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YEAR END HOSPITAL FINANCIAL REPORT SHOWS CONTINUING OVERALL TREND IN DECLINES IN OPERATING MARGINS FOR THE REGION'S SMALLER HOSPITALS

WARRENDALE, PA- Hospitals in the region with less than 100 beds experienced negative operating margins again this year. These trends are reported in the year-end financial report from Healthcare Council of Western Pennsylvania (Healthcare Council). The report, called the Flash Survey, covers the period beginning July 1, 2017 and ending June 30, 2018.

“While 39 percent of the region’s hospitals experienced a loss from operations, we are concerned at the continuing negative operating margins we are seeing in small and rural hospitals throughout the region,” said A.J. Harper, president of Healthcare Council. “These hospitals are often safety net hospitals providing much needed care in rural areas.”

Of the 26 hospitals with less than 100 beds, 18 of those hospitals reported a loss from operations. Significantly, the operating margins for the 26 hospitals with less than 100 beds were a negative 3.37 percent in the fourth quarter of 2017 following a negative 3.95 percent in the fourth quarter of 2017. In total, these 26 hospitals had a negative operating margin of \$35.2 million. Only eight of these smaller hospitals had a positive operating margin of \$9.7 million.

Since fiscal year 2009, hospitals under 100 beds have had negative average operating margins in each year except 2012. “These hospitals rely more heavily on outpatient volume which generally has a lower profitability,” said Denis Lukes, Chief Financial Officer. Smaller hospitals have an average of 78 percent of their patient revenue from outpatient services, while hospitals with more than 300 beds see 45 percent of their patient revenue come from outpatient services.

The Flash Survey tracks financial and utilization data from hospitals and reflects data from 62 hospitals in the region. For all hospitals, the report shows that 24 hospitals, or 39 percent, experienced a loss from operations. “Our region’s hospitals are continuing to see large reductions in surgical cases and emergency room visits,” Harper said. The report shows that 88 percent of hospitals experienced a reduction in emergency room visits and 51 percent of hospitals experienced a reduction in total surgical cases.

“There are many reasons for the drop in margins,” Harper said. “All of our members continue to see a high volume of patients covered by Medical Assistance and Medicare. Hospitals receive payments below costs from both government payers.” The report shows that the combined Medicare and Medical Assistance volume percentages are 72 percent for inpatients and 57 percent for outpatients. “Both Medicare and Medical Assistance compensate hospitals well below cost,” he said.

Healthcare Council is a nonprofit regional trade association representing acute and non-acute facilities in 30 counties including western Pennsylvania and northern West Virginia.