$1.4 Billion in Cash?
The Truth Behind WHC and MedStar’s Finances

If you read the communications from Washington Hospital Center and its parent company, MedStar, about their finances, you would think that the sky is falling. But when it comes to sharing actual data about their financial position, they tend to be a little evasive. Why? Because there are a few interesting surprises in their financial statements, audited by their accounting firm, KPMG.

According to MedStar, in fiscal year 2010 the company actually made a profit, both from operating revenue and returns on their vast investments, of $142 million. This represents a profit margin of 3.6% during a year when many hospitals and health systems broke even or made much less.

So, if MedStar made so much money last year, why do nurses continue to receive letters from administrators about losing money?

What is going on with this?

But wait, there is MORE...

MedStar recently reported on the first three months of the 2011 fiscal year, July through September of 2010. In just three months, MedStar turned a profit of $66 million on operating revenues and investment returns, for a positive margin of 6.7%. If they do even nearly as well as the first three months for the rest of this year they could make $240 million by June 30, 2011. Does this sound like a health system that is struggling?

MedStar’s audited financial statements, easily found with a few clicks on the Internet, also revealed the following:

Right now, MedStar is sitting on $1.46 billion in cash and investments, of which $1.2 billion is in cash and very short term investments. Financial rating companies, the people who evaluate whether a hospital is a good credit risk for borrowing money, usually require hospitals to have 70 days worth of revenues held in cash. This means the hospital is a solid investment risk. With this $1.2 billion in cash, MedStar has 122 days of cash on hand. Does this sound like a health system that is struggling?

Another interesting tidbit from their recent financial statements:

MedStar owns an insurance company in the Cayman Islands where top executives are potentially forced to travel to for occasional winter board meetings.

MedStar would not be able to profit without the dedicated RNs of the Washington Hospital Center. We demand and deserve a fair contract that recognizes our contribution and does not cut our pay and benefits. We also deserve to be treated with respect when it comes to communications about the hospital’s finances.