

## Measuring Financial Performance: A Financial Forensic Analysis

Physician leaders can use a select number of financial and operational benchmarks to gauge the financial health of their organizations.

Selected Measures of Operating and Financial Performance	12/31/2013	12/31/2014	12/31/2015
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### Profitability Ratios

Measures sustainable profitability (business income)  
Industry average: 2.7%

Total Margin %	7.7	6.8	5.9
Operating Margin	7.7	6.8	5.9
Return on Total Assets	8.3	7.0	6.0

### Liquidity Ratios

Average time to collect receivables  
Industry average: 64 days

Current Ratio	2.0	1.8	2.5
Days in Accounts Receivable	56.6	62.9	62.4

### Capital Structure Ratios

Measures dollars of current assets per dollar of current liabilities  
Industry average: 0.97

Long-term Debt to Equity	62.1	55.0	52.2
Long-term Debt per Bed	325,659.9	299,339.6	313,096.6

### Asset Efficiency

Total Asset Turnover	1.08	1.04	1.03
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### Volume Indicators

Measure of efficiency  
Related measures: case mix index and readmission rate  
Industry average: 4.7 days

Hospital Discharges	28,930	27,561	26,101
Hospital Patient Days	163,436	161,672	159,847
Hospital Occupancy	74.4	72.2	72.2

### Length of Stay

Hospital Length of Stay (CMA)	2.7	2.8	2.9
Medicare Length of Stay (CMA)	2.9	2.8	3.0

### Payer Mix

Measures average diagnosis related group weight  
Higher means greater complexity of inpatient services, more reimbursement (based on documentation and coding accuracy)

Medicare Percentage – Discharges	21.7	24.3	25.2
Medicaid Percentage – Discharges	7.5	7.5	6.4
Medicare Case Mix Index	2.1	2.1	2.1
Outpatient Revenue Percentage	36.1	37.4	38.6

### Pricing Indicators

Hospital Gross Price per Discharge (CMA,WIA)	\$27,690	\$30,483	\$32,900
Hospital Net Price per Discharge (CMA,WIA)	\$11,031	\$11,756	\$12,585

Average cost of each inpatient stay (or outpatient visit)  
Lower typically equates to higher profitability

### Cost Indicators

Hospital Cost per Discharge (CMA,WIA)	\$10,749	\$11,713	\$12,637
Hospital Salaries per Discharge (CMA,WIA)	\$3,490	\$3,731	\$3,773
Hospital General Service Cost per Discharge	\$7,669	\$8,022	\$8,648

Measures productivity of labor devoted to inpatient (or outpatient) services

Hospital FTEs per Occupied Bed (CMA)	3	3	3
Hospital Man-hours per Discharge (CMA)	106	108	105

### Profit Indicators

Hospital Profit per Discharge (CMA,WIA)	\$282	\$43	-\$52
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Source: Excelsior HealthCare Group, LLC, Minneapolis. Used with permission.  
CMA: Case mix-adjusted, WIA: Wage index-adjusted