

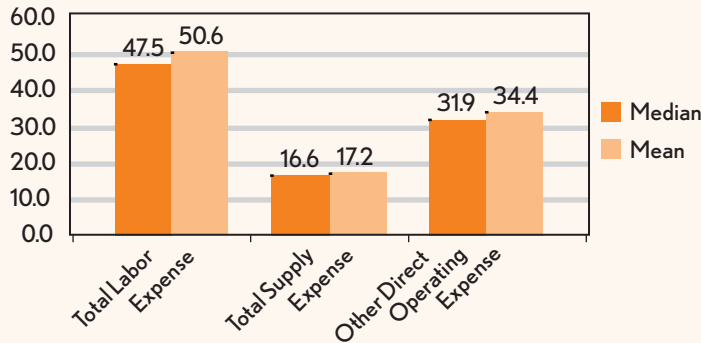
This month's Data Trends was developed by Solucient, LLC. For more information, please contact Phil Gaughan at pgaughan@solucient.com.



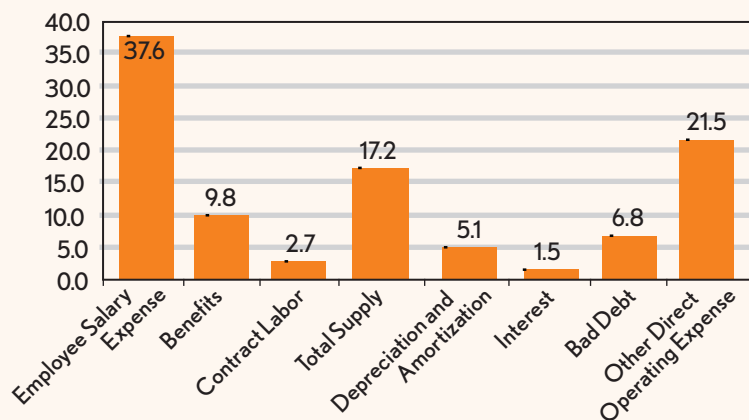
healthcare financial management association www.hfma.org

quarterly data show cost impact on operating revenue

MEDIAN AND MEAN OPERATING EXPENSES AS A PERCENTAGE OF NET OPERATING REVENUE, SECOND QUARTER 2005



AVERAGE EXPENSE AS A PERCENTAGE OF NET OPERATING REVENUE, SECOND QUARTER 2005



AVERAGE EXPENSE AS A PERCENTAGE OF NET OPERATING REVENUE, SECOND QUARTER 2005, COMPARATIVE GROUPS

	Salary	Benefits	Contract Labor	Supplies	Other Direct Expense
All Hospitals	37.6	9.8	2.7	17.2	34.4
1-100 Beds	38.5	9.7	3.1	13.1	32.8
101-200 Beds	39.6	9.7	3.3	16.1	34.3
201-300 Beds	40.9	10.6	2.7	19.5	34.7
301-400 Beds	35.0	9.5	2.2	17.5	33.5
401-600 Beds	35.5	9.6	1.8	18.9	48.5
601 or More Beds	33.9	8.8	2.7	18.3	37.5

Quarterly information from 550 hospitals reflects the current distribution of operating costs as a percentage of net operating revenue. A review of median and mean expenses by major cost categories (labor, supplies, and other direct operating expense) for the second calendar quarter of 2005 (March-June 2005) discloses that, for U.S. hospitals, on average, total labor expense accounts for about half of hospital operating costs. Detail for selected cost categories shows that nearly 10 percent of these costs, on average, are consumed by benefits, and about 2.7 percent, on average, represent contract labor expense. In addition, bad debt accounts for almost 7 percent of U.S. hospitals' total operating costs, on average.

Some interesting observations can be drawn from looking at average operating costs as percentages of net revenue for different categories of hospitals. For example, average salary costs for hospitals with 601 or more beds are much lower (at 33.9 percent) than for hospitals in each of the three categories of hospitals with fewer than 300 beds. This may be due in part to greater use of contract labor or allocation of some labor costs to other direct expense categories. By comparison, allocation of some labor costs to other direct expense categories combined with less use of contract labor may contribute to hospitals with 401 to 600 beds having substantially higher other direct expenses and much lower contract labor costs as a percentage of net operating revenue (48.5 percent and 1.8 percent, respectively) than do hospitals in any of the other categories. Average salary expense as a percentage of net operating revenue is highest for hospitals with 201 to 300 beds (40.9 percent). Average costs for benefits (10.6 percent) and supplies (19.5 percent) are also highest for hospitals in this category. ●

Note: The indicators discussed in this article and shown in the exhibits were averaged separately; totals of all indicators, therefore, do not add up to 100 percent.