

## Washington Hospitals Report Strong Margins Through September 30, 2009

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For Washington hospitals, 2009 is turning out to be a very good year. Figures compiled by the Washington Healthcare News from January 1, 2009 through September 30, 2009, show healthy margins for nineteen of the twenty largest hospitals. The largest margin, in terms of dollars, was reported by Swedish Medical Center with \$116 million. Multicare Good Samaritan led hospitals in terms of percentage (margin/total revenues) with a 13.5% margin.

Is this good news unique to Washington State? Apparently not.

According to a national analysis of four hundred hospitals by Thomson Reuters<sup>1</sup>, the median

profit margin of U.S. hospitals increased from near zero in the third quarter of 2008 to more than eight percent in the second quarter of 2009. The study noted liquidity had improved significantly with the median days-cash-on-hand increasing from 90 days in the first quarter of 2009 to 146 days in the second quarter. Labor costs were down approximately 2.25 percent in the second quarter of 2009 due to a reduction of patient lengths of stay. At the same time, mean patient discharge volumes moved into positive territory in the second quarter of 2009.

"U.S. hospitals are on track to come out of the recession in better financial shape than they were in when the downturn began," said Gary Pickens, PhD, chief research officer at Thomson Reuters and one of the study's authors. "When we published our first analysis of hospital economic health in the fall of 2008, hospitals were facing unprecedented economic stress and staring down a real crisis. Now, by taking aggressive measures to reduce costs, the majority of hospitals are positioned for a strong recovery."

In Washington State, financial leaders at several hospitals shared the factors contributing to

their financial results.

Jeannine Grinnell, Vice President of Finance, for Valley Medical Center in Renton said, "Valley Medical Center was profitable through September 2009 and it has continued through December. For 2010, we are budgeting a positive bottom line, but we are not anticipating the same kind of results as 2009."

Suzanne Anderson, Chief Financial Officer and Chief Information Officer of Virginia Mason Medical Center in Seattle noted, "We have been profitable in 2009 due to three major factors:

1. Our continued commitment to the Virginia Mason Production System as a way to eliminate waste from our processes. Eliminating waste, in turn, reduces costs.
2. Favorable trends in Professional Liability as a result of our commitment to patient safety and quality.
3. Conservative management of expenses in a period of economic uncertainty. In particular we focused on efficient use of staffing and medical supply resources."

Anderson anticipated a strong fin-

# Washington State Hospital Financial Information<sup>1</sup>

## Year-to-Date 09-30-09

Hospital Name	State	Total Charges YTD 09-30-09	Total Margin YTD 09-30-09	Total Margin/ Total Charges 09-30-09	Total Discharges YTD 09-30-09	Total Days YTD 09-30-09
Swedish Medical Center - Seattle	WA	\$1,854,435,795	\$115,825,492	6.2%	24,078	102,100
Providence Sacred Heart Medical Ctr.	WA	\$1,354,238,408	\$31,294,667	2.3%	23,573	120,537
Providence Everett Medical Center	WA	\$1,011,552,766	\$26,560,274	2.6%	19,406	75,757
St. Joseph Medical Center - Tacoma	WA	\$1,362,138,632	\$54,479,162	4.0%	17,604	76,842
Overlake Hospital Medical Center	WA	\$647,180,119	\$31,645,041	4.9%	16,169	55,174
University of WA Medical Ctr.	WA	\$936,698,635	\$47,879,688	5.1%	15,739	76,467
Providence St. Peter Hospital	WA	\$849,138,747	\$20,972,541	2.5%	15,413	67,721
Harborview Medical Center	WA	\$1,058,655,000	\$6,983,000	0.7%	15,075	102,382
Tacoma General Allenmore Hospital	WA	\$1,352,275,806	\$49,104,867	3.6%	14,259	66,118
Virginia Mason Medical Center	WA	\$1,049,353,714	\$22,517,690	2.1%	12,668	63,063
Valley Medical Center	WA	\$658,906,881	\$12,987,579	2.0%	12,235	42,302
Harrison Medical Center	WA	\$577,129,103	\$9,078,073	1.6%	12,224	47,088
PeaceHealth St. Joseph Hospital	WA	\$522,843,633	\$9,043,409	1.7%	11,572	45,959
MultiCare Good Samaritan	WA	\$594,668,355	\$80,572,913	13.5%	11,442	43,065
Yakima Valley Memorial Hospital	WA	\$405,423,662	\$10,120,586	2.5%	10,775	38,466
Kadlec Medical Center	WA	\$414,587,305	\$26,659,980	6.4%	9,066	37,719
Seattle Children's <sup>2</sup>	WA	\$784,854,005	\$57,364,005	7.3%	9,052	55,531
Deaconess Medical Center	WA	\$434,836,755	<b>-\$7,371,984</b>	<b>-1.7%</b>	8,927	45,833
Legacy Salmon Creek Hospital	WA	\$314,202,126	\$1,120,514	0.4%	8,175	29,997
St. Francis Hospital	WA	\$522,750,649	\$30,706,687	5.9%	7,629	26,416

<sup>1</sup>Source: Washington State Department of Health, Center for Health Statistics, Hospital Data. Southwest Washington Medical Center and Evergreen Healthcare rank in the top 20 but had not reported third quarter results at press time so their figures were not included.<sup>2</sup>Seattle Children's provided Total Margin YTD 09-30-09 figures directly to the Washington Health News that are different than Washington State Department of Health figures.

ish to 2009 but voiced concern about 2010. She said, "Our budgeted forecast for 2010 anticipates another strong year. However, we continue to be concerned about the economy. Specifically, employment—and therefore health insurance—is a lagging indicator; we may not have seen the worst. COBRA coverage is ending for many people. We are also uncertain about what may happen to our reimbursement as national health-care reform unfolds, and as the State deals with its budget woes."

Kelly Wallace, the Chief Financial Officer of Seattle Children's, said, "Even during the worst recession of our time, the quality of care that we provide at Seattle Children's is improving while we continue to control our costs. Our year-end results show that we have been able

to reduce infection rates, increase patient and family satisfaction, secure more research grants, and maintain high employee engagement levels. This is particularly remarkable when inpatient admissions, ambulatory visits and operating room cases all increased at levels that were higher than anticipated – all while we have been at or near capacity."

Wallace continued, "Our cost-saving efforts have allowed us to preserve existing programs and services, avoid layoffs, and plan for the inevitable recovery. Our state legislature recently cut funding to our hospital by \$22 million for 2010 - 2011. These cuts mean we must focus even more on eliminating waste, reducing expenses, and conserving resources in 2010."

Mike Fitzgerald, Chief Financial

Officer of the Franciscan Health System, summarized 2009 financial results for his organization, "We are fortunate to have experienced steady increases in the number of patients we serve on both an inpatient and outpatient basis at all five hospitals within the Franciscan Health System. In fiscal year 2009, for example, our patient admissions increased 8 percent over the previous 12-month period, while outpatient visits were up 7 percent. We are also diligent in controlling costs and improving operational efficiencies across the organization." The Franciscan Health System includes St. Joseph Medical Center in Tacoma, St. Francis Hospital in Federal Way, St. Clare Hospital in Lakewood, Enumclaw Regional Hospital in Enumclaw and



St. Anthony Hospital in Gig Harbor.

With all the bad economic news since the summer of 2008, it's good to know one of the most important sectors of our healthcare system is

doing well financially. Healthcare reform will result in a significant increase in medical utilization and a hospital industry well equipped to fund the ramp-up necessary to meet this increased utilization will

benefit all sectors of society.

<sup>1</sup>Download the press release at: [http://thomsonreuters.com/content/press\\_room/tsh/hospital\\_financials\\_recovered](http://thomsonreuters.com/content/press_room/tsh/hospital_financials_recovered)

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