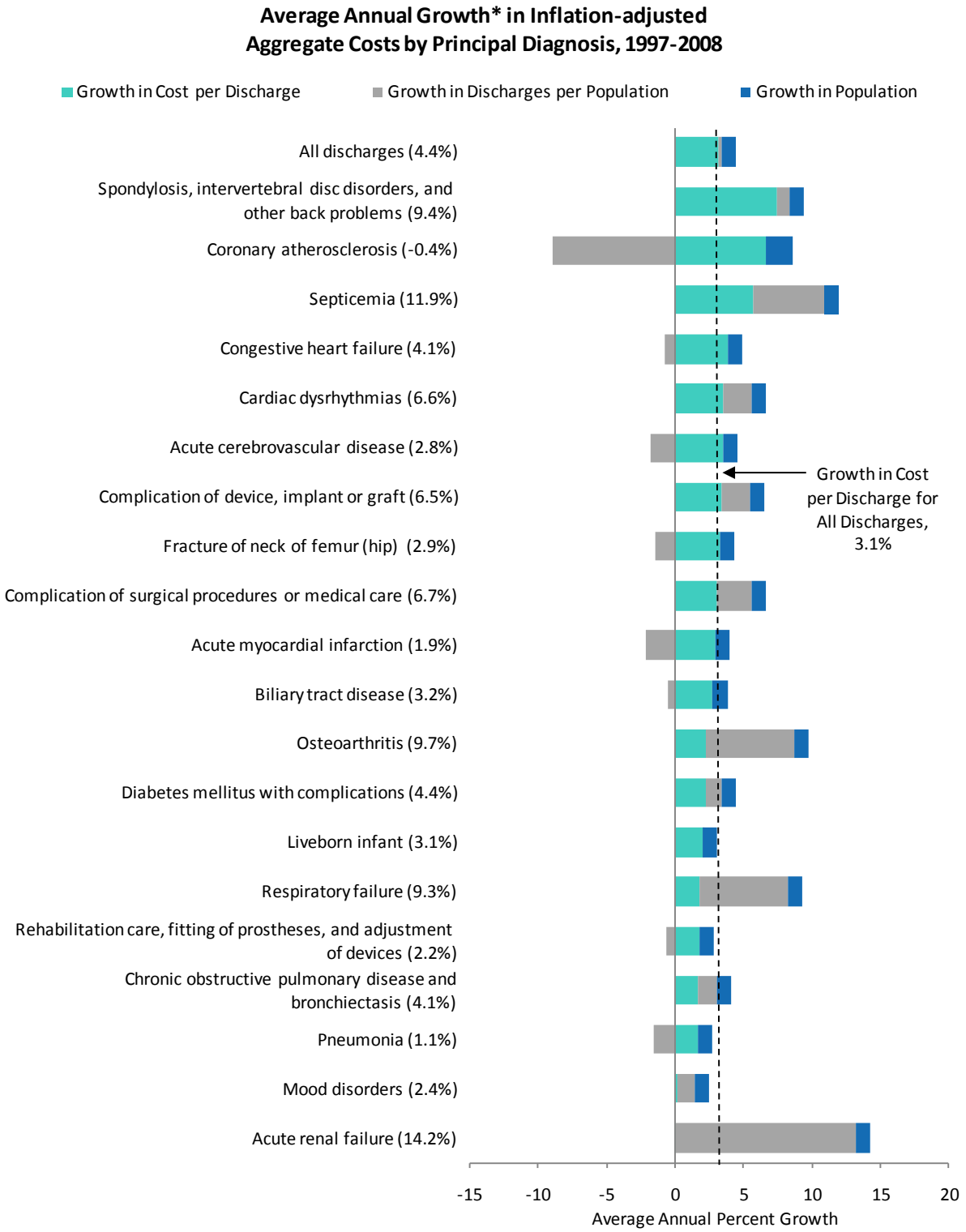
EXHIBIT 4.2 Cost Factors Accounting for Growth by Principal Diagnosis



*Bar segments depict the portion of growth attributable to each of the factors listed in the key. The net average annual growth is noted in the axis label.

Source: AHRQ, Center for Delivery, Organization, and Markets, Healthcare Cost and Utilization Project, Nationwide Inpatient Sample, 1997 and 2008.

- Aggregate costs for stays in community hospitals grew 4.4 percent annually between 1997 and 2008. The factors that comprised this overall growth were:
  - Greater intensity of services (cost per discharge) provided during the hospital stay (averaging 3.1 percent annually),
  - Population growth (up 1.0 percent annually), and
  - Growth in the number of stays per person (only 0.2 percent annually).
- Overall, growth in intensity of services accounted for 71 percent of the growth in aggregate costs, while population growth was responsible for 24 percent and an increased number of discharges per population for only 5 percent of the growth in aggregate costs.
- The growth in costs for most conditions with high aggregate costs was driven predominantly by higher than average growth in cost per discharge, indicating greater intensity of service utilization and more expensive interventions.
- Growth in stays per person made up more than half the growth in costs for discharges for osteoarthritis, respiratory failure, mood disorders, and acute renal failure.
- The increase in number of stays per person was a relatively more important factor in cost growth for discharges with septicemia, cardiac dysrhythmias, complication of surgical procedures or medical care, diabetes mellitus with complications, and chronic obstructive pulmonary disease and bronchiectasis.
- The decline in hospitalizations per population dampened increases in the net cost of hospital stays for coronary atherosclerosis, congestive heart failure, acute cerebrovascular disease, fracture of neck of femur (hip), acute myocardial infarction, rehabilitation care, and pneumonia.