

The Second Annual IHSP Hospital 200: Hospitals, Big Pharma, HMOs & the

Health Care War Economy

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The Institute for Health & Socio-Economic Policy (IHSP) is a non-profit policy and research group. The IHSP focus is current political/economic policy analysis in health care and other industries and the constructive engagement of alternative policies with international, national, state and local bodies to enhance promote and defend the quality of life for all.

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| I. A | BOUT THE INSTITUTE FOR HEALTH & SOCIO-ECONOMIC POLICY | 4 |
|---------------|---|---------|
| II. | PRINCIPAL FINDINGS | 5 |
| III. | DATA SOURCES | 8 |
| A. | METHODOLOGY EMPLOYED IN THIS REPORT | 8 |
| IV. | WHAT IS DRIVING HEALTH CARE COSTS? | 9 |
| 1 | | ····· > |
| A. B | HIGH PRICE OF DRUGS AND HOSPITAL CHARGES Pharmaceutical Mergers and Acquisitions | 9 10 |
| D. 1. | Scope and Depth of Pharmaceutical Mergers and Acauisitions. | 11 |
| 2. | Pharma M & As: Research and Development (R&D) Mythology | 14 |
| 3. | Prescription Drugs and the Elderly | 20 |
| 4. | Consequences of Increased Pharmaceutical Market Share | 27 |
| | a) Hospital Drug Charge to Cost Ratios and Pharma Drug Prices | 28 |
| C. | HMOS, HOSPITALS, PHARMAS AND THE HEALTH CARE WAR ECONOMY | 29 |
| V. M | IEDICARE FIXED RATE REIMBURSEMENT IS IMPACTED BY HOSPITAL GROSS | 30 |
| CHAN | | |
| A. | CALCULATING MEDICARE REIMBURSEMENT RATES | 31 |
| B. | HIGH CHARGES ARE A WARNING SIGN | 32 |
| С. | MEDICARE OUTLIERS, WORKER'S COMPENSATION & HMO STOP LOSS PAYMENTS | 33 |
| 1. | worker's Compensation and Outlier Payments | 37 |
| VI. | CHARGES MATTER: IMPLICATIONS OF GROSS HOSPITAL CHARGES – THE | |
| "STIC | KER PRICE" | 38 |
| VII. | IMPLICATIONS FOR HEALTH CARE REFORM: THE U.S. DOES NOT HAVE A | |
| HEAL | TH CARE SYSTEM | 39 |
| А | FAILURE OF MARKET LED HEALTH CARE REFORM | 39 |
| В. | HOSPITALS AND THE "HEALTH CARE WAR ECONOMY" | 40 |
| X/III | OTDIDDING AWAY THE MATTH OF A LC. HEATTH GADE OVOTEM, A 12 OTED | |
| VIII. PROG | SIRIPPING AWAY THE MITH OF A U.S. HEALTH CARE SISTEM; A 12 SIEP | 42 |
| | | |
| IX. | TABLES | 44 |
| X. | THE IHSP HOSPITAL 500: TOP TEN HOSPITALS BY STATE BY TOTAL CHARGE TO |) |
| COST | RATIO | 95 |
| XI. | ADDENDUM | 129 |
| ٨ | BACKCROUND ON HOSDITAL CHARCES | 120 |
| A. B | DACKOROUND ON HOSPITAL CHARGES | 129 |
| D. C | GENERAL ORSERVATIONS ON SCIENTIFIC METHOD | 134 |
| . 1 | Renlicability of findings | 135 |
| 2. | Transparency of design | 135 |
| 3. | Open data architecture, format and structure | 135 |
| 4. | Consistency of data format and structure across study period | 135 |
| 5. | Demonstrable mechanism of action, i.e., relevance between antecedent conditions and study | |
| 0 | bject | 135 |
| 6. | Integrity of data sets | 135 |
| 7. | Design model must take into account both the possible confirmation and disconfirmation of | 105 |
| p_{i} | rıncıpal fındıngs/hypotheses | 136 |
| XII. | REFERENCES | 137 |

| TABLE 1 PHARMACEUTICAL MERGERS: 1993 THROUGH DECEMBER, 2003 | 11 |
|--|----------------|
| TABLE 2 WORLD'S TOP 50 DRUG CORPORATIONS - PROFITS, MARKET CAPITALIZATION AND SALES 1 | 13 |
| TABLE 3 LEADING 20 DRUG PRODUCTS BY U.S. SALES, MOVING ANNUAL TOTAL JUNE 2004 2 | 24 |
| TABLE 4 PERCENT OF TOTAL HEALTH CARE COSTS FOR PRESCRIPTION DRUGS SELECTED YEARS | 26 |
| TABLE 5 HOSPITAL MEDICAL SUPPLY AND DRUG CHARGE TO COST RATIOS BY CONTROL TYPE - 2002/2003 | 5 |
| (SORTED BY DRUG CHARGE TO COST RATIOS) | 27 |
| TABLE 6 TOP 50 HMO PROFITS INCREASE - 2000 TO 2003 2 | 29 |
| TABLE 7 CMS OUTLIER THRESHOLDS, 1997 THROUGH 2005 (SOURCE: FEDERAL REGISTER, 2003) | 35 |
| TABLE 8 HEALTH CARE RELATED CORPORATIONS – SELECTED VALUES 3 | 39 |
| TABLE 9 THE NATION'S HOSPITALS WITH THE HIGHEST CHARGES COMPARED TO COSTS: FISCAL YEAR | |
| 2002/2003 | 14 |
| TABLE 10 THE NATION'S HOSPITALS WITH THE LOWEST CHARGES COMPARED TO COSTS: FISCAL YEAR | |
| 2002/2003 | 50 |
| TABLE 11 STATE LOCATION OF THE TOP 100 HOSPITALS, 2002/2003 | 54 |
| TABLE 12 SYSTEM AFFILIATION OF THE TOP 100: 2002/2003 | 55 |
| TABLE 13 SYSTEM AFFILIATION OF THE LOWEST 100: 2002/2003 | 56 |
| TABLE 14 HOSPITAL AVERAGE PROFITS BY DECILE OF TOTAL CHARGE TO COST RATIOS: 2002/2003 | 57 |
| TABLE 15 AVERAGE HOSPITAL PROFITS BY AVERAGE CHARGE PER INDIVIDUAL INPATIENT DISCHARGE: | |
| 2002/2003 | 58 |
| TABLE 16 AVERAGE TOTAL CHARGE TO COST RATIO OF THE TOP 100 HOSPITALS BY STATE: 2002/2003 6 | 59 |
| TABLE 17 AVERAGE TOTAL CHARGE TO COST RATIOS BY HOSPITAL SYSTEM, SORTED BY AVERAGE CHARGE | |
| TO COST RATIO, FISCAL YEAR 2002/2003 | 74 |
| TABLE 18 AVERAGE CHARGE TO COST RATIO, BEDS, PROFITS AND CHARGE PER DISCHARGE BY HOSPITAL | |
| Bed Deciles, 2002/2003 | 35 |
| TABLE 19 AVERAGE TOTAL CHARGE TO COST RATIO BY HOSPITAL CONTROL TYPE: 2002/2003 | 36 |
| TABLE 20 AVERAGE TOTAL CHARGE TO COST RATIO BY STATE: 2002/2003 | 37 |
| TABLE 21 TOP 40 HOSPITALS: TOTAL OPERATING ROOM CHARGES AS A PERCENT OF TOTAL OPERATING | |
| ROOM COSTS BY STATE | 39 |
| TABLE 22 TOP 40 HOSPITALS: TOTAL DRUG CHARGES AS A PERCENT OF TOTAL DRUG COSTS |) 1 |
| TABLE 23 TOP 40 HOSPITALS: TOTAL MEDICAL SUPPLIES CHARGES AS A PERCENT OF TOTAL MEDICAL | |
| SUPPLIES COSTS |) 3 |
| TABLE 24 TOP TEN HOSPITAL TOTAL CHARGE TO COSTS RATIOS BY STATE |) 6 |
| TABLE 25 MEDICARE PAYMENT SYSTEM DESCRIPTION FOR ACUTE CARE HOSPITALS, ADAPTED FROM TABLE | Е |
| A-1, SUMMARY OF MEDICARE'S CURRENT PAYMENT SYSTEMS BY SETTING (15)11 | 19 |
| TABLE 26 HOSPITAL FINANCIAL CATEGORIES/CENTERS | 21 |
| TABLE 27 AVERAGE TOTAL MEDICAL SUPPLIES CHARGES AS A % OF TOTAL MEDICAL SUPPLIES COSTS BY | |
| State | 24 |
| TABLE 28 AVERAGE TOTAL DRUG CHARGES AS A % OF TOTAL DRUG COSTS BY STATE 12 | 26 |
| TABLE 29 AVERAGE TOTAL OPERATING ROOM CHARGES AS A % OF TOTAL OPERATING ROOM COSTS BY | |
| State | 28 |

| FIGURE 1 HEALTH CARE AS A PERCENT OF THE FEDERAL BUDGET | 10 |
|--|----|
| FIGURE 2 AVERAGE WHOLESALE PRICE OF THE TOP 30 DRUGS USED BY THE ELDERLY | 21 |
| FIGURE 3 ANNUAL PERCENT CHANGE IN PRICE OF TOP 30 BRAND-NAME DRUGS USED BY THE ELDERLY | 22 |
| FIGURE 4 PRICE CHANGES OF THE TOP 30 BRAND-NAME DRUGS USED BY THE ELDERLY | 23 |



I. About the Institute for Health & Socio-Economic Policy

The Institute for Health & Socio-Economic Policy (IHSP) is a non-profit research and policy organization with a focus on health care and other industries. The IHSP has a prestigious health care advisory board which includes scholars and policy-activists from the Albert Einstein College of Medicine, Boston University, Harvard University, and the University of California.

Among past and current IHSP projects are:

- The health care impacts of California Proposition 209 for the Public Media Center and the California Wellness Foundation. (185)
- The relationship of pharmaceutical mergers to drug prices and caregiver staffing ratios for the Office of US Congressman Dennis Kucinich, Ohio.
- An assessment of health care expert systems technologies at the request of the U.S. Congress, Office of Technology Assessment.
- A study of the impact of hospital pricing structures for fiscal years 2000/2001 for the California Nurses Association.
- Another study for Congressman Kucinich examining hospital drug pricing practices and their impact on hospital charges overall is in progress.
- Joint sponsorship with the one million member **International Federation of Automatic Control**'s (**IFAC**) *Committee on Social Impact of Automation* of an international conference in San Francisco on Human Centered Design.

This study was commissioned by the California Nurses Association.



II. Principal Findings

For purposes of calculating total charge to cost ratios, this report examines 4,184 federal hospital cost reports, current as of March 31, 2004, for federal fiscal year 2002/2003. Given the everincreasing rate of medical inflation, the swelling numbers of the uninsured coupled with the fact that they are often billed at hospital "list prices," and the widespread charges of fiscal wrongdoing leveled against some hospitals and hospital chains in recent months, this report seeks to quantify the degree if any to which hospitals may be contributing to overall medical inflation. (177;178).It does so by examining inpatient and outpatient charge to cost ratios for the major hospital financial categories/centers commonly found in the cost reports. These categories include operating rooms, recovery rooms, emergency rooms, intensive care units, drugs sold to patients, coronary care unit, cardiac catheterization laboratory, medical supplies charged to patients and many others. (See Table 26 for details).

A summary of notable findings is presented below.

- The national average total charge to cost ratio for the 4,184 hospitals examined for this report is 232.40%. Last year the national average for 4,292 hospitals was 205.84%. This constitutes a 13% overall increase and a difference of 26.56 percentage points.
- If the Top 100 hospitals are eliminated from the calculations the national average drops to 221.62% for a total difference



of 10.8 percentage points and a 5.7% decrease.

- Of the top 100, large for-profit chains account for 60 hospitals. One of those chains has sold or plans to sell a large number of their facilities. The pricing impact of such changes cannot be determined until new data becomes available.
- Last year, such chains accounted for 72 hospitals in the Top 100.
- A decile analysis linking hospital total charge to cost ratios and hospital profits reveals a strong positive correlation between them. On average, the higher the average charges to costs the higher the average profits, as the chart, *Higher Hospital Charge to Cost Ratios and Higher Hospital Profits* demonstrates.



- On average, the larger a hospital as measured by average number of beds, the higher the
- total charge to cost ratio **and** the higher the corresponding average profits. (Table 18)
- The **Top 40 Hospital Rankings for Total Operating Room Charges as a Percent of Total Operating Room Costs** ranged from a low of 891% to a high of 1,695%, for an average 1,073% (Table 21)
- The Top 40 Hospital Rankings for Total Drug Charges as a Percent of Total Drug Costs ranged from a low of 1,394% to a high of 6,796.47%, for an average of 1,950% (Table 22)



- The **Top 40 Hospital Rankings for Total Medical Supplies Charges as a Percent of Total Medical Supplies Costs** ranged from a low of 2,897% to a high of 9,593%, for an average of 5,268% (Table 23)
- The **national average hospital charge to cost ratio for drugs** charged to patients is 398.65%, an increase of about 53.7 percentage points from a previous IHSP study.(70)
- Ten hospitals in the Top 100 were not system affiliated, while 71 of the nation's least expensive 100 hospitals were not system affiliated.
- Defying conventional economic wisdom and its stress on the fiscal efficacy of unbridled markets, Maryland had the lowest charge to cost ratio of any state, with a ratio of 120.24%. It is also the most highly regulated state in the nation. *At the same time*, 64% of

its hospitals had a positive net income, or about the same percent as the national average.(See Chart, Short-Term Hospitals with Positive Net Income)

Our finding that system-affiliated hospitals dominated the Top 100 and were scarce in the least expensive hospitals nationwide is consistent with earlier research on California hospitals. (74) That research indicated that system-affiliated hospitals exhibit marketing and not production efficiency. Any efficiencies the systemrelated hospitals gain and that contribute to their profit margins stem from their abilities to market themselves to the community, not





from efficiencies in the production of health care services. In part, the study stated:

... we did a cross-sectional analysis of local hospital systems in California in the late 1980s and then in the early 1990s. In both studies we found that the benefits of) horizontal integration stem from greater efficiencies in marketing hospitals systems to the community rather than from efficiencies in the production of services. These results are consistent with those we obtained in our earlier study. Systems do not, in general, exhibit production efficiencies. (74)

Our current study demonstrates that not only was the national average total charge to cost **ratio** associated with greater hospital profits, but in addition, **charges alone**, calculated as the *average charge per individual inpatient patient discharge*, was strongly correlated with higher average hospital profits.¹ (See the Chart, *Higher Charges per Inpatient Discharge Alone and Hospital Profits* and Table 15 for more detail). This finding undercuts any appeals to "technical efficiency" that the hospital industry may employ in the attempt to justify high charge to cost ratios.

- Total number of discharges represented is 30,422,558.
- The 10 most expensive hospital systems nationwide ranged from a low of an average 413.99% charge to cost ratio to a high of a 950.74% average.
- In our earlier report, the figures were 406.34% and 584.36% for the top five systems. (28)

Concerning individual hospitals:

- Four states California, New Jersey, Florida and Pennsylvania accounted for 83 of the Top 100.
- The average charge to cost ratio for the Top 100 was 672.88%, compared to the 2000/2001 finding of 525.27%

 a difference of nearly 148 percentage points and an approximate 28% increase.
- Average total charge to cost ratios varied considerably by hospital control type, from highs of 350.58% for proprietary corporations to lows of 216% and 185% for voluntary non-profits and government entities respectively. (Table 19)



¹ Charges per inpatient discharge are calculated by dividing total inpatient charges for each hospital by its total discharges. All hospitals with 100 or more total discharges are included in the calculations.



• Of the 4,184 hospitals employed to calculate total charge to cost ratios in this year's study, 1,365, or about 33%, reported a net loss for the time period. Another 124 hospitals reported less than \$100,000 net income. In our previous study, of 4,292 hospitals examined, 1,460, or about 34% of the data set, reported a net loss for the time period. These figures are roughly consistent with aggregated national hospital performance since the early 1980s. (See, Chart, *Short Term Hospitals with Positive Net Income*)

III. Data Sources

All charge to cost data is based on federal hospital cost report filings current as of March 31, 2004. Calculations in Section VIII and the Preface also utilize California Office of Health Planning and Development patient discharge data, Public Version and/or California State Workers Compensation Data, obtainable from the California State Department of Industrial Relations. (See <u>References</u> section of this report).

A. Methodology Employed in this Report

All hospital charges and costs were aggregated for both inpatients and outpatients.

For purposes of calculating total charge to cost ratios, hospitals were included in our data set if and only if they met all of the following conditions:

- The hospital must be a short-term general acute care hospital.
- If a given hospital had more than one filing for the fiscal year, only that filing for the greater number of days during the time period was included in order to prevent duplication.
- The hospital must have total charges equal to or greater than its total costs. (This is a 100% charge to cost ratio).
- The total charge to cost ratio was calculated by dividing the total aggregated charges by total aggregated costs associated with the hospital's major financial categories/centers. (For a listing of those categories/centers, see Table 26 <u>Tables</u>).

Charges per inpatient discharge are calculated by dividing total inpatient charges for each hospital by total discharges for each. All hospitals with 100 or more total discharges are included in the calculations.

- Decile analyses were employed to facilitate the analysis on key variables:
 - Total charges to total costs (charge to cost ratio)
 - Charges to costs relative to profits
 - Charge per individual inpatient discharge relative to profits
 - Hospital size as measured by numbers of beds relative to profits

Decile analyses are a relatively straightforward but extremely powerful statistical tool by which to reveal patterns not readily observable when dealing with large data sets and thousands of variables. The process can be summarized as follows: Data are categorized based on 10 percentile groups, with each group containing approximately the same number of cases. A value of 1 is assigned to a group of cases whose values relative to select variables fall below the 10th



percentile, 2 to cases between the 10th and 20th percentile, 3 to cases between the 20th and 30th percentile, and so on.

It is accepted business accounting practice to express various expense or cost categories by calculating costs as a fraction of charges. From a business perspective, such an approach is wholly appropriate. However, from a consumer perspective – patients, employers and insurers – it may make more sense to reverse that common practice and utilize charge to cost ratios instead. For example, in a previous study for US Representative Dennis Kucinich (D-OH-10) (70) examining less recent data, we demonstrated that the national average hospital drug cost to charge ratio for patients was about .29 (costs÷charges). However, the charge to cost ratio, expressing charges as a percent of costs, (charges \div costs x 100) was about 345%. That is, the charge is about 345% of the actual business expense.

For purposes of this study, we constructed aggregated in patient and out patient charge to cost ratios for numerous hospital financial categories/centers. (See Table 26)

IV. What is Driving Health Care Costs?²

A. High price of Drugs and Hospital Charges

Our calculations for the current study period – fiscal year 2002/2003 – show that the **national average hospital charge to cost ratio for drugs charged to patients is 398.65%, an increase of about 53.7 percentage points** from the findings in our earlier study. (70)

Much of this increase - and hospitals' high charge to cost ratios for drugs in general may be due to "Big Pharma's" remarkably steep markups on many of its most popular drugs.



As the chart, *Big Pharma, Drug Price Markups*... illustrates, those markups can be staggering when compared to the actual costs incurred by Pharmas for the active ingredients in many of the most common drugs. Such markups range from 3,000% and 4,000% for Pacil and Zocor to 225,000% and 570,000% for Prozac and Xanax.(66)

² Some of the following is excerpted from: Tenet Health Care Corporation, Drugs and Hospital Charges: Impact on Health Care Costs in California and Nationwide (13). Orinda: Institute for Health & Socio-Economic Policy.



B. Pharmaceutical Mergers and Acquisitions³

Worldwide, pharmaceutical revenues are imposing. A year 2000 study found that the United States accounts for the largest proportion of the world market for pharmaceuticals, or 34.5 percent.(176) In 2000, pharmaceutical sales in 13 key markets⁴ grew an average of 10 percent (10).

Two *de-facto* pharmaceutical industry engineered policies contribute to the robust financial picture in the pharmaceutical market: the increase in drug prices in the United States and the increase in consumption. The increase in consumption is in good measure generated by the industry's recent intense direct advertising in the mass media to artificially over stimulate and maximize demand beyond clinical efficacy. All of which contributes to run-away health care costs. (See Figure 1).

Figure 1 Health Care as a Percent of the Federal Budget⁵



Sourcess: "Centers for Medicare and Medicaid Services (CMMS), National Health Expenditures, average increase from 1997-2002. "For more on cost estimates, see CBO, "Letter to the Honorable Jim Nussle regarding a comparison of CBO and Administration estimates of the effect of H.R. 1 on direct spending," Feb. 2, 2004. "According to Forume 500 ratings. "Biology of the U.S. Government, FT2005, in this case health care spending includes Medicare, the government-defined function area of "health," and health care in the military. "Milbonk Memorial Fund, NASBO, Reforming States Group, "2000-2001 state health care expenditure report," April, 2003, percentage is for 2001. "CMMS, National Health Expenditures for 2002.

⁵ Reproduced from (36)



³ Some of the materials in Part IV, Sections B and C are abstracted from (70)

⁴ These 13 markets include: USA, Canada, Germany, France, Italy, UK, Spain, Japan, Brazil, Mexico, Australia/New Zealand and Argentina.

To stimulate the use of prescription drugs and, particularly, new therapies, manufacturers promote prescription drugs in several ways. The largest type of promotional spending is "detailing" (\$5.7 billion in 1998), where a company representative makes personal selling visits to physicians in offices and hospitals and leaves samples. Direct-to-consumer advertising [DTC] (\$1.3 billion in 1998) is a relatively recent phenomenon that has grown dramatically, with nearly a 5-fold increase in spending overall since 1994, and nearly a 20-fold increase for television advertising since 1994. (emphasis added).[See also, (166)]. Many of the products with the most direct-to-consumer advertising are also among the top prescription drugs by sales and by number of prescriptions dispensed.(9)

The makers of the antihistamines Claritin, Zyrtec, and Allegra spent \$313 million on DTC advertising for these products in 1998. Together, these three drugs accounted for 90 percent of sales of prescription antihistamines and 2 percent of total drug spending in that year.

Policy changes by the FDA, particularly a 1997 relaxation of guidelines for broadcast advertising, have allowed drug manufacturers to engage in much more extensive direct-to-consumer advertising.(54)

Pharmaceutical companies enable these policies via mergers and acquisitions that ultimately reduce competition to keep prices high and create economies of scale to fund their intensive marketing/advertising operations

1. Scope and Depth of Pharmaceutical Mergers and Acquisitions

Within the drug industry, there has been significant growth in coordination and consolidation.

Strategic alliances grew from 120 in 1986 to 635 in 1997.(125) Though there are hundreds of pharmaceutical companies, there are only 50 companies that control about two-thirds of the total world pharmaceutical market, (106) and the top 10 U.S. companies make up 39.5 percent of the domestic market.(136) In the pharmaceutical industry, between 1998 and 2000, 15 of the top 25 pharmaceutical companies publicly engaged in such merger negotiations; industry analysts believe that all 25 have negotiated privately.(35) In terms of market share, the newly merged GlaxoSmithKline is the largest, capturing about 11 percent of total net sales and 15 percent of net income for the world's top fifty drug corporations for fiscal year 2003. [See Table, *World's Top 50 Drug Corporations]*.

Mergers and acquisitions have been increasingly profitable. The average market value of an acquired pharmaceutical company has risen three-fold since 1990.(8) While in 1989, the value of SmithKline and Beecham was \$8.9 billion,(8) the 2000 Warner Lambert/Pfizer deal was worth \$90.2 billion. (65)

| Table 1 Fharmaceutical Mergers: 1995 unough December, 2005° | | | | | | | |
|---|------------------------|---------------------------|-----------------------|--|--|--|--|
| Year | Pharma Mergers | Number with Price Present | Price in 2003 Dollars | | | | |
| | Number of fransactions | | | | | | |
| 1993 | 11 | 8 | \$7,789,057,439.45 | | | | |
| | | | | | | | |

Table 1 Pharmaceutical Mergers: 1993 through December, 2003⁶

⁶ Source: IHSP calculations of SEC and Levin and Associates Data.

Price is given only for those transactions where a price was listed for 508 transactions. Prices are unavailable for 252 transactions. It is therefore likely that the actual total price is considerably greater than the \$554.6 billion figure.



| Year | Pharma Mergers Number of Transactions | Number with Price Present | Price in 2003 Dollars |
|-------|--|---------------------------|-----------------------|
| 1994 | 38 | 35 | \$4,253,012,775.17 |
| 1995 | 23 | 23 | \$732,082,152.23 |
| 1996 | 53 | 29 | \$2,672,744,983.56 |
| 1997 | 69 | 41 | \$3,134,244,363.86 |
| 1998 | 54 | 26 | \$14,803,288,910.58 |
| 1999 | 28 | 15 | \$197,997,388,595.44 |
| 2000 | 63 | 46 | \$137,779,340,303.74 |
| 2001 | 87 | 69 | \$28,830,451,076.36 |
| 2002 | 148 | 96 | \$71,846,699,193.98 |
| 2003 | 170 | 110 | \$23,324,084,126.00 |
| 2004 | 16 | 10 | \$61,421,907,626.21 |
| Total | 760 | 508 | \$554,584,301,546.57 |

All this merger activity is having extraordinary market impacts:

In recent years, five of the 10 most powerful marketers in the industry recently merged.

The list includes:

- *GlaxoSmithKline, created in December 2000 when Glaxo Wellcome joined with SmithKline Beecham.*
- Pfizer, which took over Warner-Lambert in June 2000.
- *Pharmacia, formed by the union of Pharmacia & Upjohn and Searle in April 2000.*
- AstraZeneca, created by the 1999 merger of Astra AB and Zeneca.
- Aventis, launched in 1999 through the union of Hoechst Marion Roussel and Rhone-Poulenc Rorer.

These five new entities accounted for more than 35 percent of all promotional spending by the pharmaceutical industry in 2000, according to Scott-Levin's marketing research audits. They also generated more than 30 percent of all retail sales, reports Scott-Levin's Source(TM) Prescription Audit.

Overall, the top 10 companies were responsible for 66 percent of the industry's promotional spending and 58 percent of retail prescription sales. (33)





The volume and value of mergers and acquisitions in the industry has been significant. From 1993 through December of 2003, the cost of such mergers in year 2003 dollars is about \$554,600,000,000. This figure dwarfs hospital, HMO and medical device manufacture merger and acquisition activity. Pharma merger and acquisition activity has contributed to the industry's ability to control prices which in turn has considerably augmented its bottom line. (See Table, *World's Top 50 Drug Corporations...*)

| Rank | World's Top 50 Drug Corporation | Profits | Market Capitalization | Net Sales |
|------|---|--------------------|-----------------------|---------------------|
| 1. | Glaxosmithkline Plc | \$7,397,853,280.00 | \$117,035,186,991.30 | \$35,279,664,630.00 |
| 2. | Merck And Company Inc | \$6,830,900,000.00 | \$102,394,802,672.60 | \$22,485,900,000.00 |
| 3. | Novartis- Adr | \$5,015,991,781.79 | \$110,778,135,147.40 | \$24,863,959,262.82 |
| 4. | Pfizer Inc | \$3,910,000,000.00 | \$239,661,623,511.10 | \$45,188,000,000.00 |
| 5. | Bristol Myers Squibb Company | \$3,106,000,000.00 | \$45,633,957,567.72 | \$20,894,000,000.00 |
| б. | Astrazeneca Plc- Adr | \$3,035,980,655.22 | \$74,974,647,960.00 | \$18,848,879,897.94 |
| 7. | Abbott Laboratories Inc | \$2,753,000,000.00 | \$64,023,032,124.99 | \$19,680,561,000.00 |
| 8. | Eli Lilly & Company | \$2,560,800,000.00 | \$72,921,872,070.00 | \$12,582,500,000.00 |
| 9. | Sanofi-Aventis | \$2,369,940,840.00 | \$47,349,360,545.40 | \$9,187,516,320.00 |
| 10 | Roche Holding Ag | \$2,298,803,760.00 | \$66,444,082,540.85 | \$23,385,028,800.00 |
| 11. | Aventis Sa- Adr | \$2,229,525,270.00 | \$64,110,247,121.61 | \$20,337,425,850.00 |
| 12. | Wyeth | \$2,051,192,000.00 | \$48,390,575,391.24 | \$15,850,632,000.00 |
| 13. | Novo Nordisk As | \$746,237,380.00 | \$30,369,056,234.82 | \$4,076,963,010.00 |
| 14. | Teva Pharmaceutical Industries Ltd Adr | \$690,999,600.19 | \$15,293,996,000.00 | \$3,276,398,104.28 |
| 15. | Forest Laboratories | \$621,988,000.00 | \$17,836,172,520.95 | \$2,206,706,000.00 |
| 16 | Genentech Inc | \$562,527,000.00 | \$50,470,119,078.98 | \$3,300,327,000.00 |
| 17. | Schering Ag- Adr | \$505,724,370.00 | \$10,506,910,000.00 | \$5,511,596,520.00 |
| 18 | Altana Ag - Adr | \$394,101,982.98 | \$7,404,738,183.70 | \$3,122,005,491.33 |
| 19. | Serono Sa | \$389,962,361.08 | \$7,177,213,300.40 | \$1,858,005,955.84 |
| 20 | Eisai Company Limited | \$339,293,290.00 | \$8,187,263,331.50 | \$3,858,889,510.00 |
| 21 | Mylan Laboratories Inc | \$272,353,000.00 | \$4,538,906,889.54 | \$1,269,192,000.00 |
| 22. | Watson Pharmaceuticals Inc | \$202,864,000.00 | \$3,065,752,200.60 | \$1,436,722,000.00 |
| 23. | Barr Pharmaceuticals Inc | \$167,566,000.00 | \$4,170,700,626.75 | \$902,864,000.00 |
| 24 | Schwarz Pharma Ag | \$151,281,223.62 | \$1,508,861,040.00 | \$1,708,161,117.00 |
| 25. | Par Pharmaceutical Resources Inc | \$122,533,000.00 | \$1,364,966,890.76 | \$661,688,000.00 |
| 26 | Ivax Corp. | \$121,251,000.00 | \$4,946,904,253.92 | \$1,420,339,000.00 |
| 27. | King Pharmaceuticals Inc | \$105,856,000.00 | \$2,831,078,347.92 | \$1,540,288,000.00 |
| 28 | Atrion Corp. | \$94,036,100.20 | \$2,096,372,051.70 | \$432,262,460.58 |
| 29. | Warner Chilcott Plc- Adr | \$94,036,100.20 | \$2,403,286,910.75 | \$432,262,460.58 |
| 30. | Cephalon | \$83,858,000.00 | \$2,580,331,268.00 | \$714,807,000.00 |

Table 2 World's Top 50 Drug Corporations – Profits, Market Capitalization and Sales⁷

⁷ Source: IHSP calculations of US Securities and Exchange Commission Filings and Thomson Financial data.



| Rank | World's Top 50 Drug Corporation | Profits | Market Capitalization | Net Sales |
|------|--|---------------------|-------------------------|----------------------|
| 31 | Nbty Inc | \$81,585,000.00 | \$1,617,955,116.72 | \$1,192,548,000.00 |
| 32. | Edwards Lifesciences | \$79,000,000.00 | \$2,063,306,822.40 | \$860,500,000.00 |
| 33. | Dr. Reddy's Laboratories Limited- Adr | \$75,395,610.00 | \$1,182,982,951.54 | \$354,724,308.00 |
| 34. | American Pharmaceutical Partners Inc | \$71,693,000.00 | \$2,048,785,444.16 | \$351,315,000.00 |
| 35. | Eon Labs Inc | \$70,135,000.00 | \$2,443,734,249.84 | \$329,538,000.00 |
| 36. | China Pharmaceutical Group Limited | \$64,750,424.67 | \$399,297,162.00 | \$318,304,251.18 |
| 37. | Kos Pharmaceuticals Inc | \$59,414,000.00 | \$1,372,458,311.45 | \$293,907,000.00 |
| 38 | Perrigo Company | \$54,048,000.00 | \$1,394,071,725.90 | \$825,987,000.00 |
| 39. | Medicis Pharmaceuticals Corp. | \$51,256,000.00 | \$2,041,734,644.46 | \$247,539,000.00 |
| 40 | Qlt Inc | \$37,093,450.87 | \$1,172,638,447.66 | \$156,985,260.72 |
| 41 | Axcan Pharma Inc | \$30,771,024.39 | \$820,879,418.87 | \$193,056,269.36 |
| 42. | Cangene | \$28,533,656.60 | \$446,871,249.34 | \$129,965,147.48 |
| 43. | Kv Pharmaceutical Company | \$28,110,000.00 | \$850,596,452.50 | \$244,996,000.00 |
| 44. | Chattem Inc | \$23,371,000.00 | \$574,103,071.36 | \$233,749,000.00 |
| 45 | Usana Health Sciences Inc | \$20,817,000.00 | \$556,882,651.26 | \$200,013,000.00 |
| 46 | Patheon | \$20,263,115.93 | \$343,767,368.01 | \$444,073,962.32 |
| 47. | Alpharma Inc | \$16,936,000.00 | \$740,425,481.19 | \$1,297,285,000.00 |
| 48 | Bradley Pharmaceuticals Inc | \$16,824,716.00 | \$369,402,776.00 | \$74,679,251.00 |
| 49 | Martek Biosciences Corp. | \$15,992,000.00 | \$1,670,585,106.63 | \$114,737,000.00 |
| 50 | Draxis Health Inc | \$14,122,789.86 | \$172,673,973.58 | \$52,624,026.78 |
| | Totals | \$50,086,567,783.58 | \$1,252,753,305,199.378 | \$314,230,071,867.20 |

2. Pharma M & As: Research and Development (R&D) Mythology

The industry cites a number of reasons for merger and acquisition activity: enhanced research and development, the ability to access new therapeutic areas, new geographic areas, or obtaining a technological advantage in product development. (58) Corporations can also shore up any potential profit losses due to a product mix that may soon lose patent protection. When patents expire, a brand name drug may lose the majority of its profits to a generic rival.

Perhaps the most common industry given reason for a merger or acquisition is the new company's ability to devote more resources to R&D in a leaner, more efficient post merger environment.(153) Companies often cite the extraordinary resources that go into a pharmaceutical development, such as materials, researchers' salaries and clinical trials. The industry has at varying times pegged the average cost of developing a successful drug at more than \$500 million, (174) and more recently, at more than \$802 million. (49)

The accuracy of those estimates is not universally shared:

⁸ This is not a misprint. Combined market capitalization for the top 50 Pharmas is \$1.2 trillion.



Dr. Nelson Levy, a former head of research and development at Abbott Laboratories, who now works as a consultant for industry and the federal government on drug development, bluntly challenged the industry's oft-repeated cost of developing a drug. "That it costs \$500 million to develop a drug," Dr. Levy said in a recent interview, "is a lot of bull."(93)

More recently,

Even using PhRMA's own figures for total R & D costs for the decade of the 1990s, it can be calculated that the cost per drug came to around \$100 million after taxes. ... So where did the \$802 million figure come from? ... The number was the finding of a group of economists, headed by Joseph DiMasi of the Tufts Center for the Study of Drug Development The Tufts Center is largely supported by the pharmaceutical industry, and this was an updating of an analysis done by the same group over a decade ago. ... It was not until a year and a half later that the Tufts group actually published their analysis and became possible to see how it was done. one thing is clear from the paper. The \$802 million figure has nothing to do with the "average cost of developing a new drug,"... It refers only to the cost of developing a tiny handful of the very most expensive drugs....(49)

More importantly, whatever the cost of drug development, the drug industry burden in those costs is considerably lightened through federal subsidies:

Dr. Levy, the former Abbott Laboratories executive, says preclinical research could account for as much as 20 to 25 percent of a company's research and development budget for a particular drug.

"N.I.H.-supported research represents a subsidy to pharmaceutical development," said Dr. Louis Lasagna, an expert in drug development at Tufts University whose studies are widely cited by the industry. "But you need a midwife, the companies, to bring it to market."

The word subsidy, not surprisingly, rankles drug industry officials, who say other businesses, including the medical device industry, also benefit from public science.

Yet it is clear that the government plays an important, and an increasing, role in drug development, both through inventions like Dr. Bito's⁹ and more basic scientific research on which the companies can build. A 1995 study by the Massachusetts Institute of Technology found that, of the 14 new drugs the industry identified as the most medically significant in the preceding 25 years, 11 had their roots in studies paid for by the government.

The drug is Xalatan, a best-selling eyedrop for glaucoma. With \$507 million in sales last year -and the potential for billions more, most of it pure profit -- the four-year-old medicine is the equivalent of liquid gold for its manufacturer, the Pharmacia Corporation. The eyedrop earned Columbia University about \$20 million in royalties last year, and it has made a millionaire of Dr. Bito as well.



⁹ On Jan. 7, 1982, in a laboratory at Columbia University, a little-known science professor, Laszlo Z. Bito, finished a nine-month experiment on the eyes of cats. In his handwritten data, carefully charted in gray hardcover notebooks, lay the origins of what every pharmaceutical company longs for: a blockbuster drug.

"The general pattern is that industry is building enormously heavily on basic research supported by N.I.H.," said Dr. Francis Narin, president of C.H.I. Research, a consulting firm that has analyzed patents as a way of measuring the role public science plays in industry.

In a 1997 study commissioned by the National Science Foundation, C.H.I. looked at the most significant scientific research papers cited in medicine patents. It found that half the cited studies were paid for with United States public funds, primarily from government and academia; only 17 percent were paid for by industry. (The rest came from public and private foreign sources.)

And in a study with the National Eye Institute, published in 1996, C.H.I. found that 41 percent of patented eye-care technology was linked to research financed by the health institutes...(93)

However, the claim that mergers will improve the industry's success in health breakthroughs is not clear according to Dr. Sidney Wolf and Dean Baker at the CEPR. As Director of Public Citizen's Health Research Group, Dr. Wolf states,

There is no evidence that the economies of scale have resulted in price savings to consumers -- quite the contrary. Also, there is no evidence that more research will come out of the combined companies than the two individuals.(40)

Others maintain that the Pharma's R&D estimates are grossly inflated and are based on confidential industry data not subject to outside review.(49;174) Furthermore, some of the costs that the industry includes as part of R&D could more accurately be described as marketing costs than research. For example, development costs often include consulting fees paid to doctors.(40) Marketing costs already outpace R&D costs. According to the Kaiser Family Foundation, in 1998, the industry spent three times as much on marketing and administrative expenses than on R&D as a percentage of sales.(40)

The American Journal of BioEthics (127) recently commented on the credibility of Pharma R&D claims:

- The average amount of research funds the drug industry needs to recover appears to be much less than the industry's figure of \$800 million per new drug approved...
- The \$800 million figure is based on the small unrepresentative subsample of all new drugs. It excludes the majority of "new" drugs that are extensions or new administrations of existing drugs, as well as all drugs developed by NIH, universities, foundations, foreign teams, or others that have been licensed in or bought. Variations on existing drugs probably cost much less because so much of the work has already been done and

Xalatan costs patients \$45 to \$50 for a tiny bottle that lasts six weeks. That price -- about \$1 a day for a drug that staves off blindness -- may not seem excessive. But the key ingredient in that daily dose costs Pharmacia only pennies to make, and Americans, who live in the only industrialized nation that lacks government restraints on drug prices, pay more than twice what European patients pay for the drug. (93)



Yet there are other, unseen, partners in the creation of Xalatan: the American taxpayers, who backed Dr. Bito's work with \$4 million from the National Institutes of Health. The taxpayers have reaped no financial return on their investment; their reward, government officials say, is the eyedrop itself.

trials are simpler.

- About half of the \$800 million figure consists of "opportunity costs", the money that would have been made if the R&D funds had been invested in equities, in effect a presumed profit built in and compounded every year and then called a "cost." Drug companies then expect to make a profit on this compounded profit, as well as on their actual costs. Minus the built-in profits, R&D costs would average about \$108 million 93% of the time and \$400 million 7% of the time.
- The \$800 million estimate also does not include taxpayers' subsidies via deductions and credits and untaxed profits.
- Net R&D costs are then still lower.
- Advertising firms are now running clinical trials .

An analysis of 22 pharmaceutical companies that merged between 1988 and 1999 shows that clinical research spending and productivity declines post merger. CenterWatch's analysis shows that after three years, clinical research projects drop nine percent, representing a decline of \$15-\$20 million in investigator grants.¹⁰

Post merger research may be deliberately squeezed. The FTC reports that the growth of formularies, which limit the number of available drugs to consumers, serves to encourage the consolidation of new drug development capacity.(125) In fact, formularies provide a disincentive for companies to develop new drugs, but rather to promote one popular drug.

Between 1990 and 2000, the FDA approved 857 new drug applications. However, 50 percent of these applications were for new versions of existing drugs, and only 36 percent were for new products.(137) This practice, called *evergreening*, allows pharmaceutical companies to apply for new patents on a modestly improved, already-existing product, thus eliminating the need for major R&D and extend the life of the original patent to prolong profitability.

The steps which Big Pharma is prepared to take in bending the demands of the scientific method to those of the accumulation process¹¹ are illustrated below:

What if Ray Romano cracked a few jokes while asking his doctor for a Viagra prescription? What if in his next movie middle-age master spy James Bond needed a dose of Lipitor to reduce cholesterol? Those fairytale plotlines just might come to fruition one

¹¹ See (180) for a progressive analysis of the historical relationship between science and the market. For other commentaries germane to an analysis of the political economy of health see, (1;2;20-22;31;48;64;76;77;81;94) For exegeses on the sometimes problematic role of mathematics in the physical and social sciences see (95) and (154) respectively.



¹⁰ Long term levels of pre-clinical through phase III projects dip 34 percent below the cumulative, premerger levels.(40) A therapeutic area head from Monsanto/Searle, recently acquired by Pharmacia Upjohn, states: "Portfolio pruning is very common and it can cut deep. Marginal projects, and those projects that lose their internal champions, they are the targets." In the short term post merger, merged companies slow down their rate of R&D spending substantially. After three years, the level of R&D spending returns to premerger levels, about 7.9 percent. A contract and budgets administrator from Ciba-Geigy, now Novartis, explains: "It's pretty frenetic. I've seen a flurry of activity pre-merger to help generate a high valuation and to get the projects going. Then one year after the close, there's a freeze on practically everything. A couple of years out, with a new mission and more focus, spending increases and outsourcing increases."(40)

day, now that **Pfizer** is teaming up with a Hollywood heavyweight to seek out new sorts of advertising opportunities.

The world's largest drug maker has retained talent firm William Morris Agency to come up with entertainment-marketing ideas that could include embedding Pfizer goods in movies and television programs, developing movie tie-ins or setting up TV-show sponsorships. "We are engaging William Morris on an explorative project for six months, and can't talk about the nature of that assignment," says Michal Fishman, a spokeswoman for Pfizer.

New York-based Pfizer seems to be one of the first pharmaceutical giants to seek Hollywood's help, and its push toward Tinseltown is likely to raise eyebrows. Many pharmaceutical-ad experts say drug makers should tread lightly when dabbling in this sector so as not to anger the Food and Drug Administration, which strictly regulates pharmaceutical advertising.

"It becomes a dicey situation for drug companies that get into this entertainment arena," says Mel Sokotch, director of the consumer health-care practice at Interpublic Group's FCB. "They run the risk of upsetting watchdog groups and regulatory officials." Experts note that if a drug company actively seeks product plugs within entertainment venues, it runs the risk of violating FDA ad guidelines. Any paid media that mentions a drug by name and by what it does is required by U.S. law to disclose potential side effects as well, says Stu Klein, president of WPP Group's Quantum Group.

Pfizer -- which in addition to Viagra and Lipitor makes depression medication Zoloft, and Celebrex for arthritis pain -- joins a growing list of blue-chip marketers seeking access to writers, producers and directors to help them weave their brands into entertainment content as a way to combat the waning power of the traditional 30-second TV commercial. Like many other marketers, Pfizer has been looking to be more creative with its advertising and become less reliant on advertising on network TV.(41;184)

By the early 1990s, the companies that made competing versions of the new antacids were battling over a \$7-billion-a-year market. The leading firms began pouring hundreds of millions of research dollars into clinical trials in an effort to prove that their product was better than the competition. There is little interest among elite scientists in conducting these types of studies, although many medical professionals at the nation's academic medical centers take part in order to raise money for their labs. Many times the results aren't even published in the literature, or when they are, they appear in secondtier journals that receive little notice from the mainstream of the profession.

By the end of 1994, Astra, Glaxo, and SmithKline had sponsored hundreds of studies on the relative merits of Prilosec, Zantac, and Tagamet. One reviewer counted 293 clinical trials comparing the drugs. He concluded that proton-pump inhibitors were marginally more effective at healing ulcers, with cure rates at 94 percent after four weeks for Prilosec compared to 70 to 80 percent for the H2 antagonists. The cure rate for Prilosec fell to 84 percent after eight weeks, and for some types of ulcers and conditions, the cure rates were statistically indistinguishable. Despite the similarities between the drugs, Astra and Merck used the results to launch a massive marketing push for its proton-pump inhibitor, which soon turned Prilosec into the best-selling medicine in the world. By 2000, it was racking up nearly \$5 billion a year in sales in the United States alone. TAP Pharmaceuticals' me-too proton-pump inhibitor Prevacid, launched in 1995, was the third-best-selling medicine in the United States with more than \$3 billion in sales.

Astra's research team wasn't through with heartburn yet. With the company's patent on Prilosec set to expire in 2001, company officials knew that generic



manufacturers would line up to manufacture the lucrative pill. As early as 1995, Astra officials launched a massive research project to come up with a successor to their wildly popular purple pill (the color became a mainstay of its advertising campaigns). It would be best if they came up with a better drug, company scientists knew. But with an 80-percent cure rate for the existing antacids, a better mousetrap would be hard to find.

The company never considered one possible approach, which had been percolating in the world of academic medicine for more than a decade. In the years since the discovery of H2 antagonists and proton-pump inhibitors, scientifically inclined academics had moved away from interfering with the mechanisms for generating stomach acid. In 1983, Barry Marshall, then working at the Royal Perth Hospital in Australia, had isolated a bacterium called helicobacter pylori that flourished in the excess stomach acids of gastritis and ulcer patients. He believed it was the root cause of ulcers. After returning to the United States to a post at the University of Virginia, he used NIH funding to establish the Center for the Study of Diseases Caused by Helicobacter Pylori. Over the course of the next decade, Marshall and other scientists showed that the bacterium, which infects about half the world's population, was the leading cause of stomach and intestinal ulcers, gastritis, and stomach cancer. The center even developed regimens of common antibiotics that could eliminate the minor infection.

Unfortunately, no pharmaceutical company championed the cure. They had no interest in eliminating the cause of ulcers with a short, cheap course of generic antibiotics when they could make billions of dollars treating their chronic recurrence with expensive prescription antacids. As one NIH analyst put it: "A one-time antibiotic treatment regimen to eliminate H. pylori, as opposed to long-term maintenance with H2-antagonist drugs, recurrence, and sometimes surgery as a last resort, is an obvious benefit both to the patient and to the health care insurers. However, [promoting this approach would lead to] the possible decline in sales." [Emphasis added].

Instead of pursuing this potential cure for ulcers, Astra scientists launched Operation Shark Fin, an effort to find a drug to replace Prilosec after it came off patent and became generically available. At first they tried drug combinations and oral suspensions, but they didn't work any better and were less convenient. Finally, Astra scientists created a molecule that was, in essence, half of Prilosec. They dubbed it Nexium. In doing so, they used a process that by the late 1990s had become one of the drug industry's chief strategies for extending patents, a strategy that was garnering an increasing share of industry research-and-development budgets. [Emphasis added] (41)

Apart from distorting or ignoring good science for the sake of better profits, Big Pharma is not above simply raising drug prices at whatever rate it deems politically possible. Sometimes, however, its pricing acumen runs afoul of the sense of medical propriety of individual caregivers, if not the whole of the healing arts. In 1992, Johnson & Johnson raised the price of levamisole about 10,000% of its former price when it became FDA approved for other applications.

... a Minnesota physician publicly chastised Johnson & Johnson for its pricing of levamisole, which has been found to be effective in advanced colon cancer cases. What galled Charles G. Moertel, M.D., of the Mayo Comprehensive Cancer Center in Rochester, Minn., was that this drug cost \$ 14 for its previously approved use -treatment of worms in sheep. But when the drug was approved to treat cancer in humans, the company raised the price to \$ 1,250 to \$ 1,500 for a year's supply. (152)



Industry stated reasons for merger and acquisition activity have little empirical support. R&D spending is not as high as claimed, and mergers tend to reduce R&D expenditures. Moreover, the R&D that is being spent is not resulting in pharmaceutical breakthroughs, but rather minor improvements on existing drugs. Finally, though the industry touts the high costs of R&D, its biggest spending item is actually marketing.

There is some evidence, however, that the mergers of the last few years are associated with escalating drug costs. The greater market power engendered via mergers and acquisitions enables the industry – their protestations about price controls notwithstanding - to set their own inflated price controls on drugs.

3. Prescription Drugs and the Elderly

As many Seniors live on a modest fixed income and since they consume 28 percent of all prescription drugs,(6) and twenty percent of elderly Americans take at least five prescription medications every day, (6) the rising costs of pharmaceuticals has a disproportionate impact on the Medicare patient population:

As others have noted,

... the costs of prescription drugs (are) -- the single largest health-care expense for the elderly. (118)

As the following excerpted figures make clear, the price of those drugs is considerable, especially for those on a fixed income: (18) See also, (118)



Figure 2 Average Wholesale Price of the Top 30 Drugs Used by the Elderly¹² Annual Average Wholesale Price[°] of the Top 30 Brand-Name Drugs Used by the Elderly

| Brand-Name Drug | Strength | Dose Form | Therapeutic Category | Marketer | 2001 Cost/Year | 2004 Cost/Year |
|--------------------|-----------|--------------|-------------------------------|----------------------|-------------------|-------------------|
| Lipitor | 10 mg | tab | Lipid-Lowering Agent | Pfizer | \$742 | \$943 |
| Plavix | 75 mg | tab | Antiplatelet Agent | Bristol-Myers Squibb | \$1,232 | \$1,661 |
| Fosamax | 70 mg | tab | Osteoporosis Treatment | Merck | \$802 | \$953 |
| Norvasc | 5 mg | tab | Calcium Channel Blocker | Pfizer | \$514 | \$603 |
| Celebrex | 200 mg | cap | Anti-Inflammatory/Analgesic | Pfizer | \$1,837 | \$2,273 |
| Zocor | 20 mg | tab | Lipid-Lowering Agent | Merck | \$1,520 | \$1,747 |
| Prevacid | 30 mg | cap cr | Gastrointestinal Agent | TAP Pharmaceutical | \$1,459 | \$1,740 |
| Protonix | 40 mg | tab | Gastrointestinal Agent | Wyeth | \$1,095 | \$1,396 |
| Lipitor | 20 mg | tab | Lipid-Lowering Agent | Pfizer | \$1,148 | \$1,369 |
| Norvasc | 10 mg | tab | Calcium Channel Blocker | Pfizer | \$794 | \$827 |
| Toprol XL | 50 mg | tab cr | Beta Blocker | Astra Zeneca | \$221 | \$286 |
| Nexium | 40 mg | cap | Gastrointestinal Agent | Astra Zeneca | nm | \$1,710 |
| Xalatan | 0.005% | sol | Glaucoma Treatment | Pfizer | \$573 | \$701 |
| Vioxx | 25 mg | tab | Anti-Inflammatory/Analgesic | Merck | \$958 | \$1,100 |
| Zocor | 40 mg | tab | Lipid-Lowering Agent | Merck | \$1,520 | \$1,747 |
| Zoloft | 50 mg | tab | Antidepressant | Pfizer | \$882 | \$1,049 |
| Evista | 60 mg | tab | Osteoporosis Treatment | Eli Lilly | \$807 | \$1,033 |
| Cozaar | 50 mg | tab | Angiotensin II Inhibitor | Merck | \$497 | \$607 |
| Combivent | 1 mg | aerosol | Respiratory Agent | Boehringer Ingelheim | \$612 | \$957 |
| Toprol XL | 100 mg | tab cr | Beta Blocker | Astra Zeneca | \$332 | \$429 |
| Zocor | 10 mg | tab | Lipid Lowering Agent | Merck | \$871 | \$1,001 |
| Actonel | 35 mg | tab | Osteoporosis Treatment | Procter & Gamble | nm | \$916 |
| Diovan | 80 mg | tab | Angiotensin II Inhibitor | Novartis | nm | \$640 |
| Detrol LA | 4 mg | tab | Overactive Bladder Treatment | Pfizer | \$1,031 | \$1,220 |
| Miacalcin | 200 iu/aa | at spray | Calcitonin Replacement | Novartis | \$765 | \$938 |
| Pravachol | 20 mg | tab | Lipid-Lowering Agent | Bristol-Myers Squibb | \$931 | \$1,203 |
| Alphagan P | 0.15% | 5ml | Glaucoma Treatment | Allergan | nm | \$535 |
| Aricept | 10 mg | tab | Alzheimer's Disease Treatment | Pfizer | \$1,637 | \$1,893 |
| Pravachol | 40 mg | tab | Lipid-Lowering Agent | Bristol-Myers Squibb | \$1,511 | \$1,765 |
| Celexa | 20 mg | tab | Antidepressant | Forest | \$789 | \$952 |

Note: The top 30 brand-name drugs prescribed to the elderly, listed in descending order based on 2003 claims volume from the Pennsylvania PACE program. List excludes brand-name drugs that have generic or co-marketed versions available.

nm: Not marketed during part or all of the period indicated.

^a Cost per year is based on Average Wholesale Price (AWP) as of January 15 for 2001 and 2004 and calculated using the usual therapy dosage. This is not necessarily the retail price that seniors pay at the drugstore. However, it is the best measure available to examine base prices and the rate of price increases over time.

Source: Compiled by Families USA from data provided by the Pennsylvania Pharmaceutical Assistance Contract for the Elderly (PACE) and data found in Medi-Span's MDDB Select published by MediSpan (First Databank, Indianapolis), April 2004.

¹² Reproduced from Families USA, website, <u>www.familiesusa.com</u> (18)



Figure 3 Annual Percent Change in Price of Top 30 Brand-Name Drugs Used by the $Elderly ^{\hbox{\scriptsize 13}}$

| Brand-Name Drug | Strength | Dose Form | Marketer | 2003-2004 % Price Change | 2003-2004 Multiple of CPI | | |
|--|----------------|--------------|----------------------|--------------------------------|---------------------------------|--|--|
| Lipitor | 10 mg | tab | Pfizer | 8.3% | 5.5 | | |
| Plavix | 75 mg | tab | Bristol-Myers Squibb | 7.9% | 5.3 | | |
| Fosamax | 70 mg | tab | Merck | 6.9% | 4.6 | | |
| Norvasc | 5 mg | tab | Pfizer | 9.9% | 6.6 | | |
| Celebrex | 200 mg | cap | Pfizer | 8.1% | 5.4 | | |
| Zocor | 20 mg | tab | Merck | 4.4% | 2.9 | | |
| Prevacid | 30 mg | cap cr | TAP Pharmaceutical | 3.0% | 2.0 | | |
| Protonix | 40 mg | tab | Wyeth | 8.9% | 5.9 | | |
| Lipitor | 20 mg | tab | Pfizer | 2.9% | 1.9 | | |
| Norvasc | 10 mg | tab | Pfizer | 4.2% | 2.8 | | |
| Toprol XL | 50 mg | tab cr | Astra Zeneca | 3.2% | 2.1 | | |
| Nexium | 40 mg | cap | Astra Zeneca | 6.0% | 4.0 | | |
| Xalatan | 0.005% | sol | Pfizer | 10.2% | 6.8 | | |
| Vioxx | 25 mg | tab | Merck | 4.8% | 3.2 | | |
| Zocor | 40 mg | tab | Merck | 4.4% | 2.9 | | |
| Zoloft | 50 mg | tab | Pfizer | 8.6% | 5.7 | | |
| Evista | 60 mg | tab | Eli Lilly | 15.4% | 10.3 | | |
| Cozaar | 50 mg | tab | Merck | 9.7% | 6.5 | | |
| Combivent | l mg | aerosol | Boehringer Ingelheim | 19.8% | 13.2 | | |
| Toprol XL | 100 mg | tab cr | Astra Zeneca | 3.1% | 2.1 | | |
| Zocor | 10 mg | tab | Merck | 4.4% | 2.9 | | |
| Actonel | 35 mg | tab | Procter & Gamble | 6.1% | 4.0 | | |
| Diovan | 80 mg | tab | Novartis | 12.9% | 8.6 | | |
| Detrol LA | 4 mg | tab | Pfizer | 12.8% | 8.5 | | |
| Miacalcin | 200 iu/act | spray | Novartis | 0.0% | 0.0 | | |
| Pravachol | 20 mg | tab | Bristol-Myers Squibb | 7.0% | 4.7 | | |
| Alphagan P | 0.15% | 5ml | Allergan | 15.5% | 10.3 | | |
| Aricept | 10 mg | tab | Pfizer | 4.5% | 3.0 | | |
| Pravachol | 40 mg | tab | Bristol-Myers Squibb | 7.0% | 4.7 | | |
| Celexa | 20 mg | tab | Forest | 8.2% | 5.5 | | |
| Top 30 Brands | , Average Weig | ghted by Sal | es° | 6.5% | 4.3 | | |
| CPI-All Items Less Energy, Percent Change Jan 2003-Jan 2004 1.5% | | | | | | | |

Annual Percent Change in Price of the Top 30 Brand-Name Drugs Used by the Elderly*

* Excludes brand-name drugs available in generic or co-marketed versions. Excludes drugs not marketed for the entire period. Based on prices as of January 15 for each year reported. Drugs are listed in descending order of number of prescriptions in the PACE program in 2003

* The weighted average was calculated based on 2003 expenditures for each drug in the Pennsylvania PACE program.

Source: Compiled by Families USA from data provided by the Pennsylvania Pharmaceutical Assistance Contract for the Elderly (PACE) and data found in Medi-Span's MDDB Select published by Medi-Span (First Databank, Indianapolis), April 2004.

¹³ Reproduced from Families USA, website, <u>www.familiesusa.com</u> (18)



Figure 4 Price Changes of the Top 30 Brand-Name Drugs Used by the Elderly¹⁴

| | | | 2003-2004 | | 2001-2 | 004 |
|--------------------|----------------|--------------|----------------------------|------------------------------|----------------------------|------------------------------|
| Brand-Name Drug | Strength | Dose Form | Number of Price Changes | Cumulative % Price Change | Number of Price Changes | Cumulative % Price Change |
| Lipitor | 10 mg | tab | 2 | 8.3% | 4 | 27.0% |
| Plavix | 75 mg | tab | 1 | 7.9% | 4 | 34.8% |
| Fosamax | 70 mg | tab | 2 | 6.9% | 4 | 18.7% |
| Norvasc | 5 mg | tab | 2 | 9.9% | 4 | 17.2% |
| Celebrex | 200 mg | cap | 2 | 8.1% | 4 | 23.7% |
| Zocor | 20 mg | tab | 1 | 4.4% | 2 | 15.0% |
| Prevacid | 30 mg | cap cr | 1 | 3.0% | 4 | 19.3% |
| Protonix | 40 mg | tab | 2 | 8.9% | 5 | 27.5% |
| Lipitor | 20 mg | tab | 1 | 2.9% | 4 | 19.2% |
| Norvasc | 10 mg | tab | 1 | 4.2% | 1 | 4.2% |
| Toprol XL | 50 mg | tab cr | 1 | 3.2% | 7 | 29.1% |
| Nexium | 40 mg | cap | 2 | 6.0% | nm | nm |
| Xalatan | 0.005% | sol | 2 | 10.2% | 4 | 22.3% |
| Vioxx | 25 mg | tab | 1 | 4.8% | 4 | 14.9% |
| Zocor | 40 mg | tab | 1 | 4.4% | 2 | 15.0% |
| Zoloft | 50 mg | tab | 2 | 8.6% | 4 | 18.9% |
| Evista | 60 mg | tab | 2 | 15.4% | 4 | 28.0% |
| Cozaar | 50 mg | tab | 2 | 9.7% | 4 | 21.9% |
| Combivent | 1 mg | aerosol | 2 | 19.8% | 6 | 56.3% |
| Toprol XL | 100 mg | tab cr | 1 | 3.1% | 5 | 29.1% |
| Zocor | 10 mg | tab | 1 | 4.4% | 3 | 15.0% |
| Actonel | 35 mg | tab | 2 | 6.1% | nm | nm |
| Diovan | 80 mg | tab | 1 | 12.9% | nm | nm |
| Detrol LA | 4 mg | tab | 2 | 12.8% | 3 | 18.3% |
| Miacalcin | 200 iu/act | spray | 0 | 0.0% | 3 | 22.6% |
| Pravachol | 20 mg | tab | 1 | 7.0% | 4 | 29.2% |
| Alphagan P | 0.15% | 5ml | 2 | 15.5% | nm | nm |
| Aricept | 10 mg | tab | 1 | 4.5% | 3 | 15.7% |
| Pravachol | 40 mg | tab | 1 | 7.0% | 3 | 16.8% |
| Celexa | 20 mg | tab | 2 | 8.2% | 5 | 20.7% |
| Top 30 Brand | ds, Average V | Veighted by | Salesª | 6.5% | | 21.6% |
| CPI-All Items | Less Energy, F | Percent Chai | nge Jan-Jan | 1.5% | | 6.0% |

Price Changes of the Top 30 Brand-Name Drugs Used by the Elderly*

nm Not marketed during part of the period indicated.

* Excludes brand-name drugs available in generic or co-marketed versions. Excludes drugs not marketed for the entire period. Based on prices as of January 15 for each year reported. Drugs are listed in descending order of number of prescriptions in the PACE program in 2003.

* The weighted average was calculated based on 2003 expenditures for each drug in the Pennsylvania PACE program.

Source: Compiled by Families USA from data provided by the Pennsylvania Pharmaceutical Assistance Contract for the Elderly (PACE) and data found in Medi-Span's MDDB Select published by Medi-Span (First Databank, Indianapolis), April 2004.

¹⁴ Reproduced from Families USA, website, <u>www.familiesusa.com</u> (18)



| Rank | Product | U.S. Sales | % Growth | % Market |
|------|---------------|---------------------------------|----------|----------|
| | | (U.S. \$Billions) ¹⁶ | +/- | Share |
| 1 | Lipitor | \$7.2 | 12% | 3.2% |
| 2 | Zocor | 4.5 | 8 | 2.0 |
| 3 | Prevacid | 3.9 | 2 | 1.7 |
| 4 | Nexium | 3.4 | 35 | 1.5 |
| 5 | Procrit | 3.3 | 1 | 1.5 |
| 6 | Epogen | 3.1 | 4 | 1.4 |
| 7 | Zyprexa | 3.0 | -3 | 1.3 |
| 8 | Zoloft | 3.0 | 12 | 1.3 |
| 9 | Neurontin | 2.7 | 19 | 1.2 |
| 10 | Celebrex | 2.7 | 5 | 1.2 |
| 11 | Advair Diskus | 2.6 | 38 | 1.2 |
| 12 | Plavix | 2.6 | 36 | 1.2 |
| 13 | Effexor XR | 2.4 | 36 | 1.1 |
| 14 | Norvasc | 2.3 | 9 | 1.0 |
| 15 | Protonix | 2.1 | 41 | 0.9 |
| 16 | Pravachol | 2.1 | 9 | 0.9 |
| 17 | Risperdal | 2.0 | 4 | 0.9 |
| 18 | Singulair | 2.0 | 36 | 0.9 |
| 19 | Oxycontin | 1.9 | 11 | 0.9 |
| 20 | Fosamax | 1.9 | 9 | 0.8 |

 Table 3 Leading 20 Drug Products by U.S. Sales, Moving Annual Total June 200415

Medicare beneficiaries – many of whom have been deserted by the HMO industry - comprise the single largest patient group in need of expensive medications. Those beneficiaries are at particular risk to increases in drug pricing structures. The new Medicare Prescription Drug Benefit legislation may prove in the long run to be a less than ideal resolution concerning drug costs for the Medicare population. The legislation provides economic incentives to insurers to re-enter the Medicare market but at the same time is designed to weaken the Medicare program via a privatization clause and may lead to increased healthcare costs. (46)

The new law requires "demonstration projects" beginning in 2010, forcing traditional Medicare to "compete" with private health insurers in six different regions of the country..... these insurers will get generous incentives to enter the Medicare market (\$12 billion over 10 years), which starts the "competition" on unequal footing. These insurers are likely to target their plans to younger, healthier seniors, concentrating more and more of the older and sicker into traditional Medicare, hence driving up costs for those in traditional Medicare.(165)

¹⁵ Reproduced from IMS Health,

www.imshealth.comims/portal/front/articleC/0,2777,6599_49695983_54699423,00.html

¹⁶ Represents prescription pharmaceutical purchases at wholesale prices by retail, food stores and chains, mass merchandisers, independent pharmacies, mail services, non-federal and federal hospitals, clinics, closed-wall HMOs, long-term care pharmacies, home health care, and prisons/universities.



Part of the pharmaceutical merger and acquisition fallout for patients and the health care provider sector alike has been a steady escalation of drug prices as a percent of total health care costs since 1995.

The (health care merger and acquisition) binge was fueled by a 1994 change in U.S. antitrust law (ironically, the only major change adopted by Congress in response to the Clinton administration's 1993 health care plan) that granted extraordinary latitude to merging health care corporations, reputedly to encourage competition. (69)

In particular, hospital charges for drugs have reached new highs in part due to Pharma consolidation in recent years and the attendant rise in drug prices coupled with the 1994 change in Sherman Anti-Trust.

That change can in part be summarized as follows:

In September 1994, the Justice Department and Federal Trade Commission issued comprehensive "non-enforcement" antitrust policy statements in health care, expanding safe-harbors and areas of non-enforcement established a year earlier. Statements of Enforcement Policy and Analysis, reprinted in 4 Trade Reg. Rep. (CCH) ¶ 13, 152 at 20, 769 (Sept. 30, 1994). The stated purpose of the policies is "to provide education and instruction to the health care community in a time of tremendous change, and to resolve, as completely as possible, the problem of antitrust uncertainty that some have said may deter mergers, joint ventures, or other activities that would lower health care costs." Id.

The statements provide antitrust "safety zones" and other relief for nine separate areas of collective activity: (1) hospital mergers; (2) joint ventures involving high technology or other expensive health care equipment; (3) joint ventures involving specialized clinical or other expensive health care services; (4) providers' collective provision of non-fee-related information to purchasers; (5) providers' collective provision of fee-related information to purchasers; (6) provider participation in exchanges of price and cost information; (7) joint purchasing arrangements among health care providers; (8) physician network joint ventures; and (9) multi-provider networks.

For networks and ventures among health care providers who jointly market their services the multi-provider network policy rejects the historical "per se" approach to analyzing the lawfulness of price-fixing and geographic market division among competitors in favor of the "rule of reason" approach. The Department of Justice and the FTC will apply the "rule of reason" analysis to multiprovider networks if they determine that the collective activity among the network participants is "necessarily related to significant economic integration among them." Id. at 20, 793-94. "Substantial financial risk-sharing" among the network participants is evidence of such integration. Id. at 20, 794. Examples of "substantial risk sharing" include: (i) when the network agrees to provide services to a health benefit plan at capitulated rates; or (ii) when the network creates significant financial incentives for participants to "achieve specified cost containment goals." Id.

The initial 1993 non-enforcement policies (Antitrust Enforcement Policy Statements in the Health Care Area, reprinted in 4 Trade Reg. Rep. (CCH) ¶ 13, 151 (Sept. 30, 1994)) were limited to the first six of these "safety zones," yet were severely criticized by dissenting FTC Commissioner Deborah K. Owen:



The risks of higher prices and reduced output or lower quality care posed to some health care consumers by the more relaxed enforcement proposed in some of these Statements far outweigh any benefits generated. Moreover, the premises implicitly underlying some of the Statements –that sufficient guidance is not available and that the agencies' past enforcement efforts have been unreasonable–are simply unsupportable.... Some of today's action effectively constitutes a special-interest antitrust exemption that should more appropriately be accomplished through legislative action, if at all....4 Trade Reg. Rep. (CCH) ¶ 13, 235, (Sept. 15, 1993) [Emphases added].

The DOJ/FTC non-enforcement policies were again revised in August 1996, providing even more relief from federal enforcement for physician and multi-provider networks. The new revisions to Statements 8 and 9 were promoted by DOJ/FTC as giving providers greater flexibility in the creation of networks in an attempt to remedy a perceived "chilling effect" of existing law on the development of new and innovative provider networks. Statements of Antitrust Enforcement Policy in Health Care, 4 Trade Reg. Rep. (CCH) ¶ 13, 153 (Sept. 5, 1996)(79)

FTC Commissioner Owen's concerns have proven prescient over the last decade.

The tables below depict the percent of health care costs expended on prescription drugs for selected years and the average hospital drug charge to cost ratio for fiscal year 2002/2003 by provider control type and the weighted national average.

Rising hospital charge to cost ratios for drugs (70) reflect increases in Pharma merger and acquisition activity and the associated increase in prescription drug costs in past years.

| Year % of Total Health Care Costs for Prescription Drugs | Percent |
|---|---------|
| 1960 | 10.1% |
| 1970 | 7.5% |
| 1980 | 4.9% |
| 1988 | 5.5% |
| 1990 | 5.8% |
| 1991 | 5.9% |
| 1992 | 5.8% |
| 1993 | 5.8% |
| 1994 | 5.8% |
| 1995 | 6.2% |
| 1996 | 6.5% |
| 1997 | 6.9% |
| 1998 | 7.6% |
| 1999 | 8.5% |
| 2000 | 9.3% |

Table 4 Percent of Total Health Care Costs for Prescription Drugs Selected Years¹⁷

¹⁷ Source: Centers for Medicaid and Medicare, Table 2, National Health Expenditure Amounts and Average Annual Percent Change by Type of Expenditure: Selected Calendar Years 1990-2013

| Year % of Total Health Care Costs for Prescription Drugs | Percent |
|---|---------|
| 2001 | 9.9% |
| 2002 | 10.5% |

 Table 5 Hospital Medical Supply and Drug Charge to Cost Ratios by Control Type –

| Provider Control Type: Hospital Medical Supply and Drug Charge to Cost Ratios by Control Type – 2002/2003 | Total Charge to Cost Ratio- Medical Supplies | Total Charge to Cost Ratio- Drugs |
|---|--|--------------------------------------|
| Proprietary, Corporation | 505.11% | 644.11% |
| Proprietary, Partnership | 445.35% | 484.69% |
| Natl. Weighted Avg. by Control Type | 614.68% | 439.10% |
| Proprietary, Other | 615.40% | 424.94% |
| Proprietary, Individual | 1497.24% | 423.16% |
| Voluntary Nonprofit, Church | 475.71% | 404.75% |
| Voluntary Nonprofit, Other | 428.01% | 357.13% |
| Government (Consolidated) | 335.94% | 334.92% |
| Voluntary Nonprofit, Church Voluntary Nonprofit, Other Government (Consolidated) | 475.71% 428.01% 335.94% | 404.75% 357.13% 334.92% |

4. Consequences of Increased Pharmaceutical Market Share

As pharmaceutical corporations consolidate and gain market power, they are more easily able to set higher drug prices:¹⁹

Greater market power also enables them to create demand for brand name drugs via public advertising campaigns.

As a result of "patient demand" – in good part driven by heavy industry advertising - for more specific medications, the aging population and more expensive therapies, providing prescription benefits will cost employers on average 20 percent more in 2001 than in 2000, according to a survey by the Segal Company. (7)

These trends make it more expensive for insurance plans that cover prescription benefits although clearly recent HMO profits suggest that the plans have simply raised rates over and above any drug incurred costs (41) - employers who offer such plans and hospitals.. Rising drug costs have played a significant role with respect to higher premiums, higher co-payments, fewer benefits and more restricted access to pharmaceuticals and health care.(87)

¹⁹ Drugs sold in Canada and Mexico are generally half the price of the same drugs sold in the US.(5) The average American pays 50 percent more for a prescription drug than in England, 75 percent more than in France and 100 percent more than in Italy for the same drug.(164)



¹⁸ Source: IHSP calculations of Federal Hospital Cost Reports, current as of March 31, 2004.

a) Hospital Drug Charge to Cost Ratios and Pharma Drug Prices

The IHSP year 2000 Pharma study(70) found that of the approximate 4,545 acute care only hospitals²⁰ whose most recent Federal Hospital Cost Report filing was in 1999 or 2000, drug costs for patients (\$21,008,013,762) were only 29.3% of what hospitals charged patients for those same drugs (\$71,705,455,513) which is a net difference of \$50.7 billion for the time period. Our current findings for FY 2002/2003 reveal that hospital charges for drugs as a percent of drug costs stands at 398%, an increase of approximately 53 percentage points from the earlier time period. Some part of this increase may be due to the overall rise in drug prices. Concomitantly, there are indications that some Pharmas may be pushing for more stringent hospital contractual relationships as they relate to drug purchases.

Some critics of Pfizer say its tough style has morphed into arrogance. This January, Pfizer eliminated discounts for some hospitals that had been offered by Pharmacia, another drug company that Pfizer acquired in April 2003. In New York, hospitals are paying about \$13 million this year for Pharmacia drugs now sold by Pfizer, with an average price increase of 24% for the drugs, according to GNYHA Ventures Inc. The forprofit subsidiary of the Greater New York Hospital Association contracts with a national buying co-op, Premier Inc., to pool drug purchases for more than 200 New York City area hospitals and affiliated facilities.

The buying group estimates that the cost to those hospitals of the former Pharmacia drug Depo-Medrol, a long-acting steroid for cancer and other diseases, will rise 28% to nearly \$600,000 this year. "Among the top 25 companies, Pfizer is the only one that doesn't discount to hospitals," says Lee Perlman, president of GNYHA Ventures. "Their hard and unique line puts us in a spot where we have to seek alternatives to their products."

A Pfizer spokeswoman says that the company's policy is to offer the same price to all hospitals, and that it raised the prices of the Pharmacia drugs when that company's contract expired, in order to be consistent with Pfizer policy.(99)

²⁰ Drug charges and costs analyses are limited to only acute care hospitals



C. HMOs, Hospitals, Pharmas and the Health Care War Economy

Despite the talk of a "power shift" from HMOs to hospitals, (71;88) that alleged shift has not inhibited profits from soaring within the elite top strata of the HMO sector. (4;37;55;60;162;169;170)

The nation's HMOs nearly doubled their net profits last year, earning \$10.2 billion in 2003, up from \$5.5 billion in 2002, according to a new report by financial ratings firm Weiss Ratings. California and Illinois HMOs reported the highest aggregate earnings at \$773.6 million and \$624.6 million, respectively. One HMO, Kaiser Permanente, Oakland, Calif., accounted for a full fifth of the industry's profit gains... Meanwhile, the nation's Blue Cross and Blue Shield plans saw their combined profits jump 63% last year, to \$5.4 billion from \$3.3 billion in 2002, the study found. "The industry's soaring profits continue to irk both consumers and businesses who are shouldering skyrocketing healthcare costs without any perceived improvement in benefits," Melissa Gannon, vice president of Weiss, said in a press release. "We may soon see the next wave of consumer backlash forcing HMOs to evolve their cost structures." Of the 502 HMOs reviewed by Weiss using year-end 2003 data, 24 companies were upgraded, while 14 were downgraded (41)

Our calculations for the top 50 HMOs are consistent if not identical with *Weiss Ratings* findings. From 2000 to 2003, the top 50 HMOs increased their profits from \$3.7 billion to \$7.1 billion for a net gain of about 88%.

Table 6 Top 50 HMO Profits Increase – 2000 to 2003²¹

| Top 50 HMOs | 2000 Profits | 2003 Profits | Ratio of 2003 to 2000 | Percentage |
|-------------|--------------------|--------------------|-----------------------|------------|
| | \$3,773,466,432.00 | \$7,083,508,184.00 | 187.72% | 87.72% |

Hospitals in the aggregate seem to be coping with the high cost of drugs by demanding substantial Drug Charge to Cost Ratios (DCCRs) while HMOs are simply raising rates and/or tightening up their formularies. (4;30) Hospitals, always adept at cross-subsidization, (83;84) and contingent to a large degree on their control type (See Table, *Hospital Medical Supply and Drug Charge to Cost Ratios by Control Type – 2002/2003*), either attempt to simply maintain operations or dramatically enrich the bottom line.

This battle among HMOs, Pharmas and Hospitals to enrich and/or protect their market shares, revenues and profits is one of many among the various sectors that comprise the health care industry and a conflict of great moment within the larger Health Care War Economy.²² (27)

 $^{^{21}}$ Source: IHSP calculations of InterStudy data. (Individual HMO profit data may be available upon request).

²² See, Part VII, Section C, Hospitals and the Health Care War Economy, for more detail).

The alleged "magic of the marketplace," – which holds that the unbridled pursuit of **individual** gain "magically" brings about the collective good - is entrenched in mythic proportions in our popular culture and in most corporate boardrooms and most of Congress. It is so deeply rooted and this particular battle so intense that both tend to go unnoticed. Instead, the *outcomes* of this single but extraordinary battle in the global Health Care War Economy – high drug prices, increased hospital pricing structures and runaway health premium costs - are labeled as "cost drivers" in the health care inflation debacle.

Such a view is politically and economically myopic: it serves only to obscure the root cause of health care inflation - the Health Care War Economy - and at the same moment to secure the ability of the entities in this particular battle - HMOs, Pharmas and Hospitals - to continually raise prices in the pursuit of greater and greater revenues.

V. Medicare Fixed Rate Reimbursement is Impacted by Hospital Gross Charges

When pressed, the hospital industry habitually states that gross hospital discharges are irrelevant since actual payments from Medicare and other payers are reimbursed via fixed rates.

The question left unasked and unanswered is, if reimbursement rates are **absolutely** fixed, then why are not hospital gross charges – the "list prices" – fixed and indexed to the same rate? The answer is that reimbursement rates are not *a priori* **absolutely** fixed. For example, the method by which Medicare reimbursement rates are set makes use of a number of variables, *including* hospital billed or gross charges. (See Table 25) The same charge structure plays a vital role as a starting point for negotiated hospital reimbursement rates from other payers, such as HMOs.

Medicare "outlier payments" are discussed below, but the often cited Medicare fixed rate for each DRG is itself not immune from hospital charge structures. Those flat rates are impacted by a number of variables, among them a federally computed relative weighting system for each DRG. Most critical for understanding the importance of hospital gross charges, those relative DRG weights are *themselves* heavily impacted by hospital pricing practices; that is, hospital gross charges or "list prices" for products and services. In discussing the variation in hospital margins relative to Medicare payments, the federal Medicare Payment Advisory Commission.²³ MedPAC states:

Adopting a patient classification system that is more sensitive to differences in severity of illness than the current DRGs might eliminate the unintended case mix contributions to margin variation across hospitals. It is also possible, however, that a portion of the problem arises from limitations in the data and methods used to calculate the national DRG relative weights. **The DRG weights may be biased because they are based on hospitals' service charges**,(emphasis added) and thus reflect the systematic differences in mark-ups across services that are built into hospitals' charge structures. (15;16;25;32;67)

²³ The Medicare Payment Advisory Commission (MedPAC) is an independent federal body established by the Balanced Budget Act of 1997 (P.L. 105–33) to advise the U.S. Congress on issues affecting the Medicare program. The Commission's statutory mandate is quite broad in addition to advising the Congress on payments to health plans participating in the Medicare-Choice program and providers in Medicare's traditional fee-for-service program. (14)



Calculations of Medicare reimbursement rates – both the flat rate and outliers – therefore involve hospital gross charges, the "list price" for hospital products and services. Self-payers are often forced to pay the gross charge itself or the "list price." For other payers, the gross charge tends to be a starting point for negotiations on actual reimbursement levels.

Elsewhere, MedPAC writes:

... the weights (relative DRG weights) are based on the total billed service charges hospitals report on their claims for all cases in each DRG (14)

Further,

Currently, the weight for each DRG is calculated by dividing the national average standardized total charge per case for all cases in the category by the overall national average standardized charge for all cases. Basing the weights on the national average standardized charge per case in each DRG, however, makes them vulnerable to distortion from systematic differences among hospitals in the mark-up of charges over costs and in the level of costs. (14) (Emphasis added).

A. Calculating Medicare Reimbursement Rates

Gross hospital charges are utilized in determining relative DRG weights, which in turn impact the "flat rate" reimbursements under Medicare reimbursement formulae. It is also the case, as outlined below, that there is no *standard* flat rate of reimbursement per DRG that is "the same" for all hospitals. Individual hospital reimbursement rates can and do vary:

The DRG adjusted payment (DRG price) is the base amount multiplied by a national "weight" associated with the hospitalization's DRG. The base amount is calculated from information (for the hospital) found in the PPS Impact File (wage indices, disproportionate share and medical education adjustments) and a national calculation of average capital costs and operating costs with geographic adjustments for all Medicare hospitalizations found in the Federal Register.

The costs incurred by a hospital for a case are evaluated to determine whether it is eligible for additional payments as an outlier case. This additional payment is designed to protect the hospital from large financial losses due to unusually expensive cases. Any outlier payment due is added onto the DRG-adjusted base payment rate. (100)

The principle elements in the determination of a **particular** hospital's Medicare flat rate for any given DRG are: (100)

- The standardized amounts, which are the basic payment amounts.
- A wage index to account for differences in hospital labor costs.
- The DRG relative weights, which attempt to account for differences in the mix of patients treated across hospitals.²⁴

²⁴ Basing the weights on the national average standardized charge per case in each DRG, however, makes them vulnerable to distortion from systematic differences among hospitals in the markup of charges over costs and in the level of costs. (14)



- An add-on payment for hospitals that serve a disproportionate share of low-income patients.
- An add-on payment for hospitals that incur indirect costs of medical education.

The actual reimbursement for a given case of a particular DRG in a given hospital is equal to the sum of the PPS Operating Payment and the PPS Capital Payment. Calculations take the form:

PPS Operating Payment:

[(Standardized Labor Share x Operating Wage Index) + (Standardized Non-Labor Share x Operating COLA Adjustment for Hospitals Located in Alaska and Hawaii)] x (1 + Operating IME + Operating Disproportionate Share Adjustment Factor) x (DRG Weight)

PPS Capital Payment:

(Standard Federal Rate) x (GAF) x (Large Urban Add-on, if applicable) x (Capital COLA Adjustment for Hospitals Located in Alaska and Hawaii) x (1+ DSH Adjustment Factor + IME Adjustment Factor) x (DRG Weight)

Hospital Specific DRG Price (Payment):

PPS Operating Payment + PPS Capital Payment = Total Payment

The relative DRG weights are of clear import in computing the reimbursement rate for a given DRG. Hospitals' gross charges are influential in computing those DRG relative weights even though, again,

The DRG weights may be biased because they are based on hospitals' service charges, and thus reflect the systematic differences in mark-ups across services that are built into hospitals' charge structures. (15;16;32)

Hospital gross charges are also a principal determinant in triggering an outlier Medicare payment for a given DRG. Consequently, a hospital's gross charge structure plays an important role in the actual reimbursement that hospital can receive from Medicare for any given DRG or group of DRGs.

Some elements (126) within the hospital industry inexplicably continue to claim that "gross charges are irrelevant" because rates are "fixed" or "flat" from most payers, including Medicare. For Medicare, it is more accurate to say that the rates "float" year by year relative to the values of a number of variables in the reimbursement formulae, a principal component of which is hospitals' gross charging structure that influences the relative DRG weights.

Hospital stop-loss arrangements with HMOs and the impact of hospital charges with respect to Workers Compensation cases are discussed below.

B. High Charges are a Warning Sign

Hospital charges of 20% to 25% above the statewide or national median may or may not be a cause for concern. Charges more than double the median are a clear danger sign that the uninsured; employers large and small, private and public; and government may have been subject



to inflated charges far beyond hospital actual costs, that unnecessary medical procedures may have been performed, or that hospital charges may have been submitted for services not performed at all.

Reliable data on individual hospital patient discharges that include information on actual hospital costs, gross charges and actual reimbursements per specific patient discharge by service and product for all payers are not readily available within any given state or on a state-by-state comparison. Aggregated charges and costs are available in the federal cost reports but not on a case-by-case basis, and actual reimbursements are cumbersome and time consuming to calculate. Other national data sets do have actual reimbursements on a case-by-case basis and hospital charges but apply to only one payer (Medicare), and hospital costs are not specified. In California, data on hospital charges per discharge is available from the California State Office of Statewide Health Planning and Development. But, it is not readily possible to determine if those charges are <u>appropriate</u> relative to actual costs, or if unnecessary procedures were performed, or if any "upcoding" (charging for services not actually rendered) occurred.

State-level hospital costs per specific patient discharge by specific service and product on a case-by-case basis are not available, since most states aggregate charges only for each patient discharge. However, reasoned health care planning at any level – local, state, or national – requires line item specific charges, costs and reimbursements at the individual patient discharge level.

C. Medicare Outliers, Worker's Compensation & HMO Stop Loss Payments

Both Medicare and worker's compensation 25 were "gameable" under statute. (12;26)

MANAGED CARE First Dollar Stop Loss Payments Work Biss Charges per Care First Dollar Stop Loss Biss Charges per Care • Men threshold is met, charges up id in charges per Care Biss Charges per Care • Men threshold is met, charges up id in charges per Care Biss Charges per Care • Men threshold is met, charges up id in charges per Care Biss Charges per Care • Men threshold is met, charges up id in charges per Care Biss Charges \$1,000 Biss Charges \$1,000

Both:

- were based on the DRG classificatory system for reimbursement purposes,
- had economic thresholds, all of which are open to public access, beyond which a given case becomes eligible for outlier consideration,
- were based on a given hospital's habitually outdated cost-to-charge ratio, and

 $^{^{25}}$ The much publicized legislation overhauling California's worker's compensation program does not seem to address the outlier issue. (11)



• were susceptible to encouraging hospitals to game the system by raising gross charges at a rapid rate to increase profits/revenue.

Medicare outlier payments, those payments above the "flat rate" set by Medicare for specific DRGs to compensate hospitals for unusually costly and complicated cases, garnered nationwide attention, even though stop-loss payments²⁶ from HMOs were considerably richer.

However, much of past years' news coverage surrounding Medicare outliers, where questions about unnecessary surgical procedures, inflated pricing structures and possible Medicare fraud proliferate, may inadvertently give the impression that Medicare outlier payments are per se wrong and/or illegal. That is not the case. The US Congress developed Medicare outlier payments to protect hospitals from unusually costly patient hospital stays. The outlier payments provide additional reimbursement for those unusually costly hospital stays via a complex formula indexed to the average charge for a given Diagnostic Related Group (DRG). At a specified amount above that charge, the outlier payment mechanism²⁷ "kicks in." (107).

At the height of the outlier debacle that captured public and government attention in 2002, the formula for calculating Medicare outlier reimbursements changed in October. (85;181) It can be expressed in the following algebraic formula:

Outlier Payment = (.80) x [(charges x cost/charge ratio) - (DRG + IME + DSH + threshold)].

Terms are defined as follows:

- Charges = Hospital's actual charges for services provided to the patient
- Cost/Charge ratio = Cost-to-charge ratio derived from most recent settled Medicare cost report

²⁶ The slide, *How Stop Loss Payments Work*, is taken directly from a Tenet Online Investor Conference, December 3-6, 2002.

²⁷ Under the former regulatory system for inpatient outlier payments, a hospital could unilaterally affect the amount of outlier payments it received by adjusting its charges. A hospital that increased s its charges from one year to the next would also increase the outlier payments it received.

Medicare reimburses hospital inpatient services under a prospective payment system ("PPS"), paying a predetermined amount for each inpatient discharge. The amount varies according to the diagnosis-related group ("DRG") to which the patient is assigned, as well as certain characteristics of the hospital (e.g., teaching hospitals receive certain medical education payments; hospitals that admit a large percentage of low-income patients receive disproportionate share payments). When it created inpatient PPS, Congress was concerned about reimbursement of cases whose costs far exceed the costs of typical cases within that DRG. As a result, Congress created a system for "outlier" payments (in addition to the prospective payments) to defray some of the expenses in caring for the most costly cases.

Hospitals qualify for outlier payments when the hospital's charges (adjusted by the hospital's cost-to-charge ratio) exceed a certain threshold amount. The outlier payment for a given inpatient equals 80 percent of the difference between the hospital's charges, adjusted by the hospital's cost-to-charge ratio, and the sum of the DRG, IME, and DSH payments plus a threshold amount set annually by the Centers for Medicare and Medicaid Services ("CMS") (107)



- DRG = Standard DRG payment
- IME = Indirect medical education payment
- DSH = Disproportionate share payment
- Threshold = Annual threshold set by CMS (\$31,000in fiscal year 2004).²⁸

| Fiscal Year | Effective Date | Effective Until | Outlier Threshold Amount | | |
|--|----------------|-----------------|--------------------------|--|--|
| 2005* | 10/1/2004 | 9/30/2004 | \$35,085 | | |
| 2004 | 10/1/2003 | 9/30/2004 | \$31,000 | | |
| 2004^ | NA | NA | \$54,000 | | |
| 2003 | 10/1/2002 | 9/30/2003 | \$33,560 | | |
| 2002 | 10/1/2001 | 9/30/2002 | \$21,025 | | |
| 2001 | 4/1/2001 | 9/30/2001 | \$16,500 | | |
| 2001 | 10/1/2000 | 3/31/2001 | \$17,550 | | |
| 2000 | 10/1/1999 | 9/30/2000 | \$14,050 | | |
| 1999 | 10/1/1998 | 9/30/1999 | \$11,100 | | |
| 1998 | 10/1/1997 | 9/30/1998 | \$11,050 | | |
| 1997 | 10/1/1996 | 9/30/1997 | \$9,700 | | |
| | | | | | |
| [^] Proposed prior to the change in outlier policy. | | | | | |

Table 7 CMS Outlier Thresholds, 1997 through 2005 (Source: Federal Register, 2003)

*Proposed

We would expect some hospitals to have higher than average percentages of outliers. Among them are teaching hospitals treating acutely ill Medicare patients with heart, respiratory and neurological related DRGs, and smaller public hospitals subjected to patient dumping by more powerful hospital systems that may be tempted to foist Medicare patients with potentially less lucrative DRGs onto the smaller public sector.

We believe a number of factors should be considered in explaining outlier percentage increases in past years. Following are some of the more important variables:

- A number of hospitals nationwide, but not all, may have been responding to the BBA ٠ mandated Medicare payment cuts by exploiting rather than utilizing the outlier mechanism.
- From 1993 through December of 2003, our statistical analysis of the hospital industry's merger and acquisition activity shows that the industry has engaged well in excess of 1,000 publicly announced transactions valued at about \$142,100,000,000. The industry is still paying for those costs.

 $^{^{28}}$ For more detail, see (107)



• Some hospital systems may have "leveraged" outliers as a means to cope with stringent HMO contractual allowances.

Given recent CMS changes in the outlier formulation, it is probable that hospitals nationwide will find their total Medicare reimbursements substantially lowered. (104) As such, lacking a real national health care program, many hospitals could in the future be facing unprecedented fiscal uncertainties.

Medicare Outliers made national headlines in late October, 2002, when it was revealed that Tenet Healthcare Corporation was receiving abnormally large outlier payments by raising their charges faster than their costs.²⁹ As subsequent investigations³⁰, and the findings presented below will indicate, it was not only Tenet Healthcare that was abusing outliers. The attention on outliers prompted the federal administrator of Medicare, the Center on Medicare and Medicaid Services (CMS), to review and change its policies on outlier determination.....

The Outlier Methodology procedures have changed in 3 ways to transform the outlier portion of Medicare Reimbursements from prospectus to retro-active payment system. The three changes include:

- 1. Previously, in determining the Cost-to-Charge Ratio (CCR) the Financial Intermediary (FI) would use the most recent settled CCR. The problem was that the most recent CCRs would be at least two years old. The new rule requires that the FI use the most recently submitted or tentatively settled Medicare Cost Reports to determine the relevant CCR. The Medicare Cost Reports are tentatively settled within 4 months of being submitted. This will provide more timely data.
- 2. State Wide Averages for the CCR when the CCR falls below 3 standard deviations of the states' CCR are no longer used. This happens when a hospital raises its charges faster than it costs are rising. The State Wide Average will still apply to those hospitals with a CCR 3 standard deviations above the statewide average.
- 3. Outlier payments will become subject to reconciliation after the CCR are settled. Also CMS will be able to charge interest on overpayments of outliers. This change is designed to prevent gaming of the outlier payments as CMS can now inspect retrospectively a hospital's filings.

³⁰ Mary Chris Jaklevic, "It's more than just Tenet: Analysis shows not-for-profit hospitals, including a cluster in New Jersey, also heavily rely on outliers." *Modern Healthcare*, 14 July 2003. Thomas Scully, former head of CMS, estimated that about 300 hospitals were gaming outliers. Uwe E. Reinhardt "The Medicare World From Both Sides: A Conversation With Tom Scully." *Health Affairs*, November/December 2003; 22(6): p. 169.



²⁹ Don Lee, "Tenet Shares Tumble 14% After Downgrade; An analyst's report raises questions about the hospital company's Medicare reimbursements and whether it can sustain its stellar." Los Angeles Times 29 October 2002. See Institute for Health and Socio-Economic Policy's Research on Outliers at http://cna.igc.org/outliers/.
Closely related to the change in the procedures is the dramatic increase in the Outlier Threshold since 1997. The Outlier Threshold is the amount the hospital's costs must surpass for the hospital to be eligible for an outlier reimbursement. Medicare law establishes that Outlier Reimbursement as a percent of Total Medicare Payments (DRG Payments + OutlierPayments, ignoring Disproportionate Share Payments and Medical Education)³¹ should be between 5 and 6% and CMS sets a goal of 5.1%. This is called the Outlier Percentage.

These changes potentially have a devastating impact on the amount of Medicare reimbursement that hospitals receive. The prospective payment system is set up as a zerosum game; the amount of money for outliers and ordinary DRG reimbursements is fixed each year. If one hospital games the system, then other hospitals pay for it with lower reimbursements.

Consequently, the new reimbursement rules could hurt those hospitals that did play by the rules, making it more difficult for them to survive. Preliminary data calculated by the Institute for Health and Socioeconomic Policy (IHSP) indicates that if the new outlier methodology had been in effect from 1997 through 2001, total outlier payments to US hospitals would have been reduced by billions of dollars over the five-year period. Such a loss - projected into the future - would deal an overwhelming... blow to many U.S. hospitals. (104)

All of which highlights the unpleasant reality that market mechanisms left to their own devices are not capable of delivering accessible high quality and cost effective care.

In the past, calculations were based on cost reports that were often two to four years old. Concerning Medicare, for example,

The CCR's (Cost to Charge Ratios) used in calculation of 2003 inpatient PPS payments are based on cost reports filed in fiscal 1998 and 1999. (39)

For the sake of public oversight, <u>whatever</u> reports are used, they must be publicly available at the time of their utilization. However, even then, nothing here provides the state or the public the ability to monitor and/or audit if necessary, actual costs, charges and reimbursements to and from the various payers; i.e., Medicare, Medicaid, HMOs, self-pays (the uninsured), etc.

1. Worker's Compensation and Outlier Payments

The regulations governing the eligibility of a DRG (Diagnostic Related Group) for an increased outlier payment from workers' compensation in California are in principle similar to those that governed Medicare outlier payments. (34). The imputed cost³² of a DRG must exceed a regulatory threshold amount. The term "imputed cost" must be taken literally. We presume that

³² Disproportionate Share and Medical Education, two politically charged reimbursement issues, are left out of the outlier percentage, though they are present in determining whether a discharge qualifies as an outlier.



³¹ Disproportionate Share and Medical Education, two politically charged reimbursement issues, are left out of the outlier percentage, though they are present in determining whether a discharge qualifies as an outlier.

the business managers of hospital chains know their actual costs; the public does not. Included in the public is the State workers' compensation system.

The imputed cost is derived by multiplying the hospital's charge for the procedure times an estimated total cost-to-charge ratio. 33

As a matter of simple mathematics, the higher the gross charge billed by a hospital, the higher the imputed cost, which tends to contribute to higher costs for the workers' compensation system.³⁴ Concomitantly, hospitals have the unfettered ability to continually raise gross charges.

This state of affairs allows imputed costs to rise and to exceed actual costs – whatever they may be – by a significantly growing fissure that directly benefits a hospital's bottom line.

VI. Charges Matter: Implications of Gross Hospital Charges – the "Sticker Price"

High hospital charges have provided ideological cover for health plans to raise once again premium rates by double digits – and to dramatically increase their profits³⁵ – thus increasing health care costs for large and small employers and federal, state and local government agencies. This has prompted a number of businesses to scale back on the quality of the plans available for their employees and has been a significant contributor to the growing ranks of the uninsured whose only recourse to care is the hospital emergency room – the most expensive form of care. Hospitals then cost shift that economic burden to other payers by raising charges in so far as possible, particularly drug, medical supply and operating room charges, contributing to a self-perpetuating and self-defeating Health Care War Economy of more expensive care, less care, higher premium rates, and more uninsured.

This brings us full circle and is exactly what one should expect as the necessary outcome of the ongoing but unwinnable battle within the Health Care War Economy struggles among pharmaceutical corporations, insurers and hospitals as they do their best to exploit each other in a market care-blind to the nation's health needs.

³⁵ See (41) and Table, *Top 50 HMO Profits Increase*....



³³ (e) "Cost-to-charge ratio" means the sum of the hospital-specific operating cost-to-charge ratio and the hospital specific capital cost-to-charge ratio. The operating cost-to-charge ratio for each hospital was published in the Payment Impact File at positions 161-168. The capital cost-to-charge ratio for each hospital was published in the Payment Impact File at positions 99-106. A table of hospital-specific capital cost-to-charge and total cost-to-charge ratios for each health facility in California is contained in Appendix A to Section 9792.1. (12)

³⁴ Furthermore, the applicable state regulations are revised at intervals of one, two, or more years, rendering them habitually out of date.

VII. Implications for Health Care Reform: The U.S. Does Not Have A Health Care System

A. Failure of Market Led Health Care Reform

| Table 8 Health Care Kelaled Corporations – Selected values | Table | 8 Health | Care Related | Corporations - | - Selected Values ³ |
|--|-------|----------|---------------------|----------------|--------------------------------|
|--|-------|----------|---------------------|----------------|--------------------------------|

| Value of All Outstanding Stock of Top 100 | Total Number of California HMO |
|---|---|
| Publicly Traded Health Care Related | Members, 2003: |
| Corporations: ³⁷ | 25,731,000 |
| \$2.641,463,000,000 | |
| | U.S. HMO Mergers and Acquisitions: |
| Profits of Top 100 Publicly Traded Health | 1993 through December, 2003: |
| Care Related Corporations: | \$110,800,000,000 |
| \$107.200.000.000 | |
| + | U.S. Hospital Mergers and Acquisitions: |
| Net Sales of Top 100 Publicly Traded Health | 1993 through December, 2003: |
| Care Related Corporations: | \$142,100,000,000 |
| \$1 274 184 000 000 | |
| ¢1,271,101,000,000 | U.S. Pharmaceutical Merger and |
| Percent of Staffed Hospital Reds Controlled | Acquisitions 1993 through December, |
| hy Ton Ten California Hospital Systems in | 2003: |
| 2003. | \$554,600,000,000 |
| <u>47</u> 2% | |
| | Top Fifty Pharmaceutical Corporations |
| U.S. Hospital Profits 1986 through 2002. | Combined Profits 2003 FV-38 |
| \$230,300,000,000 | \$50,100,000,000 |
| \$250,500,000,000 | 450,100,000,000 |
| Percent of Total Number of US Chain HMO | Ton Fifty Pharmaceutical Cornorations |
| Members held by Ton Fifteen HMO Chains | Combined Market Capitalization 2003 |
| 2003 | FV. |
| 80% | ¢1 200 000 000 000 ³⁹ |
| 0070 | \$1,200,000,000,000 |
| Percent of Total Number of California | Total Drofit of US Hagnitals in 2002. |
| HMO Members held by Top Ten HMO | \$10,200,000,000 |
| Chains, 2003: | ¢17,500,000,000 |
| 92.1% | Number of Under 65 Uninguned in the US |
| | in 2002. |
| | III 2003; 45 000 000 |
| | 45,000,000 |

³⁶ Adapted from (27)

³⁹ This is not a misprint. Combined market capitalization for the top 50 Pharmas is \$1.2 trillion.



³⁷ A publicly traded health care related corporation is here stipulated as a corporation possessing at least one Standard Industrial Code (SIC), primary or secondary, in its overall operations as reported in its Securities Exchange Commission (SEC) filings that is health care related.

³⁸ See (67) for more detail on year 2002 Pharma profits.

The United States does not have a health care system.

It does have a market driven – and market concentrated – health care industry.⁴⁰ The high degree of hospital market concentration in the years following the 1994 relaxation of the Sherman Anti-Trust Act (80), resulting in more than \$142 billion in hospital merger and acquisition activity, has not issued forth in the costs savings for which many had hoped. Medical inflation is on the rise, and some hospitals and hospital chains that command large market share have overall charge to cost ratios in excess of 1,000%, some them with corresponding hefty profits.

B. Hospitals and the "Health Care War Economy"

In effect, the health care industry as a whole has itself contributed to the conditions which perpetuate a virtual Health Care War Economy among its various sectors – pharmaceuticals, HMOs, hospitals, medical device manufacturers, long term care entities, bio-tech and others. Those conditions are not, however, simply to be found *in* the health care market. Rather, the intrinsically antagonistic relations among the sectors collectively *constitute* the health care market – a market that is sustained and reproduced day-by-day and year-by-year by the industry and the sectors that comprise it.

The industry and its member sectors, dominated more and more by corporate giants, are locked in a never ceasing and irrational conflict for economic supremacy. It is a battle that is in the long term not winnable even for such behemoths as HCA, Tenet, the "Blues" or Kaiser. This same battle – and *not* its causal effects such as the medical arms race, drug costs, demands for "greater" access to care by the patient population, rising insurance premiums, or even the hospital costs documented in this report – is the real genesis of the current crisis in escalating health care spending, quality, and the dilemma of the un- and underinsured. The market that the industry has in good measure helped foster and currently sustains *demands* corporate giantism, inter and intrasector greed and duplicity, "care containment" disguised as cost containment, and brutish disregard of human health as necessary for short-term industry survival. (24;111;113-117;130;131;149;186)

But the single-minded pursuit of market-based survival – or dominance - is not without costs for the industry. Long-term survival requires industry success in at least two fundamental strategic arenas: the first is predominantly economic and the second primarily political, but both have economic and political facets:

The industry as a whole and the sectors within it need one another – and other industries – as economic trading partners to buy and sell their various products, and their political/legislative neutrality if not support regarding pricing levels and structures.

The industry's survival as an industry is linked to its ability to be widely seen as legitimate, fair, and trustworthy by both the general public and the nation's caregivers. (69) And the health care industry needs *other* industries' political resources and support in promoting cut-rate care to their employees and the general population. Even ancient monarchies did not rule without a modicum of support and consent from the ruled.

⁴⁰ All figures are IHSP calculations utilizing SEC filings, Thomson Financial Data, InterStudy, and Irving Levin Associates data, American Hospital Association statistics and State of California Hospital Filings obtained from the California Office of Statewide Health Care Planning and Development (OSHPD). Unless specified otherwise, all dates are for most current year available.



Neither of the above demands is likely achievable or sustainable in the long-term.

Part of the inevitable economic fallout of this Health Care War Economy is our finding that about 33% of the hospitals examined in this report had net losses for the time period – a statistic that is consistent for the nation's hospitals since 1983. This suggests that on average high charge to cost ratios have become a national but much unwanted norm for a healthy hospital bottom line, and that many hospitals are losing the battle with pharmaceutical corporations, HMOs, medical supply corporations, and others in trying to control costs.

A necessary condition of hospital financial success is a sometimes exorbitant overall charge to cost ratio, in which technical efficiency – such activities as throughput, "cycle time," the ratio of capital to labor (the substitution of technology for employees, or degree of mechanization), etc., is granted priority over social efficiency. Social efficiency is directly concerned with the social value of a given hospital defined in terms of both the quantity and quality of health care it makes available and the expense associated with that quantity and quality.

Stated simply, hospitals are entrapped in the nation's Health Care War Economy and are encouraged and sometimes forced to choose between their own economic survival (or in extreme cases, generating staggering profits) and making available cost effective, quality health care to as many of the nation's people as possible.

In this sense, hospitals are both victims of a market indifferent to the intent of the original Greek formulation of the Hippocratic oath⁴¹ with its dual emphases on doing no medical harm and promoting social justice, and victimizers of patients and society at large for failing to take a leadership role to end the inter- and intra-sector struggles endemic to Health Care War Economy and provide quality health care at affordable prices. (68;130) Hospital pricing behaviors may be one of the nation's best witnesses to the futile economic thrashings of the Health Care War Economy as national health care reform is debated this political season.

No amount of market tinkering (45;56;60;62;109;110;112;121;138-148;150;160;161;171;175;181-183;188) or politically motivated flights of wishful thinking (96) that the often-cited-but-never-seen "magic of the marketplace" will resolve the health care crisis (47;59;128;187) in the foreseeable future.

Both reason and simple human compassion demand creation of a new national environment in which health care related social efficiency is ascendant. Whatever that environment is, it must obliterate the current market-generated debacle and its contradictory demands made on the hospital industry:

... it becomes clear why the burden is not simply on other hospitals to lower costs to achieve a greater degree of technical efficiency via a higher charge to cost ratio. In a nation with 41 million uninsured, the burden is on those hospitals with a high charge to cost ratio to lower their charges to increase the quantity and quality of care available to all and thereby give preference to social and not mere technical efficiency...

⁴¹ I swear by... (the ancient Greek Gods).. making them my witnesses, that I will fulfill according to my ability and judgment this oath and this covenant. ... I will apply..(medical) measures for the benefit of the sick according to my ability and judgment; I will keep them from harm *and injustice*. (78) [Emphasis added].



VIII. Stripping Away the Myth of a U.S. Health Care System: A 12 Step Program to Begin Recovery⁴²

A new national health care environment for hospital survival entails at least the following twelve primary steps, (27).

- 1. Single Universal Standard of Care Applied to All Patients
- 2. Uniform Benefits Package for All
- 3. Mandated and Enforced Safe Caregiver Staffing Levels Based on Patient Need
- 4. Patient and Caregiver Safety Standards Placed on Caregiver Work Redesign Programs
- 5. Patient and Caregiver Safety Standards Placed On Computer-Based Technologies
- 6. Implementation of a Single and Uniformly Applied Acute Care Hospital Acuity System
- 7. Public Regulation of Health Care Investments and Divestments
- 8. Transition Employment Program for Displaced Workers as a Direct Result of Health Care Reform Measures
- 9. Patient Sensitive Criteria (e.g., Race, Gender And Socio-Economic Status) Must be Given First Priority in all Health Care Investment and/or Divestment Proposals
- **10.** Protections Against Patient Dumping and Providers Gaining a Monopoly on Healthy (Less expensive) Patients
- 11. Expansion of Traditional Funding Sources: Making Corporations Accountable⁴³
- 12. Expansion of Clinical and Economic Reporting Requirements

Each step in the 12-step program is informed by a paradigmatic break from the current industriallike focus on static patient care outcomes and profits. In its stead is a stress on a dynamic system approach focused on long-term quality of life. The new paradigm focuses on fostering cooperative system relationships among the various health care sectors rather than the antagonistic internal profit driven conflicts inherent in the market-based industrial battles currently in place.

This approach is grounded in the basic supposition that human beings have certain inalienable rights – all of which are derived from the fact that neither human beings as such, their health nor their long-term quality of life should be enslaved to the market – or in the instance of the health care industry – be reduced to mere economic units.

The new paradigm stresses,

"... maximization of public health and long-term quality of life consistent with humanity's inalienable right to health care and the indivisible, universal and intrinsic dignity that comprises the foundation of the human condition."(27)

⁴³ This includes development of a publicly funded and administered health care payer system, similar to but more expansive than some current Western European models.



⁴² For further detail on the 12 Steps, see, *Stripping Away the Myth of a U.S. Health Care Industry: A 12 Step Program to Begin Recovery. An IHSP Policy Brief* (2003). Orinda: Institute for Health & Socio-Economic Policy.

As the 12 Steps are informed by this paradigmatic shift, Step 1, the *Single Universal Standard of Care Applied to All Patients*, informs and is supported by the remaining steps directly or indirectly. Steps 3 through 5 offer direct support and are logically implied by the Single Universal Standard of Care. Steps 2, and 6 through 12 play vital supporting roles and are empirically essential in bringing Step 1 to fruition.

Implementation of **all** these basic steps constitutes a necessary political and economic prerequisite in eliminating in so far as possible what we have termed the Health Care War Economy – itself both the offspring and keystone of a market that is care-indifferent to the inherent health needs of the nation.

Failing implementation of these twelve steps, there is little hope that hospitals will lower charges for the sake of health care related social efficiency and a more just civil society in which human beings are no longer reduced to, demeaned, and trivialized as "covered lives" for sale in a Health Care War Economy.



IX. Tables

A note on the Top 100 Table:

Tenet Healthcare has and is undergoing a significant restructuring – both in its management ranks and its business plan. They have sold or are planning to sell a number of hospitals listed in the Top 100 in this study. Those hospitals are marked with an asterisk. Their current business plan calls for trimming the number of their hospitals down to 60 in an effort to control both costs and an escalating pricing structure. Data to assess the pricing impact of Tenet's new leadership and business plan will not be available for at least one year and perhaps longer. Even then, judging the impact of Tenet's new business plan and attempts to control prices and costs cannot be fruitfully explored for at minimum two years, when it is hoped that such changes will have been implemented for a full year.

| Current Ranking | Hospital Name The Nation's Hospitals with the | City | State | System Affiliation | Total Charges as a % of Total Costs 2002/2003 | Net Profit or (Net Loss) | Rank from Previous Report 2000/2001 | Total Charges as a % of Total Costs 2000/2001 |
|--------------------|---|--------------|-------|---------------------------------|--|-----------------------------|--|--|
| | Highest Charges Compared to Costs: Fiscal Year 2002/2003 | | | | | | | |
| 1. | Doctors Medical Center Of Modesto | Modesto | CA | Tenet Healthcare Corporation | 1185.66% | \$165,804,779 | 1 | 1092% |
| 2. | Doctors Hospital Of Manteca | Manteca | CA | Tenet Healthcare Corporation | 1092.34% | \$15,788,250 | 2 | 920% |
| 3. | Temple University Hospital | Philadelphia | PA | Temple University Health | 1090.28% | \$92,942,000 | 52 | 485% |

Table 9 The Nation's Hospitals with the Highest Charges Compared to Costs: Fiscal Year 2002/2003⁴⁴

⁴⁴ In the column labeled 'Rank from Previous Report 2001/2002' the designation 'NA' means that the hospital was not on last year's Top 100 List.



| Current Ranking | Hospital Name | City | State | System Affiliation | Total Charges as a % of Total Costs 2002/2003 | Net Profit or (Net Loss) | Rank from Previous Report 2000/2001 | Total Charges as a % of Total Costs 2000/2001 |
|--------------------|--|------------------|-------|---|--|-----------------------------|--|--|
| | The Nation's Hospitals with the Highest Charges Compared to Costs: Fiscal Year 2002/2003 | | | | | | | |
| | | | | Syst | | | | |
| 4. | Midway Hospital Medical Center* | Los Angeles | CA | Tenet Healthcare Corporation ⁴⁵ | 945.32% | \$9,345,339 | 3 | 794% |
| 5. | Warminster Hospital | Warminster | PA | Tenet Healthcare Corporation | 926.09% | (\$2,511,481) | 39 | 526% |
| б. | Temple East Hospital | Philadelphia | PA | Temple University Health Syst | 906.23% | \$5,171,623 | NA | 347% |
| 7. | Brownsville Medical Center* | Brownsville | TX | Tenet Healthcare Corporation | 902.53% | \$63,875,236 | 8 | 706% |
| 8. | Graduate Hospital | Philadelphia | PA | Tenet Healthcare Corporation | 885.46% | \$7,718,051 | 16 | 594% |
| 9. | Garfield Medical Ctr.* | Monterey Park | CA | Tenet Healthcare Corporation | 860.53% | \$31,252,690 | Medicare data not available at time of previous study. CCR was 807%, which would have been third in last | 807% |

 45 Tenet hospitals recently sold or currently for sale are marked with an asterisk (*).



| Current Ranking | Hospital Name The Nation's Hospitals with the | City | State | System Affiliation | Total Charges as a % of Total Costs 2002/2003 | Net Profit or (Net Loss) | Rank from Previous Report 2000/2001 | Total Charges as a % of Total Costs 2000/2001 |
|--------------------|---|------------------|-------|--------------------------------------|--|-----------------------------|--|--|
| | Highest Charges Compared to Costs: Fiscal Year 2002/2003 | | | | | | | |
| | | | | | | | study | |
| 10. | Jeanes Hospital | Philadelphia | PA | Temple University Health Syst | 855.72% | (\$1,348,000) | NA | 398% |
| 11. | Christ Hospital | Jersey City | NJ | No Affiliation Listed | 830.83% | \$17,080,259 | NA | 266% |
| 12. | Hahnemann University Hospital | Philadelphia | PA | Tenet Healthcare Corporation | 813.89% | \$45,823,295 | 59 | 474% |
| 13. | Twin Cities Community Hospital | Templeton | CA | Tenet Healthcare Corporation | 813.87% | \$20,294,486 | 4 | 761% |
| 14. | Monterey Park Hospital* | Monterey Park | CA | Tenet Healthcare Corporation | 796.76% | \$7,915,411 | 7 | 711% |
| 15. | Los Alamitos Medical Ctr. | Los Alamitos | CA | Tenet Healthcare Corporation | 796.14% | \$25,539,246 | 11 | 658% |
| 16. | Columbus Hospital | Newark | NJ | Cathedral Healthcare Syst, Inc | 793.11% | \$10,890,230 | NA | 356% |



| Current Ranking | Hospital Name | City | State | System Affiliation | TotalNet ProfiCharges asor (Net Lossa % ofTotalCosts2002/2003 | Net Profit or (Net Loss) | Rank from Previous Report 2000/2001 | Total Charges as a % of Total Costs 2000/2001 |
|--------------------|--|--------------------|-------|---------------------------------|---|-----------------------------|---|--|
| | The Nation's Hospitals with the Highest Charges Compared to Costs: Fiscal Year 2002/2003 | | | | | | | |
| 17. | Redding Medical Center* | Redding | CA | Tenet Healthcare Corporation | 790.78% | \$49,328,532 | Medicare data not available at time of previous study. CCR was 744%, which would have been sixth in last study | 744% |
| 18. | Brookwood Medical Center | Birmingham | AL | Tenet Healthcare Corporation | 785.49% | (\$11,643,072) | 89 | 433% |
| 19. | Medical College Of Pennsylvania* | Philadelphia | PA | Tenet Healthcare Corporation | 778.79% | (\$7,880,111) | 64 | 468% |
| 20. | Bayonne Medical Center | Bayonne | NJ | No Affiliation Listed | 766.64% | \$2,439,350 | NA | 352% |
| 21. | Sierra Vista Regional Med Ctr | San Luis Obispo | CA | Tenet Healthcare Corporation | 756.35% | \$12,942,277 | 5 | 758% |
| 22. | Centinela Hospital Medical Center* | Inglewood | CA | Tenet Healthcare Corporation | 755.60% | \$31,976,866 | 20 | 585% |
| 23. | Abington Memorial Hospital | Abington | PA | No Affiliation Listed | 749.31% | \$17,333,000 | 34 | 541% |
| 24. | Encino Tarzana Medical Center* | Encino | CA | Tenet Healthcare | 747.70% | \$13,312,020 | 14 | 625% |



| Current Ranking | Hospital Name | City | State | System Affiliation | Total Charges as a % of Total Costs 2002/2003 | Net Profit or (Net Loss) | Rank from Previous Report 2000/2001 | Total Charges as a % of Total Costs 2000/2001 |
|--------------------|--|-------------|-------|---------------------------------|--|-----------------------------|---|--|
| | The Nation's Hospitals with the Highest Charges Compared to Costs: Fiscal Year 2002/2003 | | | | | | | |
| | | | | Corporation | | | | |
| 25. | Brotman Medical Center* | Culver City | CA | Tenet Healthcare Corporation | 746.76% | \$16,293,198 | 21 | 584% |
| 26. | Whittier Hospital Medical Center* | Whittier | CA | Tenet Healthcare Corporation | 740.91% | (\$4,627,656) | Medicare data not available at time of previous study. CCR was 700%, which would have been 10 th in last study | 700% |
| 27. | Tarzana Encino Regional Med Ctr* | Tarzana | CA | Tenet Healthcare Corporation | 739.23% | \$24,982,604 | 10 | 680% |
| 28. | Meadowlands Hospital Medical Center | Secaucus | NJ | Libertyhealth | 738.59% | \$1,884,304 | 97 | 421% |
| 29. | Memorial Hospital Modesto | Modesto | CA | Sutter Health | 733.19% | \$46,839,494 | 15 | 597% |
| 30. | Temple Lower Bucks Hospital | Bristol | PA | No Affiliation Listed | 722.42% | \$2,765,340 | NA | 327% |
| 31. | Lakewood Regional Med. Ctr. | Lakewood | CA | Tenet Healthcare Corporation | 722.38% | \$18,692,746 | 12 | 651% |
| 32. | Barnert Hospital | Paterson | NJ | No Affiliation Listed | 701.44% | \$10,501,777 | NA | 258% |



| Current Ranking | Hospital Name | City | State | System Affiliation | Total Charges as a % of Total Costs 2002/2003 | TotalNet ProfitCharges asor (Net Loss)a % ofTotalCosts2002/2003 | Rank from Previous Report 2000/2001 | Total Charges as a % of Total Costs 2000/2001 |
|--------------------|--|--------------|-------|----------------------------------|--|---|---|--|
| | The Nation's Hospitals with the Highest Charges Compared to Costs: Fiscal Year 2002/2003 | | | | | | | |
| 33. | Raritan Bay Medical Center | Perth Amboy | NJ | No Affiliation Listed | 701.05% | \$5,714,016 | 48 | 496% |
| 34. | Parkway Hospital | Forest Hills | NY | No Affiliation Listed | 698.54% | \$19,739 | NA | 306% |
| 35. | San Dimas Community Hospital | San Dimas | CA | Tenet Healthcare Corporation | 696.91% | \$5,863,579 | 6 | 743% |
| 36. | Desert Hospital | Palm Springs | CA | Tenet Healthcare Corporation | 694.98% | \$85,259,063 | 30 | 547% |
| 37. | Daniel Freeman Memorial* | Inglewood | CA | Tenet Healthcare Corporation | 690.92% | (\$8,689,708) | NA (Not owned by Tenet in 2000/2001) | 329% |
| 38. | Hialeah Hospital | Hialeah | FL | Tenet Healthcare Corporation | 669.09% | \$25,188,088 | 46 | 511% |
| 39. | John.F. Kennedy Memorial Hosp. | Indio | CA | Tenet Healthcare Corporation | 668.37% | \$3,785,621 | 13 | 632% |
| 40. | Sierra Medical Center | El Paso | TX | Tenet Healthcare Corporation | 666.56% | \$84,919,684 | 18 | 592% |
| 41. | Warren Hospital | Phillipsburg | NJ | No Affiliation Listed | 665.97% | \$3,211,135 | NA | 339% |
| 42. | Usc University Hospital | Los Angeles | CA | Tenet Healthcare Corporation | 662.71% | \$74,587,173 | 19 | 590% |
| 43. | Delaware County Memorial Hospital | Drexel Hill | PA | Crozer-Keystone Health System | 662.51% | \$3,364,289 | 17 | 594% |



| Current Ranking | Hospital Name | e City State | State | State System Affiliation C | Total Charges as a % of Total Costs 2002/2003 | Net Profit or (Net Loss) | Rank from Previous Report 2000/2001 | Total Charges as a % of Total Costs 2000/2001 |
|--------------------|--|--------------|-------|---------------------------------|--|-----------------------------|--|--|
| | The Nation's Hospitals with the Highest Charges Compared to Costs: Fiscal Year 2002/2003 | | | | | | | |
| 44. | Providence Memorial Hospital | El Paso | TX | Tenet Healthcare Corporation | 656.94% | \$124,921,647 | 37 | 535% |
| 45. | Century City Hosp* | Los Angeles | CA | Tenet Healthcare Corporation | 653.36% | \$2,217,911 | 22 | 581% |
| 46. | Suburban Medical Center* | Paramount | CA | Tenet Healthcare Corporation | 650.72% | \$1,968,198 | 24 | 580% |
| 47. | Doctors Medical Center-San Pablo* | San Pablo | CA | Tenet Healthcare Corporation | 649.61% | (\$4,309,739) | Medicare data not available at time of previous study. CCR was 653%, would have been 12 th in last study | 653% |
| 48. | Palmetto General Hospital | Hialeah | FL | Tenet Healthcare Corporation | 644.90% | \$40,506,916 | 31 | 546% |
| 49. | Meadowcrest Hospital | Gretna | LA | Tenet Healthcare Corporation | 644.87% | \$7,047,952 | 36 | 538% |
| 50. | Queen Of Angels/Hollywood Pres Mc* | Los Angeles | CA | Tenet Healthcare Corporation | 633.08% | (\$10,547,546) | 47 | 498% |



| Current Ranking | rent Hospital Name ing The Nation's Hospitals with the Highest Charges Compared to Costs: Fiscal Year 2002/2003 | City | State | System Affiliation | Total Charges as a % of Total Costs 2002/2003 | TotalNet ProfitCharges asor (Net Loss)a % ofTotalCosts2002/2003 | Rank from Previous Report 2000/2001 | Total Charges as a % of Total Costs 2000/2001 |
|--------------------|--|--------------|-------|--------------------------------------|--|---|---|--|
| | | | | | | | | |
| 51. | Heart Of Florida Reg L Medical Ctr. | Haines City | FL | Health Management Associates | 628.32% | \$17,788,323 | Medicare data not available at time of previous study. CCR was 471%, which would have been 60 th in last study | 471% |
| 52. | Wmc Santa Ana | Santa Ana | CA | Tenet Healthcare Corporation | 627.15% | \$24,049,333 | 33 | 544% |
| 53. | Delray Medical Center | Delray Beach | FL | Tenet Healthcare Corporation | 625.94% | \$54,927,334 | 41 | 520% |
| 54. | Crozer Chester Medical Center | Upland | PA | Crozer-Keystone Health System | 622.35% | \$2,614,037 | 25 | 575% |
| 55. | Northshore Reg. Medical Center | Slidell | LA | Tenet Healthcare Corporation | 618.56% | \$6,598,848 | 27 | 572% |
| 56. | Nazareth Hospital-Phila Pa | Philadelphia | PA | Catholic Health East | 616.23% | \$2,567,236 | 94 | 425% |
| 57. | St. Michaels Medical Center | Newark | NJ | Cathedral Healthcare Syst, Inc | 615.94% | \$44,929,806 | NA | 206% |
| 58. | Irvington General Hospital | Irvington | NJ | Saint Barnabas | 611.80% | \$313,000 | 23 | 581% |



| Current Ranking | Hospital Name | City | State | System Affiliation | Total Charges as a % of Total Costs 2002/2003 | Net Profit or (Net Loss) | Rank from Previous Report 2000/2001 | Total Charges as a % of Total Costs 2000/2001 |
|--------------------|--|-------------|-------|------------------------------------|--|-----------------------------|--|--|
| | The Nation's Hospitals with the Highest Charges Compared to Costs: Fiscal Year 2002/2003 | | | | | | | |
| | | | | Health System | | | | |
| 59. | Stringfellow Memorial Hospital | Anniston | AL | Health Management Associates | 605.28% | \$8,218,265 | Medicare data not available at time of previous study. CCR was 452%, which would have been 71st in last study | 452% |
| 60. | Ft. Walton Beach Medical Center | Fort Walton | FL | HCA | 603.15% | \$45,940,762 | Medicare data not available at time of previous study. CCR was 579%, which would have been 25th in last study | 579% |



| Current Ranking | Hospital Name The Nation's Hospitals with the | City | State | System Affiliation | Total Charges as a % of Total Costs 2002/2003 | Net Profit or (Net Loss) | Rank from Previous Report 2000/2001 | Total Charges as a % of Total Costs 2000/2001 |
|--------------------|---|---------------------|-------|--------------------------------------|--|-----------------------------|--|--|
| | Highest Charges Compared to Costs: Fiscal Year 2002/2003 | | | | | | | |
| 61. | Greater El Monte Community Hospital* | South El Monte | CA | Tenet Healthcare Corporation | 601.42% | \$436,450 | 26 | 573% |
| 62. | Twin Cities Hospital | Niceville | FL | НСА | 601.26% | \$6,579,346 | 38 | 531% |
| 63. | Hospital Center @ Orange | Orange | NJ | Cathedral Healthcare Syst, Inc | 598.34% | \$2,011,711 | NA | 223% |
| 64. | Elkins Park* | Elkins Park | PA | Tenet Healthcare Corporation | 597.68% | (\$32,113,591) | Medicare data not available at time of previous study. CCR was 422%, which would have been 97th in last study | 422% |
| 65. | Florida Medical Center | Lauderdale Lakes | FL | Tenet Healthcare Corporation | 592.86% | \$18,098,855 | 28 | 572% |
| 66. | Coral Gables Hospital | Coral Gables | FL | Tenet Healthcare Corporation | 590.40% | \$4,312,673 | 45 | 511% |



| Current Ranking | Hospital Name The Nation's Hospitals with the Highest Charges Compared to Costs: | City | State | System Affiliation | Charges as a % of Total Costs 2002/2003 | TotalNet Profitharges asor (Net Loss)a % ofTotalCosts002/2003 | Rank from Previous Report 2000/2001 | Total Charges as a % of Total Costs 2000/2001 |
|--------------------|--|-------------|-------|------------------------------------|---|---|--|--|
| | Fiscal Year 2002/2003 | | | | | | | |
| 67. | Orange Park Medical Center | Orange Park | FL | HCA | 584.75% | \$34,738,139 | Medicare data not available at time of previous study. CCR was 511%, which would have been 45th in last study | 511% |
| 68. | Irvine Medical Center | Irvine | CA | Tenet Healthcare Corporation | 583.67% | \$4,856,285 | 72 | 450% |
| 69. | Alvarado Community Hospital | San Diego | CA | Tenet Healthcare Corporation | 582.63% | \$20,440,292 | 29 | 552% |
| 70. | Saint Vincent Health Center | Erie | PA | St Vincent Health System | 582.50% | \$5,328,320 | NA | 313% |
| 71. | Placentia Linda Community Hospital | Placentia | CA | Tenet Healthcare Corporation | 579.16% | \$7,464,231 | 44 | 512% |
| 72. | Brooksville Regional Hospital | Brooksville | FL | Health Management Associates | 574.00% | \$16,620,921 | NA | 414% |



| Current Ranking | Hospital Name The Nation's Hospitals with the Highest Charges Compared to Costs: Fiscal Year 2002/2003 | City | State | System Affiliation | Total Charges as a % of Total Costs 2002/2003 | Net Profit or (Net Loss) | Rank from Previous Report 2000/2001 | Total Charges as a % of Total Costs 2000/2001 |
|--------------------|---|---------------------|-------|---------------------------------|--|-----------------------------|--|--|
| 73. | St. Petersburg General | Saint Petersburg | FL | HCA | 571.70% | \$11,313,481 | Medicare data not available at time of previous study. CCR was 476%, which would have been 57th in last study | 476% |
| 74. | San Ramon Reg. Medical Center | San Ramon | CA | Tenet Healthcare Corporation | 571.07% | \$16,242,845 | 43 | 513% |
| 75. | Frankford Hospital | Philadelphia | PA | Jefferson Health System | 570.02% | (\$9,610,111) | 32 | 546% |



| Current Ranking | Hospital Name | City | State | System Affiliation | Total Charges as a % of Total Costs 2002/2003 | Net Profit or (Net Loss) | Rank from Previous Report 2000/2001 | Total Charges as a % of Total Costs 2000/2001 |
|--------------------|--|-----------|-------|------------------------------------|--|-----------------------------|--|--|
| | The Nation's Hospitals with the Highest Charges Compared to Costs: Fiscal Year 2002/2003 | | | | | | | |
| 76. | Riverview Reg L Medical Center | Gadsden | AL | Health Management Associates | 568.97% | \$17,935,242 | Medicare data not available at time of previous study. CCR was 518%, which would have been 43th in last study | 518% |
| 77. | Our Lady Of Lourdes Med. Ctr. | Camden | NJ | Catholic Health East | 568.93% | \$19,187,996 | NA | 245% |
| 78. | Coastal Communities Hospital* | Santa Ana | CA | Tenet Healthcare Corporation | 564.23% | \$9,958,772 | Medicare data not available at time of previous study. CCR was 428%, which would have been 92nd in last study | 428% |



| Current Ranking | Hospital Name | City | State | System Affiliation | Total Charges as a % of Total Costs 2002/2003 | Net Profit or (Net Loss) | Rank from Previous Report 2000/2001 | Total Charges as a % of Total Costs 2000/2001 |
|--------------------|---|--------------------|-------|--------------------------------------|--|-----------------------------|--|--|
| | Highest Charges Compared to Costs: Fiscal Year 2002/2003 | | | | | | | |
| 79. | St. Charles General Hospital* | New Orleans | LA | Tenet Healthcare Corporation | 562.36% | \$5,715,344 | 74 | 449% |
| 80. | Community Medical Center | Toms River | NJ | Saint Barnabas Health System | 560.95% | \$43,697,415 | 40 | 523% |
| 81. | Memorial Medical Center | New Orleans | LA | Tenet Healthcare Corporation | 560.68% | \$43,716,429 | 78 | 445% |
| 82. | St. Mary Hospital | Hoboken | NJ | Bon Secours Health System, Inc | 560.62% | (\$10,406,168) | NA | 254% |
| 83. | St. James Hospital | Newark | NJ | Cathedral Healthcare Syst, Inc | 559.57% | \$5,488,199 | NA | 231% |
| 84. | French Hosp Med Ctr | San Luis Obispo | CA | No Affiliation Listed | 558.08% | (\$2,907,689) | Medicare data not available at time of previous study. CCR was 436%, which would have been 86th in last study | 436% |
| 85. | North Ridge Medical Center | Fort | FL | Tenet Healthcare | 558.05% | \$28,387,768 | 51 | 490% |



| Current Ranking | Hospital Name | City | State | System Affiliation | Total Charges as a % of Total Costs 2002/2003 | Net Profit or (Net Loss) | Rank from Previous Report 2000/2001 | Total Charges as a % of Total Costs 2000/2001 |
|--------------------|--|--------------------|-------|-------------------------------------|--|-----------------------------|--|--|
| | The Nation's Hospitals with the Highest Charges Compared to Costs: Fiscal Year 2002/2003 | | | | | | | |
| | | Lauderdale | | Corporation | | | | |
| 86. | Fountain Valley Reg Medical Center | Fountain Valley | CA | Tenet Healthcare Corporation | 557.22% | \$24,577,863 | 75 | 446% |
| 87. | Rahway Hospital | Rahway | NJ | No Affiliation Listed | 556.18% | (\$6,238,425) | NA | 305% |
| 88. | North Okaloosa Medical Center | Crestview | FL | Community Health Systems, Inc | 553.74% | \$8,865,913 | 66 | 466% |
| 89. | Gulf Coast Medical Center | Panama City | FL | HCA | 552.31% | \$27,348,882 | 60 | 470% |
| 90. | Jersey City Medical Center | Jersey City | NJ | Libertyhealth | 551.90% | \$9,826,361 | NA | 361% |
| 91. | Doctors Hospital Of Jefferson* | Metairie | LA | Tenet Healthcare Corporation | 551.79% | \$4,148,230 | NA | 394% |
| 92. | Parkview Hospital* | Philadelphia | PA | Tenet Healthcare Corporation | 551.79% | (\$5,959,132) | NA | 290% |
| 93. | Kentucky River Medical Center | Jackson | KY | Community Health Systems, Inc | 550.15% | \$4,211,306 | NA | 405% |
| 94. | Byrd Regional Hospital | Leesville | LA | Community Health Systems, Inc | 547.24% | \$6,375,242 | NA | 379% |
| 95. | Brandywine Hospital | Coatesville | PA | Community Health Systems, Inc | 546.42% | \$6,227,107 | NA | 282% |



| Current Ranking | Hospital Name The Nation's Hospitals with the Highest Charges Compared to Costs: Fiscal Year 2002/2003 | City | State | System Affiliation | Total Charges as a % of Total Costs 2002/2003 | Net Profit or (Net Loss) | Rank from Previous Report 2000/2001 | Total Charges as a % of Total Costs 2000/2001 |
|--------------------|---|------------|-------|---------------------------------|--|-----------------------------|--|--|
| 96. | Kimball Medical Center | Lakewood | NJ | Saint Barnabas Health System | 545.74% | \$6,560,948 | 35 | 539% |
| 97. | Spalding Regional Hospital | Griffin | GA | Tenet Healthcare Corporation | 545.68% | \$28,092,097 | NA | 376% |
| 98. | St. Francis Trenton Nj | Trenton | NJ | Catholic Health East | 539.98% | (\$1,640,926) | 93 | 428% |
| 99. | Houston Northwest Medical Center | Houston | TX | Tenet Healthcare Corporation | 538.84% | \$90,362,953 | 68 | 463% |
| 100. | Bmc Princeton | Birmingham | AL | Baptist Health System | 538.72% | \$1,298,899 | NA | 389% |
| | Averages for Top 100 | | | | 672.88% | \$18,652,475 | | |



| Rank | Hospital Name The Nation's Hospitals with the Lowest Charges Compared to Costs: Fiscal Year 2002/2003 | City | State | System Affiliation | Total Charges as a % of Total Costs | Net Profit or Net Loss |
|------|--|---------------|-------|--------------------------------|---|---------------------------|
| 1. | Metropolitan Hospital Center | New York | NY | New York City Hlth & Hosp Corp | 100.00% | \$63,260,875 |
| 2. | Johnson County Healthcare Center | Buffalo | WY | No Affiliation Listed | 100.13% | \$142,084 |
| 3. | First Care Health Center | Park River | ND | No Affiliation Listed | 100.21% | \$70,078 |
| 4. | Haskell County Hospital | Stigler | OK | No Affiliation Listed | 100.27% | (\$489,061) |
| 5. | Pioneer Memorial Hospital And Health | Viborg | SD | Sioux Valley Hosp & Hlth Syst | 100.27% | (\$44,304) |
| 6. | Pecos County Memorial Hospital | Fort Stockton | TX | No Affiliation Listed | 100.50% | (\$1,909,059) |
| 7. | Garfield Memorial Hospital | Panguitch | UT | Intermountain Health Care, Inc | 100.61% | (\$7,374) |
| 8. | Kearney County Health Services | Minden | NE | No Affiliation Listed | 100.67% | (\$83,784) |
| 9. | Morton General Hospital | Morton | WA | No Affiliation Listed | 100.70% | (\$19,066) |
| 10 | Weston County Health Svcs | Newcastle | WY | No Affiliation Listed | 100.82% | \$264,122 |
| 11. | Sparta Hospital | Sparta | WI | Mayo Foundation | 100.85% | \$9,250,582 |
| 12. | Genoa Community Hospital | Genoa | NE | No Affiliation Listed | 100.98% | (\$250,802) |
| 13. | Tyler Healthcare Center | Tyler | MN | Avera Health | 101.10% | \$79,546 |
| 14. | San Mateo Medical Center | San Mateo | CA | No Affiliation Listed | 101.36% | \$493,727 |
| 15. | Johnson Memorial Hospital | Dawson | MN | No Affiliation Listed | 101.48% | (\$29,534) |
| 16 | Bayside Community Hospital | Anahuac | TX | No Affiliation Listed | 101.51% | \$1,066,172 |
| 17. | Deuel County Memorial | Clear Lake | SD | Sioux Valley Hosp & Hlth Syst | 101.66% | \$162,749 |
| 18 | Logan County Hospital | Oakley | KS | No Affiliation Listed | 101.72% | (\$6,209) |
| 19 | Sleepy Eye Municipal Hospital | Sleepy Eye | MN | No Affiliation Listed | 101.76% | \$148,746 |
| 20. | Memorial Health Center | Medford | WI | No Affiliation Listed | 101.79% | \$1,865,472 |
| 21 | District Medical Center | Andrews | NC | No Affiliation Listed | 101.85% | (\$3,580,561) |
| 22. | Dells Area Health Ctr/Avera Healt | Dell Rapids | SD | Avera Health | 101.87% | (\$291,211) |
| 23. | Chillicothe Hospital District | Chillicothe | TX | No Affiliation Listed | 102.11% | \$259,045 |
| 24 | Coulee Community Hospital | Grand Coulee | WA | No Affiliation Listed | 102.30% | \$345,680 |

Table 10 The Nation's Hospitals with the Lowest Charges Compared to Costs: Fiscal Year 2002/2003



| Rank | Hospital Name The Nation's Hospitals with the Lowest Charges Compared to Costs: Fiscal Year 2002/2003 | City | State | System Affiliation | Total Charges as a % of Total Costs | Net Profit or <mark>Net Loss</mark> |
|------|--|-----------------|-------|--------------------------------|---|--|
| 25. | Sacred Heart Hospital | Cumberland | MD | Ascension Health | 102.31% | \$714,396 |
| 26. | St. Joseph Hospital | Polson | MT | Providence Services | 102.31% | (\$1,069,397) |
| 27. | Humboldt County Memorial Hospital | Humboldt | IA | Iowa Health System | 102.35% | \$772,209 |
| 28. | Community Medical Center Of Izard Co | Calico Rock | AR | No Affiliation Listed | 102.55% | \$144,342 |
| 29. | Wishek Community Hospital | Wishek | ND | No Affiliation Listed | 102.67% | (\$219,245) |
| 30. | Sakakawea Medical Center | Hazen | ND | No Affiliation Listed | 102.69% | (\$377,049) |
| 31. | Forks Community Hospital | Forks | WA | No Affiliation Listed | 102.76% | (\$3,905,979) |
| 32. | Cooperstown Medical Center | Cooperstown | ND | Benedictine Health System | 103.03% | (\$249,677) |
| 33. | Beaver Valley Hospital | Beaver | UT | No Affiliation Listed | 103.26% | (\$49,582) |
| 34. | St Joseph Memorial Hospital | Larned | KS | Catholic Health Initiatives | 103.44% | (\$888,205) |
| 35. | Clark Fork Valley Hospital | Plains | MT | No Affiliation Listed | 103.51% | (\$160,801) |
| 36 | Community Memorial Hospital | Redfield | SD | No Affiliation Listed | 103.60% | \$82,773 |
| 37. | Cimarron Memorial Hospital | 100 South Ellis | OK | No Affiliation Listed | 103.74% | (\$338,977) |
| 38 | Memorial Community Hospital | Blair | NE | Alegent Health | 103.87% | (\$354,679) |
| 39. | Great Plains Of Sabetha Inc. | Sabetha | KS | Great Plains Health Alliance | 103.97% | \$375,872 |
| 40 | Pembina County Memorial Hospital | Cavalier | ND | No Affiliation Listed | 104.06% | (\$82,475) |
| 41 | Ochsner Clinic Foundation | New Orleans | LA | No Affiliation Listed | 104.14% | (\$1,814,052) |
| 42. | Washington County Hospital | Hagerstown | MD | No Affiliation Listed | 104.18% | (\$6,174,226) |
| 43 | Ashley Medical Center | Ashley | ND | No Affiliation Listed | 104.32% | \$8,891 |
| 44 | Johns Hopkins Bayview Med. Ctr. | Baltimore | MD | Johns Hopkins Health System | 104.41% | \$4,615,092 |
| 45 | North Sunflower County Hospital | Ruleville | MS | No Affiliation Listed | 104.46% | \$200,670 |
| 46 | Charleston Memorial Hospital | Charleston | SC | Musc Med Ctr Of Med Univ Of Sc | 104.46% | \$1 |
| 47. | Holton Community Hospital | Holton | KS | No Affiliation Listed | 104.61% | (\$192,072) |
| 48 | Aspen Valley Hospital | Aspen | CO | No Affiliation Listed | 104.72% | \$829,072 |
| 49 | Medicine Lodge Memorial Hospital | Medicine Lodge | KS | Great Plains Health Alliance | 105.04% | \$318,267 |
| 50. | Phoebe Worth Medical Center | Sylvester | GA | No Affiliation Listed | 105.13% | (\$311,426) |



| Rank | Hospital Name The Nation's Hospitals with the Lowest Charges Compared to Costs: Fiscal Year 2002/2003 | City | State | System Affiliation | Total Charges as a % of Total Costs | Net Profit or Net Loss |
|------|--|----------------|-------|--------------------------------|---|---------------------------|
| 51. | Hamlin Memorial Hospital | Hamlin | TX | No Affiliation Listed | 105.13% | (\$225,759) |
| 52. | Sanpete Valley Hospital | Mt. Pleasant | UT | Intermountain Health Care, Inc | 105.17% | \$361,620 |
| 53. | Kiowa District Hospital | Kiowa | KS | No Affiliation Listed | 105.26% | \$40,003 |
| 54. | Endless Mountains Health Systems | Montrose | PA | No Affiliation Listed | 105.32% | (\$394,903) |
| 55. | Lincoln County Hospital | Lincoln | KS | No Affiliation Listed | 105.36% | (\$603,046) |
| 56. | W.J. Mangold Memorial Hospital | Lockney | TX | No Affiliation Listed | 105.40% | \$33,441 |
| 57. | Benewah Community Hospital | St. Maries | ID | No Affiliation Listed | 105.41% | \$192,995 |
| 58. | Wild Rose Community Mem. Hospital | Wild Rose | WI | No Affiliation Listed | 105.51% | (\$332,009) |
| 59. | Schoolcraft Memorial Hospital | Manistique | MI | No Affiliation Listed | 105.56% | \$1,272,062 |
| 60. | Callaway Hospital District | Callaway | NE | No Affiliation Listed | 105.56% | \$121,142 |
| 61 | Mcgehee Desha County Hospital | Mcgehee | AR | No Affiliation Listed | 105.65% | \$482,249 |
| 62. | Sioux Valley Memorial Hosp-Cherokee | Cherokee | IA | No Affiliation Listed | 105.72% | \$144,224 |
| 63. | Pemiscot Memorial Hospital | Hayti | MO | No Affiliation Listed | 105.75% | \$1,226,639 |
| 64 | Wamego City Hospital | Wamego | KS | No Affiliation Listed | 105.90% | (\$240,769) |
| 65. | So. Lyon Comm. Hospita | Yerington | NV | No Affiliation Listed | 105.98% | \$428,395 |
| 66. | Kit Carson County Memorial Hospital | Burlington | CO | No Affiliation Listed | 106.00% | \$317,726 |
| 67. | Platte Health Center Inc. | Platte | SD | Avera Health | 106.01% | \$60,663 |
| 68. | Laguna Honda Hospital | San Francisco | CA | No Affiliation Listed | 106.13% | \$18,902,114 |
| 69. | Casey County Hospital | Liberty | KY | No Affiliation Listed | 106.13% | \$498,847 |
| 70. | Refugio Memorial Hospital | Refugio | TX | No Affiliation Listed | 106.21% | \$409,706 |
| 71 | Emory Parkway Medical Center | Lithia Springs | GA | No Affiliation Listed | 106.51% | (\$1,535,480) |
| 72. | Our Lady Of The Lk Assump. Comm Hos | Napoleonville | LA | Franciscan Missionaries | 106.69% | (\$256,365) |
| 73. | Gove County Medical Center | Quinter | KS | No Affiliation Listed | 106.71% | (\$722,983) |
| 74. | Willapa Harbor Hospital | South Bend | WA | No Affiliation Listed | 106.73% | (\$164,615) |
| 75. | Greater Baltimore Medical Center | Baltimore | MD | No Affiliation Listed | 106.74% | \$5,680,603 |
| 76. | Mineral Community Hospital | Superior | MT | Brim Healthcare, Inc | 106.80% | (\$296,735) |



| Rank | Hospital Name The Nation's Hospitals with the Lowest Charges Compared to Costs: Fiscal Year 2002/2003 | City | State | System Affiliation | Total Charges as a % of Total Costs | Net Profit or <mark>Net Loss</mark> |
|------|--|--------------|-------|-----------------------------|---|--|
| 77. | Bibb Medical Center | Centreville | AL | No Affiliation Listed | 107.12% | \$31,381 |
| 78. | St. Mary S Hospital | Leonardtown | MD | No Affiliation Listed | 107.20% | \$1,486,550 |
| 79. | Tenton Valley Hospital | Driggs | ID | No Affiliation Listed | 107.24% | \$344,010 |
| 80. | Teton Valley Hospital | Driggs | ID | No Affiliation Listed | 107.24% | \$344,010 |
| 81. | St. Agnes Hospital | Baltimore | MD | Ascension Health | 107.30% | (\$871,365) |
| 82. | Humboldt General Hospital | Winnemucca | NV | No Affiliation Listed | 107.34% | (\$749,841) |
| 83. | Southeast Colorado Hospital | Springfield | CO | No Affiliation Listed | 107.38% | \$198,409 |
| 84. | Harbor Hospital Center | Baltimore | MD | Medstar Health | 107.42% | (\$2,068,964) |
| 85. | Hancock County Memorial Hospital | Britt | IA | Trinity Health | 107.42% | \$428,963 |
| 86 | South Peninsula Hospital | Homer | AK | No Affiliation Listed | 107.44% | \$901,469 |
| 87. | Alegent Health Memorial Hospital | Schuyler | NE | Alegent Health | 107.75% | \$57,186 |
| 88. | Miami Jewish Hm & Hospt./Aged Inc. | Miami | FL | No Affiliation Listed | 107.77% | (\$3,957,902) |
| 89. | District Memorial Hospital | Andrews | NC | No Affiliation Listed | 107.83% | (\$1,174,828) |
| 90 | St. James Health Services | St. James | MN | Mayo Foundation | 107.88% | (\$95,507) |
| 91 | Lakewood Health System | Staples | MN | No Affiliation Listed | 107.95% | (\$2,288) |
| 92 | St Aloisius Medical Center | Harvey | ND | Sisters Of Mary | 108.11% | (\$179,400) |
| 93. | Hill Hospital Of Sumter County | York | AL | No Affiliation Listed | 108.28% | (\$192,343) |
| 94 | East Adams Rural Hospital | Ritzville | WA | No Affiliation Listed | 108.56% | \$526,243 |
| 95. | Mckenzie County Hospital | Watford City | ND | No Affiliation Listed | 108.61% | \$204,870 |
| 96 | Sioux Center Community Hospital | Sioux Center | IA | Avera Health | 108.62% | (\$223,778) |
| 97. | Saint Francis Memorial Hospital | West Point | NE | Franciscan Srs Of Christian | 108.73% | \$1,205,282 |
| 98 | Lindsborg Community Hospital | Lindsborg | KS | No Affiliation Listed | 108.77% | \$146,133 |
| 99. | Montgomery General Hospital | Olney | MD | No Affiliation Listed | 108.85% | (\$541,791) |
| 10 | St Aloisius Medical Center | Harvey | ND | No Affiliation Listed | 108.86% | \$247,116 |
| | Average | | | | 104.65% | \$840,350 |



| State: State Location of the Top 100 Hospitals: 2002/2003 | Frequency |
|---|-----------|
| CA | 34 |
| NJ | 18 |
| PA | 17 |
| FL | 14 |
| LA | 6 |
| AL | 4 |
| TX | 4 |
| GA | 1 |
| KY | 1 |
| NY | 1 |

Table 11 State Location of the Top 100 Hospitals, 2002/2003



| System: System Affiliation of the Top 100: 2002/2003 | Frequency |
|--|-----------|
| Tenet Healthcare Corporation | 55 |
| No Affiliation Listed | 10 |
| HCA | 5 |
| Cathedral Healthcare Syst, Inc | 4 |
| Community Health Systems, Inc | 4 |
| Health Management Associates | 4 |
| Catholic Health East | 3 |
| Saint Barnabas Health System | 3 |
| Temple University Health Syst | 3 |
| Crozer-Keystone Health System | 2 |
| Libertyhealth | 2 |
| Baptist Health System | 1 |
| Bon Secours Health System, Inc | 1 |
| Jefferson Health System | 1 |
| St Vincent Health System | 1 |
| Sutter Health | 1 |



| Tuble 16 System Minimuton of the Lowest 100, 2002/2006 | |
|--|-----------|
| System: System Affiliation of Lowest 100 | Frequency |
| No Affiliation Listed | 71 |
| Avera Health | 4 |
| Alegent Health | 2 |
| Ascension Health | 2 |
| Great Plains Health Alliance | 2 |
| Intermountain Health Care, Inc | 2 |
| Mayo Foundation | 2 |
| Sioux Valley Hosp & Hlth Syst | 2 |
| Benedictine Health System | 1 |
| Brim Healthcare, Inc | 1 |
| Catholic Health Initiatives | 1 |
| Franciscan Missionaries | 1 |
| Franciscan Srs Of Christian | 1 |
| Iowa Health System | 1 |
| Johns Hopkins Health System | 1 |
| Medstar Health | 1 |
| Musc Med Ctr Of Med Univ Of Sc | 1 |
| New York City Hlth & Hosp Corp | 1 |
| Providence Services | 1 |
| Sisters Of Mary | 1 |
| Trinity Health | 1 |

Table 13 System Affiliation of the Lowest 100: 2002/2003



| | Avg. Hospial Profits by Charge to Cost Decile. 2002-2003 Fiscal Year | |
|--------|--|-----------------------------|
| Decile | Decile Values (Percent) | Avg. Net Profit or Net Loss |
| 1. | <= 129.51 | (\$159,043.65) |
| 2. | 129.52 - 151.49 | \$1,391,640.76 |
| 3. | 151.50 - 168.57 | \$1,264,288.74 |
| 4. | 168.58 - 1.8613 | \$1,711,863.99 |
| 5. | 186.14 - 203.13 | \$2,913,758.17 |
| 6. | 203.14 - 224.13 | \$2,113,538.90 |
| 7. | 224.14 - 251.79 | \$4,095,810.34 |
| 8. | 251.80 - 292.08 | \$5,575,358.64 |
| 9. | 292.09 - 372.92 | \$6,867,834.28 |
| 10. | 372.93+ | \$14,864,609.20 |

| Table 14 Hospital Average Profits by Decile of Total Charge to Cost Ra | atios: 2002/2003 |
|--|------------------|
|--|------------------|



| Decile | Average Hospital Profits by Charge Per Individual Inpatient Patient Discharge Decile Value | Avg. Net Profit or Net Loss |
|--------|--|-----------------------------|
| 1 | <= \$5,808.07 | (\$1,193,499.06) |
| 2 | \$5,808.08 - \$7,337.09 | \$478,838.39 |
| 3 | \$7,337.10 - \$8,701.44 | \$742,391.56 |
| 4 | \$8,701.45 - \$10,198.26 | \$712,028.18 |
| 5 | \$10,198.27 - \$11,932.18 | \$1,338,407.44 |
| 6 | \$11,932.19 - \$14,050.98 | \$3,420,163.04 |
| 7 | \$14,050.99 - \$16,649.03 | \$4,987,318.64 |
| 8 | \$16,649.04 - \$20,827.97 | \$4,083,036.47 |
| 9 | \$20,827.98 - \$26,941.78 | \$7,025,400.19 |
| 10 | \$26,941.79+ | \$15,054,981.09 |

 Table 15 Average Hospital Profits by Average Charge Per Individual Inpatient Discharge: 2002/200346

 $^{^{46}}$ Some readers expressed confusion over the "Charge Per Discharge" table. We have therefore amended the table to reflect inpatient charges only.



| Hospital Name Average Total Charge to Cost Ratio for the Top 100 Hospitals by State | City | State | System Affiliation | Total Charges as a % of Total Costs |
|---|-----------------|--------|------------------------------|--|
| Brookwood Medical Center | Birmingham | AL | Tenet Healthcare Corporation | 785.49% |
| Stringfellow Memorial Hospital | Anniston | AL | Health Management Associates | 605.28% |
| Riverview Reg L Medical Center | Gadsden | AL | Health Management Associates | 568.97% |
| Bmc Princeton | Birmingham | AL | Baptist Health System | 538.72% |
| | | AL Ave | erage for Top 100 Members | 624.62% |
| Doctors Medical Center Of Modesto | Modesto | CA | Tenet Healthcare Corporation | 1185.66% |
| Doctors Hospital Of Manteca | Manteca | CA | Tenet Healthcare Corporation | 1092.34% |
| Midway Hospital Medical Center | Los Angeles | CA | Tenet Healthcare Corporation | 945.32% |
| Garfield Medical Ctr. | Monterey Park | CA | Tenet Healthcare Corporation | 860.53% |
| Twin Cities Community Hospital | Templeton | CA | Tenet Healthcare Corporation | 813.87% |
| Monterey Park Hospital | Monterey Park | CA | Tenet Healthcare Corporation | 796.76% |
| Los Alamitos Medical Ctr. | Los Alamitos | CA | Tenet Healthcare Corporation | 796.14% |
| Redding Medical Center | Redding | CA | Tenet Healthcare Corporation | 790.78% |
| Sierra Vista Regional Med Ctr | San Luis Obispo | CA | Tenet Healthcare Corporation | 756.35% |
| Centinela Hospital Medical Center | Inglewood | CA | Tenet Healthcare Corporation | 755.60% |
| Encino Tarzana Medical Center | Encino | CA | Tenet Healthcare Corporation | 747.70% |
| Brotman Medical Center | Culver City | CA | Tenet Healthcare Corporation | 746.76% |
| Whittier Hospital Medical Center | Whittier | CA | Tenet Healthcare Corporation | 740.91% |
| Tarzana Encino Regional Med Ctr | Tarzana | CA | Tenet Healthcare Corporation | 739.23% |
| Memorial Hospital Modesto | Modesto | CA | Sutter Health | 733.19% |
| Lakewood Regional Med. Ctr. | Lakewood | CA | Tenet Healthcare Corporation | 722.38% |
| San Dimas Community Hospital | San Dimas | CA | Tenet Healthcare Corporation | 696.91% |
| Desert Hospital | Palm Springs | CA | Tenet Healthcare Corporation | 694.98% |
| Daniel Freeman Memorial | Inglewood | CA | Tenet Healthcare Corporation | 690.92% |
| John.F. Kennedy Memorial Hosp. | Indio | CA | Tenet Healthcare Corporation | 668.37% |

Table 16 Average Total Charge to Cost Ratio of the Top 100 Hospitals by State: 2002/2003



| Hospital Name Average Total Charge to Cost Ratio for the Top 100 Hospitals by State | City | State | System Affiliation | Total Charges as a % of Total Costs |
|---|------------------|--|------------------------------|--|
| Usc University Hospital | Los Angeles | CA | Tenet Healthcare Corporation | 662.71% |
| Century City Hosp | Los Angeles | CA | Tenet Healthcare Corporation | 653.36% |
| Suburban Medical Center | Paramount | CA | Tenet Healthcare Corporation | 650.72% |
| Doctors Medical Center-San Pablo | San Pablo | CA | Tenet Healthcare Corporation | 649.61% |
| Queen Of Angels/Hollywood Pres Mc | Los Angeles | CA | Tenet Healthcare Corporation | 633.08% |
| Wmc Santa Ana | Santa Ana | CA | Tenet Healthcare Corporation | 627.15% |
| Greater El Monte Community Hospital | South El Monte | CA | Tenet Healthcare Corporation | 601.42% |
| Irvine Medical Center | Irvine | CA | Tenet Healthcare Corporation | 583.67% |
| Alvarado Community Hospital | San Diego | CA | Tenet Healthcare Corporation | 582.63% |
| Placentia Linda Community Hospital | Placentia | CA | Tenet Healthcare Corporation | 579.16% |
| San Ramon Reg. Medical Center | San Ramon | CA | Tenet Healthcare Corporation | 571.07% |
| Coastal Communities Hospital | Santa Ana | CA | Tenet Healthcare Corporation | 564.23% |
| French Hosp Med Ctr | San Luis Obispo | CA | No Affiliation Listed | 558.08% |
| Fountain Valley Reg Medical Center | Fountain Valley | CA | Tenet Healthcare Corporation | 557.22% |
| | | CA Average for Top 100 Members 719.08% | | 719.08% |
| Hialeah Hospital | Hialeah | FL | Tenet Healthcare Corporation | 669.09% |
| Palmetto General Hospital | Hialeah | FL | Tenet Healthcare Corporation | 644.90% |
| Heart Of Florida Reg L Medical Ctr. | Haines City | FL | Health Management Associates | 628.32% |
| Delray Medical Center | Delray Beach | FL | Tenet Healthcare Corporation | 625.94% |
| Ft. Walton Beach Medical Center | Fort Walton | FL | HCA | 603.15% |
| Twin Cities Hospital | Niceville | FL | HCA | 601.26% |
| Florida Medical Center | Lauderdale Lakes | FL | Tenet Healthcare Corporation | 592.86% |
| Coral Gables Hospital | Coral Gables | FL | Tenet Healthcare Corporation | 590.40% |
| Orange Park Medical Center | Orange Park | FL | HCA | 584.75% |
| Brooksville Regional Hospital | Brooksville | FL | Health Management Associates | 574.00% |
| St. Petersburg General | Saint Petersburg | FL | HCA | 571.70% |



| Hospital Name Average Total Charge to Cost Ratio for the Top 100 Hospitals by State | City | State | System Affiliation | Total Charges as a % of Total Costs |
|---|-----------------|--|--------------------------------|--|
| North Ridge Medical Center | Fort Lauderdale | FL | Tenet Healthcare Corporation | 558.05% |
| North Okaloosa Medical Center | Crestview | FL | Community Health Systems, Inc | 553.74% |
| Gulf Coast Medical Center | Panama City | FL | НСА | 552.31% |
| | | FL Ave | erage for Top 100 Members | 596.46% |
| Spalding Regional Hospital | Griffin | GA | Tenet Healthcare Corporation | 545.68% |
| | | GA Av | erage for Top 100 Members | 545.68% |
| Kentucky River Medical Center | Jackson | KY | Community Health Systems, Inc | 550.15% |
| | | KY Av | erage for Top 100 Members | 550.15% |
| Meadowcrest Hospital | Gretna | LA | Tenet Healthcare Corporation | 644.87% |
| Northshore Reg. Medical Center | Slidell | LA | Tenet Healthcare Corporation | 618.56% |
| St. Charles General Hospital | New Orleans | LA | Tenet Healthcare Corporation | 562.36% |
| Memorial Medical Center | New Orleans | LA | Tenet Healthcare Corporation | 560.68% |
| Doctors Hospital Of Jefferson | Metairie | LA | Tenet Healthcare Corporation | 551.79% |
| Byrd Regional Hospital | Leesville | LA | Community Health Systems, Inc | 547.24% |
| | | LA Average for Top 100 Members 580.92% | | 580.92% |
| Christ Hospital | Jersey City | NJ | No Affiliation Listed | 830.83% |
| Columbus Hospital | Newark | NJ | Cathedral Healthcare Syst, Inc | 793.11% |
| Bayonne Medical Center | Bayonne | NJ | No Affiliation Listed | 766.64% |
| Meadowlands Hospital Medical Center | Secaucus | NJ | Libertyhealth | 738.59% |
| Barnert Hospital | Paterson | NJ | No Affiliation Listed | 701.44% |
| Raritan Bay Medical Center | Perth Amboy | NJ | No Affiliation Listed | 701.05% |
| Warren Hospital | Phillipsburg | NJ | No Affiliation Listed | 665.97% |
| St. Michaels Medical Center | Newark | NJ | Cathedral Healthcare Syst, Inc | 615.94% |
| Irvington General Hospital | Irvington | NJ | Saint Barnabas Health System | 611.80% |
| Hospital Center @ Orange | Orange | NJ | Cathedral Healthcare Syst, Inc | 598.34% |
| Our Lady Of Lourdes Med. Ctr. | Camden | NJ | Catholic Health East | 568.93% |



| Hospital Name Average Total Charge to Cost Ratio for the Top 100 Hospitals by State | City | State | System Affiliation | Total Charges as a % of Total Costs |
|---|--------------|--------|--------------------------------|--|
| Community Medical Center | Toms River | NJ | Saint Barnabas Health System | 560.95% |
| St. Mary Hospital | Hoboken | NJ | Bon Secours Health System, Inc | 560.62% |
| St. James Hospital | Newark | NJ | Cathedral Healthcare Syst, Inc | 559.57% |
| Rahway Hospital | Rahway | NJ | No Affiliation Listed | 556.18% |
| Jersey City Medical Center | Jersey City | NJ | Libertyhealth | 551.90% |
| Kimball Medical Center | Lakewood | NJ | Saint Barnabas Health System | 545.74% |
| St. Francis Trenton Nj | Trenton | NJ | Catholic Health East | 539.98% |
| | | NJ Ave | erage for Top 100 Members | 637.09% |
| Parkway Hospital | Forest Hills | NY | No Affiliation Listed | 698.54% |
| | | NY Av | erage for Top 100 Members | 698.54% |
| Temple University Hospital | Philadelphia | PA | Temple University Health Syst | 1090.28% |
| Warminster Hospital | Warminster | PA | Tenet Healthcare Corporation | 926.09% |
| Temple East Hospital | Philadelpha | PA | Temple University Health Syst | 906.23% |
| Graduate Hospital | Philadelphia | PA | Tenet Healthcare Corporation | 885.46% |
| Jeanes Hospital | Philadelphia | PA | Temple University Health Syst | 855.72% |
| Hahnemann University Hospital | Philadelphia | PA | Tenet Healthcare Corporation | 813.89% |
| Medical College Of Pennsylvania | Philadelphia | PA | Tenet Healthcare Corporation | 778.79% |
| Abington Memorial Hospital | Abington | PA | No Affiliation Listed | 749.31% |
| Temple Lower Bucks Hospital | Bristol | PA | No Affiliation Listed | 722.42% |
| Delaware County Memorial Hospital | Drexel Hill | PA | Crozer-Keystone Health System | 662.51% |
| Crozer Chester Medical Center | Upland | PA | Crozer-Keystone Health System | 622.35% |
| Nazareth Hospital-Phila Pa | Philadelphia | PA | Catholic Health East | 616.23% |
| Elkins Park | Elkins Park | PA | Tenet Healthcare Corporation | 597.68% |
| Saint Vincent Health Center | Erie | PA | St Vincent Health System | 582.50% |
| Frankford Hospital | Philadelphia | PA | Jefferson Health System | 570.02% |
| Parkview Hospital | Philadelphia | PA | Tenet Healthcare Corporation | 551.79% |


| Hospital Name Average Total Charge to Cost Ratio for the Top 100 Hospitals by State | City | State | System Affiliation | Total Charges as a % of Total Costs |
|---|-------------|--------------------------------|-------------------------------|--|
| Brandywine Hospital | Coatesville | PA | Community Health Systems, Inc | 546.42% |
| | | PA Average for Top 100 Members | | 733.98% |
| Brownsville Medical Center | Brownsville | TX | Tenet Healthcare Corporation | 902.53% |
| Sierra Medical Center | El Paso | TX | Tenet Healthcare Corporation | 666.56% |
| Providence Memorial Hospital | El Paso | TX | Tenet Healthcare Corporation | 656.94% |
| Houston Northwest Medical Center | Houston | TX | Tenet Healthcare Corporation | 538.84% |
| | | TX Average for Top 100 Members | | 691.22% |



| Table 17 Average Total Charge to Cost Ratios by Hospital System, Sorted by Average Charge to | Cost Ratio, Fi | scal Year | |
|--|----------------|-----------|--|
| 2002/2003 | | | |
| | ~ | a | |

| Rank | Hospital System | Charges as a % of Costs |
|------|--|-------------------------|
| | Charges as a Percent of Costs by Hospital System | |
| 1. | Temple University Health Syst | 950.74% |
| 2. | Crozer-Keystone Health System | 642.43% |
| 3. | Cathedral Healthcare Syst, Inc | 641.74% |
| 4. | LibertyHealth | 607.68% |
| 5. | Tenet Healthcare Corporation | 558.45% |
| 6. | Jefferson Health System | 486.44% |
| 7. | Robert Wood Johnson Hlth Syst | 464.24% |
| 8. | Saint Barnabas Health System | 447.60% |
| 9. | NorthBay Healthcare System | 416.04% |
| 10. | St Vincent Health System | 413.99% |
| 11. | Albert Einstein Healthcare | 413.03% |
| 12. | Sun Health Corporation | 408.27% |
| 13. | Meridian Health System | 406.98% |
| 14. | St Joseph's Healthcare System | 401.54% |
| 15. | Health Management Associates | 391.86% |
| 16. | North Broward Hospital Dist | 385.78% |
| 17. | Pacific Health Corporation | 382.83% |
| 18. | Univ of Pennsylvania Hlth Syst | 377.76% |
| 19. | Citrus Valley Health Partners | 376.65% |
| 20. | John C Lincoln Health Network | 374.98% |
| 21. | Daughters of Charity Hlth Syst | 374.08% |
| 22. | Catholic Healthcare West | 368.64% |
| 23. | Baptist Health System | 366.31% |
| 24. | HCA | 358.30% |
| 25. | Solaris Health System | 356.38% |
| 26. | Vanguard Health System | 355.25% |



| Rank | Hospital System Charges as a Percent of Costs by Hospital System | Charges as a % of Costs |
|------|---|-------------------------|
| 27. | St Joseph Health System | 347.53% |
| 28. | Sutter Health | 346.89% |
| 29. | Catholic Health East | 344.11% |
| 30. | Community Health Systems, Inc | 343.02% |
| 31. | Virtua Health | 337.01% |
| 32. | Southern California Hlth Syst | 334.72% |
| 33. | Universal Health Services, Inc | 334.46% |
| 34. | Sharp Healthcare | 332.65% |
| 35. | Exempla Healthcare, Inc | 325.32% |
| 36. | Scripps Health | 324.52% |
| 37. | Coffee Health Group | 323.33% |
| 38. | IASIS Healthcare | 322.22% |
| 39. | University Community Health | 317.63% |
| 40. | Univ of CA-Systemwide Adm | 317.00% |
| 41. | Resurrection Health Care Corp | 315.43% |
| 42. | Scottsdale Healthcare | 313.88% |
| 43. | Stanford Health Care | 313.80% |
| 44. | Orlando Regional Healthcare | 313.73% |
| 45. | Memorial Healthcare System | 313.48% |
| 46. | Cottage Health System | 310.23% |
| 47. | Alexian Brothers Health System | 309.66% |
| 48. | Alta Healthcare System | 309.59% |
| 49. | West Penn Allegheny Hlth Syst | 306.78% |
| 50. | Baptist Health Care Corp | 306.40% |
| 51. | Geisinger Health System | 304.42% |
| 52. | DCH Health System | 304.05% |
| 53. | Triad Hospitals, Inc | 302.00% |
| 54. | Palomar Pomerado Health | 299.26% |
| 55. | Baptist Health South Florida | 298.46% |



| Rank | Hospital System | Charges as a % of Costs |
|------|--|-------------------------|
| | Charges as a Percent of Costs by Hospital System | |
| 56. | Mountain States Hlth Alliance | 298.23% |
| 57. | Eastern Health System, Inc | 293.54% |
| 58. | Willis-Knighton Health System | 293.01% |
| 59. | Adventist Health | 291.73% |
| 60. | Loma Linda University Health | 291.50% |
| 61. | Memorial Hermann Hlthcare Syst | 287.83% |
| 62. | College Health Enterprises | 286.24% |
| 63. | Greater Hudson Valley Health | 284.42% |
| 64. | Atlantic Health System | 282.26% |
| 65. | Covenant Health | 281.51% |
| 66. | UAB Health System | 281.13% |
| 67. | UPMC Health System | 279.76% |
| 68. | Rush University Medical Center | 278.01% |
| 69. | Methodist Health Care System | 276.34% |
| 70. | Advocate Health Care | 276.29% |
| 71. | Memorial Health Services | 275.62% |
| 72. | Bon Secours Health System, Inc | 275.18% |
| 73. | HealthEast Care System | 274.79% |
| 74. | Continuum Health Partners | 274.36% |
| 75. | Riverside Health System | 273.01% |
| 76. | American MedTrust | 272.78% |
| 77. | Baptist Health | 271.77% |
| 78. | WellStar Health System | 270.24% |
| 79. | LifePoint Hospitals, Inc | 269.06% |
| 80. | Province Healthcare Corp | 269.00% |
| 81. | William Beaumont Hospitals | 267.60% |
| 82. | Henry Ford Health System | 267.50% |
| 83. | Shands HealthCare | 267.19% |
| 84. | East Texas Med Ctr Reg Syst | 267.05% |



| Rank | Hospital System | Charges as a % of Costs |
|------|--|-------------------------|
| | Charges as a Percent of Costs by Hospital System | |
| 85. | Adventist Hlth System Sunbelt | 266.87% |
| 86. | Queen's Health Systems | 266.00% |
| 87. | McLaren Health Care Corp | 265.12% |
| 88. | HEALTHSOUTH Corporation | 263.12% |
| 89. | MultiCare Health System | 262.85% |
| 90. | Christus Health | 262.03% |
| 91. | Community Medical Centers | 261.29% |
| 92. | Wuesthoff Health System | 261.28% |
| 93. | Kettering Med Center-Network | 260.08% |
| 94. | BJC HealthCare | 259.96% |
| 95. | Forum Health | 259.42% |
| 96. | Baptist Hlth System of TN | 259.13% |
| 97. | Halifax-Fish Community Health | 257.35% |
| 98. | Marshall County Hlth Care Auth | 256.14% |
| 99. | Detroit Medical Center | 252.54% |
| 100. | Provena Health | 252.45% |
| 101. | Appalachian Reg Healthcare | 251.48% |
| 102. | Cumberland Cnty Hosp System | 251.24% |
| 103. | SSM Health Care | 248.08% |
| 104. | Greater Hazleton Hlth Alliance | 246.62% |
| 105. | Norton Healthcare | 246.21% |
| 106. | Texas Health Resources | 245.98% |
| 107. | Sisters of Charity | 245.67% |
| 108. | North Shore-Long Island Hlth | 245.24% |
| 109. | Valley Health System | 244.83% |
| 110. | Little Company of Mary SRS | 244.42% |
| 111. | Cleveland Clinic Health System | 243.88% |
| 112. | United Medical Corporation | 243.34% |
| 113. | Jewish Hosp HealthCare Serv | 242.91% |



| Rank | Hospital System Charges as a Percent of Costs by Hospital System | Charges as a % of Costs |
|------|---|-------------------------|
| 114 | Southern Illinois Hosp Servs | 242.27% |
| 115. | Baylor Health Care System | 240.12% |
| 116. | Ardent Health Services | 240.04% |
| 117. | Banner Health | 239.10% |
| 118. | Sentara Healthcare | 238.20% |
| 119. | Covenant Health Systems, Inc | 237.56% |
| 120. | KALEIDA Health | 237.56% |
| 121. | Lifespan Corporation | 237.32% |
| 122. | Saint Luke's Health System | 236.98% |
| 123. | Westmoreland Health System | 236.16% |
| 124. | Catholic Healthcare Partners | 235.46% |
| 125. | WakeMed | 234.08% |
| 126. | Wheaton Franciscan Servs, Inc | 232.68% |
| 127. | Sunlink Healthcare | 232.54% |
| 128. | National Average | 232.40% |
| 129. | Inova Health System | 232.32% |
| 130. | Memorial Health System | 231.62% |
| 131. | Oakwood Healthcare, Inc | 231.02% |
| 132. | Catholic Health Services of LI | 230.59% |
| 133. | Methodist Healthcare | 229.73% |
| 134. | National Surgical Hospitals | 229.05% |
| 135. | Greenville Hospital System | 228.76% |
| 136. | Health Alliance of Cincinnati | 228.61% |
| 137. | Novant Health | 228.55% |
| 138. | Carolinas HealthCare System | 228.39% |
| 139. | Partners HealthCare System | 227.45% |
| 140. | Wellmont Health System | 227.34% |
| 141. | Ohio Valley Health Services | 227.00% |
| 142. | MedCath, Inc | 224.73% |



| Rank | Hospital System Charges as a Percent of Costs by Hospital System | Charges as a % of Costs |
|------|---|-------------------------|
| 143. | Via Christi Health System | 224.62% |
| 144. | Northern Arizona Healthcare | 224.40% |
| 145. | LSU Health Sciences Center | 223.57% |
| 146. | Hawaii Pacific Health System | 223.38% |
| 147. | Eastern Connecticut Hlth Netwk | 222.99% |
| 148. | Doctors Community Healthcare | 221.78% |
| 149. | Yale New Haven Health System | 221.57% |
| 150. | Franciscan Services Corp | 221.26% |
| 151. | Providence Health System | 221.23% |
| 152. | FirstHealth of the Carolinas | 220.71% |
| 153. | Aurora Health Care | 219.51% |
| 154. | New York Presby Hlthcare Syst | 217.29% |
| 155. | Fremont-Rideout Health Group | 216.58% |
| 156. | Kindred Healthcare | 215.71% |
| 157. | ProMedica Health System | 215.33% |
| 158. | UMass Health System | 215.29% |
| 159. | St Paul & Zale Lipshy Univ Hsp | 215.00% |
| 160. | MidMichigan Health | 214.31% |
| 161. | Park Nicollet Health Services | 214.10% |
| 162. | Ascension Health | 213.90% |
| 163. | West Tennessee Healthcare | 212.72% |
| 164. | Rush Health Systems | 212.60% |
| 165. | Summit Health | 212.15% |
| 166. | Baptist Healthcare System | 212.11% |
| 167. | Palmetto Health Alliance | 210.68% |
| 168. | Kishwaukee Health System | 210.63% |
| 169. | Allina Hospitals & Clinics | 210.15% |
| 170. | Baptist Mem Health Care Corp | 209.61% |
| 171. | Sisters of Mercy | 209.61% |



| Rank | Hospital System | Charges as a % of Costs |
|------|--|-------------------------|
| | Charges as a Percent of Costs by Hospital System | |
| 172. | Caritas Christi Health Care | 209.50% |
| 173. | Spartanburg Reg Hlthcare Syst | 207.57% |
| 174. | Univ of South Alabama Hosps | 207.52% |
| 175. | Catholic Health Initiatives | 207.38% |
| 176. | Jackson Health System | 206.80% |
| 177. | Columbus Regional Hlth System | 206.79% |
| 178. | Ohio State Univ Med Center | 206.79% |
| 179. | Saint Vincent Cath Med Ctrs | 206.48% |
| 180. | Baystate Health System, Inc | 205.52% |
| 181. | OhioHealth | 205.26% |
| 182. | Duke University Health System | 204.79% |
| 183. | Fairview Health Services | 204.48% |
| 184. | INTEGRIS Health | 203.42% |
| 185. | WellSpan Health | 203.10% |
| 186. | University of MO Health Care | 202.96% |
| 187. | Hospital Sisters Health System | 201.96% |
| 188. | Our Lady of Mercy Healthcare | 200.87% |
| 189. | Carilion Health System | 199.23% |
| 190. | Southeast Georgia Health Syst | 199.08% |
| 191. | Blue Water Health Servs Corp | 198.79% |
| 192. | Hawaii Health Systems Corp | 197.89% |
| 193. | Emory Hospitals | 197.50% |
| 194. | Trinity Health | 197.14% |
| 195. | Nebraska Meth Hlth System, Inc | 196.69% |
| 196. | Cardinal Health System | 195.00% |
| 197. | Eastern Maine Healthcare | 194.91% |
| 198. | Clarian Health Partners | 194.73% |
| 199. | Care New England Health System | 194.71% |
| 200. | No Affiliation Listed | 193.75% |



| Rank | Hospital System Charges as a Percent of Costs by Hospital System | Charges as a % of Costs |
|------|---|-------------------------|
| 201. | Legacy Health System | 193.36% |
| 202. | Infirmary Health System, Inc | 193.28% |
| 203. | Franciscan Missionaries | 193.19% |
| 204. | Sisters of St Francis | 192.96% |
| 205. | New Hanover Health Network | 192.69% |
| 206. | Empire Health Services | 191.65% |
| 207. | Cancer Treatment Centers | 191.52% |
| 208. | Sisters of 3rd Franciscan | 191.47% |
| 209. | North Mississippi Hlth Servs | 191.17% |
| 210. | Akron General Health System | 190.58% |
| 211. | ViaHealth | 189.90% |
| 212. | OSF Healthcare System | 188.79% |
| 213. | ProHealth Care | 188.52% |
| 214. | Guthrie Healthcare System | 188.10% |
| 215. | West Virginia United Hlth Syst | 188.02% |
| 216. | Covenant Health System | 187.93% |
| 217. | Catholic Health System | 187.46% |
| 218. | Mid Atlantic Health Management | 187.46% |
| 219. | Quorum Health Resources | 186.76% |
| 220. | Saint Francis Health System | 185.98% |
| 221. | Freeman Health System | 185.81% |
| 222. | Marian Health System | 185.65% |
| 223. | Hillcrest HealthCare System | 185.34% |
| 224. | Ty Cobb Healthcare System, Inc | 185.07% |
| 225. | Alegent Health | 184.87% |
| 226. | Bronson Healthcare Group, Inc | 184.12% |
| 227. | Associated Healthcare Systems | 183.82% |
| 228. | Brim Healthcare, Inc | 182.69% |
| 229. | Asante Health System | 182.40% |



| Rank | Hospital System | Charges as a % of Costs |
|------|--|-------------------------|
| | Charges as a Percent of Costs by Hospital System | |
| 230. | Parkview Health | 181.89% |
| 231. | Community Healthcare System | 181.60% |
| 232. | St Mary's/Duluth Clinic Health | 180.72% |
| 233. | Accord Health Care Corporation | 180.03% |
| 234. | University Hospitals Hlth Syst | 179.58% |
| 235. | Symphony Healthcare | 179.51% |
| 236. | Archbold Medical Center | 179.32% |
| 237. | Essent Healthcare | 178.47% |
| 238. | Charleston Area Med Ctr System | 178.31% |
| 239. | Presbyterian Healthcare Servs | 177.87% |
| 240. | Strong Memorial Hospital | 177.84% |
| 241. | Adventist Healthcare | 176.87% |
| 242. | Berkshire Health Systems, Inc | 176.70% |
| 243. | Cape Cod Healthcare, Inc | 176.05% |
| 244. | Preferred Management Corp | 175.25% |
| 245. | Alameda Medical Center | 172.13% |
| 246. | University Health Systems | 169.67% |
| 247. | Healthcorp of Tennessee, Inc | 169.60% |
| 248. | HealthMont, Inc | 169.02% |
| 249. | DasSee Community Hlth System | 167.41% |
| 250. | Tarrant County Hosp District | 166.30% |
| 251. | CoxHealth | 166.11% |
| 252. | ThedaCare, Inc | 165.21% |
| 253. | Providence Services | 162.51% |
| 254. | Samaritan Health Services | 161.25% |
| 255. | Spectrum Health | 160.97% |
| 256. | Munson Healthcare | 158.63% |
| 257. | MedStar Health | 155.35% |
| 258. | Puerto Rico Department of Hlth | 154.72% |



| Rank | Hospital System Charges as a Percent of Costs by Hospital System | Charges as a % of Costs |
|------|---|-------------------------|
| 259. | CentraCare Health System | 154.15% |
| 260. | Iowa Health System | 151.90% |
| 261. | Intermountain Health Care, Inc | 150.57% |
| 262. | University of MD Medical Syst | 149.78% |
| 263. | Ancilla Systems Inc | 148.74% |
| 264. | Rapid City Regional Hospital | 147.78% |
| 265. | Mayo Foundation | 145.79% |
| 266. | Christiana Care Health System | 145.04% |
| 267. | Missionary Benedictine Sisters | 144.47% |
| 268. | LA Cnty-Dept of Health Servs | 143.44% |
| 269. | Moses Cone Health System | 142.82% |
| 270. | Benedictine Health System | 141.67% |
| 271. | University of Texas System | 141.50% |
| 272. | PeaceHealth | 140.75% |
| 273. | MUSC Med Ctr of Med Univ of SC | 140.28% |
| 274. | Sioux Valley Hosp & Hlth Syst | 135.86% |
| 275. | Cascade Health Services | 134.32% |
| 276. | Avera Health | 131.31% |
| 277. | Benedictine Sisters | 130.59% |
| 278. | Sisters of Mary | 130.04% |
| 279. | Franciscan SRS of Christian | 128.62% |
| 280. | Great Plains Health Alliance | 126.61% |
| 281. | Rural Health Management Corp | 124.55% |
| 282. | Truman Medical Centers | 122.10% |
| 283. | North Carolina Baptist Hosp | 121.99% |
| 284. | LifeBridge Health | 119.07% |
| 285. | Cook Cnty Bureau of Hlth Serv | 118.58% |
| 286. | Dimensions Healthcare System | 116.18% |
| 287. | Upper Chesapeake Health System | 115.35% |



| Rank | Hospital System Charges as a Percent of Costs by Hospital System | Charges as a % of Costs |
|------|---|-------------------------|
| 288. | Johns Hopkins Health System | 111.72% |
| 289. | New York City Hlth & Hosp Corp | 100.00% |



| Lubic 10 million | Tuble 10 Trieruge charge to cost funto, Deus, Fronts una charge fei Discharge by Hospital Deu Deches, 2002/2005 | | | | | | | | |
|------------------|---|---------------------------------------|-------------------------------------|---------------------------|------------------------------|--|--|--|--|
| Decile | Avg. Range of Beds in Decile | Avg. Total Charge to Cost Ratio | Avg. Number of Beds in Decile | Avg. Net income (or loss) | Avg. Charge Per Discharge | | | | |
| 1 | <= 23 | 151.98% | 16 | \$320,889.93 | \$29,122.99 | | | | |
| 2 | 24 - 31 | 152.20% | 26 | \$299,095.83 | \$22,204.12 | | | | |
| 3 | 32 - 45 | 177.44% | 39 | \$173,947.17 | \$21,292.61 | | | | |
| 4 | 46 - 61 | 204.10% | 52 | \$685,019.93 | \$22,064.35 | | | | |
| 5 | 62 - 97 | 223.10% | 78 | \$1,762,413.01 | \$23,710.62 | | | | |
| 6 | 98 - 123 | 266.12% | 109 | \$682,763.16 | \$26,533.32 | | | | |
| 7 | 124 - 166 | 270.08% | 143 | \$3,766,217.88 | \$27,940.64 | | | | |
| 8 | 167 - 231 | 285.49% | 195 | \$6,271,034.36 | \$29,943.56 | | | | |
| 9 | 232 - 330 | 285.91% | 277 | \$7,555,753.13 | \$31,652.53 | | | | |
| 10 | 331+ | 282.12% | 492 | \$15,831,414.65 | \$35,052.87 | | | | |
| | National Average | 232.39% | 142 | \$3,697,428.63 | \$26,948.83 | | | | |

Table 18 Average Charge to Cost Ratio, Beds, Profits and Charge Per Discharge by Hospital Bed Deciles, 2002/2003



| Table 19 Average Total Charge to Cost Ratio by Hospital Control Type: 2002/2005 | | | | | |
|---|---|--|--|--|--|
| Ν | Total Charges as a % of Total Costs | | | | |
| | | | | | |
| 654 | 350.5760% | | | | |
| 30 | 255.0341% | | | | |
| 9 | 251.4381% | | | | |
| 590 | 241.3037% | | | | |
| | 232.39% | | | | |
| 49 | 229.8908% | | | | |
| 1960 | 216.0500% | | | | |
| 892 | 184.5866% | | | | |
| | N 654 30 9 590 49 1960 892 | | | | |

Table 19 Average Total Charge to Cost Ratio by Hospital Control Type: 2002/2003



| State: Total Charges as a % of Total Costs by State: 2002/2003 | | |
|--|-------|-------------------------------------|
| Rank | State | Total Charges as a % of Total Costs |
| 1. | NJ | 414.75% |
| 2. | CA | 355.04% |
| 3. | FL | 354.72% |
| 4. | PA | 308.15% |
| 5. | AL | 283.61% |
| 6. | NV | 276.48% |
| 7. | AZ | 276.06% |
| 8. | TX | 261.53% |
| 9. | LA | 255.06% |
| 10. | TN | 253.17% |
| 11. | SC | 247.92% |
| 12. | VA | 237.21% |
| 13. | IL | 227.15% |
| 14. | KY | 220.78% |
| 15. | MO | 215.20% |
| 16. | DC | 215.10% |
| 17. | AR | 213.06% |
| 18. | MS | 212.92% |
| 19. | NY | 212.84% |
| 20. | GA | 211.60% |
| 21. | СО | 210.32% |
| 22. | RI | 209.74% |
| 23. | HI | 205.48% |
| 24. | PR | 205.36% |
| 25. | MA | 203.49% |
| 26. | NM | 202.08% |
| 27. | NC | 199.58% |

 Table 20 Average Total Charge to Cost Ratio by State: 2002/2003



| State: Total Charges as a % of Total Costs by State: 2002/2003 | | |
|--|-------|-------------------------------------|
| Rank | State | Total Charges as a % of Total Costs |
| 28. | OK | 198.10% |
| 29. | OH | 197.96% |
| 30. | СТ | 196.68% |
| 31. | MI | 195.29% |
| 32. | DE | 189.99% |
| 33. | WV | 186.59% |
| 34. | IN | 183.85% |
| 35. | NH | 181.87% |
| 36. | ME | 179.33% |
| 37. | UT | 178.53% |
| 38. | KS | 175.10% |
| 39. | WA | 172.04% |
| 40. | WI | 171.07% |
| 41. | OR | 164.34% |
| 42. | MN | 156.04% |
| 43. | WY | 151.77% |
| 44. | NE | 150.51% |
| 45. | VT | 148.58% |
| 46. | IA | 148.39% |
| 47. | SD | 147.72% |
| 48. | AK | 146.39% |
| 49. | ID | 140.07% |
| 50. | MT | 137.41% |
| 51. | ND | 127.01% |
| 52. | MD | 120.24% |
| 53. | VI | 111.63% |
| National Average | Total | 232.40% |



| Rank | Hospital Name Top 40 Hospitals: Operating Room Charges as a % of Operating Room Costs: 2002/2003 | City | State | System Affiliation | OR Charges as a % of Total OR Costs |
|------|---|---------------|-------|-------------------------------|---|
| 1. | Doctors Hospital Of Manteca | Manteca | CA | Tenet Healthcare Corporation | 1694.69% |
| 2. | Palmetto General Hospital | Hialeah | FL | Tenet Healthcare Corporation | 1472.78% |
| 3. | Clifton-Fine Hospital | Star Lake | NY | No Affiliation Listed | 1369.22% |
| 4. | Fletcher Allen Health Care | Burlington | VT | No Affiliation Listed | 1350.37% |
| 5. | Hahnemann University Hospital | Philadelphia | PA | Tenet Healthcare Corporation | 1336.74% |
| б. | Los Alamitos Medical Ctr. | Los Alamitos | CA | Tenet Healthcare Corporation | 1238.69% |
| 7. | Desert Hospital | Palm Springs | CA | Tenet Healthcare Corporation | 1211.96% |
| 8. | Garfield Medical Ctr. | Monterey Park | CA | Tenet Healthcare Corporation | 1188.90% |
| 9. | San Dimas Community Hospital | San Dimas | CA | Tenet Healthcare Corporation | 1167.51% |
| 10. | Doctors Medical Center Of Modesto | Modesto | CA | Tenet Healthcare Corporation | 1153.03% |
| 11. | Harris Hospital | Newport | AR | Community Health Systems, Inc | 1152.13% |
| 12. | Our Lady Of Lourdes Med. Ctr. | Camden | NJ | Catholic Health East | 1141.42% |
| 13. | Graduate Hospital | Philadelphia | PA | Tenet Healthcare Corporation | 1126.53% |
| 14. | Northridge Medical Center - Roscoe | Northridge | CA | Catholic Healthcare West | 1125.34% |
| 15. | Suburban Medical Center | Paramount | CA | Tenet Healthcare Corporation | 1112.45% |
| 16. | Hialeah Hospital | Hialeah | FL | Tenet Healthcare Corporation | 1039.34% |
| 17. | Parkway Hospital | Forest Hills | NY | No Affiliation Listed | 1027.94% |
| 18. | Temple University Hospital | Philadelphia | PA | Temple University Health Syst | 1026.51% |
| 19. | Tops Surgical Specialty Hospital | Houston | TX | No Affiliation Listed | 1021.65% |
| 20. | Grand View Hospital | Sellersville | PA | No Affiliation Listed | 1017.67% |
| 21. | John.F. Kennedy Memorial Hosp. | Indio | CA | Tenet Healthcare Corporation | 1016.63% |
| 22. | Regional Medical Center Southwest Fl | Fort Myers | FL | HCA | 1001.97% |
| 23. | Ft. Walton Beach Medical Center | Fort Walton | FL | НСА | 995.85% |

Table 21 Top 40 Hospitals: Total Operating Room Charges as a Percent of Total Operating Room Costs by State



| Rank | Hospital Name Top 40 Hospitals: Operating Room Charges as a % of Operating Room Costs: 2002/2003 | City | State | System Affiliation | OR Charges as a % of Total OR Costs |
|------|---|-----------------|-------|-------------------------------|---|
| 24. | Orange Coast Memorial Medical Center | Fountain Valley | CA | Memorial Health Services | 984.00% |
| 25. | Centinela Hospital Medical Center | Inglewood | CA | Tenet Healthcare Corporation | 978.52% |
| 26. | Lakewood Regional Med. Ctr. | Lakewood | CA | Tenet Healthcare Corporation | 973.32% |
| 27. | Three Rivers Healthcare | Poplar Bluff | MO | Tenet Healthcare Corporation | 972.96% |
| 28. | Queen Of Angels/Hollywood Pres Mc | Los Angeles | CA | Tenet Healthcare Corporation | 964.84% |
| 29. | Selma Community | Selma | CA | Adventist Health | 960.04% |
| 30. | Kendall Regional Medical Center | Miami | FL | НСА | 946.74% |
| 31. | Kansas Heart Hospital | Wichita | KS | No Affiliation Listed | 941.18% |
| 32. | Easton Hospital | Easton | PA | Community Health Systems, Inc | 939.93% |
| 33. | Orange Park Medical Center | Orange Park | FL | HCA | 939.14% |
| 34. | Riddle Memorial Hospital | Media | PA | No Affiliation Listed | 927.49% |
| 35. | Med. Ctr. Of Southeastern Oklahoma | Durant | OK | Health Management Associates | 926.81% |
| 36. | Northridge Hospital - Sherman Way | Van Nuys | CA | Catholic Healthcare West | 915.32% |
| 37. | Century City Hosp | Los Angeles | CA | Tenet Healthcare Corporation | 904.23% |
| 38. | Fawcett Memorial Hospital | Port Charlotte | FL | HCA | 891.09% |
| 39. | St. Anne Mercy Hospital | Toledo | OH | No Affiliation Listed | 891.07% |
| 40. | Usc University Hospital | Los Angeles | CA | Tenet Healthcare Corporation | 891.00% |



| Rank | Hospital Name Top 40 Hospitals: Total Drug Charges as a % of Total Drug Costs: 2002/2003 | City | State | System Affiliation | Total Drug Charges as a % of Total Drug Costs |
|------|--|-----------------|-------|--------------------------------|---|
| 1. | The Brooklyn Hospital Center | Brooklyn | NY | New York Presby Hlthcare Syst | 6796.47% |
| 2. | Charlotte Hungerford Hospital | Torrington | CT | No Affiliation Listed | 5225.94% |
| 3. | Davis Memorial Hospital | Elkins | WV | No Affiliation Listed | 4014.70% |
| 4. | Doctors Medical Center Of Modesto | Modesto | CA | Tenet Healthcare Corporation | 2655.10% |
| 5. | Centinela Hospital Medical Center | Inglewood | CA | Tenet Healthcare Corporation | 2466.53% |
| 6. | Doctors Hospital Of Manteca | Manteca | CA | Tenet Healthcare Corporation | 2263.15% |
| 7. | Suburban Medical Center | Paramount | CA | Tenet Healthcare Corporation | 1964.78% |
| 8. | Doctors Medical Center-San Pablo | San Pablo | CA | Tenet Healthcare Corporation | 1895.32% |
| 9. | Sierra Vista Regional Med Ctr | San Luis Obispo | CA | Tenet Healthcare Corporation | 1895.19% |
| 10. | Etmc - Athens | Athens | TX | East Texas Med Ctr Reg Syst | 1871.63% |
| 11. | Pennsylvania Hospital Of Uphs | Philadelphia | PA | Univ Of Pennsylvania Hlth Syst | 1843.64% |
| 12. | Midway Hospital Medical Center | Los Angeles | CA | Tenet Healthcare Corporation | 1828.50% |
| 13. | Hospital | Meadowbrook | PA | No Affiliation Listed | 1818.34% |
| 14. | Ny Community Hospital Of Brooklyn | Brooklyn | NY | New York Presby Hlthcare Syst | 1767.23% |
| 15. | Redding Medical Center | Redding | CA | Tenet Healthcare Corporation | 1756.48% |
| 16. | Renaissance Womens Ctr. Of Edmond | Edmond | OK | No Affiliation Listed | 1704.28% |
| 17. | Desert Hospital | Palm Springs | CA | Tenet Healthcare Corporation | 1657.97% |
| 18. | Christian Hospital Northwest | Florissant | MO | No Affiliation Listed | 1639.42% |
| 19. | Irvine Medical Center | Irvine | CA | Tenet Healthcare Corporation | 1637.81% |
| 20. | Memorial Hospital Modesto | Modesto | CA | Sutter Health | 1633.66% |
| 21. | John.F. Kennedy Memorial Hosp. | Indio | CA | Tenet Healthcare Corporation | 1606.82% |
| 22. | Pacific Hospital Of Long Beach | Long Beach | CA | No Affiliation Listed | 1595.20% |
| 23. | Brotman Medical Center | Culver City | CA | Tenet Healthcare Corporation | 1549.71% |
| 24. | Med. Ctr. Of Southeastern Oklahoma | Durant | OK | Health Management Associates | 1546.94% |

 Table 22 Top 40 Hospitals: Total Drug Charges as a Percent of Total Drug Costs



| Rank | Hospital Name Top 40 Hospitals: Total Drug Charges as a % of Total Drug Costs: 2002/2003 | City | State | System Affiliation | Total Drug Charges as a % of Total Drug Costs |
|------|--|----------------|-------|------------------------------|---|
| 25. | Mercy Hosp - Community | Merced | CA | Catholic Healthcare West | 1539.45% |
| 26. | Warminster Hospital | Warminster | PA | Tenet Healthcare Corporation | 1538.70% |
| 27. | The Good Samaritan Hospital | Lebanon | PA | No Affiliation Listed | 1529.69% |
| 28. | Monterey Park Hospital | Monterey Park | CA | Tenet Healthcare Corporation | 1501.49% |
| 29. | Garfield Medical Ctr. | Monterey Park | CA | Tenet Healthcare Corporation | 1483.53% |
| 30. | Hospital De La Concepcion | San German | PR | No Affiliation Listed | 1479.81% |
| 31. | Santa Barbara Cottage Hospital | Santa Barbara | CA | Cottage Health System | 1468.99% |
| 32. | Brownsville Medical Center | Brownsville | TX | Tenet Healthcare Corporation | 1460.70% |
| 33. | Biloxi Regional Medical Center | Biloxi | MS | Health Management Associates | 1458.08% |
| 34. | Coastal Communities Hospital | Santa Ana | CA | Tenet Healthcare Corporation | 1424.64% |
| 35. | Helene Fuld Medical Center | Trenton | NJ | No Affiliation Listed | 1421.93% |
| 36. | Lawnwood Regional Medical Center | Ft. Pierce | FL | HCA | 1419.46% |
| 37. | Brookwood Medical Center | Birmingham | AL | Tenet Healthcare Corporation | 1418.77% |
| 38. | Twin Cities Community Hospital | Templeton | CA | Tenet Healthcare Corporation | 1409.47% |
| 39. | Queen Of Angels/Hollywood Pres Mc | Los Angeles | CA | Tenet Healthcare Corporation | 1405.82% |
| 40. | Community Hospital Of San Bernardino | San Bernardino | CA | Catholic Healthcare West | 1394.47% |



 Table 23 Top 40 Hospitals: Total Medical Supplies Charges as a Percent of Total Medical Supplies Costs

| Rank | Hospital Name Top 40 Hospitals: Medical Supplies Charges as a % of Total Medical Supplies Costs | City | State | System Affiliation | Total Medical Supplies Charges as a % of Total Medical Supplies Costs |
|------|--|---------------|-------|-------------------------------|---|
| 1. | Kindred Hospital - Delaware County | Darby | PA | No Affiliation Listed | 9592.80% |
| 2. | Smh - Chula Vista | Chula Vista | CA | Scripps Health | 9565.11% |
| 3. | St. Francis Hospital-Wilmington De | Wilmington | DE | Catholic Health East | 9376.34% |
| 4. | St. Francis Medical Center | Honolulu | HI | Sisters Of 3Rd Franciscan | 8822.40% |
| 5. | St. Bernard Hospital | Chicago | IL | No Affiliation Listed | 8035.81% |
| 6. | Baylor Medical Center At Garland | Garland | TX | Baylor Health Care System | 7584.49% |
| 7. | Prattville Baptist Hospital | Prattville | AL | Baptist Health | 7555.02% |
| 8. | New York Methodist Hospital | Brooklyn | NY | New York Presby Hlthcare Syst | 7183.07% |
| 9. | Crestwood Medical Center | Huntsville | AL | Triad Hospitals, Inc | 7117.66% |
| 10. | Southeastern Oh Reg Med Ctr | Cambridge | OH | No Affiliation Listed | 7046.71% |
| 11. | Woodland Memorial Hospital | Woodland | CA | Catholic Healthcare West | 6997.10% |
| 12. | Franklin Square Hospital Center | Baltimore | MD | Medstar Health | 6943.00% |
| 13. | Upmc Bedford Memorial | Everett | PA | Upmc Health System | 6655.36% |
| 14. | Camden Medical Center | St. Marys | GA | Southeast Georgia Health Syst | 6310.55% |
| 15. | St. Mary S Hospital | Rogers | AR | Sisters Of Mercy | 6238.34% |
| 16. | Seton Edgar B. Davis | Luling | TX | Ascension Health | 5452.96% |
| 17. | Fort Atkinson Memorial Health Servic | Fort Atkinson | WI | No Affiliation Listed | 5434.69% |
| 18. | Hayward Area Memorial Hospital | Hayward | WI | No Affiliation Listed | 5320.80% |
| 19. | Delaware County Memorial Hospital | Drexel Hill | PA | Crozer-Keystone Health System | 4997.75% |
| 20. | Upland Hills Health Inc. | Dodgeville | WI | No Affiliation Listed | 4972.75% |



| Rank | Hospital Name Top 40 Hospitals: Medical Supplies Charges as a % of Total Medical Supplies Costs | City | State | System Affiliation | Total Medical Supplies Charges as a % of Total Medical Supplies Costs |
|------|--|-----------------------|-------|-------------------------------|---|
| 21. | Trinitas Hospital | Elizabeth | NJ | No Affiliation Listed | 4823.37% |
| 22. | North Shore Univ Hosp At Plainview | Plainview | NY | North Shore-Long Island Hlth | 4766.20% |
| 23. | Good Samaritan Hospital | Downers Grove | IL | Advocate Health Care | 4108.93% |
| 24. | E. Liverpool City Hospital | East Liverpool | OH | No Affiliation Listed | 4016.80% |
| 25. | St. Lukes Roosevelt Hospital Center | New York | NY | Continuum Health Partners | 4011.72% |
| 26. | Scottsdale Healthcare - Shea | Scottsdale | AZ | Scottsdale Healthcare | 3772.46% |
| 27. | Torrance Memorial Medical Center | Torrance | CA | No Affiliation Listed | 3666.64% |
| 28. | Valley Lutheran | Mesa | AZ | Banner Health | 3557.22% |
| 29. | Nazareth Hospital-Phila Pa | Philadelphia | PA | Catholic Health East | 3271.93% |
| 30. | Doctor S Community Hospital | San Juan | PR | No Affiliation Listed | 3199.64% |
| 31. | Mineral Area Regional Medical Center | Farmington | MO | No Affiliation Listed | 3186.50% |
| 32. | The Mount Vernon Hospital | Mount Vernon | NY | No Affiliation Listed | 3166.38% |
| 33. | Noxubee County Hospital | Macon | MS | No Affiliation Listed | 3098.78% |
| 34. | St. Lukes Cornwall Hospital | 70 Dubois St Newburgh | NY | No Affiliation Listed | 3055.18% |
| 35. | Madison County Hospital | Canton | MS | Health Management Associates | 3054.30% |
| 36. | St. Anthonys Hospital | St. Petersburg | FL | Catholic Health East | 3036.04% |
| 37. | Pinnacle Health Hospitals | Harrisburg | PA | No Affiliation Listed | 2990.71% |
| 38. | Springs Memorial Hospital | Lancaster | SC | Community Health Systems, Inc | 2953.99% |
| 39. | St. Elizabeths Medical Center | Boston | MA | Caritas Christi Health Care | 2902.60% |
| 40. | Margaret Mary Community Hospital | Batesville | IN | No Affiliation Listed | 2896.98% |



X. The IHSP Hospital 500: Top Ten Hospitals by State by Total Charge to Cost Ratio

We present below the Top Ten Hospitals with the Most Expensive Total Charge to Cost Ratios on a state by state basis.

We believe that such a presentation may help to clarify a principal analytical goal of this study; the demystification of the relationship among hospital billing practices, costs, profits and the access to - or lack thereof - of quality care at affordable levels.

Lacking such an understanding, the nation is analytically blind and politically impoverished as it faces ever increasing pressures regarding policy decisions in its attempt to transform the current failing bottomline-oriented health care industry into a successful, just and humane health care system.

The first step in guiding those policy decisions and the subsequent transformation to follow is first to deepen as best we can our understanding of the health care industry. This is of particular urgency as it pertains to such absolutely fundamental elements as hospital charges, costs, reimbursements and their relation to hospital fiscal health.



Table 24 Top Ten Hospital Total Charge to Costs Ratios by State

| Rank | Hospital Name Top Ten Hospitals in Each State: Total Charges as a % of Total Costs | System | State | Total Charges as a % of Total Costs |
|------|--|-------------------------------|-------|--|
| 1 | Brookwood Medical Center | Tenet Healthcare Corporation | AL | 785.49% |
| 2 | Stringfellow Memorial Hospital | Health Management Associates | AL | 605.28% |
| 3 | Riverview Reg L Medical Center | Health Management Associates | AL | 568.97% |
| 4 | Bmc Princeton | Baptist Health System | AL | 538.72% |
| 5 | Gadsden Regional Medical Center | Triad Hospitals, Inc | AL | 511.19% |
| 6 | Parkway Medical Center | Community Health Systems, Inc | AL | 490.78% |
| 7 | Bmc - Montclair | Baptist Health System | AL | 489.50% |
| 8 | Woodland Medical Center | Community Health Systems, Inc | AL | 481.67% |
| 9 | Crestwood Medical Center | Triad Hospitals, Inc | AL | 481.61% |
| 10 | Walker - Baptist Medical Center | Baptist Health System | AL | 467.79% |
| | | | | |
| 1 | Alaska Regional Hospital | НСА | AK | 227.14% |
| 2 | Providence Alaska Medical Center | Providence Health System | AK | 200.36% |
| 3 | Fairbanks Memorial Hospital | Banner Health | AK | 150.69% |
| 4 | Valley Hospital Association | | AK | 145.24% |
| 5 | Central Peninsula General Hospital | | AK | 140.03% |
| 6 | Ketchikan General Hospital | PeaceHealth | AK | 132.02% |
| 7 | Prov. Kodiak Island Med Ctr | Providence Health System | AK | 127.61% |
| 8 | Wrangell Medical Center | | AK | 119.47% |
| 9 | Bartlett Regional Hospital | Quorum Health Resources | AK | 113.94% |
| 10 | South Peninsula Hospital | | AK | 107.44% |



| Rank | Hospital Name Top Ten Hospitals in Each State: Total Charges as a % of Total Costs | System | State | Total Charges as a % of Total Costs |
|------|--|-------------------------------|-------|--|
| | | | | |
| 1 | Walter O. Boswell Memorial Hospital | Sun Health Corporation | AZ | 427.98% |
| 2 | Valley Lutheran | Banner Health | AZ | 423.92% |
| 3 | Arrowhead Community Hospital | Vanguard Health System | AZ | 404.29% |
| 4 | Chandler Regional Hospital | Catholic Healthcare West | AZ | 403.01% |
| 5 | Western Arizona Regional Medical Cen | | AZ | 392.42% |
| 6 | Del E Webb Memorial Hospital | Sun Health Corporation | AZ | 388.56% |
| 7 | Thunderbird Samaritan Medical Cnt | Banner Health | AZ | 380.56% |
| 8 | Lutheran Heart Hospital | | AZ | 380.37% |
| 9 | Jcl North Mountain | John C Lincoln Health Network | AZ | 375.66% |
| 10 | Jcl Hospital - Deer Valley | John C Lincoln Health Network | AZ | 374.30% |
| | | | | |
| 1 | Harris Hospital | Community Health Systems, Inc | AR | 480.13% |
| 2 | National Park Medical Center | Tenet Healthcare Corporation | AR | 477.40% |
| 3 | Southwest Regional Medical Center | Health Management Associates | AR | 416.43% |
| 4 | Crawford Memorial Hospital | Health Management Associates | AR | 394.02% |
| 5 | St. Joseph S Mercy Health Center | Sisters of Mercy | AR | 390.21% |
| 6 | St. Mary S Regional Med Ctr | Tenet Healthcare Corporation | AR | 388.96% |
| 7 | Regional Medical Center Of Nea | Tenet Healthcare Corporation | AR | 373.98% |
| 8 | Central Arkansas Hospital | Tenet Healthcare Corporation | AR | 335.34% |
| 9 | Medical Center Of South Arkansas | Triad Hospitals, Inc | AR | 281.31% |
| 10 | Baptist Health Medical Center - Lr | Baptist Health | AR | 273.28% |
| | | | | |
| 1 | Doctors Medical Center Of Modesto | Tenet Healthcare Corporation | CA | 1185.66% |
| 2 | Doctors Hospital Of Manteca | Tenet Healthcare Corporation | CA | 1092.34% |



| Rank | Hospital Name Top Ten Hospitals in Each State: Total Charges as a % of Total Costs | System | State | Total Charges as a % of Total Costs |
|------|--|------------------------------|-------|--|
| 3 | Midway Hospital Medical Center | Tenet Healthcare Corporation | CA | 945.32% |
| 4 | Garfield Medical Ctr. | Tenet Healthcare Corporation | CA | 860.53% |
| 5 | Twin Cities Community Hospital | Tenet Healthcare Corporation | CA | 813.87% |
| 6 | Monterey Park Hospital | Tenet Healthcare Corporation | CA | 796.76% |
| 7 | Los Alamitos Medical Ctr. | Tenet Healthcare Corporation | CA | 796.14% |
| 8 | Redding Medical Center | Tenet Healthcare Corporation | CA | 790.78% |
| 9 | Sierra Vista Regional Med Ctr | Tenet Healthcare Corporation | CA | 756.35% |
| 10 | Centinela Hospital Medical Center | Tenet Healthcare Corporation | CA | 755.60% |
| | | | | |
| 1 | St. Anthony North | Catholic Health Initiatives | CO | 389.96% |
| 2 | Rose Medical Center | HCA | CO | 350.05% |
| 3 | Medical Center Of Aurora | HCA | CO | 345.43% |
| 4 | Exempla St. Joseph Hospital | Exempla Healthcare, Inc | CO | 339.98% |
| 5 | North Suburban Medical Center | HCA | CO | 336.94% |
| 6 | St. Anthony Central | Catholic Health Initiatives | CO | 332.98% |
| 7 | Swedish Medical Center | HCA | CO | 326.59% |
| 8 | St. Mary Corwin Medical Center | Catholic Health Initiatives | CO | 317.47% |
| 9 | Exempla Lutheran Medical Center | Exempla Healthcare, Inc | CO | 310.66% |
| 10 | Penrose/St. Francis Healthcare | Catholic Health Initiatives | CO | 303.30% |
| 1 | The Griffin Hospital | | СТ | 272.24% |
| 2 | Hospital Of Saint Raphael | | СТ | 253.07% |
| 3 | Johnson Memorial Hospital | | СТ | 248.31% |
| 4 | Milford Hospital Inc. | | СТ | 244.37% |
| 5 | Yale-New Haven Hospital | Yale New Haven Health System | CT | 231.34% |



| Rank | Hospital Name Top Ten Hospitals in Each State: Total Charges as a % of Total Costs | System | State | Total Charges as a % of Total Costs |
|------|--|--------------------------------|-------|--|
| 6 | Bridgeport Hospital | Yale New Haven Health System | CT | 231.00% |
| 7 | St. Marys Hospital | | CT | 229.42% |
| 8 | Rockville General Hospital Inc. | Eastern Connecticut Hlth Netwk | СТ | 226.85% |
| 9 | Manchester Memorial Hospital | Eastern Connecticut Hlth Netwk | CT | 219.13% |
| 10 | Bristol Hospital Inc. | | СТ | 215.91% |
| | | | | |
| 1 | St. Francis Hospital-Wilmington De | Catholic Health East | DE | 240.24% |
| 2 | Milford Memorial Hospital | | DE | 194.72% |
| 3 | Beebe Medical Center | | DE | 190.18% |
| 4 | Kent General Hospital | | DE | 186.14% |
| 5 | Nanticoke Memorial Hospital | | DE | 183.64% |
| 6 | Christiana Care Health Services | Christiana Care Health System | DE | 145.04% |
| | | | | |
| 1 | George Washington Univ. Hospt. | Universal Health Services, Inc | DC | 266.96% |
| 2 | Greater Southeast Comm. Hosp | Doctors Community Healthcare | DC | 240.25% |
| 3 | Georgetown University Hospital | MedStar Health | DC | 228.46% |
| 4 | Washington Hospital Center | MedStar Health | DC | 226.08% |
| 5 | Providence Hospital | Ascension Health | DC | 222.51% |
| 6 | Howard University Hospital | | DC | 175.76% |
| 7 | Hadley Memorial Hospital | Doctors Community Healthcare | DC | 145.68% |
| | | | | |
| 1 | Hialeah Hospital | Tenet Healthcare Corporation | FL | 669.09% |
| 2 | Palmetto General Hospital | Tenet Healthcare Corporation | FL | 644.90% |
| 3 | Heart Of Florida Reg L Medical Ctr. | Health Management Associates | FL | 628.32% |
| 4 | Delray Medical Center | Tenet Healthcare Corporation | FL | 625.94% |



| Rank | Hospital Name Top Ten Hospitals in Each State: Total Charges as a % of Total Costs | System | State | Total Charges as a % of Total Costs |
|------|--|------------------------------|-------|--|
| 5 | Ft. Walton Beach Medical Center | HCA | FL | 603.15% |
| 6 | Twin Cities Hospital | HCA | FL | 601.26% |
| 7 | Florida Medical Center | Tenet Healthcare Corporation | FL | 592.86% |
| 8 | Coral Gables Hospital | Tenet Healthcare Corporation | FL | 590.40% |
| 9 | Orange Park Medical Center | HCA | FL | 584.75% |
| 10 | Brooksville Regional Hospital | Health Management Associates | FL | 574.00% |
| | | | | |
| 1 | Spalding Regional Hospital | Tenet Healthcare Corporation | GA | 545.68% |
| 2 | Atlanta Medical Center | Tenet Healthcare Corporation | GA | 439.84% |
| 3 | Cartersville Medical Center | HCA | GA | 398.96% |
| 4 | South Fulton Medical Center | Tenet Healthcare Corporation | GA | 397.04% |
| 5 | Doctors Of Augusta Hospital | HCA | GA | 394.69% |
| 6 | East Georgia Regional Medical Ctr | Health Management Associates | GA | 358.71% |
| 7 | Doctors Hospital Of Columbus | HCA | GA | 348.58% |
| 8 | Redmond Regional Medical Center | HCA | GA | 347.51% |
| 9 | Fairview Park Hospital | HCA | GA | 337.29% |
| 10 | Douglas Hospital | WellStar Health System | GA | 312.19% |
| | | | | |
| 1 | Kapiolani Medical Ctr @ Pali Momi | Hawaii Pacific Health System | HI | 279.87% |
| 2 | The Queen S Medical Center | Queen's Health Systems | HI | 266.00% |
| 3 | Maui Memorial Medical Center | Hawaii Health Systems Corp | HI | 243.06% |
| 4 | Straub Clinic & Hospital | Hawaii Pacific Health System | HI | 217.82% |
| 5 | St Francis Medical Center West | Sisters of 3rd Franciscan | HI | 213.44% |
| 6 | Castle Medical Center | Adventist Health | HI | 205.83% |
| 7 | Kuakini Medical Center | | HI | 199.24% |



| Rank | Hospital Name Top Ten Hospitals in Each State: Total Charges as a % of Total Costs | System | State | Total Charges as a % of Total Costs |
|------|--|--------------------------------|-------|--|
| 8 | St. Francis Medical Center | Sisters of 3rd Franciscan | HI | 193.83% |
| 9 | Kona Community Hospital | Hawaii Health Systems Corp | HI | 175.40% |
| 10 | Hilo Medical Center | Hawaii Health Systems Corp | HI | 175.20% |
| | | | | |
| 1 | West Valley Medical Center | HCA | ID | 234.49% |
| 2 | Mercy Medical Center | Catholic Health Initiatives | ID | 183.10% |
| 3 | Kootenai Medical Center | | ID | 181.17% |
| 4 | Magic Valley Regional Medical Cente | | ID | 173.85% |
| 5 | Treasure Valley Hospital | | ID | 170.45% |
| 6 | St. Joseph Regional Medical Center | Ascension Health | ID | 164.41% |
| 7 | Saint Alphonsus Regional Med Center | Trinity Health | ID | 160.40% |
| 8 | Bannock Regional Medical Center | | ID | 158.61% |
| 9 | Cassia Regional Med. Center | Intermountain Health Care, Inc | ID | 157.43% |
| 10 | Walter Knox Memorial Hospital | | ID | 154.17% |
| | | | | |
| 1 | Our Lady Of The Resurrection | Resurrection Health Care Corp | IL | 427.50% |
| 2 | Gottlieb Memorial Hospital | | IL | 426.33% |
| 3 | West Suburban Hospt. Med. Ctr. | | IL | 384.72% |
| 4 | Macneal Hospital | Vanguard Health System | IL | 377.64% |
| 5 | Northside Health System | | IL | 368.62% |
| 6 | Holy Cross Hospital | | IL | 361.03% |
| 7 | Swedish Covenant Hospital | | IL | 354.32% |
| 8 | Alton Memorial Hospital | BJC HealthCare | IL | 348.85% |
| 9 | Saint Anthonys Health Center | | IL | 347.27% |
| 10 | Resurrection Medical Center | Resurrection Health Care Corp | IL | 343.14% |



| Rank | Hospital Name Top Ten Hospitals in Each State: Total Charges as a % of Total Costs | System | State | Total Charges as a % of Total Costs |
|------|--|--------------------------------|-------|--|
| | | | | |
| 1 | Terre Haute Regional Hospital | HCA | IN | 342.13% |
| 2 | Lutheran Hospital Of Indiana | Triad Hospitals, Inc | IN | 266.15% |
| 3 | Community Hospital South | | IN | 255.05% |
| 4 | Clark Memorial Hospital | Jewish Hosp HealthCare Serv | IN | 249.79% |
| 5 | Union Hospital Inc. | | IN | 247.25% |
| 6 | Bedford Regional Medical Center | Clarian Health Partners | IN | 244.75% |
| 7 | Memorial Hospt. Of South Bend Inc. | | IN | 236.01% |
| 8 | St Joseph Reg Med Ctr - Sb Campus | Trinity Health | IN | 235.97% |
| 9 | Womens Hospital Of Indianapolis | Ascension Health | IN | 233.30% |
| 10 | St. Elizabeth Medical Center | | IN | 232.04% |
| | | | | |
| 1 | Mercy Hospital Council Bluffs | Alegent Health | IA | 259.22% |
| 2 | Covenant Medical Center | Wheaton Franciscan Servs, Inc | IA | 250.54% |
| 3 | Mercy Medical Center-Des Moines | Catholic Health Initiatives | IA | 237.68% |
| 4 | Trinity Regional Medical Center | Iowa Health System | IA | 209.59% |
| 5 | Iowa Methodist Medical Center | Iowa Health System | IA | 203.13% |
| 6 | Sartori Memorial Hospital | Wheaton Franciscan Servs, Inc | IA | 200.15% |
| 7 | Mercy Medical Center | Trinity Health | IA | 193.36% |
| 8 | Great River Medical Center | | IA | 192.91% |
| 9 | Mercy Medical Center | | IA | 191.39% |
| 10 | Jennie Edmundson Memorial | Nebraska Meth Hlth System, Inc | IA | 189.68% |
| | | | | |
| 1 | Overland Park Regl Med. Center | НСА | KS | 366.58% |
| 2 | Wesley Medical Center | HCA | KS | 354.17% |



| Rank | Hospital Name Top Ten Hospitals in Each State: Total Charges as a % of Total Costs | System | State | Total Charges as a % of Total Costs |
|------|--|-------------------------------|-------|--|
| 3 | Shawnee Mission Medical Center Inc. | Adventist Hlth System Sunbelt | KS | 343.87% |
| 4 | Kansas Heart Hospital | | KS | 329.38% |
| 5 | Providence Medical Center | Sisters of Charity | KS | 306.07% |
| 6 | Menorah Medical Center | HCA | KS | 290.87% |
| 7 | Salina Surgical Hospital | | KS | 289.02% |
| 8 | Saint Lukes South Hospital Inc. | Saint Luke's Health System | KS | 274.98% |
| 9 | Olathe Medical Center | | KS | 273.12% |
| 10 | Cushing Memorial Hospital | Saint Luke's Health System | KS | 272.20% |
| | | | | |
| 1 | Kentucky River Medical Center | Community Health Systems, Inc | KY | 550.15% |
| 2 | Paul B. Hall Regl Medical Center | Health Management Associates | KY | 530.29% |
| 3 | Three Rivers Medical Center | Community Health Systems, Inc | KY | 380.62% |
| 4 | Lake Cumberland Regional Hospital | LifePoint Hospitals, Inc | KY | 326.17% |
| 5 | Hazard Arh | Appalachian Reg Healthcare | KY | 317.48% |
| 6 | Jewish Hospital Shelbyville | Jewish Hosp HealthCare Serv | KY | 308.65% |
| 7 | Greenview Regional Hospital | HCA | KY | 308.14% |
| 8 | University Of Louisville Hospital | | KY | 302.82% |
| 9 | Frankfort Regional Medical Center | HCA | KY | 295.91% |
| 10 | Williamson Arh | Appalachian Reg Healthcare | KY | 292.59% |
| | | | | |
| 1 | Meadowcrest Hospital | Tenet Healthcare Corporation | LA | 644.87% |
| 2 | Northshore Reg. Medical Center | Tenet Healthcare Corporation | LA | 618.56% |
| 3 | St. Charles General Hospital | Tenet Healthcare Corporation | LA | 562.36% |
| 4 | Memorial Medical Center | Tenet Healthcare Corporation | LA | 560.68% |
| 5 | Doctors Hospital Of Jefferson | Tenet Healthcare Corporation | LA | 551.79% |



| Rank | Hospital Name Top Ten Hospitals in Each State: Total Charges as a % of Total Costs | System | State | Total Charges as a % of Total Costs |
|------|--|-------------------------------|-------|--|
| 6 | Byrd Regional Hospital | Community Health Systems, Inc | LA | 547.24% |
| 7 | Kenner Regional Medical Center | Tenet Healthcare Corporation | LA | 495.88% |
| 8 | North Monroe Hospital | HCA | LA | 406.11% |
| 9 | Medical Center Of Southwest Louisian | HCA | LA | 398.33% |
| 10 | Lakeview Regional Medical Center | HCA | LA | 391.91% |
| | | | | |
| 1 | St. Marys Regional Medical Center | Covenant Health Systems, Inc | ME | 241.20% |
| 2 | Redington-Fairview General Hospital | | ME | 218.36% |
| 3 | The Aroostook Medical Center | Eastern Maine Healthcare | ME | 215.05% |
| 4 | Bridgton Hospital | | ME | 211.33% |
| 5 | Central Maine Medical Center | | ME | 204.56% |
| 6 | Parkview Memorial Hospital | | ME | 202.71% |
| 7 | Cary Medical Center (Aroostook | Quorum Health Resources | ME | 202.47% |
| 8 | Maine Coast Memorial Hospital | Quorum Health Resources | ME | 199.68% |
| 9 | Mainegeneral Medical Center | | ME | 196.76% |
| 10 | Penobscot Bay Medical Center | | ME | 195.68% |
| | | | | |
| 1 | Kernan | University of MD Medical Syst | MD | 219.08% |
| 2 | Southern Maryland Hospital | | MD | 146.06% |
| 3 | Univ. Of Maryland Medical System | University of MD Medical Syst | MD | 138.07% |
| 4 | Union Memorial Hospital | MedStar Health | MD | 129.92% |
| 5 | Chester River Hospital | | MD | 128.67% |
| 6 | Calvert Memorial Hospital | | MD | 126.87% |
| 7 | Maryland General Hospital | University of MD Medical Syst | MD | 126.23% |
| 8 | Washington Adventist Hospital | Adventist Healthcare | MD | 125.20% |



| Rank | Hospital Name Top Ten Hospitals in Each State: Total Charges as a % of Total Costs | System | State | Total Charges as a % of Total Costs |
|------|--|------------------------------|-------|--|
| 9 | Mem Hospital At Easton Md. Inc. | | MD | 123.17% |
| 10 | Garrett County Memorial Hospital | | MD | 122.47% |
| | | | | |
| 1 | Metrowest Medical Center | Tenet Healthcare Corporation | MA | 306.22% |
| 2 | Faulkner Hospital | Partners HealthCare System | MA | 304.39% |
| 3 | Saint Vincent Hospital | Tenet Healthcare Corporation | MA | 276.01% |
| 4 | Emerson Hospital | | MA | 270.27% |
| 5 | Heywood Hospital | | MA | 265.12% |
| 6 | Marlborough Hospital | UMass Health System | MA | 259.28% |
| 7 | Deaconess Glover Hospital | | MA | 250.35% |
| 8 | Milford-Whitinsville Reg. Hospt. | | MA | 245.76% |
| 9 | Athol Memorial Hospital | | MA | 238.35% |
| 10 | Ummhc~Clinton Hospital | UMass Health System | MA | 237.86% |
| | | | | |
| 1 | St. John Macomb Hospital | Ascension Health | MI | 319.57% |
| 2 | St. John Hospital And Medical Center | Ascension Health | MI | 309.22% |
| 3 | Kindred Hospital - Metro Detroit | | MI | 305.11% |
| 4 | Crittenton Hospital | | MI | 300.76% |
| 5 | Huron Valley-Sinai Hospital | Detroit Medical Center | MI | 298.59% |
| 6 | Lapeer Regional Hospital | McLaren Health Care Corp | MI | 295.98% |
| 7 | Saline Community Hospital | Trinity Health | MI | 287.05% |
| 8 | William Beaumont Hospital | William Beaumont Hospitals | MI | 277.60% |
| 9 | St. John Northeast Community Hosp | Ascension Health | MI | 276.57% |
| 10 | Mclaren Regional Medical Center | McLaren Health Care Corp | MI | 271.61% |
| | | | | |



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|------|--|-------------------------------|-------|--|
| 1 | Healtheast St John S Hospital | HealthEast Care System | MN | 320.16% |
| 2 | St Joseph S Hospital | HealthEast Care System | MN | 274.40% |
| 3 | Abbott Northwestern Hospital | Allina Hospitals & Clinics | MN | 266.03% |
| 4 | Fairview Ridges Hospital | Fairview Health Services | MN | 263.64% |
| 5 | Unity Hospital | Allina Hospitals & Clinics | MN | 258.22% |
| 6 | Methodist Hospital | Park Nicollet Health Services | MN | 252.56% |
| 7 | Fairview Southdale Hospital | Fairview Health Services | MN | 250.08% |
| 8 | Cambridge Medical Center | Allina Hospitals & Clinics | MN | 248.58% |
| 9 | North Memorial Health Care | | MN | 231.79% |
| 10 | Healtheast Woodwinds Health Campus | HealthEast Care System | MN | 229.81% |
| | | | | |
| 1 | Natchez Community Hospital | Health Management Associates | MS | 472.76% |
| 2 | Biloxi Regional Medical Center | Health Management Associates | MS | 452.69% |
| 3 | Gulf Coast Medical Center | Tenet Healthcare Corporation | MS | 450.88% |
| 4 | Central Mississippi Med. Ctr. | Health Management Associates | MS | 363.28% |
| 5 | Garden Park Community Hospital | HCA | MS | 355.45% |
| 6 | Northwest Ms Reg. Med. Center | Health Management Associates | MS | 343.51% |
| 7 | Riley Memorial Hospital | Health Management Associates | MS | 324.72% |
| 8 | River Region Medical Corp | Triad Hospitals, Inc | MS | 322.91% |
| 9 | River Oaks Hospital | Health Management Associates | MS | 318.02% |
| 10 | Womans Hospital At River Oaks | Health Management Associates | MS | 304.96% |
| | | | | |
| 1 | Des Peres Medical Center | Tenet Healthcare Corporation | MO | 478.79% |
| 2 | Moberly Regional Medical Center | Community Health Systems, Inc | MO | 391.44% |
| 3 | Saint Louis University Hospital | Tenet Healthcare Corporation | MO | 383.85% |



| Rank | Hospital Name Top Ten Hospitals in Each State: Total Charges as a % of Total Costs | System | State | Total Charges as a % of Total Costs |
|------|--|------------------------------|-------|--|
| 4 | St Alexius Hospital | Tenet Healthcare Corporation | MO | 373.60% |
| 5 | Forest Park Hospital | Tenet Healthcare Corporation | MO | 369.53% |
| 6 | Research Medical Center | HCA | MO | 351.67% |
| 7 | St. Joseph Hospital - West | SSM Health Care | MO | 350.09% |
| 8 | Christian Hospital Northeast | BJC HealthCare | MO | 330.24% |
| 9 | Three Rivers Healthcare | Tenet Healthcare Corporation | MO | 326.22% |
| 10 | Medical Center Of Independence | HCA | MO | 323.52% |
| | | | | |
| 1 | Holy Rosary Healthcare | Sisters of Charity | MT | 190.11% |
| 2 | St. Patrick Hospital | Providence Services | MT | 186.17% |
| 3 | Kalispell Regional Medical Center | | MT | 180.67% |
| 4 | St Peters Hospital | | MT | 179.75% |
| 5 | St. Vincent Healthcare | Sisters of Charity | MT | 176.12% |
| 6 | Deaconess Billings Clinic | | MT | 175.95% |
| 7 | St. James Healthcare | Sisters of Charity | MT | 162.99% |
| 8 | Glendive Medical Center | | MT | 156.09% |
| 9 | Northern Montana Hospital | | MT | 155.09% |
| 10 | Bozeman Deaconess Health Services | | MT | 147.66% |
| | | | | |
| 1 | Creighton University Medical Center | Tenet Healthcare Corporation | NE | 516.30% |
| 2 | Immanuel Medical Center | Alegent Health | NE | 256.50% |
| 3 | Midlands Community Hospital | Alegent Health | NE | 253.80% |
| 4 | Bergan Mercy Medical Center | Alegent Health | NE | 253.69% |
| 5 | Nebraska Health System | | NE | 245.55% |
| 6 | St. Elizabeth Reg. Med. Ctr. | Catholic Health Initiatives | NE | 211.94% |



| Rank | Hospital Name Top Ten Hospitals in Each State: Total Charges as a % of Total Costs | System | State | Total Charges as a % of Total Costs |
|------|--|--------------------------------|-------|--|
| 7 | Nebraska Methodist Hospital | Nebraska Meth Hlth System, Inc | NE | 203.70% |
| 8 | Good Samaritan Hosptial | Catholic Health Initiatives | NE | 202.57% |
| 9 | Bryanlgh Medical Center East | | NE | 192.69% |
| 10 | Great Plains Regional Medical Center | Quorum Health Resources | NE | 182.53% |
| | | | | |
| 1 | Lake Mead Medical Center | Tenet Healthcare Corporation | NV | 525.52% |
| 2 | Valley Hospital Medical Center | Universal Health Services, Inc | NV | 456.62% |
| 3 | Summerlin Hospital Medical Center | Universal Health Services, Inc | NV | 439.36% |
| 4 | Desert Springs Hospital | Universal Health Services, Inc | NV | 437.27% |
| 5 | Mountainview | HCA | NV | 416.59% |
| 6 | Sunrise Hospital | HCA | NV | 410.72% |
| 7 | St Rose Dominican - Siena | Catholic Healthcare West | NV | 378.00% |
| 8 | St Rose Dominican - Delima | Catholic Healthcare West | NV | 328.25% |
| 9 | Washoe Medical Center Inc. | | NV | 327.71% |
| 10 | Northern Nevada Medical Center | Universal Health Services, Inc | NV | 318.64% |
| | | | | |
| 1 | Portsmouth Regional Hospital | HCA | NH | 257.00% |
| 2 | Parkland Medical Center | HCA | NH | 244.10% |
| 3 | St. Josephs Hospital | Covenant Health Systems, Inc | NH | 233.92% |
| 4 | Catholic Medical Center | | NH | 231.20% |
| 5 | Elliot Hospital | | NH | 210.33% |
| 6 | Exeter Hospital Inc. | | NH | 209.85% |
| 7 | Wentworth-Douglass Hospital | | NH | 208.10% |
| 8 | Southern Nh Medical Center | | NH | 203.13% |
| 9 | Frisbie Memorial Hospital | | NH | 203.00% |


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|------|--|--------------------------------|-------|--|
| 10 | Concord Hospital Inc. | | NH | 200.82% |
| | | | | |
| 1 | Christ Hospital | | NJ | 830.83% |
| 2 | Columbus Hospital | Cathedral Healthcare Syst, Inc | NJ | 793.11% |
| 3 | Bayonne Medical Center | | NJ | 766.64% |
| 4 | Meadowlands Hospital Medical Center | LibertyHealth | NJ | 738.59% |
| 5 | Barnert Hospital | | NJ | 701.44% |
| 6 | Raritan Bay Medical Center | | NJ | 701.05% |
| 7 | Warren Hospital | | NJ | 665.97% |
| 8 | St. Michaels Medical Center | Cathedral Healthcare Syst, Inc | NJ | 615.94% |
| 9 | Irvington General Hospital | Saint Barnabas Health System | NJ | 611.80% |
| 10 | Hospital Center @ Orange | Cathedral Healthcare Syst, Inc | NJ | 598.34% |
| | | | | |
| 1 | Eastern New Mexico Medical Center | Community Health Systems, Inc | NM | 401.64% |
| 2 | N.E. Regional Hospital | Community Health Systems, Inc | NM | 311.87% |
| 3 | Carlsbad Medical Center | Triad Hospitals, Inc | NM | 263.24% |
| 4 | Albuquerque Regional Med Ctr | Ardent Health Services | NM | 262.36% |
| 5 | Northeast Heights Medical Center | Ardent Health Services | NM | 261.07% |
| 6 | Kaseman Presbyterian Hospital | Presbyterian Healthcare Servs | NM | 244.87% |
| 7 | West Mesa Hospital | Ardent Health Services | NM | 229.09% |
| 8 | Rehoboth Mckinley Christian Hospital | | NM | 225.74% |
| 9 | Heart Hospital Of New Mexico | MedCath, Inc | NM | 220.97% |
| 10 | Memorial Medical Center | | NM | 217.03% |
| | | | | |
| 1 | Parkway Hospital | | NY | 698.54% |



| Rank | Hospital Name Top Ten Hospitals in Each State: Total Charges as a % of Total Costs | System | State | Total Charges as a % of Total Costs |
|------|--|-------------------------------|-------|--|
| 2 | Lenox Hill Hospital | | NY | 452.37% |
| 3 | Brookhaven Memorial Hospital M C | | NY | 447.51% |
| 4 | Long Beach Medical Center | | NY | 377.24% |
| 5 | Victory Memorial Hospital | | NY | 370.25% |
| 6 | Vassar Brothers Medical Center | | NY | 354.00% |
| 7 | Nyack Hospital | | NY | 348.59% |
| 8 | Interfaith Medical Center | | NY | 342.39% |
| 9 | St. Lukes Hospital | Greater Hudson Valley Health | NY | 322.85% |
| 10 | Long Island College Hospital | Continuum Health Partners | NY | 321.64% |
| | | | | |
| 1 | Central Carolina Hospital | Tenet Healthcare Corporation | NC | 483.28% |
| 2 | Frye Regional Medical Center | Tenet Healthcare Corporation | NC | 406.52% |
| 3 | Sandhills Regional Medical Center | Health Management Associates | NC | 397.17% |
| 4 | Lake Norman Reg L Medical Center | Health Management Associates | NC | 372.23% |
| 5 | Davis Regional Medical Center | Health Management Associates | NC | 324.69% |
| 6 | Franklin Regl Medical Center | Health Management Associates | NC | 315.97% |
| 7 | Martin General Hospital | Community Health Systems, Inc | NC | 288.68% |
| 8 | Carolinas Medical Center-Mercy | Carolinas HealthCare System | NC | 281.43% |
| 9 | Presbyterian Orthopaedic Hospital | Novant Health | NC | 276.02% |
| 10 | Presbyterian Hospital Matthews | Novant Health | NC | 264.86% |
| | | | | |
| 1 | Altru Health System-Altru Hospital | | ND | 203.48% |
| 2 | Mercy Hospital | Catholic Health Initiatives | ND | 202.31% |
| 3 | Meritcare Hospital | | ND | 175.74% |
| 4 | St. Joseph S Hospital & Health Ctr | Catholic Health Initiatives | ND | 159.39% |



| Rank | Hospital Name Top Ten Hospitals in Each State: Total Charges as a % of Total Costs | System | State | Total Charges as a % of Total Costs |
|------|--|--------------------------------|-------|--|
| 5 | Oakes Community Hospital | Catholic Health Initiatives | ND | 157.12% |
| 6 | Mercy Medical Center | Catholic Health Initiatives | ND | 156.33% |
| 7 | Presentation Medical Center | Sisters of Mary | ND | 141.59% |
| 8 | St Alexius Medical Center | Benedictine Sisters | ND | 139.23% |
| 9 | Trinity Hospitals | | ND | 132.03% |
| 10 | Carrington Health Center | Catholic Health Initiatives | ND | 129.21% |
| | | | | |
| 1 | Mount Carmel Health | Trinity Health | OH | 321.98% |
| 2 | Jewish Hospital Of Cincinnati | | OH | 310.47% |
| 3 | Marymount Hospital | Cleveland Clinic Health System | OH | 301.18% |
| 4 | St. Elizabeth Health Center | Catholic Healthcare Partners | OH | 300.33% |
| 5 | St. Ann S Hospital | Trinity Health | OH | 299.83% |
| 6 | St. John West Shore | Sisters of Charity | OH | 291.88% |
| 7 | The Toledo Hospital | ProMedica Health System | OH | 291.66% |
| 8 | Sycamore Hospital | Kettering Med Center-Network | OH | 290.86% |
| 9 | Flower Hospital | ProMedica Health System | OH | 289.84% |
| 10 | Lakewood Hospital | Cleveland Clinic Health System | OH | 289.13% |
| | | | | |
| 1 | Med. Ctr. Of Southeastern Oklahoma | Health Management Associates | OK | 525.12% |
| 2 | Midwest Regional Medical Center | Health Management Associates | OK | 477.44% |
| 3 | Oklahoma Spine Hospital | | OK | 374.26% |
| 4 | St. Mary Reg L Medical Center | Universal Health Services, Inc | OK | 354.82% |
| 5 | Ou Medical Center | HCA | OK | 324.23% |
| 6 | Integris Baptist Medical Center | INTEGRIS Health | OK | 320.29% |
| 7 | Integris Southwest Medical Center | INTEGRIS Health | OK | 310.29% |



| Rank | Hospital Name Top Ten Hospitals in Each State: Total Charges as a % of Total Costs | System | State | Total Charges as a % of Total Costs |
|------|--|-------------------------------|-------|--|
| 8 | Hillcrest Medical Center | Hillcrest HealthCare System | OK | 295.63% |
| 9 | Southwestern Medical Center | HCA | OK | 291.80% |
| 10 | Southcrest Hospital | Triad Hospitals, Inc | OK | 287.86% |
| | | | | |
| 1 | Willamatte Valley Medical Center | Triad Hospitals, Inc | OR | 248.80% |
| 2 | St. Anthony Hospital | Catholic Health Initiatives | OR | 239.29% |
| 3 | Mercy Medical Center | Catholic Health Initiatives | OR | 225.33% |
| 4 | Legacy Meridian Park Hospital | Legacy Health System | OR | 212.25% |
| 5 | St. Vincent Hospital Med Ctr | Providence Health System | OR | 203.89% |
| 6 | Ashland Community Hospital | | OR | 200.52% |
| 7 | Ohsu Hospital And Clinics | | OR | 196.76% |
| 8 | Mid-Columbia Medical Center | | OR | 195.34% |
| 9 | Legacy Mount Hood Medical Center | Legacy Health System | OR | 194.74% |
| 10 | Providence Portland Medical Center | Providence Health System | OR | 192.28% |
| | | | | |
| 1 | Temple University Hospital | Temple University Health Syst | PA | 1090.28% |
| 2 | Warminster Hospital | Tenet Healthcare Corporation | PA | 926.09% |
| 3 | Temple East Hospital | Temple University Health Syst | PA | 906.23% |
| 4 | Graduate Hospital | Tenet Healthcare Corporation | PA | 885.46% |
| 5 | Jeanes Hospital | Temple University Health Syst | PA | 855.72% |
| 6 | Hahnemann University Hospital | Tenet Healthcare Corporation | PA | 813.89% |
| 7 | Medical College Of Pennsylvania | Tenet Healthcare Corporation | PA | 778.79% |
| 8 | Abington Memorial Hospital | | PA | 749.31% |
| 9 | Temple Lower Bucks Hospital | | PA | 722.42% |
| 10 | Delaware County Memorial Hospital | Crozer-Keystone Health System | PA | 662.51% |



| Rank | Hospital Name Top Ten Hospitals in Each State: Total Charges as a % of Total Costs | System | State | Total Charges as a % of Total Costs |
|------|--|-----------------------------------|-------|--|
| | | | | |
| 1 | Hospital Dr. Susoni Inc. | | PR | 494.30% |
| 2 | Cayetano Coll Y Toste | | PR | 389.35% |
| 3 | Doctor S Community Hospital | | PR | 331.79% |
| 4 | Hospital Pavia | United Medical Corporation | PR | 283.56% |
| 5 | Hospital I. Gonzalez Martinez | | PR | 265.96% |
| 6 | Hospital Hermanos Melendez | | PR | 249.77% |
| 7 | Hospital Matilde Brenes | | PR | 238.42% |
| 8 | Hospital Episcopal San Lucas | | PR | 234.60% |
| 9 | Hospital San Carlos Borromeo | | PR | 227.18% |
| 10 | Hospital Bella Vista | | PR | 225.85% |
| | | | | |
| 1 | The Miriam Hospital | Lifespan Corporation | RI | 256.51% |
| 2 | Rhode Island Hospital | Lifespan Corporation | RI | 255.80% |
| 3 | St. Joseph Health Services Of Ri | | RI | 247.06% |
| 4 | The Westerly Hospital | | RI | 200.37% |
| 5 | Newport Hospital | Lifespan Corporation | RI | 199.65% |
| 6 | Kent County Memorial Hospital | Care New England Health System | RI | 194.71% |
| 7 | Memorial Hospital Of Rhode Island | | RI | 186.15% |
| 8 | South County Hospital | | RI | 179.96% |
| 9 | Roger Williams Hospital | | RI | 167.42% |
| | | | | |
| 1 | Carolina Pines Reg L Med. Ctr. | Health Management Associates | SC | 418.50% |
| 2 | Springs Memorial Hospital | Community Health Systems, Inc | SC | 414.35% |



| Rank | Hospital Name Top Ten Hospitals in Each State: Total Charges as a % of Total Costs | System | State | Total Charges as a % of Total Costs |
|------|--|-------------------------------|-------|--|
| 3 | East Cooper | Tenet Healthcare Corporation | SC | 410.33% |
| 4 | Marlboro Park Hospital | Community Health Systems, Inc | SC | 390.13% |
| 5 | Trident Regional Medical Center | HCA | SC | 373.34% |
| 6 | Piedmont Medical Center | Tenet Healthcare Corporation | SC | 368.78% |
| 7 | Hilton Head Hospital | Tenet Healthcare Corporation | SC | 361.40% |
| 8 | Upstate Carolina Medical Center | Health Management Associates | SC | 360.38% |
| 9 | Grand Strand Reg Med Ctr | HCA | SC | 335.99% |
| 10 | Chesterfield General | Community Health Systems, Inc | SC | 324.76% |
| | | | | |
| 1 | Black Hills Surgery Center Llp | | SD | 241.36% |
| 2 | Sioux Falls Surgical Center | | SD | 227.44% |
| 3 | Dakota Plains Surgical Center Llp | | SD | 220.99% |
| 4 | Siouxland Surgery Center | | SD | 216.05% |
| 5 | Rapid City Regional Hospital | Rapid City Regional Hospital | SD | 204.45% |
| 6 | Sioux Valley Hospital | Sioux Valley Hosp & Hlth Syst | SD | 196.86% |
| 7 | Heart Hospital Of South Dakota | MedCath, Inc | SD | 186.49% |
| 8 | Same Day Surgery Center | | SD | 175.40% |
| 9 | Huron Regional Medical Center | Quorum Health Resources | SD | 169.12% |
| 10 | Avera Queen Of Peace | Avera Health | SD | 166.69% |
| | | | | |
| 1 | University Medical Center | Tenet Healthcare Corporation | TN | 445.50% |
| 2 | Scott County Hospital | Community Health Systems, Inc | TN | 440.26% |
| 3 | St. Francis Hospital | Tenet Healthcare Corporation | TN | 436.56% |
| 4 | White County Community Hospital | Community Health Systems, Inc | TN | 430.98% |
| 5 | Medical Center Of Manchester | | TN | 417.43% |



| Rank | Hospital Name Top Ten Hospitals in Each State: Total Charges as a % of Total Costs | System | State | Total Charges as a % of Total Costs |
|------|--|-------------------------------|-------|--|
| 6 | John W. Harton Reg. Med. Ctr. | Tenet Healthcare Corporation | TN | 396.56% |
| 7 | Cleveland Community | Community Health Systems, Inc | TN | 395.66% |
| 8 | Lakeway Regional Hospital | Community Health Systems, Inc | TN | 381.38% |
| 9 | Summit Medical Center | HCA | TN | 352.67% |
| 10 | Fort Sanders Parkwest Medical Center | Covenant Health | TN | 350.21% |
| | | | | |
| 1 | Brownsville Medical Center | Tenet Healthcare Corporation | TX | 902.53% |
| 2 | Sierra Medical Center | Tenet Healthcare Corporation | TX | 666.56% |
| 3 | Providence Memorial Hospital | Tenet Healthcare Corporation | TX | 656.94% |
| 4 | Houston Northwest Medical Center | Tenet Healthcare Corporation | TX | 538.84% |
| 5 | Del Sol Medical Center | HCA | TX | 533.85% |
| 6 | Nacogdoches Medical Center | Tenet Healthcare Corporation | TX | 529.43% |
| 7 | Cleveland Regional Medical Center | Community Health Systems, Inc | TX | 511.64% |
| 8 | Park Plaza Hospital | Tenet Healthcare Corporation | TX | 496.88% |
| 9 | Vista Medical Center Hospital | | TX | 494.88% |
| 10 | Doctors Hospital Of Dallas | Tenet Healthcare Corporation | TX | 473.00% |
| | | | | |
| 1 | Jordan Valley Hospital | IASIS Healthcare | UT | 310.11% |
| 2 | Pioneer Valley Hospital | IASIS Healthcare | UT | 287.15% |
| 3 | Davis Hospital & Medical Ctr | IASIS Healthcare | UT | 284.44% |
| 4 | St. Mark S Hospital | HCA | UT | 260.51% |
| 5 | Salt Lake Regional Medical Center | IASIS Healthcare | UT | 260.02% |
| 6 | Mountain View Hospital | HCA | UT | 240.01% |
| 7 | Ogden Reg Med Ctr | HCA | UT | 229.12% |
| 8 | Lakeview Hospital | HCA | UT | 225.80% |



| Rank | Hospital Name Top Ten Hospitals in Each State: Total Charges as a % of Total Costs | System | State | Total Charges as a % of Total Costs |
|------|--|--------------------------------|-------|--|
| 9 | Castleview Hospital | LifePoint Hospitals, Inc | UT | 224.04% |
| 10 | Ashley Valley Medical Center | LifePoint Hospitals, Inc | UT | 206.74% |
| | | | | |
| 1 | Southwestern Vermont Medical Center | | VT | 160.72% |
| 2 | Central Vermont Hospital | | VT | 159.94% |
| 3 | Northwestern Medical Center | Quorum Health Resources | VT | 159.77% |
| 4 | Northeastern Vt Regional Hospital | | VT | 157.65% |
| 5 | Porter Hospital | | VT | 157.49% |
| 6 | North Country Hospital & Health Ctr | | VT | 156.08% |
| 7 | Copley Hospital Inc. | | VT | 146.75% |
| 8 | Gifford Medical Center | | VT | 146.62% |
| 9 | Brattleboro Memorial Hospital | | VT | 141.70% |
| 10 | Mt Ascutney Hospital Cah | | VT | 134.85% |
| | | | | |
| 1 | Gov. Juan F. Luis Hospital | | VI | 111.63% |
| | | | | |
| 1 | Cjw Medical Center | HCA | VA | 490.68% |
| 2 | Henrico Doctors Hospital | HCA | VA | 470.82% |
| 3 | Retreat Hospital | HCA | VA | 412.31% |
| 4 | John Randolph Medical Ctr | HCA | VA | 398.18% |
| 5 | Clinch Valley Medical Center | HCA | VA | 390.01% |
| 6 | St. Mary S Hospital | Bon Secours Health System, Inc | VA | 369.33% |
| 7 | Russell County Medical Center | Community Health Systems, Inc | VA | 336.78% |
| 8 | Greensville Memorial | Community Health Systems, Inc | VA | 334.81% |
| 9 | Memorial Regional Medical Center | Bon Secours Health System, Inc | VA | 330.27% |



| Rank | Hospital Name Top Ten Hospitals in Each State: Total Charges as a % of Total Costs | System | State | Total Charges as a % of Total Costs |
|------|--|--------------------------------|-------|--|
| 10 | Riverside Regional Medical Center | Riverside Health System | VA | 310.89% |
| | | | | |
| 1 | St Clare Hospital | Catholic Health Initiatives | WA | 326.11% |
| 2 | St Francis Hospital | Catholic Health Initiatives | WA | 274.61% |
| 3 | Tacoma General Allenmore Hospital | MultiCare Health System | WA | 262.85% |
| 4 | St. Joseph Medical Center | Catholic Health Initiatives | WA | 255.78% |
| 5 | Capital Medical Center | HCA | WA | 253.09% |
| 6 | Auburn Regional Medical Centet | Universal Health Services, Inc | WA | 244.34% |
| 7 | Sacred Heart Medical Center | Providence Services | WA | 238.74% |
| 8 | Providence Toppenish Hospital | Health Management Associates | WA | 237.53% |
| 9 | Swedish Medical Center | | WA | 235.61% |
| 10 | Walla Walla General Hospital | Adventist Health | WA | 226.92% |
| | | | | |
| 1 | Williamson Memorial Hospital | Health Management Associates | WV | 278.37% |
| 2 | Wetzel County Hospital | | WV | 254.93% |
| 3 | Raleigh General Hospital | HCA | WV | 246.34% |
| 4 | St Francis Hospital | HCA | WV | 240.68% |
| 5 | Greenbrier Valley Medical Center | Triad Hospitals, Inc | WV | 238.34% |
| 6 | Ohio Valley General Hospital | Ohio Valley Health Services | WV | 228.52% |
| 7 | Putnam General Hospital | HCA | WV | 227.68% |
| 8 | Boone Memorial Hospital | | WV | 223.01% |
| 9 | Bluefield Regional Medical Center | | WV | 221.00% |
| 10 | Beckley Arh | Appalachian Reg Healthcare | WV | 215.65% |
| | | | | |
| 1 | Elmbrook Mem L Hospt. | Wheaton Franciscan Servs, Inc | WI | 290.74% |



| Rank | Hospital Name Top Ten Hospitals in Each State: Total Charges as a % of Total Costs | System | State | Total Charges as a % of Total Costs |
|------|--|-------------------------------|-------|--|
| 2 | West Allis Memorial Hospital | Aurora Health Care | WI | 287.32% |
| 3 | St. Francis Hospital | Wheaton Franciscan Servs, Inc | WI | 273.34% |
| 4 | St. Joseph S Hospital | Wheaton Franciscan Servs, Inc | WI | 269.67% |
| 5 | St. Lukes Medical Center | Aurora Health Care | WI | 252.08% |
| 6 | St. Mary S Hospital-Ozaukee | Ascension Health | WI | 242.33% |
| 7 | Lakeland Medical Center | Aurora Health Care | WI | 239.20% |
| 8 | Aurora Sinai Medical Center | Aurora Health Care | WI | 238.20% |
| 9 | St. Michael Hospital | Wheaton Franciscan Servs, Inc | WI | 231.34% |
| 10 | Aurora Medical Center Kenosha | Aurora Health Care | WI | 230.70% |
| | | | | |
| 1 | Evanston Regional Hospital | Community Health Systems, Inc | WY | 236.44% |
| 2 | United Medical Center | | WY | 208.31% |
| 3 | Lander Medical Center | LifePoint Hospitals, Inc | WY | 202.53% |
| 4 | Wyoming Medical Center | | WY | 178.95% |
| 5 | Memorial Hospital Of Sheridan County | | WY | 163.63% |
| 6 | Ivinson Memorial Hospital | | WY | 162.30% |
| 7 | Washakie Medical Center | Banner Health | WY | 161.68% |
| 8 | Memorial Hospital Of Carbon County | | WY | 136.97% |
| 9 | Mem. Hospt. Of Sweetwater County | | WY | 136.01% |
| 10 | Campbell County Memorial Hospital | | WY | 135.71% |



Table 25 Medicare Payment System Description for Acute Care Hospitals, adapted from Table A-1,Summary of Medicare's Current Payment Systems by Setting (15)

| Fiscal Year Began 1984 Basis Of Payment Prospective | |
|--|--|
| Fiscal Year Began 1984 Basis Of Payment Prospective | |
| Basis Of Payment Prospective | |
| | |
| | |
| Product Definition | |
| Unit Of Payment Discharge | |
| | |
| Product Classification System 509 DRGs | |
| | |
| | |
| Policies Defining Product72-Hour Rule | |
| Boundaries Short-Stay | |
| Transfers; High- | |
| Cost Outliers | |
| Product Relative Values | |
| Components Of Relative Values Single Value For Each DRG | |
| | |
| | |
| Source Of Relative ValuesHospitals' Billed Charges (Emphasis added). | |
| | |
| | |
| Base Payment Rate/Conversion Factor | |
| Components Of Base Amount Labor-Related; | |
| Components of Base Amount Nonlabor; Capital | |
| | |
| | |
| Source Of Base Amount Updated Providers' 1982 Costs | |
| | |
| | |
| Adjustments For Local Market | |
| Labor Input Prices Hospital Wage Index | |
| Other Input Prices Cola | |
| | |
| Other Payment Adjustments Low Income Patients (DSH), GME Programs | |
| | |
| Payment Update Method Rise In Hospital Market Basket Index | |
| | |
| Payments For Capital Costs Separate Prospective Rates | |
| | |
| Other Policies Higher Rates In Large Urban Areas; Policies For Rural | |

| Payment System Description Category | Payment System Description Category Source |
|-------------------------------------|--|
| | Providers |
| | |



Table 23, *Hospital Financial Categories/Centers*, is a listing of the federal hospital cost report financial categories/centers utilized in this study in calculating hospital charge to cost ratios. The hospital cost report forms have provisions for subcategories for each category/center which can range from 1 to 99 in number. Hence, the 99 categories enumerated in Table 72 represent a good deal more categories than those listed.

Table 26 Hospital Financial Categories/Centers Hospital Financial Categories/Centers

- 1. Acupuncture
- 2. Adults & Pediatrics (General Routine Care)
- 3. All Other Outpatient Cost Centers
- 4. Ambulance Services
- 5. Anesthesiology
- 6. Angiocardiography
- 7. Asc (Non Distinct Part)
- 8. Audiology
- 9. Bacteriology & Microbiology
- 10. Biopsy
- 11. Birthing Center
- 12. Blood Clotting For Hemophiliacs
- 13. Blood Storing, Processing, & Transfusing
- 14. Burn Intensive Care Unit
- 15. Cardiac Catheterization Laboratory
- 16. Cardiology
- 17. Cardiopulmonary
- 18. Cat Scan
- 19. Chemistry
- 20. Chemotherapy
- 21. Circumcision
- 22. Clinic
- 23. Coronary Care Unit
- 24. Cytology
- 25. Delivery Room & Labor Room
- 26. Dental Services
- 27. Detoxification Icu
- 28. Drugs Charged To Patients
- 29. Durable Medical Equipment Rented
- 30. Durable Medical Equipment Sold
- 31. Echocardiography
- 32. Ekg And Eeg
- 33. Electrocardiology
- 34. Electroencephalograpy
- 35. Electromyography



| Ho | spital Financial Categories/Centers |
|-----|--|
| 36. | Electroshock Therapy |
| 37. | Emergency |
| 38. | Endoscopy |
| 39. | Family Practice |
| 40. | Federally Qualified Health Center |
| 41. | Gastro Intestinal Service |
| 42. | Hematology |
| 43. | Histology |
| 44. | Holter Monitor |
| 45. | Home Program Dialysis |
| 46. | Icf/Mr |
| 47. | Immunology |
| 48. | Intensive Care Unit |
| 49. | Intravenous Therapy |
| 50. | Laboratory |
| 51. | Laboratory Clinical |
| 52. | Laboratory Pathological |
| 53. | Mammography |
| 54. | Medical Supplies Charged To Patients |
| 55. | Mri |
| 56. | Neonatal Icu |
| 57. | Nuclear Medicine Diagnostic |
| 58. | Nuclear Medicine Therapeutic |
| 59. | Nursery |
| 60. | Nursing Facility |
| 61. | Observation Beds (Distinct Part) |
| 62. | Observation Beds (Non Distinct Part) |
| 63. | Occupational Therapy |
| 64. | Oncology |
| 65. | Operating Room |
| 66. | Ophthalmology |
| 67. | Osteopathic Therapy |
| 68. | Other Ancillary Cost Centers |
| 69. | Other Long Term Care |
| 70. | Other Reimbursable Cost Centers (Excl. Hha & Corf) |
| 71. | Pbp Clinical Lab Service Program Only |
| 72. | Pediatric Icu |
| 73. | Physical Therapy |
| 74. | Premature Icu |
| 75. | Prosthetic Devices |
| 76. | Psychiatric / Psychological Services |
| 77. | Psychiatric Icu |

| Hospital Financial Categories/Centers |
|---------------------------------------|
| 78. Pulmonary Function Testing |
| 79. Radioisotope |
| 80. Radiology - Diagnostic |
| 81. Radiology Therapeutic |
| 82. Recovery Room |
| 83. Recreational Therapy |
| 84. Renal Dialysis |
| 85. Respiratory Therapy |
| 86. Rural Health Clinic |
| 87. Skilled Nursing Facility |
| 88. Speech Pathology |
| 89. Stress Test |
| 90. Subprovider |
| 91. Support Surfaces Sold |
| 92. Support Surfaces Rented |
| 93. Surgical Intensive Care Unit |
| 94. Telemedicine |
| 95. Trauma Icu |
| 96. Ultra Sound |
| 97. Urology |
| 98. Vascular Lab |
| |

99. Whole Blood & Packed Red Blood Cells



| | | Costs by State | |
|----|----|----------------|----------|
| 1. | DE | | 2238.03% |
| 2. | HI | | 976.01% |
| 3. | AL | | 699.32% |
| 4. | PA | | 631.20% |
| 5. | CA | | 607.67% |
| 6. | IL | | 592.17% |
| 7. | AZ | | 556.80% |
| 8. | MS | | 556.11% |
| 9. | FL | | 514.31% |
| 10 | WI | | 487.84% |
| 11 | NY | | 482.52% |
| 12 | AR | | 474.56% |
| 13 | SC | | 467.49% |
| 14 | NJ | | 459.46% |
| 15 | NV | | 457.26% |
| 16 | LA | | 455.28% |
| 17 | MO | | 443.56% |
| 18 | GA | | 438.20% |
| 19 | ТΧ | | 412.75% |
| 20 | PR | | 409.75% |
| 21 | TN | | 405.07% |
| 22 | ME | | 396.30% |
| 23 | CO | | 390.25% |
| 24 | IN | | 379.18% |
| 25 | DC | | 377.53% |
| 26 | VA | | 373.72% |
| 27 | KS | | 372.74% |
| 28 | OH | | 365.93% |
| 29 | MI | | 359.30% |
| 30 | NC | | 352.09% |
| 31 | MA | | 351.28% |
| 32 | WV | | 325.99% |
| 33 | NH | | 319.76% |
| 34 | MD | | 313.33% |
| 35 | MN | | 312.75% |
| 36 | OK | | 311.63% |
| 37 | NM | | 309.74% |
| 38 | KY | | 307.33% |
| 39 | NE | | 285.49% |

Table 27 Average Total Medical Supplies Charges as a % of Total Medical Supplies Costs by StateRankStateMedical Supplies: Average Total Charges as a % of Total Medical SuppliesCosts by State



| Rank | State | Medical Supplies: Average Total Charges as a % of Total Medical Supplies Costs by State |
|------|--------------|--|
| 40 | IA | 285.49% |
| 41 | CT | 280.33% |
| 42 | SD | 276.09% |
| 43 | MT | 273.53% |
| 44 | VT | 252.26% |
| 45 | WA | 250.43% |
| 46 | UT | 249.18% |
| 47 | WY | 241.64% |
| 48 | AK | 237.93% |
| 49 | ND | 230.59% |
| 50 | OR | 228.51% |
| 51 | ID | 225.51% |
| 52 | RI | 215.91% |
| 53 | VI | 147.38% |
| | Wtd. Avg. | 432.96% |



| Rank | State | Drugs: Average Total Charges as a % of Total Drug Costs |
|------|-------|---|
| 1. | CA | 710.59% |
| 2. | FL | 612.96% |
| 3. | NV | 558.91% |
| 4. | AL | 543.93% |
| 5. | SC | 528.30% |
| 6. | LA | 497.23% |
| 7. | GA | 466.18% |
| 8. | AZ | 458.70% |
| 9. | СТ | 457.25% |
| 10. | ТХ | 452.27% |
| 11. | MS | 447.14% |
| 12. | PA | 445.42% |
| 13. | TN | 423.79% |
| 14. | AR | 419.01% |
| 15. | OK | 415.91% |
| 16. | NC | 405.10% |
| 17. | IL | 393.58% |
| 18. | MO | 391.89% |
| 19. | NJ | 387.55% |
| 20. | CO | 383.52% |
| 21. | NM | 355.56% |
| 22. | VA | 355.42% |
| 23. | WV | 343.78% |
| 24. | KY | 328.96% |
| 25. | DC | 328.47% |
| 26. | KS | 307.79% |
| 27. | ME | 307.39% |
| 28. | IN | 306.33% |
| 29. | NY | 303.46% |
| 30. | NH | 296.69% |
| 31. | OH | 292.80% |
| 32. | SD | 290.64% |
| 33. | PR | 290.01% |
| 34. | MI | 285.77% |
| 35. | NE | 284.23% |
| 36. | IA | 283.81% |
| 37. | WI | 281.87% |
| 38. | WY | 279.08% |
| 39. | OR | 276.68% |

| Table 28 | Average Total | Drug Charges as a % of Total Drug Costs by State |
|----------|---------------|--|
| Rank | State | Drugs: Average Total Charges as a % of Total Drug Co |

| Rank | State | Drugs: Average Total Charges as a % of Total Drug Costs |
|------|-----------|---|
| 40. | WA | 264.38% |
| 41. | RI | 263.00% |
| 42. | MT | 261.22% |
| 43. | UT | 260.09% |
| 44. | MN | 259.15% |
| 45. | MA | 257.05% |
| 46. | HI | 255.90% |
| 47. | ND | 245.01% |
| 48. | ID | 235.43% |
| 49. | AK | 235.42% |
| 50. | DE | 233.49% |
| 51. | VI | 204.13% |
| 52. | VT | 187.31% |
| 53. | MD | 133.85% |
| | Wtd. Avg. | 398.65% |



| Rank | State | of Total Operating Room Costs |
|------|-------|-------------------------------|
| 1. | CA | 446.01% |
| 2. | FL | 441.42% |
| 3. | NV | 355.06% |
| 4. | VT | 343.27% |
| 5. | PA | 338.32% |
| 6. | AZ | 337.46% |
| 7. | AL | 330.70% |
| 8. | LA | 317.65% |
| 9. | DE | 305.64% |
| 10. | ТХ | 300.33% |
| 11. | SC | 292.75% |
| 12. | NJ | 290.01% |
| 13. | CO | 288.54% |
| 14. | AR | 281.32% |
| 15. | GA | 280.67% |
| 16. | OK | 279.88% |
| 17. | RI | 279.07% |
| 18. | KY | 279.02% |
| 19. | VA | 274.40% |
| 20. | MS | 273.71% |
| 21. | TN | 268.36% |
| 22. | MO | 261.16% |
| 23. | OH | 260.19% |
| 24. | DC | 259.73% |
| 25. | ME | 259.46% |
| 26. | KS | 258.48% |
| 27. | NM | 257.24% |
| 28. | NH | 249.40% |
| 29. | WA | 248.08% |
| 30. | SD | 247.82% |
| 31. | MA | 247.65% |
| 32. | IL | 245.16% |
| 33. | MI | 242.01% |
| 34. | IN | 240.17% |
| 35. | NC | 240.11% |
| 36. | ND | 236.52% |
| 37. | NY | 234.03% |
| 38. | WI | 233.46% |
| 39. | WY | 232.03% |

Table 29 Average Total Operating Room Charges as a % of Total Operating Room Costs by StateRankStateOperating Room: Average Total Charges as a %
of Total Operating Room Costs

| Rank | State | Operating Room: Average Total Charges as a % of Total Operating Room Costs |
|------|-----------|--|
| 40. | IA | 226.09% |
| 41. | MN | 225.36% |
| 42. | СТ | 224.68% |
| 43. | OR | 219.87% |
| 44. | HI | 217.71% |
| 45. | PR | 215.86% |
| 46. | UT | 213.53% |
| 47. | WV | 201.04% |
| 48. | ID | 200.98% |
| 49. | MT | 198.63% |
| 50. | NE | 188.79% |
| 51. | AK | 148.11% |
| 52. | MD | 133.69% |
| 53. | VI | 122.48% |
| | Wtd. Avg. | 284.00% |

XI. Addendum

A. Background on Hospital Charges

This is the second annual ISHP Hospital 200 report detailing the total gross charge to cost ratios of the U.S. hospital industry. Our first report on hospital pricing, issued in the Summer of 2003, (28) generated considerable criticism from hospital industry quarters to the effect that hospital pricing practices are 'irrelevant' (see the discussion below) while some others (89) agreed that hospital pricing practices are a matter of urgent concern.

Prior to our 2003 study (and currently) public interest and the majority of inquiries into hospital pricing practices were largely limited in scope, save in their concern with the financial plight of the uninsured.⁴⁷ (23;50;53;57;102;124;133;135;163;172).

Unlike the vast majority of past studies into hospital pricing, our study findings suggest that:

- Higher hospital charge to cost ratios tend to be strongly associated with higher hospital profits.
- Higher charges per inpatient discharge **alone** are also strongly associated with higher hospital profits.
- Larger hospitals tend to have a richer pricing structure than smaller facilities.

THSP-

⁴⁷ Scott Ferguson, a retired artist without health insurance, was billed \$66,900 for treatment of a heart condition at St. Anthony Central Hospital in Denver last December. If he had had insurance, his attorneys claim, the tab would have been about \$10,000. (38)

- System-affiliated hospital pricing is on average greater than unaffiliated hospital pricing; that is,
- the anticipated reduction in charges from building economies of scale has not occurred. (69;73-75;80)
- Market mechanisms embodied in what may be termed the "Health Care War Economy" (27) – are the "drivers" behind hospital and medical price inflation generally.(99) Drug prices, premium rates, medical equipment costs, etc., are the consequent symptoms or results of the subjugation of health care to anachronistic market ideals, not causes of



medical inflation. It is the mistreatment of health care as a commodity that strongly encourages higher hospital charges.

Only one earlier research project of which we are aware involving hospital charges found that higher pricing was often associated with higher profits. (167). In contrast to our 2003 analysis and our current 2004 hospital pricing study, which encompasses more than 4,000 hospitals and 30,000,000 inpatient and outpatient discharges, that study was relatively modest and examined a limited number of cases:

An assessment of data on the average charges of hospitals in the area showed that Menorah Medical Center had the highest charges in 1988 for five of 17 of the most frequently performed procedures. North Kansas City Hospital and Research Medical Center had the highest average charges in four categories each.

Menorah, however, lost \$1.8 million during the corresponding fiscal year while North Kansas City made \$17.9 million and was one of the state's most profitable hospitals. Research made \$9.4 million that year.

That assessment is based on average charges by Kansas City-area hospitals and their profits. The analysis by the Kansas City Business Journal also compared the increase in average charges for the most common inpatient procedures.

The analysis is based on a just-released 1988 voluntary charge study by the Missouri Hospital Association. That data was compared to average charges in 1987, released by the hospital association last year. (167)

Concentrating on ratios of reimbursement to cost rather than charge to cost ratios, a 1974 study of 32 San Francisco Bay area hospitals' drug reimbursement ratio found that the average reimbursement to cost ratio was 261%, with a low of 165% to a high of 491%. (172)

Employing 1980 data, an examination of South Carolina hospitals found that the average charge to cost ratio for hospital pharmaceuticals was 199%. (105) Data employed in the IHSP current study indicates that South Carolina's charge to cost ratio for hospital drugs has increased to 528%. In marked contrast to



the South Carolina study, which found no relationship between the magnitude of charge to cost ratios and multi-hospital affiliation, our study demonstrates a strong correlation (Tables 9, 10 and 15). Of 289 systems scrutinized in our study (see Table 17 especially), non-affiliated hospitals ranked number 200; that is, considered **as** a "system," two-thirds of all other hospital systems have a greater charge to cost ratio.

In part, the inquiry into South Carolina hospitals found:

The relationship between pharmacy pricing policies and overall hospital objectives was analyzed for 64 South Carolina hospitals in 1980. The level of hospital use by Medicare and Medicaid patients had the greatest influence on variation in markup, indicating that hospitals were responding to cost-based payer reimbursement practices by raising charges in areas with a high cost base, such as pharmacy. Nonoperating revenue and operating revenue of departments other than pharmacy also were significantly related to the charge-to-cost ratio..... The hospitals studied set pharmacy revenues to contribute to overall target income, but pharmacy prices were not set to achieve maximum profits by responding to changes in demand. (105)

In 1989, a little known survey by the Florida Health Care Cost Containment Board monitored charges for 215 hospitals. Then, as is presently the case, lawsuits followed:

Orlando hospital administrators, their attorneys and the Florida Hospital Association are carefully monitoring a series of class-action lawsuits that threaten to forever change the way state health care facilities price their services.

Fourteen class-action lawsuits have been filed against separate hospitals throughout the state in the last three months, each claiming that some pricing practices are exorbitant.

The suits have been filed against hospitals in Daytona Beach, Delray Beach, Gainesville, Jacksonville, Palm Beach, Tampa and several other communities.

In a suit against Humana Hospital in Brandon, attorneys cite a \$9.23 charge for four Tylenol tablets. A suit against Palm Beach Gardens Memorial Center alleges a \$54.30 bill for a sponge. Other examples include \$5.80 for two multiple vitamins and \$37 for a bandage.

Delray Beach attorney Richard Collins says that while such pricing strategies may be "customary," that doesn't make them fair. Collins is one of three lawyers helping to spearhead the lawsuits.

Collins says his clients feel many high-priced, everyday items are unreasonable, "nothing short of blatant price gouging, symptomatic of a system out of control." (151)

Other studies have been concerned with:

- Higher charge to cost ratios as a function of cross-subsidizing hospital losses in "cost centers" as distinct from "revenue centers;" (52;63;83;98;108;129;155)
- The relation of hospital charges to various Diagnostic Related Groups (19).
- The impact of charges imposed on the poor by multi-hospital systems (82).



Mass media coverage of potential and filed lawsuits on behalf of the insured, legislative hearings, and investigations by government bodies – as distinct from more formal academic studies – have for years been sources of much information on hospital pricing practices. (23;43;44;44;50;51); (3;17;29;55;57;90-92;103;119;120;122;123;133;135;151;156-158;168;173;179)

Congress has held two recent hearings focusing on hospital pricing practices. The first hearing was on June 22, 2004 before the Subcommittee on Oversight of the Energy and Commerce Committee.

The indications are that—at least in some cases—Greenwood is not yet at the point of urging policy solutions as hard-nosed as his hearings.(17)

In 1991, the House Energy and Commerce Committee's Subcommittee on Oversight held hearings into pricing in Humana's then 77 hospitals (which was spun off to become Galen, which in turn was purchased by Columbia/HCA). (29) John Dingell, then chairman of the subcommittee, stated the following:

The now-famous \$640 Pentagon toilet seat pales in the face of some these hospital charges. (86)

In the months following our first IHSP Hospital 200 report on charge to cost ratios, many people have become aware that high hospital pricing structures are a national problem. Few, however, are aware of its magnitude. From very small systems to the some of the largest and most prestigious of independents, high charges are not uncommon.

B. Study History

In a previous national investigation of hospital charges and costs, the IHSP documented the Nation's Top 100 Hospitals with the highest Operating Room charges compared to costs (101) for the 1999/2000 federal fiscal year.

That report found that investor-owned hospitals and large hospital systems dominated the top 100 highest charging operating rooms in the U.S. The average charge to cost ratio in their operating rooms was about 227%.

Nationally, for-profit hospitals comprised 61 of the Top 100, of which 44 were owned by large investorowned systems. For-profit hospitals accounted for 9 of the top 10. Multi-hospital systems made up 79 of the Top 100, suggesting a strong correlation between both for-profit and large hospital chains with enhanced market share and high operating room charges. (See Table 21 for 2002/2003 data on operating room charges as a percent of operating room costs).

That report prompted criticism from some quarters, notably hospital executives, to the effect that although the report's charge to cost calculations were probably accurate, operating room charges are only one line item in the reports that hospitals must file with the federal government and they do not give a complete picture of a hospital's "... entire scope of the stay(s)..." (159)

"They've taken a piece of the cost report which every hospital files with Medicare, with the government, and they've taken one line which is the relation of cost to charges for the operating room." Busatti added.

In other words, Wesley says the study only looked at what it costs to be on the operating table, not what it costs for everything else.

"If our pharmacy charges are less, if our radiology charges are less, that's the entire scope of the stay. It's not just your operating time." (159)



Later in 2003, the IHSP released a much more comprehensive charge to cost study, encompassing more than 4,000 hospitals nationwide and tens of millions of inpatient and outpatient discharges. (28) That report prompted similarly severe criticisms from some hospitals, which maintained that they did not receive as payment all that they charge and consequently charges are irrelevant, particularly since, they stated, reimbursement rates are fixed by payers such as Medicare, HMOs and others. Further, critics claimed, their high charge to cost ratios are simply a reflection of their greater efficiency and they should not be publicly censured on that basis.

Typical of that criticism was the following:

Gregory Duick, chief executive of the Kansas Heart Hospital and one of its founders, said the hospital's charges are "very similar" to the amounts charged for the same procedures at Wichita's major hospitals, Wesley and Via Christi Regional Medical Center.

But, he said, Kansas Heart Hospital's costs are lower, resulting in a greater cost-to-charges ratio. Asked why the hospital doesn't simply charge less, Duick said, "Why would we penalize ourselves for our own efficiency? The real question is why can't the other hospitals lower their costs?" Wesley's chief financial officer, David Busatti, called the numbers in the report "irrelevant." "We establish a charge based on the cost of the procedure plus a small mark-up," he said. "We charge the same to everybody. But that's not what we get paid. Ninety percent of our patients are either Medicare or covered by contract payers."

He said the cost-to-charge ratios were taken from reports filed by Wesley with the federal government, and he did not dispute their validity.

"I'm sure the numbers are correct," he said. "But again, the charges are irrelevant because that's not what we get paid." (97)

It should be noted that, contrary to hospital industry straw-man allegations, the IHSP did not then – and does not now – maintain that hospitals habitually receive 100% of gross charges as reimbursement, only that gross charges are a crucial variable – a starting point in the reimbursement negotiations process - in determining actual reimbursements from a number of payers, including Medicare, Medicaid, HMO contractual agreements, and workers compensation programs. This fact, in contrast to the initial publication of our first IHSP Hospital 200 report, is now widely accepted. However, recent accounts have focused on the uninsured and the fact that they *are* often billed at full charges. (42-44;50)

Paul Ginsberg, president of the Center for Studying Health System Change, also conveyed his concern about hospital gross charges or "list prices:"

Gross charges are important to payer issues beyond Medicare outlier reimbursements, said Paul Ginsburg...

Among federal policymakers, Ginsburg said, there "is a belated recognition of the fact that there are some categories of services that have long been more profitable than others. The source of this has to be in the charge system." These profitability distortions, amplified by rapid increases in gross charges, have resulted because of productivity improvements in some clinical areas, such as cardiovascular and orthopedic services, he said. Fewer such gains have been made in treating medical admissions, he added, so these DRGs tend to be money-losers.

General hospitals—not to mention specialty hospitals and surgery centers—have followed those incentives and have invested in the profitable services and downplayed the unprofitable services or, in other words, skewed their case mix to favor the lucrative services, Ginsburg said. That has thrown the overall fairness of the Medicare reimbursement system out of whack, he said. (89)



Our previous IHSP Hospital 200 report (28) and the current study both address and refute those criticisms and employ data sets that only recently became available. They do so by first calculating aggregated inpatient and outpatient total charges to total costs for the major hospital financial categories/centers commonly found in federal hospital cost report filings. These include operating rooms, recovery rooms, emergency rooms, intensive care units, drugs sold to patients, coronary care unit, cardiac catheterization laboratory, medical supplies charged to patients, and many others.

Secondly, our reports demonstrate the relationship of gross charges and costs to average hospital profits. Such an examination is particularly useful in understanding why and how it is that at the national level, on average, the greater a given hospital decile total charge to cost ratio, the greater its net income benefit. Perhaps even more tellingly, the report also shows that on average, **the greater the charge per inpatient discharge alone, the greater the net income**. Tables 14 and 15 in this report examining profits in relation to total charge to cost ratios and profits by individual inpatient discharges alone for 4,184 hospitals and more than 30 million patient discharges in fiscal year 2002/2003 clearly articulate the exceptionally positive correlations among a) high charge to cost ratios, b) charges per patient discharge alone and c) average hospital profits.

Finally, the pedantic neo-classical economic conceptualization of "efficiency" employed by some hospital executives when referring to their lower costs and/or subsequent overall charge to cost ratios should be clarified.

Asked why the hospital doesn't simply charge less, Duick said, "Why would we penalize ourselves for our own efficiency? The real question is why can't the other hospitals lower their costs?" (97)

What can be termed "technical efficiency" in any given business enterprise has absolutely no necessary relation to the "social efficiency" the product of that enterprise may engender.

Technical efficiency refers to such activities as throughput, "cycle time," the ratio of capital to labor (the substitution of technology for employees, or degree of mechanization), etc.

Social efficiency, by contrast, is directly concerned with the social value of a given firm's product, in this instance, both the quantity and quality of health care made available by a given hospital and the expense associated with that quantity and quality.

Viewed from this perspective, it becomes clear why the burden is not simply on other hospitals to lower costs and achieve a greater degree of technical efficiency via a higher charge to cost ratio. In a nation with nearly 44 million uninsured, the burden is on those hospitals with a high charge to cost ratio to lower their charges, increase the quantity and quality of care available to all, and thereby give preference to social and not mere technical efficiency, simultaneously lowering overall medical inflation.

C. General Observations on Scientific Method

Subsequent to the initial release of last year's study (28), some hospital systems, particularly those found to have charge to cost ratios well above the national average, have been critical of the study findings. However, none have spoken to the methodology employed, while continuing to claim that gross hospital charges are irrelevant because actual reimbursement rates are "fixed."

Elements within the industry that had significant higher than average charge to cost ratios displayed a marked unwillingness to address either the applicability of the data sources (federal hospital cost reports)

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or the study design and methodology. (61;89;126) Exemplifying such unwillingness, hospitals with higher than average charge to cost ratios simply

... decline(d) to make specific comments on the validity of the methodology used (89)

By contrast, those individual hospitals or chains found to be at, below, or only slightly above the national average were, while also on the whole silent about the study methodology; quick to claim that the IHSP study demonstrated they deliver quality care at affordable rates. (72;132;134) Given all this, we believe it is appropriate to clarify in relatively simple terms those design criteria that we feel are common to all sound research programs.

We present below a very brief enumeration of design criteria to which we believe any social science study should adhere. Other criteria are germane, too; however, they tend to be derivatives of these basic principles. For example, if sampling is employed in the study design, it should be representative (a derivative of the Integrity of Data Sets criterion) and the sampling method should be clearly articulated (a derivative of the Transparency of Design criterion).

All adequate study designs adhere to sound and widely accepted principles of scientific practice. Among them are:

1. Replicability of findings

The findings of any given scientific study must be able to be replicated by other analysts employing the same methodology and the same data. This is a crucial component of validity testing in any study design and is related to the Transparency of Design criterion.

2. Transparency of design

Transparency is a necessary condition of any good design. In the present instance, it is particularly necessary for future studies on the relation between hospital charges, costs, reimbursements and public access to care.

3. Open data architecture, format and structure

Clearly stated methodology Non-proprietary data sets

4. Consistency of data format and structure across study period

Without a consistent data format and structure across the study period, no comparative analysis is possible within the study period or with future studies.

5. Demonstrable mechanism of action, i.e., relevance between antecedent conditions and study object

Both the selection and relevance of variables logically and formally precede statistical manipulation and examination of them. However, there is apparent widespread confusion in the literature on this basic research criterion. Many researchers have designed models with insufficient attention to the relevance of the variables to be initially included. Those designs proceed as though variable relevance **reduces** to a product of mathematical and/or statistical examination. If that were so, a model design whose object was to determine the cause of the sun rising **could** include the crowing of roosters.

6. Integrity of data sets

Original data sets must not only have an open architecture but must in so far as possible accurately reflect the phenomena they purport to describe.



7. Design model must take into account both the possible confirmation and disconfirmation of principal findings/hypotheses

A given design model must not fall victim to a *self-fulfilling prophecy* flaw; that is, the model **itself** must provide a mechanism by which its hypotheses could be subject to disconfirmation. Common occurrences of this flaw take the following forms:

- Only data which can confirm hypotheses are selected for inclusion in the model; all other data are excluded,
- the hypotheses to be tested are so trivial that confirmation is guaranteed,
- the confirmation and disconfirmation mechanisms within the model statistical, observational, or otherwise are constructed to **improve** the likelihood of confirming hypotheses confirmation and to **decrease** the likelihood of disconfirming them.

Strict adherence to these general canons of scientific practice is reflected in this report.



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