

Washington Hospitals Report Solid Results for Calendar Year 2009

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Washington State hospitals appear to have weathered the recession, as 37 of the largest 40 hospitals reported positive margins for calendar year 2009. The 2009 figures were similar to 2008, when 33 of the largest 40 hospitals reported positive margins. Included within the key financial information summarization report (page 2), is a comparison between calendar years 2009 and 2008.

Information Sources

Of the Pacific Northwest States, Washington is probably the best at making hospital financial and

other information available to the general public. However, it is difficult to report accurate comparative financial information for at least three reasons:

1. Most hospitals report and are audited on a calendar year basis. However, some large hospitals report on a fiscal year basis making comparisons impossible without adjustments.
2. All hospitals report to the Washington State Department of Health (DOH) on a quarterly basis but the figures are unaudited and there's no provision to restate prior quarters for adjustments.
3. A few hospitals don't regularly meet reporting deadlines.

To mitigate the first two reasons, we compiled quarterly figures from the DOH, Center for Health Statistics (CHS) web site and prepared a report similar to the report on page 2. We then sent the report to hospital representatives and asked them to confirm their hospital's figures. We asked to be provided with correct figures if the figures in the report weren't correct.

Hospitals with a "2" or "3" to the right of the name provided a reply and confirmed or changed their figures.

If a hospital didn't provide a reply then there is no "2" or "3" to the right of the name and DOH CHS quarterly report web site figures were used.

To mitigate the third reason, we omitted hospitals that did not report quarterly information.

Operating Revenues

Operating revenues include inpatient and outpatient revenue for all patient care services (less deductions from revenue), tax revenues, the value of donated commodities, revenue from non-patient care services and sales, and activities to persons other than patients. This is consistent with the DOH CHS definition of Operating Revenue but is different than the way some external auditors prepare audited financial statements for hospitals.

Thirty-nine of the forty hospitals reported higher 2009 operating revenues than 2008. This demonstrates, at a minimum, the Washington hospital industry has leverage with payers and can exert a measure of control over revenues.

Operating Margin

Operating margin is the excess of revenue over expense except for net non-operating gains and losses. This is a key financial metric given it excludes investment gains

Washington State Hospital Financial Results (000's)¹

Forty Largest Hospitals Sorted by 2009 Operating Revenues

Hospital Name	Operating Revenues			Operating Margin			Op. Margin/Operating Revenues			Net Non-Operating Gains/Losses			Total Margin		
	YTD 12/09	YTD 12/08	Change	YTD 12/09	YTD 12/08	Change	YTD 12/09	YTD 12/08	Change	YTD 12/09	YTD 12/08	Change	YTD 12/09	YTD 12/08	Change
Swedish Medical Center - Seattle ²	926,620	877,296	49,324	69,055	58,534	10,521	7.5%	6.7%	0.8%	76,537	-50,630	127,167	145,592	7,904	137,688
Virginia Mason Medical Center ²	819,931	746,912	73,019	47,383	28,299	19,084	5.8%	3.8%	2.0%	69	-11,005	11,074	47,452	17,294	30,158
University of Washington Medical Ctr. ²	782,474	718,532	63,942	60,066	34,617	25,449	7.7%	4.8%	2.9%	3,198	7,479	-4,281	63,264	42,096	21,168
Harborview Medical Center ²	754,942	719,355	35,587	8,624	-671	9,295	1.1%	-0.1%	1.2%	6,676	10,128	-3,452	15,300	9,457	5,843
Seattle Children's Hospital ¹	723,948	653,032	70,916	66,245	24,756	41,489	9.2%	3.5%	5.7%	36,155	-82,362	118,517	102,400	-57,606	160,006
Providence Sacred Heart Medical Center ²	700,696	651,251	49,445	38,847	53,385	-14,538	5.5%	8.2%	-2.7%	6,403	-46,664	53,067	45,249	6,721	38,528
Tacoma General Allenmore Hospital ²	644,631	596,341	48,290	70,996	62,576	8,420	11.0%	10.5%	0.5%	-363	96	-459	70,633	62,672	7,961
St. Joseph Medical Center - Tacoma ²	567,220	558,660	8,560	62,766	58,664	4,105	11.1%	10.5%	0.6%	3,674	-10,781	14,455	66,443	47,883	18,560
Providence Reg. Medical Center Everett ¹	501,764	479,671	22,093	37,261	31,604	5,657	7.4%	6.6%	0.8%	91	-2,625	2,716	37,352	28,979	8,373
Southwest Washington Medical Ctr.	494,667	465,722	28,945	11,348	4,834	6,514	2.3%	1.0%	1.3%	642	-2,163	2,805	11,990	2,671	9,319
Evergreen Hospital ¹	406,662	370,122	36,540	17,879	11,273	6,606	4.4%	3.0%	1.4%	-9,445	-5,638	-3,807	8,434	5,635	2,799
Valley Medical Center	401,744	378,254	23,490	18,343	13,244	5,099	4.6%	3.5%	1.1%	-496	-6,280	5,784	17,847	6,964	10,883
Overlake Hospital Medical Center ²	391,552	366,334	25,218	36,711	26,196	10,515	9.4%	7.2%	2.2%	-15,629	-15,116	-513	21,082	11,080	10,002
PeaceHealth St. Joseph Medical Center ²	380,429	334,855	45,574	13,934	7,318	6,616	3.7%	2.2%	1.5%	0	0	0	13,934	7,318	6,616
Providence St. Peter Hospital ¹	372,262	347,117	25,145	22,674	18,042	4,632	6.1%	5.2%	0.9%	-274	-18	-256	22,400	18,023	4,377
Harrison Medical Center	329,934	295,331	34,603	18,574	15,702	2,872	5.6%	5.3%	0.3%	-2,897	-5,368	2,471	15,677	10,334	5,343
Yakima Valley Memorial Hospital ¹	320,802	301,977	18,825	1,575	5,073	-3,498	0.5%	1.7%	-1.2%	-17,541	-12,873	-4,668	-15,967	-7,800	-8,167
Swedish Medical Center - Cherry Hill ¹	317,495	288,132	29,363	13,706	-3,351	17,057	4.3%	-1.2%	5.5%	1,343	-12,809	14,152	15,049	-16,160	31,209
Multicare Good Samaritan Hospital ²	301,293	276,332	24,961	62,336	42,745	19,591	20.7%	15.5%	5.2%	45,389	0	45,389	107,725	42,745	64,980
Seattle Cancer Care Alliance ²	271,795	235,150	36,645	19,777	12,811	6,966	7.3%	5.4%	1.9%	2,730	1,960	770	17,047	10,851	6,196
Kadlec Medical Center	255,914	216,416	39,498	16,909	10,921	5,988	6.6%	5.0%	1.6%	15,463	-4,683	20,146	32,372	6,238	26,134
Northwest Hospital ¹	250,323	230,547	19,776	6,293	-5,986	12,279	2.5%	-2.6%	5.1%	1,049	-6,913	7,962	7,342	-12,899	20,241
Deaconess Medical Center ³	229,006	227,471	1,535	-7,216	2,642	-9,858	-3.2%	1.2%	-4.4%	0	0	0	-7,216	2,642	-9,858
Highline Medical Center	222,520	221,052	1,468	3,213	3,745	-532	1.4%	1.7%	-0.3%	1,789	-991	2,780	5,002	2,754	2,248
Slevens Hospital	195,443	170,126	25,317	14,260	4,178	10,082	7.3%	2.5%	4.8%	1,162	824	338	15,422	5,002	10,420
Mary Bridge Children's Hospital ¹	191,107	176,291	14,816	26,996	30,431	-3,435	14.1%	17.3%	-3.2%	-21	2	-23	26,975	30,433	-3,458
Providence Holy Family Hospital ¹	186,649	172,450	14,199	11,172	5,255	5,917	6.0%	3.0%	3.0%	-47	-3,606	3,559	11,125	1,648	9,477
Legacy Salmon Creek Hospital	178,502	139,357	39,145	1,247	-757	1,984	0.7%	-0.5%	1.2%	-2,105	-2,325	220	-858	-3,062	2,204
Central Washington Hospital	177,462	177,767	-305	-535	8,036	-8,571	-0.3%	4.5%	-4.8%	14,123	-23,818	37,941	13,588	-15,782	29,370
Grays Harbor Community Hospital	151,745	105,190	46,555	7,427	9,261	-1,834	4.9%	8.8%	-3.9%	288	-2,379	2,667	7,715	6,882	833
Providence St. Mary Medical Center ²	134,775	123,287	11,488	7,328	4,670	2,658	5.4%	3.8%	1.6%	556	-12,115	12,671	7,885	-7,445	15,330
Providence Centralia Hospital ¹	127,970	122,225	5,745	15,443	5,670	9,773	12.1%	4.6%	7.5%	-9	-294	285	15,434	5,376	10,058
Olympic Medical Hospital ¹	134,140	125,867	8,273	3,790	1,874	1,916	2.8%	1.5%	1.3%	1,324	1,183	141	5,114	3,057	2,057
Auburn Regional Medical Center	125,074	120,236	4,838	1,015	10,071	-9,056	0.8%	8.4%	-7.6%	0	-3,566	3,566	1,015	6,505	-5,490
Kennewick General Hospital	119,946	106,391	13,555	3,692	2,888	804	3.1%	2.7%	0.4%	656	593	63	4,348	3,481	867
Yakima Regional Medical Center	119,636	119,058	578	11,148	9,207	1,941	9.3%	7.7%	1.6%	0	0	0	11,148	9,207	1,941
Lourdes Medical Center	87,091	70,845	16,246	3,106	4,807	-1,701	3.6%	6.8%	-3.2%	807	135	672	3,913	4,942	-1,029
Valley Hospital and Medical Center	84,514	70,342	14,172	3,724	4,223	-499	4.4%	6.0%	-1.6%	0	0	0	3,724	4,223	-499
Capital Medical Center	80,455	72,243	8,212	4,507	7,142	-2,635	5.6%	9.9%	-4.3%	0	0	0	4,507	7,142	-2,635
Wenatchee Valley Hospital	76,949	61,824	15,125	5,311	2,392	2,919	6.9%	3.9%	3.0%	0	-718	718	5,311	1,674	3,637

¹Figures from the WA State Department of Health Center for Health (DOH CHS) Statistics web site as of June 26, 2010 unless footnoted with a ² or ³.

²Figures were provided directly from the hospital and either confirmed or corrected the DOH CHS web site figures.

³Figures were provided directly from the hospital and either confirmed or corrected the DOH CHS web site figures for 2009 only.

Glossary: *Operating Revenues:* Inpatient and outpatient revenue for all patient care services (less deductions from revenue), tax revenues, the value of donated commodities, revenue from non-patient care services to patients and sales and activities to persons other than patients. *Operating Margin:* The excess of revenue over expense except for non-operating gains and losses. *Non-operating Gains/Losses:* The revenue and expenses of a hospital that are not directly related to patient care, related patient services or the sale of related goods. *Total Margin:* The excess of revenue over expense and gains over losses generated from all sources.

and losses, a part of net non-operating gains and losses. Investment balances have gyrated up and down since 2008 and can distort an evaluation of hospital industry finances.

Twenty-nine of the forty hospitals increased their 2009 operating margin over 2008. When dividing operating margin by operating revenues, several facilities stood out. MultiCare Good Samaritan had the highest percentage at 20.7%, followed by Mary Bridge Children's Hospital (14.1%), Providence Centralia Hospital (12.1%), St. Joseph Medical Center - Tacoma (11.1%) and Tacoma General Al-

lenmore Hospital (11.0%).

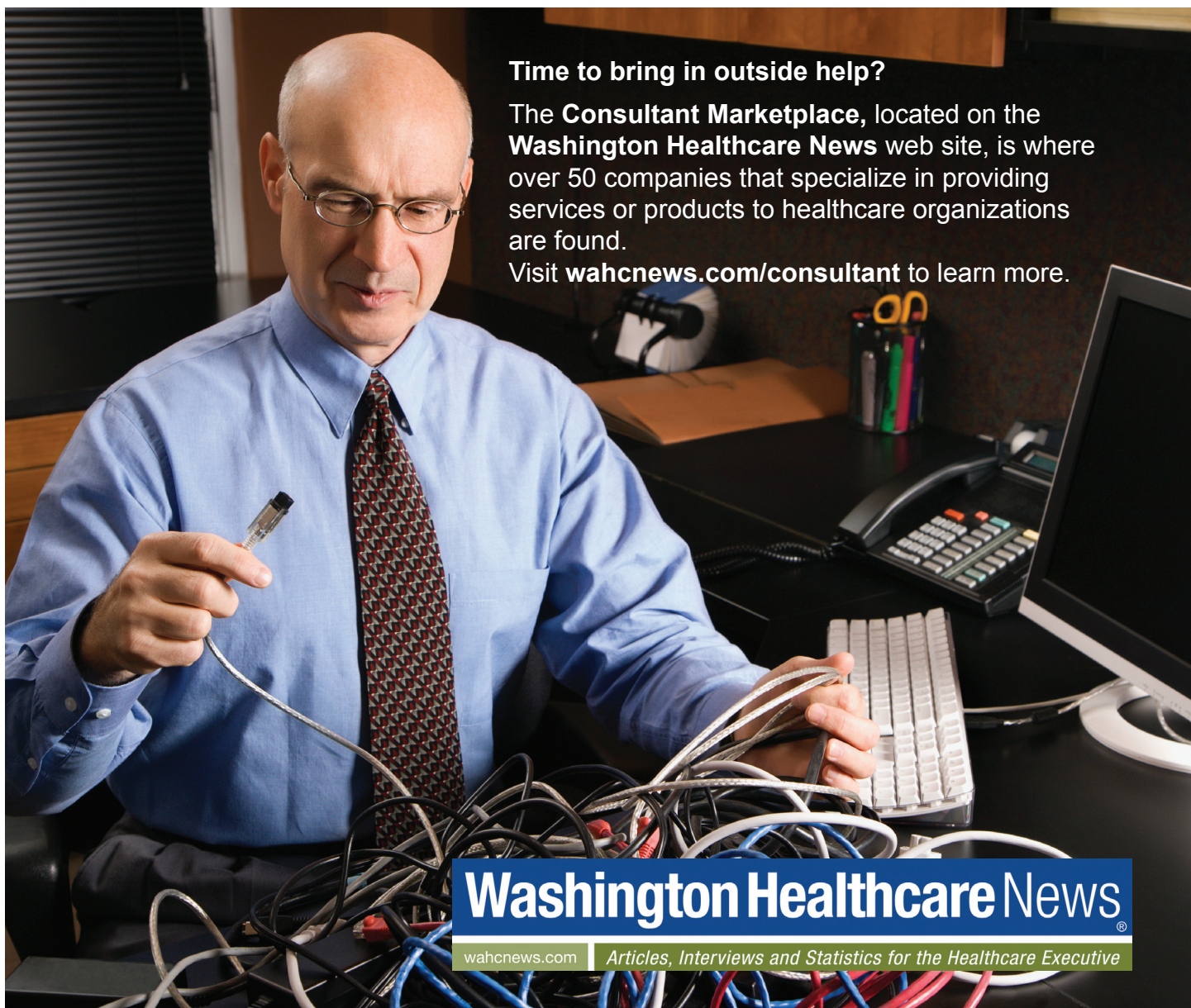
Three MultiCare facilities were in the top five in this category. Marce Edwards, Media Relations Manager of MultiCare Health System commented, "In addition to the hospitals, MultiCare Health System includes clinics and a vast network of physicians. Our overall operating margin was about 8.9%, in part because we work hard to control our costs." She continued, "We are providing more charity care, are seeing more patients having trouble financially and are receiving lower reimbursements from government payors. We don't believe these results will be sustained."

Net Non-Operating Gains and Losses

Revenue and expenses not directly tied to patient care, related patient services, or the sale of related goods, are net non-operating gains and losses. The impact of the 2008 stock market meltdown is seen in the report, as is the rebound of 2009. Twenty-seven of the forty hospitals reported higher net non-operating gains and losses in 2009 than 2008.

Total Margin

The excess of revenue over expenses and gains over losses generated from all sources is the total



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margin. Thirty-three of the forty hospitals reported an increase in total margin from 2008.

Cassie Sauer, Vice President, Communications at the Washington State Hospital Association provided context, “It does appear that many hospitals seem to be doing better in 2009, but a number of hospitals are reporting difficulties during the past two quarters with increasing charity and bad debt. Of course, this is in comparison to the 2008 bad baseline year with its problems in total margin (due

largely to the drops related to investment income). We also know that a number of hospitals’ increasing margins are due to some pretty significant cuts made in hospitals.”

Final Observations

Washington State hospitals are in good financial shape and have the ability to exert control over both revenues and expenses. However, payers may now believe the scales have tipped too far in the hospital industry’s favor and could demand concessions. On the expense side,

as the economy continues to recover, and healthcare reform is implemented, the cuts Sauer noted may need to be reversed and could have an impact on margins.

We’ll continue to report financial information on Washington hospitals as it becomes publicly available.

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