

FINANCIAL STATUS OF CONNECTICUT'S SHORT-TERM ACUTE CARE HOSPITALS Fiscal Year 2018 - Summary

November 12, 2019

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A strong healthcare system is an important economic sector in Connecticut that:

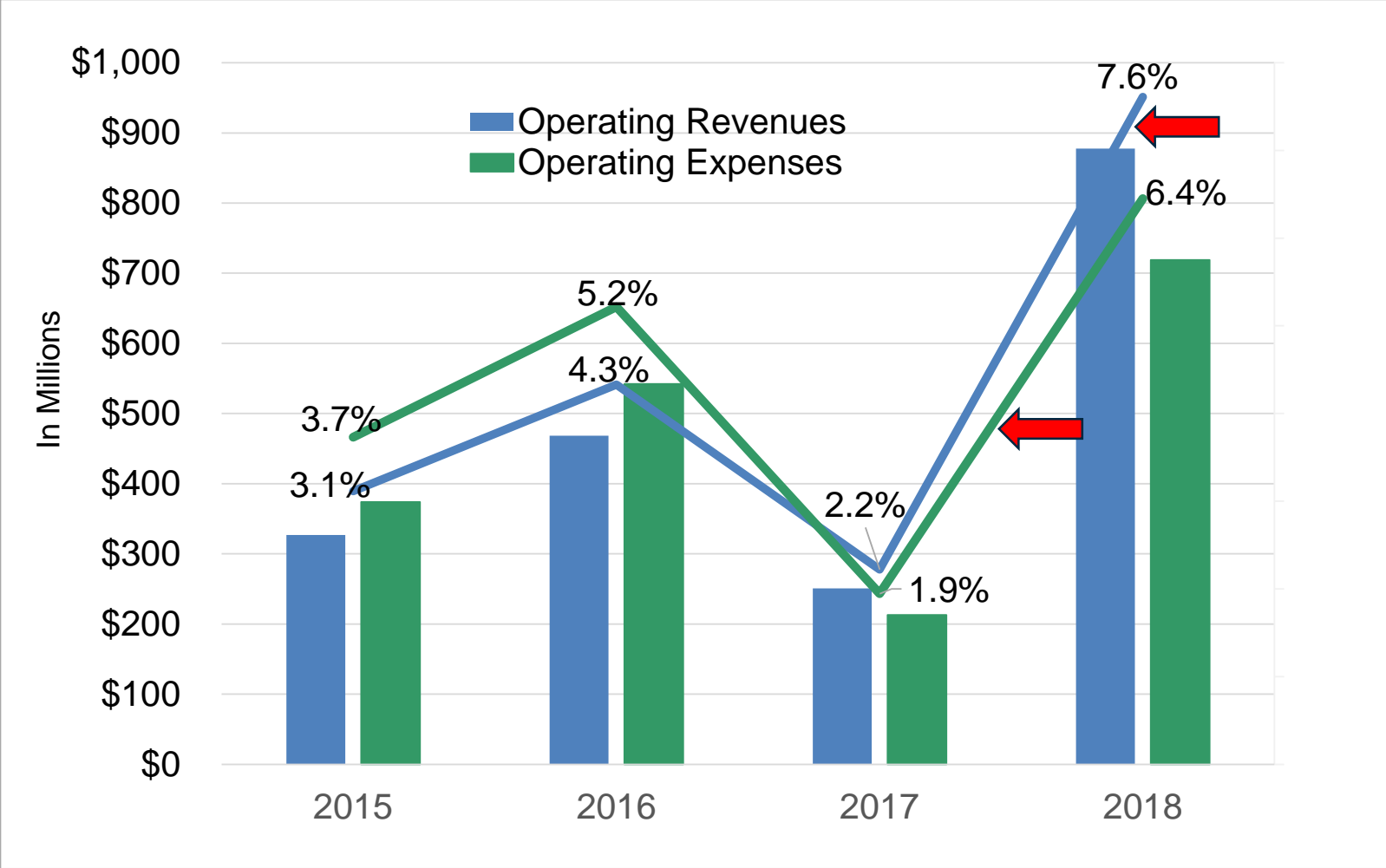
- **Attracts a talented workforce.**
- **Drives modernization efforts for buildings and technology.**
- **Provides high quality healthcare to our citizens.**

Profitability...

...is necessary for hospitals to operate efficiently, creating financial stability and funding to invest in:

- Day to day operations
- Debt servicing
- Facility upgrades
- Cash reserves

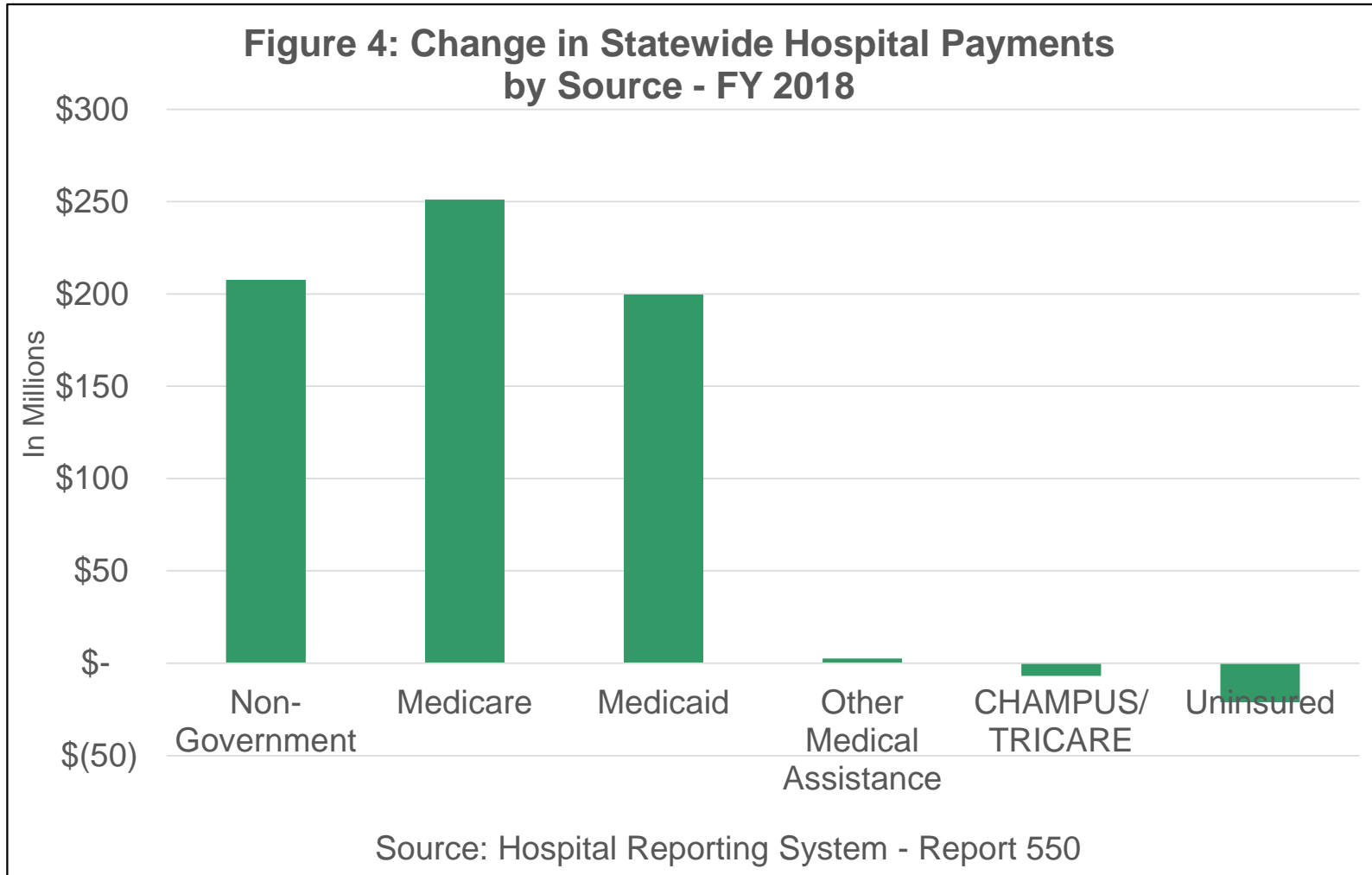
Statewide hospital operating revenues grew faster than operating expenses in FFY 2018



FY 2018
 Operating Revenue - \$12.4b
 Operating Expense - \$11.9b

Source: Office of Health Strategy's Annual Report on Financial Status of Acute Care Hospitals for FY 2018

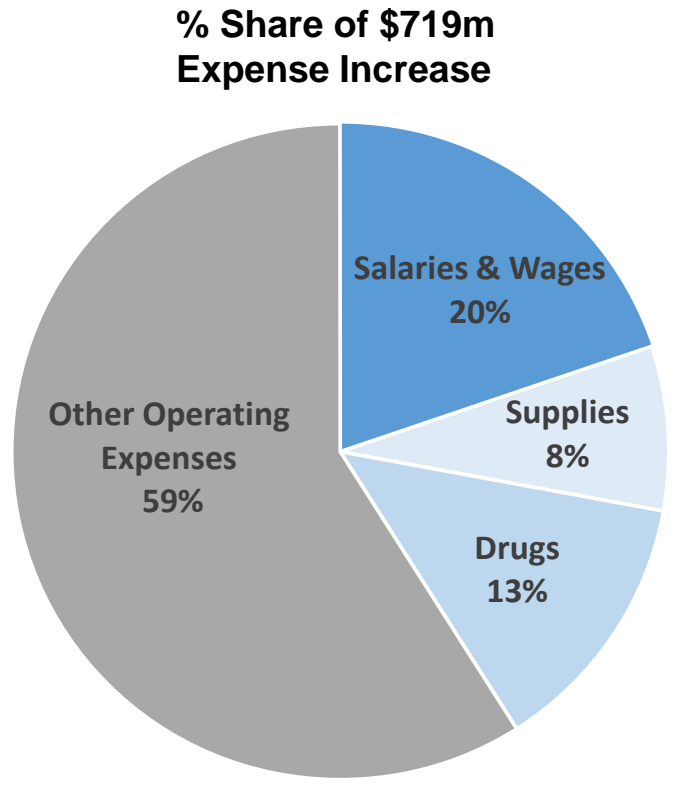
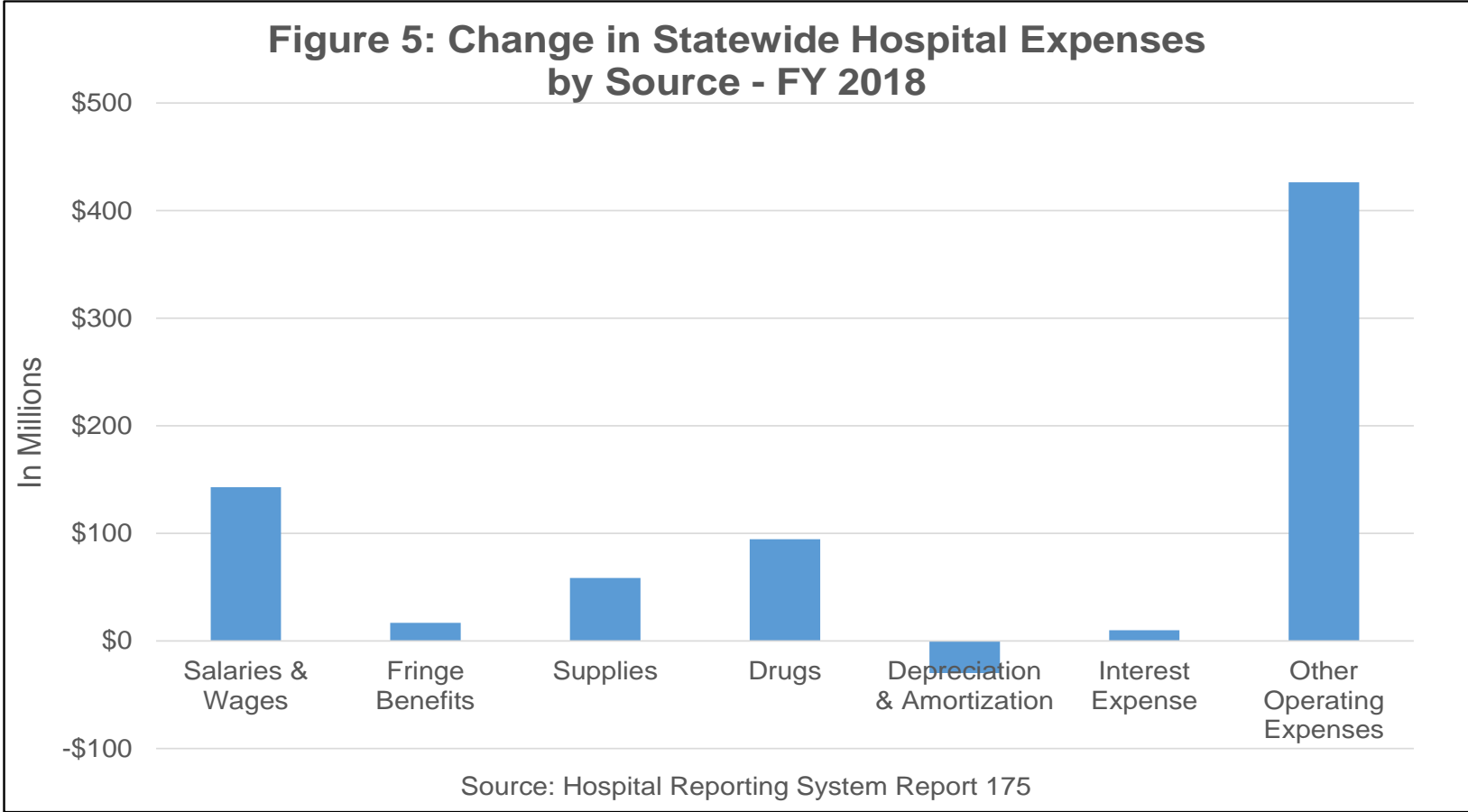
FFY 2018 statewide hospital revenue increase due to growing utilization and payments from major payers



Utilization ↑

- Patient days - 1%
- ED visits - 1%
- IP Surgeries - 2.2%
- OP Surgeries - 1%

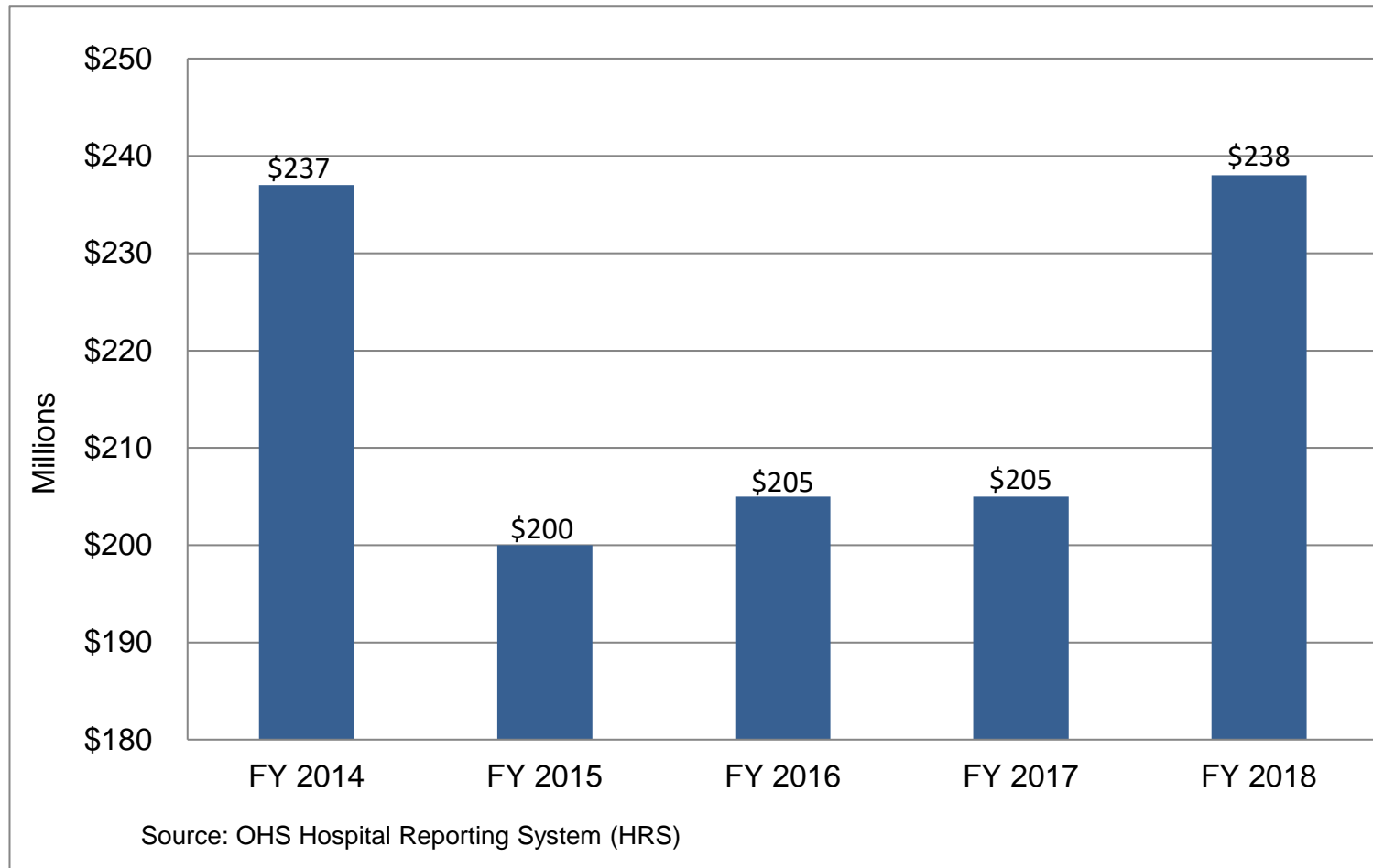
Statewide hospital expenses increase primarily due to rising supplies, drugs, salaries and other operating expenses



Other Operating expenses include such items as contract labor, utilities, leases, maintenance, purchased services and corporate parent/system fees.

Corporate parent fees increased \$230m; General Miscellaneous Other Operating Expenses rose \$146m.

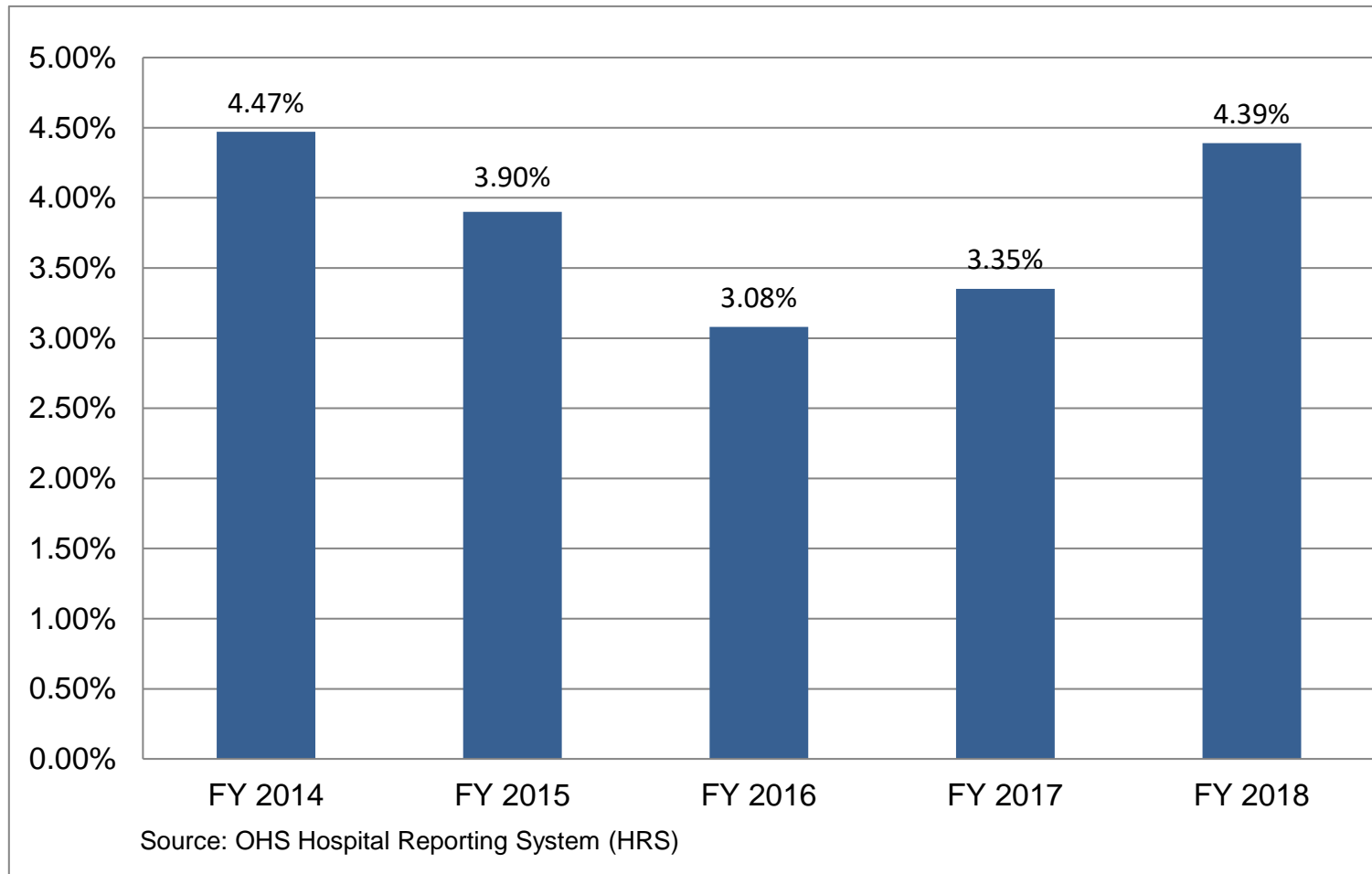
Statewide uncompensated care costs remain approximately 2% of total hospital expenses



Uncompensated Care (UCC) = Charity Care + Bad Debt

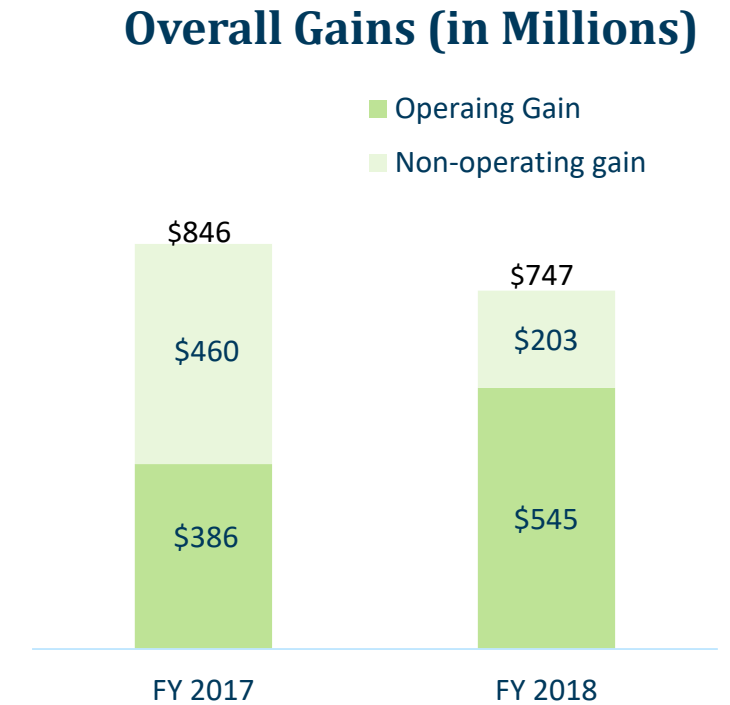
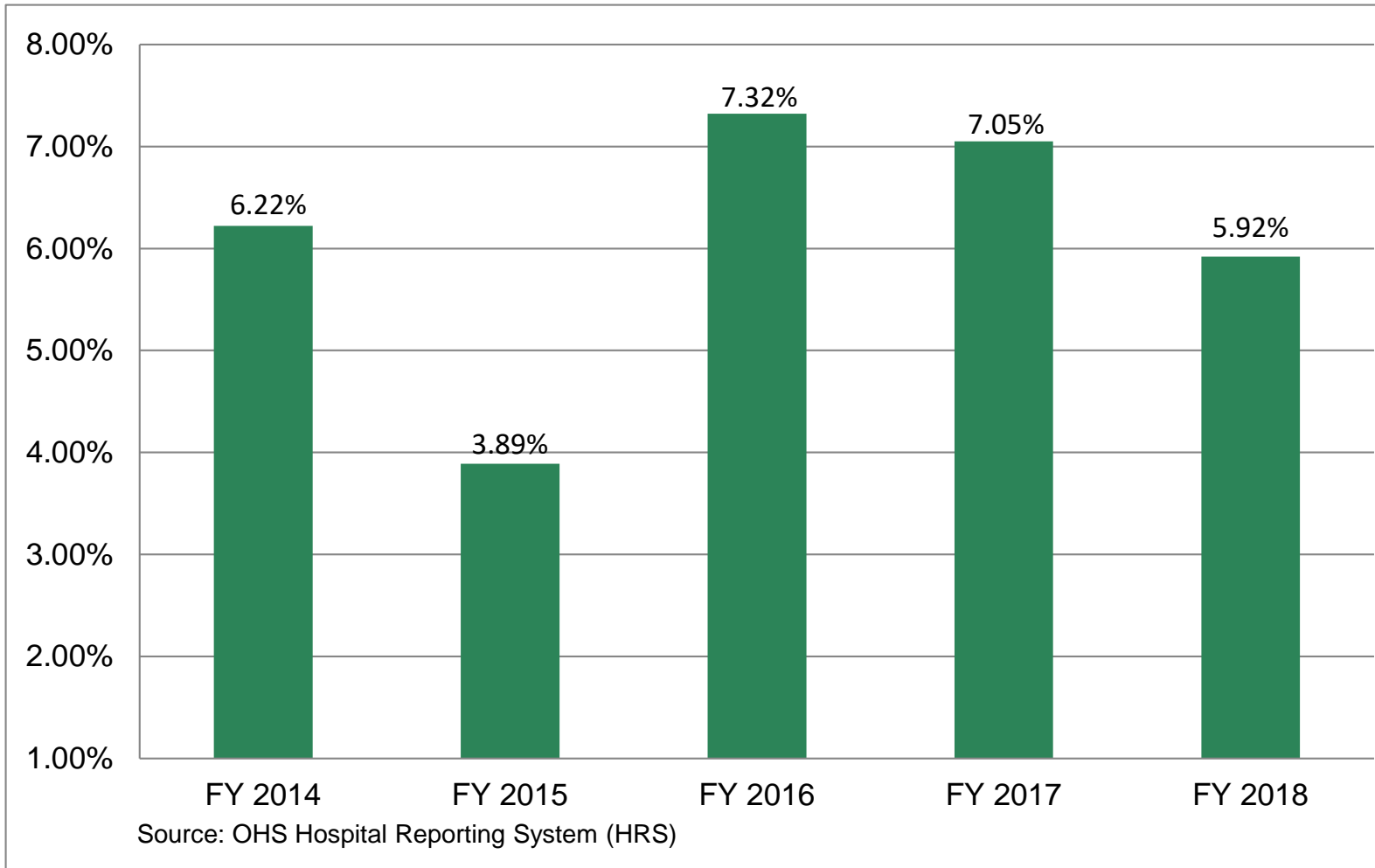
UCC Cost = UCC Charges x Ratio of Cost to Charge (and excludes mark-ups for profits)

Statewide hospital operating gains from patient care and related activities continue to recover



Operating Margin: $\text{Gain/Loss from Operations} / \text{Total Operating Revenue}$

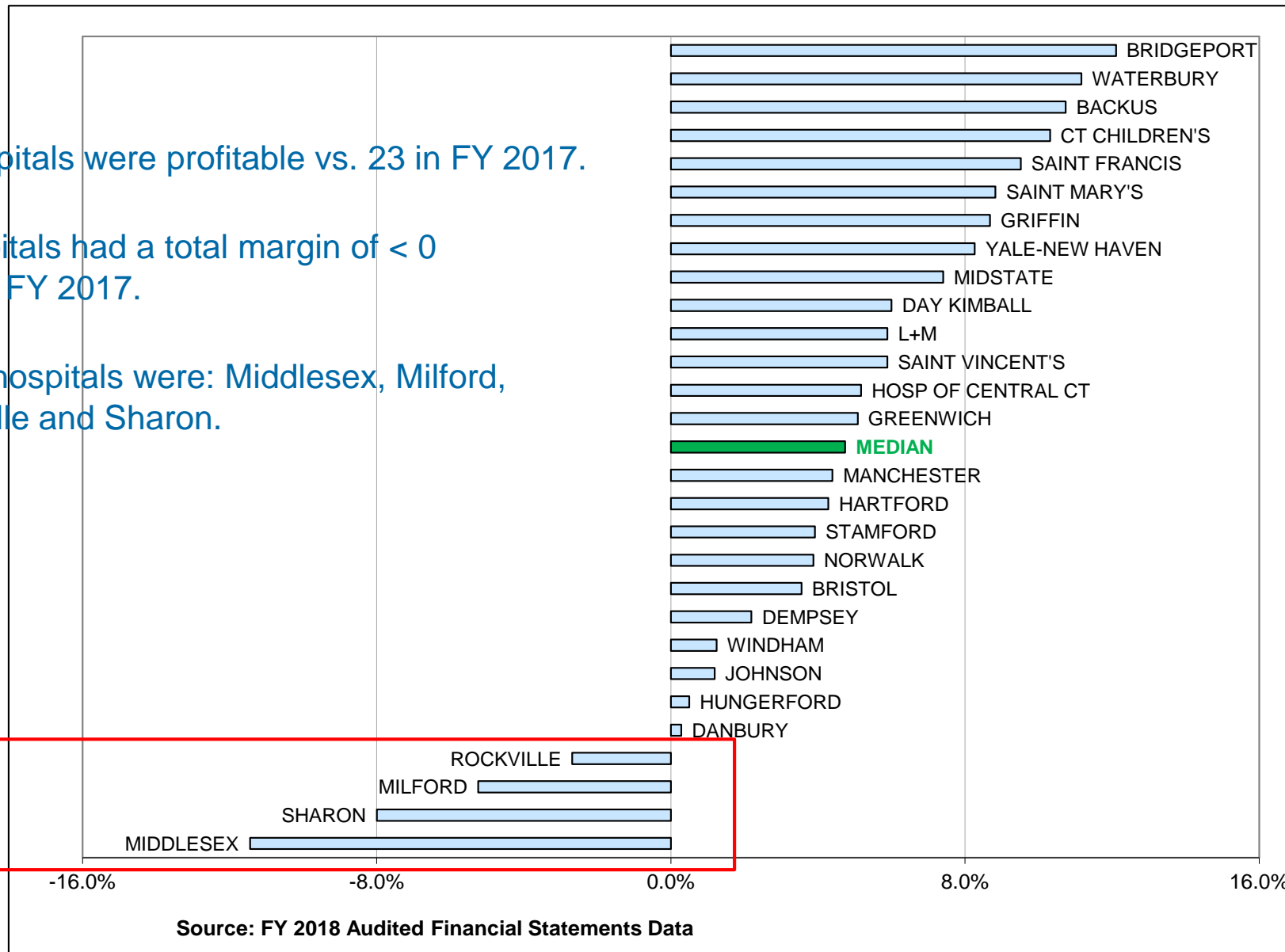
Statewide hospital overall profitability margins positive but declining



Total Margin: (Gain/Loss from Operations + Non-Operating Gain/Loss)/Total Revenue

Most hospitals were profitable in FFY 2018

- 24 hospitals were profitable vs. 23 in FY 2017.
- 4 Hospitals had a total margin of < 0 vs 5 in FY 2017.
- The 4 hospitals were: Middlesex, Milford, Rockville and Sharon.



4 hospitals with a Total Margin < 0

Smaller hospitals show five-year average losses

7 hospitals with a five Year Total Margin < 0

	FY 2014-2018 5 YEAR AVERAGE TOTAL MARGIN	FY 2014 TOTAL MARGIN	FY 2015 TOTAL MARGIN	FY 2016 TOTAL MARGIN	FY 2017 TOTAL MARGIN	FY 2018 TOTAL MARGIN
ROCKVILLE	-7.34%	3.20%	-6.47%	-20.47%	-13.79%	-2.68%
WINDHAM	-5.71%	-5.51%	-6.84%	-18.96%	-1.93%	1.24%
MILFORD	-4.27%	-11.10%	-7.20%	1.11%	0.78%	-5.24%
JOHNSON	-2.11%	1.78%	-6.05%	-9.64%	1.39%	1.19%
SHARON	-0.97%	5.75%	-57.10%	-38.28%	38.43%	-7.99%
HUNGERFORD	-0.46%	2.42%	1.24%	-4.06%	-2.62%	0.50%
MANCHESTER	-0.19%	1.33%	3.91%	-9.04%	-2.37%	4.39%
BRISTOL	0.62%	1.61%	0.96%	-1.36%	-1.88%	3.56%
SAINT VINCENT	2.92%	10.15%	-3.68%	0.02%	1.70%	5.88%
DANBURY	3.15%	9.23%	-0.91%	3.69%	4.11%	0.28%
DAY KIMBALL	3.21%	2.73%	-0.52%	5.49%	2.05%	6.00%
L+M	3.41%	2.61%	4.44%	0.67%	3.34%	5.89%
WATERBURY	3.60%	1.60%	-4.78%	-7.60%	15.18%	11.17%
SAINT FRANCIS	3.94%	2.29%	-2.56%	1.59%	6.31%	9.51%
MIDDLESEX	4.21%	9.35%	3.30%	9.16%	9.18%	-11.44%
HOSP OF CENTRAL CT	4.41%	6.35%	-1.19%	5.12%	6.13%	5.17%
HARTFORD	5.16%	4.89%	5.30%	5.60%	5.84%	4.28%
YALE NEW HAVEN	6.77%	6.77%	4.33%	5.85%	8.21%	8.26%
STAMFORD	7.04%	8.21%	9.21%	7.77%	6.65%	3.92%
GRIFFIN	7.40%	5.67%	3.48%	9.51%	8.58%	8.68%
GREENWICH	7.64%	10.27%	7.56%	9.20%	6.36%	5.08%
NORWALK	8.03%	10.77%	10.07%	9.18%	6.26%	3.88%
CT CHILDREN'S	8.58%	-0.57%	8.90%	9.14%	13.07%	10.31%
MIDSTATE	8.82%	9.57%	6.36%	12.21%	8.59%	7.40%
SAINT MARY	9.27%	9.99%	8.09%	10.97%	8.49%	8.83%
BRIDGEPORT	9.30%	9.14%	11.14%	9.03%	4.84%	12.10%
DEMPSEY	14.40%	-2.61%	7.52%	43.32%	2.22%	2.19%
BACKUS	18.30%	18.63%	13.78%	20.27%	26.56%	10.73%
NEW MILFORD	n/a	-3.20%	n/a	n/a	n/a	n/a
STATEWIDE (Note A)	6.12%	6.22%	3.89%	7.32%	7.05%	5.92%
Median (Note B)	4.1%	4.9%	3.4%	5.3%	6.0%	4.7%

Source: Office of Health Strategy's Annual Report on Financial Status of Acute Care Hospitals for FY 2018

Statewide, hospitals were more profitable than health systems in FFY 2018

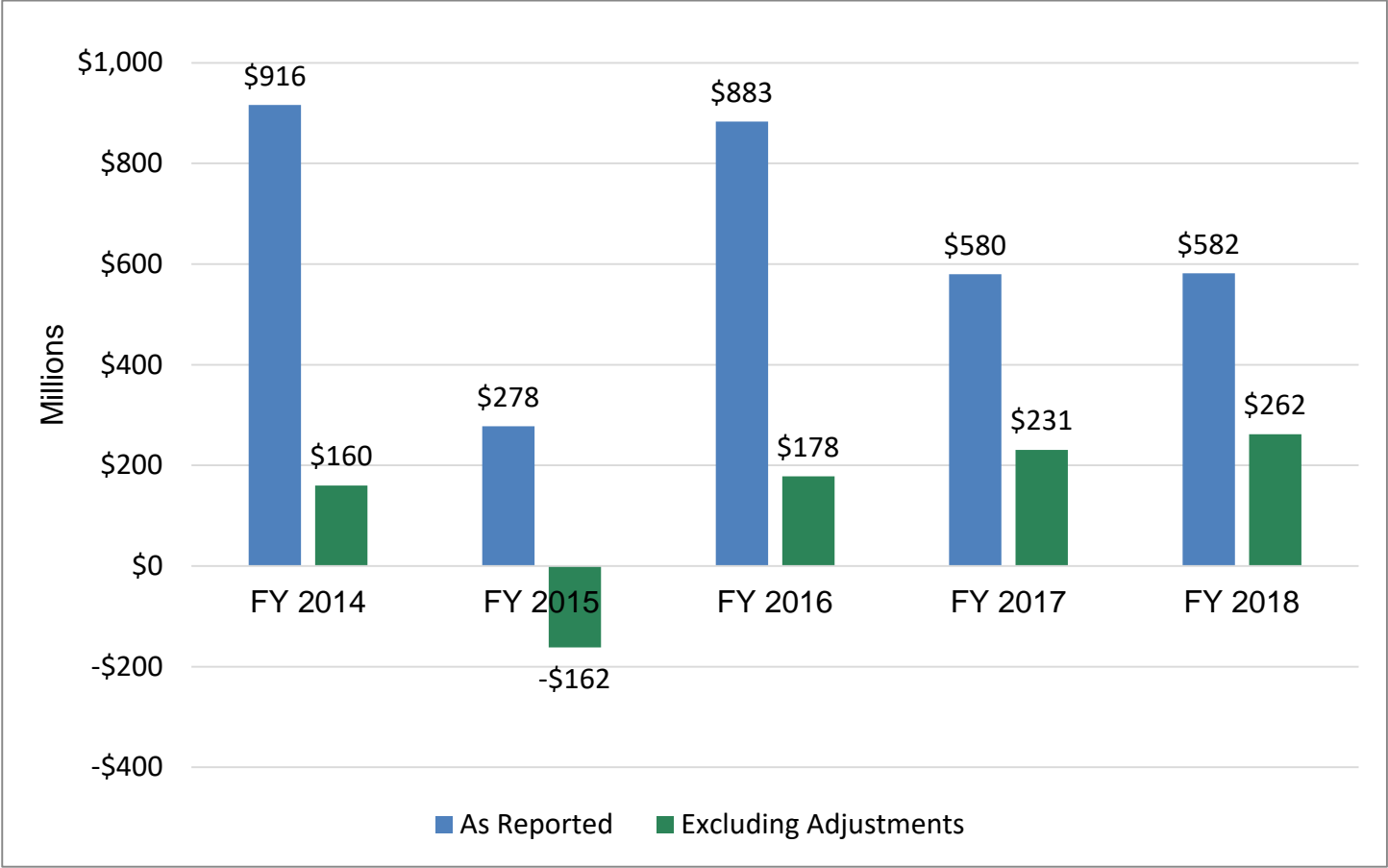
	Hospitals FY 2018	Health Systems FY 2018	
Net Patient Revenue	\$11,691,395,084	\$13,357,943,369	
Other Operating Revenue	\$721,173,652	<u>\$1,089,573,682</u>	
Total Operating Revenue	\$12,412,568,736	\$14,447,517,051	
Total Operating Expenses	\$11,867,870,127	\$14,497,435,185	
Income/(Loss) from Operations	\$544,698,609	(\$49,918,134)	*Profits were higher at hospitals than at the full health system.
Non Operating Revenue	<u>\$202,563,812</u>	<u>\$582,205,326</u>	
Excess/(Deficiency) of Revenue over Expenses	\$747,262,421	\$532,287,192	
Operating Margin	4.39%	-0.35%	
Total Margin	5.92%	3.54%	

*Source: OHS Hospital Reporting System

Non Operating Revenues - Special Situations

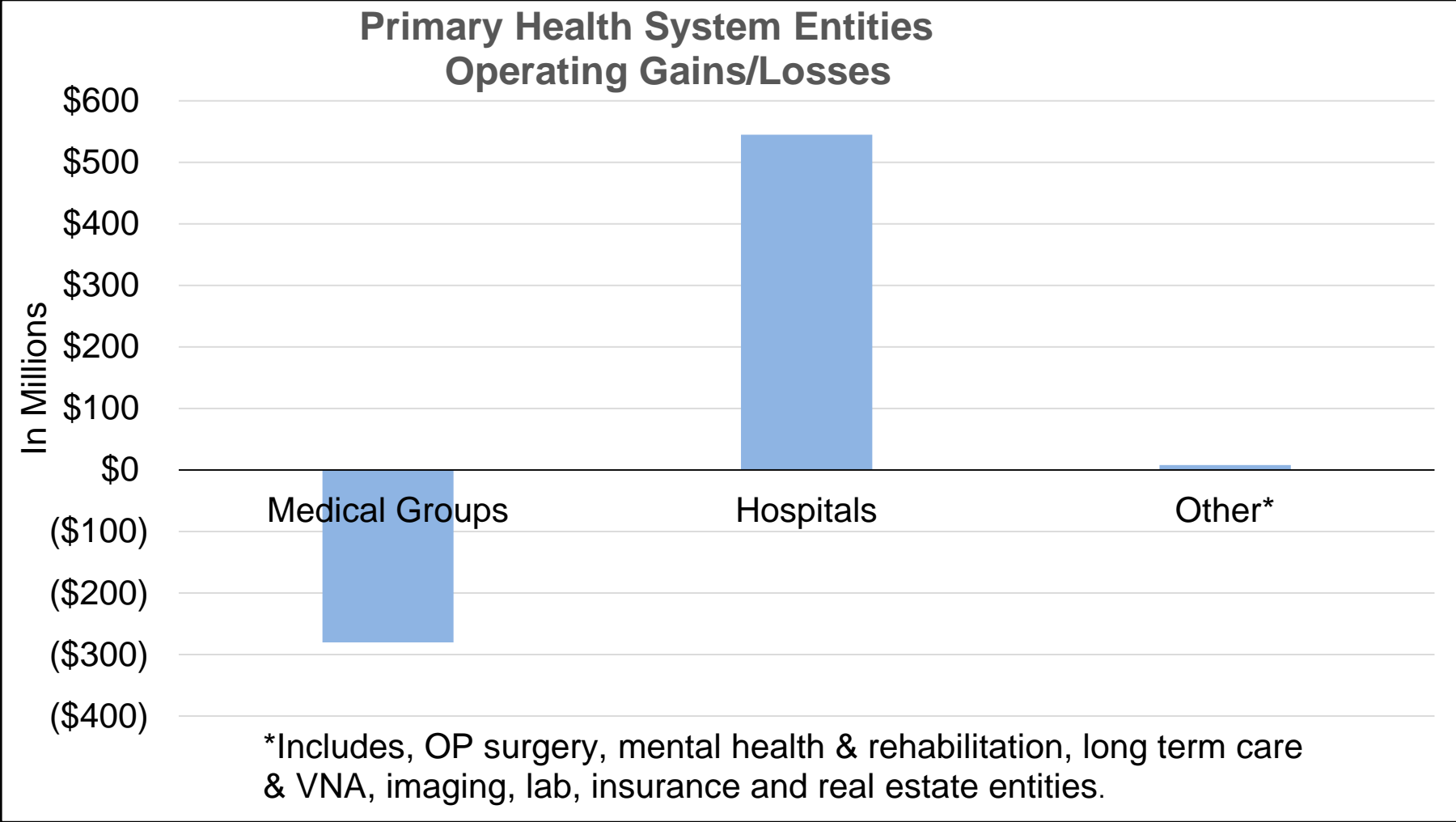
- Middlesex Hospital had an \$87 million adjustment for the settlement of pensions.
- Hartford HealthCare had a one time gain of \$39 million gain due to the affiliation with Charlotte Hungerford.
- UCONN Health Center received \$368 million in State and Capital appropriations.

Health system profits with and without special situations



Source: FY 2018 Audited Financial Statements Data

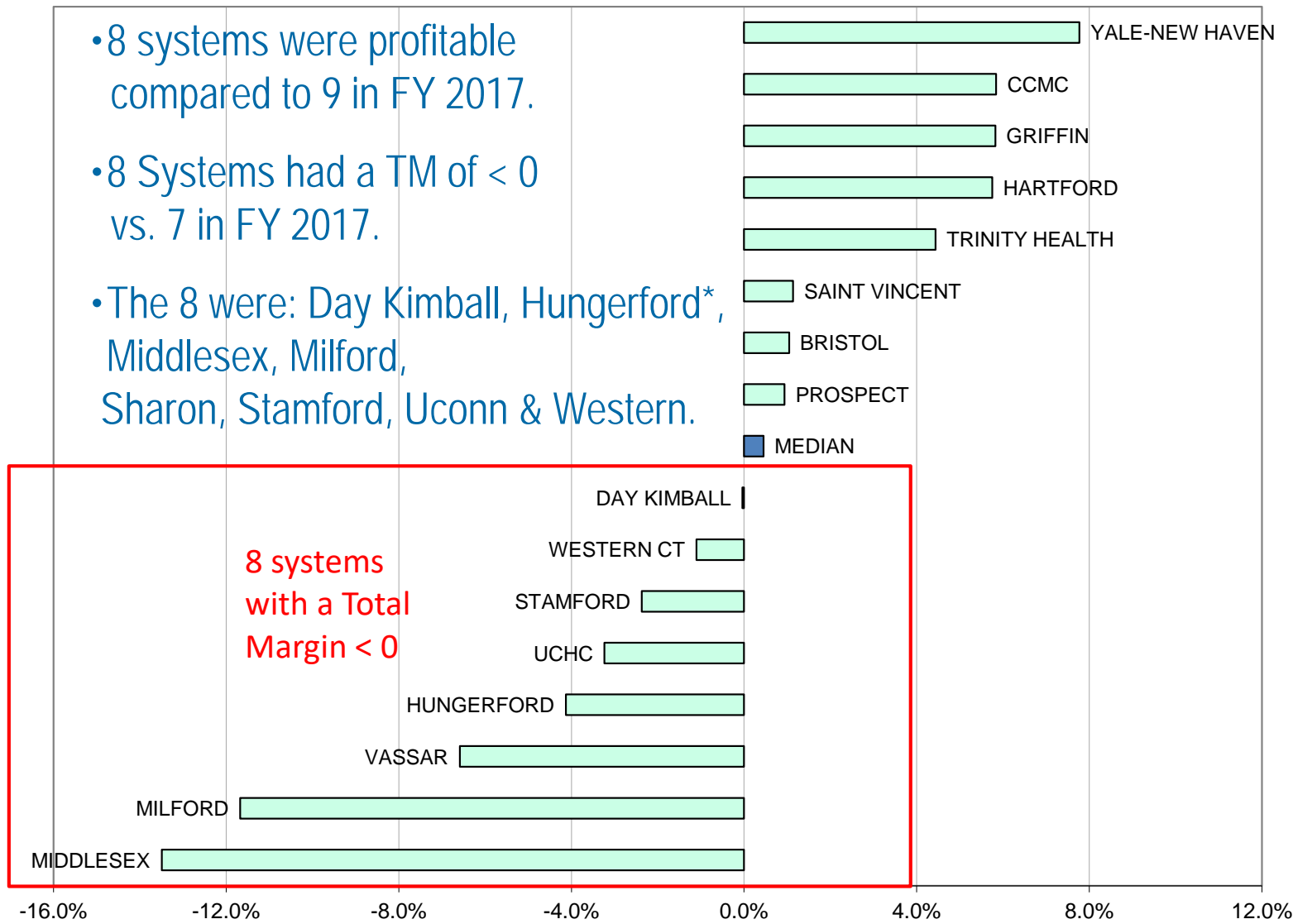
Medical groups are loss leaders for health systems but referral pipeline for hospitals



Source: Hospital & Health System AFS & HRS Reports

Eight health systems were unprofitable in FFY 2018

- 8 systems were profitable compared to 9 in FY 2017.
- 8 Systems had a TM of < 0 vs. 7 in FY 2017.
- The 8 were: Day Kimball, Hungerford*, Middlesex, Milford, Sharon, Stamford, Uconn & Western.



8 systems with a Total Margin < 0

Source: FY 2018 Audited Financial Statements Data

* Hungerford became part of Hartford HealthCare Corporation in January 2018

Questions?

Additional Hospital Data

For more information on the financial data or documents for a specific hospital visit the OHS [website](#).

- Annual Reporting & 12 Month Filings
- Audited Financial Statements
- IRS Form 990's

The End