

Updated 08-17-12

## Washington Hospitals Profitable in 2011

*However, Most Report Lower Profits Than 2010*

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The largest Washington hospitals maintained profitability in 2011 as thirty-two of the largest forty hospitals reported positive total margins. However, the 2011 figures were down from 2010 when thirty-seven of the largest forty hospitals reported positive total margins. See our report on page two to view other key financial information for large Washington hospitals.

### Information Sources

Of the Pacific Northwest States, Washington is best at making hos-

pital financial information available to the general public. However, it is difficult to report accurate, comparative financial information for several reasons:

- Most hospitals report and are audited on a calendar year basis. However, some large hospitals report and are audited on a fiscal year basis, making comparisons impossible without adjustments.
- All hospitals report to the Washington State Department of Health, Center for Health Statistics (CHS) on a quarterly basis but the figures are unaudited and there's no requirement to restate figures when adjustments are necessary.
- A few hospitals don't regularly meet reporting deadlines.
- Some hospitals and their auditors present dollars received from tax assessments differently than the way CHS requires it be presented. CHS considers it Operating Revenues.

In consideration of these issues, we compiled quarterly figures from the CHS web site and prepared a report similar to the report on page

two. We then sent the report to hospital representatives at all forty hospitals and asked them to confirm their hospital's figures. We also asked for correct figures if the figures in the report were wrong.

Hospitals with a “?” to the right of the name provided a reply and confirmed or changed their figures. If a hospital didn't provide a reply, or decided to not provide a reply, there is no “?” to the right of the name and CHS quarterly report web site figures were used.

We left hospitals out of the report that didn't have complete reporting on the CHS web site.

### Operating Revenues

Operating revenues include inpatient and outpatient revenue for all patient care services (less deductions from revenue), tax revenues, the value of donated commodities, revenue from non-patient care services and sales, and activities to persons other than patients.

Thirty-six of the forty hospitals reported higher 2011 operating revenues than 2010. This indicates the Washington hospital industry maintains leverage with payers and can exert a measure of

# Washington State Hospital Financial Results (000's)

## Forty Largest Hospitals Sorted by 2011 Operating Revenues<sup>1</sup>

www.wahcnews.com

Hospital Name	Operating Revenues			Operating Margin			Op. Margin/Operating Revenues			Net Non-Operating Gains/Losses			Total Margin		
	YTD 12/11	YTD 12/10	Change	YTD 12/11	YTD 12/10	Change	YTD 12/11	YTD 12/10	Change	YTD 12/11	YTD 12/10	Change	YTD 12/11	YTD 12/10	Change
Swedish First Hill	1,097,132	968,033	129,099	74,098	87,044	-12,946	6.8%	9.0%	-2.2%	6,744	49,987	-43,243	80,842	137,031	-56,189
Virginia Mason Medical Center <sup>2</sup>	902,309	852,752	49,557	33,412	38,891	-5,479	3.7%	4.6%	-0.9%	118	3,908	-3,790	33,530	42,799	-9,269
University of Washington Medical Ctr. <sup>2</sup>	871,116	845,177	25,939	56,260	66,250	-9,990	6.5%	7.8%	-1.3%	-4,229	3,301	-7,530	52,031	69,551	-17,520
Seattle Children's Hospital <sup>2</sup>	859,683	768,221	91,462	59,192	50,835	8,357	6.9%	6.6%	0.3%	-11,328	9,277	-20,605	47,683	60,112	-12,429
Harborview Medical Center <sup>2</sup>	775,949	781,634	-5,685	-3,787	-8,505	4,718	-5.0%	-1.1%	-3.9%	-15,514	-1,058	-14,456	-19,301	-9,563	-9,738
Providence Sacred Heart Medical Center	723,627	715,600	8,027	31,376	40,948	-9,572	4.3%	5.7%	-1.4%	12,089	12,013	76	43,465	52,961	-9,496
MultiCare Tacoma Gen Allmre Hosp <sup>2</sup>	694,811	655,920	38,891	33,367	52,692	-19,325	4.8%	8.0%	-3.2%	-1,005	4,957	-5,962	33,372	52,281	-18,909
St. Joseph Medical Center - Tacoma <sup>2</sup>	635,815	618,491	17,324	78,045	78,153	-108	12.3%	12.6%	-0.4%	-5,388	36,824	-42,212	77,040	83,111	-6,071
PeaceHealth Southwest WA Medical Ctr <sup>2</sup>	570,236	529,650	40,586	14,938	6,455	8,483	2.6%	1.2%	1.4%	-618	-3,391	2,773	9,550	43,279	-33,729
Providence Regional Everett Med Center	548,924	527,909	21,015	9,318	32,605	-23,287	1.7%	6.2%	-4.5%	18	-2,686	2,704	12,771	10,115	2,656
Valley Medical Center <sup>2</sup>	474,019	423,110	50,909	12,754	12,801	-47	2.7%	3.0%	-0.3%	34,718	0	34,718	82,002	19,609	62,393
PeaceHealth St. Joseph Medical Center <sup>2</sup>	434,053	390,044	44,009	47,284	19,609	27,675	10.9%	5.0%	5.9%	7,072	6,966	106	28,210	41,324	-13,114
Overlake Hospital Medical Center	421,495	411,981	9,514	21,139	34,359	-13,220	5.0%	8.3%	-3.3%	14,824	15,149	-325	3,145	15,674	-12,529
Evergreen Hospital Medical Center <sup>2</sup>	414,977	388,993	25,984	-11,680	526	-12,206	-2.8%	0.1%	-2.9%	-424	-1,056	632	9,122	24,795	-15,673
Providence St. Peter Hospital	403,580	390,766	12,814	9,546	25,851	-16,305	2.4%	6.6%	-4.3%	-17,721	17,284	-35,005	32,019	78,027	-46,000
Multicare Good Samaritan Hospital <sup>2</sup>	367,243	323,061	44,182	49,740	60,743	-11,003	13.5%	18.8%	-5.3%	620	1,361	-741	-1,966	21,658	-23,624
Swedish Cherry Hill	361,037	337,640	23,397	-2,586	20,297	-22,883	-0.7%	6.0%	-6.7%	987	3,161	-2,174	7,257	18,747	-11,490
Harrison Medical Center <sup>2</sup>	354,099	360,599	-6,500	6,270	15,586	-9,316	1.8%	4.3%	-2.6%	10,362	2,106	8,256	26,528	17,631	8,897
Yakima Valley Memorial Hospital	337,871	334,047	3,824	-2,893	1,063	-3,956	-0.9%	-1.2%	0.3%	4,963	17,946	-12,983	2,071	13,989	-11,918
Seattle Cancer Care Alliance	335,036	298,222	36,814	16,166	15,525	641	4.8%	5.2%	-0.4%	1,710	7,040	-5,330	10,488	19,957	-9,469
Kadlec Regional Medical Center <sup>2</sup>	289,550	277,608	11,942	8,778	12,917	-4,139	3.0%	4.7%	-1.6%	-35	8,998	-9,033	6,648	26,419	-17,771
PeaceHealth St. John Medical Center <sup>2</sup>	263,107	249,362	13,745	8,683	17,421	-8,738	3.3%	7.0%	-3.7%	1,681	495	1,186	-10,026	-9,428	-598
Northeast Hospital <sup>2</sup>	259,713	249,830	9,883	-11,707	-9,923	-1,784	-4.0%	-4.5%	0.5%	3,726	2,384	1,342	-1,688	-520	-1,168
Deaconess Medical Center	254,057	246,881	7,176	-5,414	-2,904	-2,510	-1.0%	-1.2%	-1.0%	1,087	646	441	3,380	525	2,855
Skagit Valley Hospital <sup>2</sup>	229,321	202,051	27,270	2,293	-121	2,414	1.0%	0.1%	0.9%	531	623	-92	2,128	2,604	-476
St. Francis Hospital <sup>2</sup>	226,689	224,415	2,274	26,633	33,937	-7,304	11.7%	15.1%	-3.4%	-522	4,999	-5,521	26,111	38,936	-12,825
MultiCare Mary Bridge Children's Hosp <sup>2</sup>	214,285	194,602	19,683	40,544	23,087	17,457	18.9%	11.9%	7.1%	0	-1	1	40,544	23,086	17,458
Legacy Salmon Creek Hospital	203,116	190,834	12,282	3,408	9,766	-6,358	1.7%	5.1%	-3.4%	-1,168	1,836	-3,004	2,240	11,602	-9,362
Providence Holy Family Hospital	191,673	186,791	4,882	1,597	1,981	-384	0.8%	1.1%	-0.2%	463	7,111	-6,648	7,857	8,079	-15,936
Central Washington Hospital <sup>2</sup>	188,764	182,957	5,807	-8,320	9,978	-9,287	-4.4%	0.5%	-4.9%	-190	4,498	-4,688	6,759	14,475	-7,716
St. Clare Hospital <sup>2</sup>	167,988	163,675	4,313	6,949	9,978	-3,029	4.1%	6.1%	-2.0%	-1,053	1,227	-2,280	8,254	184	-1,008
Grays Harbor Community Hospital	160,466	107,935	52,531	229	1,627	-1,043	0.2%	1.1%	-0.9%	643	458	185	3,405	2,225	1,180
Kennewick General Hospital	147,677	126,366	21,311	1,627	1,767	-140	1.1%	1.4%	-0.3%	49	-203	252	5,110	16,723	-11,613
Providence Centralia Hospital	144,638	148,715	-4,077	5,061	16,925	-11,864	3.5%	11.4%	-7.9%	1,572	1,043	529	1,833	3,130	-1,297
Olympic Medical Hospital <sup>2</sup>	134,909	130,745	4,164	261	1,380	-1,119	0.2%	1.1%	-0.9%	0	0	0	10,391	10,506	-115
Yakima Regional Medical Center <sup>2</sup>	129,815	119,691	10,124	10,391	10,506	-115	8.0%	8.8%	-0.8%	0	0	0	-1,161	10,504	-11,665
Auburn Regional Medical Center	128,259	137,963	-9,704	-1,161	10,504	-11,665	-0.9%	7.6%	-8.5%	2,337	2,825	-488	9,112	8,833	279
Providence St. Mary Medical Center	126,545	126,176	369	6,775	6,007	768	5.4%	4.8%	0.6%	-801	816	-1,617	6,723	8,134	-1,411
St. Anthony Hospital <sup>2</sup>	118,970	115,199	3,771	7,523	7,318	205	6.3%	6.4%	0.0%	20	816	-796	13,309	2,430	10,879
Lourdes Medical Center	112,417	90,006	22,411	13,288	1,615	11,673	11.8%	1.8%	10.0%						

<sup>1</sup>Figures from the WA State Department of Health (DOH CHS) Statistics web site as of July 31, 2012 unless footnoted with a <sup>2</sup>.

<sup>2</sup>Figures were provided directly from the hospital and either confirmed or corrected the DOH reported figures.

**Glossary:** *Operating Revenues:* Inpatient and outpatient revenue for all patient care services (less deductions from revenue), tax revenues, the value of donated commodities, revenue from non-patient care services to patients and sales and activities to persons other than patients. *Operating Margin:* The excess of revenue over expense except for non-operating gains and losses. *Non-operating Gains/Losses:* The revenue and expenses of a hospital that are not directly related to patient care, related patient services or the sale of related goods. *Total Margin:* The excess of revenue over expense and gains over losses generated from all sources.

control over revenues.

### **Operating Margin**

Operating margin is the excess of revenue over expense except for net non-operating gains and losses. This is a key financial metric given it excludes investment gains and losses, a part of net non-operating gains and losses.

Twenty-eight of the forty hospitals reported a lower operating margin in 2011 than 2010. Despite the ability to increase revenues, in most cases it was not enough to maintain operating margins at 2010 levels. This continues the downward trend started in 2010 when twenty-seven of the forty hospitals reported lower operating margins than 2009.

### **Operating Margin/Operating Revenue**

This statistic, measured as a per-

centage, is one many hospital administrators target to measure financial health. A range between 4% and 8% is considered healthy and normal for Washington. Percentages higher or lower than this range generally bear further examination, particularly if it has occurred over a two year period. However, that level of analysis is beyond the scope of this article.

### **Net Non-Operating Gains and Losses**

Revenue and expenses not directly tied to patient care, related patient services, or the sale of related goods, are net non-operating gains and losses. These figures tend to be volatile and don't always reflect a hospital's overall financial health.

### **Total Margin**

The excess of revenue over expenses and gains over losses gen-

erated from all sources is the total margin. Thirty-two of the forty hospitals reported a lower total margin in 2011 than 2010. This can be compared to 2010 when twenty-three of forty hospitals reported a lower total margin than 2009.

### **Final Observations**

Washington hospitals were still in good financial shape in 2011 but the trend indicates decreasing financial health. This continues to be a concern in light of healthcare reform and state and federal cuts targeting reimbursement to hospitals.

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