

Release of New Study Findings  
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**Center for State Health Policy  
Rutgers, The State University of New Jersey**

**New Study Shows Opportunities for Hospital Cost Savings from Better  
Care in 13 Low-Income New Jersey Communities**

*Variations across communities in five measures of avoidable hospital utilization point to opportunities to save costs by improving care. Hundreds of millions of dollars in potential savings identified.*

**Contacts:** Sujoy Chakravarty, PhD, assistant research professor, Rutgers Center for State Health Policy, schakravarty@ifh.rutgers.edu, 848-932-4672 or Joel Cantor, ScD, professor and director, Rutgers Center for State Health Policy, jcantor@ifh.rutgers.edu, 848-932-4653.

**Presentation, Report and Data Briefs available at:** <http://www.cshp.rutgers.edu/MedicaidACO/>

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A new study of 13 low-income communities in New Jersey reveals opportunities for hospital cost savings from better care. The study – funded by The Nicholson Foundation – was conducted in light of the New Jersey Medicaid Accountable Care Organization (ACO) Demonstration Program, which was enacted by the state legislature and signed by the Governor in 2011. The Medicaid ACO Demonstration will launch later this year after an application process. Coalitions of local providers in communities with at least 5,000 Medicaid beneficiaries may apply to participate. Participating ACOs will be eligible to share in savings that they generate through improved care for local Medicaid patients. The Medicaid ACO Demonstration was inspired by the work of the Camden Coalition of Healthcare Providers under the leadership of Dr. Jeffrey Brenner (see [www.camdenhealth.org](http://www.camdenhealth.org)).

To help communities develop strategies to achieve cost savings while maintaining or improving quality of care, investigators at the Rutgers Center for State Health Policy used data on all inpatient stays and emergency department visits in New Jersey hospitals for 2008-2010 to measure rates of five categories of potentially preventable hospital use and cost. The data were provided by the New Jersey Department of Health from a statewide discharge database summarizing hospital bills for all patients regardless of source of insurance coverage.

**Overall, the study reveals wide variation across the 13 study communities in measures of preventable hospital utilization, suggesting that improvement in low-performing areas is achievable.**

- Nearly 5 fold variation in the share of hospital patients classified as **high users of emergency departments**
- 3.5 fold variation in the share of **emergency department visits that are potentially preventable** if community based care is adequate
- Over two fold variation in the share of **hospital inpatient stays that are potentially preventable** if community based care is adequate
- Nearly two fold variation in the share of **hospital patients classified as high users of inpatient care**
- 1.4 fold variation in the number of **hospitalized patients who are admitted again within 30 days.**

**If the 13 communities were able to achieve the performance of the community with the best cost profile on each of the measures, substantial hospital cost savings would be achieved** (note, these amounts should not be summed because of overlap in visits across measures):

- \$284 million from reduced inpatient high user costs
- \$155 million in lower costs from avoidable inpatient stays and emergency department visits
- \$94 million from reduced readmission costs
- \$70 million from reduced emergency department high user costs

**The table below lists the 13 communities – from worst (most room for improvement) to best performing on the 5 measures combined** (the overall rank is based on the average of the ranks of each of the five measures). Over half of New Jersey’s Medicaid enrollees live in these 13 communities, which were selected because they are strong candidates for forming Medicaid ACOs under the New Jersey Demonstration Program.

- The best performing communities do about as well, and sometimes better, than state wide averages on the measures of avoidable hospital use, but the 13 communities overall do significantly worse than the state as a whole.
- For example, on measures of avoidable inpatient stays and emergency department visits, and high-users of emergency department care, the 13 regions did about 50% worse than the statewide average.

**Table: Comparing Performance across 13 New Jersey Low-Income Areas**

Potential ACO Regions	Overall Rank (worst to best)
Atlantic City – Pleasantville City	13
Newark City – East Orange City – Irvington Township – City of Orange Township	12
Trenton City	11
Camden City	10
Asbury Park City – Neptune Township	9
Perth Amboy City – Hopelawn	8
Jersey City – Bayonne City	7
Vineland City – Millville City	6
Paterson City – Passaic City – Clifton City	5
Elizabeth City – Linden City – Winfield Township	4
Plainfield City – North Plainfield Borough	3
Union City – West New York Town – Guttenberg Town – North Bergen Township	2
New Brunswick City – Franklin Township	1

**Selected findings for individual communities include:**

- **Asbury Park City- Neptune Township** ranked 5<sup>th</sup> from the bottom out of the 13 communities overall. If the Asbury Park area achieved the cost of the best-performing area among inpatient high-users, hospital costs would have been **\$15 million lower** in 2010.
- **Atlantic City-Pleasantville City** ranked worst overall, ranking second from the bottom on all but one (30-day readmissions) of the individual measures. If the Atlantic City area achieved the cost of the best-performing area among inpatient high-users, hospital costs would have been **nearly \$16 million lower** in 2010.
- **Camden** ranked 4<sup>th</sup> worst overall, and ranked at or near the bottom on four of the five study measures. Notably, Camden ranked *fourth from the best* on the share of its patients classified as inpatient high users. Even so, if Camden achieved the cost of the best-performing area among inpatient high-users, hospital costs would have been **nearly \$11 million lower** in 2010.
- **Elizabeth City-Linden City-Winfield Township** ranked 4<sup>th</sup> best out of the 13 communities overall. If the Elizabeth area achieved the cost of the best-performing area in emergency department high-users, hospital costs would have been **nearly \$2 million lower** in 2010.

- **Jersey City-Bayonne City** ranked in the middle of the 13 communities overall. If the Jersey City area achieved the cost of the best-performing area among inpatient high-users, hospital costs would have been **nearly \$52 million lower** in 2010.
- **New Brunswick City – Franklin Township** performed best overall out of the 13 communities. Still, if the New Brunswick area achieved the cost of the best-performing area among inpatient high-users, hospital costs would have been **nearly \$5 million lower** in 2010.
- **Newark City – East Orange City – Irvington Township – City of Orange Township** ranked 2<sup>nd</sup> from the bottom overall. If the Newark area achieved the cost of the best-performing area among inpatient high-users, hospital costs would have **been \$119 million lower** in 2010.
- **Paterson City – Passaic City – Clifton City** ranked 5<sup>th</sup> best out of the 13 communities overall. If the Paterson area achieved the cost of the best-performing area among inpatient high-users, hospital costs would have been **over \$11 million lower** in 2010.
- **Perth Amboy City – Hopelawn** ranked 6<sup>th</sup> from the bottom out of the 13 communities overall. If the Perth Amboy area achieved the cost of the best-performing area among inpatient high-users, hospital costs would have been **nearly \$6 million lower** in 2010.
- **Plainfield City-North Plainfield Borough** ranked 3<sup>rd</sup> best out of the 13 communities overall. If the Plainfield area achieved the cost of the best-performing area among inpatient high-users, hospital costs would have been **nearly \$2 million lower** in 2010.
- **Trenton City** ranked 3<sup>rd</sup> from the bottom of the 13 communities overall. If Trenton achieved the cost of the best-performing area among inpatient high-users, hospital costs would have been **nearly \$28 million lower** in 2010.
- **Union City – West New York Town – Guttenberg Town – North Bergen Township** ranked 2<sup>nd</sup> best out of the 13 communities overall. Nevertheless, if the Union City area achieved the cost of the best-performing area among inpatient high-users, hospital costs would have been **over \$14 million lower** in 2010.
- **Vineland City – Millville City** ranked 6<sup>th</sup> best out of the 13 communities overall. If the Vineland area achieved the cost of the best-performing area among inpatient high-users, hospital costs would have been **nearly \$6 million lower** in 2010.

The **Center for State Health Policy** is an initiative of the Rutgers Institute for Health, Health Care Policy and Aging Research to create a formal capacity within Rutgers, the State University of New Jersey for policy analysis, research, training, facilitation, and consultation on state health policy. The Center combines Rutgers University's traditional academic strengths in public health, health services research,

and social science with applied research and policy analysis initiatives. It serves as the focal point within the University for research and related activities relevant to state health policy. More information about the Center is available at: <http://www.cshp.rutgers.edu/>.

This project builds on previous work funded by **The Nicholson Foundation**. The Foundation was an early supporter of the Camden Coalition of Healthcare Providers and has seeded the work of coalitions in Trenton and Newark. The Nicholson Foundation works to address the complex needs of vulnerable populations in New Jersey's urban areas by encouraging the reform of health and human services delivery systems. The Foundation acts through partnerships with government, civic intermediaries, and local service providers. More information about The Nicholson Foundation is available at: <http://www.thenicholsonfoundation-newjersey.org/>.