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Phase I – Phase IV Report: Financial and Operational Ratios

Rural Hospital Stabilization Committee Meeting

Sarah M. Dekutowski and Charles R. Horne

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Data Sources and Notes

- Gathered financial, operational, and statistical data gathered from all of the hospitals in Phases 1-4
- Obtained from audited financial statements, cost reports, and other sources provided by the hospitals
- Summarized individual hospital data to calculate and present various financial ratios, indicators, and other information

Data Sources and Notes

- Presented most recent six years of available data with reporting to the closest corresponding fiscal year
- Utilized the most recent fiscal year data if any years were incomplete for an individual hospital
- Excluded individual hospital data elements if data element was not consistently prepared

Comparative Ratios

- 2020 Almanac of Hospital Financial and Operating Indicators published by Optum360
- 2018 data from Medicare Cost Report filings
- Georgia - Average of all Georgia Hospitals
- National Rural - average of Rural Hospitals with revenues less than \$90 million

Ratio Name

- Ratio Type
- Desired trend
- Definition
- Formula

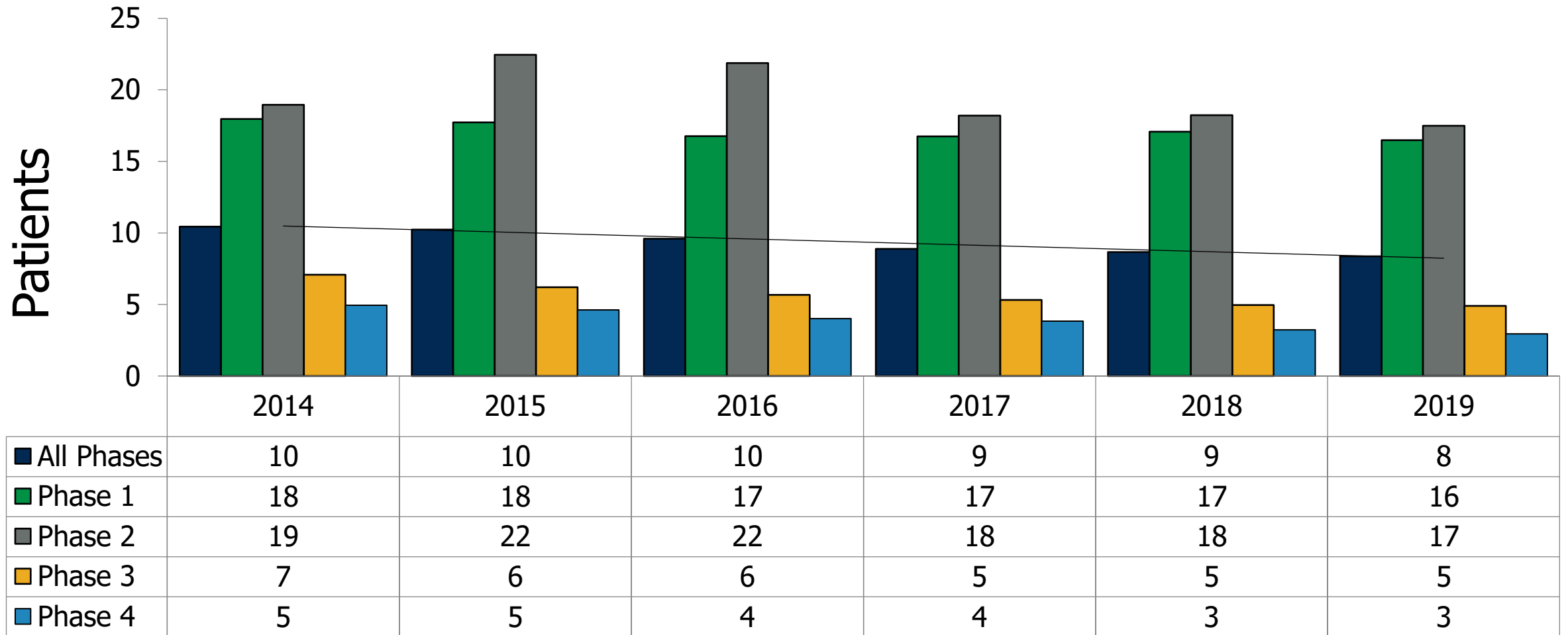
Average Daily Census

- Volume
- Increasing
- Measures the average number of adult and pediatric inpatient days over a fiscal year. Excludes swingbed and nursery days.

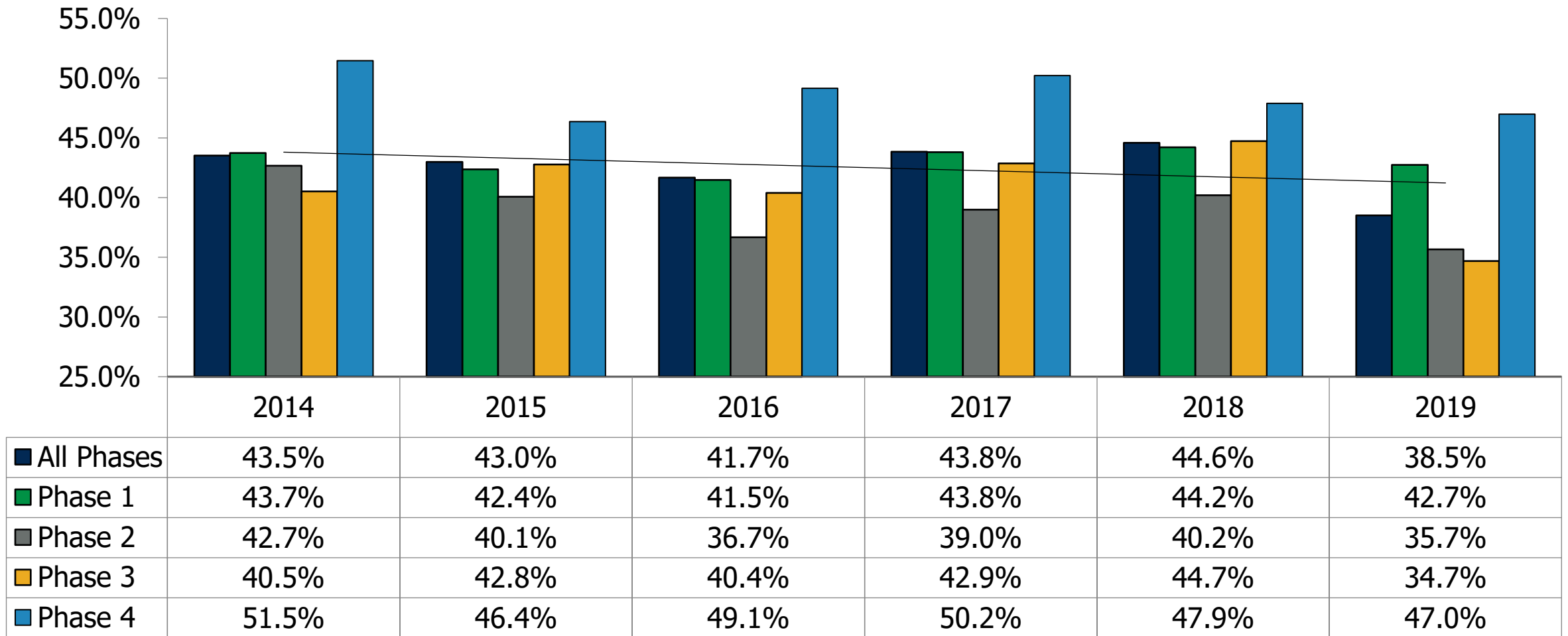
Total Adults & Pediatrics Inpatient Days

365

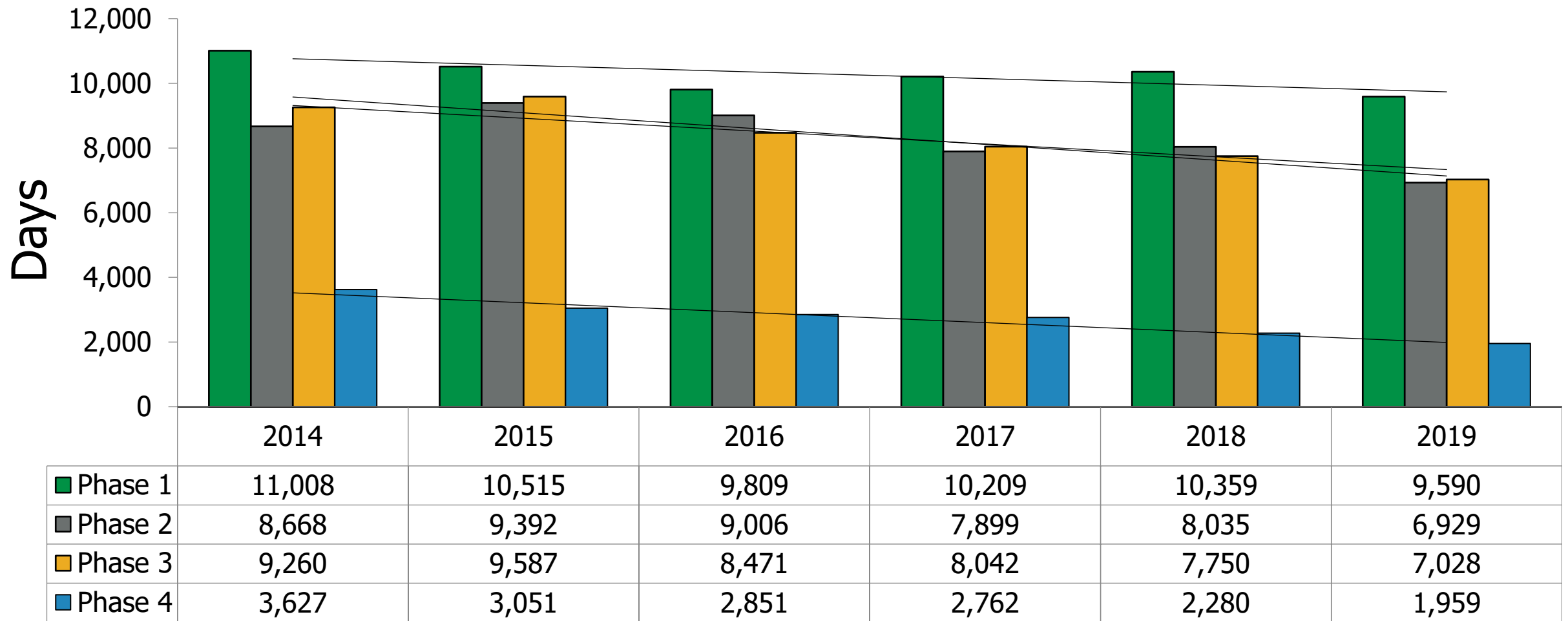
Average Daily Census



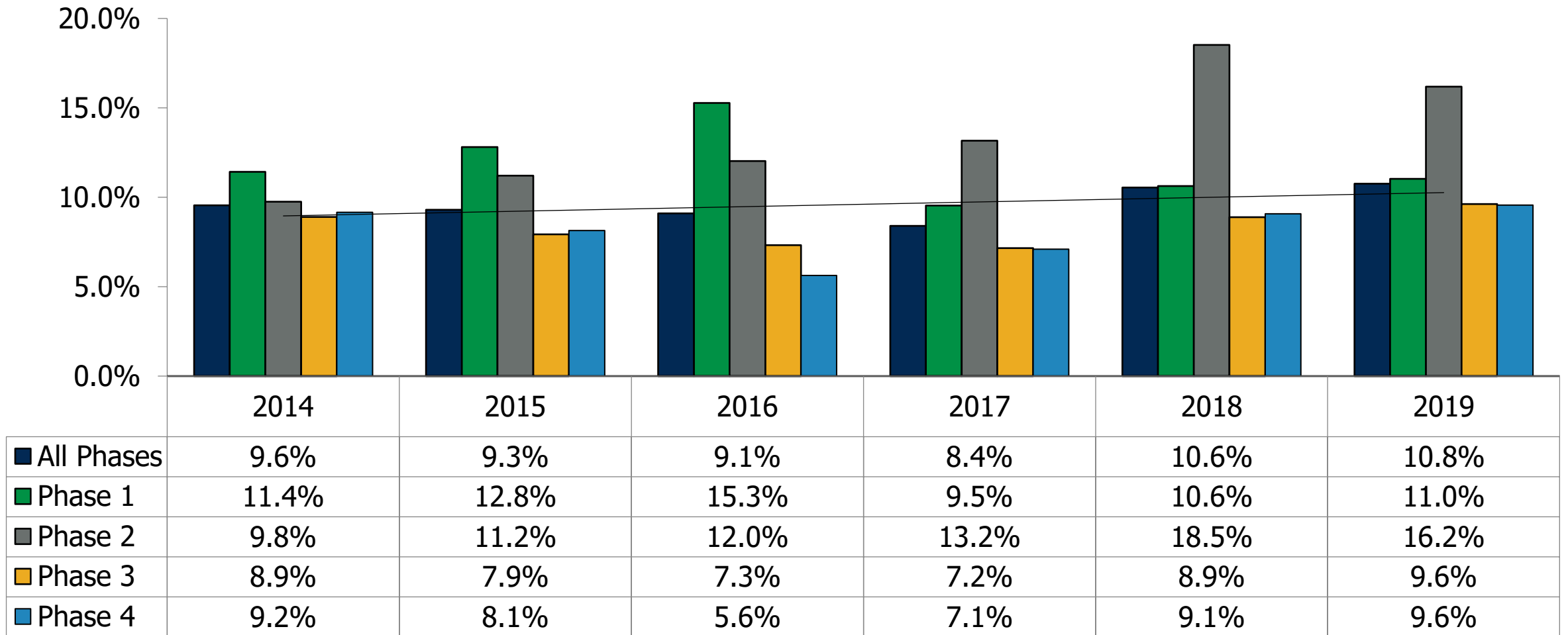
Patient Mix – I/P Days – Medicare %



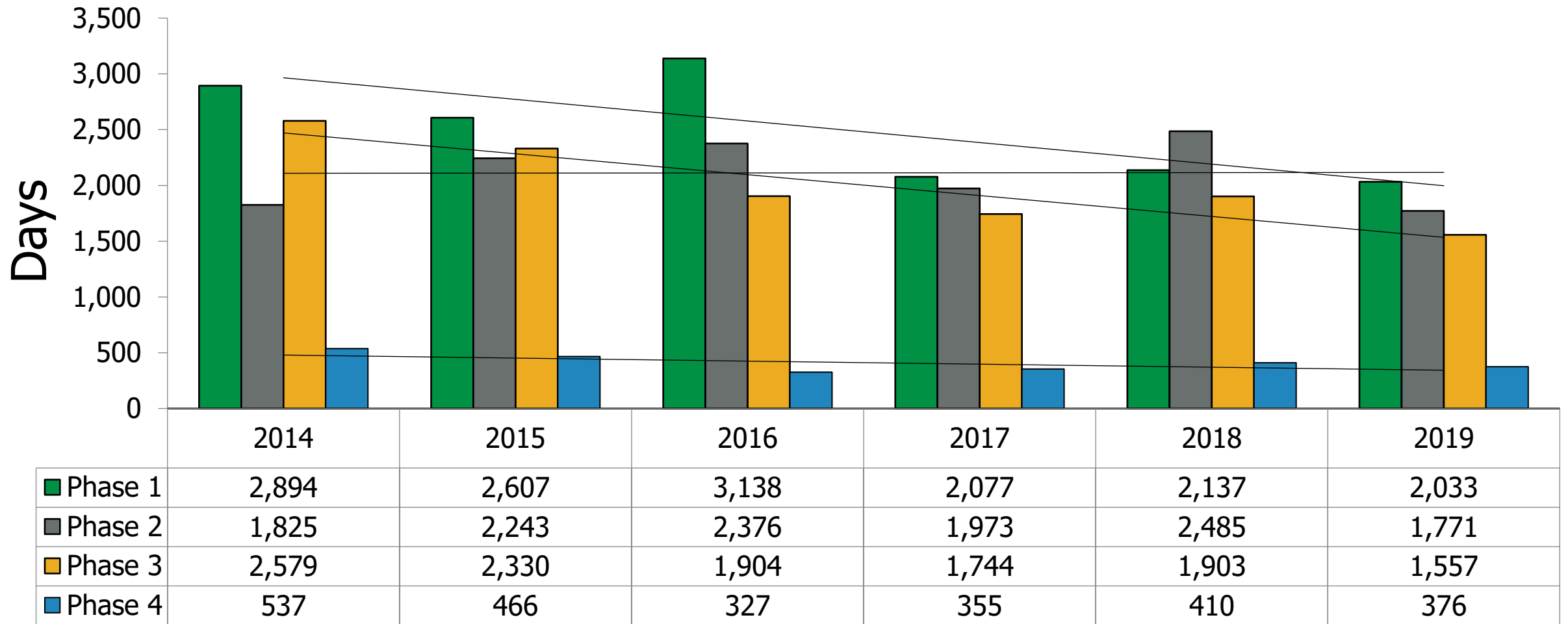
Patient Mix – I/P Days – Medicare Days



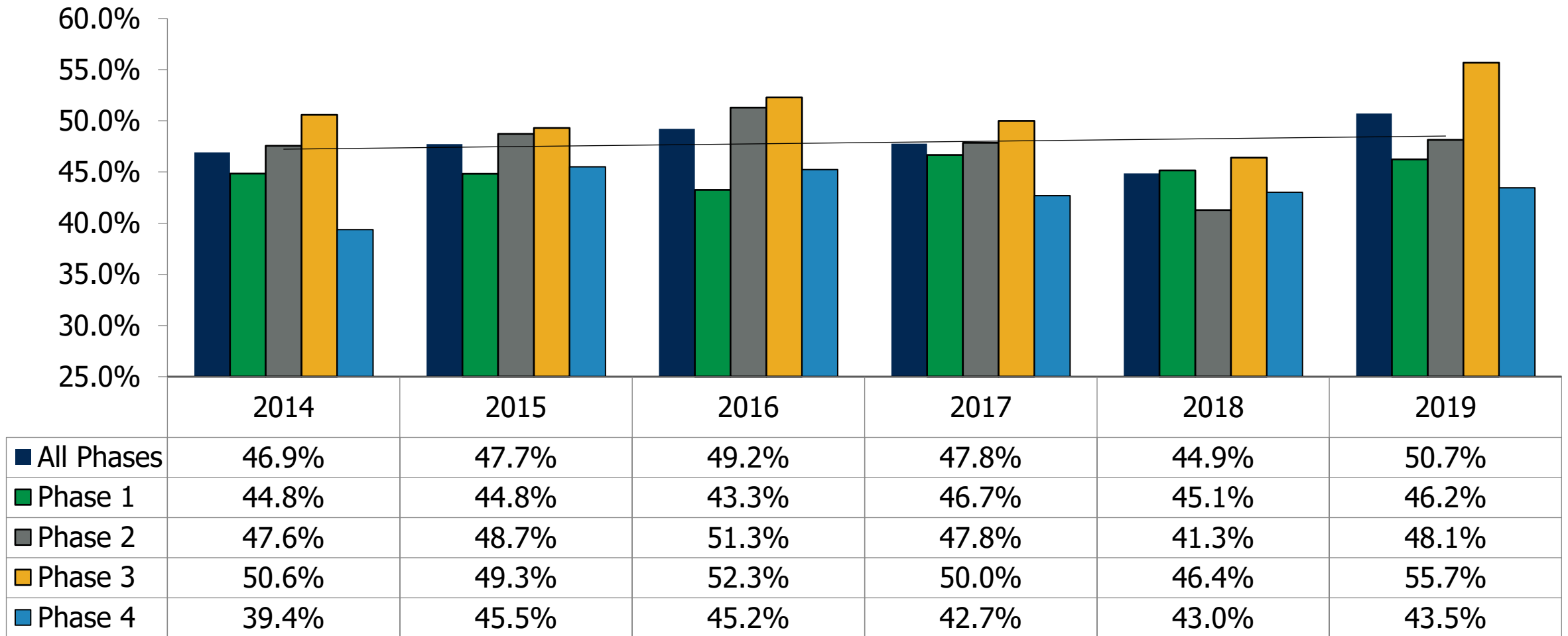
Patient Mix – I/P Days – Medicaid %



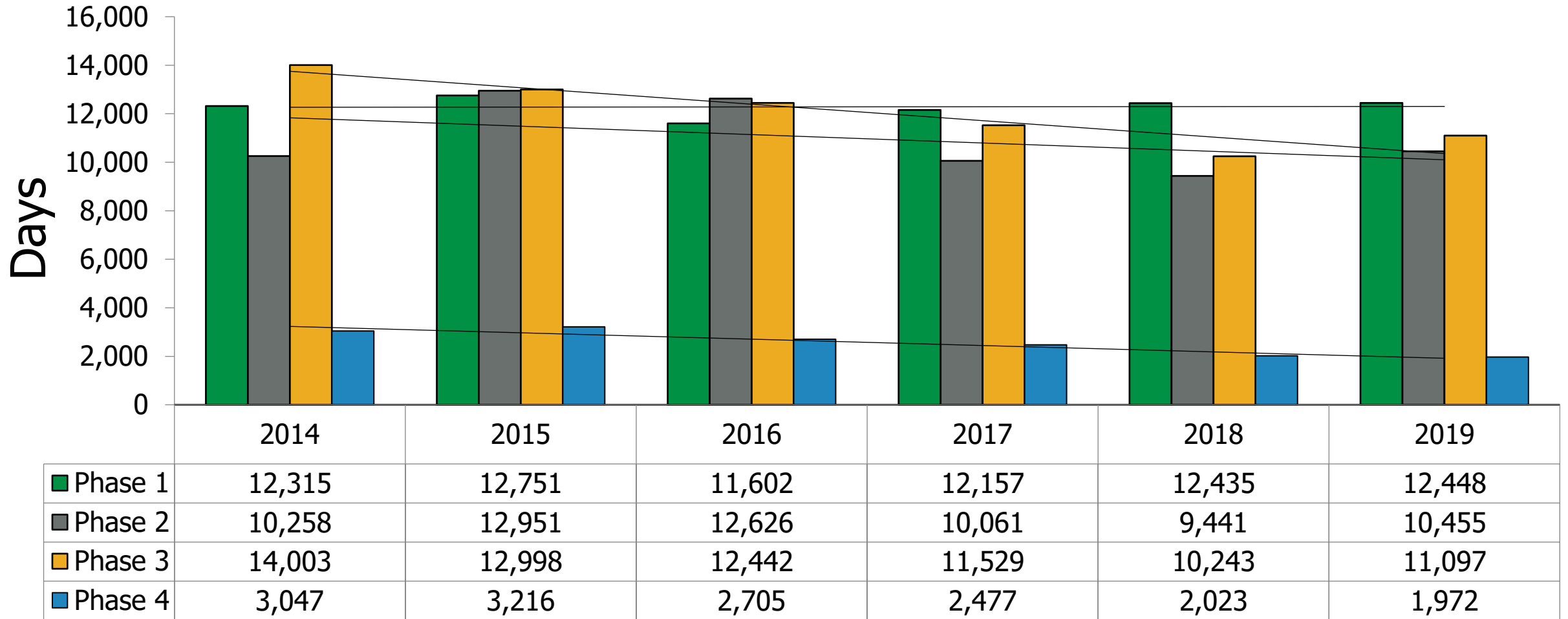
Patient Mix – I/P Days – Medicaid Days



Patient Mix – I/P Days – Other %



Patient Mix – I/P Days – Other Days



Average Daily Census – Adjusted for O/P Equivalency

- Volume
- Increasing
- Measures the average number of adjusted patient days over a fiscal year. Numerator consists of inpatient adult and pediatric days plus outpatient equivalent days. Unit measure of volume incorporating outpatient services.

Total Adjusted Patient Days

365

O/P Equivalent Days

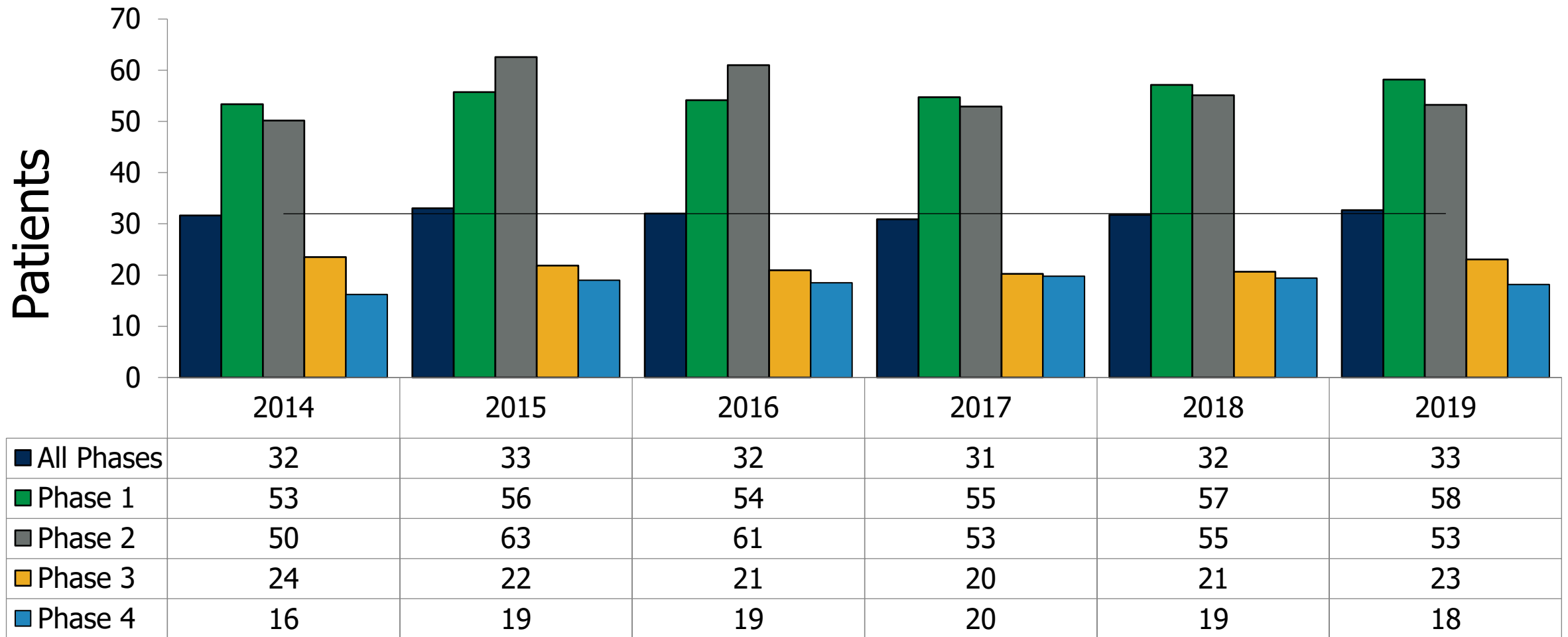
Outpatient Revenue

Average Inpatient Revenue per Day

Adjusted Patient Days

I/P Days + O/P Equivalent Days

Average Daily Census – Adjusted for O/P Equivalency



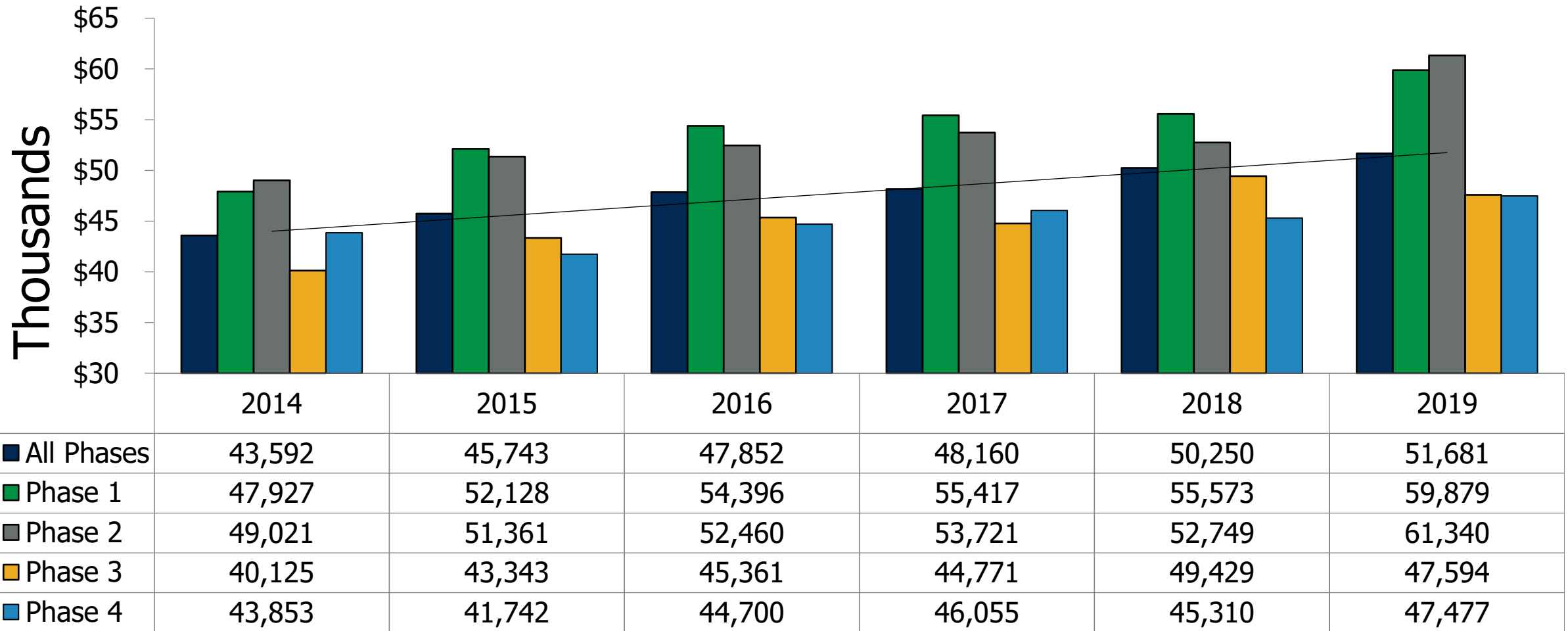
Salary per FTE

- Unit Cost of Inputs
- Depends
- Measures the average salary per full time equivalent (FTE). Full time equivalent determined by dividing total fiscal year paid hours by 2,080 hours (40 hours times 52 weeks). Salaries typically the largest resource item used in the provision of healthcare services.

$$\frac{\text{Total Salary Expense}}{\text{FTEs}}$$

Salary per FTE

Georgia - \$58,695
Nat'l Rural - \$52,861



Net Days in Net Patient Accounts Receivable

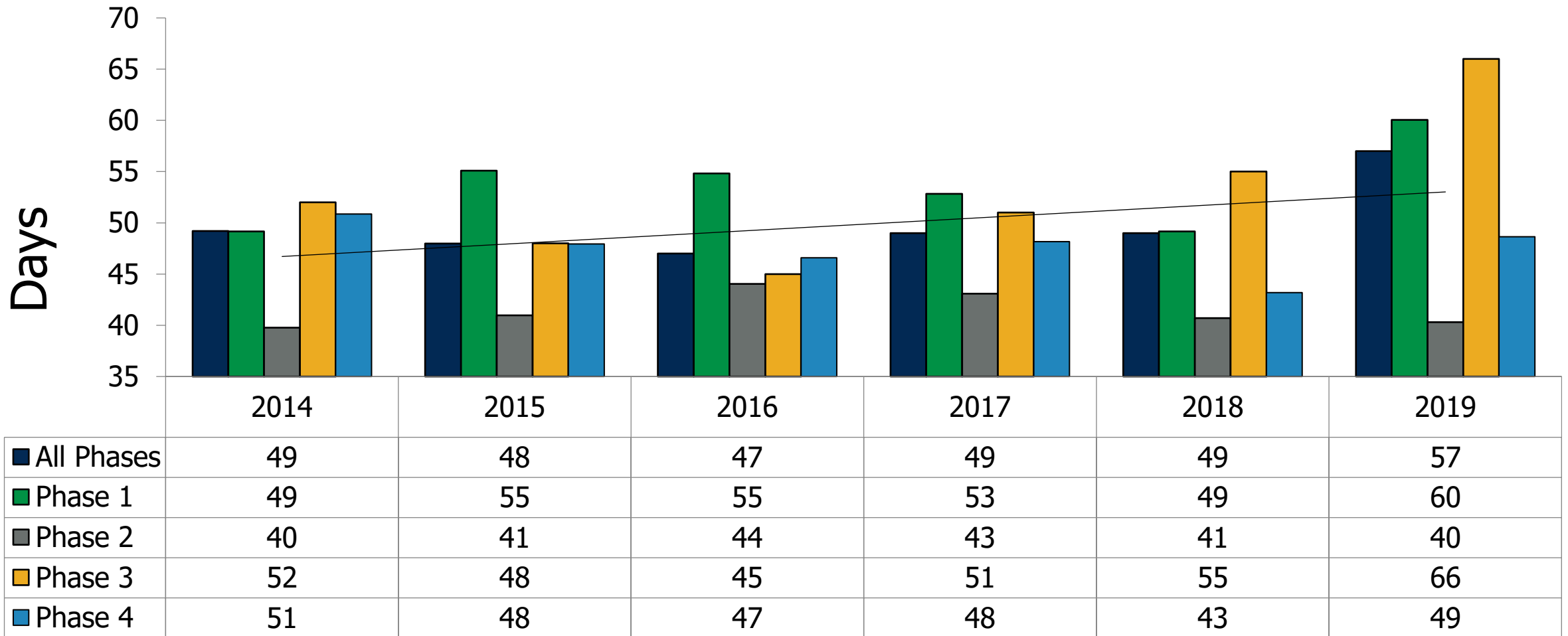
- Liquidity
- Decreasing
- Measures the average time that receivables are outstanding, or the average collection period. High values imply longer collection periods and thus a need for the hospital to finance its investment in accounts receivable.

Net Patient Accounts Receivable

Net Patient Service Revenue/365

Net Days in Net Patient Accounts Receivable

Georgia – 57
Nat'l Rural – 61



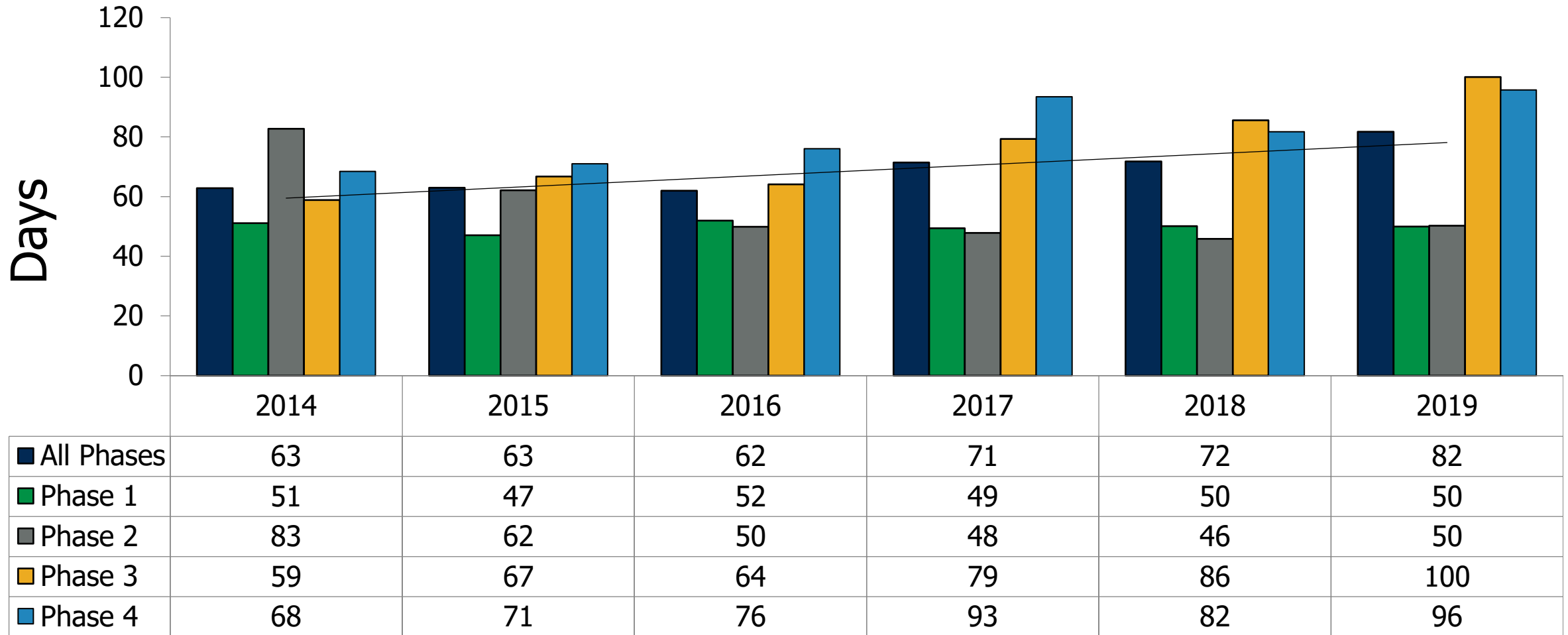
Average Payment Period

- Liquidity
- Decreasing
- Measures the average time that elapses before current liabilities are paid. The denominator is an estimate of the hospital's average daily cash expenses minus depreciation. Creditors regard high values for this ratio as an indication of potential liquidity problems.

$$\frac{\text{Current Liabilities}}{(\text{Total Expenses} - \text{Depreciation})/365}$$

Average Payment Period

Georgia – 56
Nat'l Rural – 76



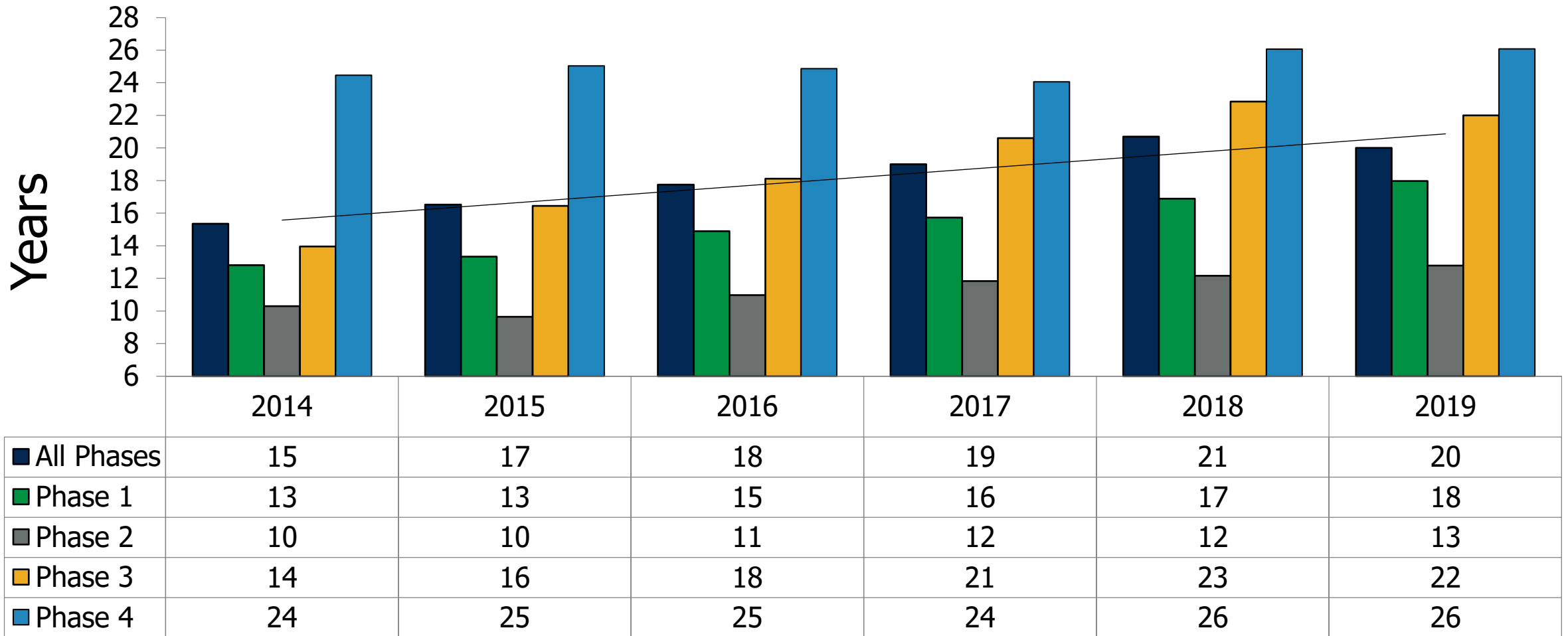
Average Age of Plant

- Asset Efficiency
- Decreasing
- Measures the average age of the hospital's fixed assets in years. Lower values indicate a newer fixed asset base and thus less need for near term replacement.

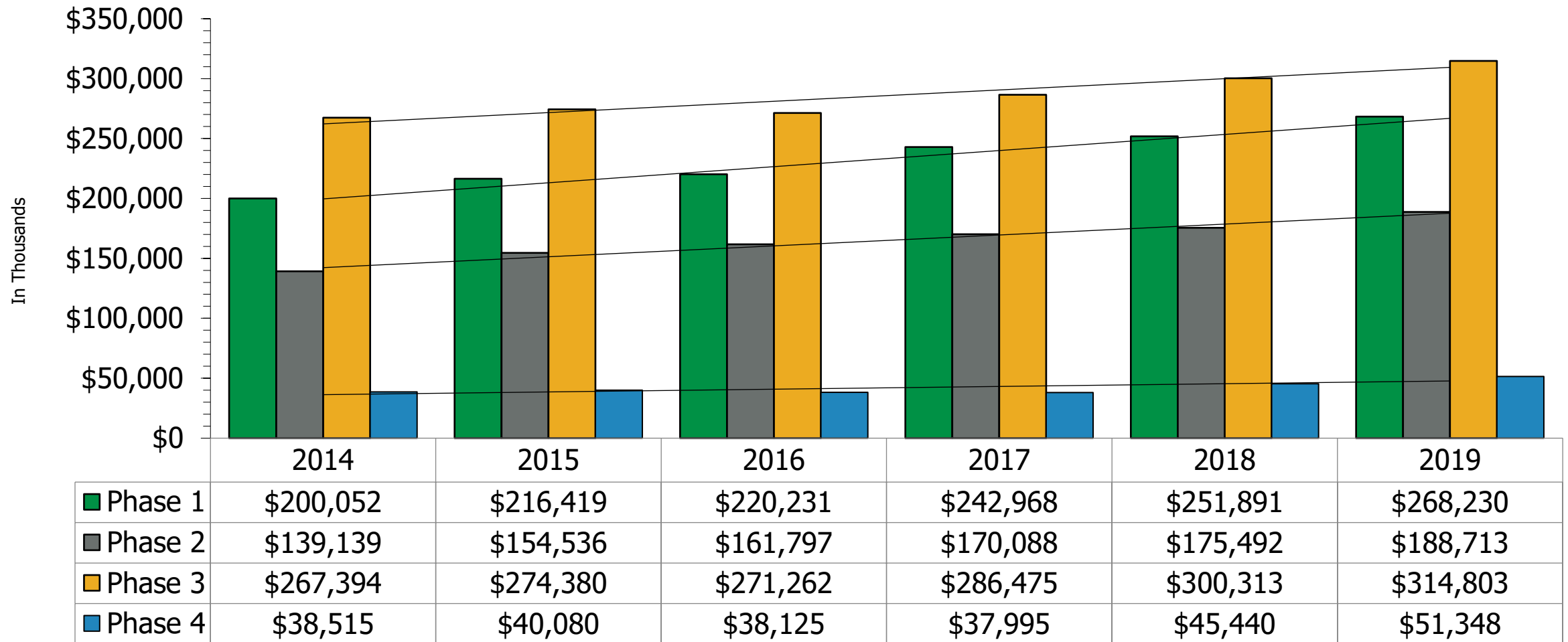
$$\frac{\text{Accumulated Depreciation}}{\text{Depreciation Expense}}$$

Average Age of Plant

Georgia – 14
Nat'l Rural – 15



Total Operating Revenues



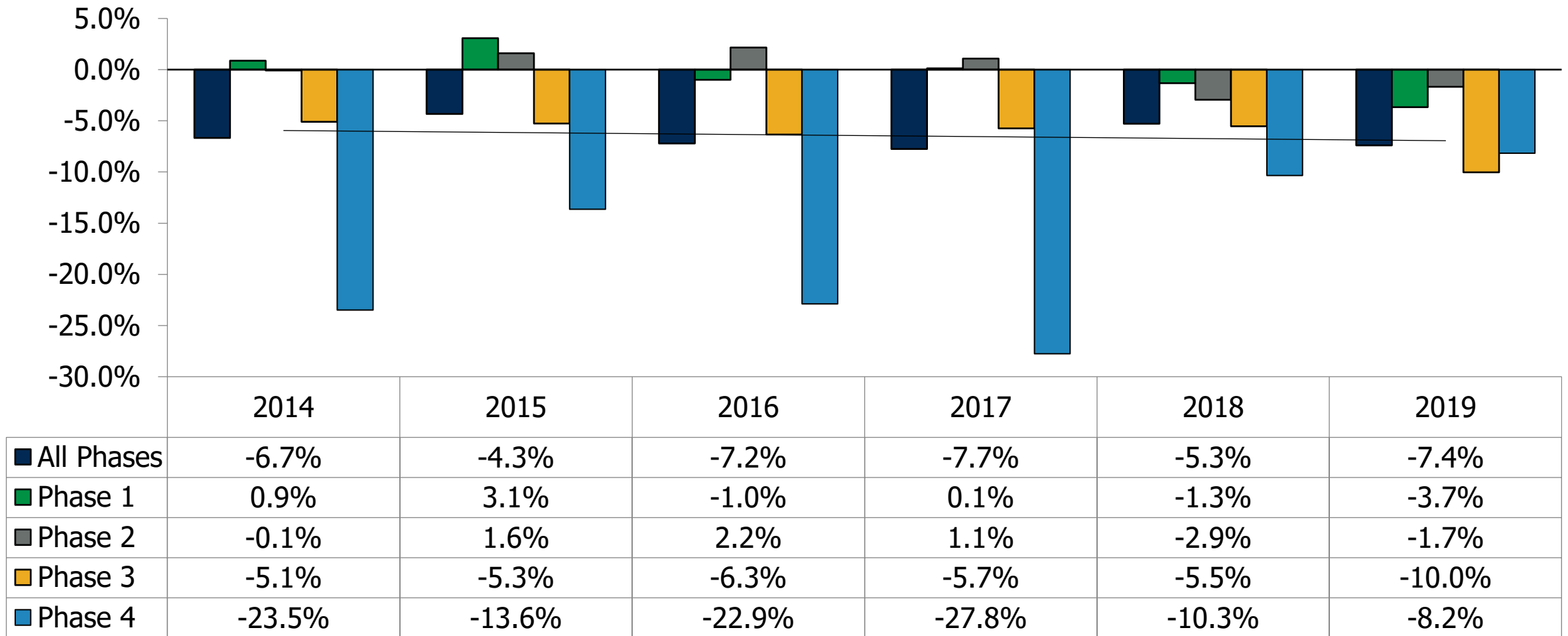
Operating Margin

- Profitability
- Increasing
- Reflects the proportion of operating revenue retained as income, and is a measure of a hospital's profitability from the provision of patient care services and other hospital operations.

$$\frac{\text{Operating Revenue} - \text{Total Expenses}}{\text{Operating Revenue}}$$

Operating Margin

Georgia – Positive 3.4%
Nat'l Rural – Negative 1.4%



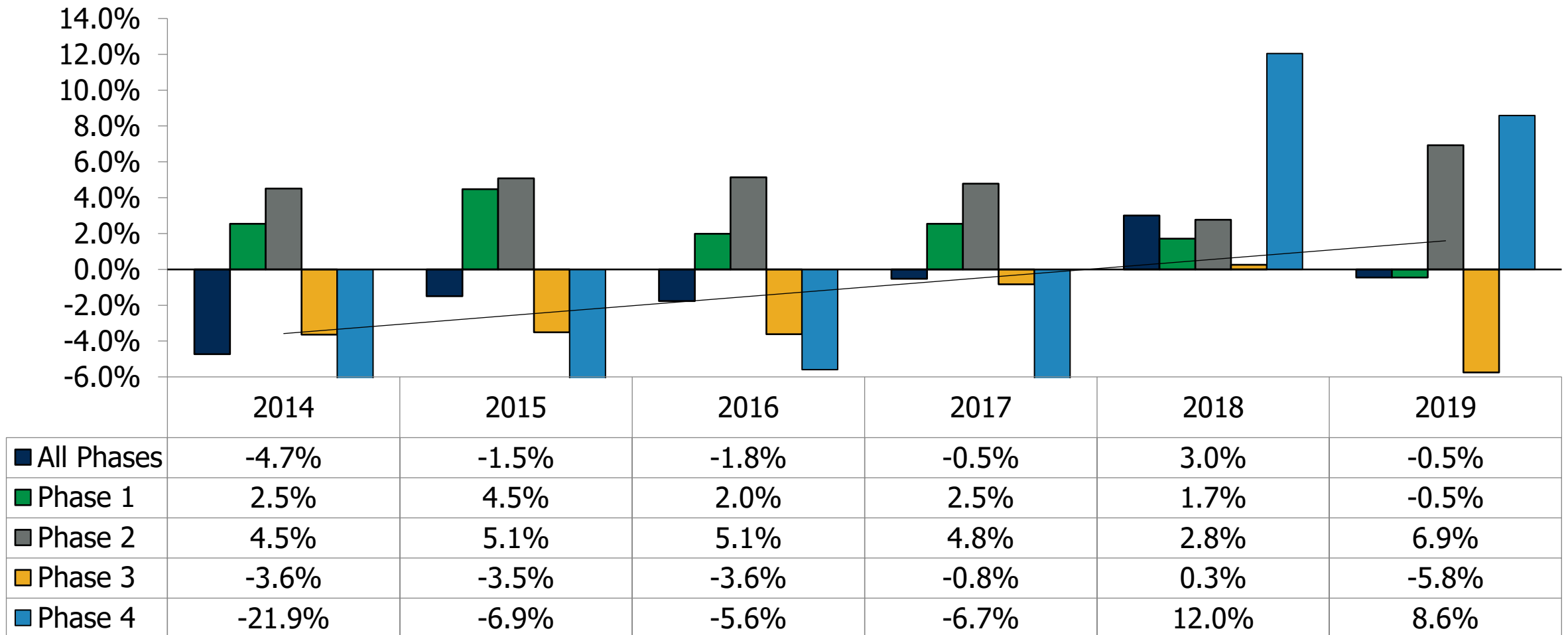
Total Margin

- Profitability
- Increasing
- Defines the percentage of total revenue that has been realized in the form of net income, or excess revenues over expenses. Used by many as a primary measure of hospital profitability.

$$\frac{\text{Excess of Revenues (Expenses)}}{\text{Total Revenue}}$$

Total Margin

Georgia – Positive 5.4%
Nat'l Rural – Positive 0.8%



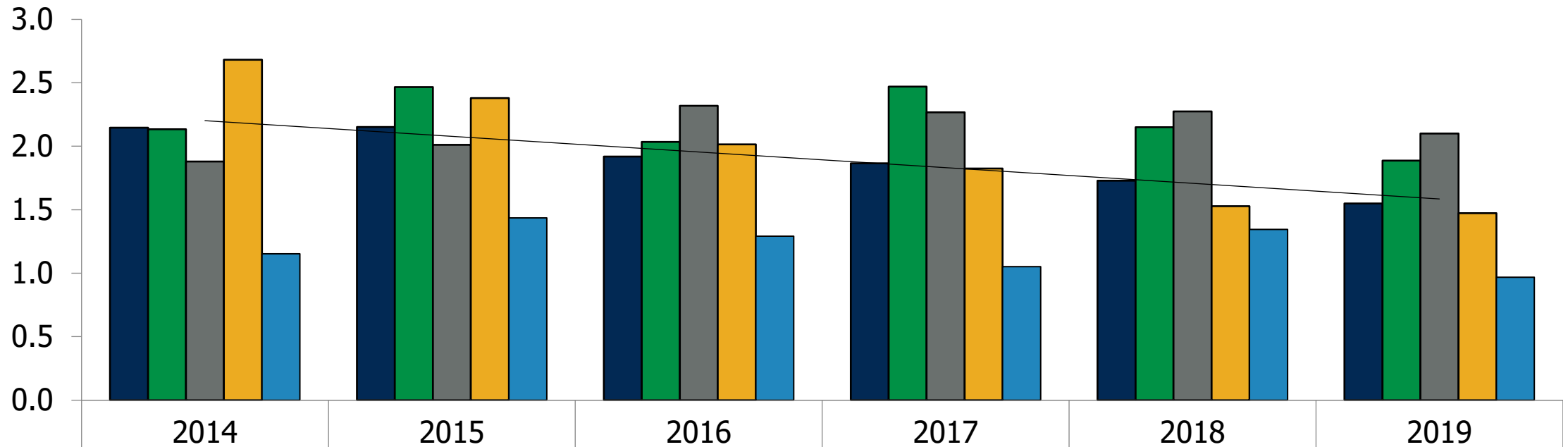
Current Ratio

- Liquidity
- Increasing
- Measures the number of dollars held in current assets per dollar of current liabilities. Most widely used measure of liquidity. High values imply a good ability to pay short term obligations and thus a low probability of technical insolvency.

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Current Ratio

Georgia – 2.2
Nat'l Rural – 1.7



■ All Phases	2.1	2.2	1.9	1.9	1.7	1.5
■ Phase 1	2.1	2.5	2.0	2.5	2.2	1.9
■ Phase 2	1.9	2.0	2.3	2.3	2.3	2.1
■ Phase 3	2.7	2.4	2.0	1.8	1.5	1.5
■ Phase 4	1.2	1.4	1.3	1.1	1.3	1.0

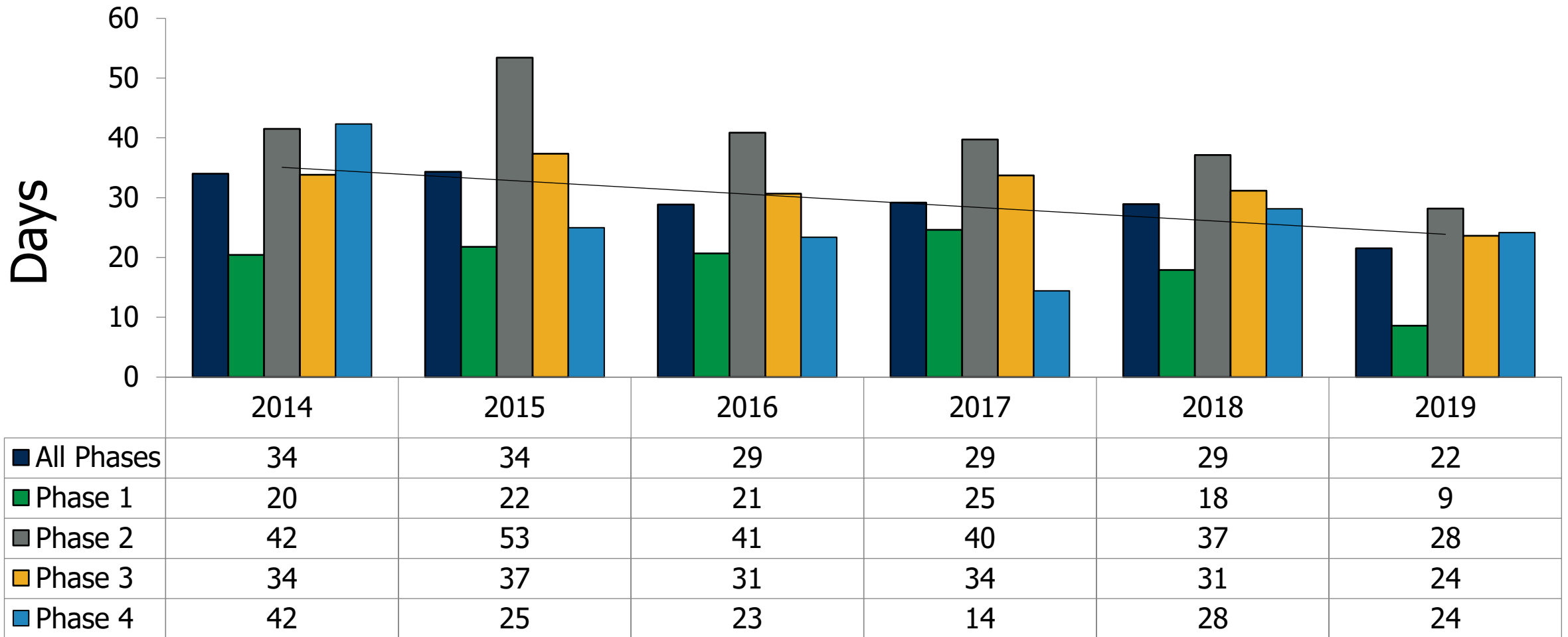
Days Cash on Hand – Short-Term Sources

- Liquidity
- Increasing
- Measures the number of days of average cash expenses that the hospital maintains in cash and marketable securities which are classified as current assets. The denominator measures the average daily cash expenses, less depreciation. High values usually imply a greater ability to meet short-term obligations and are viewed favorably by creditors.

$$\frac{\text{Cash} + \text{Short-Term Investments}}{(\text{Total Expenses} - \text{Depreciation})/365}$$

Days Cash on Hand – Short-Term Sources

Georgia – 30
Nat'l Rural – 36



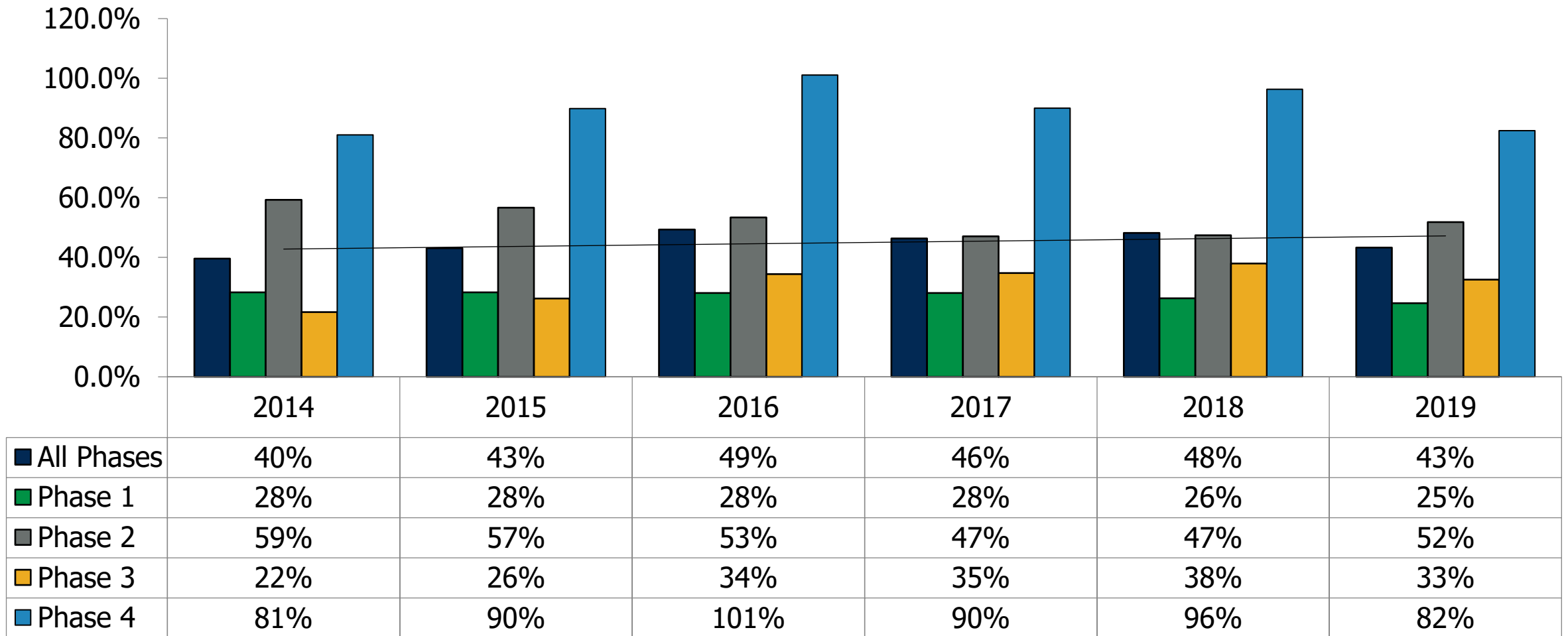
Long-Term Debt to Capitalization

- Capital Structure
- Decreasing
- Measures the relative importance of long-term debt in the hospital's permanent capital structure. Net assets and long-term liabilities are often referred to as permanent capital since they will not be repaid within one year. Hospitals with high values have relied extensively on debt as opposed to equity to finance their assets and are said to be leveraged. Meaning risk may be viewed unfavorably by many creditors.

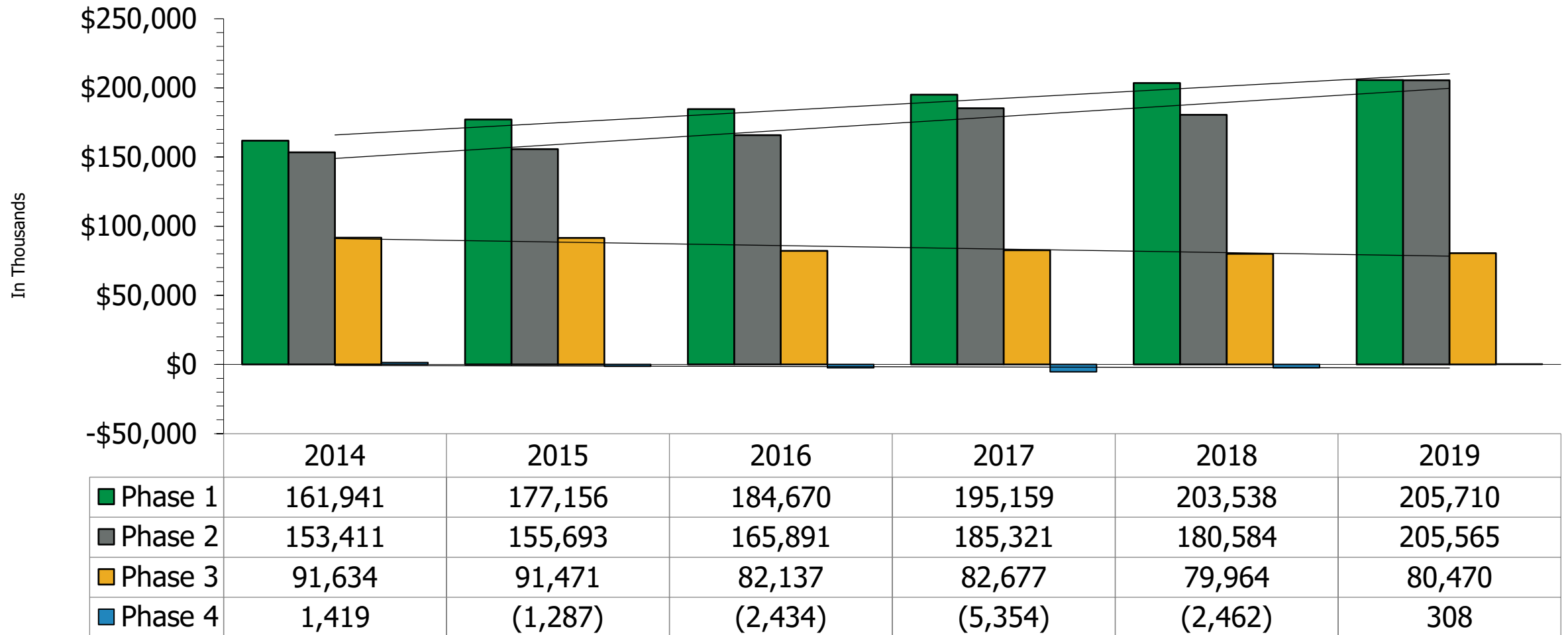
$$\frac{\text{Long-Term Debt}}{\text{Long-Term Debt} + \text{Net Assets}}$$

Long-Term Debt to Capitalization

Georgia – 31%
Nat'l Rural – 10%



Net Position



Questions



Sarah M. Dekutowski, CPA

Partner

sdekutowski@draffin-tucker.com

(404) 220-8494



Charles R. Horne, CPA

Partner

chorne@draffin-tucker.com

(229) 883-7878