

Flex Monitoring Team Data Summary Report No. 1

CAH Financial Indicators Report: Summary of Indicator Medians by State*

October 2005



*For all states with post-conversion Medicare Cost Report data
for at least 5 Critical Access Hospitals in 2003

The Flex Monitoring Team is a consortium of the Rural Health Research Centers located at the Universities of Minnesota, North Carolina at Chapel Hill, and Southern Maine. Under contract with the federal Office of Rural Health Policy (PHS Grant No. U27RH01080), the Flex Monitoring Team is cooperatively conducting a performance monitoring project for the Medicare Rural Hospital Flexibility Program (Flex Program). The monitoring project is assessing the impact of the Flex Program on rural hospitals and communities and the role of states in achieving overall program objectives, including improving access to and the quality of health care services; improving the financial performance of Critical Access Hospitals; and engaging rural communities in health care system development.

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Introduction

In Summer 2005, the second issue of the *CAH Financial Indicators Report* was distributed to all Critical Access Hospitals (CAHs) with a Medicare Cost Report for at least 360 days as a CAH in the public use file, and to Flex program coordinators in 45 states that had CAHs. The primary purpose of the report was to provide CAH administrators and state Flex coordinators with twenty comparative financial indicators that were specifically designed to capture the financial performance of CAHs. The report included the hospital value over time, the 2003 state median, and the 2003 national median for each indicator. The indicator values were calculated using the most recent publicly available Medicare Cost Report data.

This report summarizes the 2003 state and national medians for each indicator. The indicators are grouped by financial dimension: profitability, liquidity, capital structure, revenue, cost, and utilization. Information about the definition and interpretation of the indicators can be found in the document “Briefing Paper No. 7. Financial Indicators for Critical Access Hospitals May 2005” which can be downloaded from the Flex Monitoring Team website:

http://www.flexmonitoring.org/documents/BriefingPaper7_FinancialIndicators.pdf

Number of CAHs Included in Median Calculations

The following table includes, by state, the total number of Critical Access Hospitals with a Medicare Cost Report for at least 360 days in period, the minimum required to be included in the calculation of medians. The number of CAHs for a particular indicator may be less than the number in the table if there was unusable data for one or more CAHs in the state.

State	2003 Number of CAHs
AK	4
AR	16
AZ	5
CA	12
CO	16
FL	8
GA	24
HI	6
IA	39
ID	18
IL	20
IN	15
KS	50
KY	12
LA	9
MA	2
ME	7
MI	15
MN	43
MO	15
MS	9
MT	28
NC	11
ND	27
NE	52
NH	4
NM	4
NV	5
NY	6
OH	15
OK	17
OR	10
PA	6
SC	1
SD	27
TN	6
TX	29
UT	2
VA	3
VT	3
WA	25
WI	25
WV	11
WY	2

Profitability Indicators

Profitability is the net result of a large number of reimbursement and managerial policies and decisions and it reflects the combined effects of liquidity, asset management, and debt on operating results. *Profitability indicators* measure the ability to generate the financial return required to replace assets, meet increases in service demands, and compensate investors (in the case of a for-profit organization).

State	Total Margin	Cash Flow Margin	Return on Equity
	%	%	%
US	2.32	4.04	5.33
AR	0.21	2.51	8.03
AZ	2.23	-1.57	10.37
CA	2.18	1.05	7.20
CO	5.81	4.14	7.88
FL	-2.48	-0.67	-11.23
GA	0.91	1.56	9.87
HI	-6.87	-22.31	-29.27
IA	4.65	7.73	6.07
ID	1.77	4.80	6.61
IL	3.77	7.47	10.87
IN	2.15	7.02	4.09
KS	0.65	-4.03	2.01
KY	0.99	4.74	0.50
LA	-1.95	1.99	-3.92
ME	2.33	5.48	3.86
MI	2.39	7.37	5.54
MN	5.19	9.59	7.03
MO	7.17	9.03	19.64
MS	-4.57	-2.39	-21.59
MT	1.25	-2.06	2.25
NC	1.56	5.23	7.41
ND	-2.07	2.07	-2.30
NE	2.56	6.54	4.46
NV	5.40	7.84	4.23
NY	3.25	8.54	5.09
OH	3.30	4.96	7.33
OK	-2.00	-1.34	-3.80
OR	3.00	1.59	6.35
PA	-2.99	1.69	-15.66
SD	2.70	5.05	7.44
TN	1.45	0.53	1.46
TX	3.24	-1.06	7.00
WA	3.41	3.83	6.82
WI	6.43	12.11	14.16
WV	0.75	5.00	3.36

Liquidity Indicators

A liquid asset is one that trades in an active market and hence can be quickly converted to cash at the going market price. An analysis of liquidity asks the question “will the organization be able to pay off its debts as they come due over the next year or so?” *Liquidity indicators* measure the ability to meet cash obligations in a timely manner.

State	Current Ratio	Days Cash on Hand	Days Revenue in Accounts Receivable
	Times	Days	Days
US	2.06	45.34	60.66
AR	2.37	23.33	58.95
AZ	3.46	34.54	71.50
CA	1.49	32.30	59.03
CO	2.01	46.09	59.92
FL	1.37	6.34	47.12
GA	1.89	31.01	60.67
HI	0.40	8.35	59.86
IA	2.13	84.60	58.93
ID	2.99	45.34	70.09
IL	2.83	139.72	62.36
IN	2.55	31.75	65.82
KS	2.42	50.81	58.24
KY	1.26	7.93	64.83
LA	2.41	37.15	78.12
ME	1.19	72.98	43.14
MI	1.96	52.13	42.84
MN	2.12	59.74	59.61
MO	2.49	39.92	59.75
MS	1.07	17.35	69.17
MT	2.40	64.33	61.02
NC	2.00	13.44	84.33
ND	1.59	28.03	59.15
NE	2.83	92.35	61.92
NV	4.38	61.07	72.07
NY	1.68	55.73	75.06
OH	2.05	56.72	58.51
OK	2.02	23.22	68.74
OR	1.47	50.45	66.30
PA	1.04	17.50	57.04
SD	1.88	58.99	55.12
TN	2.36	9.25	56.27
TX	2.09	39.38	71.69
WA	2.28	38.32	58.79
WI	1.83	75.66	57.49
WV	1.41	11.89	59.42

Capital Structure Indicators

The extent to which an organization uses debt financing, or financial leverage, has three important implications. First, debt allows not-for-profit organizations to provide more services than it could if it were financed only by contributed capital and retained earnings. Second, creditors look to the equity to provide a margin of safety, so the higher the proportion of total capital provided by the owners, the less the risk faced by creditors. Third, if the organization earns more on investments financed with borrowed funds than it pays in interest, the return on owner's capital is magnified, or leveraged up. *Capital structure indicators* measure the extent of debt and equity financing.

State	Equity Financing	Debt Service Coverage	Long-Term Debt to Capitalization
	%	Times	%
US	61.93	2.82	21.95
AR	53.26	2.63	11.80
AZ	82.15	2.75	9.87
CA	40.18	2.52	39.59
CO	70.48	3.42	18.57
FL	54.91	1.02	10.93
GA	45.77	0.84	36.35
HI	26.60	See box	24.33
IA	67.13	4.00	21.08
ID	56.78	4.45	33.28
IL	69.41	2.50	24.26
IN	60.66	5.28	25.23
KS	73.91	1.65	7.19
KY	59.05	1.46	12.84
LA	74.26	0.10	0.32
ME	52.22	3.14	38.39
MI	64.14	2.15	28.73
MN	60.22	3.21	29.08
MO	49.02	4.37	29.64
MS	42.75	-0.74	43.44
MT	76.55	2.01	9.41
NC	61.35	-0.19	22.14
ND	58.97	1.64	28.49
NE	70.17	3.54	17.91
NV	75.66	1.97	20.64
NY	76.83	0.27	12.45
OH	63.39	3.48	18.07
OK	35.57	0.90	13.32
OR	33.77	25.61	37.63
PA	33.96	0.35	49.14
SD	62.10	4.44	15.85
TN	60.61	7.10	3.16
TX	65.71	2.44	5.29
WA	58.24	3.57	30.66
WI	56.27	5.95	30.96
WV	45.51	1.26	34.05

No debt service coverage is available for Hawaii in 2003 because all reporting CAHs had invalid indicator values. See Briefing Paper No. 7 cited in Introduction section for details.

Revenue Indicators

Most organizations receive revenues from many sources and relative profitability often varies among sources. A substantial proportion of revenue from commercial and private payers reduces reliance on the fixed margins of Medicare and Medicaid. *Revenue indicators* measure the amount and mix of different sources of revenue.

State	Outpatient Revenues to Total Revenues	Patient Deductions	Medicare Inpatient Payer Mix	Medicare Outpatient Payer Mix	Medicare Outpatient Cost to Charge	Medicare Revenue per Day
	%	%	%	%	Times	\$
US	61.82	24.71	77.94	36.39	0.56	1329
AR	59.94	34.57	79.42	42.89	0.49	1062
AZ	77.71	38.26	66.80	35.04	0.48	1331
CA	59.61	37.39	68.76	24.11	0.50	1687
CO	60.23	30.23	76.39	37.13	0.57	1632
FL	56.31	50.92	73.58	30.99	0.37	1301
GA	54.35	29.21	71.89	31.09	0.53	1132
HI	42.88	35.23	23.30	15.41	0.95	1512
IA	69.24	18.78	80.27	45.20	0.59	1422
ID	63.12	15.30	62.85	33.67	0.64	1573
IL	63.68	29.46	80.99	38.50	0.49	1345
IN	71.52	33.85	70.99	33.33	0.48	1467
KS	58.54	19.89	85.74	43.60	0.65	1272
KY	63.78	45.05	73.77	30.66	0.39	1092
LA	64.44	35.39	74.39	34.80	0.59	1157
ME	65.48	26.71	75.76	42.22	0.47	1579
MI	68.26	21.49	78.42	42.23	0.55	1772
MN	53.69	21.35	75.32	36.92	0.52	1382
MO	75.94	33.79	77.56	39.91	0.46	1186
MS	53.88	32.83	86.46	29.25	0.50	990
MT	44.53	13.24	84.00	29.96	0.73	1092
NC	68.80	35.93	76.82	34.31	0.67	1145
ND	52.13	16.60	86.46	43.97	0.61	928
NE	59.81	17.96	80.68	45.72	0.61	1277
NV	57.33	22.26	64.32	24.48	0.72	2062
NY	63.98	37.50	74.88	31.14	0.49	1248
OH	73.43	35.26	74.26	28.54	0.44	1593
OK	52.69	30.17	81.01	33.81	0.62	1115
OR	59.67	21.01	65.66	32.14	0.69	1818
PA	64.16	45.27	70.25	34.63	0.44	1175
SD	49.41	17.31	90.59	45.05	0.62	1090
TN	67.16	46.14	75.64	33.58	0.43	1212
TX	65.94	33.84	71.09	32.00	0.64	1479
WA	63.59	23.35	68.89	27.11	0.61	1561
WI	59.74	28.78	78.27	35.63	0.53	1451
WV	68.69	31.71	83.99	33.46	0.54	1076

Cost Indicators

Most organizations incur labor, supply, and capital costs. Cost management reduces the likelihood of financial problems due to low productivity, poor inventory management, and excessive asset acquisition costs. *Cost indicators* measure the amount and mix of different types of costs.

State	Salaries to Total Expenses	Average Age of Plant	FTEs per Adjusted Occupied Bed
	%	Years	FTEs
US	46.06	11.36	6.19
AR	42.91	13.21	4.55
AZ	46.34	5.24	5.96
CA	45.01	14.35	12.78
CO	48.61	12.54	6.79
FL	46.29	3.70	4.76
GA	44.61	13.08	5.54
HI	44.26	18.75	16.39
IA	43.53	11.97	5.99
ID	44.90	9.24	7.37
IL	45.18	10.29	6.29
IN	43.43	10.06	4.94
KS	47.99	13.33	6.51
KY	44.27	8.96	5.74
LA	42.87	12.80	4.62
ME	46.62	10.56	6.88
MI	49.33	13.33	7.88
MN	45.44	9.78	12.08
MO	47.12	11.76	5.05
MS	43.31	5.81	4.48
MT	52.06	12.81	9.89
NC	43.07	10.44	4.02
ND	51.85	14.93	8.54
NE	48.44	11.18	6.07
NV	40.72	8.84	11.66
NY	45.39	10.80	3.68
OH	41.67	12.42	4.94
OK	50.10	14.74	5.41
OR	45.18	6.05	6.04
PA	40.69	12.62	6.19
SD	48.14	13.81	6.14
TN	42.22	7.94	4.35
TX	41.98	13.50	6.15
WA	50.51	10.89	8.32
WI	44.90	9.75	5.66
WV	48.23	10.97	6.99

Utilization Indicators

Overhead costs are incurred on all assets, whether used or not. More patient activity generates higher revenues and reduces unit costs by spreading fixed costs over more patients. *Utilization indicators* measure the extent to which fixed assets (beds) are fully occupied.

State	Average Daily Census Swing-SNF Beds	Average Daily Census Acute Beds
	Beds	Beds
US	1.52	3.12
AR	1.21	5.74
AZ	0.20	3.00
CA	0.82	1.91
CO	1.24	2.77
FL	1.20	3.72
GA	1.84	4.77
HI	1.23	0.38
IA	1.85	2.66
ID	0.49	3.37
IL	2.18	5.04
IN	1.60	6.91
KS	1.29	1.76
KY	1.98	5.63
LA	1.23	3.06
ME	2.66	6.88
MI	0.54	2.84
MN	1.20	3.09
MO	1.40	2.98
MS	4.22	5.17
MT	1.21	1.35
NC	1.42	3.67
ND	1.85	1.88
NE	1.72	2.56
NV	0.51	0.74
NY	2.86	2.26
OH	2.15	6.73
OK	1.44	2.83
OR	1.55	3.72
PA	2.55	5.30
SD	1.83	1.73
TN	1.90	4.36
TX	1.05	1.71
WA	0.99	3.44
WI	2.68	4.40
WV	1.75	4.64