



Healthcare Association
of New York State

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HANYS' ANALYSIS FINDS MORE THAN HALF OF STATE'S HOSPITALS CONTINUE TO LOSE MONEY OR BARELY BREAK EVEN

Separate National Study Finds New York Hospital Finances Rank 2nd Worst in the Nation

A recent Healthcare Association of New York State (HANYS) analysis of hospital financial data found that more than half of the state's hospitals lost money or recorded margins of less than 1% in 2006. A separate national comparative study by the American Hospital Association (AHA) found that the average operating margin of New York's hospitals ranked 49th in the nation in 2006, second only to Hawaii.

The AHA analysis of financial data for 2006, the most recent year for which full-year financial data are available, found that the state's hospitals experienced an average operating margin of minus (-) 0.4%. The AHA study also found that hospitals nationally far outperformed New York in 2006, recording an average 4% positive operating margin. Eighty-six percent of New York's hospitals failed to achieve that national average (see attached charts).

"Our health care system will not be able to keep pace with the evolution of medicine and patient care if the majority of our not-for-profit hospitals are losing money or are essentially living paycheck to paycheck," HANYS' President Daniel Sisto said.

"The advances in technology and treatment options that are central to providing effective health care require continual investment. If hospitals can't generate the revenues necessary to invest in those advances, then our health care system as a whole, and our ability to provide the best care possible, will fall behind."

HANYS' analysis found the average operating margin of the state's hospitals to be 0.9%, or \$386 million statewide for 2006, which follows an eight-year trend of annual hospital losses that totaled \$2.4 billion. The HANYS analysis excluded a large public hospital system because of a one-time negative accounting change that would have artificially lowered the statewide margin calculation.

The HANYS analysis was based on audited financial statements filed by the state's hospitals. Such filings are not available from every hospital in the nation, making any state-by-state comparisons based on these statements impossible. The AHA study addresses that issue by relying on a survey instrument that allows for standardized and consistent data collection across the nation, which is necessary to generate reliable comparisons and rankings among the states.

Funding cuts enacted in early 2007, combined with the national economic and related Wall Street slowdown, strongly suggest that when updated data become available late next year, hospital margins will be found to have once again returned to the red in 2007.

Weak hospital margins and losses are primarily attributable to governmental and private insurance reimbursement rates that are artificially low and in some instances more than a decade out of date. Perennial federal and state funding cuts, along with workforce shortages and rising costs for everything from blood products to liability insurance also exacerbate ongoing revenue challenges facing hospital administrators.

“With few exceptions, New York’s hospitals are as lean as they can be while maintaining the ability to provide the care their communities require,” Mr. Sisto said. “We now stand before a crossroads that, depending on governmental policy and funding decisions, will determine if our system will grow stronger to meet our patients’ needs, or erode to our collective detriment,” Mr. Sisto said.

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