

THE JEFFERSON JOURNAL

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THE THOMAS JEFFERSON INSTITUTE FOR PUBLIC POLICY

Hospitals Continue to Do Well Here in Virginia

By Michael W. Thompson

1/13/2017 -- The recently released annual analysis of Virginia hospitals by the Thomas Jefferson Institute once again confirms that the hospital industry as a whole here in Virginia continues to do well and that its overall financial health continues to improve.

As in past years, the Thomas Jefferson Institute used the financial numbers and lists all the hospitals made available through the Virginia Health Information website. That website groups hospitals into five regions: North, Northwest, Central, East and Southwest. We list hospitals in two categories: acute hospitals and non-acute hospitals. The numbers on the VHI website are from 2015, the latest year available.

This year's study, "*Virginia's Hospitals: Doing Well in a Sluggish Economy*," shows that the hospitals enjoyed an overall profit of \$1.89 billion in 2015, slightly less than the \$1.9 billion in 2014 – a difference of only six-one-hundredth of one percent.

And, as profits remained stable, the net worth of our hospitals increased by 6.6% or over \$1.1 billion.

And to illustrate the growing economic strength of our hospitals in yet another way, once again fewer hospitals are running a deficit. As a matter of fact, over the past four years – from 2012 through 2015 – the number of hospitals running in the red has decreased by 35% -- from 42 in 2012 to 27 in 2015.

The concentration of hospitals running deficits are in the eastern and southwestern parts of our state: Seven in the East and 10 in the Southwest. Some hospitals have run deficits in years past, other hospitals were in the black in 2014 but not in the 2015. It is a fluid situation, as in many industries with various operating units whether a retail store or a manufacturing company.

This year's report also shows that in every region of the state, our hospitals as a whole are running profitably although two of the five regions show less profit than last year. Those regions with less profits in 2015 were the Northwest and Southwest regions.

And in each of the five regions in this analysis, the hospitals showed an increase in their net worth.

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This year's report also lists the compensation of the non-profit hospitals' CEO's as listed in Guidestar and in the *Richmond Times Dispatch*. The total compensation for the CEO's of Virginia's non-profit hospitals ranged from \$230,748 to \$6,000,797.

The Virginia Hospital and Healthcare Association (VHHA), the lobbying arm of the hospital industry, argues for the continuation of monopoly services through the Certificate of Public Need laws, and advocates for an expansion of Medicaid because it says that its membership is on shaky financial ground. It claims our study does not look at the solvency of each hospital. Yet, each hospital is listed along with the last two years (2014 and 2015) of profits and losses along with the net worth of each. Solvency is, indeed, covered in our annual report.

The VHHA also claims that our report does not take into consideration that all hospitals lose money on some services. As any business leader will tell you: many major corporations with various divisions don't show a profit in each but have an overall profit that is healthy. That is the case with hospitals as well.

This year's annual study shows that the overall hospital industry here in Virginia continues to get stronger and stronger. The reported numbers clearly show this.

What this year's analysis illustrates, as in past years, is that there are more hospitals running deficits in the Central and Southwestern regions of Virginia than in other regions. This might be cause for a focused public policy attention by the state and localities. This would be a worthy discussion to have with experts to see if other states are faced with similar issues and, if so, what if anything they have done or are doing to help remedy the situation.

This year's analysis of hospital finances clearly shows that our hospitals as a whole continue to do well in our state and that is something for us to applaud. Increasing net worth and decreasing numbers of hospitals running deficits is a good thing. And profits remaining stable as our state economy limps along is also good.

Let's not allow the Virginia Hospital and Healthcare Association to muddy the waters of public discussion by saying the overall industry is hurting financially. It is not. And those hospitals which are making healthy profits and seeing their net worth increase might consider doing more to help those folks in our communities who truly can't afford health care services.