CHAPTER 4
Trends in Hospital Financing
# TABLE OF CONTENTS

**CHAPTER 4.0: Trends in Hospital Financing**

- **Chart 4.1**: Percentage of Hospitals with Negative Total and Operating Margins, 1995 – 2007
- **Chart 4.2**: Aggregate Total Hospital Margins, Operating Margins, and Patient Margins, 1991 – 2007
- **Chart 4.3**: Distribution of Outpatient vs. Inpatient Revenues, 1987 – 2007
- **Chart 4.4**: Annual Change in Hospital Operating Revenue and Expenses per Adjusted Admission, 1987 – 2007
- **Chart 4.5**: Distribution of Hospital Cost by Payer Type, 1980, 2000, and 2007
- **Chart 4.6**: Aggregate Hospital Payment-to-cost Ratios for Private Payers, Medicare, and Medicaid, 1987 – 2007
- **Chart 4.7**: Hospital Payment Shortfall Relative to Costs for Medicare, Medicaid, and Other Government, 1997 – 2007
- **Chart 4.8**: Income from Investments and Other Non-operating Gains as a Percentage of Total Net Revenue, 1987 – 2007
- **Chart 4.9**: Number of Bond Rating Upgrades and Downgrades, Not-for-Profit Health Care, 1993 – 2008
- **Chart 4.10**: Median Average Age of Plant, 1990 – 2007
- **Chart 4.11**: Percent Change in Employment Cost Index, All Private Service Industries, All Health Services, and Hospitals, December 2008
Chart 4.1: Percentage of Hospitals with Negative Total and Operating Margins, 1995 – 2007

Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2007, for community hospitals.
Chart 4.2: Aggregate Total Hospital Margins,\(^{(1)}\) Operating Margins,\(^{(2)}\) and Patient Margins,\(^{(3)}\) 1991 – 2007

Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2007, 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, 2007, for community hospitals.
Chart 4.4: Annual Change in Hospital Operating Revenue and Expenses per Adjusted Admission,\(^{(1)}\) 1987 – 2007

Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2007, 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 2007

- **1980**: Medicare 34.6%, Medicaid 9.6%, Other Government 6.1%, Private Payer 41.8%, Non-patient 2.7%, Uncompensated Care 5.1%
- **2000**: Medicare 38.3%, Medicaid 12.8%, Other Government 1.4%, Private Payer 38.7%, Non-patient 2.8%, Uncompensated Care 6.0%
- **2007**: Medicare 39.2%, Medicaid 14.8%, Other Government 1.5%, Private Payer 36.5%, Non-patient 2.2%, Uncompensated Care 5.8%

Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2007, 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.
Chart 4.6: Aggregate Hospital Payment-to-cost Ratios for Private Payers, Medicare, and Medicaid, 1987 – 2007

Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2007, 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 – 2007

Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2007, 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, 1987 – 2007

Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2007, 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, Not-for-Profit Health Care(1), 1993 – 2008


(1) Includes stand-alone hospitals, health systems, and human service providers.
Chart 4.10: Median Average Age of Plant, 1990 - 2007

Chart 4.11: Percent Change in Employment Cost Index\textsuperscript{(1)}, All Private Service Industries, All Health Services, and Hospitals, December 2008\textsuperscript{(2)}


\textsuperscript{(1)} Total compensation.
\textsuperscript{(2)} Data are for 12 months ending December 2008.