



Finance KPIs: What Do They Mean?

ruralMED Cooperative CAH Conference

May 3, 2024

Disclaimer



This document/presentation is not to convey or constitute legal advice; it is not a substitute for obtaining legal advice from a qualified attorney of choice. Nothing herein should convey any specialization or certification by a relevant regulatory body unless proof of such certification is specifically provided. Any information given regarding particular regulations or laws is ruralMED's interpretation and is for educational purposes only. Regulations, guidance, and interpretations change. You should consult with appropriate regulatory, statutory, or other guidance to ensure accuracy and completeness.

Key Financial Indicators



Key Financial Indicators



Key Financial Indicators



- **Defined formulas based on balance sheet and statement of operations**
- **Determine financial condition or performance**
- **Interpret financial strengths/weaknesses in operations**
- **Internal and external comparisons**
- **Many resources available**
 - National Rural Health Resource Center (www.ruralcenter.org)
 - Flex Monitoring Team (www.flexmonitoring.org)

Top 10 CAH Financial Indicators



Table B. CAH Financial Indicator Medians, 2020

CAH Financial Indicator	2020 US Median	Favorable Trending
Days in Net Accounts Receivable	47.25	Down
Days in Gross Accounts Receivable	46.55	Down
Days Cash on Hand	192.28	Up
Total Margin	5.41%	Up
Operating Margin	3.62%	Up
Debt Service Coverage	4.16	Up
Salaries to Net Patient Revenue	47.13%	Up
Medicare Inpatient Payer Mix*	66.80%	Down
Average Age of Plant (years)	12.32	Up
Long Term Debt to Capitalization	31.19	Up

Source: CAH Financial Indicators Report: Summary of 2020 Indicator Medians by State, May 2022

Financial Performance Indicators



- **Financial Indicator Groupings**

- Profitability
- Liquidity
- Capital Structure
- Asset Efficiency
- Revenue Indicators
- Cost Indicators

Profitability Indicators



- **Operating Margin**

- Measures the control of operating expenses relative to operating revenues related to patient care
- Reflects the overall performance of the organization's core business of providing patient care

- **Total Margin**

- Measures the control of expenses relative to revenues
- Indicates the organization's overall profit
- Includes non-operating revenue such as investment income, contributions, grants, and tax subsidies

Liquidity Indicators



- **Days Cash on Hand**

- Measures the number of days an organization could operate if no additional cash was collected or received
- It represents the organization's ability to meet short term obligations and make debt payments should the organization experience short term financial distress

- **Days in Net Accounts Receivable**

- Measures the number of days it takes an organization to collect its payments
- High values reflect a long collection period and indicate problems in the business office with regards to billing and collection

Capital Structure Indicators



- **Debt Service Coverage**
 - Measures the ability to pay obligations related to long-term debt
 - Represents a key ratio in determining the ability of an organization to take on additional debt
- **Long Term Debt to Capitalization**
 - Measures the percentage of net assets (or equity) that is debt
 - Indicates the amount of capital that is financed with debt
- **Average Age of Plant**
 - Measures the average age in years of the buildings and equipment of an organization
 - Indicator of reinvestment in buildings and equipment

Revenue and Cost Indicators



- **Payer Mix Percentage**
 - Measures the proportion of patients represented by each payer type (Inpatient and Outpatient)
 - Important in estimating hospital revenue because the final reimbursement amount for any patient depends on the payment source
- **Salaries to Net Patient Revenue**
 - Measures labor costs relative to the generation of operating revenue from patient care
 - Reflects staffing efficiency

Questions?



Bryce Betke, CFO
ruralMED Management
Resources

bbetke@ruralmed.net

308-217-1815