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Subject: Financial Profile of Florida's Teaching Hospitals and Tallahassee Memorial Hospital

The Florida Teaching Hospitals

Florida currently supports six major teaching hospital programs across the state. They include:

- University Medical Center (UMC) in Jacksonville, affiliated with University of Florida
- Mount Sinai Hospital (MSH) in Dade County affiliated with the University of Miami,
- Jackson Memorial (JM) in Dade County, Affiliated with the University of Miami
- Shands Teaching Hospital in Gainesville affiliated with University of Florida
- Tampa General (TG) affiliated with University of South Florida
- Orlando Regional Medical Center (ORMC), affiliated with the University of Florida

Figures 1-7 are graphic profiles of annual cash flow history of each teaching hospital and TMH standardized to dollars of revenue and expense per patient day. These graphics include

1. total patient medical revenues from all sources (not including tax subsidies)
2. total patient medical expenses
3. total administrative and other operational expenses
4. total medical and administrative (and other) operation expense combined.

This graphic allows you to visually evaluate each facility's medical revenues and expenses and evaluate in which year(s) each facility made a profit or lost money over the past two decades.

The *relative scale* for each of these graphics, dollars of expense and revenue per adjusted patient day, are the same for each facility. This constant scaling

allows you to visually compare of one facility to another over time and see which expends or receives more revenue per adjusted patient day for a given year. For example notice that the 1997 level of medical spending and revenues per adjusted patient day for each of the six teaching hospitals is in the \$1,600 to \$2,000 range while only rising to \$1,250 at TMH. This is likely due to the more exotic and expensive procedures completed at each of teaching facilities.

TEACHING HOSPITAL PROFITABILITY AND LOSSES

PROFITABILITY

One of the primary missions of the six Florida teaching hospitals is to train interning physicians and a second is to provide primary sites of care for Florida's indigent population. Each teaching facility receives public subsidies (taxes, grants and other public revenues) to assist with financing these missions. The range of needed indigent care and therefore public subsidy support (and operational losses) varies widely.

Figures 8-11 and tables 1 & 2 provide profiles of each facility's profitability. The first set of graphics reviews each facilities operating profitability when only revenues from medical services are divided into medical and other operational expenses. The second non-operational profitability combines medical revenue and non-operational non-medical sources of revenue (mostly tax subsidies) to all operational expenses.

Mount Sinai, Tampa General, University Medial Center have each persistently operated with significant operating loss over the years. Mt. Sinai has incurred 0% return or operating losses for 17 of the past 19 years with a low of -13%. Tampa General has reported similar operating losses in 10 of the past 19 years while University Hospital has broken even or lost operating revenue in 14 of the past 19 years.

Miami's Jackson Memorial is positioned in the center of Florida's largest concentration of low income aliens and residents and therefore treats the largest proportion of Medicaid and non-paying clients among all teaching facilities. Jackson's medical and operating expenses have historically exceeded all medical revenues by a considerable amount. Expanding Medicaid eligibility in the post-1990 time frame accelerated those Jackson Memorial losses per year. Jackson Memorial has reported negative income in each of the past 19 years capping losses in the 35% to 43% range since 1992

By contrast Shands, Orlando Regional Medical Center and Tallahassee Memorial have not operated their medical services at a loss but generated a modest profit from medical services for each of the past 19 years. ORMC and Shands each report profitability ranging from 3% to 13% but have declined in

recent years to between 3% and 5%. TMH reports lower operating profit margins with returns in the 1% to 4% range typically and slowing to 1% in 1997.

PUBLIC TAX SUBSIDIES AND OTHER NON-OPERATING REVENUES

As Figure 12 and Table 3 show, each facility receives a subsidy, and Jackson Memorial receives the largest share with a peak of \$233 million in 1997. The others typically received between \$1 to \$14 million in 1997.

TEACHING HOSPITALS OCCUPANCY RATES

Each Florida hospital operates a fixed number of licensed acute care hospital beds. Multiplying each hospital's bed count by the total number of annual operating days provides a measure of the supply of potential bed days each hospital offers. Dividing these potential bed days by the actual number of patient days each hospital experiences in a year provides an occupancy ratio, which serves as a measure of utilization.

Over the past two decades the occupancy rate for all hospitals has declined from the mid 70% - 80% range to between 58% - 61% in the late 1990's. The occupancy rates for each of the teaching hospitals and TMH are provided in Figures 13 and 14 and Table 4. Over this same period occupancy rates for all teaching hospitals and TMH have also declined precipitously. Figure 13 provides a profile of occupancy rates for Jackson Memorial, Tampa General, University, and Mt. Sinai hospitals. Jackson Memorial started with the highest occupancy rate of 90% among these four in 1979 and ended with a 68% occupancy rate in 1997. The other three ranged from 70% (University) to 83% (Tampa General) and all started with an occupancy rate range of 25% - 30% and ended in a range of 50% to 57% in 1997.

Figure 14 profiles Shands, Orlando Regional and Tallahassee Memorial hospitals. These hospitals have also experienced declines in occupancy rates, but the fall has not been quite as significant. ORMC rate has varied between 60% to 75% with a 65% occupancy rate reported for both 1979 and 1997. Shands started 1979 near 80% and increased to over 85% throughout the early 1990s but declined precipitously since that time to finish 1997 at a 62% level. The TMH occupancy rate was 74% in 1979 and increased to 80% by the early 1990s only to experience a sharp decline thereafter and close 1997 at 65%.

Figure 1: Jackson Memorial Hospital
revenue and expenses per patient day

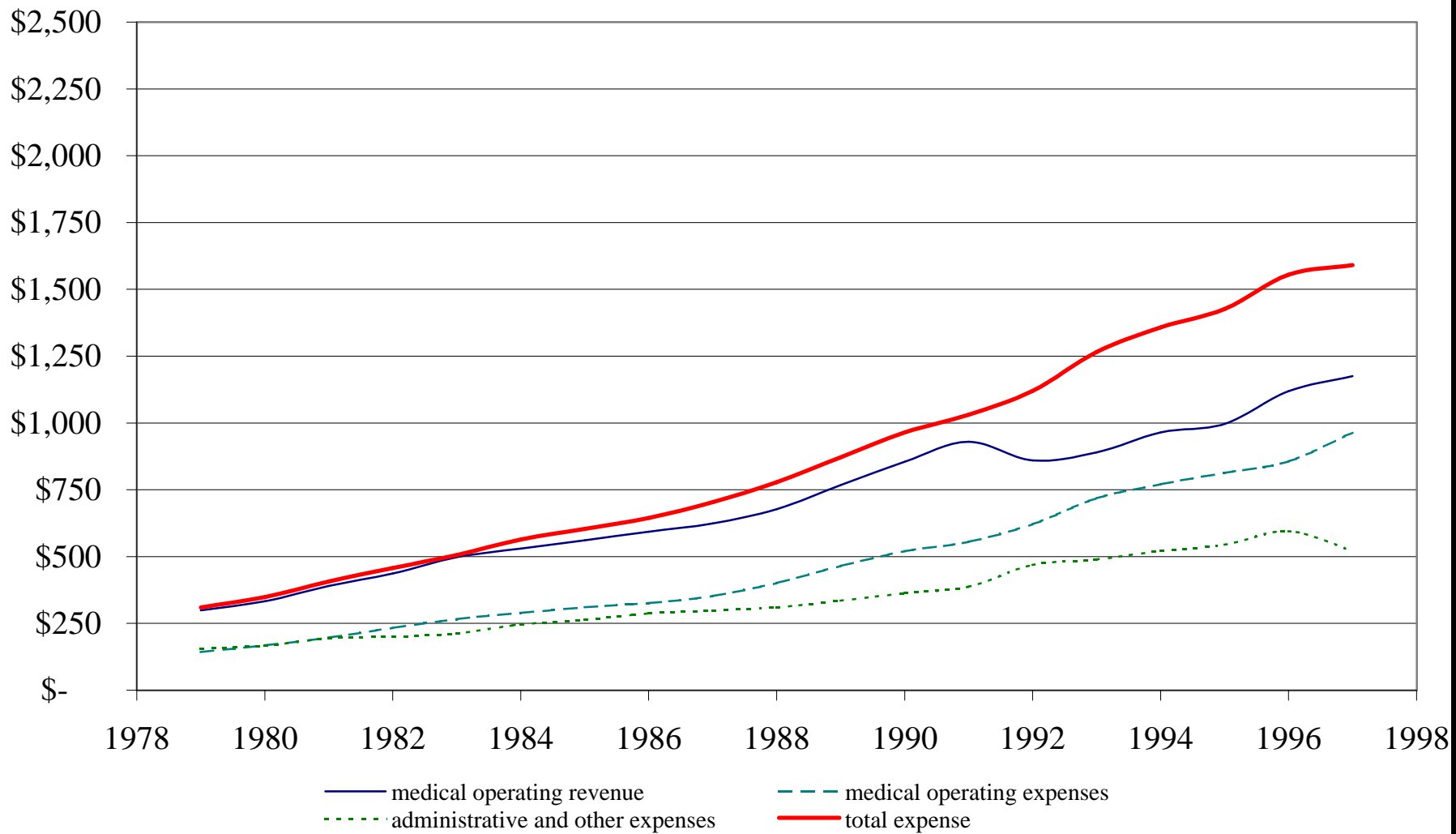


Figure 2: Mount Sinai Medical Center
revenue and expenses per patient day

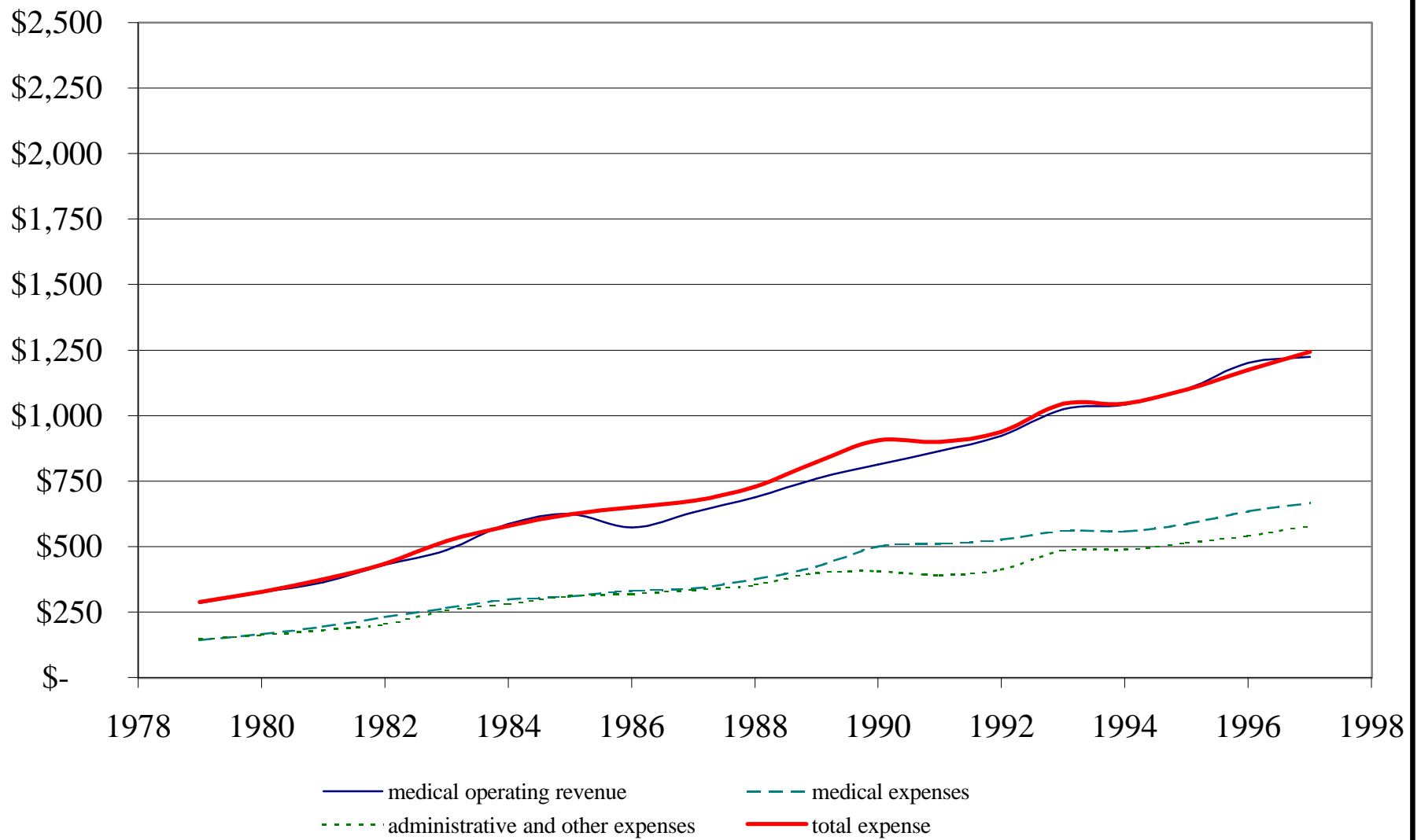


Figure 3: Orlando Regional Healthcare System
revenue and expenses per patient day

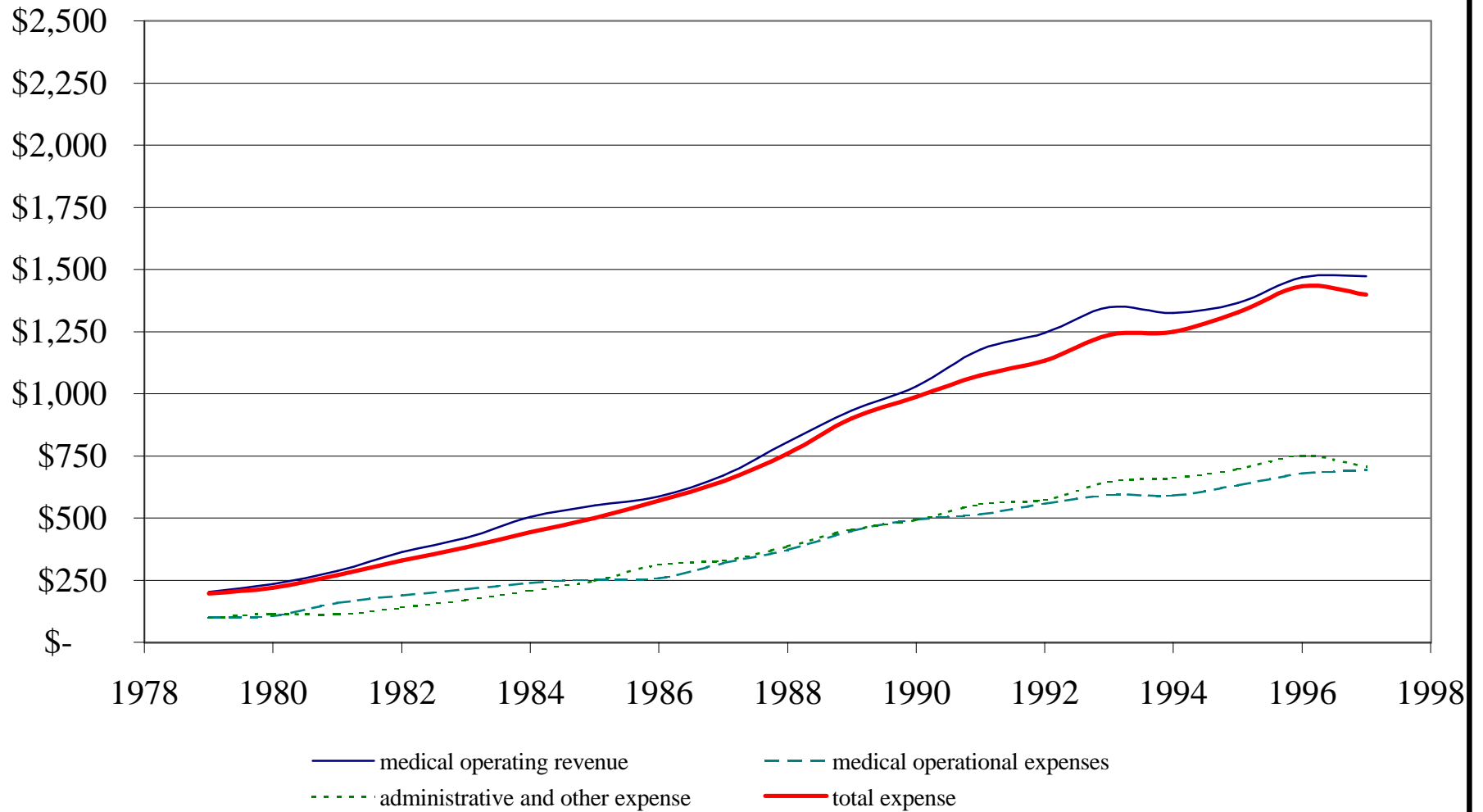


Figure 4: Shands Teaching Hospital & Clinics, Inc.
revenue and expenses per patient day

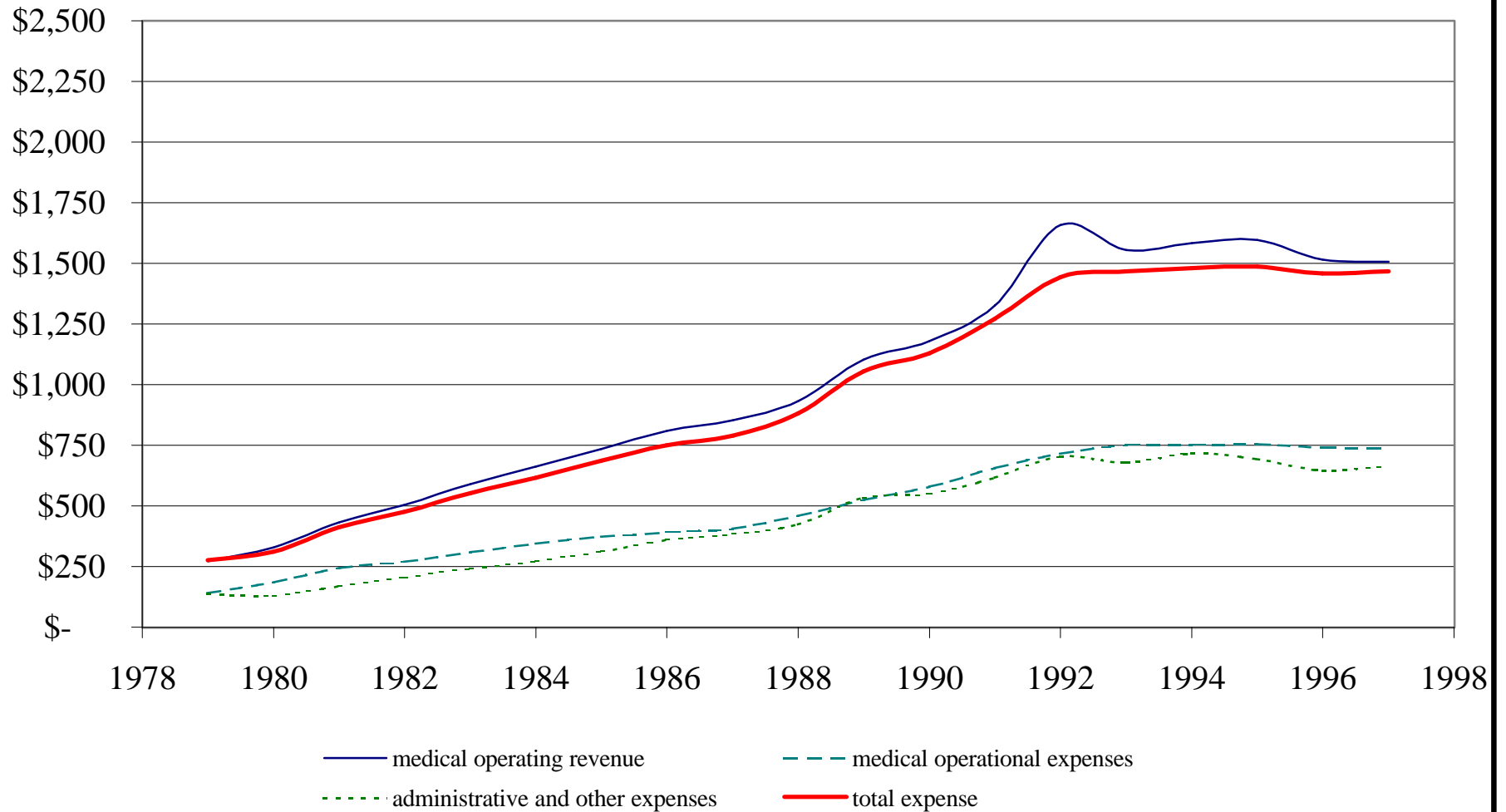


Figure 5: Tallahassee Memorial Regional Medical Center
revenue and expenses per patient day

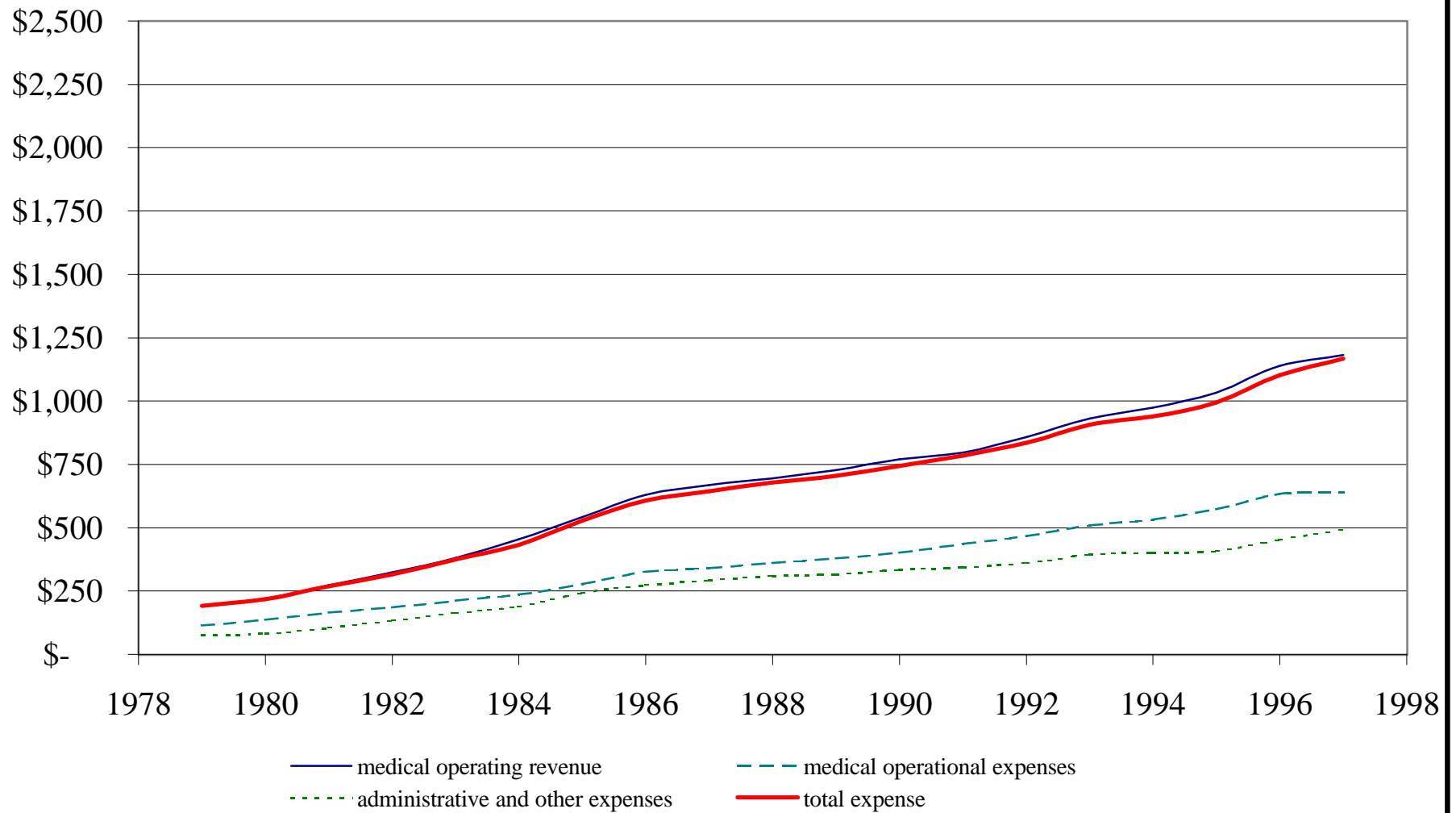


Figure 6: Tampa General Hospital
revenue and expenses per patient day

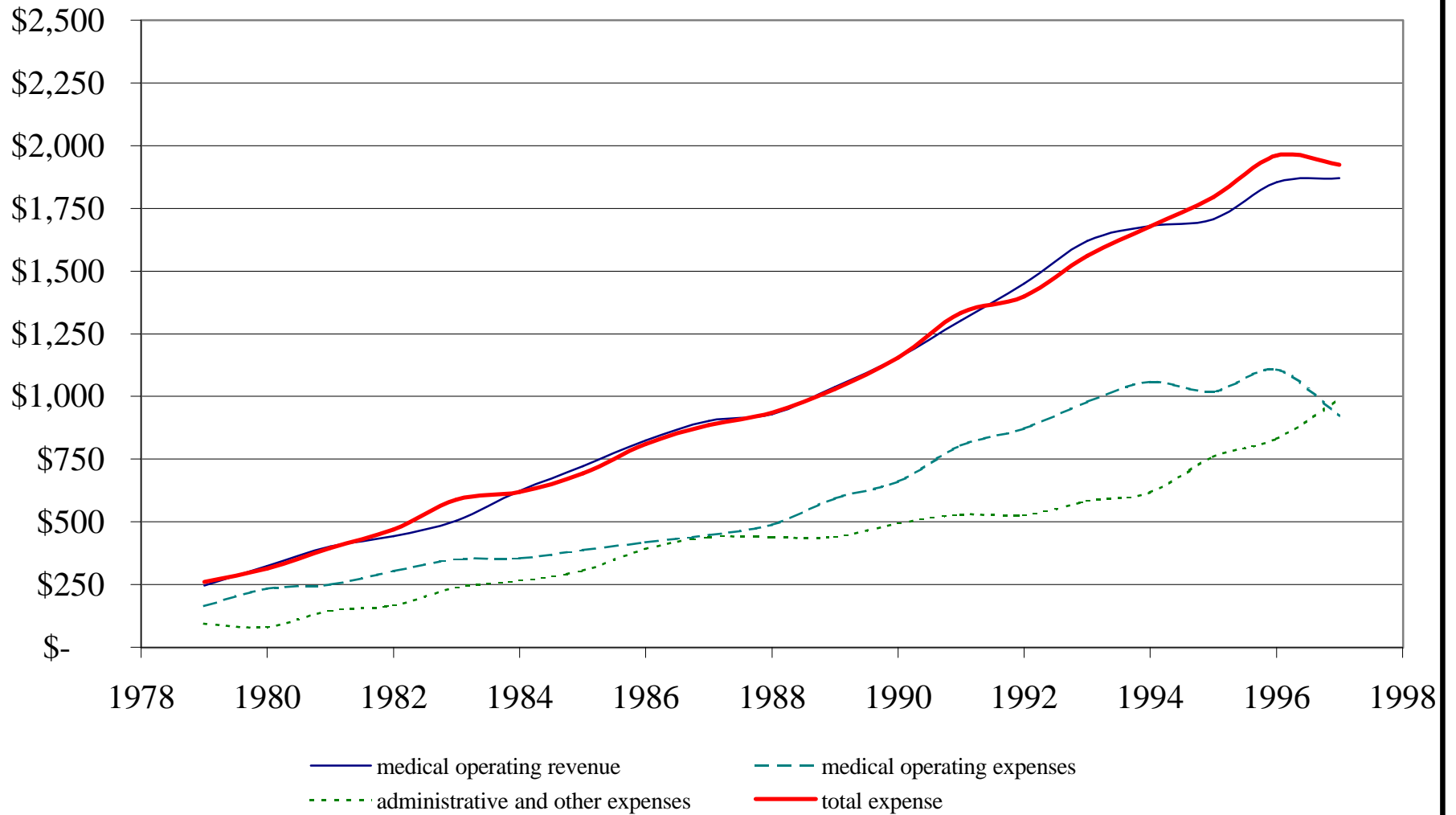


Figure 7: University Medical Center
revenue and expenses per patient day

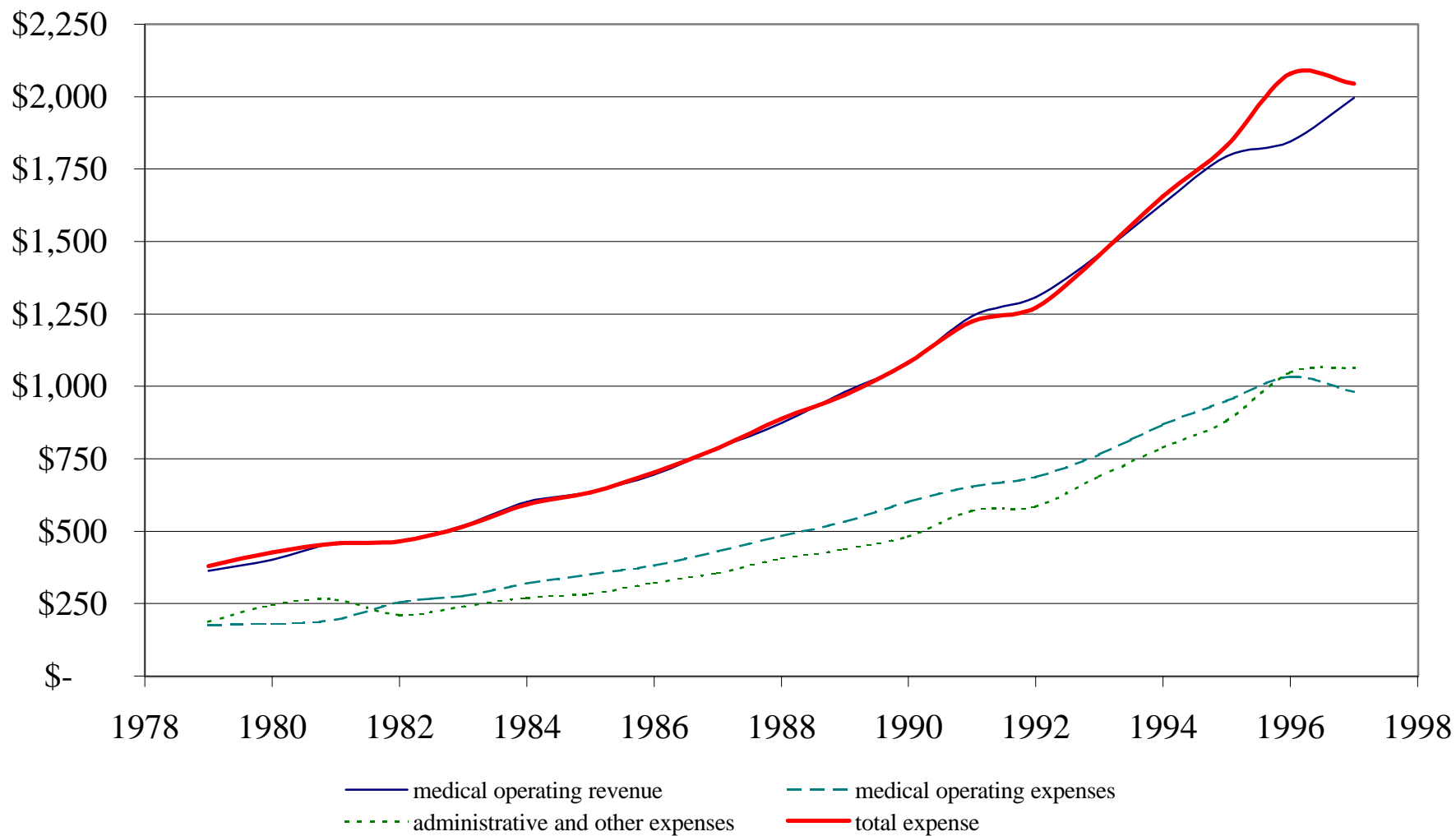


Figure 8: Operating Profit & Loss Rate Average for Jackson Memorial, Mt. Sinai, Tampa General, and University Hospital

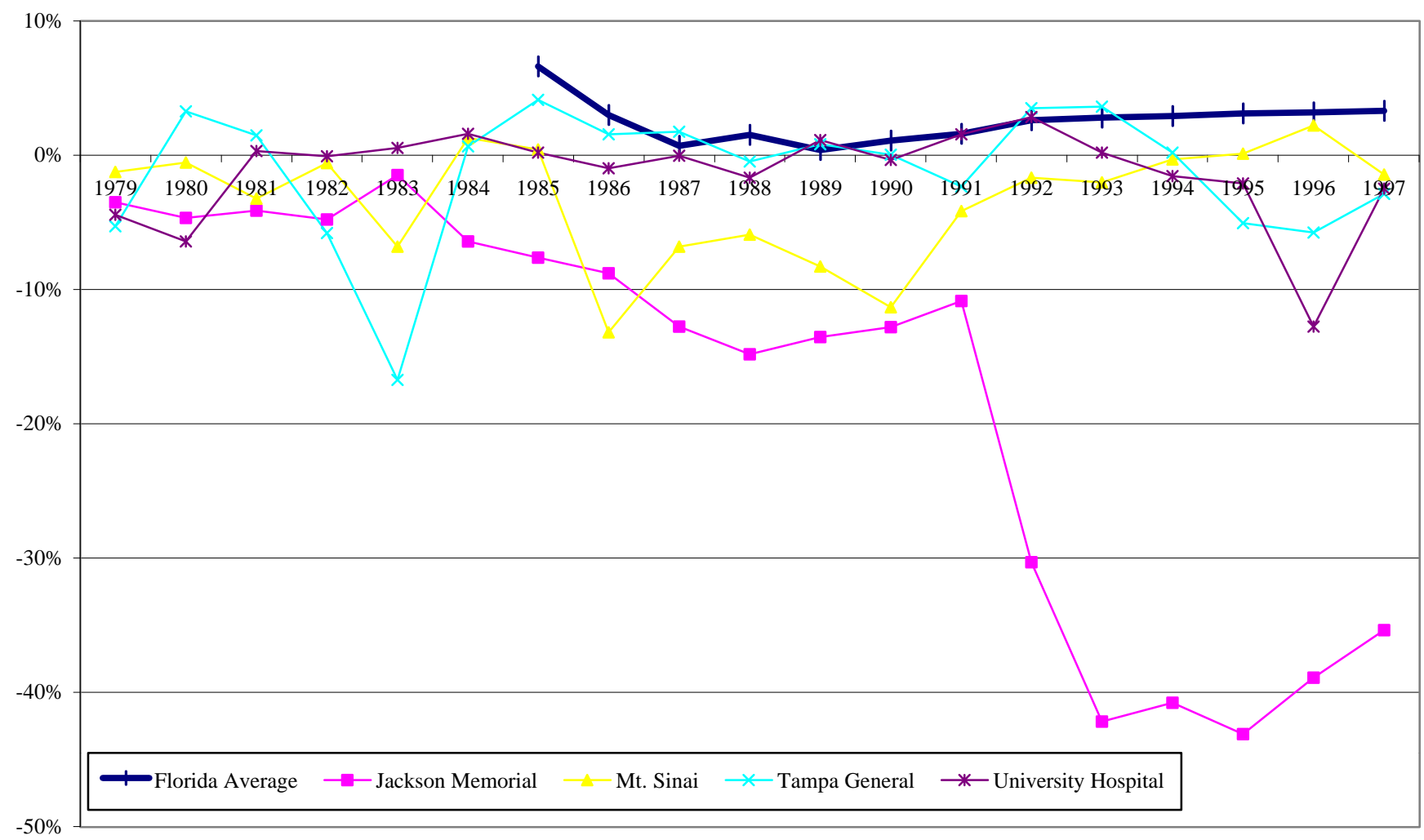


Figure 9: Operating Profit & Loss Rate Average for Orlando Regional, Shands, and Tallahassee Memorial Hospitals

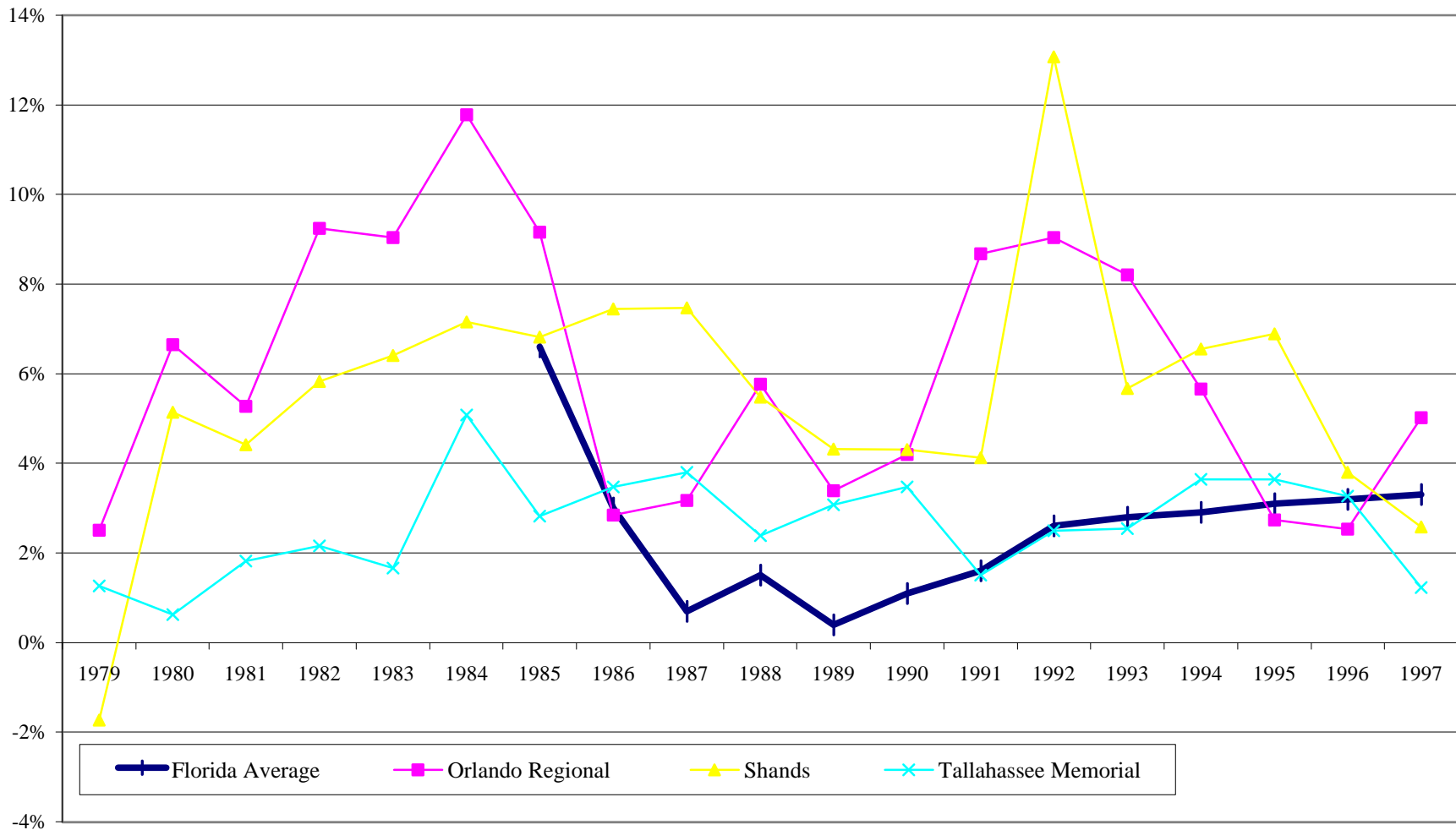


Figure 10: Total Operating and Nonoperating Profit & Loss Rate Average for Jackson Memorial, Mt. Sinai, Tampa General, and University Hospitals

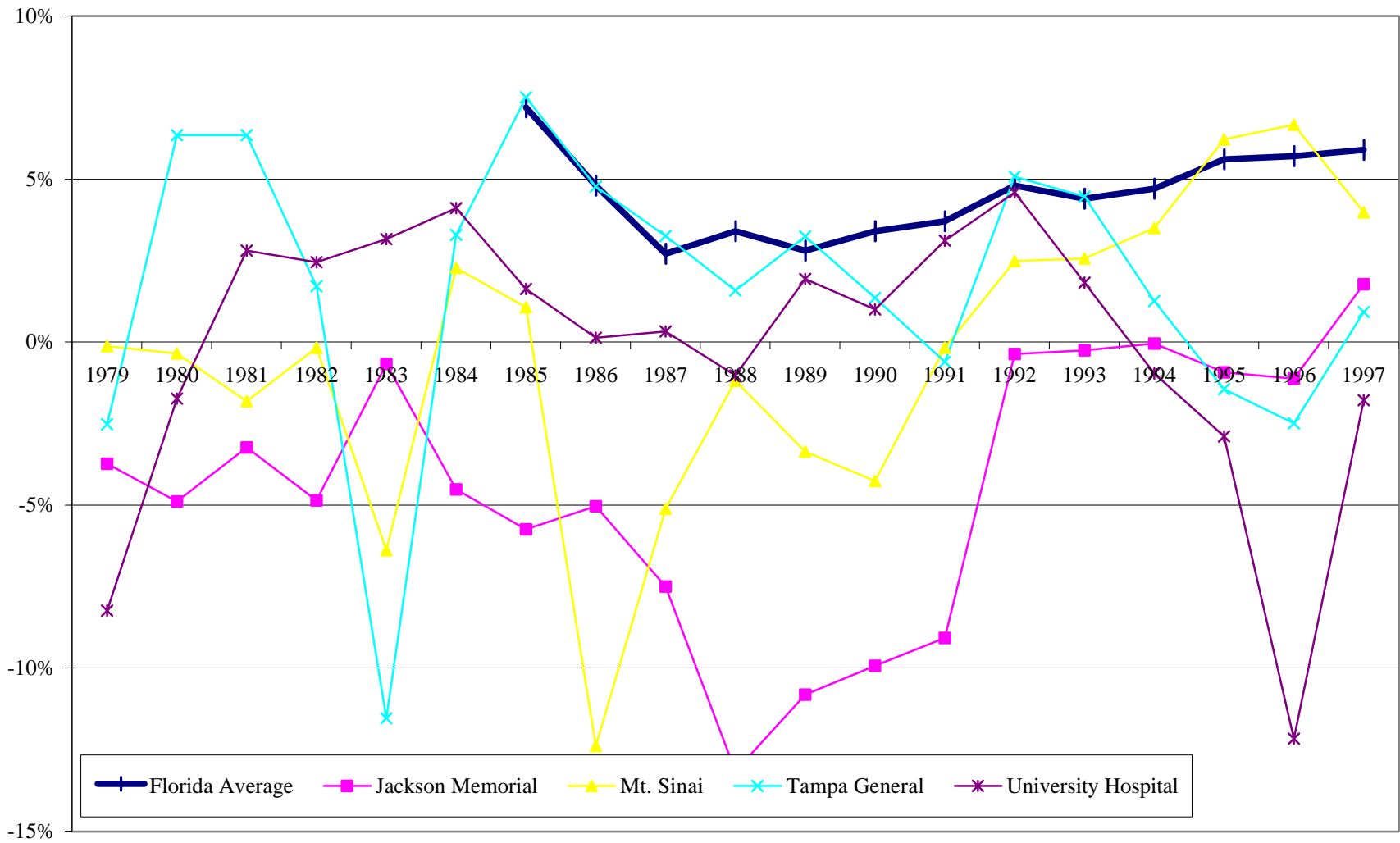


Figure 11: Total Operating and Nonoperating Profit & Loss Rate Average for Orlando Regional, Shands, and Tallahassee Memorial Hospitals

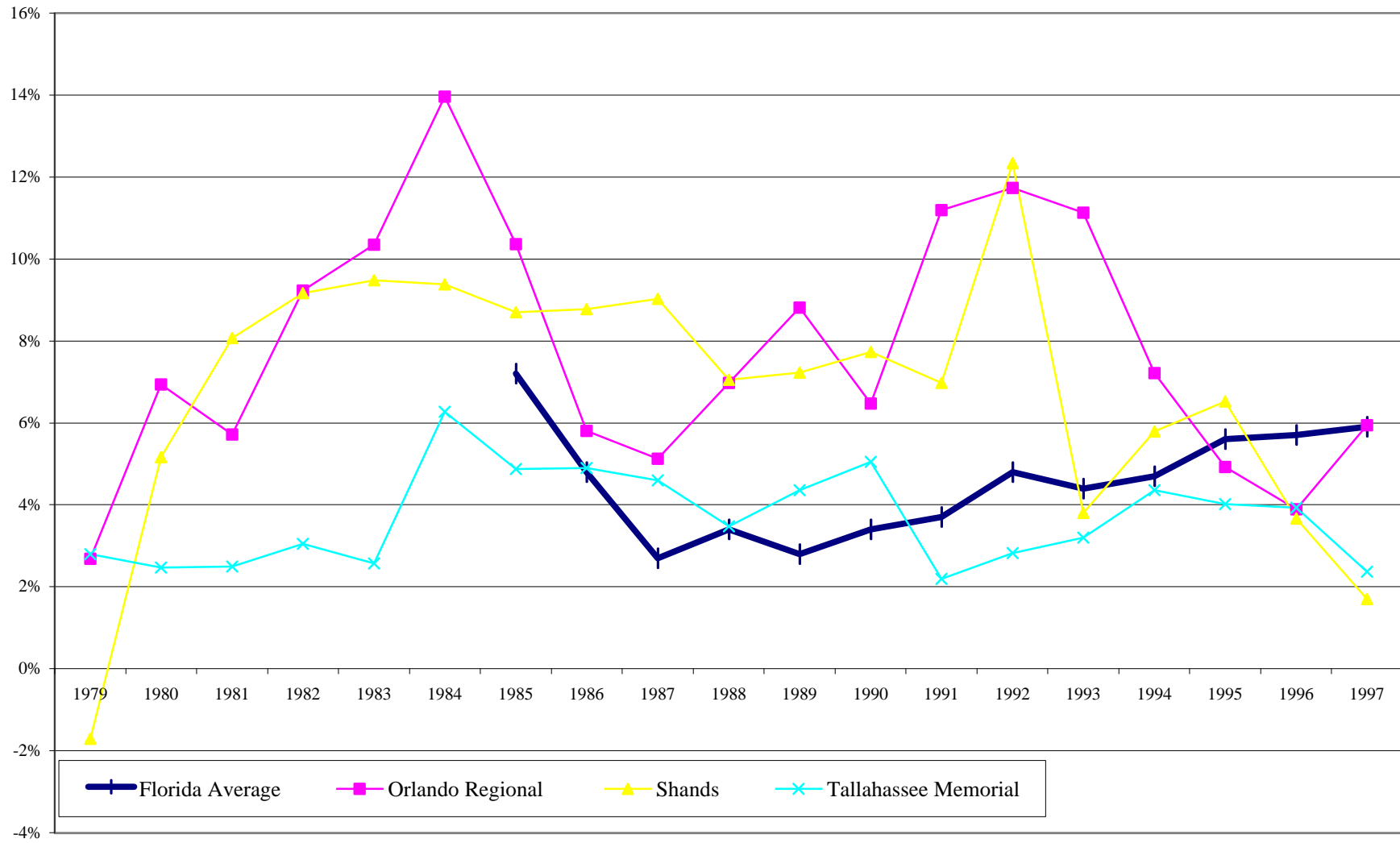


Table 1: OPERATING MARGIN-PROFIT

	Florida Average	Jackson Memorial	Mt. Sinai	Orlando Regional	Shands	Tallahassee Memorial	Tampa General	University Hospital
1979		-3%	-1%	3%	-2%	1%	-5%	-4%
1980		-5%	-1%	7%	5%	1%	3%	-6%
1981		-4%	-3%	5%	4%	2%	1%	0%
1982		-5%	-1%	9%	6%	2%	-6%	0%
1983		-1%	-7%	9%	6%	2%	-17%	1%
1984		-6%	1%	12%	7%	5%	1%	2%
1985	6.6%	-8%	0%	9%	7%	3%	4%	0%
1986	3.0%	-9%	-13%	3%	7%	3%	2%	-1%
1987	0.7%	-13%	-7%	3%	7%	4%	2%	0%
1988	1.5%	-15%	-6%	6%	5%	2%	0%	-2%
1989	0.4%	-14%	-8%	3%	4%	3%	1%	1%
1990	1.1%	-13%	-11%	4%	4%	3%	0%	0%
1991	1.6%	-11%	-4%	9%	4%	2%	-2%	2%
1992	2.6%	-30%	-2%	9%	13%	2%	4%	3%
1993	2.8%	-42%	-2%	8%	6%	3%	4%	0%
1994	2.9%	-41%	0%	6%	7%	4%	0%	-2%
1995	3.1%	-43%	0%	3%	7%	4%	-5%	-2%
1996	3.2%	-39%	2%	3%	4%	3%	-6%	-13%
1997	3.3%	-35%	-1%	5%	3%	1%	-3%	-2%

Table 2: TOTAL MARGIN - OP & NON OP PROFIT

	Florida Average	Jackson Memorial	Mt. Sinai	Orlando Regional	Shands	Tallahassee Memorial	Tampa General	University Hospital
1979		-4%	0%	3%	-2%	3%	-3%	-8%
1980		-5%	0%	7%	5%	2%	6%	-2%
1981		-3%	-2%	6%	8%	2%	6%	3%
1982		-5%	0%	9%	9%	3%	2%	2%
1983		-1%	-6%	10%	9%	3%	-12%	3%
1984		-5%	2%	14%	9%	6%	3%	4%
1985	7.2%	-6%	1%	10%	9%	5%	8%	2%
1986	4.8%	-5%	-12%	6%	9%	5%	5%	0%
1987	2.7%	-8%	-5%	5%	9%	5%	3%	0%
1988	3.4%	-13%	-1%	7%	7%	3%	2%	-1%
1989	2.8%	-11%	-3%	9%	7%	4%	3%	2%
1990	3.4%	-10%	-4%	6%	8%	5%	1%	1%
1991	3.7%	-9%	0%	11%	7%	2%	-1%	3%
1992	4.8%	0%	2%	12%	12%	3%	5%	5%
1993	4.4%	0%	3%	11%	4%	3%	4%	2%
1994	4.7%	0%	4%	7%	6%	4%	1%	-1%
1995	5.6%	-1%	6%	5%	7%	4%	-1%	-3%
1996	5.7%	-1%	7%	4%	4%	4%	-2%	-12%
1997	5.9%	2%	4%	6%	2%	2%	1%	-2%

Figure 12: Tax Subsidies and Other Non-Operational Revenues (\$M)

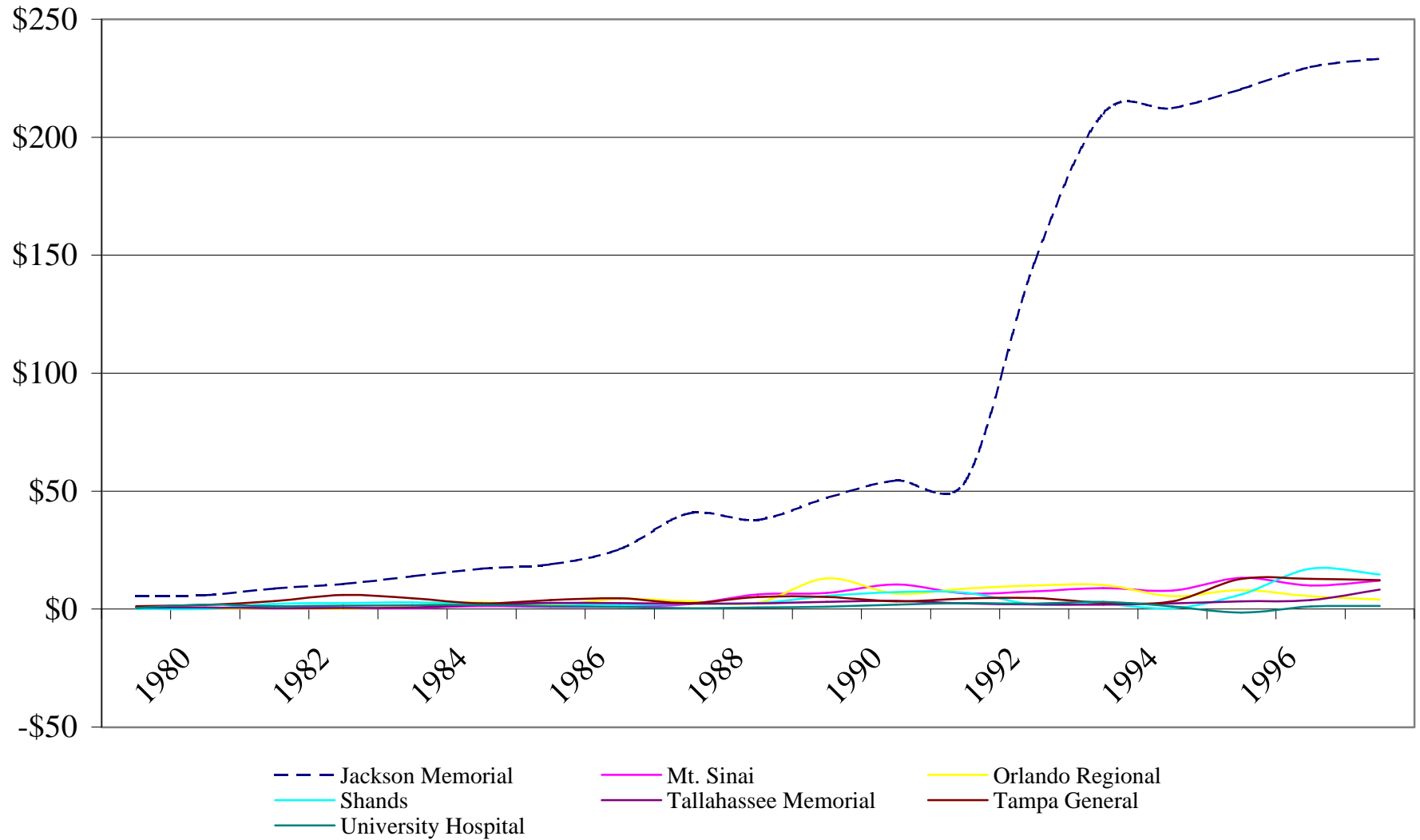
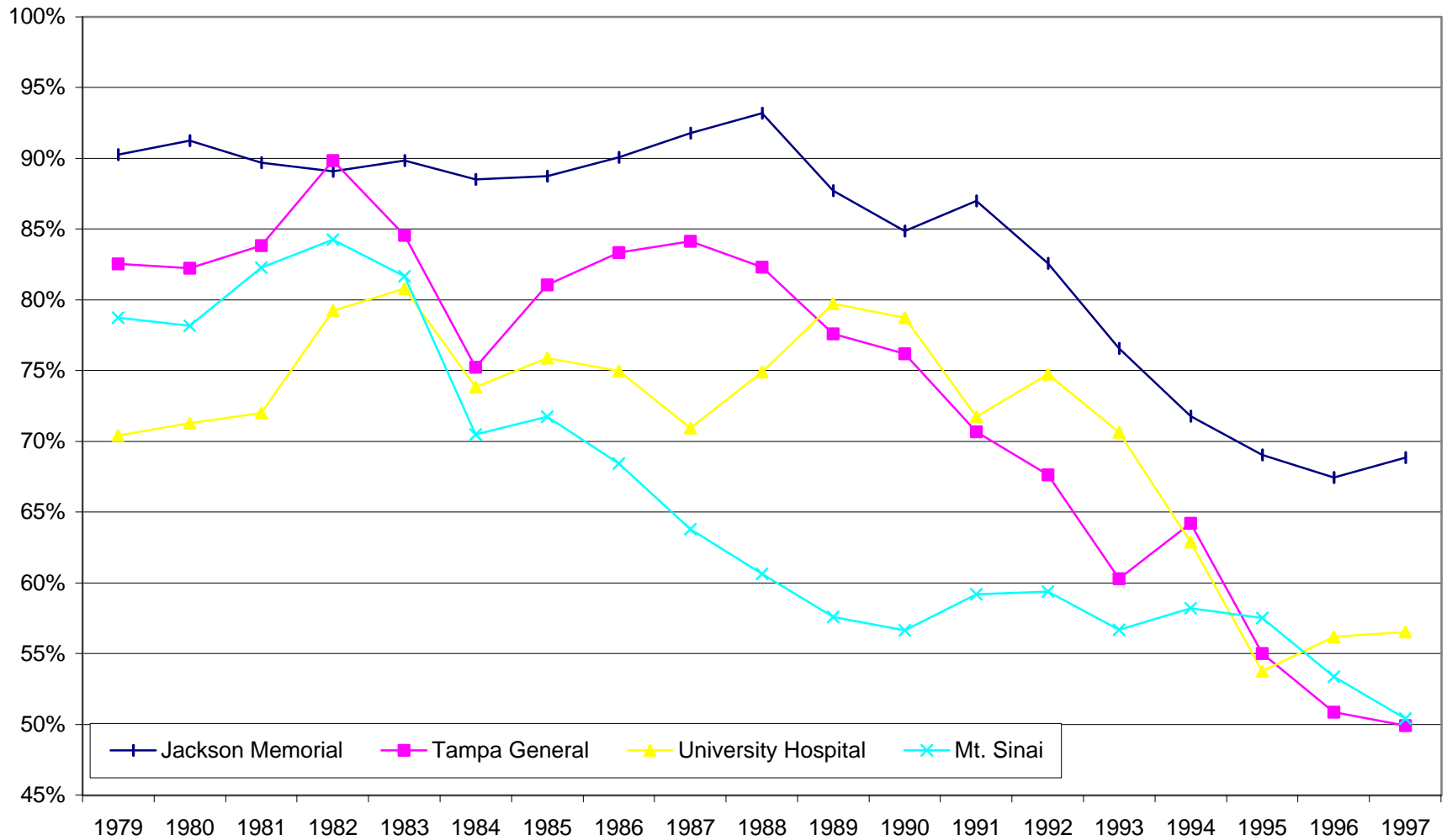


Table 3: Tax Revenue Subsidies and Other Non-Operational Revenues

	Jackson Memorial	Mt. Sinai	Orlando Regional	Shands	Tallahassee Memorial	Tampa General	University Hospital
1979	\$ 5,492,641	\$ 738,310	\$ 95,089	\$ 7,144	\$ 524,731	\$ 1,242,252	\$ 477,558
1980	\$ 5,885,404	\$ 129,863	\$ 188,015	\$ 11,534	\$ 726,593	\$ 1,777,871	\$ 1,889,754
1981	\$ 8,670,118	\$ 1,236,997	\$ 358,627	\$ 2,196,571	\$ 330,998	\$ 3,407,263	\$ 1,182,876
1982	\$ 10,618,335	\$ 441,504	\$ (10,632)	\$ 2,507,791	\$ 511,728	\$ 6,029,053	\$ 1,422,739
1983	\$ 13,914,236	\$ 486,953	\$ 1,490,238	\$ 2,889,511	\$ 658,131	\$ 4,602,050	\$ 1,686,191
1984	\$ 17,120,255	\$ 1,182,974	\$ 2,825,732	\$ 2,366,028	\$ 1,744,102	\$ 2,467,991	\$ 1,818,087
1985	\$ 18,960,194	\$ 861,975	\$ 1,560,665	\$ 2,294,272	\$ 2,671,680	\$ 3,869,493	\$ 1,181,466
1986	\$ 25,329,308	\$ 970,794	\$ 4,341,866	\$ 1,783,197	\$ 2,508,223	\$ 4,568,699	\$ 937,494
1987	\$ 40,513,805	\$ 2,098,652	\$ 3,295,615	\$ 2,274,902	\$ 2,298,977	\$ 2,554,959	\$ 349,104
1988	\$ 37,806,792	\$ 6,169,017	\$ 2,693,058	\$ 2,534,354	\$ 2,459,042	\$ 5,166,950	\$ 697,546
1989	\$ 47,195,711	\$ 6,805,393	\$ 13,042,066	\$ 5,505,737	\$ 3,054,594	\$ 5,135,890	\$ 1,052,974
1990	\$ 54,558,708	\$ 10,435,101	\$ 6,543,816	\$ 7,176,681	\$ 3,464,139	\$ 3,320,695	\$ 1,923,370
1991	\$ 54,017,165	\$ 6,643,802	\$ 8,750,007	\$ 6,964,666	\$ 2,429,127	\$ 4,467,010	\$ 2,535,921
1992	\$ 146,603,855	\$ 7,517,385	\$ 10,050,538	\$ 2,038,209	\$ 2,008,333	\$ 4,661,104	\$ 2,364,192
1993	\$ 210,107,309	\$ 8,968,744	\$ 10,210,155	\$ 2,178,173	\$ 1,879,166	\$ 2,770,436	\$ 3,102,316
1994	\$ 212,307,336	\$ 7,887,625	\$ 5,446,925	\$ 325,411	\$ 2,426,245	\$ 3,244,281	\$ 1,116,300
1995	\$ 220,431,209	\$ 13,196,840	\$ 8,086,724	\$ 6,254,475	\$ 3,235,822	\$ 12,803,586	\$ (1,504,375)
1996	\$ 229,735,132	\$ 9,991,069	\$ 5,454,080	\$ 17,157,681	\$ 3,876,841	\$ 12,847,527	\$ 1,114,000
1997	\$ 233,334,074	\$ 12,028,883	\$ 4,070,409	\$ 14,614,223	\$ 8,287,755	\$ 12,299,246	\$ 1,317,000

Figure 13:
Occupancy Rate for Jackson Memorial, Tampa General, University
and Mt. Sinai Hospitals



**Figure 14:
Occupancy Rate for Shands, Orlando Regional, and Tallahassee
Memorial Hospitals**

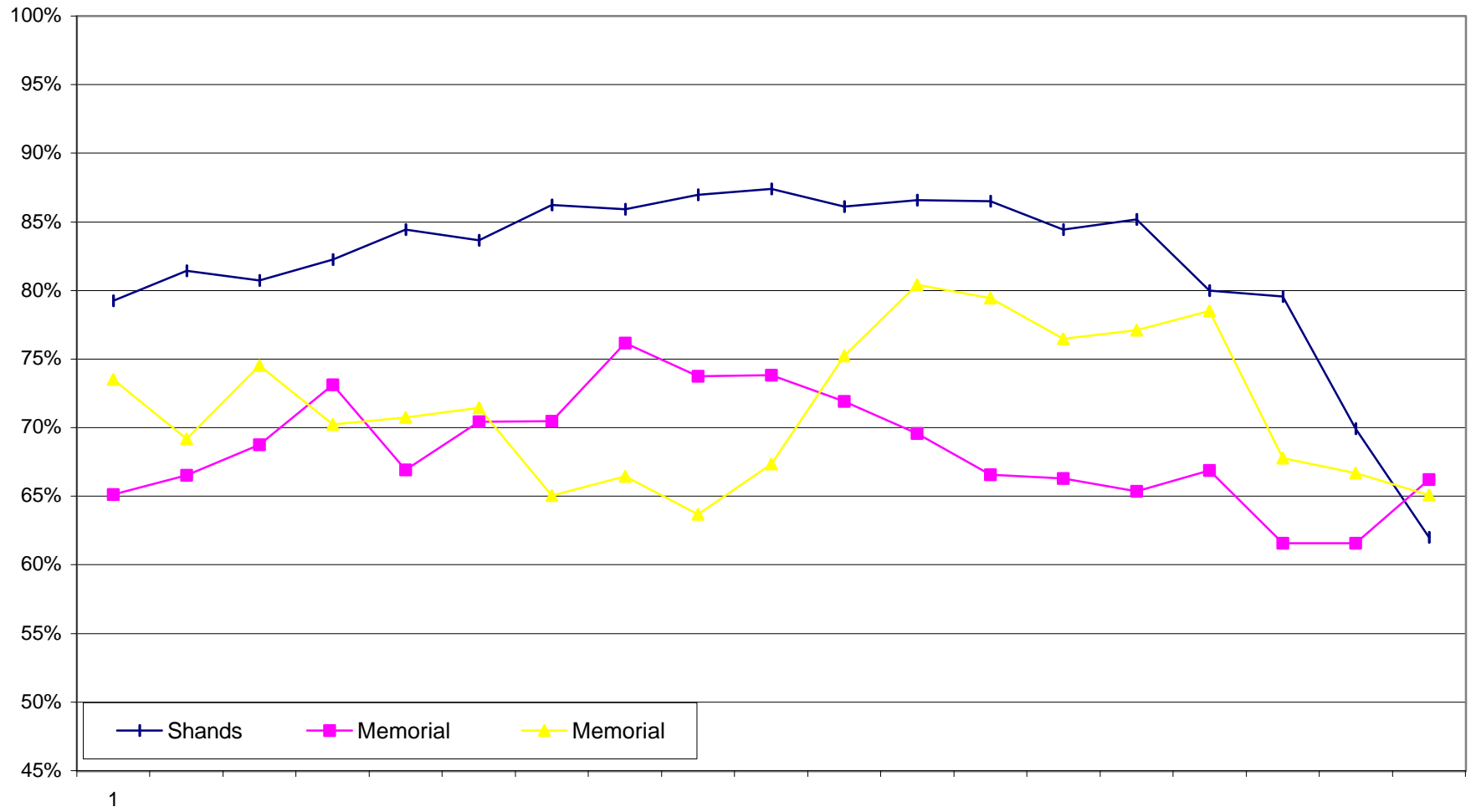


Table 4: OCCUPANCY RATES

	Jackson Memorial	Tampa Genera General	University Hospital	Mount Sinai	Shands	Orlando Memorial	Tallahassee Memorial
1979	90%	83%	70%	79%	79%	65%	74%
1980	91%	82%	71%	78%	81%	67%	69%
1981	90%	84%	72%	82%	81%	69%	75%
1982	89%	90%	79%	84%	82%	73%	70%
1983	90%	85%	81%	82%	84%	67%	71%
1984	88%	75%	74%	70%	84%	70%	71%
1985	89%	81%	76%	72%	86%	70%	65%
1986	90%	83%	75%	68%	86%	76%	66%
1987	92%	84%	71%	64%	87%	74%	64%
1988	93%	82%	75%	61%	87%	74%	67%
1989	88%	78%	80%	58%	86%	72%	75%
1990	85%	76%	79%	57%	87%	70%	80%
1991	87%	71%	72%	59%	87%	67%	79%
1992	83%	68%	75%	59%	84%	66%	76%
1993	77%	60%	71%	57%	85%	65%	77%
1994	72%	64%	63%	58%	80%	67%	79%
1995	69%	55%	54%	58%	80%	62%	68%
1996	67%	51%	56%	53%	70%	62%	67%
1997	69%	50%	57%	50%	62%	66%	65%