The following sources of hospital-specific financial data were expected to include (1) hospitals audited financial statements, (2) Internal Revenue Service (IRS) reports on hospital-affiliated businesses, (3) quarterly submissions to the New Jersey Department of Health, (4) Medicare data on clinical services and operating costs, and (5) hospital bond prospectuses. A financial advisory panel, consisting of hospital chief financial officers and others, was formed to rank the hospitals based on their financial performance and to interpret the project findings. (See Appendix for a complete roster.)

The researchers experienced significant delays and difficulties in acquiring financial data from the state department of health due to personnel turnover and diminished resources dedicated to collection of hospital financial data. Investigators were also unable to track the financial performance of hospital-affiliated businesses through IRS records, as was originally planned. Hospital mergers also contributed to data-reporting delays. In addition, turnover among part-time research staff contributed to further delays in data collection and analysis.

Findings

In a 1998 report to RWJF, the principal investigator reported the following summary of findings:

- **"In aggregate, hospitals significantly improved their financial performance in the three years after deregulation**. Uncompensated care funding from new sources (the state unemployment trust fund and two special funds targeted to safety net hospitals) greatly reduced the burden of uncompensated care that historically had been shifted to private payors under the regulatory system. The availability of new resources for uncompensated care did not, however, result in lowered markups in the deregulatory period. Nor were these increases fully offset by discounts negotiated by private payors, especially in 1994 and 1995. Thus hospitals reported operating profits that were more than 50% higher in the three years post-deregulation than the three years prior."
- **"The apparent lack of payor negotiating power was at least partly due to a highly fragmented payor community over this period: in 1993, hospitals reported an average of 50 private insurers paying for care at any one hospital.** In addition, the elimination of rate setting allowed speedier collections of patient and third-party receivables, freeing up substantial amounts of working capital cash. Hospitals were able to invest their new found liquidity in marketable securities, so that nonoperating revenues (which consist primarily of investment income) almost doubled in the post-deregulation period, further enhancing overall financial position. Capital expenditures were held at roughly the same levels during the three years pre- and post-deregulation, and long-term debt levels were reduced slightly."