

## CHAPTER 4

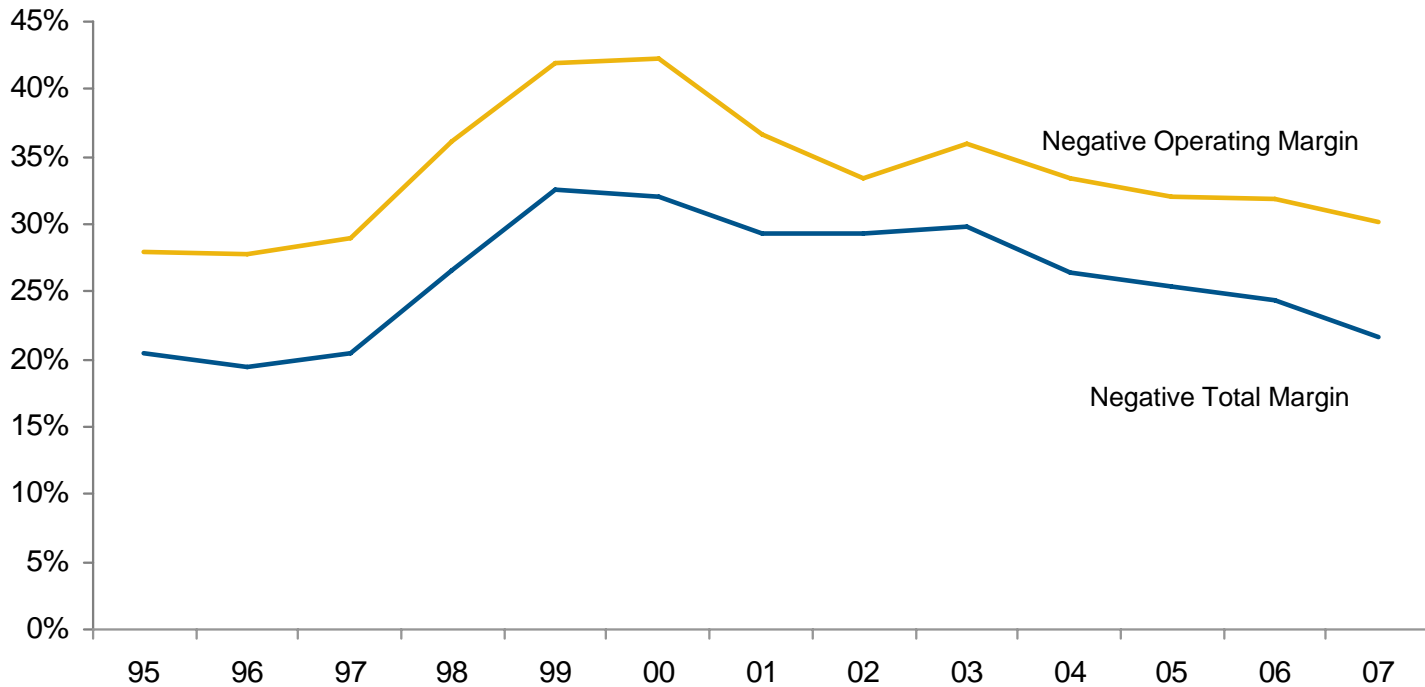
Trends in Hospital Financing

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### CHAPTER 4.0: **Trends in Hospital Financing**

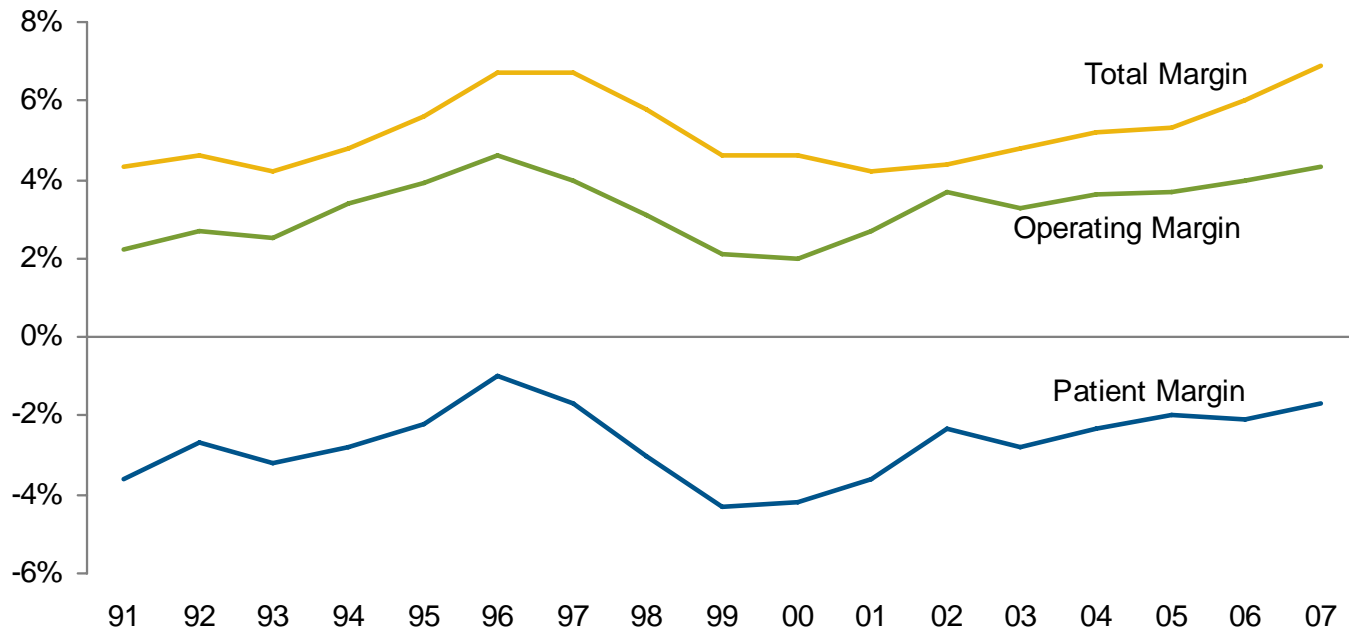
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### Chart 4.1: Percentage of Hospitals with Negative Total and Operating Margins, 1995 – 2007



Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2007, for community hospitals.

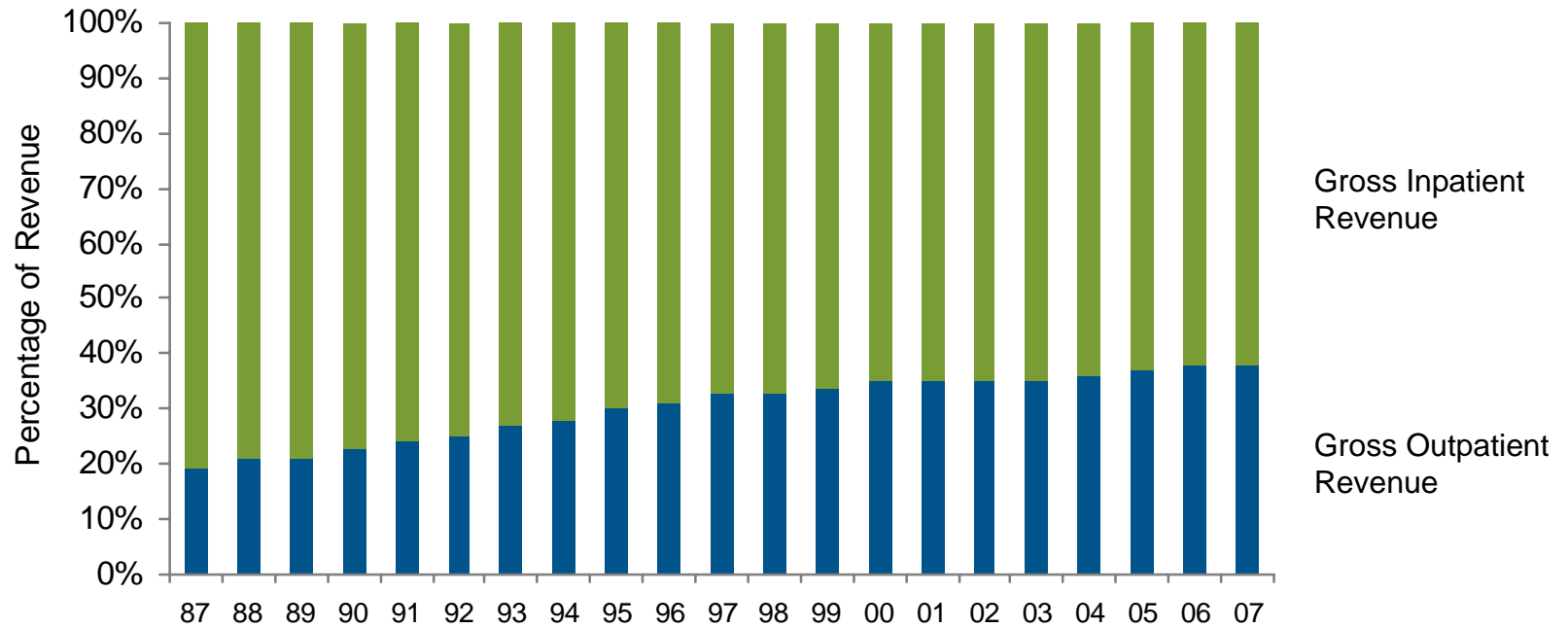
Chart 4.2: Aggregate Total Hospital Margins,<sup>(1)</sup> Operating Margins,<sup>(2)</sup> and Patient Margins,<sup>(3)</sup> 1991 – 2007



Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2007, for community hospitals.

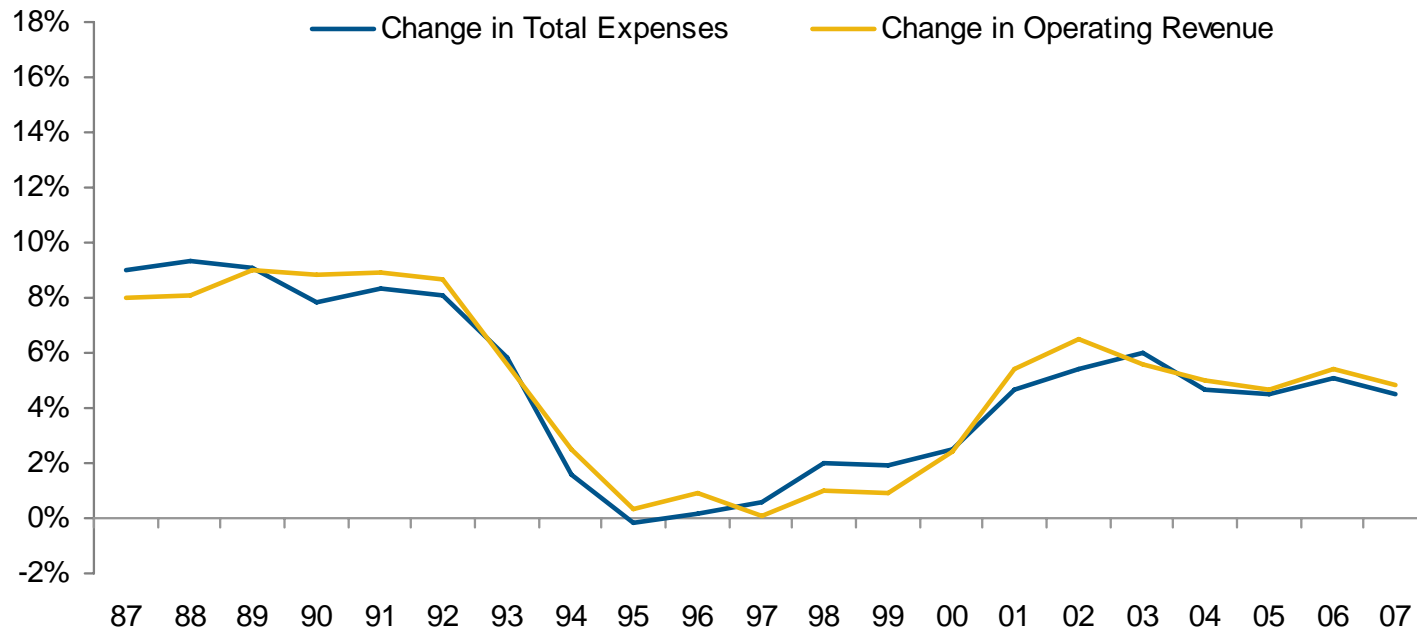
- (1) Total Hospital Margin is calculated as the difference between total net revenue and total expenses divided by total net revenue.
- (2) Operating Margin is calculated as the difference between operating revenue and total expenses divided by operating revenue.
- (3) Patient Margin is calculated as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

Chart 4.3: Distribution of Outpatient vs. Inpatient Revenues, 1987 – 2007



Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2007, for community hospitals.

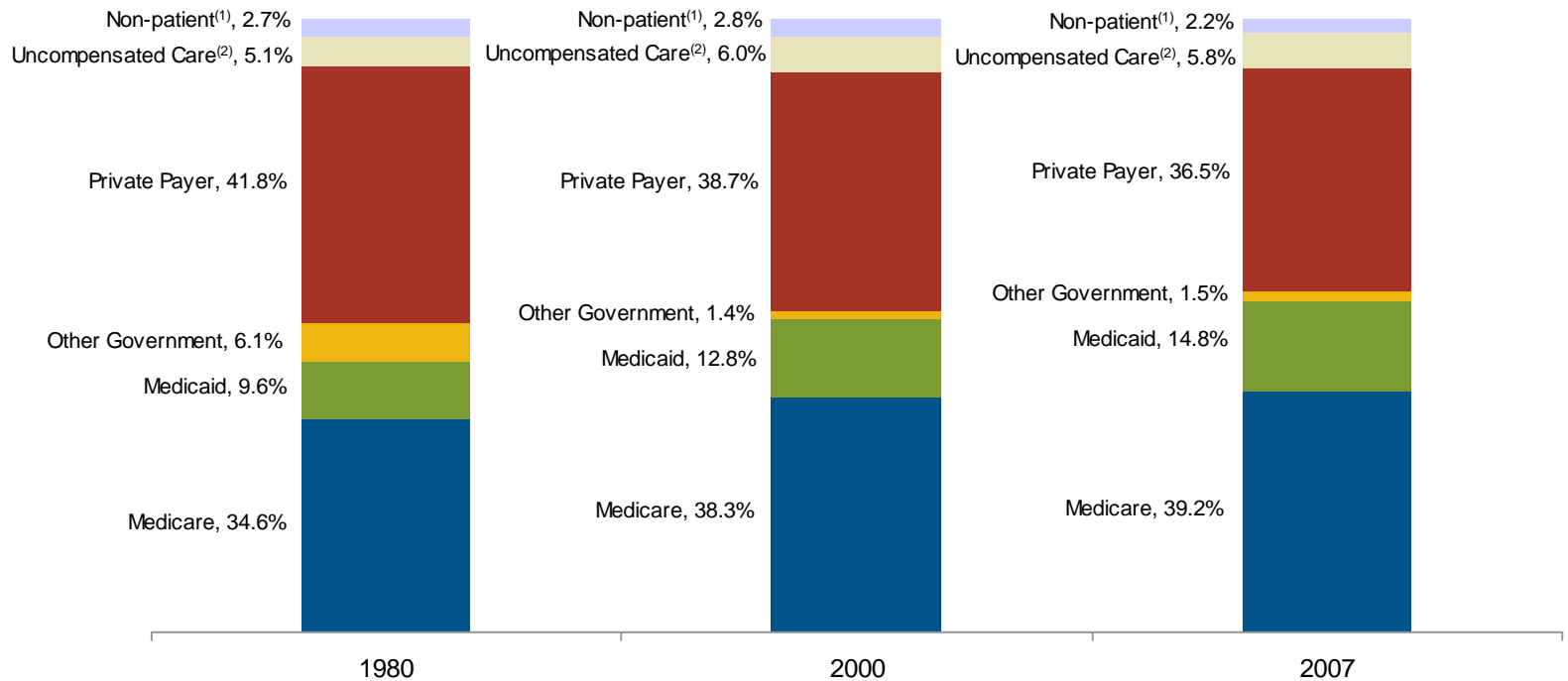
### Chart 4.4: Annual Change in Hospital Operating Revenue and Expenses per Adjusted Admission,<sup>(1)</sup> 1987 – 2007



Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2007, for community hospitals.

<sup>(1)</sup> 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

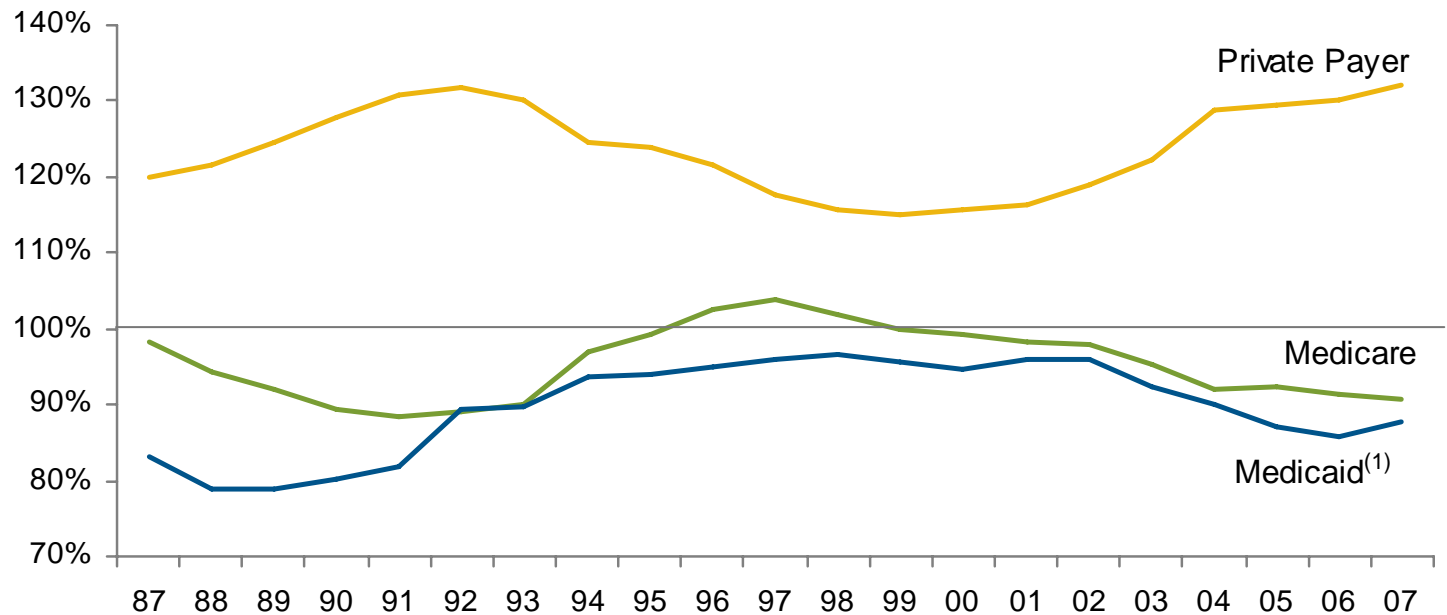


Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2007, for community hospitals.

<sup>(1)</sup> 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.

<sup>(2)</sup> Uncompensated care represents bad debt expense and charity care, at cost.

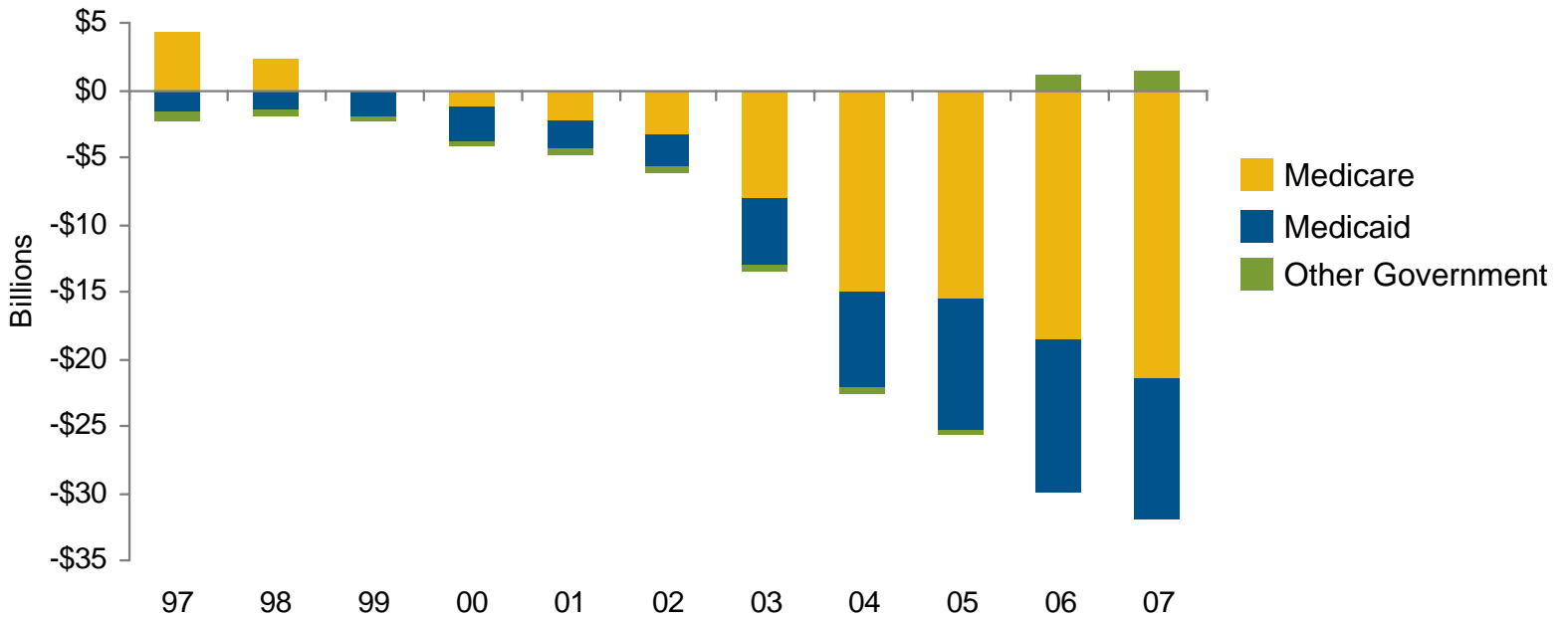
### Chart 4.6: Aggregate Hospital Payment-to-cost Ratios for Private Payers, Medicare, and Medicaid, 1987 – 2007



Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2007, for community hospitals.  
<sup>(1)</sup> Includes Medicaid Disproportionate Share payments.



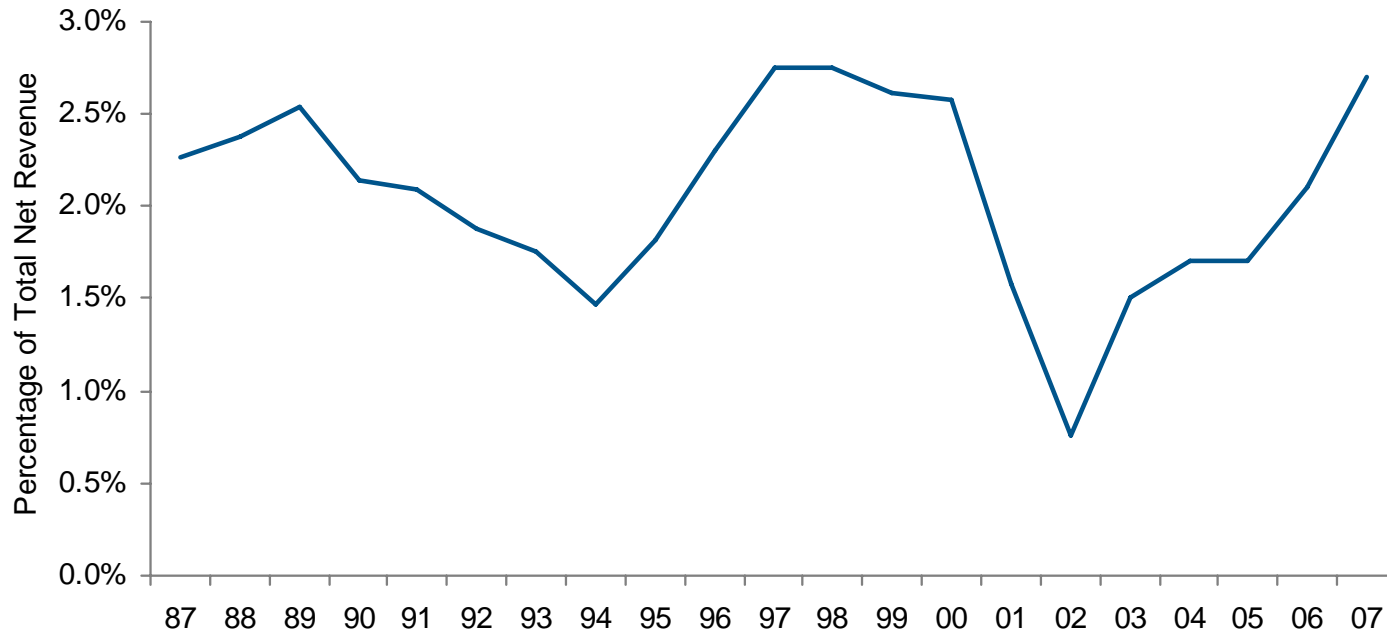
Chart 4.7: Hospital Payment Shortfall Relative to Costs for Medicare, Medicaid, and Other Government, 1997 – 2007<sup>(1)</sup>



Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2007, for community hospitals.

<sup>(1)</sup> Costs reflect a cap of 1.0 on the cost-to-charge ratio.

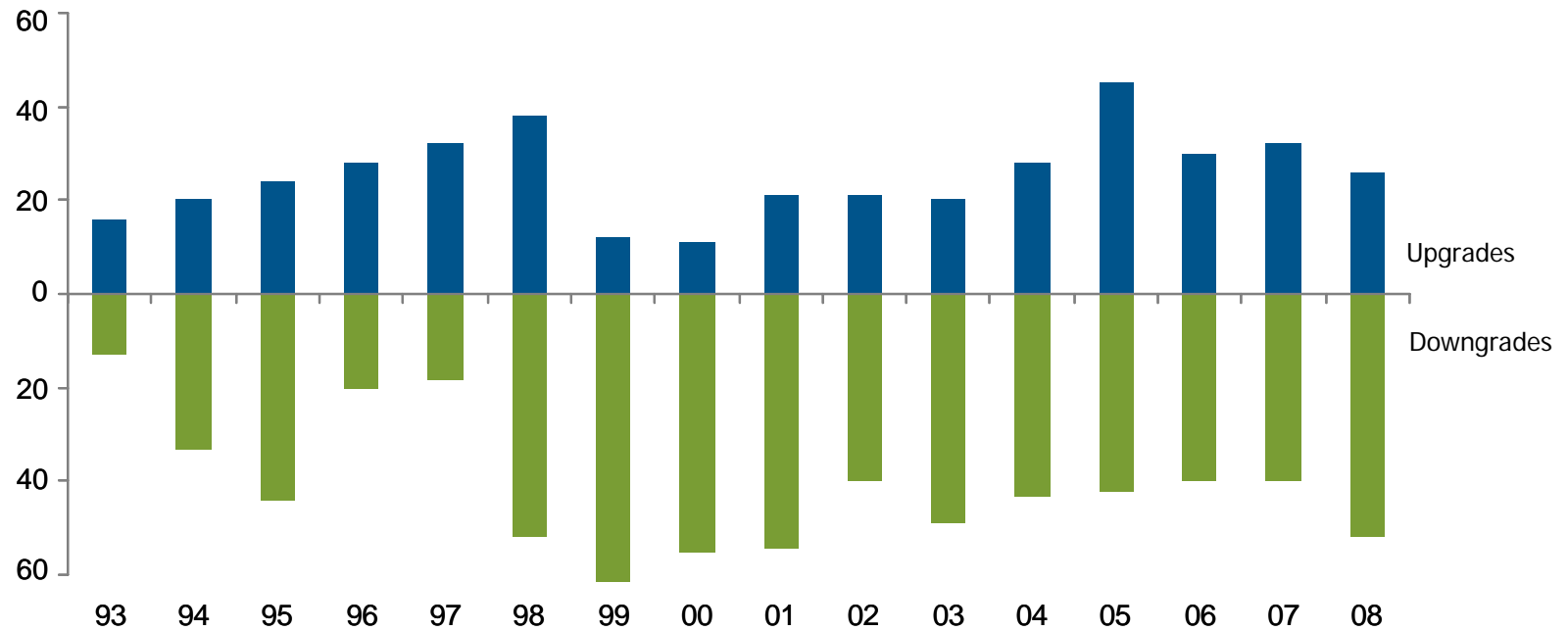
Chart 4.8: Income from Investments and Other Non-operating Gains<sup>(1)</sup> as a Percentage of Total Net Revenue, 1987 – 2007



Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2007, for community hospitals.

<sup>(1)</sup> 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.

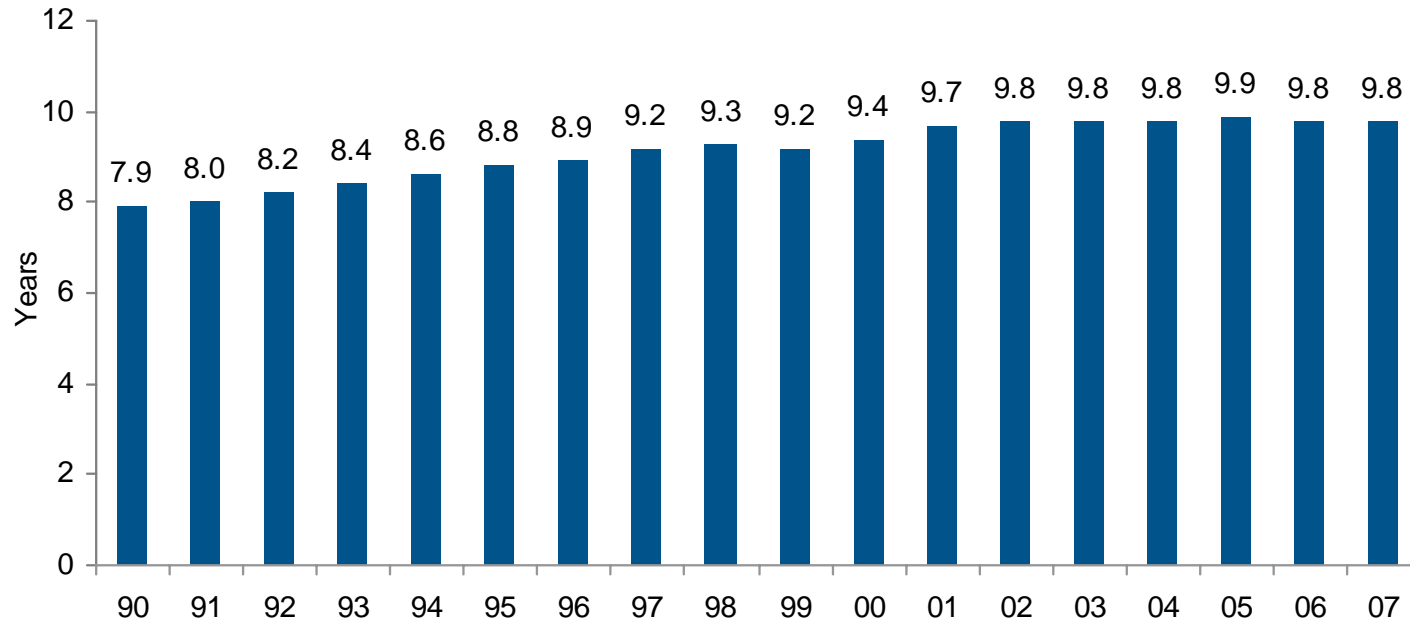
Chart 4.9: Number of Bond Rating Upgrades and Downgrades, Not-for-Profit Health Care<sup>(1)</sup>, 1993 – 2008



Source: Moody's U.S. Public Finance. *Moody's Not-for-Profit Healthcare 2008 Year End Ratings Monitor*.  
Data released January 2009.

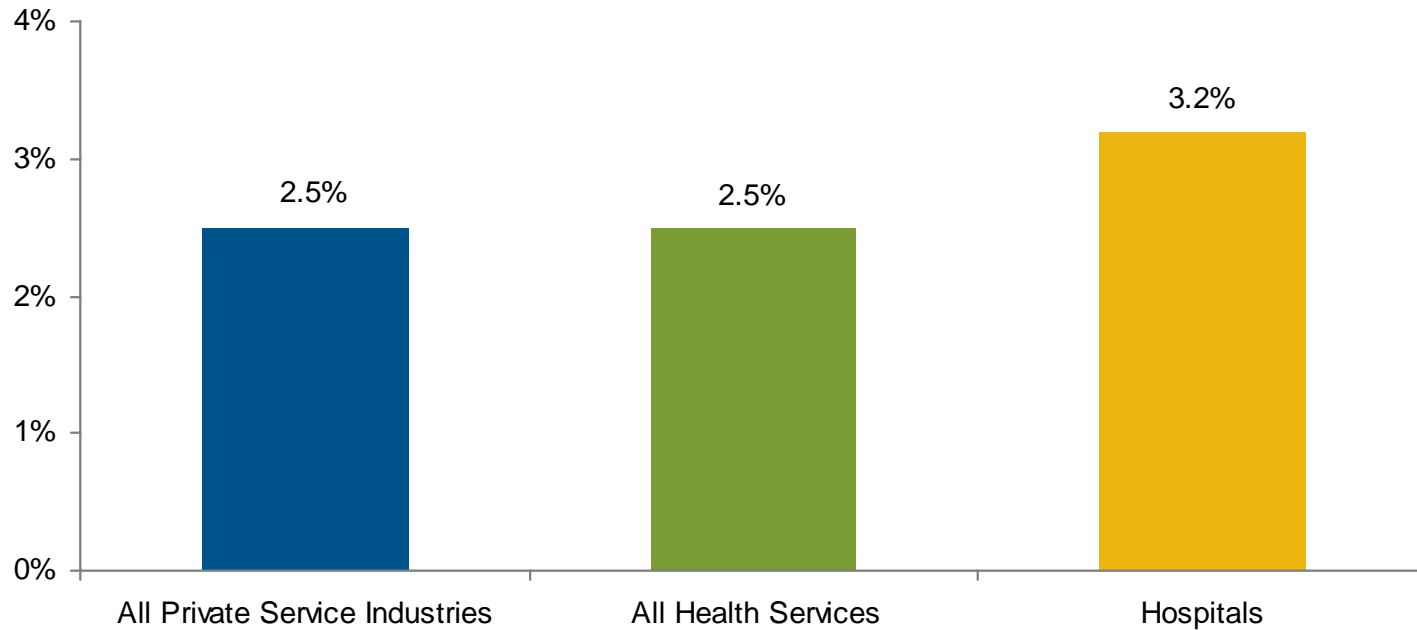
<sup>(1)</sup> Includes stand-alone hospitals, health systems, and human service providers.

Chart 4.10: Median Average Age of Plant, 1990 - 2007



Source: Ingenix, *Almanac of Hospital Financial and Operating Indicators*, 2005, 2008, and 2009 and CHIPS, *The Almanac of Hospital and Financial Operating Indicators*, 1994 and 1996-7.

Chart 4.11: Percent Change in Employment Cost Index<sup>(1)</sup>, All Private Service Industries, All Health Services, and Hospitals, December 2008<sup>(2)</sup>



Source: Bureau of Labor Statistics, Employment Cost Index, 12 months ending December 2008. [www.bls.gov](http://www.bls.gov).

<sup>(1)</sup> Total compensation.

<sup>(2)</sup> Data are for 12 months ending December 2008.