

Hospital Financial Measures Database

List of Measures

| Dimension | Definition | Brief Rationale |
|-------------------|--|--|
| Profitability | Net Revenue Margin to Total Cost $\frac{\text{Patient Revenue}^a - \text{Total Cost}^b}{\text{Total Cost}}$ | Markup from cost of patient care services to net revenue. Can indicate motivation and ability to obtain favorable pricing and case mix and to manage costs. |
| | Net Revenue Margin to Patient Revenue $\frac{\text{Patient Revenue} - \text{Total Cost}}{\text{Patient Revenue}}$ | Retention rate for patient revenue after subtracting cost. One indicator of a hospital's competitive strength in pricing and efficiency in its market service area. |
| | Net Income to General Fund Balance or Equity $\frac{\text{Net Income}^c}{\text{General Fund Balance}^d}$ | An analog to return on equity in the for-profit sector. When this indicator is high, it indicates a relatively attractive business for raising additional capital. |
| | Net Income to Total Fixed Assets $\frac{\text{Net Income}}{\text{Total Fixed Assets}^e}$ | An indicator of a hospital's managerial efficiency using the physical assets of the business. |
| | Overall Net Income to Total Revenue From All Sources $\frac{\text{Net Income}}{\text{Patient Revenue} + \text{Other Revenue}}$ | Rate of retention of every dollar of revenue. Could indicate independence from need to raise additional outside financing for replacement of fixed assets or expansion. |
| Capital Structure | Average Age of Plant and Equipment Investments ^f $\frac{\text{Accumulated Depreciation}}{\text{Current Depreciation}}$ | Indicator of the financial age of the hospital's fixed assets. The older the average age, the greater the short-term need for capital resources. |
| | Debt Burdens to Total Assets (Leverage) $\frac{\text{Total Long-Term Liabilities}}{\text{Total Assets}}$ | Indicator of the degree to which a hospital has used debt to finance its assets. |
| Liquidity | Current Assets to Current Liabilities or Current Ratio $\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$ | Indicator of the hospital's ability to pay short-term obligations and meet contingencies. A ratio of 1.0 or higher indicates that all current liabilities could be adequately covered by the hospital's existing current assets. |



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|-----------|---|--|
| | Quick Ratio $\frac{\text{Total Current Assets} - \text{Inventory}}{\text{Total Current Liabilities} - \text{Deferred Income}}$ | Indicator of the hospital's ability to instantly use its near-cash assets. |
| Other | Burden Cost of Uncompensated Care ⁹ $\frac{\text{Total Uncompensated Care}}{\text{Total Cost}}$ | Measure of hospital care provided for which no payment was received. |
| | Burden Cost of Unreimbursed and Uncompensated Care ⁹ to Total Cost $\frac{\text{Total Unreimbursed and Uncompensated Care}}{\text{Total Cost}}$ | Overall measure of hospital care provided for which no payment was received. |

- a. Net Revenue From Patient Care Services signals hospital's ability to sustain the current level of patient services without access to outside financing. Patient Revenue has already subtracted discounts from payers and allowances for bad debts.
- b. Total Costs excludes nonreimbursable cost centers; Interest Cost and current depreciation are included in Total Cost.
- c. Net Income is (Net Revenue + all other revenue) – other expenses.
- d. General Fund Balance is Total Assets – Total Liabilities. Total Fixed Assets have deducted cumulative depreciation.
- e. Total Fixed Assets have deducted cumulative depreciation.
- f. Calculated as (Sum of [Land, Improvements, Buildings, Leaseholds, Fixed Equipment, Minor Movable Equipment, Health IT Assets]) – Net Total Fixed Assets/Depreciation Cost. Individual asset categories were before depreciation, while Total Fixed Assets was net of accumulated depreciation.
- g. Unreimbursed and uncompensated care includes bad debt writeoffs, “free care,” uncompensated costs that might be recovered, and unreimbursable care.

