

Critical Access Hospital Financial Indicator Reports

Flex Program Workshop/TASC Webinar
April 24, 2012

George H. Pink and G. Mark Holmes
CAH Financial Indicators Report Team



A Performance Monitoring Resource for
Critical Access Hospitals, States, and Communities

Flex | University of Minnesota
Monitoring | University of North Carolina at Chapel Hill
Team | University of Southern Maine



Agenda

- What is the *CAH Financial Indicators Report(CAHFIR)*
- What CAHFIR resources are available to state Flex Coordinators?
- New studies
 - What do CEOs and CFOs think really works to improve financial performance?
 - What strategies are used by financial high performers?



What is the CAH Financial Indicators Report?

- 21 indicators of financial performance and condition developed with expert advice
- Profitability, liquidity, capital structure, revenue, cost, and utilization
- Peer groups
- Benchmarks
- Proposed financial distress model



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In August 2011

- You received a snail-mail letter from us with your username and password to access the 8th issue of the *CAH Financial Indicators Report*
- When you go to our new improved website, you will be able to download a variety of state-level, hospital-level and other resources



State-Level Resources Available to SFCs

- **State Summary** A 2-page summary of findings for any state in the country (pdf). More in a moment about this.
- **State Graphs** Graphs that show the distribution of financial indicator values for the hospitals in a state compared to the national distribution (pdf)



State-Level Resources Available to SFCs

- **State Data** Excel spreadsheet that contains the most current data on all CAHs in a state. Included in the file is hospital information (name, city), the values of the 21 indicators, and file information (year of the data, date of the cost report)
- **State Medians** A summary of state medians by indicator and state (pdf)



Hospital-Level Resources Available to SFCs

- **Hospital Summary** A 2-page summary of findings for each CAH in your state (pdf)
- **Hospital Report** A detailed report about 21 financial indicators for each CAH in your state, including comparison to medians for other hospitals in its peer group and state, and the nation (pdf)
- **Hospital Graphs** Graphs of 21 financial indicators for each CAH in your state, including comparisons to other hospitals in its peer group and state (pdf)
- **Hospital Cover Letters** for each CAH in your state (pdf)



Other CAHFIR Resources Available to SFCs

- **Presentation** PowerPoint presentation of the CAHFIR
- **Calculator** Excel spreadsheet that produces CAHFIR indicator values using data that you enter
- **Primer** PowerPoint presentation of detailed information about ratio analysis and how to use CAHFIR
- Flex Monitoring Team **Reports and Data** A complete list of all CAHs as well as reports about CAHs and the Medicare Rural Hospital Flexibility Program

New this Year 2-Page State Summary

Executive Summary for Minnesota

This is a two page state-level executive summary of the 8th issue of the CAH Financial Indicator Report. It contains a high-level snapshot of key financial measures for the CAHs in MN based on analysis of Medicare Cost Reports.

How does MN's financial performance in 2009 compare to 2008 and the nation?

How do we compare to...	...ourselves last year?	...the country?
Profitability Indicators		
Total Margin	About the same	◆ Higher
Cash Flow Margin	About the same	◆ Higher
Return on Equity	About the same	About the same
Operating Margin	About the same	◆ Higher
Liquidity Indicators		
Current Ratio	About the same	About the same
Days Cash on Hand	About the same	About the same
Days Revenue in Accounts Receivable	About the same	◆ Higher
Capital Structure Indicators		
Equity Financing	About the same	About the same
Debt Service Coverage	About the same	About the same
Long-Term Debt to Capitalization	About the same	About the same
Revenue Indicators		
Outpatient Revenues to Total Revenues	About the same	About the same
Patient Deductions	About the same	◆ Lower
Medicare Inpatient Payer Mix	About the same	◆ Lower
Medicare Outpatient Payer Mix	About the same	◆ Lower
Medicare Outpatient Cost to Charge	About the same	About the same
Medicare Revenue per Day	◆ Higher	◆ Higher
Cost Indicators		
Salaries to Net Patient Revenue	About the same	◆ Lower
Average Age of Plant	About the same	About the same
FTEs per Adjusted Occupied Bed	About the same	◆ Higher
Utilization Indicators		
Average Daily Census Swing-SNF Beds	About the same	◆ Lower
Average Daily Census Acute Beds	About the same	About the same

How does MN's financial performance in 2009 compare to benchmark?

Benchmarks are a key component of many performance measurement systems because they help identify good financial performance and provide specific targets for improvement. Benchmarks for five indicators were created from a survey of CAH CEOs and CFOs. Medians change over time but benchmarks provide a constant basis on which to judge financial performance and condition. For more information see the Benchmark section in the CAH Financial Indicator Report.

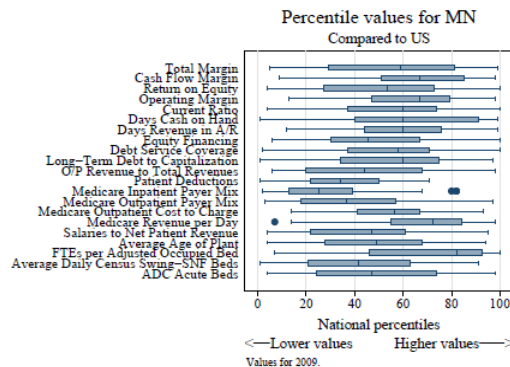
Indicator	Benchmark	Your 2009 Performance Compared to Benchmarks	
		Percent of CAHs Meeting Benchmark	Percent of CAHs Meeting Benchmark
		MN	Nation
Cash Flow Margin (percent)	5	80.5%	53.5%
Days Cash on Hand (days)	60	61.0%	52.8%
Debt Service Coverage (times)	3	47.5%	42.3%
LT Debt to Capitalization [†] (percent)	25	40.8%	47.4%
Medicare O/P Cost to Charge [†] (times)	.55	76.9%	68.3%

† For these ratios, lower values are associated with better financial performance.

Executive Summary for MN

How does MN's financial performance in 2009 compare to other CAHs in the nation?

The figure below presents the percentile values for your state(s) compared to the US. A box on the left side of the graph suggests values below the US; a box on the right side of the graph suggests your state typically has values above the nation. The left edge of the box represents the 25th percentile of values for your state(s), and the right edge of the box represents the 75th percentile for your state(s). The line in the middle of the box represents the median value for your state(s), and dots represent "outlier" values for your state(s).



For the CAHs in MN, what is the current risk of financial distress compared to all CAHs?

A well-functioning prediction model can be used by administrators and boards as an early warning system so that remedial action may be taken before financial distress occurs. The model uses financial performance variables (current profitability, reinvestment, and hospital size) and market characteristics variables (competition, economic status, and market size) to predict financial distress (equity decline, unprofitability, and closure) two years later.

Risk	Risk of Financial Distress	
	Number (Percent) of CAHs	US
Low	66 (86%)	813 (63%)
Mid-Low	10 (13%)	232 (18%)
Mid-High	1 (1%)	119 (9%)
High	0 (0%)	124 (10%)
Total	77	1288

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Funding provided through a cooperative agreement with the federal Office of Rural Health Policy, Health Resources and Services Administration, US Department of Health and Human Services (PHS Grant No. U27RH101080).

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Your 2009 Performance Compared to Benchmarks

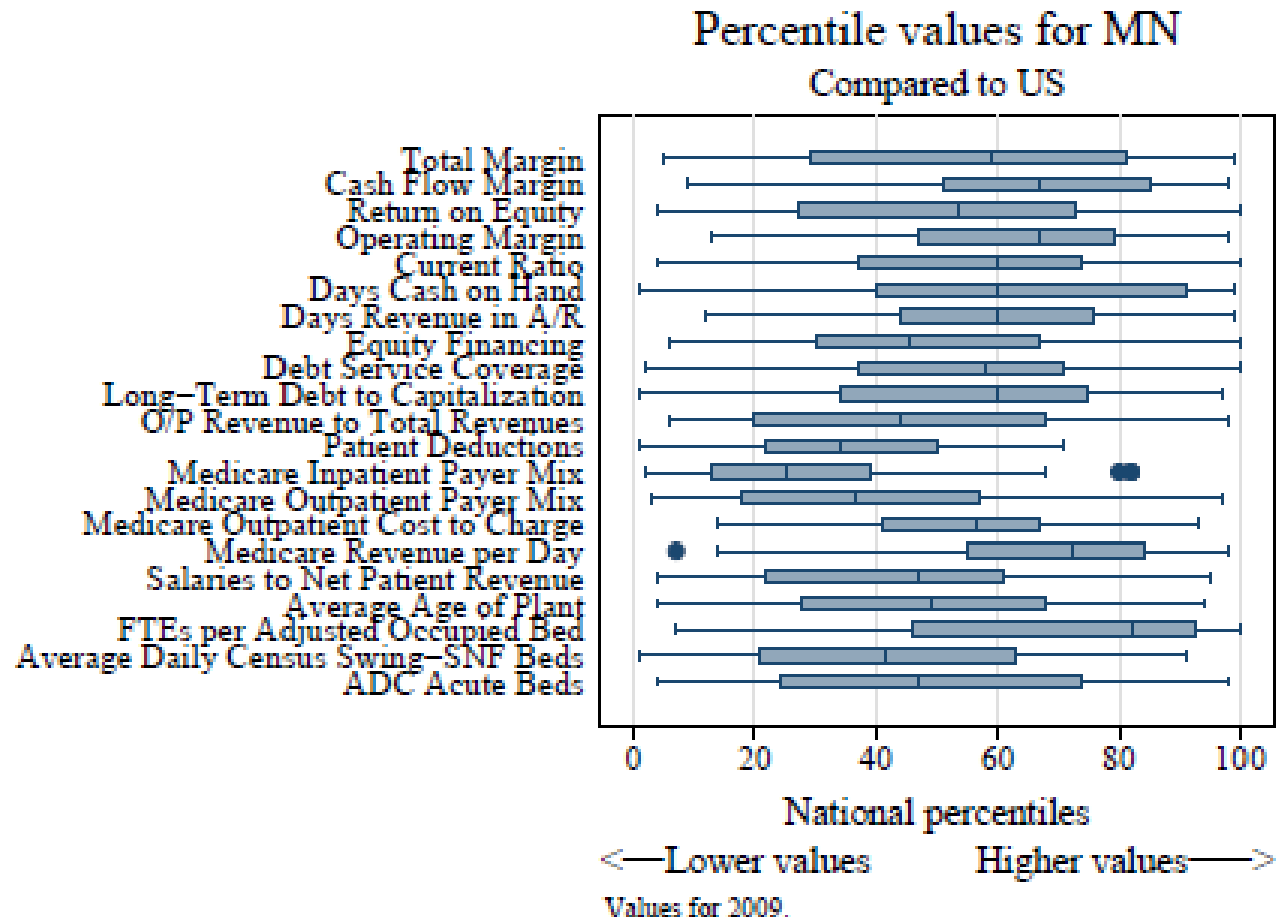
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Financial Distress Model

- Details of the model can be found at:

[http://www.flexmonitoring.org/documents/
PolicyBrief20_Strategies.pdf](http://www.flexmonitoring.org/documents/PolicyBrief20_Strategies.pdf)



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What do CEOs and CFOs think really works to improve financial performance?

- Holmes GM, Pink GH. Adoption and Perceived Effectiveness of Financial Improvement Strategies in Critical Access Hospitals. *J Rural Health*. 2012; 28(1) 92-100.



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What strategies are used by financial high performers?

- Kirk MA, Holmes GM, Pink GH. Achieving Benchmark Financial Performance in CAHs Lessons From High Performers. *Healthcare Financial Management* 2012; 66(4) 116-122.



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