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December 8, 2016

◀ 39

Fauquier Hospital profit margin rises to 13.6 percent



Photo/Fauquier Health

Fauquier Hospital's profit margin rose from 5.27 percent in 2013 to 13.6 percent in 2015, according to a Virginia Health Information's 2016 Industry Report released Wednesday.

By **Lawrence Emerson**
Editor

Fauquier Hospital's profit margin rose last year, even as its revenue declined, according to an industry report released Wednesday.

Fauquier Hospital in 2015

- Beds: 97
- Patient days: 17,857
- Admissions: 4,976

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The hospital in Warrenton last year earned a \$19.1-million profit on total operating revenue of \$140.5 million, Richmond-based **Virginia Health Information** reported.

That represents a 13.6-percent “operating margin” after taxes.

In 2014, its first year as part of for-profit **LifePoint Health**, Fauquier Hospital produced an 11.7-percent profit on total operating revenue of \$165.8 million.

That year, it had net revenue of \$19.4 million.

The local hospital’s operating margin has risen dramatically from 5.27 percent in 2013, its last as an independent, not-for-profit institution.

In a conference call with investment analysts earlier this year, LifePoint Chairman **William F. Carpenter III** pointed to Fauquier as an example of how the Tennessee-based corporation typically improves the financial performance of hospitals it acquires.

The publicly-traded corporation’s efficiency of scale and buying power contribute to that, according to Fauquier and LifePoint officials.

But, those officials also note that Fauquier Hospital faces unprecedented competition, principally from **Novant**, which opened the Haymarket Medical Center in March 2014. Increased competition may have contributed to Fauquier’s \$25-million decline in gross revenue decline last year.

VHI’s annual industry report provides detailed financial information for every hospital and nursing home in the state.

It also ranks hospital “efficiency and productivity,” based on “mountains of data,” VHI Executive Director Michael T. Lundberg said.

Fauquier Hospital received a “**composite efficiency and productivity score**” of 3 versus the statewide average of 2.5. “The desired direction is toward a lower score,” according to VHI.

The organization produces the data to help large employers and insurance companies negotiate contracts with healthcare providers.

Last year, Fauquier Hospital provided \$11.9 million worth of charity care, according to the report.

The hospital actually provided patient care valued at \$382.7 million.

But, “third-party” payers (including insurance plans) negotiated contracts that reduced the amount billed by \$211 million, according to the report.

- **Full-time employees:** 690
- **Revenue per admission:** \$11,334
- **Total revenue:** \$140.5 million
- **Profit:** \$19.1 million
- **Margin:** 13.6 percent

Source: Virginia Health Information 2016 Industry Report



Fauquier Hospital's balance sheet at Dec. 31 showed a **net worth of \$138.7 million**, according to VHI.

The institution had assets — including real estate, equipment, cash and receivables — of \$145.6 million versus liabilities of \$7.7 million.

As part of its endowment, valued at \$150 million when the LifePoint merger took place three years ago, the **PATH Foundation** in Warrenton owns 20 percent of Fauquier Health. So, one-fifth of the local hospital's profits go to the foundation, which focuses on community health.

Fauquier in 2015 had highest profit margin among 16 hospitals in the Northwestern region. Those include hospitals in Culpeper, Charlottesville, Fredericksburg, Winchester and other parts of the Shenandoah Valley.

But, Northern Virginia hospitals — most of them not-for-profit institutions — produced even higher margins.

Ranked by their 2015 operating margins, all these selected hospitals, except Fauquier and Reston, are not-for-profit:

- 21.6 percent — **Inova Fair Oaks**, \$66.3 million margin
- 16.6 percent — **Reston Hospital Center**, \$50.2 million
- 14.1 percent — **Inova Loudoun**, \$48.1 million
- 13.6 percent — **Fauquier Hospital**, \$19.1 million
- 11.6 percent — **Haymarket Medical Center**, \$7.8 million
- 9.5 percent — **Inova Fairfax**, \$120.9 million
- 7.4 percent — **Winchester Medical Center**, \$71.4 million
- 5.1 percent — **U.Va. Medical Center (Charlottesville)**, \$94.8 million
- 2 percent — **Mary Washington (Fredericksburg)**, \$9.3 million
- 0.5 percent — **U.Va. Culpeper**, \$312,213 loss
- 8.7 percent — **Novant Prince William (Manassas)**, \$18.4 million loss
- 17.5 percent — **Warren Memorial (Front Royal)**, \$8.57 million loss

Nursing homes

VHI also provided this information on Warrenton nursing homes' financial performance in 2015:

- **Fauquier Health Rehabilitation & Nursing Center** produced a \$1.7 million profit on patient revenue of \$10.8 million.
- **Oak Springs of Warrenton** produced a \$162,453 profit on revenue of \$8.5 million.

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Andy Budd · December 8, 2016 at 12:59 pm

The path foundation has been a huge disappointment to our community. Deserving community non-profits get turned down while frivolous programs get funding. Sure would like to see where the 5+ million annual grants they are supposed to be awarding went the last two years. Our community was robbed. Would love to see Roger Baker's retirement package and Christy Connelly's compensation plan.

Andy Budd

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Peter Dahlquist

At the expense of quality control. There are good people that helped save my father-in law by going the extra mile. And on the other side completely missed a bleeding tumor in his throat. So employees do go beyond but I'm sure they have to answer to management for the added expense.

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