

PREPARING FOR PAYMENT  
REFORM:  
LOOKING AT MEMPHIS HEALTHCARE  
EXPENDITURES

May 2010

# What Do We Mean by “Healthcare Expenditures”?

- Expenditure: What patients and Medicare/insurance companies pay (new car owner buyer)
- Charges: What hospitals and doctors charge patients and 3<sup>rd</sup> party payers (sticker price)
- Cost: What provider’s pay to treat the patients (the dealer’s invoice price)

# Healthcare Expenditures

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- How much do we spend in the U.S.?  
\$6,400 per person
- How much do we spend in Shelby County?  
\$7,200 per person

# The Data

- Shelby County estimates for 2008 are made using the National Health Expenditures data set.
  - Tennessee amounts and trends ('91 – '04)
  - National trends ('91 – '08)
  - Historical allocation of Tennessee health dollars to the different regions ('06 – '08)
- Physician supply data come from the Dartmouth Atlas.
- Brand and generic estimates made based on information from Inside Tennessee's Medicine Cabinet and the AON actuarial report for TennCare.

# The Math

- Total healthcare dollars in Shelby County:

\$ 6,494,548,012

- Shelby County population:

906,825

- $\$ 6,494,548,012 \div 906,825 = \$7,162$

# Where does the money go?

- Hospitals \_\_\_\_\_ %
- Physicians \_\_\_\_\_ %
- Pharmacy \_\_\_\_\_ %
- Long-term Care & DME \_\_\_\_\_ %
- Lab and Radiology \_\_\_\_\_ %
- Dental Care \_\_\_\_\_ %
- OTC Drugs & Non-durable Supplies \_\_\_\_\_ %
- Other Professional Fees \_\_\_\_\_ %

# Where does the money go in Shelby County?

□ Hospitals	<u>36</u> %
□ Physicians	<u>23</u> %
□ Pharmacy	<u>14</u> %
□ Long-term Care & DME	<u>8</u> %
□ Lab and Radiology	<u>6</u> %
□ Dental Care	<u>5</u> %
□ OTC Drugs & Non-durable Supplies	<u>5</u> %
□ Other Professional Fees	<u>4</u> %

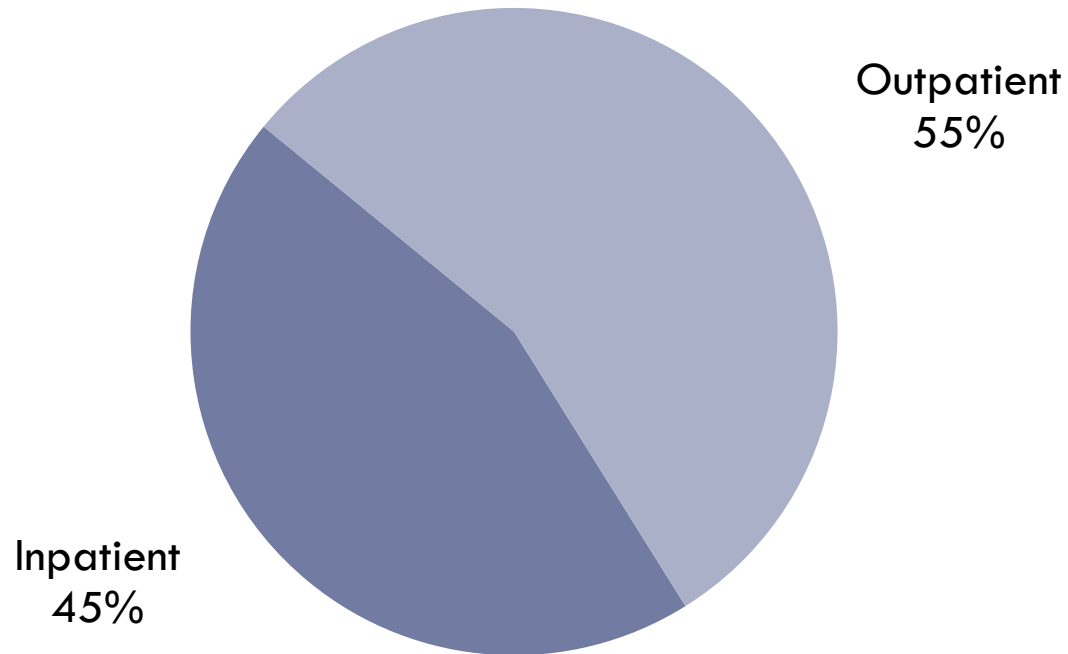
# Comparison: Shelby and US

## Per Person Expenditures

	Shelby	US
□ Hospitals	\$2,582	\$2,363
□ Physicians, lab, and radiology	\$2,084	\$1,632
□ Lab and Radiology alone	\$457	NA
□ Pharmacy	\$964	\$770
□ Long-term Care & DME	\$590	\$755
□ Dental Care	\$375	\$332
□ OTC Drugs & Non-durable Supplies	\$320	\$128
□ Other Professional Fees	\$248	\$216

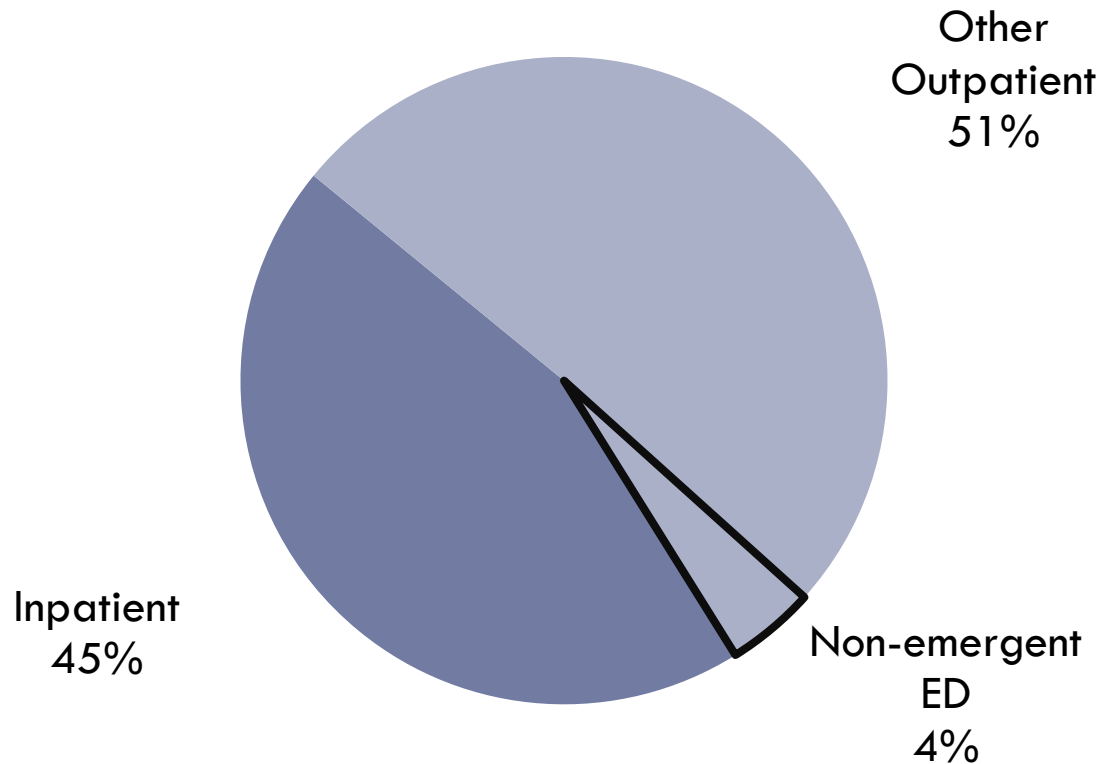
# Hospitals – 36% of Shelby County Expenditures

## Hospital Expenditures



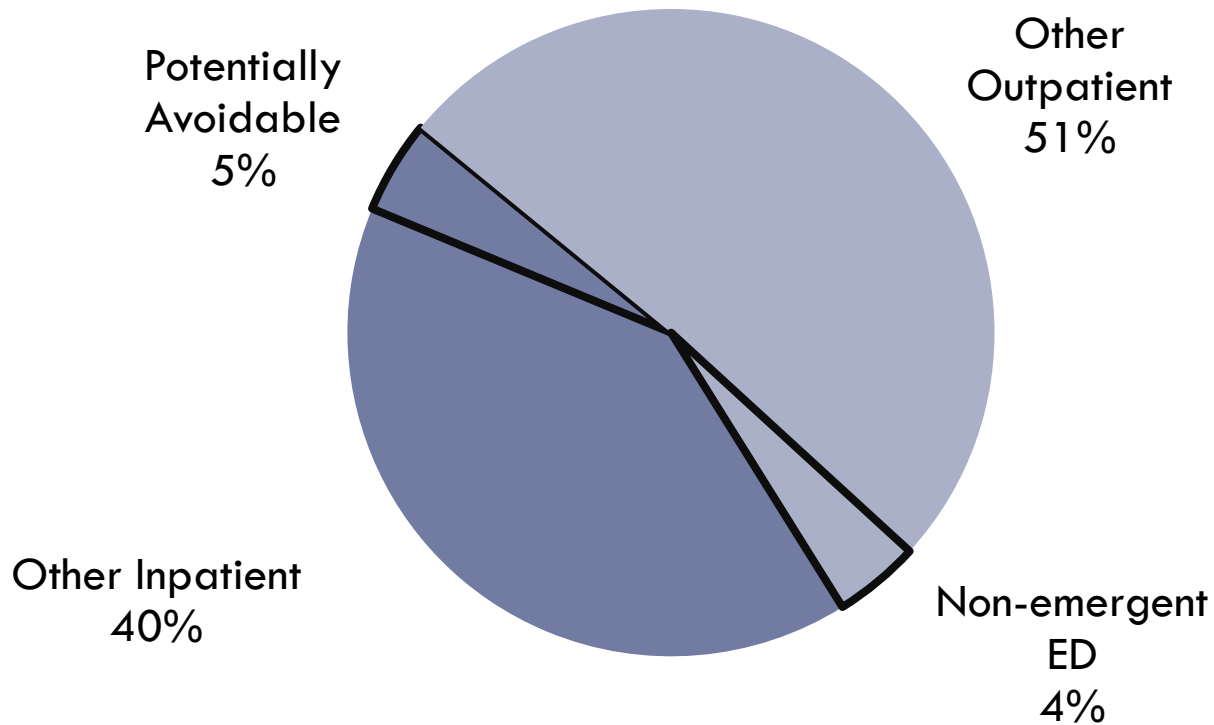
# Hospitals – 36%

## Hospital Expenditures

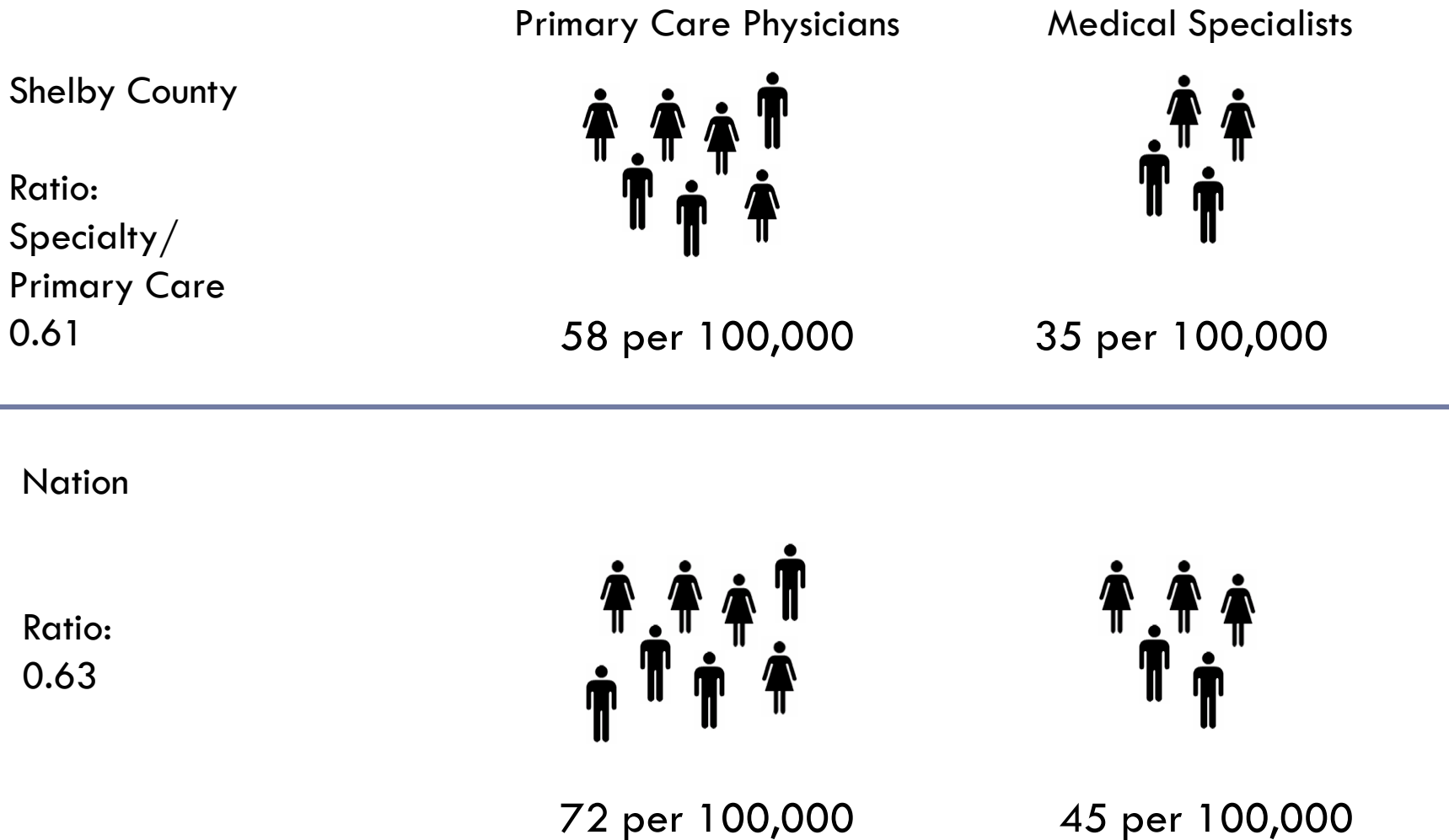


# Hospitals – 36%

## Hospital Expenditures

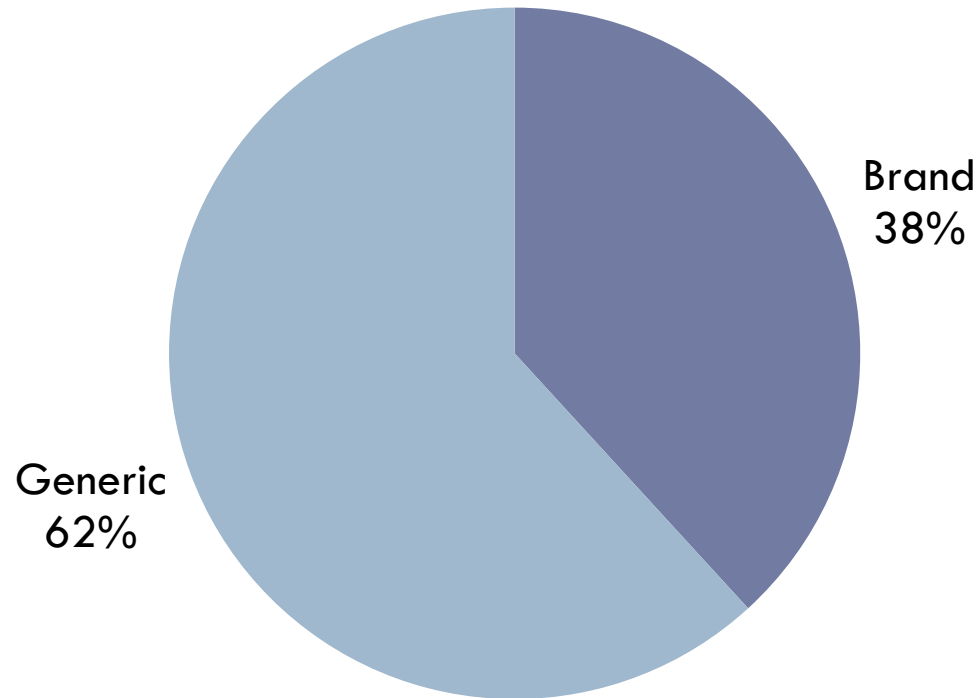


# Physicians – 23% of expenditures



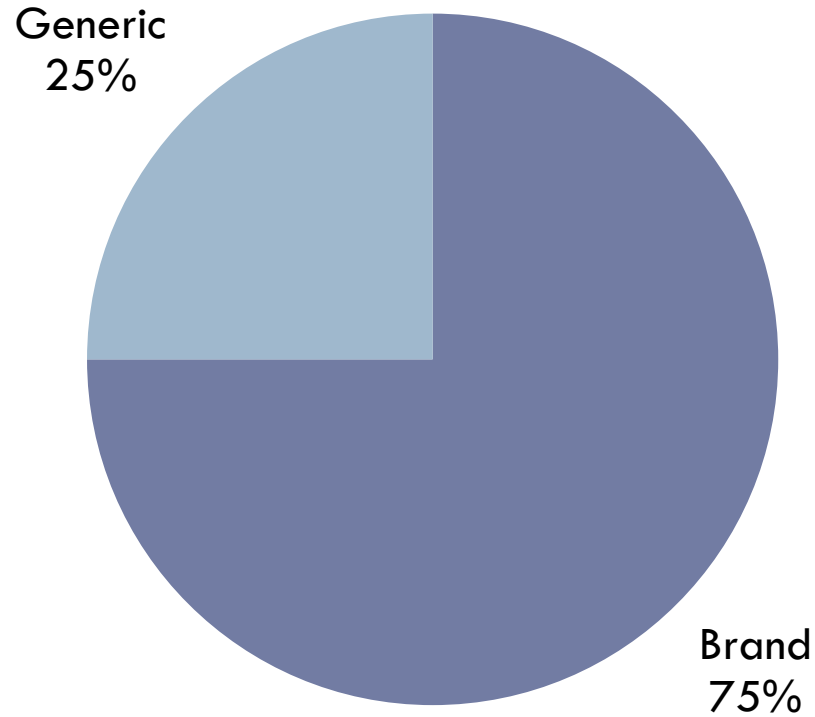
# Pharmacy – 14% of Expenditures

**% of Prescriptions**



# Pharmacy – 14% of Expenditures

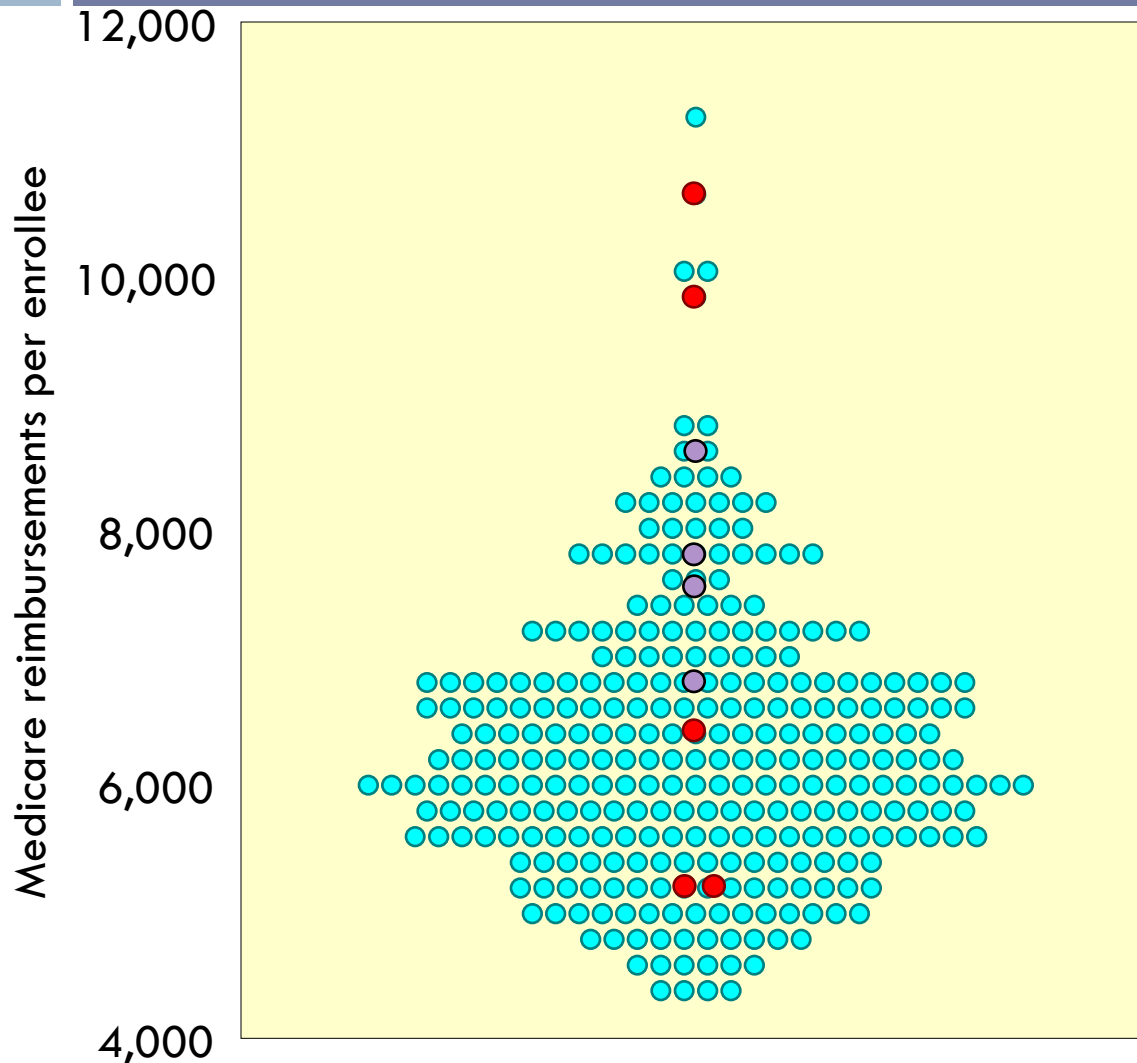
## % of Pharmacy Expenditures



# Variations in practice and spending

*Two to three fold variations in spending across regions*

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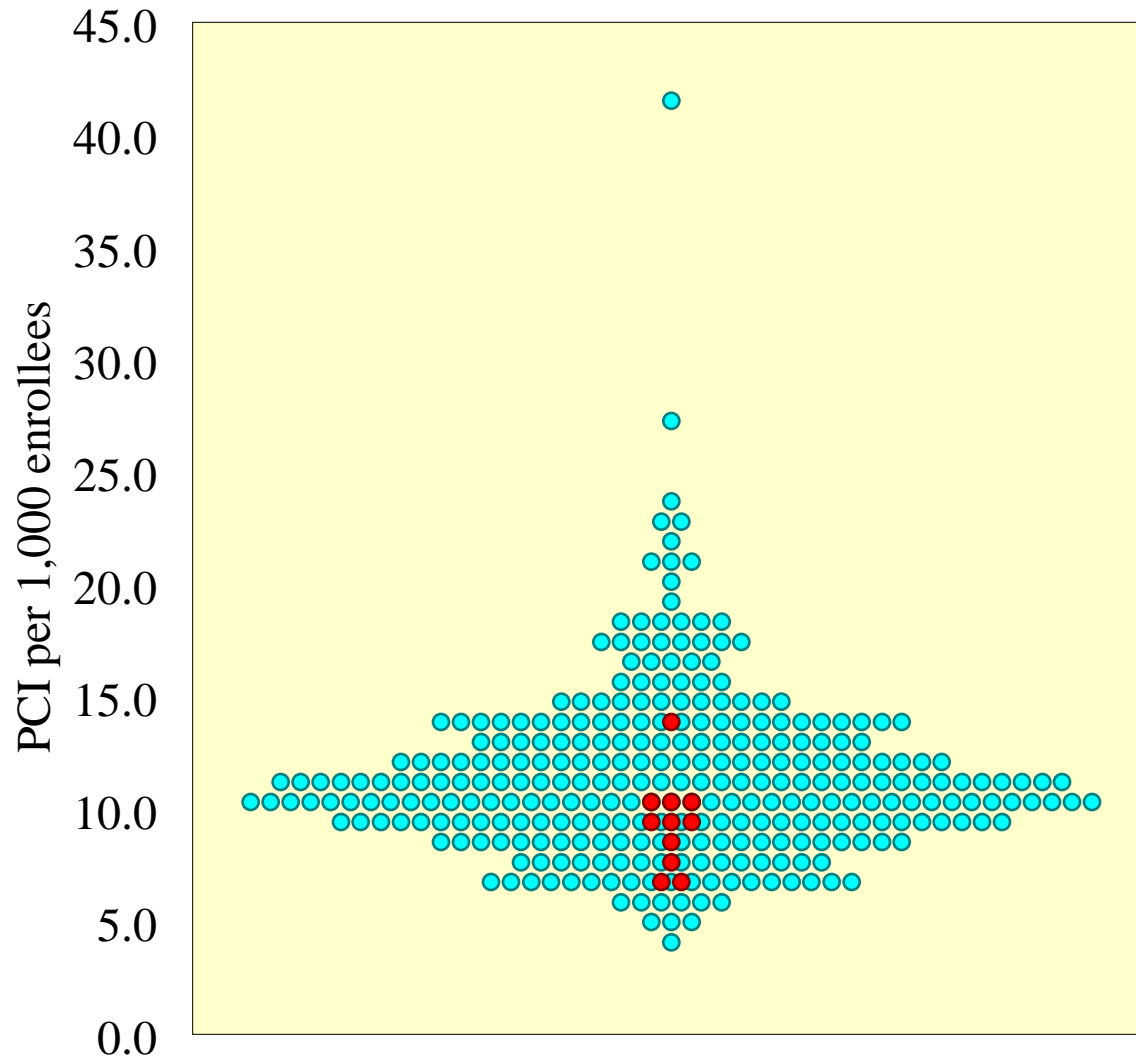


<b>Miami, FL</b>	<b>\$11,352</b>
<b>Manhattan, NY</b>	<b>\$9,997</b>
<b>New Orleans, LA</b>	<b>\$8,487</b>
<b>Boston, MA</b>	<b>\$7,901</b>
<b>Detroit, MI</b>	<b>\$7,782</b>
<b>Cleveland, OH</b>	<b>\$6,774</b>
<b>Memphis, TN</b>	<b>\$6,471</b>
<b>San Francisco, CA</b>	<b>\$6,408</b>
<b>Minneapolis, MN</b>	<b>\$5,213</b>

# Variations in practice and spending

## *Percutaneous Coronary Interventions*

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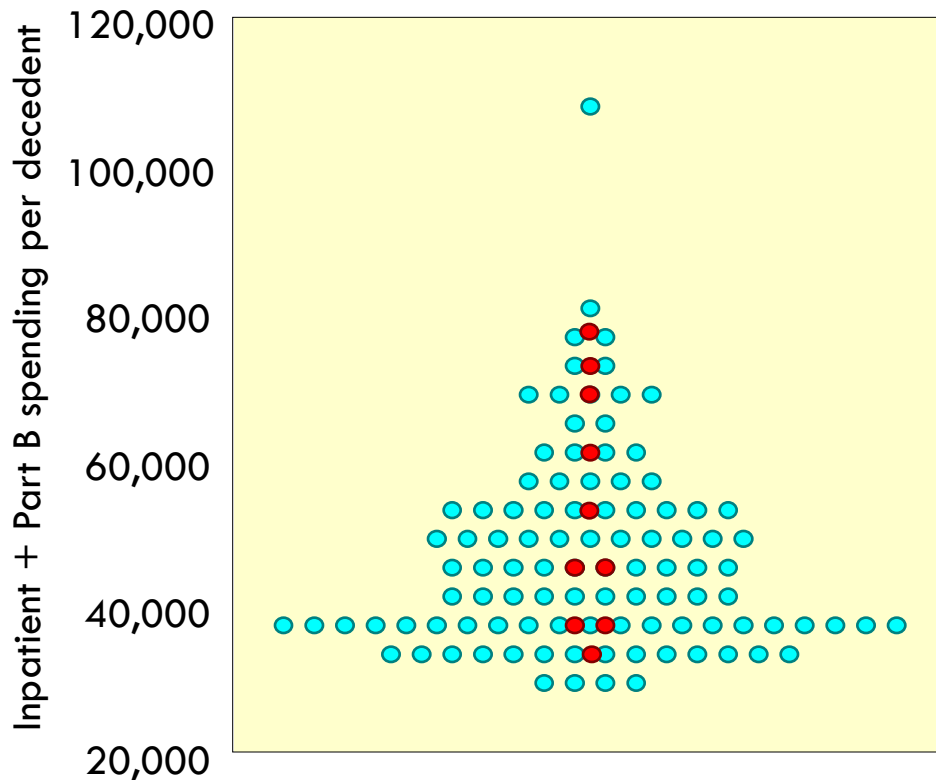


<b>Detroit, MI</b>	<b>15.4</b>
<b>Memphis, TN</b>	<b>14.1</b>
<b>Cleveland, OH</b>	<b>12.6</b>
<b>Grand Rapids, MI</b>	<b>11.2</b>
<b>Minneapolis, MN</b>	<b>10.5</b>
<b>Miami, FL</b>	<b>10.3</b>
<b>New Orleans</b>	<b>10.1</b>

# Variations in spending

*two-fold differences across major academic medical centers*

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## Spending per Medicare beneficiary with severe chronic disease (Last 2 years of life, 2000-2003)

Cedars-Sinai	76,934
UCLA Medical Center	72,793
New York-Presbyterian	69,962
Johns Hopkins	60,653
UCSF Medical Center	56,859
Univ. of Washington	50,716
Mass. General	47,880
Barnes-Jewish	44,463
Duke University Hosp.	37,765
Mayo Clinic (St. Mary's)	37,271
Cleveland Clinic	35,455

How can the best medical care in the world cost twice as much as the best medical care in the world?

# Variations in spending

*Differences among Memphis Hospitals, Last Two Years of Life*

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	<b>Part B Spending</b>	<b>Hospital Days</b>	<b>Physician Visits</b>
□ <b>Cedars-Sinai</b>	<b>19,427</b>	<b>40</b>	<b>140</b>
□ Baptist Memorial Hospital	11,753	34	103
□ Methodist Healthcare	9,935	31	95
□ University of Tennessee	6,617	28	55
□ Regional Medical Center	5,475	25	64
□ <b>Cleveland Clinic Foundation</b>	<b>6,490</b>	<b>24</b>	<b>59</b>

How can the best medical care in the world cost twice as much as the best medical care in the world?

# CHARGES REPORTED TO TENNESSEE DEPARTMENT OF HEALTH, 2008 – HEART FAILURE (DRG 194)

HOSPITAL	MINOR	MODERATE	MAJOR	SEVERE
A		\$12,503		
B		\$16,129		
C		\$17,738		
D		\$17,383		
E		\$13,632		
F		\$14,797		
G		\$14,289		
H		\$16,810		
I		\$26,918		
J		\$28,076		
Spread	\$12,894	\$15,573	\$19,722	\$56,590

# CHARGES REPORTED TO TENNESSEE DEPARTMENT OF HEALTH, 2008 – ACUTE MYOCARDIAL INFARCTION (DRG 190)

HOSPITAL	MINOR	MODERATE	MAJOR	SEVERE
A		\$19,798		
B		\$29,882		
C		\$35,202		
D		\$32,885		
E		\$24,873		
F		\$30,494		
G				
H				
I		\$39,836		
J		\$32,028		
Spread	\$19,827	\$20,038	\$18,403	\$70,847

# Quality and Health -

	<b>Memphis</b>	<b>National</b>
Hospital Compare – Composite Index Quality 2007	92.8	93.6
Regression Adjusted Hospital Standardized Mortality Ratio 2007 (IHI)	61.1	72.4
HgA1c tested in DM/Medicare in 2003-05	80.6	84.0