

*Flex Monitoring Team Data Summary Report No. 2*

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

**July 2006**



**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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## **The Medicare Rural Hospital Flexibility Program**

The Medicare Rural Hospital Flexibility Program (Flex Program), created by Congress 1997, allows small hospitals to be licensed as Critical Access Hospitals (CAHs) and offers grants to States to help implement initiatives to strengthen the rural health care infrastructure. To participate in the Flex Grant Program, States are required to develop a rural health care plan that provides for the creation of one or more rural health networks; promotes regionalization of rural health services in the State; and improves the quality of and access to hospital and other health services for rural residents of the State. Consistent with their rural health care plans, states may designate eligible rural hospitals as CAHs.

CAHs must be located in a rural or an area treated as rural; be more than 35 miles ( or 15 miles in areas with mountainous terrain or only secondary roads available) from another hospital or be certified before January 1, 2006 by the State as being a necessary provider of health care services. CAHs are required to make available 24-hour emergency care services that a State determines are necessary. CAHs may have a maximum of 25 acute care and swing beds, and must maintain an annual average length of stay of 96 hours or less for their acute care patients. CAHs are reimbursed by Medicare on a cost basis (i.e., for the reasonable costs of providing inpatient, outpatient and swing bed services).

The legislative authority for the Flex Program and cost-based reimbursement for CAHs are described in the Social Security Act, Title XVIII, Sections 1814 and 1820, available at [http://www.ssa.gov/OP\\_Home/ssact/title18/1800.htm](http://www.ssa.gov/OP_Home/ssact/title18/1800.htm).

## **Introduction**

In Summer 2006, the third 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 2004 state median, and the 2004 national median for each indicator. The indicator values were calculated using the most recent publicly available Medicare Cost Report data.

This report summarizes the 2004 state and national medians for each indicator. The indicators are grouped by financial dimension: profitability, liquidity, capital structure, revenue, cost, and utilization. The Appendix to this report includes the median values for each indicator by state. This enables the values for all the indicators for one state to be viewed on one page. 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](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	2004 Number of CAHs
AL	1*
AK	7
AR	17
AZ	6
CA	13
CO	19
FL	8
GA	28
HI	6
IA	51
ID	23
IL	28
IN	19
KS	65
KY	14
LA	11
MA	3
ME	7
MI	15
MN	44
MO	14
MS	13
MT	34
NC	13
ND	28
NE	59
NH	6
NM	5
NV	5
NY	8
OH	19
OK	21
OR	16
PA	6
SC	1*
SD	31
TN	7
TX	41
UT	4
VA	32
VT	3
WA	29
WI	28
WV	13
WY	9

\*Median values calculated for states with post-conversion Medicare Cost Report data for at least 2 Critical Access Hospitals in 2004.

## 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	2.05	4.23	5.07
AK	-1.79	2.27	-1.30
AR	0.58	1.33	6.65
AZ	6.66	4.54	12.88
CA	3.50	-2.60	12.56
CO	1.44	2.34	3.22
FL	2.01	3.00	7.43
GA	-0.12	0.90	10.26
HI	-24.87	-21.93	-39.3
IA	3.56	6.21	4.82
ID	2.50	2.89	6.18
IL	4.14	7.53	8.09
IN	4.46	8.39	9.14
KS	-2.13	-6.05	-3.04
KY	2.87	6.45	6.71
LA	-0.16	-0.13	-1.79
MA	1.15	4.06	3.02
ME	0.81	2.89	5.07
MI	0.07	6.16	7.00
MN	2.55	7.90	5.57
MO	3.39	7.47	8.82
MS	-4.74	-0.09	-7.83
MT	2.89	3.12	5.08
NC	-1.51	2.31	-0.95
ND	-2.33	3.28	-4.87
NE	3.15	5.49	6.03
NH	5.06	10.21	7.89
NM	7.58	11.19	18.73
NV	4.99	3.30	9.32
NY	3.58	5.94	-11.85
OH	4.99	8.58	12.69
OK	2.15	-0.30	10.54
OR	0.69	0.90	3.43
PA	3.51	8.65	15.03
SD	-0.41	2.68	-2.07
TN	-2.23	-0.42	-5.02
TX	4.01	-2.74	6.77
UT	5.91	7.11	19.74
VA	7.10	-3.01	8.49
VT	3.89	5.01	5.92
WA	0.60	2.21	2.44
WI	3.47	9.18	8.83
WV	0.68	3.75	5.65
WY	4.67	5.41	6.96

## 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	47.74	58.18
AK	2.21	38.52	68.14
AR	1.85	14.53	52.32
AZ	3.30	54.30	60.69
CA	1.84	26.86	75.94
CO	2.43	63.59	64.97
FL	1.4	5.16	38.06
GA	1.61	38.54	61.05
HI	0.28	7.23	69.38
IA	1.97	101.34	61.59
ID	2.45	49.76	64.23
IL	2.38	81.95	60.99
IN	2.29	56.75	63.96
KS	2.47	41.9	55.25
KY	1.47	31.27	60.62
LA	2.90	43.69	72.67
MA	1.81	136.97	50.57
ME	1.19	60.12	36.25
MI	1.9	51.54	39.80
MN	2.15	65.14	55.13
MO	2.44	46.98	58.74
MS	0.95	12.26	63.10
MT	2.62	81.51	55.60
NC	2.31	25.78	74.02
ND	1.92	31.46	55.30
NE	3.03	78.31	57.63
NH	2.1	115.35	66.83
NM	1.51	11.37	43.71
NV	4.86	71.82	91.68
NY	2.05	44.98	53.26
OH	2.05	67.86	53.34
OK	1.77	29.23	62.87
OR	2.24	31.72	65.27
PA	1.10	36.89	52.11
SD	1.60	35.64	50.92
TN	1.46	16.52	67.62
TX	2.97	36.42	71.62
UT	3.89	0.03	38.38
VA	2.38	66.94	80.16
VT	1.91	125.15	72.51
WA	2.19	54.42	55.11
WI	1.86	85.86	55.1
WV	1.13	15.97	50.07
WY	4.91	34.46	65.44

## 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.

N/A: Values not available due to missing or out of range data

State	Equity Financing	Debt Service Coverage	Long-term Debt to capitalization
	%	Times	%
US	62.43	2.62	21.35
AK	70.49	10.35	0.71
AR	56.12	3.94	16.72
AZ	77.97	6.4	11.26
CA	43.9	4.01	36.39
CO	56.22	2.84	33.15
FL	53.77	2.41	1.56
GA	57.77	1.39	20.05
HI	24.76	N/A	21.36
IA	63.41	2.84	27.13
ID	59.49	2.94	24.95
IL	65.68	2.36	24.99
IN	62.72	2.98	23.82
KS	72.34	0.81	7.49
KY	41.83	1.79	46.87
LA	83.07	-0.12	2.45
MA	65.77	8.42	16.47
ME	50.03	1.57	37.67
MI	65.01	2.27	26.17
MN	59.90	2.58	26.17
MO	43.68	2.60	45.68
MS	50.50	0.19	21.83
MT	69.58	3.96	20.88
NC	51.18	1.19	24.44
ND	58.30	1.54	26.77
NE	67.04	3.03	20.40
NH	64.92	4.46	25.31
NM	46.79	3.76	30.32
NV	75.81	1.84	17.18
NY	68.5	4.73	22.98
OH	72.08	3.62	17.62
OK	41.26	3.75	7.36
OR	40.18	2.41	42.25
PA	37.59	2.28	45.04
SD	60.51	1.87	19.06
TN	52.67	-0.16	9.78
TX	72.24	3.10	6.55
UT	90.0	8.49	0
VA	89.54	N/A	3.78
VT	63.92	3.28	28.20
WA	54.94	2.56	29.46
WI	58.02	4.23	25.63
WV	43.91	1.87	32.07
WY	85.35	4.38	11.69



## 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	63.86	26.72	78.77	37.19	0.54	1327.00
AK	51.85	16.68	65.00	20.48	0.82	2223.27
AR	61.81	37.10	81.14	39.53	0.49	1084.31
AZ	82.81	37.90	65.74	35.69	0.48	1801.57
CA	58.17	35.21	66.57	26.11	0.43	1722.66
CO	64.63	28.42	75.73	40.55	0.57	1591.46
FL	57.17	51.56	76.33	28.48	0.39	1216.30
GA	55.74	36.83	75.27	34.25	0.52	1069.35
HI	36.44	35.96	41.91	15.00	0.78	2231.69
IA	70.04	21.83	82.76	45.23	0.58	1336.56
ID	63.34	20.58	69.29	34.66	0.64	1592.53
IL	65.91	33.98	82.99	40.28	0.45	1320.73
IN	74.13	37.91	71.89	35.25	0.43	1525.83
KS	59.37	23.70	87.04	45.25	0.57	1196.11
KY	65.24	47.19	73.14	31.75	0.35	1007.72
LA	63.90	41.59	76.60	33.53	0.56	1348.05
MA	77.46	30.86	61.87	29.02	0.49	2053.22
ME	67.15	26.25	76.22	40.07	0.50	1508.85
MI	68.43	22.99	76.51	41.09	0.51	1626.99
MN	57.60	22.15	77.85	37.59	0.52	1449.23
MO	72.94	36.02	80.18	39.82	0.46	1090.65
MS	58.30	37.39	82.21	35.07	0.48	959.31
MT	46.44	13.69	82.15	32.71	0.68	1177.93
NC	74.70	45.08	75.26	37.16	0.45	1266.71
ND	54.41	16.53	91.15	44.48	0.63	948.00
NE	63.35	18.47	81.26	45.23	0.60	1280.32
NH	72.87	33.62	65.96	32.55	0.43	1778.97
NM	75.76	35.42	58.78	30.07	0.43	1592.11
NV	43.14	28.01	52.79	28.52	0.64	1499.20
NY	68.59	34.15	80.26	32.38	0.49	1374.08
OH	74.43	35.07	74.78	30.18	0.43	1590.39
OK	58.14	31.44	78.03	37.39	0.57	1089.47
OR	64.79	30.19	64.24	37.72	0.59	1854.13
PA	64.49	50.37	69.22	34.36	0.39	1047.85
SD	52.51	21.82	89.11	42.35	0.57	1131.34
TN	70.79	50.58	77.10	33.73	0.43	1217.92
TX	63.95	34.50	80.51	34.36	0.61	1465.77
UT	64.00	23.11	58.33	24.69	0.50	1487.11
VA	58.84	35.05	85.13	33.28	0.59	1565.64
VT	64.75	34.03	75.37	30.60	0.52	1192.20
WA	64.58	27.01	68.04	29.47	0.63	1718.27
WI	65.18	31.04	74.71	35.91	0.49	1516.16
WV	67.30	34.95	86.13	30.62	0.51	1038.04
WY	55.7	24.78	73.40	38.19	0.65	1633.13

## 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	45.84	11.28	5.93
AK	47.61	17.69	14.78
AR	43.43	12.07	4.24
AZ	44.65	6.48	5.19
CA	43.94	16.95	11.59
CO	48.85	11.53	7.01
FL	50.22	3.92	4.62
GA	44.72	12.96	5.54
HI	46.03	17.99	12.06
IA	42.21	10.88	5.35
ID	46.06	9.19	6.79
IL	44.08	10.16	6.08
IN	43.91	9.02	4.73
KS	48.01	13.66	5.94
KY	42.57	9.85	4.62
LA	42.54	13.44	4.93
MA	42.24	8.89	4.75
ME	46.17	10.96	6.33
MI	48.00	14.09	8.05
MN	45.50	9.81	9.43
MO	46.52	11.55	4.79
MS	45.08	13.42	3.74
MT	50.01	13.15	10.70
NC	44.40	11.96	4.88
ND	51.58	15.08	6.24
NE	47.63	10.24	5.96
NH	44.83	7.61	5.30
NM	42.01	9.50	6.18
NV	44.53	10.69	18.06
NY	51.45	11.67	5.55
OH	41.24	12.16	4.64
OK	48.31	14.48	5.18
OR	43.17	8.44	6.36
PA	40.22	12.87	5.67
SD	47.62	13.26	5.24
TN	45.61	8.56	3.91
TX	44.27	13.90	5.33
UT	40.08	19.36	5.12
VA	42.02	11.34	4.96
VT	48.68	9.31	5.36
WA	48.65	11.58	7.76
WI	43.44	10.03	6.44
WV	46.45	11.61	6.51
WY	44.75	15.73	8.56

## 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	1.59	3.35
AK	0.34	0.86
AR	1.46	6.07
AZ	0.42	3.01
CA	0.72	2.10
CO	1.18	2.49
FL	1.41	3.93
GA	1.42	4.79
HI	1.11	0.72
IA	2.00	3.24
ID	0.44	3.44
IL	2.20	6.00
IN	1.20	7.70
KS	1.97	2.17
KY	1.56	6.35
LA	1.80	3.17
MA	1.36	7.91
ME	3.03	6.90
MI	1.26	3.55
MN	1.20	3.06
MO	1.52	3.41
MS	5.00	5.88
MT	1.22	1.42
NC	1.54	4.24
ND	2.50	1.63
NE	1.70	2.98
NH	3.56	6.75
NM	0.77	3.52
NV	1.70	1.14
NY	2.77	1.72
OH	1.96	7.48
OK	1.16	3.31
OR	0.61	4.67
PA	2.35	5.42
SD	1.50	1.83
TN	2.07	5.07
TX	1.34	1.99
UT	1.32	2.49
VA	3.14	8.27
VT	6.99	5.14
WA	1.06	3.65
WI	2.30	4.93
WV	2.22	3.89
WY	1.88	3.80

## CAH Financial Indicators Report Issue 3

### 2004 Median Indicator Values for Colorado and the United States

Indicator	CO	US
Total Margin	1.44	2.05
Cash Flow Margin	2.34	4.23
Return on Equity	3.22	5.07
Current Ratio	2.43	2.06
Days Cash on Hand	63.59	47.74
Net Days Revenue in Accounts Receivable	64.97	58.18
Equity Financing	56.22	62.43
Debt Service Coverage	2.84	2.62
Long-Term Debt to Capitalization	33.15	21.35
Outpatient Revenues to Total Revenues	64.63	63.86
Patient Deductions	28.42	26.72
Medicare Inpatient Payer Mix	75.73	78.77
Medicare Outpatient Payer Mix	40.55	37.19
Medicare Outpatient Cost to Charge	0.57	0.54
Medicare Revenue per Day	1591	1327
Salaries to Total Expenses	48.85	45.84
Average Age of Plant	11.53	11.28
FTEs per Adjusted Occupied Bed	7.01	5.93
Average Daily Census Swing-SNF Beds	1.18	1.59
Average Daily Census Acute Beds	2.49	3.35
Number of Included CAHs	19	800

*Number of Included CAHs* is the Number of CAHs with a Medicare Cost Report for at least 360 days (used in analysis). *N/A* denotes medians that could not be calculated since there were no valid values for this indicator for 2004. See complete report for discussion.