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REGION'S HOSPITALS SEE INCREASE IN OPERATING MARGINS AND LARGE DROP IN NUMBER OF EMPLOYEES

High Deductible Health Plans Starting to Impact Hospitals

WARRENDALE, PA-Western Pennsylvania hospitals are seeing improved operating margins for the first half of this fiscal year, but at the same time, a reduction of employees. While operating margins increased to 3.19 percent up from 1.74 percent a year ago, the region's hospitals reduced expenses by eliminating more than 2,000 full-time equivalents (FTEs) over the past year. This information is part of a recent report released by Hospital Council of Western Pennsylvania covering the first six months of fiscal year 2014, ending December 31, 2013.

"Although operating margins have shown some improvement they are still below the 2011 margin of 4.16 percent," said Denis Lukes, vice president of Financial Services for Hospital Council. "The increase in operating margin can be attributed to both an increase in net patient revenue and expense reduction efforts," Lukes said.

At the same time, the report is showing that the region's hospitals had $563 million in uncompensated care for this period, which is an increase of 13.83 percent from the same period a year ago. This now represents more than 10 percent of net patient revenue, Lukes said.

"One of the contributing factors to the increase in uncompensated care is the increase of patients who have high deductible health plans," Lukes explained. "We already see an increasing portion of the cost of care shifting from the plan to the patient. We are only going to see these numbers increase as more employers offer plans with higher deductible levels."

For example, health plans being offered on the health insurance exchange have deductibles ranging from a low of $500 for an individual platinum plan to more than $5500 for an individual bronze plan. "Hospitals do not know yet what portion of patients will be covered under the Silver and Bronze level plans," Lukes said. "If patients cannot pay the deductible then this could have an impact on operating margins and also increase uncompensated care in the future."

The information is released as part of Hospital Council's Flash Survey. The Flash Survey tracks financial and utilization data from hospitals in a 30-county area of western Pennsylvania. Of the 57 hospitals reporting, 35 percent of the hospitals had a loss from operations and 25 percent of the hospitals had a bottom line net loss. The majority of hospitals reporting, 70 percent, reduced full time equivalents by 2,018 over the past year resulting in a net decrease in personnel costs by $20.2 million from a year ago.

Also in response to the reduced operating margins over the past 18 months there has been a sharp decline in capital additions, with those dropping 33 percent from December 31, 2013. There was a slight increase in surgical operations, but decreases in inpatient admissions, patient days, and emergency room registrations.

"While hospitals are trying to gauge the impact of sequestration, we are also expecting increases in uncompensated care due to more people moving to high deductible health plans, " Lukes said. "We do not know the full impact of these changes yet but we do know patients will be and are paying for more of their care out of their pockets."

Hospital Council of Western Pennsylvania, headquartered in Warrendale, Pennsylvania, is a non-profit trade association representing more than 65 hospitals, long term acute care hospitals, senior living communities, specialty facilities, and other healthcare providers in a 30-county region of Pennsylvania. Hospital Council provides its members with operational support in the areas of education, data and information, advocacy, reimbursement, quality and networking.

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