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## Sutter Health's 2007 financial report reflects a 'pretty stable' company

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*Published 12:00 am PDT Saturday, April 12, 2008*

Sutter Health on Friday reported a 4 percent increase in operating income, but volatility in the investment markets left bottom-line profits flat.

The Sacramento-based network of doctors, hospitals and other providers said it earned \$623 million last year, the same as 2006. Its operating income was up 4 percent to \$471 million.

Revenue increased 7 percent to \$7.65 billion.

Robert Reed, Sutter's chief financial officer, said the results show that Sutter's "business is pretty stable."

Like most medical organizations, Sutter is sensitive to the perception that it might be prospering at the expense of employers and employees who are hard-pressed to pay for health care. Reed called the 7 percent increase in revenue "moderate" and added, "We're keeping it in single digits, and we think that's important."

Sutter's Sacramento Sierra division reported an 18 percent drop in income, to \$120 million. Spokeswoman Nancy Turner said the decline was due partly to a lowering of prices to some insurers.

"We're trying to be more affordable, we're trying to be more affordable to our patients and our health plans," she said.

In 2005 CalPERS, complaining that costs were too high, dropped 38 hospitals statewide from its health maintenance organization. They included 13 Sutter hospitals, four of which were in greater Sacramento.

As a nonprofit organization, Sutter Health must plow its profits back into its business, and Sutter spent \$979 million last year on capital improvements. That compared with \$805 million the year before.

"For me, the highlight is the amount of money we invested in plant, property and equipment," Reed said.

Sutter's ongoing projects include earthquake-proofing programs and a \$660 million upgrade of its complex in midtown Sacramento.

Sutter's bottom-line profit was affected by the investment market and a change in accounting rules.

Under the old rules, Sutter would have reported a 25 percent increase in investment income, which would have higher total profits. The new rules require Sutter to factor in unrealized gains and losses – that is, fluctuations in the value of stocks, bonds and other investments that Sutter hasn't yet sold, Reed said.

Because of that change, Sutter's investment income actually fell, offsetting the improvement in operating income.

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