



# **A Comparative Analysis of Connecticut Acute Care Hospital Financial and Utilization Performance to Regional and National Hospitals**

FY 2006





# Introduction

The purpose of this report is to compare financial performance and utilization measures of Connecticut hospitals to regional and national hospital performance. This report includes performance indicators that measure Connecticut hospitals' efficiency, profitability, liquidity and solvency.

The data and calculations for this report were based mainly on information collected by the American Hospital Association (AHA), in its Annual Survey of Hospitals. The survey is voluntary and averages a response rate of 85%. The AHA database contains hospital specific data items on over 6,000 hospitals. For comparative purposes, only non-governmental acute care and children's hospitals are included. For Connecticut, that includes 28 acute care hospitals and one children's hospital.

The fiscal year 2006 information for this report was gathered from the following sources:

- 1) AHA Annual Survey Database for fiscal year 2006\*
- 2) AHA Hospital Statistics (2008 Edition)\*\*
- 3) Ingenix: Almanac of Hospital Financial and Operating Indicators 2008 - *A Comprehensive Benchmark of the Nation's Hospitals*
- 4) U.S Census population data

\*The following fields may be estimated by hospitals: Total facility Medicare & Medicaid discharges and days; Emergency room visits; Total outpatient visits; Total facility payroll expenses, employee benefits and expenses (excluding bad debt).

\*\* The data from the AHA Hospital Statistics (2008) Edition includes hospital and nursing home units.

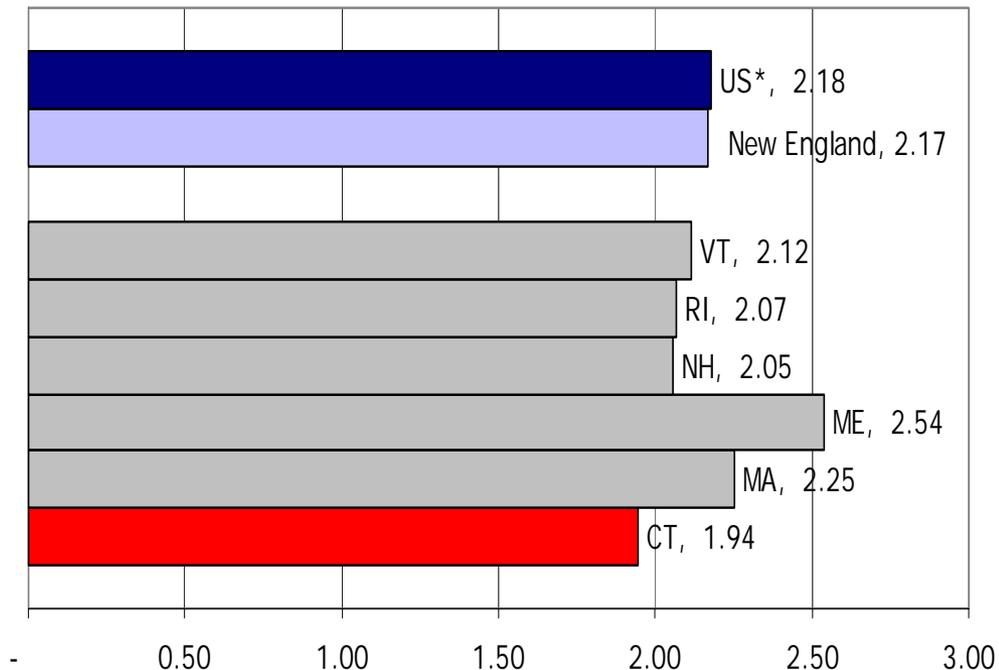
Note: Some financial and utilization measures included in this report may differ somewhat from hospital financial data collected by the Office of Health Care Access. This study includes only non-governmental general medical and surgical or children's general hospitals. Calculating comparative statistics for states other than Connecticut may produce results exhibiting greater variation than expected. This variation may result from differences found in other states' hospital composition (e.g., combined acute care and nursing home units) and/or the exclusion of government hospitals. Government operated hospitals in New York, for example, account for a much higher percentage of overall patient volume than in Connecticut.

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# Utilization Measures

## STAFFED BEDS PER 1,000 POPULATION (FY 2006)

Connecticut's rate of 1.94 staffed beds per 1,000 population was lower than New England's overall rate of 2.17 beds per 1,000 population and the national rate of 2.18 beds per 1,000 population.



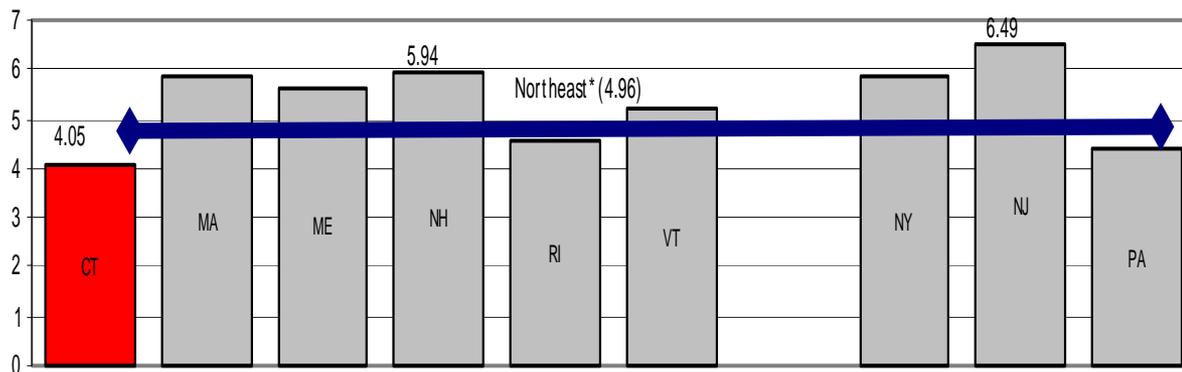
\*Excluding the District of Columbia

Source: AHA Annual Survey Database; US Census

# Utilization Measures

## FTEs PER OCCUPIED BED (FY 2006)

(Inpatient FTE's / (Patient Days / 365))



*\*Note: Ingenix groups New England states in a "Northeast" region that also includes NY, NJ and PA*

*Source: INGENIX Almanac of Hospital Financial and Operating Indicators (2008), 2006 median values*

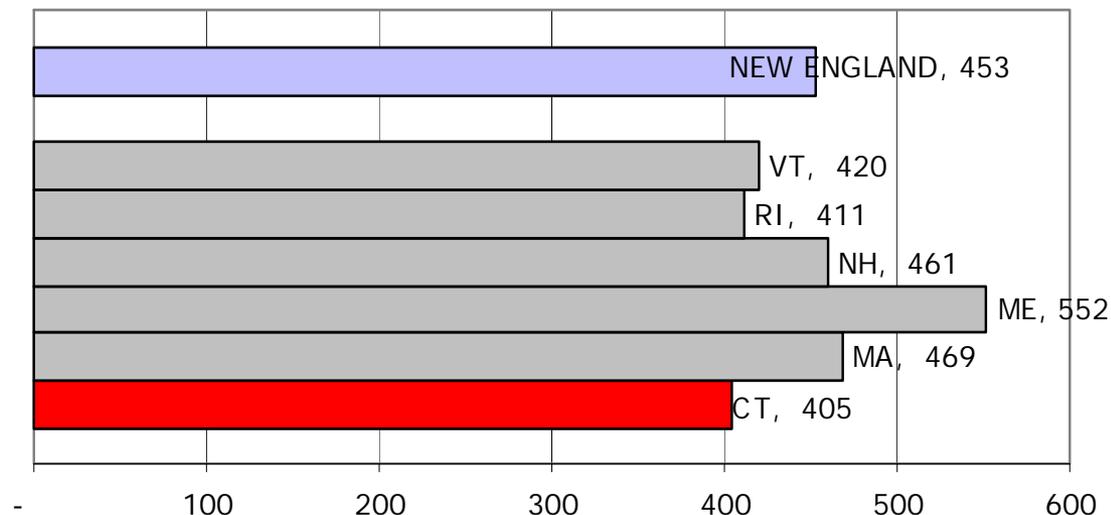
FTEs per Occupied Bed is a traditional measure of inpatient labor productivity. Labor productivity in the hospital industry is important because hospital operations are labor intensive. This indicator assumes that the major factor creating staffing need is the number of patients in the hospital, however case mix intensity and patient severity can have a significant impact on staffing.

Connecticut's rate of 4.05 FTEs per occupied bed was the lowest in the region.

# Utilization Measures

## EMERGENCY DEPARTMENT VISITS PER 1,000 POPULATION (FY 2006)

Connecticut residents utilized hospital emergency departments (EDs) at a lower rate than residents in neighboring states.

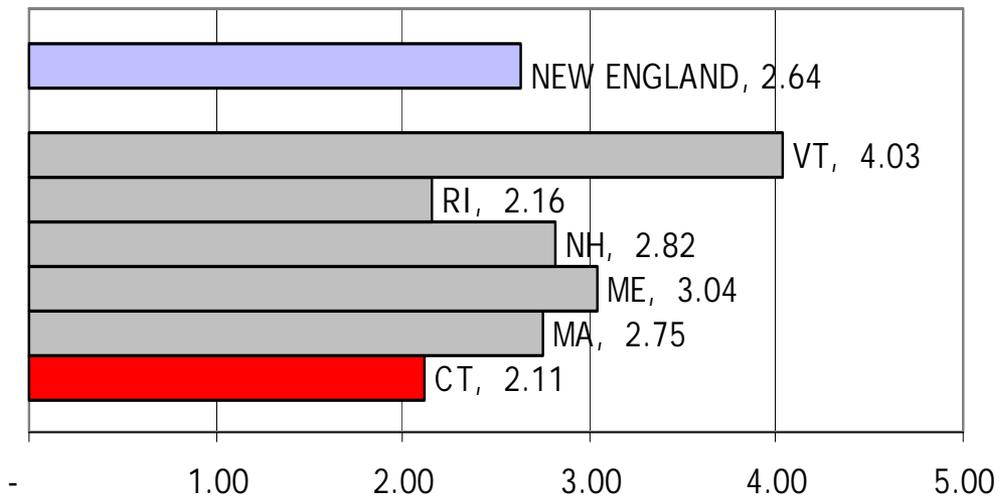


\*Excluding the District of Columbia

Source: AHA Annual Survey Database

# Utilization Measures

## OUTPATIENT VISITS PER 1,000 POPULATION (FY 2006)



*\*Excluding the District of Columbia*

*Source: AHA Annual Survey Database; US Census*

Connecticut's rate of 2.11 outpatient visits per 1,000 was the lowest in New England.

Note: Outpatient visits include emergency department visits (treated and discharged) and outpatient surgeries from business operations. Included within operations are all activities that are wholly owned by the hospital, including subsidiary corporations regardless of where the activity is physically located. Operations from distinct and separate divisions that may be owned by a hospital's parent corporation are excluded.

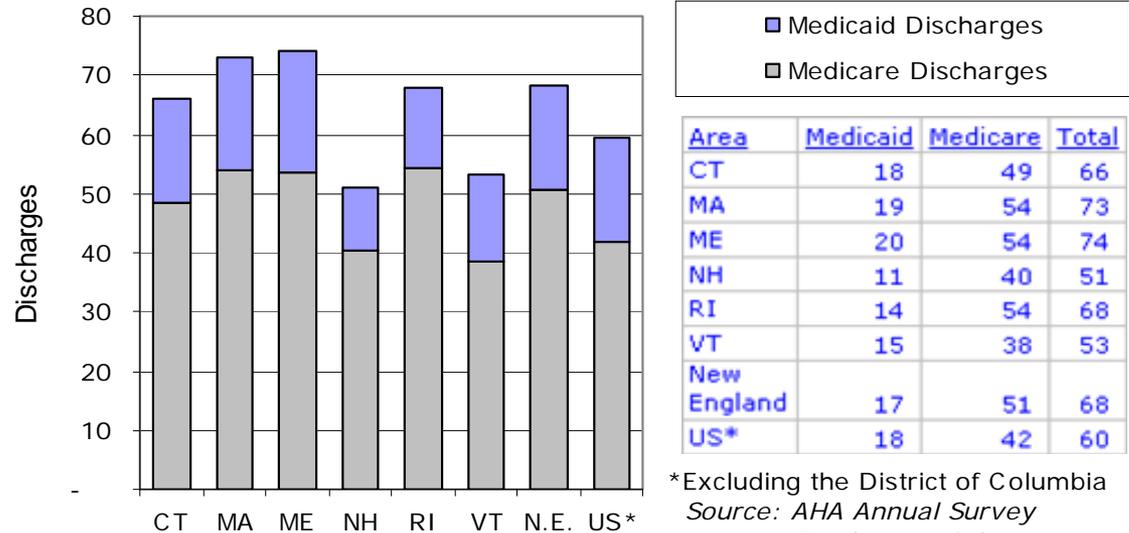
# Utilization Measures

## INPATIENT HOSPITALIZATION DISCHARGES MEDICARE/MEDICAID PER 1,000 POPULATION (FY 2006)

Connecticut's rate of 18 Medicaid discharges per 1,000 population was third highest of the six New England states.

Connecticut's rate of 49 Medicare discharges per 1,000 population was fourth highest among the six New England states.

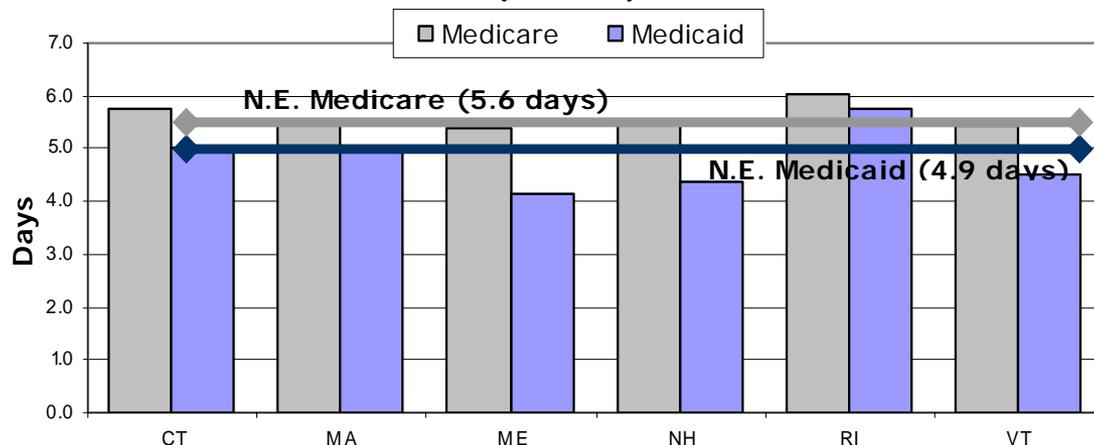
Connecticut's Medicaid discharges per 1,000 population matched the nation's total, while Medicare discharges per 1,000 population were higher.



\*Excluding the District of Columbia  
Source: AHA Annual Survey Database; US Census

# Utilization Measures

INPATIENT HOSPITALIZATION  
AVERAGE LENGTH OF STAY  
MEDICARE/MEDICAID PATIENTS  
(FY 2006)



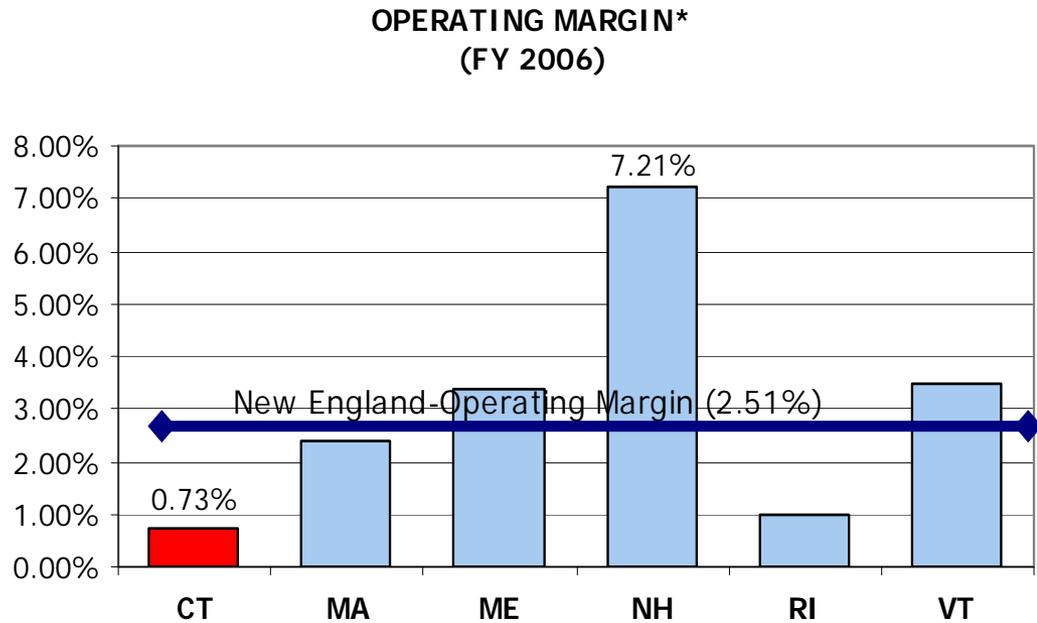
Connecticut's Medicare patients experienced an average length of stay (5.8 days) slightly higher than the region's average of 5.6 days.

Connecticut's Medicaid patients experienced an average length of stay equal to the region's average of 4.9 days, shorter than Rhode Island's and equal to Massachusetts'.

Source: AHA Annual Survey Database

# Financial Measures

Connecticut acute care hospitals experienced the lowest operating margins in the New England region. The state's average operating margin of 0.73% was significantly lower than New Hampshire's average margin of 7.21%.

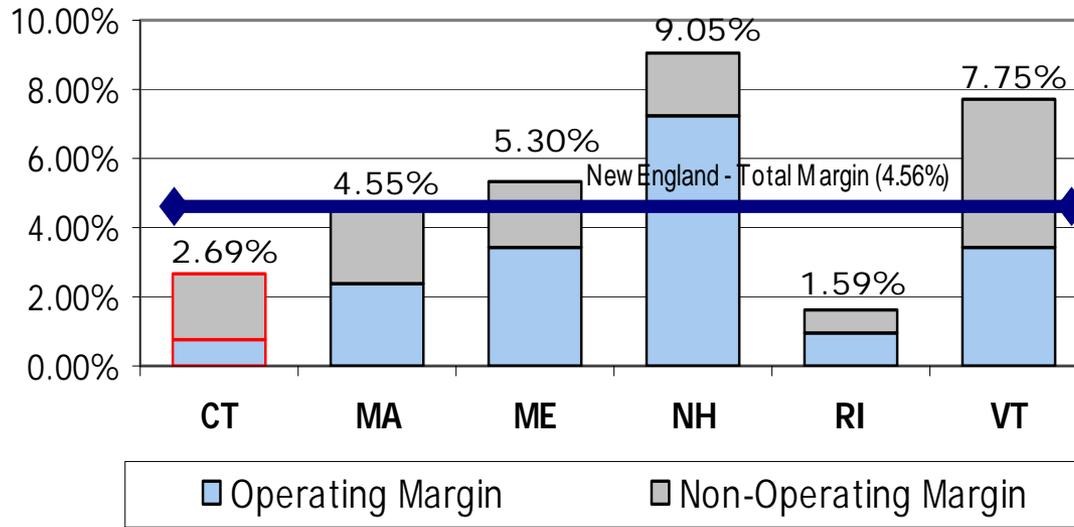


\* Operating margin = (total operating revenue - total expenses)/total net revenue

Source: AHA Hospital Statistics (2008 Edition)

# Financial Measures

HOSPITAL MARGINS\*  
(FY 2006)



In 2006, non-operating margin comprised 1.95% of the state's total margin of 2.69%, placing Connecticut ahead of Rhode Island by 1.10%.

The Connecticut hospital statewide total margin of 2.69% placed the state next to last in the region for profitability. Only Rhode Island hospitals' were less profitable, (average total margin of 1.59%). New Hampshire reported the highest total margin (9.05%), making its hospitals the most profitable in New England.

\*Hospital Margins:

1) Operating margin = (total operating revenue-total expenses)/total net revenue

2) Non-operating margin = other non-operating revenue/total net revenue

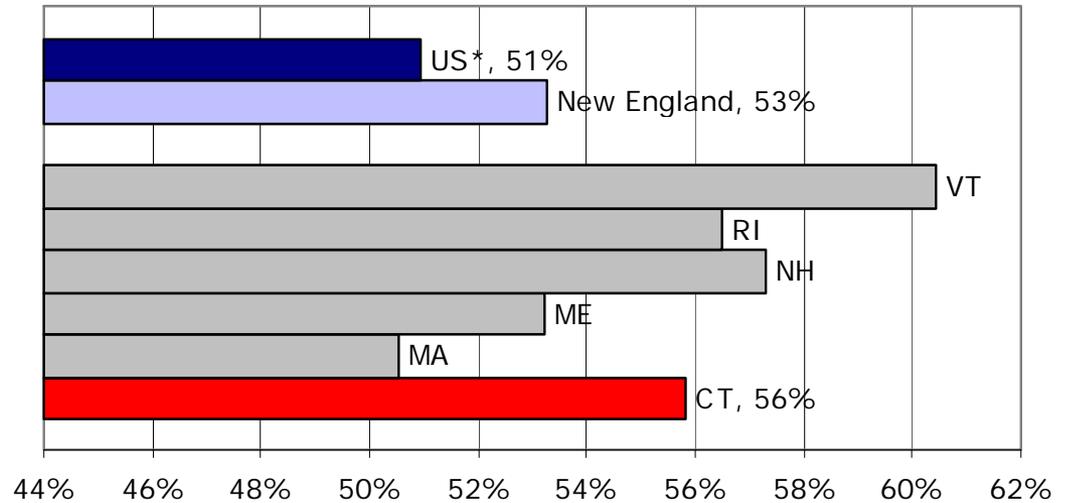
3) Total Margin = (total net revenue - total expenses)/total net revenue

Source: AHA Hospital Statistics (2008 Edition)

# Financial Measures

More than half of Connecticut hospitals' total expenses were comprised of expenses related to salary and benefits. Connecticut's salary and benefits as a percentage of total expenses (56%) exceeded the national and regional percentages by five and three percentage points, respectively.

**SALARY AND BENEFITS AS  
% OF TOTAL EXPENSES  
(FY 2006)**



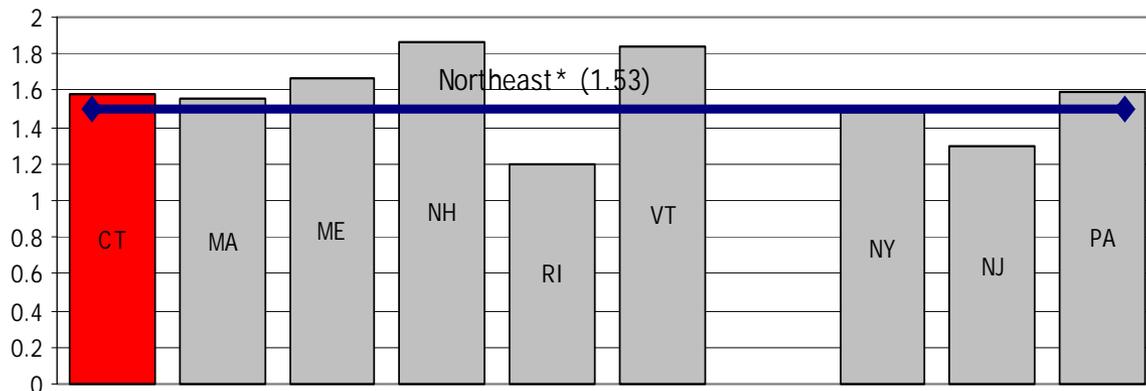
*\*Excluding the District of Columbia*

*Source: AHA Annual Survey Database*

# Financial Measures

## CURRENT RATIO (FY 2006)

(Current Assets/Current Liabilities)



In FY2006, Connecticut hospitals' current ratio of 1.58 was higher, and in a more favorable position, than Massachusetts', New York's, New Jersey's and Rhode Island's ratios, but lower than New Hampshire's, Maine's, Pennsylvania's and Vermont's.

Overall, Connecticut hospitals' current ratio of 1.58 was higher than the Northeast region's ratio of 1.53.

*\*Note: Ingenix groups New England states in a "Northeast" region that also includes NY, NJ and PA*

*Source: INGENIX Almanac of Hospital Financial and Operating Indicators (2008), 2006 median values*

# Financial Measures

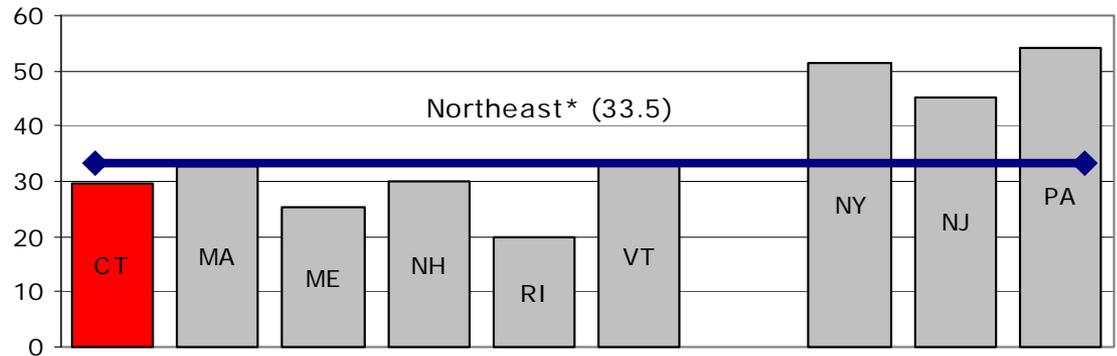
Connecticut's median long-term debt to capitalization ratio of 29.7% was lower, and more favorable, than Vermont's and Massachusetts', comparable to New Hampshire's and higher than Maine's and Rhode Island's ratio.

When New York, New Jersey and Pennsylvania are considered, Connecticut's position improved, because these states have higher and less favorable median ratios than Connecticut.

Overall, Connecticut hospitals' long-term debt to capitalization ratio was lower than the Northeast region's (33.5%), indicating that, in comparison to the region's ratio, Connecticut hospitals financed more of their assets with equity as opposed to debt.

## LONG-TERM DEBT TO CAPITALIZATION (FY 2006)

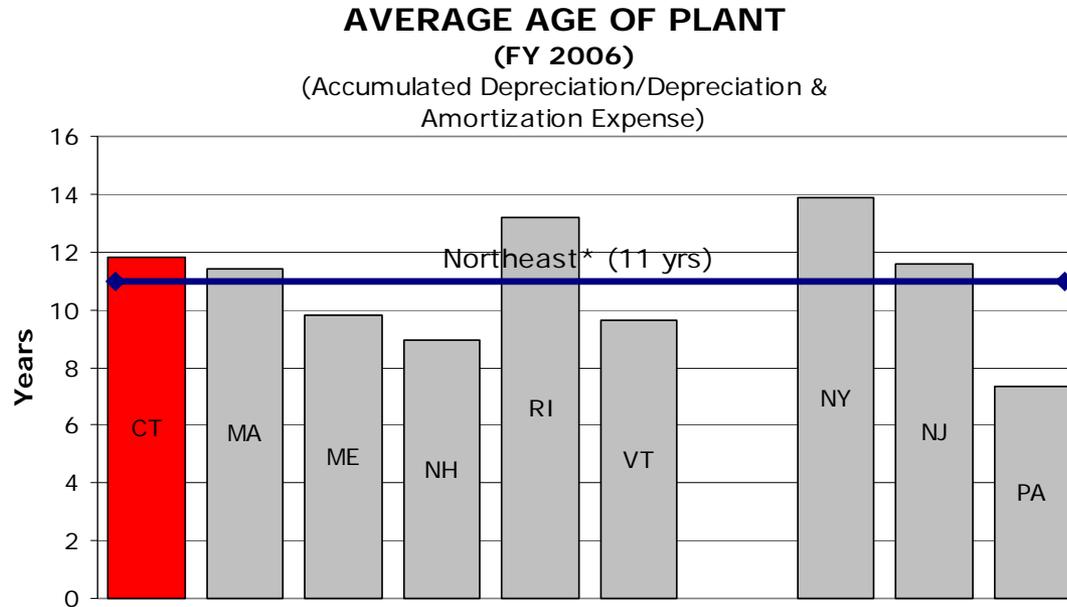
(LT Debt / LT Debt + Net Assets)



*\*Note: Ingenix groups New England states in a "Northeast" region that also includes NY, NJ and PA*

*Source: INGENIX Almanac of Hospital Financial and Operating Indicators (2008), 2006 median values*

# Financial Measures



The average age of plant ratio provides a measure of the average age of the hospital's fixed assets in years.

Connecticut's hospitals average age of plant was older than the Northeast region's average of 11 years. Lower values indicate a newer fixed asset base and less need for near term replacement.

*\*Note: Ingenix groups New England states in a "Northeast" region that also includes NY, NJ and PA  
Source: INGENIX Almanac of Hospital Financial and Operating Indicators (2008), 2006 median values*

# Utilization Measures Summary

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During FY 2006, Connecticut's rate of 1.94 staffed beds per 1,000 population was lower than both the New England\* and national rates of 2.17 and 2.18, respectively. In terms of labor productivity, the state's ratio of 4.05 FTEs per occupied bed was lower and in a more favorable position than the region's\*\* rate of 4.96 FTEs per occupied bed. Connecticut residents utilized emergency departments less than residents in neighboring states. At the regional level, Connecticut's rate of 18 Medicaid discharges per 1,000 population was slightly higher than the region's rate of 17 discharges per 1,000 population while the Medicare rate of 49 discharges per 1,000 population was lower than the region's rate of 51 Medicare discharges per 1,000 population. Connecticut's Medicaid discharges per 1,000 population rate matched the nation's rate of 18 while the state's Medicare discharges per 1,000 population rate (49) was higher than the nation's rate of 42. Medicare reimburses hospitals at a higher rate than Medicaid, therefore, lower rates in Medicare discharges impact profitability. The average length of stay for Connecticut's Medicare patients (5.8 days) was slightly higher than the region's average of 5.6 days and the average length of stay for Medicaid patients was equal to the region's average of 4.9 days.

*\*Per AHA Annual Survey Database – New England region includes CT, MA, ME, NH, RI, VT*

*\*\*Per Ingenix –Northeast includes New England States plus NY, NJ, and PA*

# Financial Measures Summary

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Based on these indicators, in FY 2006, Connecticut hospitals' were among the least profitable hospitals in New England. Connecticut's average operating margin of 0.73 was the lowest among New England states. However, with the addition of 1.95% in non-operating margin, the state's total margin of 2.69% ranked Connecticut slightly higher than Rhode Island, the lowest ranking state in terms of total margin. Low operating margin might be attributed to the large percentage of salary and benefit expenses paid by hospitals. Connecticut's salary and benefits as a percentage of total expenses (56%) exceeded the national and regional percentages by five and three percentage points, respectively.

Connecticut's average age of plant of 11.82 years was higher than the region's\* average of 11 years. On a positive note, Connecticut hospitals' median current and long-term debt to capitalization ratios of, 1.58 and 29.7, respectively, were more favorable than the region's median ratios of 1.53 and 33.5, respectively.

*\*Per Ingenix –Northeast includes New England States plus NY, NJ, and PA*

State of Connecticut



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