



Hospital Financial Report

May 2020 Survey Results



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The bottom of the page features a collection of overlapping, semi-transparent geometric shapes, primarily triangles and polygons, in shades of light blue, light red, and light grey, creating a modern, abstract design.

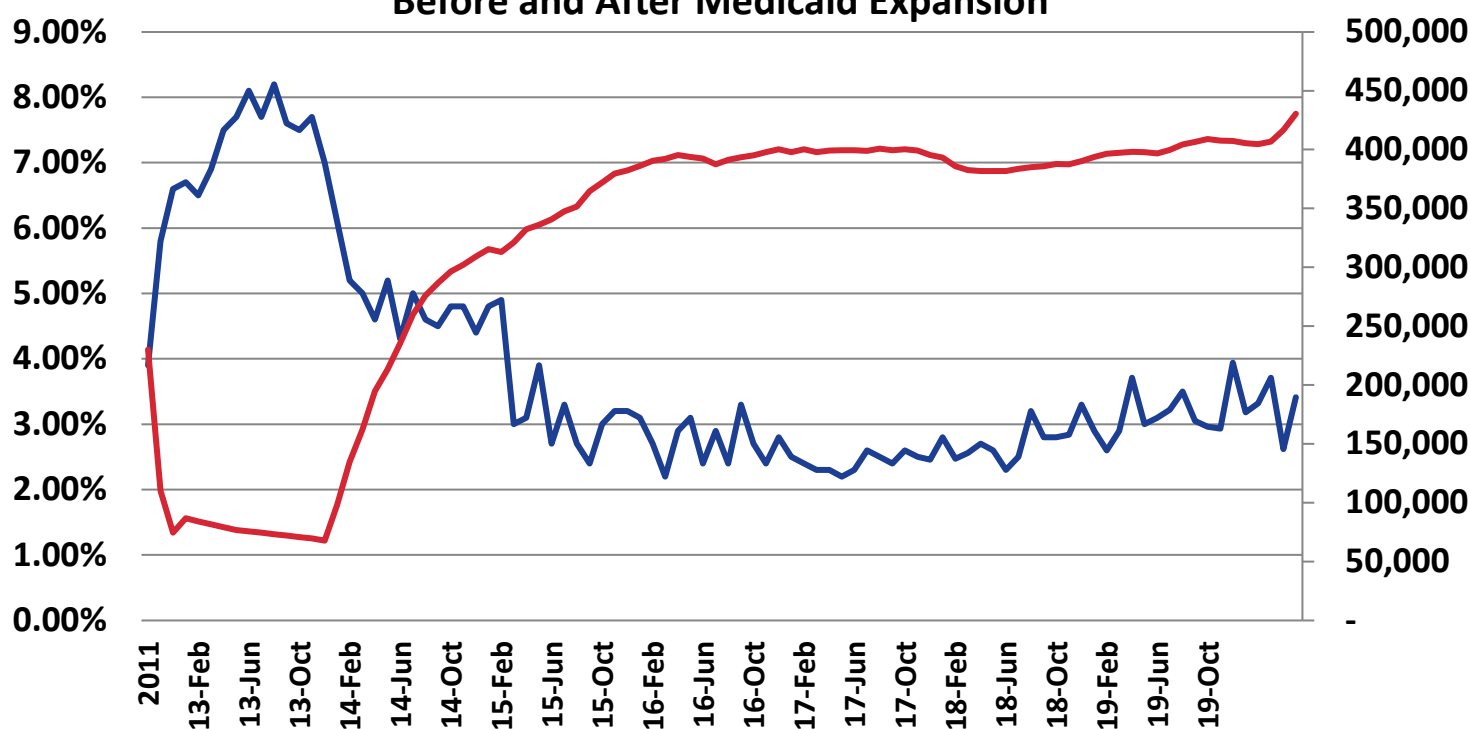
Hospital Financial Results

At-A-Glance

Hospital financial survey results for May 2020 show an operating margin of \$41 million or 4.6%. This is only part of the story as these figures include the recording of \$43 million in federal funding from the CARES Act as operating income this month. Without this financial support, hospitals would have virtually broken even in May as a result of the dramatic decline in revenue following Executive Order 2020-10 resulting in an eight week pause in elective procedures as well as a general public response to the pandemic which saw a reduction in hospital visits overall. Hospital discharges were down 8% for the month and ED visits were down by 29% compared to last year.

Uncompensated care for the month was 3.4%. The graph below illustrates how uncompensated care rose when the number of childless adults covered by the AHCCCS program declined, and then decreased when coverage was restored and expanded to 133% of the federal poverty level.

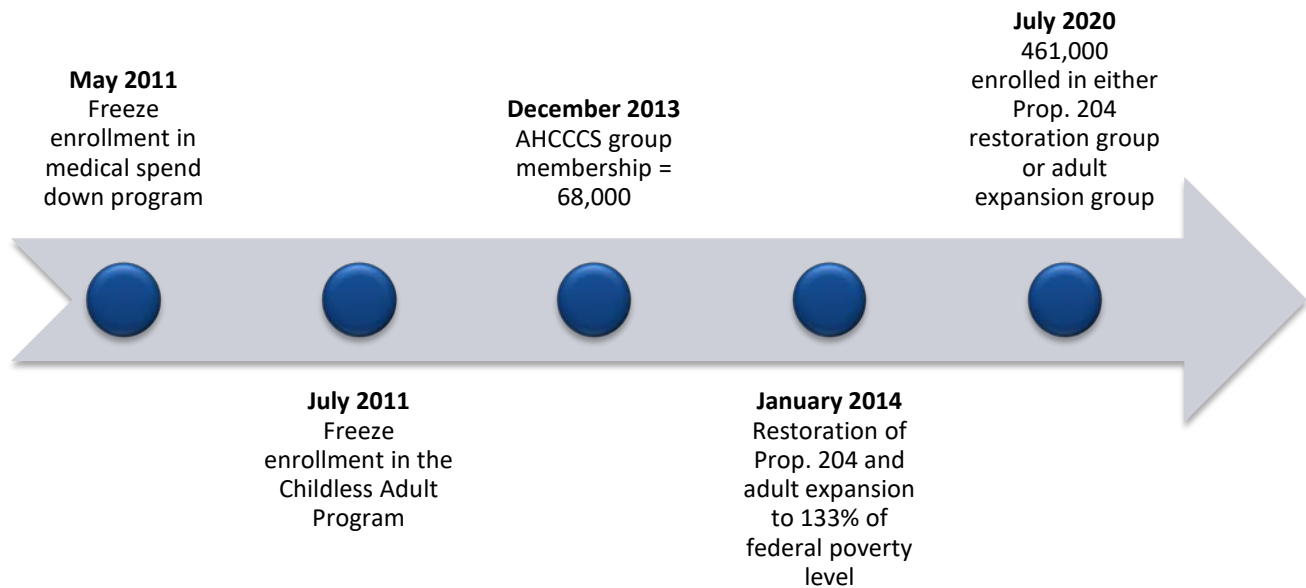
**Arizona Hospitals Uncompensated Care Trends
Before and After Medicaid Expansion**



— Uncompensated Care % — Total Childless Adults Covered by AHCCCS

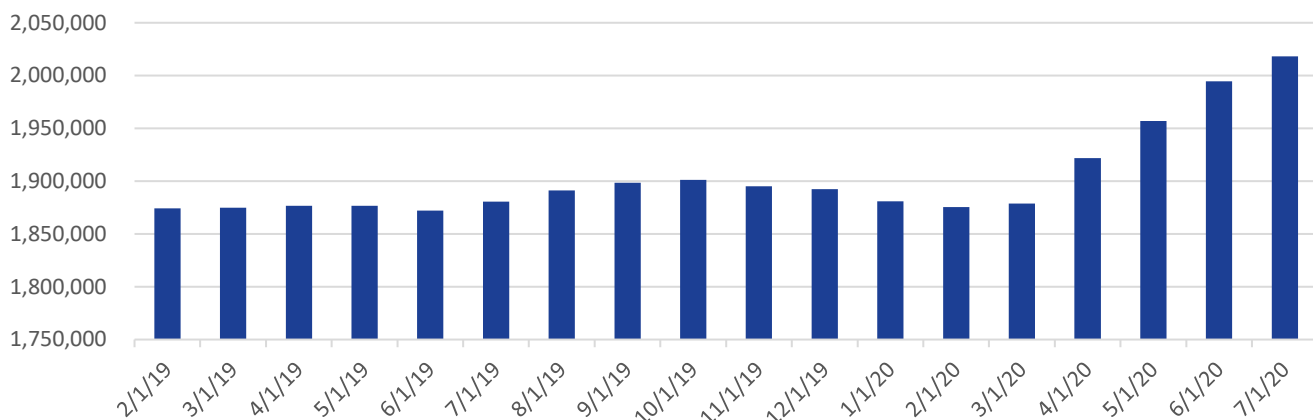
AHCCCS Trends

The timeline reflecting the major changes to the AHCCCS program is highlighted below.



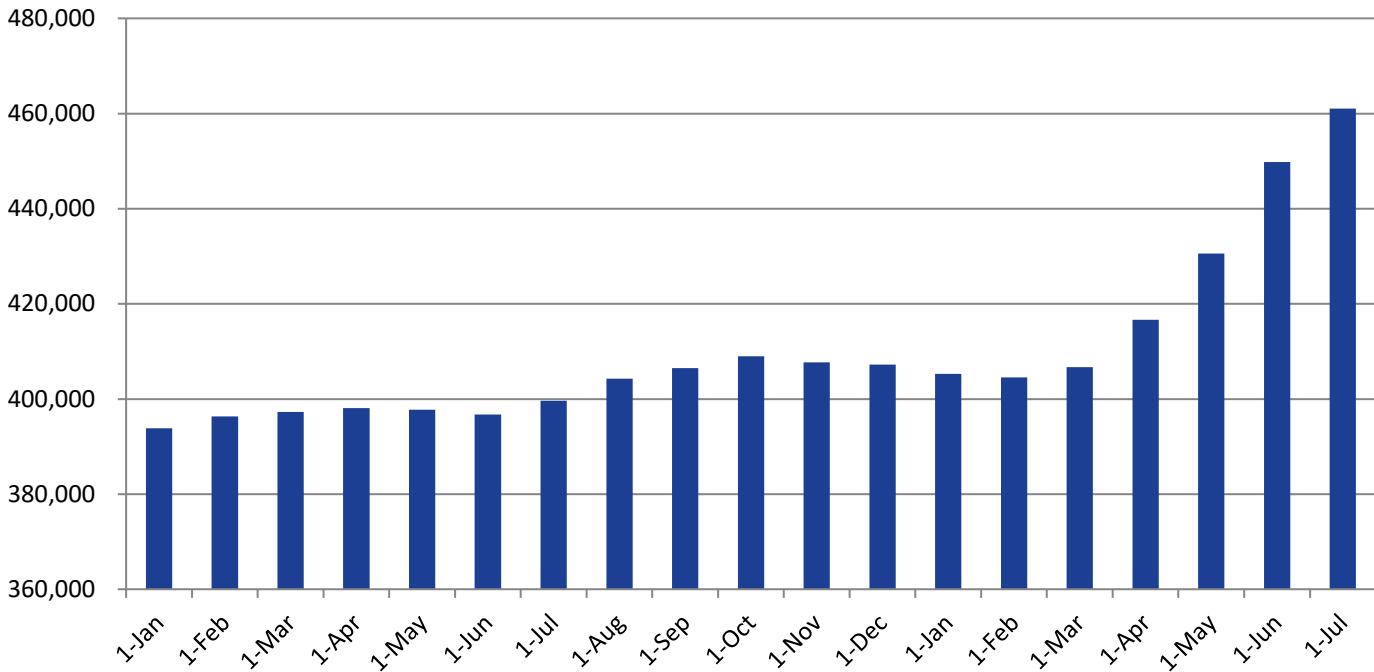
AHCCCS Population

Over the last 12 months the AHCCCS population has varied slightly as illustrated below. However, beginning April, the population started to grow. We foresee these rates increasing in future months as the unemployment rates rise.



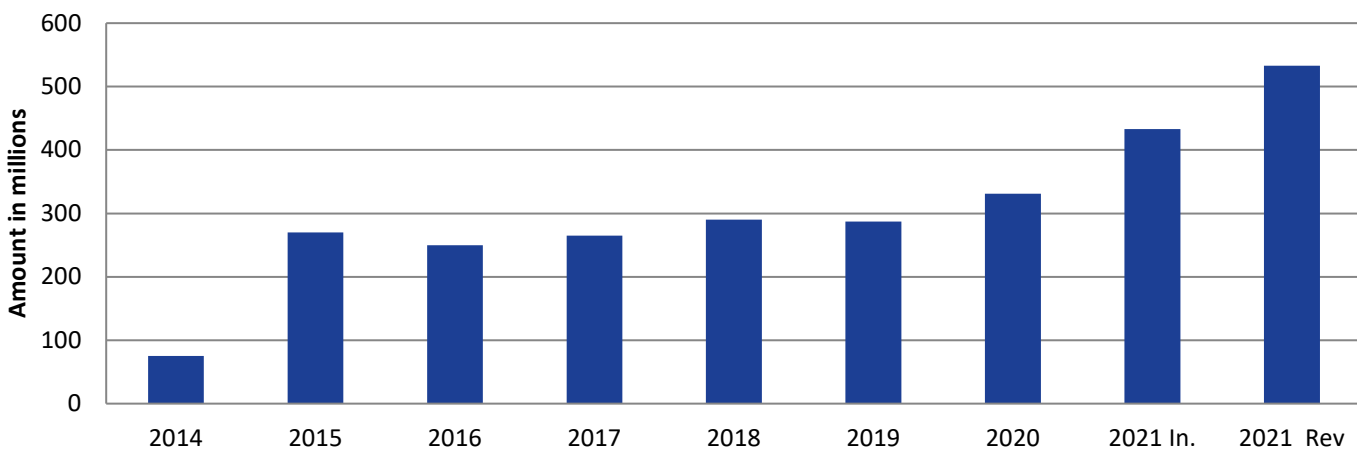
Childless Adults

The childless adult population financed through the provider assessment began to rise in April 2020 as a result of the increasing unemployment rates.



Hospital Assessment

The table below shows the hospital assessment funding for the Medicaid restoration and expansion for the first several years, as well as the initial and revised assessment for 2021, based on the May 15, 2020 report from AHCCCS.



Key Results

The cost of uncompensated care in millions of dollars for reporting hospitals compared to prior periods:

Cost of Uncompensated Care				
Dollars in Millions	2020	2019	2018	2017
Last 12 Months	\$ 348	\$ 307	\$ 266	\$ 255
Uncompensated Care %	3.2%	2.8%	2.7%	2.5%

In May 2013 and 2012 respectively, when the childless adult enrollment **was frozen**, uncompensated care percentage for May 2013 and 2012 was 7.7% and 6.9%.

The operating margins shown below include \$43 million in May 2020 and \$140 million year-to-date for 2020 related to COVID-19 funding.

Operating Margins				
Dollars in Millions	2020	2019	2018	2017
May	\$ 41	\$ 52	\$ 32	\$ 37
Year-To-Date	\$ 191	\$ 295	\$ 278	\$ 193
Operating Margin Year To Date	3.7%	6.1%	6.0%	4.4%

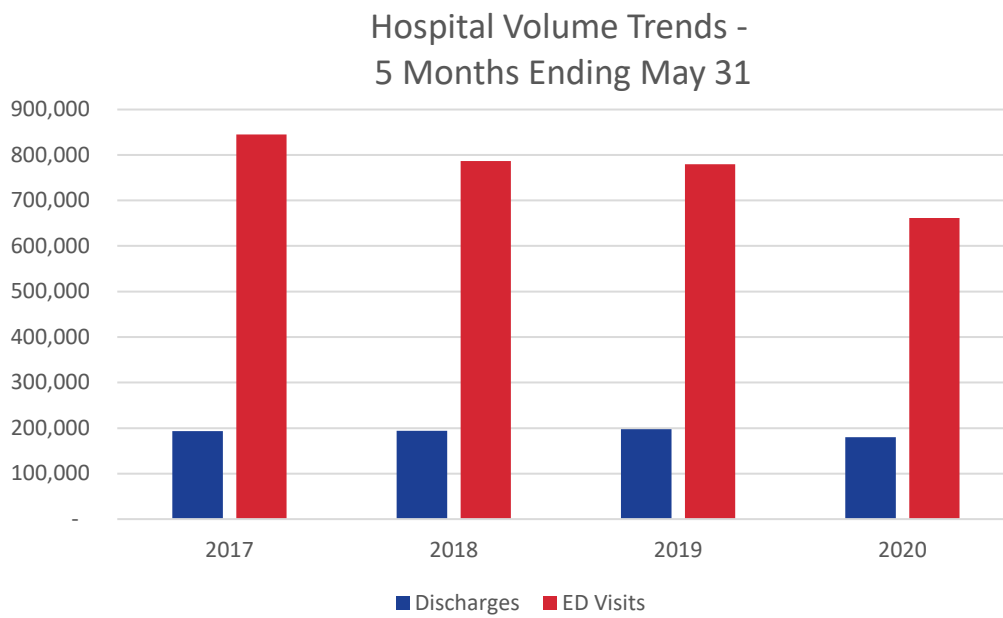
Other trends for the most recent 12 months are:

	12 Months Ending May			
Dollars in Millions	2020	2019	2018	2017
Operating Income Estimate	\$ 746	\$ 854	\$ 886	\$ 445
Uncompensated Care Costs Estimate	490	432	375	374
Average Operating Margin	4.4%	5.4%	5.7%	2.9%
Average Uncompensated Care Percentage	3.2%	2.8%	2.7%	2.6%

The operating income estimate for the state is based on responses from hospitals representing approximately 70% of the state hospitals.

Other Key Results

Over the last several years inpatient discharges have steadily increased while hospital emergency department (ED) visits have declined, based on information supplied by hospitals. Volumes were down significantly in May from prior years.



Appendix

Financial Survey Reporting Results

	May				Percentage Change Between 2020 and		
	2020	2019	2018	2017	2019	2018	2017
Income Statement Measures:							
Gross Charges	4,177,446,953	\$ 4,979,622,491	\$ 4,498,310,301	\$ 4,255,142,804	-16.1%	-7.1%	-1.8%
Charity Allowances	82,174,235	71,046,133	68,550,957	54,328,558	15.7%	19.9%	51.3%
Bad Debts	60,336,475	77,684,306	51,121,627	41,825,235	-22.3%	18.0%	44.3%
Net Patient Revenue	814,473,047	949,815,716	888,361,272	881,746,453	-14.2%	-8.3%	-7.6%
Total Operating Revenues	905,233,397	976,271,091	919,702,934	904,280,539	-7.3%	-1.6%	0.1%
Salaries and Wages	287,276,304	303,578,884	295,291,836	285,853,190	-5.4%	-2.7%	0.5%
Employee Benefits	58,016,084	68,479,246	67,331,695	67,190,532	-15.3%	-13.8%	-13.7%
Interest Expense	13,155,837	13,510,791	12,629,144	11,977,943	-2.6%	4.2%	9.8%
Depreciation	47,513,284	46,525,188	44,311,225	38,996,983	2.1%	7.2%	21.8%
Other Expenses	457,996,604	492,673,377	468,464,435	463,486,370	-7.0%	-2.2%	-1.2%
Total Expenses	863,958,113	924,767,486	888,028,335	867,505,018	-6.6%	-2.7%	-0.4%
Operating Income	41,275,284	51,503,605	31,674,599	36,775,521	-19.9%	30.3%	12.2%
Nonoperating Revenue	46,900,279	(3,605,601)	14,356,635	16,938,441	1400.8%	226.7%	176.9%
Excess of Revenue Over Expenses	88,175,563	47,898,004	46,031,234	53,713,962	84.1%	91.6%	64.2%
Balance Sheet Measures:							
Net Accounts Receivable	1,627,350,239	1,697,491,630	1,547,952,274	1,503,240,877	-4.1%	5.1%	
Current Assets	4,387,077,291	4,037,159,137	3,515,487,420	3,119,378,033	8.7%	24.8%	40.6%
Current Liabilities	1,972,302,283	1,218,666,999	1,271,828,896	1,040,985,286	61.8%	55.1%	89.5%
Volume Measures:							
Patient Discharges	35,104	37,995	37,721	38,795	-7.6%	-6.9%	-9.5%
Patient Days	172,513	184,514	179,176	182,760	-6.5%	-3.7%	-5.6%
ED Visits	109,752	153,832	152,321	170,441	-28.7%	-27.9%	-35.6%
Births	4,569	4,957	5,035	5,100	-7.8%	-9.3%	-10.4%
FTE's	47,925	53,212	52,099	52,598	-9.9%	-8.0%	-8.9%
Key Ratios							
Operating Margin	4.6%	5.3%	3.4%	4.1%	-13.6%	32.4%	12.1%
Total Income Margin	9.3%	4.9%	4.9%	5.8%	88.1%	87.9%	58.8%
Current Ratio	2.2	3.3	2.8	3.0	-32.9%	-19.5%	-25.8%
Days in Accounts Receivable	61.9	55.4	54.0	52.9	11.8%	14.7%	17.2%
Collection Percentage	19.5%	19.1%	19.7%	20.7%	2.2%	-1.3%	-5.9%
Cost to Charge Ratio	20.2%	18.5%	19.6%	20.3%	9.6%	3.2%	-0.2%
Uncompensated Care Charges	142,510,710	148,730,439	119,672,584	96,153,793	-4.2%	19.1%	48.2%
Cost of Uncompensated Care	28,846,604	27,474,817	23,461,548	19,499,813	5.0%	23.0%	47.9%
Uncompensated Care Percentage	3.41%	3.0%	2.7%	2.3%	14.2%	28.2%	51.0%

Reporting Hospitals For All Four Periods

Abrazo Arrowhead Campus
Abrazo Arizona Heart Hospital
Abrazo Central Campus
Abrazo Scottsdale Campus
Abrazo West Campus
Banner Baywood Medical Center
Banner Behavioral Health Hospital — Scottsdale
Banner Boswell Medical Center
Banner Casa Grande Regional Medical Center
Banner Del E. Webb Medical Center
Banner Desert Medical Center
Banner Estrella Medical Center
Banner Gateway Medical Center
Banner Goldfield Medical Center
Banner Heart Hospital
Banner Ironwood Medical Center
Banner Payson Medical Center
Banner Thunderbird Medical Center
Banner University Medical Center Phoenix
Banner University Medical Center South
Banner University Medical Center Tucson
Benson Hospital

Canyon Vista Medical Center
Cobre Valley Regional Medical Center
Copper Queen Community Hospital
Dignity Health Chandler Regional Medical Center
Dignity Health Mercy Gilbert Medical Center
Dignity Health St. Joseph's Hospital and
Medical Center
Encompass Health Valley of the Sun Rehabilitation
Hospital
Kingman Regional Medical Center
Mountain Vista Medical Center
Mt. Graham Regional Medical Center
Northern Cochise Community Hospital
Page Hospital
St. Luke's Behavioral Health Center
Summit Healthcare Regional Medical Center
Tempe St. Luke's Hospital Tucson Medical Center
Valleywise Health
White Mountain Regional Medical Center
Yavapai Regional Medical Center
Yuma Regional Medical Center