Hospitals' capacity to serve Medicare patients

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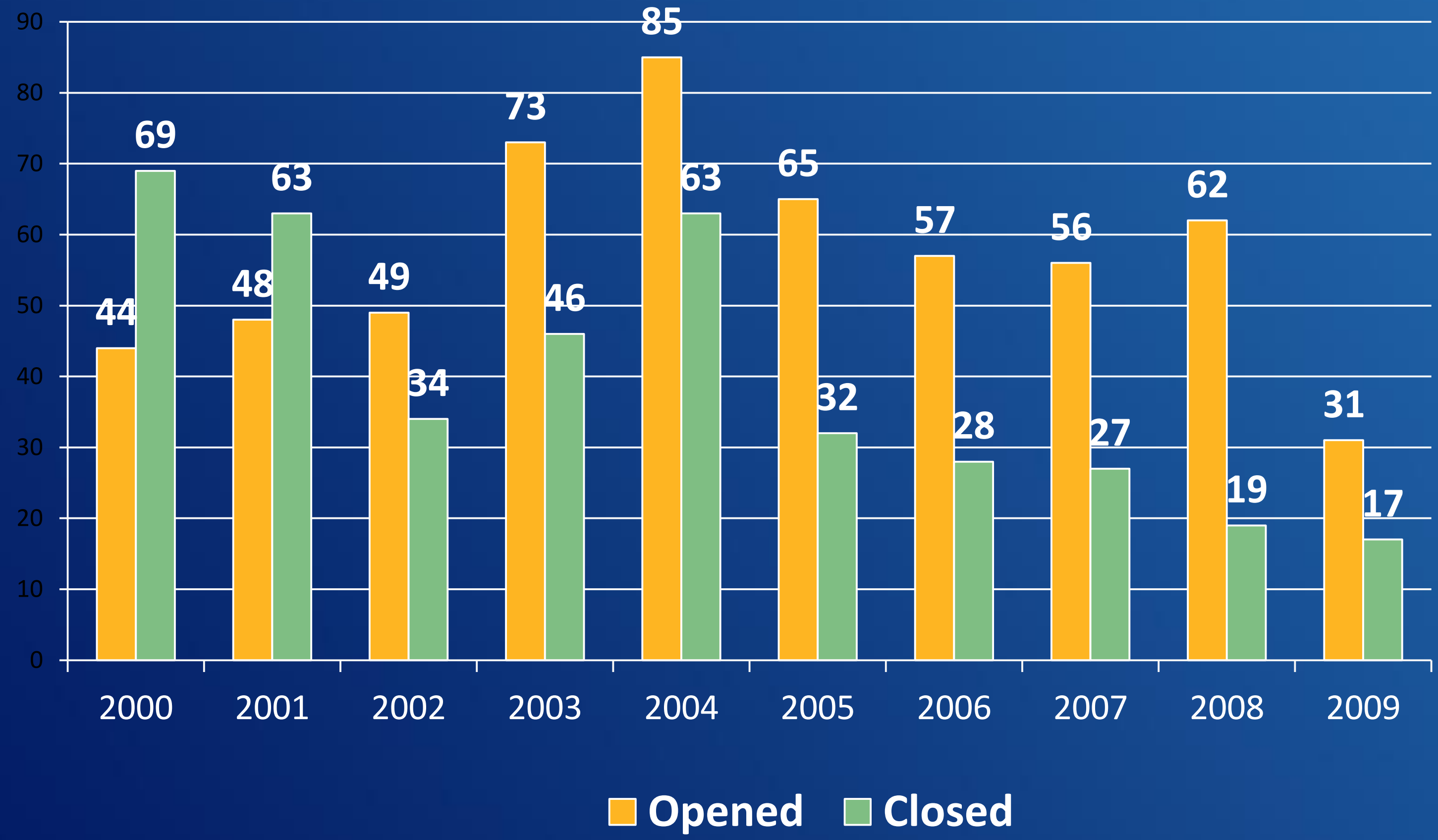
Summary: Hospitals' capacity to serve Medicare patients

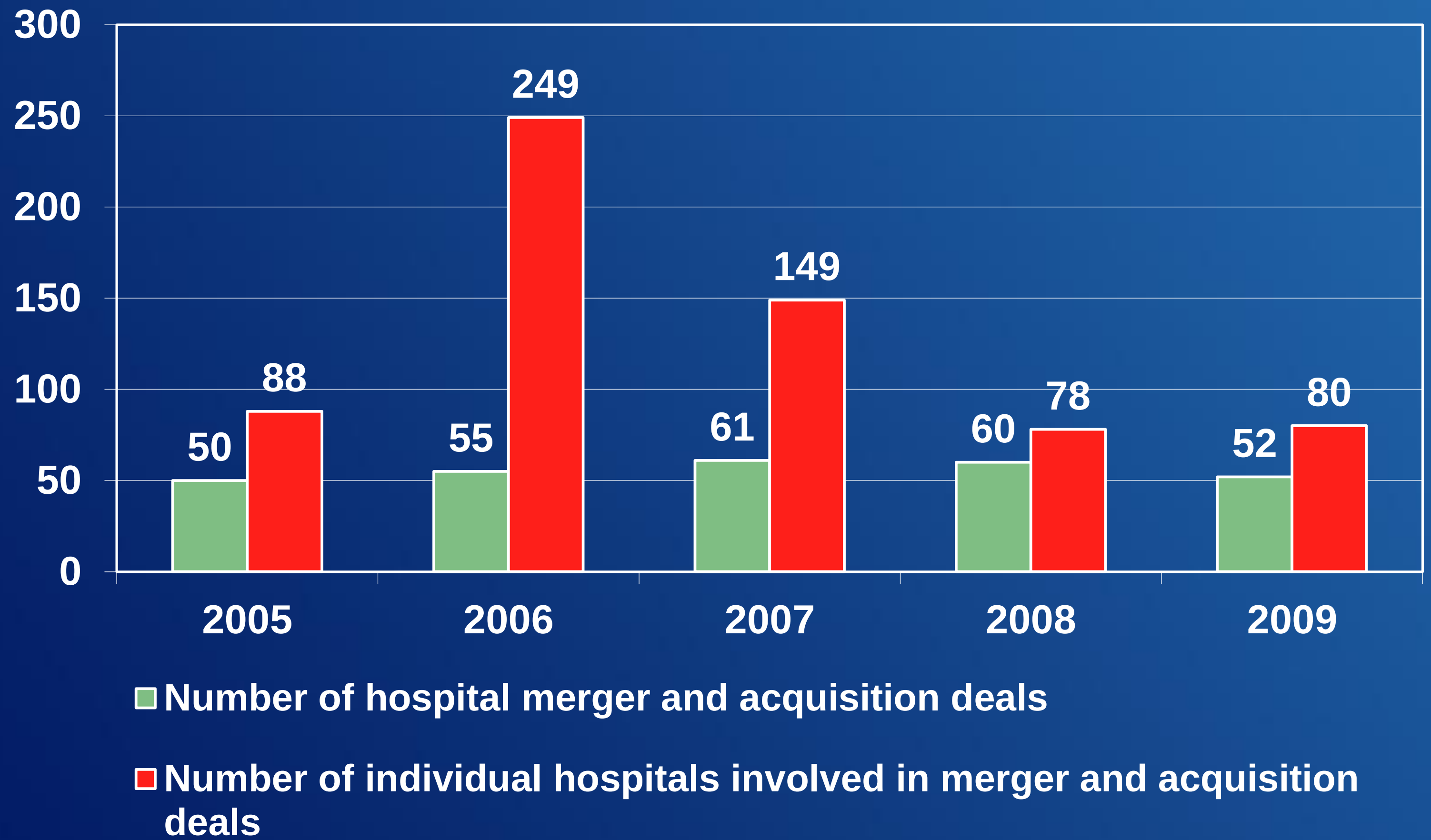
Measure	Status
Number of facilities	**Slight increase**
Number of beds	**Slight increase**
Consolidation of the industry	**Steady**
Scope of service offerings	**Increase**
Number of employees	**Increase**
Construction spending & bond issuances	**Relatively high**
Volume of services per beneficiary	**Outpatient : Increase** **Inpatient: Decrease**

More hospitals opened than closed each year from 2002 to 2009



Source: MedPAC analysis of CMS Provider of Services file, IPPS Final Rule Impact file, and Hospital Cost Reports

Hospital merger and acquisition activity steady



Source: Irving Levin Associates, Inc.

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Hospitals targeting physician group practices for acquisition

- AHA survey data: Share of hospitals with an integrated physician employment model increased from 31 to 38 percent from 2004 to 2008
- Irving Levin Associates: The majority of hospitals’ non-hospital acquisitions in 2009 were physician group practices
- PriceWaterhouseCoopers Health Research Institute: Over one-third of all physicians involved in merger & acquisition deals from 2007 to 2010 occurred in deals taking place in the 4th quarter of 2009 and 1st quarter of 2010.

Share of hospitals offering specialized services grew from 2004 to 2008

Service	2004	2008	Percentage point change from 2004 to 2008
Translation	65%	74%	9%
Robotic surgery	n/a	20	9*
Palliative care	35	43	8
Cardiac catheterization	43	50	7
Neurological	51	57	6
Magnetic resonance imaging (MRI)	85	90	5
Cardiac ICU	42	42	0
Urgent care center	35	34	-1

Note: Response rates vary by service. MRI (magnetic resonance imagining). ICU (intensive care unit).
(*) identifies percentage point change from 2005 to 2008.
Source: American Hospital Association annual survey of hospitals

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Share of urban and rural hospitals offering specialized services continues to evolve

Service	Urban		Rural	
	2008	Percentage point change from 2004 to 2008	2008	Percentage point change from 2004 to 2008
Palliative care	51%	10%	19%	3%
Cardiac catheterization	64	10	7	0
Neurological	69	7	18	4
Translation	81	8	50	13*
MRI	93	4	81	8
Cardiac ICU	50	1	14	-5

Note: Response rates vary by service. MRI (Magnetic resonance imagining). ICU (Intensive care unit).
(*) identifies percentage point change from 2005 to 2008.
Source: American Hospital Association annual survey of hospitals

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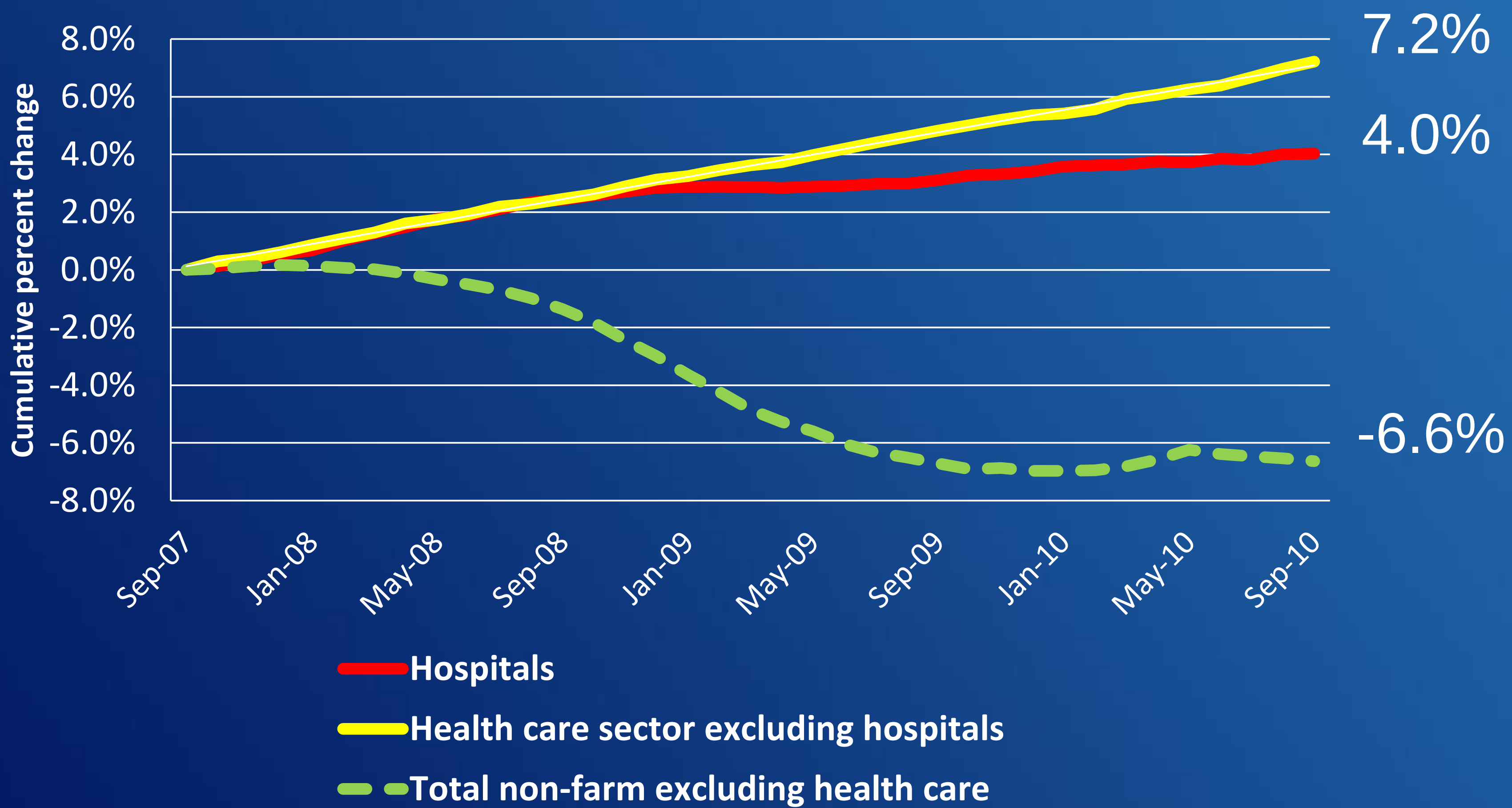
Cumulative percent change in hospital employment over the last 36 months average for health care sector



Source: Bureau of Labor Statistics

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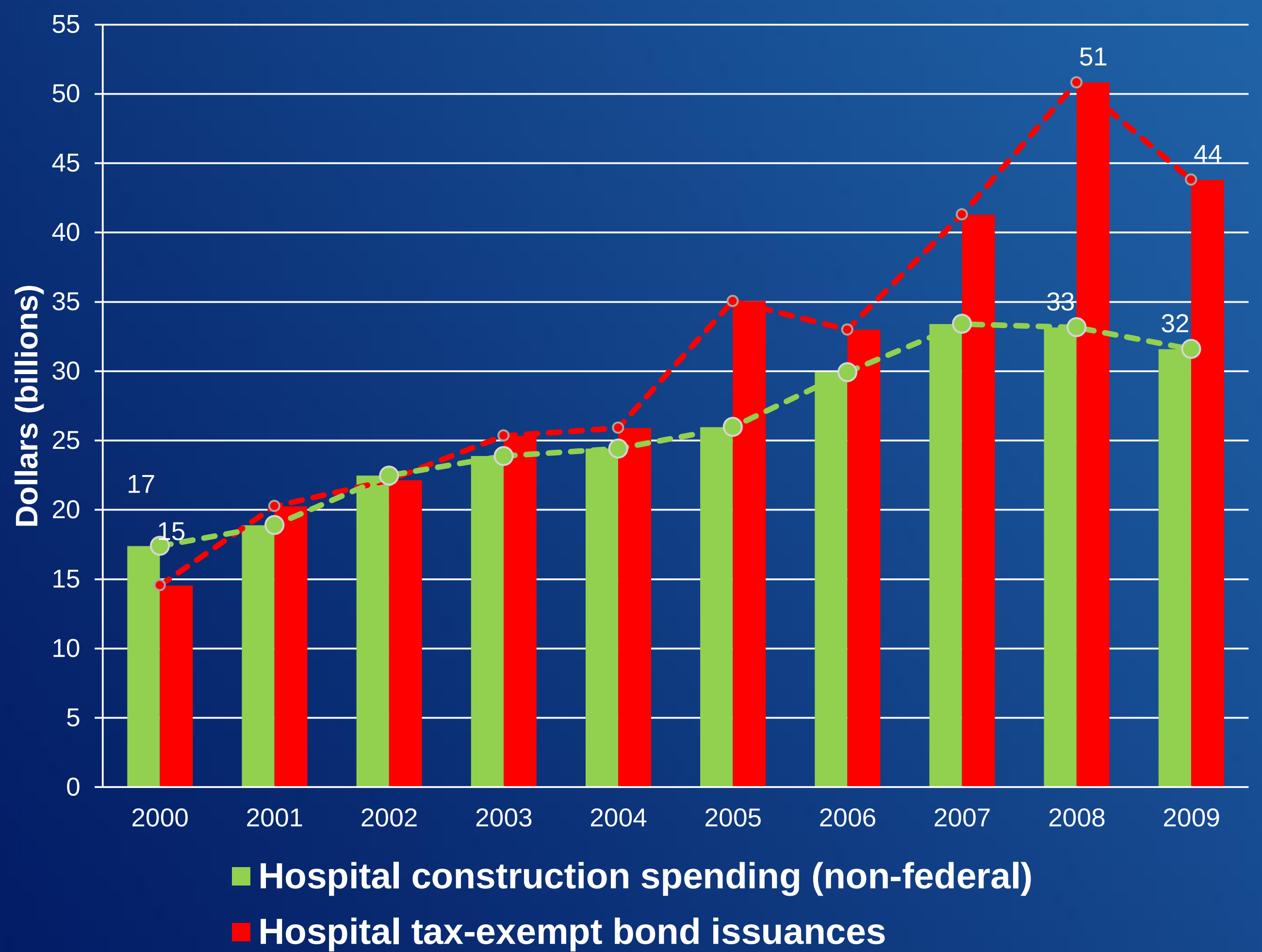
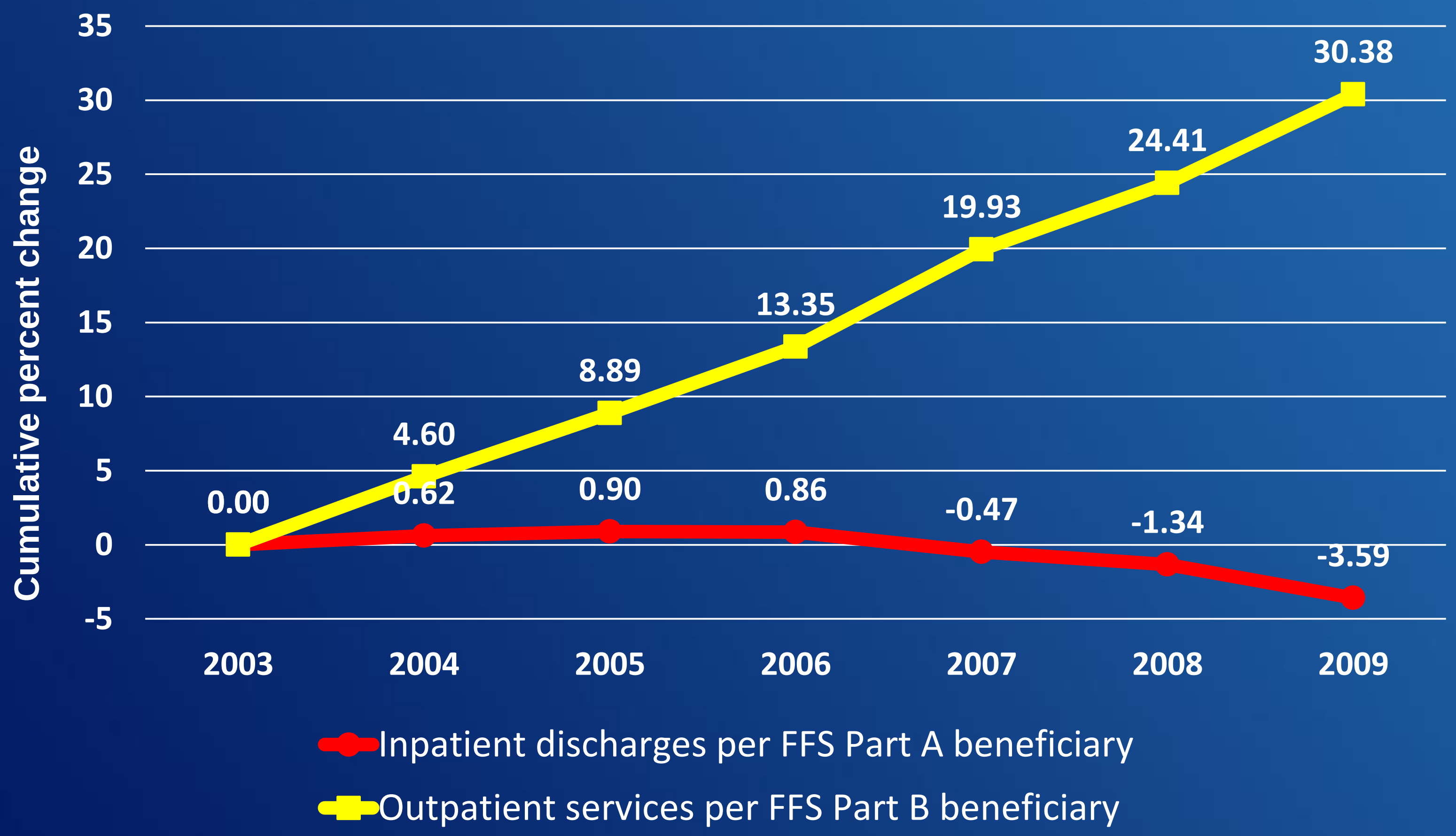
Level of hospital construction spending steady; tax-exempt hospital bond issuances slowed but still high in 2009



Source: U.S. Census Bureau , Thomson Financial, and McGraw Hill

Cumulative change in Medicare inpatient and outpatient volume per beneficiary in 2009



Source: Medicare hospital cost reports and outpatient claims data

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Discussion: Hospital payment update

- Second installment of hospital update information to be presented in December
- Are measures helpful for making your hospital update recommendation?
  - Hospital industry consolidation
  - Construction spending
  - Bond issuances

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