Hospital Financials Have Recovered to Pre-Recession Levels, According to Thomson Reuters Study

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Total Margins, Liquidity, and Cash on Hand Show Significant Improvement

ANN ARBOR, Mich., Nov. 9 /PRNewswire/ -- The median profit margin of U.S. hospitals increased from near zero in the third quarter of 2008 to more than 8 percent in the second quarter of 2009, according to an analysis of hospital financial performance published today by Thomson Reuters.

The recovery has been broad-based, with all classes of hospitals -- small, medium and large community hospitals, teaching hospitals and major teaching hospitals -- showing positive median margins.

The study tracks two dozen key financial indicators, using proprietary and public data to dissect the balance sheets of more than 400 hospitals nationwide. It evaluates trends in revenue and profit, employment levels, closures, inpatient volume, days cash on hand, and case mix to gauge the fiscal health of the nation's hospitals.

Following are the key findings of the analysis:

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--   Total Margins Increase: Median total margins were at 0.37 percent in
     Q308. In Q209, they reached 8.4 percent.

--   20 Percent of Hospitals Still in the Red: About 20 percent of hospitals
     had negative total margins in Q209 -- which is similar to the rate seen
     before the recession began in late 2007. This is an improvement from
     Q109 when 30 percent of hospitals were operating with negative margins
     and Q308, when half of U.S. hospitals were operating in the red.

--   Liquidity Improves Significantly: Allaying fears of a hospital credit
     crunch, hospitals' median days-cash-on-hand has increased significantly
     from 90 days in Q109 to 146 days in Q209 -- which is higher than the
     historic long-term average.

--   Labor Costs Cut by Reducing Length of Stay: While hospitals have
     maintained a consistent ratio of staffing levels per occupied bed
     throughout the recession, total labor costs are down approximately 2.25
     percent in Q209 .This reduction in labor expense per discharge has been
     achieved by reduction of patient length of stay.

--   Hospital Admissions Increase: Mean patient discharge volumes for all
     hospitals began declining shortly after the recession started -- but
     moved into positive territory in Q209.
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"U.S. hospitals are on track to come out of the recession in better financial shape than they were in when the downturn began," said Gary Pickens, PhD, chief research officer at Thomson Reuters and one of the study's authors. "When we published our first analysis of hospital economic health in the fall of 2008, hospitals were facing unprecedented economic stress and staring down a real crisis. Now, by taking aggressive measures to reduce costs, the majority of hospitals are positioned for a strong recovery."

Journalists can request a copy of the study from David Wilkins at (734) 913-3397 or *david.wilkins@thomsonreuters.com*. It also can be downloaded *here* (registration required).

The *Healthcare & Science business of Thomson Reuters* will update this report regularly as an ongoing benchmark of hospital financial performance.

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David Wilkins of Thomson Reuters, +1-734-913-3397, David.wilkins@thomsonreuters.com