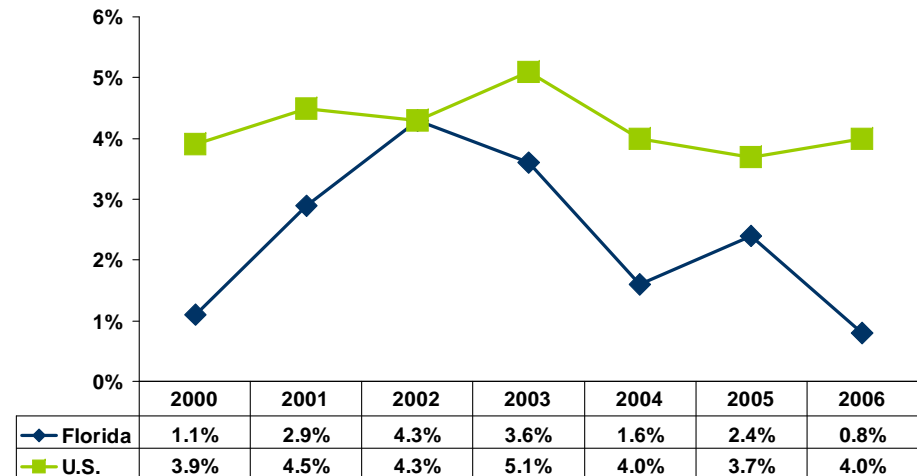


**Hospitals are Barely Breaking Even on Patient Care Services**

- Operating margins in Florida hospitals averaged 0.8% in 2006, the lowest seen in the past seven years. Eighty hospitals reported negative operating margins for 2006, also the highest number seen in the past seven years.
- Operating margins reflect the difference between reimbursements for patient care services and the cost of treating patients.
- Nationally, operating margins have improved since 2000, reaching 4% in 2006.

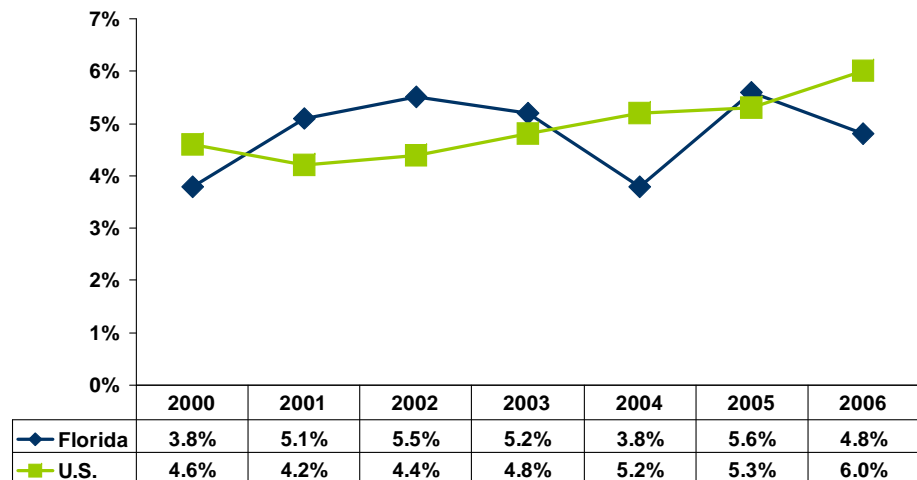
Operating Margin  
2000 - 2006



**Profitability in Florida Hospitals is Below the National Average**

- Total margin represents how much hospitals earned on operating and non-operating activities. Non-operating activities include those that are not directly related to patient care services, such as earnings on investments. Non-operating income, while it fluctuates from year to year, is a way that hospitals can bring in additional income to help cover capital expansions and additional staffing.
- In 2006, the total margin for Florida hospitals averaged 4.8%, the largest difference between operating and total margins seen in Florida in the past seven years. Total margin fell from 5.6% reported for 2005 and reflects an 11.5% drop in net income over 2005 levels.
- Florida hospital margins are below the national average, with the total margin for hospitals nationally averaging 6% in 2006, compared to 4.8% in Florida.
- Nationally, 24.3% of all hospitals reported losses in 2006.

Total Margin  
2000 - 2006



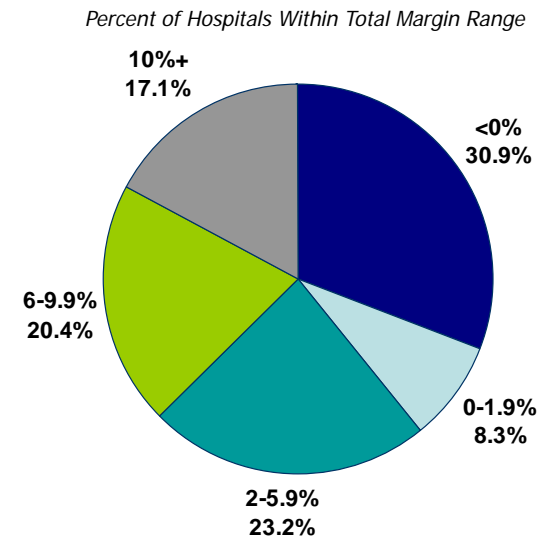
N = 172

Sources: Florida Agency for Health Care Administration FUHRS Financial Data, FY00-06  
AHA TrendWatch Chart Book, 2008

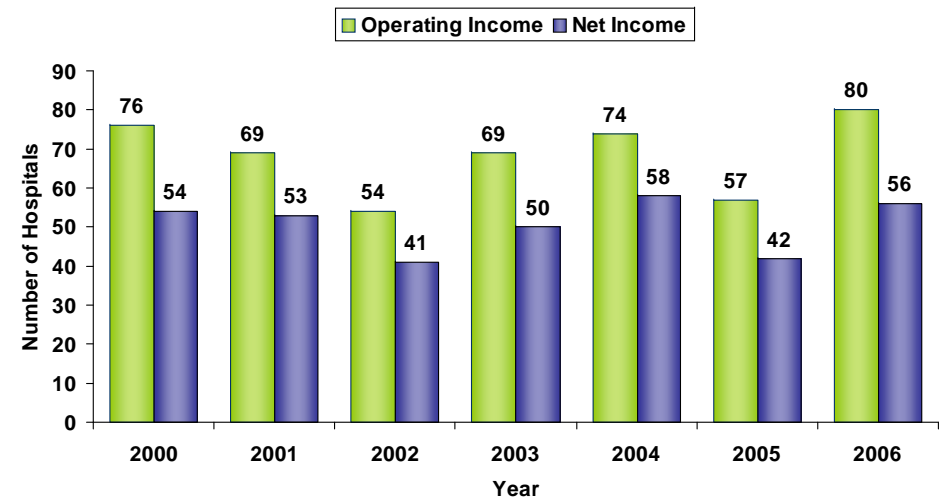
## Almost One-third of Florida's Hospitals are Losing Money

- In 2006, 56 or 30.9% of all acute care hospitals posted overall losses, up 33% from 2005, when 42 hospitals reported losses.
- Eighty hospitals or 45% of all hospitals lost money on operations in 2006. This compares to 57 hospitals posting losses on operations in 2005.
- Hospitals strive to achieve a 6% margin, the target that healthcare financial experts say is necessary to ensure the long-term viability of the organization. In 2006, 63% of Florida hospitals fell below a 6% margin.

## Distribution of Hospitals by Total Margin 2006



## Number of Hospitals Losing Money 2000 - 2006



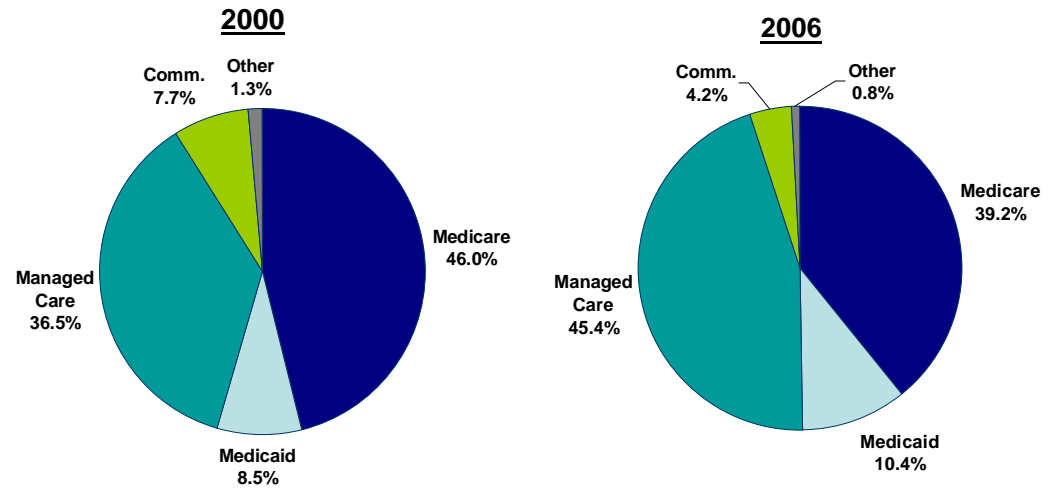
N = All hospitals reporting for given year

Source: Florida Agency for Health Care Administration FUHS Financial Data, FY00-06

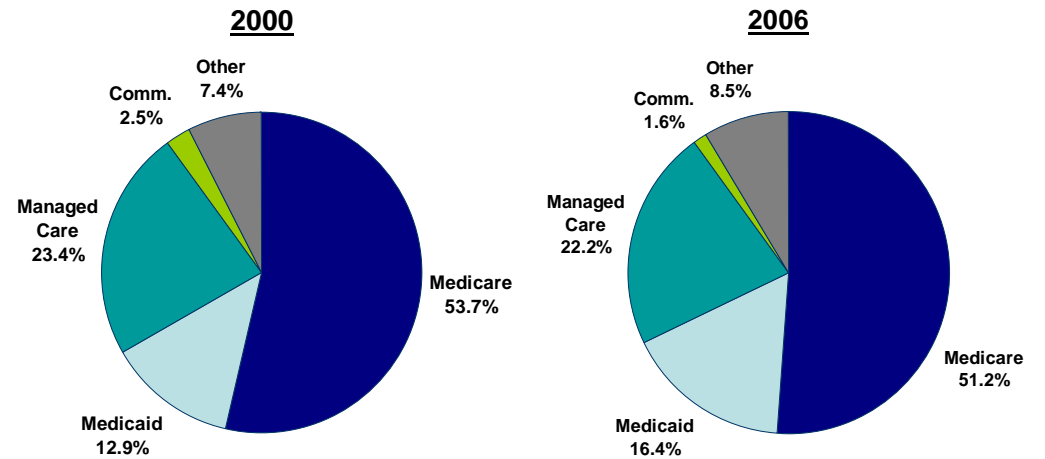
## Medicare Represents a Lower Percentage of Hospital Payments

- Medicare accounted for 39.2% of hospital payments in 2006, a significant drop from 2000 when it represented 46% of total hospital payments. Managed care payments comprised a bigger percentage of the total hospital payments in 2006, due solely to commercial plans moving to a discounted managed care arrangement.
- While Medicare payments are declining, Medicare continues to be the largest user of hospital services. In 2006, Medicare accounted for 51.2% of total patient days, slightly less than the 53.7% seen in 2000.
- The most significant change in hospital use was the jump in Medicaid patient days, which represented 16.4% of total patient days in 2006 compared to 12.9% in 2000.

## Payments 2000 - 2006



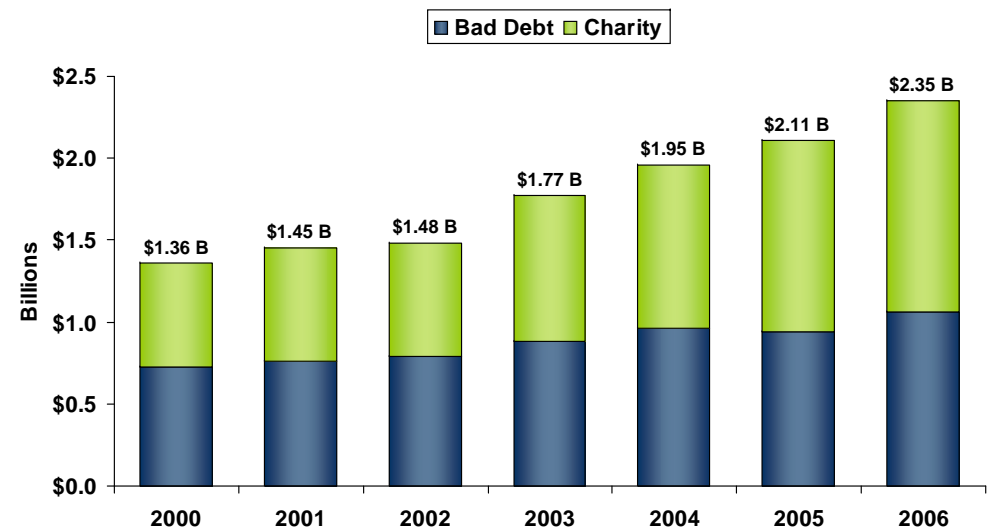
## Patient Days 2000 - 2006



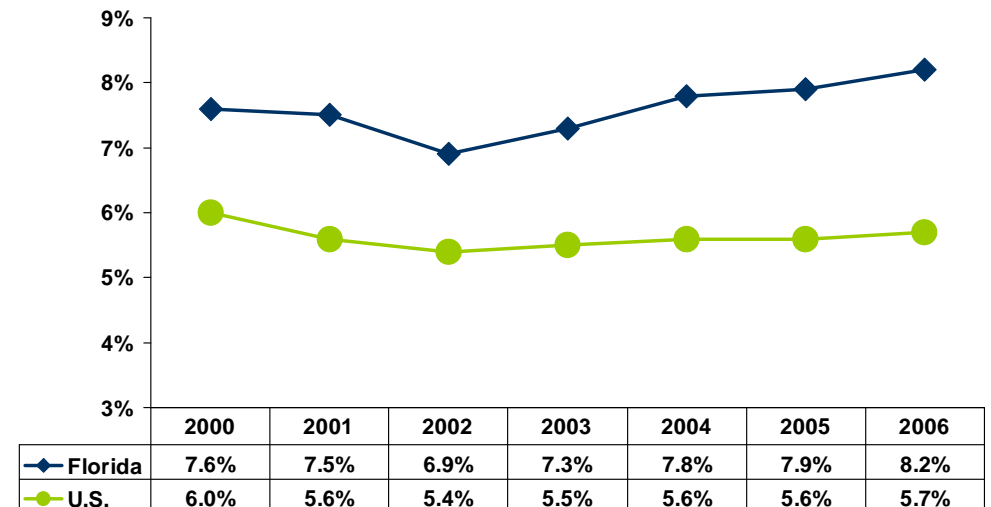
## Uninsured and Underinsured are Driving up Hospitals' Uncompensated Care Costs

- Approximately 3.5 million Floridians, 20.3% of Florida's non-elderly population, are uninsured. For these individuals, hospitals are one of the few places they can get care regardless of their ability to pay.
- Uncompensated care costs<sup>1</sup> in Florida hospitals reached \$2.35 billion in 2006, an 11.4% increase from the level reported in 2005. Uncompensated care costs are those costs associated with patients who cannot pay their hospital bill. This includes those patients who are uninsured and those that are underinsured.
- Hospitals can write off costs of treating the uninsured patients as "charity" but only if they meet the state's definition of charity care. A person qualifies for "charity" if his/her income is below 200% of the Federal Poverty Level or medical costs exceed 25% of his/her income. Uncompensated costs associated with patients not qualifying as "charity" are written off as "bad debt."
- Costs associated with charity patients accounted for 54.9% of total uncompensated care costs.
- Uncompensated care costs as a percentage of total costs increased from 7.6% of the total in 2000 to 8.2% in 2006. While Florida hospitals spent 8.2% of operating costs on uncompensated care, hospitals nationwide spent 5.7% in 2006.

## Estimated Cost of Uncompensated Care 2000 - 2006



## Uncompensated Care as a Percent of Total Costs 2000 - 2006



<sup>1</sup>Uncompensated care costs were calculated by applying the cost-to-charge ratio to the write-off from charge for charity care and bad debt.

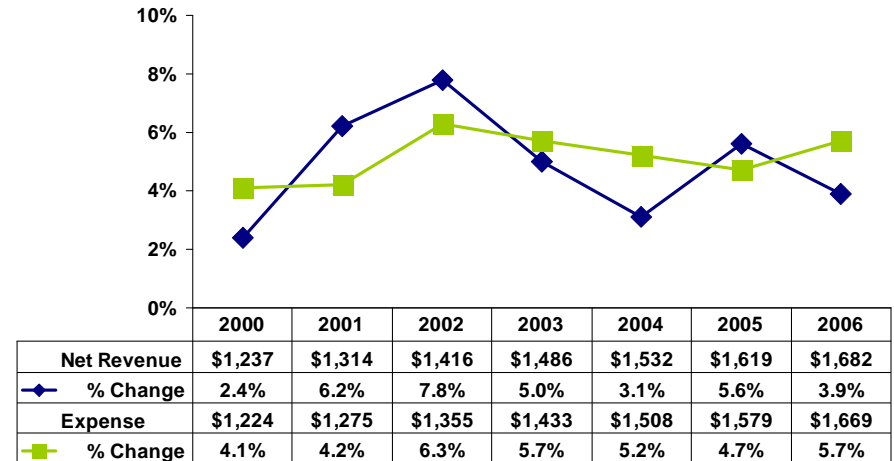
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Source: Florida Agency for Health Care Administration FUHRS Financial Data, FY00-06  
AHA TrendWatch Chart Book, 2008

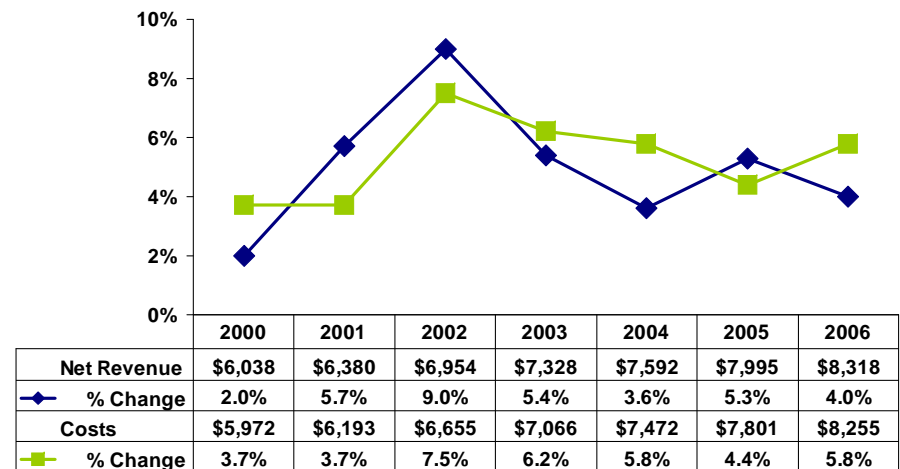
## Hospitals Netted \$13 per Adjusted Patient Day in 2006

- Florida hospitals were paid, on average, \$1,682 per adjusted patient day<sup>1</sup>, in 2006, up 3.9% from the prior year. Costs per adjusted patient day averaged \$1,669, an increase of 5.7% for the same period. As a result, hospitals earned approximately \$13 per adjusted day, the lowest seen since 2000.
- Payments per adjusted admission in 2006 averaged \$8,318 compared to costs per adjusted admission of \$8,255. Thus, hospitals earned \$63 per adjusted admission in 2006. This is about one-third of what they netted in 2005 and the lowest amount seen since 2006.
- Supply costs per adjusted patient day increased 5.1% in 2006. Since 2000, these costs have grown 71%.
- The cost of pharmaceuticals in hospitals grew 2.9% in 2006. Pharmaceutical costs per adjusted patient day are up 46% since 2000.
- Hospital labor costs have grown 33.8% since 2000. In 2006, hospital labor costs averaged \$50,158 per FTE (full-time equivalent), up 4.2% over 2005.

## Net Revenue and Expense per Adjusted Patient Day<sup>1</sup> 2000 - 2006



## Net Revenue and Costs per Adjusted Admission<sup>1</sup> 2000 - 2006



<sup>1</sup>Patient days and admissions are adjusted for the volume of outpatient services.  
N = 172

## Medicare and Medicaid Pay Less Than Cost

- National data on hospital payment-to-cost ratios highlight that government payers pay less than what it costs to deliver care to their patients.
- In 2006, Medicare paid, on average, 91.3% of the costs associated with treating Medicare patients. Each year, Medicare is paying a shrinking percentage of costs.
- Nationally, hospitals received \$0.858 for every \$1 of care provided to Medicaid patients in 2006, down from \$0.945 in 2000. As a result, the shortfall between payments and costs are passed on to private-pay patients.
- In Florida, hospitals, on average, received \$0.824 for every \$1 of care provided to Medicaid patients in 2006. Florida hospitals which are not exempt from Medicaid rate controls only received \$0.614 for every \$1 of care provided to Medicaid patients in 2006.

## Hospital Payment-to-Cost Ratios

U.S.

2000 - 2006

Year	Medicare	Medicaid*	Private Payer
2000	99.1%	94.5%	115.7%
2001	98.4%	95.8%	116.5%
2002	97.9%	96.1%	119.0%
2003	95.3%	92.3%	122.3%
2004	91.9%	89.9%	128.9%
2005	92.3%	87.1%	129.4%
2006	91.3%	85.8%	130.3%

\*Includes Medicaid Disproportionate Share payments

Source: Avalere Health analysis of AHA Annual Survey data for 2006

### Methodology

This analysis is based on 172 acute care hospitals with complete financial data for the fiscal years ending in 2000-2006.

### Staff Contact

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## Financial Data Available from FHA

*To ORDER these reports, go to the appropriate link to download the order form or e-mail Dena Miller-Jones at [denam@fha.org](mailto:denam@fha.org)*

Hospital Financial Data on CD/FY06:

AHCA FHURS data in easy-to-use spreadsheets

[www.fha.org/acrobat/findisk.pdf](http://www.fha.org/acrobat/findisk.pdf)

Hospital Financial and Operating Indicators:

Financial and operating measures for acute care hospitals for benchmarking and comparison

[www.fha.org/acrobat/finandoperatingindicators.pdf](http://www.fha.org/acrobat/finandoperatingindicators.pdf)

Custom data report are also available. Contact Debbie Hegarty, Surveys/Special Projects Manager, at (407) 841-6230 or [debbieh@fha.org](mailto:debbieh@fha.org) for details.