

# FINANCIAL STATUS OF CONNECTICUT'S SHORT-TERM ACUTE CARE HOSPITALS Fiscal Year 2019 - Summary

October 13, 2020

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

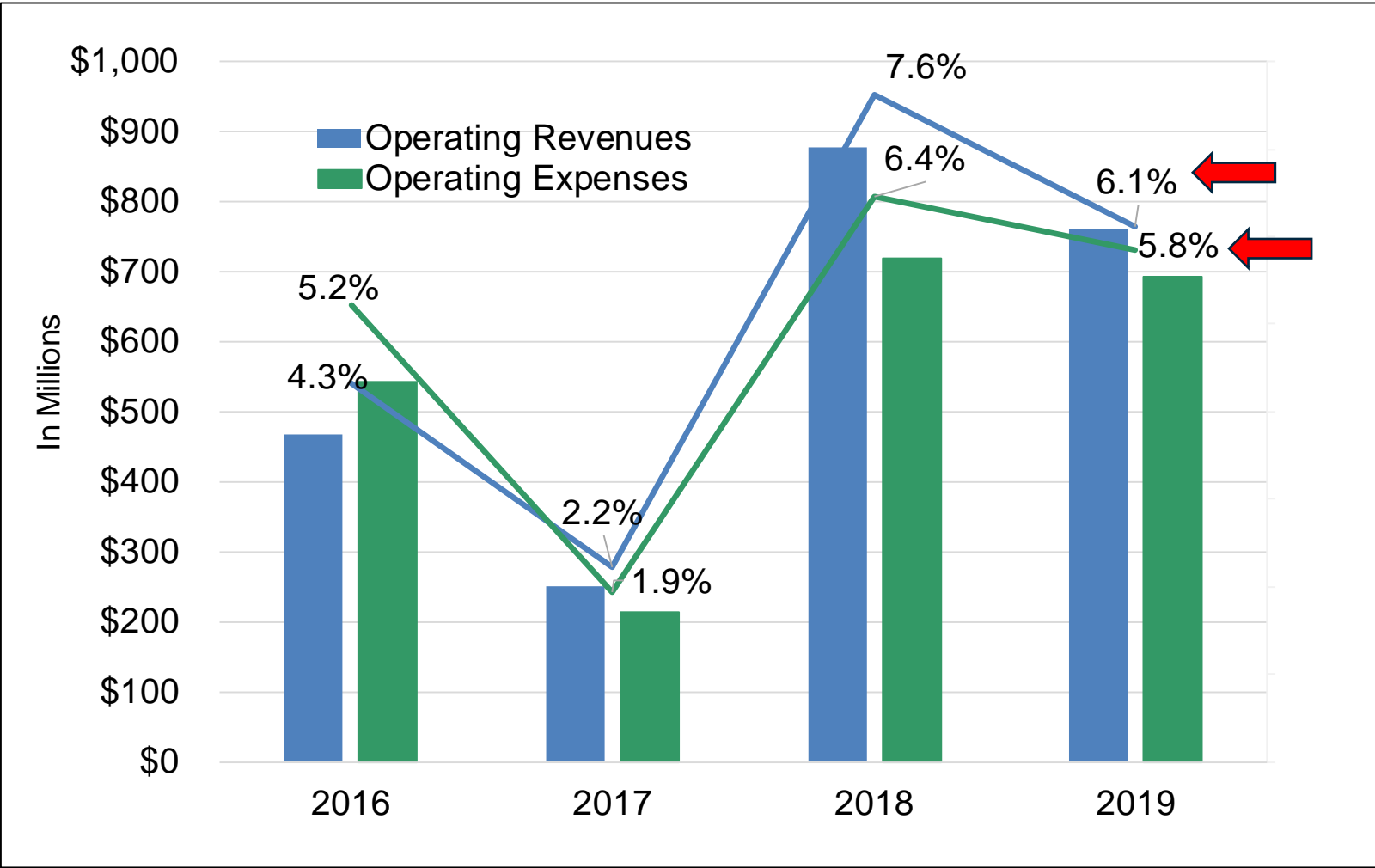
- Attracts a talented workforce.
- Drives modernization efforts for buildings and technology.
- Provides high quality healthcare to our citizens.

# Reasonable Profitability...

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

- Day to day operations
- Debt servicing
- Necessary facility upgrades
- Cash reserves

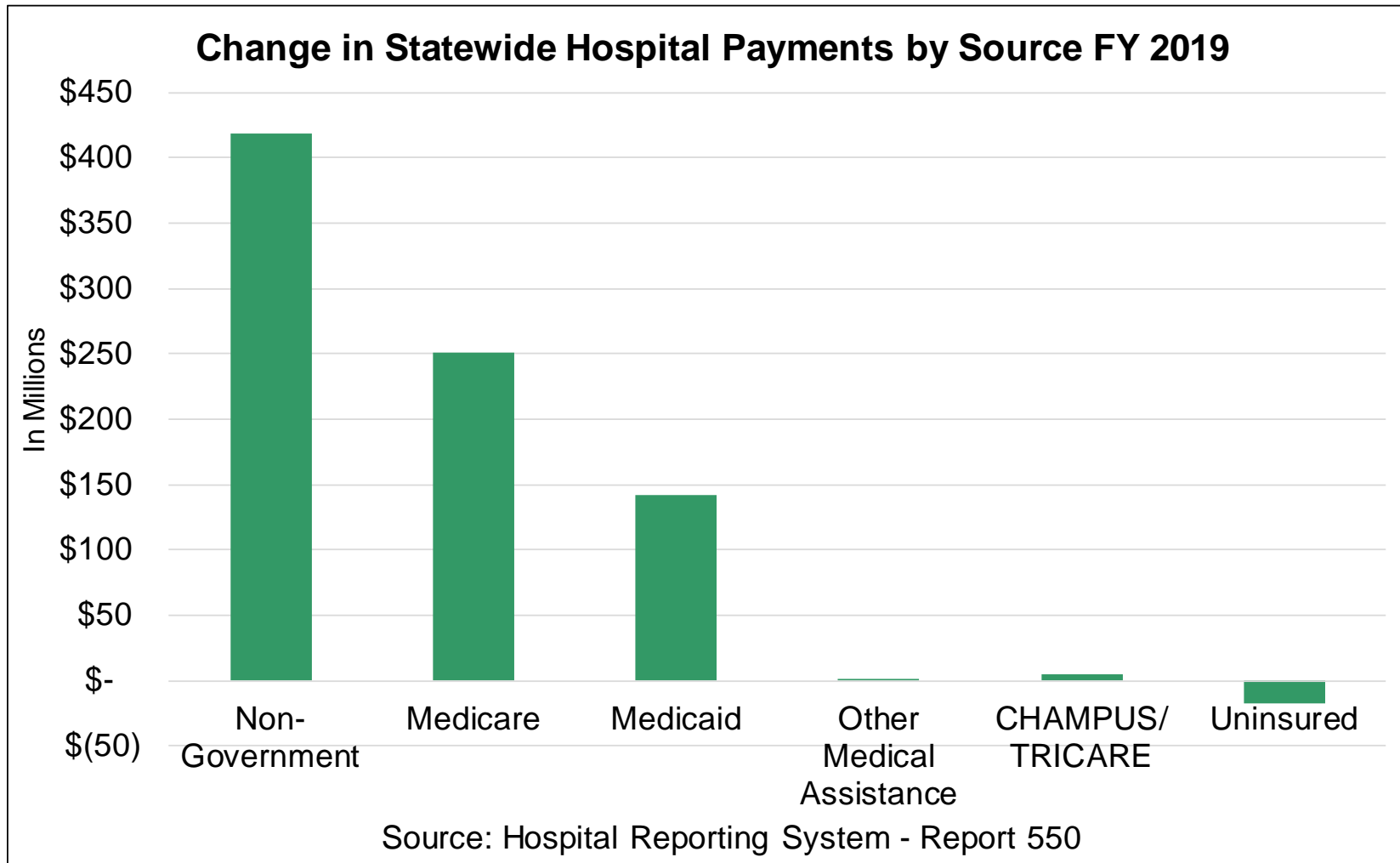
# Statewide hospital operating revenues grew faster than operating expenses in FFY 2019



**FY 2019**  
 Operating Revenue - \$13.2b  
 Operating Expense - \$12.6b

Source: Office of Health Strategy's Annual Report on Financial Status of Acute Care Hospitals for FY 2019.

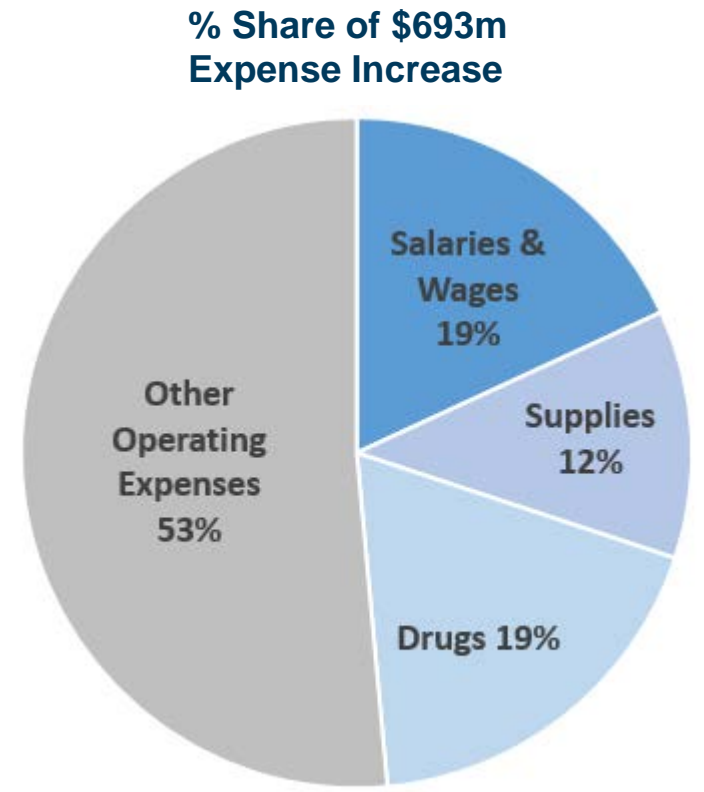
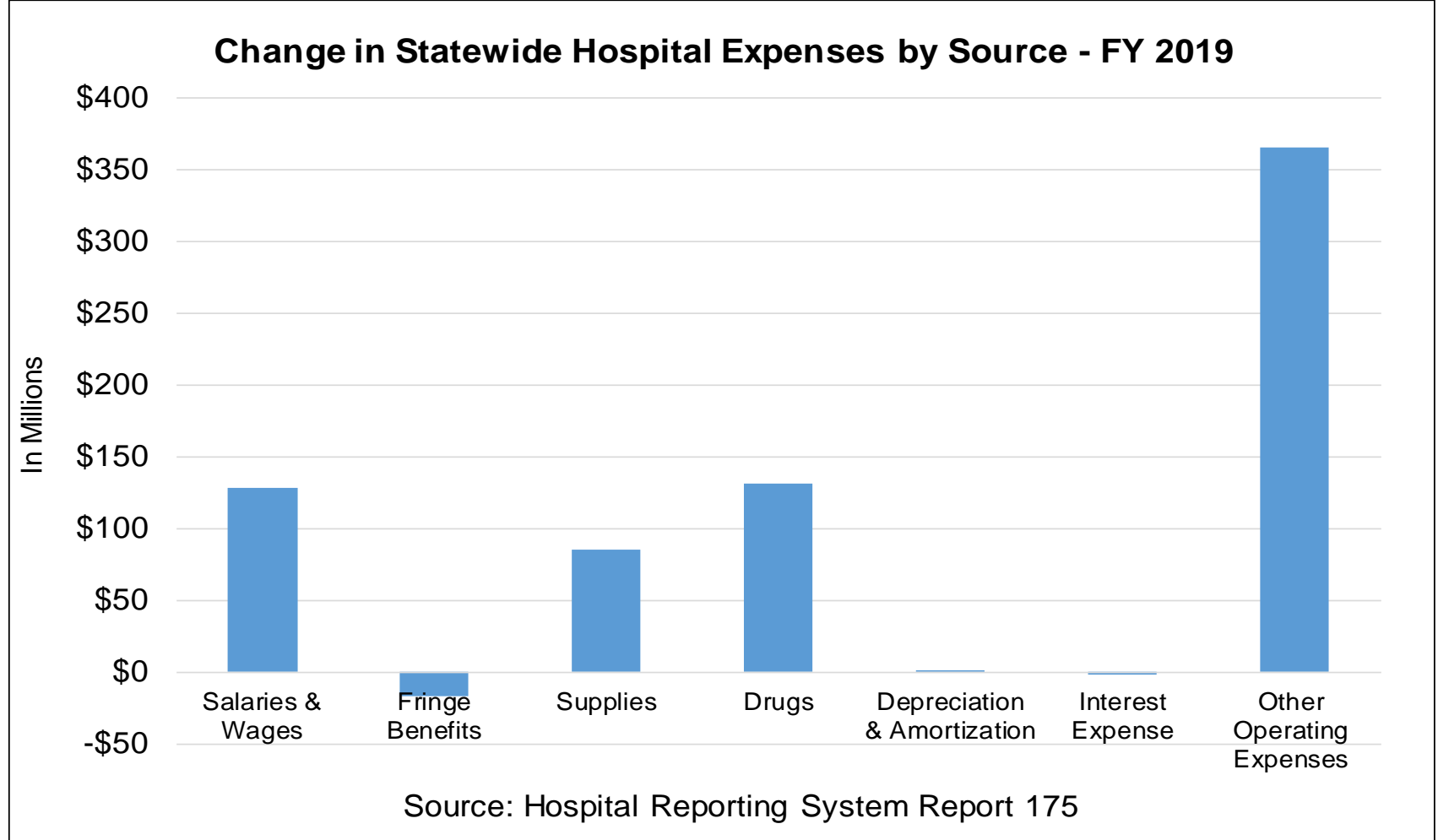
# FFY 2019 statewide hospital revenue increase due to growing OP activity and payments from major payers



## Utilization

Patient days - .1%  
ED visits - (1.4%)  
IP Surgeries - (1.8%)  
OP Surgeries - 2.2%

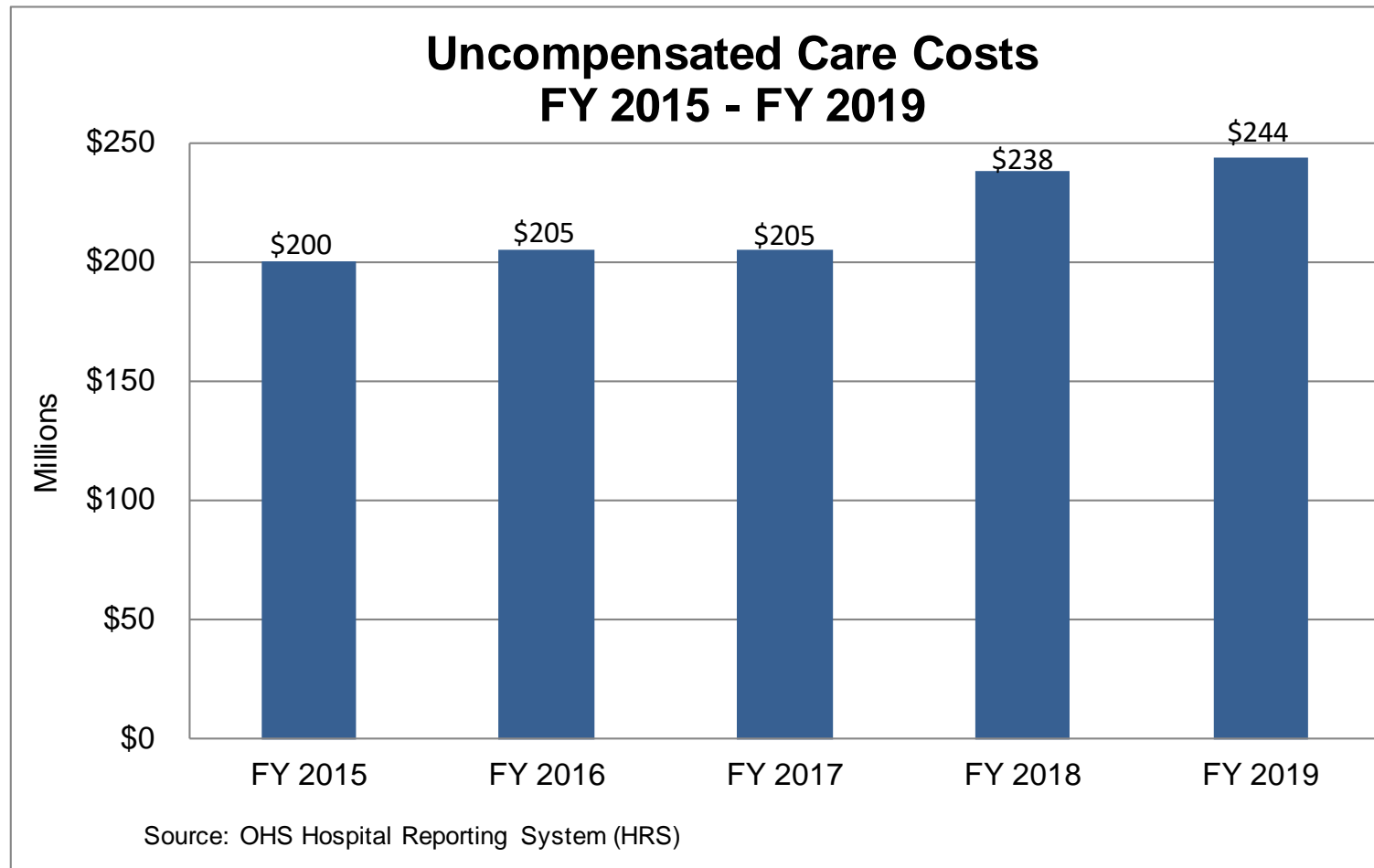
# Statewide hospital expenses increase primarily due to rising supplies, drugs, salaries and other operating expenses



Fringe Benefits, Depreciation and Interest Expense all decreased slightly.

**Other Operating expenses** is composed of 40 different expense items such as contract labor, utilities, leases, maintenance, purchased services and corporate parent/system fees and general other operating expenses.

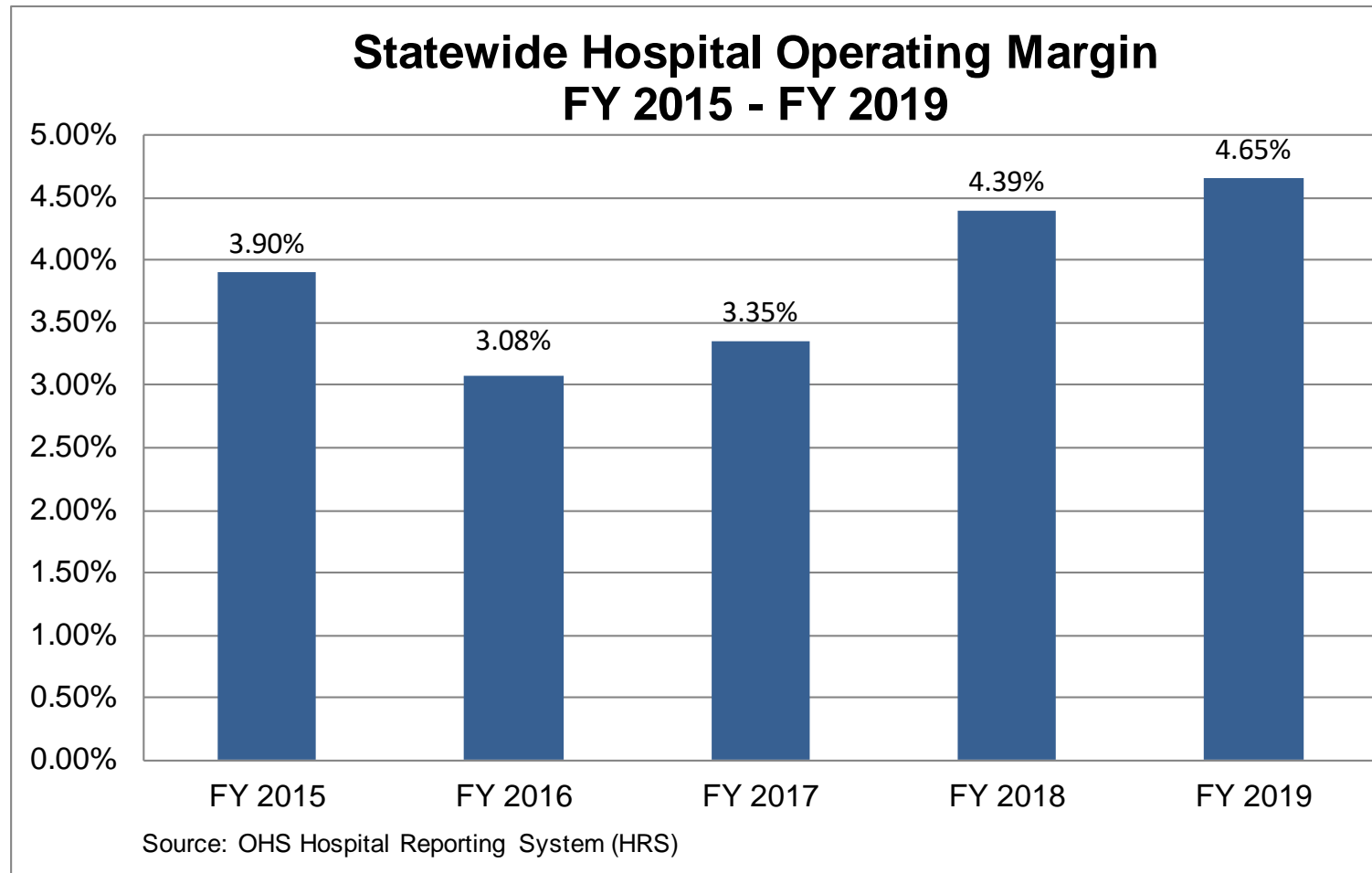
# Statewide uncompensated care costs remain approximately 2% of total hospital expenses



**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 improve

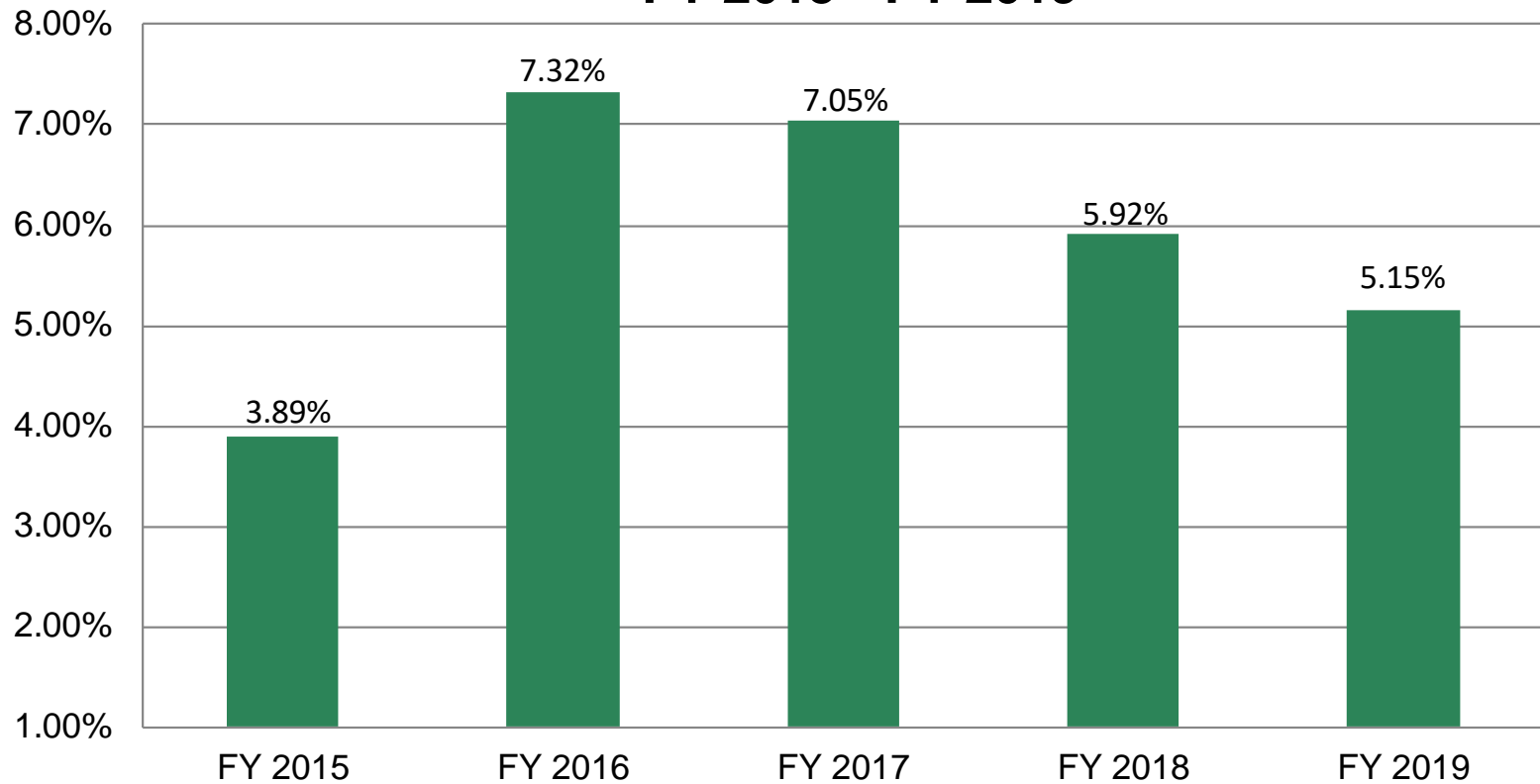


**Operating Margin:** Gain/Loss from Operations / Total Operating Revenue



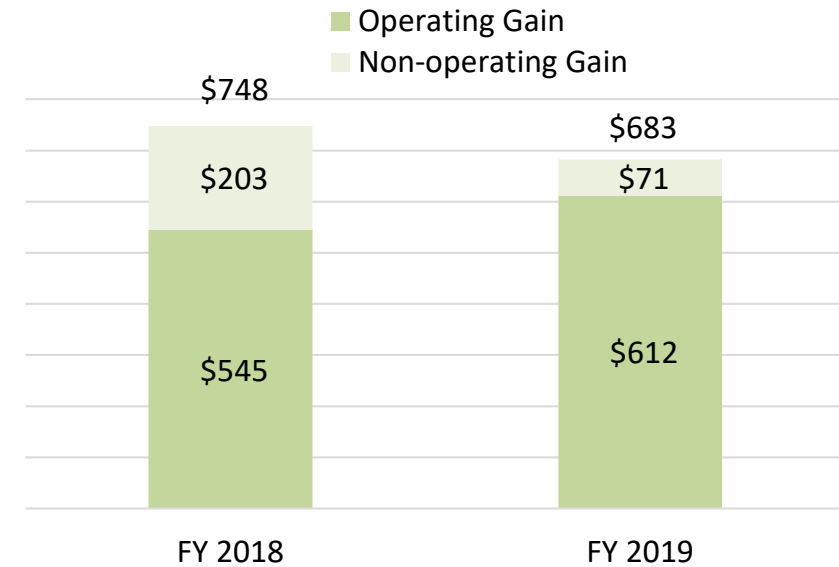
# Statewide hospital overall profitability margins positive but declining

**Statewide Hospital Total Margin  
FY 2015 - FY 2019**



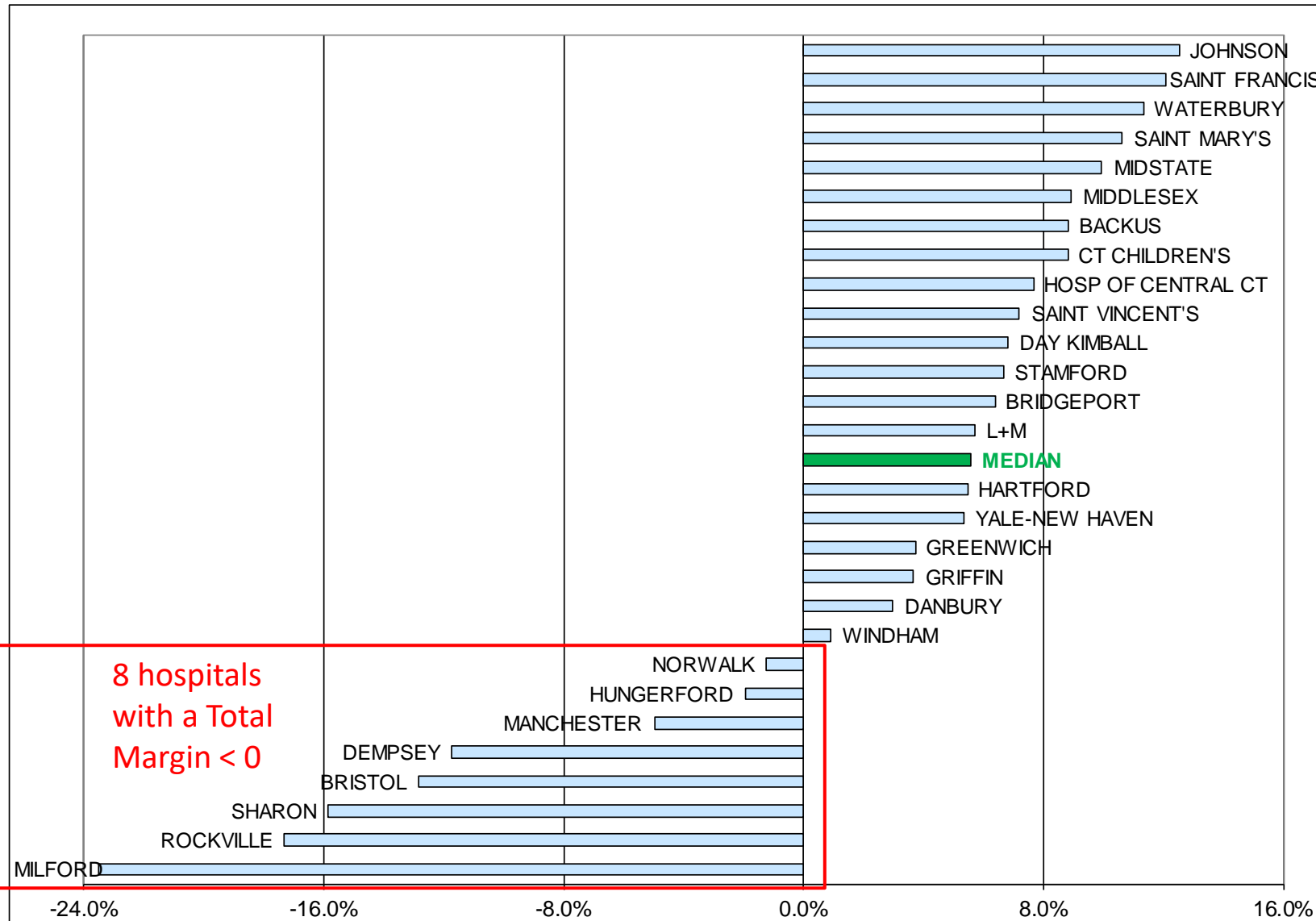
Source: OHS Hospital Reporting System (HRS)

**Overall Gains (In Millions)**



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

# Most hospitals were profitable in FFY 2019



## Total Margin - 2019

- 20 hospitals were profitable vs. 24 in FY 2018.
- 8 Hospitals had a total margin of < 0 vs 4 in FY 2018.
- The 8 hospitals were: Bristol, Dempsey, Hungerford, Manchester, Milford, Norwalk, Rockville and Sharon.

8 hospitals with a Total Margin < 0

Source: FY 2019 Audited Financial Statements Data

# Smaller hospitals show five-year average losses

7 hospitals with a Five Year Total Margin < 0

|                    | FY 2015-2019<br>5 YEAR<br>AVERAGE<br>TOTAL<br>MARGIN | FY 2015<br>TOTAL<br>MARGIN | FY 2016<br>TOTAL<br>MARGIN | FY 2017<br>TOTAL<br>MARGIN | FY 2018<br>TOTAL<br>MARGIN | FY 2019<br>TOTAL<br>MARGIN |
|--------------------|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| ROCKVILLE          | -11.77%  | -6.47%                     | -20.47%                    | -13.79%                    | -2.68%                     | -17.31%                    |
| SHARON             | -5.31%   | -57.10%                    | -38.28%                    | 38.43%                     | -7.99%                     | -15.86%                    |
| MILFORD            | -5.19%   | -7.20%                     | 1.11%                      | 0.78%                      | -5.24%                     | -23.52%                    |
| WINDHAM            | -4.13%   | -6.84%                     | -18.96%                    | -1.93%                     | 1.24%                      | 0.89%                      |
| BRISTOL            | -2.12%   | 0.96%                      | -1.36%                     | -1.88%                     | 3.56%                      | -12.85%                    |
| MANCHESTER         | -1.42%   | 3.91%                      | -9.04%                     | -2.37%                     | 4.39%                      | -4.95%                     |
| HUNGERFORD         | -1.35%   | 1.24%                      | -4.06%                     | -2.62%                     | 0.50%                      | -1.94%                     |
| JOHNSON            | 0.53%  | -6.05%                     | -9.64%                     | 1.39%                      | 1.19%                      | 12.53%                     |
| DANBURY            | 2.08%  | -0.91%                     | 3.69%                      | 4.11%                      | 0.28%                      | 2.97%                      |
| SAINT VINCENT      | 2.24%  | -3.68%                     | 0.02%                      | 1.70%                      | 5.88%                      | 7.19%                      |
| DAY KIMBALL        | 4.05%  | -0.52%                     | 5.49%                      | 2.05%                      | 6.00%                      | 6.79%                      |
| L+M                | 4.06%  | 4.44%                      | 0.67%                      | 3.34%                      | 5.89%                      | 5.71%                      |
| MIDDLESEX          | 4.30%  | 3.30%                      | 9.16%                      | 9.18%                      | -11.44%                    | 8.94%                      |
| HOSP OF CENTRAL CT | 4.76%  | -1.19%                     | 5.12%                      | 6.13%                      | 5.17%                      | 7.68%                      |
| HARTFORD           | 5.28%  | 5.30%                      | 5.60%                      | 5.84%                      | 4.28%                      | 5.47%                      |
| WATERBURY          | 5.60%  | -4.78%                     | -7.60%                     | 15.18%                     | 11.17%                     | 11.33%                     |
| NORWALK            | 5.76%  | 10.07%                     | 9.18%                      | 6.26%                      | 3.88%                      | -1.24%                     |
| SAINT FRANCIS      | 6.08%  | -2.56%                     | 1.59%                      | 6.31%                      | 9.51%                      | 12.09%                     |
| GREENWICH          | 6.32%  | 7.56%                      | 9.20%                      | 6.36%                      | 5.08%                      | 3.74%                      |
| YALE NEW HAVEN     | 6.45%  | 4.33%                      | 5.85%                      | 8.21%                      | 8.26%                      | 5.34%                      |
| STAMFORD           | 6.75%  | 9.21%                      | 7.77%                      | 6.65%                      | 3.92%                      | 6.67%                      |
| GRIFFIN            | 6.84%  | 3.48%                      | 9.51%                      | 8.58%                      | 8.68%                      | 3.64%                      |
| BRIDGEPORT         | 8.68%  | 11.14%                     | 9.03%                      | 4.84%                      | 12.10%                     | 6.39%                      |
| MIDSTATE           | 8.96%  | 6.36%                      | 12.21%                     | 8.59%                      | 7.47%                      | 9.94%                      |
| SAINT MARY         | 9.44%  | 8.09%                      | 10.97%                     | 8.49%                      | 8.83%                      | 10.61%                     |
| CT CHILDREN'S      | 10.07%   | 8.90%                      | 9.14%                      | 13.07%                     | 10.31%                     | 8.81%                      |
| DEMPSEY            | 11.54%   | 7.52%                      | 43.32%                     | 2.22%                      | 2.19%                      | -11.72%                    |
| BACKUS             | 16.18%   | 13.78%                     | 20.27%                     | 26.56%                     | 10.73%                     | 8.82%                      |
| STATEWIDE (Note A) | 5.89%  | 3.89%                      | 7.32%                      | 7.05%                      | 5.92%                      | 5.15%                      |
| Median (Note B)    | 5.0%   | 3.4%                       | 5.3%                       | 6.0%                       | 4.7%                       | 5.6%                       |

Source: Office of Health Strategy's Annual Report on Financial Status of Acute Care Hospitals for FY 2019

# Statewide, hospitals were more profitable than health systems in FFY 2019

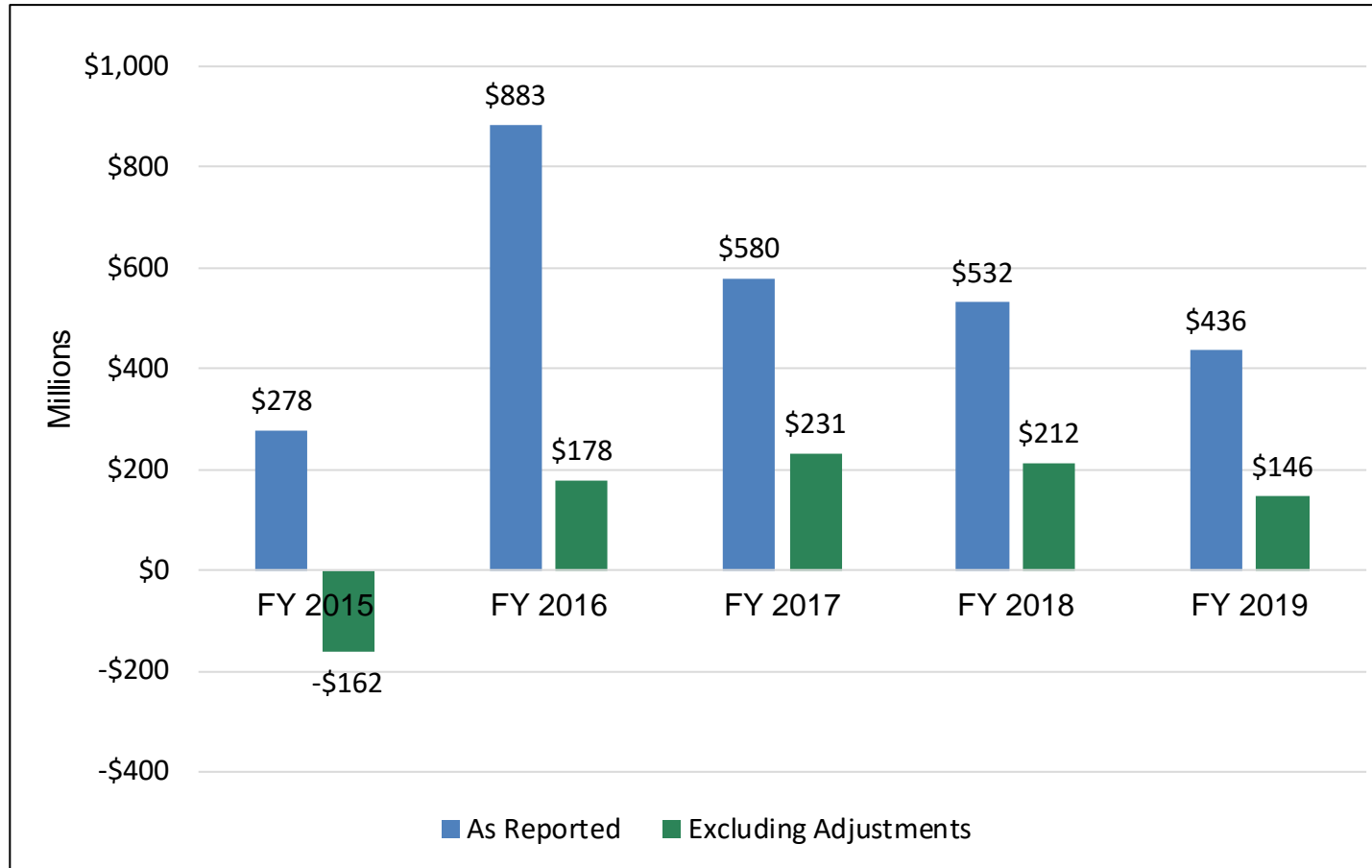
|  | Hospitals<br>FY 2019 | Health Systems<br>FY 2019 |   |
|--|----------------------|---------------------------|---|
| Net Patient Revenue                          | \$12,425,821,610     | \$14,162,269,812          |   |
| Other Operating Revenue                      | <u>\$746,676,576</u> | <u>\$1,205,964,177</u>    |   |
| Total Operating Revenue                      | \$13,172,498,186     | \$15,368,233,989          |   |
| Total Operating Expenses                     | \$12,560,614,613     | \$15,241,840,749          |   |
| Income/(Loss) from Operations                | \$611,883,573        | \$126,393,240             | *Gains were higher at hospitals than at the full health system. |
| Non Operating Revenue                        | <u>\$70,720,228</u>  | <u>\$309,846,289</u>      |   |
| Excess/(Deficiency) of Revenue over Expenses | \$682,603,801        | \$436,239,529             |   |
| Operating Margin                             | 4.65%                | 0.82%                     |   |
| Total Margin                                 | 5.15%                | 2.78%                     |   |

\*Source: OHS Hospital Reporting System

## Non Operating Revenues - Special Situations

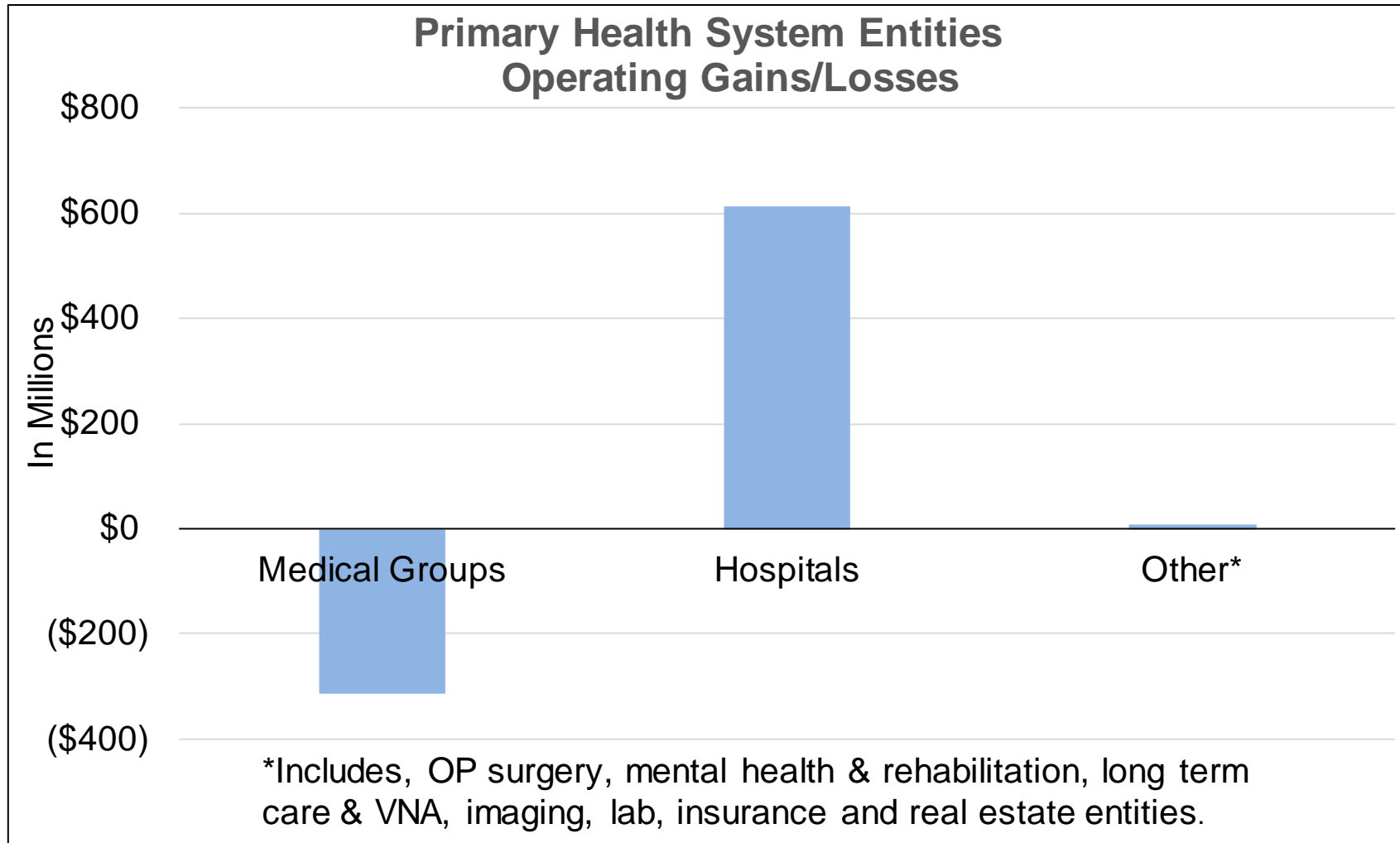
- Bristol Hospital had a \$22 million adjustment for the settlement of pensions.
- UCONN Health Center received \$263 million in State and Capital appropriations.

# Health system profits with and without special situations



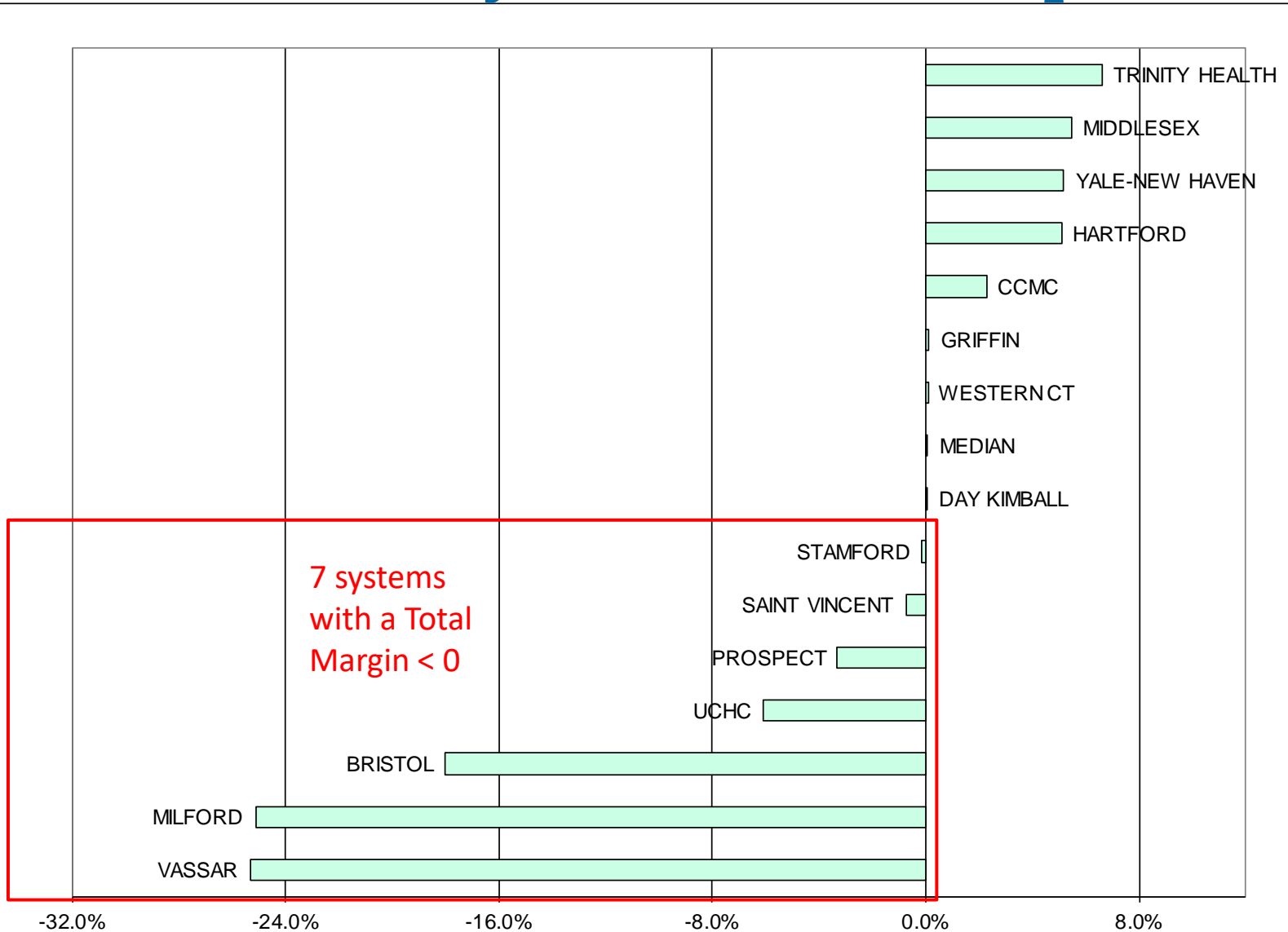
Source: FY 2019 Audited Financial Statements Data

# Medical groups are loss leaders for health systems but provide a source of referrals for hospital services



Source: Hospital & Health System AFS & HRS Reports

# Seven health systems were unprofitable in FFY 2019



7 systems  
with a Total  
Margin < 0

- 8 systems were profitable, the same as in FY 2018.
- 7 Systems had a TM of < 0 vs. 8 in FY 2018.
- The 7 were: Bristol, Milford, Prospect, St. Vincent's, Stamford, Uconn & Vassar.

Source: FY 2019 Audited Financial Statements Data

# Questions?



# Additional Hospital Data

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

- Annual Reporting & 12 Month Filings
- Audited Financial Statements
- Medicare Cost Reports
- IRS Form 990's
- [FY 2019 Financial Stability Report](#)

**The End**