

FACTFILE

Hospital Financial Trends

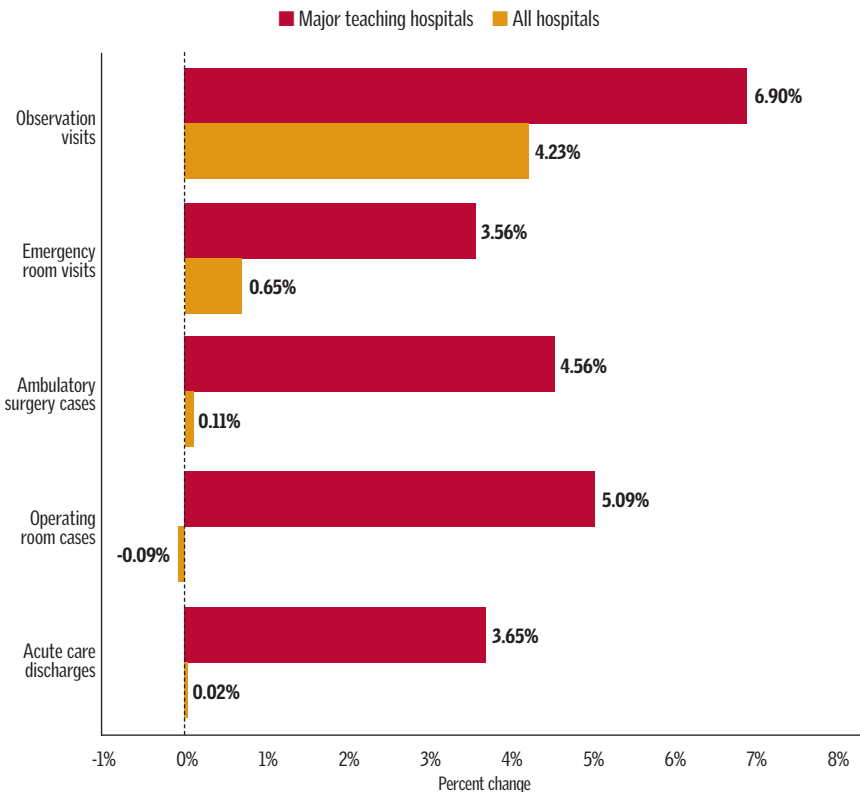
The median fiscal and operational performance of U.S. hospitals over the past year shows that, with the exception of major teaching hospitals, figures remained relatively flat, despite expectations to the contrary. The data spans a four-year period from 2009Q4 to 2013Q4. Overall, hospitals saw flat or no growth in utilization, while major teaching hospitals saw steady growth. Among the other trends:

- Outpatient charges are increasing as a percentage of total charges
- Hospitals have been able to control margins by managing costs
- Hospital margins have recovered since 2011 and have regained historic levels
- 25% of all hospitals had negative margins
- Hospitals control labor and supply expenses better than other operating expenses
- All components of supply expense have been well-controlled
- Average age of the plant continues to increase



HOSPITAL UTILIZATION, FOUR-YEAR ANNUALIZED RATE OF CHANGE

From the last quarter of 2009 to the last quarter of 2013, hospitals, generally, have experienced flat or declining utilization of key services. The exception is among major teaching hospitals, which have had the strongest performance in key utilization areas. This trend is seen in acute hospital discharges, as well: Over the same period, major teaching hospitals experienced a 3.65% per year increase in discharges, while all hospitals had an increase of just 0.02% per year.



SOURCE: Truven Health Analytics.

The Hospital Portion of Healthcare Expenditures

In the United States, hospitals represent the largest share of healthcare expenditures, accounting for 36.3%, according to CMS data. The percentage varies by state, with a low of 30.7% in Connecticut and a high of 47.8% in Washington, D.C.

1. Connecticut	30.7%
2. Florida	30.8%
3. New Jersey	31.0%
4. California	33.3%
5. Oregon	33.6%
6. Tennessee	33.7%
6. Alabama	33.7%
8. Nevada	34.0%
9. Minnesota	35.0%
10. Georgia	35.1%
11. North Carolina	35.4%
11. New York	35.4%
13. Washington	35.5%
14. Colorado	35.9%
15. Arkansas	36.0%
16. Texas	36.1%
17. Hawaii	36.2%
United States	36.3%
18. Utah	36.4%
18. Arizona	36.4%
20. Virginia	36.6%
21. Delaware	36.7%
22. Rhode Island	36.8%
23. Maryland	36.9%
24. Pennsylvania	37.0%
25. New Mexico	37.1%
26. Louisiana	37.3%
26. Kansas	37.3%
28. Idaho	37.4%
29. Wisconsin	37.7%
30. Massachusetts	37.8%
31. New Hampshire	38.0%
32. Maine	38.4%
33. Oklahoma	38.8%
34. Indiana	39.0%
35. Iowa	39.2%
36. Kentucky	39.5%
37. Illinois	39.9%
38. West Virginia	40.1%
39. South Carolina	40.4%
40. Ohio	40.7%
40. Michigan	40.7%
42. North Dakota	41.1%
43. Wyoming	41.4%
44. Mississippi	41.7%
45. Nebraska	41.9%
46. Alaska	42.5%
47. Montana	42.8%
48. Vermont	44.6%
48. South Dakota	44.6%
50. Missouri	45.1%
51. District of Columbia	47.8%

NOTE: Healthcare expenditures measure spending for all privately and publicly funded personal healthcare services and products (hospital care, physician services, nursing home care, prescription drugs, etc.) by state of residence. Hospital spending is included and reflects the total net revenue (gross charges less contractual adjustments, bad debts, and charity care). Costs such as insurance program administration, research, and construction expenses are not included in this total.

SOURCE: Kaiser State Health Facts, *Distribution of Health Care Expenditures by Service by State of Residence* (in millions), <http://kff.org/other/state-indicator/health-spending-by-service-2/>; Centers for Medicare & Medicaid Services, *Health Expenditures by State of Residence*, Retrieved (December 2011); <http://www.cms.gov/NationalHealthExpendData/downloads/resident-state-estimates.zip>.

Upcoming Topic:

> Consumer Health Status

FACT FILE PARTNER:

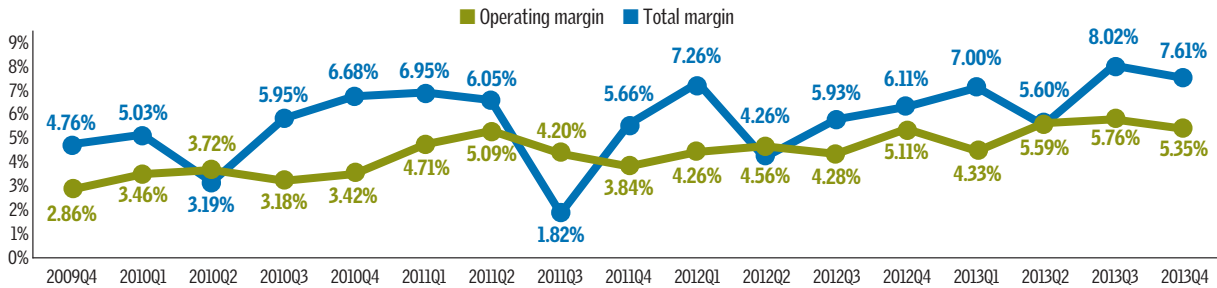


www.truvenhealth.com

ABOUT THE DATA: The data reflect the median performance of U.S. hospitals for calendar years 2009–2013. The hospital comparison groups are created using methodologies from the Truven Health Analytics 100 Top Hospitals program. Data are from the Truven Health Action01 database. With operational and financial data from more than 750 healthcare organizations across the country, Action01 has the largest comparative database in the industry. For more information, email info@truvenhealth.com, call 1-800-366-7526, or visit www.truvenhealth.com.

MEDIAN OPERATING AND TOTAL MARGINS

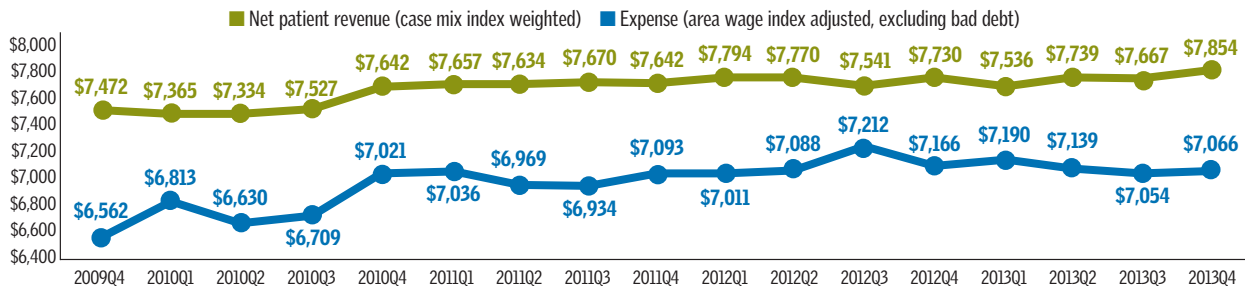
U.S. hospital operating margins have regained strength, reaching 5.35% in 2013Q4. Total margin, too, showed strength, with a 7.61% level in the same quarter, some 2.26 points above the operating margin. Nonoperating revenues historically (before the recession of 2008–2009) contributed 1 to 2 percentage points to total margins, subsidizing patient care. In 2011Q3, many hospitals realized losses on their investments, causing median hospital total margins to decline.



SOURCE: Truven Health Analytics.

EXPENSES AND NET PATIENT REVENUE

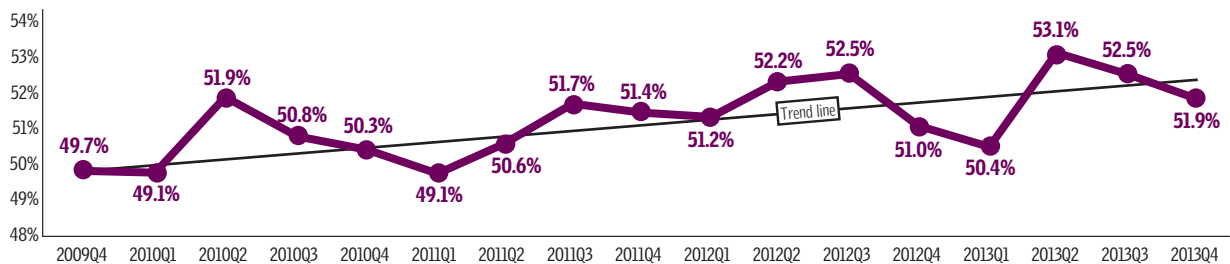
Even though revenues per patient have remained flat the past two years, hospitals have managed to cut costs per patient, which has contributed to margins. In 2013Q4, net patient revenue per adjusted discharge (case mix index weighted) reached \$7,854, while expenses per adjusted discharge (area wage index adjusted, excluding bad debt) was \$7,066.



SOURCE: Truven Health Analytics.

HOSPITAL OUTPATIENT CHARGES

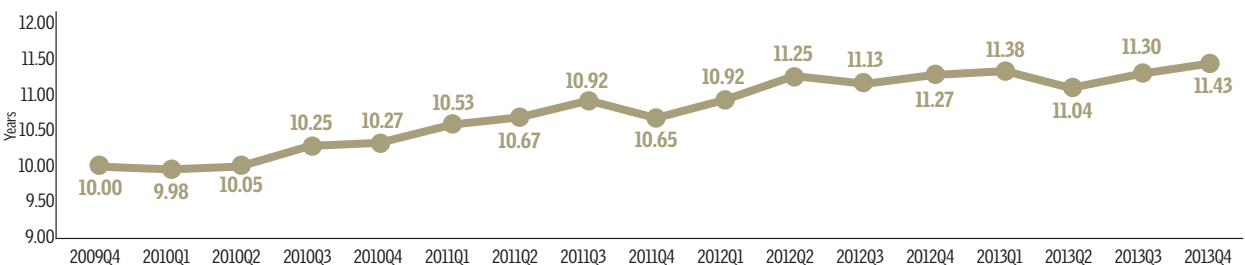
On average, hospital outpatient charges are still growing as a percent of total charges. That said, there is a strong seasonal component. Outpatient services are the lowest proportion of total services in Q1 (winter) of each year. Typically, the markup from costs is higher for outpatient services. Therefore, outpatient services provide a higher margin.



SOURCE: Truven Health Analytics.

HOSPITAL FACILITIES: AVERAGE AGE OF PLANT

Hospital facilities are aging. From 2005 to 2008, the average age of the plant held at about the 9.5-year level. But from 2009 to 2013, the average age increased to more than 11 years, which indicates that insufficient investment is leading to aging facilities.



SOURCE: Truven Health Analytics.