A close look at costs in the Golden State

Do seriously ill patients fare better in hospitals that spend more money treating them than in hospitals that spend less? Not necessarily—at least not in California—according to a recent study by DMS’s Center for the Evaluative Clinical Sciences (CECS). The study, which was published as a web exclusive article by Health Affairs, showed that average spending per patient varied by hospital and that as the volume of care rose, both quality and patient satisfaction dropped.

The study, based on Medicare data from 1999 to 2003, compared the performance of 226 hospitals—in Sacramento, San Francisco, Los Angeles, Orange County, and San Diego—in managing seriously ill patients with at least one of 12 chronic illnesses. Two-thirds of them were diagnosed with cancer, congestive heart failure, and/or chronic lung disease.

Among all California hospitals, Medicare spending on hospital care and physician fees ranged from $24,722 to $106,254 per patient. About 60% of the variation in the hospital portion reflected the number of days patients spent in the hospital, indicating that volume of care plays a bigger role in driving up Medicare costs than do the institutions’ daily rates.

Los Angeles was the most expensive region, with average Medicare spending for inpatient care of $43,506 per patient—67% higher than Sacramento, the least expensive region. And Los Angeles had 2.3 times more physician visits, 3.3 times more specialist visits, 2.3 times more days in intensive care, and 1.6 times more days in the hospital. Eliminating what the researchers call “Medicare overcare” by improving efficiency could have saved $1.7 billion over five years in Los Angeles alone, according to the study.

**Variations:** The team also found variations within hospital systems and among academic medical centers, especially between UCSF and UCLA. UCLA patients spent 45% more days in acute-care hospitals; used 3.5 times more days in intensive care; were 1.5 times more likely to be admitted to an ICU during the hospitalization in which they died; and had 71% more physician visits.

“Chronically ill Americans need a fundamental redesign of care,” stated the paper’s authors. But that will require incentives “that reward rather than penalize provider organizations that successfully reduce overreliance on acute hospital care and develop population-based strategies for managing their patients with chronic illness.” The authors were John Wennberg, M.D., M.P.H., director of CECS; Eliot Fisher, M.D., M.P.H.; and others, and the work was underwritten by the California Healthcare Foundation and Robert Wood Johnson Foundation.

CECS will soon report on hospitals in other states. “Our strategy is to be rolling out [the reports] by region,” says Megan McAndrew, communications director for CECS and editor of the Dartmouth Atlas of Health Care. She expects the results for New York, New Jersey, and Pennsylvania to be out next, followed by those for the upper Midwest. See www.dartmouthatlas.org for updates. Laura Stephenson Carter