

Acute Care Hospital Expenses for FY 2011

Fact Sheet
 February
 2013

Office of Health Care Access
Lisa A. Davis, MBA, BSN, RN
Deputy Commissioner

Hospital Financial Review and Analysis Unit
 410 Capitol Avenue, MS #13HCA
 P.O. Box 340308
 Hartford, Connecticut 06134-0308
 Phone: (860) 418-7001
 Fax: (860) 418-7053
 Website: www.ct.gov/dph/ohca

Introduction

Over the next several years, hospitals will be facing the potential of declining revenues from both public and private payers. As a result, hospitals will need to reduce expenses and may seek alternative solutions such as affiliating with other hospitals. In FY 2011, statewide operating expenses for Connecticut's 30¹ acute care hospitals rose to over \$9.4 billion. A summary of various hospital expenses is shown below.

Types of Expense Categories

- In FY 2011, Connecticut's 30 acute care hospitals reported operating expenses of \$9.4 billion; an increase of over \$400 million or 5% from FY 2010.
- In FY 2011, salaries and wages were the largest individual expense category, at \$3.8 billion or over 40% of total expenses.
- Some expenses such as interest, malpractice, utilities and miscellaneous operating expenses are each 2% or less of total hospital expenses each year.
- Bad debts and depreciation/amortization are expenses incurred which don't require an outlay of cash, but together amount to almost 9% of hospital expenses annually.

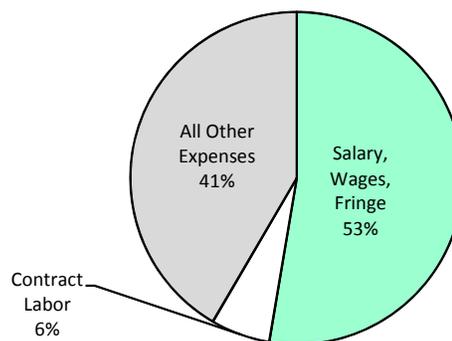
Hospital Expenses - FY 2011 (in millions)

Salaries & Wages	\$3,820	40.5%
Business Expenses	\$1,290	13.7%
Supplies and Pharmaceuticals	\$1,271	13.5%
Fringe Benefits	\$1,142	12.1%
Contract Labor	\$545	5.8%
Depr. / Amortization	\$463	4.9%
Bad Debts	\$338	3.6%
Miscellaneous Operating	\$193	2.0%
Utilities	\$157	1.7%
Malpractice	\$129	1.4%
Interest	\$78	0.8%
Total	\$9,426	

Salaries, Wages and Fringe Benefits

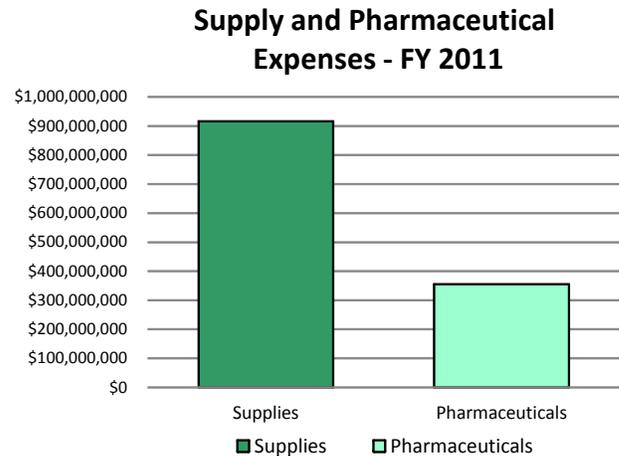
- In FY 2011, the salaries, wages and fringe benefits of hospital employees were the largest expense components for hospitals, at \$5.0 billion, combined.
- Contractual labor costs add an additional half billion dollars on average to hospital labor costs annually.
- In FY 2011, Connecticut hospitals employed almost 53,400 full-time equivalent employees (FTEs).
- Employee costs can be broken down into three separate segments; Physicians (9%), Nurses (35%), and employees who are neither nurses or physicians (56%), such as x-ray technicians, janitors and accountants.

Total Labor Costs as a % of Total Expenses - FY 2011



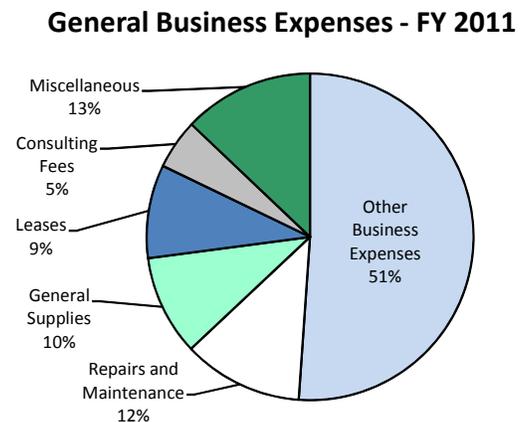
Supply and Pharmaceutical Costs

- In FY 2011, Connecticut's hospitals spent almost \$1.3 billion on pharmaceuticals and medical supplies for their patients; only 2.8% more than in FY 2010.
- In FY 2011, pharmaceuticals accounted for \$355 million (28%) while medical supplies were \$916 million (72%), both increases over FY 2010.



General Business Expenses

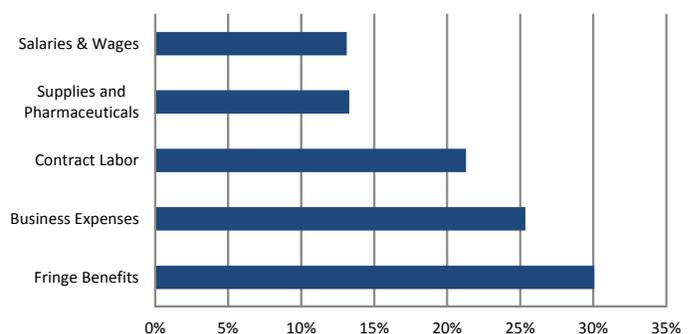
- In FY 2011, amounts spent on general business expenses, which are expenses to conduct everyday business activities, totaled \$1.3 billion.
- Major individual business expenses categories were repairs and maintenance (\$153 million), general supplies (\$128 million), leases (\$119 million) and consulting fees (\$63 million).
- In FY 2011, other business expenses, which are hospital expenses not individually classified by hospitals, represented the largest portion of business expenses, totaling \$660 million.
- Examples of other business expenses are software and hardware upgrades, health system fees, employee training, and purchased services.



Hospital Expense Trends - FY 2008 - FY 2011

- Since FY 2008, each expense category has remained relatively consistent as a percentage of total expenses.
- The five expense categories that had the largest cumulative increase in total dollars from FY 2008 to FY 2011 were salaries and wages (13%), supplies and drugs (13%), contract labor (21%), business expenses (25%) and fringe benefits (30%).

Cumulative Expense Increases - FY 2008-2011



¹ During FY 2011, there were 30 acute care hospitals in Connecticut. At the time of publication, there were 29 acute care hospitals as a result of Yale New Haven Hospital's purchase of the Hospital of St. Raphael in September of 2012.

The Office of Health Care Access (OHCA), oversees the state's health care delivery system to ensure that access to affordable, quality care is available to the residents of the state. OHCA regularly issues fact sheets, issue briefs, and other reports to provide reporting and analysis of health care data for consumers and providers.

Data Source: CT Department of Public Health, Office of Health Care Access, Hospital Reporting System.