

# Massachusetts Acute Hospital Financial Performance Fiscal Year Data Through March 31, 2013

August 2013

## About this Report<sup>1</sup>

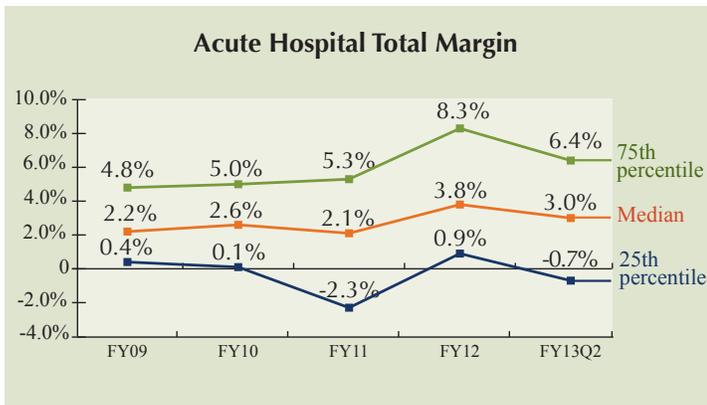
This report examines hospital profitability, liquidity, and solvency in order to monitor and compare the financial status of acute care hospitals. Presented are industry analyses of three key metrics and comparisons of financial performance trends. This information is presented using quartiles. Also presented are comparisons of hospital cohorts such as teaching, community, Disproportionate Share, and Non-Disproportionate Share hospitals.

## Summary

Overall hospital profitability was somewhat lower across the industry in Fiscal Year 2013, Quarter 2 (FY13Q2) compared to Fiscal Year 2012 (FY12) but with median performance remaining strong compared with recent years. Liquidity and solvency indicators remained fairly stable, with a majority of hospitals able to meet short-term obligations. Hospitals in the lowest quartile experienced the greatest decrease in their equity financing ratio in FY13Q2.

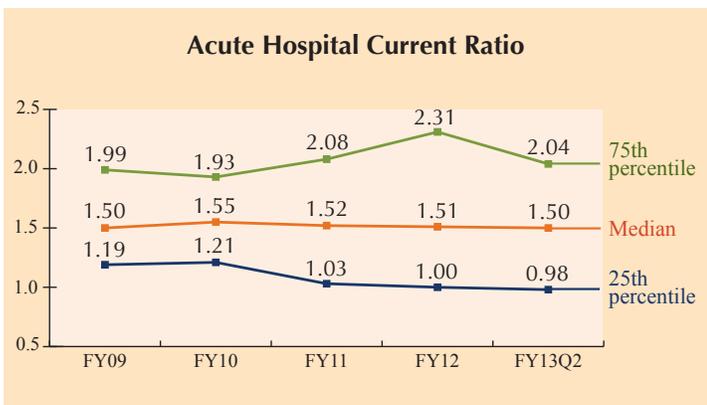
## Profitability<sup>2</sup>

Total profitability, as measured by total margin, declined somewhat across all quartiles in FY13Q2 while remaining strong compared to recent years.



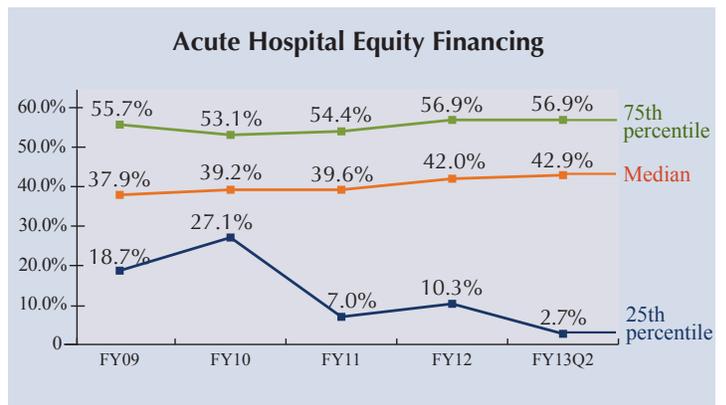
## Liquidity<sup>3</sup>

Liquidity, as measured by the current ratio, remained fairly stable between FY12 and FY13Q2. Current ratios above 1.0 indicate hospitals have sufficient current assets to meet current liabilities.



## Solvency<sup>4</sup>

This report measured solvency using the equity financing ratio. A low ratio indicates a hospital may have difficulties taking on additional debt. The median equity financing ratio remained stable, as did the ratio for hospitals in the highest quartile. Hospitals in the lowest quartile experienced a 74% decrease between FY12 and FY13Q2, from 10.3% to 2.7%.



## Teaching Hospitals and Community Hospitals<sup>5</sup>

In FY13Q2, teaching hospitals continued to have a higher median total margin compared to community hospitals. However, as compared to FY12, both cohorts decreased slightly from 4.8% to 4.5%, and 3.4% to 2.7%, respectively. Other financial ratios examined remained fairly stable between FY12 and FY13Q2 for these cohorts.

## Disproportionate Share Hospitals (DSH) and Non-DSH Hospitals<sup>6</sup>

Overall profitability of DSH hospitals increased from 2.2% in FY12 to 3.5% in FY13Q2, while Non-DSH hospital profitability decreased from 4.2% to 2.8%. Other financial ratios examined remained fairly stable between FY12 and FY13Q2 for these cohorts.

Hospital Name	Type	Profitability		Liquidity		Solvency	
		Total Margin	Current Ratio	Equity Financing	Profit (Loss)		
<b>Multi-Hospital Systems</b>							
<b>Baystate Health System Hospitals</b>							<b>\$54,555,000</b>
Baystate Franklin Medical Center		D	-1.47%	1.74	53%		(\$563,000)
Baystate Mary Lane Hospital			-2.57%	1.83	66%		(\$329,000)
Baystate Medical Center	T	D	10.94%	2.99	44%		\$55,447,000
<b>Berkshire Health System Hospitals</b>							<b>\$18,909,114</b>
Berkshire Medical Center	T	D	9.81%	1.41	58%		\$17,484,379
Fairview Hospital		D	6.35%	1.01	50%		\$1,424,735
<b>Cape Cod Health Care System Hospitals</b>							<b>\$15,972,694</b>
Cape Cod Hospital		D	4.63%	1.32	52%		\$9,449,825
Falmouth Hospital		D	8.70%	0.80	73%		\$6,522,869
<b>Care Group Hospitals</b>							<b>\$91,027,312</b>
Beth Israel Deaconess Hospital - Needham			1.77%	2.03	43%		\$559,093
Beth Israel Deaconess Medical Center	T		9.43%	3.32	50%		\$67,417,000
Milton Hospital			10.24%	1.97	51%		\$4,413,230
Mount Auburn Hospital	T		8.59%	4.80	59%		\$13,793,989
New England Baptist Hospital			4.32%	3.14	50%		\$4,844,000
<b>Partners Healthcare System Hospitals</b>							<b>\$76,221,000</b>
Brigham and Women's Hospital		T	3.44%	1.26	4%		\$41,659,000
Faulkner Hospital		T	-0.65%	1.18	43%		(\$611,000)
Martha's Vineyard Hospital			0.71%	2.56	89%		\$201,000
Massachusetts General Hospital		T	3.07%	1.46	55%		\$48,574,000
Nantucket Cottage Hospital			-17.66%	0.43	88%		(\$2,486,000)
Newton-Wellesley Hospital			0.86%	0.83	26%		\$1,707,000
North Shore Medical Center		D	-6.24%	1.45	-12%		(\$12,823,000)
<b>Steward Health Care System Hospitals</b>							<b>(\$12,235,522)</b>
Carney Hospital, Inc. (FY13Q1)*	T	D	-10.63%	0.40	-30%		(\$2,765,977)
Good Samaritan Medical Center (FY13Q1)*		D	-1.71%	0.44	-15%		(\$956,050)
Holy Family Hospital (FY13Q1)*		D	-2.09%	0.63	-13%		(\$896,292)
Merrimack Valley Hospital (FY13Q1)*		D	-16.56%	0.43	-55%		(\$2,068,431)
Morton Hospital and Medical Center (FY13Q1)*		D	-6.64%	0.95	-19%		(\$1,929,288)
Nashoba Valley Medical Center (FY13Q1)*			-0.63%	0.74	-21%		(\$66,900)
Norwood Hospital (FY13Q1)*			-4.75%	0.44	-50%		(\$2,022,412)
Quincy Medical Center (FY13Q1)*		D	-26.41%	0.33	-15%		(\$5,591,489)
Saint Anne's Hospital (FY13Q1)*		D	9.86%	0.89	36%		\$4,728,351
St. Elizabeth's Medical Center (FY13Q1)*	T	D	-0.88%	0.34	-32%		(\$667,034)
<b>UMass Memorial Health Care System Hospitals</b>							<b>\$75,804,055</b>
Clinton Hospital		D	1.95%	3.30	81%		\$240,000
Health Alliance Hospital		D	3.69%	2.07	79%		\$2,897,955
Marlborough Hospital			1.41%	1.20	35%		\$537,000
UMass Memorial Medical Center		T D	9.08%	1.49	15%		\$70,737,100
Wing Memorial Hospital		D	3.13%	1.64	62%		\$1,392,000
<b>Vanguard Health System Hospitals</b>							<b>\$37,374,487</b>
MetroWest Medical Center (FY13Q3)*			0.18%	1.56	-55%		\$351,620
Saint Vincent Hospital (FY13Q3)*	T	D	13.93%	1.45	184%		\$37,022,867
<b>Individual Hospitals</b>							
Anna Jaques Hospital			1.10%	2.74	22%		\$602,504
Athol Memorial Hospital		D	-3.92%	0.48	-15%		(\$376,196)
Boston Medical Center		T D	2.01%	1.68	57%		\$10,120,000
Cambridge Health Alliance (FY13Q3)*		T D	-4.50%	1.17	30%		(\$17,827,424)
Children's Hospital Boston		T	13.52%	7.63	68%		\$93,251,000
Cooley Dickinson Hospital			13.44%	2.06	38%		\$11,303,333
Dana-Farber Cancer Institute		T	6.71%	1.39	66%		\$35,969,342
Emerson Hospital			-1.71%	1.70	25%		(\$1,593,577)
Hallmark Health			4.29%	3.82	46%		\$5,828,000
Harrington Memorial Hospital			7.43%	3.86	57%		\$4,358,548
Heywood Hospital		D	4.44%	0.99	50%		\$2,278,092
Holyoke Medical Center		D	5.78%	1.46	-1%		\$3,569,044
Jordan Hospital			-0.13%	1.18	27%		(\$123,100)
Lahey Clinic		T	5.49%	4.92	-12%		\$21,451,693
Lawrence General Hospital		D	3.52%	1.56	70%		\$3,783,000
Lowell General Hospital			2.54%	1.59	31%		\$5,076,015
Massachusetts Eye and Ear Infirmary		T	0.29%	1.51	51%		\$304,054
Mercy Medical Center (FY12)*		D	10.36%	3.16	51%		\$25,245,963
Milford Regional Medical Center			4.65%	3.57	46%		\$4,284,166
Noble Hospital		D	-1.73%	0.56	-60%		(\$463,145)
North Adams Regional Hospital		D	3.82%	1.95	-1%		\$1,139,434
Northeast Hospital			3.52%	1.61	39%		\$5,706,553
Signature Healthcare Brockton Hospital		D	8.96%	0.92	31%		\$10,212,502
South Shore Hospital			2.95%	1.26	32%		\$6,848,606
Southcoast Hospitals Group		D	4.60%	1.69	57%		\$16,613,370
Sturdy Memorial Hospital			11.14%	9.48	90%		\$9,208,790
Tufts Medical Center		T	0.52%	1.52	14%		\$1,723,000
Winchester Hospital			2.77%	1.59	58%		\$3,808,547

Key: T: Teaching Hospital, D: Disproportionate Share Hospital

Notes: Profitability percentage may not add due to rounding.

\* These hospitals reported data on an alternative fiscal year. See Endnote 1 for more information.

## **1 About this Report**

On November 5, 2012, Chapter 224 of the Acts of 2012 (Chapter 224) went into effect. Chapter 224 dissolved the Division of Health Care Finance and Policy (Division) and created a new, independent state agency, the Center for Health Information and Analysis (Center). The Center assumed many of the Division's responsibilities including the reporting of acute hospital financial performance information. The Center continues to support the Division's priority of timely, relevant, and accurate information in this Fiscal Year 2013 Quarter Two Report. Readers of the Center's hospital financial reports will notice that this edition is an updated format of the quarterly report.

This new format focuses on three metrics: Total Margin, Current Ratio, and Equity Financing Ratio. Additional profitability, liquidity, and solvency metrics are available in the databook and individual hospital fact sheets released concurrently with this report.

The majority of Massachusetts acute hospitals have a September 30 year end. For this report, the analysis reflects six months of financial data, ending March 31, 2013. For hospitals that had a year end other than September 30, the most recent data available as of March 31, 2013 was used. Cambridge Health Alliance, MetroWest Medical Center, and Saint Vincent Hospital have June 30 year ends; therefore, this report reflects their Fiscal Year 2013, Quarter 3 data. Mercy Medical Center has moved its year end from December 31 to June 30; therefore this report contains its Fiscal Year 2012 data. Steward Health Care's ten hospitals have December 31 year ends; therefore, this report reflects their Fiscal Year 2013, Quarter 1 data.

## **2 Profitability**

Profitability measures a hospital's ability to generate earnings as compared to its revenues.

Total Margin reflects the excess of total revenues over total expenses, including operating and non-operating activities such as investment income as a percentage of total revenue.

## **3 Liquidity**

Liquidity refers to assets readily convertible into cash. It is a measure of how quickly assets can be converted into cash to meet current liabilities.

Current Ratio measures short-term financial health and indicates whether a hospital is able to meet current liabilities with current assets. The higher the current ratio, the more financially stable a hospital is in the short-term.

## **4 Solvency**

Solvency measures the ability of a hospital to meet its total debt obligations and is generally an indicator of long-term financial health.

The Equity Financing Ratio measures the proportion of total net assets financed with the hospital's equity and reflects the ability of a hospital to take on more debt. High values indicate hospitals with little or no long-term liabilities.

## **5 Teaching Hospitals and Community Hospitals**

The Medicare Payment Advisory Commission defines teaching hospitals as having at least 25 full-time equivalent medical school residents per one hundred inpatient beds. Based on this definition, and using Fiscal Year 2012 DHCFCP-403 Cost Report data, eighteen hospitals were assigned to the teaching hospital cohort. All other hospitals were designated as community hospitals.

## **6 Disproportionate Share Hospitals (DSH) and Non-DSH Hospitals**

Disproportionate Share (DSH) hospital is a hospital with 63% or more of patient charges attributed to Medicare, Medicaid, and other government payers, including Commonwealth Care and the Health Safety Net. Based on this definition, and using Fiscal Year 2012 DHCFCP-403 Cost Report data, thirty-one hospitals were assigned to the DSH hospital cohort. All of the remaining hospitals were designated as Non-Disproportionate Share (Non-DSH) hospitals.

Individual hospital fact sheets and databook are available on the Center's website at [www.mass.gov/chia](http://www.mass.gov/chia).