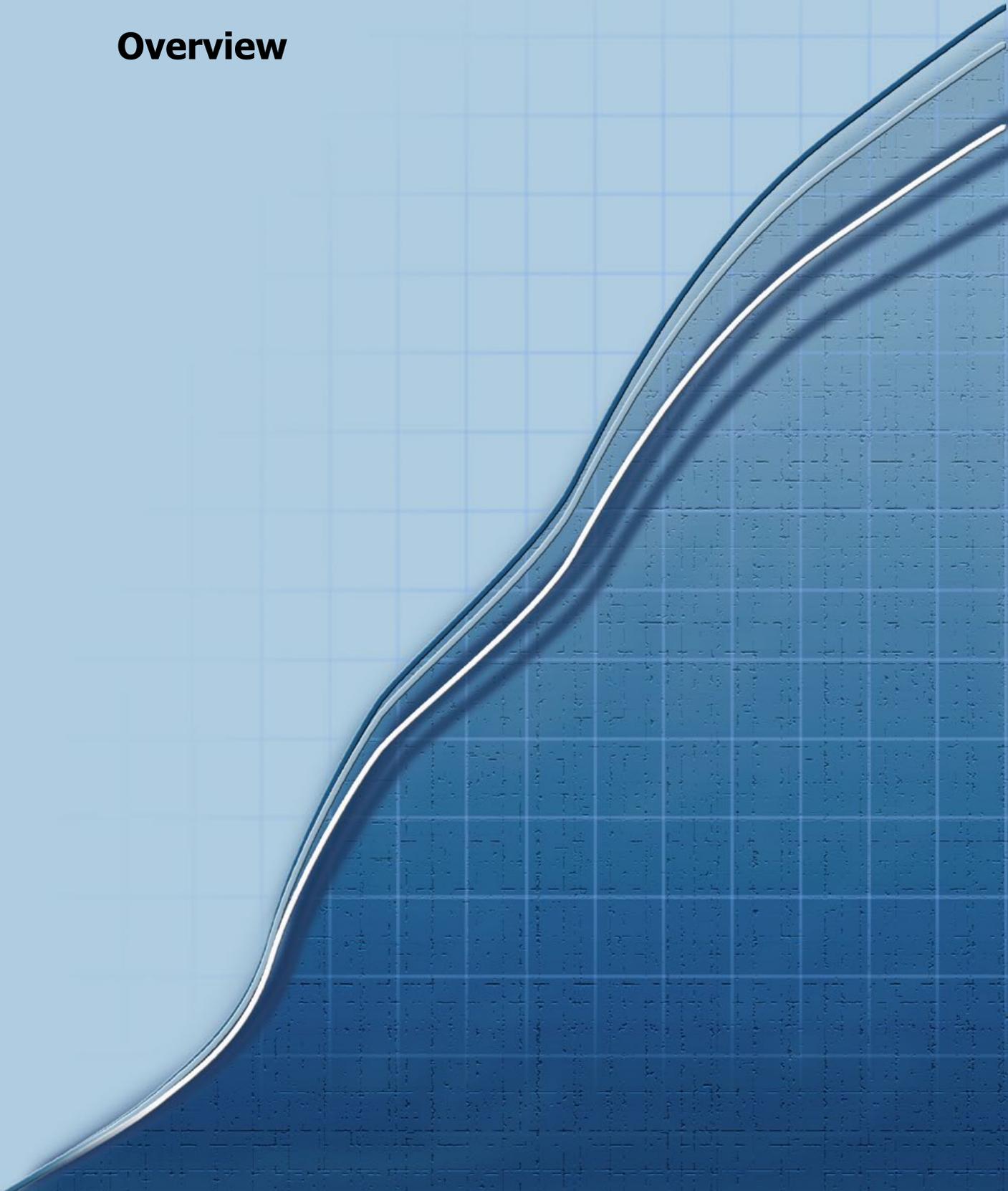
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# Overview



## Overview

After a decade hiatus, debate on health care reform at the national level has re-emerged. Recognizing that health care spending is growing rapidly, every 2004 Democratic presidential hopeful has unveiled a plan to overhaul the health care system and provide coverage to the growing ranks of the uninsured. Policy makers, researchers and other constituencies are discussing whether and what interventions may be necessary to control health care costs, as they did in the early 1990s.

Premiums for private health coverage are continuing their double-digit increases, after abating in the mid-1990s due, in part, to tightly managed care. With the labor market becoming less tight, employers are attempting to pass more of the costs of health care onto employees by increasing cost sharing and considering other cost containment strategies. The long-term effects of these strategies remains to be seen.

In addition, Congress and the Administration are again considering changes to Medicare, including adding a prescription drug benefit for seniors. Despite declining enrollment and widespread health plan withdrawals from the Medicare+Choice program, many decision makers are committed to an active role for private health plans in Medicare.

Meanwhile, old problems are re-surfacing with a new urgency for states as they face their worst fiscal crisis in decades. States are struggling to fund Medicaid in the wake of a sharp drop in tax revenues resulting from national manufacturing and stock market declines, the economic impact of terrorism, and a recession. In fiscal year 2003, states closed their largest budget gaps in 50 years and, for many states, the fiscal year 2004 budget gaps are just as large. In spite of a new federal law providing \$10 billion in fiscal relief to states for their Medicaid programs, many states are still facing difficulties funding current levels of benefits. The Congressional Budget Office is projecting average annual growth rates of 8.5 percent for Medicaid – slower than in the past decade, but still a funding challenge for states.

Hospitals continue to cope with challenges that they have faced in the past. After leveling off between 1999 and 2000, total hospital margins have continued their slide since the mid-1990s. Decreases in non-operating income contributed to the decline in total margins, cushioned by increases in operating margins. Margins for patient care, up slightly, remain negative and 29 percent of hospitals are losing money. Half of hospitals rated by Standard & Poor's received BBB or below credit ratings, which likely affects their ability to access capital – necessary for modernizing aging hospital facilities. Yet, demand for inpatient and outpatient hospital services continues to increase.

Hospitals are also coping with more recent challenges. Between 2000 and 2001, spending on hospital services grew 8.3 percent. Costs are rising sharply for many of the goods and services hospitals purchase to provide care, including labor, pharmaceuticals, and medical devices. It is well-known that hospitals and other health care providers are facing a severe nursing shortage. What is less well-known is that they also are confronting shortages of coding specialists, skilled radiology technicians, and pharmacists. Hospitals must offer increasingly higher wages to be competitive with other health care providers and other opportunities for skilled staff. In addition, demand for progressively newer, more effective drugs and medical devices has also put upward pressure on hospital costs.

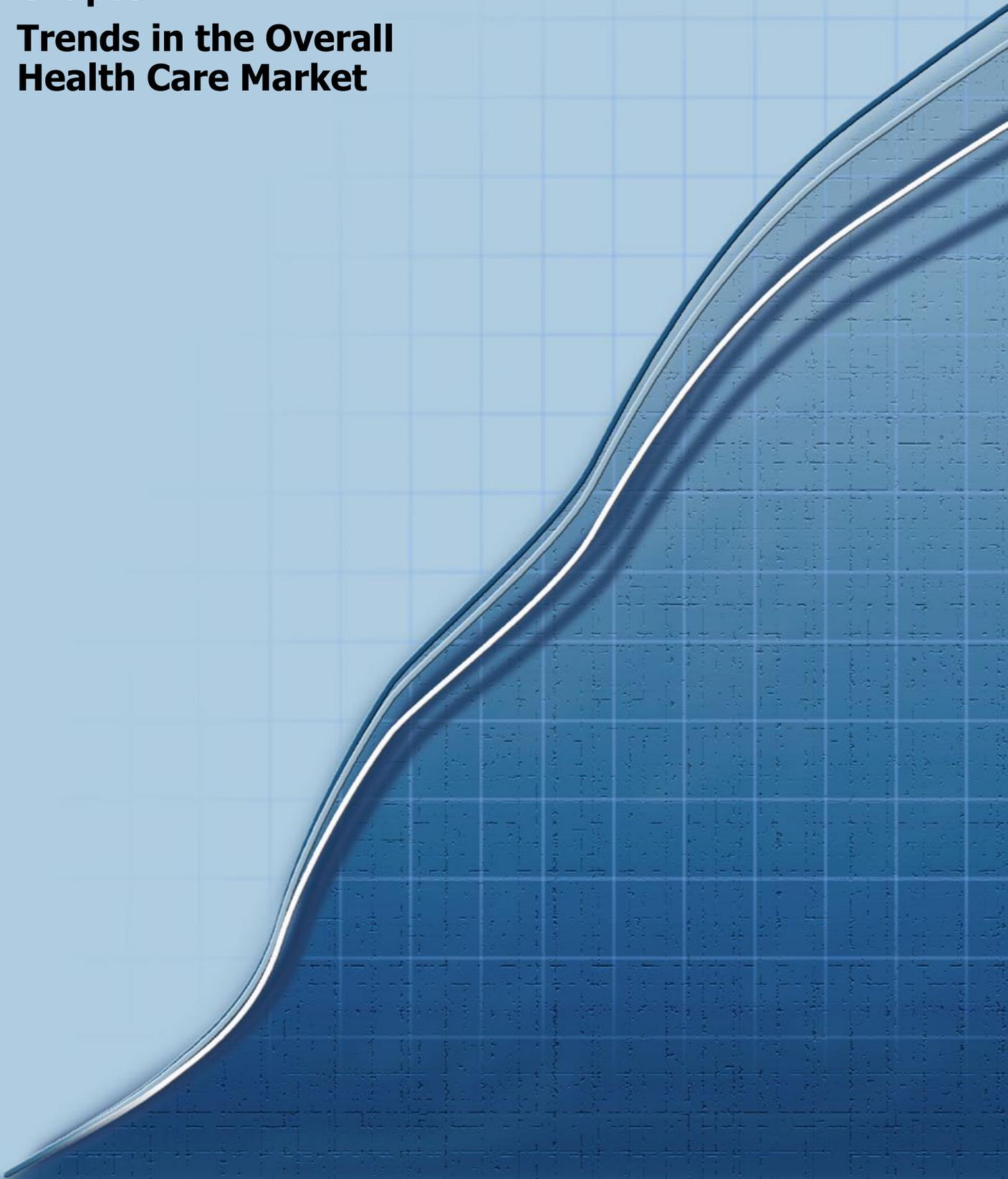
Additional provider challenges include the medical liability insurance crisis and its potential impact on access to care. Finally, hospitals must meet new requirements for disaster readiness and the privacy and security of medical information with limited additional public funds.

The following charts present an analysis of trends in the hospital field within the context of the broader environment for health care. Hospital data are drawn primarily from the American Hospital Association Annual Surveys. Other data come from a variety of sources. The Chartbook begins with a chapter on overall trends in health care spending, financing and coverage. The next four chapters examine trends specific to the hospital field, including organizational trends, volume and utilization, financing, and workforce issues.



# **Chapter 1:**

## **Trends in the Overall Health Care Market**



# Chapter 1:

## Trends in the Overall Health Care Market

### *National Health Spending*

In 2001, national spending on health services grew by 8.7 percent — the largest increase since 1991. As a consequence, spending per capita continued to rise. Though health spending as a percentage of Gross Domestic Product (GDP) grew by almost one percentage point to 14.1 percent, the greatest increase in over 20 years, this was likely due to slower economic growth, not a jump in health spending<sup>(1)</sup> (Charts 1.1 – 1.4).

Not surprisingly, national expenditures for health services and supplies grew across the board, with spending on hospital care growing 8.3 percent from 2000 to 2001, as compared to a 5.8 percent increase between 1999 and 2000. While still the largest component of national health expenditures, the percentage of national health expenditures devoted to hospital care was steady (at about 32.9 percent in 2001). Expenditures for physician and other professional services and hospital care saw the greatest increases. After negative growth from 1998 to 2000, spending on home health care increased by 4.5 percent between 2000 and 2001. This turnabout is largely a result of legislative changes including the implementation of the Balanced Budget Act (BBA), the Balanced Budget Refinement Act (BBRA), and the Benefits Improvement and Protection Act (BIPA)<sup>(2)</sup> (Charts 1.5 – 1.8).

For the second year in a row, growth in drug spending decelerated, though it still represented the highest growth category at 15.7 percent. The decrease may be due to a slowdown in the rate of new product introduction and the introduction of tiered drug plan structures.<sup>(3)</sup> However, prescription drug spending for both private health plans and consumers continued to rise, as did out-of-pocket payment for health expenditures overall (Charts 1.10 – 1.12).

<sup>(1)</sup> K. Levit et al, "Trends in U.S. Health Care Spending, 2001", *Health Affairs* (Jan/Feb 2003): 154–164.

<sup>(2)</sup> Ibid

<sup>(3)</sup> B. Strunk & P. Ginsburg, "Tracking Health Care Costs: Trends Stabilize But Remain High in 2002," *Health Affairs* 11 June 2003, <http://www.healthaffairs.org/WebExclusives/2204Strunk.pdf>

### *Trends in Health Care Coverage and Premiums*

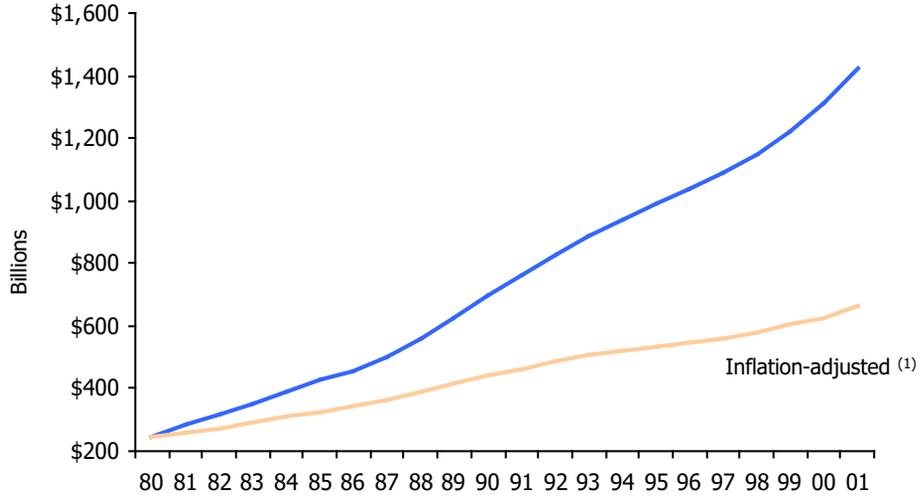
After a two year decline, the percentage of the population uninsured nationally increased to 14.6 percent in 2001 representing 41.2 million individuals. This change likely reflects the impact of the economic slowdown, rising unemployment, pressures on state Medicaid budgets, and employer efforts to stem premium growth. When the economy lags, employers are more likely to cut health benefits to curtail premium increases and states are more likely to scale back benefits in response to budgetary pressures. Variation in rates of uninsurance is seen throughout the US; states along the southern border have generally higher average rates (Charts 1.15 – 1.16).

Between 2000 and 2001, the percentage of individuals under private coverage decreased from 71.9 percent to 70.9 percent. After a 6.0 point decline between 2000 and 2001, the proportion of employer sponsored health insurance enrollment in HMO plans rose 3.0 points to 26 percent in 2002. The proportion of enrollment in PPOs continued to increase from 48 percent in 2001 to 52 percent in 2002. Enrollment in conventional plans declined from 7 to 4 percent over the same period (Charts 1.14 and 1.22).

Enrollment in public insurance programs increased. Medicare enrollment increased about one half percent between 2001 and 2002 continuing the growth path seen since 1980. In addition, Medicaid enrollment increased slightly with adult enrollment increasing by 1.4 million individuals to 10.4 million. After sharp increases between 1991 and 1998, Medicaid managed care enrollment continued to hold steady, while the percentage of beneficiaries enrolled in Medicare HMOs declined for the second year in a row from 15 percent in 2001 to 13 percent in 2002 (Charts 1.17 – 1.18, 1.23, 1.25). Enrollment in SCHIP continued to accelerate, growing from 4.6 million in 2001 to 5.3 million in 2002 (Chart 1.19).

Double-digit increases in private health insurance premiums seen in 2001 continued in 2002, with a 12.7 percent increase. Consumer backlash against managed care may be contributing to increased premiums as health plans ease controls on choice and utilization (Chart 1.27). The rate of change in spending per enrollee for both private health insurance and Medicare continues to rise; private health insurance spending per enrollee increased more than at any time since 1991 (Chart 1.24).

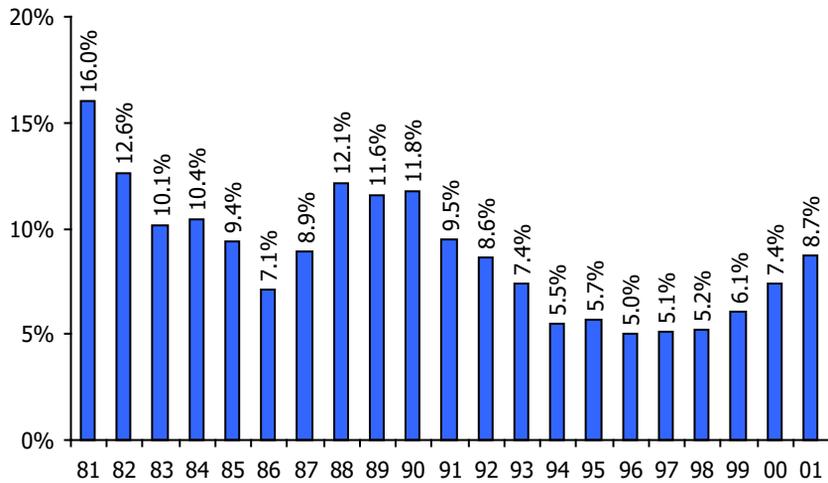
**Chart 1.1:**  
**Total National Health Expenditures**  
**1980 - 2001**



Source: Centers for Medicare & Medicaid Services, Office of the Actuary

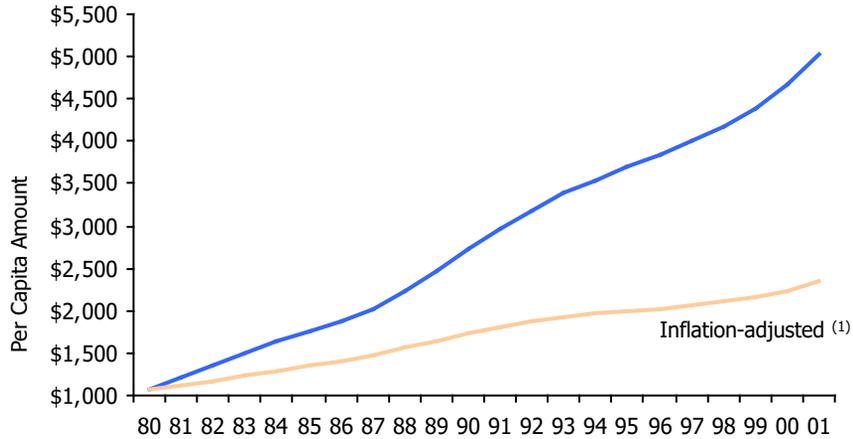
(1) Expressed in 1980 dollars; adjusted using the overall Consumer Price Index for All Urban Consumers

**Chart 1.2:**  
**Percent Change in Total National Health Expenditures**  
**1981 - 2001**



Source: Centers for Medicare & Medicaid Services, Office of the Actuary

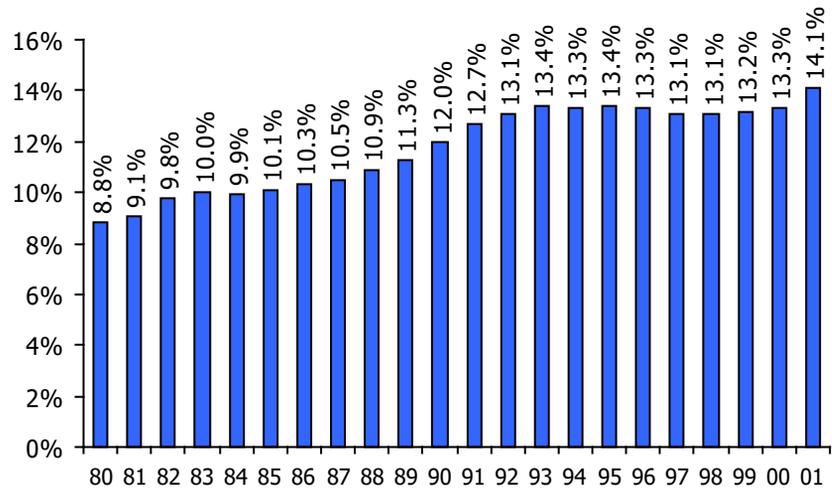
**Chart 1.3:**  
**Per Capita National Health Expenditures**  
**1980 - 2001**



Source: Centers for Medicare & Medicaid Services, Office of the Actuary

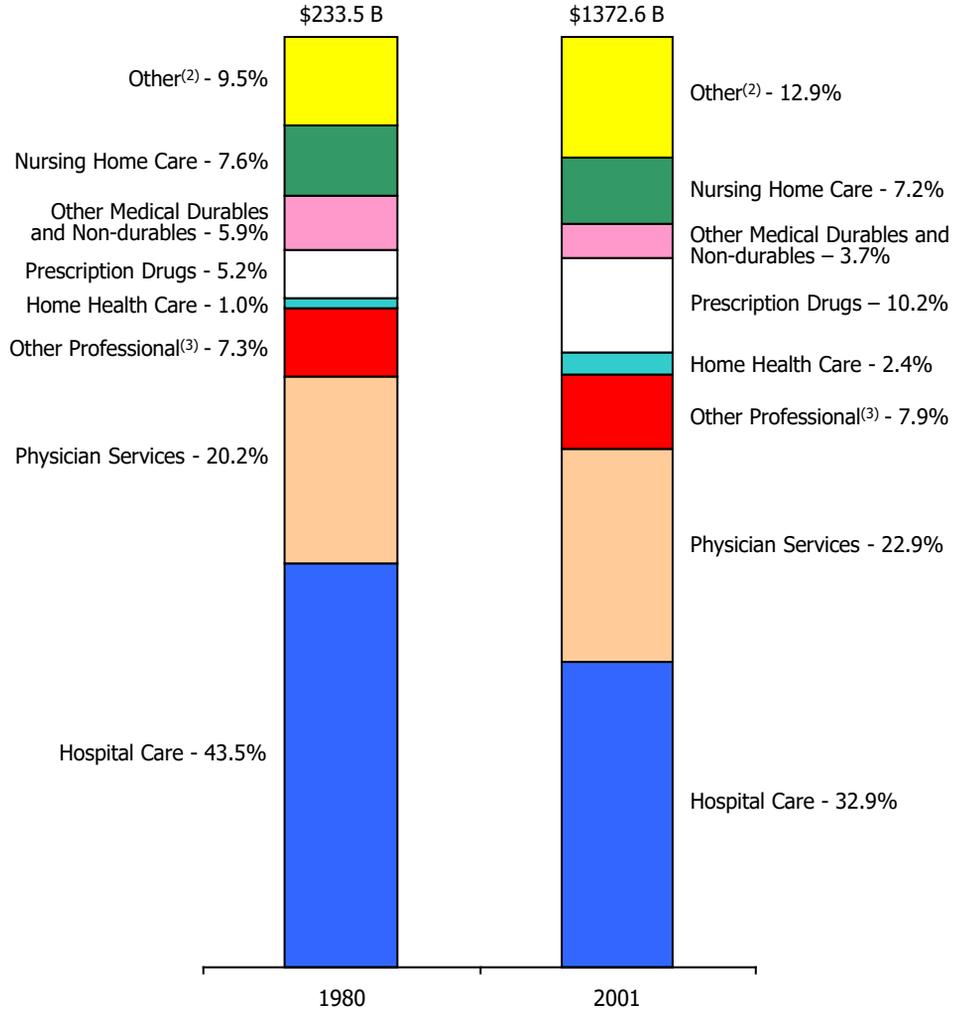
(1) Expressed in 1980 dollars; adjusted using the overall Consumer Price Index for All Urban Consumers

**Chart 1.4:**  
**National Health Expenditures**  
**as a Percentage of Gross Domestic Product**  
**1980 - 2001**



Source: Centers for Medicare & Medicaid Services, Office of the Actuary

**Chart 1.5:  
National Expenditures for Health Services  
and Supplies<sup>(1)</sup> by Category  
1980 and 2001**



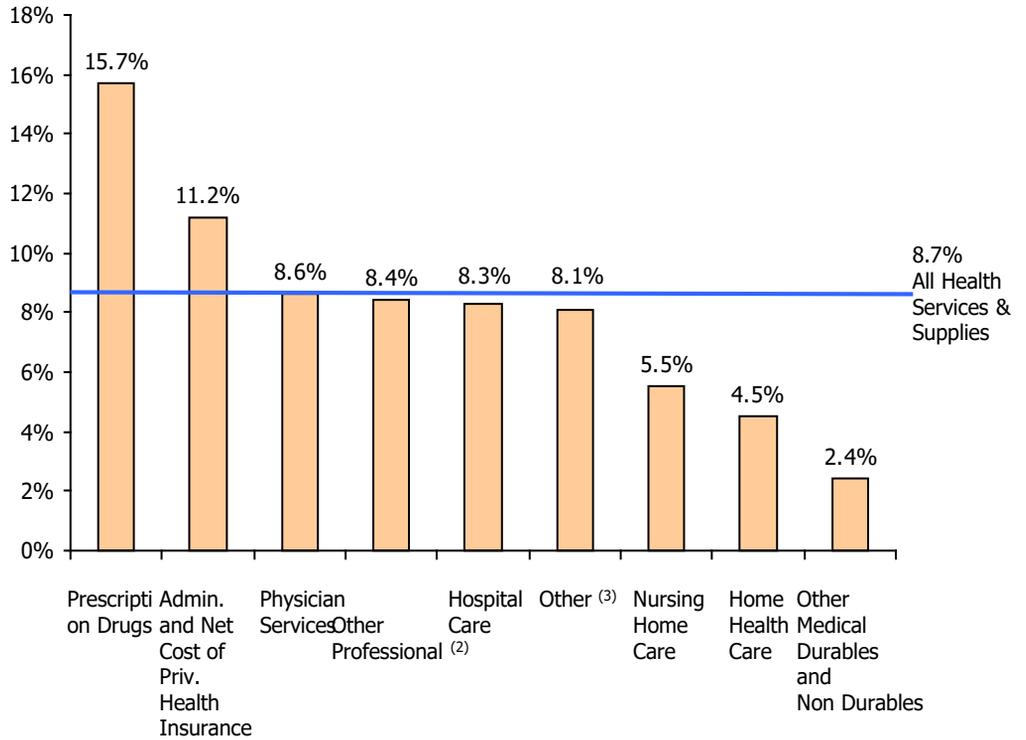
Source: Centers for Medicare & Medicaid Services, Office of the Actuary

(1) Excludes medical research and medical facilities construction

(2) "Other" includes net cost of insurance and administration, government public health activities, and other personal health care

(3) "Other professional" includes dental and other non-physician professional services

**Chart 1.6:  
Percent Change in National Expenditures for Health  
Services and Supplies<sup>(1)</sup> by Category  
2000 - 2001**



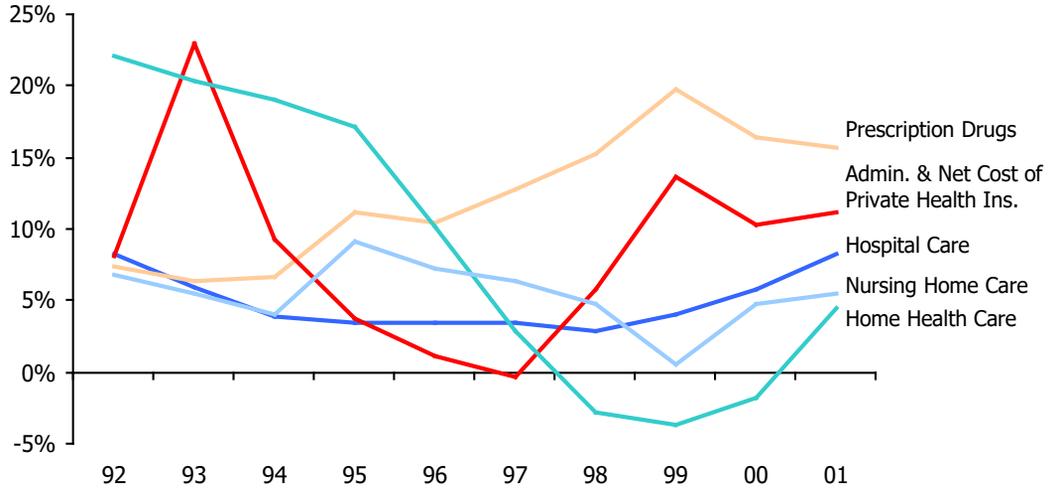
Source: Centers for Medicare & Medicaid Services, Office of the Actuary

<sup>(1)</sup> Excludes medical research and medical facilities construction

<sup>(2)</sup> "Other professional" includes dental and other non-physician professional services

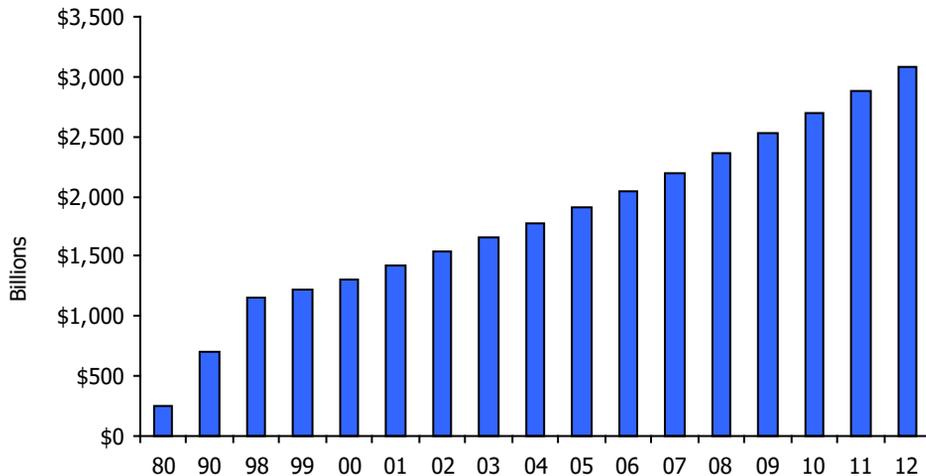
<sup>(3)</sup> "Other" includes government public health activities and other personal health care

**Chart 1.7:**  
**Percent Change in National Expenditures for Selected Health Services and Supplies 1992 - 2001**



Source: Centers for Medicare & Medicaid Services, Office of the Actuary

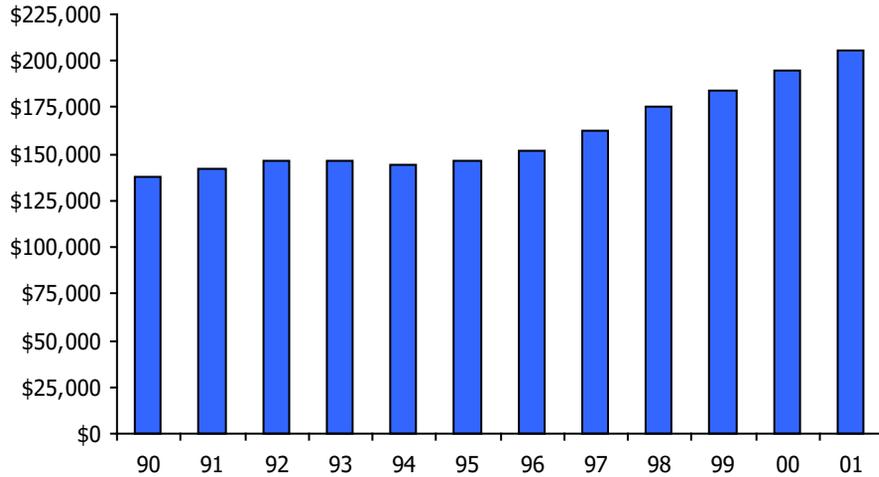
**Chart 1.8:**  
**National Health Expenditures<sup>(1)</sup> 1980 - 2012**



Source: Centers for Medicare & Medicaid Services, Office of the Actuary

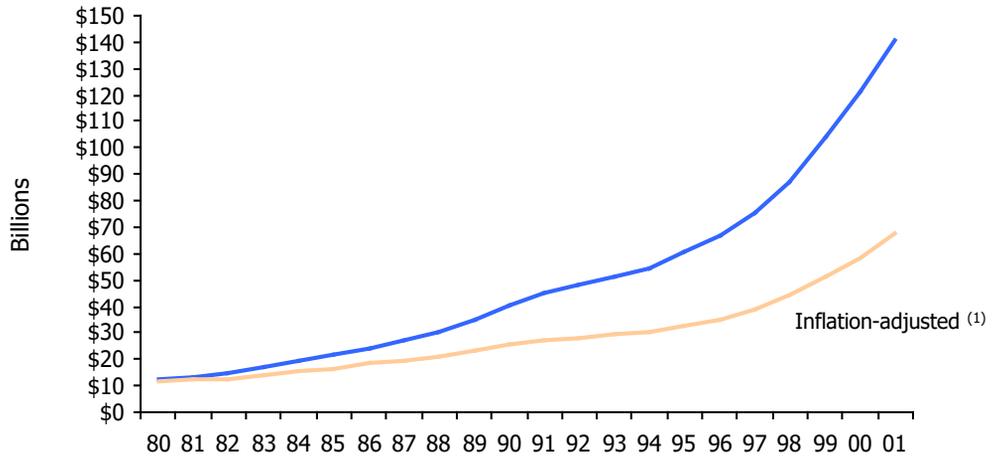
<sup>(1)</sup> Years 2002 - 2012 are projections

**Chart 1.9:**  
**Out-of-Pocket Payments for Health Expenditures**  
**1990 - 2001**



Source: Centers for Medicare & Medicaid Services, Office of the Actuary

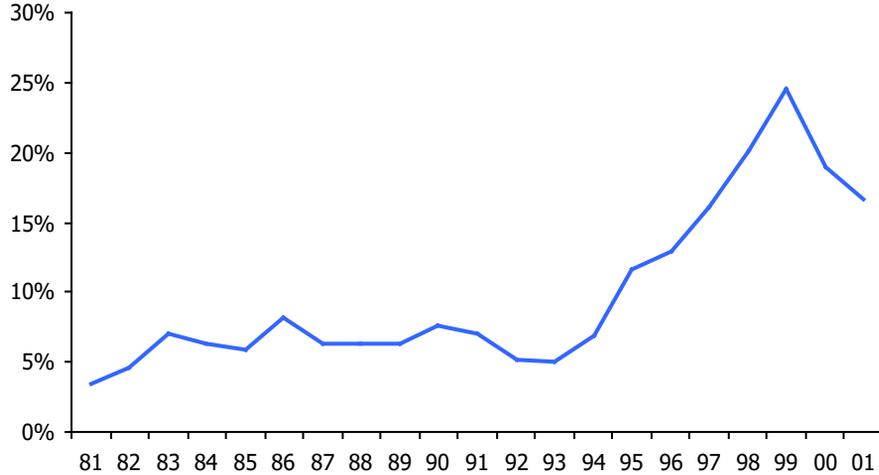
**Chart 1.10:**  
**Total Prescription Drug Spending**  
**1980 - 2001**



Source: Centers for Medicare & Medicaid Services, Office of the Actuary

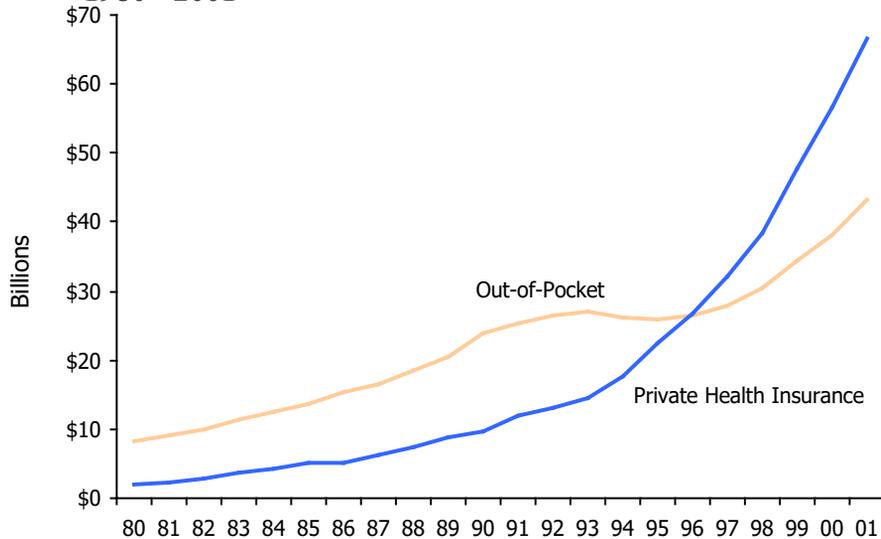
(1) Expressed in 1980 dollars; adjusted using the overall Consumer Price Index for All Urban Consumers

**Chart 1.11:**  
**Growth in Total Prescription Drug Spending**  
**as a Percentage of Total Growth in National Health Expenditures**  
**1980 - 2001**



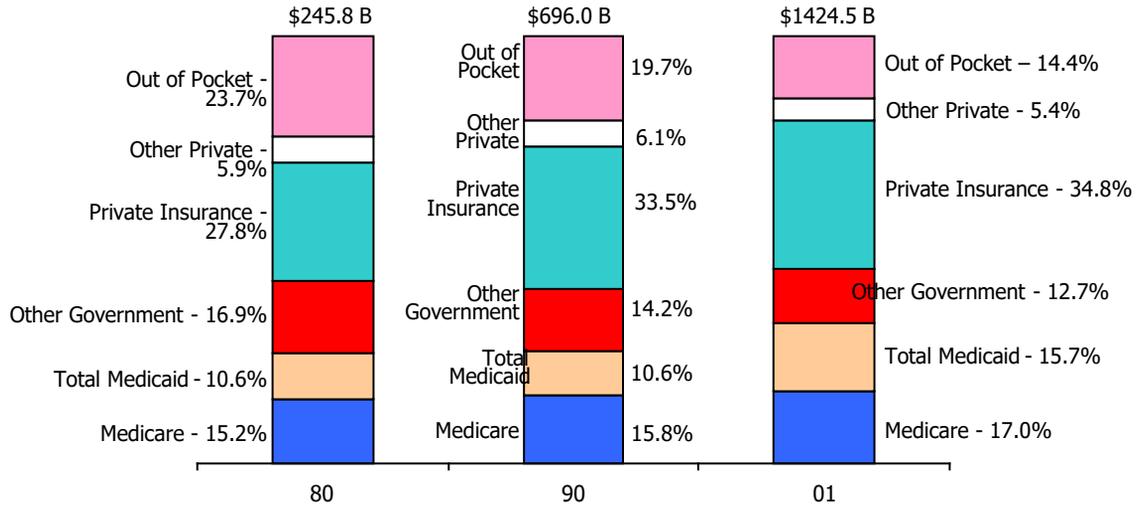
Source: Centers for Medicare & Medicaid Services, Office of the Actuary

**Chart 1.12:**  
**Consumer Out-of-Pocket Spending vs. Private Health**  
**Insurance Spending for Prescription Drugs**  
**1980 - 2001**



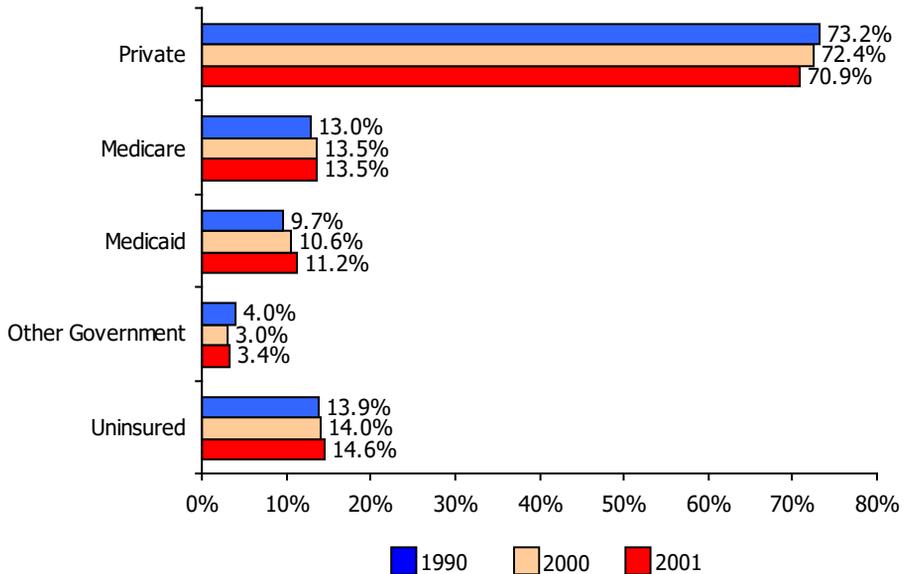
Source: Centers for Medicare & Medicaid Services, Office of the Actuary

**Chart 1.13:**  
**Distribution of National Health Expenditures**  
**by Source of Payment**  
**1980, 1990, and 2001**



Source: Centers for Medicare & Medicaid Services, Office of the Actuary

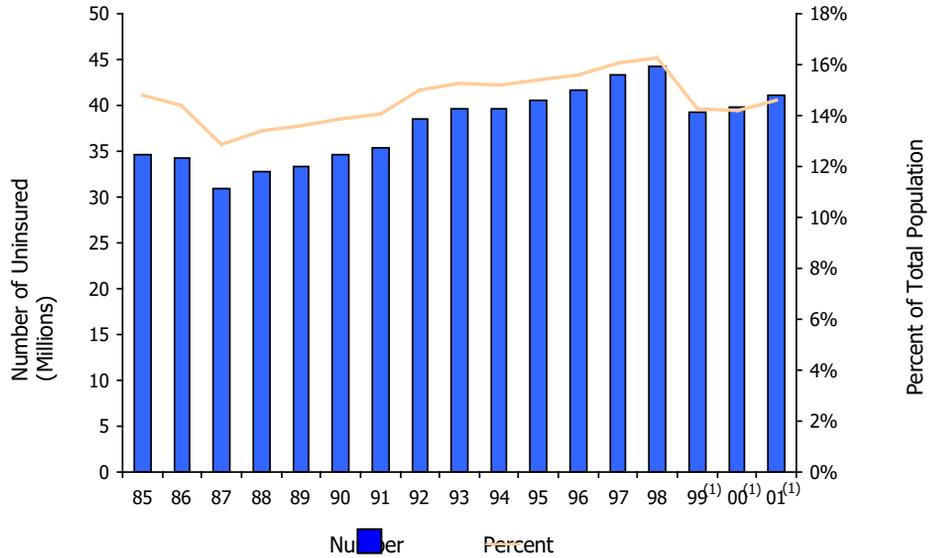
**Chart 1.14:**  
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**Percentage of Population Covered by Payer**  
**1990, 2000, and 2001<sup>(1)</sup>**



Source: US Census Bureau

<sup>(1)</sup> 2000 and 2001 data use population estimates based on Census 2000.

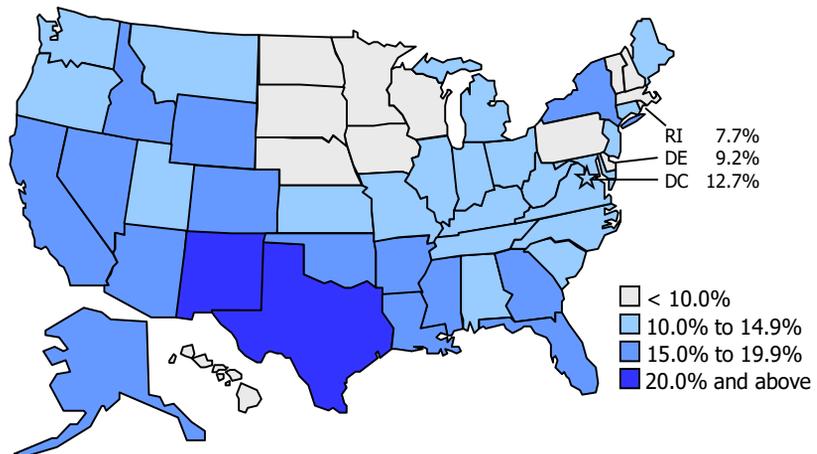
**Chart 1.15:**  
**Number and Percent Uninsured<sup>(1)</sup>**  
**1985 - 2001**



Source: US Census Bureau

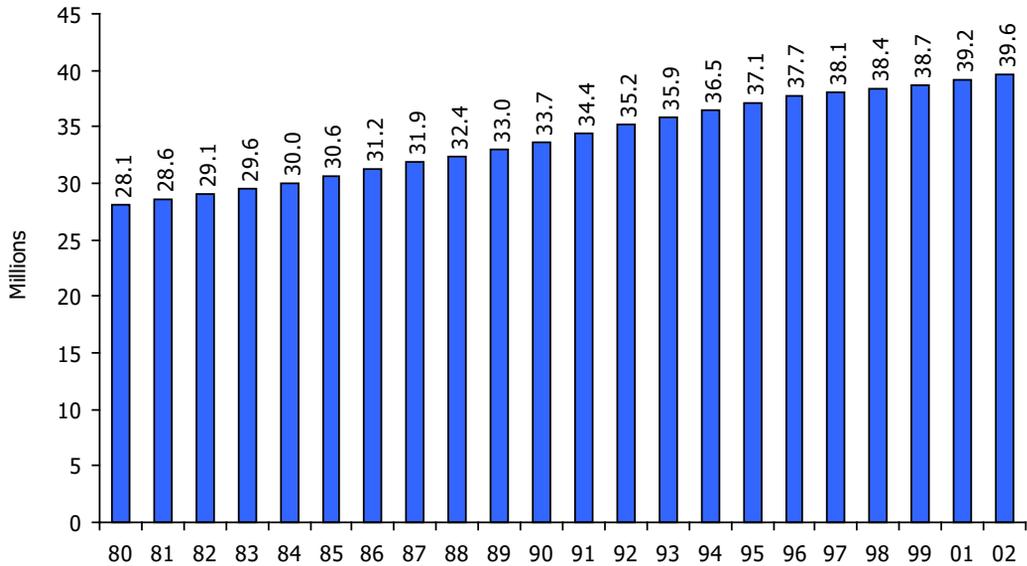
<sup>(1)</sup> 1999, 2000, and 2001 data use population estimates based on Census 2000

**Chart 1.16:**  
**Percent Uninsured by State**  
**2001**



Source: US Census Bureau

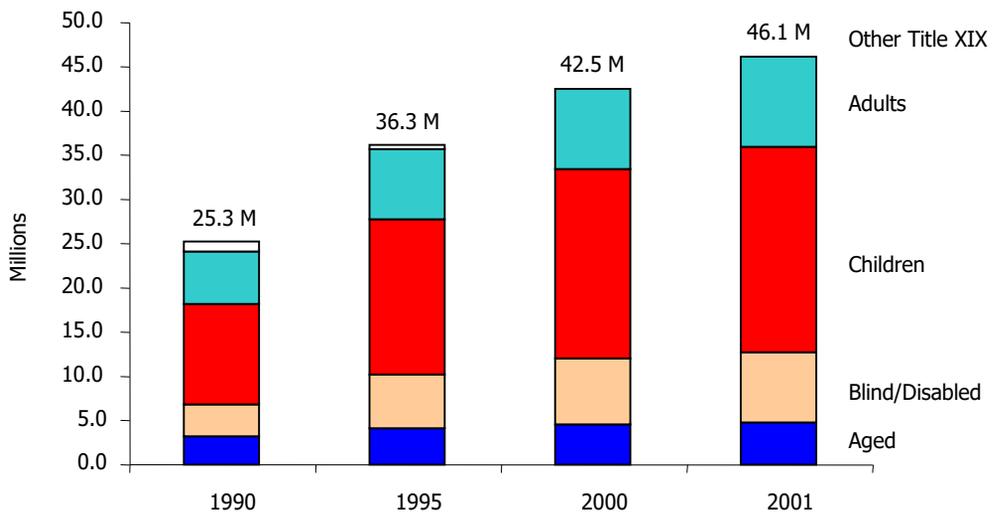
**Chart 1.17:**  
**Medicare Enrollees<sup>(1)</sup>**  
**1980 - 2002**



Source: Centers for Medicare & Medicaid Services

<sup>(1)</sup> Hospital insurance (Part A) enrollees only; includes all persons (aged and disabled)

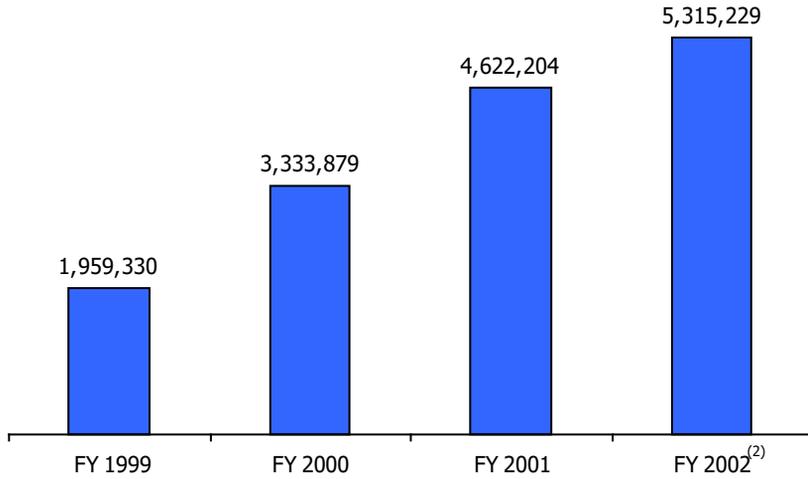
**Chart 1.18:**  
**Medicaid Enrollees<sup>(1)</sup>**  
**1990, 1995, 2000, and 2001**



Source: Centers for Medicare & Medicaid Services

<sup>(1)</sup> Does not include S-CHIP Enrollees

**Chart 1.19:**  
**National SCHIP Enrollment<sup>(1)</sup>**  
**FY 1999 - FY 2002**

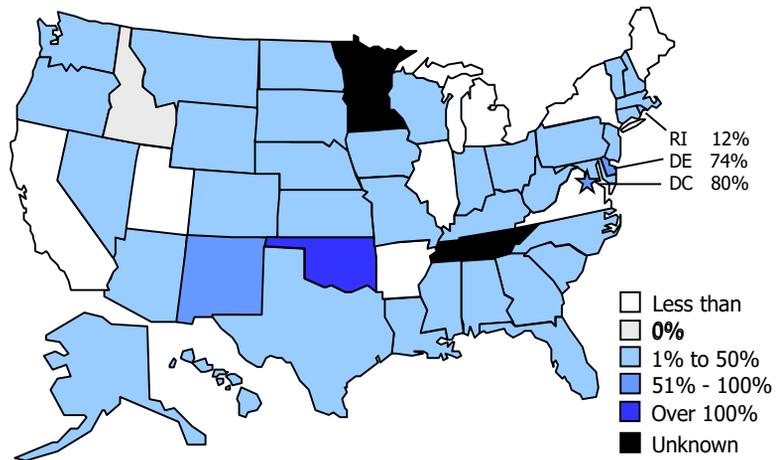


Source: Centers for Medicare & Medicaid Services

<sup>(1)</sup> Number of children enrolled at any point in the year

<sup>(2)</sup> Preliminary data for 2002 updated as of January 30, 2003

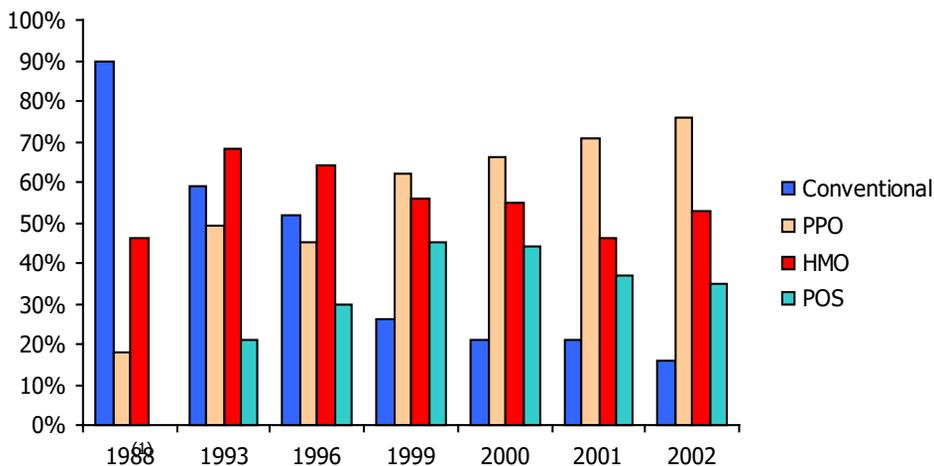
**Chart 1.20:**  
**Percent Change in SCHIP Enrollment By State**  
**FY 2001 - FY 2002<sup>(1)</sup>**



Source: Centers for Medicare & Medicaid Services

<sup>(1)</sup> Preliminary data for 2002 updated as of January 30, 2003

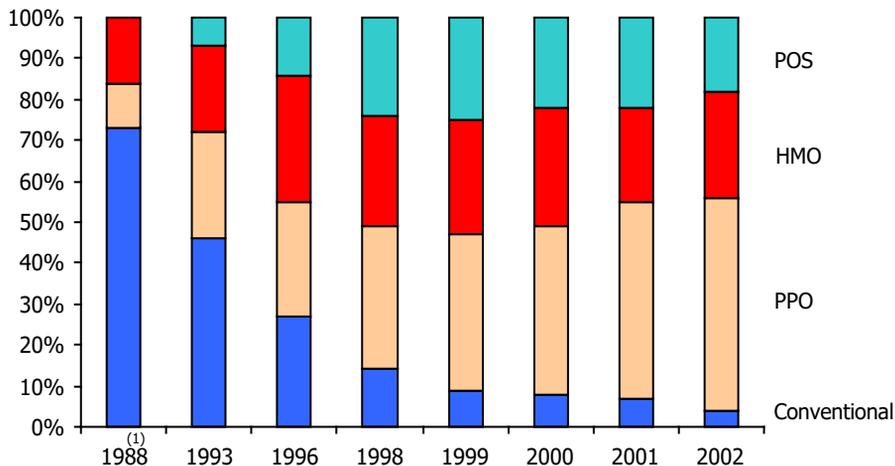
**Chart 1.21:**  
**Percentage of Employees with Employer-based Coverage**  
**Who Can Choose Conventional, PPO, HMO and POS Plans**  
**1988 - 2002**



Source: The Kaiser Family Foundation and Health Research and Educational Trust, *Employer Health Benefits 2000, 2001, and 2002 Annual Surveys*

(1) Point-of-service plans not separately identified

**Chart 1.22:**  
**Distribution of Employer-sponsored Health Insurance Enrollment by**  
**Type of Plan**  
**1988 - 2002**

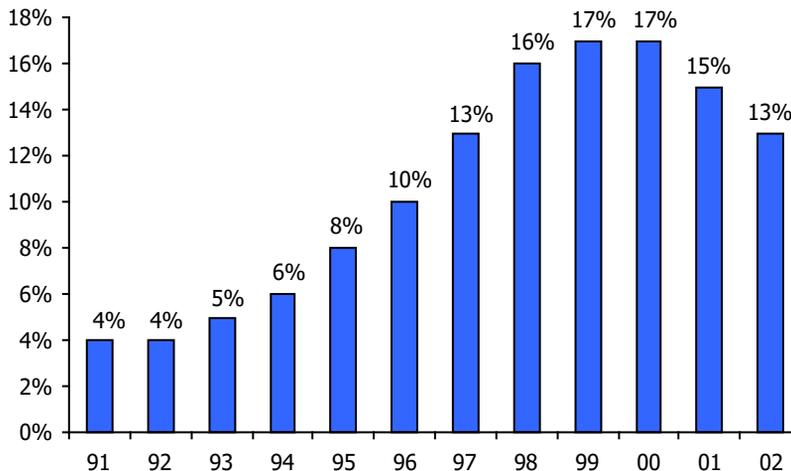


Source: The Kaiser Family Foundation and Health Research and Educational Trust, *Employer Health Benefits 2002 Annual Survey*

(1) Point-of-service plans not separately identified

**Chart 1.23:**  
**Percentage of Medicare Beneficiaries Enrolled**  
**in Medicare Managed Care**  
**1991 - 2002**

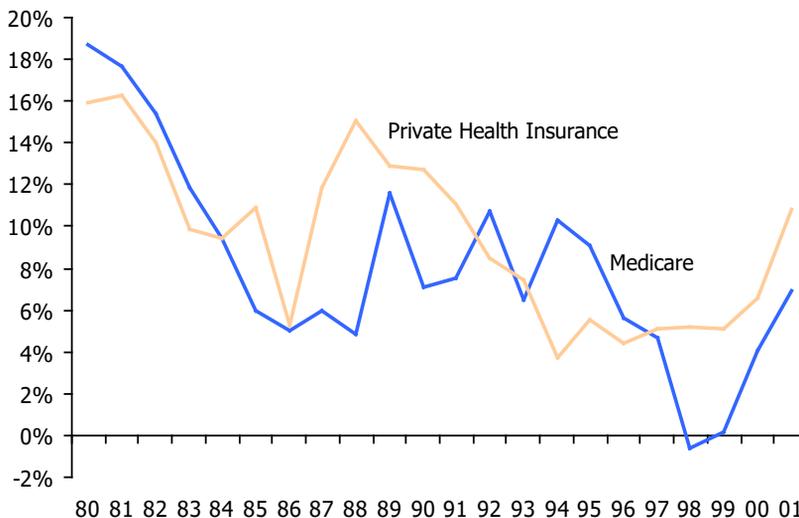
(1)



Source: Centers for Medicare & Medicaid Services, Office of the Actuary

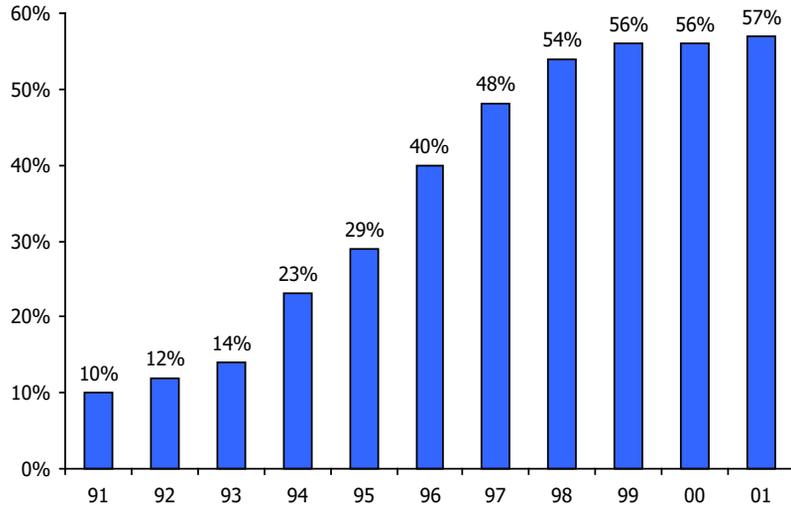
(1) Percentages are risk enrollees divided by enrollees who have both hospital insurance and supplementary medical insurance

**Chart 1.24:**  
**Percent Growth in Medicare Spending per Beneficiary vs.**  
**Private Health Insurance Spending per Enrollee**  
**1980 - 2001**



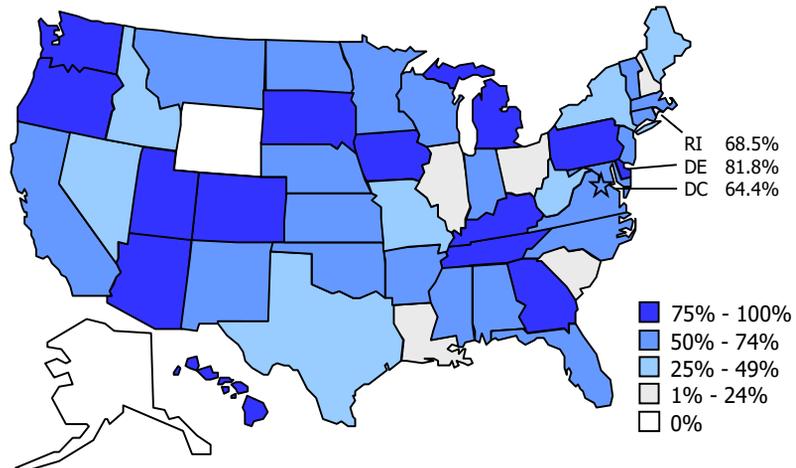
Source: Centers for Medicare & Medicaid Services, Office of the Actuary

**Chart 1.25:**  
**Percentage of Medicaid Beneficiaries Enrolled**  
**in Medicaid Managed Care**  
**1991 - 2001**



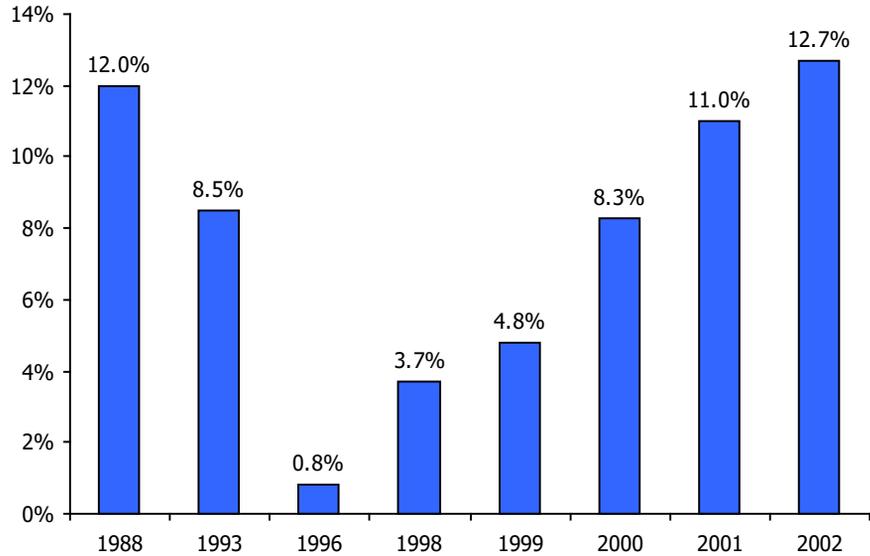
Source: Centers for Medicare & Medicaid Services, Office of the Actuary

**Chart 1.26:**  
**Percentage of Medicaid Beneficiaries Enrolled**  
**in Medicaid Managed Care by State**  
**2001**



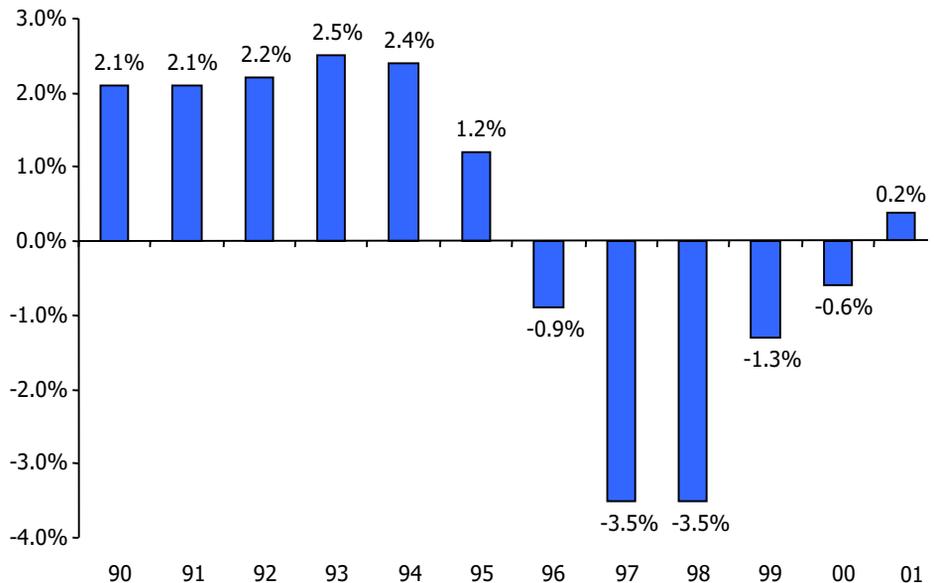
Source: Centers for Medicare & Medicaid Services, Office of the Actuary

**Chart 1.27:**  
**Annual Change in Health Insurance Premiums**  
**1988 - 2002**



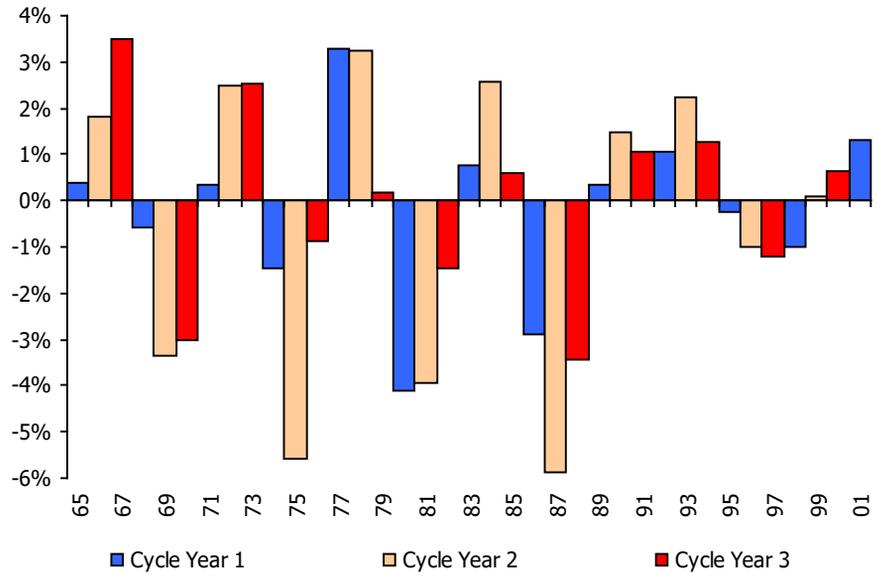
Source: The Kaiser Family Foundation and Health Research and Educational Trust, Employer Health Benefits 1999, 2000, 2001, and 2002 Annual Surveys

**Chart 1.28:**  
**HMO Plan Median Operating Margins**  
**1990 - 2001**



Source: Interstudy Competitive Edge: HMO Industry Report 12.2

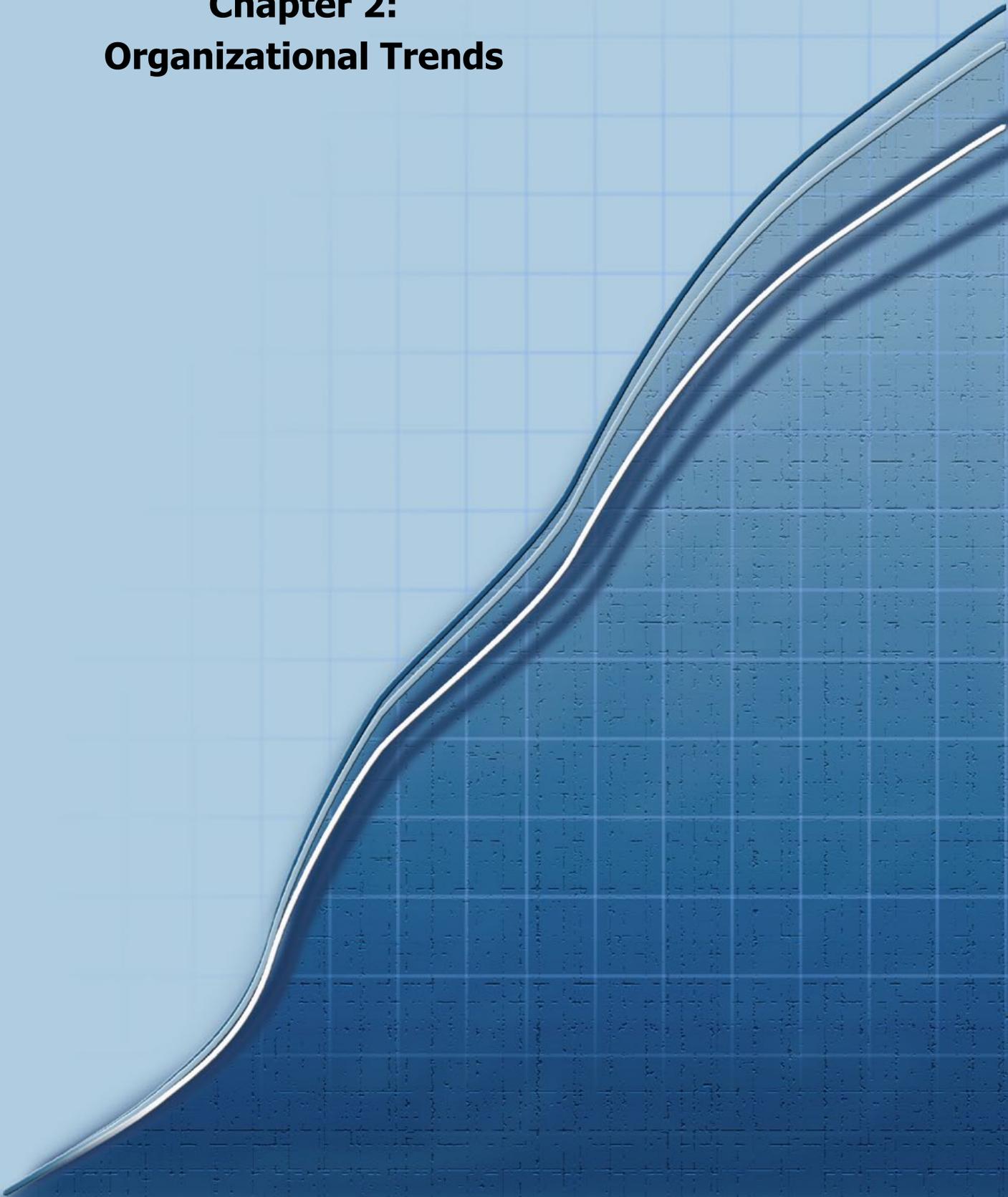
**Chart 1.29:**  
**Blue Cross/Blue Shield Underwriting Gain/Loss**  
**1965 - 2001**



Source: Milliman USA



# **Chapter 2: Organizational Trends**



## Chapter 2: Organizational Trends

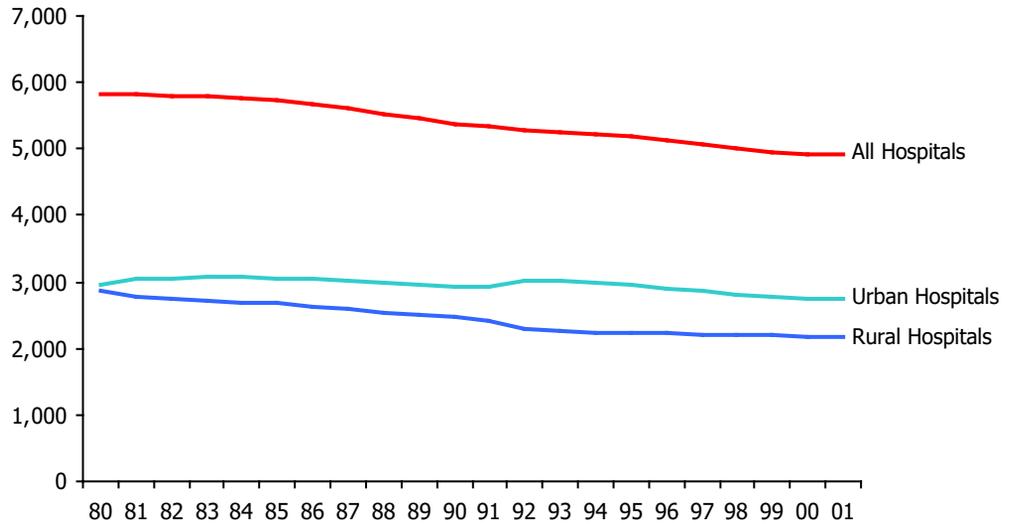
Hospitals' organizational structures and service offerings change in response to technological advances, payer pressures, the policy environment, and consumer demand. Between 2000 and 2001, the number of both community hospitals and hospital beds continued to decline. In addition, the number of hospital beds per thousand population continued to decline overall, though the rates for 2001 show significant variation across states. The District of Columbia and North and South Dakota reported the greatest number of hospital beds per thousand population, while Washington and Oregon reported the fewest (Charts 2.1 – 2.4).

Market and policy developments, including the shift to outpatient care, have promoted the rapid growth of new types of niche providers.<sup>(1)</sup> The number of freestanding ambulatory care facilities has increased by 46 percent since 1996. The percent of all outpatient surgeries being performed in freestanding facilities increased from 15% to 31% between 1989 and 1999 (Charts 2.5 – 2.6).

The level of horizontal integration, as measured by the number of hospitals in systems, rose slightly, however the number has remained fairly constant since 1997. After a wave of activity in the 1990s, the volume of mergers and acquisitions declined — by 30 percent between 2001 and 2002, alone. Hospitals continued their recent shift away from vertical integration. The percentage of hospitals engaging in various physician relationships or offering insurance products, two forms of vertical integration, continued to decline in 2001. With the exception of assisted living and hospice, hospitals also continued to curtail non-hospital services including home health, skilled nursing, and long term care. Reimbursement pressures likely continue to influence these service offerings (Charts 2.7 – 2.10).

<sup>(1)</sup> Niche providers are providers that focus on a specific set of medical services, a particular population, or a limited set of medical conditions. The universe of niche providers has expanded to represent freestanding ambulatory surgery centers, specialty hospitals, and ancillary service providers.

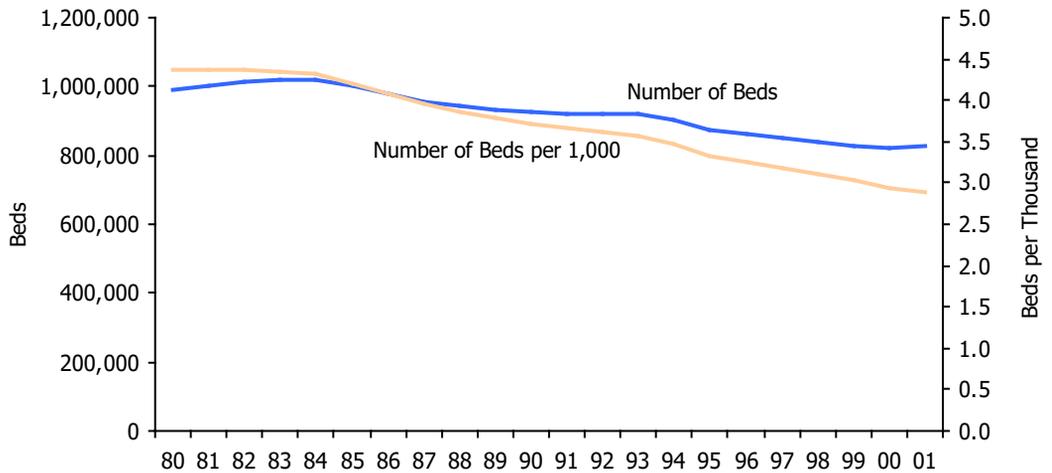
**Chart 2.1:  
Number of Community Hospitals<sup>(1)</sup>  
1980 - 2001**



Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980 – 2001, for community hospitals

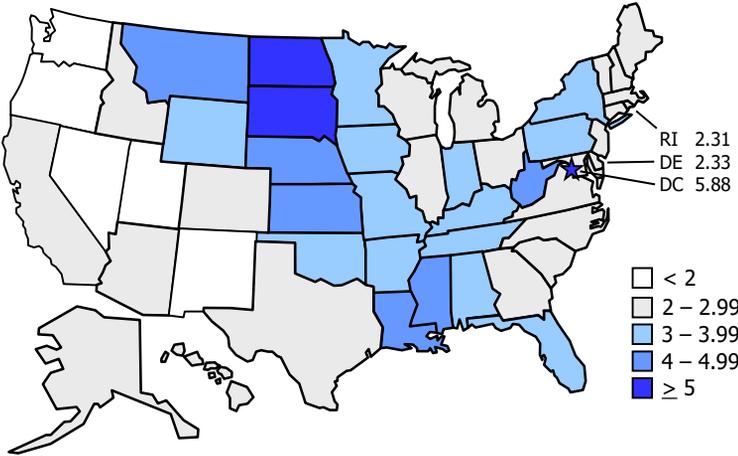
<sup>(1)</sup> All nonfederal, short-term general, and special hospitals whose facilities and services are available to the public

**Chart 2.2:  
Number of Beds  
and Number of Beds per 1,000 Persons  
1980 - 2001**



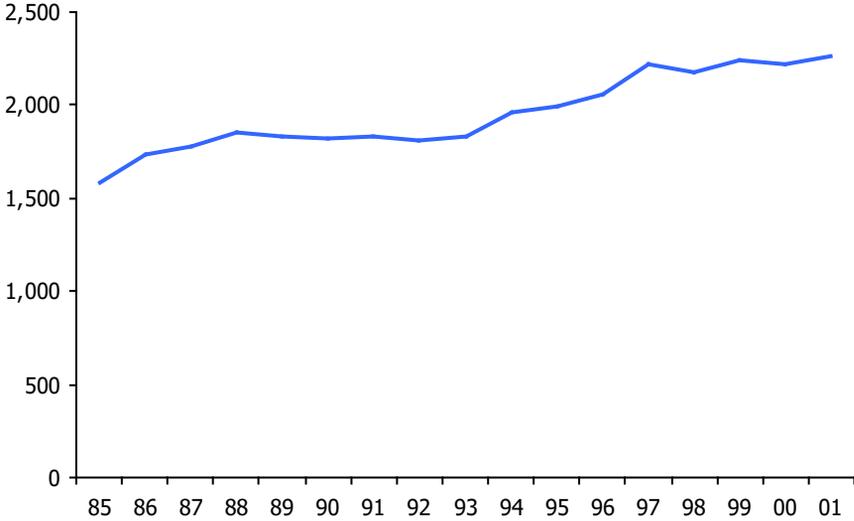
Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980 – 2001, for community hospitals

**Chart 2.3:  
Beds per 1,000 by State  
2001**



Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 2001, for community hospitals

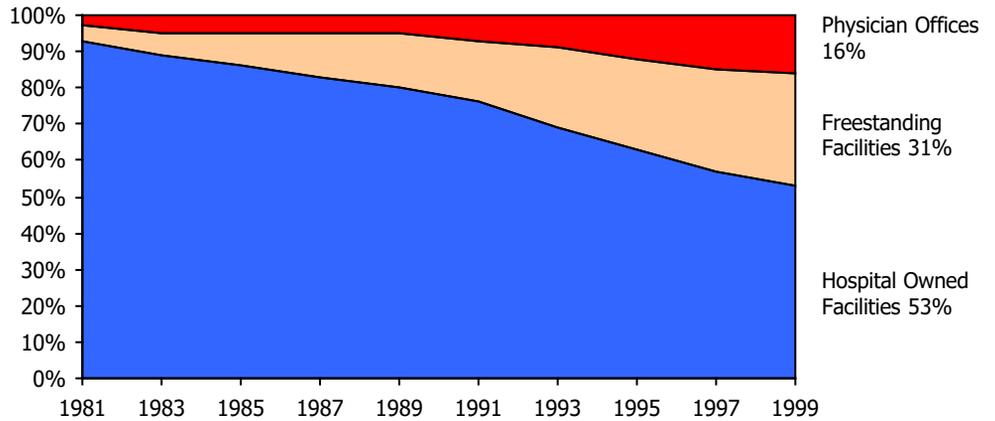
**Chart 2.4:  
Number of Hospitals in Health Systems<sup>(1)</sup>  
1985 - 2001**



Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1985 - 2001, for community hospitals

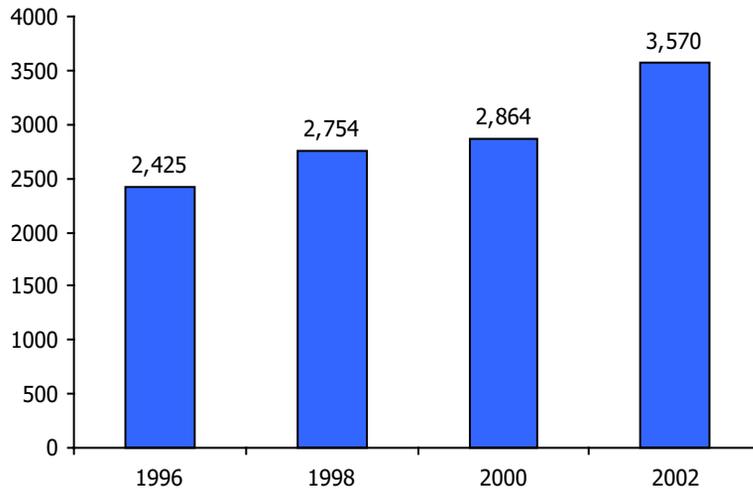
<sup>(1)</sup> Hospitals that are part of a corporate body that may own and/or manage health provider facilities or health-related subsidiaries as well as non-health-related facilities including freestanding and/or subsidiary corporations

**Chart 2.5:  
Percent of Outpatient Surgeries by Facility Type  
1981 - 1999**



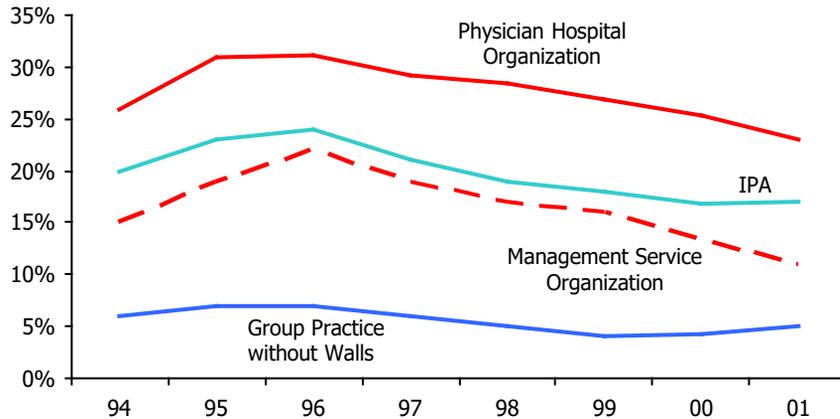
Source: SMG Marketing Group

**Chart 2.6:  
Number of Freestanding Ambulatory Care  
Surgery Centers  
1996, 1998, 2000, and 2002**



Source: SMG Marketing Group

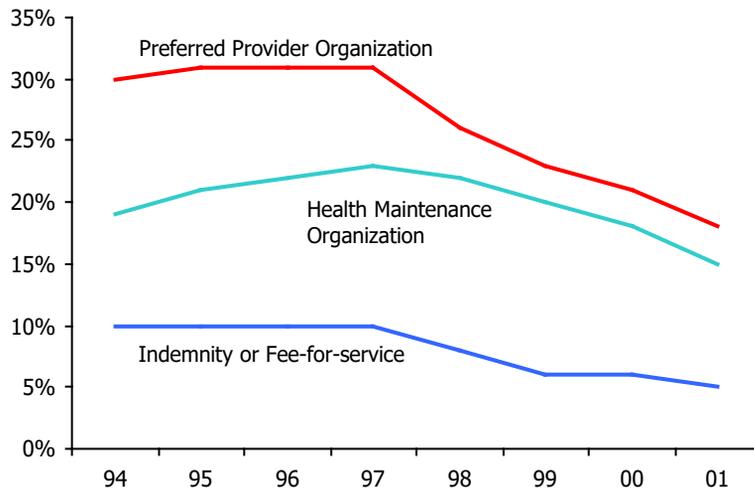
**Chart 2.7:**  
**Percentage of Hospitals with Physician Affiliates<sup>(1)</sup>**  
**by Type of Relationship**  
**1994 - 2001**



Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1994 – 2001, for community hospitals

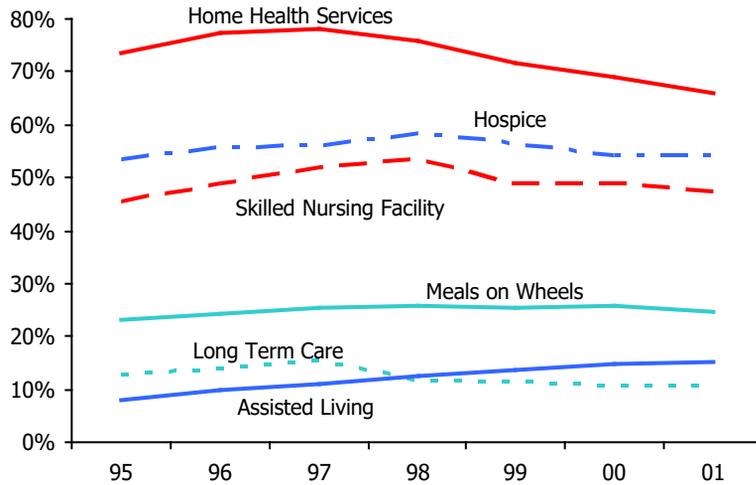
<sup>(1)</sup> A hospital is considered to have a physician relationship if the relationship exists as part of the hospital or a system or network of which the hospital is a part

**Chart 2.8:**  
**Percentage of Hospitals with Insurance Products**  
**by Type of Insurance**  
**1994 - 2001**



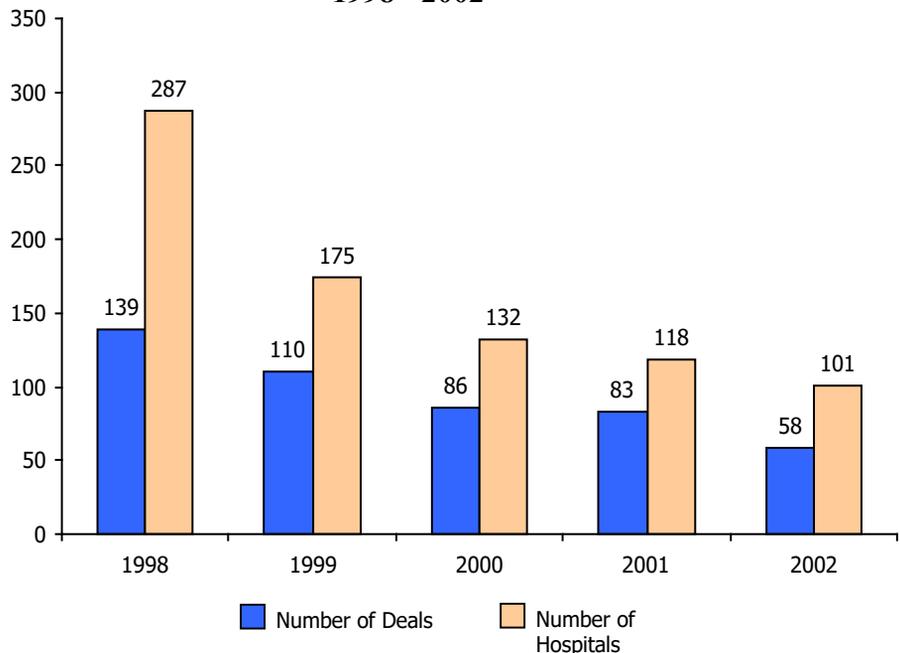
Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1994 – 2001, for community hospitals

**Chart 2.9:  
Percentage of Hospitals Offering “Non-hospital” Services  
1995 - 2001**



Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1995 – 2001, for community hospitals

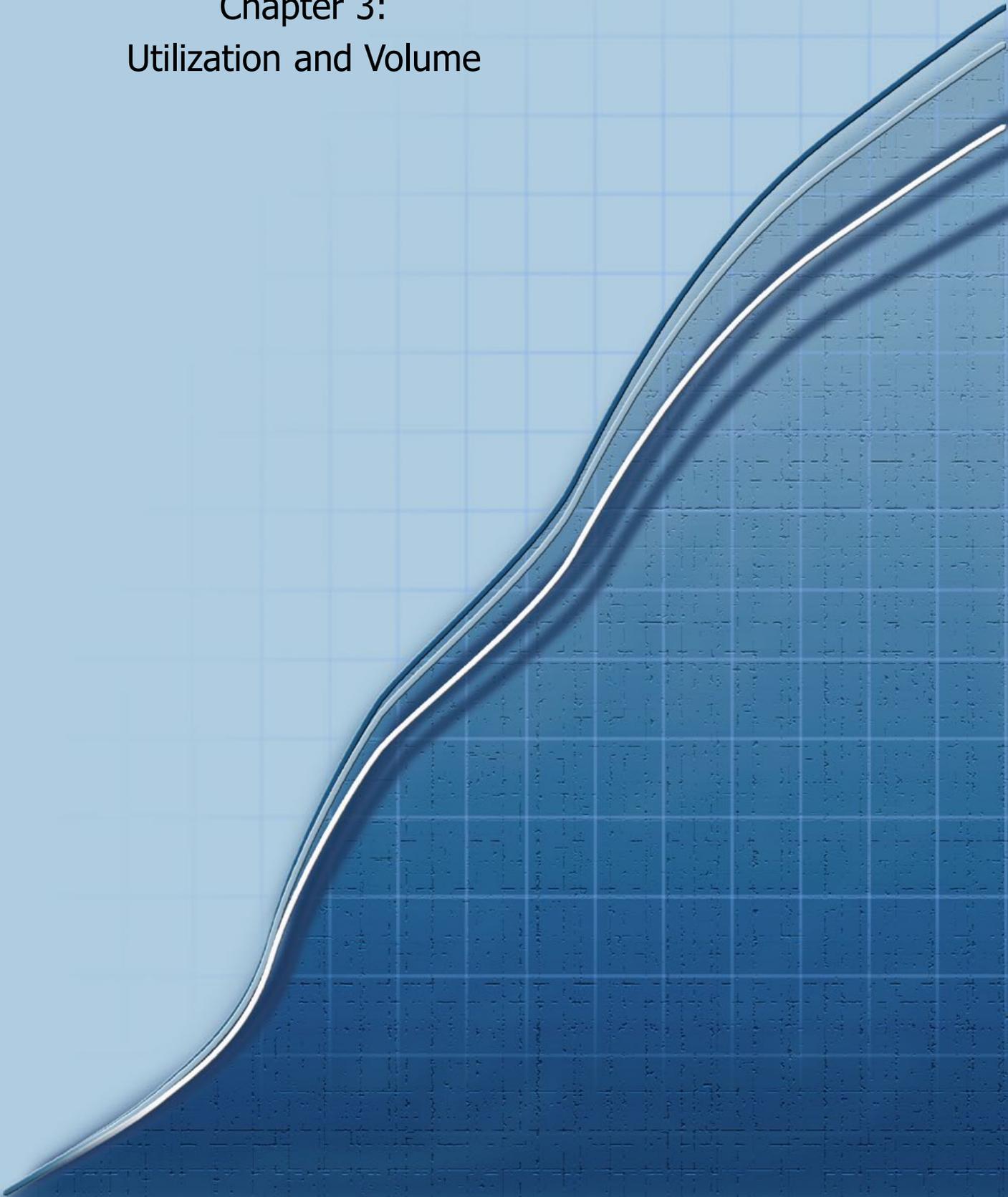
**Chart 2.10:  
Announced Hospital Mergers and Acquisitions  
1998 - 2002**



Source: The Health Care Acquisition Report by Irving Levin Associates, Inc., Ninth Edition, 2003



# Chapter 3: Utilization and Volume



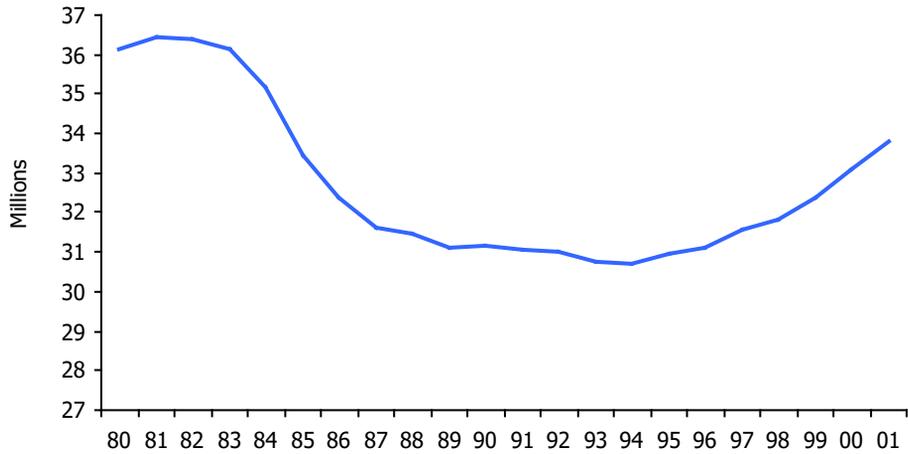
## Chapter 3: Utilization and Volume

Almost 34 million patients were admitted to hospitals in 2001, up from 31 million in 1992. Financial pressure for most of the 1990s resulted in a reduction in community hospital inpatient days between 1990 and 1998. Although total inpatient days rose between 1999 and 2001, inpatient days per 1,000 and length of stay continued to decline slightly. (Charts 3.1 – 3.8).

The number of emergency department (ED) visits continued to increase during 2001, while the number of hospitals with EDs continued to decrease (Charts 3.9 – 3.10). In some cases, this contributes to ED overcrowding, as demonstrated by increased patient boarding times and increased time on ambulance diversion. In 2001, approximately one in ten hospitals was on diversion for at least 20 percent of the time. Limited availability of inpatient beds for emergent patients has also been identified as a key contributor to overcrowding. In one recent study, hospitals cited the inability to transfer emergency patients to inpatient, critical or intensive care, and telemetry beds as the largest factor contributing to both increased boarding times and the decision to go on diversion. In metropolitan areas, the numbers of uninsured patients are another factor identified as contributing to overcrowding in EDs. Lacking other treatment options, the uninsured may seek treatment in hospital EDs under the Emergency Medical Treatment and Labor Act (EMTALA). Other contributors include lack of effective care management and lack of patient health education (Charts 3.11 – 3.13).

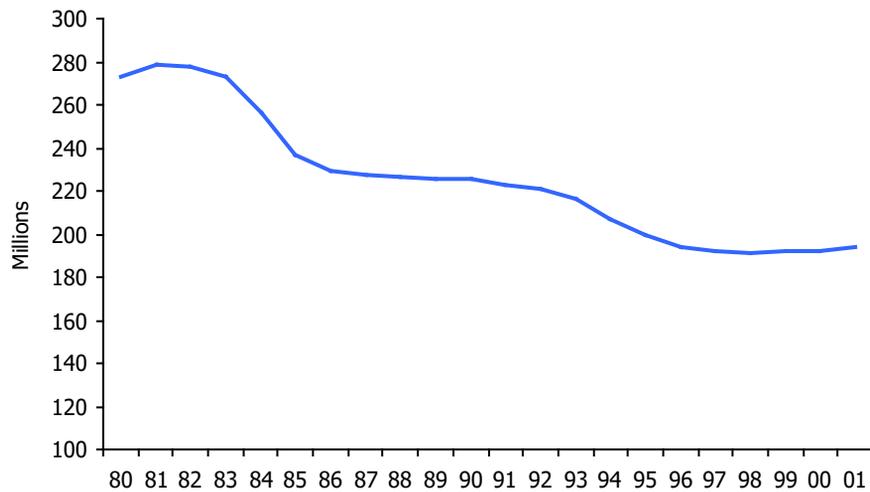
As new technology has allowed for more care to shift to outpatient settings, outpatient visits and outpatient utilization rates have been rising. This trend in combination with the recent turnaround in inpatient volume has contributed to an increase in the pace of growth in total health spending (Charts 3.14 – 3.16).

Chart 3.1:  
 Inpatient Admissions in Community Hospitals  
 1980 - 2001



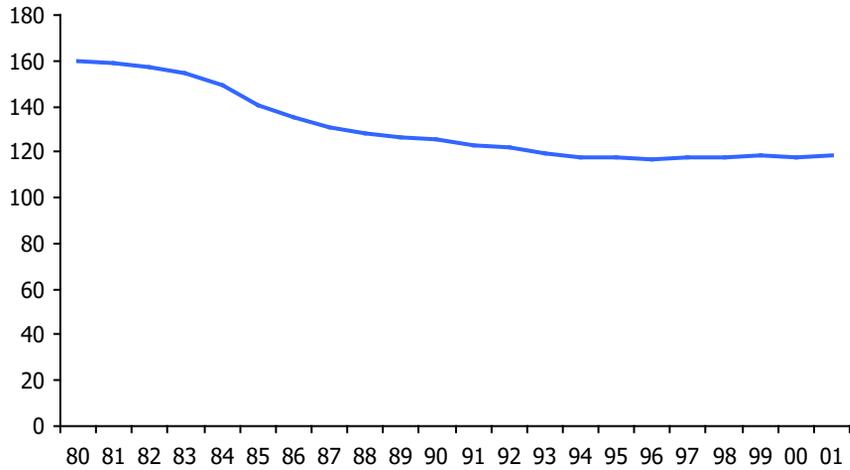
Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980 – 2001, for community hospitals.

Chart 3.2:  
 Total Inpatient Days in Community Hospitals  
 1980 - 2001



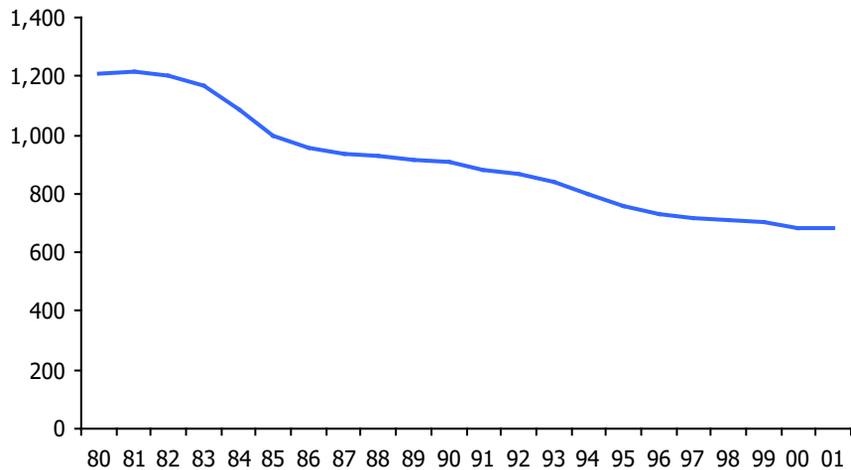
Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980 – 2001, for community hospitals

Chart 3.3:  
Inpatient Admissions per 1,000 Persons  
1980 - 2001



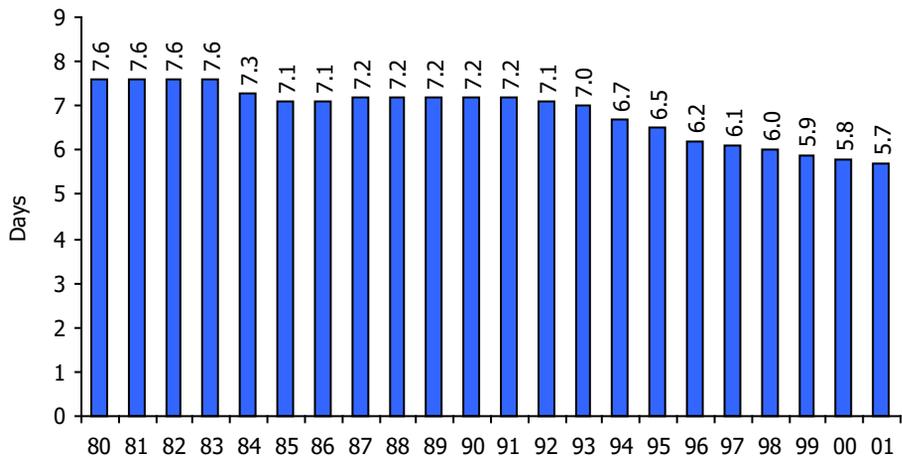
Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980 – 2001, for community hospitals and US Census Bureau data

Chart 3.4:  
Inpatient Days per 1,000 Persons  
1980 - 2001



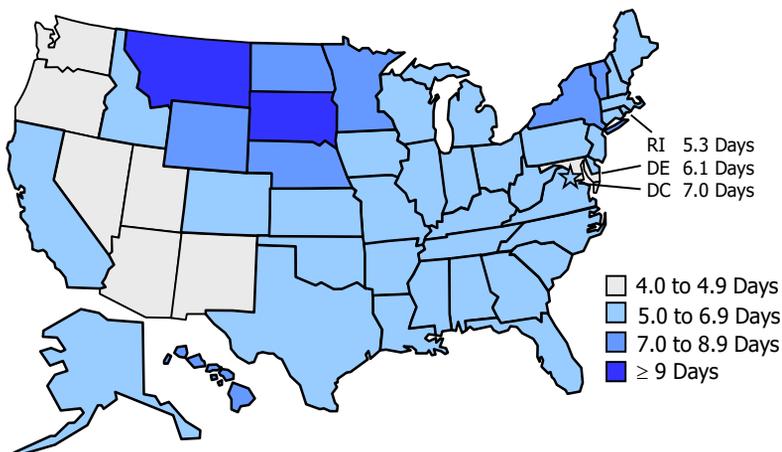
Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980 – 2001, for community hospitals and US Census Bureau data

Chart 3.5:  
Average Length of Stay in Community Hospitals  
1980 - 2001



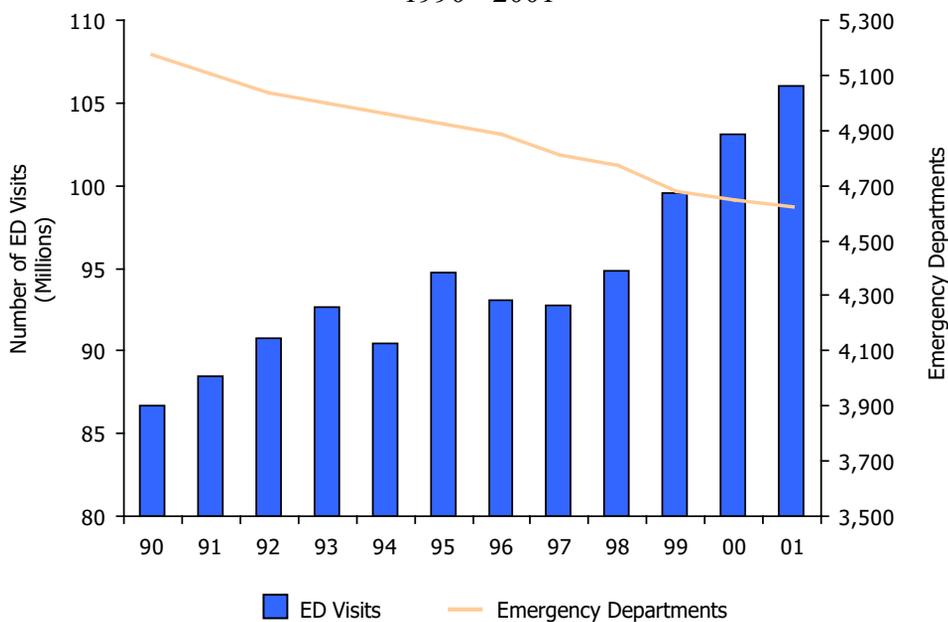
Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980 - 2001, for community hospitals

Chart 3.6:  
Average Length of Stay in Community Hospitals  
by State  
2001



Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 2001, for community hospitals

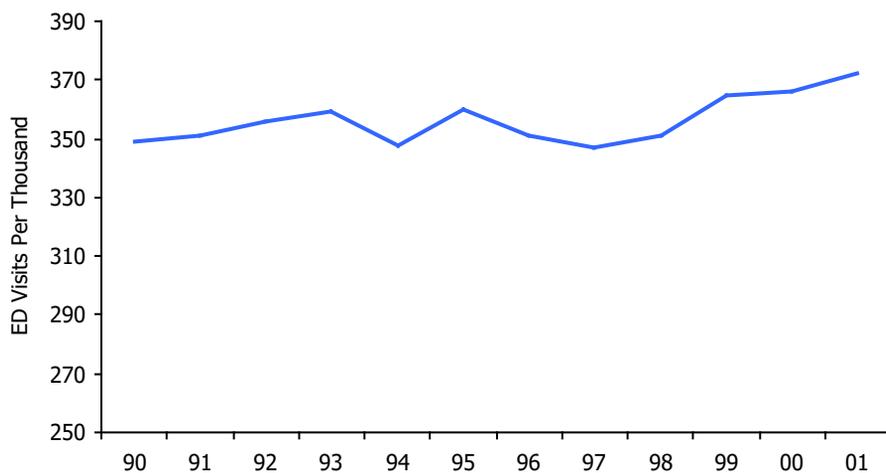
Chart 3.7:  
Emergency Department Visits  
and Emergency Departments<sup>(1)</sup> in Community Hospitals  
1990 - 2001



Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1990 – 2001, for community hospitals

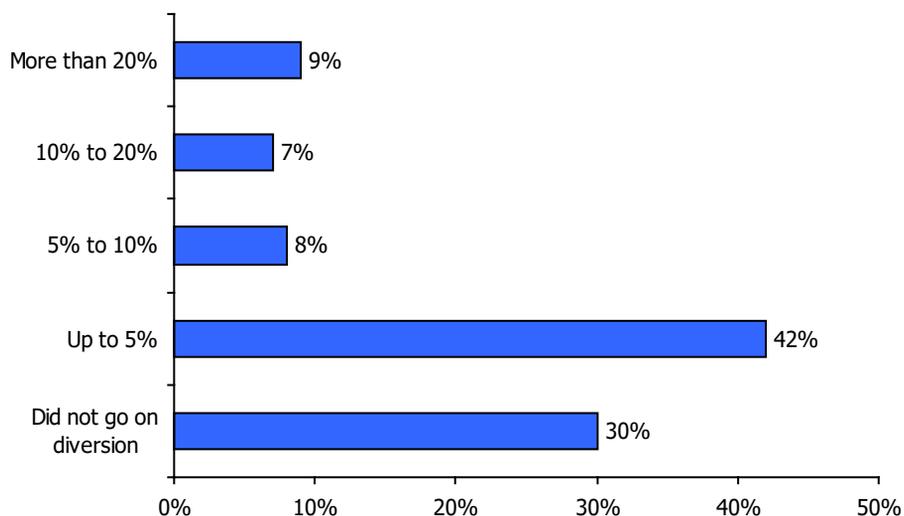
<sup>(1)</sup> Defined as hospitals reporting ED visits

Chart 3.8:  
Hospital Emergency Department Visits per 1,000 Persons  
1990 - 2001



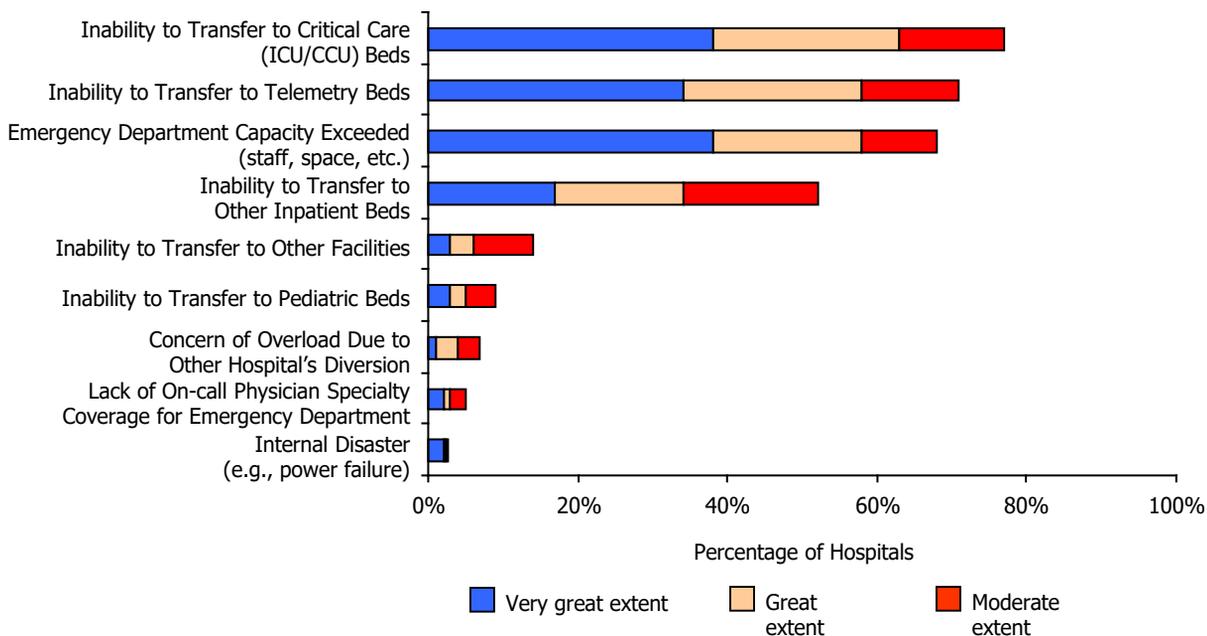
Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1990 – 2001, for community hospitals and US Census Bureau data

Chart 3.9:  
Hospitals by Percentage of Time on Diversion  
FY 2001



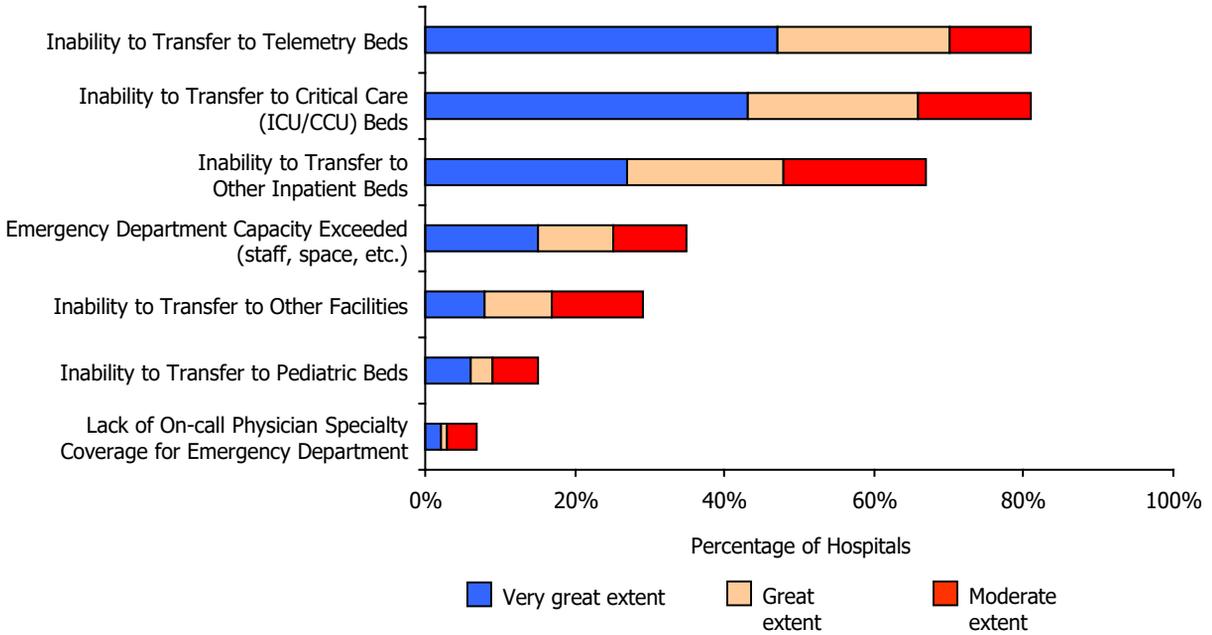
Source: GAO Survey of Hospital Emergency Departments, 2002

Chart 3.10:  
Conditions Hospitals Reported as Contributing to Diversion  
FY 2001



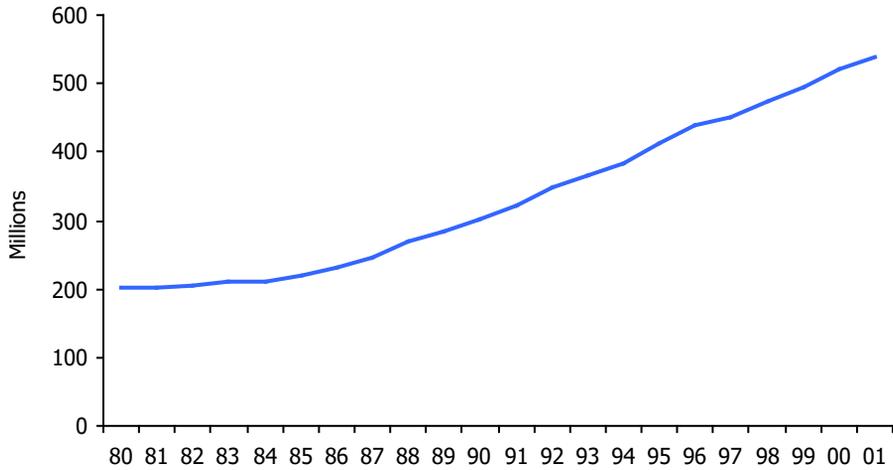
Source: GAO Survey of Hospital Emergency Departments, 2002

Chart 3.11:  
 Conditions Hospitals Reported as Contributing to  
 Boarding Patients in the Past 12 Months  
 FY 2001



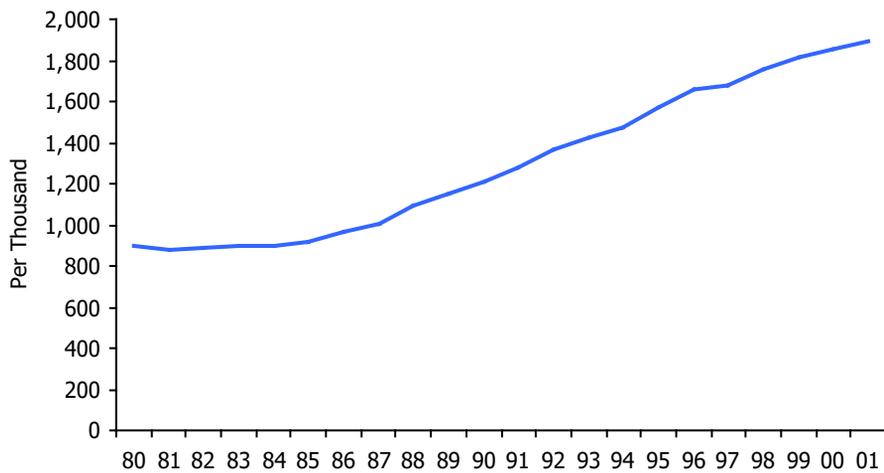
Source: GAO Survey of Hospital Emergency Departments, 2002

Chart 3.12:  
Total Hospital Outpatient Visits  
in Community Hospitals  
1980 - 2001



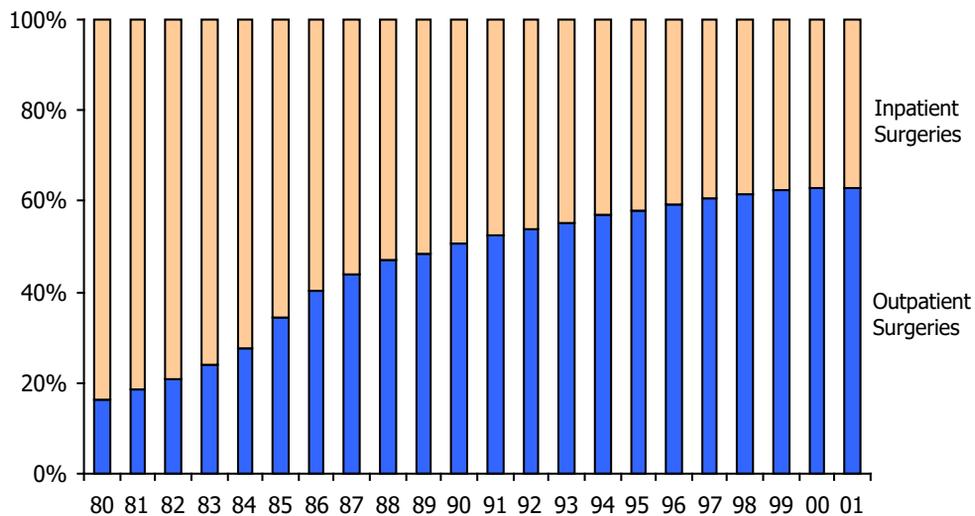
Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980 - 2001, for community hospitals

Chart 3.13:  
Hospital Outpatient Visits per 1,000 Persons  
1980 - 2001



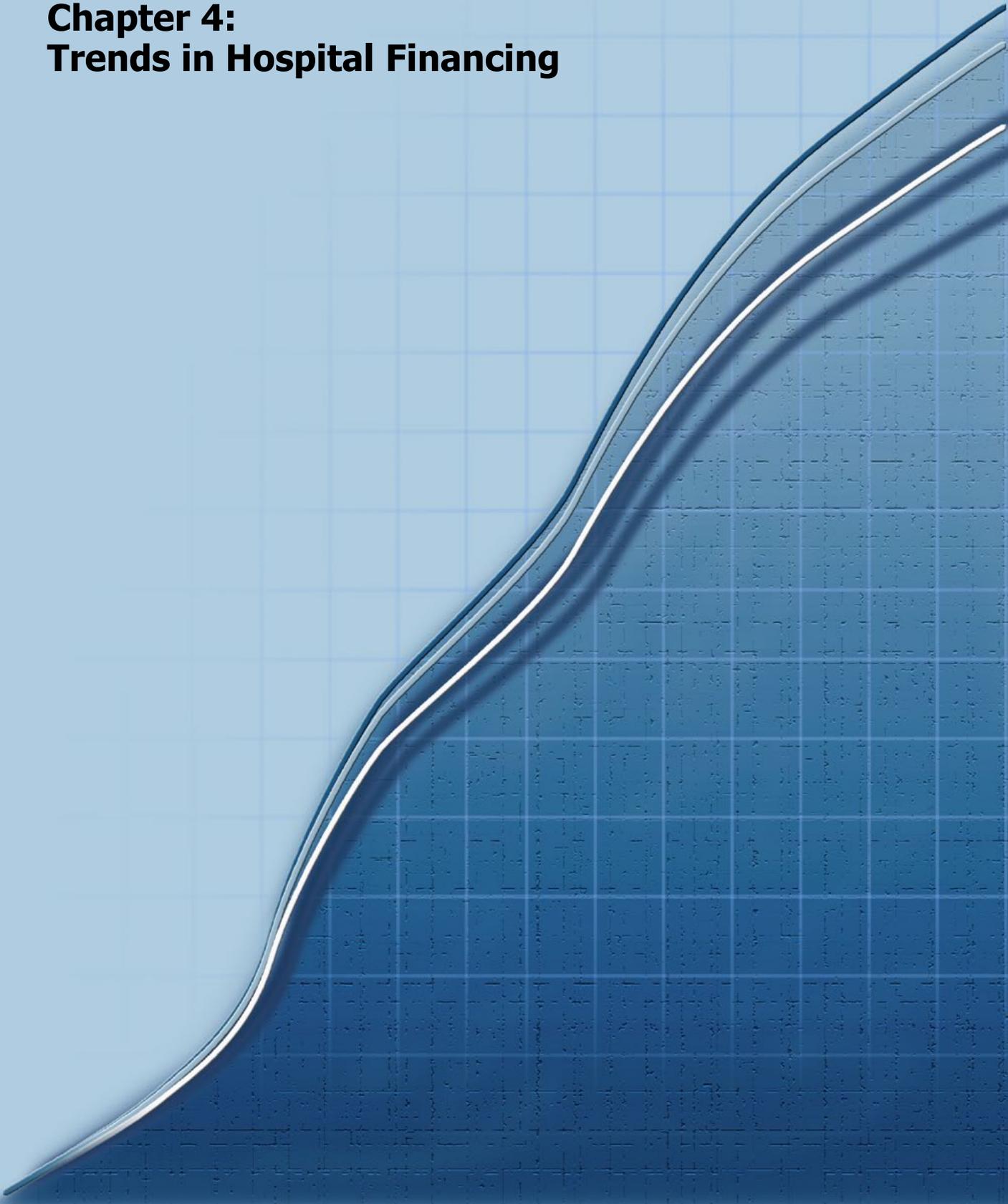
Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980 - 2001, for community hospitals and US Census Bureau data

Chart 3.14:  
 Percentage Share of Inpatient vs. Outpatient Surgeries  
 1980 - 2001



Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980 - 2001, for community hospitals

# **Chapter 4: Trends in Hospital Financing**



## Chapter 4: Trends in Hospital Financing

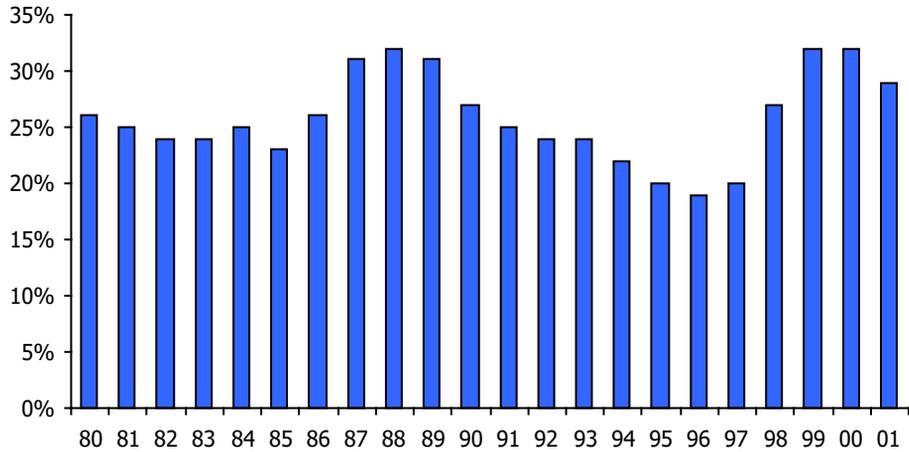
According to the AHA Annual Survey, approximately 29 percent of hospitals had negative total margins in 2001, up from 19 percent in 1996. Overall, total hospital margins fell to 4.2 percent in 2001, down from 4.6 percent in 1999 and 2000. (Chart 4.1 – 4.2).

Hospital outpatient revenue remained at 35 percent of total hospital revenue in 2001, up from 13 percent in 1980. Hospital operating revenue per adjusted admission increased 5.4 percent between 2000 and 2001, and hospital expenses per adjusted admission also continued to climb – 4.7 percent between 2000 and 2001. Since 1980, hospital dependence on Medicare has increased from 35 percent of total costs to almost 39 percent of total costs in 2001. Over the same period, Medicaid costs increased from 10 percent to nearly 13 percent of total costs. At the same time, private payers' share of costs decreased from 42 percent to 39 percent.

Medicare payments continued to fall relative to costs, while Medicaid payments relative to costs rose slightly. In 2001, Medicare paid about one-and-a-half percent below the cost of providing care, while Medicaid, in the aggregate, paid about 4 percent less. Private payers continued to pay more than the cost of providing care, helping some hospitals to compensate for losses from public payers and uncompensated care (Chart 4.4 – 4.7).

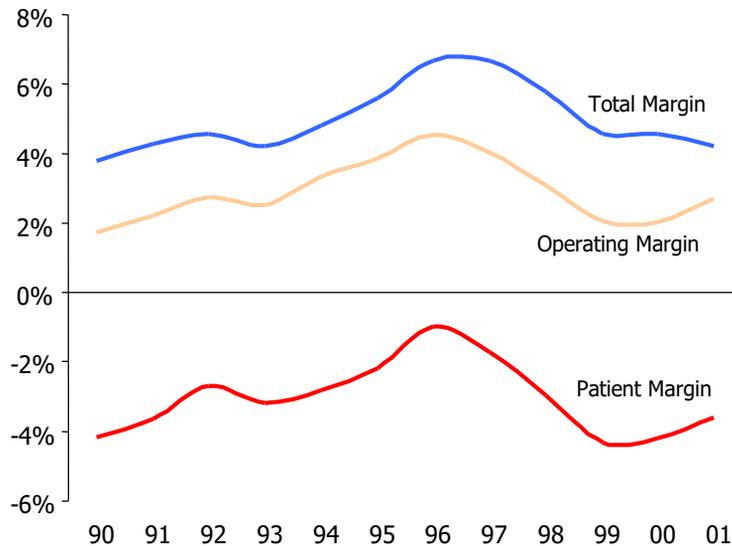
As the U.S. economy continued to weaken, aggregate non-operating gains as a percentage of total net revenue dropped a point to 1.6 percent in 2001, but an increase in aggregate operating margins provided a slight offset to this decline. That same year, Standard & Poor's downgraded more non-profit hospitals than it upgraded by a factor of 4, much higher than the previous three years. Reflecting upward pressure on labor costs from the workforce shortage, the percent change in the employment cost index for hospitals in 2002 was 4.9 percent, compared to 3.8 percent for all health services and 2.7 percent for all private service industries (Chart 4.8 – 4.11).

**Chart 4.1:**  
**Percentage of Hospitals with Negative Total Margins**  
**1980 - 2001**



Source: The Lewin Group Analysis of the American Hospital Association Annual Survey data, 1980 - 2001, for community hospitals

**Chart 4.2:**  
**Aggregate Total Hospital Margins<sup>(1)</sup>, Operating**  
**Margins<sup>(2)</sup>, and Patient Margins<sup>(3)</sup>**  
**1990 - 2001**



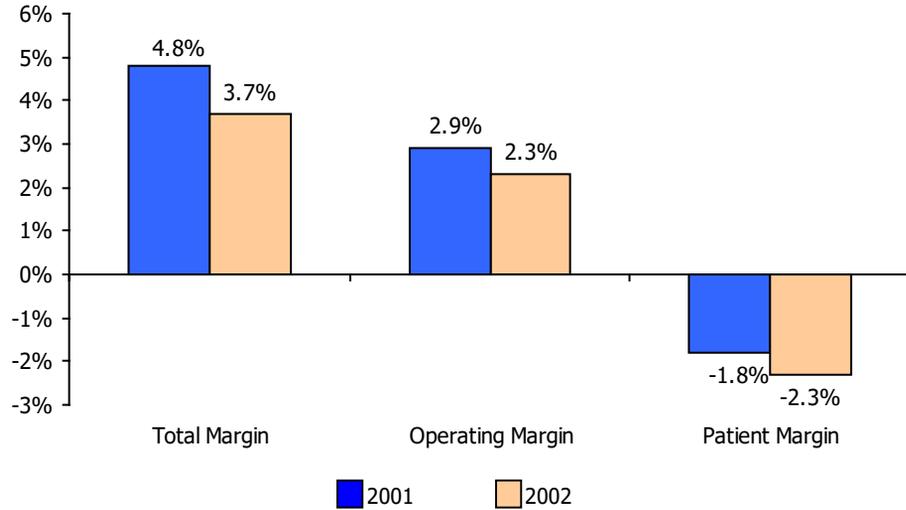
Source: The Lewin Group Analysis of the American Hospital Association Annual Survey data, 1990 - 2001, for community hospitals

<sup>(1)</sup> Total Hospital Margin is calculated as the difference between total net revenue and total expenses divided by total net revenue

<sup>(2)</sup> Operating Margin is calculated as the difference between operating revenue and total expenses divided by operating revenue

<sup>(3)</sup> Patient Margin is calculated as the difference between net patient revenue and total expenses divided by net patient revenue

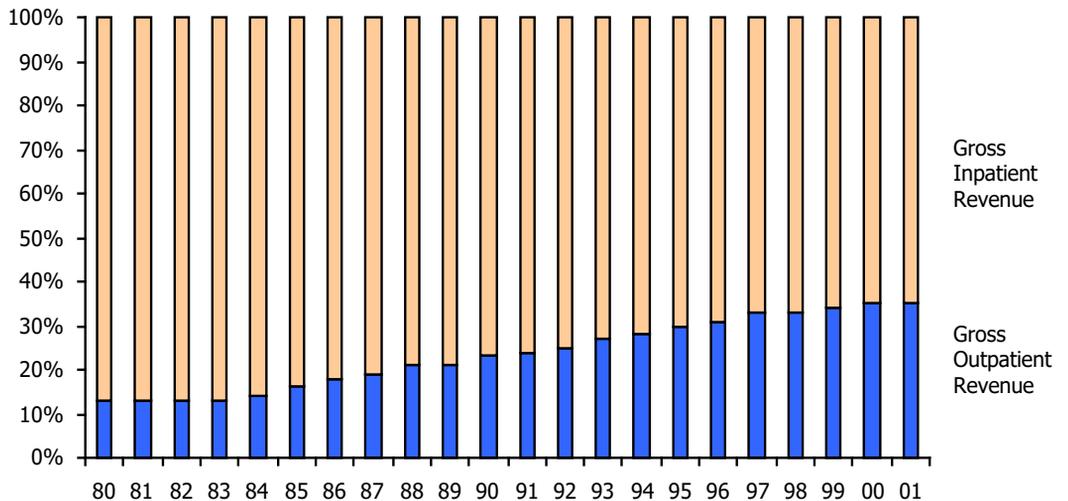
**Chart 4.3:**  
**Hospital Margins Reported to DATABANK<sup>(1)</sup>**  
**2001 - 2002**



Source: DATABANK data.

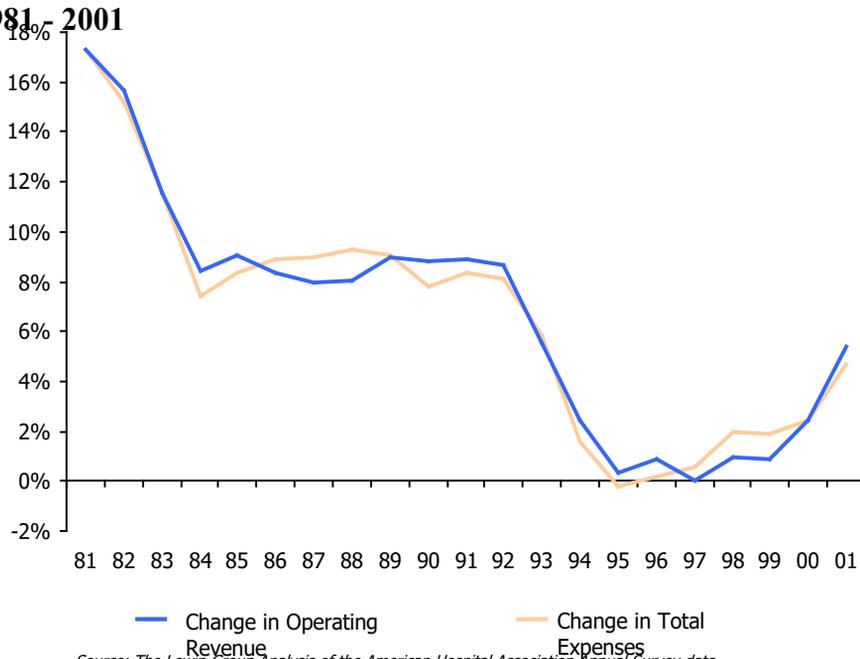
<sup>(1)</sup> Data represent the experience of 800 hospitals that consistently reported to DATABANK in 2001 and 2002. Data are unweighted and over represent smaller hospitals in western, rural states. A subset of states are not represented in DATABANK. DATABANK is an online database of hospital utilization and financial performance indicators.

**Chart 4.4:**  
**Distribution of Outpatient vs. Inpatient Revenues**  
**1980 - 2001**



Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980 - 2001, for community hospitals

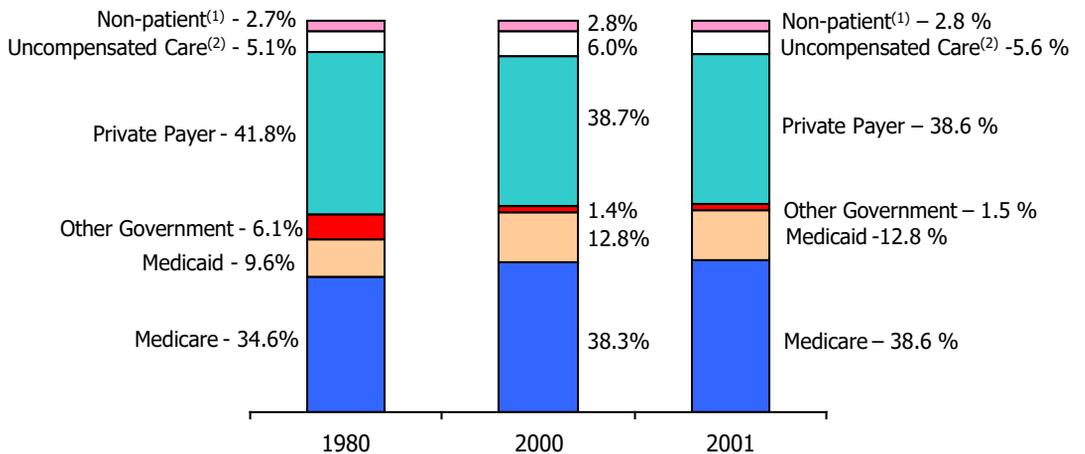
**Chart 4.5:**  
**Annual Change in Hospital Operating Revenue and Expenses per Adjusted Admission<sup>(1)</sup>**  
**1981-2001**



Source: The Lewin Group Analysis of the American Hospital Association Annual Survey data, 1981 - 2001, for community hospitals

<sup>(1)</sup> An aggregate measure of workload reflecting the number of inpatient admissions, plus an estimate of the volume of outpatient services, expressed in units equivalent to an inpatient admission in terms of level of effort

**Chart 4.6:**  
**Distribution of Hospital Cost by Payer Type**  
**1980, 2000, and 2001**

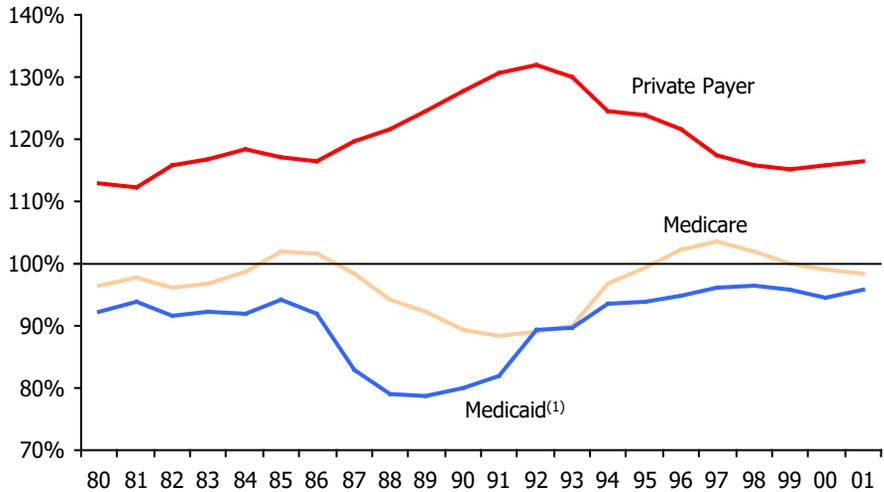


Source: The Lewin Group Analysis of the American Hospital Association Annual Survey data, 1980, 2000, and 2001, for community hospitals

<sup>(1)</sup> Non-patient represents costs for cafeterias, parking lots, gift shops and other non-patient care operating services and are not attributed to any one payer

<sup>(2)</sup> Uncompensated care represents bad debt expense, at cost, and charity care

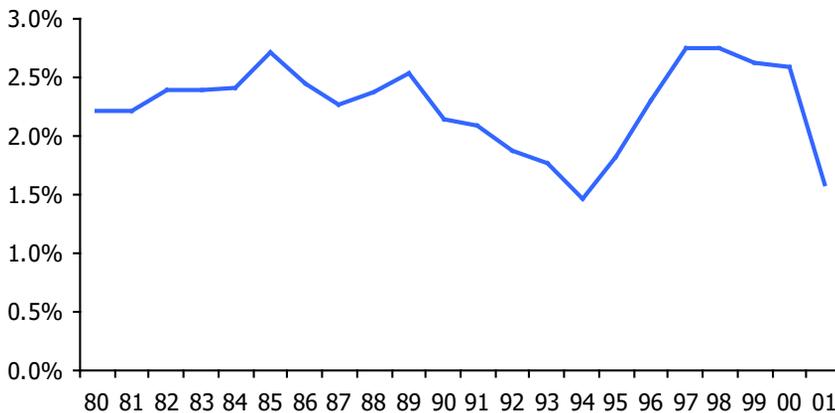
**Chart 4.7:**  
**Aggregate Hospital Payment-to-Cost Ratios**  
**for Private Payers, Medicare and Medicaid**  
**1980 - 2001**



Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980 - 2001, for community hospitals

<sup>(1)</sup> Includes Medicaid Disproportionate Share payments

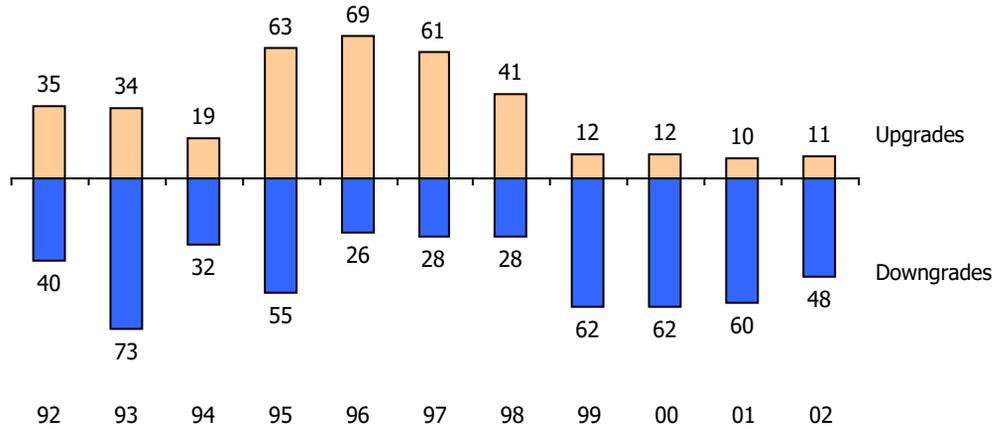
**Chart 4.8:**  
**Income from Investments and Other Non-operating Gains<sup>(1)</sup>**  
**as a Percentage of Total Net Revenue**  
**1980 - 2001**



Source: The Lewin Group analysis of the American Hospital Association Annual Survey data, 1980 - 2001, for community hospitals

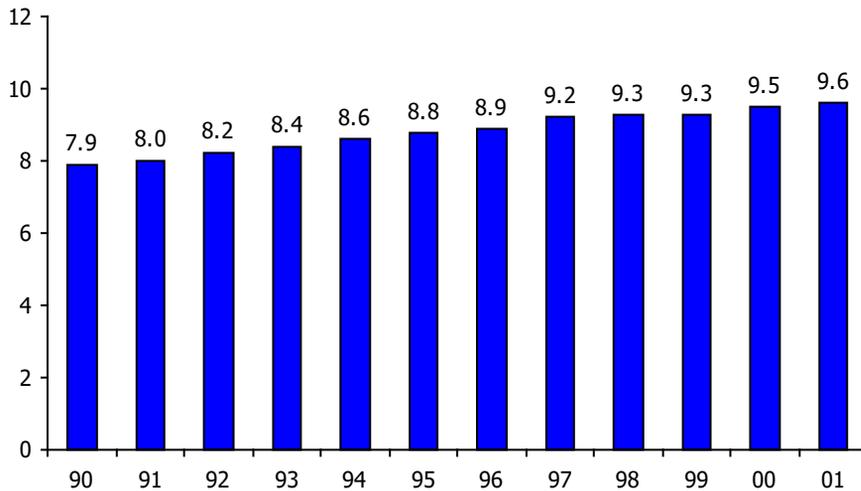
<sup>(1)</sup> Non-operating gains include income from non-operating activities, including investments, endowments and extraordinary gains, as well as the value of non-realized gains from investments

**Chart 4.9:**  
**Number of Bond Rating Upgrades and Downgrades**  
**of Non-profit Hospitals**  
**1992 - 2002**



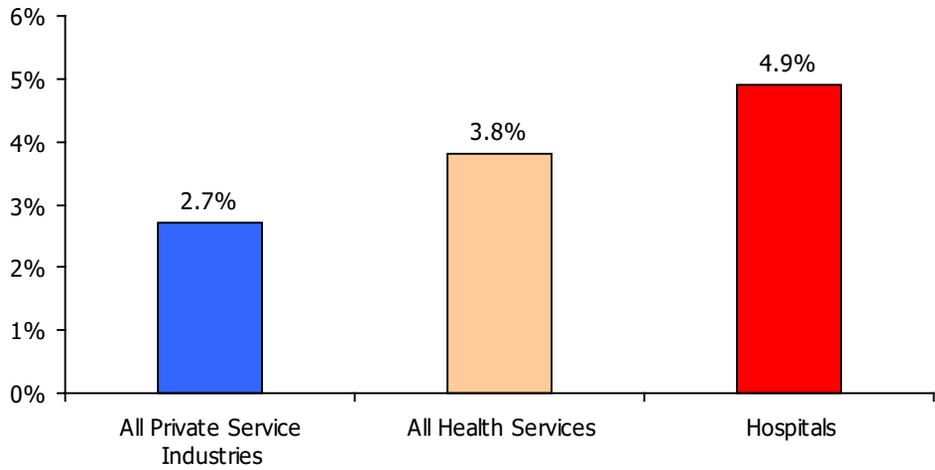
Source: Standard & Poor's, 2003

**Chart 4.10:**  
**Median Average Age of Plant**  
**1990 - 2001**



Source: CHIPS: The 1994 Almanac of Hospital Financial & Operating Indicators and The 1996-7 Almanac of Hospital Financial & Operating Indicators and The 2001 Almanac of Hospital Financial & Operating Indicators. Ingenix: The 2003 Almanac of Hospital and Operating Indicators

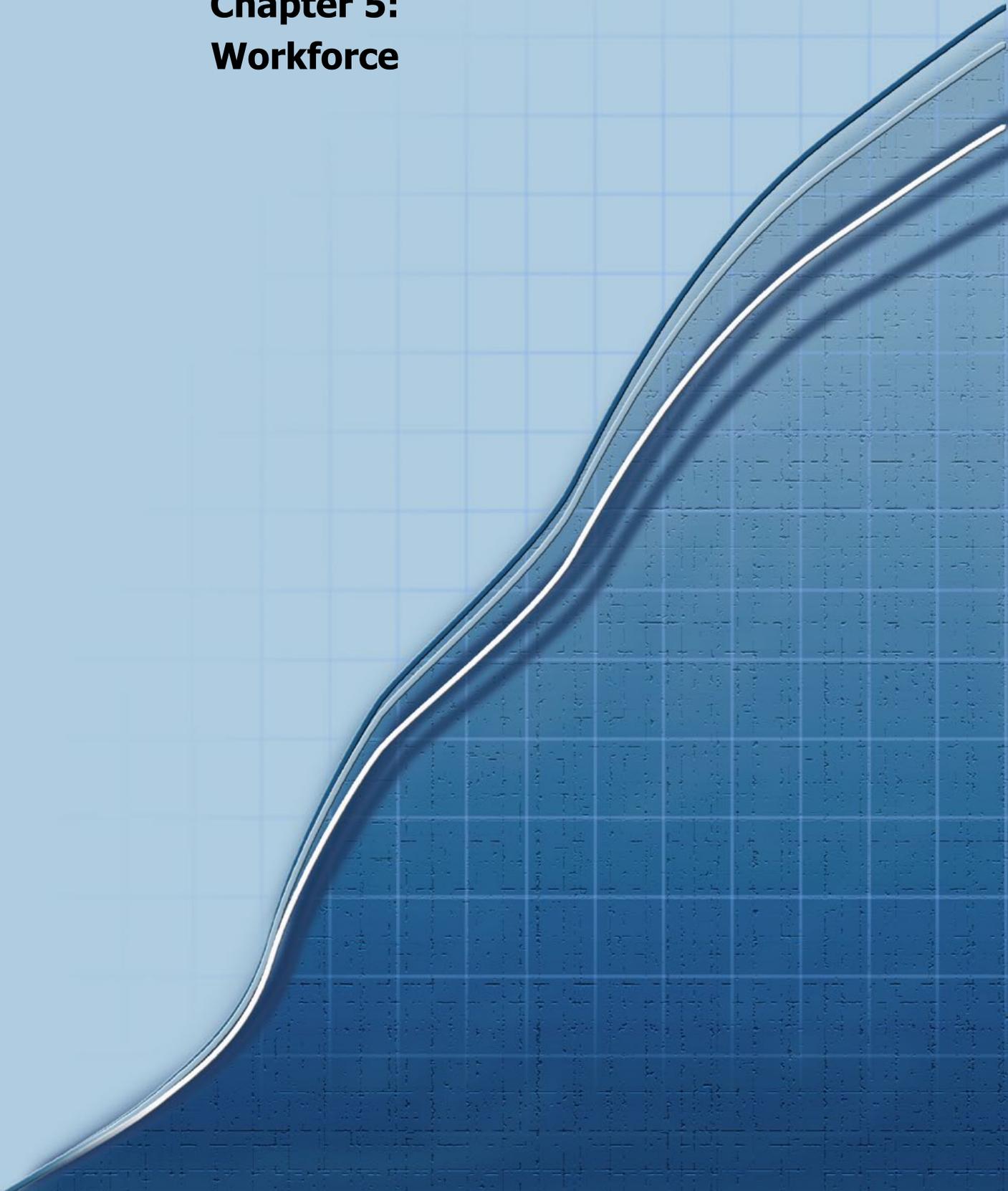
**Chart 4.11:**  
**Percent Change in Employment Cost Index<sup>(1)</sup>, All Private Service Industries, All Health Services, and Hospitals, 12 Months Ending December 2002**



*Source: Bureau of Labor Statistics, data released January 30, 2003*

<sup>(1)</sup> Total compensation

# Chapter 5: Workforce



# Chapter 5: Workforce

## *Physician Workforce*

After dropping slightly in 1999, the number of active physicians per thousand population rose slightly in 2000, while the number of medical and dental residents in training held constant. The number of physicians per thousand varied by region and was particularly high in the Northeast and Mid-Atlantic and relatively low in parts of the South and West (Charts 5.1 – 5.3).

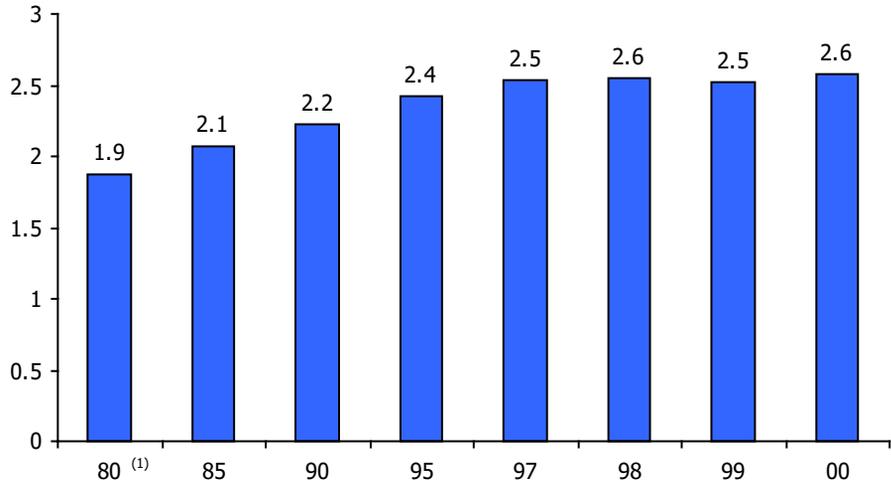
## *Hospital Workforce*

The number of full time equivalent employees (FTEs) working in hospitals continued to increase, although FTEs per adjusted admission has been declining since 1992. The number of registered nurse (RN) FTEs has been increasing slowly; however the number of RN FTEs per adjusted admission continues to decrease. RN FTEs as a percentage of total hospital FTEs has remained steady between 24 and 25 percent from 1986 through 2000 (Charts 5.4 – 5.7).

## *Current and Long-term Workforce Shortage*

It is well documented that the U.S. population is aging. As people age, they tend to have greater health care needs. Unfortunately, the current health care workforce is also aging and many fear that the current nursing shortage will worsen over the next 20 years just as the population is requiring more health care services. However, efforts to build the RN workforce may be making progress. 2002 data indicated an 8 percent increase in individuals enrolling in entry level baccalaureate nursing programs. It will, of course, be a few years before these new graduates enter the workforce and, when they do, hospitals will face fierce competition in hiring them (Charts 5.8 – 5.13). Focus has recently returned to the debate over the adequacy of the size, specialty mix, and geographic distribution of the current and future physician workforce. Though the number of primary care and specialty physicians is growing, there are currently geographic pockets of physician shortage now. As with the aging nursing population, there is also concern that the aging physician population will be inadequate to serve the health care needs of the aging population.

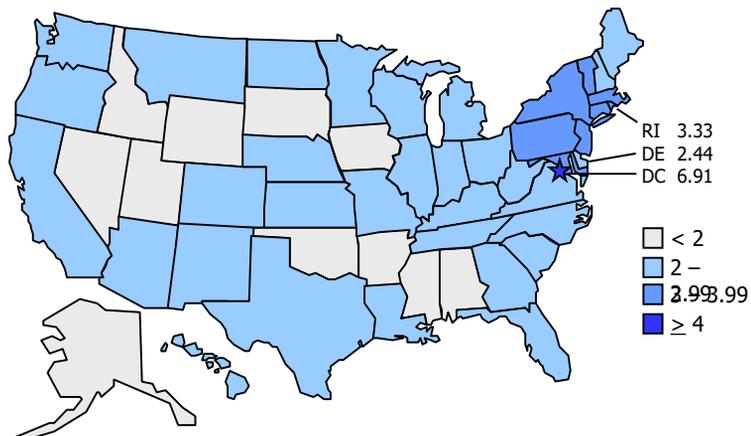
**Chart 5.1:**  
**Total Number of Active Physicians**  
**per 1,000 Persons**  
**1980 – 2000**



Source: Health United States, 1982, 1996-97, 1999, 2000, 2001, 2002

<sup>(1)</sup> 1980 does not include doctors of osteopathy

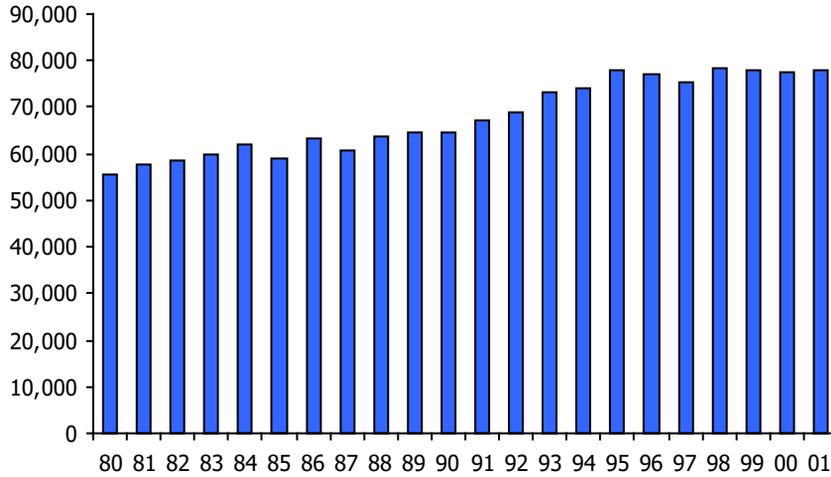
**Chart 5.2:**  
**Total Number of Active Physicians<sup>(1)</sup>**  
**per 1,000 Persons by State**  
**2000**



Source: Health United States, 2002

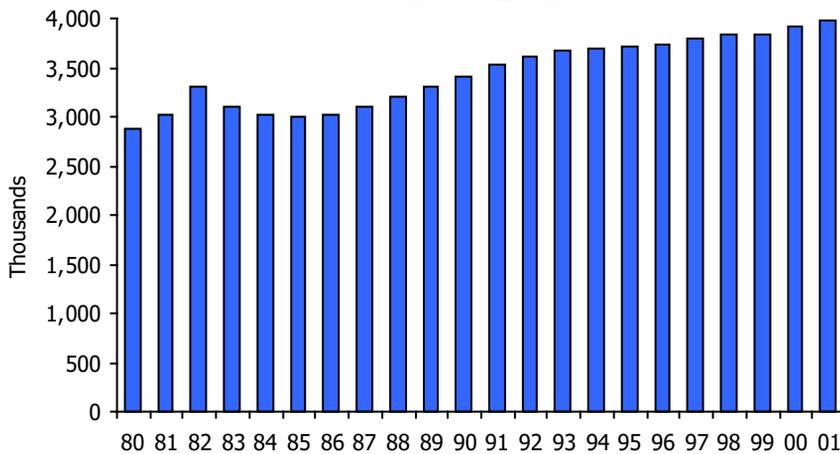
<sup>(1)</sup> Includes active non-federal doctors of medicine and active doctors of osteopathy

**Chart 5.3:  
Medical and Dental Residents in Training  
in Community Hospitals  
1980 - 2001**



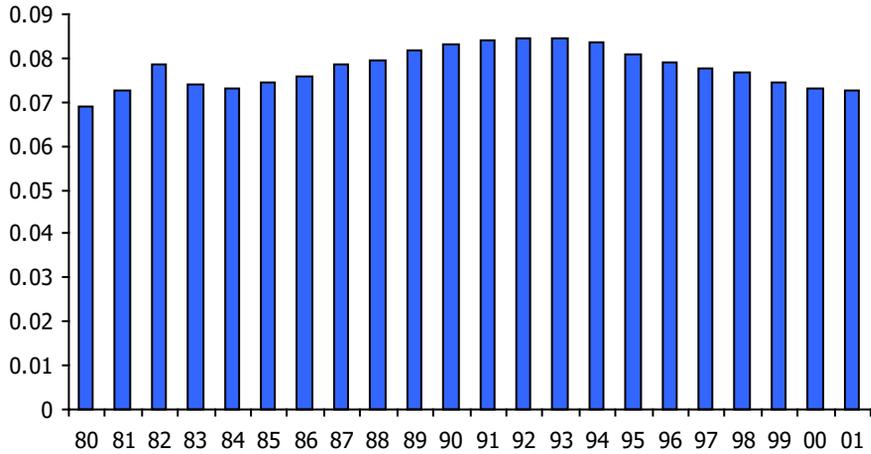
*Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980 - 2001, for community hospitals*

**Chart 5.4:  
Total Full Time Equivalent Employees  
Working in Hospitals  
1980 - 2001**



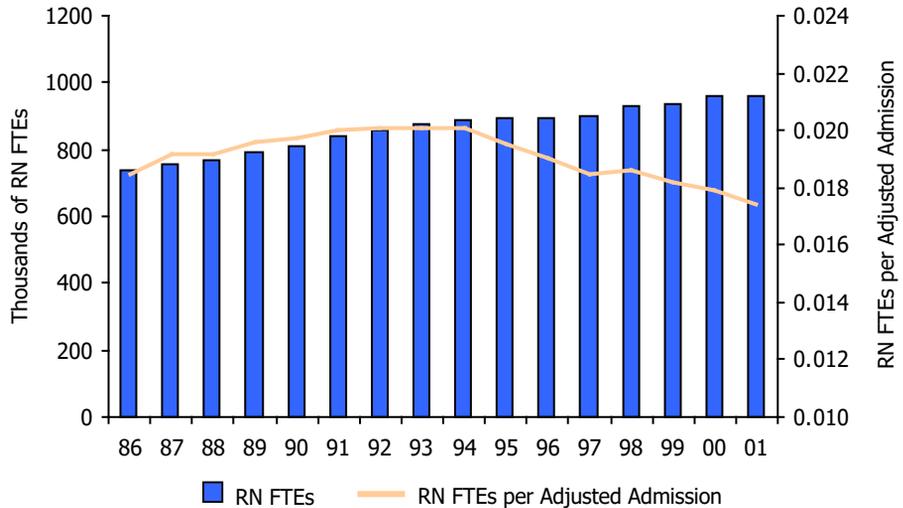
*Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980 - 2001, for community hospitals*

**Chart 5.5:**  
**Full Time Equivalent Employees**  
**per Adjusted Admission**  
**1980 - 2001**



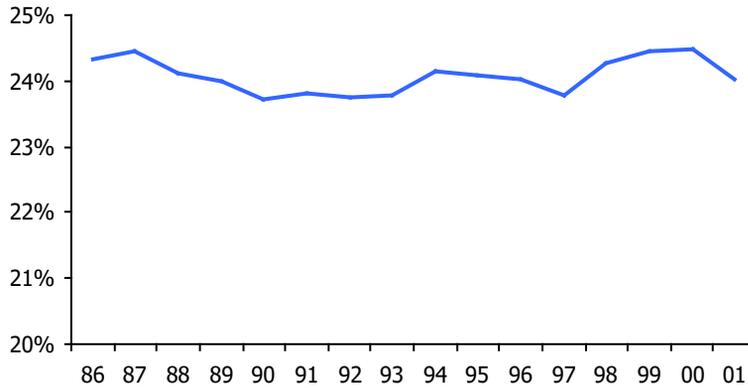
Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980 – 2001, for community hospitals

**Chart 5.6:**  
**Number of RN Full Time Equivalent Employees**  
**and RN FTEs per Adjusted Admission**  
**1986 - 2001**



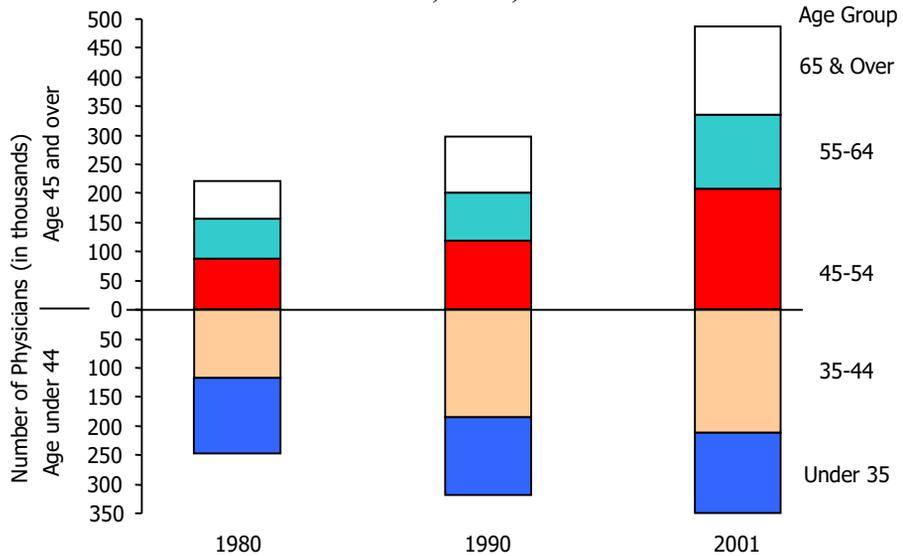
Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1986 – 2001, for community hospitals

**Chart 5.7:  
RN Full Time Equivalents  
as a Percentage of Total Hospital Full Time Equivalents  
1986 - 2001**



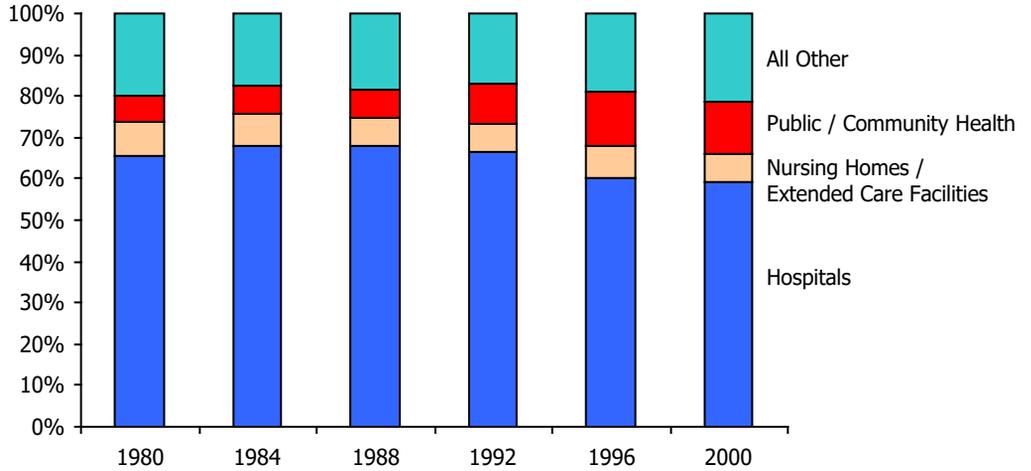
*Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1986 – 2001, for community hospitals*

**Chart 5.8:  
Number of Physicians by Age  
1980, 1990, and 2001**



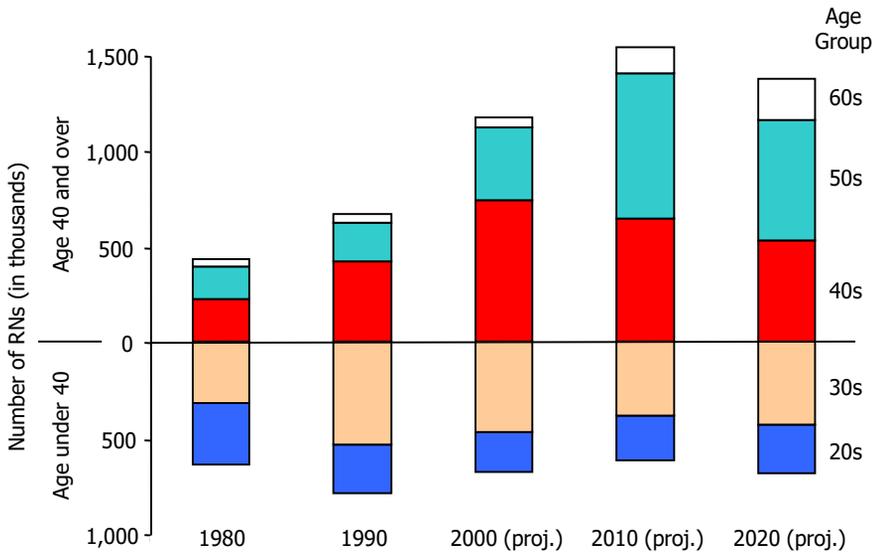
*Source: American Medical Association, Physician Characteristics and Distribution in the US, 2003-2004 Edition*

**Chart 5.9:  
RN Employment by Type of Provider  
1980 - 2000**



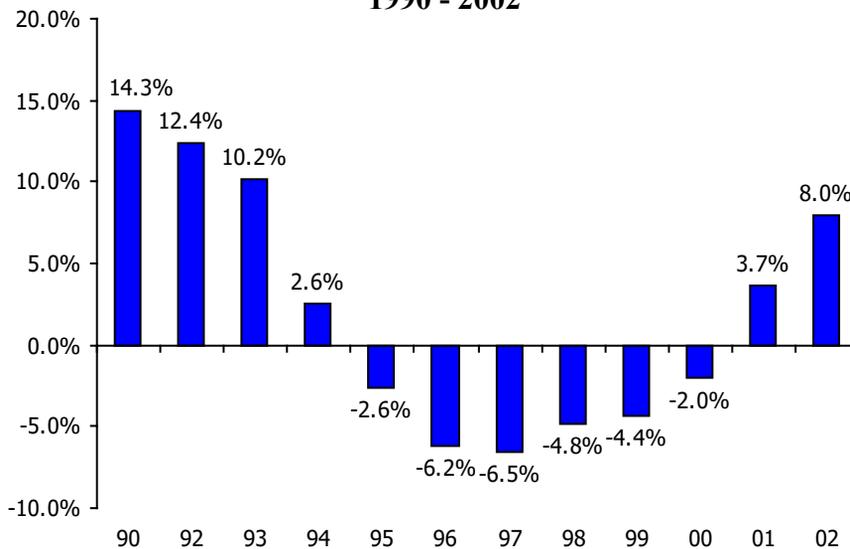
Source: Findings from the National Sample Survey of Registered Nurses, 1980-2000, Bureau of Health Professions, Division of Nursing

**Chart 5.10:  
Distribution of RN Workforce by Age Group  
1980 - 2020 (Projected)**



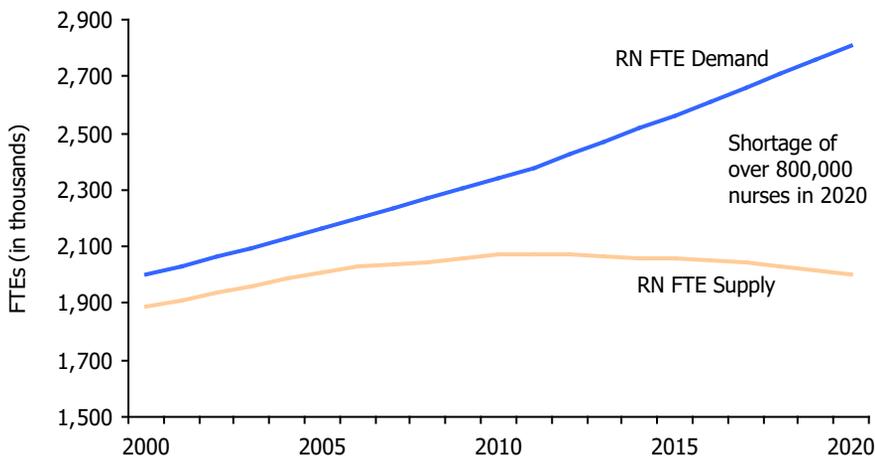
Source: Buerhaus, P.I. et al. Implications of an Aging Registered Nurse Workforce. JAMA: 2000; 283: 2948-2954

**Chart 5.11:**  
**Annual Percentage Change in Entry Level Baccalaureate**  
**Nursing Enrollment**  
**1990 - 2002**



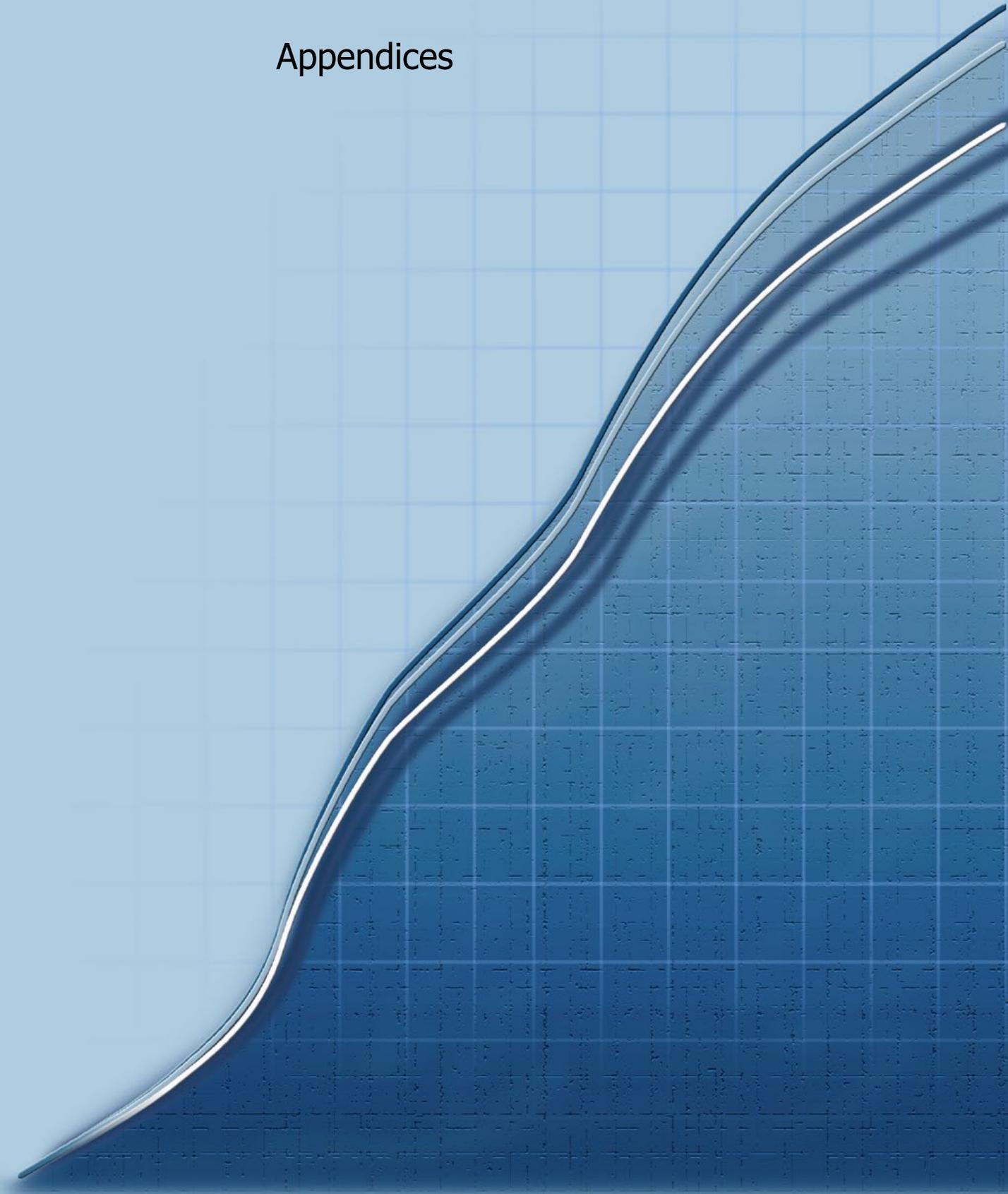
Source: Berlin LE et al. *Enrollment and Graduations in Baccalaureate and Graduate Programs in Nursing*. Washington, DC: American Association of Colleges of Nursing, 1990-1991 - 1996-1997.

**Chart 5.12:**  
**National Supply and Demand Projections for FTE RNs**  
**2000 - 2020**



Source: National Center For Health Workforce Analysis, Bureau of Health Professions, Health Resources and Services Administration, 2002

# Appendices





Appendix 1:  
Supplementary Data Tables  
Trends in the Overall Health Care Market

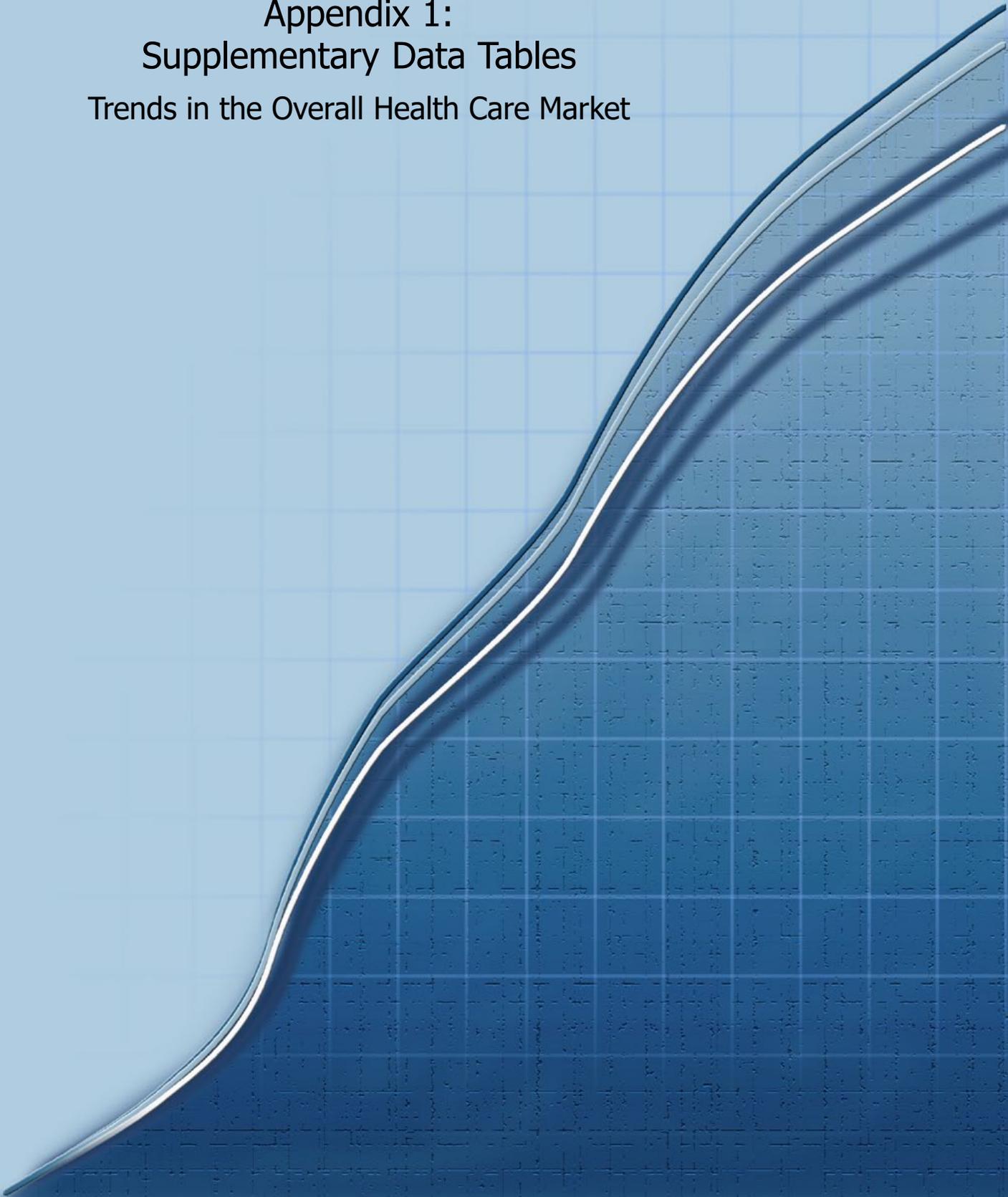


Table 1.1:  
National Health Expenditures  
1980 - 2001

Year	Total National Health Expenditures				Prescription Drugs Total	
	Total		Per Capita		Nominal Dollars (billions)	Real Dollars <sup>(1)</sup> (billions)
	Nominal Dollars (billions)	Real Dollars <sup>(1)</sup> (billions)	Nominal Dollars	Real Dollars <sup>(1)</sup>		
1980	\$245.8	\$245.8	\$1,067	\$1,067	\$12.0	\$12.0
1981	\$285.1	\$258.4	\$1,225	\$1,110	\$13.4	\$12.1
1982	\$321.0	\$274.1	\$1,365	\$1,166	\$15.0	\$12.8
1983	\$353.5	\$292.5	\$1,489	\$1,232	\$17.3	\$14.3
1984	\$390.1	\$309.4	\$1,628	\$1,291	\$19.6	\$15.6
1985	\$426.8	\$326.9	\$1,765	\$1,352	\$21.8	\$16.7
1986	\$457.2	\$343.8	\$1,872	\$1,407	\$24.3	\$18.3
1987	\$498.0	\$361.2	\$2,020	\$1,465	\$26.9	\$19.5
1988	\$558.1	\$388.7	\$2,243	\$1,562	\$30.6	\$21.3
1989	\$622.7	\$413.8	\$2,477	\$1,646	\$34.8	\$23.1
1990	\$696.0	\$438.8	\$2,738	\$1,726	\$40.3	\$25.4
1991	\$761.8	\$460.9	\$2,966	\$1,794	\$44.9	\$27.2
1992	\$827.0	\$485.7	\$3,183	\$1,869	\$48.2	\$28.3
1993	\$888.1	\$506.4	\$3,381	\$1,928	\$51.3	\$29.2
1994	\$937.2	\$521.1	\$3,534	\$1,965	\$54.6	\$30.4
1995	\$990.1	\$535.3	\$3,697	\$1,999	\$60.8	\$32.9
1996	\$1,039.4	\$545.9	\$3,847	\$2,020	\$67.2	\$35.3
1997	\$1,092.7	\$561.0	\$4,007	\$2,057	\$75.7	\$38.9
1998	\$1,150.0	\$581.4	\$4,178	\$2,112	\$87.3	\$44.1
1999	\$1,219.7	\$603.3	\$4,392	\$2,172	\$104.4	\$51.6
2000	\$1,310.0	\$626.8	\$4,672	\$2,236	\$121.5	\$58.2
2001	\$1,424.5	\$662.8	\$5,035	\$2,343	\$140.6	\$67.7

Source: Centers for Medicare & Medicaid Services, Office of the Actuary; National Health Statistics Group

<sup>(1)</sup> Expressed in 1980 dollars; adjusted using the overall consumer price index for urban consumers

Data for Charts 1.1, 1.3, and 1.10

Table 1.2:  
Percent Change in National Expenditures for Selected Health  
Services and Supplies  
1992 - 2001

<b>Year</b>	<b>Hospital Care</b>	<b>Prescription Drug</b>	<b>Admin. &amp; Net Cost of Priv. Health Insurance</b>	<b>Home Health Care</b>	<b>Nursing Home Care</b>
1992	8.2%	7.4%	8.1%	22.1%	6.8%
1993	5.9%	6.3%	23.0%	20.4%	5.5%
1994	3.9%	6.6%	9.2%	19.1%	4.0%
1995	3.4%	11.2%	3.8%	17.1%	9.1%
1996	3.4%	10.5%	1.1%	10.7%	7.2%
1997	3.5%	12.8%	-0.4%	2.8%	6.4%
1998	2.9%	15.2%	5.8%	-2.8%	4.7%
1999	4.1%	19.7%	13.7%	-3.7%	0.5%
2000	5.8%	16.4%	10.3%	-1.8%	4.7%
2001	8.3%	15.7%	11.2%	4.5%	5.5%

Source: Centers for Medicare and Medicaid Services, Office of the Actuary

Data for Chart 1.7

Table 1.3:  
Out-of-Pocket Payments for Health Expenditures  
1990 - 2001

<b>Year</b>	<b>Payment</b>
1990	\$137,289
1991	\$142,133
1992	\$145,923
1993	\$146,948
1994	\$143,844
1995	\$146,182
1996	\$152,034
1997	\$162,242
1998	\$175,218
1999	\$184,428
2000	\$194,683
2001	\$205,400

Source: Centers for Medicare & Medicaid Services, Office of the Actuary

Data for Chart 1.9

Table 1.4:  
National Health Expenditures<sup>(1)</sup>  
1980 - 2012

<b>Year</b>	<b>Expenditures (billions)</b>
1980	\$246
1990	\$696
1998	\$1,150
1999	\$1,220
2000	\$1,310
2001	\$1,425
2002	\$1,548
2003	\$1,661
2004	\$1,779
2005	\$1,907
2006	\$2,044
2007	\$2,194
2008	\$2,355
2009	\$2,525
2010	\$2,702
2011	\$2,887
2012	\$3,080

*Source: Centers for Medicare & Medicaid Services, Office of the Actuary*

<sup>(1)</sup> *Years 2002 – 2012 are projections*

*Data for Chart 1.8*

Table 1.5:  
Growth in Total Prescription Drug Spending as a  
Percentage of Total Growth in National Health Expenditures  
1981 - 2001

<b>Year</b>	<b>Percentage</b>
1981	3.43%
1982	4.54%
1983	7.05%
1984	6.27%
1985	5.93%
1986	8.20%
1987	6.37%
1988	6.26%
1989	6.37%
1990	7.54%
1991	6.99%
1992	5.11%
1993	4.96%
1994	6.90%
1995	11.60%
1996	12.96%
1997	16.10%
1998	20.11%
1999	24.60%
2000	18.96%
2001	16.62%

*Source: Centers for Medicare & Medicaid Services, Office of the Actuary  
Data for Chart 1.11*

Table 1.6:  
 Consumer Out-of-Pocket Spending vs. Private Health Insurance  
 Spending for Prescription Drugs  
 1980 - 2001

<b>Year</b>	<b>Out-of-Pocket Payment (billions)</b>	<b>Private Health Insurance (billions)</b>
1980	\$8.364	\$2.012
1981	\$9.123	\$2.362
1982	\$10.032	\$2.985
1983	\$11.332	\$3.691
1984	\$12.546	\$4.389
1985	\$13.617	\$5.237
1986	\$15.440	\$5.085
1987	\$16.365	\$6.213
1988	\$18.427	\$7.310
1989	\$20.595	\$8.750
1990	\$23.794	\$9.815
1991	\$25.241	\$11.895
1992	\$26.377	\$13.148
1993	\$27.031	\$14.606
1994	\$26.317	\$17.525
1995	\$25.971	\$22.565
1996	\$26.496	\$26.852
1997	\$27.874	\$32.151
1998	\$30.482	\$38.344
1999	\$34.364	\$47.862
2000	\$38.146	\$56.687
2001	\$43.126	\$66.602

*Source: Centers for Medicare & Medicaid Services, Office of the Actuary  
 Data for Chart 1.12*

Table 1.7:  
Number and Percent Uninsured  
1985 - 2001

<b>Year</b>	<b>Number (millions)</b>	<b>Percent</b>
1985	34.6	14.8%
1986	34.2	14.4%
1987	31.0	12.9%
1988	32.7	13.4%
1989	33.4	13.6%
1990	34.7	13.9%
1991	35.4	14.1%
1992	38.6	15.0%
1993	39.7	15.3%
1994	39.7	15.2%
1995	40.6	15.4%
1996	41.7	15.6%
1997	43.4	16.1%
1998	44.3	16.3%
1999 <sup>(1)</sup>	39.3	14.3%
2000 <sup>(1)</sup>	39.8	14.2%
2001 <sup>(1)</sup>	41.2	14.6%

Source: US Census Bureau

<sup>(1)</sup> 1999, 2000, and 2001 data use population estimates based on Census 2000.

Data for Chart 1.15

Table 1.8:  
Medicaid Enrollees  
1990, 1995, 2000, and 2001

<b>(in millions)</b>	<b>1990</b>	<b>1995</b>	<b>2000</b>	<b>2001</b>
Aged	3.2	4.2	4.5	4.8
Blind/Disabled	3.7	6.0	7.5	7.9
Children	11.2	17.6	21.5	23.1
Adults	6.0	7.8	9.0	10.4
Other Title XIX	1.1	0.6		
Total	25.3	36.3	42.5	46.1

Source: Centers for Medicare & Medicaid Services

Data for Chart 1.18

Table 1.9:  
Percent Uninsured by State  
2001

<b>State</b>	<b>Percent Uninsured</b>	<b>State</b>	<b>Percent Uninsured</b>
Alabama	13.1%	Montana	13.6%
Alaska	15.7%	Nebraska	9.5%
Arizona	17.9%	Nevada	16.1%
Arkansas	16.1%	New Hampshire	9.4%
California	19.5%	New Jersey	13.1%
Colorado	15.6%	New Mexico	20.7%
Connecticut	10.2%	New York	15.5%
Delaware	9.2%	North Carolina	14.4%
District of Columbia	12.7%	North Dakota	9.6%
Florida	17.5%	Ohio	11.2%
Georgia	16.6%	Oklahoma	18.3%
Hawaii	9.6%	Oregon	12.8%
Idaho	16.0%	Pennsylvania	9.2%
Illinois	13.6%	Rhode Island	7.7%
Indiana	11.8%	South Carolina	12.3%
Iowa	7.5%	South Dakota	9.3%
Kansas	11.4%	Tennessee	11.3%
Kentucky	12.3%	Texas	23.5%
Louisiana	19.3%	Utah	14.8%
Maine	10.3%	Vermont	9.6%
Maryland	12.3%	Virginia	10.9%
Massachusetts	8.2%	Washington	13.1%
Michigan	10.4%	West Virginia	13.2%
Minnesota	8.0%	Wisconsin	7.7%
Mississippi	16.4%	Wyoming	15.9%
Missouri	10.2%		

Source: US Census Bureau  
Data for Chart 1.16

Table 1.10:  
Percent Change in  
SCHIP Enrollment by State  
FY 2001 – FY 2002

<b>State</b>	<b>Percent Change FY 01 – FY 02</b>	<b>State</b>	<b>Percent Change FY 01 – FY 02</b>
Alabama <sup>(1)</sup>	22%	Montana	3%
Alaska	2%	Nebraska	16%
Arizona	7%	Nevada	35%
Arkansas	-34%	New Hampshire	36%
California	-88%	New Jersey	17%
Colorado	13%	New Mexico	93%
Connecticut	15%	New York	-8%
Delaware	74%	North Carolina	20%
District of Columbia	80%	North Dakota	31%
Florida	23%	Ohio	13%
Georgia	21%	Oklahoma	117%
Hawaii	19%	Oregon	4%
Idaho	0%	Pennsylvania	5%
Illinois	-19%	Rhode Island	12%
Indiana	16%	South Carolina	4%
Iowa	48%	South Dakota	24%
Kansas	19%	Tennessee	N/A
Kentucky	38%	Texas	45%
Louisiana	26%	Utah	-2%
Maine	-16%	Vermont	15%
Maryland	14%	Virginia	-7%
Massachusetts	8%	Washington	15%
Michigan	-6%	West Virginia	8%
Minnesota	N/A	Wisconsin	9%
Mississippi	24%	Wyoming	9%
Missouri	5%		

Source: Center for Medicare and Medicaid Services

<sup>(1)</sup> Based on Statistical Enrollment Data System (SEDS) data only  
Data for Chart 1.20

Table 1.11:  
Percentage of Employees with Employer-based Coverage Who Can  
Choose Conventional, PPO, HMO and POS Plans  
1988 - 2002

	1988	1993	1996	1999	2000	2001	2002
<b>Conventional</b>	90%	59%	52%	26%	21%	21%	16%
<b>PPO</b>	18%	49%	45%	62%	66%	71%	76%
<b>HMO</b>	46%	68%	64%	56%	55%	46%	53%
<b>POS</b>	N/A <sup>(1)</sup>	21%	30%	45%	44%	37%	35%

Source: *The Kaiser Family Foundation and Health Research and Educational Trust, Employer Health Benefits 2002 Annual Survey*

<sup>(1)</sup> Point-of-service plans not separately identified

Data for Chart 1.21

Table 1.12:  
Percent Distribution of Employer-sponsored Health  
Insurance Enrollment by Type of Plan  
1988 - 2002

	1988	1993	1996	1998	1999	2000	2001	2002
<b>POS</b>	N/A <sup>(1)</sup>	7%	14%	24%	25%	22%	22%	18%
<b>HMO</b>	16%	21%	31%	27%	28%	29%	23%	26%
<b>PPO</b>	11%	26%	28%	35%	38%	41%	48%	52%
<b>Conventional</b>	73%	46%	27%	14%	9%	8%	7%	4%

Source: *The Kaiser Family Foundation and Health Research and Educational Trust, Employer Health Benefits 2002 Annual Survey*

<sup>(1)</sup> Point-of-service plans not separately identified

Data for Chart 1.22

Table 1.13:  
Growth in Medicare Spending per Beneficiary vs. Private  
Health Insurance Spending per Enrollee  
1980 - 2001

<b>Year</b>	<b>Growth in Medicare Spending per Beneficiary</b>	<b>Growth in Private Health Insurance Spending per Enrollee</b>
1980	18.7%	15.9%
1981	17.7%	16.3%
1982	15.4%	14.0%
1983	11.9%	9.9%
1984	9.4%	9.4%
1985	6.0%	10.9%
1986	5.0%	5.3%
1987	6.0%	11.9%
1988	4.8%	15.1%
1989	11.6%	12.9%
1990	7.1%	12.7%
1991	7.5%	11.1%
1992	10.7%	8.5%
1993	6.5%	7.4%
1994	10.3%	3.7%
1995	9.1%	5.5%
1996	5.6%	4.4%
1997	4.7%	5.1%
1998	-0.6%	5.2%
1999	0.2%	5.1%
2000	4.1%	6.6%
2001	6.9%	10.8%

*Source: Centers for Medicare & Medicaid Services, Office of the Actuary  
Data for Chart 1.24*

Table 1.14:  
 Percentage of Medicaid Beneficiaries Enrolled  
 in Medicaid Managed Care by State  
 2000 and 2001

State	% Enrolled		State	% Enrolled	
	00	01		00	01
Alabama	59.9%	53.7%	Montana	61.1%	64.2%
Alaska	0.0%	0.0%	Nebraska	76.7%	74.8%
Arizona	92.4%	96.1%	Nevada	39.5%	38.2%
Arkansas	57.1%	58.1%	New Hampshire	5.6%	7.9%
California	50.1%	52.3%	New Jersey	59.2%	60.5%
Colorado	90.2%	92.0%	New Mexico	63.8%	64.0%
Connecticut	71.7%	72.4%	New York	25.1%	26.0%
Delaware	79.4%	81.8%	North Carolina	68.3%	70.3%
District of Columbia	66.2%	64.4%	North Dakota	55.1%	58.3%
Florida	59.8%	61.6%	Ohio	21.4%	21.5%
Georgia	95.7%	84.4%	Oklahoma	69.1%	67.7%
Hawaii	73.9%	78.3%	Oregon	83.1%	87.4%
Idaho	29.9%	28.4%	Pennsylvania	72.6%	75.8%
Illinois	9.9%	9.4%	Rhode Island	68.7%	68.5%
Indiana	66.8%	70.2%	South Carolina	6.0%	6.5%
Iowa	90.3%	88.6%	South Dakota	92.7%	97.4%
Kansas	56.3%	57.6%	Tennessee	100.0%	100.0%
Kentucky	80.7%	80.6%	Texas	33.9%	41.4%
Louisiana	6.3%	6.9%	Utah	89.5%	93.0%
Maine	35.4%	43.2%	Vermont	46.7%	60.8%
Maryland	80.5%	68.3%	Virginia	58.6%	61.3%
Massachusetts	64.0%	64.5%	Washington	100.0%	100.0%
Michigan	100.0%	90.0%	West Virginia	34.6%	46.3%
Minnesota	62.5%	64.3%	Wisconsin	43.9%	51.8%
Mississippi	39.0%	50.8%	Wyoming	0.0%	0.0%
Missouri	40.4%	45.1%	<b>Nation</b>	55.8%	56.8%

Source: Centers for Medicare & Medicaid Services, Office of the Actuary  
 Data for Chart 1.26

Table 1.15:  
Blue Cross/Blue Shield  
Underwriting Gain/Loss  
1965 - 2001

<b>Year</b>	<b>Percent Gain/Loss</b>	<b>Year</b>	<b>Percent Gain/Loss</b>
1965	0.4%	1984	2.6%
1966	1.8%	1985	0.6%
1967	3.5%	1986	-2.9%
1968	-0.6%	1987	-5.9%
1969	-3.3%	1988	-3.4%
1970	-3.0%	1989	0.3%
1971	0%	1990	1.5%
1972	2.5%	1991	1.1%
1973	2.5%	1992	1.1%
1974	-1.5%	1993	2.2%
1975	-5.6%	1994	1.3%
1976	-0.9%	1995	-0.2%
1977	3.3%	1996	-1.0%
1978	3.2%	1997	-1.2%
1979	0.2%	1998	-1.0%
1980	-4.1%	1999	0.1%
1981	-3.9%	2000	0.6%
1982	-1.5%	2001	1.3%
1983	0.8%		

Source: Milliman USA

Data for Chart 1.29



Appendix 2:  
Supplementary Data Tables  
Organizational Trends



Table 2.1:  
Number of Community Hospitals<sup>(1)</sup>  
1980 - 2001

<b>Year</b>	<b>All Hospitals</b>	<b>Urban</b>	<b>Rural</b>	<b>In Health System<sup>(2)</sup></b>
1980	5,830	2,955	2,875	-
1981	5,813	3,048	2,765	-
1982	5,801	3,041	2,760	-
1983	5,783	3,070	2,713	-
1984	5,759	3,063	2,696	-
1985	5,732	3,058	2,674	1,579
1986	5,678	3,040	2,638	1,735
1987	5,611	3,012	2,599	1,781
1988	5,533	2,984	2,549	1,857
1989	5,455	2,958	2,497	1,835
1990	5,384	2,924	2,460	1,822
1991	5,342	2,921	2,421	1,827
1992	5,292	3,007	2,285	1,814
1993	5,261	3,012	2,249	1,829
1994	5,229	2,993	2,236	1,956
1995	5,194	2,958	2,236	1,990
1996	5,134	2,908	2,226	2,058
1997	5,057	2,852	2,205	2,222
1998	5,015	2,816	2,199	2,176
1999	4,956	2,767	2,189	2,238
2000	4,915	2,740	2,175	2,217
2001	4,908	2,742	2,166	2,260

Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980-2001, for community hospitals

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

<sup>(2)</sup> 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

Data for Charts 2.1 and 2.4

Table 2.2:  
Number of Beds and  
Number of Beds per 1,000 Persons  
1980 - 2001

<b>Year</b>	<b>Number of Beds</b>	<b>Beds per 1,000</b>
1980	988,287	4.36
1981	1,001,801	4.37
1982	1,011,989	4.37
1983	1,018,452	4.36
1984	1,016,987	4.31
1985	1,000,598	4.21
1986	978,283	4.07
1987	956,529	3.95
1988	944,276	3.86
1989	932,185	3.78
1990	926,436	3.72
1991	922,822	3.66
1992	919,505	3.61
1993	917,847	3.56
1994	901,056	3.46
1995	871,976	3.32
1996	862,352	3.25
1997	853,287	3.19
1998	839,988	3.11
1999	829,575	3.04
2000	823,560	2.93
2001	825,966	2.90

*Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980-2001, for community hospitals*

*Data for Chart 2.2*

Table 2.3:  
Beds per 1,000 Persons  
by State  
2000 and 2001

State	Beds per 1,000 Persons		State	Beds per 1,000 Persons	
	00	01		00	01
Alabama	3.68	3.72	Montana	4.71	4.93
Alaska	2.26	2.28	Nebraska	4.77	4.84
Arizona	2.10	2.02	Nevada	1.89	1.95
Arkansas	3.65	3.54	New Hampshire	2.31	2.27
California	2.14	2.12	New Jersey	3.00	2.89
Colorado	2.17	2.13	New Mexico	1.91	1.96
Connecticut	2.26	2.34	New York	3.50	3.53
Delaware	2.34	2.33	North Carolina	2.86	2.89
District of Columbia	5.85	5.88	North Dakota	6.03	5.84
Florida	3.19	3.16	Ohio	2.98	2.92
Georgia	2.90	2.87	Oklahoma	3.22	3.23
Hawaii	2.52	2.64	Oregon	1.93	1.92
Idaho	2.68	2.60	Pennsylvania	3.44	3.42
Illinois	3.00	2.94	Rhode Island	2.29	2.31
Indiana	3.15	3.11	South Carolina	2.86	2.78
Iowa	4.03	3.94	South Dakota	5.74	5.89
Kansas	4.02	4.15	Tennessee	3.61	3.58
Kentucky	3.66	3.69	Texas	2.67	2.64
Louisiana	3.92	4.02	Utah	1.93	1.95
Maine	2.90	2.99	Vermont	2.75	2.76
Maryland	2.11	2.09	Virginia	2.37	2.33
Massachusetts	2.61	2.58	Washington	1.88	1.90
Michigan	2.62	2.56	West Virginia	4.41	4.39
Minnesota	3.39	3.31	Wisconsin	2.85	2.89
Mississippi	4.77	4.78	Wyoming	3.89	3.89
Missouri	3.59	3.42			

Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 2001, for community hospitals  
Data for Chart 2.3

Table 2.4:  
Percent of Outpatient Surgeries by Facility Type  
1981 - 1999

<b>Year</b>	<b>Hospital Owned Facilities</b>	<b>Freestanding Facilities</b>	<b>Physician Offices</b>
1981	93%	4%	3%
1983	89%	6%	5%
1985	86%	9%	5%
1987	83%	12%	5%
1989	80%	15%	5%
1991	76%	17%	7%
1993	69%	22%	9%
1995	63%	25%	12%
1997	57%	28%	15%
1999	53%	31%	16%

Source: SMG Marketing Group  
Data for Chart 2.5

Table 2.5:  
Percentage of Hospitals with Physician Affiliates<sup>(1)</sup>  
by Type of Relationship  
1994 - 2001

	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Physician Hospital Organization	26%	31%	31%	29%	29%	27%	25%	23%
IPA	20%	23%	24%	21%	19%	18%	17%	17%
Management Service Organization	15%	19%	22%	19%	17%	16%	13%	11%
Group Practice without Walls	6%	7%	7%	6%	5%	4%	4%	5%

Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1994-2001, for community hospitals

<sup>(1)</sup> 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

Data for Chart 2.7

Table 2.6:  
Percentage of Hospitals with Insurance Products by Type of  
Insurance  
1994 - 2001

	1994	1995	1996	1997	1998	1999	2000	2001
Health Maintenance Organization	19%	21%	22%	23%	22%	20%	18%	15%
Preferred Provider	30%	31%	31%	31%	26%	23%	21%	18%
Indemnity Fee-for-service	10%	10%	10%	10%	8%	6%	6%	5%

Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1994-2001, for community hospitals  
Data for Chart 2.8

Table 2.7:  
Percentage of Hospitals Offering  
“Non-hospital” Services  
1995 - 2001

	1995	1996	1997	1998	1999	2000	2001
Home Health Service	74%	77%	78%	76%	72%	69%	66%
Skilled Nursing Facility	45%	49%	52%	53%	49%	49%	47%
Long-term Care	13%	14%	15%	12%	11%	11%	11%
Assisted Living	8%	10%	11%	13%	14%	15%	15%
Hospice	53%	56%	56%	59%	56%	54%	54%
Meals on Wheels	23%	24%	25%	26%	25%	26%	25%

Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1995-2001, for community hospitals  
Data for Chart 2.9

Appendix 3:  
Supplementary Data Tables  
Utilization and Volume

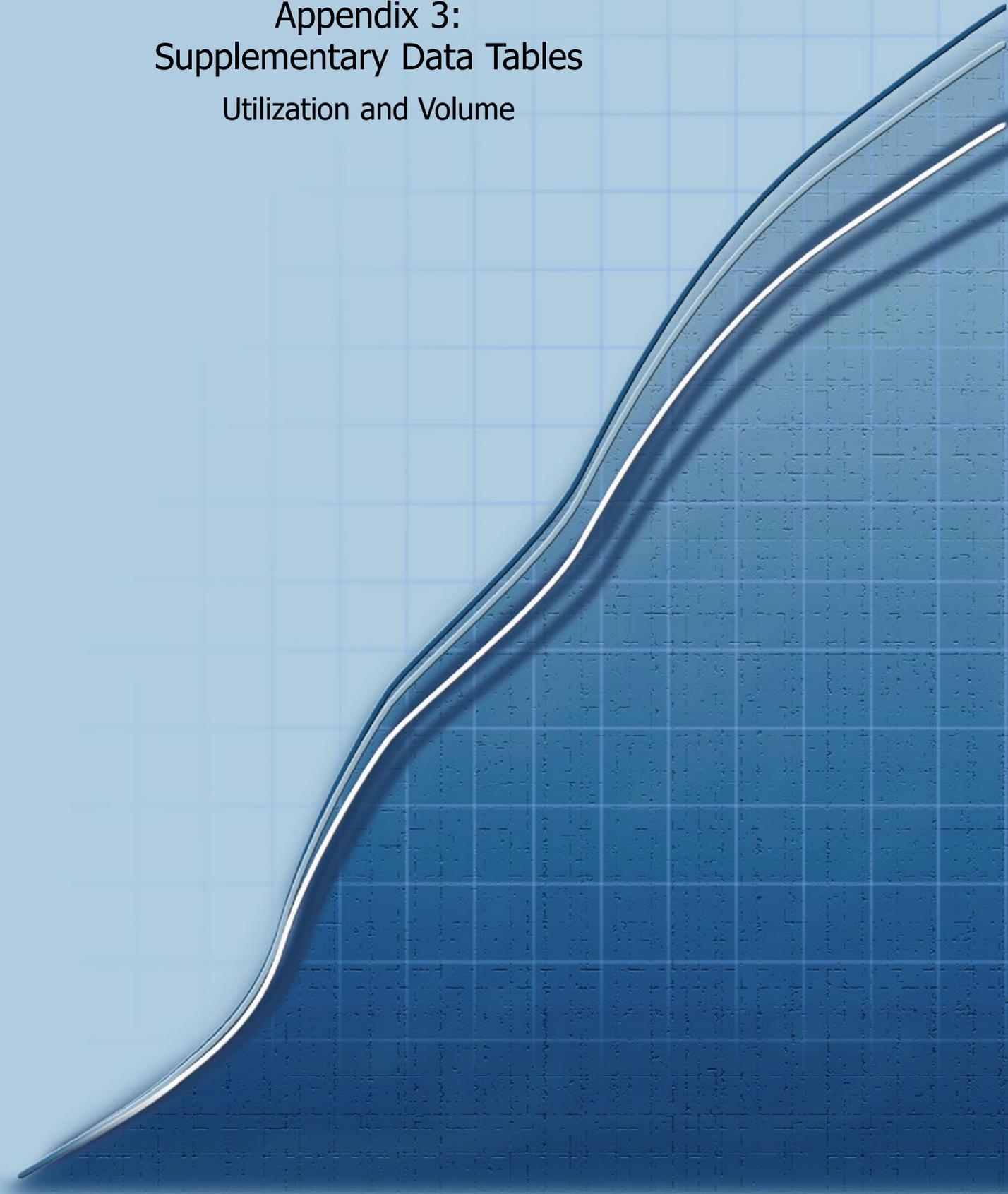


Table 3.1:  
Trends in Inpatient Utilization  
in Community Hospitals  
1980 - 2001

Year	Inpatient Admissions in Community Hospitals	Inpatient Admissions per 1,000	Total Inpatient Days in Community Hospitals	Inpatient Days per 1,000	Inpatient Surgeries	Average Length of Stay
1980	36,143,445	159.5	273,085,130	1,205.4	15,714,062	7.6
1981	36,438,232	158.8	278,405,882	1,213.3	15,674,633	7.6
1982	36,379,446	157.0	278,043,093	1,200.2	15,532,578	7.6
1983	36,151,780	154.6	273,196,906	1,168.5	15,130,404	7.6
1984	35,155,462	149.1	256,603,081	1,088.1	14,378,580	7.3
1985	33,448,631	140.6	236,619,446	994.5	13,161,996	7.1
1986	32,378,796	134.8	229,447,826	955.5	12,222,470	7.1
1987	31,600,817	130.4	227,014,903	937.0	11,691,429	7.2
1988	31,452,835	128.6	226,875,042	927.9	11,383,578	7.2
1989	31,116,048	126.1	225,436,505	913.4	10,989,409	7.2
1990	31,181,046	125.3	225,971,653	908.4	10,844,916	7.2
1991	31,064,283	123.2	222,858,470	883.9	10,693,243	7.2
1992	31,033,557	121.7	221,047,104	866.8	10,552,378	7.1
1993	30,748,051	119.3	215,888,741	837.6	10,181,703	7.0
1994	30,718,136	118.0	207,180,278	796.0	9,833,938	6.7
1995	30,945,357	117.8	199,876,367	760.7	9,700,613	6.5
1996	31,098,959	117.2	193,747,004	730.4	9,545,612	6.2
1997	31,576,960	118.0	192,504,015	719.2	9,509,081	6.1
1998	31,811,673	117.8	191,430,450	709.0	9,735,705	6.0
1999	32,359,042	118.7	191,884,270	703.7	9,539,593	5.9
2000	33,089,467	117.6	192,420,368	683.7	9,729,336	5.8
2001	33,813,589	118.7	194,106,316	681.6	9,779,583	5.7

Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980-2001, for community hospitals  
Data for Charts 3.1, 3.2, 3.3, 3.4, 3.5, and 3.14

Table 3.2:  
Average Length of Stay in Community Hospitals  
by State  
2000 and 2001

State	Average Length of Stay		State	Average Length of Stay	
	00	01		00	01
Alabama	5.3	5.2	Montana	10.5	10.2
Alaska	6.3	6.2	Nebraska	8.4	8.8
Arizona	4.6	4.5	Nevada	4.9	4.9
Arkansas	5.7	5.5	New Hampshire	5.5	5.5
California	5.3	5.4	New Jersey	5.9	5.7
Colorado	5.0	5.1	New Mexico	4.2	4.6
Connecticut	6.1	6.1	New York	7.9	7.9
Delaware	6.1	6.0	North Carolina	6.0	6.1
District of Columbia	7.0	6.8	North Dakota	9.4	8.6
Florida	5.4	5.2	Ohio	5.4	5.2
Georgia	6.4	6.1	Oklahoma	5.3	5.4
Hawaii	8.5	8.1	Oregon	4.4	4.3
Idaho	5.4	5.6	Pennsylvania	5.9	5.7
Illinois	5.4	5.3	Rhode Island	5.3	5.3
Indiana	5.6	5.5	South Carolina	5.9	5.8
Iowa	6.9	6.7	South Dakota	10.5	10.1
Kansas	6.7	6.8	Tennessee	5.7	5.5
Kentucky	5.7	5.6	Texas	5.1	5.1
Louisiana	5.5	5.5	Utah	4.6	4.4
Maine	5.9	6.0	Vermont	7.8	7.4
Maryland	5.1	4.9	Virginia	5.7	5.7
Massachusetts	5.8	5.7	Washington	4.8	4.8
Michigan	5.6	5.4	West Virginia	6.2	6.1
Minnesota	7.2	7.0	Wisconsin	6.0	6.0
Mississippi	6.9	6.9	Wyoming	8.2	8.0
Missouri	5.5	5.3			

Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 2001, for community hospitals  
Data for Chart 3.6

Table 3.3:  
Emergency Department Visits, Emergency Department Visits per  
1,000, and Number of Emergency Departments  
1990 - 2001

<b>Year</b>	<b>ED Visits (millions)</b>	<b>ED Visits per 1,000</b>	<b>Emergency Departments<sup>(1)</sup></b>
1990	86.7	349	5,172
1991	88.5	351	5,108
1992	90.8	356	5,035
1993	92.6	359	4,998
1994	90.5	348	4,960
1995	94.7	360	4,923
1996	93.1	351	4,884
1997	92.8	347	4,813
1998	94.8	351	4,771
1999	99.5	365	4,679
2000	103.1	366	4,650
2001	106.0	372	4,621

*Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1990-2001, for community hospitals*

<sup>(1)</sup> *Defined as hospitals that reported ED visits*

*Data for Charts 3.7 and 3.8*

Table 3.4:  
 Conditions Hospitals Reported as Contributing to Diversion and  
 Contributing to Boarding Patients in the Past 12 Months  
 FY 2001

	Contributing to Diversion			Contributing to Boarding Patients		
	Very great extent	Great extent	Moderate extent	Very great extent	Great extent	Moderate extent
Inability to Transfer to Critical Care (ICU/CCU) Beds	38%	25%	14%	43%	23%	15%
Inability to Transfer to Telemetry Beds	34%	24%	13%	47%	23%	11%
Emergency Department Capacity Exceeded (staff, space, etc.)	38%	20%	10%	15%	10%	10%
Inability to Transfer to Other Inpatient Beds	17%	17%	18%	27%	21%	19%
Inability to Transfer to Other Facilities	3%	3%	8%	8%	9%	12%
Inability to Transfer to Pediatric Beds	3%	2%	4%	6%	3%	6%
Concern of Overload Due to Other Hospital's Diversion	1%	3%	3%			
Lack of On-call Physician Specialty Coverage for Emergency Department	2%	1%	2%	2%	1%	4%
Internal Disaster (e.g., power failure)	2%	0.3%	0.4%			

Source: GAO Survey of Hospital Emergency Departments, 2002  
 Data for Charts 3.10 and 3.11

Table 3.5:  
Outpatient Utilization in Community Hospitals  
1980 - 2001

<b>Year</b>	<b>Total Outpatient Visits</b>	<b>Outpatient Visits per 1,000</b>	<b>Outpatient Surgeries</b>
1980	202,274,528	892.9	3,053,604
1981	202,554,317	882.7	3,561,573
1982	247,930,332	1,070.2	4,061,061
1983	210,038,878	898.4	4,714,504
1984	211,941,487	898.7	5,529,661
1985	218,694,236	919.2	6,951,359
1986	231,853,914	965.5	8,246,665
1987	244,495,134	1,009.1	9,126,205
1988	268,290,801	1,097.3	10,027,560
1989	284,815,681	1,153.9	10,350,871
1990	300,514,516	1,208.0	11,069,952
1991	321,044,324	1,273.4	11,711,808
1992	347,847,202	1,364.1	12,307,594
1993	366,533,432	1,422.0	12,624,292
1994	382,780,358	1,470.6	13,154,838
1995	413,748,403	1,574.6	13,462,304
1996	439,863,107	1,658.3	14,023,651
1997	450,140,010	1,681.8	14,678,290
1998	474,193,468	1,756.3	15,593,614
1999	495,346,286	1,816.5	15,845,492
2000	521,404,976	1,852.8	16,383,374
2001	538,480,378	1,890.8	16,684,726

*Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980-2001, for community hospitals*

*Data for Charts 3.12, 3.13, and 3.14*

Appendix 4:  
Supplementary Data Tables  
Trends in Hospital Financing

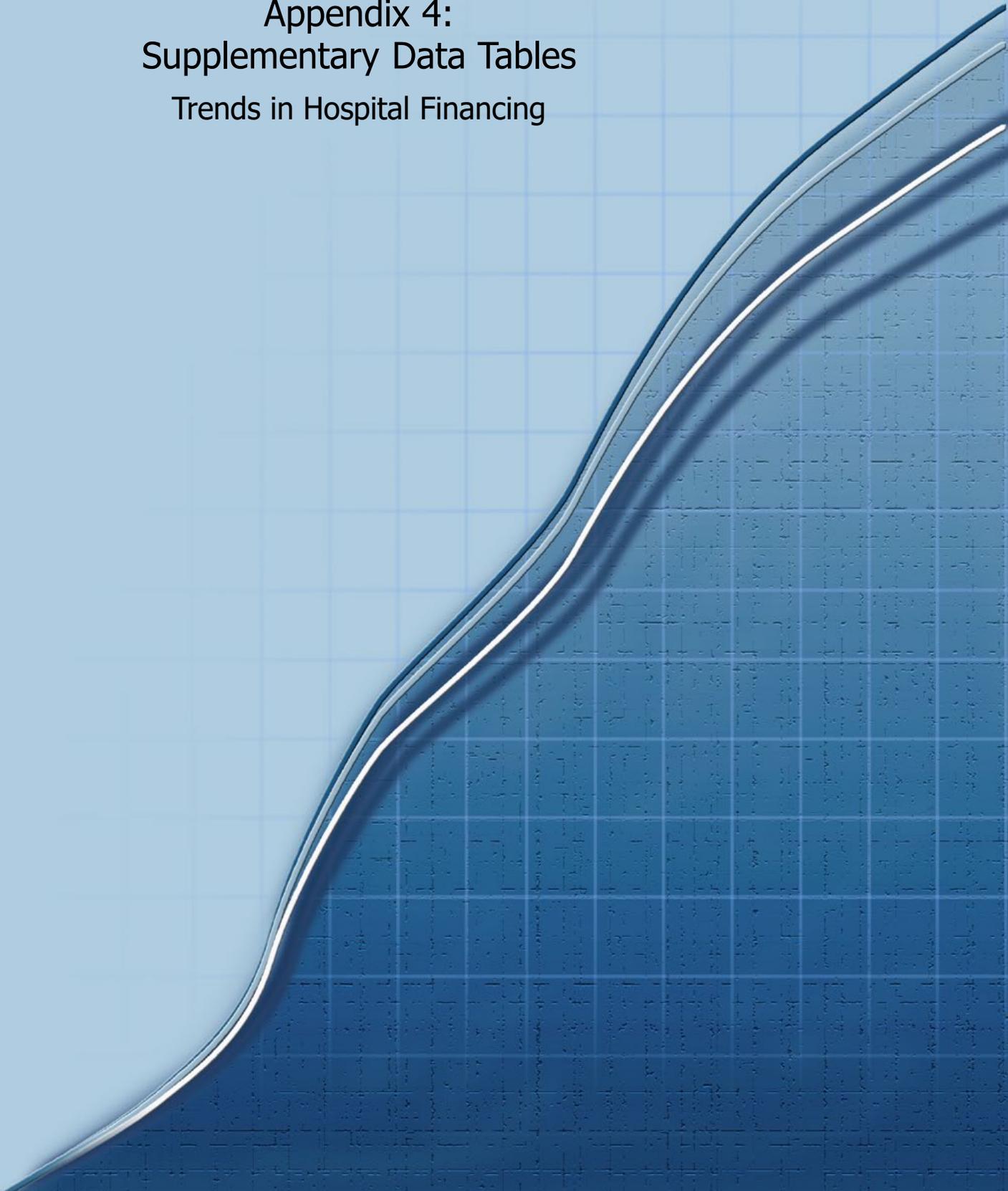


Table 4.1:  
 Aggregate Operating<sup>(1)</sup>, Patient<sup>(2)</sup>, and Total<sup>(3)</sup> Hospital Margins,  
 Percentage of Hospitals with Negative Total Margins, and Aggregate  
 Non-operating Gains  
 as a Percentage of Total Net Revenue  
 1980-2001

Year	Aggregate Operating Margins	Aggregate Patient Margins	Aggregate Total Hospital Margins	Percent of Hospitals with Negative Total Margins	Aggregate Non-Operating Gains as a Percentage of Total Net Revenue
1980			3.6%	25.7%	2.2%
1981			3.6%	25.4%	2.2%
1982			4.2%	24.0%	2.4%
1983			4.2%	24.1%	2.4%
1984			5.1%	24.6%	2.4%
1985			6.0%	23.3%	2.7%
1986			5.3%	25.7%	2.4%
1987			4.2%	31.4%	2.3%
1988			3.3%	32.5%	2.4%
1989			3.4%	30.8%	2.5%
1990	1.7%	-4.2%	3.9%	27.1%	2.1%
1991	2.2%	-3.6%	4.3%	24.7%	2.1%
1992	2.7%	-2.7%	4.6%	23.8%	1.9%
1993	2.5%	-3.2%	4.2%	24.2%	1.8%
1994	3.4%	-2.8%	4.8%	22.4%	1.5%
1995	3.9%	-2.2%	5.6%	20.4%	1.8%
1996	4.6%	-1.0%	6.7%	19.4%	2.3%
1997	4.0%	-1.7%	6.7%	20.4%	2.7%
1998	3.1%	-3.0%	5.8%	26.6%	2.8%
1999	2.1%	-4.3%	4.6%	32.5%	2.6%
2000	2.0%	-4.2%	4.6%	32.0%	2.6%
2001	2.7%	-3.6%	4.2%	29.4%	1.6%

Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980-2001, for community hospitals

<sup>(1)</sup> Operating Margin is calculated as the difference between operating revenue and total expenses divided by operating revenue

<sup>(2)</sup> Patient Margin is calculated as the difference between net patient revenue and total expenses divided by net patient revenue

<sup>(3)</sup> Total Hospital Margin is calculated as the difference between total net revenue and total expenses divided by total net revenue

Data for Charts 4.1, 4.2, and 4.8

Table 4.2:  
Distribution of Inpatient vs. Outpatient Revenues  
1980 - 2001

<b>Year</b>	<b>Gross Outpatient Revenue</b>	<b>Gross Inpatient Revenue</b>
1980	13%	87%
1981	13%	87%
1982	13%	87%
1983	13%	87%
1984	14%	86%
1985	16%	84%
1986	18%	82%
1987	19%	81%
1988	21%	79%
1989	21%	79%
1990	23%	77%
1991	24%	76%
1992	25%	75%
1993	27%	73%
1994	28%	72%
1995	30%	70%
1996	31%	69%
1997	33%	67%
1998	33%	67%
1999	34%	66%
2000	35%	65%
2001	35%	65%

*Source: The Lewin Group analysis of American  
Hospital Association Annual Survey data, 1980-2001,  
for community hospitals*

*Data for Chart 4.4*

Table 4.3:  
Annual Change in Hospital Operating Revenue and Expenses  
per Adjusted Admission<sup>(1)</sup>  
1980 - 2001

<b>Year</b>	<b>Expenses per Adjusted Admission</b>	<b>Operating Revenue per Adjusted Admission</b>	<b>Percent Change Expenses</b>	<b>Percent Change Operating Revenue</b>
1980	\$1,851	\$1,878		
1981	\$2,171	\$2,203	17.3%	17.3%
1982	\$2,501	\$2,547	15.2%	15.6%
1983	\$2,789	\$2,841	11.5%	11.5%
1984	\$2,995	\$3,080	7.4%	8.4%
1985	\$3,245	\$3,359	8.3%	9.1%
1986	\$3,533	\$3,639	8.9%	8.3%
1987	\$3,850	\$3,929	9.0%	8.0%
1988	\$4,207	\$4,245	9.3%	8.1%
1989	\$4,588	\$4,628	9.1%	9.0%
1990	\$4,947	\$5,034	7.8%	8.8%
1991	\$5,360	\$5,481	8.3%	8.9%
1992	\$5,794	\$5,958	8.1%	8.7%
1993	\$6,132	\$6,290	5.8%	5.6%
1994	\$6,230	\$6,446	1.6%	2.5%
1995	\$6,216	\$6,466	-0.2%	0.3%
1996	\$6,225	\$6,522	0.2%	0.9%
1997	\$6,262	\$6,526	0.6%	0.1%
1998	\$6,386	\$6,589	2.0%	1.0%
1999	\$6,509	\$6,647	1.9%	0.9%
2000	\$6,668	\$6,806	2.5%	2.4%
2001	\$6,980	\$7,172	4.7%	5.4%

Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980-2001, for community hospitals

<sup>(1)</sup> An aggregate measure of workload reflecting the number of inpatient admissions, plus an estimate of the volume of outpatient services, expressed in units equivalent to an inpatient admission in terms of level of effort

Data for Chart 4.5

Table 4.4:  
Aggregate Hospital Payment-to-Cost Ratios  
for Private Payers, Medicare and Medicaid  
1980 - 2001

<b>Year</b>	<b>Medicare</b>	<b>Medicaid</b>	<b>Private Payer</b>
1980	96.5%	92.3%	112.9%
1981	97.8%	94.0%	112.2%
1982	96.1%	91.5%	115.8%
1983	96.8%	92.1%	116.8%
1984	98.7%	91.9%	118.5%
1985	102.0%	94.3%	117.1%
1986	101.7%	91.8%	116.3%
1987	98.3%	83.0%	119.8%
1988	94.2%	79.0%	121.7%
1989	92.1%	78.8%	124.4%
1990	89.4%	80.1%	127.8%
1991	88.5%	81.9%	130.8%
1992	89.0%	89.5%	131.8%
1993	89.9%	89.6%	130.1%
1994	96.9%	93.7%	124.4%
1995	99.4%	94.0%	124.0%
1996	102.4%	94.9%	121.6%
1997	103.7%	96.0%	117.5%
1998	101.9%	96.6%	115.8%
1999	100.0%	95.7%	115.1%
2000	99.1%	94.5%	115.7%
2001	98.4%	95.8%	116.5%

*Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980-2001, for community hospitals  
Data for Chart 4.7*



Appendix 5:  
Supplementary Data Tables  
Workforce

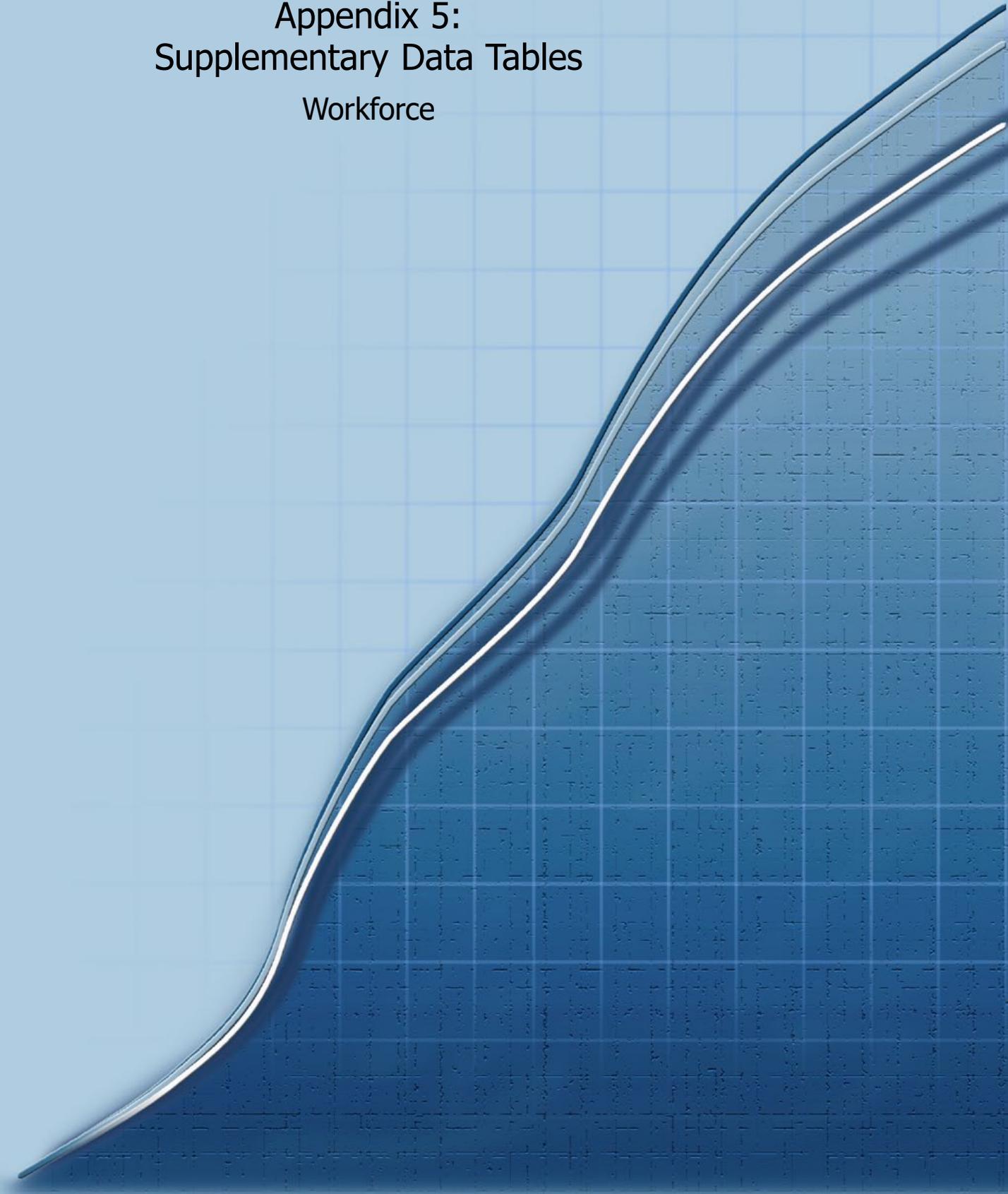


Table 5.1:  
Total Number of Active Physicians per 1,000 Persons  
by State  
1999 and 2000

State	Physicians per 1,000 Persons		State	Physicians per 1,000 Persons	
	99	00		99	00
Alabama	1.95	1.98	Montana	1.93	2.04
Alaska	1.74	1.85	Nebraska	2.13	2.17
Arizona	2.15	2.09	Nevada	1.83	1.80
Arkansas	1.90	1.88	New Hampshire	2.33	2.38
California	2.35	2.38	New Jersey	3.10	3.11
Colorado	2.48	2.40	New Mexico	2.11	2.09
Connecticut	3.43	3.37	New York	3.69	3.62
Delaware	2.44	2.47	North Carolina	2.26	2.23
District of Columbia	6.91	6.25	North Dakota	2.19	2.15
Florida	2.47	2.41	Ohio	2.51	2.54
Georgia	2.06	2.04	Oklahoma	1.96	1.94
Hawaii	2.65	2.64	Oregon	2.26	2.29
Idaho	1.56	1.58	Pennsylvania	3.14	3.16
Illinois	2.59	2.61	Rhode Island	3.33	3.25
Indiana	1.98	2.00	South Carolina	2.07	2.10
Iowa	1.97	1.98	South Dakota	1.88	1.92
Kansas	2.14	2.18	Tennessee	2.39	2.36
Kentucky	2.06	2.06	Texas	2.04	2.03
Louisiana	2.35	2.38	Utah	1.97	1.96
Maine	2.55	2.68	Vermont	3.01	3.2
Maryland	3.52	3.54	Virginia	2.34	2.39
Massachusetts	3.84	3.86	Washington	2.32	2.37
Michigan	2.58	2.63	West Virginia	2.32	2.35
Minnesota	2.44	2.49	Wisconsin	2.28	2.31
Mississippi	1.63	1.66	Wyoming	1.72	1.73
Missouri	2.47	2.47			

Source: Health United States, 2001 and 2002; includes active non-federal doctors of medicine and active doctors of osteopathy  
Data for Chart 5.2

Table 5.2:  
 Medical and Dental Residents in Training  
 in Community Hospitals  
 1980 - 2001

<b>Year</b>	<b>Residents</b>
1980	55,572
1981	57,776
1982	58,439
1983	59,990
1984	61,888
1985	59,171
1986	63,200
1987	60,909
1988	63,608
1989	64,478
1990	64,530
1991	67,189
1992	69,111
1993	73,377
1994	74,027
1995	78,137
1996	77,160
1997	75,398
1998	78,345
1999	77,796
2000	77,411
2001	77,731

*Source: The Lewin Group  
 analysis of American Hospital  
 Association Annual Survey data,  
 1980-2001, for community  
 hospitals*

*Data for Chart 5.3*

Table 5.3:  
Total Full Time Equivalent Employees Working in Hospitals  
and Full Time Equivalents per Adjusted Admission<sup>(1)</sup>  
1980 - 2001

Year	FTE Personnel	FTE per Adjusted Admission
1980	2,872,772	0.069
1981	3,028,154	0.073
1982	3,305,136	0.079
1983	3,095,579	0.074
1984	3,016,665	0.073
1985	2,996,846	0.075
1986	3,024,320	0.076
1987	3,106,082	0.078
1988	3,195,168	0.080
1989	3,297,947	0.082
1990	3,415,622	0.083
1991	3,530,623	0.084
1992	3,615,145	0.084
1993	3,674,250	0.085
1994	3,690,905	0.083
1995	3,707,958	0.081
1996	3,724,843	0.079
1997	3,789,752	0.078
1998	3,831,068	0.077
1999	3,837,964	0.075
2000	3,911,412	0.073
2001	3,987,274	0.073

Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1980-2001, for community hospitals

<sup>(1)</sup> An aggregate measure of workload reflecting the number of inpatient admissions, plus an estimate of the volume of outpatient services, expressed in units equivalent to an inpatient admission in terms of level of effort

Data for Charts 5.4 and 5.5

Table 5.4:  
 Number of RN Full Time Equivalent Employees,  
 RN Full Time Equivalent Employees per Adjusted Admission,  
 and RN Full Time Equivalents as a Percentage of Total FTEs  
 1986 - 2001

<b>Year</b>	<b>RN FTEs (thousands)</b>	<b>RN FTEs per Adjusted Admission</b>	<b>RN FTEs as a Percent of Total FTEs</b>
1986	736.3	0.0185	24.3%
1987	759.0	0.0192	24.4%
1988	770.6	0.0192	24.0%
1989	791.5	0.0196	24.0%
1990	809.9	0.0197	23.7%
1991	840.5	0.0200	23.8%
1992	858.9	0.0201	23.7%
1993	874.1	0.0201	23.8%
1994	890.9	0.0201	24.1%
1995	893.7	0.0195	24.1%
1996	895.1	0.0190	24.0%
1997	901.2	0.0185	23.8%
1998	929.6	0.0186	24.3%
1999	938.0	0.0182	24.4%
2000	957.6	0.0179	24.5%
2001	958.0	0.0174	24.0%

*Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1986-2001, for community hospitals*

*Data for Charts 5.6 and 5.7*

Table 5.5:  
 Number of Physicians by Age  
 1980, 1990, and 2001

<b>Age Group</b>	<b>1980</b>	<b>1990</b>	<b>2001</b>
Under 35	128,506	134,872	138,907
35-44	118,840	184,743	211,350
45-54	88,063	116,803	208,455
55-64	68,239	83,614	126,218
65 & Over	64,031	95,389	151,226

*Source: American Medical Association, Physician Characteristics and Distribution in the US, 2003-2004 Edition*

*Data for Chart 5.8*

Table 5.6:  
RN Employment by Type of Provider  
1980 - 2000

	<b>1980</b>	<b>1984</b>	<b>1988</b>	<b>1992</b>	<b>1996</b>	<b>2000</b>
Percent Employed by Hospitals	65.7%	68.1%	67.9%	66.5%	60.1%	59.1%
Percent Employed by Nursing Homes/Extended Care Facilities	8.0%	7.7%	6.6%	7.0%	8.1%	6.9%
Percent Employed by Public/Community Health	6.6%	6.8%	6.8%	9.7%	13.1%	12.8%
All Other	19.8%	17.3%	18.6%	16.8%	18.7%	21.2%

Source: Findings from the National Sample Survey of Registered Nurses, 1980 - 2000; Bureau of Health Professionals, Division of Nursing Data for Chart 5.9

Table 5.7:  
Distribution of RN Workforce by Age Group  
1980 – 2020 (projected)

<b>Age Group</b>	<b>1980</b>	<b>1990</b>	<b>2000 (proj.)</b>	<b>2010 (proj.)</b>	<b>2020 (proj.)</b>
20s	321,316	252,890	208,591	234,034	253,068
30s	320,101	536,442	470,960	386,827	435,348
40s	224,468	419,766	741,546	642,122	525,704
50s	171,240	206,647	375,708	760,379	631,796
60s	36,716	46,372	56,228	136,358	217,441

Source: Buerhaus, P.I. et al. Implications of an Aging Registered Nurse Workforce. JAMA: 2000;283:2948-2954  
Data for Chart 5.10

Table 5.8:  
National Supply and Demand Projections for FTE RNs  
2000 - 2020

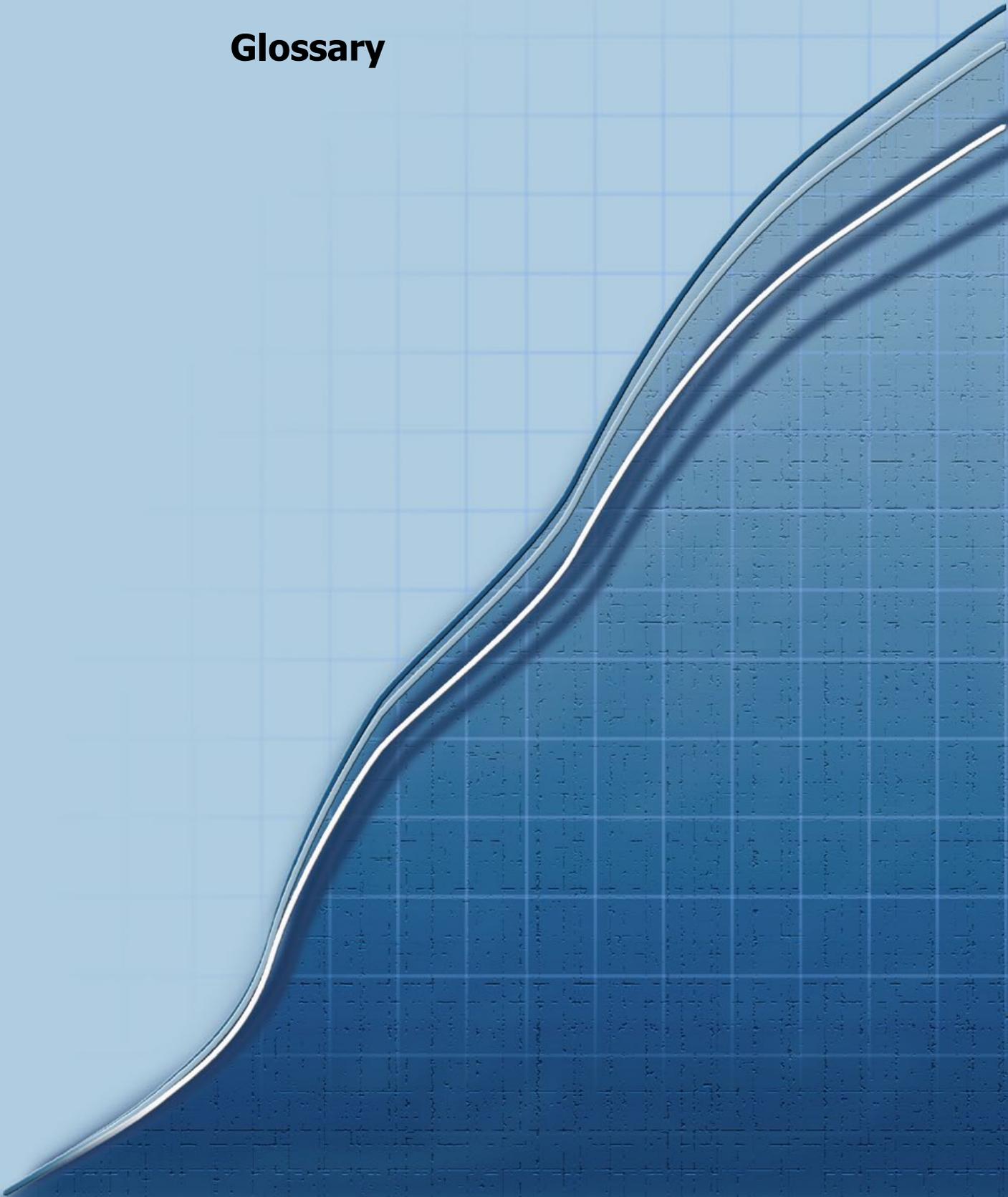
<b>Year</b>	<b>RN FTE Supply</b>	<b>RN FTE Demand</b>
2000	1,889,243	1,999,950
2001	1,912,667	2,030,971
2002	1,937,336	2,062,556
2003	1,959,192	2,095,514
2004	1,989,329	2,128,142
2005	2,012,444	2,161,831
2006	2,028,548	2,196,904
2007	2,039,772	2,232,516
2008	2,047,729	2,270,890
2009	2,059,099	2,307,236
2010	2,069,369	2,344,584
2011	2,075,891	2,379,719
2012	2,075,218	2,426,741
2013	2,068,256	2,472,072
2014	2,061,348	2,516,827
2015	2,055,491	2,562,554
2016	2,049,318	2,609,081
2017	2,041,321	2,656,886
2018	2,032,230	2,708,241
2019	2,017,100	2,758,089
2020	2,001,998	2,810,414

*Source: National Center For Health Workforce Analysis,  
Bureau of Health Professions, Health Resources and Services  
Administration, 2002*

*Data for Chart 5.12*



# Glossary



# Glossary

**Adjusted Admission** – An aggregate measure of workload reflecting the sum of admissions and equivalent admissions attributed to outpatient services. The number of equivalent admissions attributed to outpatient services is derived by multiplying admissions by the ratio of outpatient revenue to inpatient revenue.

**Assisted Living** – Special combination of housing, supportive services, personalized assistance and health care designed to respond to the individual needs of those who require assistance in activities of daily living. Supportive services are available, 24 hours a day, to meet scheduled and unscheduled needs, in a way that promotes maximum independence and dignity for each resident and encourages the involvement of a resident’s family, neighbors and friends.

**Average Age of Plant** – Accumulated depreciation divided by current depreciation expense.

**Community Hospitals** – Nonfederal, short-term general, and special hospitals whose facilities and services are available to the public (e.g., obstetrics and gynecology; eye; ear, nose, and throat; rehabilitation; orthopedic; and other individually described specialty services).

**FTE per Adjusted Admission** – The number of full-time equivalent staff, converted to the number of employees who work full-time divided by the number of adjusted admissions.

**Group Practice without Walls** – Hospital sponsored physician group. The group shares administrative expenses, although the physicians remain independent practitioners.

**Health System** – Hospitals belonging to a corporate body that owns and/or manages health provider facilities or health-related subsidiaries. The system may also own non-health-related facilities.

**Home Health Service** – Service providing nursing, therapy, and health-related home-maker or social services in the patient’s home.

**Horizontal Integration** – Merging of two or more firms at the same level of production in some formal, legal relationship. In hospital networks, this may refer to the grouping of several hospitals, outpatient clinics with the hospital, or a geographic network of various health care services.

**Hospice** – Program providing palliative care, chiefly medical relief of pain and supportive services, addressing the emotional, social, financial, and legal needs of terminally ill patients and their families. This care can be provided in a variety of settings, both inpatient and at home.

**Hospital Income from Investments and Other Non-Operating Gains** – Income not associated with the central operations of the hospital facility. Non-operating gains include income from non-operating activities, including investments, endowments and extraordinary gains, as well as the value of non-realized gains from investments.

**Hospital Total Net Revenue** – Net patient revenue plus all other revenue, including contributions, endowment revenue, governmental grants, and all other payments not made on behalf of individual patients.

**Hospital Operating Margin** – Difference between operating revenue and operating expenses divided by operating revenue; excludes non-operating revenue.

**Hospital Patient Margin** – Difference between net patient revenue and total expenses divided by net patient revenue.

**Hospital Total Margin** – Difference between total net revenue and total expenses divided by total net revenue.

**Independent Practice Association (IPA)** – Legal entity that holds managed care contracts and contracts with physicians to provide care either on a fee-for-service or capitated basis.

**Inpatient Surgery** – Surgical services provided to patients who remain in the hospital overnight.

**Long Term Care** – Package of services provided to those who are aged, chronically ill or disabled. Services are delivered for a sustained period to individuals who have a demonstrated need, usually measured by functional dependency.

**Management Services Organization (MSO)** – Corporation often owned by the hospital or a physician/hospital joint venture that provides management services to one or more medical group practices. As part of a full-services management agreement, the MSO purchases the tangible assets of the practices and leases them back, employs all non-physician staff, and provides all supplies/administrative systems for a fee.

**Meals on Wheels** – Hospital sponsored program which delivers meals to people, usually the elderly, who are unable to prepare their own meals. Low cost, nutritional meals are delivered to individuals' homes on a regular basis.

**Medicaid Margin** – Difference between revenue from Medicaid and expenses associated with treating Medicaid patients divided by revenue from Medicaid.

**Medicare Margin** – Difference between revenue from Medicare and expenses associated with treating Medicare patients divided by revenue from Medicare.

**Niche Providers** – Providers that focus on a specific set of medical services, a particular population, or a limited set of medical conditions.

**Non-Patient Hospital Costs** – Costs not associated with direct patient care, such as the costs of running cafeterias, parking lots, and gift shops.

**Outpatient Surgery** – Scheduled surgical services provided to patients who do not remain in the hospital overnight. In the AHA Annual Survey, outpatient surgery may be performed in operating suites also used for inpatient surgery, specially designated surgical suites for outpatient surgery, or procedure rooms within an outpatient care facility.

**Outpatient Visit** – Visit by a patient not lodged in the hospital while receiving medical, dental, or other services. Each visit an outpatient department makes to a discrete unit constitutes one visit regardless of the number of diagnostic and / or therapeutic treatments that the patient receives. Total outpatient visits should include all clinic visits, referred visits, observation services, outpatient surgeries, and emergency room visits.

**Payment-to-Cost Ratio** – Ratio illustrating the relationship between hospital payments and costs; a ratio equal to "1" reflects payments at 100 percent of costs.

**Physician Hospital Organization (PHO)**

- Closed PHO – Joint venture between a hospital and physicians who have been selected on the basis of cost-effectiveness and/or high quality. The PHO can act as a unified agent in managed care contracting, own a managed care plan, own and operate ambulatory care centers or ancillary services projects, or provide administrative services to physician members.
- Open PHO – Joint venture between a hospital and all members of the medical staff who wish to participate. The open PHO can act as a unified agent in managed care contracting, own a managed care plan, own and operate ambulatory care centers or ancillary services projects, or provide administrative services to physician members.

**Private Pay Margin** – Difference between revenue from non-government payers and expenses associated with treating private pay patients divided by revenue from non-government payers.

**Skilled Nursing Facility** – Institution, or part of an institution, which is primarily engaged in providing to residents a certain level of skilled nursing care and/or rehabilitation services for the injured, disabled, or sick.

**Uncompensated Care** – Care provided by hospitals for which hospitals do not receive payment.

**Underwriting** – A health insurer or health plan accepts responsibility for paying the health care services of covered individuals in exchange for dollars, usually referred to as premiums. When a health insurer collects more in premiums than it pays in claim costs and administrative expenses, an underwriting gain is said to occur. If the total expenses exceed the premium dollars collected, an underwriting loss occurs.

**Underwriting Cycle** – Repeating pattern of gains and losses within the insurance industry.

**Vertical Integration** – Organization of production whereby one business entity controls or owns all stages of the production and distribution of goods or services. In health care, vertical integration can take different forms but most often refers to physicians, hospitals, and health plans combining their organizations or processes in some manner to increase efficiencies and competitive strength or to improve quality of care. Integrated delivery systems or healthcare networks are generally vertically integrated.

