



American Hospital Association

The Economic Crisis: Ongoing Monitoring of Impact on Hospitals

Results of AHA Rapid Response Survey, August/September 2009

November 11, 2009

Executive Summary

- **The economy is taking its toll on the patients and communities hospitals serve. For the majority of hospitals:**
 - The proportion of emergency department patients without insurance is increasing.
 - A higher proportion of patients are unable to pay for care and many hospitals are seeing more patients covered by Medicaid and other public programs for low income populations.
 - Fewer patients are seeking inpatient and elective services raising concerns that individuals are putting off needed care.
 - Community need for subsidized services such as clinics, screenings and outreach is increasing even as charitable contributions are down for many hospitals.
- **Nine in 10 hospitals have made cutbacks to address economic concerns.**
 - More than half have reduced staff.
 - Eight in 10 have cut administrative expenses.
 - One in five have reduced services communities depend on including behavioral health, post acute care, clinic, patient education and other services that require subsidies.

Executive Summary (cont.)

- **Despite these actions, seven of 10 hospitals report a decline in overall financial health which will impact their ability to care for their communities.**
 - 34 percent of hospitals expect losses in the first half of 2009 up from 29 percent for the same period last year.
 - Indicators of the ability of hospitals to meet their financial obligations are slipping.
- **Some hospitals are beginning to see improvement in the capital situation since December of last year.**
 - Since the beginning of 2008, seven in 10 hospitals have cut capital spending for facility upgrades, clinical technology and/or information technology.
- **Eight in 10 hospitals report an increase in the degree to which physicians are seeking the financial support of hospitals including on-call pay and/or employment.**

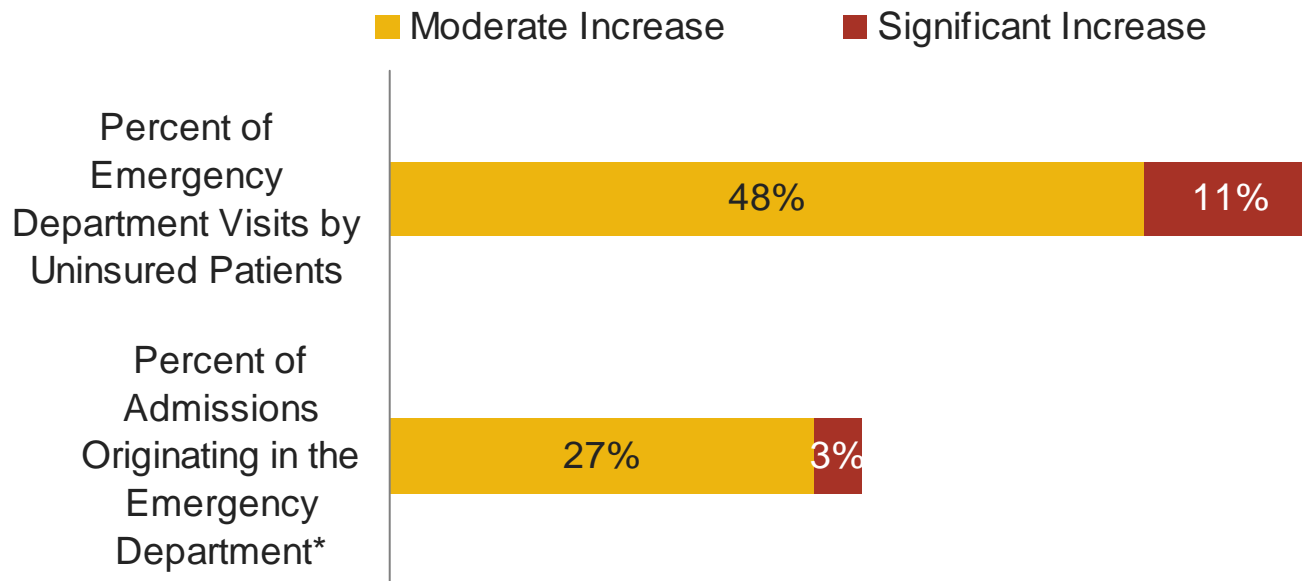


Methodology

- **AHA Survey, *The Economic Crisis: Ongoing Monitoring of Impact on Hospitals***
 - Survey was sent to all community hospital CEOs in August 2009 via fax and e-mail.
 - Data was collected through September 8, 2009.
 - 768 responses were received.
 - Respondents were broadly representative of universe of community hospitals.
- Data on employment trends came from the Bureau of Labor Statistics.

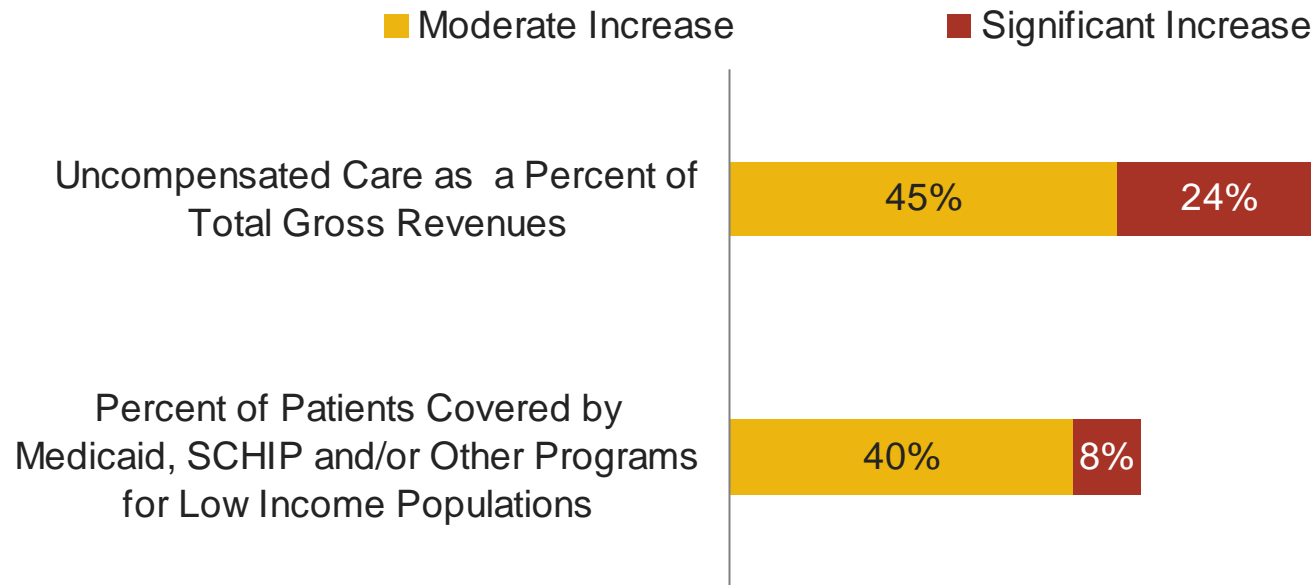
The proportion of emergency department patients without insurance is increasing for six out of 10 hospitals.

Use of Emergency Department by Uninsured Patients and Admissions Originating in the Emergency Department, 2009 June Year to Date versus Same Period Last Year



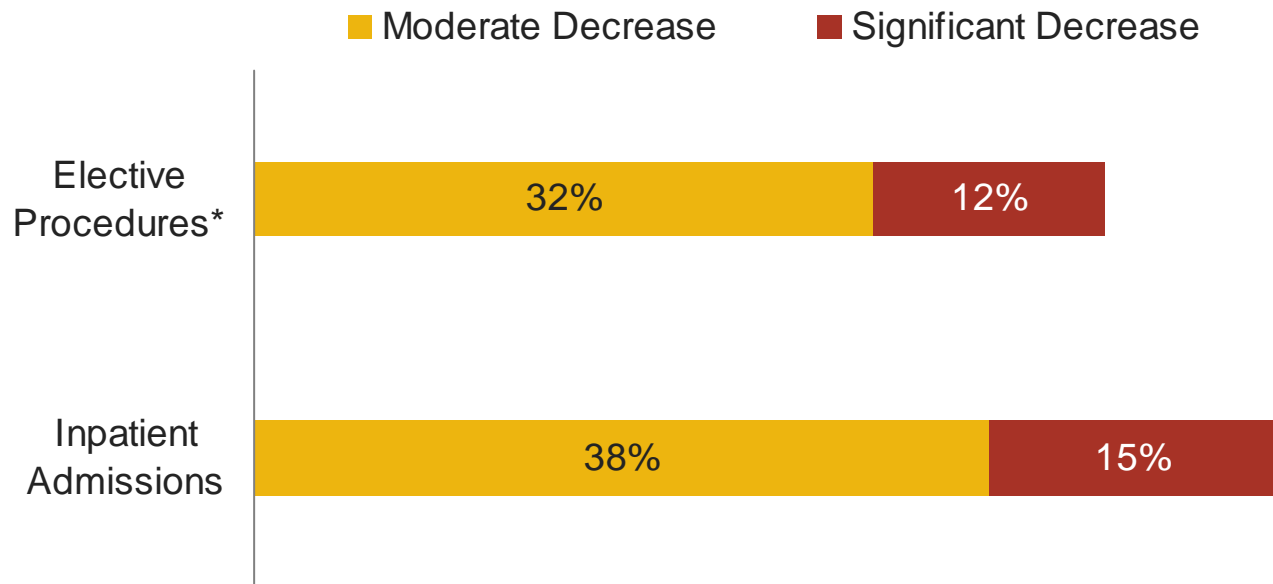
The proportion of patients unable to pay for care or covered by Medicaid or other public programs for low income populations is increasing for many hospitals.

Change in Uncompensated Care and Patients Covered by Medicaid and Other Programs for Low Income Populations, 2009 June Year to Date versus Same Period Last Year



The majority of hospitals report fewer patients are seeking inpatient and elective care.

Percent of Hospitals Reporting a Moderate to Significant Decrease in Patients Served, 2009 June Year to Date versus Same Period Last Year



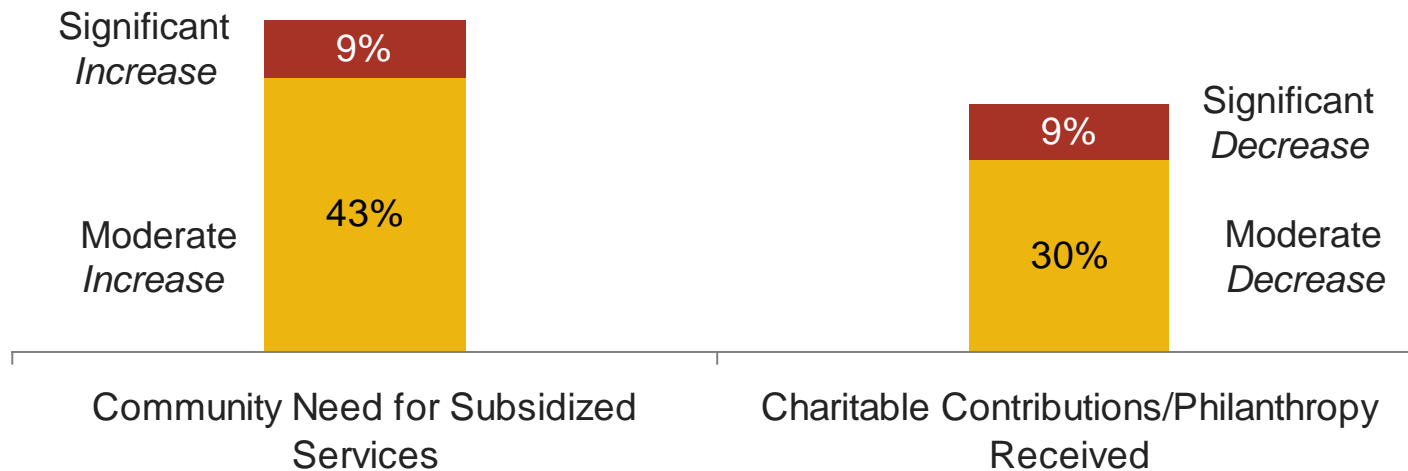
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* "Elective" refers to procedures that are scheduled in advance as opposed to performed on an emergency basis.

Source: AHA. (August 2009). Rapid Response Survey, The Economic Crisis: Ongoing Monitoring of Impact on Hospitals.

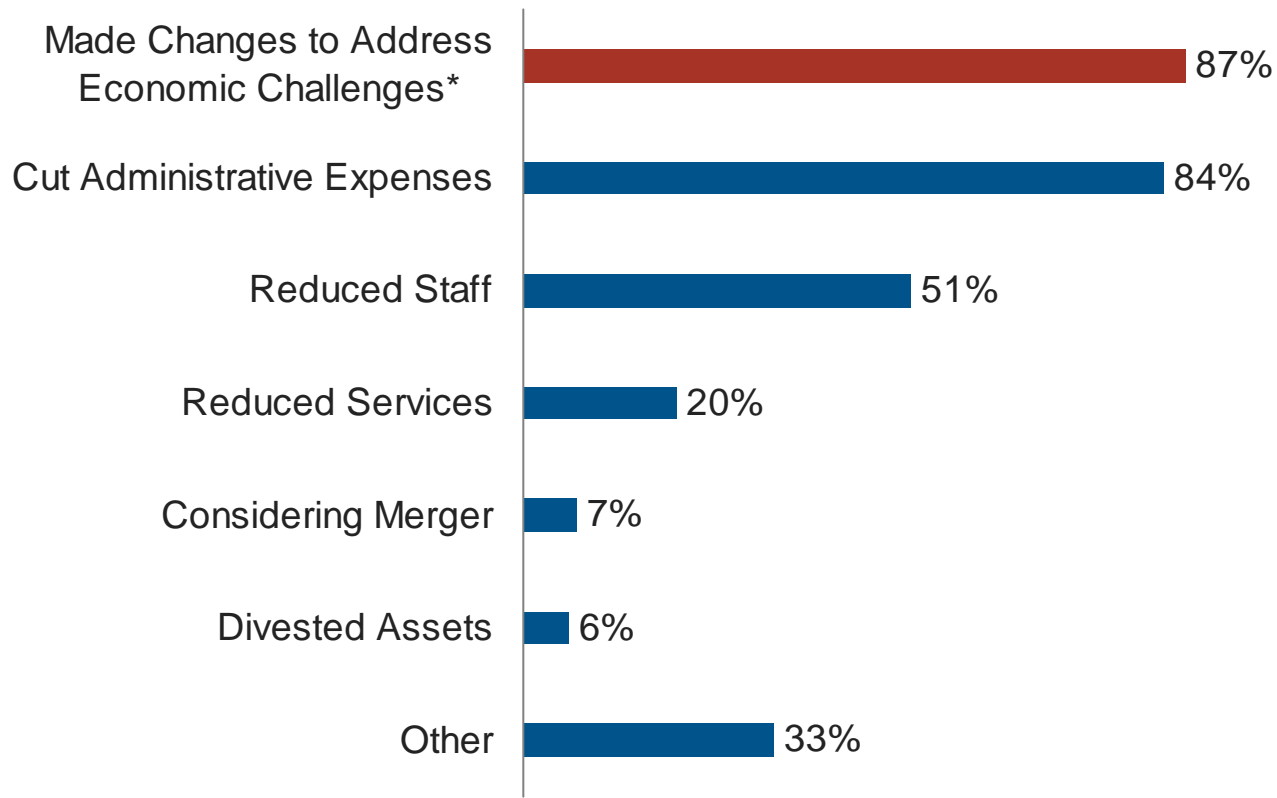
Over half of hospitals are seeing an increased need for subsidized services, such as clinics, screenings and outreach, even while many are receiving less philanthropic support.

Percent of Hospitals Reporting a Moderate to Significant *Increase* in the Need for Subsidized Services and a Moderate to Significant *Decrease* in Charitable Contributions and Philanthropy Received, 2009 June Year to Date versus Same Period Last Year



Nearly nine in 10 hospitals have made cutbacks to address economic challenges.

Percent of Hospitals Making Changes in Response to Economic Concerns since June 2008

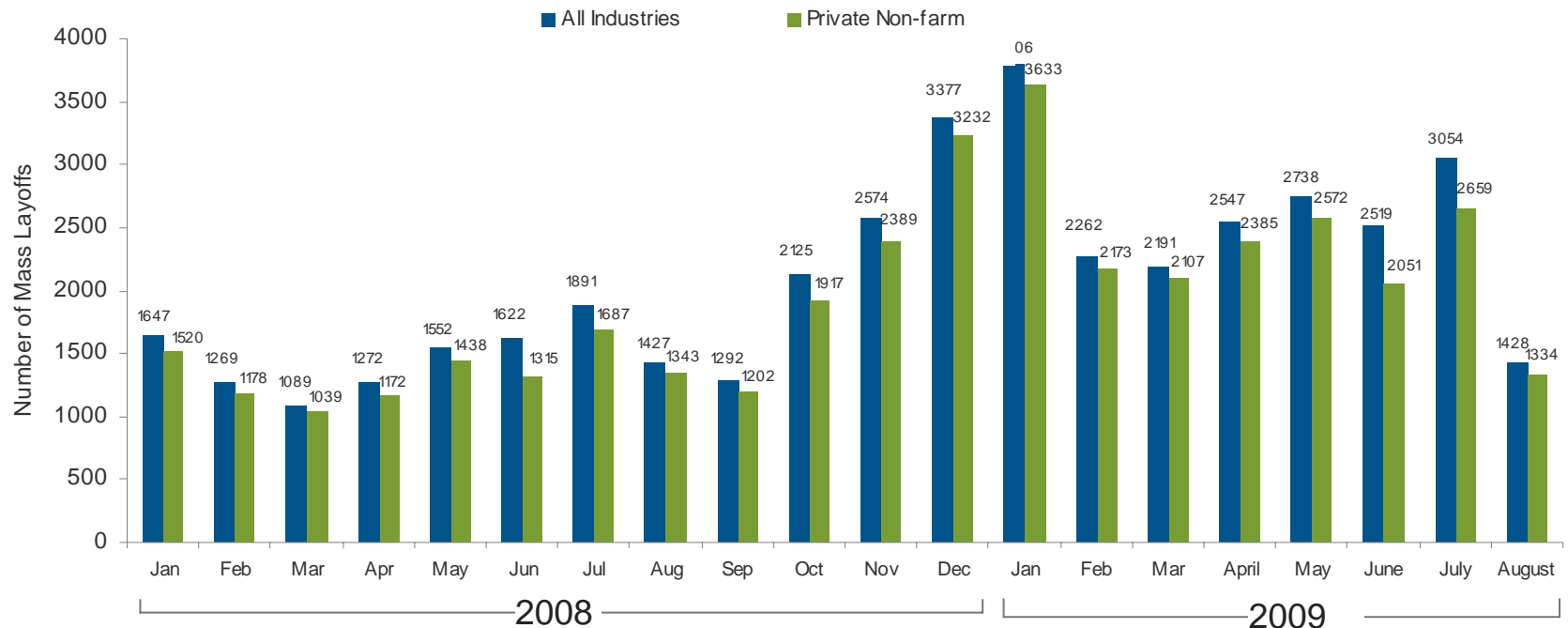


*Percent of hospitals making at least one of above changes to weather the economic storm.

Source: AHA. (August 2009). Rapid Response Survey, The Economic Crisis: Ongoing Monitoring of Impact on Hospitals.

Bureau of Labor Statistics data confirm that hospital employment is no longer growing...

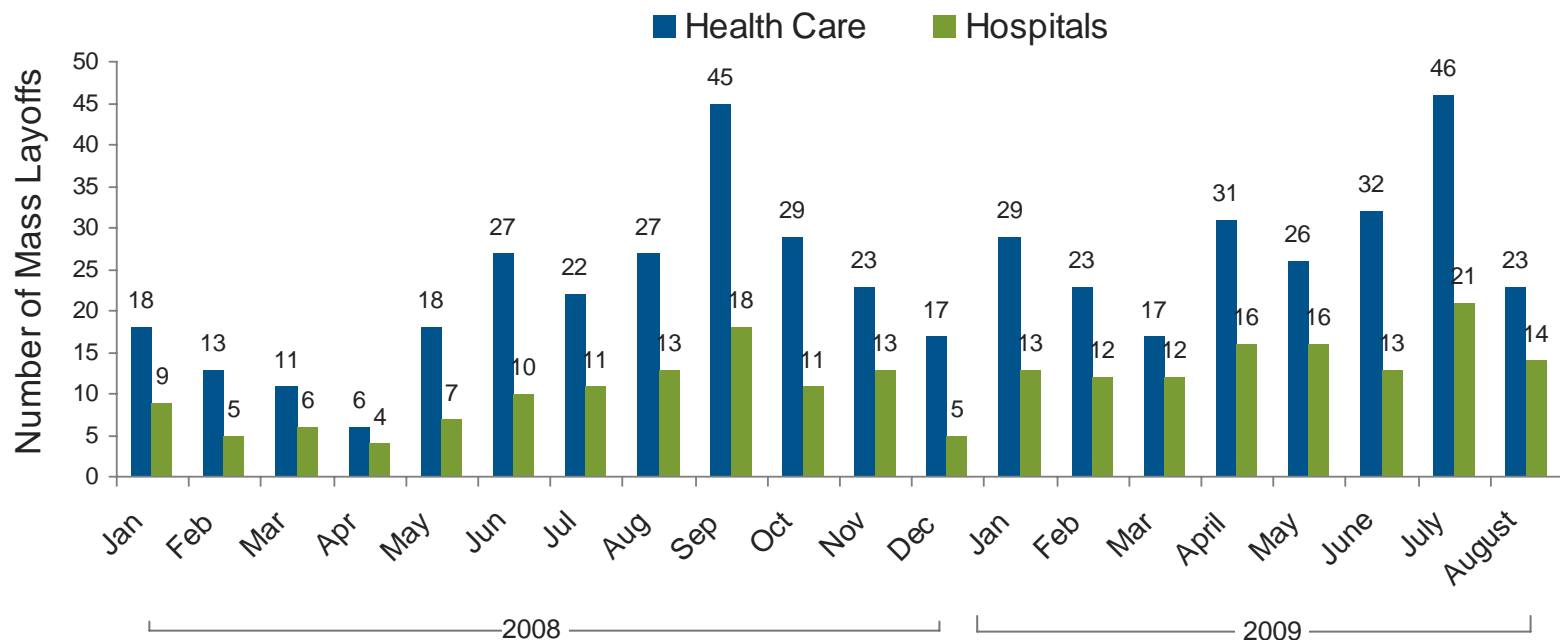
Percent Change in Employment, Seasonally Adjusted: Hospital vs. All Industries (Total Non-farm), 2008-2009



Source: Department of Labor, Bureau of Labor Statistics. (2009). Link: <http://www.bls.gov/bls/employment.htm>.

...and the number of mass layoffs reported for hospitals in this year has been significantly higher than last year.

Mass Layoffs*: Hospitals and Health Care, 2008-2009

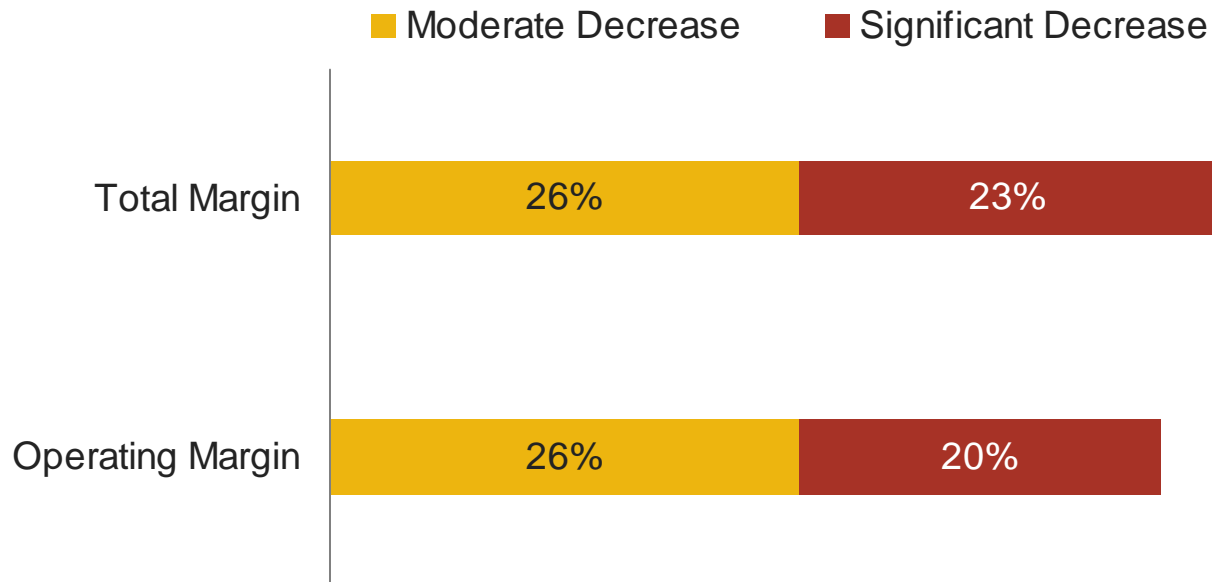


*An action involving 50 or more people at a single employer.

Source: Department of Labor, Bureau of Labor Statistics. (2009).
 Link: <http://data.bls.gov/PDQ/outside.jsp?survey=ml>. Data not seasonally adjusted.

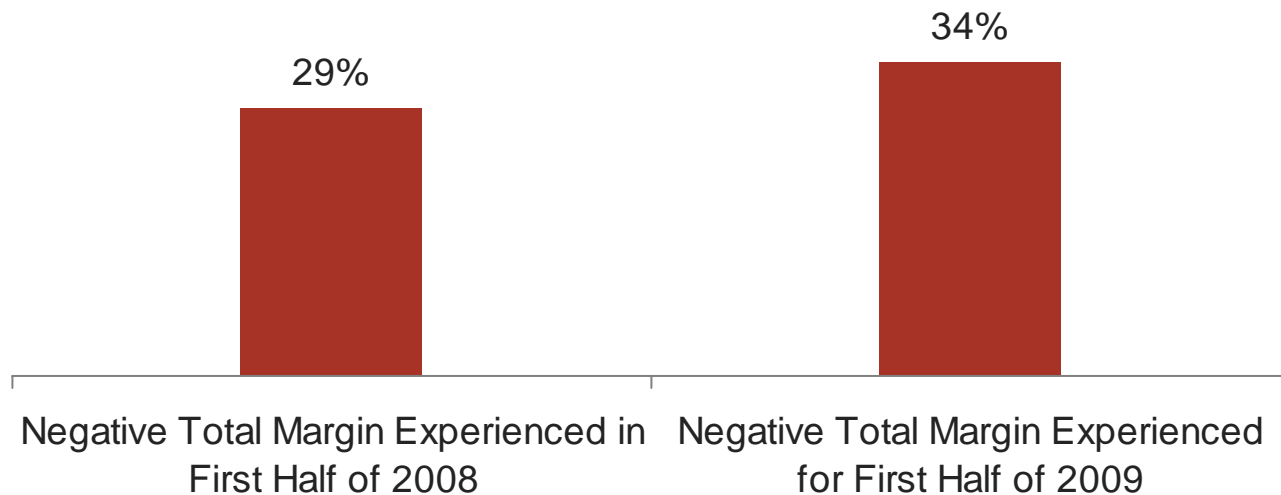
Nearly half of hospitals are seeing a decline in financial health...

Percent of Hospitals Reporting a Moderate to Significant *Decrease* in Total and Operating Margin, 2009 June Year to Date versus Same Period Last Year



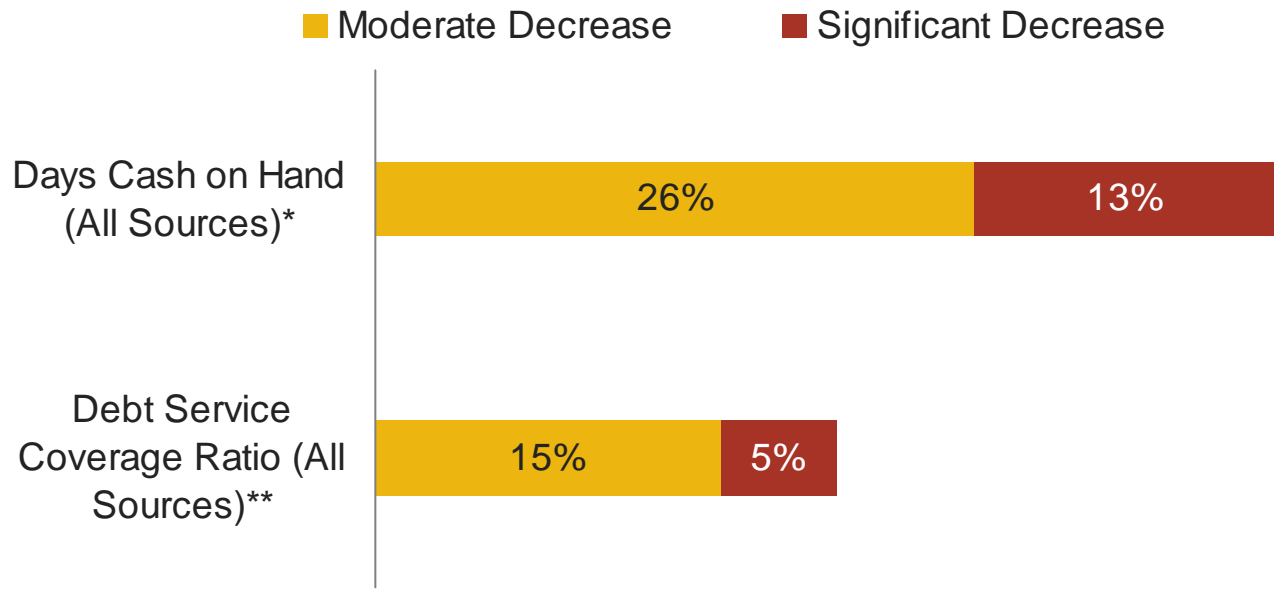
... with over a third percent experiencing losses in the first half of 2009, jeopardizing care for communities.

Percent of Hospitals Reporting a Negative Total Margin, 2009 June Year to Date versus Same Period Last Year



Financial measures important to creditors are slipping. If key measures fall below a certain level, creditors can require immediate repayment of borrowed money.

Percent of Hospitals Reporting a Moderate to Significant Decrease in Days Cash on Hand and Debt Service Coverage Ratio, 2009 June Year to Date versus Same Period Last Year



*How long a hospital could continue to meet its financial obligations if all revenues stopped.

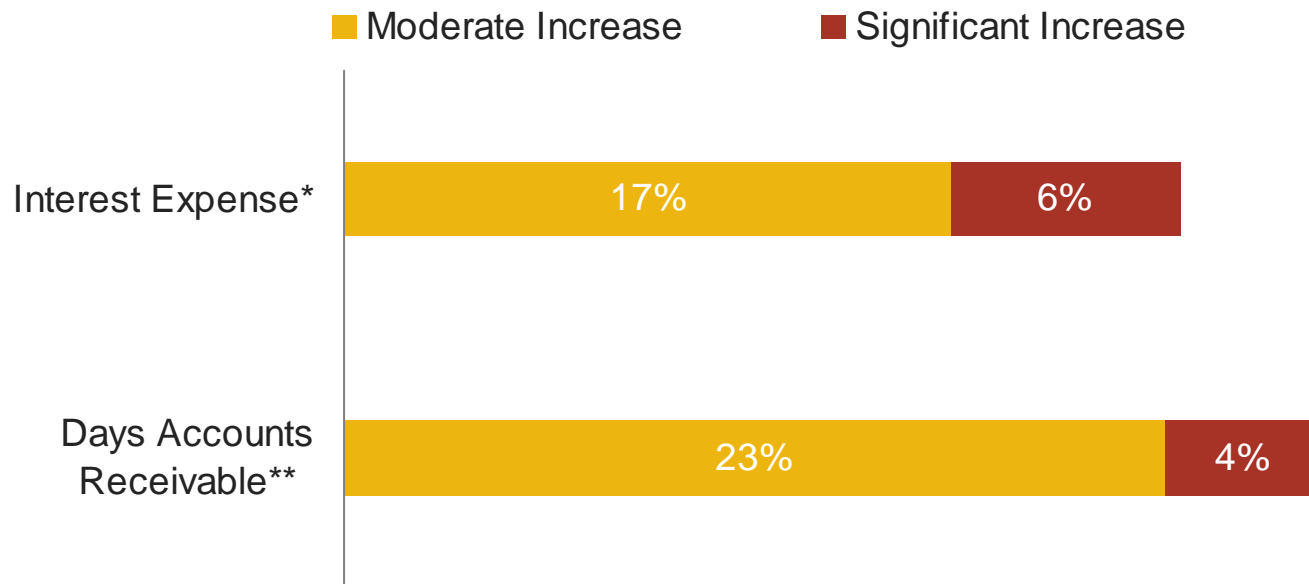
**The ratio of a hospital's annual net income to the amount it must pay its creditors—a key measure of a hospital's ability to meet its financial obligations.

Source: AHA. (August 2009). Rapid Response Survey, The Economic Crisis: Ongoing Monitoring of Impact on Hospitals.



Many hospitals are seeing an increase in interest expense at the same time payments from insurers are coming in more slowly.

Percent of Hospitals Reporting a Moderate to Significant Increase in Interest Expense and Days in Accounts Receivable, 2009 June Year to Date versus Same Period Last Year



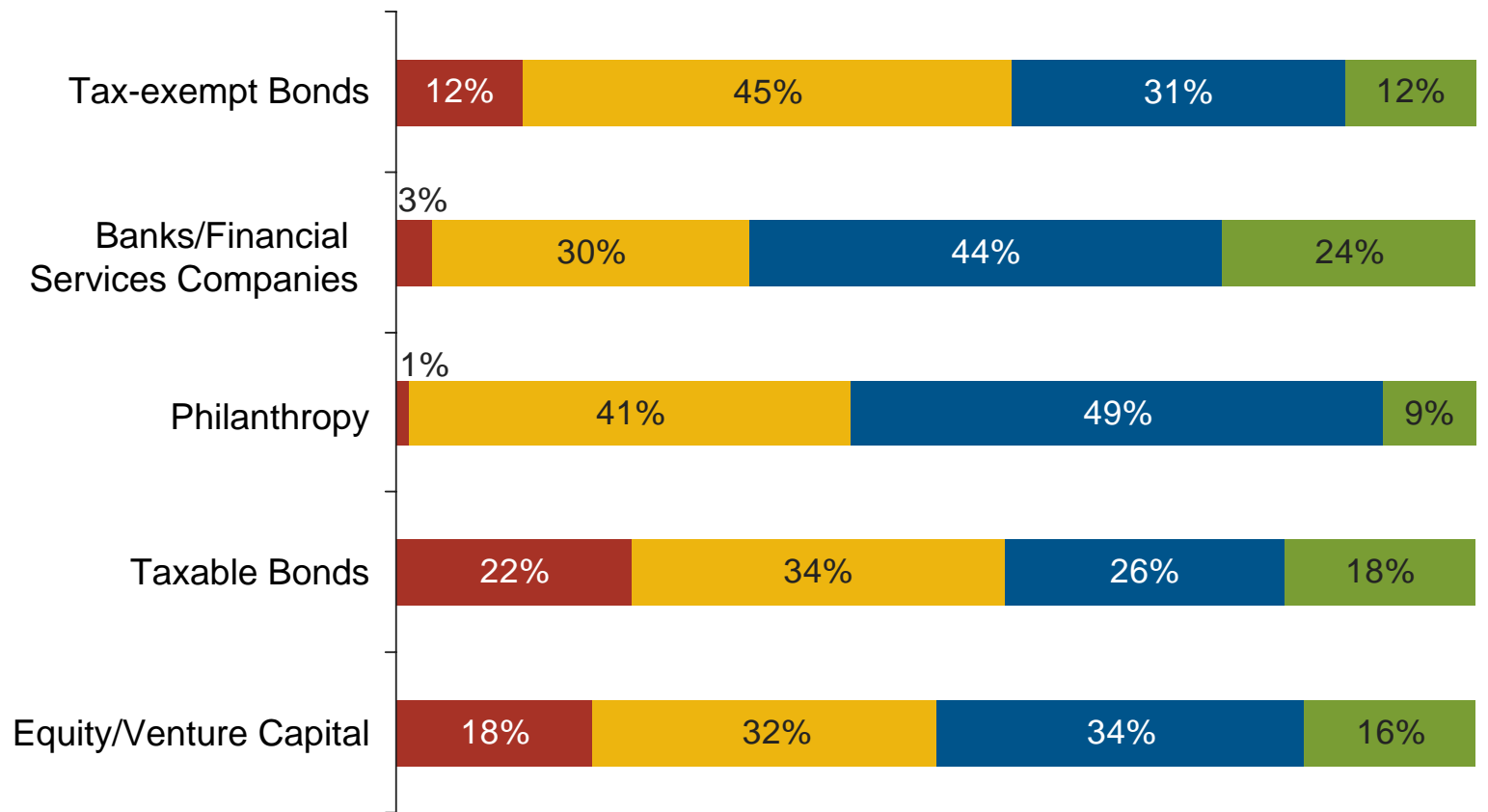
*Amount hospitals pay in interest on borrowed money.

**Average number of days it takes for a hospital to receive payment for services.

Source: AHA. (August 2009). Rapid Response Survey, The Economic Crisis: Ongoing Monitoring of Impact on Hospitals.

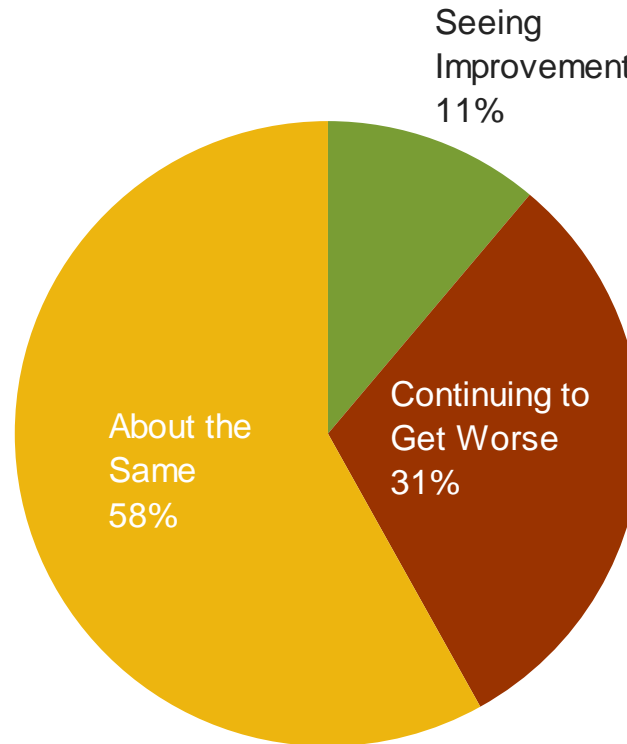
In a December survey, many hospitals reported that it was significantly more difficult or even impossible to access tax-exempt bonds and other sources of capital to make improvements.

Percent of Hospitals* Finding Access to Various Types of Capital More Difficult, December/January 2009



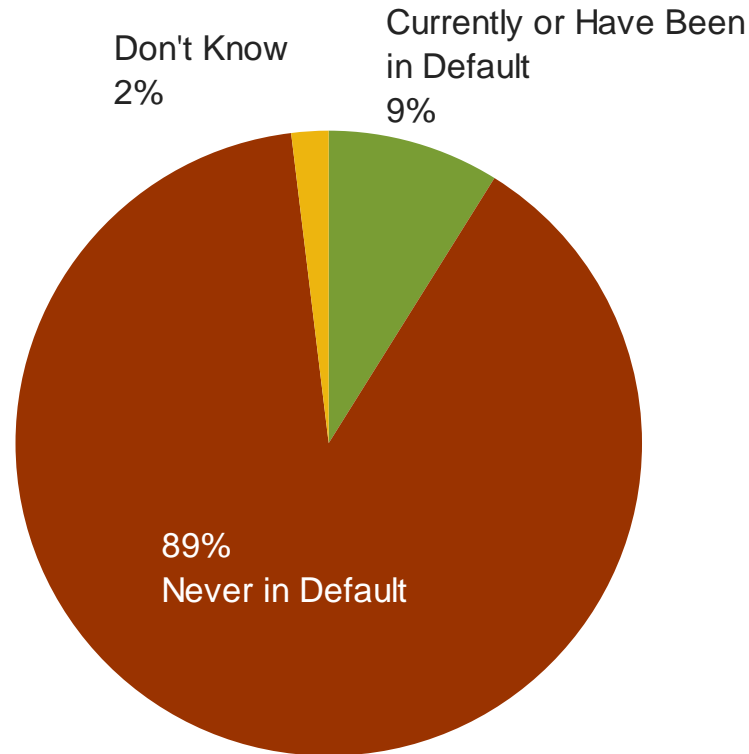
A small percentage of hospitals are beginning to see improvement in the capital situation.

Percent of Hospitals Reporting Change in Ability to Access Capital Since December 2008



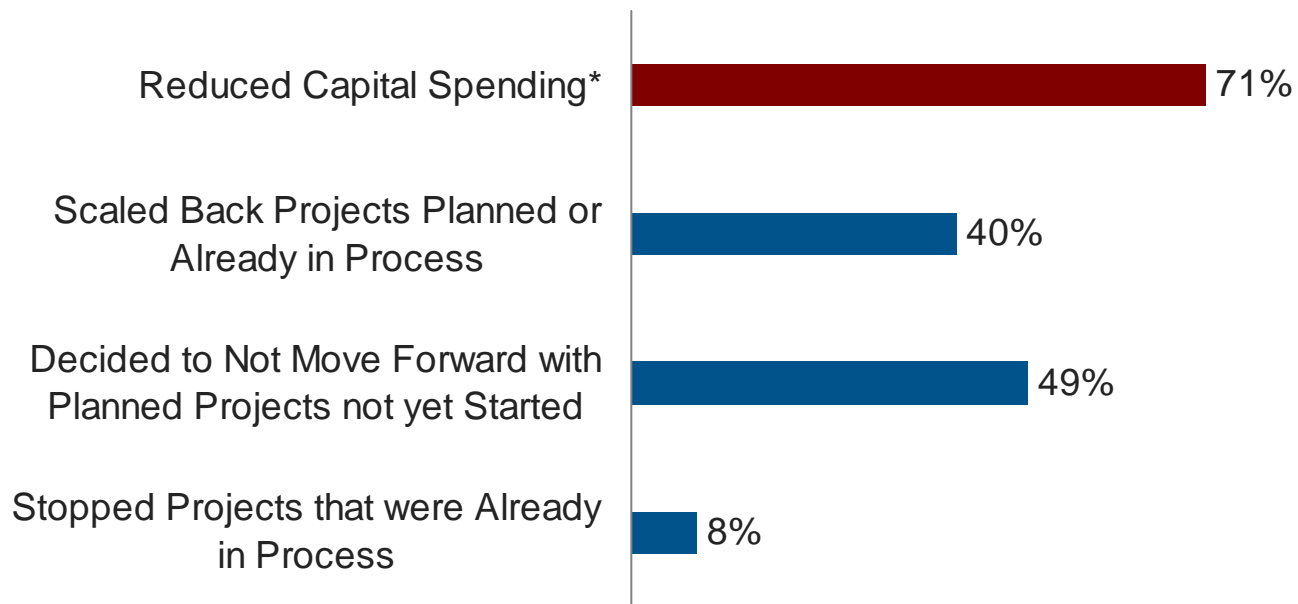
A small percentage of hospitals have found themselves in technical default on bond covenants.

Percent of Hospitals that Are or Have Been in Technical Default on Bond Covenants Since September of 2008



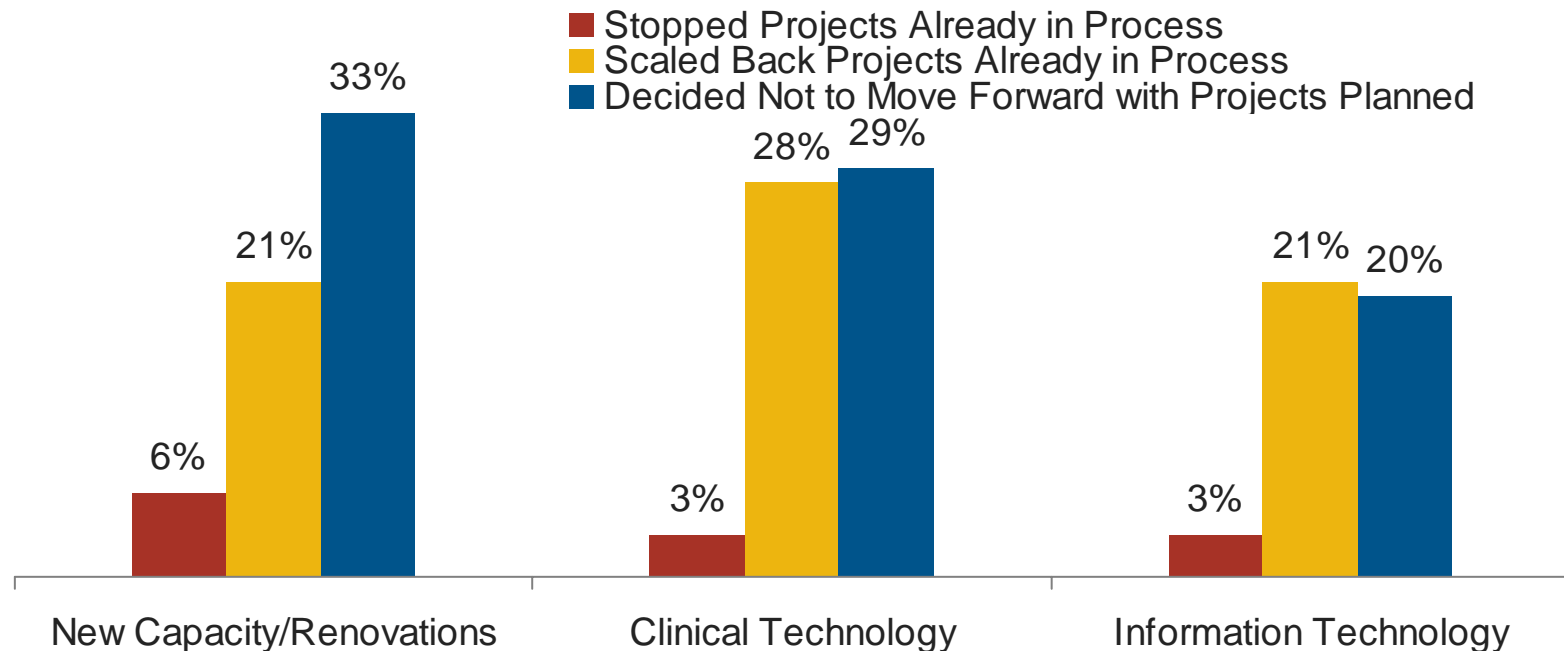
More than 7 of 10 hospitals have stopped, postponed or scaled back projects planned or already in progress.

Percent of Hospitals Reducing Expenditures on Capital Projects because of the Capital Crisis Beginning Early in 2008



Fewer hospitals are scaling back on information technology than clinical technology and new capacity/renovations.

Percent of Hospitals Reporting a Change in Capital Plans since Capital Crisis Began in Early 2008



Stress on physicians is evident as more are seeking the financial support of hospitals.

Percent of Hospitals Reporting an Increase in the Degree to which Physicians are Seeking Financial Support from Hospitals Since Economic Conditions Began to Deteriorate in September 2008

