

APPENDIX F

Example of Costs Eliminated from New Jersey Hospitals by Closing Hospitals to Reduce Excess Acute Care Beds

1997 Excess Calculation

1997 patient days (from cost reports)	5,647,045
Required bed days (patient days/365)	15,471
Required beds @ 85% target occupancy	18,202
1997 staffed beds (from cost reports)	23,051
1997 excess beds	4,849

2002 Excess Calculation

Projected days (from PwC study)	5,113,640
Required bed days	14,010
Required beds @ 85% target occupancy	16,482
1999 staffed beds (from 1 st quarter B-2 forms)	22,798
Projected excess beds	6,316

A	B	C	D	E
Percent reduction through closure	Number of beds downsized	Number of beds closed	Admissions Redistributed	Net improvement to bottom line
0	6,316	0	0	0
10	5,684	632	25,118	101,377,878
20	5,053	1,263	50,237	202,755,756
30	4,421	1,895	75,355	304,133,634
40	3,789	2,526	100,474	405,511,512
50	3,158	3,158	125,592	506,889,391
60	2,526	3,789	150,710	608,267,269
70	1,895	4,421	175,829	709,645,147
80	1,263	5,053	200,947	811,023,025
90	632	5,684	226,066	912,400,903
100	0	6,316	251,184	1,013,778,781

A – Percentage of bed reduction that will be at facilities that will close as opposed to downsize

B – The number of beds eliminated at facilities that are assumed to continue as acute care facilities; calculated as (100-Column A) multiplied by the projected excess for 2002

C - The number of beds eliminated at facilities that are assumed to close as acute care facilities; calculated as Column A times projected excess for 2002

D – Number of admissions projected to go from closed facilities to other facilities; calculated as beds (Column C) times statewide average admissions per staffed bed (46.79) times the percentage of admissions that are assumed to stay in the system (85%)

E – Net gain to remaining hospitals; calculated as admissions (Column D) times average revenue per admission (\$10,090) times the percentage not needed to cover variable costs (40%)