



Connecticut Hospitals Show Financial Improvement

Statewide Hospital Average Total Margin Increased

Despite continuing economic pressure driven by increasing costs, Connecticut's acute care hospitals realized modest financial gains during FY 2007. According to an analysis of FY 2007 audited financial statements conducted by the agency, the statewide average total margin improved from 2.64% in FY 2006 to 3.60% in FY 2007. As shown in **Figure 1** below, the industry-wide total margin increase of 0.96% can be attributed to gains in both operating (+0.17%) and non-operating (+0.79%) margins.

Figure 1: Statewide Hospital Average Margins

| Connecticut Acute Care General Hospitals, FY 2003 - FY 2007 | | | | | | |
|---|-------|-------|-------|--------|--------|-----------------------------|
| Fiscal Year | 2003 | 2004 | 2005 | 2006** | 2007** | Change FY 2006 - FY 2007 |
| Operating Margin | 0.44% | 1.47% | 1.72% | 0.97% | 1.14% | 0.17% |
| Non-Operating Margin | 0.70% | 1.59% | 1.62% | 1.67% | 2.46% | 0.79% |
| Total Margin* | 1.14% | 3.06% | 3.34% | 2.64% | 3.60% | 0.96% |

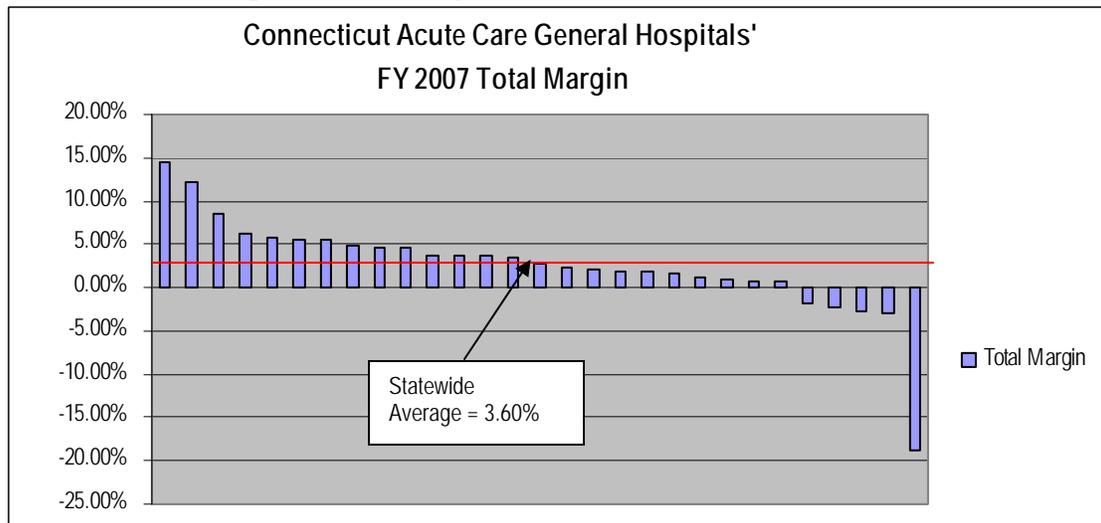
Source: Connecticut Acute Care Hospital Annual Reporting

*Average calculated using dollar amounts. (Excess of Revenue over Expenses/Total Revenues)*100

**Excludes Connecticut Children's Medical Center (CCMC)

For FY 2007, total margins for the industry varied from a high of 14.48% to a low of (-18.73%). As depicted in **Figure 2** below, thirteen Connecticut hospitals had total margins which exceeded the statewide average of 3.60%.

Figure 2: Statewide Hospital Total Margins



Source: Connecticut Acute Care Hospital Annual Reporting; excludes Connecticut Children's Medical Center (CCMC)

Reflects the merger of New Britain General Hospital and Bradley Memorial Hospital

The number of hospitals with negative total margins remained constant at five in both FY 2006 and FY 2007. In addition, while in FY 2006 two hospitals had a total margin exceeding 6%, that number increased to four in FY 2007.

Hospital Margins Vary by Number of Licensed Beds and by Location

Hospital margin results vary based on number of licensed beds and location as presented in the tables below. The nine hospitals with between 300 and 500 licensed beds had average margins significantly greater than all other hospitals as shown below in **Figure 3**.

Figure 3: Hospital Average Margin by Number of Licensed Beds

| Connecticut Acute Care General Hospitals, FY 2007 | | | | |
|---|-----------|---------|-----------|---------------|
| | Below 300 | 300-500 | Above 500 | All Hospitals |
| # Hospitals* | 16 | 9 | 4 | 29 |
| Operating Margin | 0.62% | 2.23% | 0.45% | 1.14% |
| Total Margin | 2.75% | 5.51% | 2.36% | 3.60% |

*Source: Connecticut Acute Care Hospital Annual Reporting; excludes Connecticut Children’s Medical Center (CCMC)
Reflects the merger of New Britain General Hospital and Bradley Memorial Hospital*

Nine of the 29 acute care general hospitals in Connecticut are located in the five largest cities (Bridgeport, Hartford, New Haven, Stamford and Waterbury). Of these nine urban hospitals, four are large medical centers with greater than 500 licensed beds. As presented in **Figure 4**, the twenty other hospitals had higher average operating margins and total margins for FY 2007.

Figure 4: Hospital Average Margin by Location

| Connecticut Acute Care General Hospitals, FY 2007 | | | |
|---|-------|-----------|---------------|
| | Urban | All Other | All Hospitals |
| # Hospitals* | 9 | 20 | 29 |
| Operating Margin | 0.85% | 1.48% | 1.14% |
| Total Margin | 3.28% | 3.98% | 3.60% |

*Source: Connecticut Acute Care Hospital Annual Reporting; excludes Connecticut Children’s Medical Center (CCMC)
Reflects the merger of New Britain General Hospital and Bradley Memorial Hospital*

Historically, urban hospitals have experienced lower margins due to higher patient acuity (case mix) and less favorable payer mix.

The data used in this report were compiled from data filed with OHCA by Connecticut’s 29 acute care general hospitals. Annual operating results are required to be filed with OHCA pursuant to Sections 19a-644 and 19a-676 of the Connecticut General Statutes and Section 19a-643-206 of the Regulations of Connecticut State Agencies. A comprehensive report on the financial stability of the industry will follow in Fall 2008.

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