

Report on the Financial Condition of 23 Nonprofit Acute Hospitals in New Hampshire

Kane Consulting Group

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Overview

- Data Source
- Analytic Process
- Results
 - Aggregate Income Statement
 - Ratios by State, CAH, Health Analysis Area
 - Cash Flows
- Conclusions

Data Source

- Audited Financial Statements of Hospital Systems
 - Focus was on the hospital, not the system
 - Some missing information (gross patient service revenue) filled in using Medicare Cost Report information from AHD.com

Analytic Process

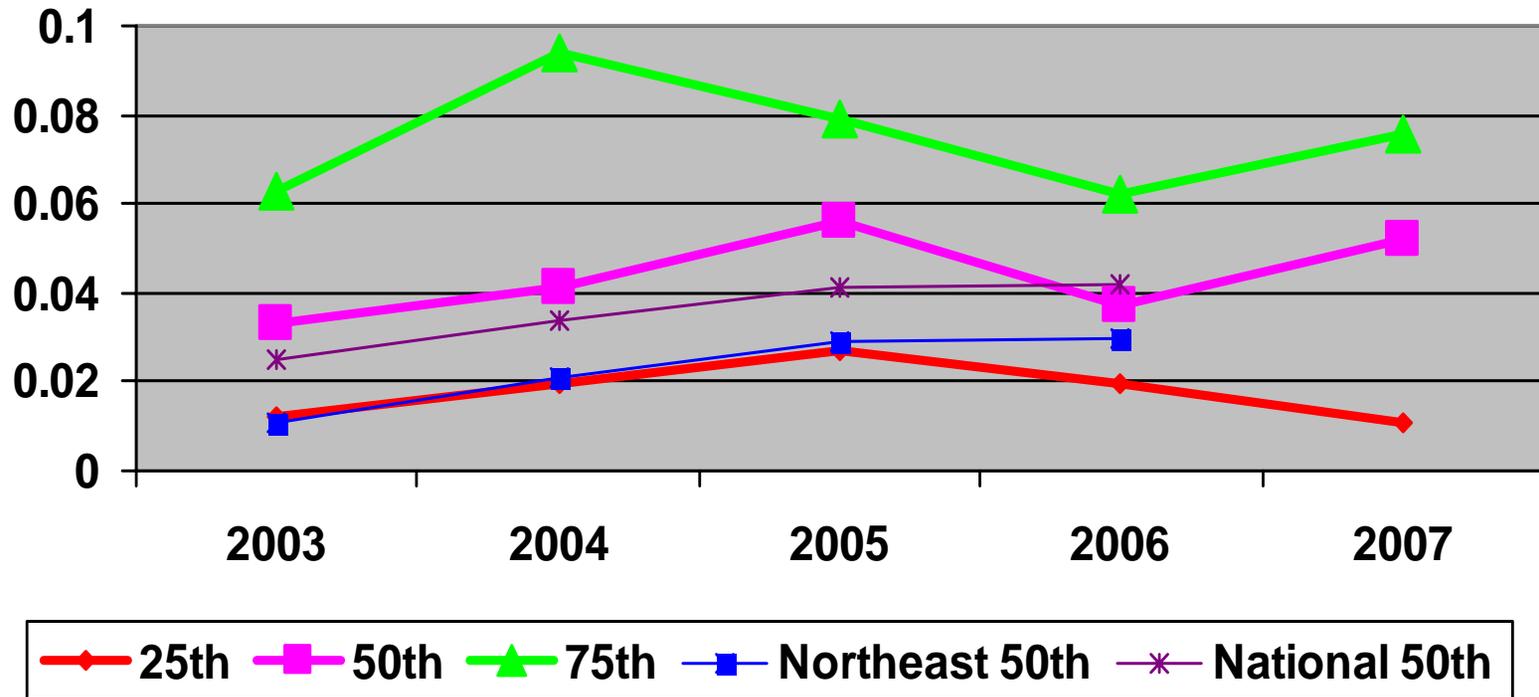
- Hospital balance sheet, income statements, and cash flow statement elements entered into excel spreadsheets by financial analyst
- Standardized to permit inter-hospital comparisons
- Ratio analysis done automatically in excel spreadsheets
- SAS database created to generate distributions of ratios
- Comparative national and regional benchmarks taken from 2008 Almanac of Hospital Financial and Operating Indicators (Ingenix)
- Health Analysis Areas (HAA) from New Hampshire Dept of Health and Human Services linked to household income data used to sort hospitals into groupings by HAA household income

Results

Aggregate Annual Income Statement
23 Acute Nonprofit Hospitals in New Hampshire

\$ in thousands	2003	2004	2005	2006	2007
TOTAL OPERATING REVENUE	\$2,220,924	\$2,439,245	\$2,719,612	\$2,940,520	\$3,161,114
TOTAL OPERATING EXPENSE	\$2,145,897	\$2,332,239	\$2,593,430	\$2,831,791	\$3,040,876
NET OPERATING INCOME	\$75,027	\$107,006	\$126,182	\$108,729	\$120,238
TOTAL NONOPERATING REVENUE	\$5,981	\$53,561	\$61,473	\$68,873	\$92,260
EXCESS OF REVENUE OVER EXPENSE	\$81,008	\$160,567	\$187,655	\$177,602	\$212,498

Total Margin 2003-2007, All Hospitals



Median Total Margins of 12 Critical Access Hospitals

	2003	2004	2005	2006	2007
All NH (n=23)	.033	.041	.056	.037	.052
CAH – NH (n=12)	.0212	.026	.027	.042	.026
CAH: Northeast	.011	.030	.029	.040	
CAH: National	.021	.026	.037	.040	

Current New Hampshire Health Analysis Areas December, 2006



33% or More of
Population in HAA
With Household
Income
Less Than \$30K

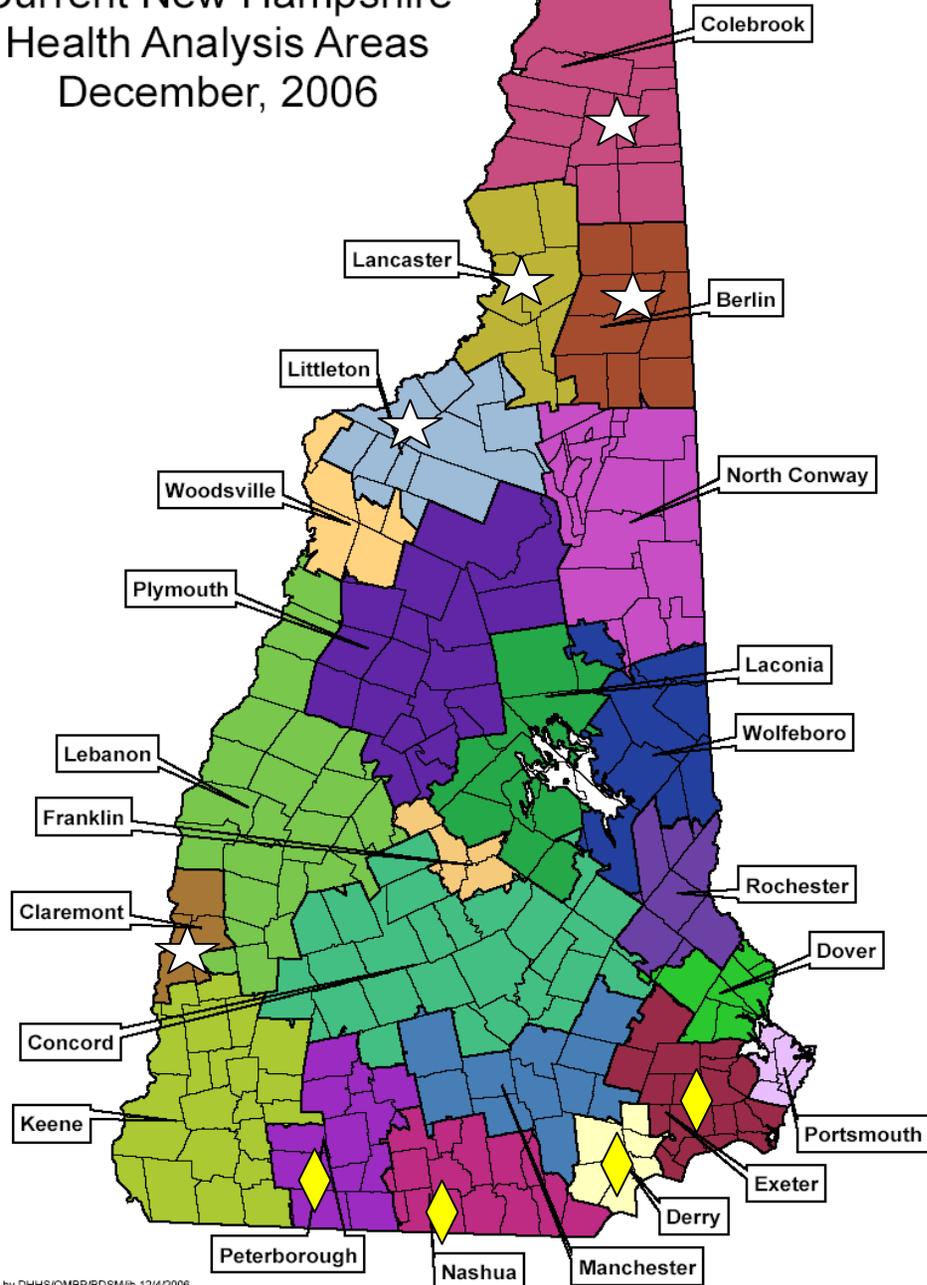
N=5 hospitals

State average
% Households
LT 30K is 22%



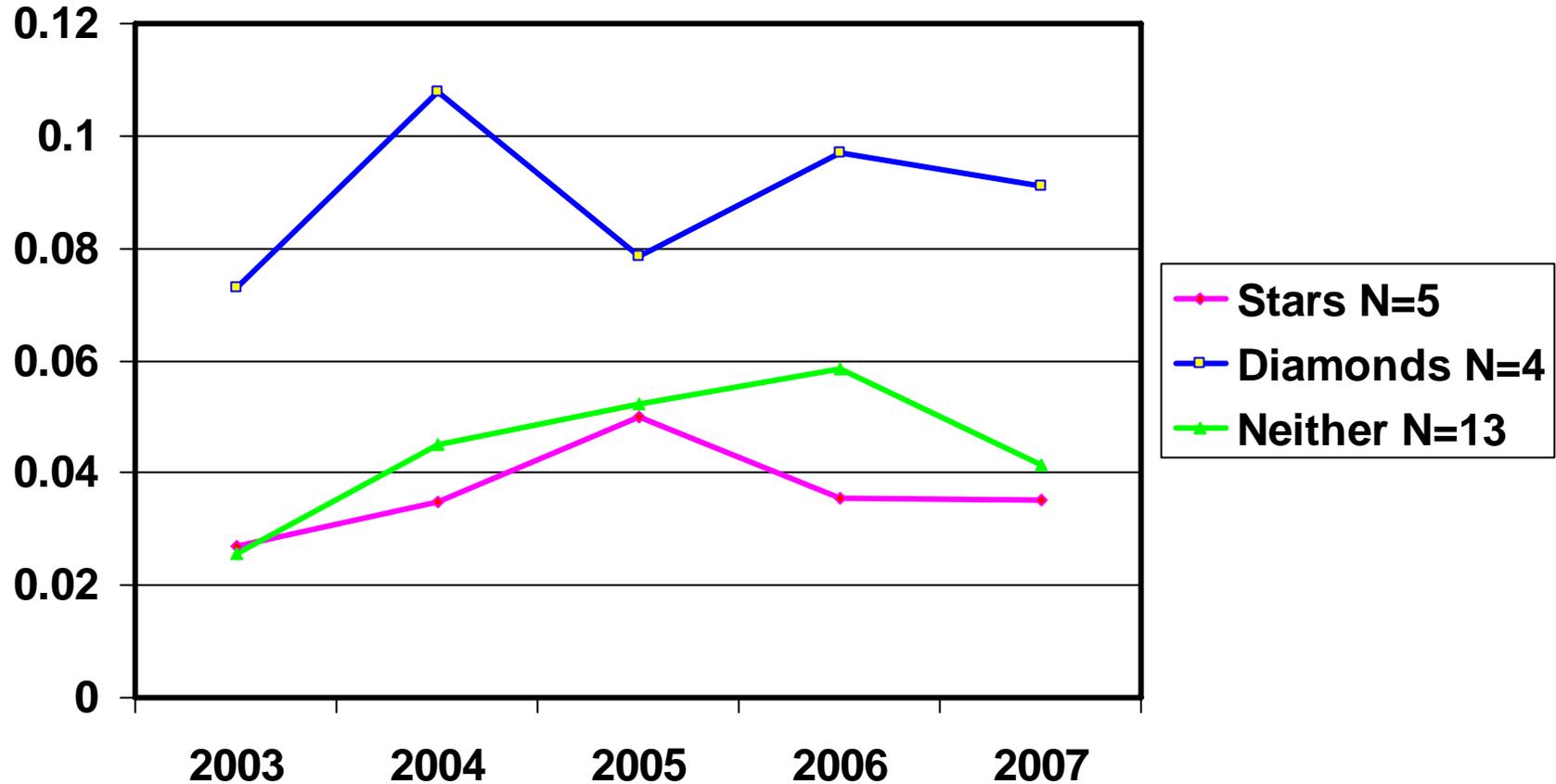
20% or less of
Population in HAA
with
Household Income
Less than \$30K

N=4 hospitals



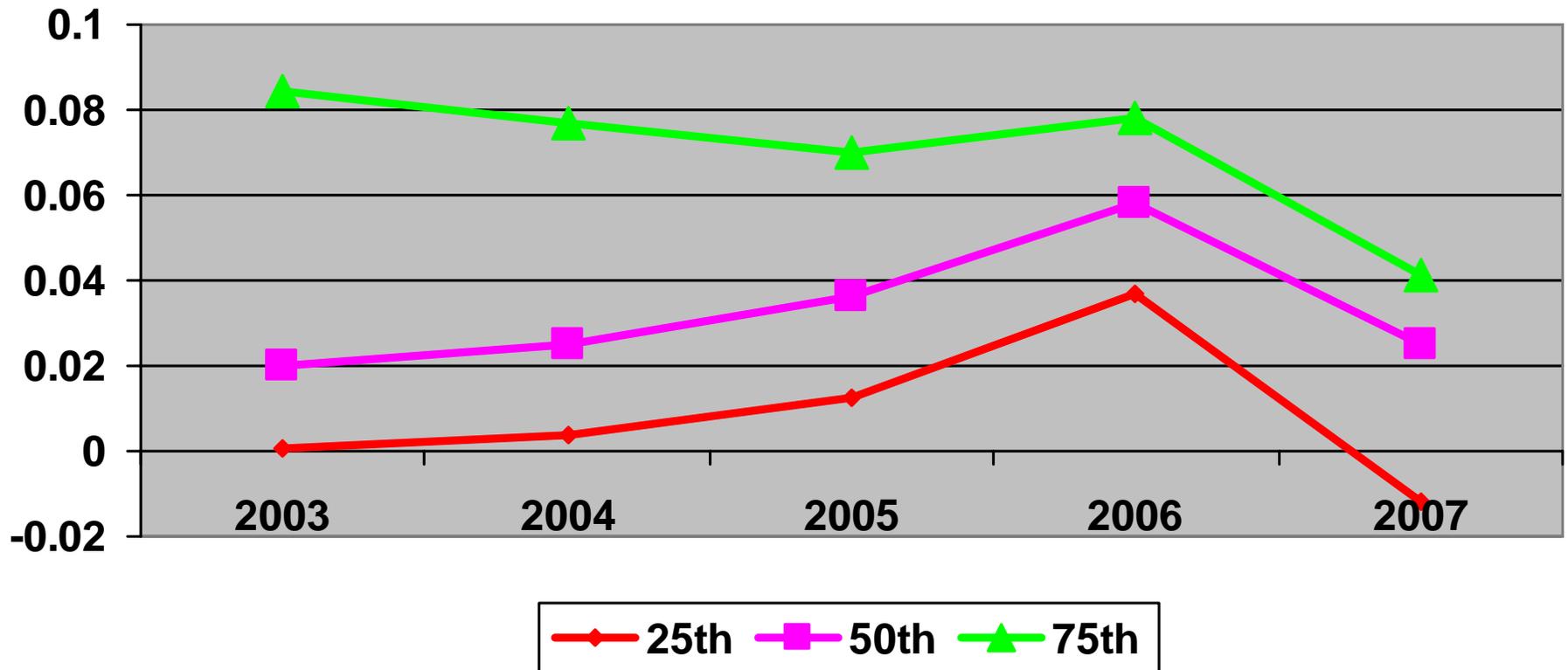
Map provided by DHHS/OMB/BDSM/jh 12/4/2006
C:\DataRequests\2006\MappingRequests\NewHealthServiceAreas\CurrentHSA.mxd

Mean Total Hospital Margins by Stars and Diamonds, and All Others (Household Income Characteristics of Health Analysis Area)



Omitted Dartmouth Hitchcock as it has state-wide service area

Operating Margin 2003-2007

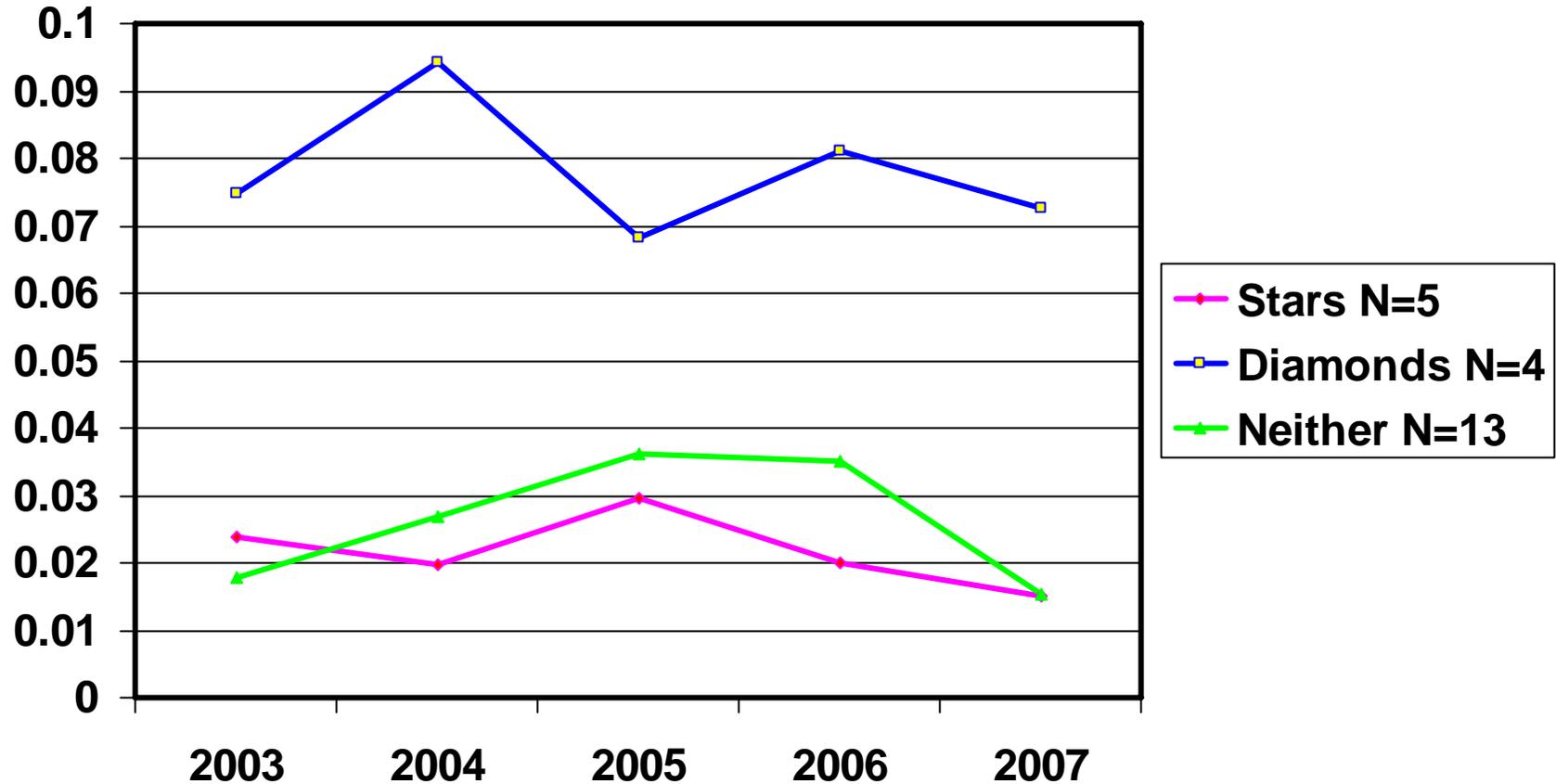


Variety of reasons for 2007 downturn: slowing revenue growth, rising bad debts, mergers with physician practices

Median Operating Margins, CAH Hospitals

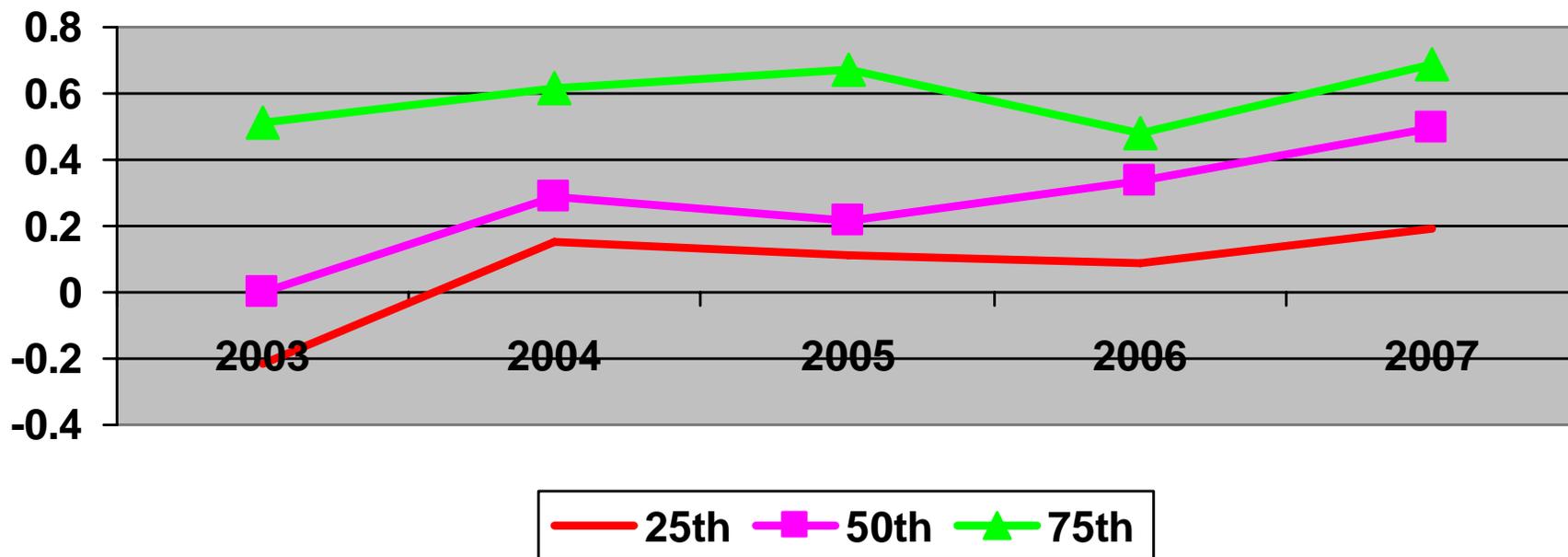
	2003	2004	2005	2006	2007
All NH (n=23)	.020	.025	.036	.058	.025
CAH – NH (n=12)	.015	.017	.013	.023	-.001

Mean Hospital Operating Margins by Stars and Diamonds, and All Others (Household Income Characteristics of Health Analysis Area)



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Nonoperating Revenue as Percentage of Total Surplus

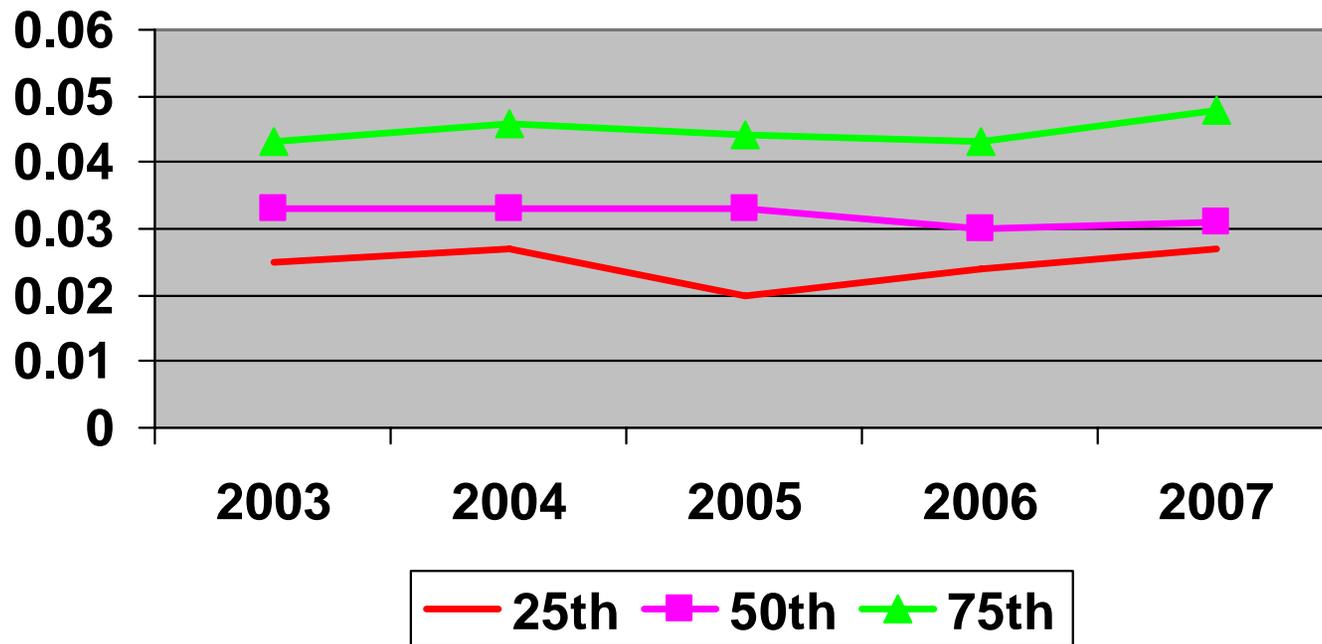


Median Nonoperating Revenue as Percentage of Total Surplus

	2003	2004	2005	2006	2007
All NH (n=23)	0	.29	.22	.34	.5
CAH NH (n=12)	.18	.38	.52	.33	.60

Hospitals with nonoperating revenue greater than 60% of total surplus are 1.6 to 2 times as likely to be in service areas with above state-wide average % of low-income households

Bad Debt as Percent of GPSR - All NH

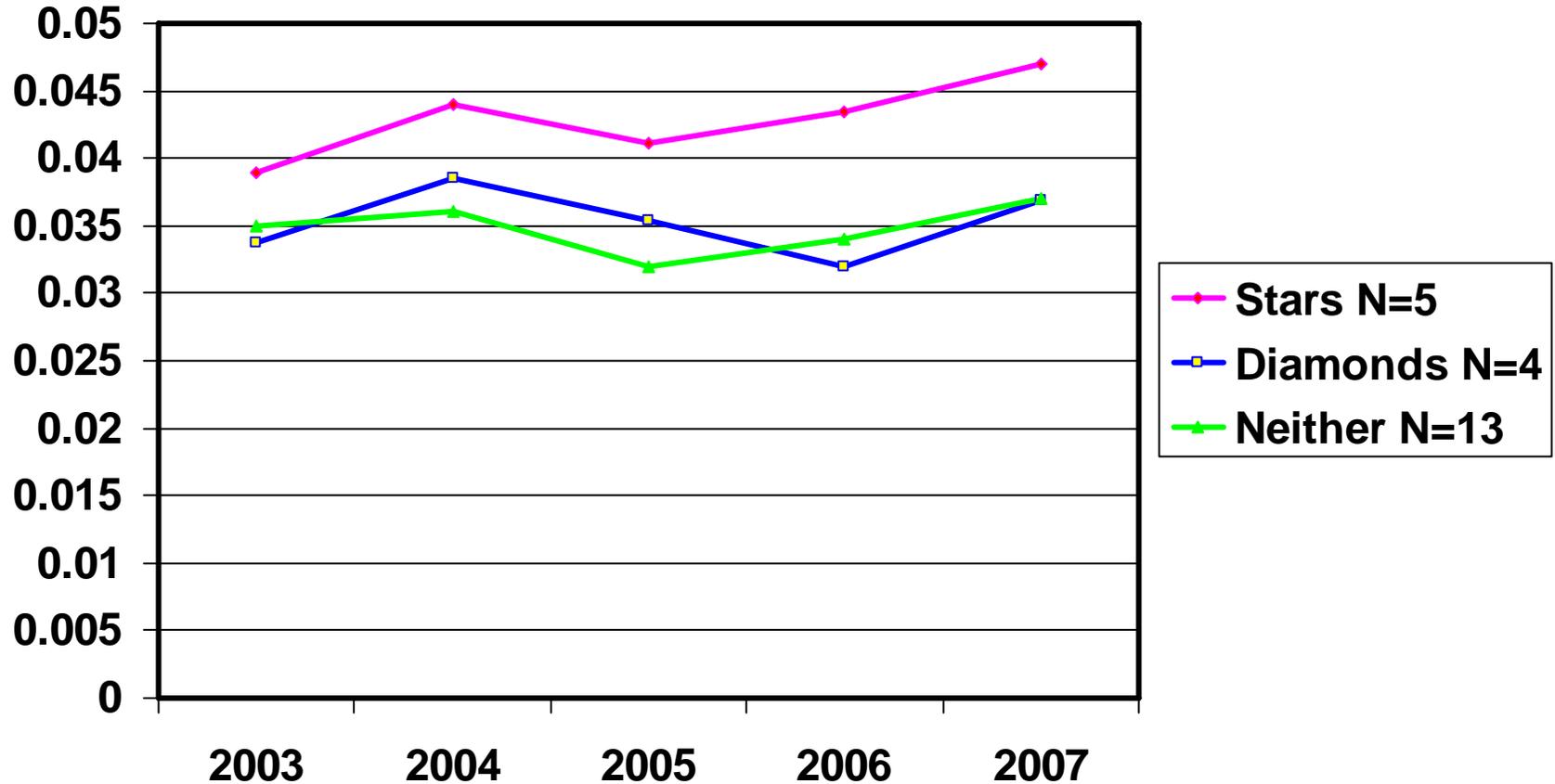


Bad Debt as Percentage of Gross Patient Service Revenue

	2003	2004	2005	2006	2007
State Bad Debt all hospitals	.033	.033	.033	.030	.031
CAH – NH Bad debt	.033	.033	.031	.035	.040

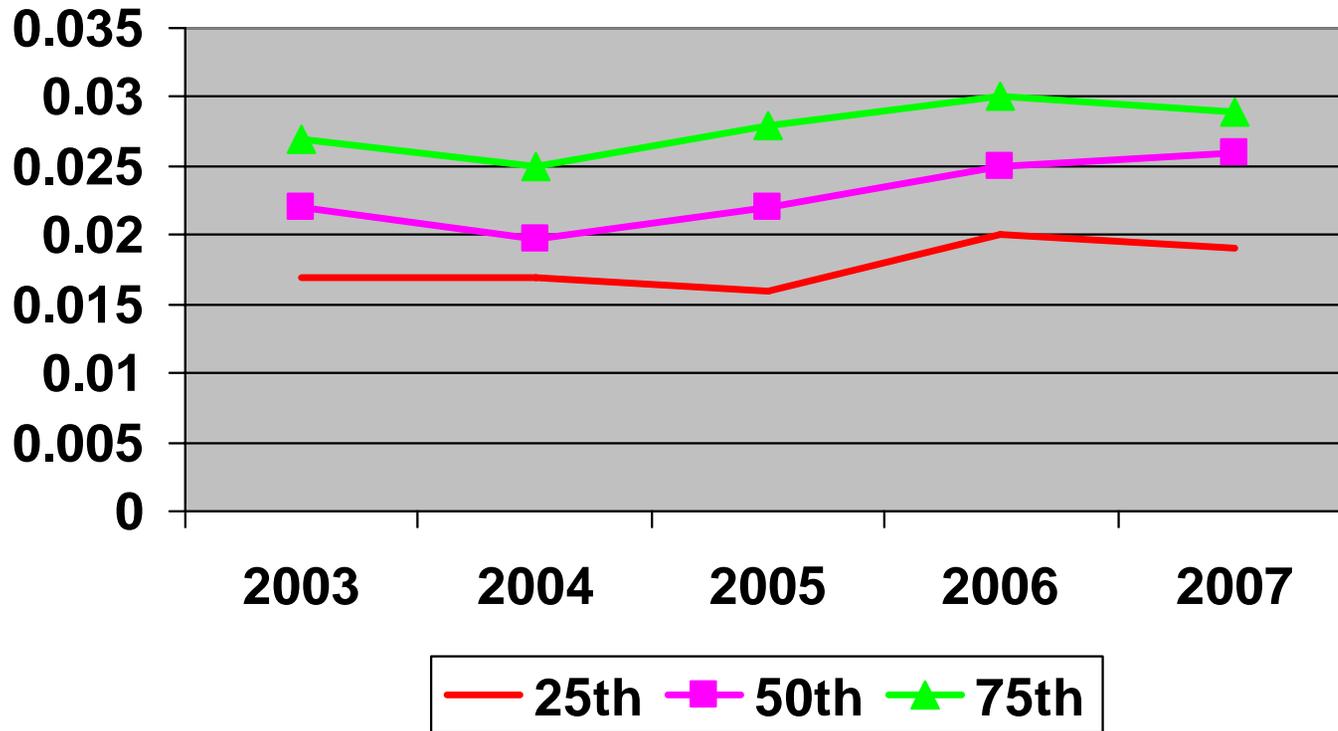
CAH share of total bad debt (at cost) in the state rose from 15% in 2003 to 22% in 2007

Mean Hospital Bad Debt Percentage by Stars and Diamonds, and All Others (Household Income Characteristics of Health Analysis Area)



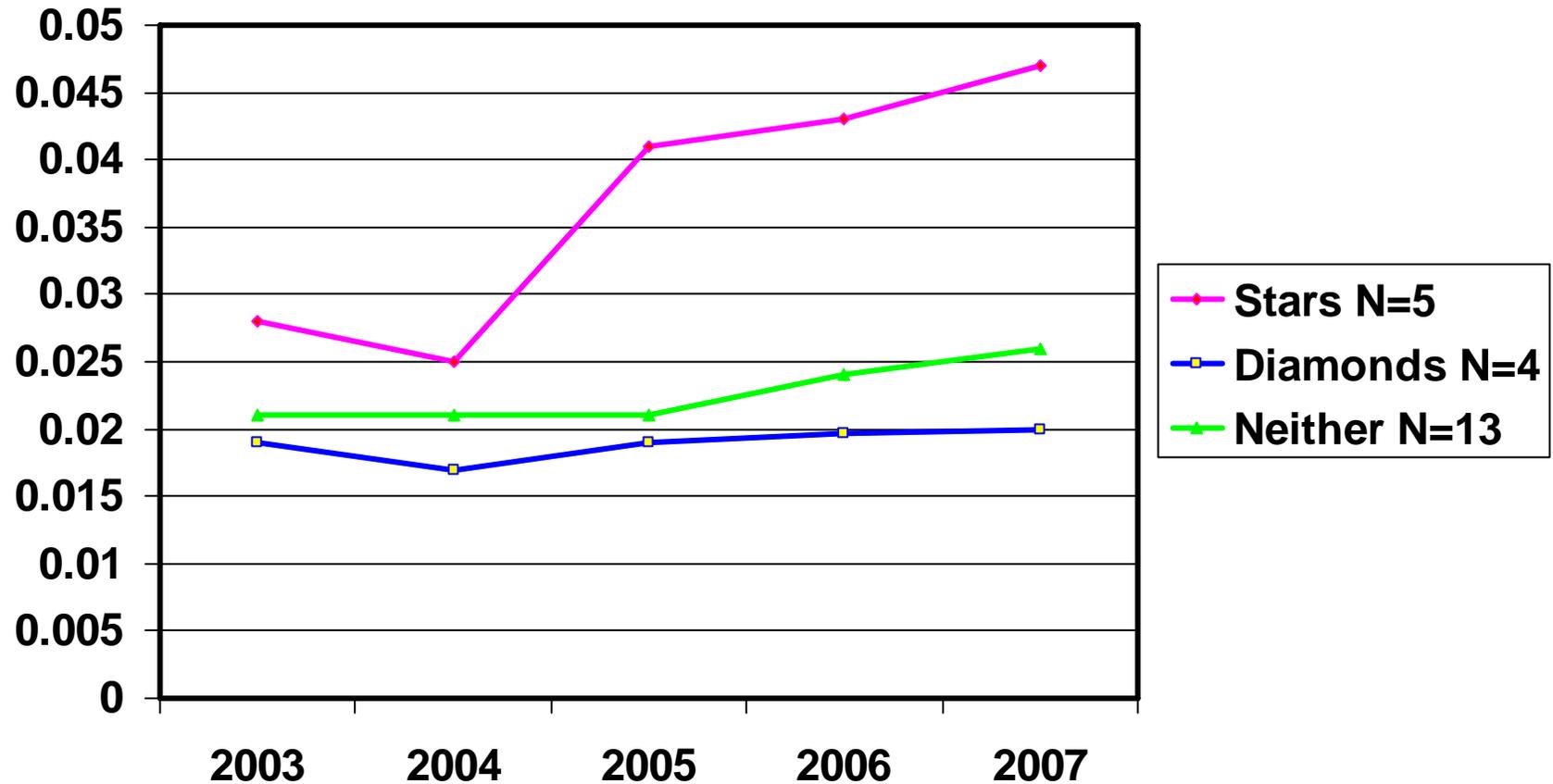
Omitted Dartmouth Hitchcock as it has state-wide service area

Free Care as Percent GPSR - All NH



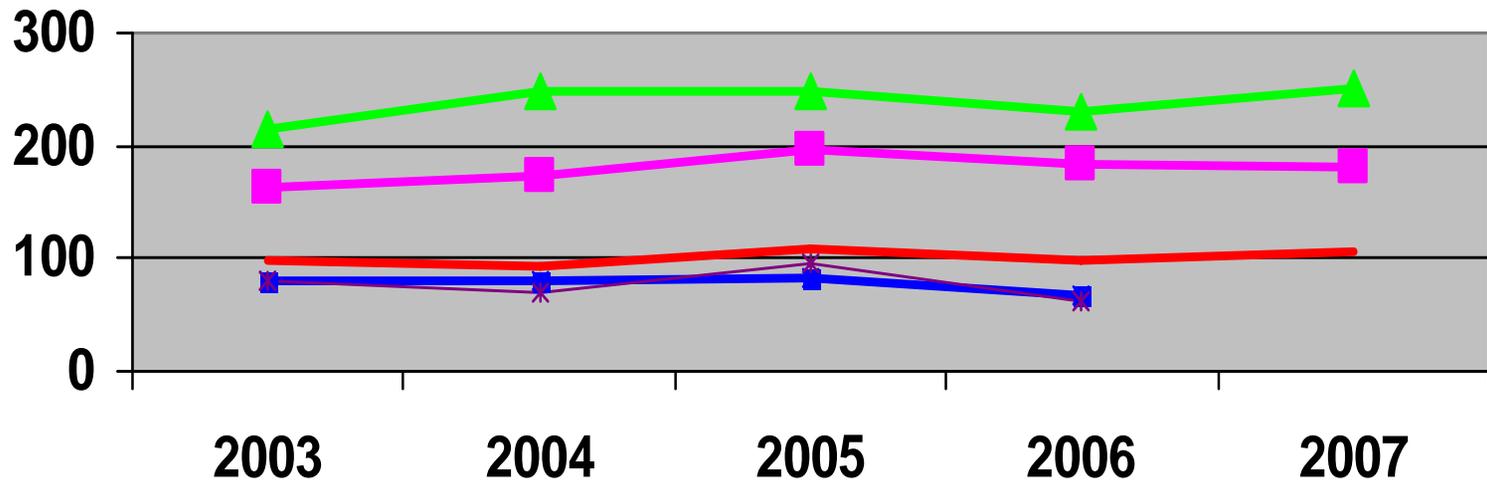
Median free care percentage of CAH's is very similar to that of the state median

Mean Hospital Free Care Percentage by Stars and Diamonds, and All Others (Household Income Characteristics of Health Analysis Area)



Omitted Dartmouth Hitchcock as it has state-wide service area

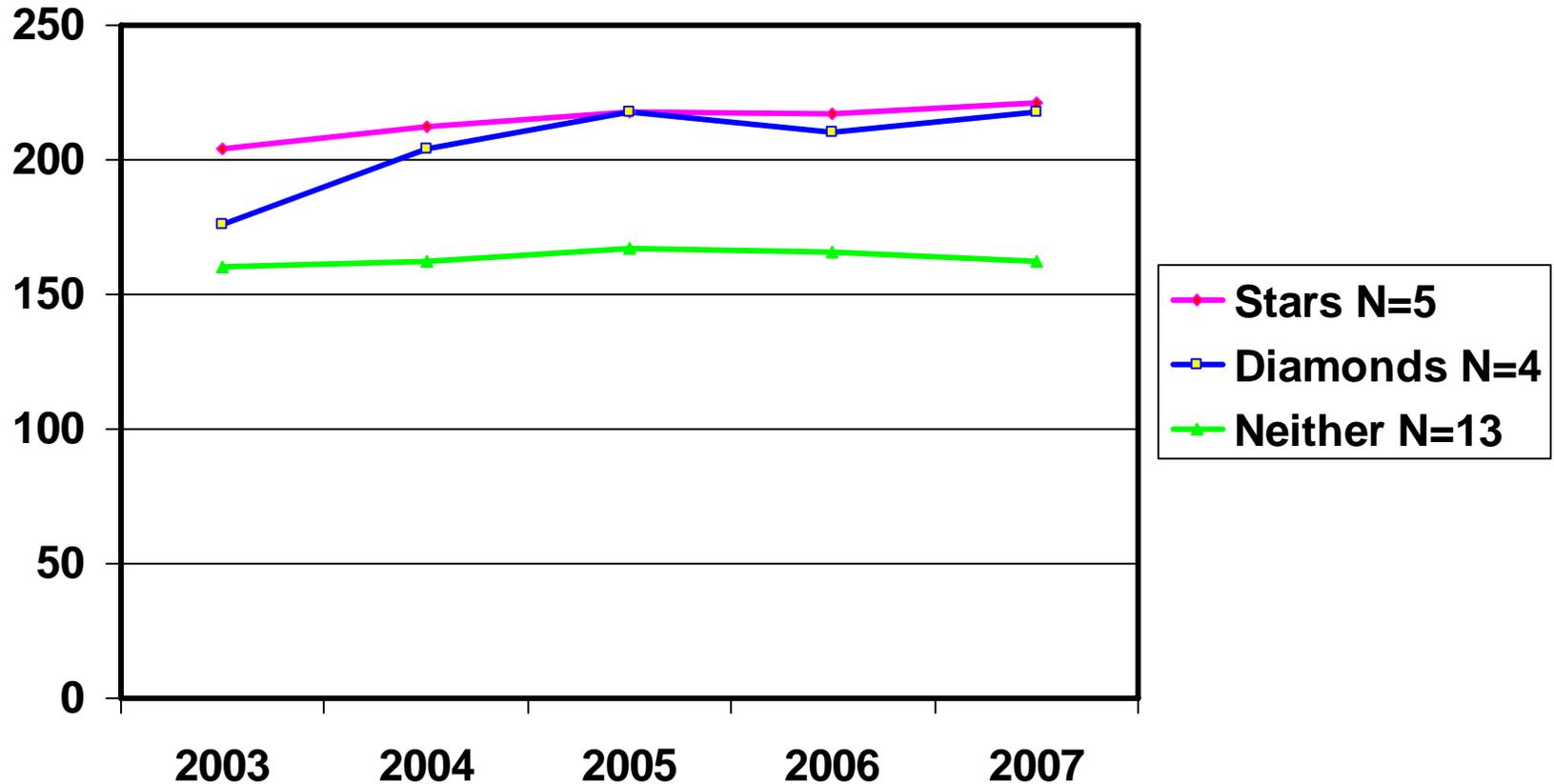
Days Cash On Hand, All Unrestricted Sources, 2003-2007



Median Days Cash on Hand, All Unrestricted Sources

	2003	2004	2005	2006	2007
NH – All	162	174	197	183	182
CAH-NH	141	145	176	177	186
Northeast CAH	87	100	80	78	
National CAH	72	61	80	69	

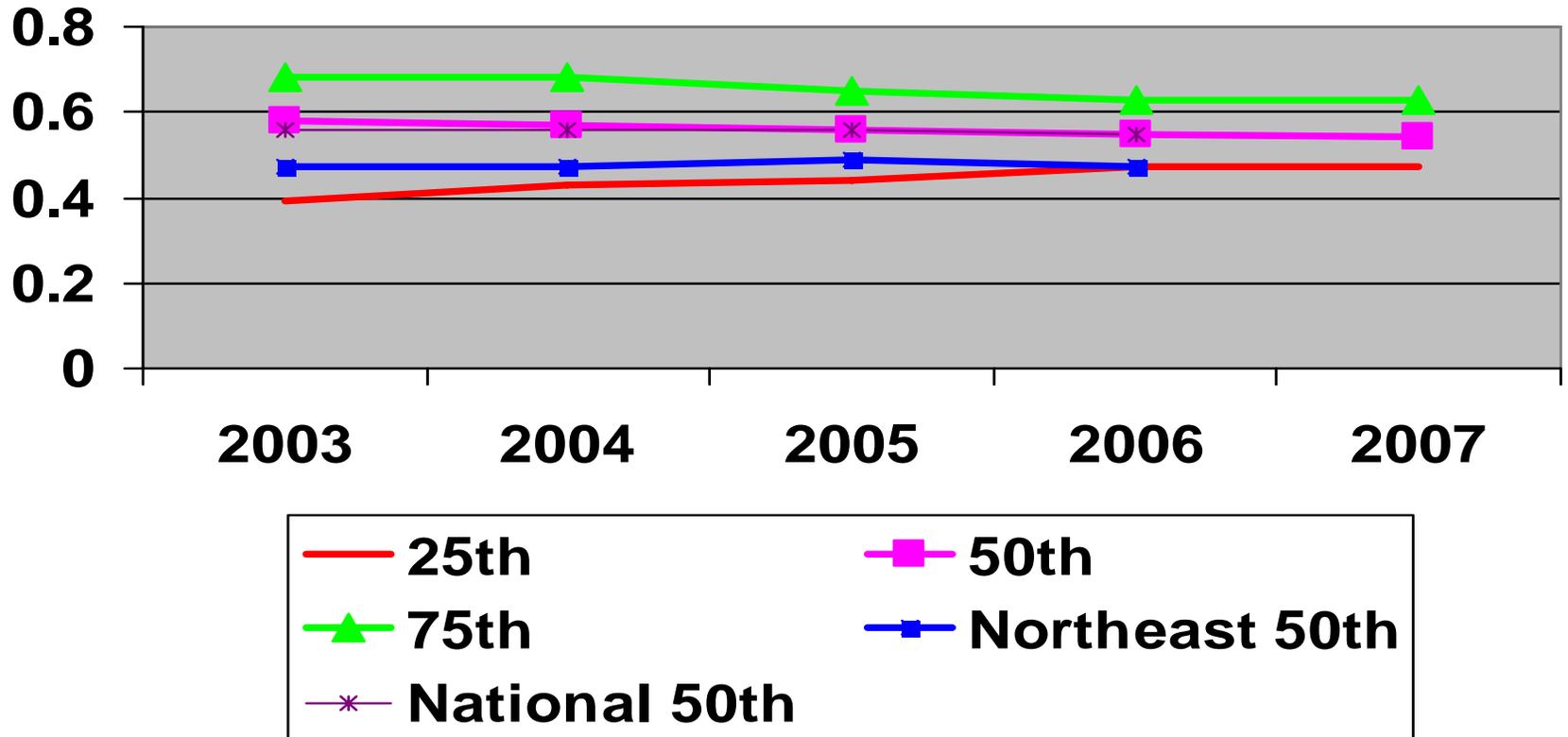
Mean Days Cash on Hand by Stars and Diamonds, and All Others (Household Income Characteristics of Health Analysis Area)



Note: Some hospitals hold cash outside hospital entity in Foundation or System, so it is not captured in this ratio

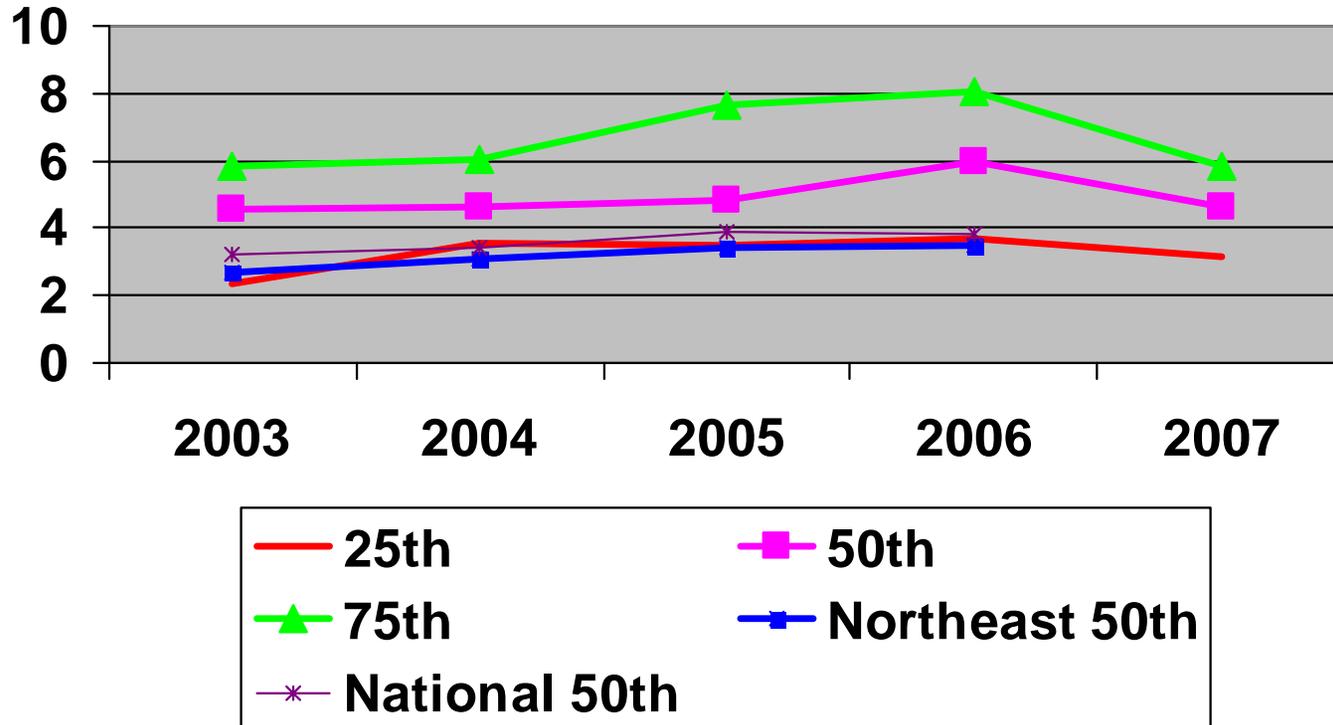
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Equity Financing Ratio



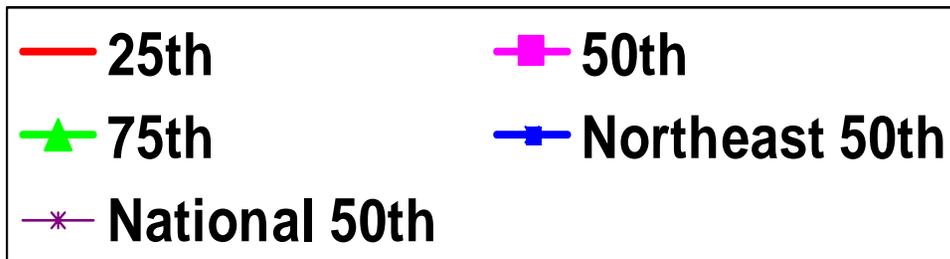
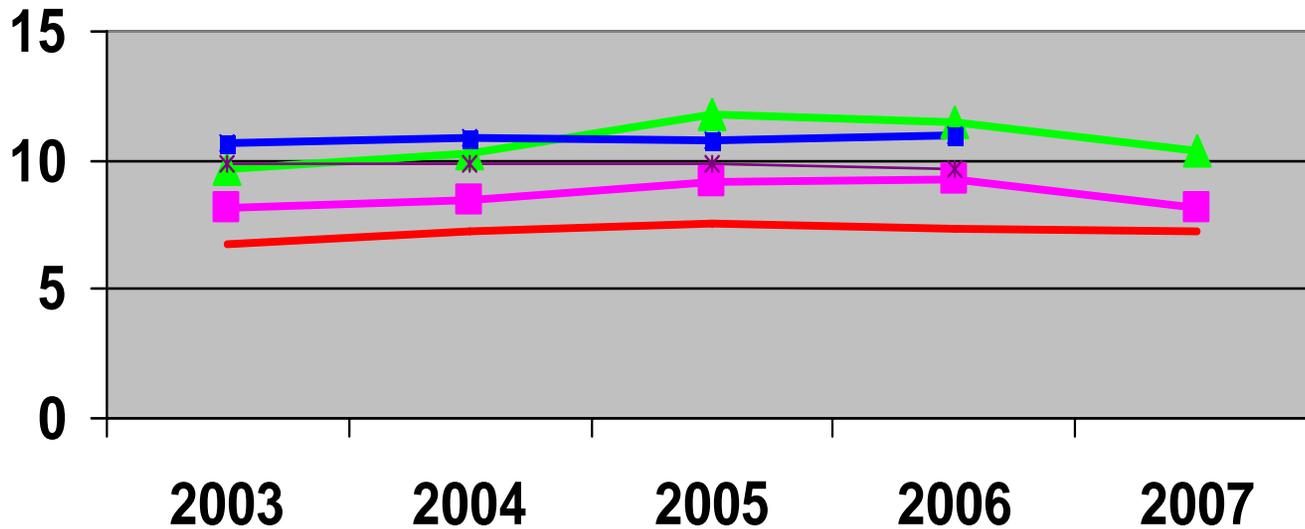
CAH's very similar to state as a whole in equity financing ratio

Debt Service Coverage



Most CAH's have healthy Debt Service Coverage Ratios as well

Plant Age



CAH's plant age medians similar to state medians, but aggregate capital expenditures only 1.45 times depreciation expense, vs 1.8 times for state as a whole

Sources of Cash, 2003-2007

	Non-CAH	CAH
Operations	66%	50%
Increase Longterm Debt and other Noncurrent Liabilities	29%	45%
Capital Donations	2%	3%
Other	3%	2%
Total in \$000	\$1,858,208	\$292,850

Uses of Cash, 2003-2007

	Non-CAH	CAH
Invest in PP&E	57%	49%
Repay Longterm Debt	17%	22%
Increase Trustee-held Investments		11%
Increase Cash and Bd-Designated Investments	10%	14%
Transfers and Investments in Affiliates	10%	2%
Working Capital and Other Noncurrent Assets	6%	2%

Conclusions

- Overall, hospitals in New Hampshire have performed very well over the period 2003-2007 on profitability, liquidity, solvency, and plant age compared to region and nation
- Disparities in profitability occur due to CAH status and geographically-based economic circumstances (household income)
- Bad debt and free care is growing dramatically for CAH's, especially those in health service areas with high proportions of low-income population
- Reliance on investment income for profitability is greatest among CAH's and among hospitals in poorer service areas
- Most hospitals in the state have large cash balances invested in marketable securities that may not be reliable sources of income in 2008