

## EXHIBIT 1.1 Characteristics of U.S. Community Hospitals

### Characteristics of U.S. Community Hospitals, 1997 and 2008

UTILIZATION, CHARGES, AND COSTS	1997	2008
Discharges		
Total discharges in millions	34.7	39.9
Number of discharges per 1,000 population*	127.8	131.0‡
Total days of care in millions	168.1	183.6
Average length of stay in days	4.8	4.6
Percent of discharges from:		
Metropolitan hospitals	84%	87%
Teaching hospitals	47%	47%
Hospital ownership		
Non-Federal government hospitals	14%	14%
Private not-for-profit hospitals	73%	73%
Private for-profit hospitals	13%	13%
Charges and costs†		
Charges		
Average charges per stay	\$11,300	\$29,000
Average inflation-adjusted charges per stay in 2008 dollars**	\$14,500	\$29,000
Costs		
Total aggregate costs in billions	\$177.1	\$364.7
Average costs per stay	\$5,100	\$9,100
Inflation-adjusted costs in 2008 dollars**		
Total aggregate costs in billions	\$227.2	\$364.7
Average costs per stay	\$6,500	\$9,100

\* Calculated using resident population for July 2008 from the U.S. Bureau of the Census, retrieved on June 22, 2010 (<http://www.census.gov/popest/national/asrh/2009-nat-res.html>).

‡ 2008 discharges are not statistically different from 1997 discharges at  $p < 0.05$ .

† Charges represent amounts billed by hospitals. These amounts are seldom paid in full by insurers or patients. Costs are calculated from charges using reported cost-to-charge ratios calculated from information on Medicare Cost Reports, submitted by hospitals to the Centers for Medicare and Medicaid Services (CMS).

\*\* Adjusted for inflation using the GDP deflator (<http://www.bea.gov/national/nipaweb/SelectTable.asp>, Table 1.1.4. Price Indexes for Gross Domestic Product).

Source: AHRQ, Center for Delivery, Organization, and Markets, Healthcare Cost and Utilization Project, Nationwide Inpatient Sample, 1997 and 2008.

Hospital costs rose rapidly and hospital characteristics changed slowly over time.

- The number of hospital discharges increased from 34.7 million in 1997 to 39.9 million in 2008, a 15-percent increase overall, or an average annual increase of 1.3 percent.
- There were 128 hospital stays for every 1,000 persons in the United States in 1997 and 131 stays per 1,000 persons in 2008.
- The percent of community hospital discharges has changed little in terms of metropolitan location, teaching status, and type of ownership between 1997 and 2008. Most hospital discharges (87 percent) are from facilities located in metropolitan areas, nearly half are from teaching hospitals, and almost three-quarters are from private not-for-profit facilities.

- Average inflation-adjusted charges per stay—what patients are billed for their rooms, nursing care, diagnostic tests, procedures, and other services—rose from \$14,500 in 1997 to \$29,000 in 2008. Few patients or insurers paid those amounts because of discounts negotiated with hospitals.
- Between 1997 and 2008, the aggregate inflation-adjusted costs for hospitalizations—the actual costs of producing hospital services—increased 61 percent. Costs rose from \$227.2 billion to \$364.7 billion—an average annual increase of 4.4 percent.