

The hospital plant operation department is the administrative unit responsible for plant maintenance. Dollar costs per patient-day for the plant operation department by geographical region and size, estimated for 1963, are shown in table 9. For this year, the New England region had the highest estimated plant operation expenses per patient-day, \$2.67. The South Atlantic region had the lowest expenses of \$1.97 per patient-day.

Several factors can be mentioned among those responsible for the rising cost of hospital plant operation. The increasing necessity to modernize facilities is one of the most influential factors. Installation of air conditioning, electronic units, and waste disposal systems would be some major examples. Maintenance of electrical and mechanical systems represents an estimated expense of over 40 percent of all hospital maintenance costs. In many of the older hospitals, demands on the electrical and water systems far exceed allowances made during the planning for their initial construction.

2. USER CHARGES

Patient revenue in 1964 for voluntary nonprofit short-term general and other special hospitals amounted to \$5.7 billion, or \$40.40 per patient-day.⁷ Total revenue for the same hospitals was \$6.2 billion, or \$43.28 per patient-day. This exceeded by only 2 percent their total expense of \$6 billion, or \$42.47 per patient-day. The \$5.7 billion in patient revenue represents 95 percent of total expense and 93 percent of total revenue.

Obviously then, patient revenue in general hospitals is not sufficient to cover annual maintenance and operation expenses, which generally make some allowance for depreciation. However, it has been estimated that about 20 percent of hospitals do not calculate depreciation and 70 percent do not fund it.

TABLE 9.—Plant operation department estimated cost per patient day, 1963, by region and size of hospital

Size in beds	New England	Middle Atlantic	South Atlantic	East North Central	West North Central	South Central	Mountain States	Pacific Coast
All.....	\$2.67	\$2.28	\$1.97	\$2.45	\$2.06	\$2.11	\$2.11	\$2.66
1 to 100.....	2.56	2.35	1.83	2.50	1.90	2.19	2.02	2.70
101 to 225.....	2.46	2.16	2.09	2.39	1.94	1.96	2.17	2.34
226 and over.....	2.99	2.34	2.00	2.45	2.35	2.18	2.15	2.94

Source: *Hospital Management*, June 1965, p. 41.

Practices used by third party payers for handling depreciation differ in various sections of the country. Third-party payers in the East generally allow only historical costs to be depreciated. In the Far West, current replacement cost is generally allowed by the Blue Cross plans and other third-party purchasers of care. It is still generally true, however, that patient revenue does not provide capital requirements above and beyond historical cost depreciation,

⁷ *Hospitals*, "Guide Issue," Aug. 1, 1965, p. 451.