

COST AVOIDANCE ANALYSIS

- FISCAL RESULTS OF HEALTH CARE EFFECTIVENESS -

On assuming responsibility for the Louisiana public hospital system in 1997, LSU implemented disease management programs which would address the high risk and high morbidity conditions where Louisiana citizens were especially at risk. These selected diseases are Asthma, Congestive Heart Failure, Diabetes and HIV.

LSU continues to assess the improvements we have made in these diseases from both a clinical and a fiscal perspective. 1998 is considered the baseline year. From a fiscal perspective, these programs have been successful.

We determined total charges – in – patient and out – patient for each patient population. This gives us the total dollars charged during 1998 for the disease. This allowed us to calculate a baseline cost per patient in year 1998.

In 2004, we looked at the patient volume changes and the total charges incurred by patients. At this time, the total patients and the total charges increased for each disease. We can determine the cost per patient for the current year. We then compared the cost per case in the current period with the cost per case in 1998. By multiplying the current number of patients in each disease by the 1998 cost per case, we determined the cost for each disease if we treated the current patient volume at the 1998 cost. With disease management and health care effectiveness initiatives, we are able to reduce the cost per patient which results in cost avoidance. If we were not more efficient in our use of resources in 1998, we would have had to spend a significantly larger amount of money. This table shows the “cost avoidance” which has occurred through increased efficiency.

These avoided costs coupled with superior clinical outcomes enhance the value LSU provides to our patients and stakeholders.