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## trends in hospital cost per day

Concern about the growth of healthcare costs is widespread, and continuing increases in hospital cost per day are a significant component of this concern. An analysis of Medicare cost report data is one means of better understanding the trends and components of these costs. Medicare cost reports are a good data source for such an analysis because they are based on consistent rules for reporting and they specifically define how much of a hospital's total costs can be allocated or attributed to Medicare inpatients. Moreover, all of the data needed for such an analysis—including total Medicare inpatient costs, total Medicare days, and total hospital costs—are summarized and reported on the Medicare cost report worksheets.

Costs not borne by Medicare patients must be borne by non-Medicare patients. Non-Medicare inpatient costs were calculated as follows:

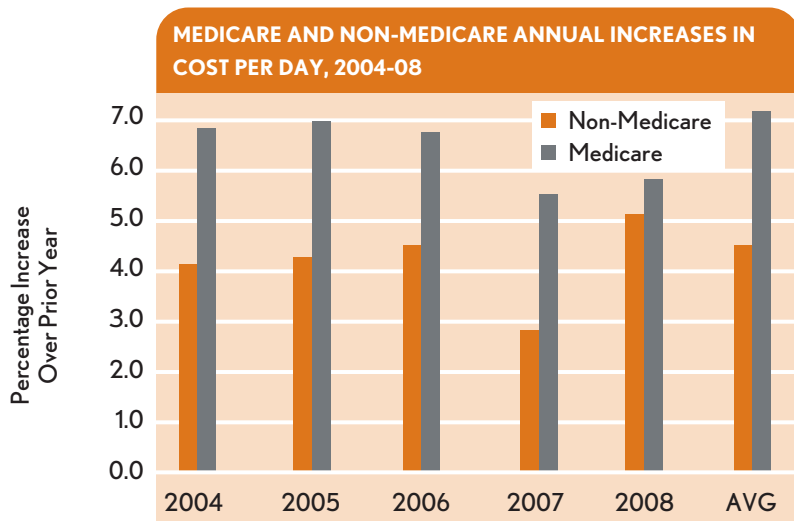
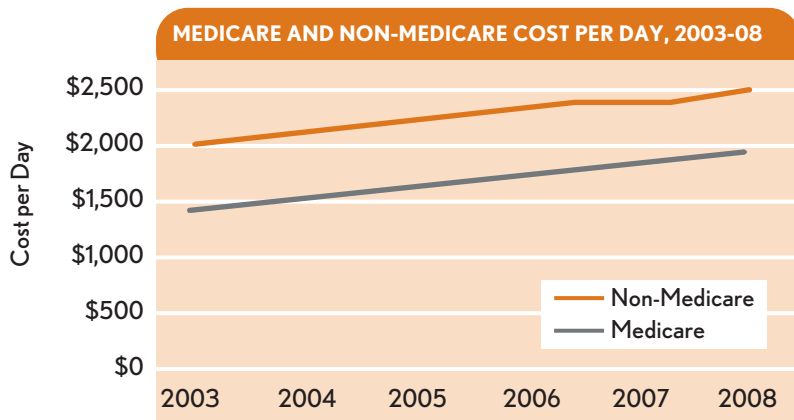
$$(\text{total costs} \div \text{total patient revenues}) \times \text{total inpatient revenues} = \text{total inpatient costs}$$

then

$$\text{total inpatient costs} - \text{Medicare inpatient costs} = \text{non-Medicare inpatient costs}$$

The analysis disclosed that the cost per day borne by non-Medicare inpatients is significantly higher than for Medicare inpatients and has been rising at approximately 4 percent per year while the Medicare inpatient cost per day has been rising at more than 6 percent per year over the past five years. It is also noteworthy that during this time period, Medicare market basket payment increases have averaged only about 3.4 percent per year.

These trends have put significant strain on Medicare margins and have increased the need for hospitals to seek higher payments from non-Medicare payers in order to survive. Hospitals may find this information useful in comparing their own experience with that of the overall industry. The information should also prove useful in explaining the realities of hospital costs to their legislative representatives, regulators, and the growing public interest. ●



This analysis was performed by Cost Report Data Resources, LLC, and was based on available Medicare cost report data for all short-term acute care (STAC) hospital cost reporting periods ending in federal fiscal years (FFYs) 2003 through 2008. The Healthcare Cost Report Information System (HCRIS) dataset administered by the Centers for Medicare & Medicaid Services (CMS) contains the most recent version (i.e., as submitted, settled, reopened) of each cost report filed with CMS since FFY96. The most recent HCRIS dataset available at the time of this study was for the cutoff at Dec. 31, 2008. Data and computations were assigned to each FFY based on the cost report end date. This study looked at more than 19,000 Medicare cost reports for STACs from FFY03 to FFY08. Approximately 2.7 percent of the cost reports were excluded because of missing, incomplete, or unreasonable data. For additional information, contact Thomas M. Schuhmann at [tms@costreportdata.com](mailto:tms@costreportdata.com).

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