

# Hospitals recover from recession, some financial issues remain

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The recent economic recession affected hospitals across the nation, regardless of financial status, but following the rebound, financially weak and safety-net hospitals continue to struggle, according to health researchers.

"Poor financial outcomes [for hospitals] could lead to poor care," said Naleef Fareed, assistant professor of health policy and administration, Penn State. "This is an issue that needs attention as health care reform moves forward."

Fareed and colleagues used data from both the American Hospital Association Annual Survey and the Centers for Medicare and Medicaid Services to analyze how different groups of hospitals fared financially during the recession, and where these groups stand as [health care reform](#) continues in the United States.

"The effect of the recession wasn't permanent," said Fareed. "Hospitals recovered from the recession, but those that were initially financially weak before the recession remained in a precarious condition through 2011."

The researchers looked at nearly 3,000 privately owned hospitals from 2006 through 2011. Included in the study were both for-profit and nonprofit hospitals, as well as safety-net and non-safety-net hospitals.

"A safety-net [hospital](#) provides an unusually high amount of care to the

poor and vulnerable population," said Fareed. He pointed out that many factors could be linked with a hospital being a safety net.

At the beginning of the study period, more than half of the hospitals were considered financially strong while about a quarter were financially weak. The remaining hospitals fell in the "financially mixed" category. All three of these categories of hospitals experienced a financial dip in 2008, but by 2011 financial status was comparable to the 2006 baseline for all three.

About 28 percent of the safety-net hospitals were financially weak in 2006. While their financial performance dipped in 2008, these institutions rebounded by 2011. However, the financial gap between the safety-net hospitals and the non-safety-net hospitals continues to widen in terms of their total profit.

"In many ways, our findings could be interpreted as showing that hospitals' cup is half empty or that it is half full," the researchers wrote in the May issue of *Health Affairs*. "On the one hand, financially weak and safety-net hospitals continue to keep their doors open. On the other hand, these institutions remain in precarious financial positions that could compromise their ability to invest in innovations or quality improvement activities that may provide value for patients."

Looking toward the future, Fareed and colleagues note that it is critical to monitor the state of hospitals, especially financially weak and [safety-net](#) hospitals, to assess how the Affordable Care Act affects the care they deliver and the populations they serve.

Provided by Pennsylvania State University

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