

Washington Healthcare News[®]

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Articles, Interviews and Statistics for the Healthcare Executive

VOLUME 6, ISSUE 8

AUGUST 2011

Washington Hospitals Post Strong 2010 Margins

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Washington hospitals posted strong margins in 2010 as thirty-seven of the largest forty hospitals reported positive total margins. The 2010 figures were similar to 2009, when thirty-six of the largest forty hospitals reported positive total margins. See our report on page two to view other key financial information.

Information Sources

Of the Pacific Northwest States, Washington is best at making hospital financial information avail-

able to the general public. However, it is difficult to report accurate, comparative financial information for several reasons:

- Most hospitals report and are audited on a calendar year basis. However, some large hospitals report and are audited on a fiscal year basis, making comparisons impossible without adjustments.
- All hospitals report to the Washington State Department of Health, Center for Health Statistics (CHS) on a quarterly basis but the figures are unaudited and there's no requirement to restate figures when adjustments are necessary.
- A few hospitals don't regularly meet reporting deadlines.
- Some hospitals and their auditors present dollars received from tax assessments differently than the way CHS requires it be presented. CHS considered it Operating Revenues.

In consideration of these issues, we compiled quarterly figures from the CHS web site and prepared a report similar to the report on page

two. We then sent the report to hospital representatives at all forty hospitals and asked them to confirm their hospital's figures. We also asked for correct figures if the figures in the report were wrong.

Hospitals with a “2” to the right of the name provided a reply and confirmed or changed their figures. If a hospital didn't provide a reply, or decided to not provide a reply, there is no “2” to the right of the name and CHS quarterly report web site figures were used. We only had one entity, representing several hospitals, decide to not provide a reply.

We left hospitals out of the report that didn't have complete reporting on the CHS web site.

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.

Thirty-six of the forty hospitals reported higher 2010 operating

Washington State Hospital Financial Results (000's)

Forty Largest Hospitals Sorted by 2010 Operating Revenues¹

Hospital Name	Operating Revenues			Operating Margin			Op. Margin/Operating Revenues			Net Non-Operating Gains/Losses			Total Margin		
	YTD 12/10	YTD 12/09	Change	YTD 12/10	YTD 12/09	Change	YTD 12/10	YTD 12/09	Change	YTD 12/10	YTD 12/09	Change	YTD 12/10	YTD 12/09	Change
Swedish First Hill ¹	968,033	927,026	41,007	87,044	67,952	19,092	9.0%	7.3%	1.7%	49,987	76,537	-26,550	137,031	144,489	-7,458
Virginia Mason Medical Center ²	852,752	819,931	32,821	38,891	47,383	-8,492	4.6%	5.8%	-1.2%	3,908	69	3,839	42,799	47,452	-4,653
University of Washington Medical Ctr.	825,737	782,474	43,263	56,027	60,066	-4,039	6.8%	7.7%	-0.9%	5,916	3,198	2,718	61,943	63,264	-1,321
Harborview Medical Center	778,285	754,942	23,343	-20,215	8,624	-28,839	-2.6%	1.1%	-3.7%	-553	6,676	-7,229	-20,768	15,300	-36,068
Seattle Children's Hospital ¹	768,221	723,948	44,273	50,835	66,245	-15,410	6.6%	9.2%	-2.5%	9,277	36,155	-26,878	60,112	102,400	-42,288
Providence Sacred Heart Medical Center ²	715,600	700,696	14,904	40,948	38,847	2,101	5.7%	5.5%	0.2%	12,013	6,403	5,610	52,961	45,249	7,712
Tacoma General Allentown Hospital ²	655,920	644,630	11,290	52,692	70,761	-18,069	8.0%	11.0%	-2.9%	-411	-363	-48	52,281	70,398	-18,117
St. Joseph Medical Center - Tacoma ²	618,491	572,556	45,935	78,153	66,628	11,525	12.6%	11.6%	1.0%	4,957	4,336	621	83,111	70,964	12,147
Providence Reg. Medical Center Everett ²	527,909	501,764	26,145	32,605	37,261	-4,656	6.2%	7.4%	-1.2%	-3,391	91	-3,482	29,213	37,352	-8,139
PeaceHealth Southwest Medical Ctr.	527,250	494,667	32,583	4,837	11,348	-6,511	0.9%	2.3%	-1.4%	42,218	642	41,576	47,055	11,990	35,065
Valley Medical Center	423,110	401,744	21,366	12,801	18,343	-5,542	3.0%	4.6%	-1.5%	-2,686	-496	-2,190	10,115	17,847	-7,732
Evergreen Hospital Medical Center ²	413,275	406,662	6,613	24,710	17,879	6,831	6.0%	4.4%	1.6%	-8,927	-9,445	518	15,783	8,434	7,349
Overlake Hospital Medical Center ²	411,981	392,572	19,409	34,359	36,316	-1,957	8.3%	9.3%	-0.9%	6,966	-17,031	23,997	41,324	19,285	22,039
Providence St. Peter Hospital ²	390,766	372,262	18,504	25,851	22,674	3,177	6.6%	6.1%	0.5%	-1,056	-274	-782	24,795	22,400	2,395
PeaceHealth St. Joseph Medical Center	390,044	380,429	9,615	19,609	13,934	5,675	5.0%	3.7%	1.4%	0	0	0	19,609	13,934	5,675
Harrison Medical Center	360,599	329,934	30,665	15,586	18,574	-2,988	4.3%	5.6%	-1.3%	3,161	-2,897	6,058	18,747	15,677	3,070
Swedish Cherry Hill ¹	337,640	317,117	20,523	14,731	14,731	0	4.6%	4.6%	0	1,361	1,343	18	21,658	16,074	5,584
Multicare Good Samaritan Hospital ¹	323,061	301,292	21,769	60,743	65,738	-4,995	18.8%	21.8%	-3.0%	17,284	42,729	-25,445	78,027	108,467	-30,440
Yakima Valley Memorial Hospital	298,605	320,802	-22,197	15,457	1,575	13,882	5.2%	0.5%	4.7%	175	-17,541	17,716	15,632	-15,967	31,599
Seattle Cancer Care Alliance	298,222	271,795	26,427	15,525	19,777	-4,252	5.2%	7.3%	-2.1%	2,106	2,730	-624	17,631	17,047	584
Kadlec Regional Medical Center ²	277,608	255,914	21,694	12,917	16,909	-3,992	4.7%	6.6%	-2.0%	7,040	15,463	-8,423	19,957	32,372	-12,415
Deaconess Medical Center	250,582	229,006	21,576	-520	-7,216	6,696	-0.2%	-3.2%	2.9%	0	0	0	-520	7,216	6,696
Northwest Hospital	250,185	250,323	-138	-10,925	6,293	-17,218	-4.4%	2.5%	-6.9%	2,323	1,049	1,274	-8,602	7,342	-15,944
PeaceHealth St. John Medical Center	246,482	235,764	10,718	17,421	17,662	-241	7.1%	7.5%	-0.4%	8,998	12,432	-3,434	26,419	30,093	-3,674
Highline Medical Center ²	229,540	226,369	3,171	4,118	4,118	0	1.1%	1.8%	-0.7%	25	793	-768	2,535	4,911	-2,376
St. Francis Hospital ¹	224,415	223,027	1,388	33,937	39,347	-5,410	15.1%	17.6%	-2.5%	4,999	3,110	1,889	38,936	42,457	-3,521
Mary Bridge Children's Hospital ¹	194,602	191,108	3,494	23,087	28,828	-5,741	11.9%	15.1%	-3.2%	-1	-21	20	23,086	28,807	-5,721
Legacy Salmon Creek Hospital ²	190,834	178,502	12,332	9,766	1,247	8,519	5.1%	0.7%	4.4%	1,836	-2,105	3,941	11,602	-858	12,460
Providence Holy Family Hospital ²	186,791	186,649	142	1,981	11,172	-9,191	1.1%	6.0%	-4.9%	623	-47	670	2,604	11,125	-8,521
Central Washington Hospital ¹	180,210	174,901	5,309	967	1,275	-308	0.5%	0.7%	-0.2%	3,879	4,927	-1,048	4,846	6,202	-1,356
St. Clare Hospital ¹	163,675	149,207	14,468	9,978	12,113	-2,135	6.1%	8.1%	-2.0%	4,498	4,106	392	14,475	16,219	-1,744
Providence Centralia Hospital ¹	148,715	127,970	20,745	16,925	15,443	1,482	11.4%	12.1%	-0.7%	-203	-9	-194	16,723	15,434	1,289
Auburn Regional Medical Center	136,774	125,074	11,700	646	1,015	-369	0.8%	0.8%	0	0	0	0	646	1,015	-369
Olympic Medical Center ²	135,395	134,140	1,255	939	3,790	-2,851	0.7%	2.8%	-2.1%	2,190	1,324	866	3,129	5,114	-1,985
Kennewick General Hospital	126,366	119,946	6,420	1,767	3,692	-1,925	1.4%	3.1%	-1.7%	458	656	-198	2,225	4,348	-2,123
Providence St. Mary Medical Center ²	126,176	134,775	-8,599	6,007	7,328	-1,321	4.8%	5.4%	-0.7%	2,825	556	2,269	8,833	7,885	948
Yakima Regional Medical Center	119,691	119,636	55	10,506	11,148	-642	8.8%	9.3%	-0.5%	0	0	0	10,506	11,148	-642
St. Anthony Hospital ¹	115,199	68,155	47,044	7,318	-13,987	21,305	6.4%	-20.5%	26.9%	816	68	748	8,134	-13,919	22,052
Grays Harbor Community Hospital ¹	107,935	108,204	-269	-1,043	6,145	-7,188	-1.0%	5.7%	-6.6%	1,227	690	537	184	6,836	-6,652
Valley Hospital & Medical Center	93,151	84,514	8,637	5,603	4,507	1,096	6.0%	5.3%	0.7%	0	0	0	5,603	3,724	1,879

¹Figures from the WA State Department of Health (DOH CHS) Statistics web site as of June 28, 2011 unless footnoted with a ².

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

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.

revenues than 2009. 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 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-seven of the forty hospitals reported a lower operating margin in 2010 compared to 2009. This is in sharp contrast to 2009 (not shown) when only eleven of the largest forty hospitals reported a lower operating margin than 2008. Despite an ability to generate increased revenues, in many cases it was not enough to maintain operating margins at 2009 levels.

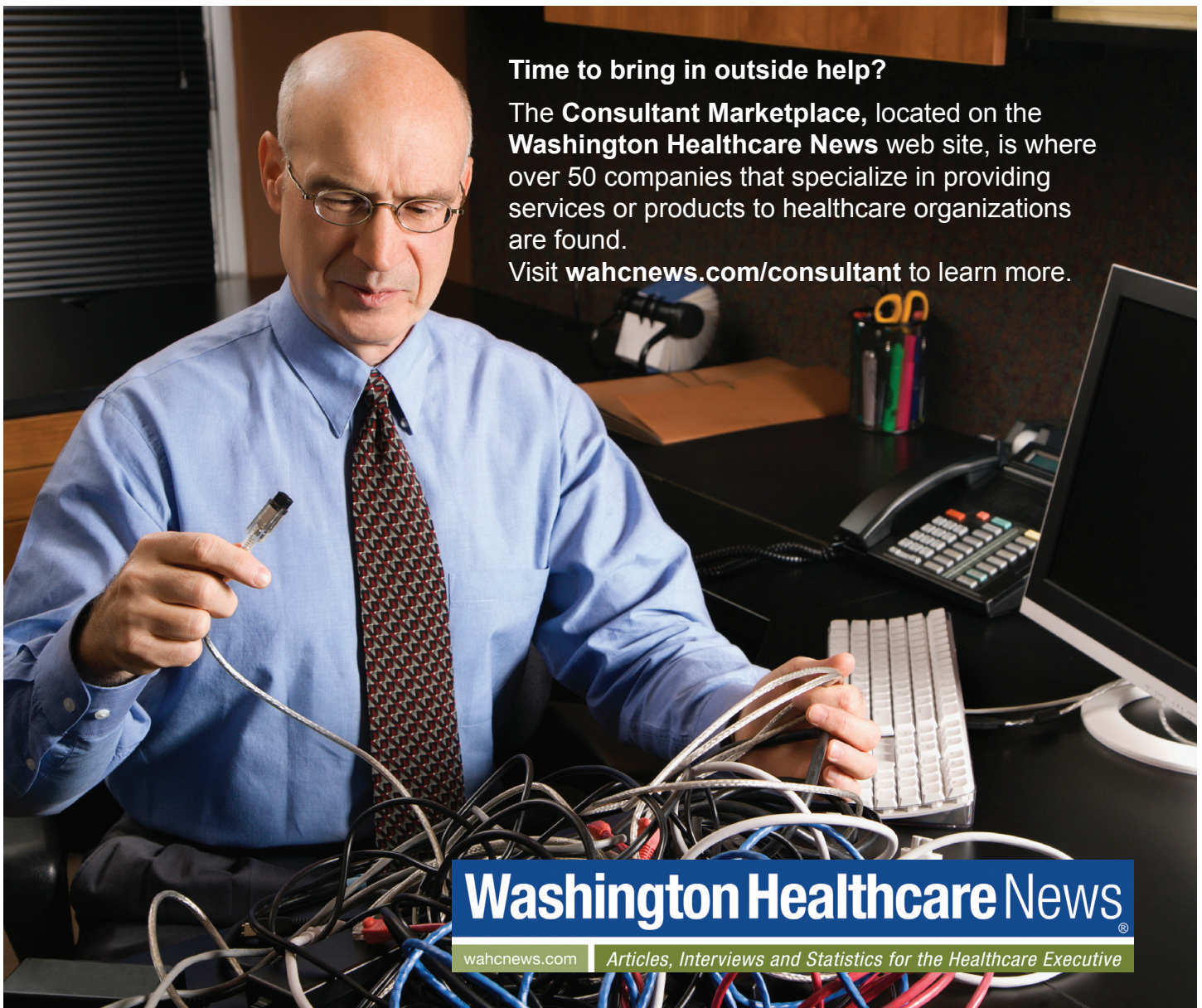
Operating Margin/Operating Revenue

This statistic, measured as a per-

centage, is one many hospital administrators target to measure financial health. A range between 4% and 8% is considered healthy and normal for Washington. Percentages higher or lower than this range generally bear further examination, particularly if it has occurred over a two year period. However, that level of analysis is beyond the scope of this article.

Net Non-Operating Gains and Losses

Revenue and expenses not directly tied to patient care, related patient services, or the sale of related



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goods, are net non-operating gains and losses. The stock market made a remarkable rebound in 2009 and should be considered when comparing to 2010 numbers.

Total Margin

The excess of revenue over expenses and gains over losses generated from all sources is the total margin. Twenty-three of the forty hospitals reported a lower total

margin in 2010 than 2009. This can be compared to 2009 when only seven of the forty hospitals reported a lower total margin than 2008.

Final Observations

Washington hospitals are in good financial shape and have demonstrated the ability to exert control over revenues and expenses. However, the trend downward in total

operating margin is concerning in light of healthcare reform and state and federal cuts targeting reimbursement to hospitals.

David Peel is the Publisher and Editor of the Washington Healthcare News, a web site and trade journal focused on issues related to the management of healthcare. He can be reached at dpeel@wahcnews.com.

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