



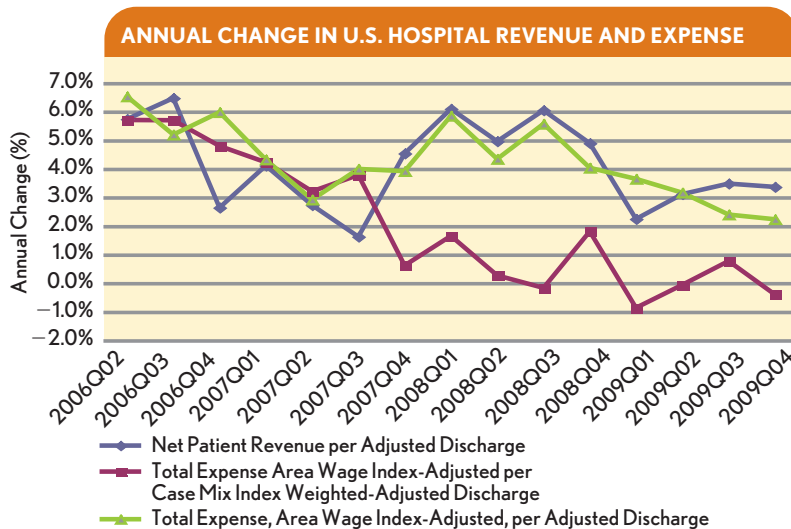
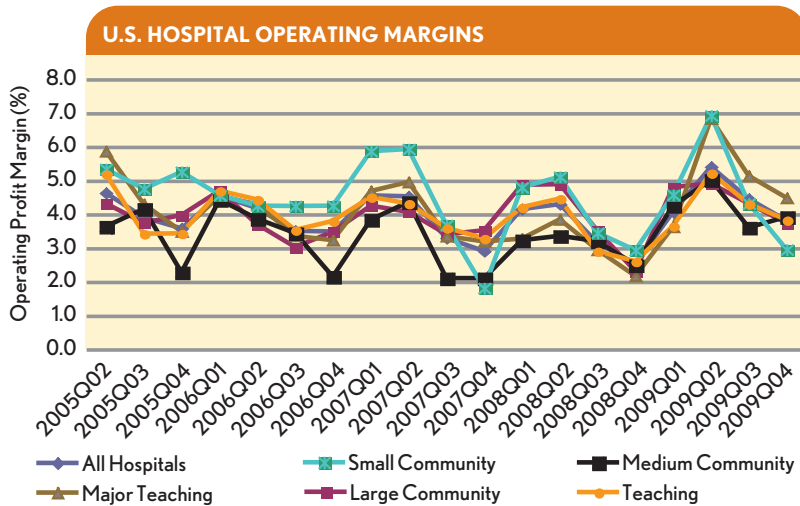
healthcare financial management association www.hfma.org

## hospitals sustaining margins by keeping expenses in line with revenues

Although the current recession has hurt hospitals in a number of ways, their operating margins have been largely unaffected. In fact, operating margins have followed relatively stationary cyclical patterns in the past few years. An analysis of

median operating margin percentage by hospital type discloses that, as of the fourth quarter 2009, all classes of hospitals (major teaching; teaching; and large, medium, and small community hospitals) posted operating margins between 2.9 and 4.5 percent. Major teaching hospitals had the highest margins, while small community hospitals had the lowest. All classes except the small community hospitals enjoyed higher operating margins in the fourth quarter of 2009 than they did a year earlier.

Revenue and expense trends interplay to produce the relatively stationary operating margin series. In other words, it appears that hospitals have controlled expenses to match fluctuations in revenue growth. Analysis of median net patient revenue and expense (area wage index [AWI]-adjusted) per adjusted discharge, and expense per adjusted discharge, AWI- and case mix-adjusted discloses that, overall, annual rates of revenue and expense growth declined between the last quarters of 2008 and 2009, despite small increases in the second and third quarters of 2009. Median net patient revenue increased approximately 3.4 percent on a year-over-year basis and expenses increased just 2.2 percent (or were close to 0 percent with case mix index adjustment). ●



This report is based on key operational and financial indicators for nonfederal general acute care hospitals that contributed quarterly data to the Thomson Reuters ActionOI<sup>®</sup> database in the years 2006 through 2009. Hospital responses were weighted to make the sample comparable to the national distribution of all hospitals based on hospital class, location, ownership, and profitability. For more information, e-mail David Koepke, PhD, at [healthcare.articles@thomsonreuters.com](mailto:healthcare.articles@thomsonreuters.com).