CHAPTER 4
Trends in Hospital Financing
Chart 4.1: Percentage of Hospitals with Negative Total and Operating Margins, 1995 – 2014

Source: Analysis of American Hospital Association Annual Survey data, 2014, for community hospitals.
Chart 4.2: Aggregate Total Hospital Margins\(^{(1)}\) and Operating Margins,\(^{(2)}\) 1994 – 2014

Source: Analysis of American Hospital Association Annual Survey data, 2014, 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.
Chart 4.3: Distribution of Outpatient vs. Inpatient Revenues, 1994 – 2014

Source: Analysis of American Hospital Association Annual Survey data, 2014, for community hospitals.
Chart 4.4: Annual Change in Hospital Operating Revenue and Expenses per Adjusted Admission,\(^{(1)}\) 1994 – 2014

Source: Analysis of American Hospital Association Annual Survey data, 2014, 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 2014

Source: Analysis of American Hospital Association Annual Survey data, 2014, 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.

(3) Private payer formulas were updated in 2014 to account for the change in bad debt calculations, which is now reported as a deduction from revenue rather than an expense.

(4) Percentages were rounded, so they do not add to 100 percent in all years.
Chart 4.6: Aggregate Hospital Payment-to-cost Ratios for Private Payers, Medicare, and Medicaid, 1994 – 2014

Source: Analysis of American Hospital Association Annual Survey data, 2014, for community hospitals.

(1) Includes Medicaid Disproportionate Share payments.
(2) Includes Medicare Disproportionate Share payments.
Chart 4.7: Hospital Payment Shortfall Relative to Costs for Medicare, Medicaid and Other Government, 1997 – 2014

Source: Analysis of American Hospital Association Annual Survey data, 2014, 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, 1994 – 2014

Source: Analysis of American Hospital Association Annual Survey data, 2014, 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, 1995 – 2015

Source: Email correspondence with Moody’s Investors Services.
Chart 4.10: Median Average Age of Plant, 1994 – 2014

Chart 4.11: Percent Change in Employment Cost Index,\(^{(1)}\) All Private Service Industries, All Health Services and Hospitals, 2006 – 2015\(^{(2)}\)


\(^{(1)}\) Total compensation.

\(^{(2)}\) Data represent annualized 12 month percent change.