SECTION

3

WHERE ARE WE SPENDING OUR MONEY?

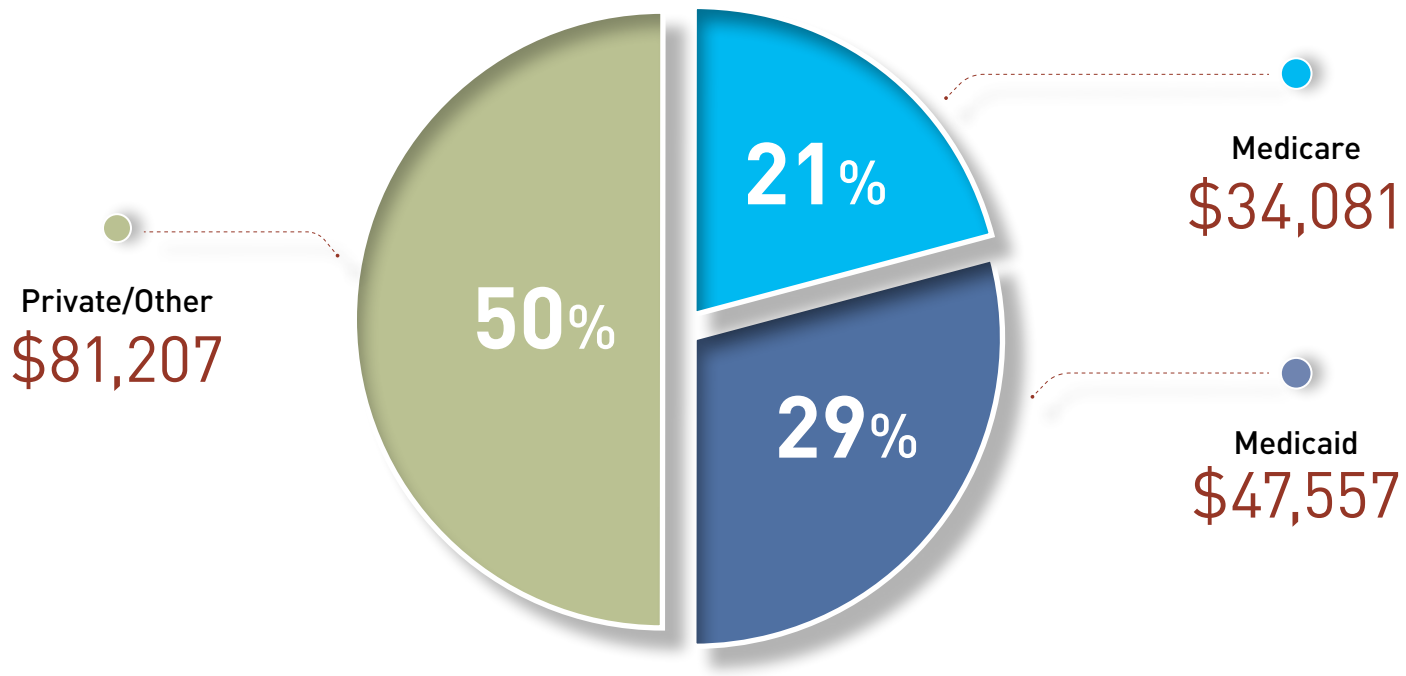
NYS HEALTH FOUNDATION

Where Are We Spending Our Money?

- In New York, health spending by private payers has grown faster than health spending by public payers, such as Medicaid and Medicare.
- Medicaid spending on aged and disabled enrollees is second highest in the nation, and is driving New York's high Medicaid spending per enrollee.
- New York has higher hospital admission rates, longer lengths of stay, more hospital outpatient visits, and slightly higher emergency department use compared to the national average.
- While the high levels of hospital utilization help explain New York's overall high costs, they are not necessarily driving rapid year-to-year cost growth.
- New York has a high number of physicians and specialists per capita.
- Prices are a likely driver of continuing cost growth.

New York Health Spending Is Evenly Split Between Public and Private Payers

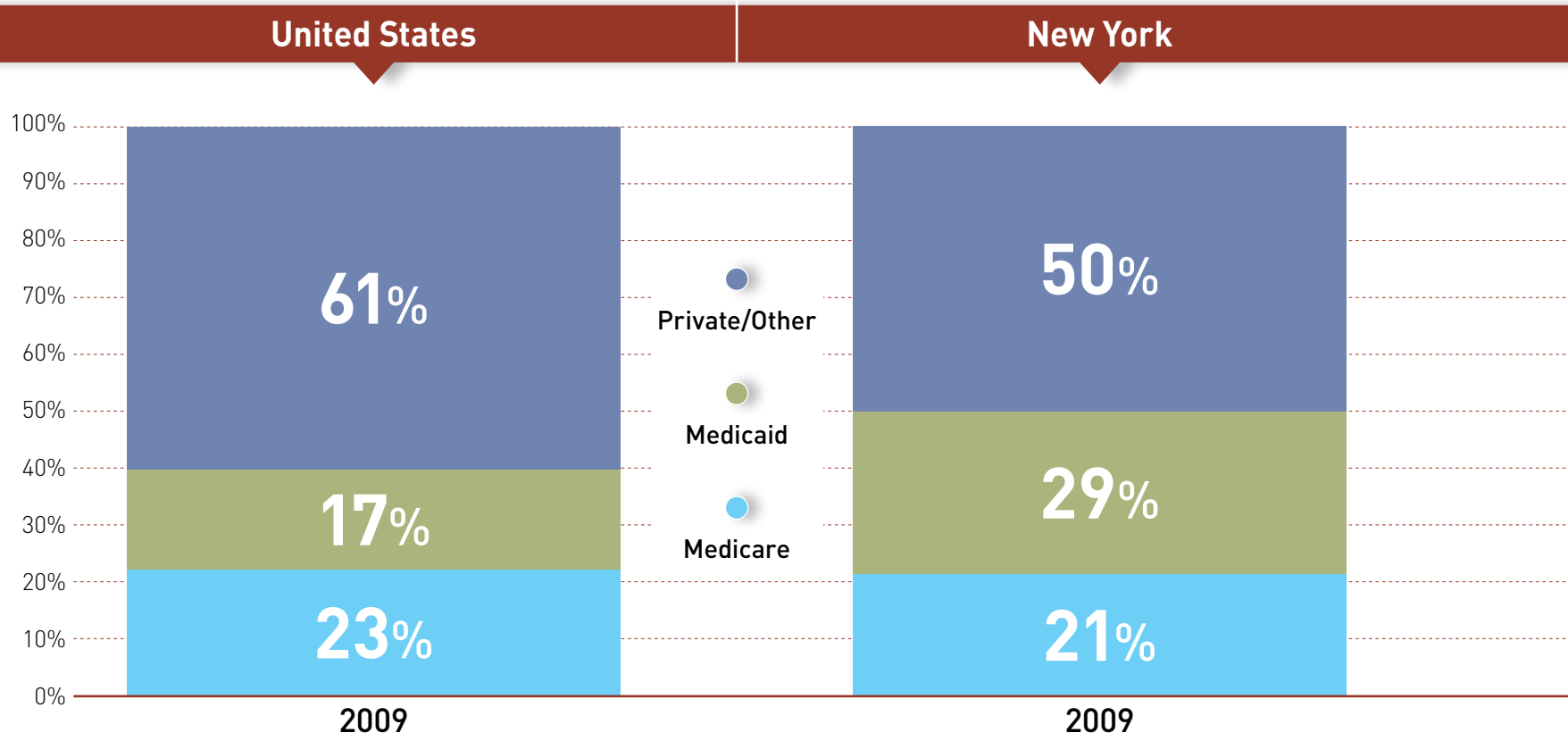
Total Health Care Expenditures by Payer in New York (in Millions), 2009



SOURCE: Centers for Medicare & Medicaid Services, *Health Expenditures by State of Residence*, 2011.

NOTE: Data are for 2009.

Public Payers Account for a Larger Share of Spending in New York than Nationwide

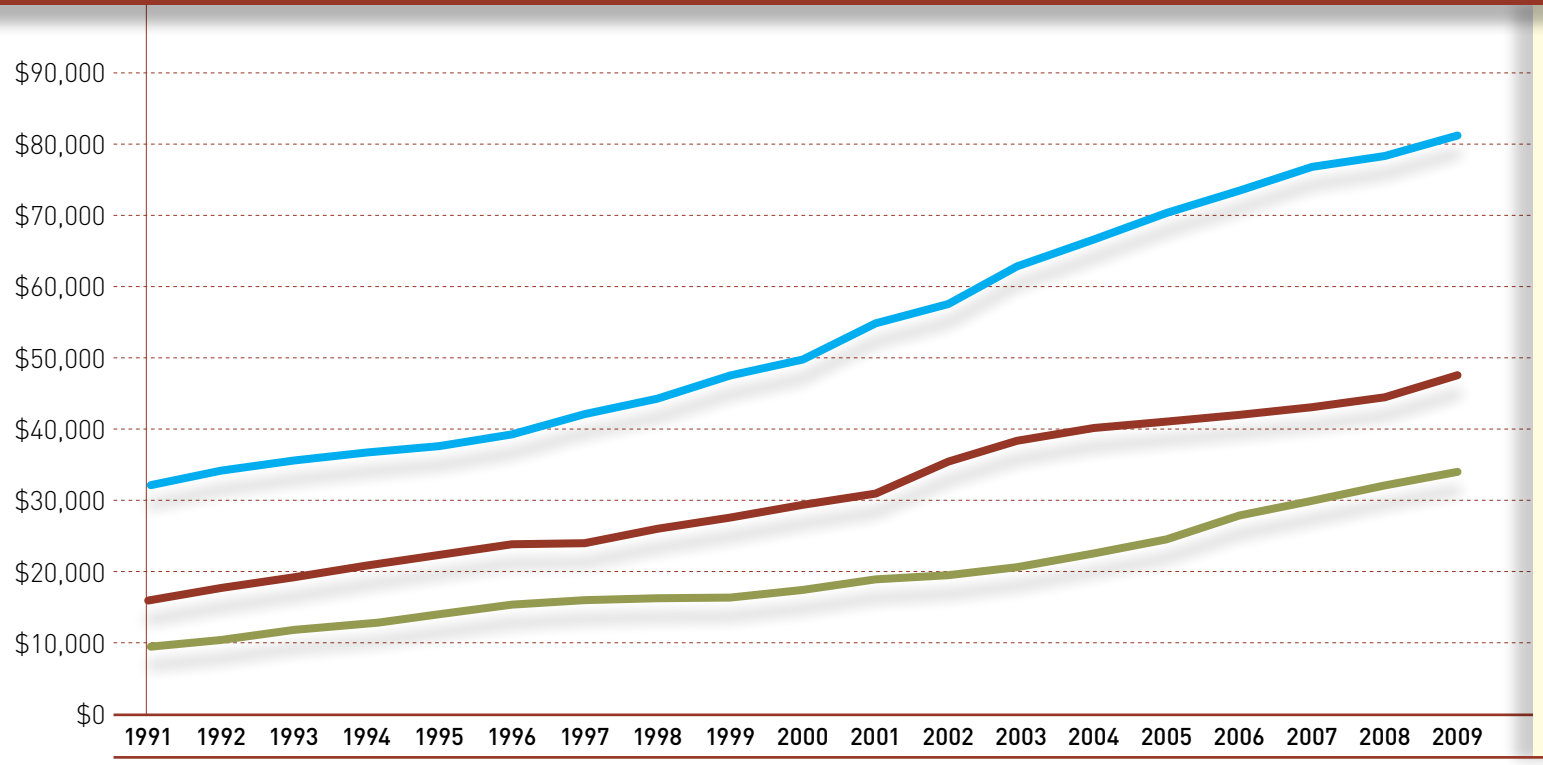


SOURCE: Centers for Medicare & Medicaid Services, *Health Expenditures by State of Residence*, 2011.

NOTE: Data are for 2009; Payer shares may not sum to 100% because of rounding.

Private Health Spending Has Grown Faster than Public Spending, Growing 250% Between 1991 and 2009

Total Personal Health Expenditures by Payer in New York, 1991–2009 (in Millions)



Private health spending was 2.5 times higher in 2009 than in 1991, and the gap in growth between private and public spending is growing.

Medicare

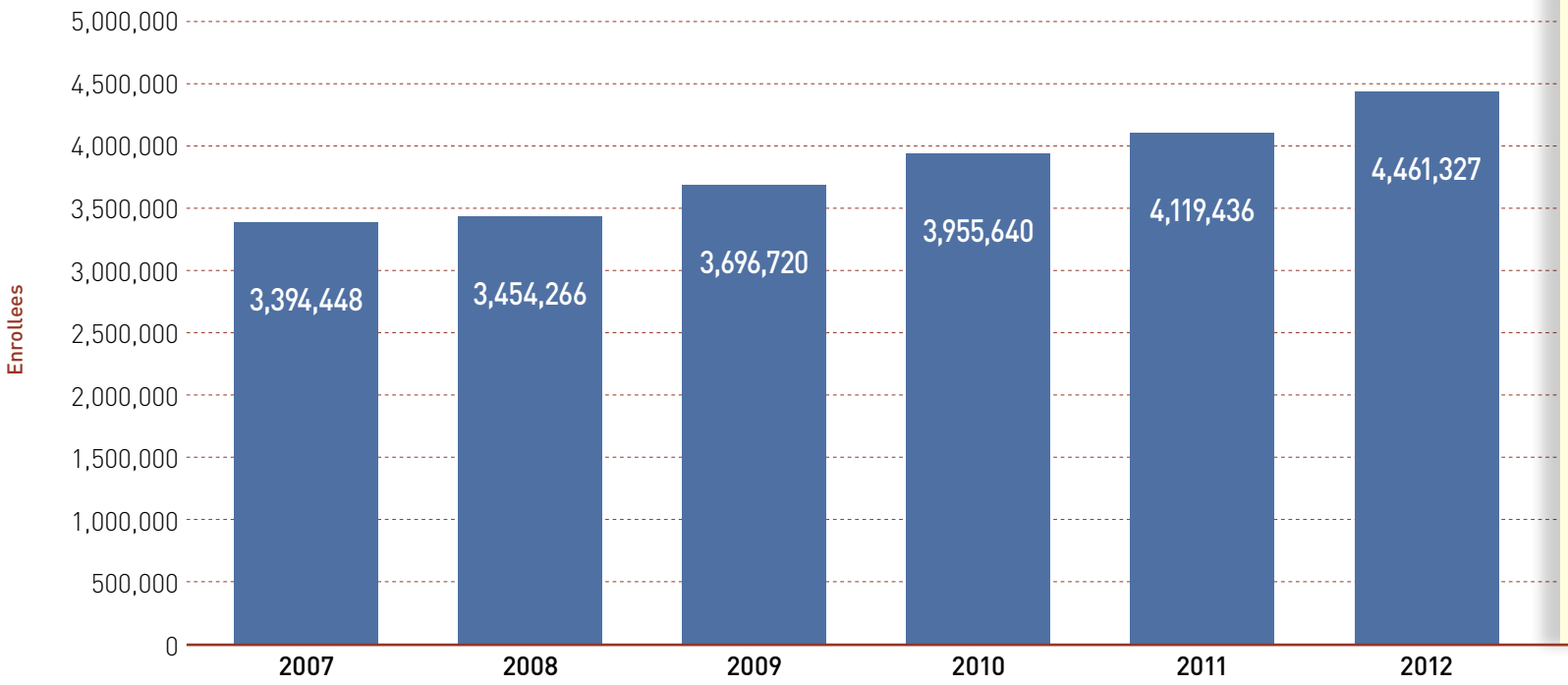
Medicaid

Private/Other

SOURCE: Centers for Medicare & Medicaid Services, *Health Expenditures by State of Residence*, 2011.

Medicaid Enrollment Has Continued to Grow in New York

Average Monthly Total Medicaid Enrollment, New York, 2007–2012



By 2022, New York's Medicaid program is projected to grow by 1.03 million enrollees, with the Affordable Care Act (ACA) Medicaid eligibility expansion adding an estimated 320,000, or 31.2%, of the total increase.

SOURCE: New York State Department of Health, Medicaid Quarterly Reports of Beneficiaries, Expenditures, and Units of Service by Category of Service by Aid Category by Region, accessed May 2013. John Holahan, Matthew Buettgens, Caitlin Carroll, and Stan Dorn, "The Cost and Coverage Implications of the ACA Medicaid Expansion: National and State-by-State Analysis," The Kaiser Commission on Medicaid and the Uninsured, Kaiser Family Foundation, November 2012.

NOTE: Figures are averages of monthly total enrollment for calendar years except 2012 data, which are for the fourth quarter. They are therefore lower than the annual enrollment totals shown on page 31, since many individuals move in and out of coverage over the course of a year, increasing annual total enrollment compared to estimates derived from monthly snapshots.

New York's Overall and per Capita Spending on Medicaid Is High

	New York	United States
Total Population	19,541,453	307,006,550
Total Medicaid Enrollment	5,208,135	62,692,693
Percent of Population Enrolled in Medicaid	27%	20%
Total Medicaid Spending (State and Federal)*	$52,122,037,794	$389,084,333,952
Per Enrollee Medicaid Spending	$8,960	$5,527
Per Capita Medicaid Spending	$2,388	$1,129

New York has the largest Medicaid budget in the United States—slightly more than $52 billion in FY 2010—and 27% of the population is enrolled, which is the fourth highest proportion among states.

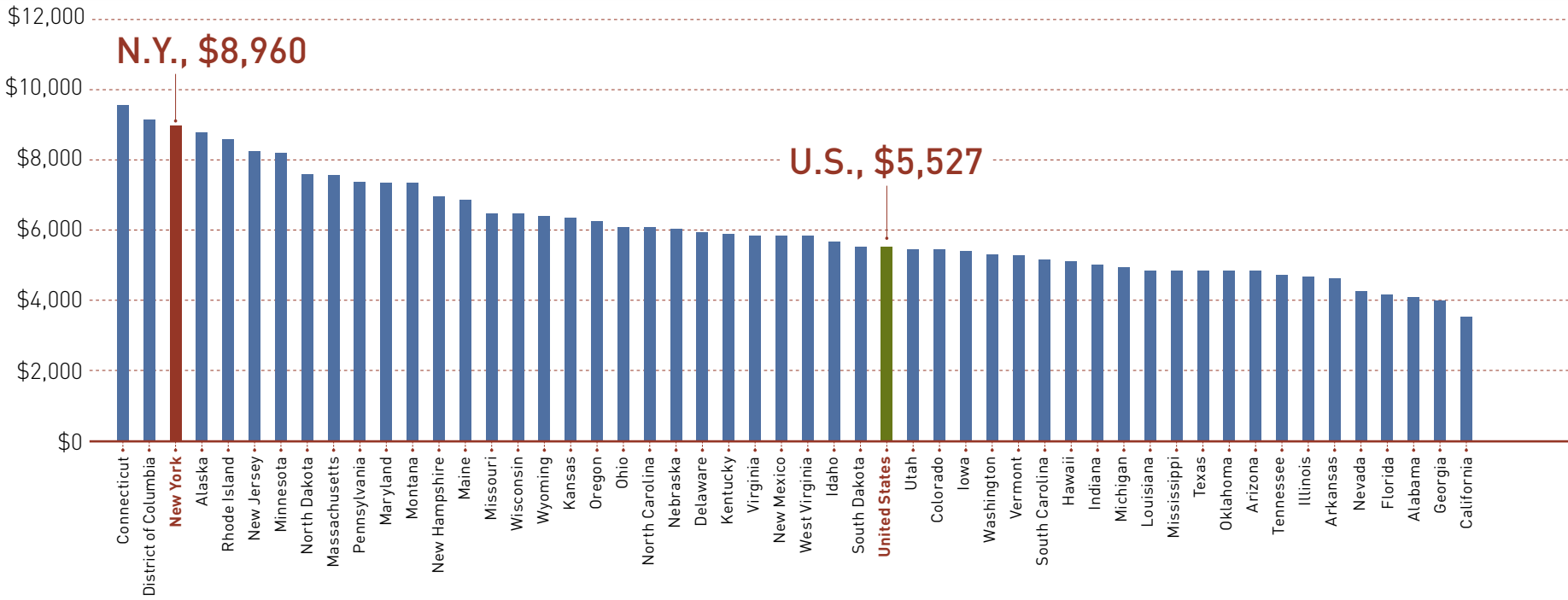
* Total spending is for FY 2010.

SOURCE: The Kaiser Family Foundation State Health Facts and The Kaiser Family Foundation, "Why Does Medicaid Spending Vary Across States: A Chart Book of Factors Driving State Spending," November 2012. Kaiser Commission on Medicaid and the Uninsured and Urban Institute estimates based on data from FY 2009 Medicaid Statistical Information System; 2009 population estimates for states from the U.S. Census Bureau.

NOTE: Medicaid enrollment is based on data for FY 2009. Population data estimates are for July 1, 2009.

New York Has the Third-Highest Medicaid Spending per Enrollee Among States

Total Annual Medicaid Spending per Enrollee, FY 2009

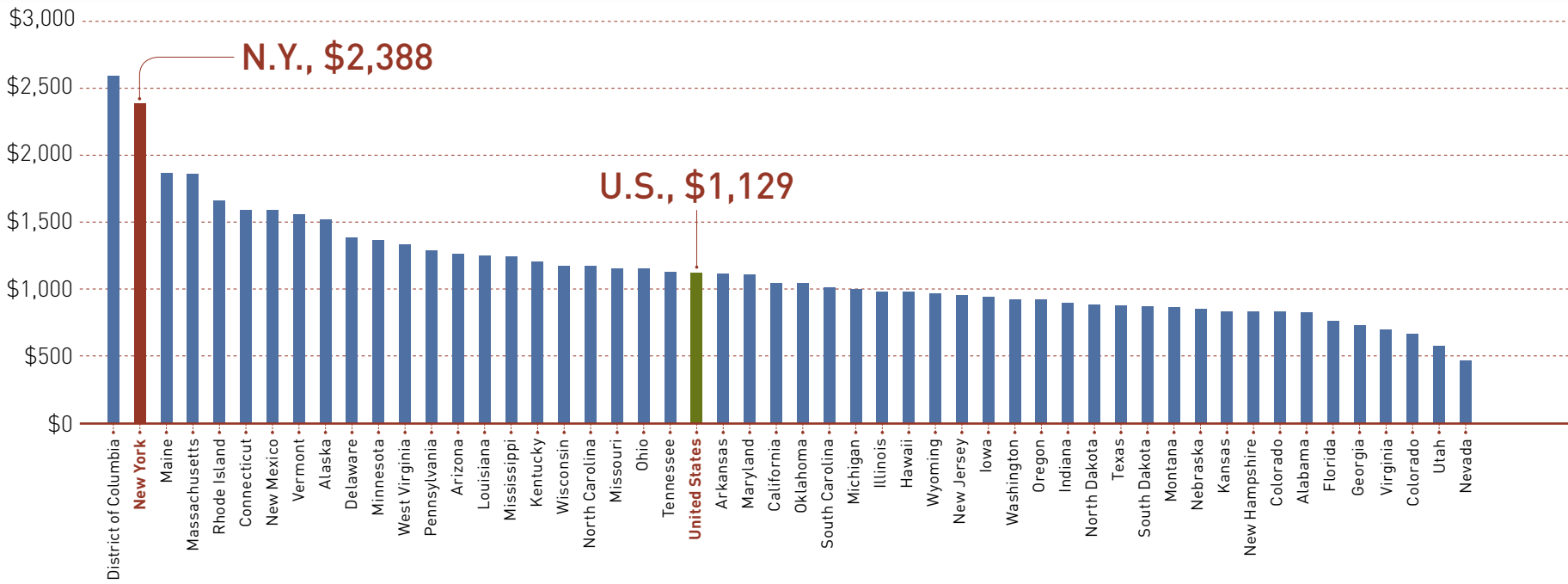


SOURCE: The Kaiser Family Foundation State Health Facts.

NOTE: Kaiser Commission on Medicaid and the Uninsured and Urban Institute estimates based on data from FY 2009 Medicaid Statistical Information System and Centers for Medicare & Medicaid Services CMS-64 reports, 2012. Spending includes both state and federal payments to Medicaid. These figures represent the average (mean) level of payments across all Medicaid enrollees. Spending per enrollee does not include disproportionate share hospital payments.

New York Has the Second-Highest Medicaid Spending per Capita Among States

Medicaid Spending Per Capita, FY 2009

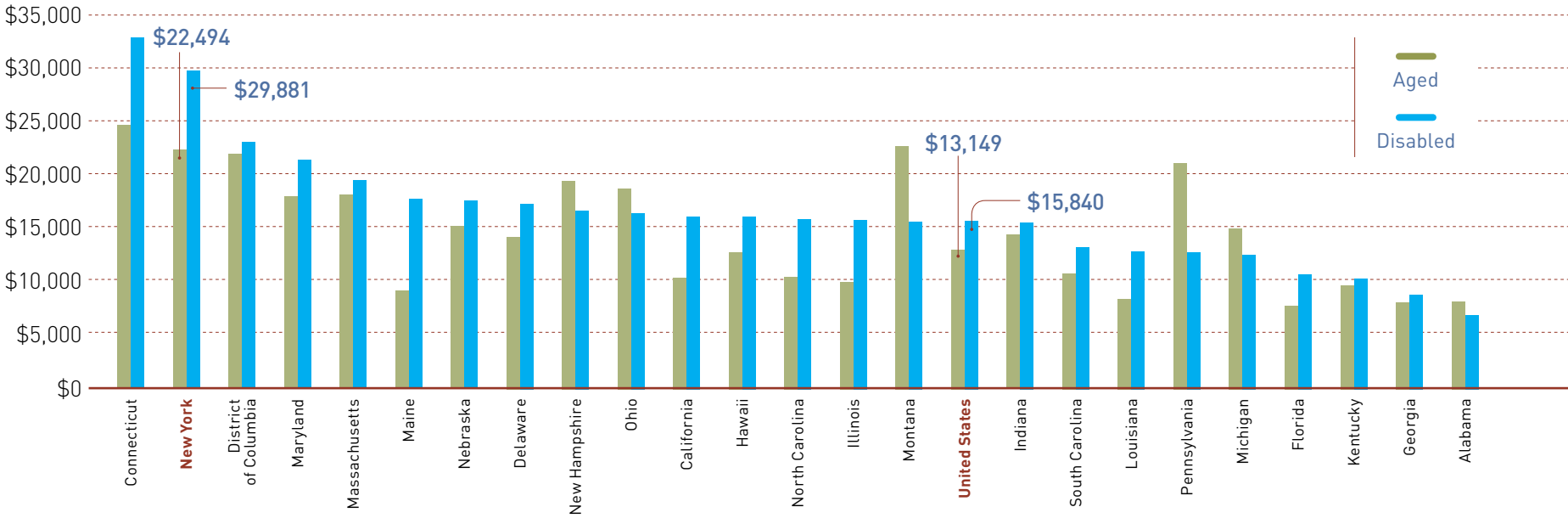


SOURCE: The Kaiser Family Foundation, "Why Does Medicaid Spending Vary Across States: A Chart Book of Factors Driving State Spending," November 2012.

NOTE: Medicaid spending and enrollment figures from Kaiser Commission on Medicaid and the Uninsured and Urban Institute estimates based on data from FY 2009 Medicaid Statistical Information System (MSIS) and Centers for Medicare & Medicaid Services CMS-64 reports, 2012. 2008 MSIS was used for Pennsylvania, Utah, and Wisconsin, because 2009 data was unavailable. State Population - Table 1. Annual Estimates of the Resident Population for the United States, Regions, States, and Puerto Rico: April 1, 2000 to July 1, 2009 (NST-EST2009-01), U.S. Census Bureau, Population Division, released December 2009.

New York's Medicaid Spending on Aged and Disabled Enrollees Is Among Highest in the Nation, and Is Driving New York's High Spending per Enrollee

Total per Capita Annual Medicaid Spending on Aged and Disabled Enrollees, FY 2009

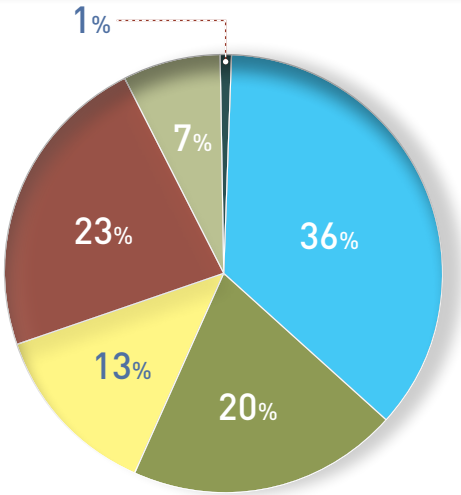


SOURCE: The Kaiser Family Foundation State Health Facts.

NOTE: Kaiser Commission on Medicaid and the Uninsured and Urban Institute estimates based on data from FY 2009 Medicaid Statistical Information System and Centers for Medicare & Medicaid Services CMS-64 reports, 2012. The chart shows a sampling of states from all four quarters, representing a range of spending levels. Spending includes both state and federal payments to Medicaid. These figures represent the average (mean) level of payments across all Medicaid enrollees. Spending per enrollee does not include disproportionate share hospital payments.

Nursing Home, Home Health, and Personal Care Are Contributing to the Differences Between New York and U.S. Health Care Spending

New York per Capita Spending by Service, 2009



Hospital Care

Physician and Clinical Services

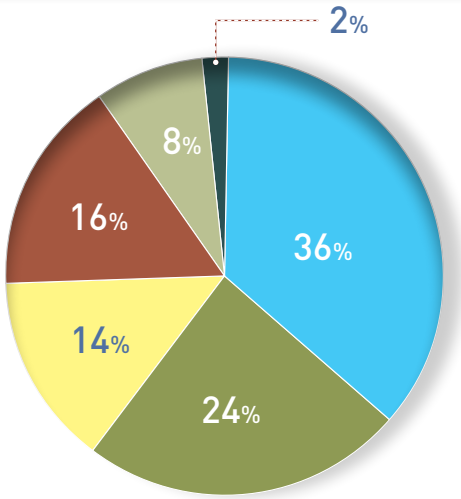
Drugs and Other Medical Nondurables

Nursing Home, Home Health, and Other Personal Care

Dental and Other Professional Services

Durable Medical Equipment

United States per Capita Spending by Service, 2009

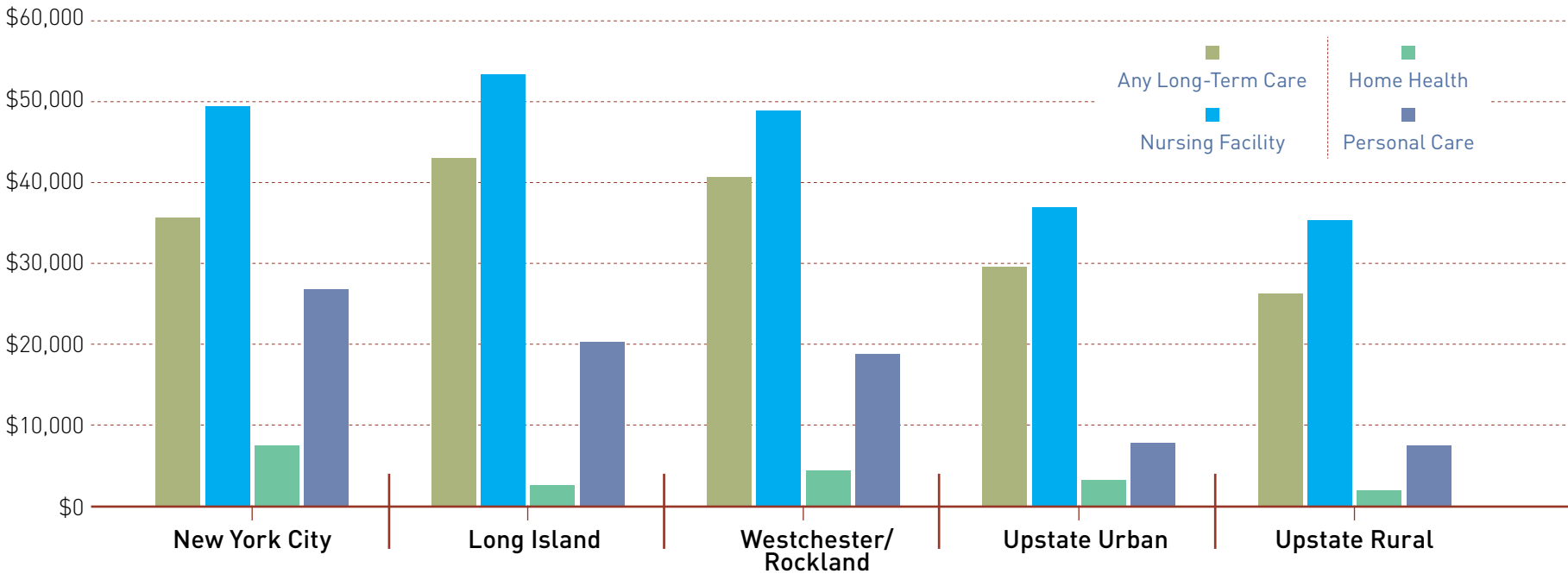


SOURCE: Center for Medicare & Medicaid Services, *Health Expenditures by State of Residence*, 2011.

NOTE: Hospital services include all services billed for by hospitals, including room and board, ancillary charges, services of resident physicians, inpatient pharmacy, and hospital-based nursing home and home health care. Physician services include all services provided by physicians and laboratories. Drugs and other medical nondurable equipment include prescription and nonprescription drugs and medical sundries. Nursing home, home health, and other personal care services include spending for Medicaid home- and community-based waivers; care provided in residential care facilities; ambulance services; school health; and work site health care. Dental and other professional services include care provided by private-duty nurses; chiropractors; podiatrists; optometrists; and physical, occupational, and speech therapists. Durable medical equipment includes retail sales of items such as contact lenses, eyeglasses, and other ophthalmic products; surgical and orthopedic products; hearing aids; and wheelchairs. For full definitions, see http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/quickref.pdf.

Medicaid Spending per Recipient of Long-Term Care Services Is Higher in Downstate Regions of New York

Medicaid Long-Term Care Spending per Elderly Dual Recipient*, 2005



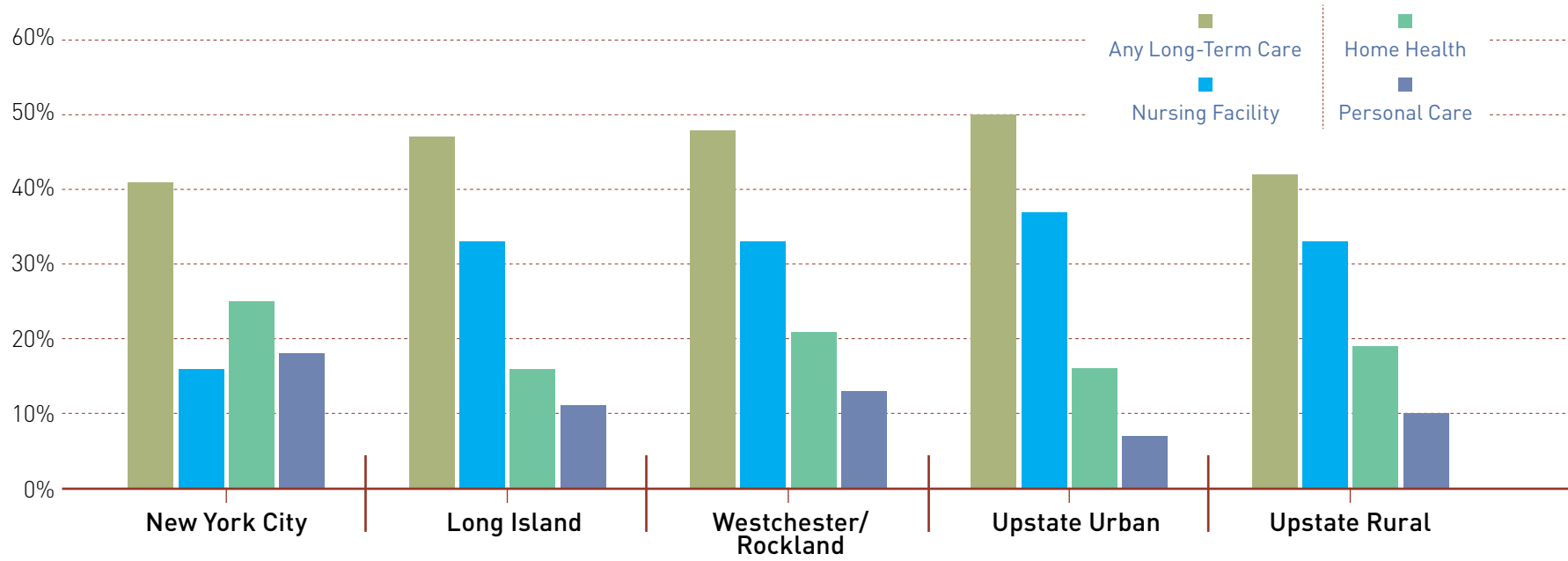
*Dual-eligible for Medicare-Medicaid.

SOURCE: United Hospital Fund, "Medicaid Long-Term Care in New York: Variation by Region and County," 2010.

NOTE: Almost all Medicaid enrollees age 65 and older are also enrolled in Medicare, and thus are considered dually eligible for these programs.

In New York City, Use of Nursing Facilities Is Less Common and Home Health Care Is More Common

Percentage of Medicaid Elderly Dual Beneficiaries* Using Long-Term Care, by Region and Service, 2005

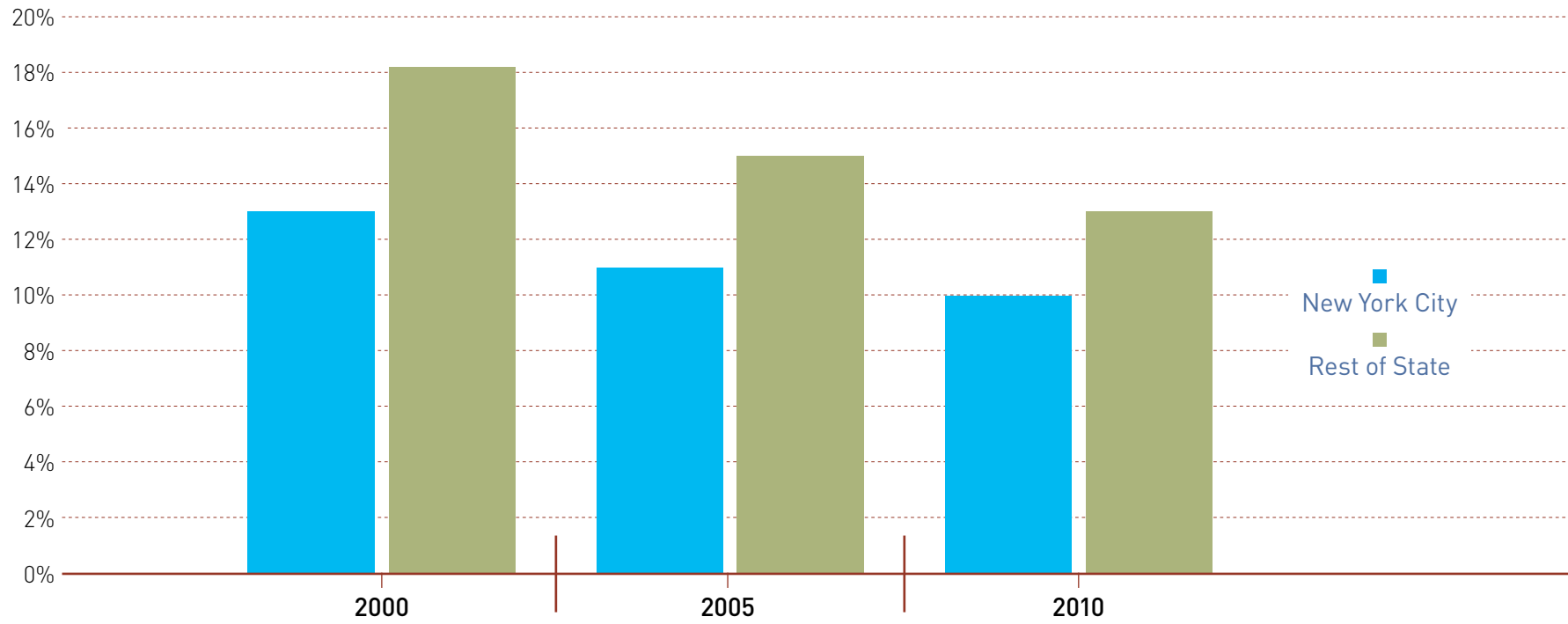


*Dual-eligible for Medicare-Medicaid.

SOURCE: United Hospital Fund, "Medicaid Long-Term Care in New York: Variation by Region and County," 2010.

Nursing Facility Use Has Declined for Oldest New Yorkers

Percent of Elderly in Nursing Facilities (Age 85+)

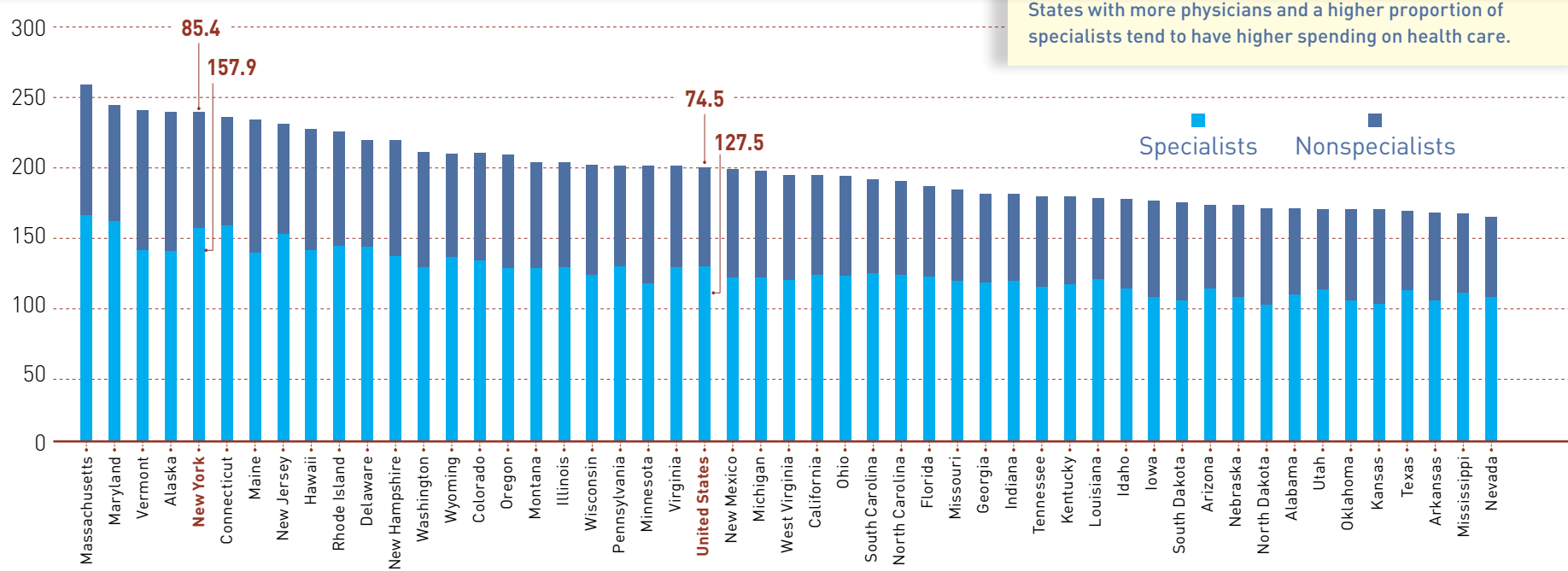


SOURCE: United Hospital Fund, "New York's Nursing Homes: Shifting Roles and New Challenges," 2013.

New York Is Among States with the Most Physicians and Specialists per Capita

Specialists as a Share of all Physicians by State, 2006 (Physicians per 100,000)

States with more physicians and a higher proportion of specialists tend to have higher spending on health care.

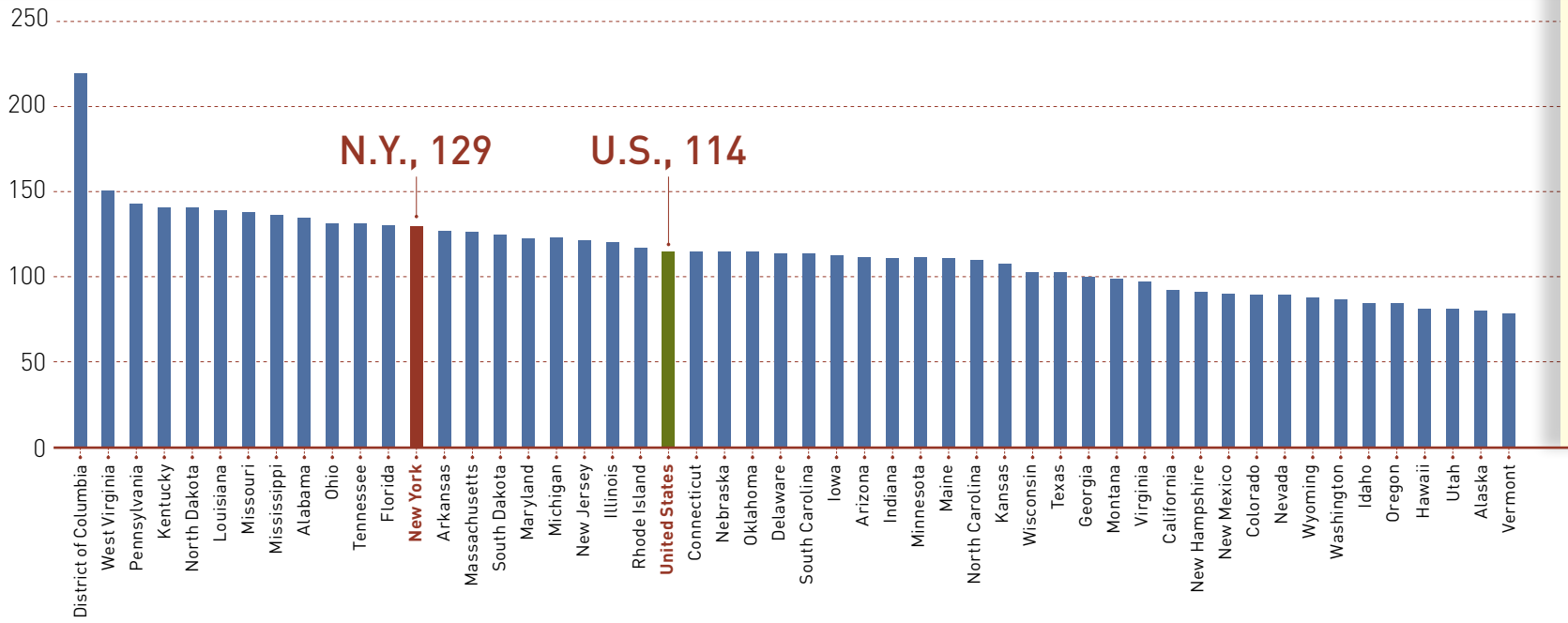


SOURCE: Physicians per capita data from Dartmouth Atlas. Evidence for relationship between more physicians and higher spending from Fisher, E.S., et. al., "The Implications of Regional Variations in Medicare Spending. Part 1: The Content, Quality, and Accessibility of Care," *Annals of Internal Medicine*, Feb. 18, 2003.

NOTE: Physician counts are estimated from rates and population and are not exact. District of Columbia is excluded.

New York Is Above Average in Total Hospital Admissions

Hospital Admissions per 1,000 Population, 2010



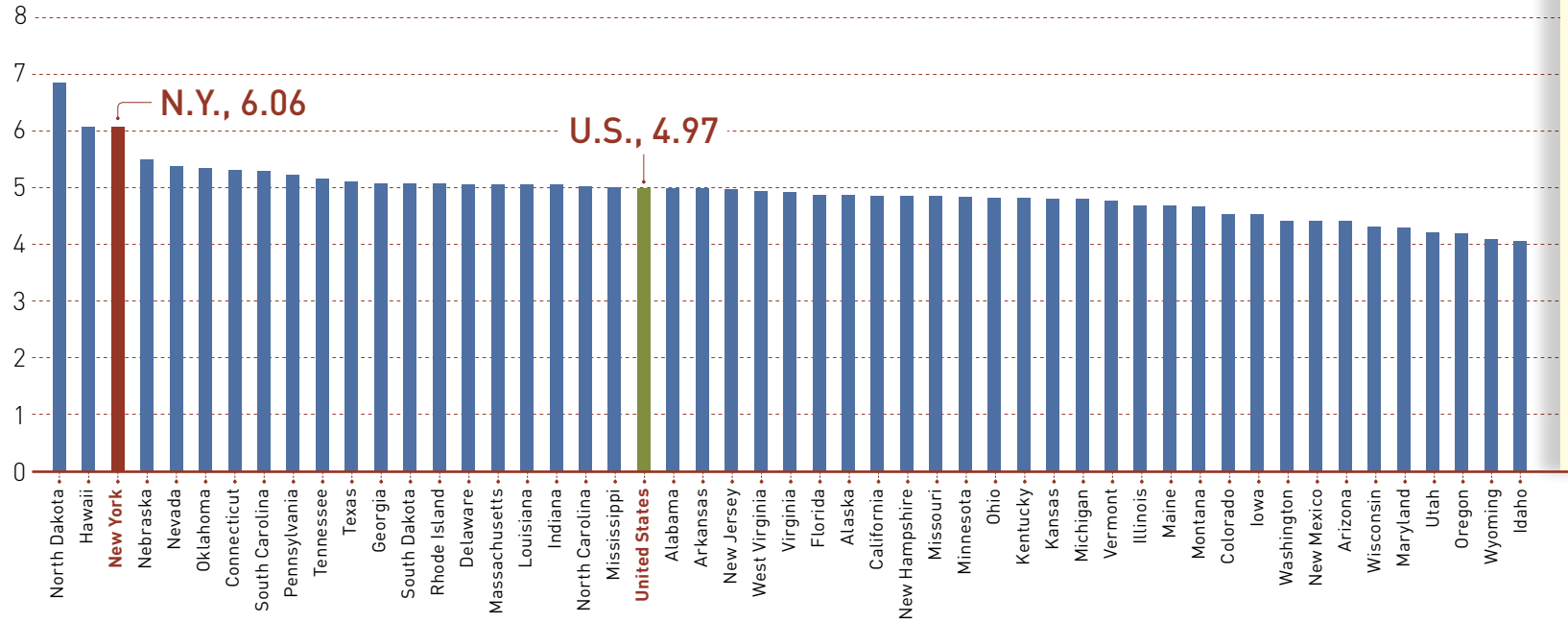
New York is ranked 13th in hospital admissions per 1,000 people and 13% above the national average.

SOURCE: The Kaiser Family Foundation State Health Facts. AHA Annual Survey Copyright 2012 by Health Forum LLC, an affiliate of the American Hospital Association, special data request, April 2012. Population data from Annual Population Estimates by State, U.S. Census Bureau, available at **http://www.census.gov/popest/**.

NOTE: Data include staffed beds for community hospitals, which represent 85% of all hospitals. Federal hospitals, long-term care hospitals, psychiatric hospitals, institutions for the intellectually disabled, and alcoholism and other chemical dependency hospitals are not included.

New York Has the Third-Highest Length of Stay for Inpatient Admissions

Average Length of Stay (Days)

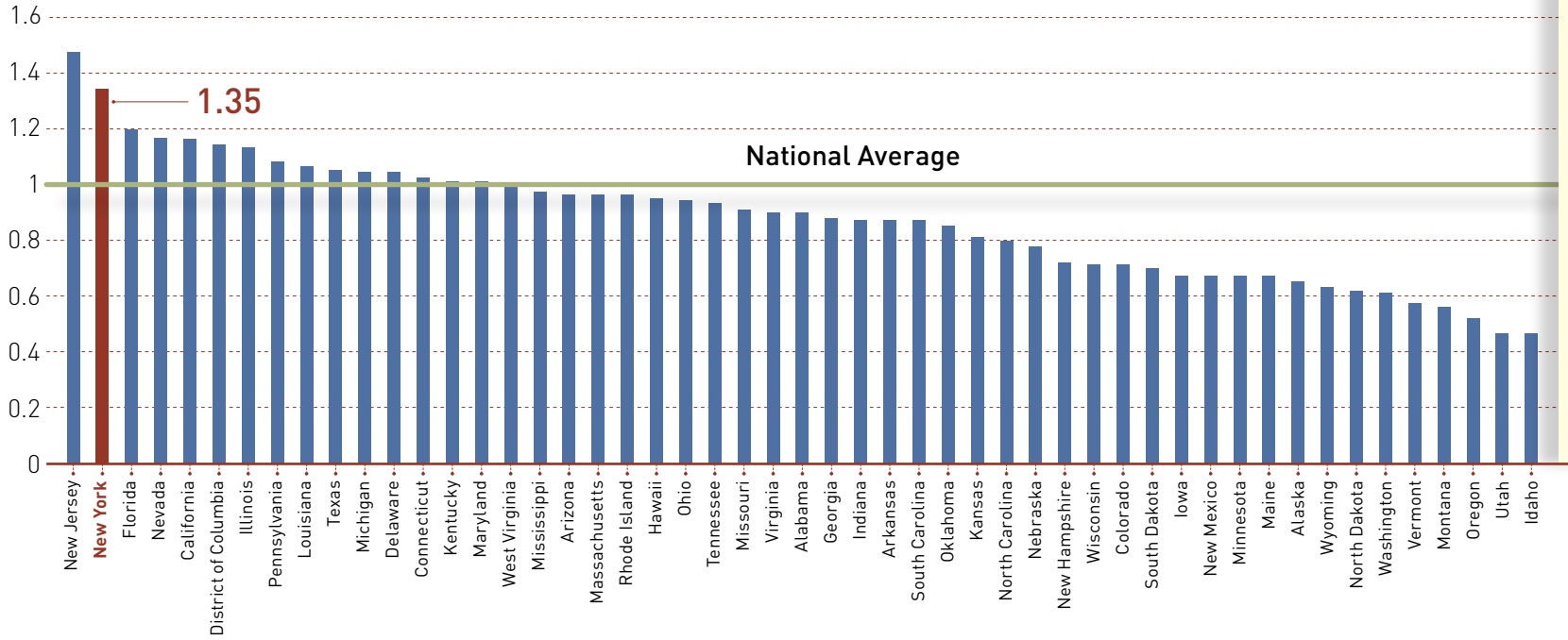


New York's average length of stay, the third highest nationally, is 22% above the national average.

SOURCE: Apprise Health Insights, Community Hospital Units by State (2011), with data from the American Hospital Association 2011 Survey of Hospitals.

New York Medicare Beneficiaries Have Second-Highest Use of Inpatient Hospital Care in Last Two Years of Life

Hospital Care Intensity Index for Beneficiaries in the Last Two Years of Life, by State, 2010



New York hospital inpatient days for Medicare enrollees in the last two years of life totaled 23.9 on average in 2010, the most of any state, compared to the national average of 16.7 days and exceeding the 90th percentile of 18.6 days.

SOURCE: Dartmouth Atlas of Health Care, Hospital Care Intensity Index and Inpatient Days in the Last Two Years of Life, 2010.

NOTE: The Hospital Care Intensity Index is computed by comparing each hospital's utilization rate, which is based on the number of days patients spend in the hospital and their total physician visits, with the national average and adjusting for age, sex, race, and severity of illness.

New York Hospitals Exhibit Comparatively Low Mortality Rates

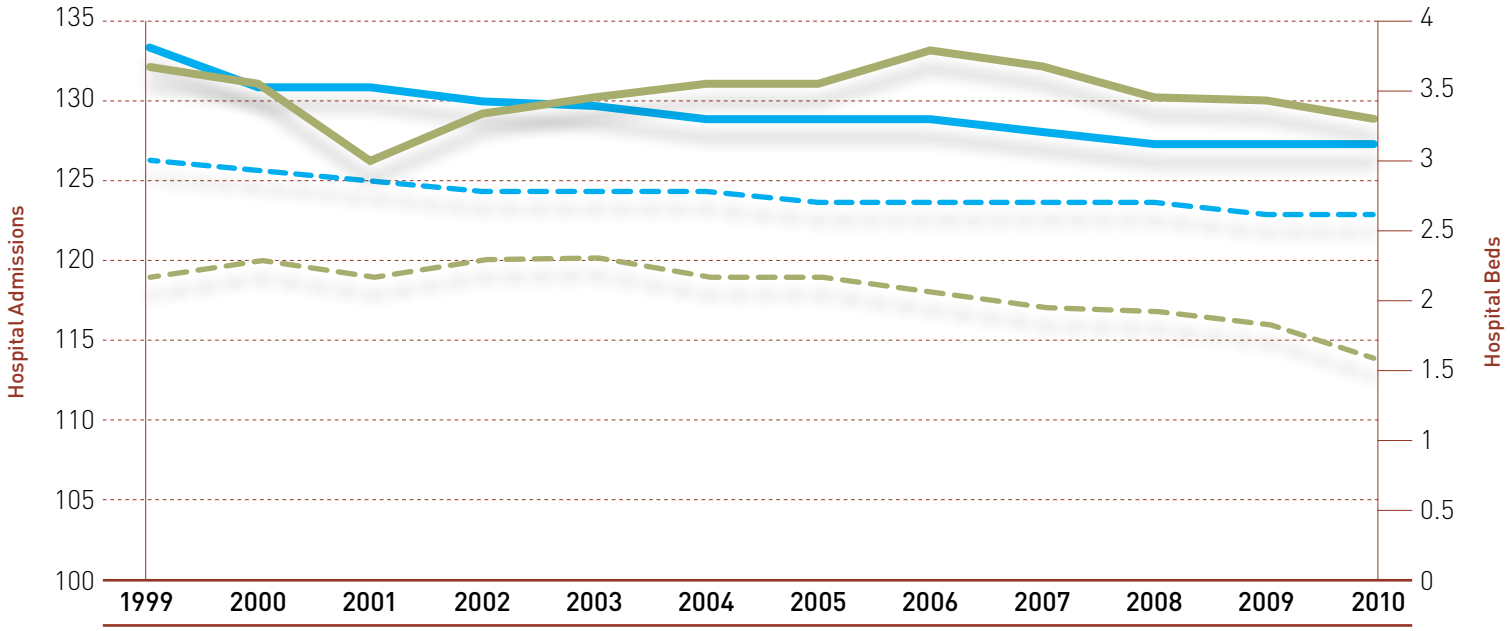
Condition	Percent of New York Hospitals with Medicare Risk-Adjusted 30-Day Mortality Rates Better than the U.S. Median
Heart Attack	59%
Heart Failure	60%
Pneumonia	52%

Despite high admission rates, longer lengths of stay, more outpatient visits, and higher emergency department use in New York's hospitals, mortality rates are relatively low compared with the national average.

SOURCE: Centers for Medicare & Medicaid Services, Hospital Compare Database, **https://data.medicare.gov/data/hospital-compare**, July 2013.

New York's Rates of Hospital Admissions and Bed Counts Have Declined, but Remain Above the National Average

Hospital Admissions and Beds, per 1,000 Population, 1999–2010



SOURCE: The Kaiser Family Foundation State Health Facts. AHA Annual Survey Copyright 2012 by Health Forum LLC, an affiliate of the American Hospital Association, special data request, April 2012. Population data from Annual Population Estimates by State, U.S. Census Bureau, available at **http://www.census.gov/popest/**.

NOTE: Data include staffed beds for community hospitals, which represent 85% of all hospitals. Federal hospitals, long-term care hospitals, psychiatric hospitals, institutions for the intellectually disabled, and alcoholism and other chemical dependency hospitals are not included.

The number of inpatient hospital beds declined in New York from 1999 to 2010, mirroring national trends, while New York's hospital admission rates decreased less than national rates.

N.Y. Hospital Admissions Per 1,000 Population

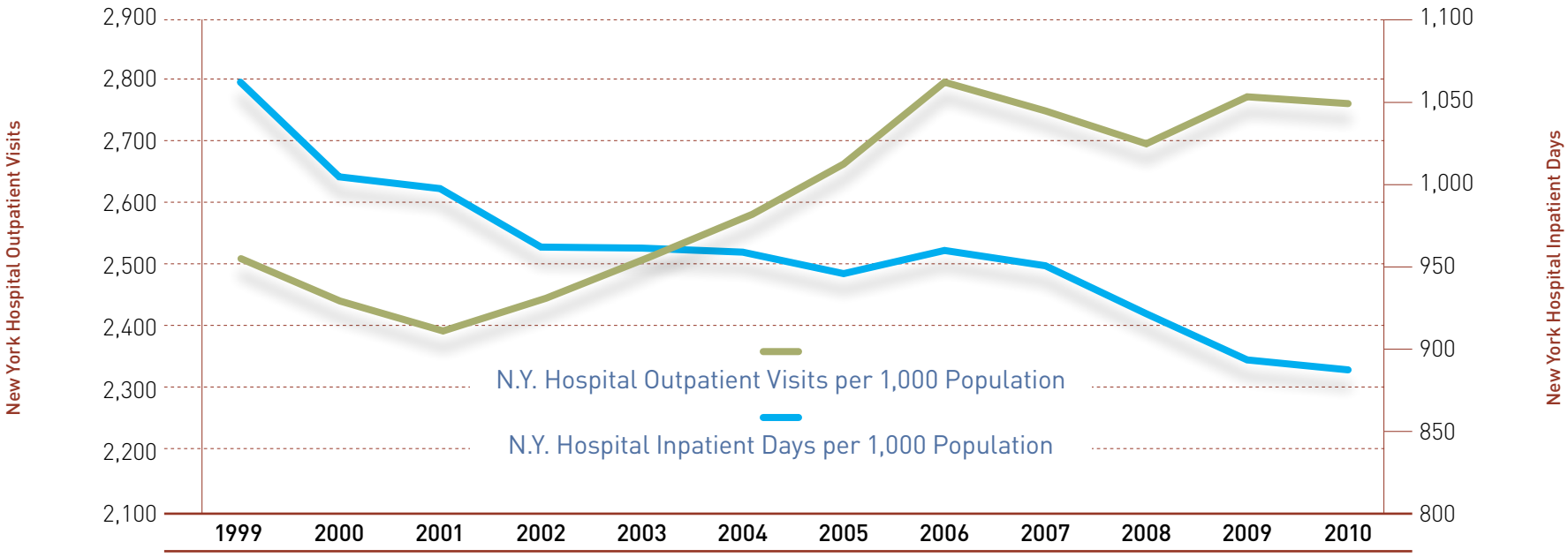
U.S. Hospital Admissions Per 1,000 Population

N.Y. Hospital Beds Per 1,000 Population

U.S. Hospital Beds Per 1,000 Population

Outpatient Visits Have Increased and Inpatient Days Have Fallen in New York

Hospital Outpatient Visits and Inpatient Days, per 1,000 population, 1999–2010

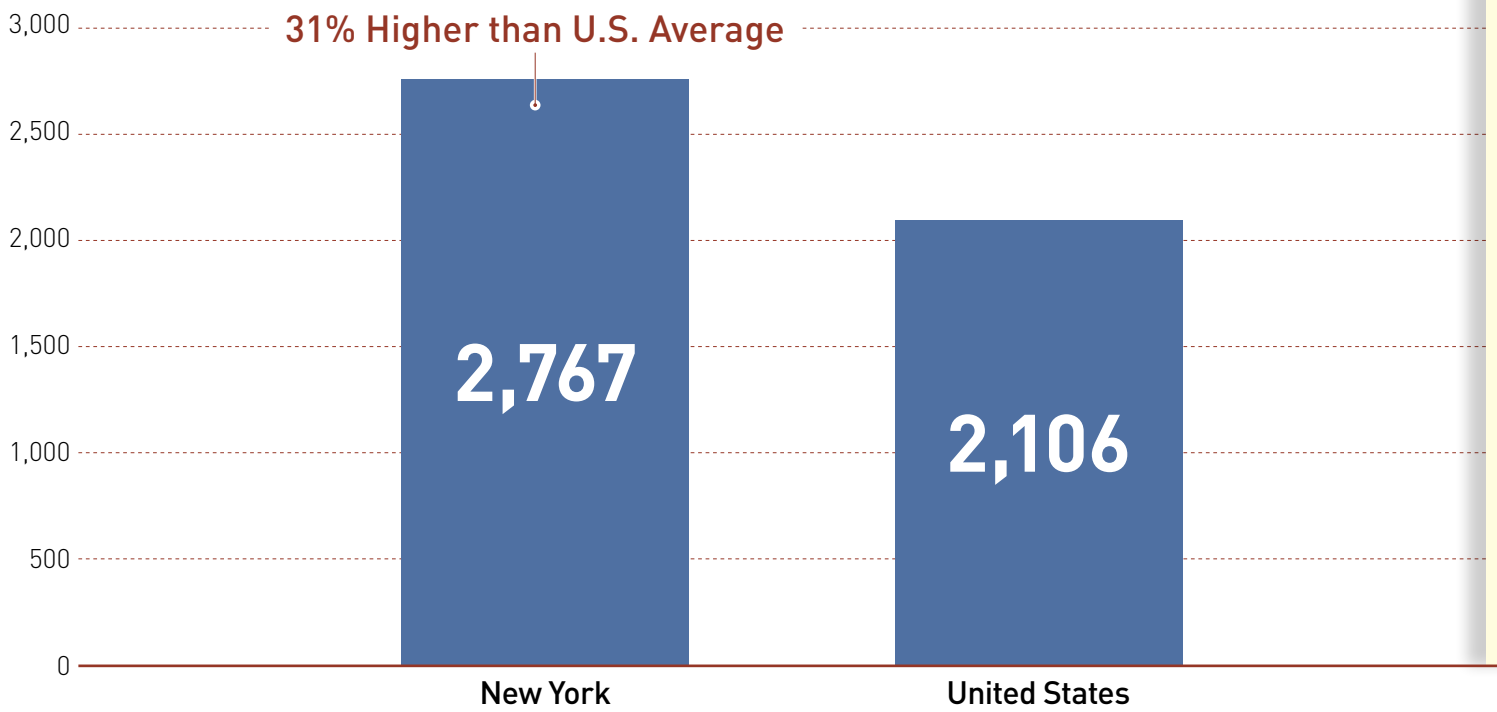


SOURCE: The Kaiser Family Foundation State Health Facts. AHA Annual Survey Copyright 2012 by Health Forum LLC, an affiliate of the American Hospital Association, special data request, April 2012. Population data from Annual Population Estimates by State, U.S. Census Bureau, available at **http://www.census.gov/popest/**.

NOTE: Data include staffed beds for community hospitals, which represent 85% of all hospitals. Federal hospitals, long-term care hospitals, psychiatric hospitals, institutions for the intellectually disabled, and alcoholism and other chemical dependency hospitals are not included.

New York Hospitals Provide a Substantial Amount of Outpatient Care

Hospital Outpatient Visits per 1,000 Population, 2010



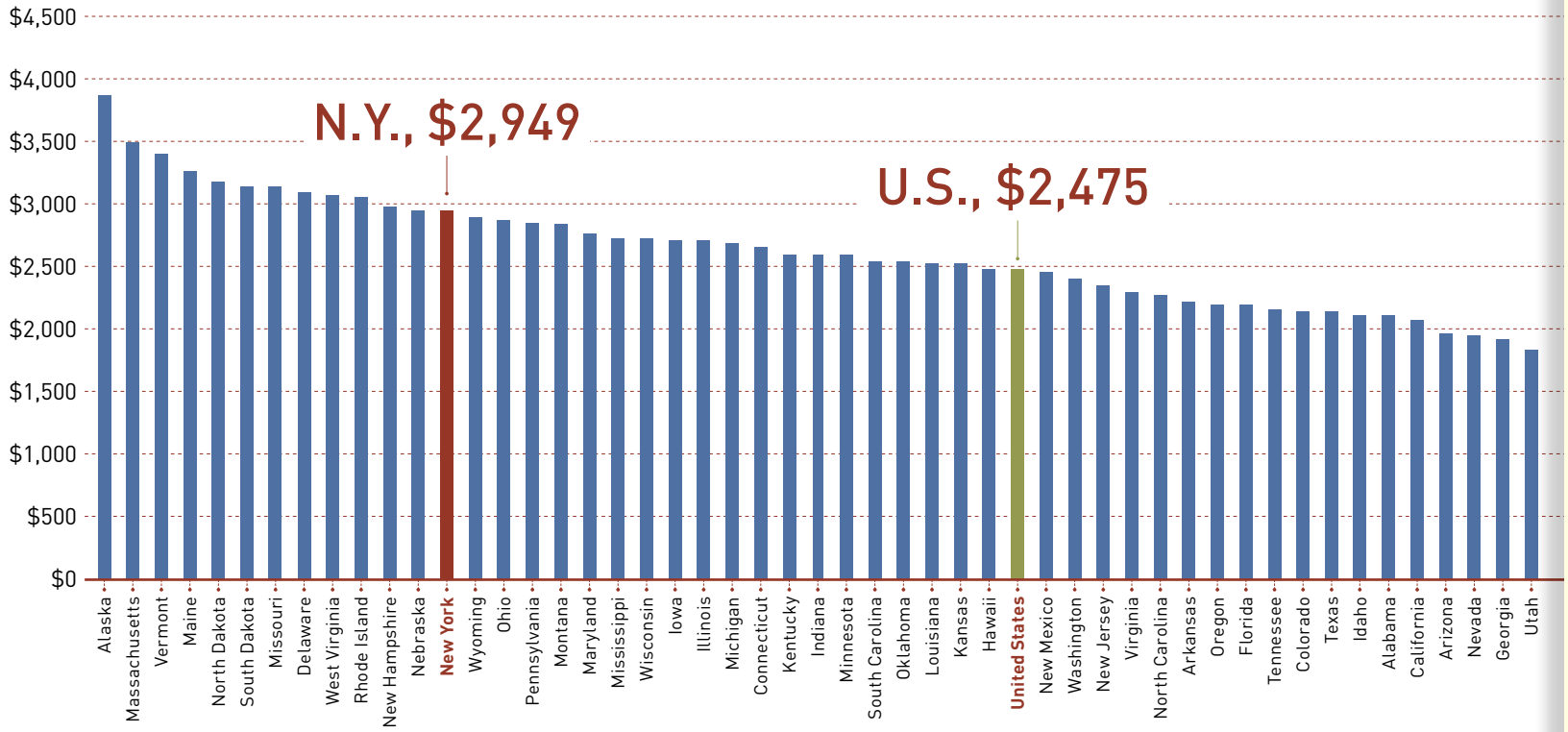
While the State is slightly above average in its number of inpatient visits, it is more significantly above average in outpatient hospital use.

New York has reduced inpatient admissions, and outpatient hospital visits continue to grow.

SOURCE: The Kaiser Family Foundation State Health Facts. AHA Annual Survey Copyright 2012 by Health Forum LLC, an affiliate of the American Hospital Association, special data request, April 2012. Population data from Annual Population Estimates by State, U.S. Census Bureau, available at **http://www.census.gov/popest/**.

New York Has the 13th-Highest Hospital Spending per Capita

Hospital Spending per Capita, 2009



New York's per capita hospital spending is 19% above the national average.

All readmissions in New York—nearly 274,000 hospital stays for all patients in 2008—cost $3.7 billion. Readmissions for avoidable costs occurred in 3.9% of initial hospital stays and cost $1.3 billion out of the total of $3.7 billion.

SOURCE: Centers for Medicare & Medicaid Services, *Health Expenditures by State of Residence*, 2011.

NOTE: Data are for 2009. Readmissions data from Deborah Chollet, Allison Barrett, and Timothy Lake, "Reducing Hospital Readmissions in New York State: A Simulation Analysis of Alternative Payment Incentives," Mathematica Policy Research, September 2011. District of Columbia is not included.

Hospital Readmission Rates Vary Across New York State; the Bronx Has Highest Rates in Nation

	30-Day Medical Readmissions	30-Day Surgical Readmissions
National Average	**15.9%**	**12.4%**
Bronx	18.1%	18.3%
Manhattan	17.3%	16.0%
East Long Island	16.7%	16.3%
Rochester	16.6%	12.5%
White Plains	16.1%	17.4%
Binghamton	16.0%	10.8%
Albany	16.0%	15.2%

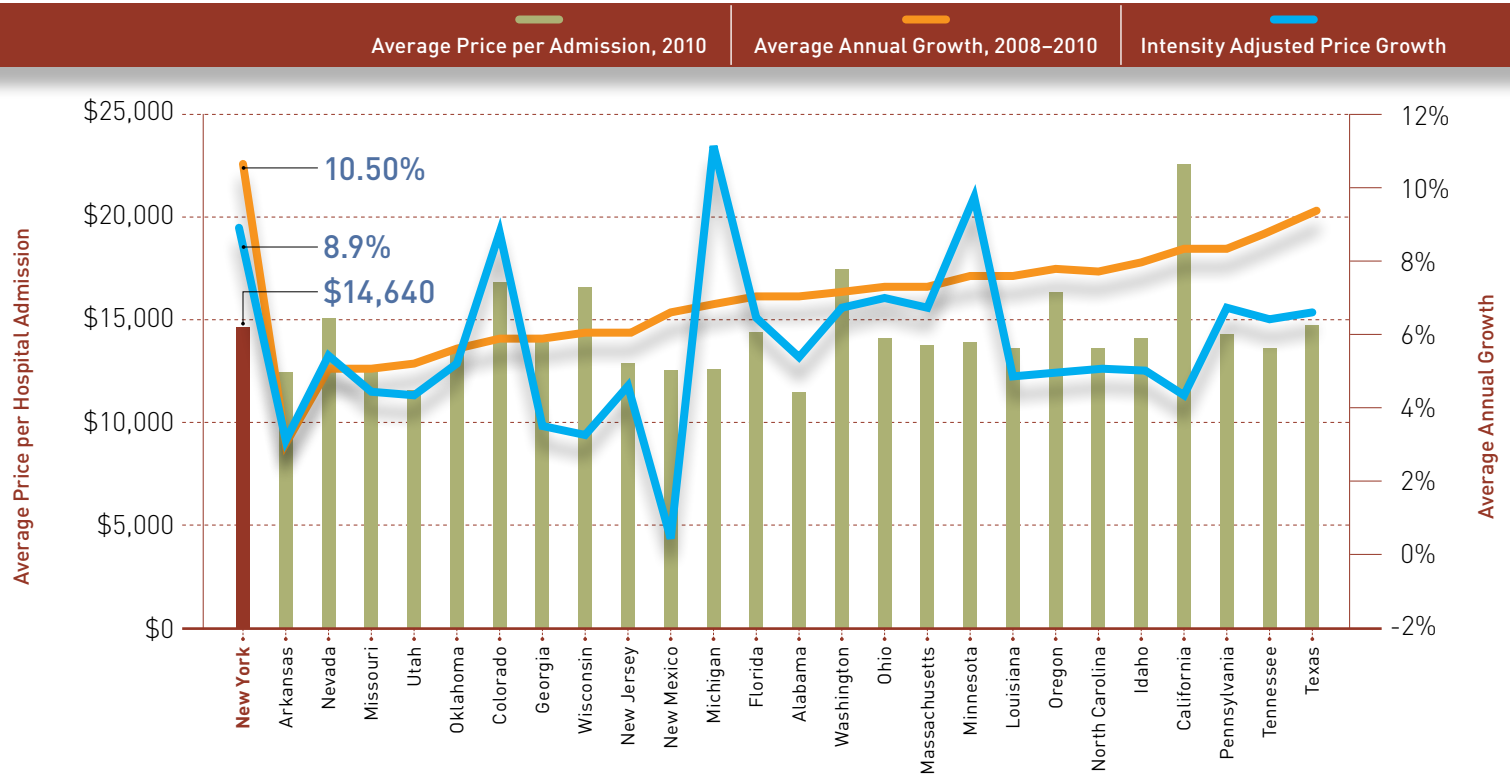
The Bronx has the highest regional rates for 30-day medical and surgical readmissions in the nation, at 18.1% and 18.3%. Part of this variation likely reflects the different medical needs of residents of these areas.

Surgical readmission rates show wider variation than medical readmissions.

SOURCE: Robert Wood Johnson Foundation, "The Revolving Door: A Report on U.S. Hospital Readmissions," February 2013.

NOTE: The authors note that "efforts to draw firm conclusions about the causes of specific differences in readmission rates among hospitals or regions—or of changes over time—are challenged by the multiple factors that can influence inpatient severity of illness, the settings to which patients are discharged, and the effectiveness of post-discharge care coordination. It is also important to recognize that readmission rates and early follow-up visits are only indirect measures of the effectiveness of care coordination. Better measures, such as patient reports of their care experiences or health outcomes, are not yet widely available."

Rapid Growth of Hospital Prices in New York May also Help Explain Cost Trends



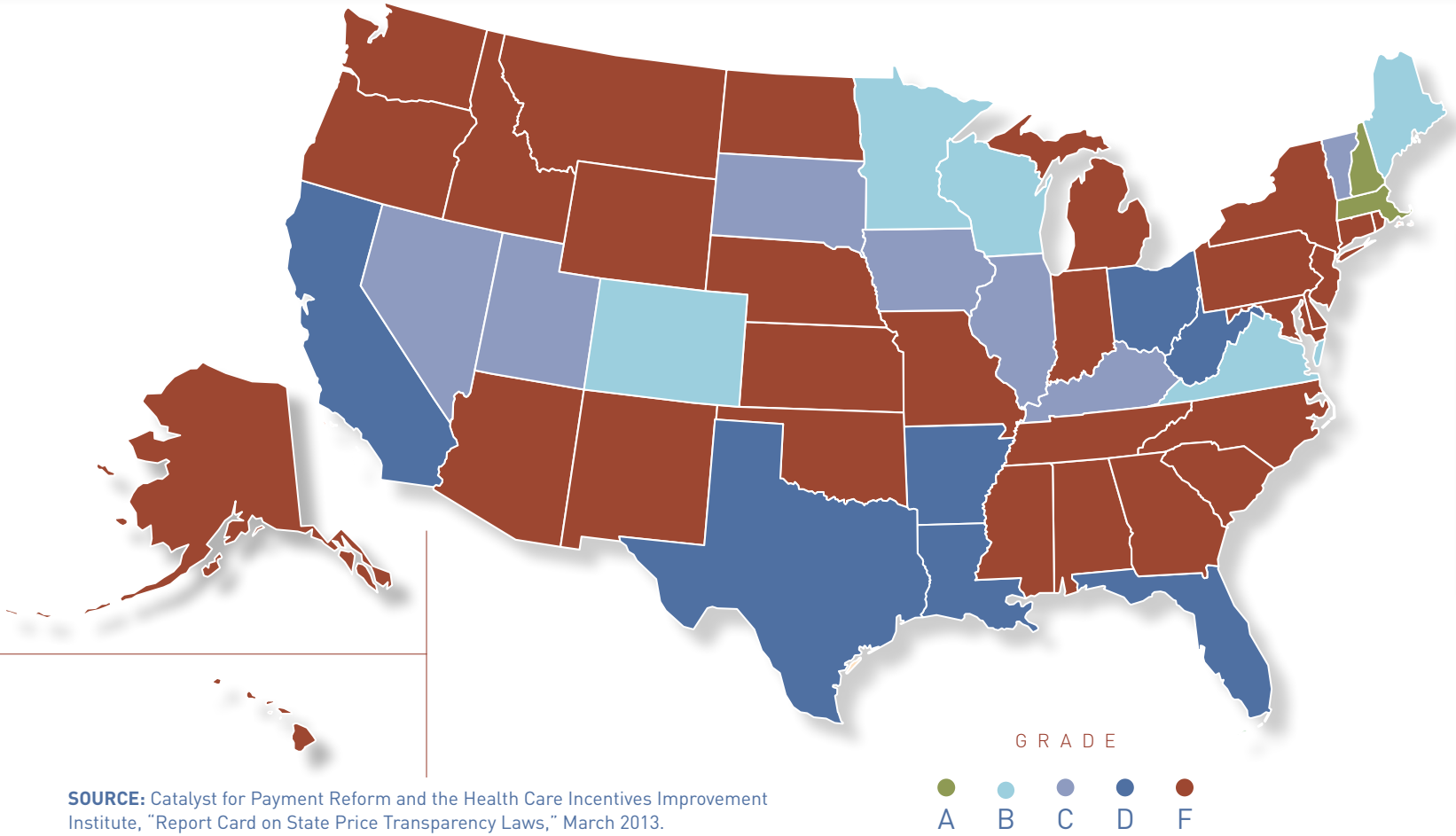
SOURCE: Jeff Lemieux and Teresa Mulligan, "Trends in Inpatient Hospital Prices, 2008 to 2010," *American Journal of Managed Care*, published online March 6, 2013.

NOTE: Data from MarketScan for the commercially insured population under the age of 65; calculations by the authors. Average prices were defined as the average of insurer-paid reimbursements plus patient cost-sharing obligations. Not all states are included because MarketScan restricts the publication of information to states or localities where the data include a sufficient number of respondents to maintain the confidentiality of the employers and health insurance plans that contribute data.

New York had the highest absolute growth in average prices per hospital admission from 2008 to 2010, at 10.5%, and the third highest after adjusting for intensity of services (i.e., the use of more procedures or more complex procedures per admission), at 8.9%. These prices are the amount agreed to between insurers and providers.

Nationally, prices for inpatient hospital care grew from 2008 to 2010, even after adjusting for intensity. However, prices and their growth varied widely among states and locally.

New York Ranks Poorly on Health Care Price Transparency



New York is one of 29 states receiving an F grade on health care price transparency laws from Catalyst for Payment Reform in 2013.

SOURCE: Catalyst for Payment Reform and the Health Care Incentives Improvement Institute, "Report Card on State Price Transparency Laws," March 2013.

Price-Standardized Medicare Spending per Beneficiary—a Measure of Service Utilization—Is Below the U.S. Average in All Regions of New York

New York Hospital Referral Regions (HRRs)*	Monthly Spending Below the U.S. Average	Percentile Rank Among 306 HRRs
Rochester	($174)	0%
Bronx	($166)	1%
Buffalo	($166)	1%
Syracuse	($131)	6%
Binghamton	($121)	8%
Elmira	($117)	8%
Albany	($97)	14%
New York City (Manhattan, Brooklyn, Staten Island)	($51)	31%
White Plains (northern suburbs)	($17)	46%
East Long Island (Long Island and Queens)	($15)	47%

*Hospital referral regions (HRRs)—Created by Dartmouth to represent regional health care markets for tertiary (complex) medical care. Dartmouth Atlas Project defined 306 HRRs by assigning hospital service areas to regions where the greatest proportion of major cardiovascular procedures were performed, "with minor modifications to achieve geographic contiguity, a minimum total population size of 120,000, and a high localization index."

SOURCE: Committee on Geographic Variation in Health Care Spending and Promotion of High-Value Care, Institute of Medicine, "Variation in Health Care Spending: Target Decision Making, not Geography," July 2013.

NOTE: Price standardization removes payments associated with local wage differentials, graduate medical education, and disproportionately poor patients, thereby distilling differences due to utilization.

NYS HEALTH FOUNDATION

Improving the state of New York's health

VOICE: 212-664-7656
FAX: 646-421-6029
MAIL: 1385 Broadway,
23rd Floor
New York, NY 10018
WEB: www.nyshealth.org