

# THE IMPACT OF THE ECONOMIC CRISIS ON HEALTH SERVICES FOR PATIENTS AND COMMUNITIES

**For most Americans**, today's economic woes are like none they have experienced. The same is true for the nation's health care system. As the economy worsens, fewer patients are seeking inpatient, surgical and emergency hospital care, and more patients are unable to pay for the care they do receive. As a result, hospitals are being challenged in their mission of meeting the health needs of their communities. Comparing DATABANK data from the fourth quarter of 2008 against data for the same period in 2007 highlights how today's difficult environment is affecting care for real people.

Hospitals that reported to DATABANK are seeing fewer patients overall in many services, a potential indication that individuals are putting off care as family budgets become tighter and/or health care coverage is less generous or lost altogether. When an

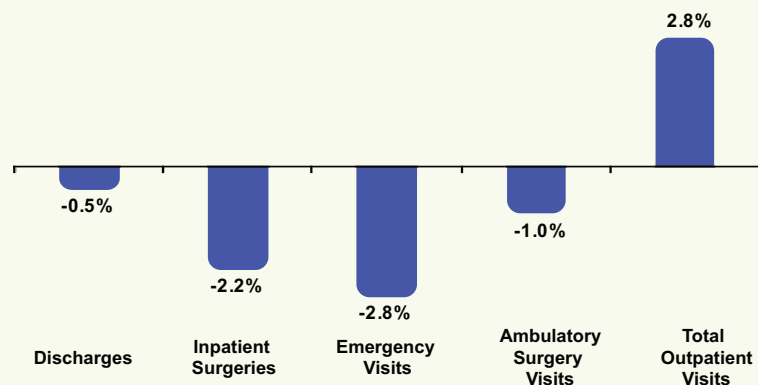
individual loses his or her job, often an entire family loses its health insurance. The data also show an increase of 6.6 percent in the cost of care for which no payment was received, demonstrating hospitals' role as the safety net for their communities.

At the same time, hospitals, like all Americans, have less income from investments. Gains

on investments traditionally have helped hospitals subsidize losses from patient care, particularly from Medicare and Medicaid, which cover more than half of patients served but pay substantially less than the cost of caring for patients. The sharp decline in the value of stock and other investments has turned these gains to losses and hospitals have

## Fewer patients are seeking care for many services compared to the same quarter last year.

Percent Change in Volume, 4<sup>th</sup> Quarter 2007 vs. 4<sup>th</sup> Quarter 2008



Source: DATABANK, 658 hospitals reporting data for both 4<sup>th</sup> Quarter 2007 and 4<sup>th</sup> Quarter 2008 as of 2/25/2009.

This report looks at data for a constant panel of 658 hospitals reporting to DATABANK for the fourth quarter of 2008 versus the fourth quarter of 2007. DATABANK is a Web-based reporting system developed by the Colorado Hospital Association that is now licensed in 28 states. While the sample is not nationally representative, it serves as a leading indicator of hospital performance nationwide.

seen their reserves – or savings that hospitals build up over time – depleted.

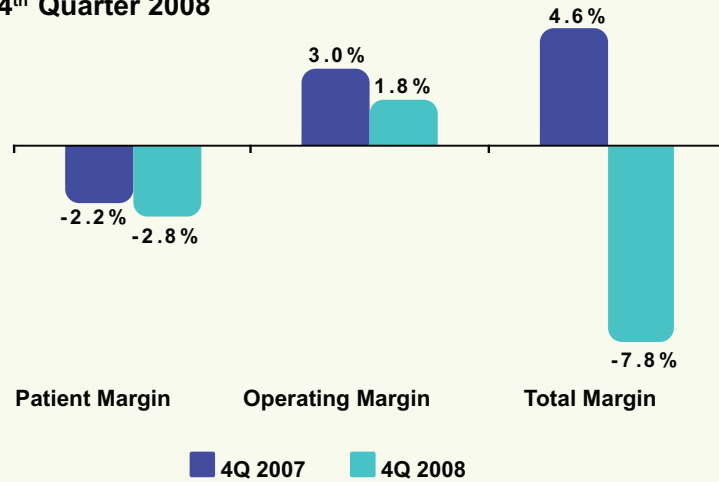
The loss of reserves and higher interest expenses are making it harder to fund the capital projects needed to ensure hospital facilities and equipment can continue to meet the growing and changing needs of communities and keep pace with advances in medicine. According to DATABANK, the cost of borrowing jumped 12 percent for the fourth quarter of 2008 compared to the same period in 2007.

Most troubling from the new data, more than half of reporting hospitals were in the red in the fourth quarter of 2008 – raising concerns about the impact on hospital services and jobs as they struggle to make ends meet.

The effects of the economic downturn, the subsequent rise in unemployment and the loss of job-based health insurance have impacted hospitals like never before. Patients count on their local hospital in times of need and hospitals' ability to care for their communities is compromised as turmoil in the economy and capital markets continues.

## The financial health of hospitals is declining.

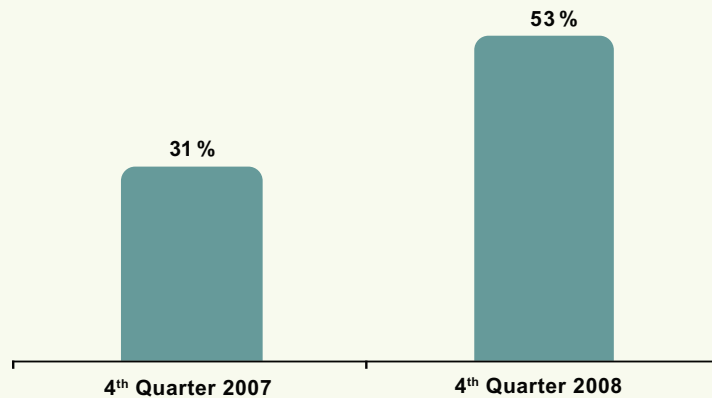
**Total, Operating and Patient Margins, 4<sup>th</sup> Quarter 2007 vs. 4<sup>th</sup> Quarter 2008**



Source: DATABANK, 658 hospitals reporting data for both 4<sup>th</sup> Quarter 2007 and 4<sup>th</sup> Quarter 2008 as of 2/25/2009.

## Hospitals are struggling to make ends meet with more than half in the red.

**Percent of Hospitals with a Negative Total Margin, 4<sup>th</sup> Quarter 2007 vs. 4<sup>th</sup> Quarter 2008**



Source: DATABANK, 658 hospitals reporting data for both 4<sup>th</sup> Quarter 2007 and 4<sup>th</sup> Quarter 2008 as of 2/25/2009.



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