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**HOSPITALS AND HEALTH SYSTEMS TO CUT BACK ON BOTH CAPITAL SPENDING AND UNPROFITABLE SERVICES IN 2009**

*New Study from Noblis Center for Health Innovation Discusses the Impact of the Economic Crisis on Hospitals and Health Systems*

**FALLS CHURCH, VA, January 19, 2009** – A new report released today from the Noblis Center for Health Innovation, a leading non-profit advisory firm to health providers, has found that hospitals and health systems across the United States are cutting back on both capital spending and unprofitable healthcare services as a result of the economic crisis. Conducted in late 2008, the Noblis Economic Impact Study assesses the impact of the national economic crisis on the financial health of hospitals and health systems including: utilization; profitability; uncompensated care; philanthropy and fundraising goals; and the status of current and future projects.

Through in-depth interviews, the Noblis study found that the majority of hospitals experienced both dramatic losses in investment income and difficulty in finding fresh sources of capital.

Additional key findings include:

- Operating profitability is a concern for many, but not all. More than 56 percent saw a decrease in operating margin over the last quarter, and 39 percent expect it to decrease in the next 12 months, even with staff reductions and other cutbacks.
- The greater concern was investment losses, which were significant over the past 12 months and disturbingly uncertain over the next year.
- While overall profitability is a concern, most participants believe that utilization at their facilities will continue to grow. 71 percent of participants expect inpatient utilization to increase slightly during the next 12 months, and 82 percent expect outpatient utilization to increase in the same time period.
- Philanthropic fundraising in 2008 was buoyed by a rash of major “signature” construction projects. For 2008, 27 percent of respondents reported an increase in fundraising – the same percentage that reported a decrease. However, as these projects wind down, philanthropic prospects for the near future are less optimistic.
- Virtually all participants who had attempted to access capital or refinance in the past six to nine months indicated that obtaining capital was difficult.
- Two-thirds of the surveyed hospitals had already halted, resized, or changed major capital projects. Several indicated that even though they had not halted or resized major capital projects, they had slowed them down.

“This study further validates general reports in the media about the economic difficulties hospitals are facing, but it also reveals pockets of optimism among some providers,” said Scott Clay, senior principal for Noblis Center for Health Innovation’s Strategy & Planning practice. “We spoke with CEOs and CFOs of hospitals nationwide and found that the impact on utilization and payment appears to vary by market at this time. While 32 percent of our respondents indicated a decline in utilization for the last quarter of 2008, our findings did not yet demonstrate a clear consistent trend. As the economic cycle plays out and unemployment continues to rise, as many economists expect, Noblis anticipates a more broad-based negative impact on hospital utilization and payments.”

Many of the hospitals surveyed are implementing strategies to respond to the changing economy. At the time of the study, 31 percent of the hospitals surveyed had already reduced or were committed to reduce routine capital and other spending by more than 30 percent. Hospitals described the capital expenditure cuts by comments such as, “*stop whatever could be stopped,*” “*deliberately budgeted less,*” “*prioritize what is needed,*” “*the only capital projects will be for replacement of non-working capital equipment..*”

The study also found that a large number of hospitals had instituted a hiring freeze and were being extremely cautious about any new hiring. When asked what other strategies were being considered, the majority of respondents (74 percent) identified closure of services or locations that were non-core or losing money.

“Despite what other industry literature suggests, many of the executives we interviewed have a more optimistic outlook for their hospitals future,” added Clay. “One possible explanation is that the prevailing ‘gloom and doom’ in the media is overshadowing the bright spots that do exist. Nonetheless, hospitals are taking proactive steps by curtailing expenses and re-evaluating current investments in facilities and services. The implementation of these strategies will effectively assist hospitals to ride out the economic downturn.”

Based on interviews conducted by Noblis with current and prior clients and an online survey instrument, The Noblis Economic Impact Study included 36 hospitals and health systems ranging in size from 41 to 898 inpatient beds. Two-thirds of the respondents were hospital CEOs or CFOs.

A copy of the study is available on the Noblis website:

<http://www.noblis.org/NewsandEvents/NoblisEconomicImpactSurveyResults.pdf>

To schedule an interview with Scott Clay, please contact Jorge Lavina, [jlavina@cooperkatz.com](mailto:jlavina@cooperkatz.com) or 917-595-3047, Katy Layton, [klayton@cooperkatz.com](mailto:klayton@cooperkatz.com) or 917-595-3057 or Amy Lee, [alee@cooperkatz.com](mailto:alee@cooperkatz.com) or 917-595-3055.

### **About the Noblis Center for Health Innovation**

The Noblis Center for Health Innovation assists private-sector and government health organizations in achieving their missions through integrative and collaborative advisory services and research. It combines strategic thinking with innovation to support clients’ planning and performance needs. For more information, please visit [www.noblis.org/Healthcare](http://www.noblis.org/Healthcare).

### **About Noblis**

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