

RESEARCH BRIEF

PATIENT STAY REDUCTIONS COULD SAVE HOSPITALS BILLIONS

TOP PERFORMERS SHOW LARGE SAVINGS OPPORTUNITIES

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TOP PERFORMERS SHOW SHORTENING PATIENT STAYS CAN SAVE BILLIONS

SAVINGS OPPORTUNITIES EXIST DESPITE CURRENT FINANCIAL CLIMATE

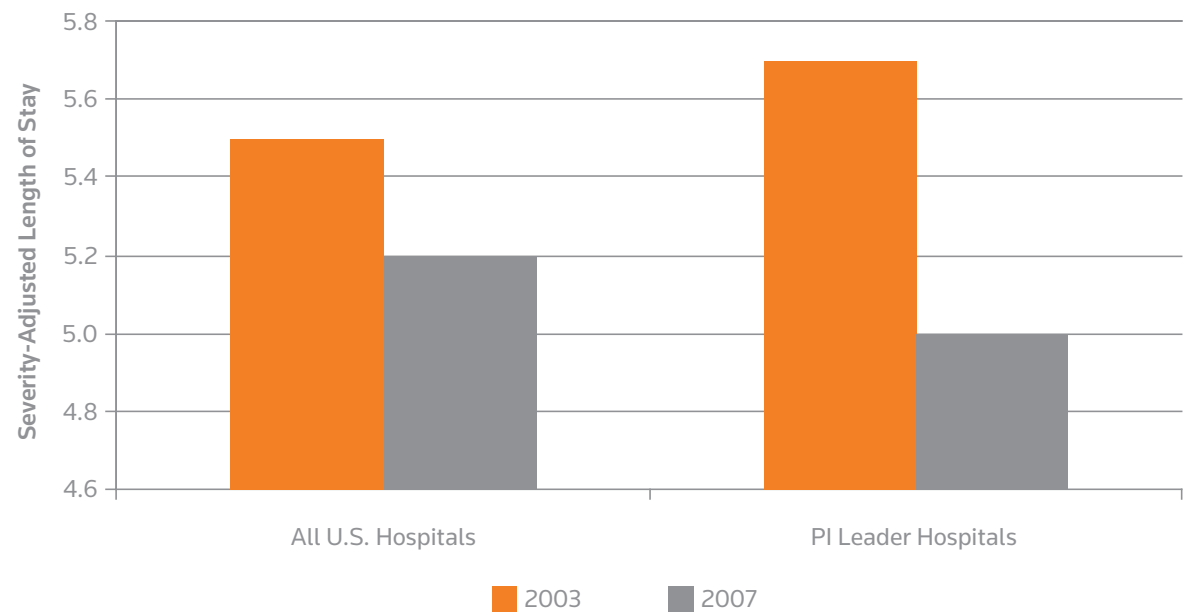
Recent Thomson Reuters research¹ found concrete ways hospitals can significantly reduce costs, even in this time of financial stress. A number of hospitals we've studied have already successfully lowered expenses. We found that if the entire industry could achieve the expense inflation rate of a group of hospitals with superior performance improvement in clinical, efficiency, and financial domains — the 100 Top Hospitals®: Performance Improvement Leaders (PI Leaders) — expenses would be about \$38 billion less than expected over just three years.²

HOW MUCH COULD THE INDUSTRY SAVE?

One way to reduce expenses is to reign in unnecessarily long patient stays. To understand what achievable patient stay control targets might be, we contrasted the average length of stay (ALOS) of a group of PI Leader hospitals with all U.S. hospitals.

There has been a long-term downward trend in inpatient ALOS. In our study group, all U.S. hospitals lowered ALOS by 1.6 percent between 2003 and 2007. The PI leaders achieved twice that — a 3.2 percent reduction — during the same time. If the entire industry could achieve the PI Leaders' LOS reduction rate, about 1.8 million hospital days could be saved. Assuming a per-diem cost of \$1,000, this is nearly \$2 billion for our hospital universe (Figure 1).³

FIGURE 1: Top-Performing Hospitals Have More Dramatic Length of Stay Reductions

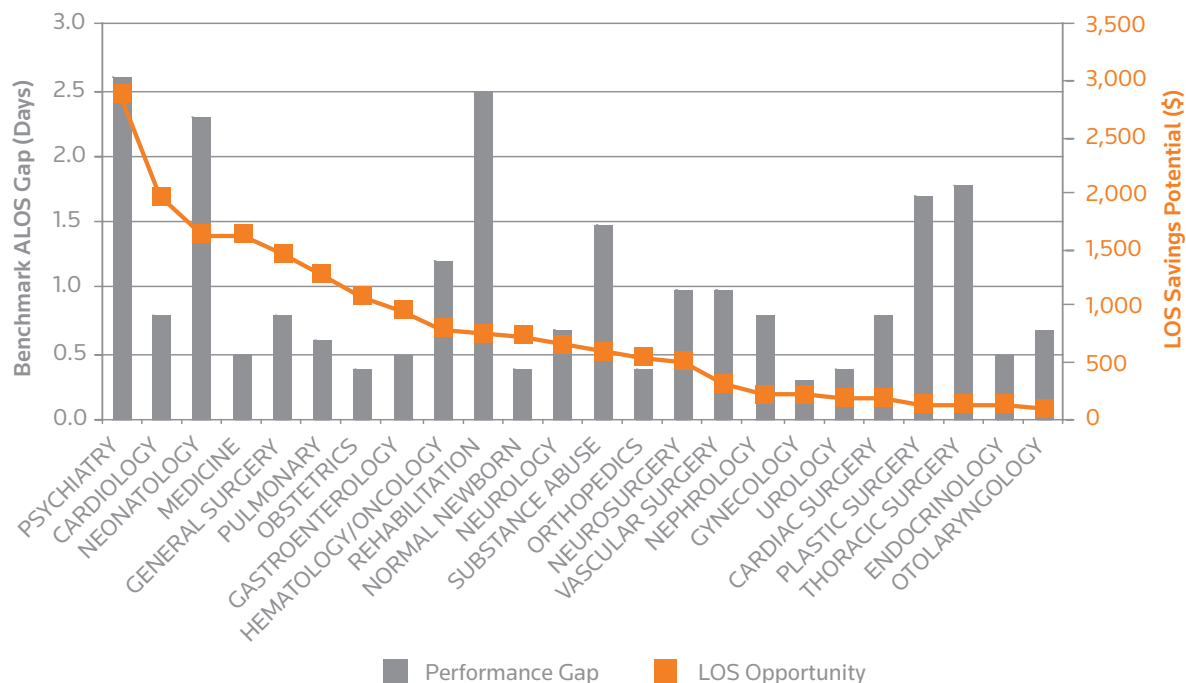


HOW MUCH COULD AN INDIVIDUAL HOSPITAL SAVE?

How do these estimates apply to an individual hospital? We calculated LOS performance gaps, using specific hospital service line information from the Thomson Reuters CareDiscovery™ Clinical Performance Improvement Solution for a typical large community hospital (a hospital with 25,000 annual discharges) compared with benchmark (upper decile) hospitals.

Figure 2 illustrates this comparison: performance gaps are illustrated by bars, and LOS reduction opportunities are displayed by the orange line. The organization-wide benchmark LOS potential savings for this model hospital is 19,534 days. Assuming a per-diem cost of \$1,000, this hospital could eliminate nearly \$20 million in expenses by taking advantage of this LOS reduction potential.

FIGURE 2: Realizable LOS Reduction and Cost Savings for a Typical Large Community Hospital⁴



MORE SAVINGS STRATEGIES

The research we conducted on our study group revealed several other strategies a hospital could use to reduce operating expenses, in addition to LOS reductions. Other possible approaches and the estimated industry-wide annual savings potential, based on our hospital study group, are:

- Patient safety improvements: eliminating adverse patient safety events could save more than \$5 billion
- Improvements in operating expense performance: a typical large community hospital we studied had a \$14 million expense advantage opportunity⁵

We detailed patient safety improvement opportunities in an earlier research brief, and will explore operating expense reduction opportunities in depth in an upcoming brief. Visit www.save4billion.com for more information.

NOTES

- ¹ Dunn D, Koepke D, and Pickens G. *The Current Recession and U.S. Hospitals*. Evanston, IL: Thomson Reuters, 2009.
- ² Foster D and Pickens G. *Expense Reduction Opportunity at U.S. Hospitals*. Evanston, IL: Thomson Reuters, 2009.
- ³ This estimate is based on our study group of approximately 3,700 hospitals and assumes a national ALOS of 4.5 days.
- ⁴ Thomson Reuters Projected Inpatient Database and CareDiscovery.
- ⁵ This study used the Thomson Reuters Action O-I[®] comparative database, 2005-2008.

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