JUNE 2010

DATA TRENDS

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higher hospital margins distinguished by higher patient satisfaction

According to data from the Centers for Medicare & Medicaid Services (CMS), there is a distinct relationship between a hospital's profitablity and its level of patient satisfaction. CMS collects and reports measures of patient hospital experiences based on the Hospital Consumer Assessment of Healthcare Providers and Systems survey instrument. Data are collected for all patient types (i.e., not just Medicare patients). Currently, measures reflect patients' responses to 10 questions regarding their experiences with an overnight hospital stay.

This analysis looked at patient responses regarding hospitals' overall ratings and whether patients would recommend a facility. The percentages of patients answering "High" as to the overall rating (options were High, Medium, and Low) and answering "Definitely" as to whether they would recommend the facility (options were Definitely, Probably, and No) were calculated for each facility for the survey period ending March 31, 2009.

Hospital margins were then calculated for each reporting hospital from Medicare cost reports for periods ending in CY08. Each hospital's operating margin was calculated as follows:

(Total Operating Revenue − Total Operating Expense) ÷ Total Operating Revenue × 100

For the overall rating, hospitals were ranked by the percentage of patients giving "High" overall ratings. Facilities were divided into quartiles based on these percentages (which ranged from as few as 29 percent to as many as 100 percent), and the median operating margin was calculated for each quartile. The results show a clear relationship between higher margins and higher ratings.The median operating margin is positive only for the highest satisfaction ratings.

Using the same approach, the relationship between profitability and perceived quality is even more pronounced with the question of whether a patient would recommend a hospital.

It should also be noted that these operating margin figures are merely group averages and that each quartile does include facilities that are profitable. Nonetheless, the analysis strongly suggests that profitable hospital operations are consistent with higher patient satisfaction. Though beyond the scope of this study, it would also suggest that declining hospital margins in the industry may foretell declining patient satisfaction.

MEDIAN HOSPITAL OPERATING MARGINS COMPARED WITH PERCENTAGES OF "HIGH" SATISFACTION RATINGS

Quartile	Margin
1	−1.65418
2	−1.46375
3	−0.44875
4	0.409934

Percentage Values Used for Quartiles

Minimum	29%
Q1	59%
Median	65%
Q3	71%
Maximum	100%

MEDIAN HOSPITAL OPERATING MARGINS COMPARED WITH PERCENTAGES OF PATIENTS THAT "DEFINITELY" RECOMMEND

Quartile	Margin
1	−1.52978
2	−1.75138
3	−0.41093
4	0.624737

Percentage Values Used for Quartiles

Minimum	25%
Q1	62%
Median	69%
Q3	75%
Maximum	98%

This analysis was prepared by American Hospital Directory. For more information, contact William Shoemaker at wshoemaker@ahd.com.