

Mountain States Health Alliance posts audited year-end results

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Citing strong volume growth and cost discipline, Mountain States Health Alliance today posted its audited financials for fiscal year 2015, covering July 2014 through June 2015.

Total revenue grew by \$37.9 million (3.6 percent) to \$1.089 billion. Patient service revenue, net of contractual allowances, discounts and bad debt grew \$65.3 million (7.1 percent) to \$989.4 million. Patient revenue growth was offset by a \$48.9 million (42 percent) decrease in gains from investments, derivatives and other revenue, which amounted to \$67.5 million. Premium revenue from CrestPoint Health grew to \$32.2 million, an increase of \$21.5 million (200 percent).

Salaries, wages, and contract labor costs grew \$3.5 million (1 percent), while employee benefit costs grew to \$77.3 million, an increase of \$8.1 million (11.8 percent). Supply costs grew \$12.3 million (7.5 percent), to \$176.1 million. Total labor costs as a percent of net revenue improved by 180 basis points to 50.6 percent, while supply costs as a percent of net revenue remained 17.8 percent. Supply cost growth was driven primarily by increased costs of pharmaceuticals and increased surgical volumes.

Net operating income grew to \$33.5 million, an increase of \$23.07 million (221 percent), while net assets grew by \$55 million to a total net asset value of \$787.9 million.

Volume indicators were strong for the year, with inpatient admissions increasing by 5,009 (8.8 percent), to 62,049. Emergency department visits increased by 16,251 (6.8 percent) to 255,857. Urgent care visits grew 9,120 (10.8 percent) to 93,646. Inpatient surgeries increased 1,382 (3.9 percent) to 12,853. Through better management of patient placement, led by physicians and through improved documentation, outpatient observation patients decreased by 811 (3.3 percent) to 23,407. Through improvements in case management and more active physician participation, acuity-adjusted Medicare length of stay decreased 4.5 percent to 2.74 days.

The financial discipline, combined with growth in the number of patients choosing Mountain States Health Alliance for their services, permitted, for the first time in several years, a substantial



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reduction in debt. Long-term debt and capital lease obligations decreased by \$43.4 million, as management implemented the debt reduction plan approved by the board of directors one year ago.

As a not-for-profit health system, Mountain States Health Alliance provided more than \$90 million in measurable community benefit, including provision of charity care for the poor, investments in training physicians and allied health professionals and contributions to community organizations.

“Our focus has been to deliver high-quality care, cost effectively, in a very challenging environment for health systems,” said Mountain States President and Chief Executive Officer, Alan Levine. “Given the revenue cuts imposed on hospitals, operational focus was the key to stabilizing our financial performance. Our team members, working with management, were disciplined and stayed attentive to improving the patient experience.”

Examples of operational improvements that have reduced cost and improved quality include:

- Patient waiting times in Mountain States emergency departments are among the best in the nation;
- The state of Tennessee recently announced that Johnson City Medical Center was one of only three hospitals in Tennessee to earn three or more stars for preventing infections (Three stars indicate the hospital performed better than expected for three or more types of infections being measured);
- According to CareChex, several Mountain States Health Alliance hospitals have been identified as performing in the national top decile in categories such as overall hospital care, overall surgical care, general surgery, cancer care, heart attack treatment, hip fracture repair, interventional coronary care, neurological care, orthopedic care, stroke care, vascular surgery and other key service lines;
- Healthgrades recognized Mountain States Health Alliance hospitals with its top ratings (5 stars) in 43 areas, and awarded quality awards in 15 areas;
- Seven Mountain States hospitals were reaccredited by The Joint Commission;
- Niswonger Children’s Hospital was highlighted as having the best asthma performance measures for children in the state of Tennessee;
- Johnson City Medical Center was named one of the 100 great oncology programs in the nation by Becker’s Hospital Review;
- Consumer Reports named Johnson Memorial Hospital in Abingdon, Va., among the nation’s best in infection prevention; and

- Hospitals and Health Networks named Mountain States as one of the nation's "Most Wired" hospital systems for the fourth year.

"The Mountain States board of directors is deeply committed to responsible governance, financial stewardship, and most importantly, high quality care for our neighbors and families," said Barbara Allen, chair of the board. "Our board and management are a team, and working together, we are seeing great results for the people in our region."

Levine added, "While this year's results were good, we know the environment is getting more challenging as payers expect to see health care costs moderate, and hospitals' roles are changing over time. Good financial stewardship and high quality are not mutually exclusive; they go together. And because it takes talented team members to accomplish this, we are happy to report that our board and management will share the system's success with our team members with incentive pay, as we do in years where we achieve our goals. Team members should expect to receive this show of gratitude by the end of November, just in time for the holidays."