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Virginia's Hospital Finances Looking Good

By Michael Thompson

11/13/2015 -- Earlier this week, the Thomas Jefferson Institute published a study, "How are Virginia's Hospitals Doing Today – A Review of Hospital Finances," showing a detailed listing of the profits and losses and the net worth of the 154 hospitals listed on the Virginia Hospital Information website ([click here](#)). Immediately the Virginia Hospital Association (VHA) put its "spin team" to work trying to explain the numbers by saying that the hospitals are really hurting financially.

This is an interesting reaction to our study that merely listed what the hospitals report and to compare the numbers to those reported a year earlier.

A local radio station in Charlottesville reported that in defense of the numbers in the Jefferson Institute study a hospital lobbyist said that the hospitals provide over \$600 million in charity care each year. This is nice since the VHA's own annual report in January shows that the hospitals receive over \$900 in various tax exemptions. And as Bart Hinkle's recent column in the *Richmond Times Dispatch* pointed out, these charity numbers are not verified by an independent source. And on top of that, Hinkle says that Virginia's Secretary of Health has said that these charity numbers cannot be verified.

So what do this year's numbers show in the newly released Jefferson Institute study that seem to have the hospital lobby so concerned?

Well, statewide the hospital profits are up almost 11% over the numbers reported last year – to \$1.7 billion. And the numbers for hospitals' net worth (assets minus liabilities) have increased 13% over the last year – to \$16.7 billion.

Hospitals in every region are profitable and the net worth in every region is greater than a year earlier.

Of course, individual hospitals will show varying profits and losses and each of the 154 reporting hospitals are listed in this new study so that the reader can make his or her own conclusion. This study shows how each hospital chain is doing and indicates which hospitals are non-profit and which are not.

The VHA spokesperson is reported to have said in a WINA radio report (Charlottesville) on November 10 that between 30% and 50% of the hospitals are not profitable. But again, the numbers reported show something different. Of the 154 individual hospitals reporting numbers on the Virginia Hospital Information website, 25% -- not 30% or 50% -- show operating losses. And of those, better than half with year over year numbers show that their losses are less which means they are doing better than a year earlier. That said, just under half of those "in the red" year over year are in worse shape than last year and that is also very clear in our study. Five hospitals have worked their way from "in the red" to "in the black" since the last numbers were posted and five have gone in the other direction.

The new study clearly shows that the hospitals in Virginia are, overall, doing well. They are doing better than a year ago. And for the hospital lobby not to agree with the numbers that their own members report is truly strange.

Some say that "hospital finances are very complex" and that the numbers listed in our report don't show the whole story. Well, this is the case with any business – the numbers don't show the complexity of the business. But as with any business, the hospitals, I am sure, take every possible deduction allowed under the law – they expense every possible thing they can defend in order to make that bottom line as small as professionally possible. Just like any business – small and simple companies or large complex companies – hospitals have their accountants work the numbers to get to the lowest profit.

So I am hard pressed to accept the argument that seems to be made by the hospital lobbyists that somehow the numbers listed on the Virginia Hospital Information website are worse than they show.

When I began this project to update the hospitals' financial numbers, I figured that overall the numbers would be worse year over year. After all, Obamacare was creating all sorts of problems in the health care industry and Medicaid here in Virginia had not been expanded. The hospitals had told us that without Medicaid expansion they would be in deep, deep trouble.

But the numbers don't show that at this time. And for the hospital lobby to try to explain away numbers that show our hospitals are better off than they were a year earlier is troubling. An increase of 11% in profits to over \$1.7 billion and 13% in net worth to almost \$17 billion does not show an industry in critical financial trouble. To try to say otherwise, is sort of like trying to put a square peg in a round hole – it simply doesn't work.