

New York's Hospital Profits Surged in 2021

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KEY TAKEAWAYS

- Hospitals' average profit margins in 2021 were at their highest levels in at least five years.
- The state's largest hospital reported a profit of almost \$1.5 billion, which is likely a state record.
- Hospital revenues statewide increased by 29 percent from 2017 to 2021, which was almost three times the rate of inflation.
- New York's hospital spending per capita was the seventh highest among the states in 2021.

Despite ongoing pandemic-related disruptions, New York's hospitals bounced back financially in 2021, posting their strongest balance sheets in five years or more.

According to annual financial reports filed with the federal government, 61 percent of the state's hospitals ended their 2021 fiscal years in the black, reporting a collective profit margin of 4 percent of revenues.ⁱ Both of those metrics, along with mean and median profit margins,ⁱⁱ were at their highest levels since at least 2016 (see Table 1).

After dipping sharply during the first year of the pandemic,ⁱⁱⁱ revenue from patient care rose to a new high of \$73.3 billion in 2021 (see Figure 1). At the same time, other sources of hospital income – including surging investment returns – remained elevated compared to pre-pandemic levels, even as emergency relief dropped from \$6.7 billion in 2020 to \$1.4 billion in 2021.

Collectively, hospitals ended their fiscal years with a surplus of \$3.6 billion of revenues over expenses, which is likely an all-time high.

As the industry's overall fiscal outlook improved, some institutions fared better than others.

The state's largest hospital, New York-Presbyterian in Manhattan, reported a profit of almost \$1.5 billion, or 17 percent of its revenues, which was the biggest dollar surplus of the year and likely the biggest in the history of New York hospitals (see Table 2).

An additional 13 hospitals reported profits of more than \$100 million each.

At the other end of the spectrum, Montefiore Medical Center in the Bronx reported a loss of \$314 million or 7

percent of revenues. Another four hospitals showed losses of more than \$100 million each.

Looking back over the period from 2017 to 2021, total hospital revenue jumped by \$20.1 billion or 29 percent, almost three times the inflation rate. However, that increase was unevenly distributed: A fifth of the additional money flowed to just two hospitals – New York-Presbyterian and Memorial Sloan-Kettering Cancer Center – and 12 hospitals accounted for half.

During that period, 23 percent of hospitals were consistently in the black, while 5 percent were consistently in the red.

These findings are a reminder that New York's hospital industry is not monolithic. While some facilities are struggling, others are thriving. Most alternate between good years and bad.

This provides context for the current budget discussions in Albany. Proposals on the table include additional “safety net” funding that would be targeted to financially struggling hospitals, as well as a generalized increase in hospital fees paid by Medicaid, the state-run health plan for the poor and disabled. For the latter, Governor Hochul has proposed a 5 percent bump, and the Assembly and Senate are supporting an industry request for a 10 percent hike.

Under these across-the-board increases, virtually all hospitals would stand to receive more money from taxpayers. That would include hospitals that recently posted nine- and 10-figure profits, as shown in hospitals' federal financial filings for 2021.^{iv}

The year began with a second major wave of COVID infections, causing hospitalizations to spike. Many institutions were also contending with staffing shortages that caused them to periodically curtail certain services. Financially, however, those challenges were offset by a resurgence of demand for hospital

care and relief aid from the federal and state governments.

As seen in Table 3, western New York was the only region in which hospitals collectively ended the year with a deficit. Hospitals downstate generally showed stronger finances than those upstate.

Despite improving conditions, New York's hospitals – as usual – collectively had weaker balance sheets than average for the U.S.

The state industry's aggregate profit margin of 4 percent was about half the rate for hospitals nationwide and ranked 40th among the 50 states. Seventy-seven percent of hospitals in the U.S. operated in the black in 2021, compared to 61 percent in New York.

At the same time, New York's rate of hospital spending per capita was the seventh-highest among the states. This suggests that the industry's fiscal strains were due more to its relatively high costs than to inadequate revenue.

Another potential factor is New York's unusually broad Medicaid health plan, which currently covers about 40 percent of the state's population.^v On average, New York's version of the state-federal program paid 64 percent of the hospitals' reported costs for treating Medicaid patients, the second-lowest rate in the U.S.

Again, this disparity appears to be driven in part by high costs rather than low spending. The state Medicaid program's overall hospital expenditures amounted to more than \$2,200 per enrollee in 2021 – which was 27 percent above the U.S. average and eighth highest among the states.

The ratio of Medicaid payments to cost varied widely among institutions (see Table 4). State- and county-owned hospitals reported being reimbursed for an average of more than 80 percent of their Medicaid costs, while the rate

for the 11 New York City-owned hospitals was 44 percent. Not-for-profit hospitals were in the middle at 73 percent.

A striking example was the University Hospital of Brooklyn, which is part of a medical school operated by the State University of New York. It reported Medicaid payments that exceeded its Medicaid costs by 6 percent – which is likely a byproduct of the state’s efforts to subsidize certain money-losing hospitals. Even with that extra money, the University Hospital reported a loss of \$76 million or 17 percent for 2021.

Industry officials have reported that New York hospitals’ finances took a turn for the worse in 2022. In a survey conducted last fall by five hospital associations, almost two-thirds of their membership reported operating in the red with a median margin of minus 3.7 percent.^{vi}

In testimony on this year’s state budget, hospital officials blamed these conditions on New York’s low Medicaid fees and urged the Legislature to boost fees by 10 percent – or double the amount proposed by Governor Hochul.^{vii}

It’s far from clear that Medicaid policies were the primary driver of the industry’s weakening profits. A more likely factor would be last year’s downturn in the stock markets – which would have reduced hospitals’ income in 2022 just as the rising market improved their bottom lines in 2021.

An economic analysis of the finances of 10 large non-profit hospital systems, recently published in *Health Affairs*, found that the industry’s shrinking profit margins in 2022 were primarily driven by investment losses, not declining revenues or other operational factors.^{viii}

If losses were driven by persistent labor and supply cost increases, then it might be reasonable to ask patients, employers,

and insurers to consider these underlying cost drivers in their payments to hospitals. However, when losses are driven by risky financial investments, which generated positive returns in many previous years and will do so in many future periods, it is not clear whether patients, employers, insurers, and taxpayers should be responsible for paying higher prices to offset the impact of overall market declines.^{ix}

Although complete financial reports for 2022 are not yet available, New York lawmakers should view the industry’s claims about Medicaid skeptically.

New York’s overall hospital spending is high and rising fast. As of 2020, the state’s per capita hospital costs were 43 percent higher than the national average, up from 22 percent five years earlier (see Figure 2).^x

Its Medicaid program, too, is unusually costly – with the highest per capita spending of any state.^{xi}

As seen in this report, most New York hospitals were running surpluses through the second year of a major pandemic – and 14 reported nine- and 10-figure profits.

Earlier this month – shortly after industry leaders declared they faced a “dire fiscal crisis” – a group of New York City-area hospitals approved substantial wage hikes for workers in the health-care union 1199 SEIU, after agreeing to renegotiate a contract that wasn’t due to expire for another 18 months.^{xii}

As they finalize this year’s budget, lawmakers should avoid large across-the-board increases and other policies that would direct more tax dollars to hospitals already operating comfortably in the black.

Endnotes

ⁱ This report is based on the 2021 federal financial reports of 153 hospitals which were downloaded from the Centers for Medicare & Medicaid Services on Feb. 13, 2023. Reports for approximately 9 percent of hospitals were not yet available.

ⁱⁱ All of New York's hospitals are either not-for-profit or government operated. In this context, "profit" refers to the surplus of an institution's revenues over expenses, also known as "net income."

ⁱⁱⁱ See "With help from Washington, most hospitals ended 2020 in the black," Empire Center, Feb. 4, 2022. <https://www.empirecenter.org/publications/most-hospitals-ended-2020-in-the-black/>

^{iv} For some hospitals, the fiscal year referenced in this report began in 2020 or ended in 2022.

^v Per the New York State Department of Health, enrollment was 7.8 million as of January. https://www.health.ny.gov/health_care/medicaid/enrollment/docs/by_resident_co/2023/2023-01-01.htm

^{vi} See "Critical Condition: New Yorkers are losing access to care as a fiscal crisis hammers hospitals state-wide," Healthcare Association of New York State, Healthcare Association of Western and Central New York, Suburban Hospital Alliance of New York State, Iroquois Healthcare Association and Greater New York Hospital Association, December 2022. https://www.hanys.org/communications/publications/critical_condition/docs/2022_critical_condition_report.pdf

^{vii} Testimony of Kenneth Raske, president, Greater New York Hospital Association, and Bea Grause, president, Healthcare Association of New York State, at the Joint Legislative Budget Hearing on Feb. 28, 2023. Written testimony and video available at: <https://assembly.state.ny.us/av/hearings/>.

^{viii} Christopher M. Whaley et al., "What's Behind Losses at Large Nonprofit Health Systems?" *Health Affairs* Forefront, March 24, 2023. <https://www.healthaffairs.org/content/forefront/s-behind-losses-large-nonprofit-health-systems>

^{ix} Ibid.

^x National Health Expenditure Data, Centers for Medicare & Medicaid Services. <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData>

^{xi} Medicaid Financial Management Report for FY 2021, available at: <https://www.medicaid.gov/medicaid/financial-management/state-expenditure-reporting-for-medicaid-chip/expenditure-reports-mbescbes/index.html>

^{xii} Maya Kaufman, "1199SEIU inks amended contract with hospitals and nursing homes," *Politico*, March 10, 2023. <https://subscriber.politicopro.com/article/2023/03/1199seiu-inks-amended-contract-with-hospitals-and-nursing-homes-00086533>

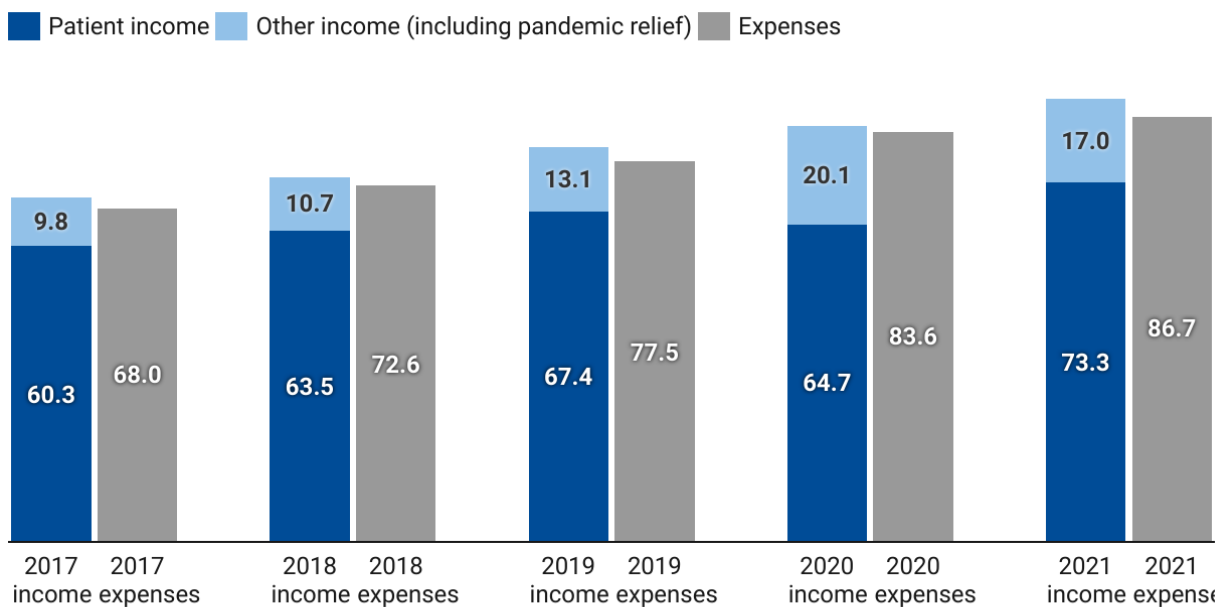
Table 1: Financial performance of New York hospitals

	2017	2018	2019	2020	2021
Median margin	0.6%	0.8%	0.9%	1.6%	1.8%
Mean margin	0.8%	0.6%	1.3%	2.0%	2.1%
Aggregate margin	3.0%	2.2%	3.6%	1.4%	4.0%
% in the black	56.9%	57.5%	58.2%	60.8%	61.4%
Net income (millions of dollars)	2,120	1,607	2,919	1,612	3,631

Source: Centers for Medicare & Medicaid Services

Figure 1: NYS hospital revenue and expenses

(billions of dollars)



Source: Centers for Medicare & Medicaid Services

Table 2: Largest gains and losses in 2021

Largest gains	Location	Net income (millions of dollars)
NewYork-Presbyterian Hospital	Manhattan	1,480
Memorial Sloan-Kettering Cancer Center	Manhattan	255
Jacobi Medical Center	Bronx	217
Mount Sinai Hospital	Manhattan	208
St. Francis Hospital	Roslyn, L.I.	199
Largest losses		
Montefiore Medical Center	Bronx	(314)
Mount Sinai Beth Israel	Manhattan	(154)
Maimonides Medical Center	Brooklyn	(145)
Nassau University Medical Center	East Meadow, L.I.	(114)
Mercy Hospital of Buffalo	Buffalo	(102)

Source: Centers for Medicare & Medicaid Services

Table 3: Hospital finances by region for 2021

(millions of dollars)

	Patient income	Other income	Expenses	Net income	Regional margin
Capital Region	2,397	336	2,579	154	6
Central New York	2,167	423	2,416	174	7
Finger Lakes	2,803	430	3,101	132	4
Long Island	9,871	2,266	11,834	303	2
Mid-Hudson	6,652	746	7,086	312	4
Mohawk Valley	968	101	1,015	54	5
New York City	40,240	11,406	49,021	2,625	5
North Country	1,416	159	1,534	40	3
Southern Tier	2,653	522	3,119	56	2
Western New York	4,148	611	4,979	-220	-5
Statewide	73,314	17,000	86,683	3,631	4
Downstate	56,763	14,418	67,940	3,241	5
Upstate	16,551	2,582	18,743	390	2

Source: Centers for Medicare & Medicaid Services

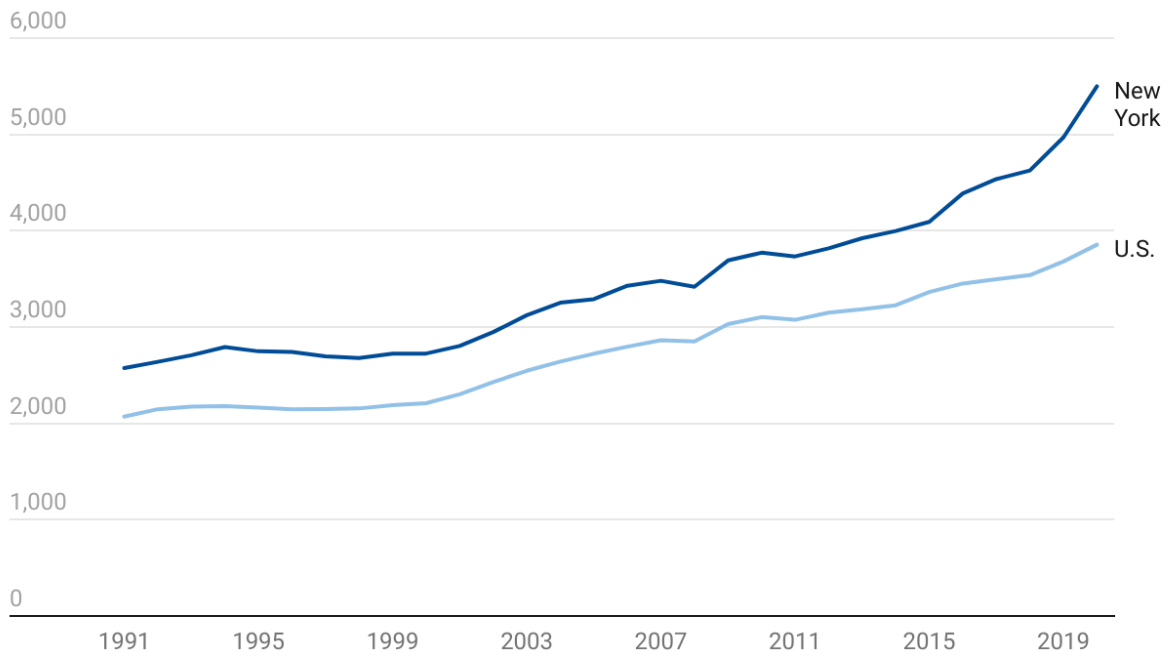
Table 4: Medicaid payments and costs

(millions of dollars)

	Payments	Costs	Ratio
State-owned	801	950	84%
County-owned	645	776	83%
Not-for-profit	9,088	12,455	73%
City-owned	3,440	7,785	44%
Statewide	13,973	21,966	64%

Source: Centers for Medicare & Medicaid Services

Figure 2: Per capita spending on hospital care, 1991-2020



Source: CMS