

# The Hilltop Institute



*analysis to advance the health of vulnerable populations*

## **An Analysis of New Mexico Hospital Revenues and Expenses**

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# **An Analysis of New Mexico Hospital Revenues and Expenses**

## **Introduction**

The Medical Assistance Division (MAD) of the New Mexico Human Services Department (HSD) requested a brief analysis from The Hilltop Institute at the University of Maryland, Baltimore County (UMBC) regarding the aggregate revenues and expenses of New Mexico's hospitals, as well as net profits (or losses) for the years 2006 to 2008. HSD also requested Hilltop to compare the net profits (or losses) to four surrounding states (Arizona, Colorado, Oklahoma, and Texas), as well as to the national average. This report presents the findings of Hilltop's analysis.

## **Methodology**

### ***Data Sources***

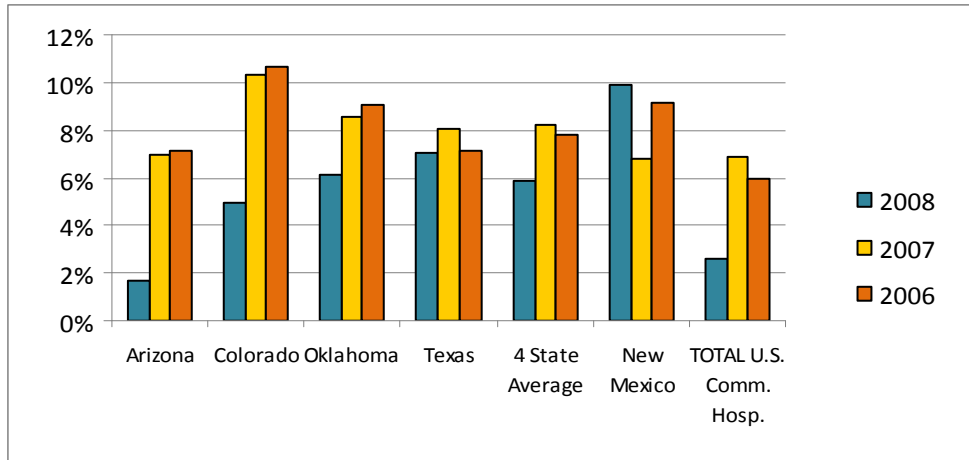
The data for this analysis were derived from the 2010 American Hospital Association's (AHA's) Hospital Statistics publication. This annual publication, a product of the AHA's yearly survey of hospitals nationwide, presents historical data on a variety of measures, including revenues and expenses on a state-by-state and national basis. This source does not provide detail at the individual hospital level.

### ***Methods***

Hilltop analyzed revenue and expense data on a statewide level for the years 2006 to 2008, including hospitals and their related nursing home units. Net profit (or loss) is the total of net revenue minus total expenses. The net margin is simply the net profit (or loss) as a percentage of total revenue. These calculations were made for each of the five states (New Mexico and the four adjacent states requested for this analysis), as well as nationally. The results of this analysis are presented in detail below.



**Figure 1. Hospital Net Margin by Year**



**Table 1. Hospital Revenue and Expense**

	2008	2007	2006
<b>New Mexico</b>			
Total Gross Revenue	\$9,053,662,439	\$7,622,569,259	\$6,718,828,470
Deductions from Revenue	\$5,863,897,074	\$4,772,970,882	\$4,102,007,203
Net Patient Revenue	\$3,189,765,365	\$2,849,598,377	\$2,616,821,267
Other Operating Revenue	\$201,317,481	\$147,824,626	\$141,948,486
Other Nonoperating Revenue	\$25,179,087	\$67,325,548	\$29,409,340
Total Net Revenue	\$3,416,261,933	\$3,064,748,551	\$2,788,179,093
Total Expenses	\$3,078,569,624	\$2,857,121,542	\$2,532,320,664
Net Profit (Loss)	\$337,692,309	\$207,627,009	\$255,858,429
Net Margin	9.88%	6.77%	9.18%
<b>Arizona</b>			
Total Gross Revenue	\$35,779,279,831	\$31,677,719,162	\$28,052,309,881
Deductions from Revenue	\$25,364,507,854	\$21,946,070,382	\$19,016,673,089
Net Patient Revenue	\$10,414,771,977	\$9,731,648,780	\$9,035,636,792
Other Operating Revenue	\$363,332,345	\$367,303,347	\$512,917,408
Other Nonoperating Revenue	-\$141,211,261	\$203,652,122	\$103,114,887
Total Net Revenue	\$10,636,893,061	\$10,302,604,249	\$9,651,669,087
Total Expenses	\$10,461,227,615	\$9,586,339,104	\$8,959,776,857
Net Profit (Loss)	\$175,665,446	\$716,265,145	\$691,892,230
Net Margin	1.65%	6.95%	7.17%



	2008	2007	2006
<b>Colorado</b>			
Total Gross Revenue	\$27,640,117,474	\$23,790,646,748	\$21,372,189,089
Deductions from Revenue	\$18,781,874,571	\$15,715,614,730	\$13,916,531,235
Net Patient Revenue	\$8,858,242,903	\$8,075,032,018	\$7,455,657,854
Other Operating Revenue	\$518,570,378	\$603,828,098	\$499,204,326
Other Nonoperating Revenue	-\$27,071,112	\$258,400,086	\$185,613,712
Total Net Revenue	\$9,349,742,169	\$8,937,260,202	\$8,140,475,892
Total Expenses	\$8,889,584,362	\$8,011,595,534	\$7,269,883,043
Net Profit (Loss)	\$460,157,807	\$925,664,668	\$870,592,849
Net Margin	4.92%	10.36%	10.69%
<b>Oklahoma</b>			
Total Gross Revenue	\$19,181,795,806	\$16,535,207,369	\$14,920,583,556
Deductions from Revenue	\$12,656,733,800	\$10,641,812,711	\$9,331,819,127
Net Patient Revenue	\$6,525,062,006	\$5,893,394,658	\$5,588,764,429
Other Operating Revenue	\$211,578,156	\$234,090,824	\$247,484,700
Other Nonoperating Revenue	\$37,213,785	\$137,588,524	\$86,916,871
Total Net Revenue	\$6,773,853,947	\$6,265,074,006	\$5,923,166,000
Total Expenses	\$6,361,690,040	\$5,731,142,311	\$5,384,898,786
Net Profit (Loss)	\$412,163,907	\$533,931,695	\$538,267,214
Net Margin	6.08%	8.52%	9.09%
<b>Texas</b>			
Total Gross Revenue	\$136,968,066,154	\$120,861,008,523	\$111,728,618,816
Deductions from Revenue	\$97,866,719,468	\$85,002,811,289	\$76,907,991,231
Net Patient Revenue	\$39,101,346,686	\$35,858,197,234	\$34,820,627,585
Other Operating Revenue	\$4,040,612,362	\$3,786,629,316	\$3,850,147,633
Other Nonoperating Revenue	\$310,546,108	\$1,059,715,727	\$565,608,947
Total Net Revenue	\$43,452,505,156	\$40,704,542,277	\$39,236,384,165
Total Expenses	\$40,396,037,477	\$37,428,408,575	\$36,431,139,219
Net Profit (Loss)	\$3,056,467,679	\$3,276,133,702	\$2,805,244,946
Net Margin	7.03%	8.05%	7.15%
<b>Four-State Average (AZ, CO, OK, TX)</b>			
Total Gross Revenue	\$219,569,259,265	\$192,864,581,802	\$176,073,701,342
Deductions from Revenue	\$154,669,835,693	\$133,306,309,112	\$119,173,014,682
Net Patient Revenue	\$64,899,423,572	\$59,558,272,690	\$56,900,686,660
Other Operating Revenue	\$5,134,093,241	\$4,991,851,585	\$5,109,754,067
Other Nonoperating Revenue	\$179,477,520	\$1,659,356,459	\$941,254,417
Total Net Revenue	\$70,212,994,333	\$66,209,480,734	\$62,951,695,144



	2008	2007	2006
Total Expenses	\$66,108,539,494	\$60,757,485,524	\$58,045,697,905
Net Profit (Loss)	\$4,104,454,839	\$5,451,995,210	\$4,905,997,239
Net Margin	5.85%	8.23%	7.79%
<b>TOTAL U.S. Community Hospitals</b>			
Total Gross Revenue	\$1,802,516,774,632	\$1,645,896,591,708	\$1,509,880,476,105
Deductions from Revenue	\$1,191,615,889,365	\$1,072,315,472,850	\$969,154,780,687
Net Patient Revenue	\$610,900,885,267	\$573,581,118,858	\$540,725,695,418
Other Operating Revenue	\$37,136,577,114	\$35,765,948,073	\$34,170,257,365
Other Nonoperating Revenue	-\$4,453,107,631	\$17,000,138,209	\$12,172,041,974
Total Net Revenue	\$643,584,354,750	\$626,347,205,140	\$587,050,913,892
Total Expenses	\$626,576,957,912	\$583,252,287,933	\$551,835,328,219
Net Profit (Loss)	\$17,007,396,838	\$43,094,917,207	\$35,215,585,673
Net Margin	2.64%	6.88%	6.00%

## Findings

The results of Hilltop's analysis show that in 2008, New Mexico's hospitals reported to the AHA total net revenues and expenses resulting in a 9.88 percent net profit margin. This followed a 6.77 percent net profit in 2007 and a 9.18 percent net profit in 2006.

The four benchmark states reported an average net profit of 5.85 percent in 2008. The national average net profit was 2.64 percent in 2008.

## Conclusion

Based on data from the AHA, in 2008, the overall net profit margin of New Mexico's hospitals exceeded the net profit margins in the hospitals in all four benchmark states, as well as the national average.





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