

# Alabama's Hospitals

## The Facts about Finances

In Alabama, hospitals are a driving force in the state's economy, providing a \$20 billion economic impact annually and 186,000 direct and indirect jobs. They are invested in the health care delivery system and in maintaining access to care for every Alabamian. However, many Alabama hospitals face challenges sustaining healthy margins and adequate reserves, often creating a fragile health care system in both urban and rural communities.

The following are responses to a July 2016 survey\* of Alabama hospital CEOs. They were asked to compare this year to the last on the following measures:

**25%** saw a decrease in **charitable donations**.

**63%** saw an increase in **uninsured patients**.

**48%** reported an increase in **Medicaid patients**.

**53%** saw a drop in **inpatient admissions**.

**72%** experienced an increase in **visits to the emergency department**.

\* Survey represents almost 90 percent of Alabama's hospitals.

## Negative Margins:

The following information comes from Medicare Cost Reports, the reports used to submit financial information to Medicare and Medicaid. The data is from FY2016, the latest available.

- ⇒ Median operating margin - negative 6.5%
- ⇒ Median total margin - negative 0.1%
- ⇒ 52% of all hospitals had negative total margins.
- ⇒ 75% were operating in the red, meaning the revenue received for patient care wasn't enough to cover the cost of the care. So, for the vast majority of hospitals, the only way they are surviving financially is through other lines of business, investment income, charitable donations, etc.

## Rural Hospitals FY2016:

- ⇒ Median operating margin - negative 12.2%
- ⇒ Median total margin - negative 3.5%
- ⇒ **88% operating in the red!**

**Since 2011—Thirteen Hospitals have Closed**  
**Seven of these hospital closures were in rural areas**

