



# 2016 UPSTATE HEALTHCARE COMPARE

A Trend Analysis



## About Iroquois Healthcare Alliance

The Iroquois Healthcare Alliance (IHA) represents 54 hospitals and health systems in 32 counties of Upstate New York. IHA's mission is to serve as a resource and leader to support its members and the communities they serve through advocacy, education, information, cost-saving initiatives, and business solutions. IHA, and its affiliates, provide numerous data and information resources to assist members in planning and evaluating operations, and to quantify advocacy efforts. IHA has offices in Clifton Park and East Syracuse, New York.

IHA researches and provides cost, quality, and efficiency data that compares Upstate New York (Upstate) health care services to national and regional benchmarks. This performance data comparison supports advocacy efforts at the state, federal, and local level in the context of federal Medicare reform and state Medicaid redesign. This analysis was developed in furtherance of fulfilling IHA's mission to advocate on behalf of its membership and to emphasize the unique characteristics and challenges of Upstate hospitals from a formal and data-driven comparison.



New York State, more so than most, is a distinctly heterogeneous state in many areas including geography, demography, industry, income, population, health insurance market, health care status, resources, and needs. These differences present constant challenges in the development of public policy including health policy, especially in an era of significant change. Health policy is developed and implemented with a broad brush stroke and most often favors the needs of the more densely populated Downstate region of the state.

The focus of IHA's advocacy efforts is to emphasize the unique characteristics and challenges of Upstate hospitals. All health care providers across the State are being confronted by historic challenges as they strive to provide essential health care services in the appropriate care setting. IHA seeks to make clear that the challenges faced by Upstate hospitals are often different, and that statewide health policy can not be singular.

[www.iroquois.org](http://www.iroquois.org)

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## Introduction

For more than a decade, New York State has faced unsteady economic conditions, persistent budget deficits, and unsustainable annual cost increases in the Medicaid program. As a result, the State instituted a series of severe Medicaid budget cuts that culminated with the passage of a global Medicaid spending cap in the 2011-2012 State budget. As part of the cap, which is still in place, the commissioner of health has statutory “superpowers” to take actions that he sees fit to reduce spending so that the cap is not breached in any budget year. These actions could include regional or health sector specific cuts or across-the-board rate cuts, the latter being the strategy more often employed over the last number of years. Fortunately, the State’s annual share of Medicaid expenditures has been below the statutory cap every year since its implementation.

In August 2012, New York State formally requested an amendment to the state’s 1115 Medicaid Partnership Plan Waiver from the federal government. With success in keeping spending below the Medicaid Global Cap in its first year, New York requested that the Center for Medicare and Medicaid Services (CMS) provide the state with \$10 billion in funding over a five-year period to fully implement the NYS Medicaid Redesign Team (MRT) Action Plan. On April 14, 2014 Governor Andrew Cuomo announced that New York State reached agreement on a waiver that would allow New York to invest \$8 billion over a five year period (financed via savings generated from the MRT reforms) into the comprehensive reform of its Medicaid Program.

At the core of the waiver is the Delivery System Reform Incentive Payment (DSRIP) Program. The goal of DSRIP is to promote community level collaborations and system transformation to achieve a 25% reduction in avoidable hospital use. All DSRIP payments are based on performance linked to achievement of project-specific milestones. To accomplish these goals, hospitals and a broad amalgam of other health care providers and stakeholders have formed 25 Performing Provider Systems (PPSs) across NYS. Each has chosen as many as 11 projects out of 44 possible defined projects.

The performance data comparison presented in this report is of great value in the context of reimbursement reform. Besides collaboration among providers, DSRIP aims to reduce hospital use and reform Medicaid reimbursement based upon performance metrics. Concurrently, through the Patient Protection and Affordable Care Act (ACA), anticipated coverage increases were expected to offset revenue cuts to the market basket updates in Medicare. Hospitals also face threats to revenue in the form of cuts and redistribution due to Medicare payment penalty programs. The objective of

## Introduction (continued)

these Medicare payment penalty programs for preventable readmissions, hospital-acquired conditions and value-based purchasing is to move reimbursement from a volume-based to a value-based system. In these Medicare programs, reimbursement is cut or redistributed based upon quality scores: higher quality scores result in higher payments and lower quality scores result in reduced payments. For hospitals in New York State, payment models from both major payers are moving to value-based, and both NYS and CMS are taking aggressive actions to accelerate this transition.

Currently, 20% of Medicare spending goes to value-based arrangements such as Accountable Care Organizations (ACOs) or bundled payments, and CMS has set goals of 30% by 2016 and 50% by 2018 for value-based arrangements. When combined with the penalty programs described, 90% of Medicare payments will be tied to quality by the end of 2018. Given the high volume of Medicare in Upstate New York, this is a significant change. At the state level, through the 1115 Medicaid Waiver, including the DSRIP program and the State Health Innovation Plan (SHIP), New York's implementation road map for value-based payments is even more aggressive. By the end of 2019, 80% to 90% of Medicaid payments are expected to be based upon shared savings, upside/downside performance risk, and full capitation reimbursement arrangements.

The *2016 Upstate Healthcare Compare* is a snapshot of the past few years of the fee-for-service model. The collection, analysis, and dissemination of Upstate performance data will be crucial for Upstate hospitals and PPSs in their efforts to successfully manage this reimbursement transition. Performance data will allow Upstate hospitals to benchmark themselves against regional, state and national peers to identify measures of concern and allow the hospitals to share best practices and work on collaborative efforts to improve health care delivery.

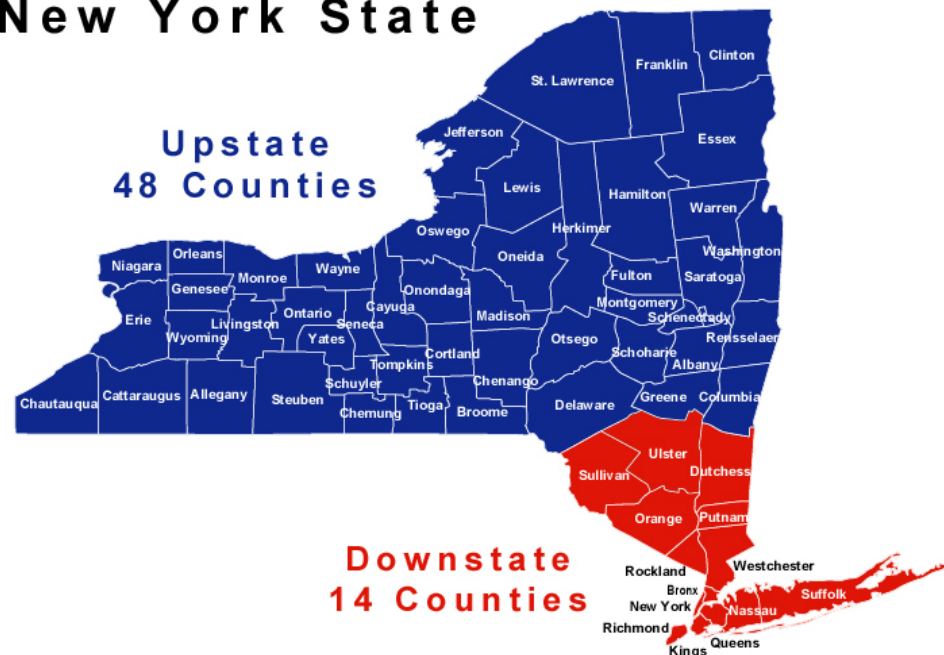
## Data Sources and Parameters

For the purposes of the *2016 Upstate Healthcare Compare*, IHA examines the performance of the hospitals in the 48 counties that comprise “Upstate” and the 14 counties that comprise “Downstate.” The comparative analysis examines data for Upstate, Downstate, and New York State, which includes population, age, uninsured, physicians, hospital inpatient metrics, potentially preventable admissions, net inpatient revenue, outpatient metrics, average hourly wage rates for hospital personnel, and hospital expenses and margins. For the purposes of trend analysis, the timeframe is 2012 through 2014, unless specified.

The following data sources were used to complete this report:

- Centers for Medicare & Medicaid (CMS) - Hospital Compare - various periods as noted
- New York State Institutional Cost Reports (ICR) – 2012, 2013 and 2014
- Statewide Planning and Research Cooperative System (SPARCS) – 2012, 2013 and 2014
- Enroll America – 2013, 2014 and 2015 uninsured estimates
- United States Census Bureau – 2000 census, 2010 census, and 2014 estimates.

### New York State



Where possible, the most recent complete year of available data was used. The year and source of data are identified in the charts and tables throughout the report. Some graphs and tables display the delta symbol and a percentage ( $\Delta$  1.4%); these deltas represent the percent difference between two years of data.



## Executive Summary

By examining data available about hospitals across New York State, and comparing that data by Upstate and Downstate regions, a unique perspective evolves on the trends from 2012 to 2014 for New York State's population, the uninsured, and the financial picture of hospitals.

Upstate New York (Upstate) has 30.7% of the state's population at just over 6 million people. There are significant differences in population distribution across the state. Only 42% of Upstate counties experienced a population increase since 2000 while 100% of Downstate counties experienced a population increase during the same time period. Concurrently, Upstate's percentage of the population age 55 and older is almost 4% higher than Downstate. New York has also seen a dramatic decrease in the percentage of uninsured.

Hospitals across the state vary in size and role (teaching versus non-teaching). With more than 200 hospitals, changing the delivery model is a monumental task. While new initiatives at both the Federal and State levels continue to drive change, there are fundamental hospital metrics that remain relatively unchanged year to year, such as average length of stay, acuity indices, and payer mix. However, inpatient admissions per 1,000 population continue to decrease in both Upstate and Downstate. The average inpatient length of stay is lower in Upstate compared to Downstate.

As DSRIP and the ACA have implemented programs to reduce avoidable hospital use, potentially preventable admissions (PPAs) are a driving force for transformation. Hospital admissions that have minor and moderate severity levels are more likely potentially preventable. The rate of PPAs is decreasing overall; the opportunity for Upstate is smaller than Downstate because there are fewer minor severity PPAs.

Upstate hospitals obtained an average of 50% of net patient revenue from inpatient care and 47% from outpatient care in 2014. Upstate hospitals have diversified their services out of necessity and community needs. Upstate hospitals derive almost 35% less net inpatient revenue per day in 2014 than Downstate hospitals. Medicare continues to be the largest source of net inpatient revenue in both Upstate and Downstate.

Upstate hospitals had nearly twice as many outpatient visits per 1,000 population in 2014 than Downstate. Although Upstate hospitals provide significantly more outpatient services than Downstate, Upstate received 29% less net outpatient revenue per visit.

Reducing emergency department visits, which are an expensive and often inappropriate service site, will be a focus for both Upstate and Downstate. The shortage of physicians and other primary care and behavioral health providers will make that more challenging for Upstate.

Implications for the healthcare workforce are significant. It is often assumed that wages paid Upstate are less than those paid Downstate for comparable positions. While that is typically true, many Upstate health care providers are paying more than their Downstate counterparts to attract and retain a variety of professionals. Average wage rates continue to increase at a slightly faster rate in Upstate, and Upstate pays more for specialty physicians than Downstate. Wages for Registered Nurses continue to be significantly lower Upstate compared to Downstate.

Finally, the majority of hospitals in New York consistently do not cover operating expenses from revenue derived from service to patients. Net overall margins were razor-thin and slightly positive in 2014 as Upstate hospitals earned a positive net overall margin of 1.5% compared to 0.4% Downstate. Hospitals are continuing to operate in a fee-for-service model, while concurrently participating in new value-based initiatives. With underpayment by government payers, increasing expenses, and a focus on reduction of use, it will be very challenging for hospitals to navigate and improve overall margins.

## Population and Uninsured

New York State has a population of 19.7 million people. New York ranks fourth in the U.S. behind California (38.8 million), Texas (29.9 million), and Florida (19.8 million). According to U.S. Census data, New York's population growth has been moderate compared to other states. New York is often viewed through a monocular lens instead of examining and considering the diversity between regions of the state. However, there are distinctions in the population growth across the state. For the purposes of Upstate Healthcare Compare, Upstate is defined as the 48 counties north of Sullivan, Ulster, and Dutchess counties. Downstate is represented by 14 counties: the southern Hudson Valley, New York City, and Long Island. Understanding the state's population and percentage of uninsured helps to quantify the challenges hospitals face with the workforce, hospital revenue, and patient mix; all of which impact the viability of the health system.

Upstate has 30.7% of the state's population at just over 6 million people, while Downstate has 69.3% of the state's population with slightly fewer than 13.7 million people. In spite of moderate population growth as a state of 4.1%, the population Downstate grew by 5.7%, and Upstate by a mere 0.6%. From 2000 to 2014, Upstate's population decreased by 0.2%. More indicative of the geographic disparity is the percentage of counties with population increases. In Upstate, only 25% of counties saw a population increase in 2014 versus 2010.

With further examination of New York State's demographics, *2016 Upstate Healthcare Compare* looks at the population of children age 0 to 19, working-age adults age 20 to 54, and adults 55 and older. This categorization allows for comparison of the population with the uninsured, and also considers the impact on the workforce. The population age 0 to 19 is similar for both Upstate and Downstate. U.S. Census estimates for 2014 indicate that 48.9% of the state's population is between the ages of 20 to 54. Downstate has 5% more of the working age population than Upstate. However, Upstate's percentage of the population age 55 and older is almost 4% higher than Downstate. Upstate has more of its population aging in place. This affects the workforce and the care continuum.

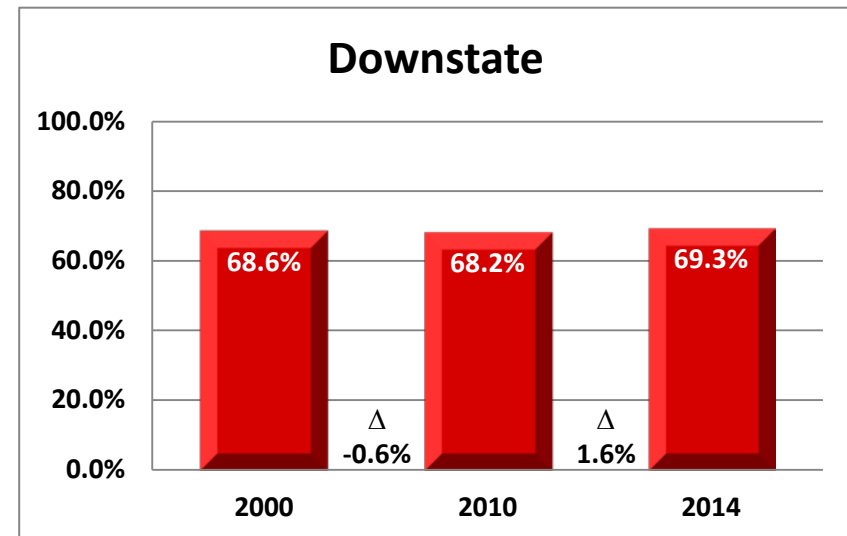
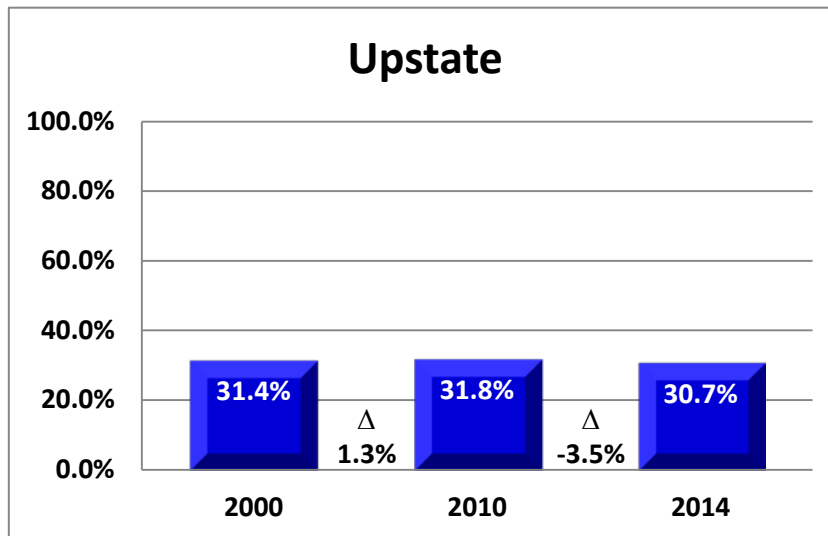
From 2000 to 2014, only 42% of Upstate counties have seen a population increase compared to 100% of Downstate counties. From 2010 to 2014, Upstate has seen a population increase of only 25%. Loss of population impacts advocacy as well as the health care delivery system. Due to a decreasing population, Upstate has lost Congressional seats. The House of Representatives has 435 seats. The results of the decennial census are used to reapportion the seats assigned to the 50 states. Each state receives a minimum of one congressional seat, with the remaining 385 seats apportioned according to the states' relative population sizes. States that gain congressional seats have more power in Congress, and because electoral votes are directly related to the number of congressional seats held by each state - more election clout. Currently, New York has only 27 seats. From the 1940 census to the 2010 census, New York lost 18 congressional seats.

The ACA passed in 2010. One of the primary intentions of the law is to reduce the number of uninsured. The ACA establishes coverage provisions across the income spectrum for nonelderly uninsured people. Medicaid eligibility is expanded for low-income adults, and premium tax credits serve as the vehicle for people with moderate incomes, so that they can purchase insurance directly through new Health Insurance Marketplaces. Lack of health insurance coverage is considered a significant barrier to accessing health care. Based on available estimates, New York State has seen a dramatic decrease in the percentage of uninsured. In 2015, New York State's estimated percentage of uninsured adults age 18 to 64 was 6.3%, down from 12.7% in 2013 and with minimal difference between Upstate and Downstate. A decrease in the percentage of uninsured should have a positive financial impact on hospitals, but 2015 data is not yet available.

# Distribution of Population in New York State

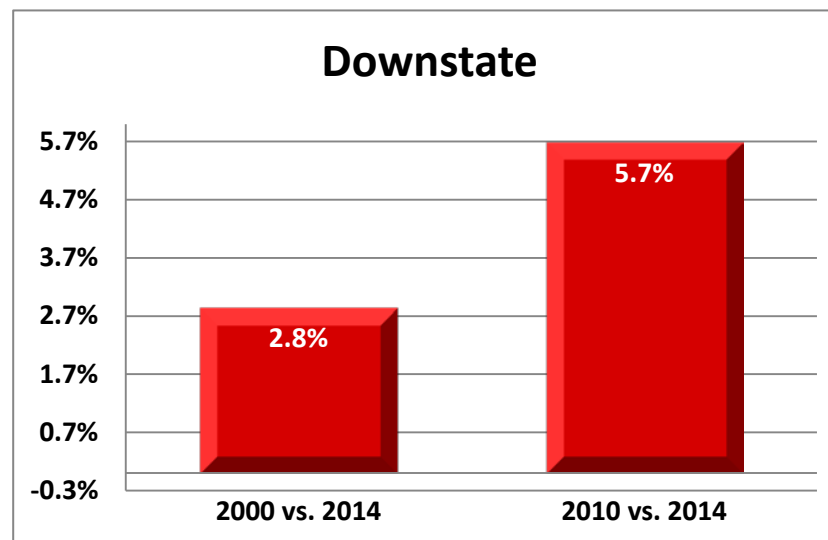
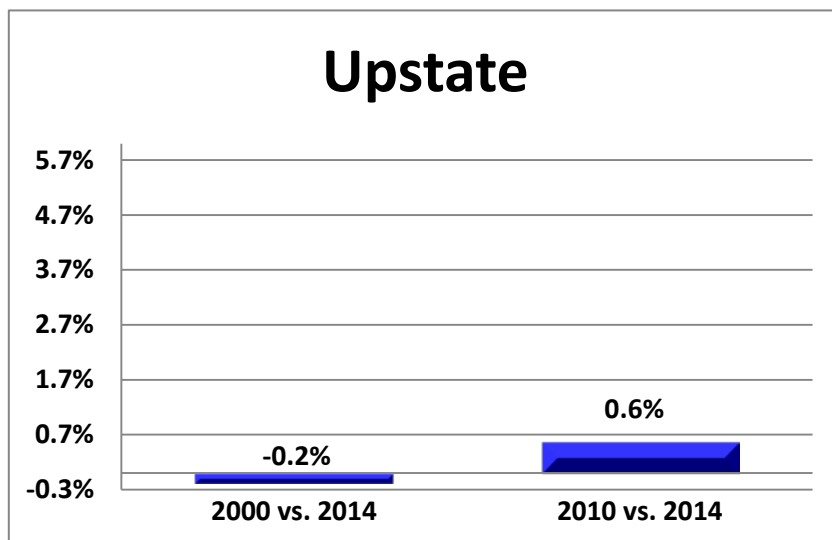
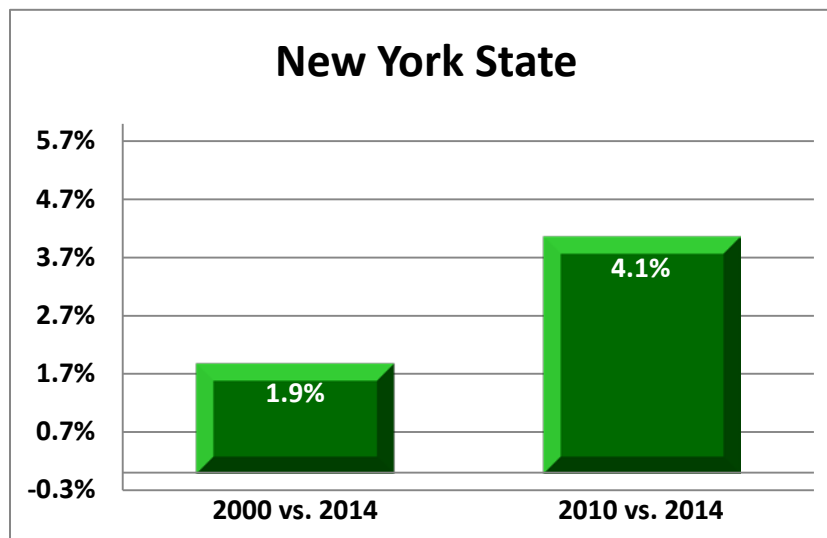
Data Source: 2000, 2010 & 2014 U.S. Census Estimates

Population Estimates for 2014		
Upstate	6,068,500	30.7%
Downstate	13,677,727	69.3%
New York State	19,746,227	100.0%



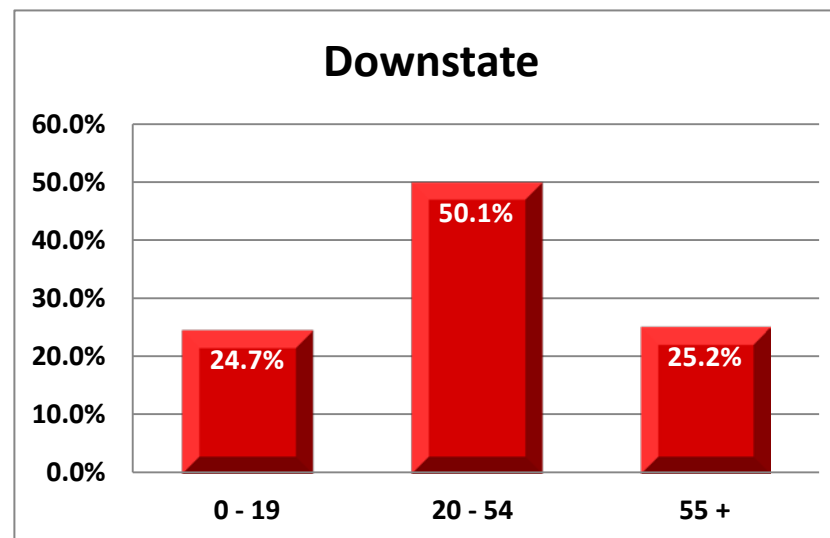
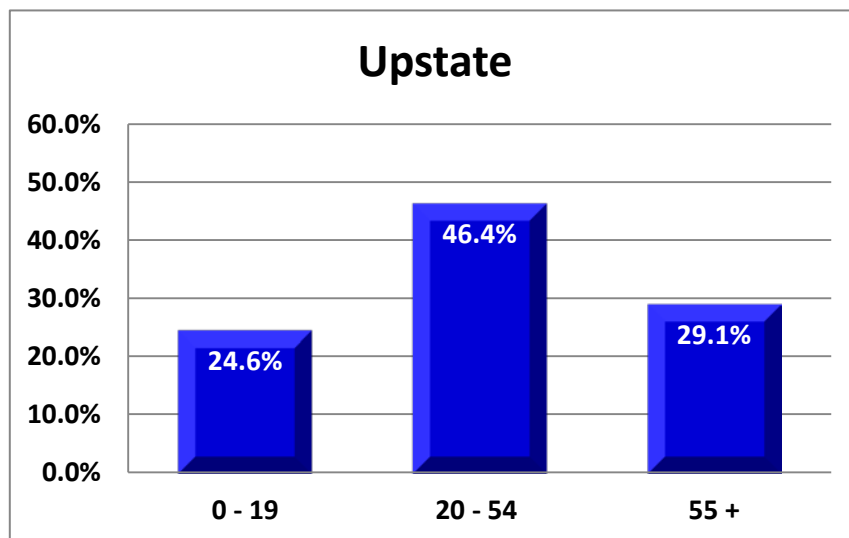
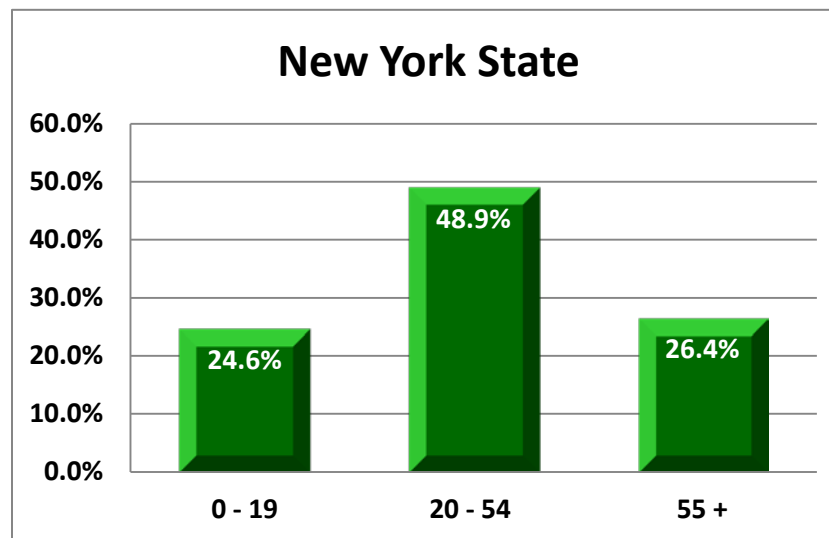
# Percentage Change in Population

Data Source: 2000, 2010 & 2014 U.S. Census Estimates



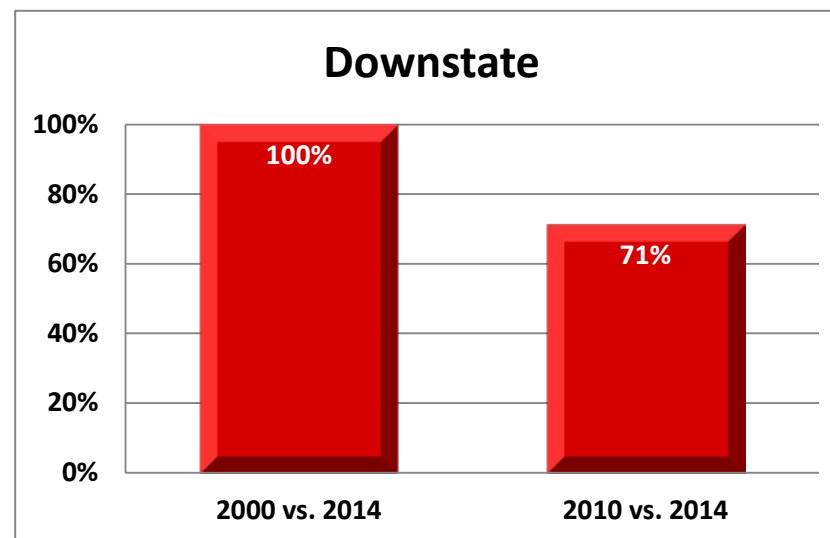
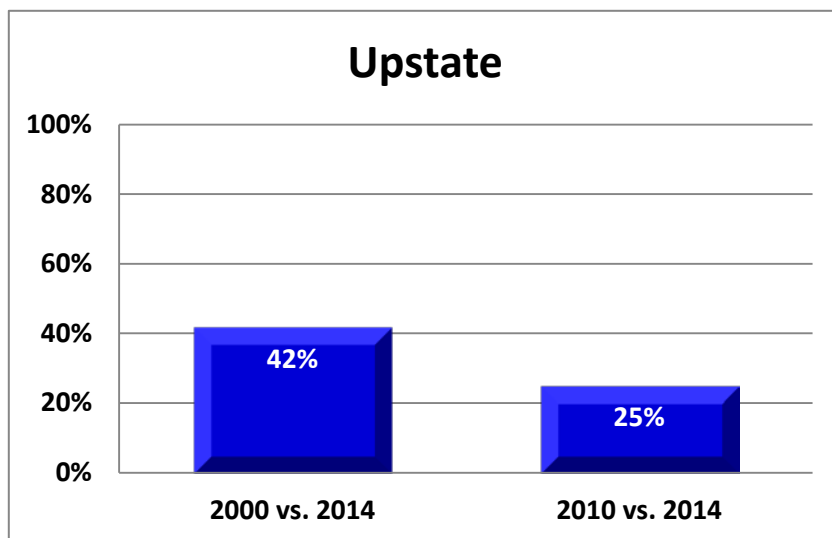
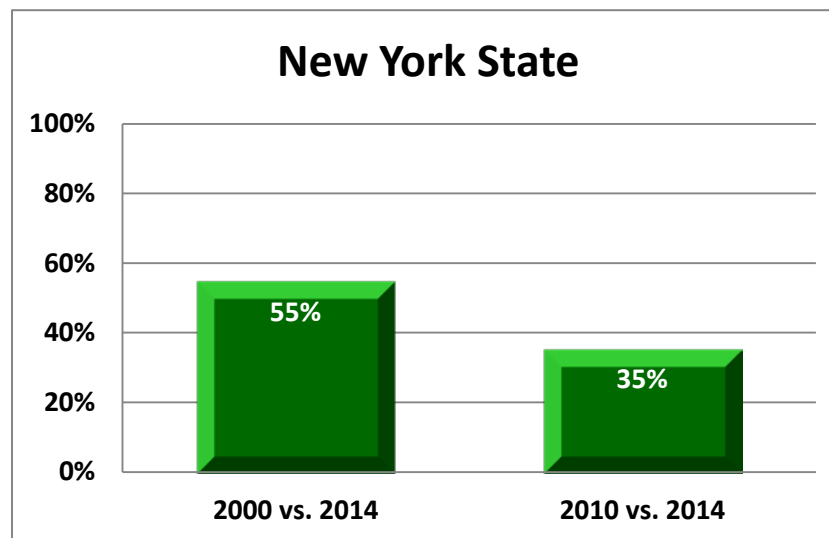
# Percentage of the Population by Age Group

Data Source: 2014 U.S. Census Estimates



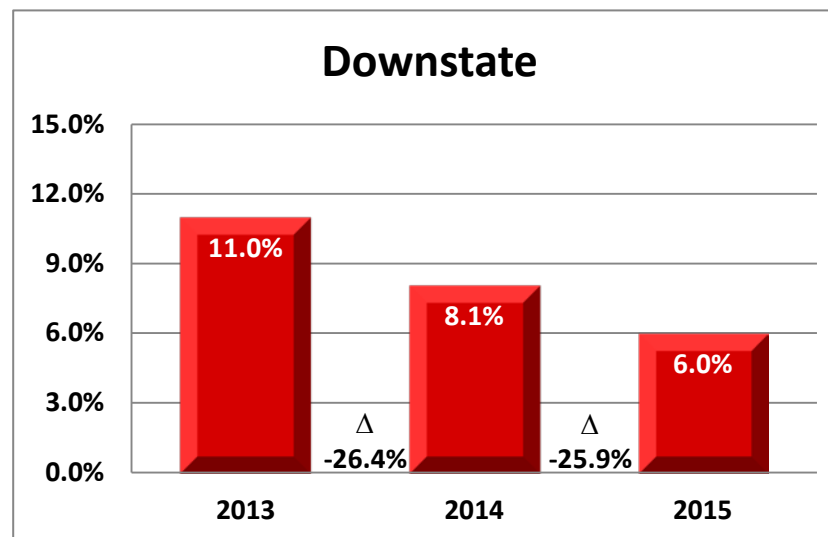
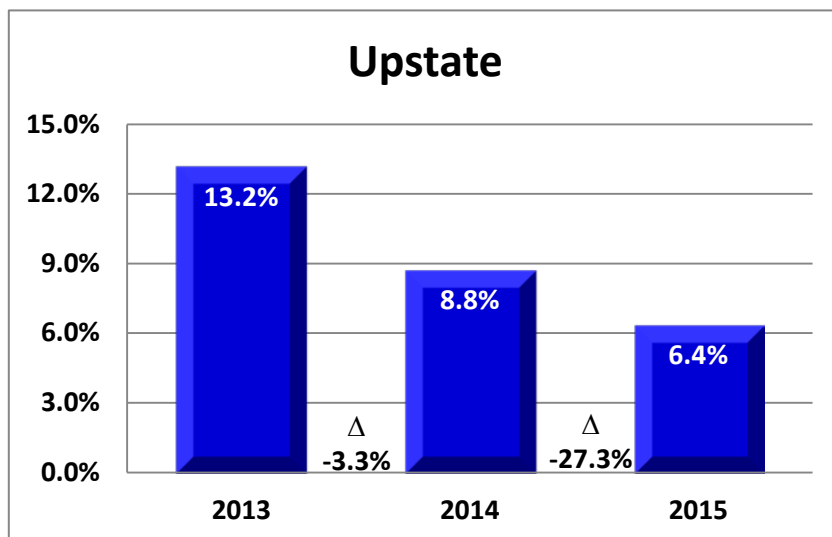
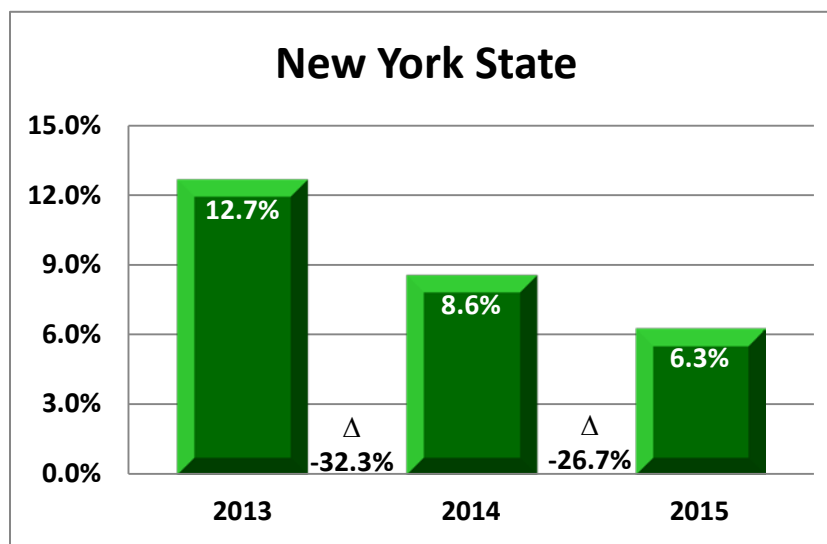
# Percentage of Counties with Population Increase

Data Source: 2000, 2010 & 2014 U.S. Census Estimates



# Estimate of the Percentage of Uninsured Adults Age 18 - 64

Data Source: Enroll America ([www.enrollamerica.org](http://www.enrollamerica.org))



## Hospital Types and Inpatient Metrics

Inpatient care continues to be the core function of acute care hospitals. While new initiatives at both the Federal and State levels continue to drive rapid change in the health care delivery system, there are fundamental hospital metrics that remain relatively unchanged from year to year. There are indeed significant differences in hospital metrics between Upstate and Downstate and between types of hospitals; but within New York State, the data indicates that there are many hospital metrics that have not changed dramatically between years. IHA reviewed a number of inpatient hospital metrics from 2012 to 2014 such as hospital types, payer mix, average inpatient length of stay, average inpatient acuity case mix index, and average mortality rates. The analysis did not reveal dramatic differences between years for these inpatient metrics. Therefore, 2014 data tables are presented in this section representing the most current year of inpatient data available.

In 2014, 215 hospitals reported inpatient statistics through SPARCS. Hospitals across the state vary in size and role (teaching versus non-teaching). Upstate has 103 hospitals compared to 112 Downstate. Upstate hospitals are generally smaller in size than Downstate hospitals. Upstate has 42 hospitals with 0 to 100 beds compared to only 7 hospitals Downstate. Upstate has only 20 hospitals with 300+ beds compared to 55 hospitals Downstate. Upstate has 25 teaching hospitals, significantly less than the 50 teaching hospitals Downstate. Upstate has 78 non-teaching hospitals compared to 62 Downstate.

### ***Trend Highlights:***

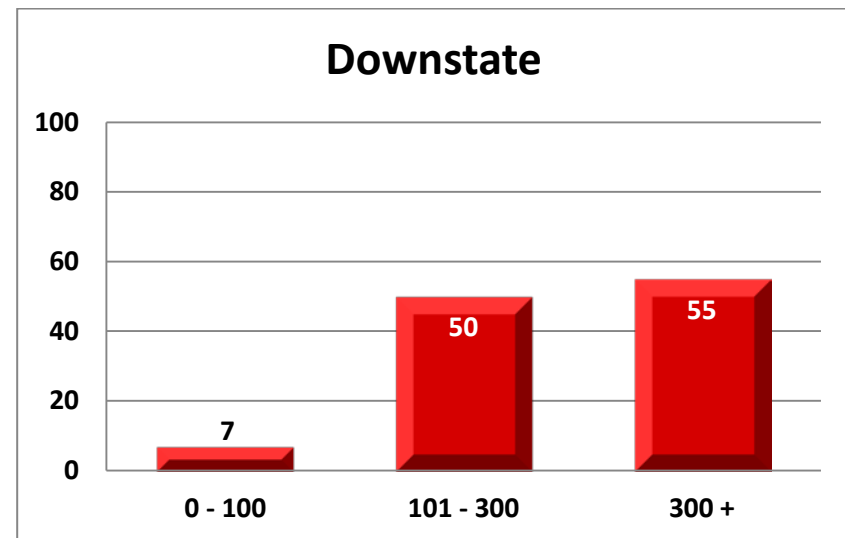
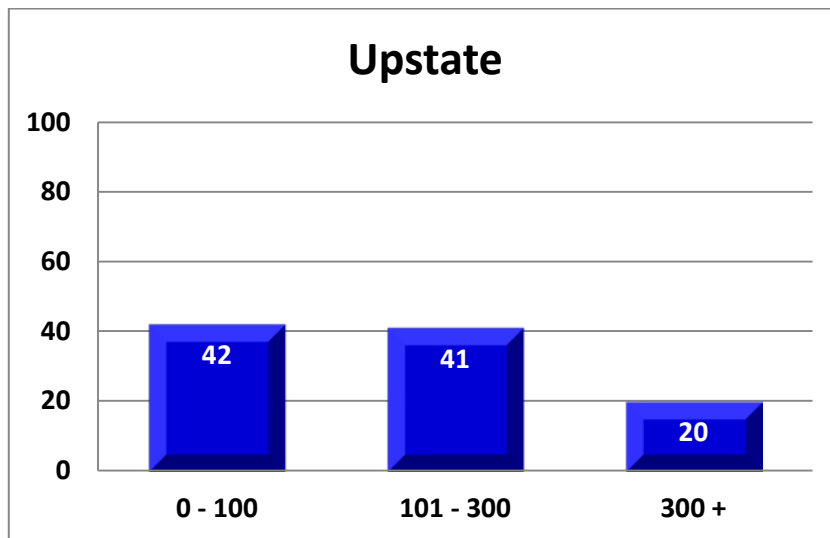
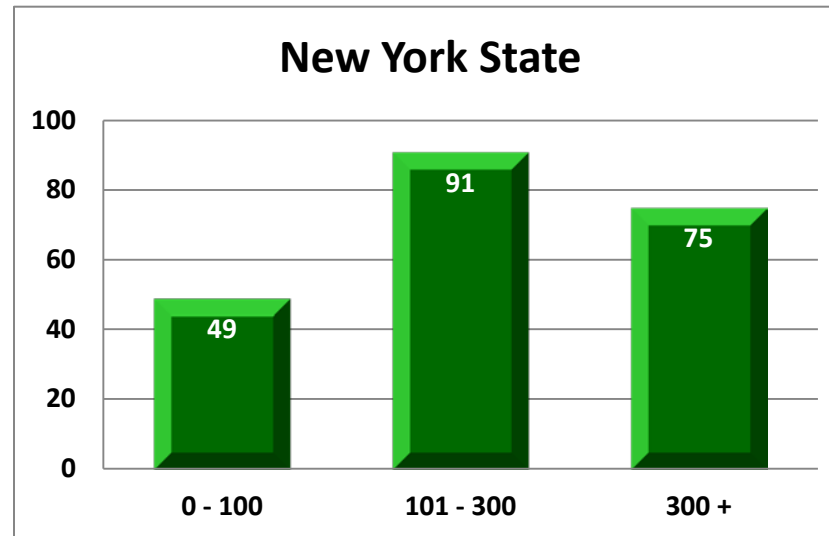
- Inpatient admissions per 1,000 population continue to decrease in both Upstate and Downstate. Upstate continues to have fewer admissions per 1,000 population, per year, than Downstate.
- Inpatient days per 1,000 population are trending comparably to inpatient admissions per 1,000 population in both Upstate and Downstate.
- Inpatient occupancy percentages have generally been decreasing in both Upstate and Downstate. Upstate occupancy percentages have been trending approximately 10 to 15 percentage points per year below Downstate occupancy percentages.
- Average inpatient length of stay is lower in Upstate compared to Downstate.
- Average inpatient length of stay in non-teaching hospitals are almost one day less in Upstate compared to Downstate.
- The average inpatient acuity index for Medicare cases is almost equal between Upstate and Downstate, yet Upstate average inpatient length of stay is more than one half day less than Downstate.
- Medicare cases in teaching hospitals have the highest inpatient acuity index and longest inpatient lengths of stay in both Upstate and Downstate across all payers.
- Average inpatient mortality rates for all hospitals are slightly higher Upstate compared to Downstate.

With continuing reform efforts that change payment models, hospitals types are not likely to change. However, the service models may change and inpatient metrics will be impacted.



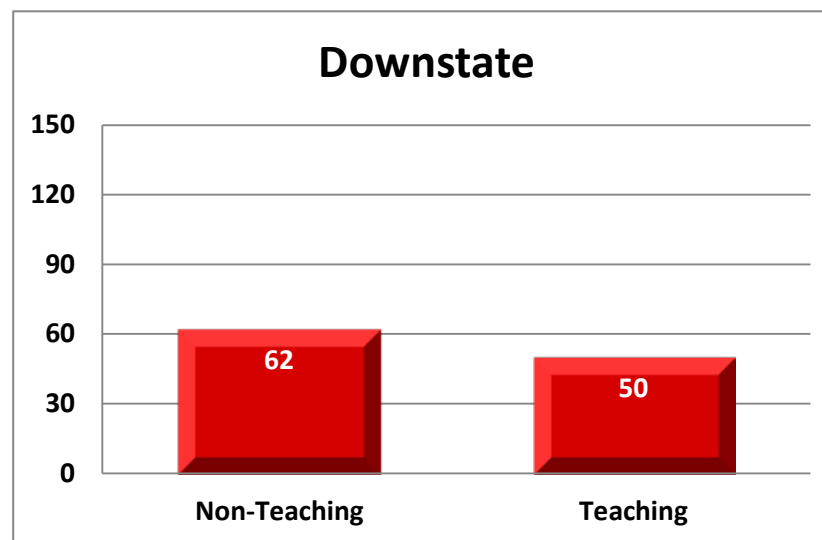
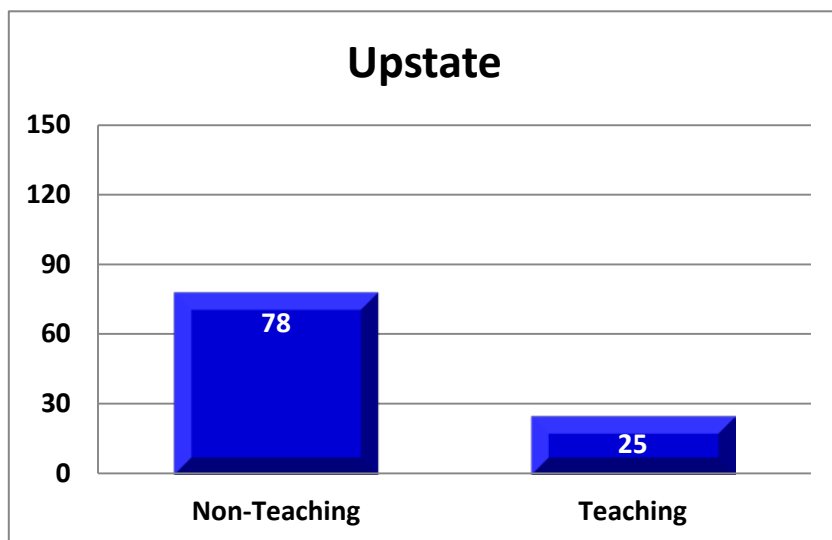
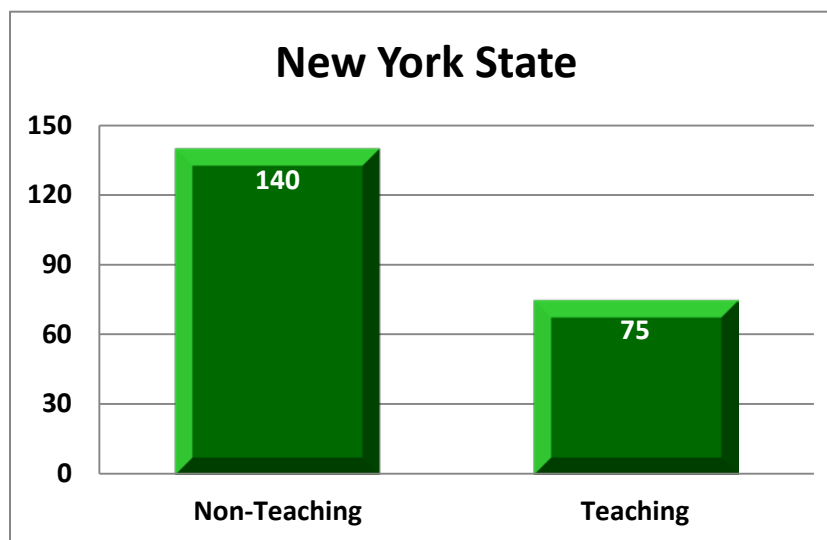
## Number of Hospitals by Range of Bed Sizes

Data Source: 2014 NYS SPARCS



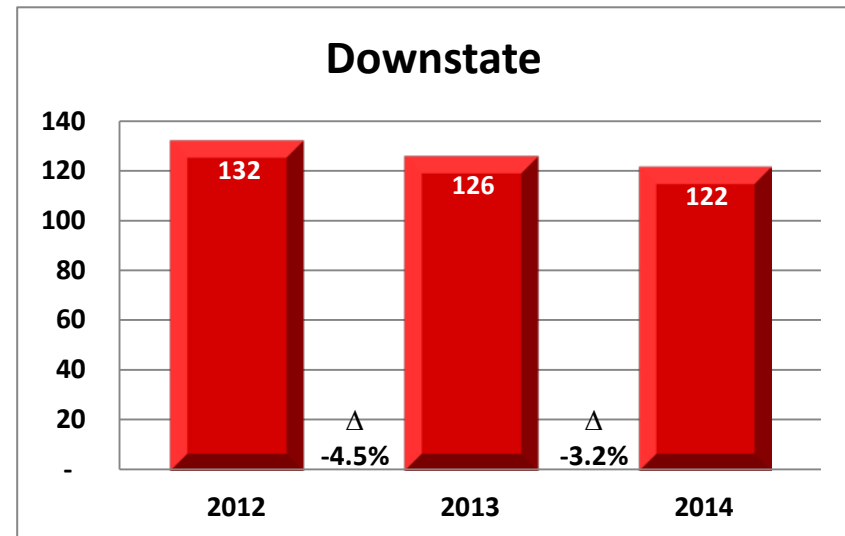
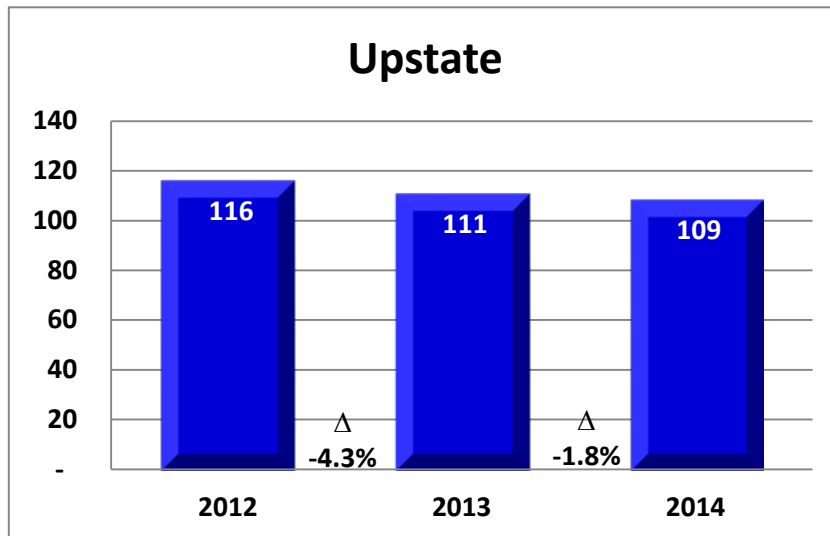
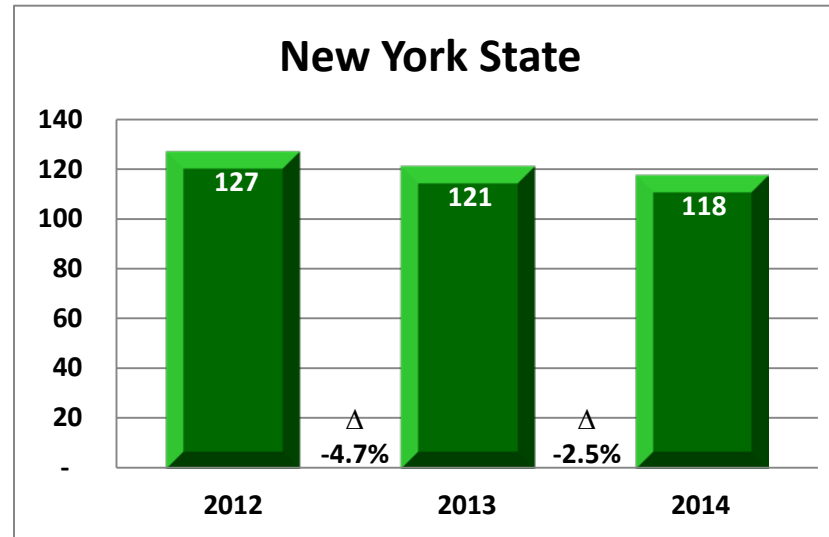
# Number of Teaching vs. Non-Teaching Hospitals

Data Source: 2014 NYS SPARCS



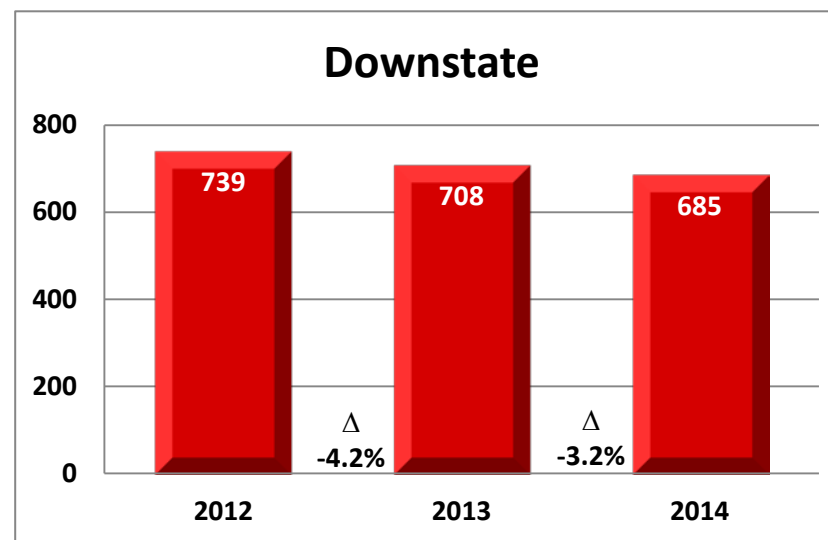
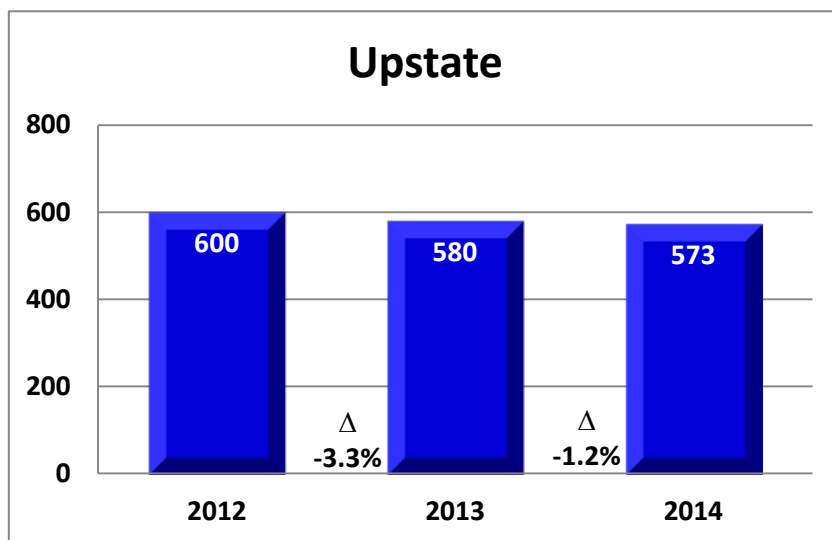
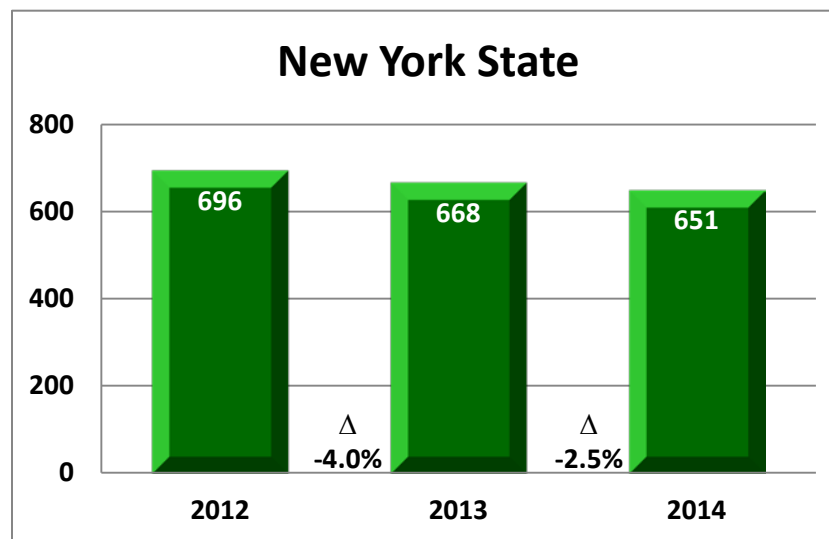
# Inpatient Admissions per 1,000 Population

Data Source: 2012, 2013 & 2014 NYS SPARCS and 2012, 2013 & 2014 U.S. Census Estimates



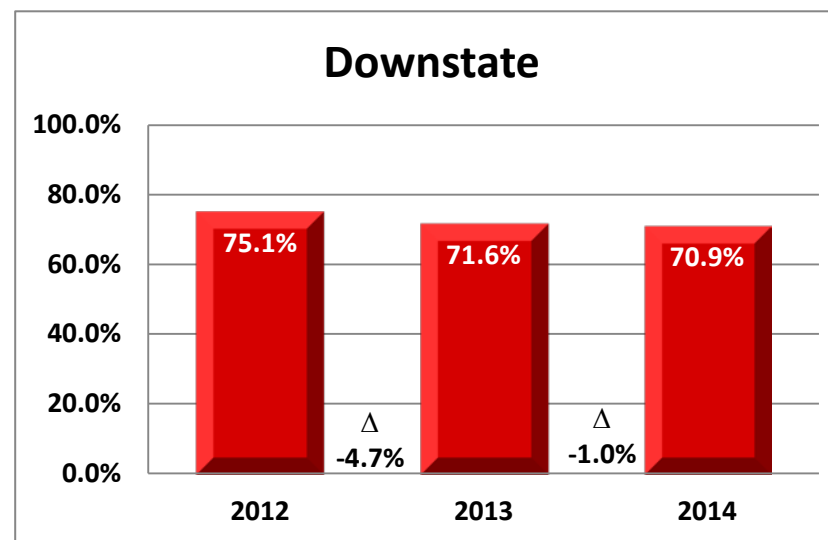
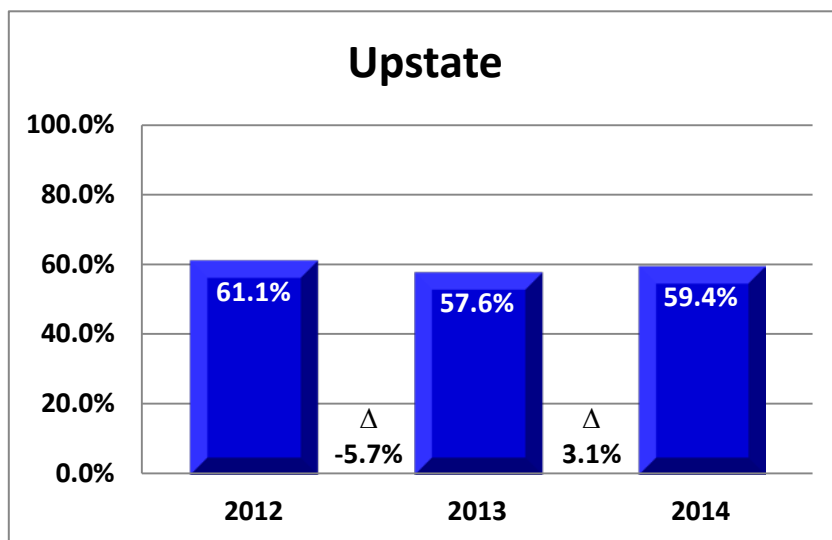
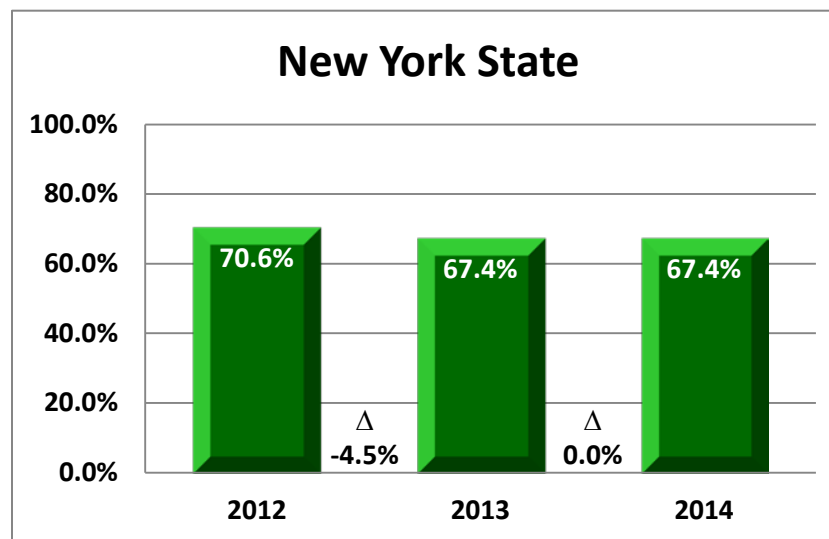
## Inpatient Days per 1,000 Population

Data Source: 2012, 2013 & 2014 NYS SPARCS and 2012, 2013 & 2014 U.S. Census Estimates



## Inpatient Occupancy Percentage

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Report



# Inpatient Cases by Hospital Type and Payer

Data Source: 2014 SPARCS

## Number of Inpatient Cases - 2014

Payer	All Hospitals			Non-Teaching Hospitals			Teaching Hospitals		
	Upstate	Downstate	New York State	Upstate	Downstate	New York State	Upstate	Downstate	New York State
Medicare	274,053	581,066	855,119	126,041	242,291	368,332	148,012	338,775	486,787
Medicaid	142,996	532,485	675,481	57,824	207,991	265,815	85,172	324,494	409,666
Blue Cross	75,888	182,637	258,525	31,692	65,114	96,806	44,196	117,523	161,719
Commercial	43,991	78,644	122,635	25,860	36,414	62,274	18,131	42,230	60,361
HMO	70,330	200,788	271,118	24,178	52,499	76,677	46,152	148,289	194,441
Self Pay	19,852	50,789	70,641	10,996	27,534	38,530	8,856	23,255	32,111
Other	31,734	40,589	72,323	16,898	16,572	33,470	14,836	24,017	38,853
All	658,844	1,666,998	2,325,842	293,489	648,415	941,904	365,355	1,018,583	1,383,938

## Percentage of Inpatient Cases - 2014

Payer	All Hospitals			Non-Teaching Hospitals			Teaching Hospitals		
	Upstate	Downstate	New York State	Upstate	Downstate	New York State	Upstate	Downstate	New York State
Medicare	41.6%	34.9%	36.8%	42.9%	37.4%	39.1%	40.5%	33.3%	35.2%
Medicaid	21.7%	31.9%	29.0%	19.7%	32.1%	28.2%	23.3%	31.9%	29.6%
Blue Cross	11.5%	11.0%	11.1%	10.8%	10.0%	10.3%	12.1%	11.5%	11.7%
Commercial	6.7%	4.7%	5.3%	8.8%	5.6%	6.6%	5.0%	4.1%	4.4%
HMO	10.7%	12.0%	11.7%	8.2%	8.1%	8.1%	12.6%	14.6%	14.0%
Self Pay	3.0%	3.0%	3.0%	3.7%	4.2%	4.1%	2.4%	2.3%	2.3%
Other	4.8%	2.4%	3.1%	5.8%	2.6%	3.6%	4.1%	2.4%	2.8%
All	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

# Inpatient Days by Hospital Type and Payer

Data Source: 2014 SPARCS

## Number of Inpatient Days - 2014

Payer	All Hospitals			Non-Teaching Hospitals			Teaching Hospitals		
	Upstate	Downstate	New York State	Upstate	Downstate	New York State	Upstate	Downstate	New York State
Medicare	1,706,918	4,021,711	5,728,629	735,893	1,686,099	2,421,992	971,025	2,335,612	3,306,637
Medicaid	742,033	2,894,445	3,636,478	264,217	1,187,602	1,451,819	477,816	1,706,843	2,184,659
Blue Cross	302,563	771,144	1,073,707	118,870	277,005	395,875	183,693	494,139	677,832
Commercial	192,605	369,729	562,334	109,725	183,875	293,600	82,880	185,854	268,734
HMO	303,497	846,188	1,149,685	99,626	220,505	320,131	203,871	625,683	829,554
Self Pay	80,781	224,871	305,652	41,494	126,488	167,982	39,287	98,383	137,670
Other	150,890	253,211	404,101	70,163	110,122	180,285	80,727	143,089	223,816
All	3,479,287	9,381,299	12,860,586	1,439,988	3,791,696	5,231,684	2,039,299	5,589,603	7,628,902

## Percentage of Inpatient Days - 2014

Payer	All Hospitals			Non-Teaching Hospitals			Teaching Hospitals		
	Upstate	Downstate	New York State	Upstate	Downstate	New York State	Upstate	Downstate	New York State
Medicare	49.1%	42.9%	44.5%	51.1%	44.5%	46.3%	47.6%	41.8%	43.3%
Medicaid	21.3%	30.9%	28.3%	18.3%	31.3%	27.8%	23.4%	30.5%	28.6%
Blue Cross	8.7%	8.2%	8.3%	8.3%	7.3%	7.6%	9.0%	8.8%	8.9%
Commercial	5.5%	3.9%	4.4%	7.6%	4.8%	5.6%	4.1%	3.3%	3.5%
HMO	8.7%	9.0%	8.9%	6.9%	5.8%	6.1%	10.0%	11.2%	10.9%
Self Pay	2.3%	2.4%	2.4%	2.9%	3.3%	3.2%	1.9%	1.8%	1.8%
Other	4.3%	2.7%	3.1%	4.9%	2.9%	3.4%	4.0%	2.6%	2.9%
All	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

# Average Inpatient Length of Stay & Acuity Case Mix by Hospital Type and Payer

Data Source: 2014 SPARCS

## Average Inpatient Length of Stay in Days - 2014

	All Hospitals			Non-Teaching Hospitals			Teaching Hospitals		
Payer	Upstate	Downstate	New York State	Upstate	Downstate	New York State	Upstate	Downstate	New York State
Medicare	6.23	6.92	6.70	5.84	6.96	6.58	6.56	6.89	6.79
Medicaid	5.19	5.44	5.38	4.57	5.71	5.46	5.61	5.26	5.33
Blue Cross	3.99	4.22	4.15	3.75	4.25	4.09	4.16	4.20	4.19
Commercial	4.38	4.70	4.59	4.24	5.05	4.71	4.57	4.40	4.45
HMO	4.32	4.21	4.24	4.12	4.20	4.18	4.42	4.22	4.27
Self Pay	4.07	4.43	4.33	3.77	4.59	4.36	4.44	4.23	4.29
Other	4.75	6.24	5.59	4.15	6.65	5.39	5.44	5.96	5.76
All	5.28	5.63	5.53	4.91	5.85	5.55	5.58	5.49	5.51

## Average Inpatient Acuity Case Mix Index - 2014

	All Hospitals			Non-Teaching Hospitals			Teaching Hospitals		
Payer	Upstate	Downstate	New York State	Upstate	Downstate	New York State	Upstate	Downstate	New York State
Medicare	1.60	1.61	1.60	1.38	1.45	1.43	1.78	1.72	1.74
Medicaid	0.98	0.89	0.91	0.77	0.81	0.80	1.12	0.95	0.98
Blue Cross	1.11	1.09	1.09	0.98	1.01	1.00	1.20	1.13	1.15
Commercial	1.05	1.10	1.08	0.94	1.14	1.06	1.21	1.07	1.11
HMO	1.17	1.03	1.07	1.03	0.95	0.97	1.25	1.06	1.11
Self Pay	0.88	0.94	0.92	0.81	0.86	0.85	0.96	1.03	1.01
Other	1.40	1.39	1.39	1.11	1.28	1.19	1.74	1.46	1.57
All	1.26	1.17	1.20	1.08	1.08	1.08	1.41	1.23	1.27



# Average Inpatient Mortality Rates by Hospital Type and Payer

Data Source: 2014 SPARCS

## Average Inpatient Mortality Rates - 2014

	All Hospitals			Non-Teaching Hospitals			Teaching Hospitals		
Payer	Upstate	Downstate	New York State	Upstate	Downstate	New York State	Upstate	Downstate	New York State
Medicare	4.07%	4.06%	4.06%	3.96%	4.40%	4.25%	4.17%	3.81%	3.92%
Medicaid	0.77%	0.75%	0.76%	0.55%	0.70%	0.67%	0.92%	0.79%	0.81%
Blue Cross	0.89%	0.91%	0.90%	0.95%	1.26%	1.16%	0.86%	0.71%	0.75%
Commercial	1.14%	2.50%	2.01%	1.15%	2.06%	1.68%	1.12%	2.87%	2.35%
HMO	1.18%	0.87%	0.95%	1.14%	1.55%	1.42%	1.21%	0.63%	0.77%
Self Pay	1.86%	1.52%	1.62%	1.56%	1.70%	1.66%	2.25%	1.31%	1.57%
Other	2.69%	1.82%	2.20%	2.36%	2.21%	2.29%	3.08%	1.55%	2.13%
All	2.35%	2.07%	2.15%	2.30%	2.37%	2.35%	2.39%	1.88%	2.01%

## Potentially Preventable Admissions

New York State's DSRIP Program has a primary goal of reducing avoidable hospital use by 25% over 5 years. Avoidable hospital use encompasses not only avoidable hospital readmissions, but also inpatient admissions that could have potentially been avoided if the patient had received proper preventive care services. The ACA also mandated many new programs that require measurement of potentially preventable hospitalizations.

Potentially Preventable Admissions (PPAs) are health conditions for which outpatient care can potentially prevent the need for hospitalization, or for which early intervention can prevent complications or more severe disease. PPAs involve ambulatory-sensitive conditions for which adequate patient monitoring and follow-up can often avoid the need for hospitalization. PPAs include, but are not limited to, the following health conditions: anemia, angina, asthma, bronchitis, back pain, cellulitis, chest pain, COPD, CHF, dehydration, diabetes, diverticulitis, ear/nose/throat infections, gastroenteritis, hypertension, pneumonia, pyelonephritis, and seizures.

The severity of a patient's health condition is one important factor that determines whether treatment should take place in a hospital or in an outpatient care setting. Hospital admissions that have minor and moderate severity levels are more likely potentially preventable with proper care management systems in place.

### ***Trend Highlights:***

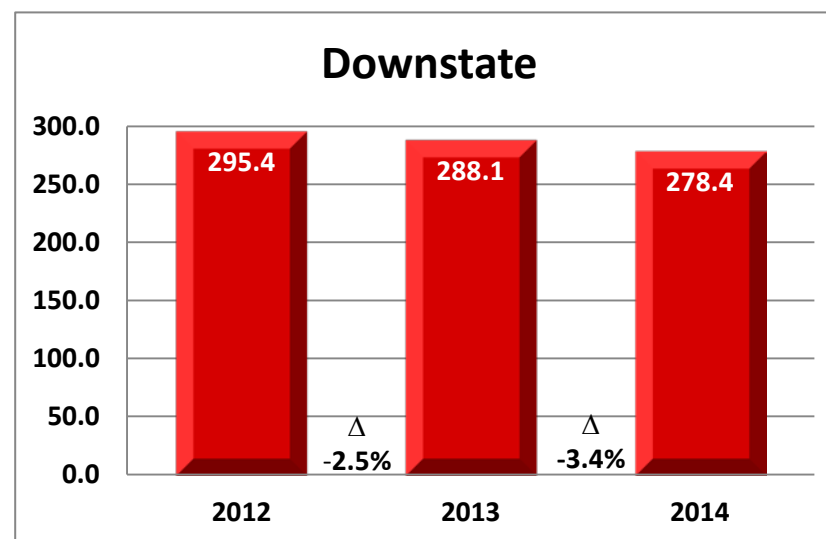
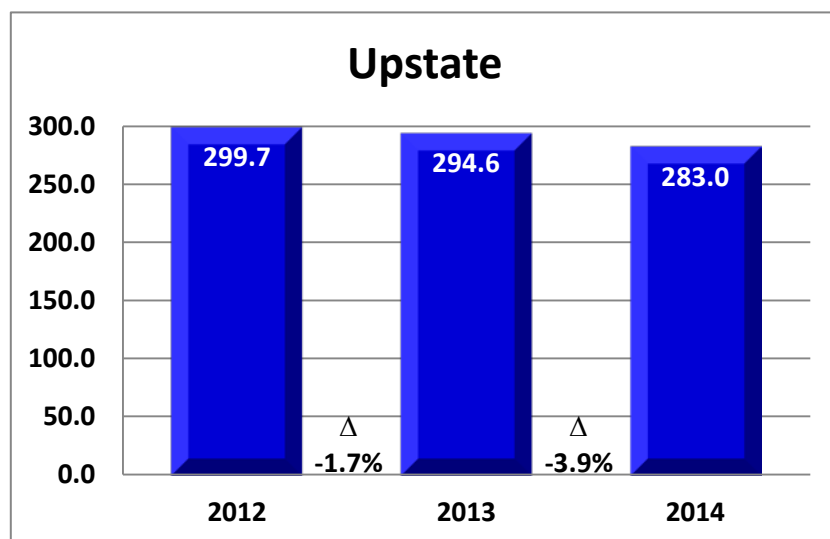
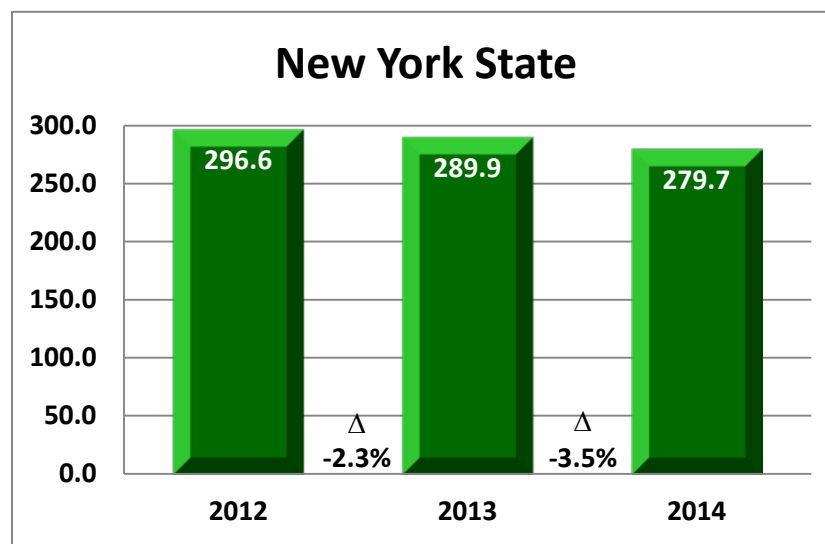
- The rate of PPAs for all payers and all case severities has been decreasing approximately 2.0% to 4.0% per year in both Upstate and Downstate from 2012 to 2014. In 2014, the Upstate rate was 283.0 PPAs per 1,000 medical cases compared to 278.4 Downstate.
- The rate of PPAs for all payers with minor and moderate severities has been decreasing approximately 6.0% to 7.0% per year in both Upstate and Downstate from 2012 to 2014. In 2014, the Upstate rate was 173.7 PPAs per 1,000 medical cases compared to 195.7 Downstate.
- The rate of PPAs for all payers with only minor severities has been decreasing approximately 10.0% to 14.0% per year in both Upstate and Downstate from 2012 to 2014. In 2014, the Upstate rate was 44.3 PPAs per 1,000 medical cases compared to 71.8 Downstate.
- Upstate has lower rates of PPAs for both Medicare and Medicaid cases with minor severity levels compared to Downstate. In 2014, the Upstate Medicare minor severity rate was 16.7 PPAs per 1,000 medical cases compared to 21.7 Downstate. For Medicaid in 2014, the Upstate minor severity rate was 9.8 PPAs per 1,000 medical cases compared to 24.2 Downstate.

The rate of PPAs has been decreasing overall. To avoid hospital use and attain the goals of the DSRIP Program, providers should focus on minor and moderate severities. This opportunity for Upstate is smaller than Downstate because there are significantly fewer minor severity cases.

Additionally, CMS announced the so-called "two-midnight rule" in 2013 to clarify when it expected a patient to be designated to inpatient status. Under this rule, only those patients that the doctor expects will need to spend two nights in the hospital would be considered as hospital inpatients. This rule has certainly been a contributing factor in declining PPA rates.

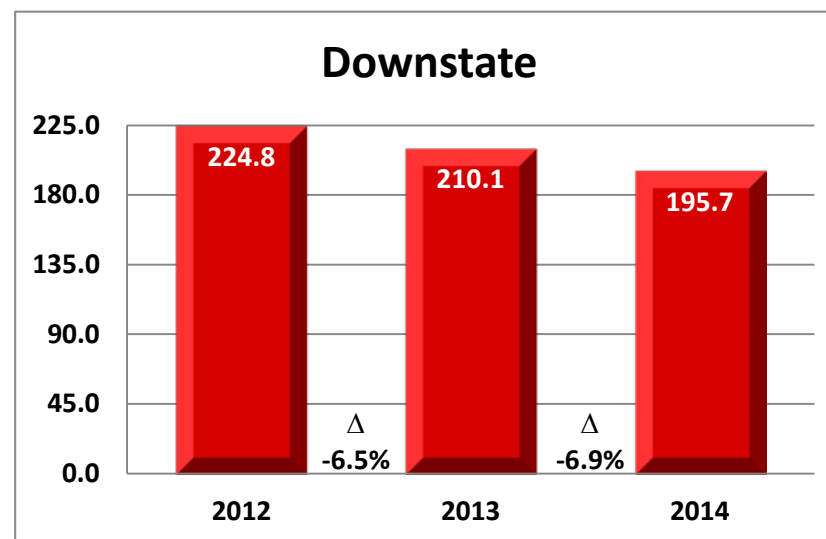
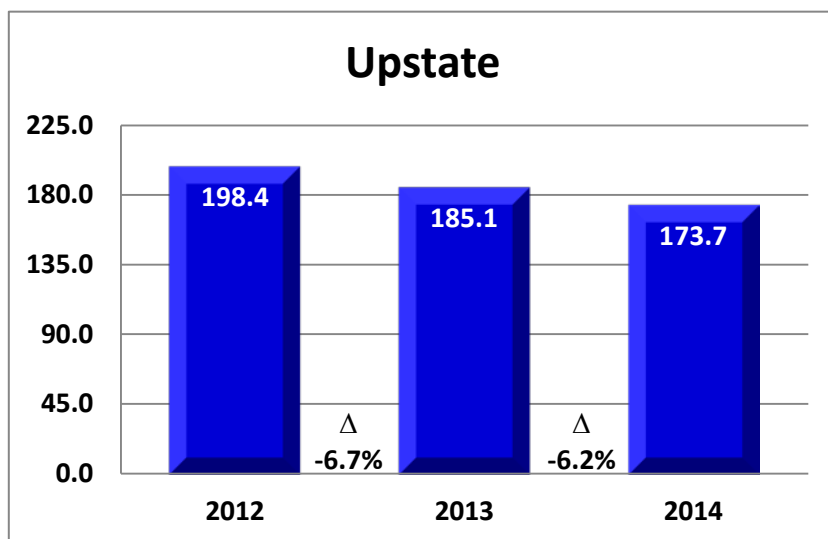
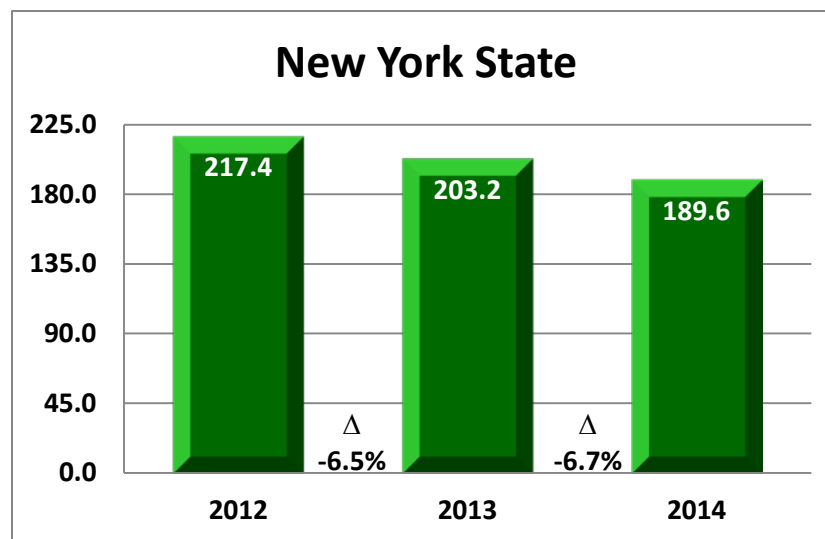
## All Payers, All Severities: Potentially Preventable Admissions per 1,000 Medical Cases

Data Source: 2012, 2013 & 2014 NYS SPARCS



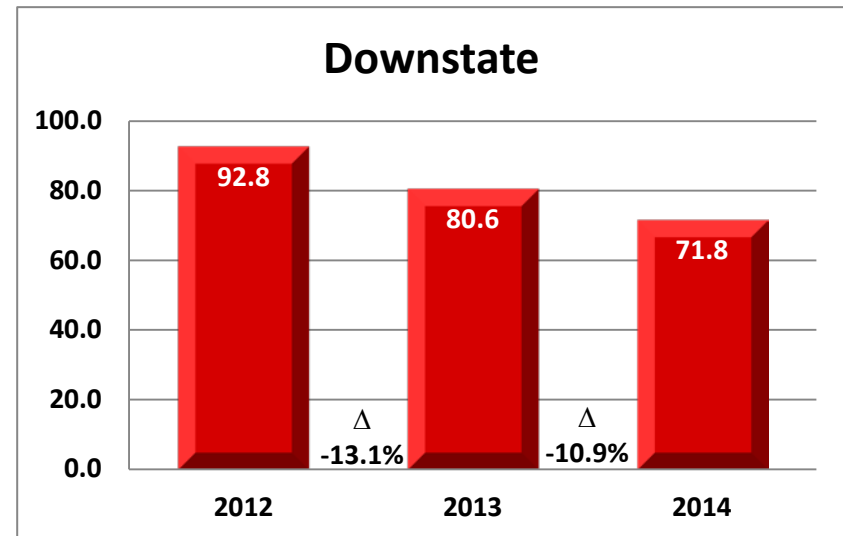
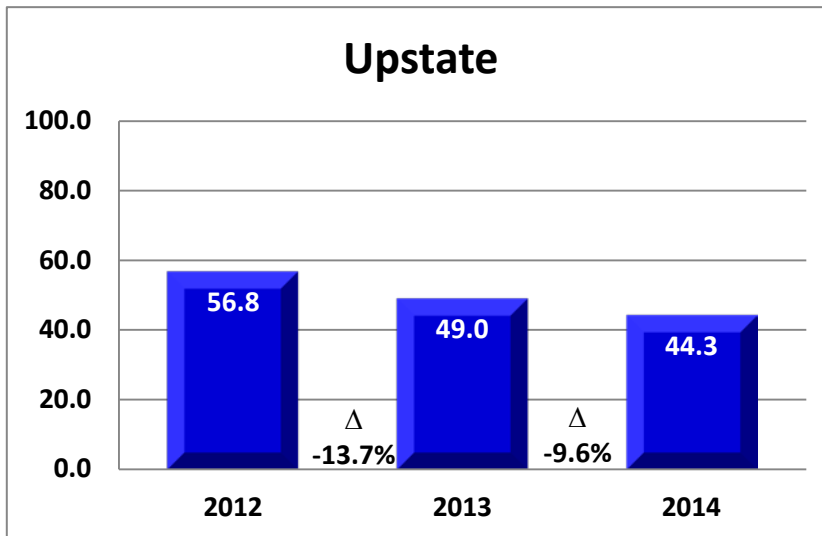
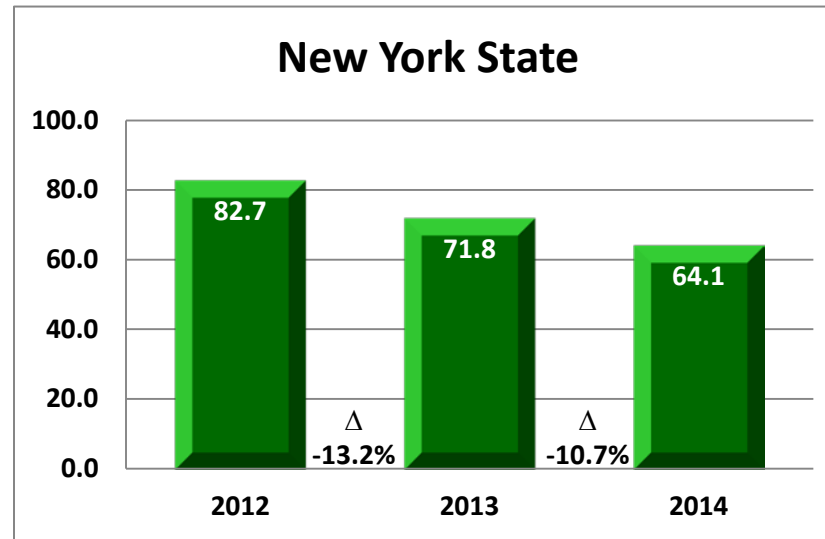
## All Payers, Moderate & Minor Severities: Potentially Preventable Admissions per 1,000 Medical Cases

Data Source: 2012, 2013 & 2014 NYS SPARCS



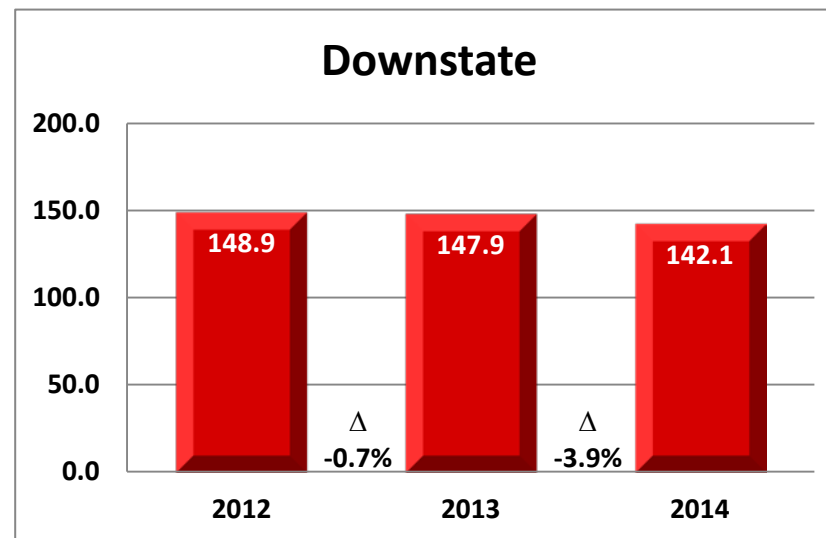
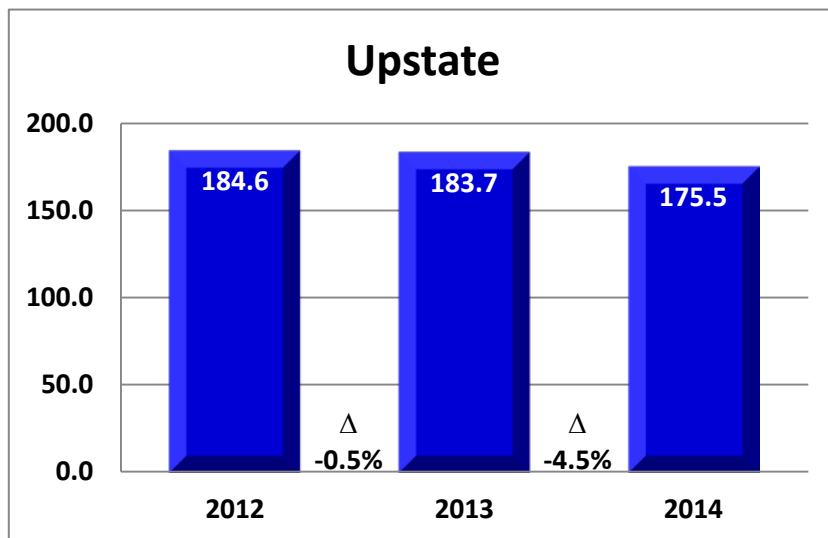
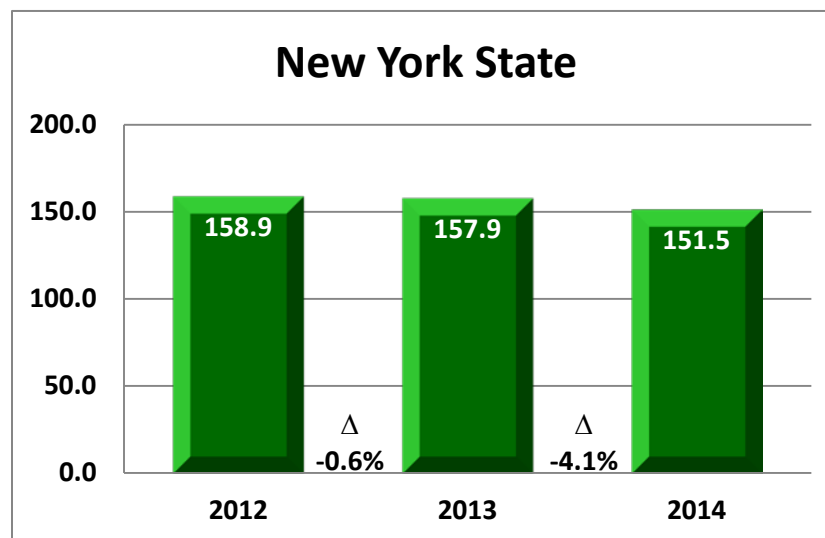
## All Payers, Minor Severities: Potentially Preventable Admissions per 1,000 Medical Cases

Data Source: 2012, 2013 & 2014 NYS SPARCS



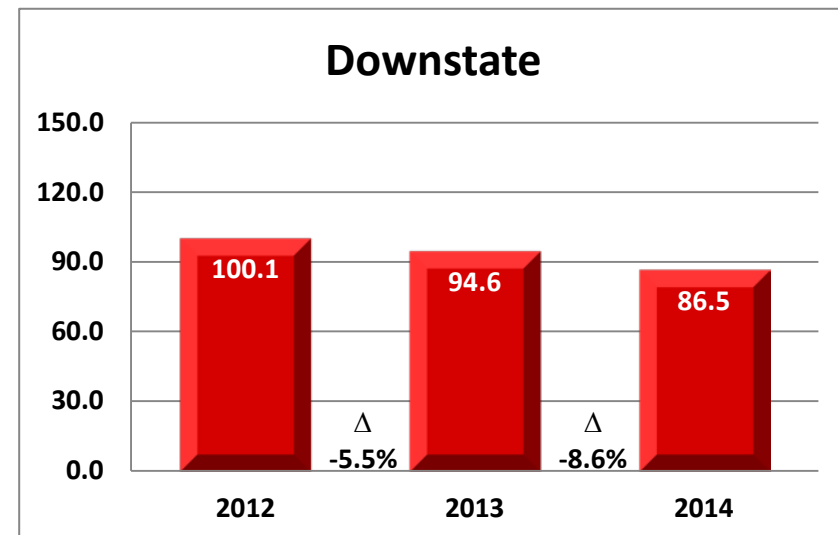
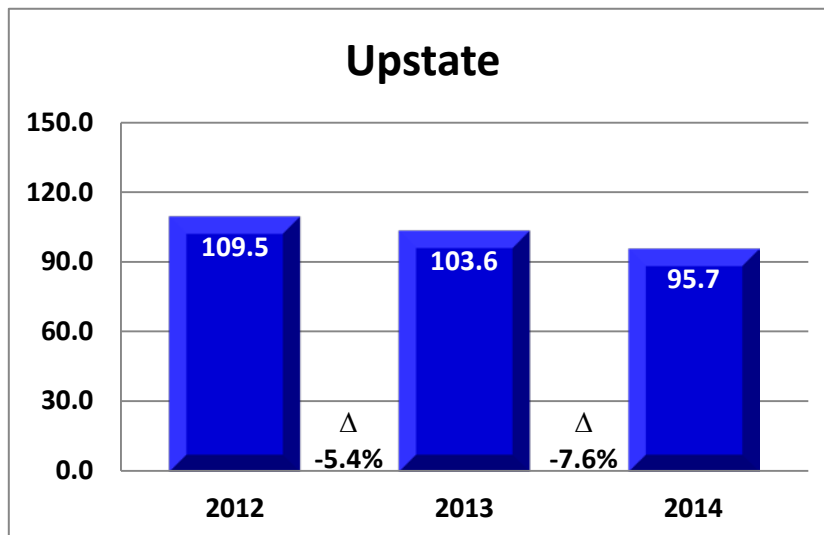
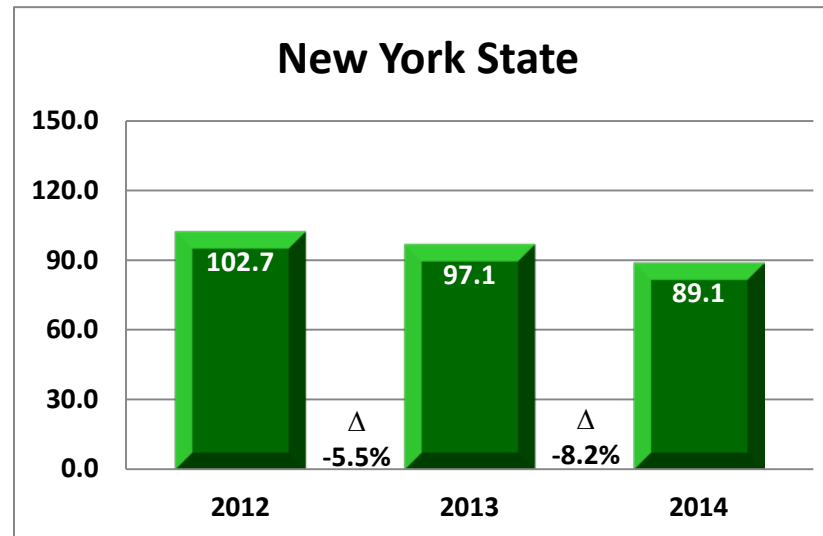
## Medicare, All Severities: Potentially Preventable Admissions per 1,000 Medical Cases

Data Source: 2012, 2013 & 2014 NYS SPARCS



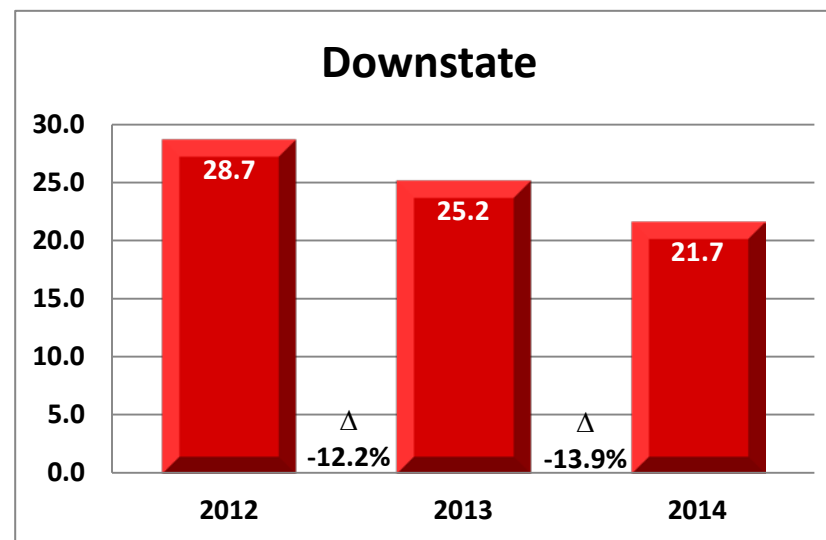
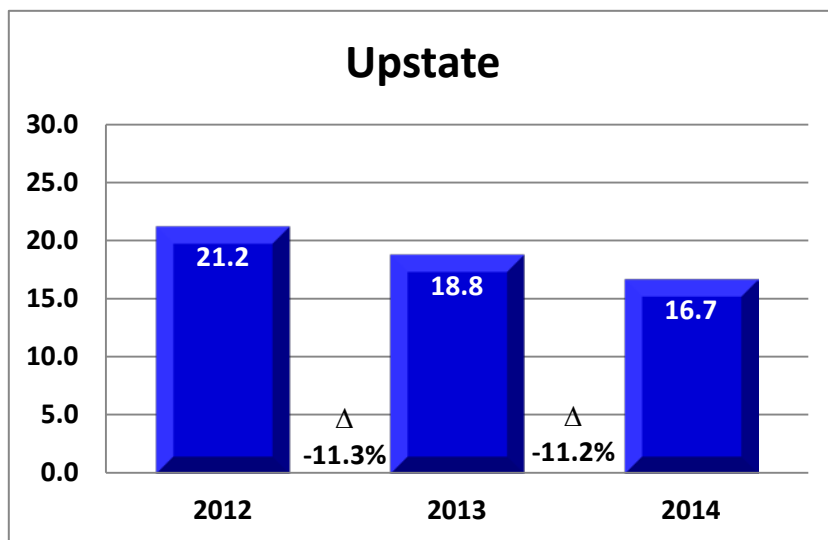
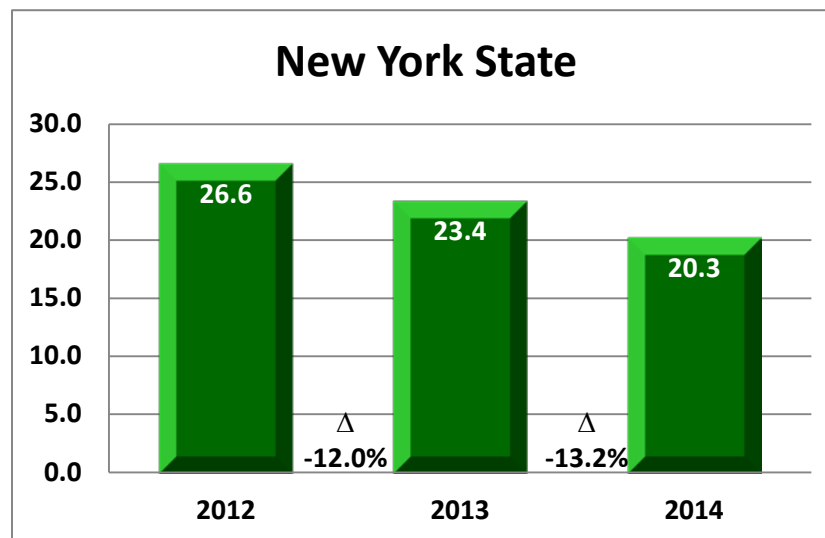
## Medicare, Moderate & Minor Severities: Potentially Preventable Admissions per 1,000 Medical Cases

Data Source: 2012, 2013 & 2014 NYS SPARCS



## Medicare, Minor Severities: Potentially Preventable Admissions per 1,000 Medical Cases

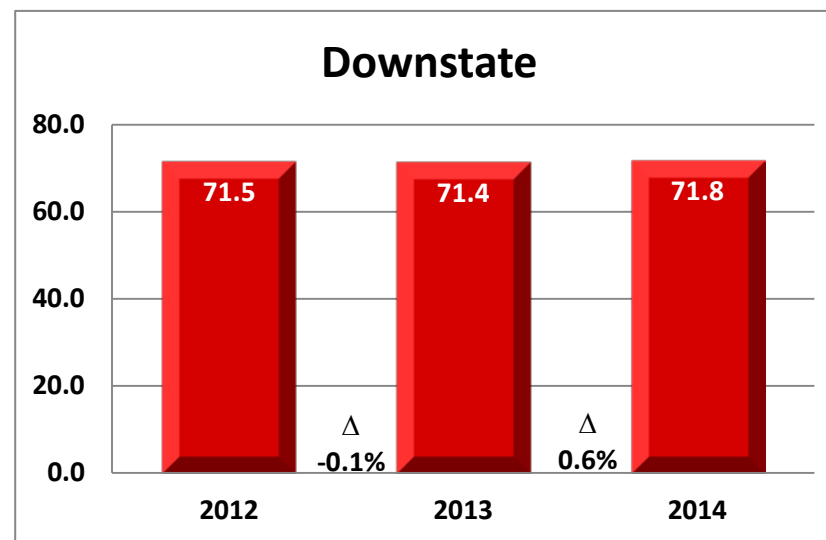
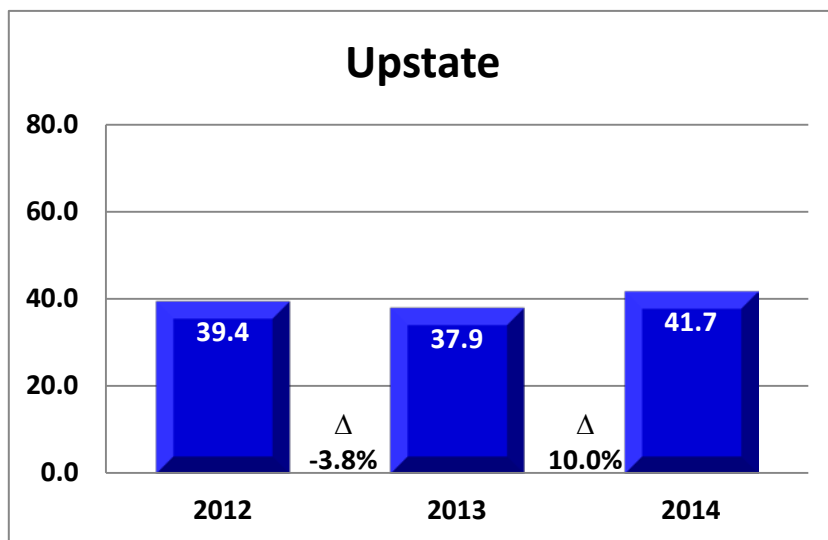
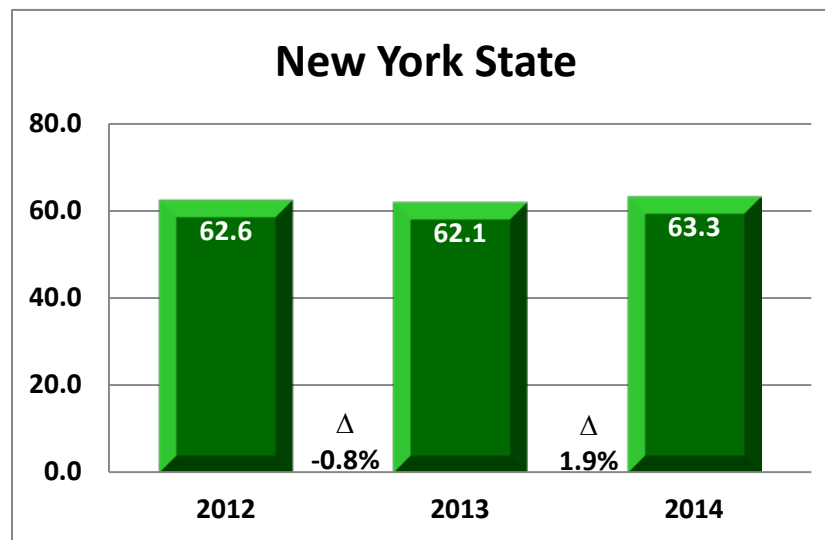
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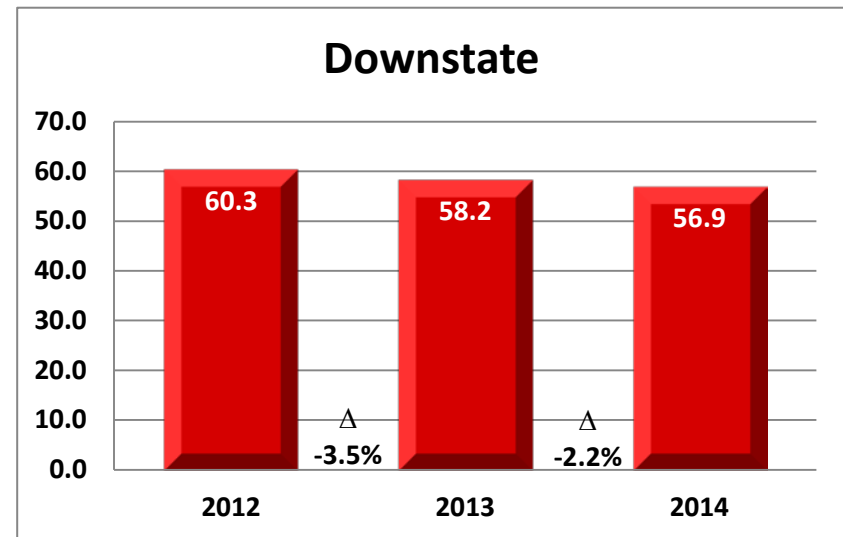
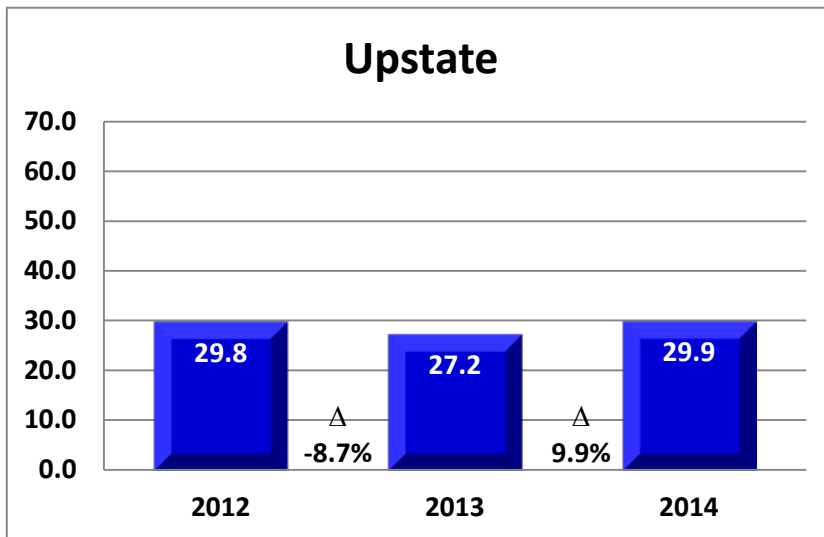
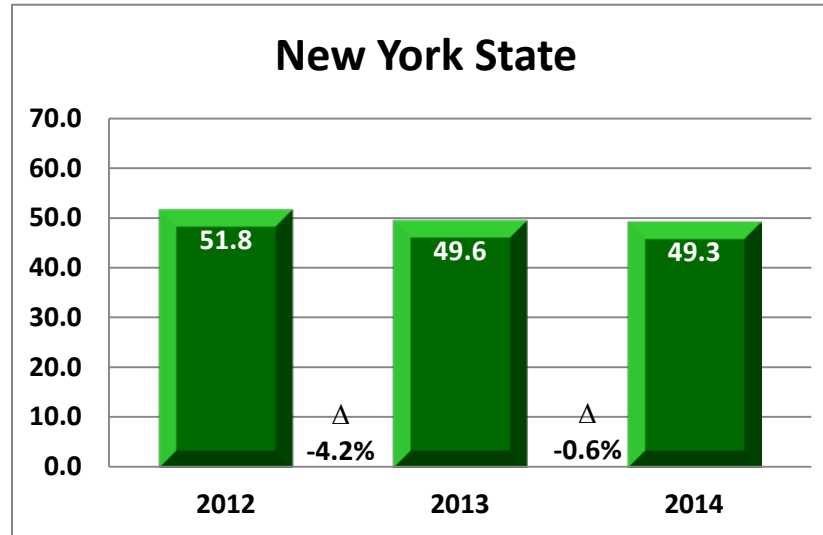
## Medicaid, All Severities: Potentially Preventable Admissions per 1,000 Medical Cases

Data Source: 2012, 2013 & 2014 NYS SPARCS



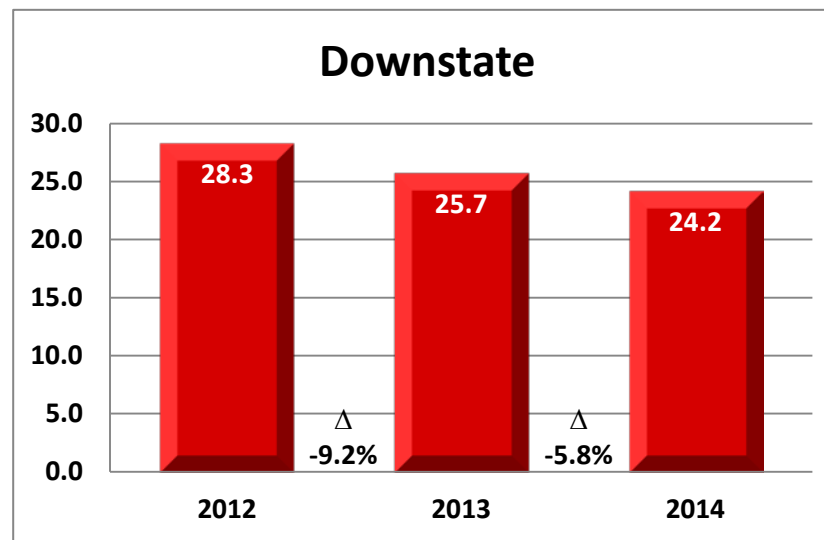
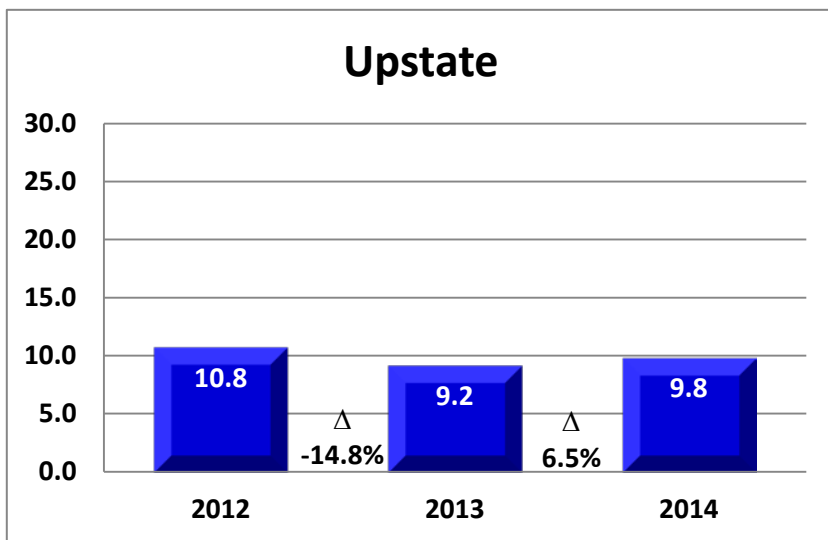
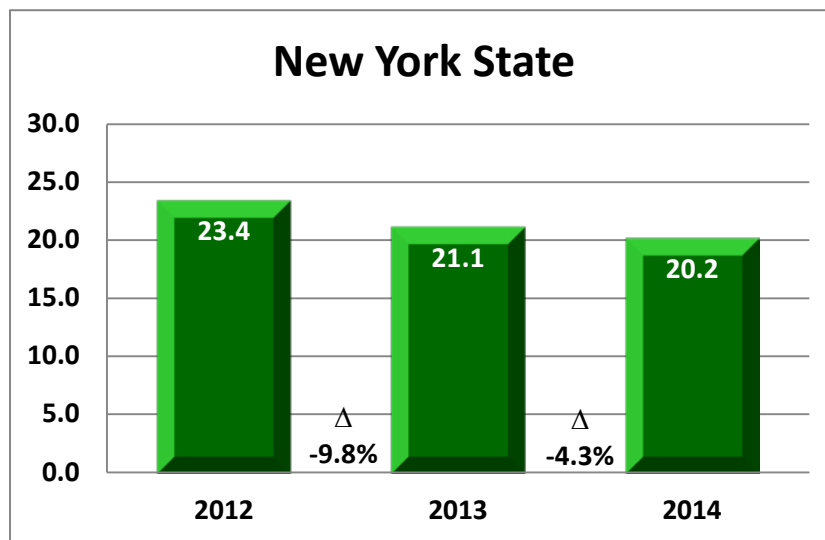
## Medicaid, Moderate & Minor Severities: Potentially Preventable Admissions per 1,000 Medical Cases

Data Source: 2012, 2013 & 2014 NYS SPARCS



## Medicaid, Minor Severities: Potentially Preventable Admissions per 1,000 Medical Cases

Data Source: 2012, 2013 & 2014 NYS SPARCS



# Net Inpatient Revenue

Historically, hospitals and health systems in New York have derived the majority of their revenue from inpatient care. From 2012 to 2014, Upstate hospitals obtained an average of 50% of net patient revenue from inpatient care and nearly 47% from outpatient care. This trend demonstrates a significant effort by Upstate hospitals to provide a comprehensive continuum of care in their communities. Downstate hospitals obtained 68% of net patient revenue from inpatient care and 30% of net patient revenue from outpatient care. The data charts in this section display net inpatient revenue per day and net inpatient revenue per case by payer category.

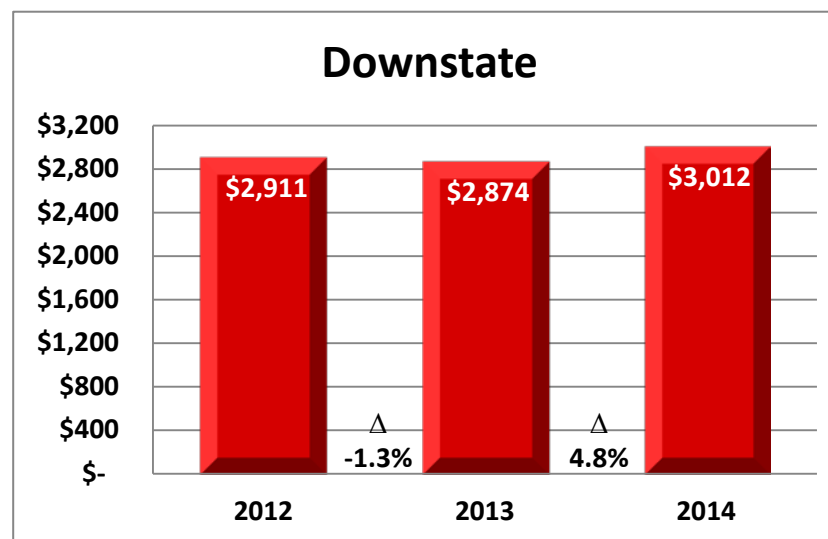
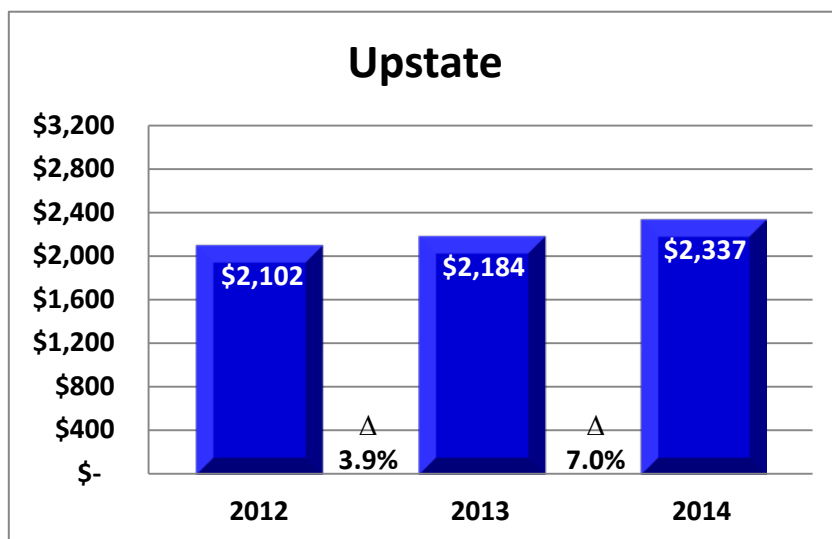
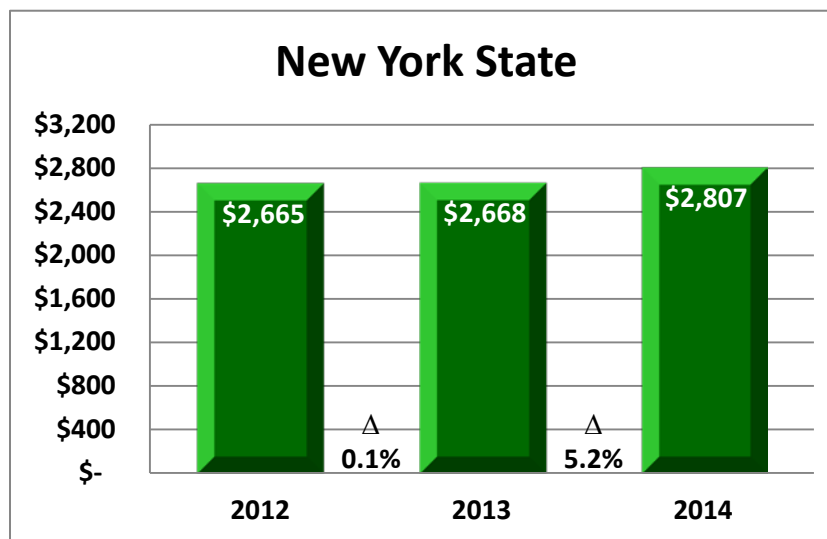
## ***Trend Highlights:***

- Upstate hospitals continue to derive less net inpatient revenue per day than Downstate hospitals. In 2014, the Upstate average net inpatient revenue per day across all payers was \$2,675, which is 31% less when compared to \$3,895 Downstate.
  - Net inpatient revenue per day from Medicare and Medicaid are both less than the all payer average in Upstate and Downstate.
  - Net Inpatient revenue per day from Indemnity and HMO/PHSP are greater than the all payer average in both Upstate and Downstate.
- Medicare continues to be the largest source of net inpatient revenue in both Upstate and Downstate. Upstate hospitals derive 47.4% of net inpatient revenue from Medicare compared to 36.4% Downstate.
- Medicaid is the third largest source of Upstate net inpatient revenue at 15.3% compared to being the second largest source Downstate at 21.6%.
- Indemnity plans are the second largest source of Upstate net inpatient revenue at 20.4% compared to being the fourth largest source Downstate at 14.4%.
- Health Maintenance Organization/Prepaid Health Service Plan (HMO/PHSP) net inpatient revenue is the fourth largest source Upstate at 11.7% compared to being the third largest source Downstate at 19.0%.
- Net inpatient revenue increased by approximately 3.0% to 6.0% per year in both Upstate and Downstate between 2012 and 2014.
- Upstate Indemnity net inpatient revenue increased by approximately 6.0% to 7.0% per year compared to increasing approximately 12.0% to 17.0% per year Downstate from 2012 to 2014.

Both Upstate and Downstate hospitals rely on other payer sources to support their financial viability. The data reveals that “unallocated other adds/deletions” are a significant factor Downstate that helps offset revenue shortfalls.

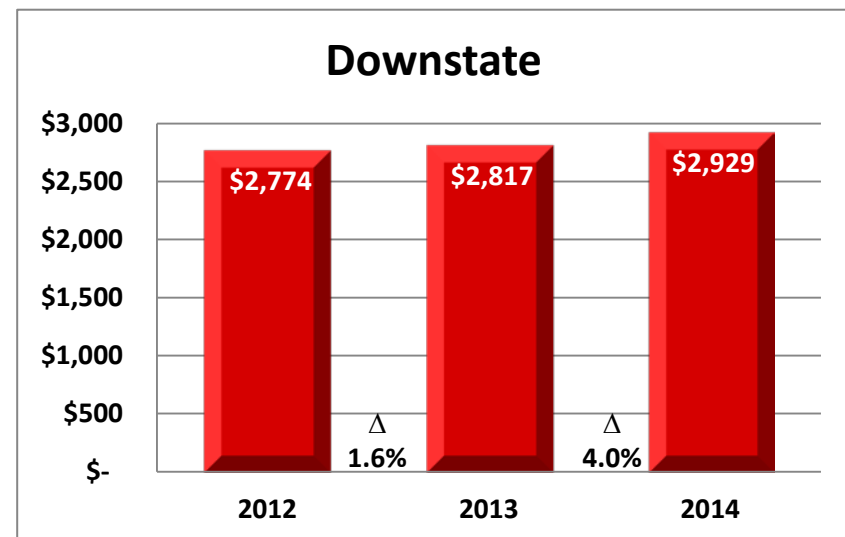
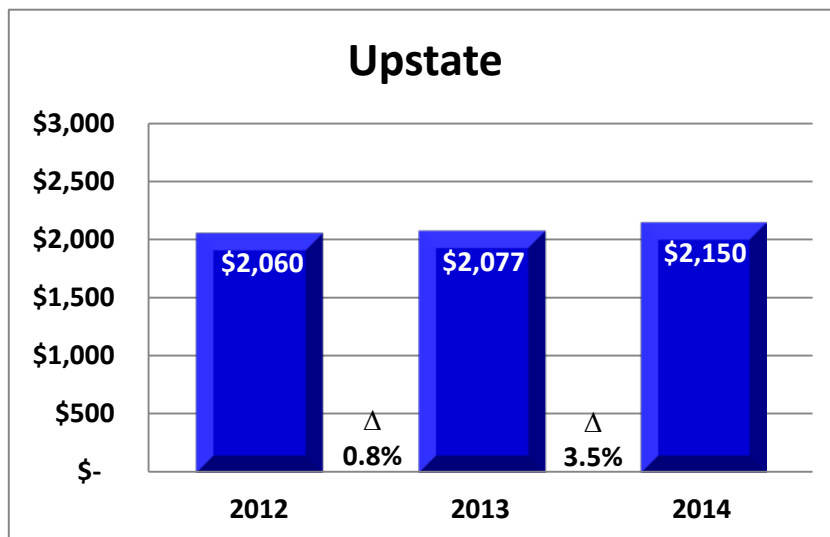
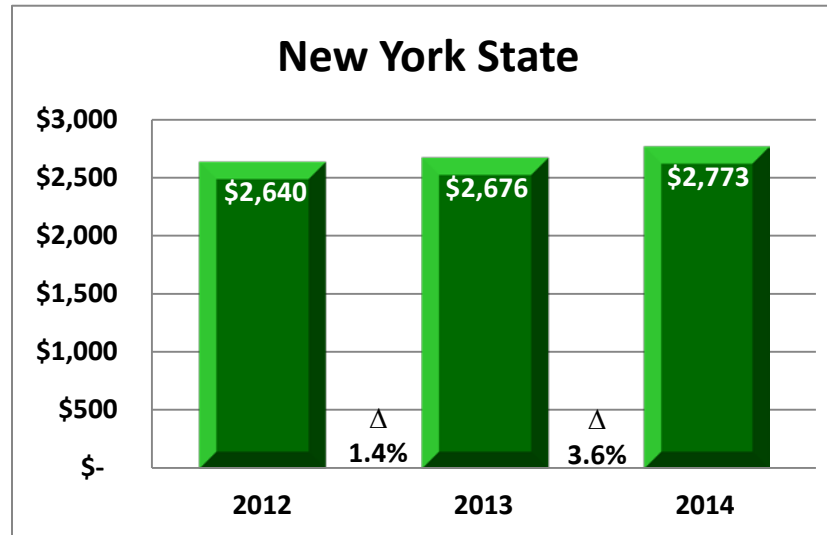
# Medicare Combined Average Net Inpatient Revenue per Day

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



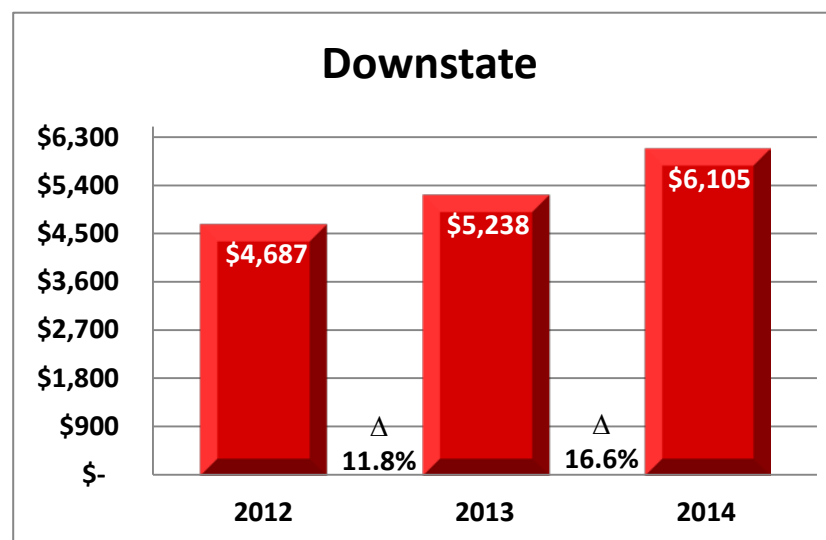
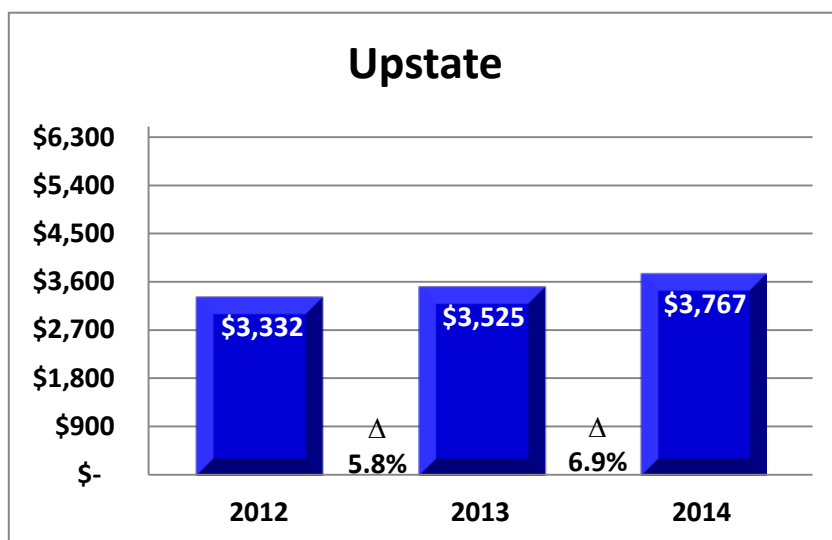
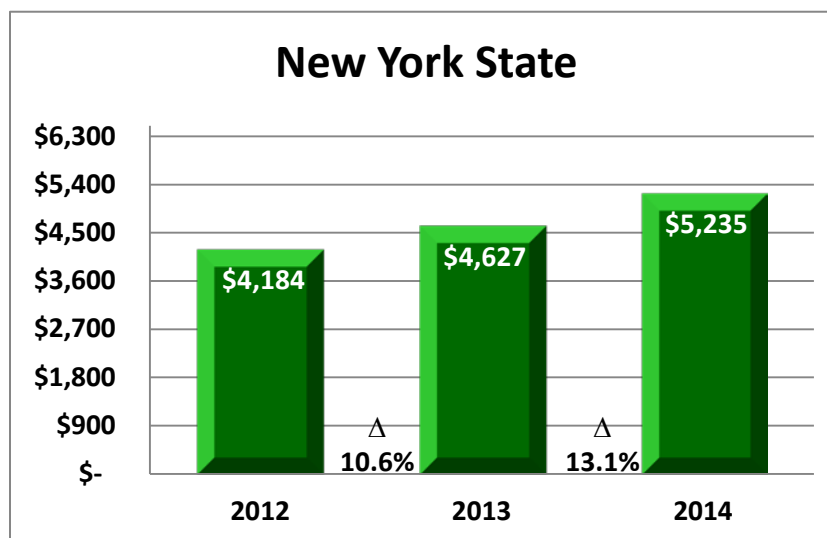
# Medicaid Combined Average Net Inpatient Revenue per Day

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



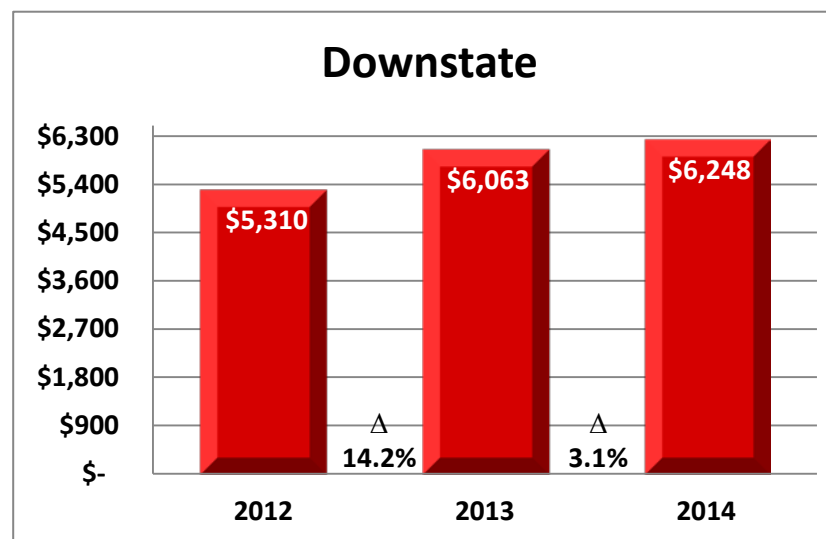
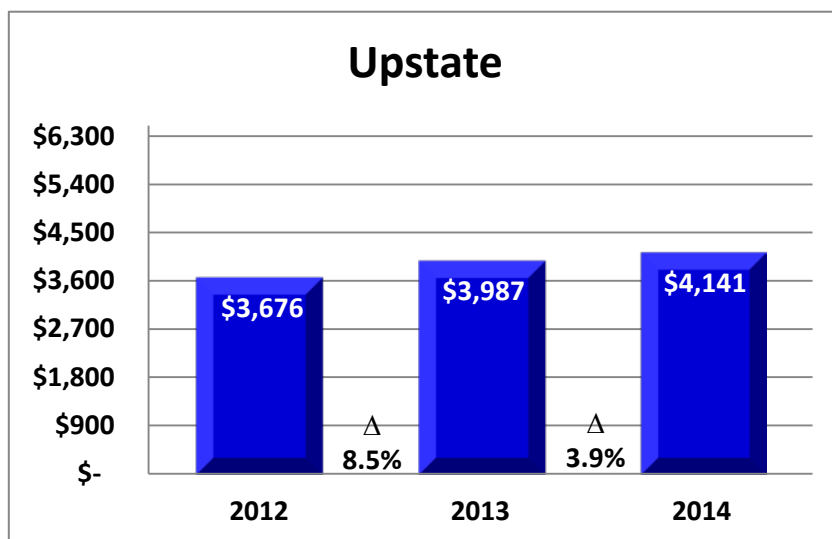
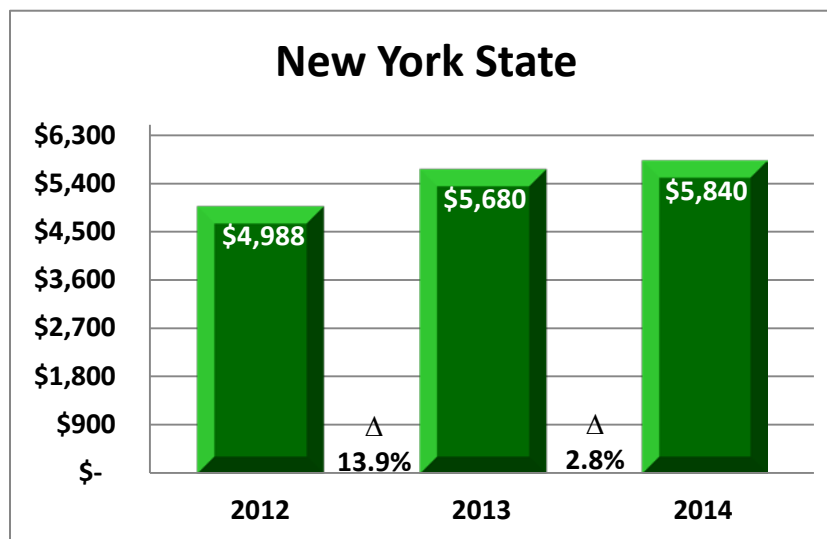
# Indemnity Combined Average Net Inpatient Revenue per Day

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



# HMO/PHSP Other Average Net Inpatient Revenue per Day

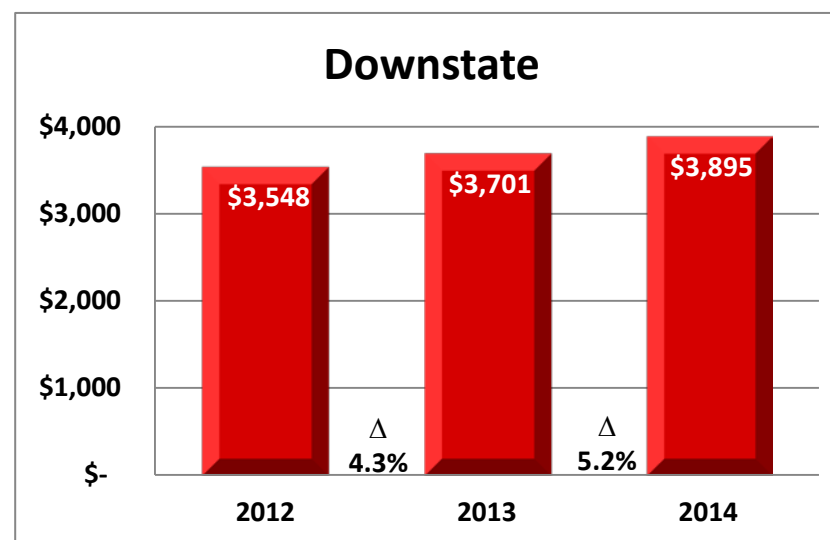
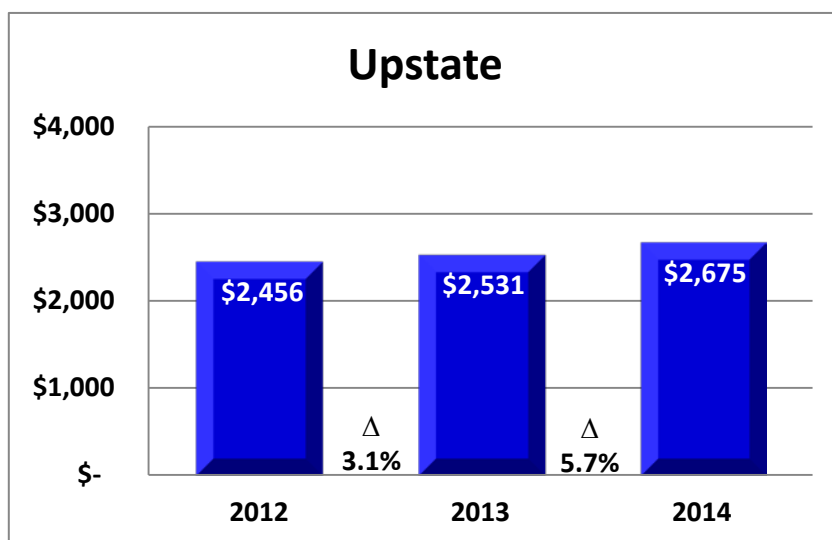
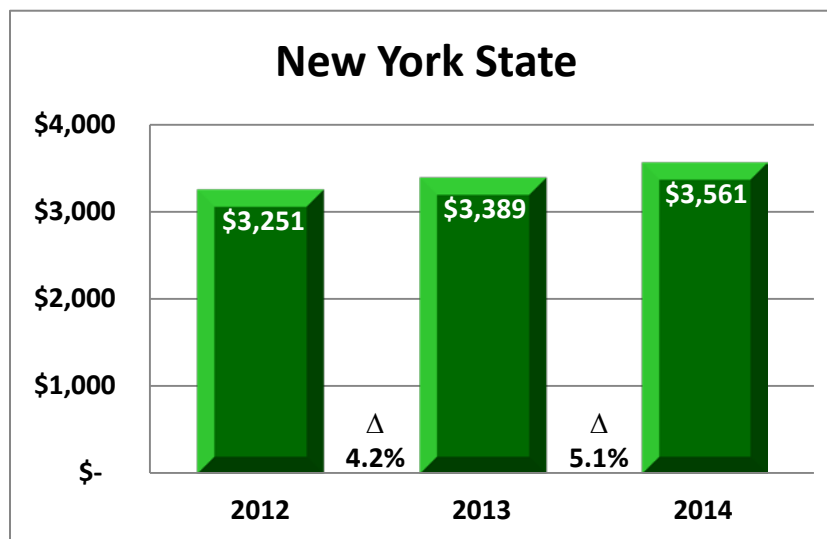
Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports





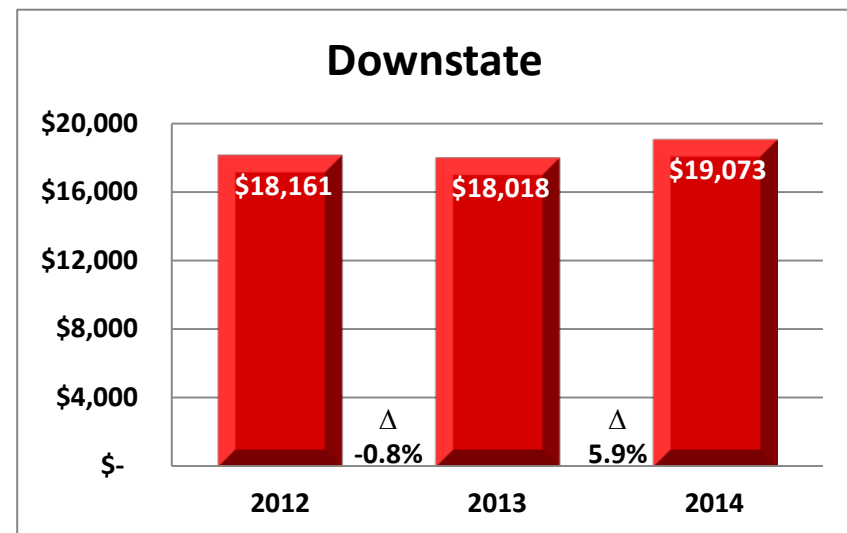
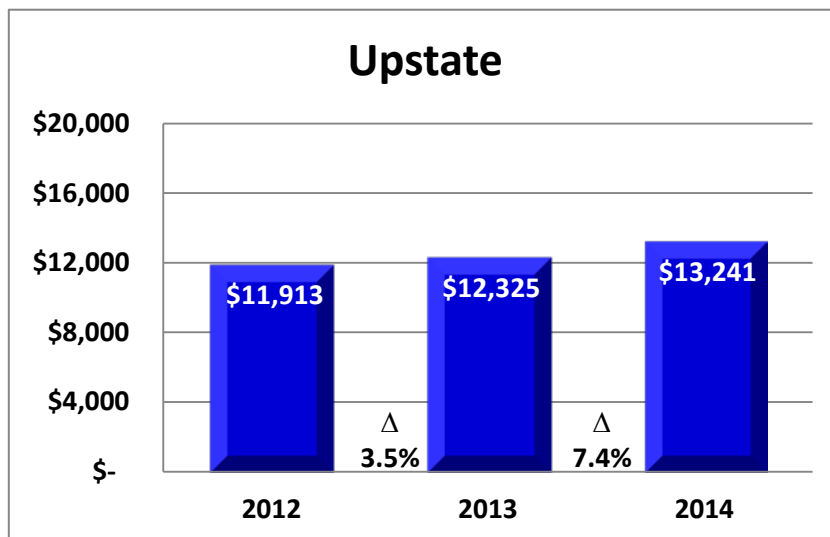
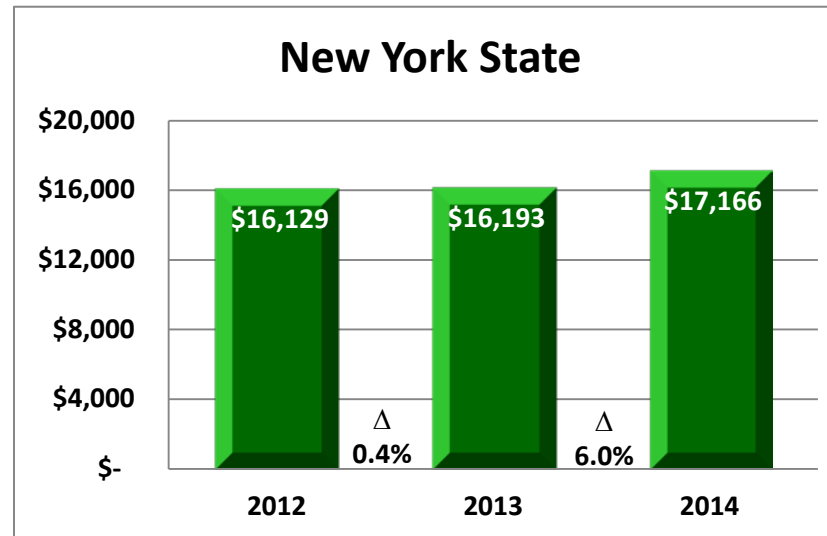
# All Payers Combined Average Net Inpatient Revenue per Day

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



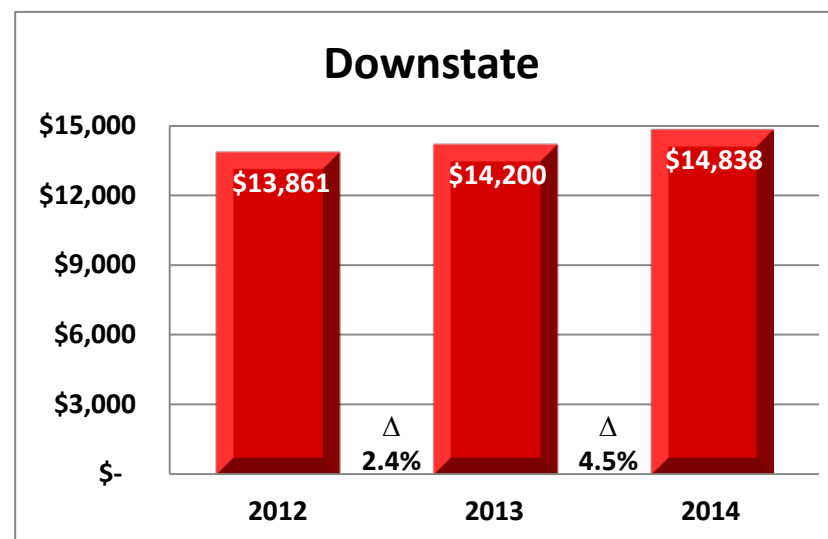
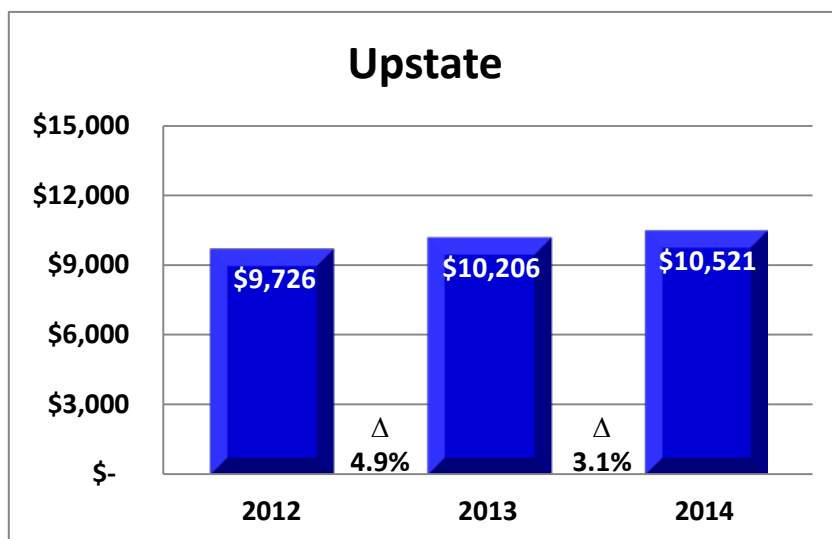
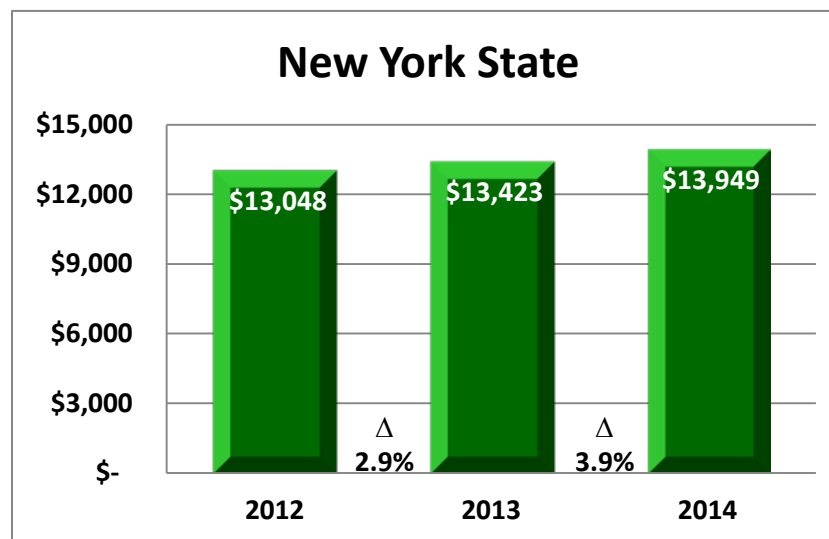
# Medicare Combined Average Net Inpatient Revenue per Case

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



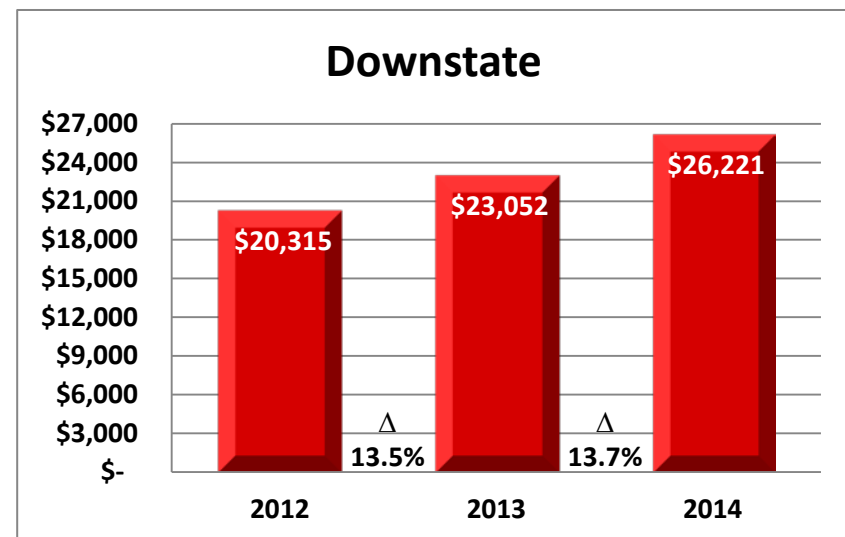
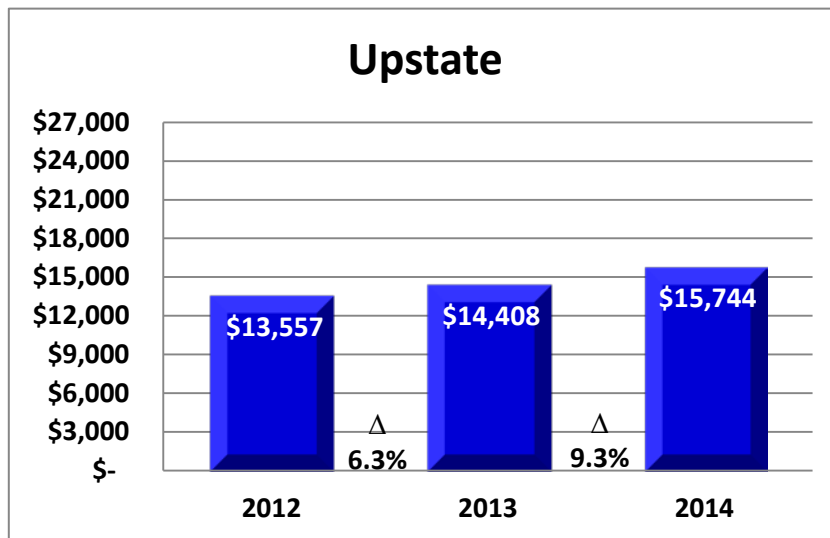
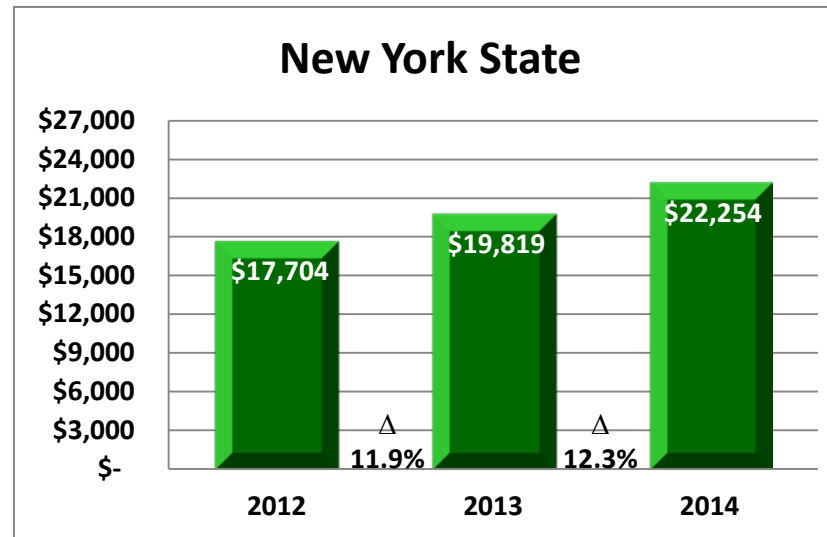
# Medicaid Combined Average Net Inpatient Revenue per Case

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



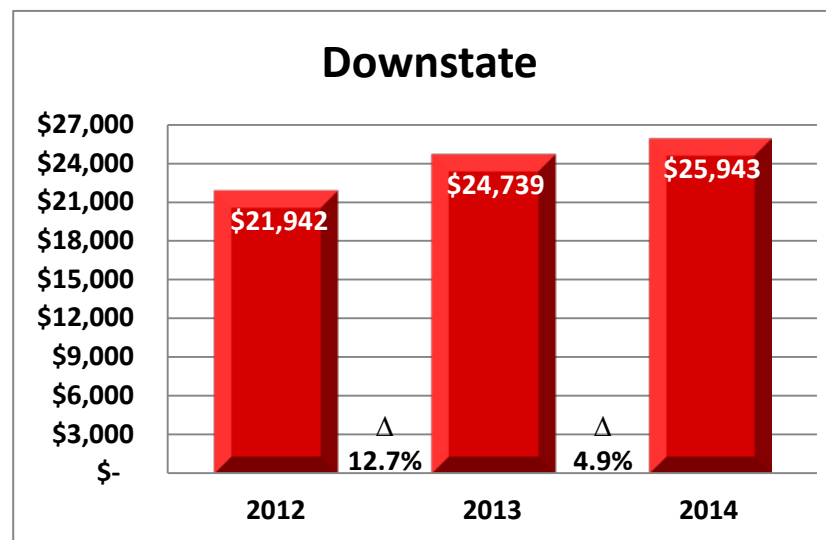
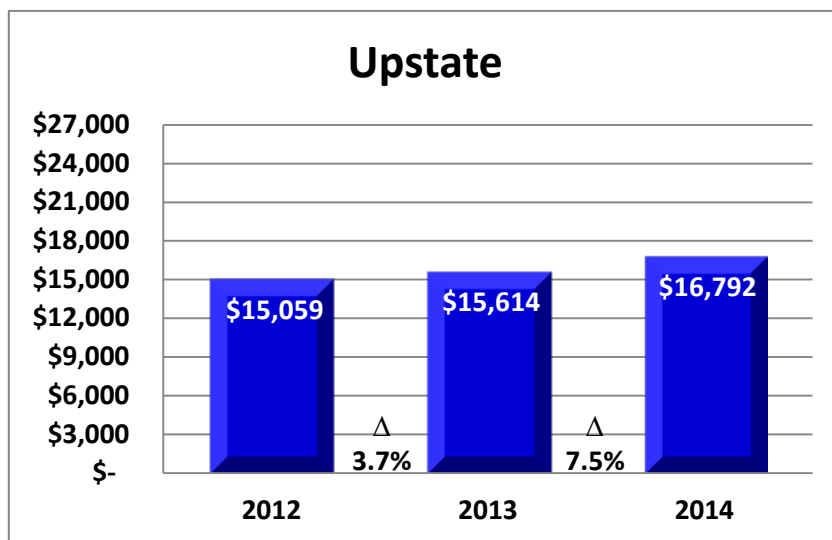
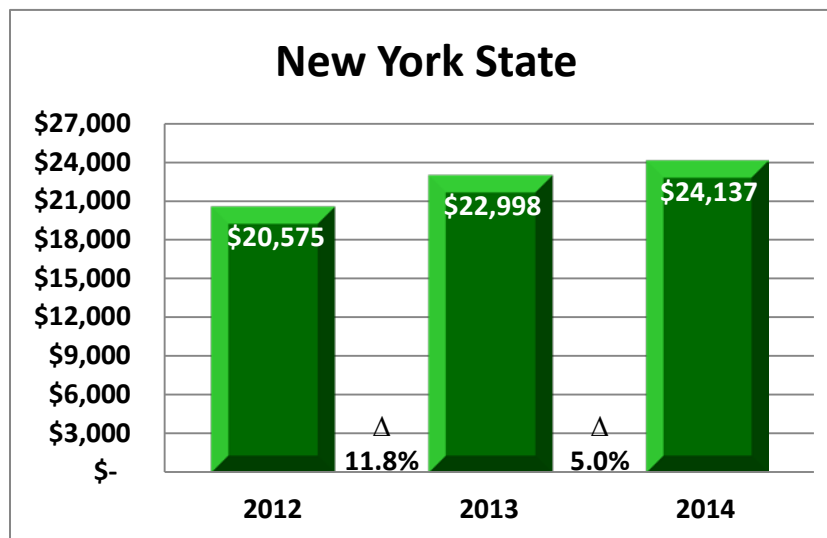
# Indemnity Combined Average Net Inpatient Revenue per Case

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



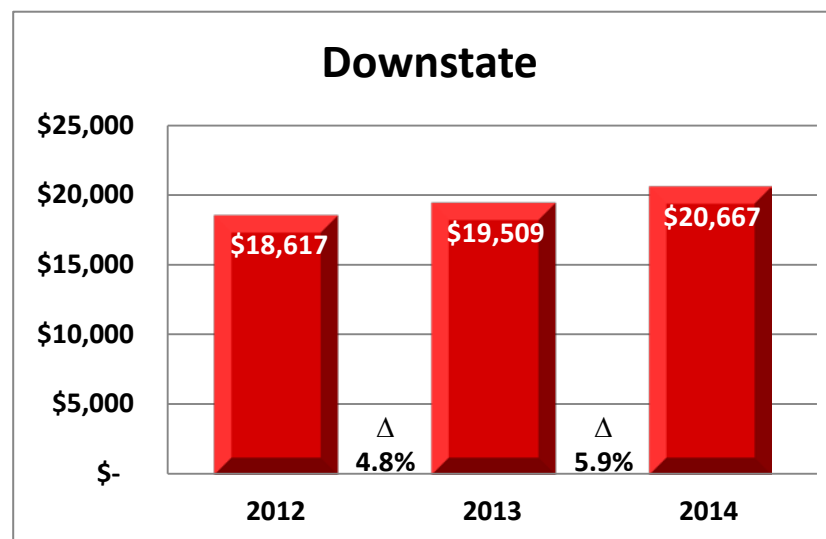
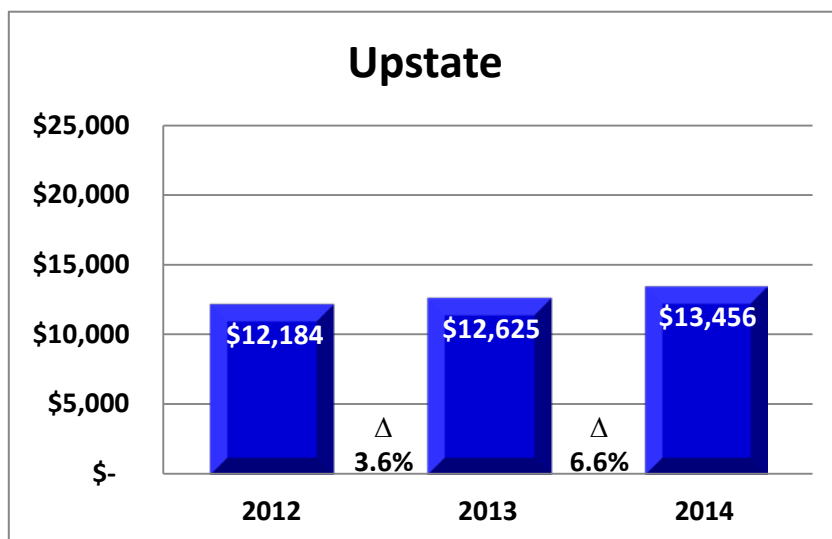
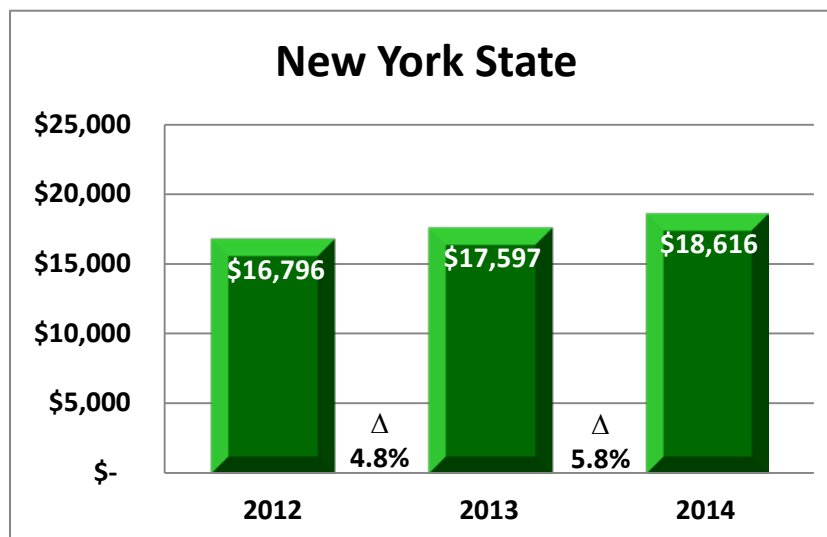
# HMO/PHSP Other Average Net Inpatient Revenue per Case

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



# All Payers Combined Average Net Inpatient Revenue per Case

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



# Percentage of Net Patient Revenue by Source

## Inpatient, Outpatient & Skilled Nursing

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports

		Upstate		Downstate		New York State	
Inpatient	2012	51.3%		69.6%		64.9%	
	2013	50.4%	Δ-1.8%	68.2%	Δ-2.1%	63.7%	Δ-1.8%
	2014	49.7%	Δ-1.4%	67.6%	Δ-0.9%	62.9%	Δ-1.2%
Outpatient	2012	46.3%		28.9%		33.4%	
	2013	47.4%	Δ2.5%	30.4%	Δ5.5%	34.8%	Δ4.1%
	2014	47.2%	Δ-0.5%	31.2%	Δ2.5%	35.4%	Δ1.8%
Skilled Nursing	2012	3.3%		1.5%		2.0%	
	2013	3.3%	Δ2.4%	1.4%	Δ-9.4%	1.9%	Δ-4.9%
	2014	3.1%	Δ-7.3%	1.2%	Δ-10.2%	1.7%	Δ-8.1%

# Net Inpatient Revenue by Payers

Data Source: 2014 NYS Institutional Cost Reports

Payer	Net Inpatient Revenue			Payer Mix		
	Upstate	Downstate	New York State	Upstate	Downstate	New York State
Medicare	\$ 2,051,198,469	\$ 7,489,520,457	\$ 9,540,718,926	27.5%	26.0%	26.3%
HMO Medicare	\$ 1,482,417,131	\$ 2,982,561,280	\$ 4,464,978,411	19.9%	10.4%	12.3%
<b>Medicare Combined</b>	<b>\$ 3,533,615,600</b>	<b>\$ 10,472,081,737</b>	<b>\$ 14,005,697,337</b>	<b>47.4%</b>	<b>36.4%</b>	<b>38.6%</b>
Medicaid	\$ 351,030,567	\$ 2,156,153,425	\$ 2,507,183,992	4.7%	7.5%	6.9%
HMO/PHSP Medicaid	\$ 791,710,237	\$ 4,061,030,789	\$ 4,852,741,026	10.6%	14.1%	13.4%
<b>Medicaid Combined</b>	<b>\$ 1,142,740,804</b>	<b>\$ 6,217,184,214</b>	<b>\$ 8,850,068,626</b>	<b>15.3%</b>	<b>21.6%</b>	<b>24.4%</b>
Non-Profit Indemnity	\$ 941,926,878	\$ 1,582,081,300	\$ 2,524,008,178	12.6%	5.5%	7.0%
Commercial Indemnity	\$ 575,410,348	\$ 2,565,050,166	\$ 3,140,460,514	7.7%	8.9%	8.7%
<b>Indemnity Combined</b>	<b>\$ 1,517,337,226</b>	<b>\$ 4,147,131,466</b>	<b>\$ 5,664,468,692</b>	<b>20.4%</b>	<b>14.4%</b>	<b>15.6%</b>
HMO/PHSP Other	\$ 870,750,022	\$ 5,472,134,612	\$ 6,342,884,634	11.7%	19.0%	17.5%
Self Insured	\$ 20,439,566	\$ (6,799,298)	\$ 13,640,268	0.3%	0.0%	0.0%
Workers Comp	\$ 83,411,890	\$ 182,066,953	\$ 265,478,843	1.1%	0.6%	0.7%
No Fault	\$ 96,619,605	\$ 207,825,087	\$ 304,444,692	1.3%	0.7%	0.8%
Uninsured/Self Pay	\$ (928,361)	\$ 219,621,856	\$ 218,693,495	0.0%	0.8%	0.6%
Government	\$ 104,208,403	\$ 33,278,017	\$ 137,486,420	1.4%	0.1%	0.4%
Free	\$ 9,971,556	\$ (50,997,925)	\$ (41,026,369)	0.1%	-0.2%	-0.1%
Courtesy	\$ 2,424,440	\$ (1,340,926)	\$ 1,083,514	0.0%	0.0%	0.0%
Unallocated Other Bad Debt	\$ (33,927,520)	\$ (91,568,465)	\$ (125,495,985)	-0.5%	-0.3%	-0.3%
Unallocated Other Adds & Deletions	\$ 106,443,811	\$ 2,007,822,671	\$ 2,114,266,482	1.4%	7.0%	5.8%
<b>Total</b>	<b>\$ 7,453,107,042</b>	<b>\$ 28,808,439,999</b>	<b>\$ 36,261,547,041</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>



# Average Net Inpatient Revenue per Day by Payer

Data Source: 2014 NYS Institutional Cost Reports

Payer	Upstate	Downstate	New York State
Medicare	\$ 2,271	\$ 3,161	\$ 2,915
HMO Medicare	\$ 2,434	\$ 2,693	\$ 2,601
<b>Medicare Combined</b>	<b>\$ 2,337</b>	<b>\$ 3,012</b>	<b>\$ 2,807</b>
Medicaid	\$ 2,391	\$ 2,818	\$ 2,749
HMO/PHSP Medicaid	\$ 2,058	\$ 2,992	\$ 2,785
<b>Medicaid Combined</b>	<b>\$ 2,150</b>	<b>\$ 2,929</b>	<b>\$ 2,773</b>
Non-Profit Indemnity	\$ 3,922	\$ 5,433	\$ 4,750
Commercial Indemnity	\$ 3,538	\$ 6,609	\$ 5,702
<b>Indemnity Combined</b>	<b>\$ 3,767</b>	<b>\$ 6,105</b>	<b>\$ 5,235</b>
HMO/PHSP Other	\$ 4,141	\$ 6,248	\$ 5,840
Self Insured	\$ 2,808	\$ (2,578)	\$ 1,376
Workers Comp	\$ 4,036	\$ 5,226	\$ 4,783
No Fault	\$ 3,995	\$ 4,340	\$ 4,224
Uninsured/Self Pay	\$ (42)	\$ 3,903	\$ 2,795
Government	\$ 2,674	\$ 1,549	\$ 2,274
Free	\$ 650	\$ (751)	\$ (493)
Courtesy	\$ 1,801	\$ (120)	\$ 87
Unallocated Other Bad Debt	\$ (12)	\$ (12)	\$ (12)
Unallocated Other Adds & Deletions	\$ 38	\$ 271	\$ 208
<b>All Payers Combined</b>	<b>\$ 2,675</b>	<b>\$ 3,895</b>	<b>\$ 3,561</b>

# Average Net Inpatient Revenue per Case by Payer

Data Source: 2014 NYS Institutional Cost Reports

Payer	Upstate	Downstate	New York State
Medicare	\$ 12,842	\$ 20,223	\$ 17,999
HMO Medicare	\$ 13,835	\$ 16,690	\$ 15,620
<b>Medicare Combined</b>	<b>\$ 13,241</b>	<b>\$ 19,073</b>	<b>\$ 17,166</b>
Medicaid	\$ 13,014	\$ 18,774	\$ 17,678
HMO/PHSP Medicaid	\$ 9,698	\$ 13,351	\$ 12,578
<b>Medicaid Combined</b>	<b>\$ 10,521</b>	<b>\$ 14,838</b>	<b>\$ 13,949</b>
Non-Profit Indemnity	\$ 16,309	\$ 22,885	\$ 19,892
Commercial Indemnity	\$ 14,898	\$ 28,812	\$ 24,602
<b>Indemnity Combined</b>	<b>\$ 15,744</b>	<b>\$ 26,221</b>	<b>\$ 22,254</b>
HMO/PHSP Other	\$ 16,792	\$ 25,943	\$ 24,137
Self Insured	\$ 9,619	\$ (9,483)	\$ 4,800
Workers Comp	\$ 14,753	\$ 22,255	\$ 19,189
No Fault	\$ 25,012	\$ 24,653	\$ 24,766
Uninsured/Self Pay	\$ (147)	\$ 14,666	\$ 10,273
Government	\$ 12,841	\$ 8,630	\$ 11,485
Free	\$ 2,638	\$ (2,975)	\$ (1,961)
Courtesy	\$ 7,303	\$ (383)	\$ 283
Unallocated Other Bad Debt	\$ (61)	\$ (66)	\$ (64)
Unallocated Other Adds & Deletions	\$ 192	\$ 1,440	\$ 1,085
<b>All Payers Combined</b>	<b>\$ 13,456</b>	<b>\$ 20,667</b>	<b>\$ 18,616</b>

# Outpatient Metrics

As a result of new technologies, reimbursement changes, and payment models, inpatient stays are dropping while outpatient visits are rising. Health system leaders are responding to these changes by reorganizing and streamlining their care delivery processes. Mergers and acquisitions are not only horizontal among hospitals, but also vertical as hospitals seek to control quality across the care continuum.

Many Upstate hospitals act as the entire health care system for the communities they serve (de facto “the safety-net provider”). For a number of years, Upstate hospitals have been at the forefront of efforts to shift the care paradigm to an outpatient care model in order to expand services and enhance sustainability. Outpatient care has been crucial to the financial viability of Upstate hospitals. As health care reform efforts continue to seek reductions in avoidable hospital use, Upstate hospitals should be well positioned with their established outpatient care infrastructure.

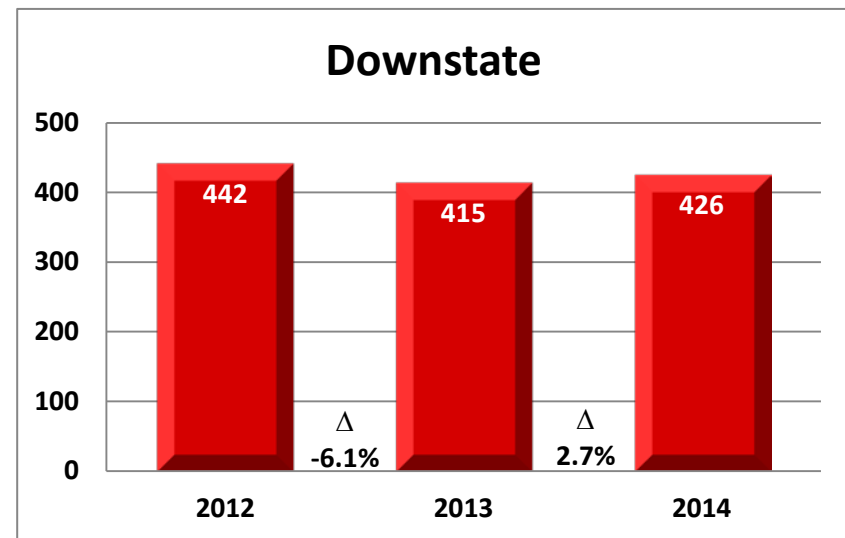
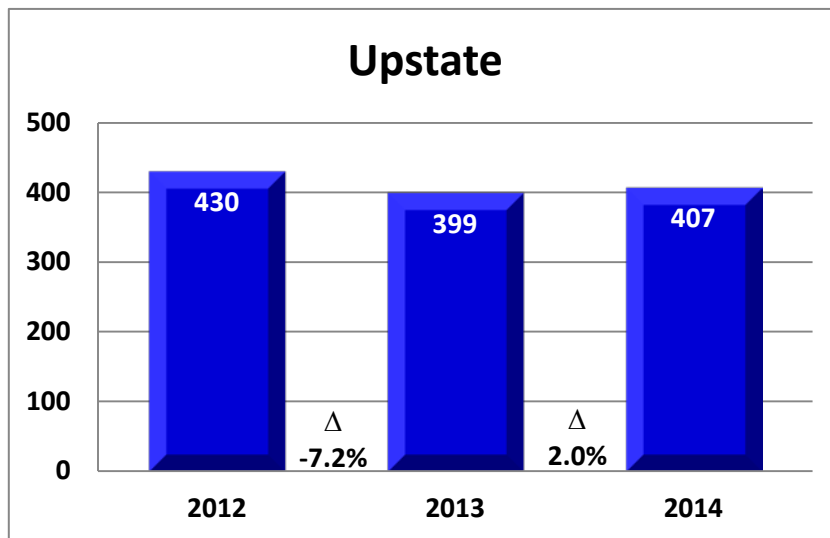
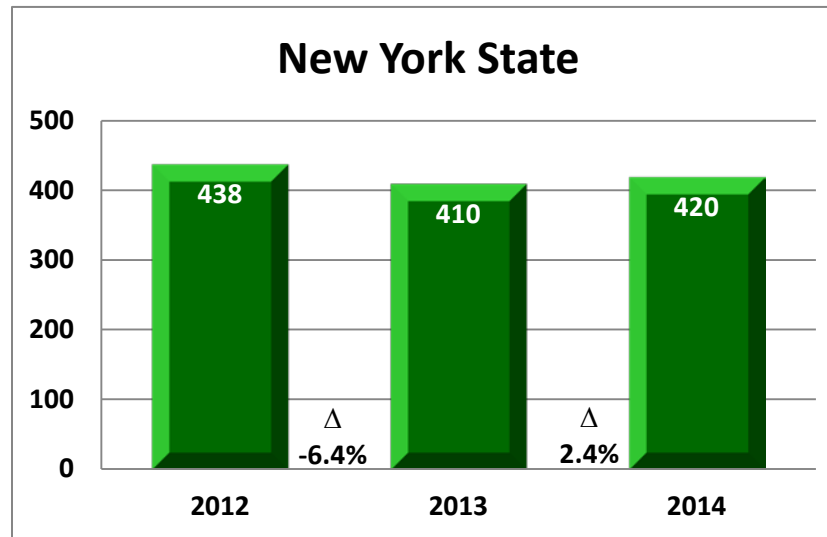
## ***Trend Highlights:***

- Emergency Department (ED) visits have averaged around 400 visits per 1,000 population in both Upstate and Downstate from 2012 to 2014. ED visits are an expensive and often inappropriate service site. While improper utilization of the emergency room occurs statewide, the Upstate physician shortage and lack of primary care providers will make reducing ED visits a challenging DSRIP goal for Upstate hospitals to achieve.
- Upstate hospitals had 3,172 outpatient visits per 1,000 population in 2014, while Downstate hospitals had 47.5% fewer visits with 1,666 outpatient visits per 1,000 population. From 2013, Upstate outpatient visits increased 5.3% compared to a 2.6% increase Downstate.
- Upstate hospitals generated approximately 47% of total net patient revenue from outpatient care in 2012 to 2014, compared to only 30% Downstate.
- Although Upstate hospitals provide significantly more outpatient services than Downstate, they receive significantly less net outpatient revenue per visit. Upstate received 29% less net outpatient revenue per visit in 2014 compared to Downstate.
- Upstate net outpatient revenue per visit decreased 0.6% from 2012 to 2013, while Downstate increased by 1.4%. Both Upstate and Downstate experienced an increase in net outpatient revenue per visit by approximately 6.0% from 2013 to 2014.

Continued expansion of outpatient services is necessary for the success of DSRIP, and collaboration among providers within the community helps to streamline processes. Upstate hospitals have a strong outpatient infrastructure, but struggle with recruitment and retention of primary care and behavioral health professionals.

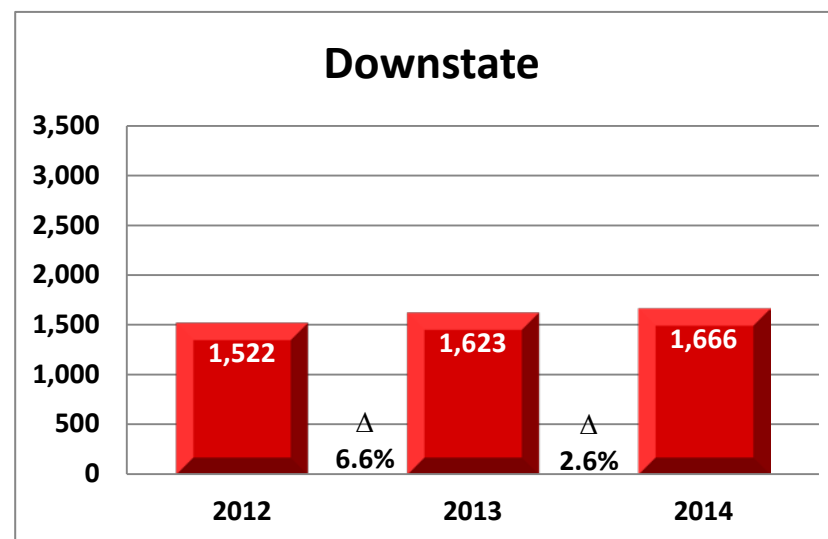
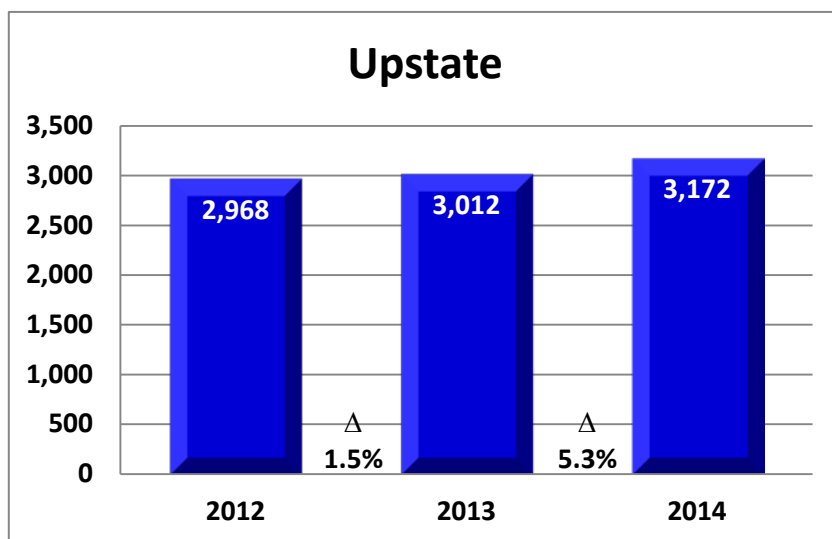
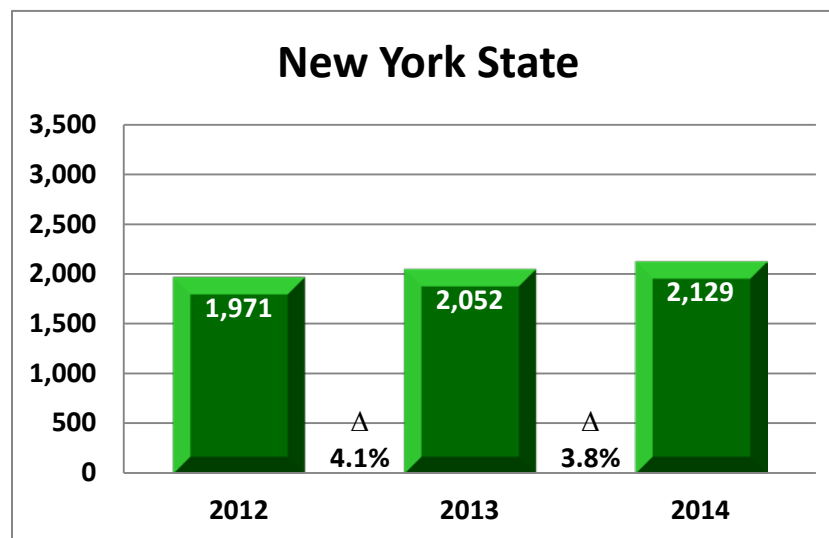
# Emergency Department Visits per 1,000 Population

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports & 2012, 2013 & 2014 U.S. Census Estimates



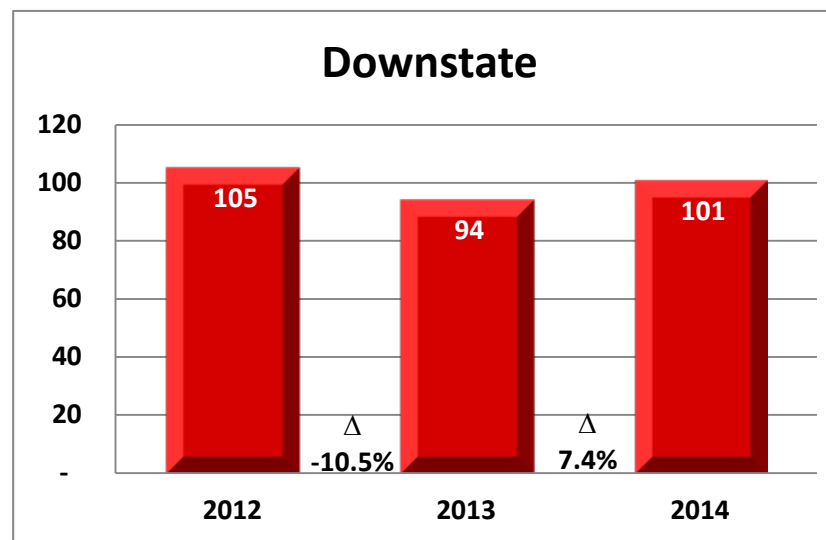
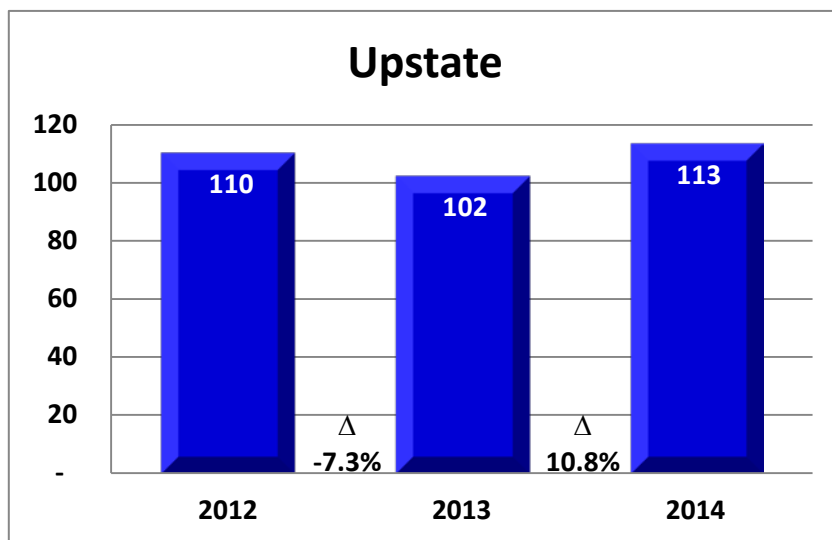
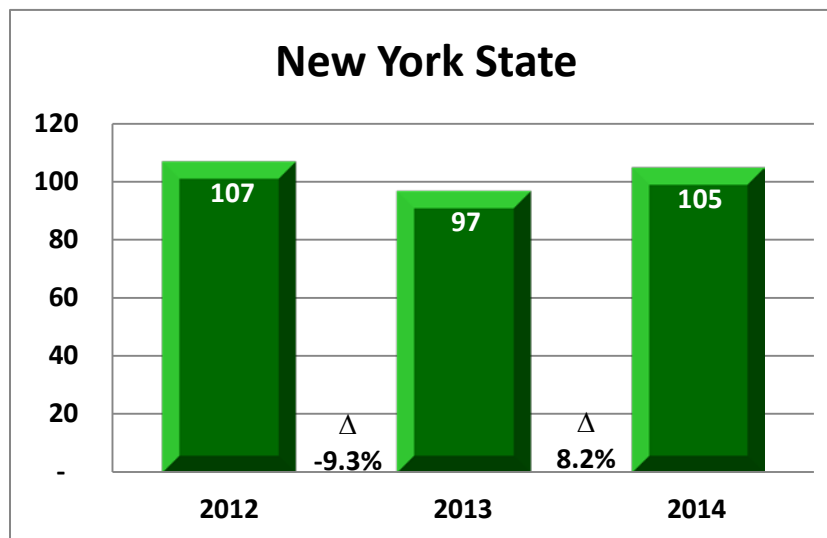
# Outpatient Visits per 1,000 Population (excluding ED visits)

Data Source: 2012, 2013 & 2014 NYS Institutional Costs Report & 2012, 2013 & 2014 U.S. Census Estimates



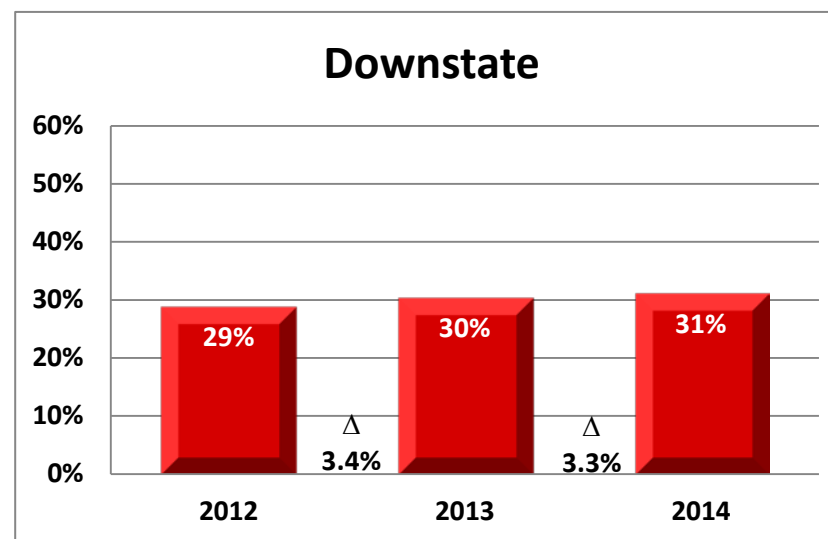
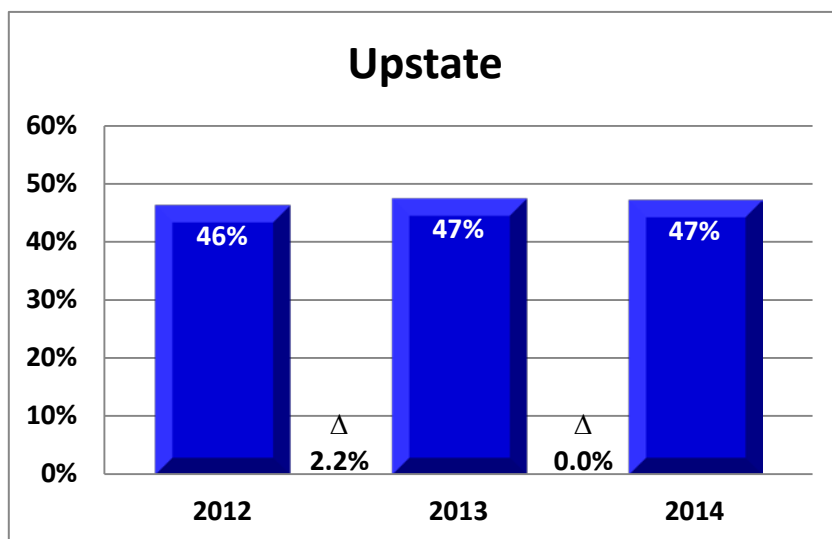
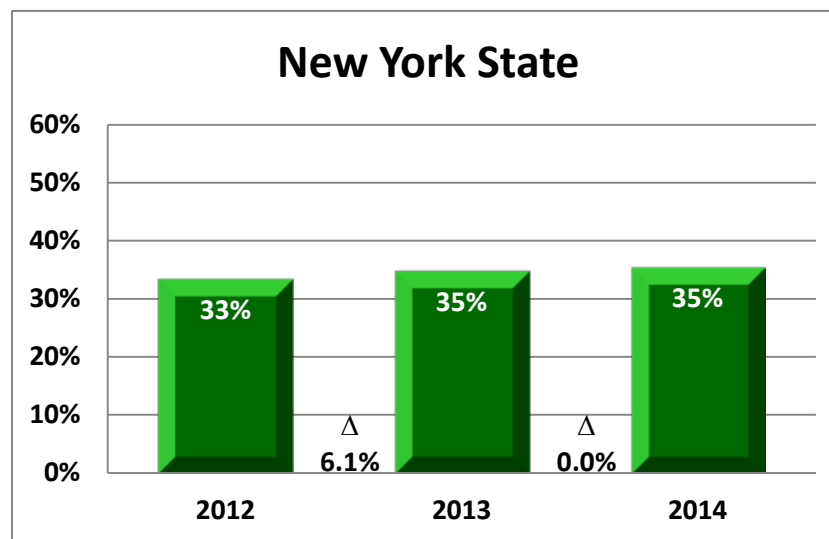
# Ambulatory Surgical Procedures per 1,000 Population

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports & 2012, 2013 & 2014 U.S. Census Estimates



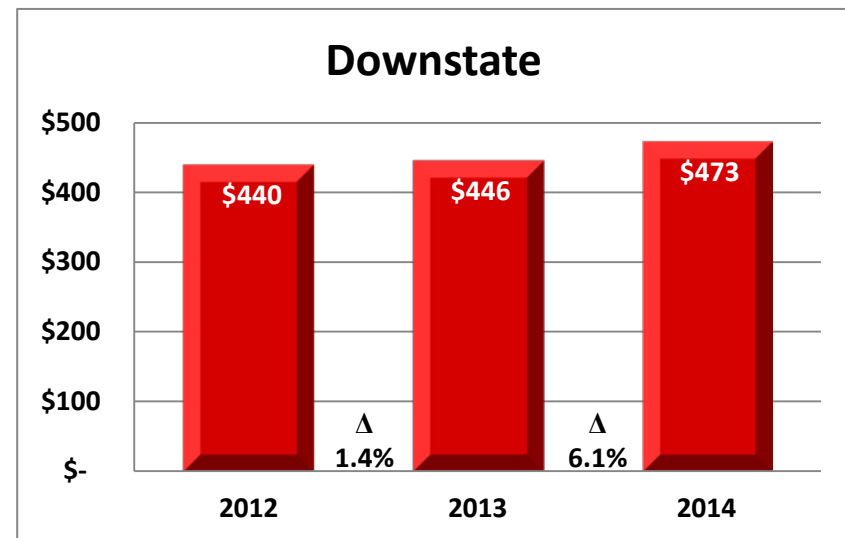
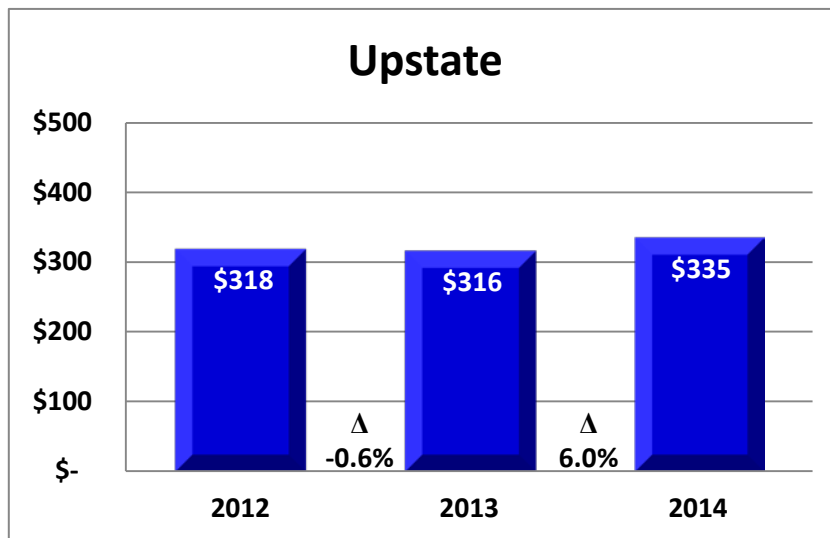
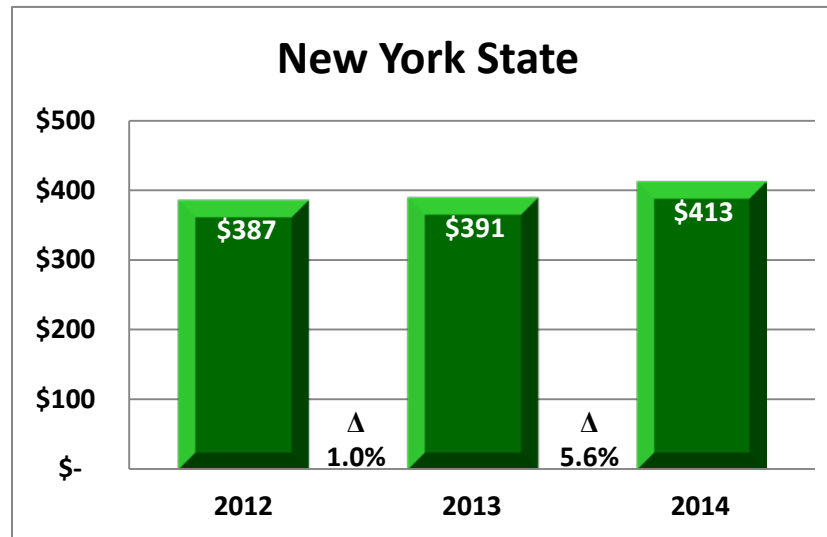
# Outpatient Revenue as a Percentage of Total Net Patient Revenue

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



# Net Outpatient Revenue per Visit

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports





## Average Hourly Wage Rate – Hospital Personnel

As reform efforts advance at both the state and federal levels, implications for the health care workforce are significant. In both Upstate and Downstate, a very diverse mix of health care providers is needed. It is clear in Upstate that physicians in all specialties are in great demand. Other professions in demand include Physician Assistants, Nurse Practitioners, Registered Nurses, Social Workers, and Pharmacists.

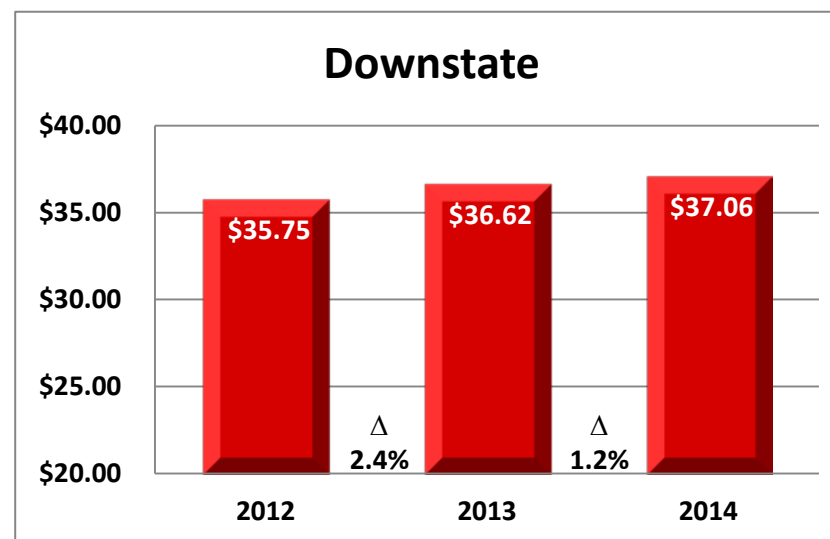
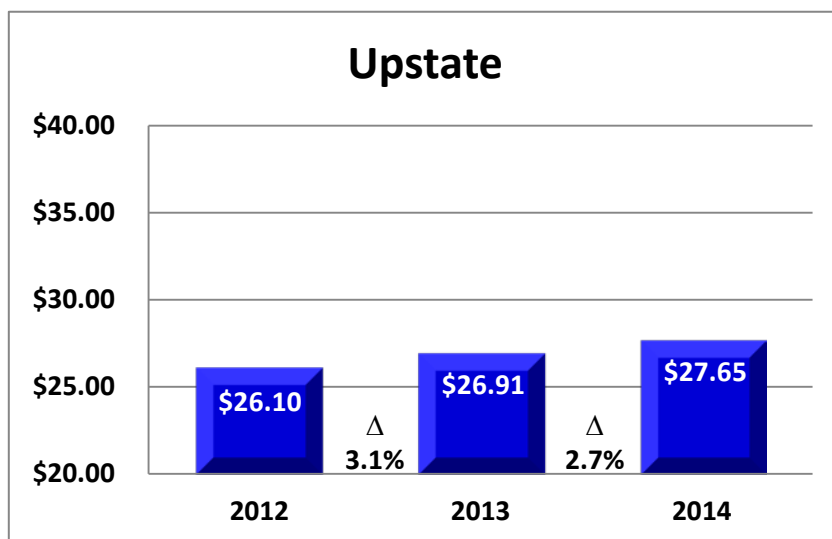
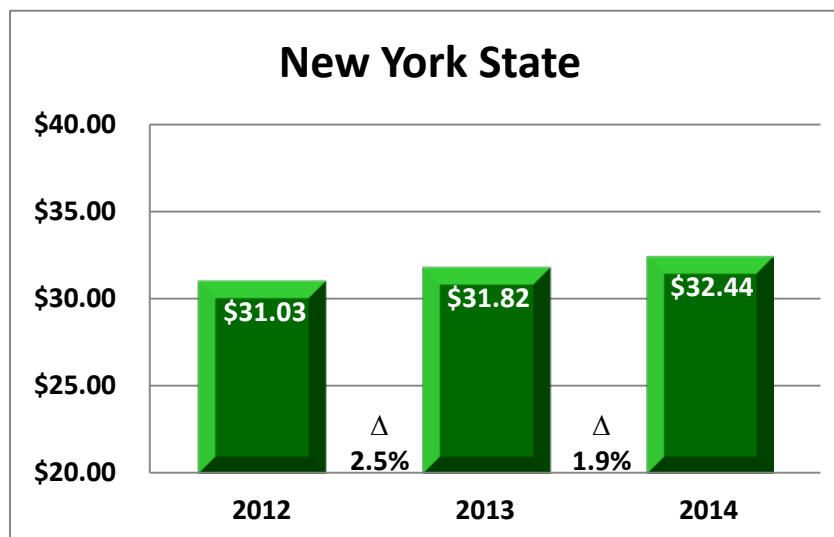
### *Trend Highlights:*

- Upstate average hourly wage rates continued to increase at a slightly faster rate compared to Downstate. From 2012 to 2013, average wage rates increased by 3.1% Upstate compared to 2.4% Downstate. From 2013 to 2014, average wage rates increased by 2.7% Upstate compared to 1.2% Downstate.
- Upstate average hourly wage rates are approximately \$10.00 per hour, which is 25% lower compared to Downstate. In 2014, the average hourly wage rate for all Upstate hospital personnel was \$27.65 per hour compared to \$37.06 per hour Downstate.
- Upstate pays more for Specialty Physicians than Downstate. From 2013 to 2014, these average wage rates increased by 5.8% Upstate compared to 0.3% Downstate. Upstate hospitals are paying more to attract and retain Specialty Physicians.
- Pharmacist average wages are higher in Upstate compared to Downstate. In 2014, the average wage in Upstate was \$55.33 per hour, compared to \$52.56 per hour Downstate.
- Physician Assistant wages are comparable between Upstate and Downstate. In 2014, the Upstate average wage rate for Physician Assistants was \$54.24 per hour compared to \$55.36 per hour Downstate.
- Nurse Practitioner and Social Worker average wage rates are lower Upstate compared to Downstate. In 2014, the Upstate average wage rate for Nurse Practitioners was \$49.00 per hour compared to \$56.60 per hour Downstate. For Social Workers in 2014, the Upstate average wage rate was \$26.37 per hour compared to \$35.08 per hour in Downstate.
- Registered Nurse salaries are significantly lower Upstate compared to Downstate. In 2014, the Upstate average wage rate was \$32.90 per hour, compared to \$45.35 per hour Downstate. This disparity makes it difficult to attract nurses to Upstate from Downstate and is an issue that Upstate labor unions will try to use to their advantage.
- Upstate average wage rates for Nursing Aides, Orderlies & Attendants, Patient Food Service Workers, and Housekeeping Aides are all below \$15.00 per hour compared to all being above \$15.00 per hour Downstate. Upstate hospitals will be faced with expensive wage compression issues in order to maintain internal pay equity as minimum wages are increased.

Attracting and retaining the necessary workforce has major implications to the wages paid by hospitals. It is often assumed that wages paid in Upstate are less than those wages paid in Downstate for comparable positions. While that is typically true, many Upstate health care providers are paying more than their Downstate counterparts to attract health care professionals to Upstate.

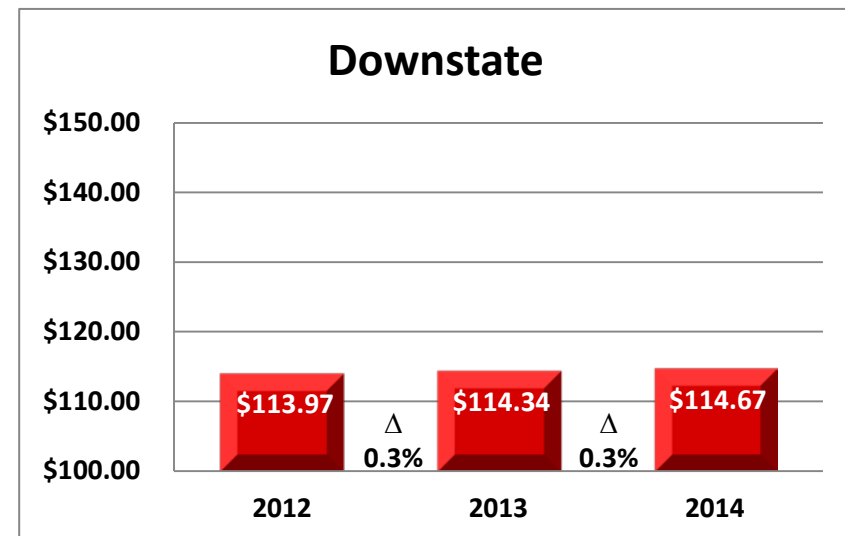
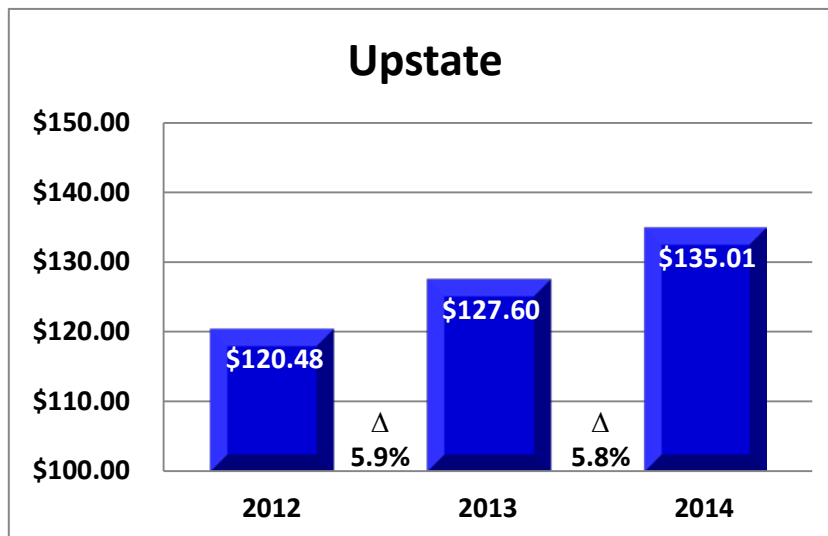
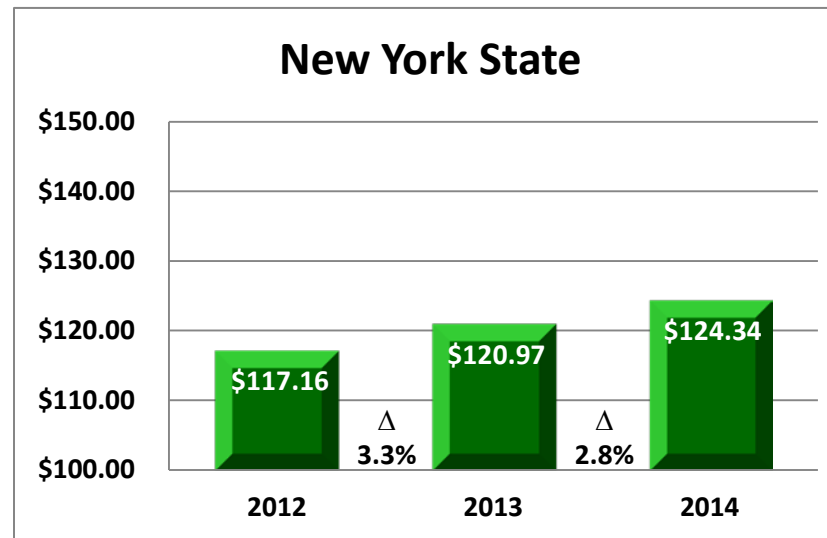
# Average Hourly Wage Rate - All Hospital Personnel

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



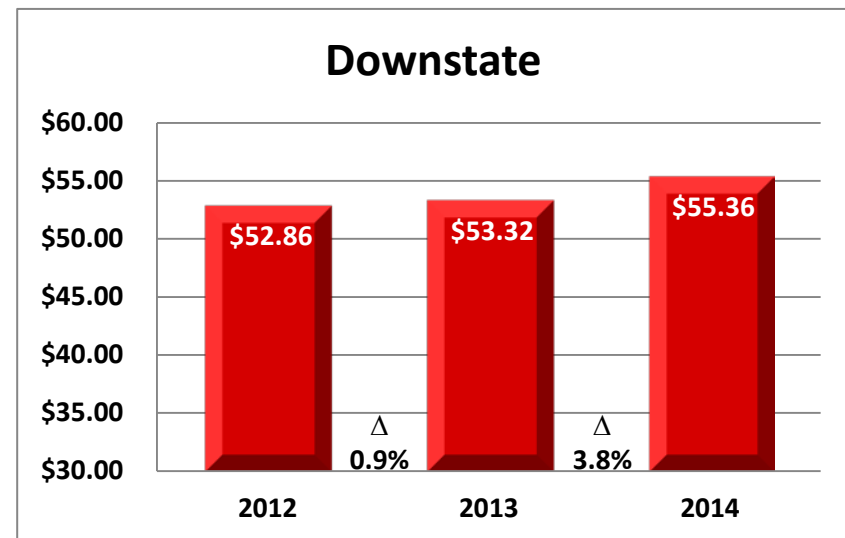
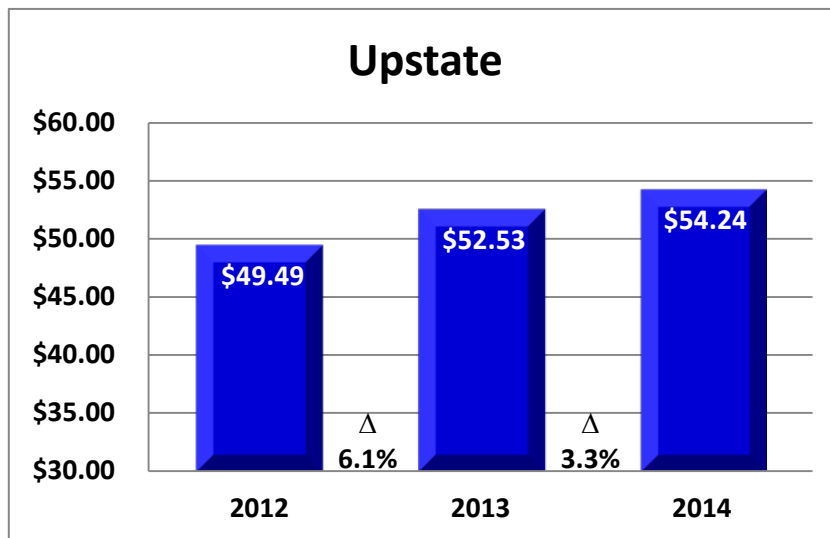
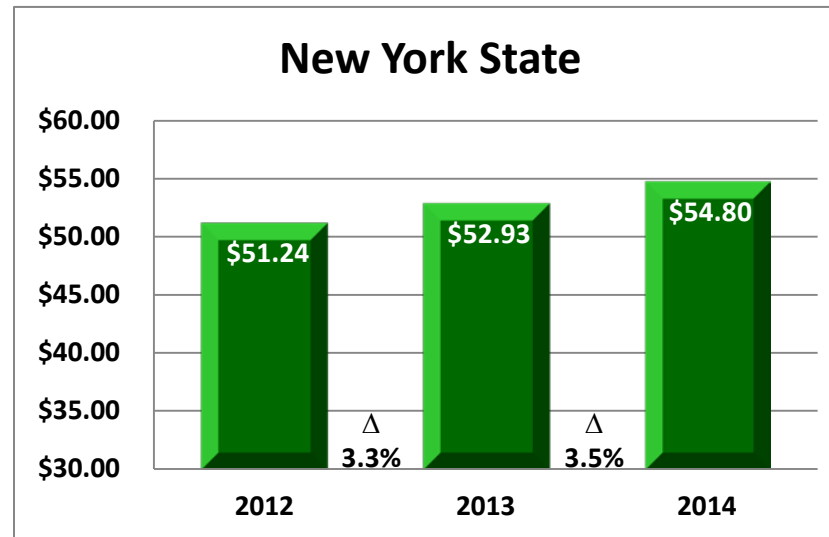
# Average Hourly Wage Rate - Other Physicians Providing Care

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



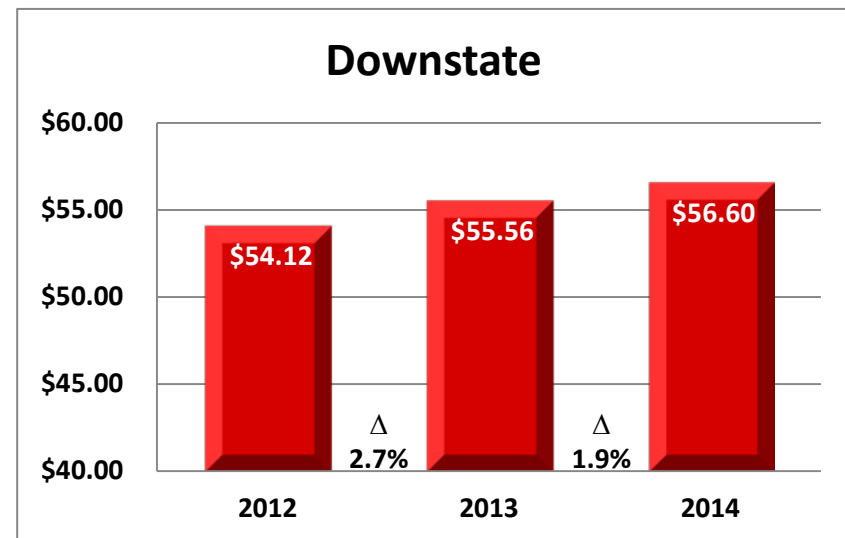
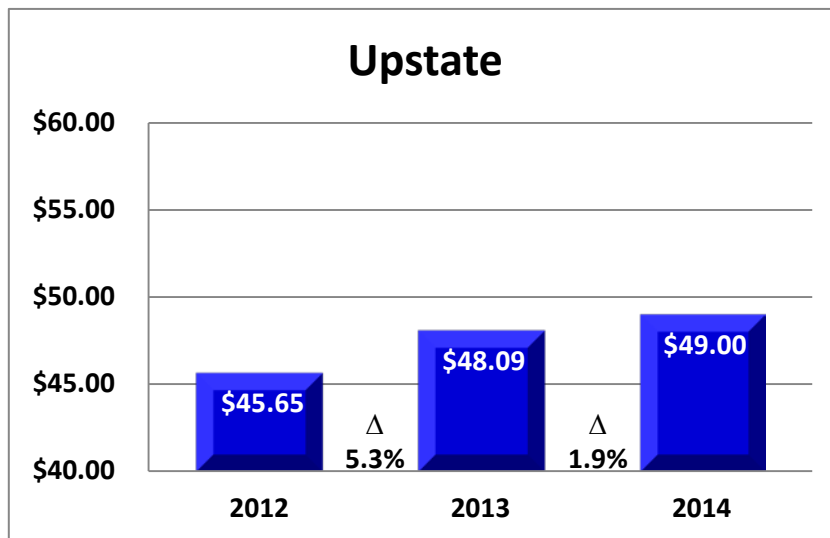
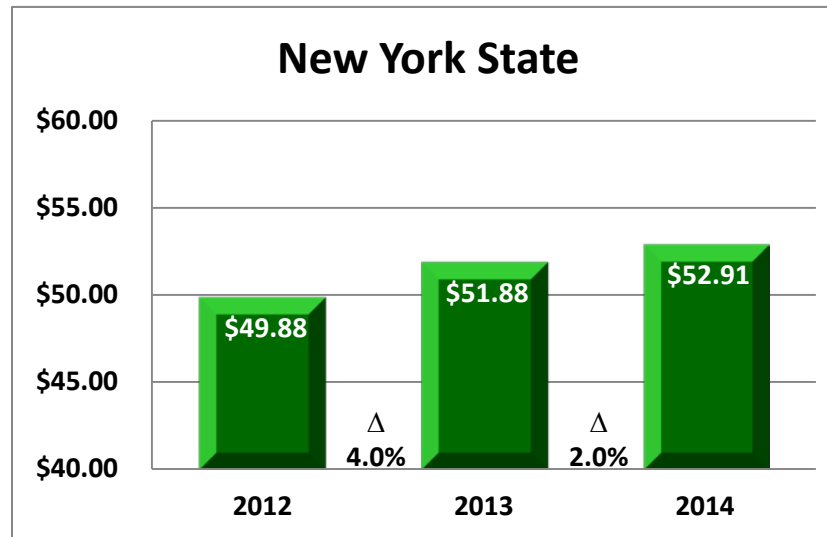
# Average Hourly Wage Rate - Physician Assistants

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



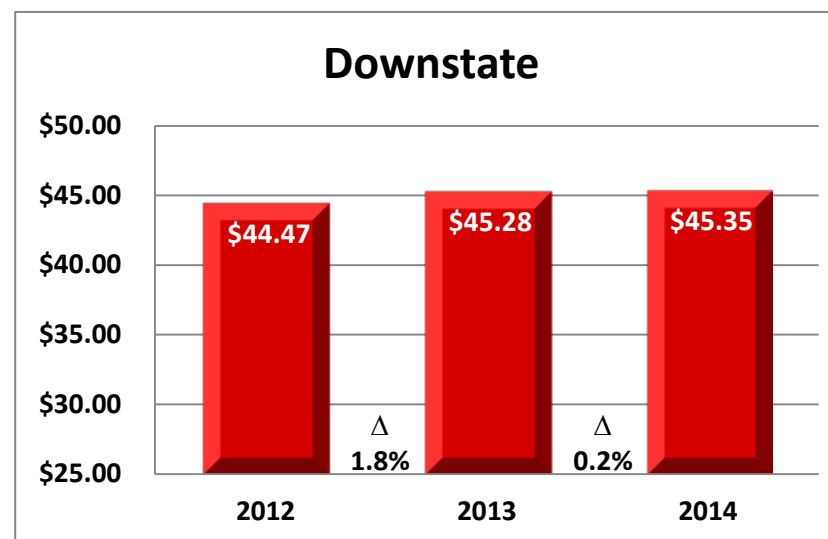
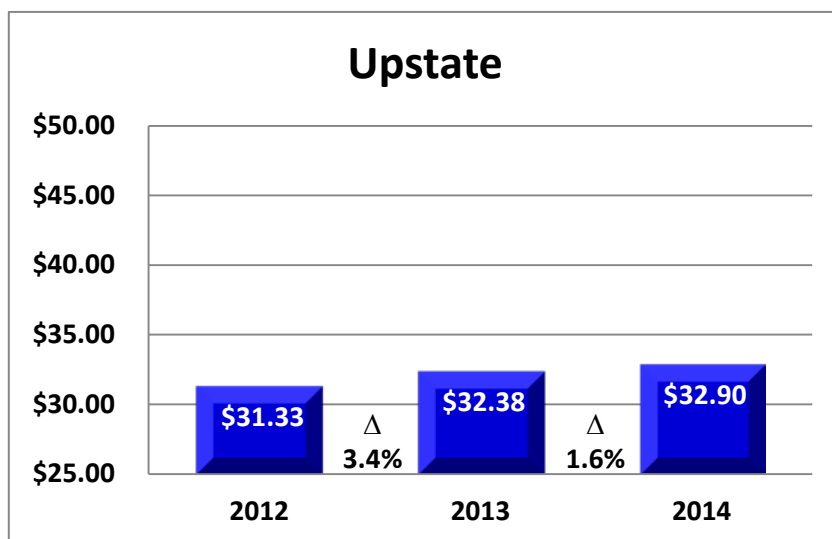
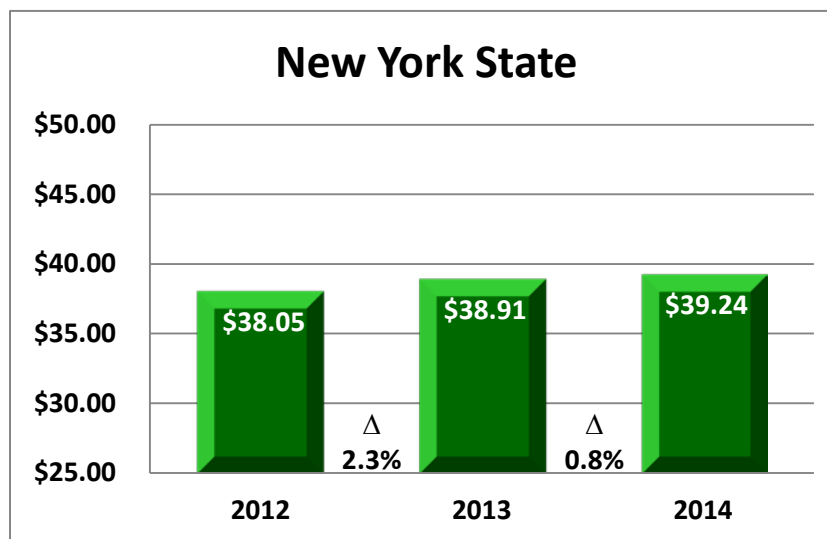
# Average Hourly Wage Rate - Nurse Practitioners

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



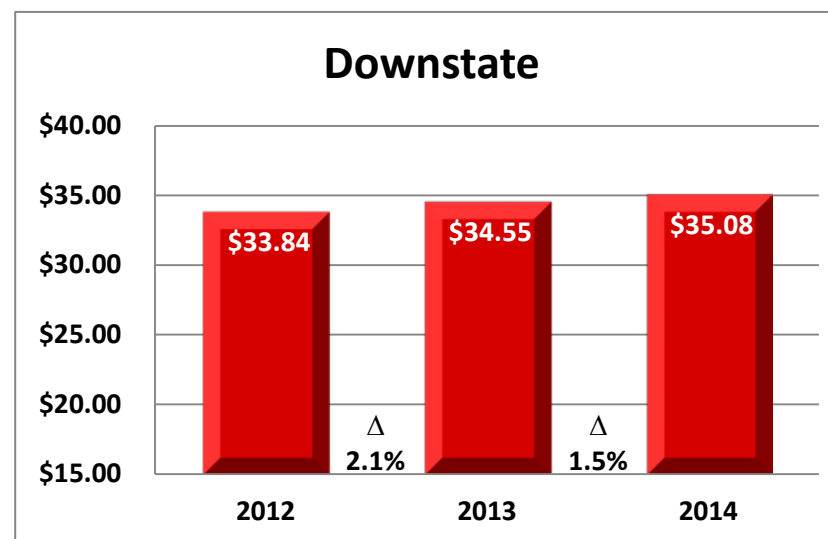
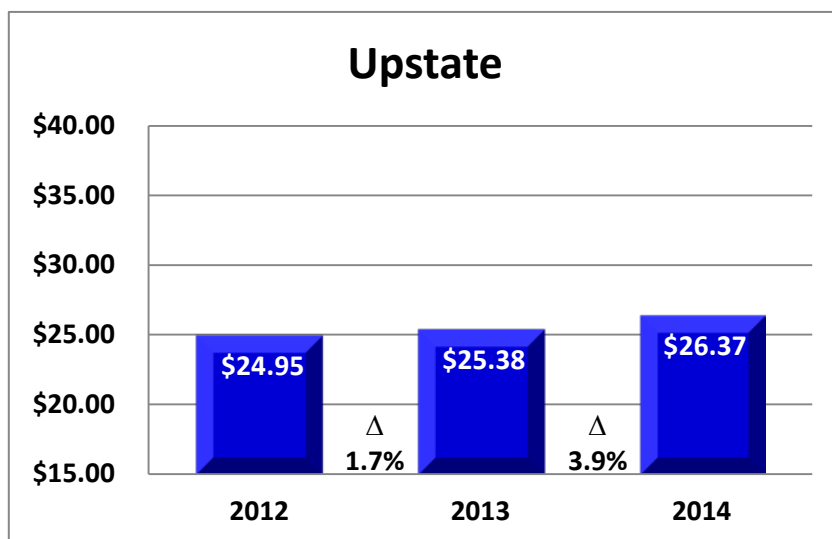
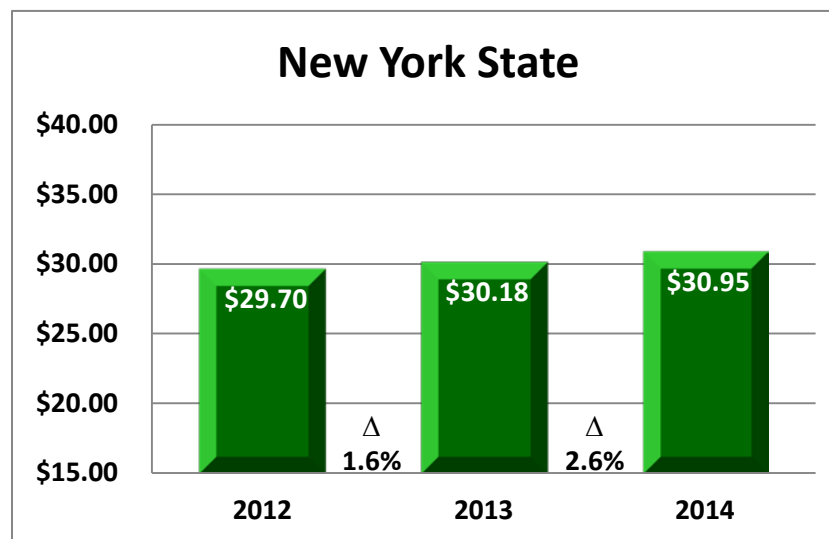
# Average Hourly Wage Rate - Registered Nurses

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



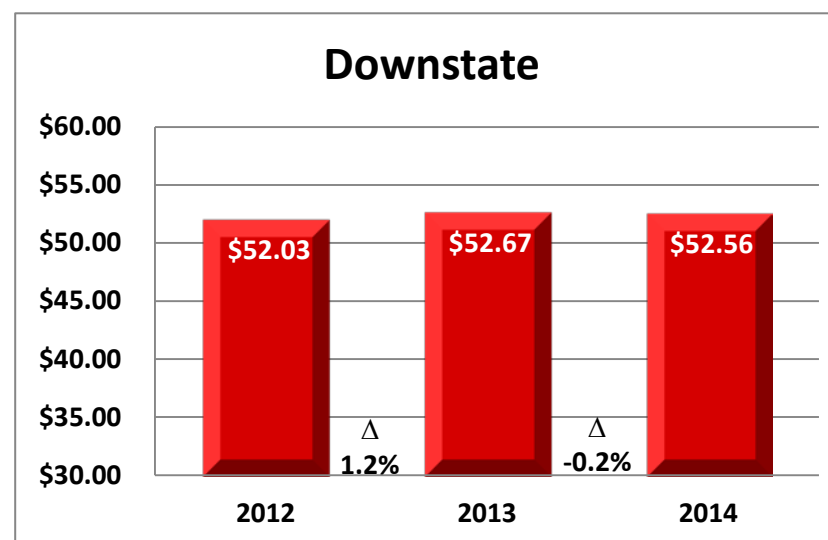
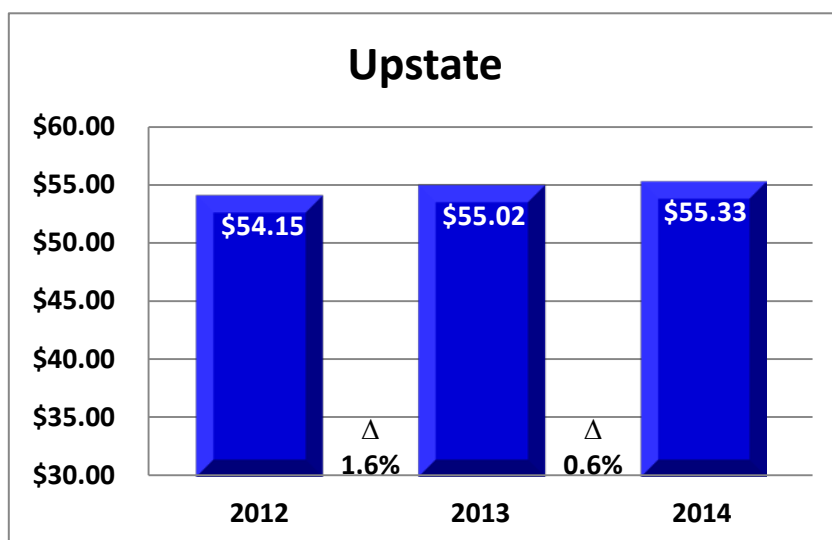
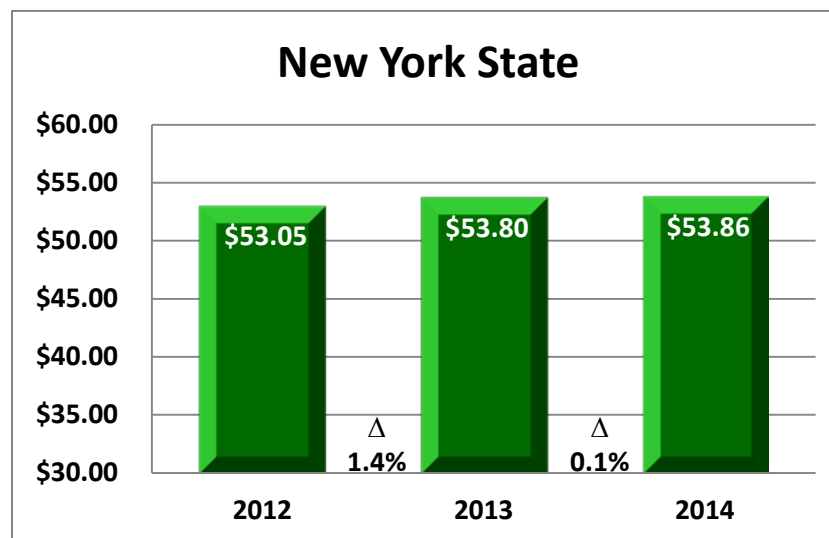
# Average Hourly Wage Rate - Social Workers

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



# Average Hourly Wage Rate - Pharmacists

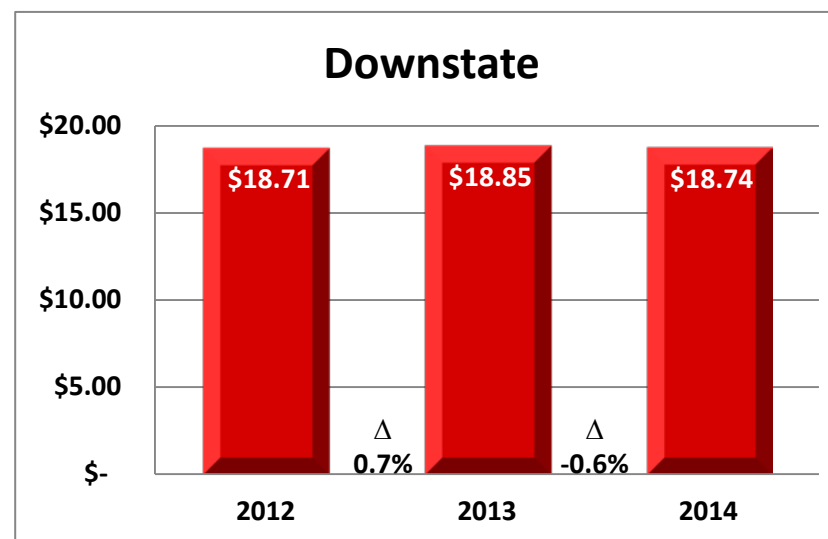
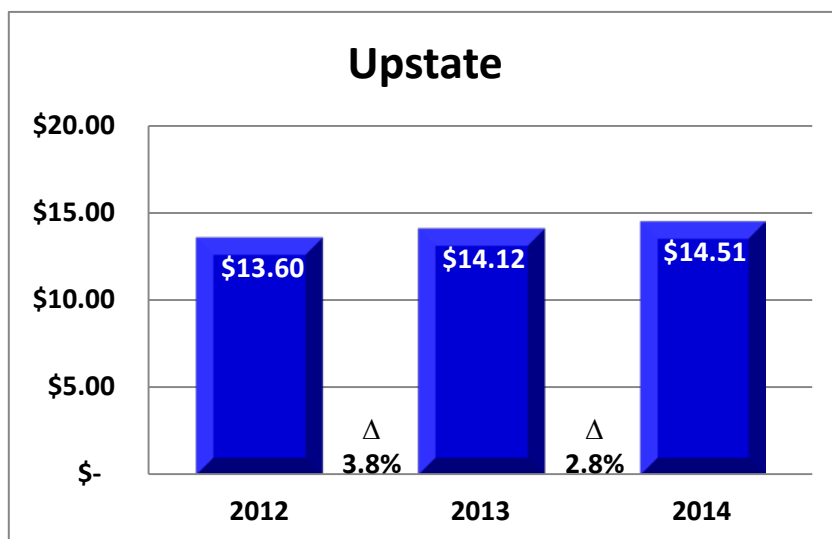
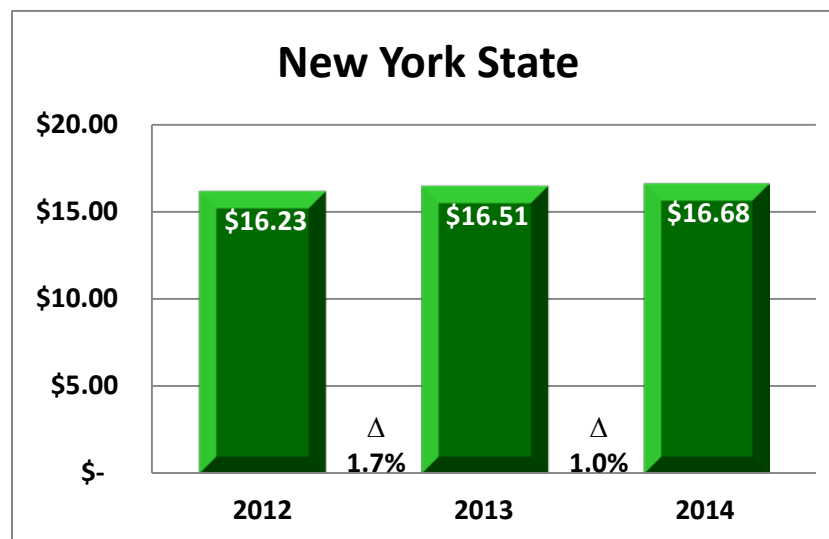
Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports





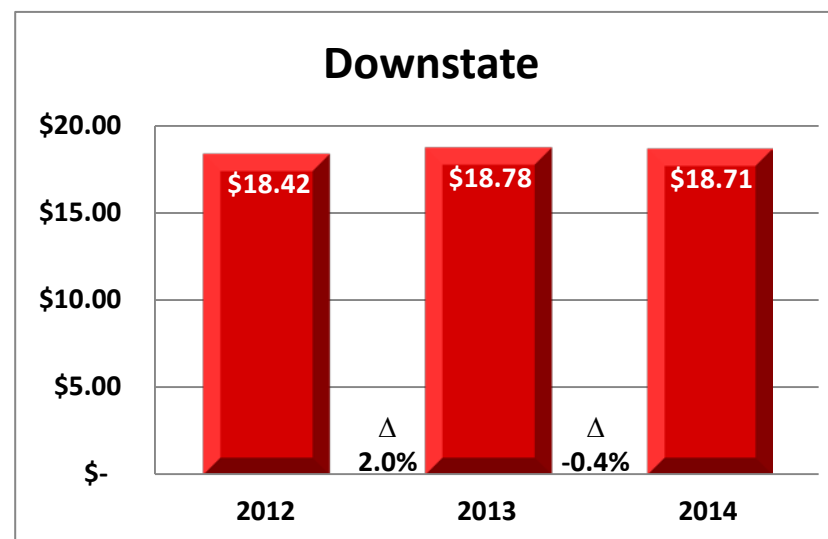
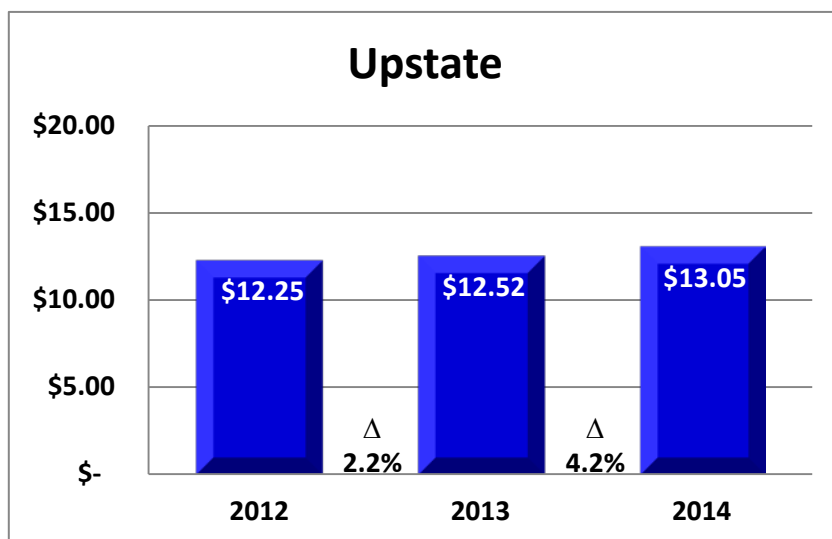
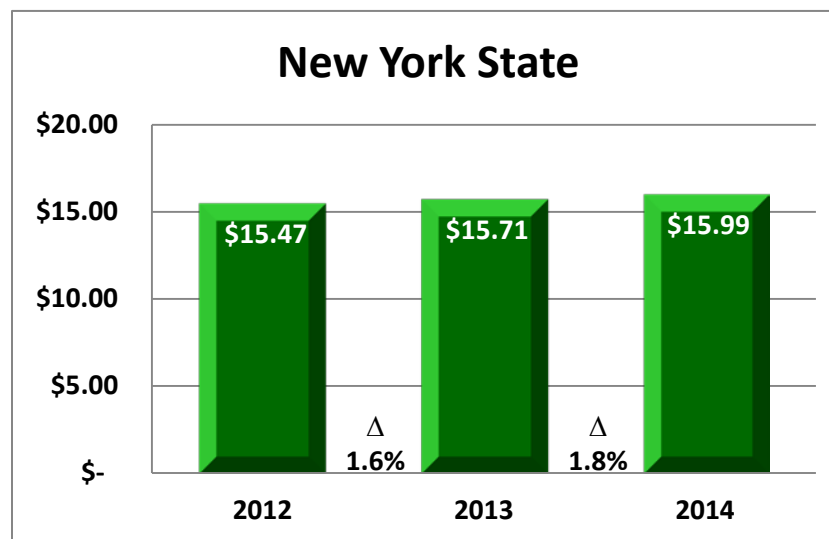
# Average Hourly Wage Rate - Nursing Aides, Orderlies & Attendants

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



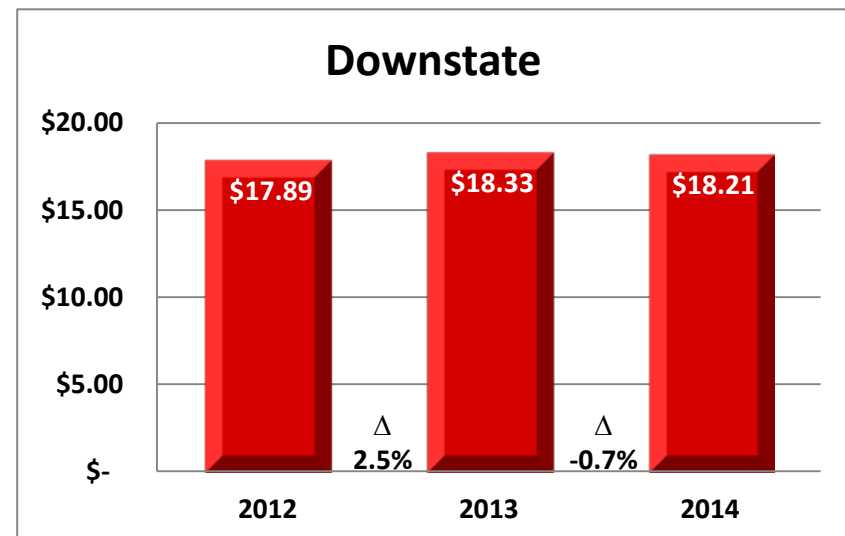
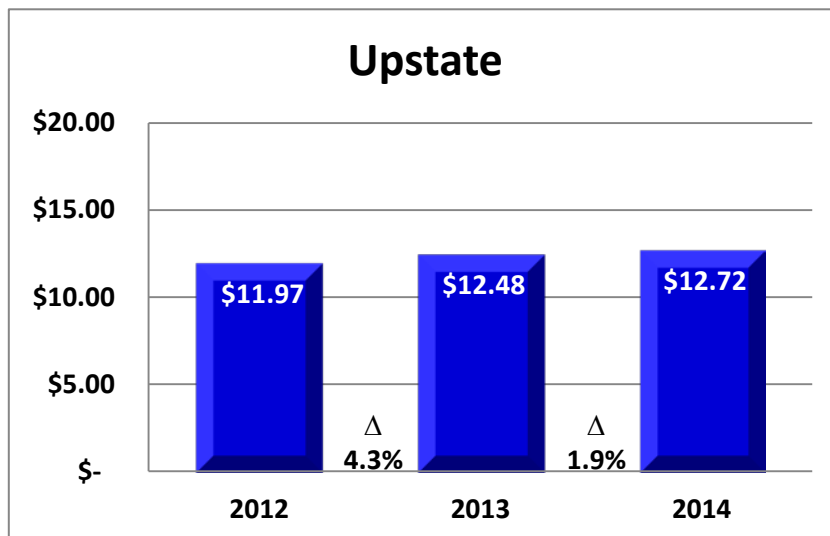
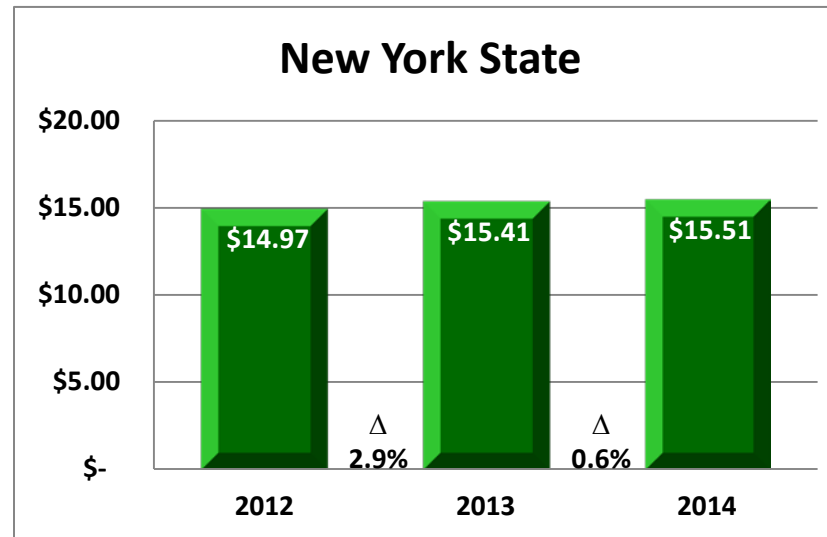
# Average Hourly Wage Rate - Patient Food Services Workers

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



# Average Hourly Wage Rate - Housekeeping Aides

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



# Hospital Expenses and Metrics

Managing hospital expenses in an ever-changing health care environment is a challenge for hospital leaders. Government programs such as Value Based-Purchasing, Readmissions Reduction Programs, DSRIP, and more, make the challenge of generating positive hospital margins an even more complex task. Trend analysis examines hospital payroll expenses as a percentage of total hospital expenses, payroll dollars per FTE, the penalties or gains from VBP, RRP, and hospital margins.

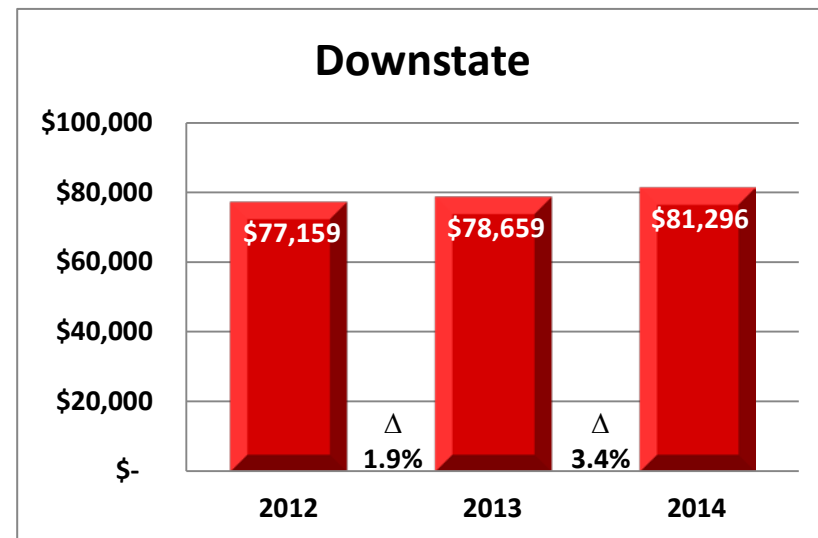
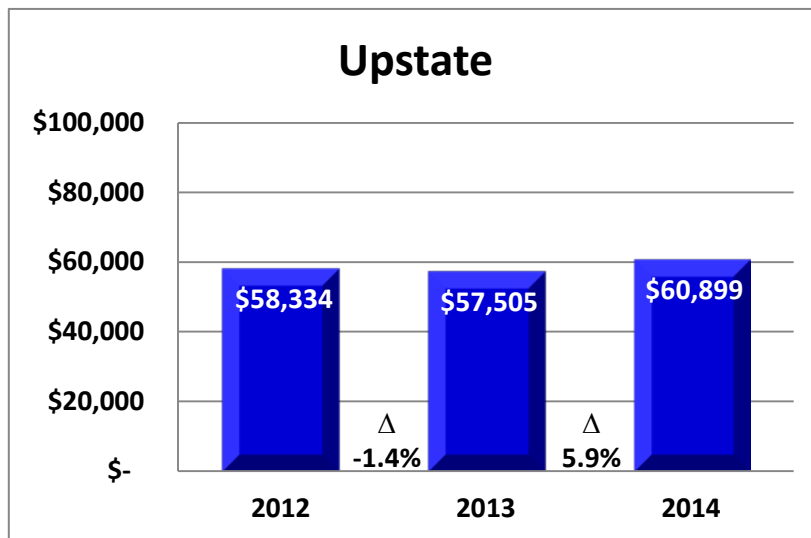
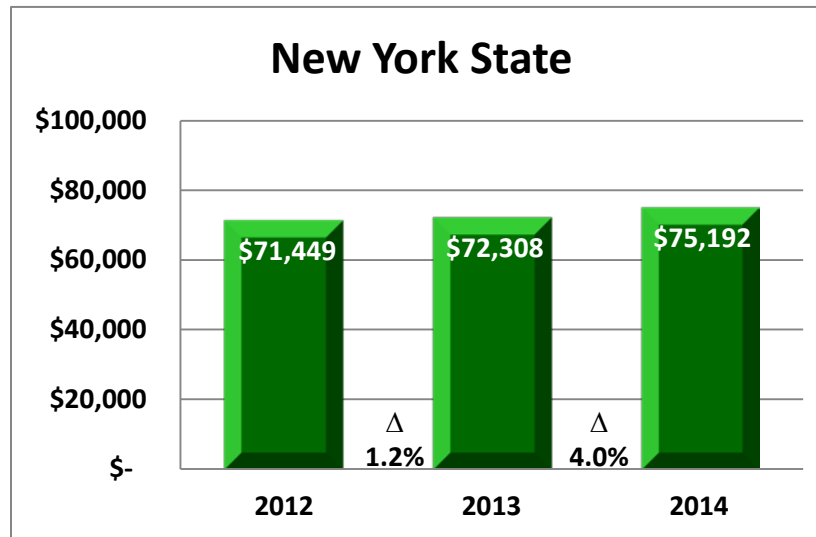
## ***Trend Highlights:***

- Hospital payroll expense as a percentage of total hospital expenses is less Upstate compared to Downstate. This percentage was 38.5% Upstate in 2014 compared to 41.1% Downstate. From 2012 to 2014, these percentages have decreased slightly per year Upstate while remaining flat Downstate.
- Hospital payroll dollars per FTE are significantly less in Upstate compared to Downstate. Upstate hospital payroll dollars per FTE was \$60,899 in 2014 compared to \$81,296 Downstate. These numbers are consistent with average wage rate differences between Upstate and Downstate hospitals.
- Total hospital expenses per FTE are significantly less Upstate compared to Downstate. In 2014, Upstate hospital payroll dollars per FTE was \$158,247 compared to \$197,652 Downstate.
- Upstate hospitals are trending favorably in Medicare Value-Based Purchasing performance while Downstate trends unfavorably.
- The Medicare Readmissions Reduction Program resulted in penalties for both Upstate and Downstate hospitals in all four years of the program. Upstate average penalties have been less than Downstate penalties since the inception of the program.
- The majority of hospitals in New York consistently do not cover operating expenses from revenue derived from service to patients. Upstate aggregate net margins from service to patients were -4.7% in 2014 compared to -11.2% Downstate. Similar margins existed respectively Upstate and Downstate for 2012 and 2013.
  - 21% of Upstate hospitals reported positive net margins from service to patients in 2014 compared to 18% of hospitals Downstate.
- The aggregate net overall margin for Upstate hospitals in 2014 was 1.5%, up slightly from 0.1% in 2013. The aggregate net overall margin for Downstate hospitals in 2014 was 0.4%, significantly down from 5.2% in 2013.
  - 62% of Upstate hospitals reported positive net overall margins in 2014, up from 54% in 2013. 51% of Downstate hospitals reported positive net overall margins in 2014, down from 68% in 2013.

Hospitals continue to operate in a fee-for-service model as they concurrently participate in these new models. The net overall margins for hospitals are razor-thin. With underpayment by government payers, increasing expenses, and a focus on reduction of use, it will be challenging for hospitals to navigate the system changes and improve net overall margins.

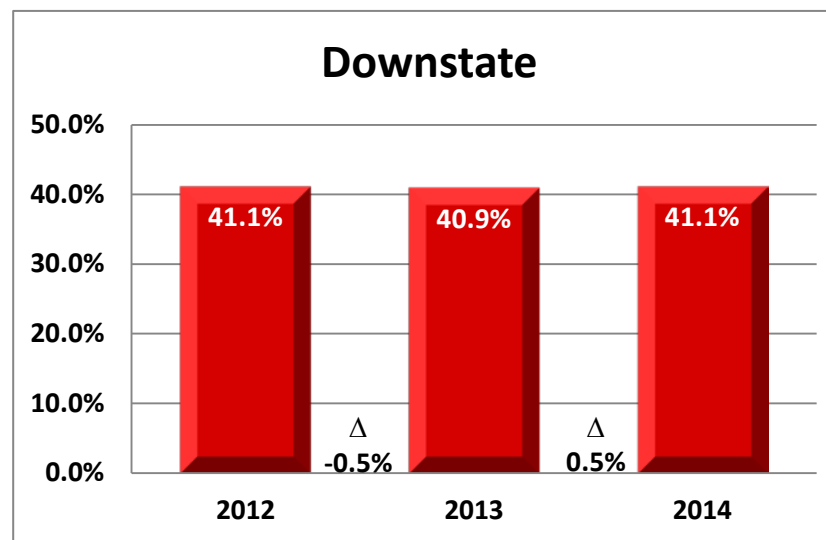
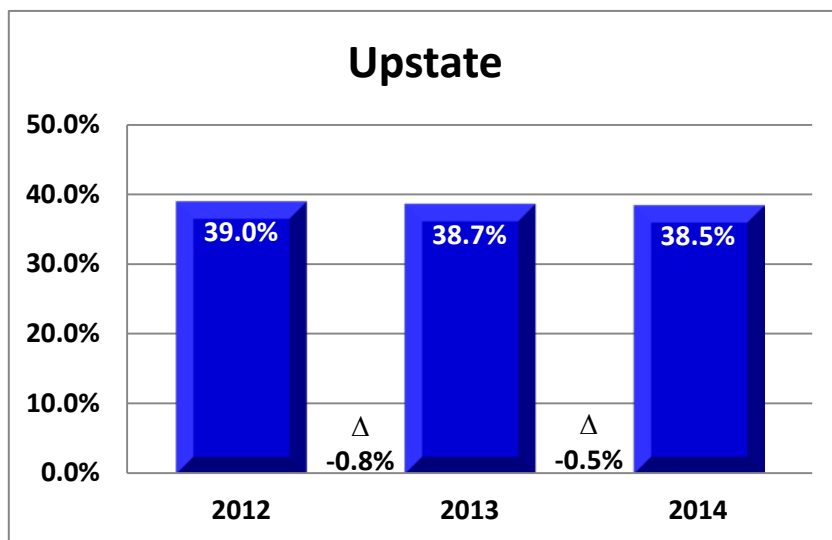
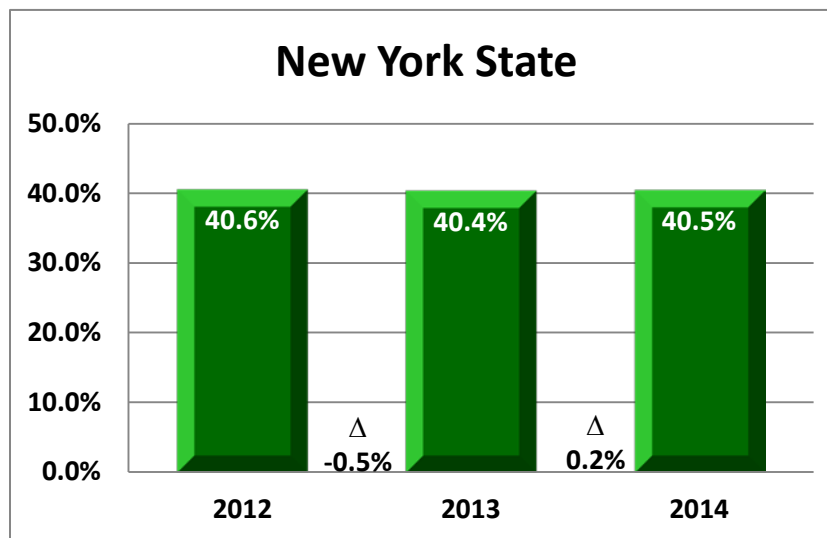
# Hospital Payroll Dollars per FTE

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



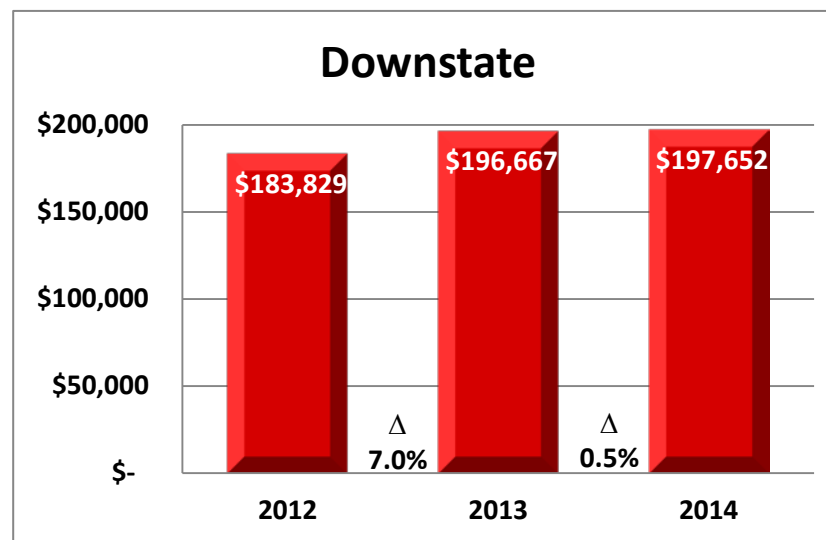
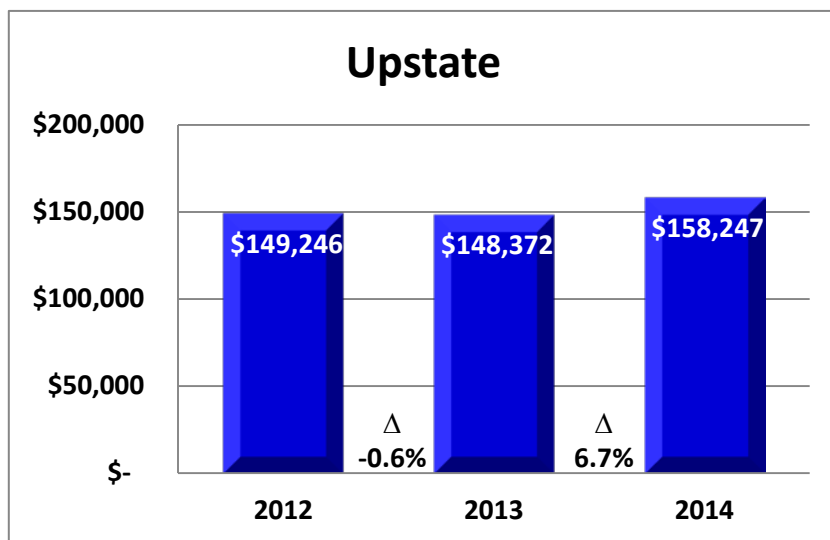
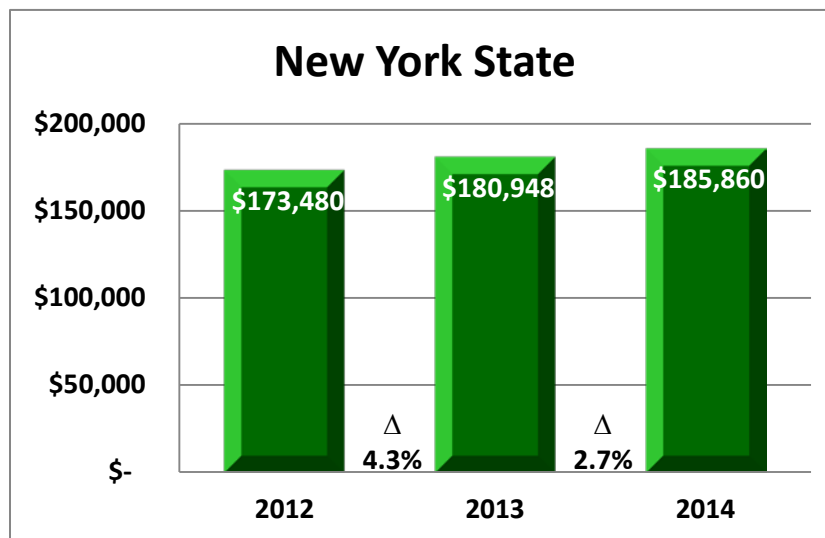
# Hospital Payroll Expense as a Percentage of Total Hospital Expense

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



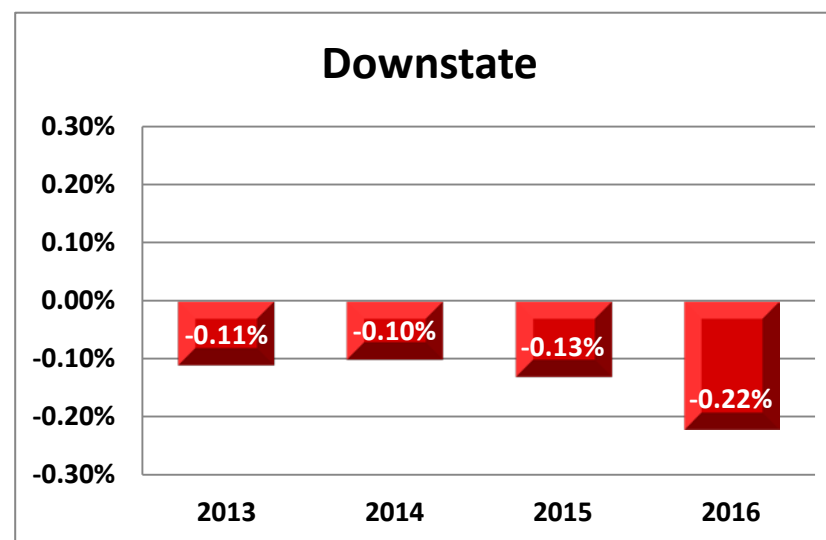
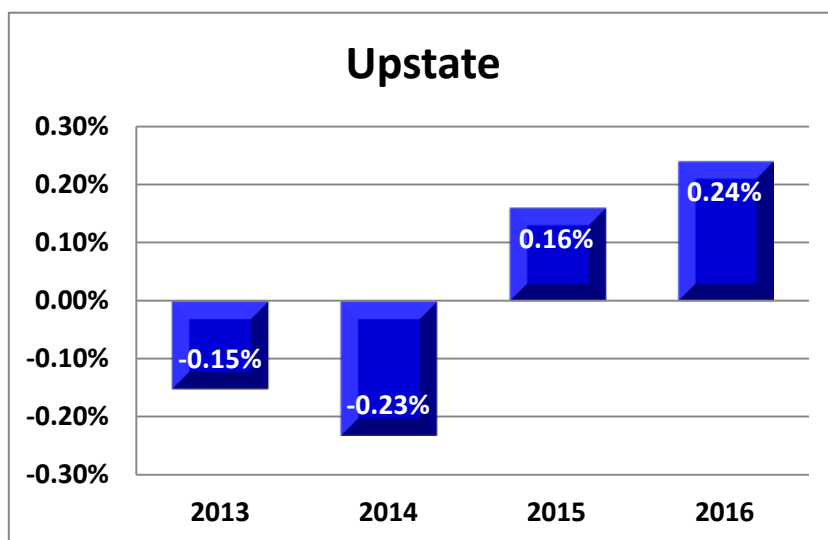
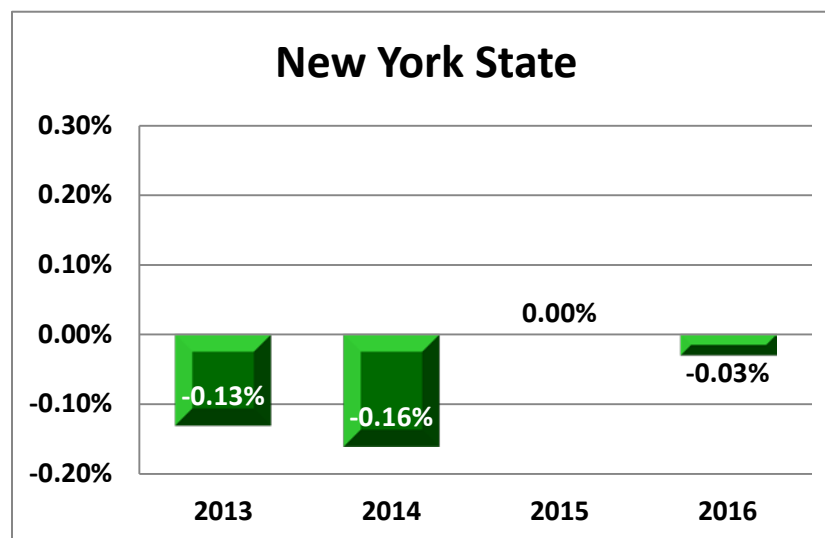
# Total Hospital Expense per FTE

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



# Medicare Value Based Purchasing - Average Gain or Penalty

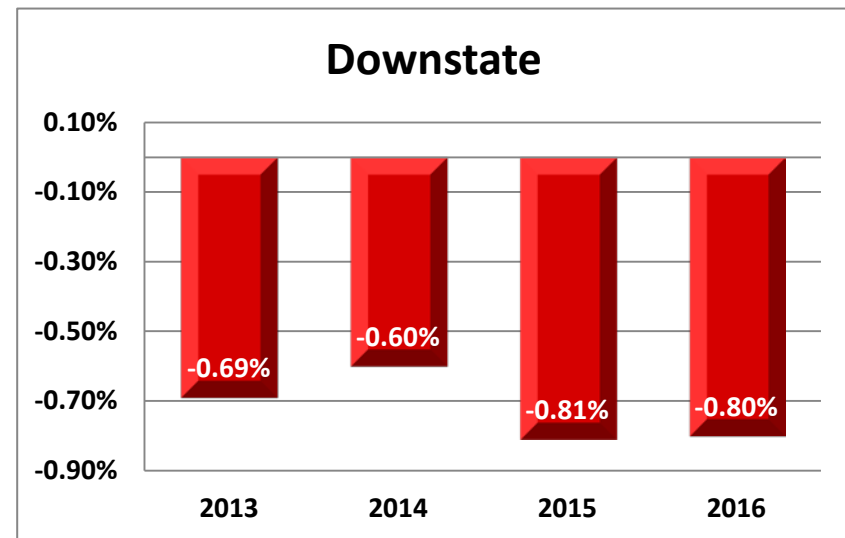
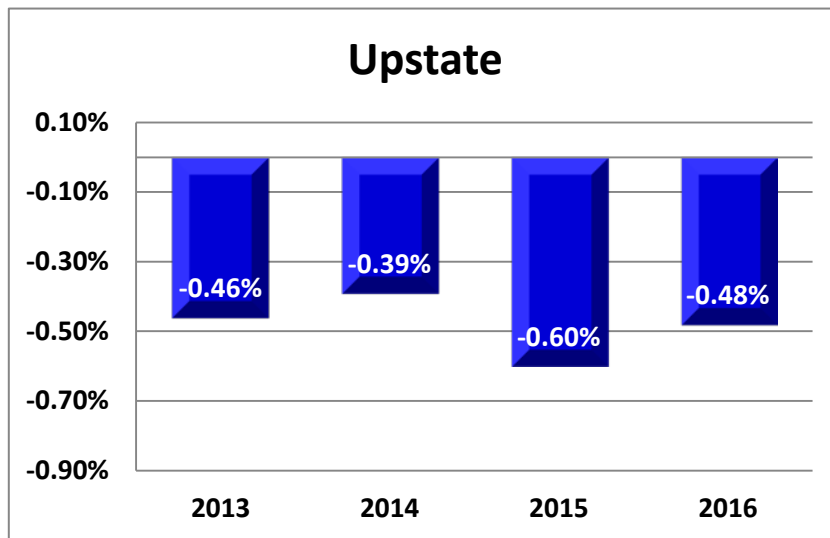
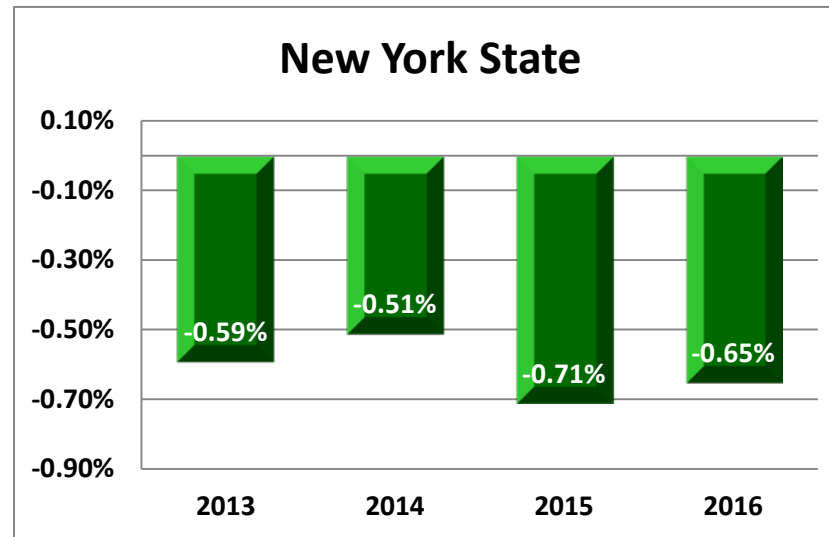
Data Source: CMS Hospital Compare, Federal Fiscal Years 2013 - 2016





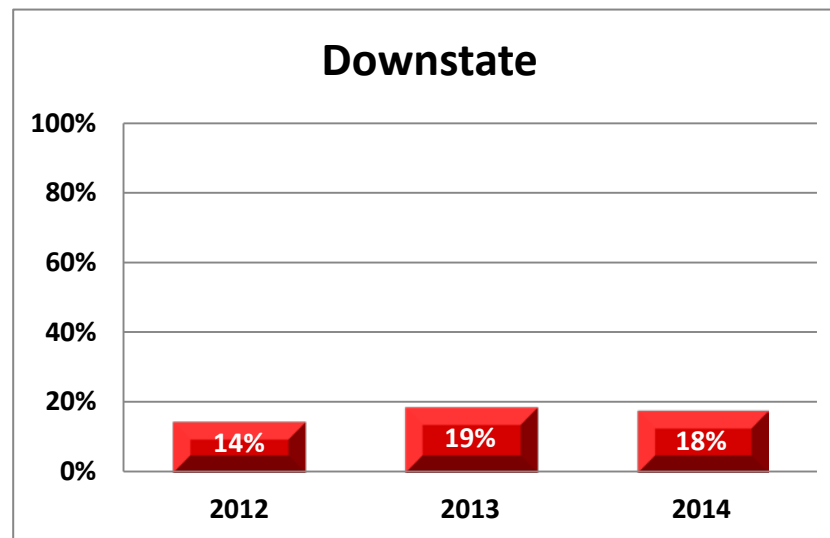
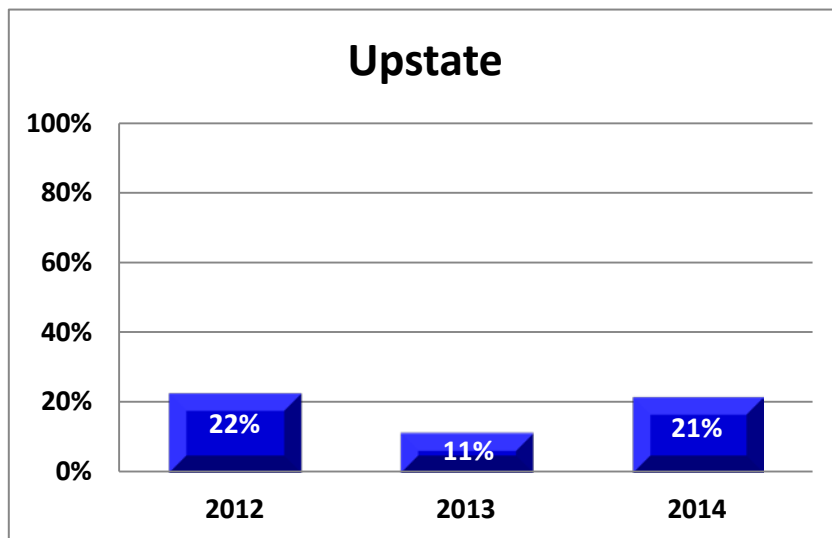
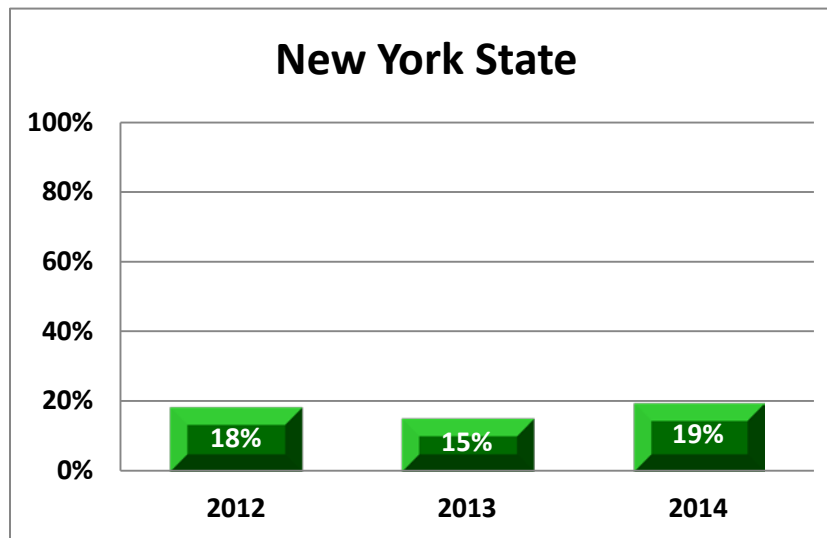
# Medicare Readmission Reduction Program – Average Penalty

Data Source: CMS Hospital Compare, Federal Fiscal Years 2013 - 2016



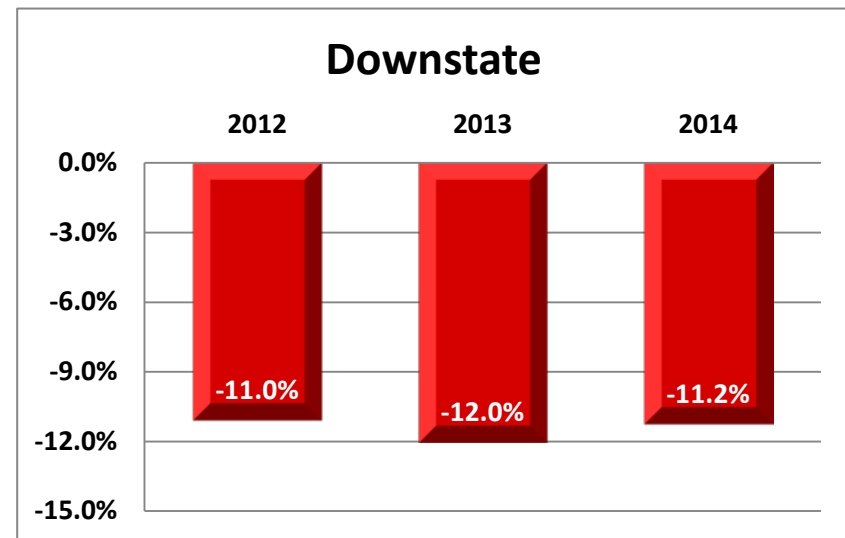
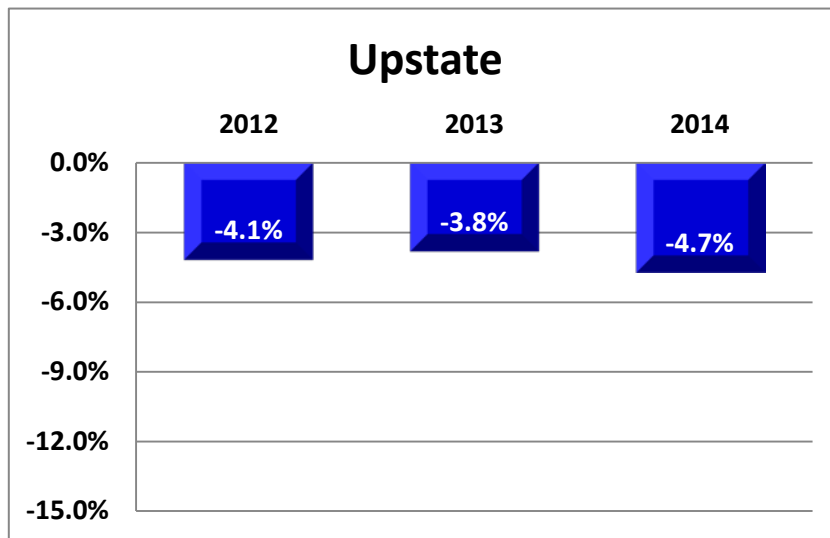
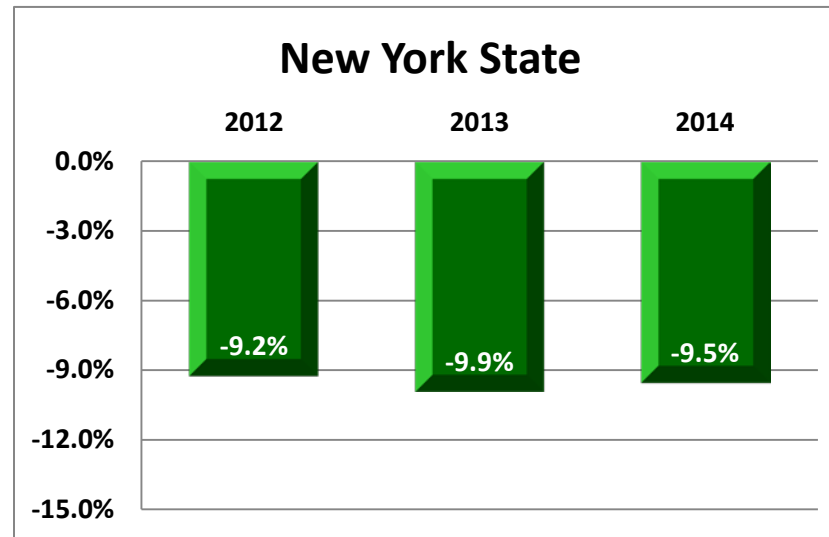
# Percentage of Hospitals Reporting Positive Net Margins from Service to Patients

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



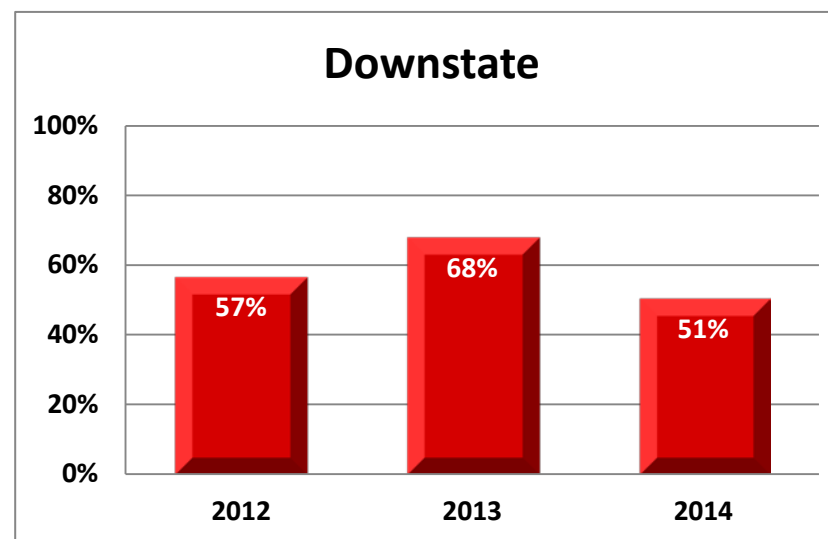
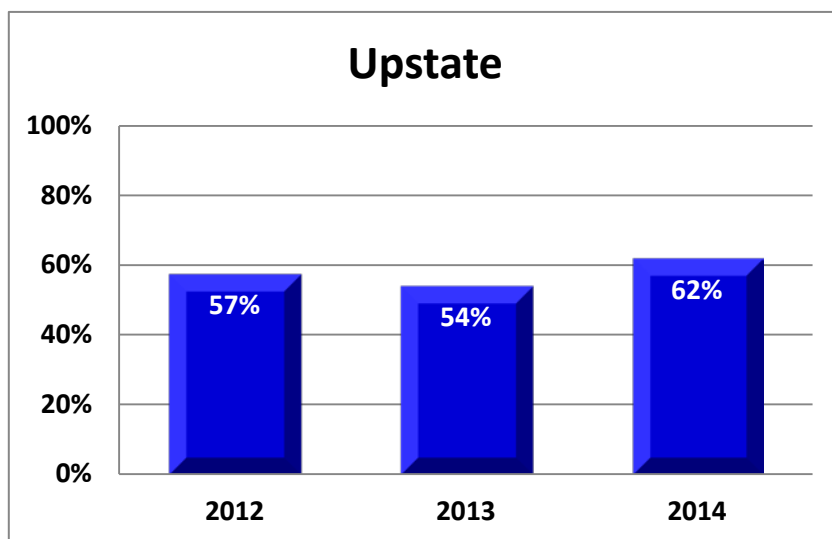
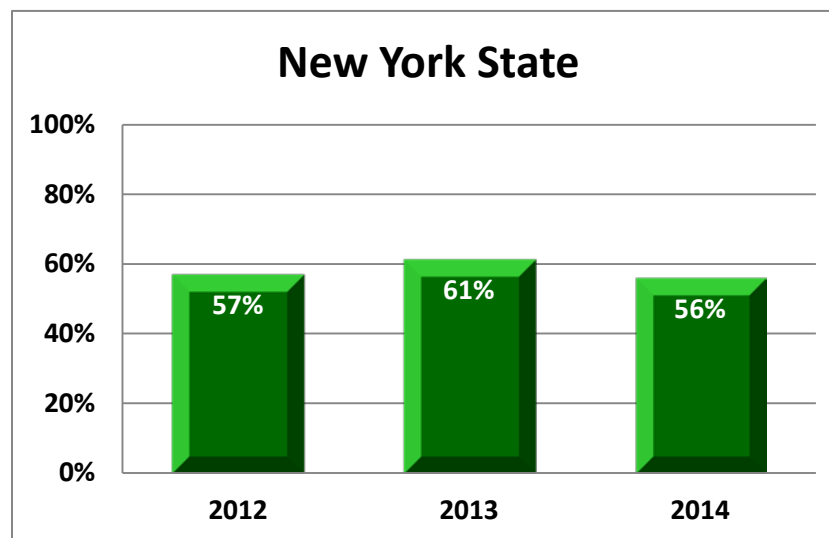
# Aggregate Net Margin Percentage from Service to Patients

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



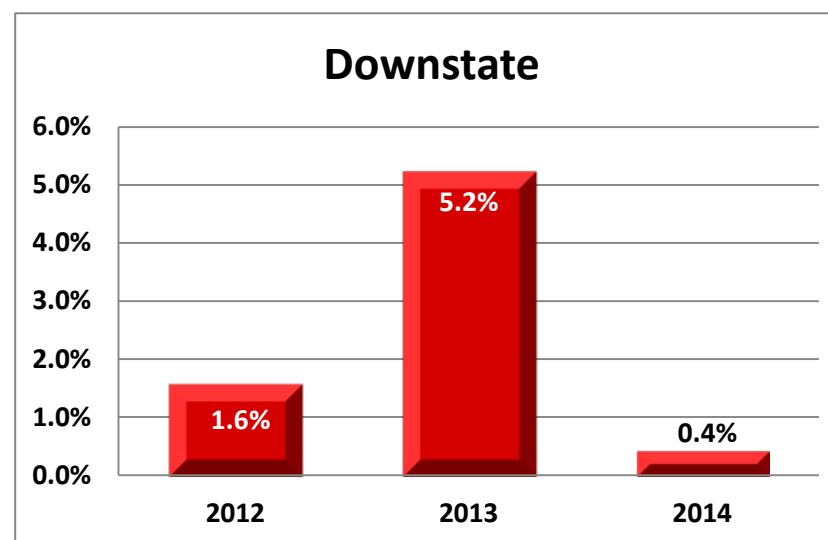
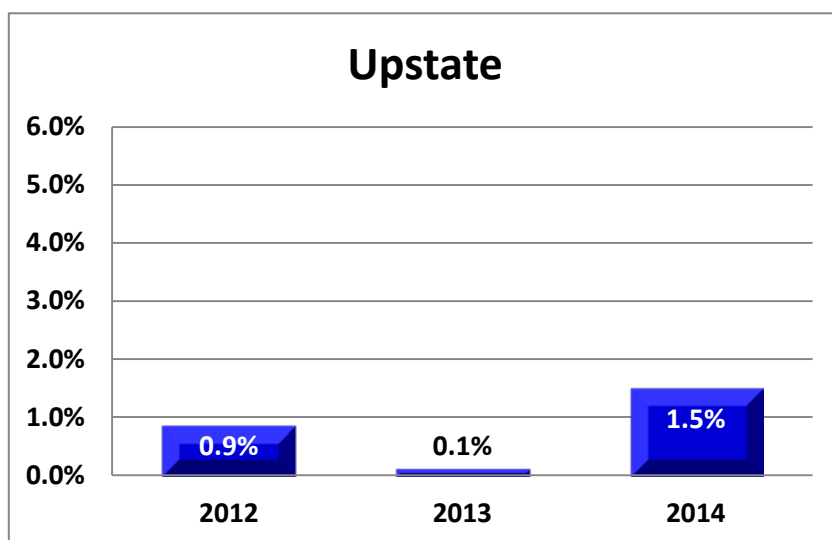
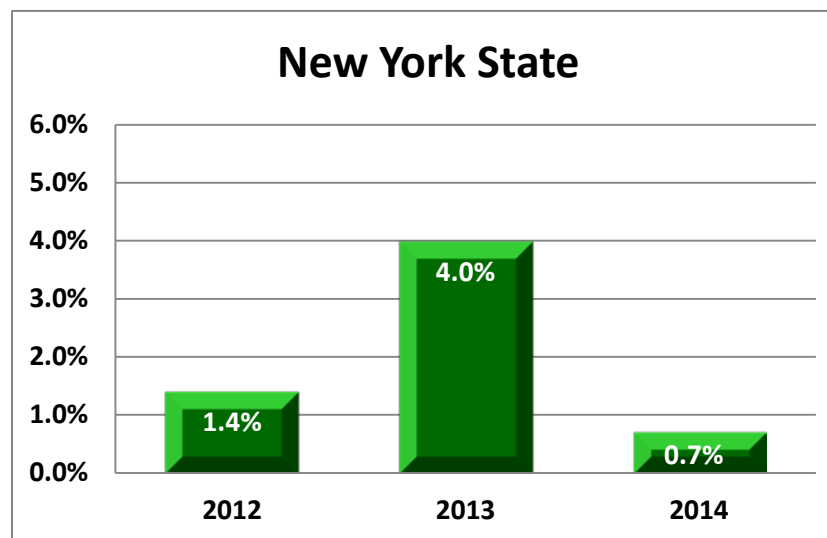
# Percentage of Hospitals Reporting Positive Net Overall Margins

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



# Aggregate Net Overall Margin Percentage

Data Source: 2012, 2013 & 2014 NYS Institutional Cost Reports



## Conclusion

The *2016 Upstate Healthcare Compare* is the first report from IHA which displays trended data over a number of years. The next edition of *Upstate Healthcare Compare* will be impacted by the rapidly changing healthcare services environment. Medicaid and Medicare are transitioning from rate based fee-for-service programs to value-based payment programs. Will it be possible to “compare” value-based payments from the Medicaid and Medicare programs? How will VBP from Medicare and Medicaid impact hospitals’ abilities to cover costs and produce positive margins? Will hospitals of various sizes and missions (e.g. rural, teaching) transition to VBP at the same pace?

As payment for healthcare services evolves over the next few years, *Upstate Healthcare Compare* will also need to evolve. IHA will work with its members to identify, collect, and display data which will compare the impact of health payment reform on New York’s hospitals.