

# Earnings Call Summary

Hospitals Edition: Q2 2024

September 2024

**ECG** MANAGEMENT  
CONSULTANTS

A Siemens Healthineers Company

# About the Earnings Call Summary

**ECG has reviewed and summarized publicly traded hospital operators' earnings reports and call transcripts to highlight key industry trends and quarterly performance metrics.**



**Community Health Systems** owns, leases, and operates 71 general acute care hospitals and more than 1,000 other sites of care in the US.



**HCA Healthcare** owns and operates hospitals and related healthcare entities in the US. It operates general and acute care hospitals and outpatient healthcare facilities that offer medical and surgical services.



**Tenet Healthcare Corporation** operates as a diversified healthcare services company in the US. The company primarily serves two segments: (1) hospital operations and services and (2) ambulatory care. It operates hospitals, ambulatory surgery centers, imaging centers, and surgical hospitals.



**Universal Health Services** owns and operates 27 inpatient acute care hospitals, 333 inpatient behavioral health facilities, and a broad network of outpatient care facilities in 39 US states.

Sources: S&P Capital IQ and LinkedIn.

# Notable Trends: Q2 2024

**Hospital performance continues to be a story of “haves” and “have-nots.” Those with strong financial performance are targeting growth initiatives and expansion, while struggling operators are searching for answers.**

## Revenue and EBITDA Growth

- Overall, each organization attributed its strong revenue and EBITDA figures to high demand for services and improved operational methodologies, with some downward pressure from inflation.
- Medicaid supplement payments continue to constrain each health system. All organizations highlighted the significant impact these programs are having on their financial performance.
- Each organization noted that reducing premium and contract pay is one of the primary strategies to achieve better margins. Substantial progress has been made in lowering these expenses compared to the pandemic period.

## Labor and Workforce Management

- All organizations continue to reinforce their processes to reduce contract labor and enhance staff retention.
- Notably, there has been robust hiring for nurses, and CHS’s retention of nursing staff has reached the highest levels the organization has seen in years.

## Other Key Trends

- **Investment**  
Significant investment initiatives are underway, with a particular focus on expanding facility capacity and upgrading technology. Hospitals and surgery centers continue to be of interest as investment opportunities.
- **Regulatory**  
Shifting regulatory environments and changes in payer mixes resulted in a higher proportion of commercial covered patients compared to Medicaid patients.

Sources: S&P Capital IQ and public earnings call transcripts.

# Q2 2024 Healthcare Mergers and Acquisitions (M&A) Activity



- CHA's divestiture of hospitals in Cleveland and Tennessee is expected to close in Q3 of 2024.
- CHS notes that it is continuing to review other potential transactions and is receiving inbound interest related to other markets.
- The FTC prevented the acquisition of North Carolina hospitals by Novant Health, prompting CHS to reevaluate its position and seek other opportunities within the market.

## Key Takeaway

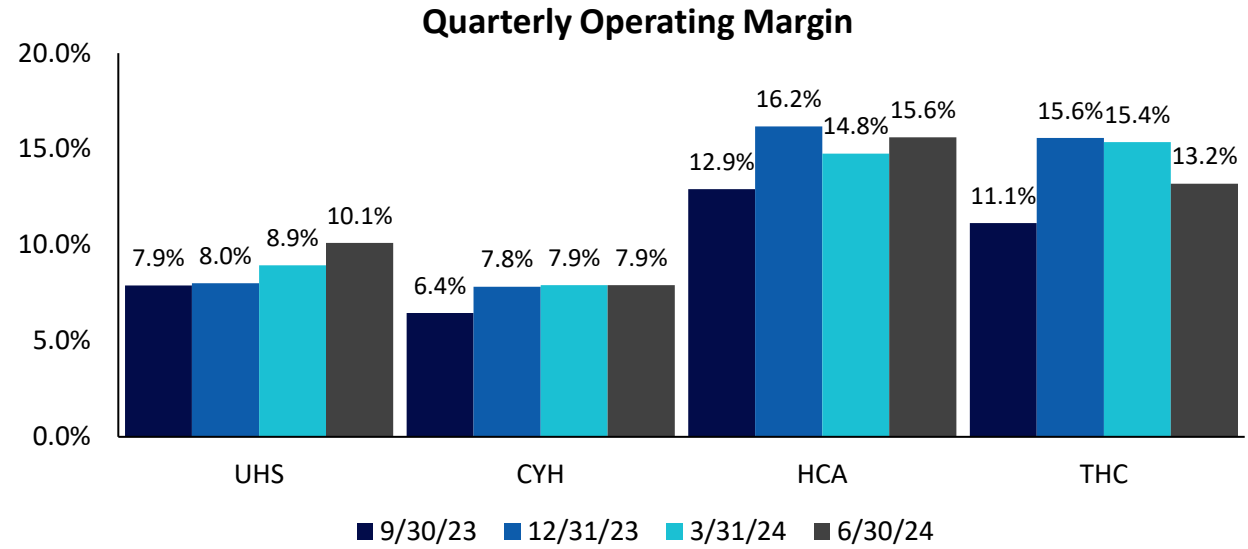
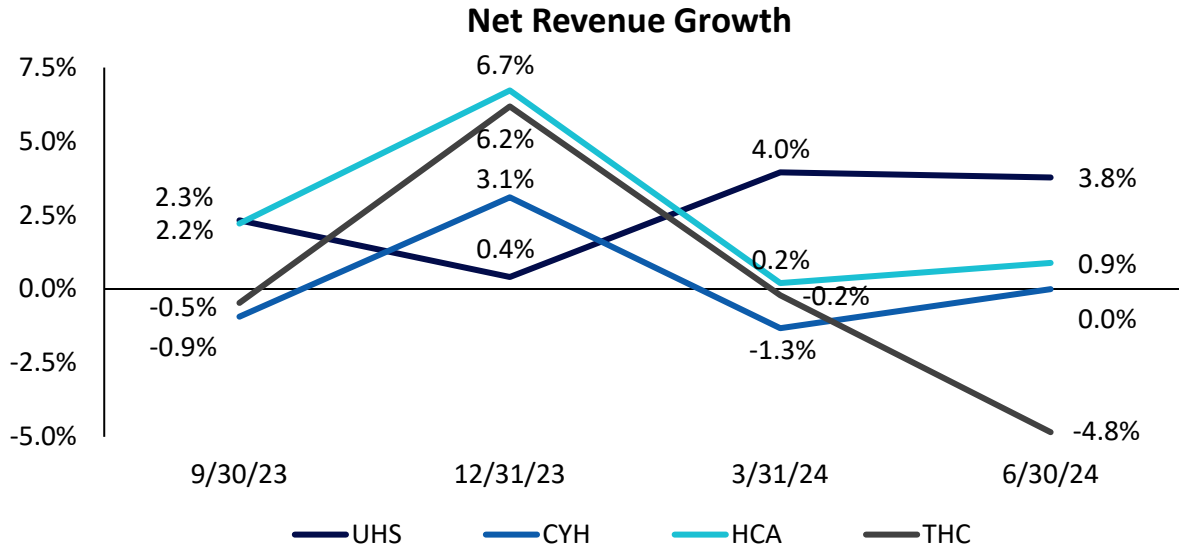
- Tenet, CHS, and HCA have emphasized that acquisition and divestiture activities are a key part of strategic growth and portfolio optimization plans. It is important to note that Universal Health Systems does not report on acquisition and divestiture opportunities.

- HCA added hospitals in North Texas and an outpatient business in Houston. These acquisitions and strategic additions enhance its local market presence.
- HCA expressed that it would continue to review potential acquisitions.

- Tenet highlighted the acquisition of 45 facilities earlier in the year and the SurgCenter Development transaction. The main goal of these acquisitions is to integrate centers into the USPI platform, reinforcing its strategic plan of acquiring more surgery centers.
- In the second quarter of 2024, Tenet invested approximately \$60 million in USPI acquisitions.

Sources: S&P Capital IQ and company investor relations.

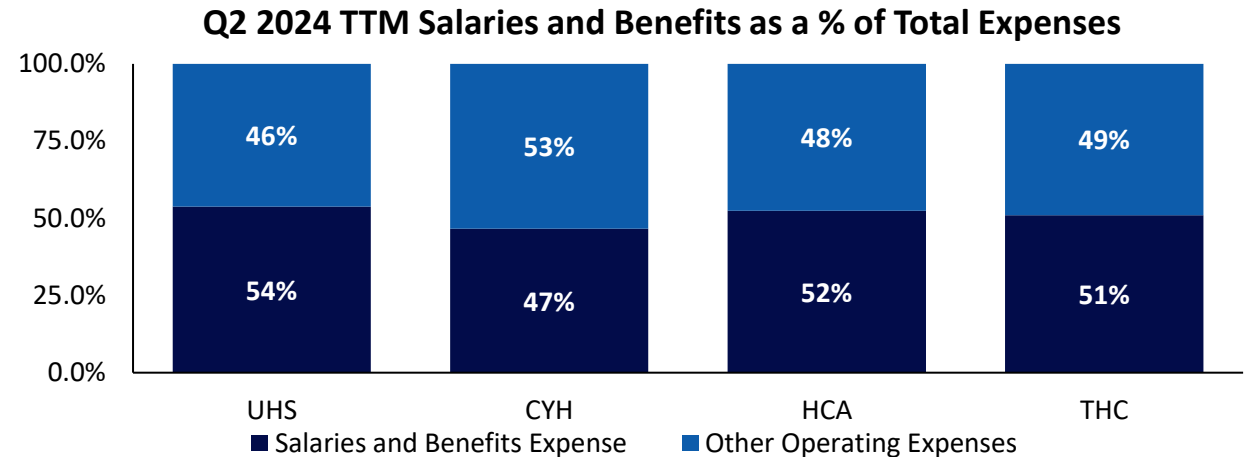
# Financial Performance: Select Metrics



## Key Takeaways

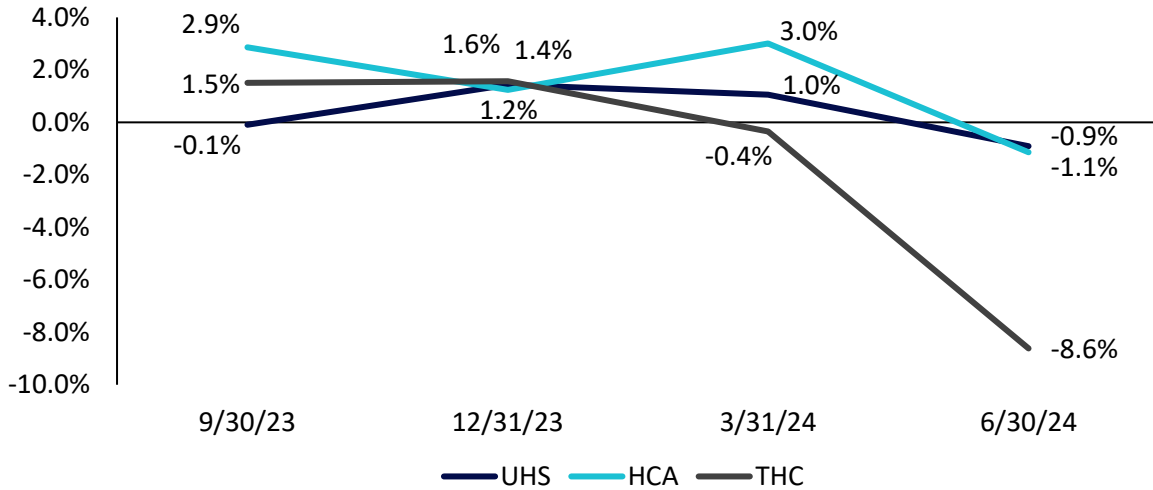
- Tenet Healthcare operating performance was impacted by the sale of nine hospitals in the first quarter of 2024.
- Three out of the four public hospital operators reported salaries and benefits expense greater than 50% of total operating expenses in the last 12 months despite initiatives to reduce labor expense.

Source: S&P Capital IQ.

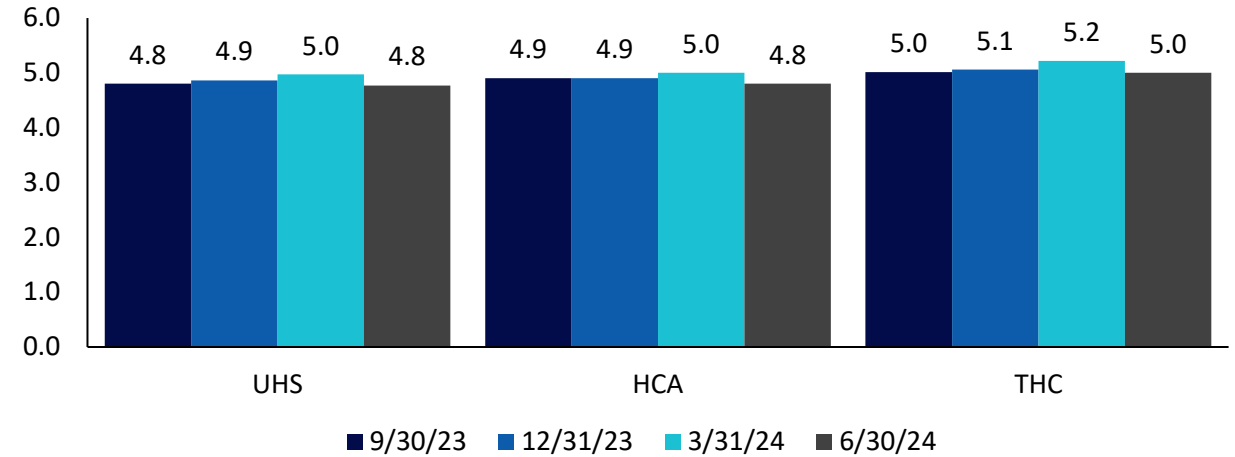


# Operating Performance: Select Metrics

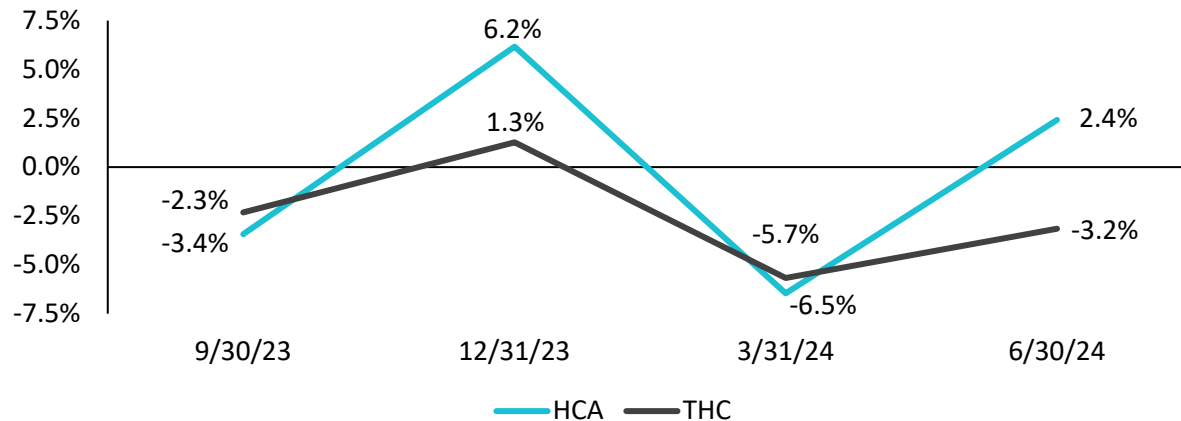
### Inpatient Admissions Growth



### Average Length of Stay (acute care)



### Outpatient Surgery Procedures Growth



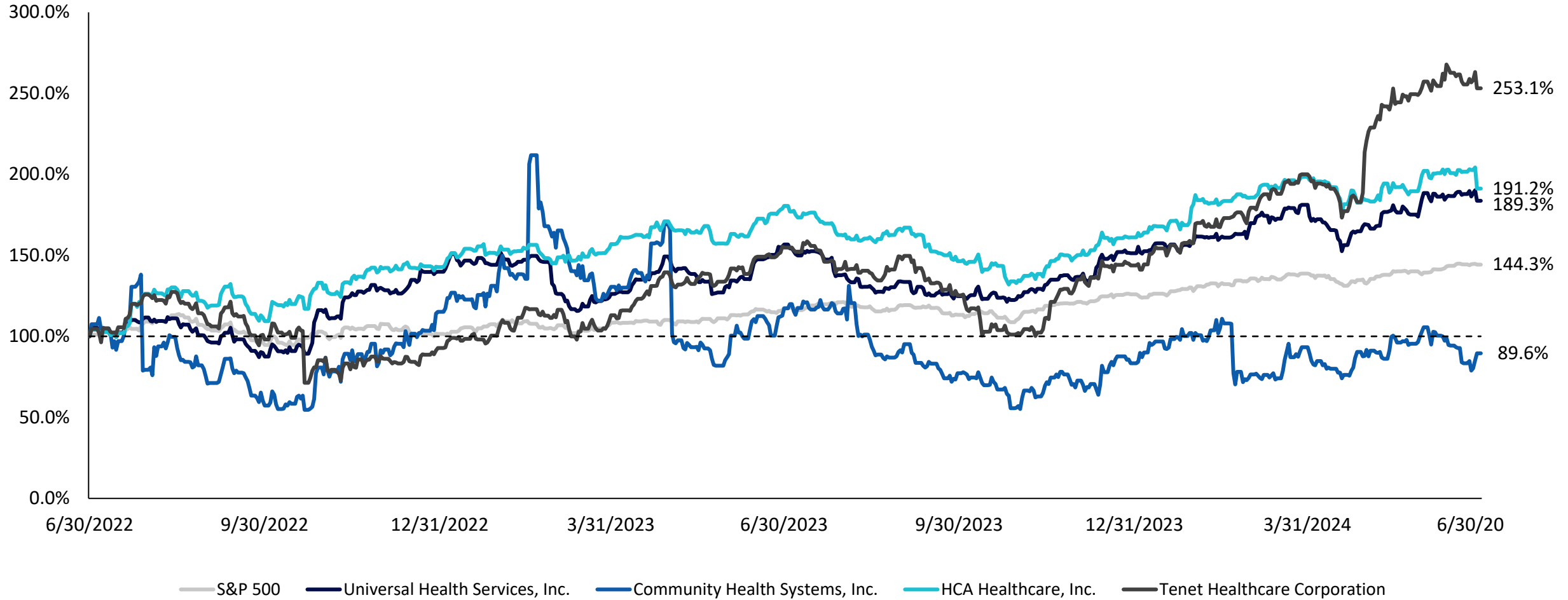
Hospital Operator	Licensed Beds
Universal Health Services	31,076
Community Health Systems	11,902
HCA Healthcare	49,844
Tenet Healthcare	14,085

Sources: S&P Capital IQ and investor relations reports.

Note: CHS does not provide quarterly operating metrics in its investor reports.

# Market Performance

Indexed Market Performance: Public Hospitals versus S&P 500



Source: S&P Capital IQ.

# ECG Mergers, Acquisitions, and Partnerships Team Leadership

From our more than five decades of experience, we've learned that successful problem-solving requires deep industry knowledge and expertise; rigorous data and analytics; strategic foresight; political and organizational savvy; and, most importantly, practical solutions that get implemented.



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