

Frequently Asked Questions

Financial Health of Oregon Hospitals

Why does the report use net income instead of operating margin?

Net income is the **most complete measure of a hospital's annual financial performance** because it captures both operating and non-operating revenue. This gives a full picture of long-term sustainability, whereas operating margin reflects only day-to-day operations and excludes significant gains or losses from investments, financing, or other activities.

Why are non-operating revenues included?

Hospitals rely on revenue sources such as investment returns, interest income, and other public funds. These sources can dramatically influence whether a hospital ends the year with a gain or a loss. Including them ensures the report reflects **total financial resources available to support patient care, community investment, and long-term stability**.

How were differences in hospital fiscal year calendars handled?

Oregon hospitals operate on a variety of fiscal calendars—calendar year, June year-end, September year-end, and others. To improve comparability:

- Data from fiscal years ending in **March or April** were assigned to the **prior calendar year** to align with the majority of hospital data.
- System and facility reports were **aligned where possible**, especially when only system-level filings were available.
- The analysis focuses on **multi-year trends**, which reduces the impact of timing mismatches.

Does the report account for the impact of labor costs?

Not directly. The report does not isolate labor costs as a variable. However, it acknowledges the sharp rise in statewide healthcare costs—especially in 2022—when hospitals experienced **negative margins driven by higher labor, staffing, and contract costs**, among other pressures. The financial data inherently reflects these effects through hospital expenses.



Why does the report focus on trends instead of hospital-to-hospital comparisons?

Direct comparisons between hospitals can be misleading because:

- Hospitals use **different reporting periods**.
- Individual hospitals **vary in reporting methodology** (IRS Form 990, FR-3, or audited statements).
- Hospitals vary widely in **size, location, payer mix, mission, and system affiliation**.

For these reasons, the report emphasizes **changes over time**, which provides a more reliable basis for understanding the financial health of individual hospitals and the statewide system.

Why were Washington hospitals included in some cases?

Two hospitals located in Vancouver, Washington—Legacy Salmon Creek and PeaceHealth Southwest—are operationally integrated into Portland, Oregon’s regional health market. Their inclusion (where data were available) provides a **more accurate and complete picture of system-wide financial health**, particularly for the Portland metro region.

How reliable are the data sources?

The analysis uses the **most reliable public financial filings available**, namely:

- IRS Form 990 (42% of data)
- Audited financial statements (19%)
- Oregon Health Authority FR-3 filings (39%)

A comparison showed that substituting FR-3 data for Form 990s would change 2023 statewide figures by only **–3% for revenue, –4% for expenses, and +2% for profit**.