

Thomson Reuters Study Finds Impact of Recession Easing on U.S. Hospitals

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Total Margins, Liquidity Increase Significantly From Third Quarter of 2008; 30
Percent of Hospitals Remain Unprofitable

ANN ARBOR, Mich., Aug. 19 /PRNewswire/ -- The median profit margin of U.S. hospitals increased from 0.17 percent in the third quarter of 2008 to 3.1 percent in the first quarter of 2009, according to an analysis of hospital finances 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 charity expenses to gauge the fiscal health of the nation's hospitals.

Following are the key findings of the analysis:

- Total Margins Increase: Hospitals' median total margins were near zero the last time this analysis was conducted, which captured data through Q3 2008. In Q1 2009, all classes of hospitals had positive operating margins, reaching an average of 3.1 percent.
- 30 Percent of Hospitals Still in the Red: In Q1 2009, 30 percent of hospitals had negative profit margins. This is an improvement from Q3 2008, when 50 percent of hospitals were operating in the red.
- Liquidity Holding Steady: Amidst fears of a hospital credit crunch, it appears that hospitals' "median days cash on hand" is holding steady. On average, hospitals had 90 days cash on hand in Q1 2009, a decline from the highs seen in early 2007, but an increase from Q3 2008.
- Running at 90 Percent Capacity: In Q1 2009, more than 90 percent of licensed beds were in operation in a typical hospital. This number has held relatively steady since 2005.
- Labor Costs Down: Hospitals have cut labor costs by approximately 3 percent year-over-year through Q1 2009, while non-labor-related expenses have decreased by approximately 2 percent year-over-year.

"The financial situation has improved dramatically for U.S. hospitals," said Gary Pickens, chief research officer for the Healthcare & Science business of Thomson Reuters and lead author of the study. "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. Through a combination of aggressive cost controls and overall improvement in the economy, we're beginning to see a recovery, but it will be critical to watch these metrics to make sure that recovery is sustainable."

A full copy of the study is available 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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/CONTACT: David Wilkins, +1-734-913-3397,

David.wilkins@thomsonreuters.com/

/Web Site: <http://www.thomsonreuters.com> /

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