



# Update Special Report

Analysis of critical issues facing Wisconsin health care leaders

April 2009

## Hospitals Hurting in a Down Economy

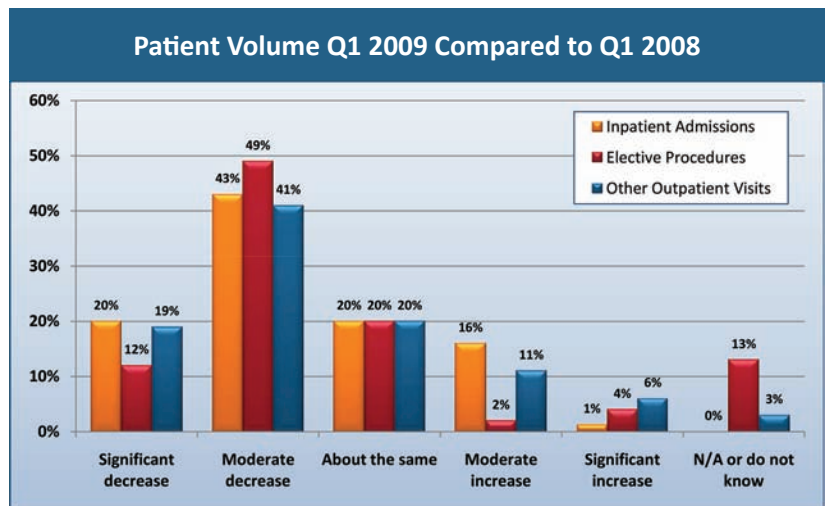
A new Wisconsin Hospital Association survey of its members confirms that the recession continues to take its toll on hospitals. As the national economic downturn tightens its grip on the state, Wisconsin hospitals continue to see margins drop, charity care increase at an alarming pace, and bad debt climb as patients are unable to pay their bills.

It is a situation that is causing a great deal of anxiety not only among hospital executives, but also for community leaders. As some of the largest employers in the state, hospitals are an integral part of the community's health network, but they also are responsible for a large portion of its economic health. A healthy hospital fosters a healthy community.

The health of Wisconsin hospitals is on the decline.

### Patient Volumes Down as Patients Delay Care

For most Wisconsin citizens, today's economic woes are like none they have experienced. The same is true for Wisconsin's health care system. As the economy worsens, fewer patients are seeking inpatient, surgical and outpatient hospital care, and more patients are unable to pay for the care they receive. Results from a 1st Quarter 2009 WHA survey further enhance the findings of the Special Report issued in February on calendar year 2008 results. (See: [http://www.wha.org/pubArchive/special\\_reports/WisHospitalsandEconomy2-2009.pdf](http://www.wha.org/pubArchive/special_reports/WisHospitalsandEconomy2-2009.pdf))



Source: WHA Member Survey, March 2009

Patient volumes decreased in roughly two-thirds of the 80 Wisconsin hospitals and health systems that responded to the survey. This decrease occurred consistently across both the inpatient and outpatient settings. The dip in volume is a potential indication that individuals are putting off care as family budgets tighten and/or health care coverage is less generous or lost altogether. When an individual loses his or her job, often an entire family loses its health insurance.

“The U.S. consumer is hurting. Cash-strapped individuals are delaying purchases and re-evaluating potential expenditures for just about everything, including nonemergency medical procedures. In our opinion, some commercially insured patients faced with high co-pays and deductibles are delaying treatment for non-life-threatening conditions, cutting into admissions growth rates at hospitals.”

Morningstar Stock Strategist: Industry Reports

## Charity Care, Bad Debt Rise

As the nation and Wisconsin witness the unemployment rate climb to nearly 10 percent—the highest rate in a quarter century—more people are unemployed and without health insurance for the first time, as well.

The pain of the recession is coursing through hospitals, too, as charity care and bad debt climb precipitously. Wisconsin’s safety net providers find their resources strained as more patients cannot afford to pay for the care they receive.

As a result, hospitals are seeing their bottom lines falter. But they differ from other industries markedly because in the face of difficult financial times, they continue to meet their mission of service in the communities they serve.

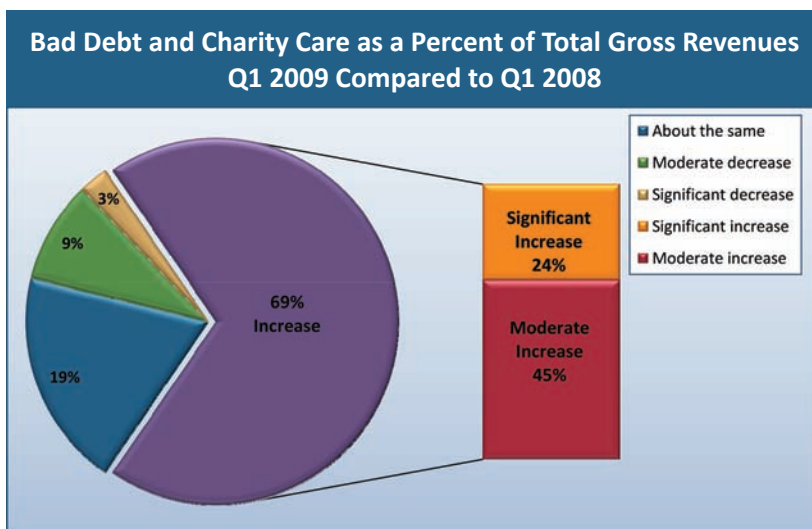
In response to economic pressures, hospitals reported that they have implemented a number of changes. Of the 80 hospitals that responded to the survey, three-quarters said they have cut administrative costs, while nearly half have reduced staff or have laid off workers since September 2008. About 40 percent said they have adopted lean management initiatives, taken measures to improve efficiencies in managing their supply chain, implemented salary or wage cuts or delayed capital expenditures. About 20 percent reported cuts in services.

## Summary and Conclusions

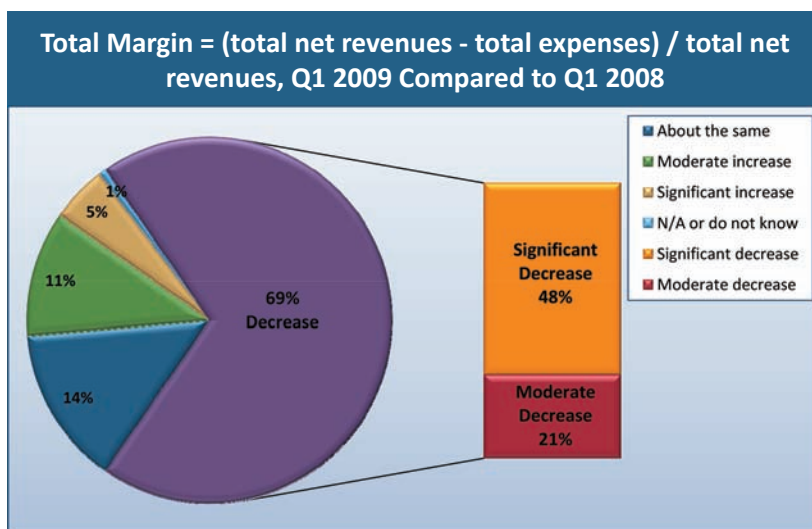
In this report, WHA found in the first quarter of 2009:

- More than 60 percent of the hospitals in the state are reporting a decrease in patient volume as patients delay non-emergency procedures.
- Almost three-quarters of the hospitals surveyed said their total margin has decreased due to investment losses and financial losses in other service lines.
- Bad debt and charity care have risen in nearly three-quarters of Wisconsin’s hospitals, with no end in sight. As job losses mount and health insurance is not available, hospitals expect to provide more uncompensated care in 2009 than in any previous year.
- Hospitals reported that they have implemented a number of measures to reduce expenses in response to economic challenges.

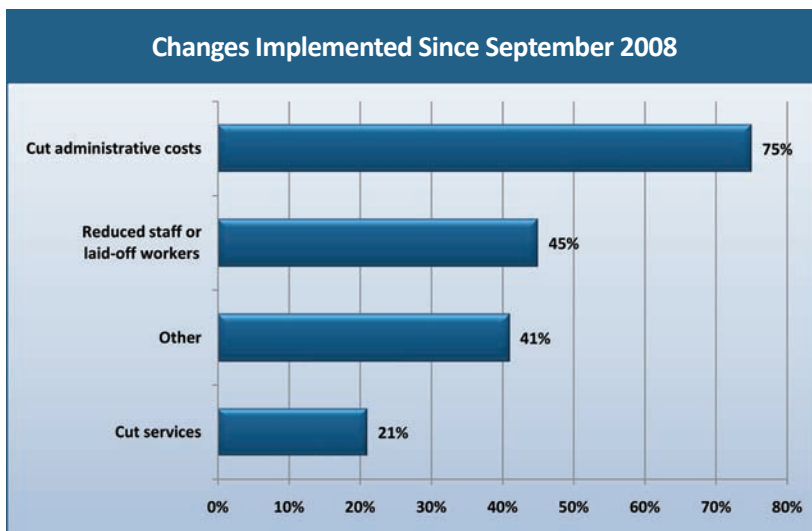
Wisconsin’s not-for-profit hospitals are mission-driven organizations that reinvest in the health of their communities. The services of a community hospital, both within their walls and out in the community, have never been more critical. While mission drives hospitals to service, the economy continues to pose a mighty challenge.



Source: WHA Member Survey, March 2009



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