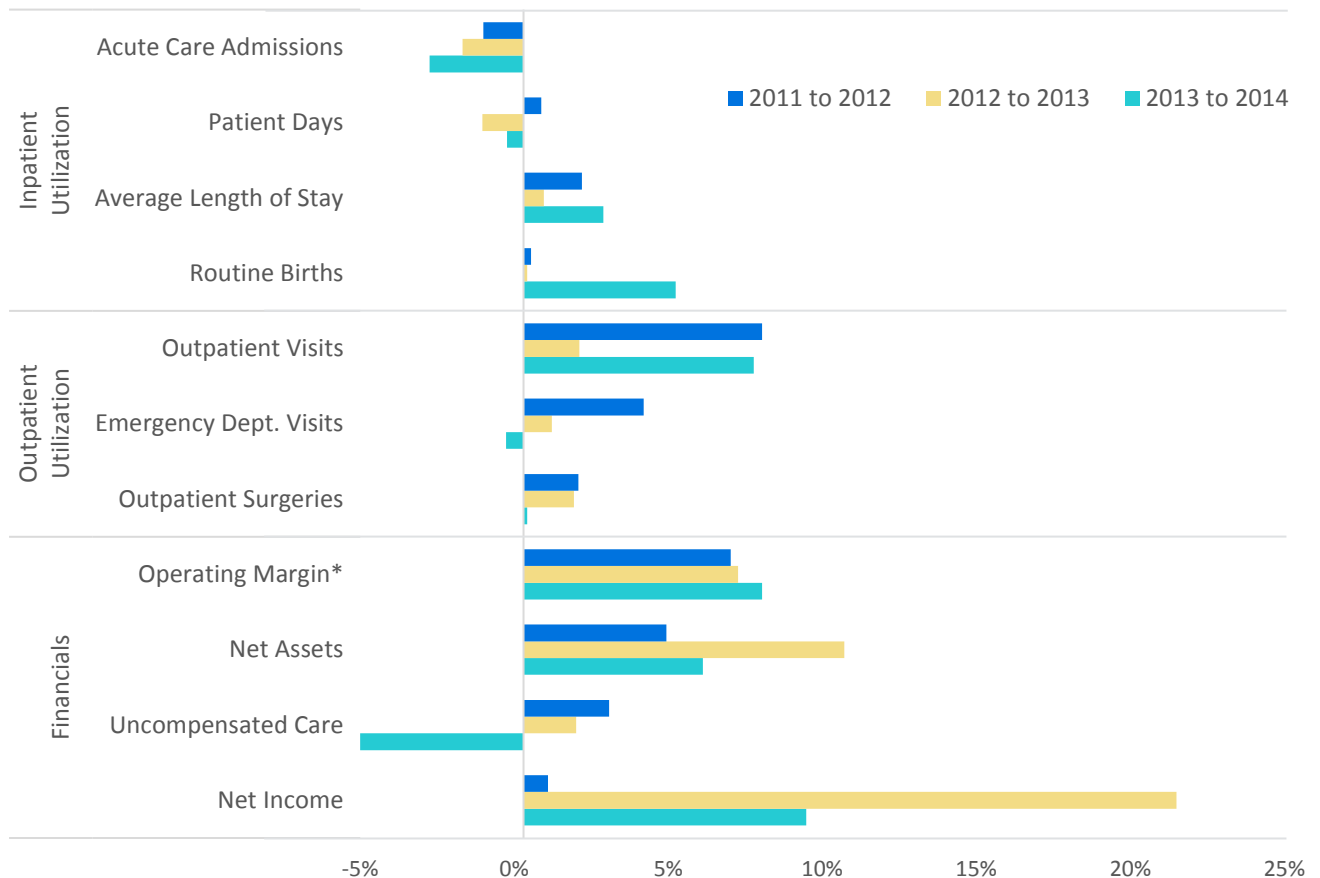


Trends at Minnesota Community Hospitals, 2011 to 2014

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Each year, the Minnesota Department of Health (MDH) reports on key indicators of service use and financial performance for Minnesota’s 132 community hospitals. Community hospitals provide routine medical and outpatient care along with the traditional inpatient and emergency care most often associated with these institutions of care delivery. This issue brief provides a summary of select indicators for 2014; it offers one of the first glimpses at the impact of implementation of major provisions of the Patient Protection and Affordable Care Act (ACA) on the hospital industry in Minnesota in aggregate.

Figure 1: Trends at Minnesota Community Hospitals, 2011-2014



* Actual Value

Source: Minnesota Department of Health, Health Economics Program analysis of Hospital Annual Reports.

Hospital Service Use

Minnesota hospitals continued to see a decline in inpatient care in 2014, with a 3.0 percent drop in acute care admissions and a one half of one percent drop in patient days. The 2014 decline is the most substantial one for the years 2011 to 2014 and represents about half of the overall decline for this period. At the same time, the average length of a hospital stay increased to 4.5 days per admission (Table 1). It appears shorter stay hospitalizations were either avoided at increasing rates or treated more regularly in outpatient settings, thereby changing the composition of the remaining inpatient population.

After staying unchanged for a number of years, routine births at Minnesota hospitals grew 4.9 percent in 2014 to almost 70,000, in conjunction with an increasing number of births in the state. The vast majority of births take place in the hospital; home births and birthing centers continued to account for a small share of Minnesota births, 0.5 percent and 1.1 percent, respectively.)¹

In contrast to inpatient trends, outpatient utilization at Minnesota hospitals grew at a fast pace in 2014 (7.5 percent), with an increase of 1.8 million visits. Among outpatient services, two components - outpatient surgeries and emergency department visits - were relatively stable in 2014, leaving outpatient department visits as the primary driver of this growth. These trends in outpatient use are likely driven by a combination of factors. (1) Outpatient demand is likely increasing due to the continued economic recovery, as well as the substantial increase in health insurance coverage in 2014. (2) Changes in how care is paid for, including through shared savings and similar payment arrangements, favor outpatient care over inpatient services and potentially lead to a greater shift of services away from traditional overnight hospital care.² For example, there is strong evidence that low-acuity inpatient stays may be taking the form of observation stays – hospital stays of less than 24 hours – which are considered outpatient visits, although to the patient, they would appear similar to inpatient care.³ (3) Finally, the number of clinics billing as hospital outpatient departments increased substantially between 2011 and 2014 (38.5 percent, from 408 to 565).⁴ This increase in the number of clinics could be due to hospital systems purchasing existing clinics, establishing new ones, or for clinics that are already part of the hospital system changing billing practices.

The decline in emergency department (ED) visits in 2014, by 0.6 percent, is somewhat unexpected. Based on previous research assessing ED use and health insurance coverage, we expected that expanded health insurance coverage, and specifically access to public program coverage, would result in a net increase in ED visits.^{5,6} However, although public program coverage in 2014 increased by 21.4 percent, it appears that the use of EDs per person with public program coverage actually declined slightly between 2013 and 2014 (from 53.4 per 100 to 51.5 per 100, data not shown⁷), adding to declining ED use by others.

TRENDS AT MINNESOTA COMMUNITY HOSPITALS, 2011 TO 2014

Table 1: Key Indicators from Minnesota Community Hospitals, 2011 to 2014

	2011	2012	2013	2014	2011-2012 Growth	2012-2013 Growth	2013-2014 Growth
<i>Inpatient Utilization</i>							
Acute Care Admissions	568,059	560,679	549,605	532,858	-1.3%	-2.0%	-3.0%
Patient Days	2,418,312	2,432,198	2,399,845	2,387,014	0.6%	-1.3%	-0.5%
Average Length of Stay	4.26	4.34	4.37	4.48	1.9%	0.7%	2.6%
Routine Births	66,171	66,331	66,409	69,692	0.2%	0.1%	4.9%
<i>Outpatient Utilization</i>							
Outpatient Visits	10,331,967	11,132,096	11,334,137	12,180,775	7.7%	1.8%	7.5%
Emergency Dept. Visits	1,747,963	1,816,217	1,832,951	1,822,613	3.9%	0.9%	-0.6%
Outpatient Surgeries	414,931	422,320	429,243	429,773	1.8%	1.6%	0.1%
<i>Financials (dollars in millions)</i>							
Operating Margin	6.4%	6.7%	7.0%	7.7%	**	**	**
Net Assets	\$10,097	\$10,565	\$11,665	\$12,345	4.6%	10.4%	5.8%
Uncompensated Care	\$308	\$317	\$322	\$305	2.8%	1.7%	-5.3%
Net Income	\$1,150	\$1,159	1,405	1,534	0.8%	21.2%	9.2%
<i>Capacity and Staffing</i>							
Available Beds	11,724	11,721	11,717	11,652	0.0%	0.0%	-0.6%
Number of Full Time Equivalents	81,458	85,800	86,764	89,216	5.3%	1.1%	2.8%

Source: Minnesota Department of Health, Health Economics Program analysis of Hospital Annual Reports.

**MDH did not calculate rates of growth for operating margins. Percentage point increases can be observed from the absolute margins.

Financials

Minnesota hospitals as a whole performed well financially in 2014. Margins attributable to patient care (operating margin) rose again and outpaced growth in earlier years (7.7 percent in 2014 compared to 7.0 percent in 2013). This contributed to the increase in aggregate net assets of hospitals by 5.8 percent, reaching \$12.3 billion in 2014. However, not all facilities enjoyed strong positive margins. While 35 of Minnesota's 132 community hospitals had margins of 10 percent or greater in 2014, about the same number (32) reported negative margins that year. Most facilities with negative margins were small rural hospitals – over half had 25 or fewer available beds – and about a third were run by a local government entity. Facilities with large positive margins were more likely to be larger urban hospitals.⁸

The aggregate increase in financial performance appears not to be limited to Minnesota. Some national data suggest that increases in operating margin between 2013 and 2014 were observed across the nation, with states like Minnesota that expanded their Medicaid program under the ACA experiencing a greater increase (3.4 percent compared with 2.1 percent).⁹ In Minnesota, the resulting decline in uncompensated care likely contributed to this trend, as did improvements in the economy.^{10,11}

Conclusions

Despite decreases in inpatient admissions and patient days, hospitals, on average, experienced improved financial performance, in part because of the increase in outpatient business. Our findings from this brief may indicate a new landscape in hospital care, with fewer uninsured patients coinciding with continued trends away from inpatient care, and increases in outpatient care through additional clinics and higher use in those clinics. As a whole, hospital spending continues to be a major driver of health care costs, with inpatient and outpatient spending accounting for just over half of per capita spending growth in 2013 (20.9 percent and 30.6 percent respectively).¹²

The positive financial trends at community hospitals have coincided with an improving economy and the implementation of major coverage provisions of the ACA that produced substantial gains in health insurance coverage. Whether those trends persist or change will be a focus of continued monitoring by the Department of Health. In addition, through ongoing research we will aim to better understand the drivers of hospitals' performance, recognizing that not all facilities enjoy robust financial performance.

End Notes

¹ Minnesota Department of Health/Center for Health Statistics analysis of Minnesota Birth & Death Records, May 2016.

² Mor V, Besdine RW. Policy options to improve discharge planning and reduce rehospitalization. *JAMA*. 2011; 305(3):302-3.

³ In an unpublished analysis, MDH found the ratio of observation stays to inpatient stays in Minnesota to have increased by 19.9 percent between 2011 and 2014. This analysis relied on hospital discharge data.

⁴ These clinics are operated by the hospital, but are not necessary in the same building as the hospital or part of the hospital campus.

⁵ Minnesota Department of Health, Health Economics Program. "Utilization of Health Care by Insurance Status." November 2013.

<http://www.health.state.mn.us/divs/hpsc/hep/publications/utilization/utlofhealthcareinsstatus.pdf>.

⁶ Ginde, A.A., Lowe, R.A. and Wiler, J.L. "Health Insurance Status Change and Emergency Department Use Among US Adults." *Archives of Internal Medicine* 2012; 172(8): 642-647.

⁷ Analysis of Emergency Department visits using the Minnesota Hospital Discharge Data.

⁸ Hospital-specific margins are available online as part the Health Economics Program's annual update of Health Care Market Statistics, specifically Chartbook 8 and supplemental information:

<http://www.health.state.mn.us/divs/hpsc/hep/chartbook/index.html>

⁹ Cunningham, P., Garfield, R., and Rudowitz, R. "How are Hospitals Faring Under the Affordable Care Act? Early Experiences from Ascension Health." Kaiser Family Foundation. April 2015. <http://files.kff.org/attachment/issue-brief-how-are-hospitals-faring-under-the-affordable-care-act-early-experiences-from-ascension-health>

¹⁰ Minnesota Department of Health, Health Economics Program. "Uncompensated Care at Minnesota Community Hospitals in 2014." September, 2015.

http://www.health.state.mn.us/divs/hpsc/hep/publications/costs/20150925_uncompensatedcare.pdf

¹¹ Minnesota Department of Health, Health Economics Program. "Health Insurance Coverage in Minnesota: Results from the 2015 Minnesota Health Access Survey." February, 2016.

<http://www.health.state.mn.us/divs/hpsc/hep/publications/coverage/healthinscovmnhas2015brief.pdf>

¹² Minnesota Department of Health, Health Economics Program. "Health Care Spending and Projections, 2013" Report to the Minnesota Legislature, February 2016.

<http://www.health.state.mn.us/divs/hpsc/hep/publications/costs/healthspending2016.pdf>



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