

Operational Trends for the 'Average Hospital'

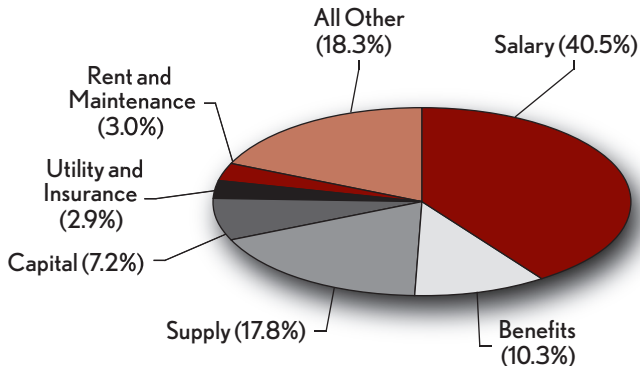
It's always top of mind: How do your costs compare with those of other hospitals? Are you allocating your resources appropriately? What does the "average" hospital look like?

Although a customized analysis of hospitals with similar service mixes, case mixes, and volumes is needed to address these questions with precision, the following information may be helpful in

determining how you compare with the "average" hospital. The next few Benchmarking in Brief columns will provide more detailed information to

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Components of Cost for All Hospitals, 2004



Operational Trends for the 'Average Hospital'

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assist in specific comparisons of productivity, utilization, and cost.

Note: Information for this article was generated from an analysis of hospitals participating in Solucient's ACTION O-I™ program. Annualized data for calendar years 1997 through 2004 were reviewed to provide a snapshot of hospital performance and trends.

Components of Cost

Data for calendar year 2004 show the distribution of costs as a percentage of total operating costs as pictured on page 1.

The most significant changes in costs between calendar years 2002 and 2004 are reflected in the table at top right. While total operating cost increased by 14 percent from 2002 to 2004, the greatest increases in cost for the "average" hospital were in salary expense, benefits expense, and supply expense. Competition

for certain types of caregivers, health insurance premiums, and increases in the cost of pharmaceuticals were identified by participating hospitals as the key cost drivers in these three expense categories.

Margin Comparison

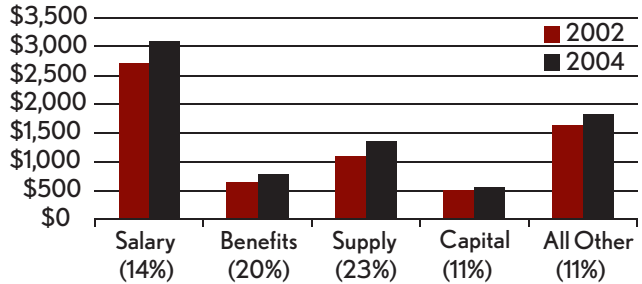
Operating margins have recovered slightly over the past four years but are still not hitting the 4.5 percent to 5.0 percent range that many financial analysts recommend. Total margins have paralleled the performance of operating margins for the past two years and are still well below historic averages.

Information Is Key

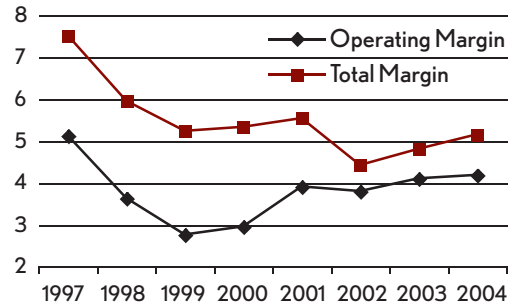
Hospitals and health systems will continue to address questions related to the efficiency of the services they provide. Comparative information that guides decisions related to appropriate resource allocation is critical. ■

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Comparison of Average Operating Costs by Category



Margin Comparison for All Hospitals



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