- **"Some trends were less reassuring, particularly the trend of declining inpatient volume. Even though payors were highly fragmented, a growing number of them represented managed care plans**; median HMO penetration in New Jersey counties was 10% in 1991, growing to 22% in 1995. From 1991 to 1995, inpatient days declined 17%. Since bed capacity remained steady, median occupancy fell from 70% in 1992 to 60% by 1995. The median case mix– and wage index–adjusted cost per discharge for New Jersey rose above the Northeast median in 1992 and drifted upward toward the national median by 1996; in the three years prior to deregulation, the median-adjusted cost per discharge in New Jersey remained below both regional and national medians."
- **"The improved financial performance was not uniformly distributed; rural hospitals were more likely to improve, while inner-city and urban hospitals were more likely to do worse or to improve less in the first three deregulated years.** Inner-city hospitals, which already had the highest burdens of uncompensated care, increased their share in the deregulated period. In addition, strategic resources such as board-designated investments [marketable securities designated by a board to be used to a particular purpose] became more concentrated: the top 10 hospitals in terms of board-designated investments owned 49% of such assets in 1995, up from 44% in 1992. Operating profits show a similar pattern: the top 10 hospitals in terms of three years' cumulative operating profits post-deregulation earned 45% of all profits compared to 42% in the last three years of regulation. A period of consolidation and competitive positioning has been under way since 1995. One-third of urban and suburban hospitals have recently joined one of four newly established multi-hospital systems, which when combined represent about 30% of hospital bed capacity in the state. Only 2 inner-city hospitals (out of 20) and 1 rural hospital joined one of these systems. From the financial results to date, it may be that some inner-city hospitals have been left out of these systems because of their relatively poor market and financial positions while rural hospitals may be staying independent by choice, due to relatively strong market positions."

Limitations

Changes in accounting standards over the study period reduced the reliability of some financial comparisons over time.

Project Lessons

1. **A single state's deregulation experience may be of limited interest to policymakers.** The principal investigator believes that an analysis of deregulation in several states may have been of more practical value for researchers who evaluate health care trends and may have been of greater interest to peer-reviewed journals.