

Washington Hospital Financial Analysis

Prepared for:

***Washington State Health Care Authority
Health Care Cost Transparency Board***

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Introduction

Washington is one of nine states to adopt a cost growth benchmark, which was established by the Health Care Cost Transparency Board (Board).¹ The State also participates in the Peterson-Milbank Program for Sustainable Health Care Costs and has established cost growth benchmark targets for 2022 and the subsequent five years. “The cost growth benchmark represents a common goal for payers, purchasers, regulators, and consumers to increase health care affordability. It serves as a starting point from which to align health care spending to ensure that spending growth does not increase at a faster rate than the economy, state revenue, or wages.”²

The Board’s Cost Driver Analysis revealed that the most significant increases in spending occurred in inpatient and outpatient hospital spending.³ Combined, inpatient and outpatient hospital spending comprise the largest share of health care costs ranging from approximately 33% of the total health care spending in Medicaid to about 38% of total health care spending for the commercial market.⁴

Therefore, a deeper dive into the Washington hospital industry is warranted as hospital prices and costs have an impact on the HCCTB’s cost growth benchmark targets. This project details hospitals that are exceeding benchmarks or appear to be outliers as compared to their peers in terms of price, cost, and profit. The current financial condition of hospitals is in many ways a reflection of business decisions, potentially made years ago. Any impact on altering the course of hospitals’ prices and costs should begin today with the acknowledgement that those efforts may not be visible in the data for several years.

Project Description

Hospital financial information is generally opaque and not easily comparable across hospitals because of the multitude of variables that can impact hospital finances including geographic differences, differences in services offered, multiple payers paying different amounts for similar services, varied mixes of patient acuity, varying levels of non-patient-related activities, and more. Hospitals also report financial information in a variety of ways for different purposes.

However, most hospitals or their associated systems prepare audited financial statements. Non-profit hospitals also report selected financial information in their annual Form 990. Hospitals may also prepare other financial reports to satisfy various state or local requirements. Unfortunately, none of these reporting mechanisms are standardized or comprehensive enough to allow meaningful comparison across hospitals. **Yet, health care administrators and health care purchasers/payers would benefit greatly from comparative hospital financial information to provide insight into how well hospitals are managing their costs and to ensure some degree of accountability** to the communities they serve. This insight is especially important for tax-exempt, non-profit hospitals and the systems that own them.

¹ <https://www.milbank.org/focus-areas/total-cost-of-care/peterson-milbank/>

² <https://www.hca.wa.gov/assets/program/leg-report-hcctb-20230905.pdf>

³ *Ibid.*

⁴ Source: U.S. Department of Health and Human Services 2022 National Health Expenditure data.

<https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/historical>

Purpose/Goal

The goal of this project was two-fold:

- 1) How does the WA hospital industry compare to the nation in terms of costs, prices, and margins/profits?
- 2) Can we identify WA hospitals that appear to be outliers* on cost, price, and margins/profits? (* An outlier Washington hospital is defined as having a metric whose value is 10% greater than the median of its peer group.)

To accomplish this goal, a 3-prong approach was used to analyze hospital prices, costs, and profits:

- 1. Peer Group Comparisons:** High-level metrics on per-patient **prices and costs as well as profit margins** for each Washington hospital were compared to a set of peer hospitals from across the country. These comparisons facilitate the identification of outliers with respect to relative pricing levels and cost efficiency.
- 2. Medicare Payment-to-Cost Review:** A review of Medicare revenues and costs provides another indicator of relative **cost efficiency** for each hospital by creating a **Medicare payment-to-cost ratio**. Since Medicare payments are adjusted to reflect individual hospital characteristics, comparing Medicare payments to Medicare related costs illustrates how well hospitals are managing expenses.
- 3. Price and Cost Trend Review:** Finally, **hospital price and cost trends for each hospital were compared** national trends and the healthcare cost growth benchmark.

Combining the findings from the three analyses provides insights for not only the Board, but also health care administrators, health care purchasers/payers, and the hospitals themselves by allowing them to triangulate price, cost, and profit information from several different perspectives.

Hospitals Included in the Analysis

Only short-stay acute hospitals are included in the analysis. Further, only those hospitals that have a published Medicare case mix and wage index are included. In 2022, 104 Washington hospitals filed MCRs. Long-term care, psych and rehab hospitals were excluded as they are not considered short-stay acute hospitals. Hospitals with less than 26 beds, including all critical access hospitals, were also excluded since they do not have a published Medicare case mix and/or wage index. After excluding these hospitals, 45 hospitals were included in the analysis (see **Appendix A**). These hospitals represent approximately 85% of statewide short-stay hospital net patient revenue and 90% of available beds in the state of Washington (2022). A list of hospital names and their city and county can be found in **Appendix E**.

Data Source

The Medicare Cost Report (MCR) was the primary data source for this project. Unlike the previously mentioned reporting mechanisms, the MCR is a standard report prepared by nearly every hospital across the country. While the MCR is primarily intended to assist the Centers for Medicare and Medicaid Services in “settling-up” with the hospitals for services provided to Medicare patients and to inform future Medicare policymaking, it contains a wealth of financial and volume information in a standardized format. The MCR is

the most comprehensive and standardized financial reporting mechanism publicly available for the hospital industry.

Peer Group Comparisons

Peer hospitals were selected for each Washington hospital based on the following criteria as determined from the 2022 MCRs:

- **Bed size** – All short-stay hospitals across the country were separated into bed-size groups - 26 to 100, 101 to 300, 301 to 500, 501 to 800 and >800. Subject hospitals were compared to peers that fell within the same bed-size group.
- **Medicare Case Mix Index (CMI)** as reported in the Medicare final rule public use files. This index captures the level of acuity at a hospital. All short-stay acute hospitals across the country were segregated into quartiles based on CMI (Q1 = lowest and Q4 = highest). Subject hospitals were compared to peers that fell within the same CMI quartile.
- **Teaching Intensity** – This measure was determined based on the hospital's resident-to-bed ratio as reported in the MCR. All short-stay acute hospitals across the country were separated into quartiles based on the resident to bed ratio (Q1 = lowest and Q4 = highest). Subject hospitals were compared to peers that fell within the same resident-to-bed ratio quartile. If a subject hospital had no residents, they were compared to peers that also had no residents.
- **Service Intensity** – This measure was calculated as intensive care costs as a percentage of total costs. All short-stay acute hospitals across the country were separated into quartiles based on this ratio (Q1 = lowest and Q4 = highest). Subject hospitals were compared to peers that fell within the same service intensity quartile.

In some cases, these criteria needed to be broadened or narrowed to achieve a goal of 5 to 20 peers per subject hospital.

The subject hospitals were compared to their respective peers on the following metrics:

- **Price per Patient** - Net patient revenue divided by adjusted discharges, adjusted for the Medicare Case Mix Index (CMI).
- **Cost per Patient** - Hospital-only operating expense⁵ divided by adjusted discharges, adjusted for Medicare wage index and the Council for Community and Economic Research (C2ER) cost of living.
- **Patient Profit Percent** - Patient services net income divided by net patient revenue.

To enhance comparability amongst national peers, each hospital's per-patient net patient revenue was adjusted using the Medicare case mix index (while this index is specific to Medicare inpatient activity, analyses in several states have shown this index is representative of overall hospital case mix). Further, for comparisons of cost, the estimated salary and salary related costs portion of each hospital's hospital-only operating expense was adjusted for geographic differences in labor costs using the Medicare wage index. All other costs were adjusted using C2ER cost of living index. Other organizations using similar processes include the National Academy for State Health Policy (NASHP) Hospital Cost Tool, Idaho Department of Health & Welfare, Colorado Medicaid, and the Colorado Division of Insurance.

⁵ Hospital-only operating expenses are a subset of total operating expenses and represent only those costs that are typical for short stay hospitals. In general, hospital-only operating expenses exclude Medicare non-reimbursable costs and costs associated with interns and residents.

Outliers

Hospitals were identified as outliers if any of the following criteria were met:

- **Price per Patient** – Subject hospital’s net patient revenue per adjusted discharge was less than 90% or greater than 110% of the hospital’s peer group median.
- **Cost per Patient** - Subject hospital’s hospital-only operating expense per adjusted discharge was less than 90% or greater than 110% of the hospital’s peer group median.
- **Patient Profit Percent** – Subject hospital’s patient profit percentage fell within the 1st or 4th quartiles of the peer group.

In **Figure 1**, Washington hospitals are graphed according to their percentage of peer group medians for price and cost. The lightly shaded square at the center of the graph represents the 10% plus or minus boundary for defining an outlier. Most of the 45 Washington hospitals reviewed fall into the upper right quadrant (quadrant 3), and above the outlier boundary. In quadrant 3, each blue dot represents one Washington hospital whose price and cost exceed that of its peer price and/or cost medians. The hospitals in quadrant 3 that fall outside of the shaded square are the outliers upon which this report will focus.

Figure 1: Washington hospitals graphed according to their percentage of peer group medians for price and cost

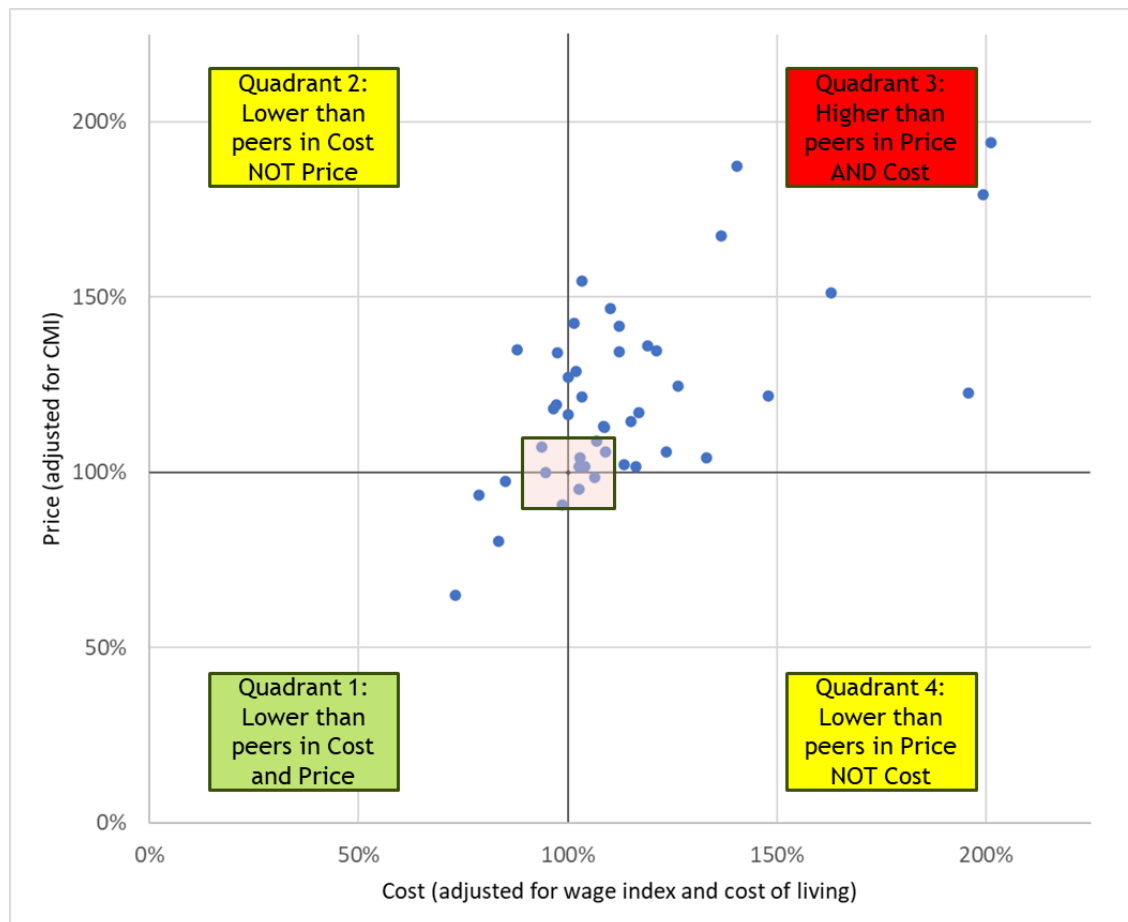


Table 1 summarizes in tabular form the information contained in Figure 1. The table shows how the 45 subject hospitals compared to their respective peers in terms of price and cost and adds information about comparison to peers in terms of profit.

Table 1: Washington hospitals compared to peer group medians for price and cost

WA Hospitals: Yellow Shaded Hospitals Are Reviewed																	
Price	High price							Normal price						Low price			
	27							16						2			
Cost	Normal cost			High cost			Low Cost	Normal cost			High cost		Low Cost		Low cost		
	11			15			1	10			4		2		2		
Profit	High profit	Normal profit	Low profit	High profit	Normal profit	Low profit	Normal profit	High profit	Normal profit	Low profit	Normal profit	Low profit	High profit	Low profit	High profit	Normal profit	Low profit
	1	7	3	2	7	6	1	1	3	6	1	3	1	1	1	0	1

Price Outliers: 27 Hospitals comprising 70%⁶ of 2022 statewide hospital revenue are high-price hospitals compared to their national peers; many are also cost outliers.

Cost Outliers: 19 Hospitals comprising 39%⁷ of 2022 statewide hospital revenue are high-cost hospitals compared to their national peers. 15 of these hospitals comprising 32%* of 2022 statewide hospital revenue are high-price hospitals as well.

- These high-price, high-cost hospitals, representing 1/3 of statewide hospital revenue, could put upward pressure on the overall Washington health care costs, trending data and the benchmark.

Profit Outliers: Three Hospitals comprising 6%⁸ of 2022 statewide hospital revenue are high-price hospitals as compared to their national peers. Three additional hospitals are profit outliers but have normal or low prices and costs.

Price, Cost and Profit Outliers: 2 hospitals were found to be high price, high cost and high profit.

Details of hospital outliers can be found in **Appendix B**.

⁶ Percentage represents the portion of hospital net patient revenue for the 45 hospitals analyzed.

⁷ *Ibid.*

⁸ *Ibid.*

Medicare Payment-to-Cost Ratio Review

The second component of this analysis focuses on the Medicare payment-to-cost ratio, which can be used as another indicator of hospital efficiency. A Medicare payment-to-cost-ratio of 1.0 implies that a hospital breaks even on its Medicare payments for its Medicare utilization. A value less than 1.0 implies that a hospital loses money and a value greater than 1.0 implies that a hospital profits from serving its Medicare population.⁹

If a hospital is inefficient on Medicare business, it is likely inefficient on Medicaid and any other public payer business, which can result in a hospital negotiating for higher commercial prices. Conversely, if the hospital is efficient on Medicare business, it can be implied it is efficient in serving patients covered by all payers, lessening the pressure to negotiate for higher commercial prices.

The Medicare payment-to-cost ratio is calculated by dividing Medicare payments by the costs of serving Medicare patients. Since Medicare payments are adjusted to reflect individual hospital characteristics, such as case mix, teaching intensity, and geographic location, comparing them to the related costs can provide an indication of how well hospitals are managing expenses and thus serve as a measure of efficiency. The 2024 Medicare Payment Advisory Commission (MedPAC) report states that relatively efficient hospitals can realize a Medicare payment-to-cost ratio of 97%. MedPAC defines relatively efficient hospitals as those providers that perform relatively well on cost and quality metrics and have consistent performance on all chosen metrics over the past three years.¹⁰ Being below 97% represents an inefficient hospital, whereas being above 97% is an efficient hospital.

Of the 45 Washington hospitals reviewed, 39 were found to have a Medicare payment to cost ratio below 97% in 2022. The Median Medicare payment to cost ratio for the hospitals analyzed was 83%. An 83% Medicare payment to cost ratio indicates a loss of \$0.17 on every dollar of cost incurred serving Medicare patients. This may indicate a cost efficiency problem with Washington hospitals and could contribute to higher health care cost trends if not addressed. See **Appendix C** for a complete list of Washington hospitals and their Medicare payment-to-cost ratios.

Revenue and Cost Trend Review

An indication of a hospital's price and cost trajectory can be achieved by reviewing a hospital's revenue and operating expense on both a whole-dollar and/or per-patient basis over time and comparing it to the state and national trends, and the trends for other hospitals in the state. A review of a hospital's whole-dollar revenue or price per patient trends can identify where issues may arise in the state meeting its cost growth benchmark target. Also, a review of whether a hospital appears cost efficient or cost inefficient can be achieved by reviewing a hospital's costs over time and comparing it to the state median, national trend, and other hospitals in the state that have been identified through the peer group comparison analysis.

The variables used in the trend analysis are Net Patient Revenues (revenues) and Hospital-Only Operating Expenses (costs). Unlike the peer group comparisons, revenues and costs were not adjusted for regional

⁹ The degree of efficiency on Medicare business can be assumed to be similar across all payers.

¹⁰ 2024 MedPAC Report to the Congress Chapter 3: MedPAC March 2024 Report to the Congress: Medicare Payment Policy, page 72-73.

differences to analyze trends. Growth rates were calculated using a compound annual growth rate (CAGR) for two periods of time: 2012 through 2022 and 2018 through 2022, or an 11-year trend and a 5-year trend, respectively (see **Table 2 below**).

The 11-year whole-dollar revenue trend for Washington hospitals was 4.85% which was close to the 4.82% national trend. For the more recent 5-year period, whole-dollar revenues for Washington hospitals increased 3.76% which was below the national trend of 5.59%.

The 11-year whole-dollar cost trend for Washington hospitals was 5.26% which was slightly above the 5.18% national trend. For the more recent 5-year period, whole-dollar costs for Washington hospitals increased 5.94% which was below the national trend of 6.68%.

With respect to per-patient revenues and costs, the trends for Washington hospitals exceeded national trends in three of the four calculations. The 11-year Washington Net Patient Revenue Per Adjusted Discharge (NPR PAD) trend was 5.00% which exceeded the 4.30% national trend. For the more recent 5-year period, the NPR PAD for Washington of 5.59% was lower than the national trend of 6.00%. The Washington hospitals' Cost Per Adjusted Discharge (Cost PAD) trends were 5.40% and 7.80% for the 11-year and 5-year periods, respectively. Both trends exceeded the national trends of 4.66% and 7.10, respectively.

Table 2: Compound Annual Growth Rates: National and Washington

Compound Annual Growth Rates: National and Washington State				
	2012 to 2022 NPR WHOLE Dollar CAGR	2018 to 2022 NPR WHOLE Dollar CAGR	2012 to 2022 WHOLE Dollar Cost CAGR	2018 to 2022 WHOLE Dollar Cost CAGR
National Short-Stay (Excluding CAH)	4.82%	5.59%	5.18%	6.68%
Washington Short-Stay (Excluding CAH)	4.85%	3.76%	5.26%	5.94%
	2012 to 2022 NPR PAD CAGR	2018 to 2022 NPR PAD CAGR	2012 to 2022 Cost PAD CAGR	2018 to 2022 Cost PAD CAGR
National Short-Stay (Excluding CAH)	4.30%	6.00%	4.66%	7.10%
Washington Short-Stay (Excluding CAH)	5.00%	5.59%	5.40%	7.80%

*NPR = Net Patient Revenue; PAD = per adjusted discharge; CAGR = compound annual growth rate; CAH = critical access hospital.

Table 3 Provides more detail on the number of hospitals that exceeded national trends, the share those hospitals have of the market, and the count of those hospitals also exhibiting high costs or prices in the peer group comparison. **If these hospitals continue to have cost and/or price growth trends that exceed the national trends and/or the Washington cost growth benchmark, the cost growth benchmark target may not be met.**

To focus only on those hospitals that drive statewide trends, **Table 3** limits the number of hospitals to those that comprised at least 1.9% or more of 2022 net patient revenue for the 45 hospitals reviewed.

- 23 hospitals had a share of NPR greater than 1.9% in 2022 representing 83% of all NPR for the 45 hospitals reviewed. The average NPR share for these hospitals was 3.6%.

- 22 hospitals had a share of NPR less than 1.9% in 2022 representing 17% of all NPR for the 45 hospitals reviewed. The average NPR share for these hospitals was 0.8%.

Trends reviewed include:

- 11 year and 5-year trend duration
- Whole-dollar cost
- Whole-dollar revenue
- Per-patient cost
- Per-patient revenue (price)

Table 3: Peer Group Comparisons

	Price and Cost Trend Review		Peer Group Comparisons			Location
	# of Hospitals	Percent of Statewide NPR	# of High Price Hospitals	# of High Cost Hospitals	# of High Price and High Cost Hospitals	
Exceeded 11-year and/or 5-year national trends for whole-dollar cost	16	55.82%	11	6	6	Appendix D, Table D1
Exceeded 11-year and/or 5-year national trends for whole-dollar revenue	14	49.08%	10	6	6	Appendix D, Table D2
Exceeded 11-year and/or 5-year national trends for both whole-dollar cost and revenue	14	49.08%	10	6	6	Appendix D, Table D3
Exceeded 11-year and/or 5-year national trends for per-patient cost	17	57.16%	13	8	7	Appendix D, Table D4
Exceeded 11-year and/or 5-year national trends for per-patient revenue	19	62.74%	14	9	8	Appendix D, Table D5
Exceeded 11-year and/or 5-year national trends for both per-patient cost and revenue	17	57.16%	13	8	7	Appendix D, Table D6
Exceeded 11-year and/or 5-year national trends for both whole-dollar and per-patient costs	10	30.42%	7	4	4	See Below, Table 4
Exceeded 11-year and/or 5-year national trends for both whole-dollar and per-patient revenue	10	29.26%	7	5	5	See Below, Table 5
Exceeded 11-year and/or 5-year national trends for both whole-dollar and per-patient cost and revenue	8	23.67%	6	4	4	See Below, Table 6

The first section of Table 3 highlights individual hospitals whose **whole dollar cost or whole dollar revenue trends** exceed either the 11-year national trend or the 5-year national trend or exceeded the trend in both timeframes. The second section highlights individual hospitals whose **per-patient cost or per-patient revenue trends** exceed either the 11-year national trend or the 5-year national trend or exceeded the trend in both timeframes. In most cases, hospitals in either the first section or second section represent hospitals with more than half of the net patient revenue for the 45 hospitals reviewed. The lists of these hospitals can be found in Appendix D, Table's 1 through 6.

The third section of Table 3 isolates individual hospitals who **exceed BOTH whole dollar and per-patient costs and prices trends** as compared to the national trends. The list of hospitals who exceed both types of metrics ranges between 8 and 10 hospitals and represents 24% to 30% of the net patient revenue for the 45 hospitals reviewed. The list of the hospitals exceeding both whole dollar trends and per-patient trends in cost and price can be found in Table's 4 through 6 below.

Table 4

Hospitals that Exceeded 11-year and/or 5-year National Trends:

The following hospitals exceeded the national trends for **price** on both a **whole-dollar** and **per-patient** basis:

10 Hospitals in BOTH NPR WHOLE Dollar and Price PAD	2022 Percent of Statewide NPR	2012 to 2022 Price PAD CAGR	2018 to 2022 Price PAD CAGR	2012 to 2022 NPR WHOLE Dollar CAGR	2018 to 2022 NPR WHOLE Dollar CAGR
Skagit Valley Hospital	1.92%	4.97%	6.23%	6.08%	6.16%
Confluence Health Hospital	2.57%	5.44%	6.93%	10.85%	10.62%
PeaceHealth St. Joseph	3.26%	9.94%	3.86%	4.91%	4.43%
Yakima Valley Memorial	2.43%	3.74%	13.47%	5.36%	9.60%
St Michael Medical Center	3.02%	3.38%	6.50%	6.65%	6.08%
Peacehealth Southwest Medical Center	3.45%	7.42%	10.63%	3.97%	6.83%
Kadlec Regional Medical Center	3.44%	5.43%	6.17%	9.24%	3.60%
Valley Medical Center	3.41%	5.63%	9.25%	13.49%	5.11%
Evergreen Health Kirkland	3.68%	5.36%	4.18%	6.67%	4.38%
Legacy Salmon Creek	2.08%	4.60%	7.35%	8.77%	5.13%
Total	29.26%				
Median		5.40%	6.72%	6.66%	5.60%
National		4.30%	6.00%	4.82%	5.59%
Light red shading denotes exceeding National Trend					

Table 5

Hospitals that Exceeded 11-year and/or 5-year National Trends:

The following hospitals exceeded the national trends for **costs** on both a **whole-dollar** and **per-patient** basis:

10 Hospitals that Exceed National Trend for both WHOLE Dollar Cost and Cost PAD	2022 Percent of Statewide NPR	2012 to 2022 Cost PAD CAGR	2018 to 2022 Cost PAD CAGR	2012 to 2022 WHOLE Dollar Cost CAGR	2018 to 2022 WHOLE Dollar Cost CAGR
Skagit Valley Hospital	1.92%	5.93%	8.94%	7.04%	8.87%
Providence Regional Everett	3.85%	8.05%	10.98%	5.93%	7.54%
PeaceHealth St. Joseph	3.26%	10.70%	4.77%	5.64%	5.34%
Yakima Valley Memorial	2.43%	4.39%	11.20%	6.02%	7.41%
Peacehealth Southwest Medical Center	3.45%	7.40%	11.36%	3.95%	7.54%
Evergreen Health Kirkland	3.68%	5.62%	8.05%	6.93%	8.26%
Legacy Salmon Creek	2.08%	4.12%	8.20%	8.26%	5.96%
Overlake Medical Center	2.90%	6.50%	14.60%	4.32%	6.74%
Kadlec Regional Medical Center	3.44%	4.96%	7.52%	8.74%	4.92%
Valley Medical Center	3.41%	5.44%	11.63%	13.29%	7.40%
Total	30.42%				
Median		5.77%	9.96%	6.48%	7.40%
National		4.66%	7.10%	5.18%	6.68%
Light red shading denotes exceeding National Trend					

Table 6

Hospitals that Exceeded 11-year and/or 5-year National Trends:

The following hospitals exceeded the national trends for both **price and cost** on both a **whole-dollar** and **per-patient** basis:

8 Hospitals in BOTH Price/Cost PAD and WHOLE Dollar Price/Cost	2022 Percent of Statewide NPR	Peer Group Comparison - Price	Peer Group Comparison - Cost	Peer Group Comparison - Profit
Skagit Valley Hospital	1.92%	High Price	High Cost	Normal Profit
PeaceHealth St. Joseph	3.26%	High Price	High Cost	Normal Profit
Yakima Valley Memorial	2.43%	High Price	Normal Cost	Normal Profit
Peacehealth Southwest Medical Center	3.45%	Normal Price	Normal Cost	Normal Profit
Evergreen Health Kirkland	3.68%	Normal Price	Normal Cost	Low Profit
Kadlec Regional Medical Center	3.44%	High Price	High Cost	Normal Profit
Valley Medical Center	3.41%	High Price	High Cost	Low Profit
Legacy Salmon Creek	2.08%	High Price	Normal Cost	Normal Profit
Total	23.67%			

Shading represents a hospital who exceeds peer group median by 10% or more

Conclusion/Summary

A comparison to national peers reveals that Washington hospitals representing **a significant amount of hospitals' business in the state generate higher per-patient revenue and per-patient costs compared to peer hospitals**. Hospital costs are a significant driver of the prices hospitals charge. Higher prices negatively impact public and commercial payers.

Most of the Washington hospitals analyzed had a Medicare payment-to-cost ratio of less than 95% which may be an indicator that hospitals **are not operating at optimal cost efficiency**.

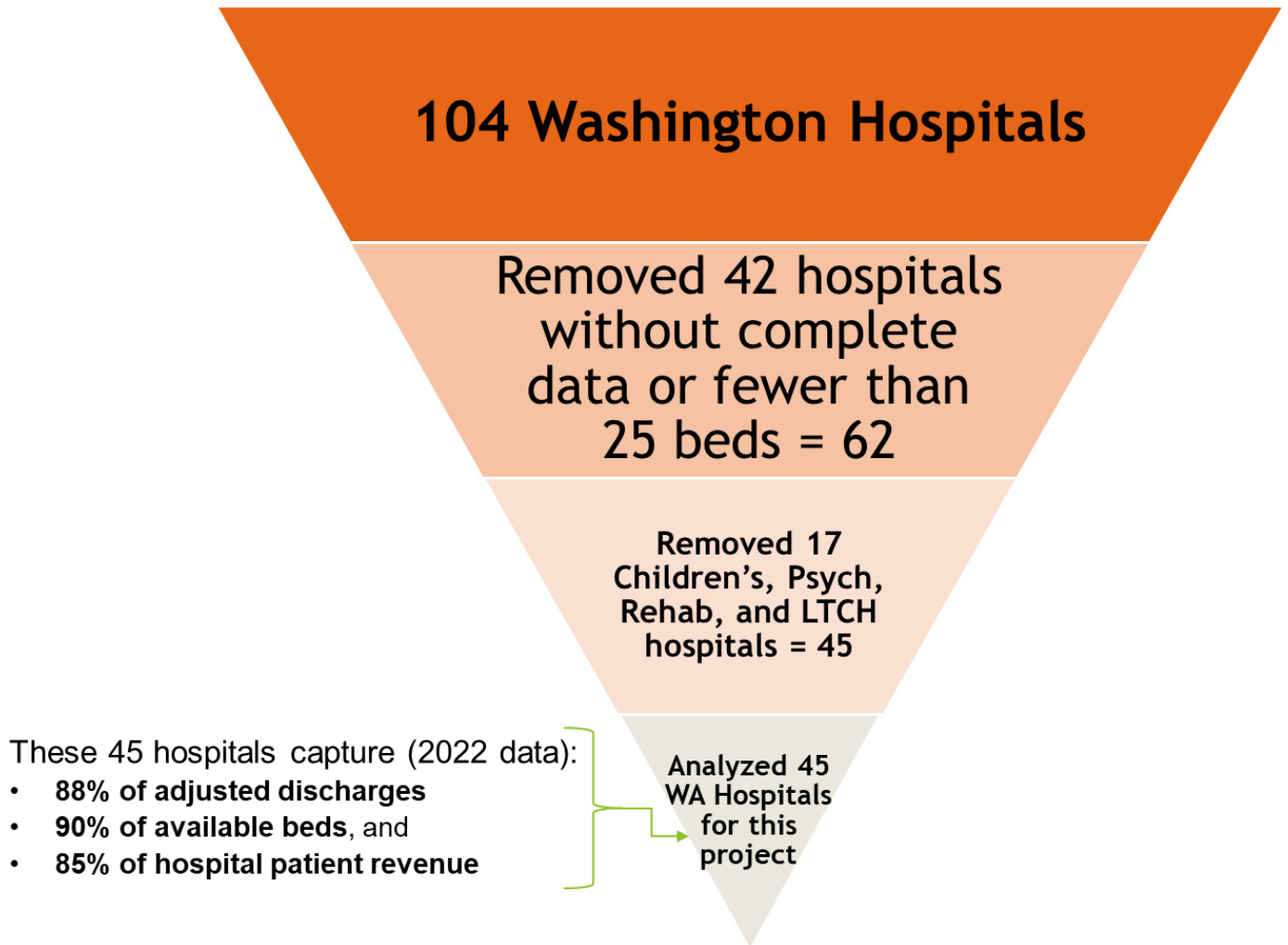
Hospitals contribute significantly to health care cost growth trends. **Hospitals representing most of the state's hospital industry are experiencing price and/or cost trends that exceed national trends**.

Meeting the HCCTB Cost Growth Benchmark may be in jeopardy if hospital price trends exceed the targeted increase.

Increases in hospital input costs put pressure on the prices hospitals charge. Therefore, hospital efficiency is a key factor in limiting health care cost growth.

The current financial condition of hospitals in many ways may be a result of strategic decisions that were made years ago. Without significant intervention, **altering the direction of the hospital industry, even if efforts start today, will be a long-term endeavor**.

Appendix A



Appendix B

Table B1: Peer Group Comparisons - Price Outliers

WA Hospitals: Yellow Shaded Hospitals Are Reviewed																				
High price						Normal price						Low price								
27						16						2								
Normal cost			High cost			Low Cost			Normal cost			High cost			Low Cost			Low cost		
11			15			1			10			4			2			2		
High profit	Normal profit	Low profit	High profit	Normal profit	Low profit	Normal profit	High profit	Normal profit	Low profit	Normal profit	Low profit	High profit	Low profit	High profit	Normal profit	Low profit	High profit	Normal profit	Low profit	
1	7	3	2	7	6	1	1	3	6	1	3	1	1	1	0	1				

Price Outliers: 27 price outliers; 70% of NPR; many include High Cost

Hospital	2022 % of Statewide NPR	Price	Cost	Profit
Skagit Valley Hospital	1.92%	High Price	High Cost	Normal Profit
Virginia Mason Medical	2.94%	High Price	Low Cost	Normal Profit
Univesity of Washington Medical Center	8.48%	High Price	Normal Cost	Normal Profit
Confluence Health Hospital	2.57%	High Price	High Cost	Normal Profit
Providence Centralia	1.12%	High Price	High Cost	High Profit
Providence St. Peter Hospital	2.52%	High Price	Normal Cost	Low Profit
Swedish Cherry Hill	2.16%	High Price	High Cost	Low Profit
Swedish Edmonds	1.14%	High Price	High Cost	Low Profit
Swedish First Hill	6.40%	High Price	Normal Cost	Low Profit
PeaceHealth St. Joseph	3.26%	High Price	High Cost	Normal Profit
Samaritan Hospital	0.64%	High Price	High Cost	High Profit
Yakima Valley Memorial	2.43%	High Price	Normal Cost	Normal Profit
Astria - Toppenish Community Hospital	0.26%	High Price	High Cost	Normal Profit
PeaceHealth St. John	1.47%	High Price	Normal Cost	Normal Profit
Overlake Medical Center	2.90%	High Price	Normal Cost	Normal Profit
Trios Health	0.72%	High Price	High Cost	Low Profit
Kadlec Regional Medical Center	3.44%	High Price	High Cost	Normal Profit
Cascade Valley Hospital	0.37%	High Price	Normal Cost	High Profit
Harborview Medical Center	5.06%	High Price	High Cost	Normal Profit
Olympic Medical Center	1.11%	High Price	Normal Cost	Low Profit
Multicare - Good Samaritan Hospital	3.05%	High Price	High Cost	Low Profit
Evergreen Health Monroe	0.22%	High Price	High Cost	Normal Profit
Valley Medical Center	3.41%	High Price	High Cost	Low Profit
St Joseph Medical Center	3.25%	High Price	High Cost	Low Profit
Tacoma General Allenmore	6.18%	High Price	Normal Cost	Normal Profit
Legacy Salmon Creek	2.08%	High Price	Normal Cost	Normal Profit
Swedish Issaquah	1.32%	High Price	Normal Cost	Normal Profit

Shading represents a hospital who exceeds peer group median by 10% or more

Hospitals who have a share of the statewide Net Patient Revenue greater than 1.9%

Note: 2022 Percent of Statewide NPR is based on the 45 hospitals included in the analysis

Table B2: Peer Group Comparisons - Cost Outliers

WA Hospitals: Yellow Shaded Hospitals Are Reviewed																	
High price						Normal price						Low price					
27						16						2					
Normal cost			High cost			Low Cost			Normal cost			High cost			Low Cost		
11			15			1			10			4			2		
High profit	Normal profit	Low profit	High profit	Normal profit	Low profit	Normal profit	High profit	Normal profit	Low profit	Normal profit	Low profit	High profit	Low profit	High profit	Normal profit	Low profit	
1	7	3	2	7	6	1	1	3	6	1	3	1	1	1	0	1	

Cost Outliers: 19 cost outliers; 39% of NPR; many include High Price

Hospital	2022 Percent of Statewide NPR	Price	Cost	Profit
Skagit Valley Hospital	1.92%	High Price	High Cost	Normal Profit
Multicare - Auburn Medical Center	1.00%	Normal Price	High Cost	Normal Profit
Confluence Health Hospital	2.57%	High Price	High Cost	Normal Profit
Providence Centralia	1.12%	High Price	High Cost	High Profit
St Clare Hospital	0.69%	Normal Price	High Cost	Low Profit
Swedish Cherry Hill	2.16%	High Price	High Cost	Low Profit
Swedish Edmonds	1.14%	High Price	High Cost	Low Profit
PeaceHealth St. Joseph	3.26%	High Price	High Cost	Normal Profit
Samaritan Hospital	0.64%	High Price	High Cost	High Profit
Astria - Toppenish Community Hospital	0.26%	High Price	High Cost	Normal Profit
Trios Health	0.72%	High Price	High Cost	Low Profit
Providence Sacred Heart	4.41%	Normal Price	High Cost	Low Profit
Kadlec Regional Medical Center	3.44%	High Price	High Cost	Normal Profit
Harborview Medical Center	5.06%	High Price	High Cost	Normal Profit
Multicare - Good Samaritan Hospital	3.05%	High Price	High Cost	Low Profit
Evergreen Health Monroe	0.22%	High Price	High Cost	Normal Profit
Valley Medical Center	3.41%	High Price	High Cost	Low Profit
St Joseph Medical Center	3.25%	High Price	High Cost	Low Profit
St. Anthony Hospital	0.82%	Normal Price	High Cost	Low Profit

Shading represents a hospital who exceeds peer group median by 10% or more

Hospitals who have a share of the statewide Net Patient Revenue greater than 1.9%

Table B3: Peer Group Comparisons - Profit Outliers

WA Hospitals: Yellow Shaded Hospitals Are Reviewed																		
High price						Normal price						Low price						
27						16						2						
Normal cost			High cost			Low Cost	Normal cost			High cost			Low Cost			Low cost		
11			15			1	10			4			2			2		
High profit	Normal profit	Low profit	High profit	Normal profit	Low profit	Normal profit	High profit	Normal profit	Low profit	Normal profit	Low profit	High profit	Low profit	High profit	Normal profit	Low profit		
1	7	3	2	7	6	1	1	3	6	1	3	1	1	1	0	1		

Profit Outliers: 6 Hospitals with high profits; 2 hospitals hit the trifecta with High Price, High Cost, and High Profit outlier status.

Hospital	2022 Percent of Statewide NPR	Price	Cost	Profit
Providence Centralia	1.12%	High Price	High Cost	High Profit
Samaritan Hospital	0.64%	High Price	High Cost	High Profit
St Michael Medical Center	3.02%	Low Price	Low Cost	High Profit
Cascade Valley Hospital	0.37%	High Price	Normal Cost	High Profit
Multicare - Valley Hospital	0.73%	Normal Price	Low Cost	High Profit
Multicare Covington Medical Center	0.45%	Normal Price	Normal Cost	High Profit

Shading represents a hospital who exceeds peer group median by 10% or more

Hospitals who have a share of the statewide Net Patient Revenue greater than 1.9%

Appendix C**Medicare Payment-to-cost Ratio**

Hospital Name	Medicare Payment-to-Cost Ratio	Hospital Name	Medicare Payment-to-Cost Ratio
Astria - Toppenish Community Hospital	0.60	St. Francis Hospital	0.84
Evergreen Health Monroe	0.67	Valley Medical Center	0.85
St Anne Hospital	0.69	St Michael Medical Center	0.85
Multicare - Auburn Medical Center	0.70	PeaceHealth St. John	0.86
Samaritan Hospital	0.73	Multicare Covington Medical Center	0.87
St. Anthony Hospital	0.74	Multicare - Valley Hospital	0.87
Yakima Valley Memorial	0.74	Harbor Regional Hospital	0.87
Swedish Issaquah	0.75	Virginia Mason Medical	0.88
Multicare - Capital Medical Center	0.75	Legacy Salmon Creek	0.88
St Clare Hospital	0.76	Harborview Medical Center	0.88
St Joseph Medical Center	0.76	Providence St. Peter Hospital	0.89
Evergreen Health Kirkland	0.77	Peacehealth Southwest Medical Center	0.89
Confluence Health Hospital	0.78	Island Hospital	0.90
Cascade Valley Hospital	0.78	PeaceHealth St. Joseph	0.91
Overlake Medical Center	0.79	Swedish First Hill	0.92
Tacoma General Allenmore	0.80	Providence Regional Everett	0.93
Olympic Medical Center	0.81	Swedish Cherry Hill	0.96
Trios Health	0.82	Providence Sacred Heart	0.97
Multicare - Good Samaritan Hospital	0.83	Multicare - Deaconess Medical Center	0.97
Kadlec Regional Medical Center	0.83	University of Washington Medical Center	1.00
Providence St. Mary Hospital	0.83	Providence Holy Family	1.01
Skagit Valley Hospital	0.83	Providence Centralia	1.03
Swedish Edmonds	0.83	Statewide Median	0.83

Appendix D

Price and Cost Trend Analysis: Table D1

16 WA Hospitals greater than 1.9% Statewide NPR; WHOLE Dollar Cost CAGR greater than National Trend for Either 11yr or 5yr Trend				
HOSPITAL	Medicare Payment-to-Cost Ratio	2022 Percent of Statewide Net Patient Revenue	2012 to 2022 WHOLE Dollar Cost CAGR	2018 to 2022 WHOLE Dollar Cost CAGR
Skagit Valley Hospital	0.83	1.92%	7.04%	8.87%
Providence Regional Everett	0.93	3.85%	5.93%	7.54%
PeaceHealth St. Joseph	0.91	3.26%	5.64%	5.34%
Yakima Valley Memorial	0.74	2.43%	6.02%	7.41%
Multicare - Deaconess Medical Center	0.97	2.10%	6.54%	12.10%
Peacehealth Southwest Medical Center	0.89	3.45%	3.95%	7.54%
Evergreen Health Kirkland	0.77	3.68%	6.93%	8.26%
Legacy Salmon Creek	0.88	2.08%	8.26%	5.96%
St Michael Medical Center	0.85	3.02%	6.24%	6.56%
Tacoma General Allenmore	0.80	6.18%	4.93%	12.69%
Overlake Medical Center	0.79	2.90%	4.32%	6.74%
Univesity of Washington Medical Center	1.00	8.48%	7.28%	9.70%
Confluence Health Hospital	0.78	2.57%	9.82%	10.19%
Kadlec Regional Medical Center	0.83	3.44%	8.74%	4.92%
Multicare - Good Samaritan Hospital	0.83	3.05%	5.88%	12.97%
Valley Medical Center	0.85	3.41%	13.29%	7.40%
Total		55.82%		
Median	0.84		6.39%	7.54%
National			5.18%	6.68%
Shading denotes exceeding National Trend				

Price and Cost Trend Analysis: Table D2

14 WA Hospitals greater than 1.9% Statewide NPR: NPR WHOLE Dollar CAGR greater than National Trend for Either 11yr or 5yr Trend

HOSPITAL	2022 Percent of Statewide Net Patient Revenue	2012 to 2022 NPR WHOLE Dollar CAGR	2018 to 2022 NPR WHOLE Dollar CAGR	2022 NPR WHOLE Dollar Increase
Skagit Valley Hospital	1.92%	6.08%	6.16%	4.49%
Univesity of Washington Medical Center	8.48%	8.00%	11.10%	5.49%
Confluence Health Hospital	2.57%	10.85%	10.62%	3.00%
PeaceHealth St. Joseph	3.26%	4.91%	4.43%	6.14%
Yakima Valley Memorial	2.43%	5.36%	9.60%	-4.55%
St Michael Medical Center	3.02%	6.65%	6.08%	7.79%
Multicare - Deaconess Medical Center	2.10%	6.12%	13.58%	7.17%
Peacehealth Southwest Medical Center	3.45%	3.97%	6.83%	8.19%
Kadlec Regional Medical Center	3.44%	9.24%	3.60%	0.20%
Multicare - Good Samaritan Hospital	3.05%	4.57%	5.75%	-1.84%
Valley Medical Center	3.41%	13.49%	5.11%	3.28%
Evergreen Health Kirkland	3.68%	6.67%	4.38%	2.70%
Tacoma General Allenmore	6.18%	7.14%	3.97%	-16.84%
Legacy Salmon Creek	2.08%	8.77%	5.13%	8.20%
Total	49.08%			
Median		6.66%	5.91%	3.88%
National		4.82%	5.59%	
Shading denotes exceeding National Trend				
Yellow shading denotes exceeding 1 Year Trend				

Price and Cost Trend Analysis: Table D3

14 Hospitals On Both Price and Cost Outlier Lists	2022 Percent of Statewide Net Patient Revenue	2012 to 2022 NPR WHOLE Dollar CAGR	2018 to 2022 NPR WHOLE Dollar CAGR	2012 to 2022 WHOLE Dollar Cost CAGR	2018 to 2022 WHOLE Dollar Cost CAGR
Skagit Valley Hospital	1.92%	6.08%	6.16%	7.04%	8.87%
PeaceHealth St. Joseph	3.26%	4.91%	4.43%	5.64%	5.34%
Yakima Valley Memorial	2.43%	5.36%	9.60%	6.02%	7.41%
Multicare - Deaconess Medical Center	2.10%	6.12%	13.58%	6.54%	12.10%
Peacehealth Southwest Medical Center	3.45%	3.97%	6.83%	3.95%	7.54%
Evergreen Health Kirkland	3.68%	6.67%	4.38%	6.93%	8.26%
Legacy Salmon Creek	2.08%	8.77%	5.13%	8.26%	5.96%
St Michael Medical Center	3.02%	6.65%	6.08%	6.24%	6.56%
Tacoma General Allenmore	6.18%	7.14%	3.97%	4.93%	12.69%
Univesity of Washington Medical Center	8.48%	8.00%	11.10%	7.28%	9.70%
Confluence Health Hospital	2.57%	10.85%	10.62%	9.82%	10.19%
Kadlec Regional Medical Center	3.44%	9.24%	3.60%	8.74%	4.92%
Multicare - Good Samaritan Hospital	3.05%	4.57%	5.75%	5.88%	12.97%
Valley Medical Center	3.41%	13.49%	5.11%	13.29%	7.40%
Total	49.08%				
Median		6.66%	5.91%	6.73%	7.90%
National		4.82%	5.59%	5.18%	6.68%
Shading denotes exceeding National Trend					

Price and Cost Trend Analysis: Table D4

17 WA Hospitals greater than 1.9% Statewide NPR; Cost PAD CAGR greater than National Trend for Either 11yr or 5yr Trend			
HOSPITAL	2022 Percent of Statewide NPR	2012 to 2022 Cost PAD CAGR	2018 to 2022 Cost PAD CAGR
Skagit Valley Hospital	1.92%	5.93%	8.94%
Virginia Mason Medical	2.94%	5.97%	8.04%
Providence Regional Everett	3.85%	8.05%	10.98%
Providence St. Peter Hospital	2.52%	5.71%	8.44%
Swedish Cherry Hill	2.16%	6.77%	6.93%
Swedish First Hill	6.40%	6.15%	7.82%
PeaceHealth St. Joseph	3.26%	10.70%	4.77%
Yakima Valley Memorial	2.43%	4.39%	11.20%
Peacehealth Southwest Medical Center	3.45%	7.40%	11.36%
Overlake Medical Center	2.90%	6.50%	14.60%
Providence Sacred Heart	4.41%	6.89%	7.75%
Kadlec Regional Medical Center	3.44%	4.96%	7.52%
Harborview Medical Center	5.06%	5.91%	6.24%
Valley Medical Center	3.41%	5.44%	11.63%
St Joseph Medical Center	3.25%	9.90%	12.43%
Evergreen Health Kirkland	3.68%	5.62%	8.05%
Legacy Salmon Creek	2.08%	4.12%	8.20%
Total	57.16%		
Median		5.97%	8.20%
National		4.66%	7.10%
Shading denotes exceeding National Trend			

Price and Cost Trend Analysis: Table D5**19 WA Hospitals greater than 1.9% NPR; Price PAD CAGR greater than National Trend for Either 11yr or 5yr Trend**

HOSPITAL	2022 Percent of Statewide NPR	2012 to 2022 Price PAD CAGR	2018 to 2022 Price PAD CAGR	2022 Price PAD Increase
Skagit Valley Hospital	1.92%	4.97%	6.23%	3.71%
Virginia Mason Medical	2.94%	8.85%	12.03%	30.21%
Providence Regional Everett	3.85%	6.83%	5.87%	9.68%
Confluence Health Hospital	2.57%	5.44%	6.93%	7.24%
Providence St. Peter Hospital	2.52%	4.67%	5.06%	4.07%
Swedish Cherry Hill	2.16%	6.48%	4.65%	4.54%
Swedish First Hill	6.40%	6.44%	7.01%	7.73%
PeaceHealth St. Joseph	3.26%	9.94%	3.86%	4.18%
Yakima Valley Memorial	2.43%	3.74%	13.47%	-10.13%
St Michael Medical Center	3.02%	3.38%	6.50%	-12.41%
Peacehealth Southwest Medical Center	3.45%	7.42%	10.63%	14.93%
Overlake Medical Center	2.90%	6.26%	11.23%	7.07%
Providence Sacred Heart	4.41%	5.29%	5.50%	3.56%
Kadlec Regional Medical Center	3.44%	5.43%	6.17%	5.77%
Harborview Medical Center	5.06%	6.44%	6.54%	6.00%
Valley Medical Center	3.41%	5.63%	9.25%	11.25%
St Joseph Medical Center	3.25%	6.22%	8.69%	2.46%
Evergreen Health Kirkland	3.68%	5.36%	4.18%	3.97%
Legacy Salmon Creek	2.08%	4.60%	7.35%	15.75%
Total	62.74%			
Median		5.63%	6.54%	5.77%
National		4.30%	6.00%	
Light red shading denotes exceeding National Trend				
Yellow shading denotes exceeding 1 Year Cost Growth Benchmark Rate of 3.2%				

Price and Cost Trend Analysis: Table D6

17 Hospitals in BOTH Price PAD and Cost PAD	2022 Percent of Statewide NPR	Peer Group Comparison - Price	Peer Group Comparison - Cost	Peer Group Comparison - Profit
Skagit Valley Hospital	1.92%	High Price	High Cost	Normal Profit
Virginia Mason Medical	2.94%	High Price	Low Cost	Normal Profit
Providence Regional Everett	3.85%	Normal Price	Normal Cost	Low Profit
Providence St. Peter Hospital	2.52%	High Price	Normal Cost	Low Profit
Swedish Cherry Hill	2.16%	High Price	High Cost	Low Profit
Swedish First Hill	6.40%	High Price	Normal Cost	Low Profit
PeaceHealth St. Joseph	3.26%	High Price	High Cost	Normal Profit
Yakima Valley Memorial	2.43%	High Price	Normal Cost	Normal Profit
Peacehealth Southwest Medical Center	3.45%	Normal Price	Normal Cost	Normal Profit
Overlake Medical Center	2.90%	High Price	Normal Cost	Normal Profit
Providence Sacred Heart	4.41%	Normal Price	High Cost	Low Profit
Kadlec Regional Medical Center	3.44%	High Price	High Cost	Normal Profit
Harborview Medical Center	5.06%	High Price	High Cost	Normal Profit
Valley Medical Center	3.41%	High Price	High Cost	Low Profit
St Joseph Medical Center	3.25%	High Price	High Cost	Low Profit
Evergreen Health Kirkland	3.68%	Normal Price	Normal Cost	Low Profit
Legacy Salmon Creek	2.08%	High Price	Normal Cost	Normal Profit
Total	57.16%			
Shading represents a hospital who exceeds peer group median by 10% or more				

Appendix E**45 Washington hospitals name, city, and county**

Hospital Name	City	County	Hospital Name	City	County
Astria - Toppenish Community Hospital	TOPPENISH	YAKIMA	St. Francis Hospital	FEDERAL WAY	KING
Evergreen Health Monroe	MONROE	SNOHOMISH	Valley Medical Center	RENTON	KING
St Anne Hospital	SEATTLE	KING	St Michael Medical Center	BREMERTON	KITSAP
Multicare - Auburn Medical Center	AUBURN	KING	PeaceHealth St. John	LONGVIEW	COWLITZ
Samaritan Hospital	MOSES LAKE	GRANT	Multicare Covington Medical Center	COVINGTON	KING
St. Anthony Hospital	GIG HARBOR	PIERCE	Multicare - Valley Hospital	SPOKANE	SPOKANE
Yakima Valley Memorial	YAKIMA	YAKIMA	Harbor Regional Hospital	ABERDEEN	GRAYS HARBOR
Swedish Issaquah	ISSAQUAH	KING	Virginia Mason Medical	SEATTLE	KING
Multicare - Capital Medical Center	OLYMPIA	THURSTON	Legacy Salmon Creek	VANCOUVER	CLARK
St Clare Hospital	LAKEWOOD	PIERCE	Harborview Medical Center	SEATTLE	KING
St Joseph Medical Center	TACOMA	PIERCE	Providence St. Peter Hospital	OLYMPIA	THURSTON
Evergreen Health Kirkland	KIRKLAND	KING	Peacehealth Southwest Medical Center	VANCOUVER	CLARK
Confluence Health Hospital	WENATCHEE	CHELAN	Island Hospital	ANACORTES	SKAGIT
Cascade Valley Hospital	ARLINGTON	SNOHOMISH	PeaceHealth St. Joseph	BELLINGHAM	WHATCOM
Overlake Medical Center	BELLEVUE	KING	Swedish First Hill	SEATTLE	KING
Tacoma General Allenmore	TACOMA	PIERCE	Providence Regional Everett	EVERETT	SNOHOMISH
Olympic Medical Center	PORT ANGELES	CLALLAM	Swedish Cherry Hill	SEATTLE	KING
Trios Health	KENNEWICK	BENTON	Providence Sacred Heart	SPOKANE	SPOKANE
Multicare - Good Samaritan Hospital	PUYALLUP	PIERCE	Multicare - Deaconess Medical Center	SPOKANE	SPOKANE
Kadlec Regional Medical Center	RICHLAND	BENTON	Univesity of Washington Medical Center	SEATTLE	KING
Providence St. Mary Hospital	WALLA WALLA	WALLA WALLA	Providence Holy Family	SPOKANE	SPOKANE
Skagit Valley Hospital	MOUNT VERNON	SKAGIT	Providence Centralia	CENTRALIA	LEWIS
Swedish Edmonds	EDMONDS	SNOHOMISH			