TRENDWATCH
CHARTBOOK 2008
Trends Affecting Hospitals and Health Systems
# TABLE OF CONTENTS

## CHAPTER 4.0: Trends in Hospital Financing

| Chart 4.1: | Percentage of Hospitals with Negative Total Margins, 1981 – 2006 |
| Chart 4.4: | Annual Change in Hospital Operating Revenue and Expenses per Adjusted Admission, 1981 – 2006 |
| Chart 4.5: | Distribution of Hospital Cost by Payer Type, 1980, 2000, and 2006 |
| Chart 4.7: | Hospital Payment Shortfall Relative to Costs for Medicare, Medicaid, and Other Government, 1997 – 2006 |
| Chart 4.8: | Income from Investments and Other Non-operating Gains as a Percentage of Total Net Revenue, 1981 – 2006 |
| Chart 4.9: | Number of Bond Rating Upgrades and Downgrades of Non-profit Hospitals, 1994 – 2007 |
| Chart 4.10: | Median Average Age of Plant, 1990 – 2006 |
| Chart 4.11: | Percent Change in Employment Cost Index, All Private Service Industries, All Health Services, and Hospitals, December 2007 |
CHAPTER 4
Trends in Hospital Financing
Chart 4.1: Percentage of Hospitals with Negative Total Margins, 1981 – 2006

Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2006, for community hospitals.
Chart 4.2: Aggregate Total Hospital Margins, (1) Operating Margins, (2) and Patient Margins, (3) 1991 – 2006

Total Margin
Operating Margin
Patient Margin

Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2006, for community hospitals.

(1) Total Hospital Margin is calculated as the difference between total net revenue and total expenses divided by total net revenue.
(2) Operating Margin is calculated as the difference between operating revenue and total expenses divided by operating revenue.
(3) Patient Margin is calculated as the difference between net patient revenue and total expenses divided by net patient revenue.

Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2006, for community hospitals.
Chart 4.4: Annual Change in Hospital Operating Revenue and Expenses per Adjusted Admission,\(^{(1)}\) 1981 – 2006

Change in Total Expenses

Change in Operating Revenue

Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2006, for community hospitals.

\(^{(1)}\) An aggregate measure of workload reflecting the number of inpatient admissions, plus an estimate of the volume of outpatient services, expressed in units equivalent to an inpatient admission in terms of level of effort.
Chart 4.5: Distribution of Hospital Cost by Payer Type, 1980, 2000, and 2006

Medicare, 38.3% Medicare, 38.7% Medicare, 38.3%
Medicaid, 12.8% Medicaid, 14.5% Medicaid, 12.8%
Other Government, 1.4% Other Government, 1.8% Other Government, 1.4%
Private Payer, 38.7% Private Payer, 37.0% Private Payer, 38.7%
Uncompensated Care(2), 5.1% Uncompensated Care(2), 5.7% Uncompensated Care(2), 5.1%
Non-patient(1), 2.7% Non-patient(1), 2.8% Non-patient(1), 2.3%
Uncompensated Care(2), 5.1% Uncompensated Care(2), 6.0% Uncompensated Care(2), 5.7%

Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2006, for community hospitals.
(1) Non-patient represents costs for cafeterias, parking lots, gift shops and other non-patient care operating services and are not attributed to any one payer.
(2) Uncompensated care represents bad debt expense and charity care, at cost.

Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2006, for community hospitals.

(1) Includes Medicaid Disproportionate Share payments.
Chart 4.7: Hospital Payment Shortfall Relative to Costs for Medicare, Medicaid, and Other Government, 1997 – 2006\(^{(1)}\)

Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2006, for community hospitals.

\(^{(1)}\)Costs reflect a cap of 1.0 on the cost-to-charge ratio.
Chart 4.8: Income from Investments and Other Non-operating Gains(1) as a Percentage of Total Net Revenue, 1981 – 2006

Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2006, for community hospitals.

(1) Non-operating gains include income from non-operating activities, including investments, endowments and extraordinary gains, as well as the value of non-realized gains from investments.
Chart 4.9: Number of Bond Rating Upgrades and Downgrades of Non-profit Hospitals, 1994 – 2007

Source: Standard and Poor’s. Cited in Modern Healthcare, By the Numbers, December 24, 2007.
Chart 4.10: Median Average Age of Plant, 1990 - 2006

Chart 4.11: Percent Change in Employment Cost Index\(^{(1)}\), All Private Service Industries, All Health Services, and Hospitals, December 2007\(^{(2)}\)

- All Private Service Industries: 3.2%
- All Health Services: 3.6%
- Hospitals: 3.3%


\(^{(1)}\) Total compensation.
\(^{(2)}\) Data are for 12 months ending December 2007.