

# Dayton Area Hospital Healthcare Costs



## Cost Council Members

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The Hospital Cost Council of Greater Dayton and the Greater Dayton Area Hospital Association (GDAHA) initiated a study to assess and measure the cost of hospital healthcare in the Dayton area, also referred to as the Dayton Metropolitan Statistical Area (MSA). The goal of the Hospital Cost Council is to obtain diverse community stakeholder consensus on the hospital unit cost baseline through the comparison of these unit costs with our peer cities of Cincinnati, Columbus, Toledo, Indianapolis and the United States median.

This study builds on the collaborative approach first utilized in assessing and improving the quality of healthcare that is provided by hospitals, through the GDAHA Quality Council. These multiple continuous improvement initiatives with input from a diverse set of community stakeholders have an overall goal of ensuring a high healthcare value for the Dayton region – through a collaborative commitment to a cost-effective, efficient and quality healthcare delivery system.

Two independent research firms were used to collect and analyze the data. The overall study and data gathering was conducted by Cleverley & Associates and presented in a report titled *Dayton Area Hospital Charge & Cost Indexes*. To ensure accuracy and objectivity, the Cleverley report was

reviewed and audited by the firm of Jack C. Keane, Inc. and a final review was presented to the Hospital Cost Council.

It is important to note that both firms worked independently of GDAHA and its member hospitals. Additionally, GDAHA imposed no conditions or constraints on the findings of the Keane review.

## Key Findings

### Cleverley & Associates

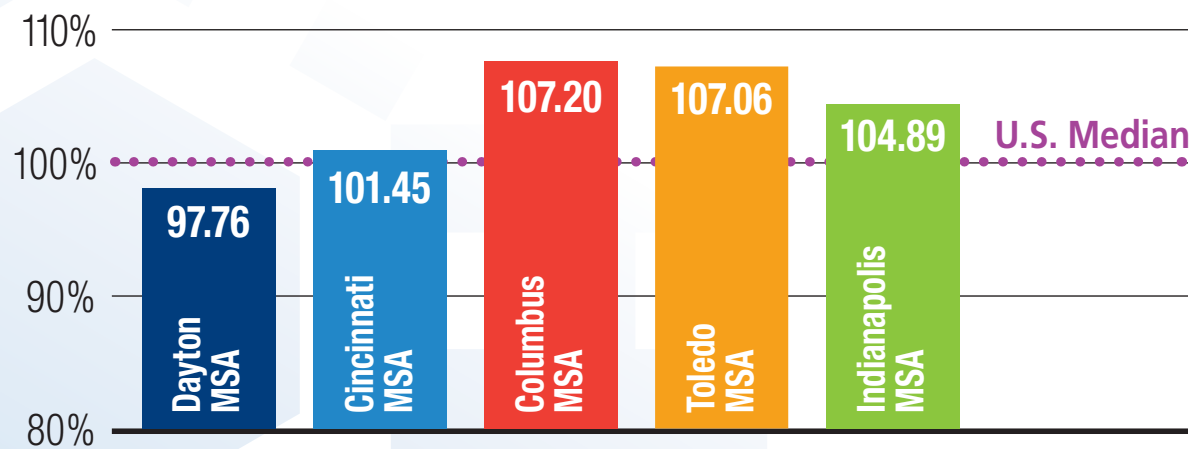
Based on the findings of the Cleverley & Associates report, the Dayton MSA has the lowest cost position of the comparison markets for overall costs.

### Jack C. Keane, Inc.

After reviewing the Cleverley & Associates findings, Keane provides the following:

The Dayton MSA's total hospital costs are about 2% below the U.S. average and are lowest among its peer cities.

## Overall Hospital Costs as a Percentage of the U.S. Median



## Dayton MSA Peer Cities

The peer city's data is from short-term, acute care hospitals within each city's MSA. The peer cities used in this study are Cincinnati, Columbus, Toledo and Indianapolis.

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## Hospitals in the Dayton MSA

The hospitals included in the Dayton MSA are:

**Community Hospital**  
Springfield

**Dayton Heart Hospital**  
Dayton

**Good Samaritan Hospital**  
Dayton

**Grandview Medical Center**  
Dayton

**Greene Memorial Hospital**  
Xenia

**Kettering Medical Center**  
Kettering

**Southview Hospital**  
Washington Township

**Kettering Medical Center – Sycamore**  
Miamisburg

**Mercy Medical Center**  
Springfield

**Miami Valley Hospital**  
Dayton

**Upper Valley Medical Center**  
Troy

## Methodology

The hospital charge and cost indices, developed by Cleverley & Associates, compare Medicare costs per discharge and Medicare costs per visit at the hospital. Both costs are adjusted for case complexity and wage index differences to the U.S. median (average) for each measure. The result is the most objective overall cost comparison available. A high index score indicates a higher relative cost position.

The Cleverley report is based on Medicare costs since they represent the most widely acceptable common cost denominator. The data utilized is from publicly available data from the Centers for Medicare and Medicaid Services (CMS).

## Definition of Costs

Private sector (insurance) reimbursements were not used in the study since each carrier may negotiate a different reimbursement rate for the same or similar hospital procedure. For this study, costs are the financial resources dedicated by hospitals to provide the medical services to treat their inpatient and outpatient customers and are not necessarily the payments received by hospitals either through charges or reimbursements from third-party insurance carriers.

## Adjustments in Wage Levels

The report takes into account the differences in labor costs in the Dayton area between GDAHA-member/MSA hospitals, and relative to national averages and the peer cities cited in the study. Wage Index values used by Cleverley were from the Federal Fiscal Year (FFY) of 2004.

## Adjustments for Casemix

Hospitals vary considerably in the level of resources they provide, the complexity of services they offer, and the numbers of patients they serve – inpatient versus outpatient. These variable factors represent the casemix.

The Cleverley report made adjustments to the casemix and provided weighted averages for inpatient and outpatient costs based on data supplied by Medicare.

As a result, their findings evaluate hospital costs on the basis of overall costs and inpatient and outpatient services.

The following formula was used to determine the results of the Cleverley study:

$$\frac{\text{Costs}}{\text{Wage Indices \& Casemix}} = \text{Adjusted Costs}$$

## Sources for this Summary of the Hospital Cost Report are:

Dayton Area Hospital Charge & Cost Indexes, by Cleverley & Associates and

Review and Comments Regarding the Cleverley & Associates Report entitled "Dayton Area Hospital Charge & Cost Indexes," by Jack C. Keane, Inc.

Both reports are available for download at the GDAHA website at:

[www.gdaha.org](http://www.gdaha.org)

## About the Consultants

### Cleverley & Associates

Cleverley & Associates is a privately owned, professional service organization specializing in information services for the healthcare industry. They provide timely and accurate information to hospitals and to organizations serving the healthcare industry.

In January 1, 2000, William O. Cleverley, PhD, Professor Emeritus of Health Services Management & Policy of The Ohio State University, founded Cleverley & Associates.

Cleverley & Associates offers consulting services, custom and off-the-shelf reports, and custom databases. Their customer base includes hospital executives and analysts, organizations serving the healthcare industry (consultants, accounting firms, commercial banks, underwriters, insurers, law firms), hospital associations, state departments of health and human resources, HMOs and PPOs, and manufacturers, distributors, and other companies marketing products to the healthcare industry.

### Jack C. Keane, Inc.

Mr. Keane is a highly experienced healthcare consultant whose areas of expertise include healthcare payment policy, healthcare data analyses and payment negotiations with healthcare providers on behalf of HMOs, insurance companies, and other purchasers.

His clients either include or have previously included WellPoint BCBS, a company that operates 14 BCBS plans covering approximately 30 million members; the Michigan Hospital Association; Independence BCBS, the BCBS plan in the Philadelphia market that covers approximately 3.5 million members; the Greater Dayton Area Hospital Association; and various other entities.

Prior to beginning his consulting career, Mr. Keane served as a senior official in the hospital rate setting programs in Massachusetts and Maryland and co-founded a company that built PPO plans in sixty markets throughout the U.S.

Mr. Keane holds an M.S degree in Health Services Administration from Harvard University.



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