CAH Financial Indicators Report: Summary of Indicator Medians by State

May 2022



Contents

Introduction	5
Conceptual Framework	5
By Indicator Profitability	6
By State Alaska	10 11
Appendix Profitability Indicators	12 12 12
Operating margin	

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 in 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 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.

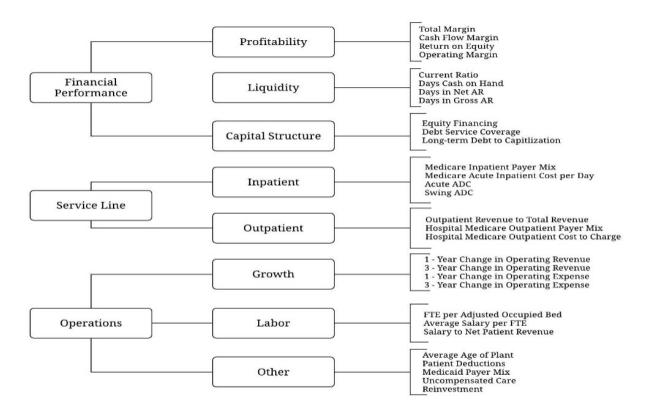
CAHs must be located in a rural area or an area treated as rural; be more than 35 miles (or 15 miles in areas with mountainous terrain or only secondary roads available) from another hospital, or be certified before January 1, 2006 by the State as being a necessary provider of health care services. CAHs 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.

Introduction

All hospitals, regardless of size and organizational structure, benefit from comparative data on financial condition and performance. The unique reimbursement and organizational structure of critical access hospitals (CAHs) make it important to have financial indicators that capture their own circumstances for performance assessment. CAHs differ from urban and other rural hospitals that are paid under the Medicare Prospective Payment System (PPS) in important aspects that affect the most appropriate way to measure financial condition. Unlike PPS hospitals, CAHs receive cost-based reimbursement for inpatient and outpatient care, and the incentives, financial management, and utilization practices under these two payment methods differ substantially. There are also organizational differences between CAHs and other hospitals that may affect financial performance; for instance, CAHs have relaxed staffing rules under Medicare, and they have limits on bed-size and average length of stay (and low volume hospitals have been found to face substantially more annual variation in demand for services, making financial planning difficult). The purpose of this report is to present national and State median values of the twenty-three financial indicators included in the Critical Access Hospital Measurement and Performance Assessment System (CAHMPAS)

Conceptual Framework



By Indicator

Profitability

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).

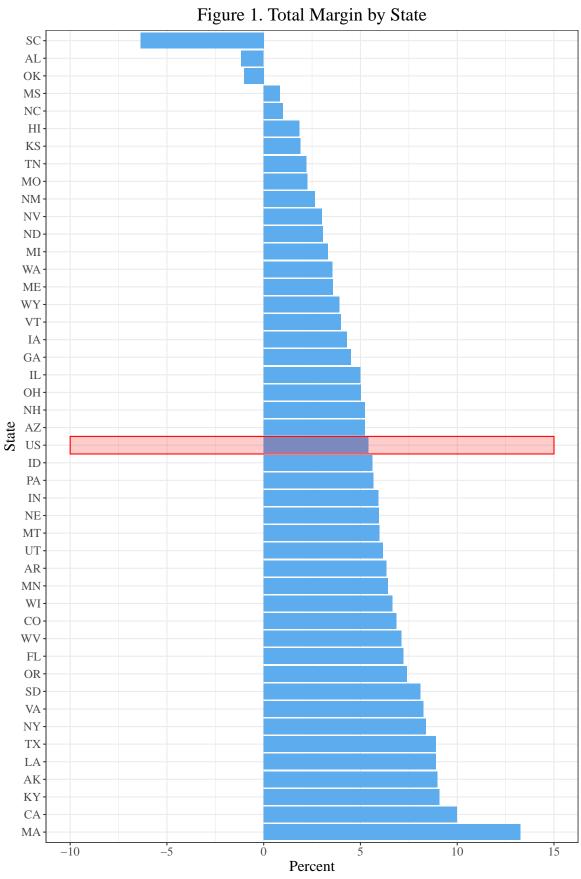


Figure 2. Total Margin by State

Quartile • 25th Percentile • 50th Percentile • 75th Percentile

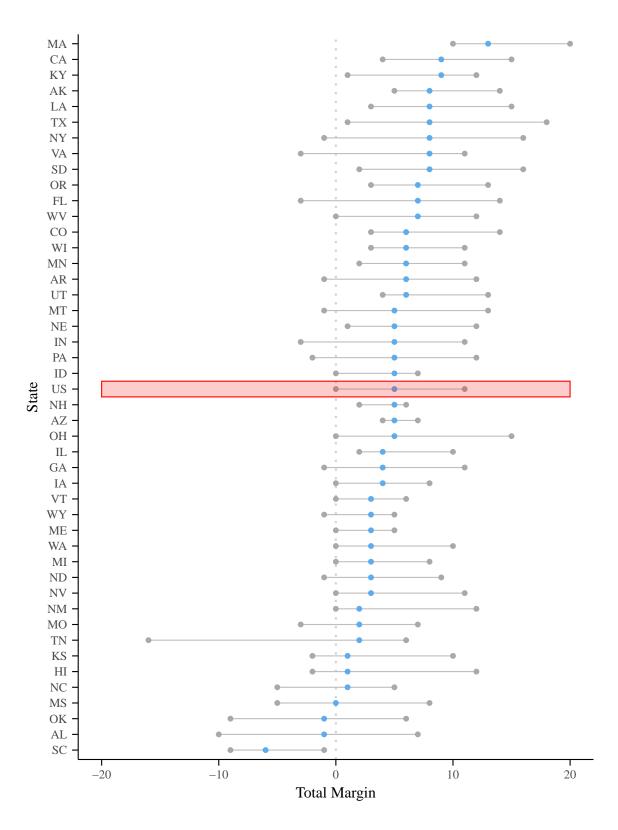
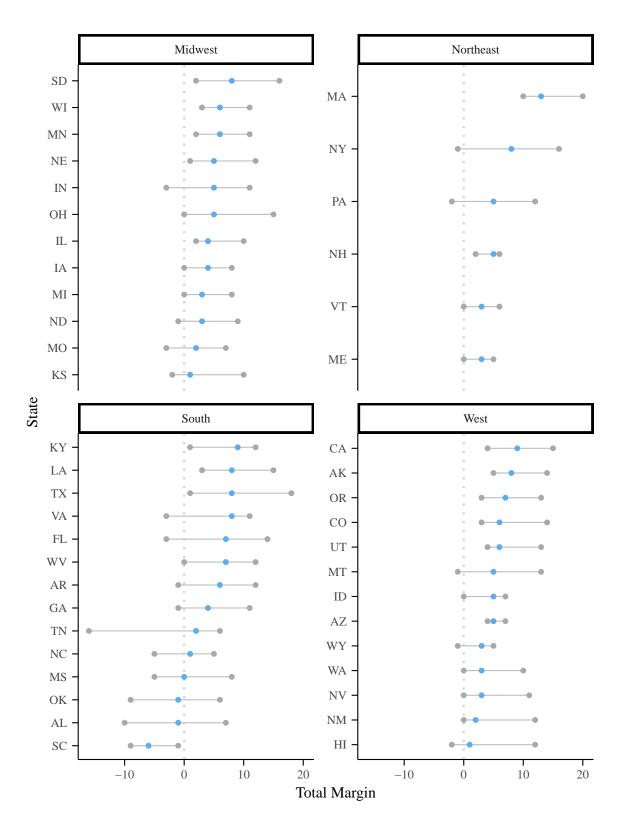


Figure 3. Total Margin by State and Region

Quartile • 25th Percentile • 50th Percentile • 75th Percentile



By State

Alaska

Table 1: 2020 Median Indicator Values for Alaska

Profitability	Indicator	AK 10th Per- centile	AK 50th Per- centile	AK 90th Per- centile	Census Division 9 Median	US Median
Cash Flow Margin (%) 2.82 8.88 16.18 8.54 8.45 Return on Equity (%) 4.52 10.33 55.94 11.82 9.89 Operating Margin (%) 2.03 7.99 15.11 4.53 3.62 Liquidity	Profitability		I.	I.	<u>I</u>	
Cash Flow Margin (%) 2.82 8.88 16.18 8.54 8.45	Total Margin (%)	-0.46	8.97	16.07	6.72	5.41
Departing Margin (%) 2.03 7.99 15.11 4.53 3.62	Cash Flow Margin (%)	2.82	8.88	16.18	8.54	8.45
Liquidity	Return on Equity (%)	4.52	10.33	55.94	11.82	9.89
Current Ratio (Times) 0.79 1.61 3.40 2.09 1.87	Operating Margin (%)	2.03	7.99	15.11	4.53	3.62
Days Cash on Hand (Days) 37.56 266.72 544.66 210.83 192.28	Liquidity	li .	1	1	I.	
Days in Net Accounts Receivable (Days) 27.14 48.51 58.30 46.25 47.25	Current Ratio (Times)	0.79	1.61	3.40	2.09	1.87
Days in Gross Account Receivable (Days) 31.31 36.80 43.74 51.60 46.55 Capital Structure Equity Financing (%) 39.10 60.53 90.05 50.76 49.15 Debt Service Coverage (Times) 0.47 2.49 367.91 5.58 3.33 Long-term Debt to Capitalization (%) 0.00 4.94 46.11 32.73 31.19 Inpatient Medicare Inpatient Payer Mix (%) 33.98 59.66 87.97 60.46 66.80 Medicare Acute Inpatient Cost Per Day (\$) 4700.03 5892.81 8377.32 4332.93 3158.43 Average Daily Census - Acute beds (Beds) 0.54 1.58 6.57 2.96 2.16 Average Daily Census - SNF beds (Beds) 0.02 0.64 2.12 1.13 1.54 Outpatient Outpatient Revenue to Total Revenue (%) 44.17 62.70 73.90 76.04 81.01 Hospital Medicare Outpatient Payer Mix (%) 8.67 21.76 38.07 34.18 34.30 Hospital Medicare Outpatient Cost to Charge 49.46 69.35 115.22 46.18 44.93 Labor FTEs per Adjusted Occupied Bed 13.21 14.43 17.27 7.69 5.72 Average Salary per FTE (\$) 60743.86 81720.42 92403.23 78360.12 64443.58 Salaries to Net Patient Revenue (%) 38.64 46.09 64.33 47.72 47.13 Growth 1-Year Change in Operating Revenue (%) 6.32 14.96 31.70 21.22 15.97 1-Year Change in Operating Revenue (%) 6.32 14.96 31.70 21.22 15.97 1-Year Change in Operating Revenue (%) 6.32 14.96 31.70 21.22 15.97 1-Year Change in Operating Revenue (%) 6.32 14.96 31.70 21.22 15.97 1-Year Change in Operating Expenses (%) -2.75 4.07 12.90 5.65 3.68 3-Year Change in Operating Expenses (%) -2.75 4.07 12.90 5.65 3.68 3-Year Change in Operating Expenses (%) -2.75 4.07 12.90 5.65 3.68 3-Year Change in Operating Expenses (%) -2.75 4.07 12.90 5.65 3.68 3-Year Change in Operating Expenses (%) -2.75 4.07 12.90 5.65 3.68 3-Year Change in Operating Expenses (%) -2.75 4.07 12.90 5.65 3.68 3-Year Change in Operating Expenses (%)	Days Cash on Hand (Days)	37.56	266.72	544.66	210.83	192.28
Equity Financing (%) 39.10 60.53 90.05 50.76 49.15 Debt Service Coverage (Times) 0.47 2.49 367.91 5.58 3.33 Long-term Debt to Capitalization (%) 0.00 4.94 46.11 32.73 31.19 Inpatient	Days in Net Accounts Receivable (Days)	27.14	48.51	58.30	46.25	47.25
Equity Financing (%) 39.10 60.53 90.05 50.76 49.15 Debt Service Coverage (Times) 0.47 2.49 367.91 5.58 3.33 Long-term Debt to Capitalization (%) 0.00 4.94 46.11 32.73 31.19 Inpatient	Days in Gross Account Receivable (Days)	31.31	36.80	43.74	51.60	46.55
Debt Service Coverage (Times) 0.47 2.49 367.91 5.58 3.33 Long-term Debt to Capitalization (%) 0.00 4.94 46.11 32.73 31.19 Inpatient	Capital Structure					
Long-term Debt to Capitalization (%) 0.00 4.94 46.11 32.73 31.19 Inpatient		39.10	60.53	90.05	50.76	49.15
Inpatient	Debt Service Coverage (Times)	0.47	2.49	367.91	5.58	3.33
Medicare Inpatient Payer Mix (%) 33.98 59.66 87.97 60.46 66.80 Medicare Acute Inpatient Cost Per Day (\$) 4700.03 5892.81 8377.32 4332.93 3158.43 Average Daily Census – Acute beds (Beds) 0.54 1.58 6.57 2.96 2.16 Average Daily Census – SNF beds (Beds) 0.02 0.64 2.12 1.13 1.54 Outpatient Payer Mix (M) 62.70 73.90 76.04 81.01 Hospital Medicare Outpatient Payer Mix (M) 8.67 21.76 38.07 34.18 34.30 Hospital Medicare Outpatient Cost to Charge 49.46 69.35 115.22 46.18 44.93 Labor FTEs per Adjusted Occupied Bed 13.21 14.43 17.27 7.69 5.72 Average Salary per FTE (\$) 60743.86 81720.42 92403.23 78360.12 64443.58 Salaries to Net Patient Revenue (%) 38.64 46.09 64.33 47.72 47.13 Growth <t< td=""><td>Long-term Debt to Capitalization (%)</td><td>0.00</td><td>4.94</td><td>46.11</td><td>32.73</td><td>31.19</td></t<>	Long-term Debt to Capitalization (%)	0.00	4.94	46.11	32.73	31.19
Medicare Acute Inpatient Cost Per Day (\$) 4700.03 5892.81 8377.32 4332.93 3158.43 Average Daily Census – Acute beds (Beds) 0.54 1.58 6.57 2.96 2.16 Average Daily Census – SNF beds (Beds) 0.02 0.64 2.12 1.13 1.54 Outpatient Outpatient 0.02 0.64 2.12 1.13 1.54 Outpatient Revenue (%) 44.17 62.70 73.90 76.04 81.01 Hospital Medicare Outpatient Payer Mix (%) 8.67 21.76 38.07 34.18 34.30 Hospital Medicare Outpatient Cost to Charge 49.46 69.35 115.22 46.18 44.93 Labor FTEs per Adjusted Occupied Bed 13.21 14.43 17.27 7.69 5.72 Average Salary per FTE (\$) 60743.86 81720.42 92403.23 78360.12 64443.58 Salaries to Net Patient Revenue (%) 38.64 46.09 64.33 47.72 47.13 Growth <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>						
Average Daily Census - Acute beds (Beds) 0.54 1.58 6.57 2.96 2.16 Average Daily Census - SNF beds (Beds) 0.02 0.64 2.12 1.13 1.54 Outpatient Outpatient Revenue to Total Revenue (%) 44.17 62.70 73.90 76.04 81.01 Hospital Medicare Outpatient Payer Mix (%) 8.67 21.76 38.07 34.18 34.30 Hospital Medicare Outpatient Cost to Charge 49.46 69.35 115.22 46.18 44.93 Labor FTEs per Adjusted Occupied Bed 13.21 14.43 17.27 7.69 5.72 Average Salary per FTE (\$) 60743.86 81720.42 92403.23 78360.12 64443.58 Salaries to Net Patient Revenue (%) 38.64 46.09 64.33 47.72 47.13 Growth 1-Year Change in Operating Revenue (%) 6.32 14.96 31.70 21.22 15.97 1-Year Change in Operating Expenses (%) -2.75 4.07 12.90 5.65 3.68 3-Year Change in Operating Expenses (%) -4.45 21.39 48.30 18.81 12.21 Other Average Age of Plant (Years) 3.06 8.61 22.53 13.06 12.32 Patient Deductions (%) 11.71 24.12 41.83 44.39 46.00 Medicaid Payer Mix (%) 0.00 22.33 50.73 22.68 13.19 Uncompensated Care (%) 0.00 1.72 4.91 2.87 3.74			59.66		60.46	66.80
Average Daily Census - SNF beds (Beds) 0.02 0.64 2.12 1.13 1.54	1		5892.81	8377.32	4332.93	
Outpatient Outpatient Revenue to Total Revenue (%) 44.17 62.70 73.90 76.04 81.01 Hospital Medicare Outpatient Payer Mix (%) 8.67 21.76 38.07 34.18 34.30 Hospital Medicare Outpatient Cost to Charge 49.46 69.35 115.22 46.18 44.93 Labor FTEs per Adjusted Occupied Bed Charge 13.21 14.43 17.27 7.69 5.72 Average Salary per FTE (\$) 60743.86 81720.42 92403.23 78360.12 64443.58 Salaries to Net Patient Revenue (%) 38.64 46.09 64.33 47.72 47.13 Growth 1-Year Change in Operating Revenue (%) 0.19 4.49 13.70 6.46 6.38 3-Year Change in Operating Revenue (%) 6.32 14.96 31.70 21.22 15.97 1-Year Change in Operating Expenses (%) -2.75 4.07 12.90 5.65 3.68 3-Year Change in Operating Expenses (%) -4.45 21.39 48.30 18.81 12.21 Other		0.54	1.58	6.57	2.96	
Outpatient Revenue to Total Revenue (%) 44.17 62.70 73.90 76.04 81.01 Hospital Medicare Outpatient Payer Mix (%) 8.67 21.76 38.07 34.18 34.30 Hospital Medicare Outpatient Cost to Charge 49.46 69.35 115.22 46.18 44.93 Labor FTEs per Adjusted Occupied Bed Average Salary per FTE (\$) 60743.86 81720.42 92403.23 78360.12 64443.58 Salaries to Net Patient Revenue (%) 38.64 46.09 64.33 47.72 47.13 Growth 1-Year Change in Operating Revenue (%) 0.19 4.49 13.70 6.46 6.38 3-Year Change in Operating Revenue (%) 6.32 14.96 31.70 21.22 15.97 1-Year Change in Operating Expenses (%) -2.75 4.07 12.90 5.65 3.68 3-Year Change in Operating Expenses (%) -4.45 21.39 48.30 18.81 12.21 Other Average Age of Plant (Years) 3.06 8.61 22.53 13.06 12.32 Patient Deductions (%)		0.02	0.64	2.12	1.13	1.54
Hospital Medicare Outpatient Payer Mix (%) 8.67 21.76 38.07 34.18 34.30 Hospital Medicare Outpatient Cost to Charge 49.46 69.35 115.22 46.18 44.93 Labor						
Hospital Medicare Outpatient Cost to Charge 49.46 69.35 115.22 46.18 44.93		44.17	62.70	73.90	76.04	81.01
Charge 49.40 69.35 115.22 40.18 44.93 Labor FTEs per Adjusted Occupied Bed 13.21 14.43 17.27 7.69 5.72 Average Salary per FTE (\$) 60743.86 81720.42 92403.23 78360.12 64443.58 Salaries to Net Patient Revenue (%) 38.64 46.09 64.33 47.72 47.13 Growth 1-Year Change in Operating Revenue (%) 0.19 4.49 13.70 6.46 6.38 3-Year Change in Operating Revenue (%) 6.32 14.96 31.70 21.22 15.97 1-Year Change in Operating Expenses (%) -2.75 4.07 12.90 5.65 3.68 3-Year Change in Operating Expenses (%) -4.45 21.39 48.30 18.81 12.21 Other Average Age of Plant (Years) 3.06 8.61 22.53 13.06 12.32 Patient Deductions (%) 11.71 24.12 41.83 44.39 46.00 Medicaid Payer Mix (%) 0.00 22.33 50.73 2		8.67	21.76	38.07	34.18	34.30
FTEs per Adjusted Occupied Bed 13.21 14.43 17.27 7.69 5.72 Average Salary per FTE (\$) 60743.86 81720.42 92403.23 78360.12 64443.58 Salaries to Net Patient Revenue (%) 38.64 46.09 64.33 47.72 47.13 Growth 1-Year Change in Operating Revenue (%) 6.32 14.96 31.70 21.22 15.97 1-Year Change in Operating Expenses (%) -2.75 4.07 12.90 5.65 3.68 3-Year Change in Operating Expenses (%) -4.45 21.39 48.30 18.81 12.21 Other Average Age of Plant (Years) 3.06 8.61 22.53 13.06 12.32 Patient Deductions (%) 11.71 24.12 41.83 44.39 46.00 Medicaid Payer Mix (%) 0.00 22.33 50.73 22.68 13.19 Uncompensated Care (%) 0.00 1.72 4.91 2.87 3.74		49.46	69.35	115.22	46.18	44.93
Average Salary per FTE (\$) 60743.86 81720.42 92403.23 78360.12 64443.58 Salaries to Net Patient Revenue (%) 38.64 46.09 64.33 47.72 47.13 Growth 1-Year Change in Operating Revenue (%) 6.32 14.96 31.70 21.22 15.97 1-Year Change in Operating Expenses (%) -2.75 4.07 12.90 5.65 3.68 3-Year Change in Operating Expenses (%) -4.45 21.39 48.30 18.81 12.21 Other Average Age of Plant (Years) 3.06 8.61 22.53 13.06 12.32 Patient Deductions (%) 11.71 24.12 41.83 44.39 46.00 Medicaid Payer Mix (%) 0.00 22.33 50.73 22.68 13.19 Uncompensated Care (%) 0.00 1.72 4.91 2.87 3.74	Labor				I	
Salaries to Net Patient Revenue (%) 38.64 46.09 64.33 47.72 47.13 Growth 1-Year Change in Operating Revenue (%) 0.19 4.49 13.70 6.46 6.38 3-Year Change in Operating Revenue (%) 6.32 14.96 31.70 21.22 15.97 1-Year Change in Operating Expenses (%) -2.75 4.07 12.90 5.65 3.68 3-Year Change in Operating Expenses (%) -4.45 21.39 48.30 18.81 12.21 Other Average Age of Plant (Years) 3.06 8.61 22.53 13.06 12.32 Patient Deductions (%) 11.71 24.12 41.83 44.39 46.00 Medicaid Payer Mix (%) 0.00 22.33 50.73 22.68 13.19 Uncompensated Care (%) 0.00 1.72 4.91 2.87 3.74	FTEs per Adjusted Occupied Bed	13.21	14.43	17.27	7.69	5.72
Growth 1-Year Change in Operating Revenue (%) 0.19 4.49 13.70 6.46 6.38 3-Year Change in Operating Revenue (%) 6.32 14.96 31.70 21.22 15.97 1-Year Change in Operating Expenses (%) -2.75 4.07 12.90 5.65 3.68 3-Year Change in Operating Expenses (%) -4.45 21.39 48.30 18.81 12.21 Other Average Age of Plant (Years) 3.06 8.61 22.53 13.06 12.32 Patient Deductions (%) 11.71 24.12 41.83 44.39 46.00 Medicaid Payer Mix (%) 0.00 22.33 50.73 22.68 13.19 Uncompensated Care (%) 0.00 1.72 4.91 2.87 3.74	Average Salary per FTE (\$)	60743.86	81720.42	92403.23	78360.12	64443.58
1-Year Change in Operating Revenue (%) 0.19 4.49 13.70 6.46 6.38 3-Year Change in Operating Revenue (%) 6.32 14.96 31.70 21.22 15.97 1-Year Change in Operating Expenses (%) -2.75 4.07 12.90 5.65 3.68 3-Year Change in Operating Expenses (%) -4.45 21.39 48.30 18.81 12.21 Other Average Age of Plant (Years) 3.06 8.61 22.53 13.06 12.32 Patient Deductions (%) 11.71 24.12 41.83 44.39 46.00 Medicaid Payer Mix (%) 0.00 22.33 50.73 22.68 13.19 Uncompensated Care (%) 0.00 1.72 4.91 2.87 3.74	Salaries to Net Patient Revenue (%)	38.64	46.09	64.33	47.72	47.13
3-Year Change in Operating Revenue (%) 6.32 14.96 31.70 21.22 15.97 1-Year Change in Operating Expenses (%) -2.75 4.07 12.90 5.65 3.68 3-Year Change in Operating Expenses (%) -4.45 21.39 48.30 18.81 12.21 Other Average Age of Plant (Years) 3.06 8.61 22.53 13.06 12.32 Patient Deductions (%) 11.71 24.12 41.83 44.39 46.00 Medicaid Payer Mix (%) 0.00 22.33 50.73 22.68 13.19 Uncompensated Care (%) 0.00 1.72 4.91 2.87 3.74	Growth					
1-Year Change in Operating Expenses (%) -2.75	1-Year Change in Operating Revenue (%)	0.19	4.49	13.70	6.46	6.38
3-Year Change in Operating Expenses (%) -4.45 21.39 48.30 18.81 12.21 Other Average Age of Plant (Years) 3.06 8.61 22.53 13.06 12.32 Patient Deductions (%) 11.71 24.12 41.83 44.39 46.00 Medicaid Payer Mix (%) 0.00 22.33 50.73 22.68 13.19 Uncompensated Care (%) 0.00 1.72 4.91 2.87 3.74		6.32	14.96	31.70	21.22	15.97
Other Average Age of Plant (Years) 3.06 8.61 22.53 13.06 12.32 Patient Deductions (%) 11.71 24.12 41.83 44.39 46.00 Medicaid Payer Mix (%) 0.00 22.33 50.73 22.68 13.19 Uncompensated Care (%) 0.00 1.72 4.91 2.87 3.74	1-Year Change in Operating Expenses (%)	-2.75	4.07	12.90	5.65	3.68
Average Age of Plant (Years) 3.06 8.61 22.53 13.06 12.32 Patient Deductions (%) 11.71 24.12 41.83 44.39 46.00 Medicaid Payer Mix (%) 0.00 22.33 50.73 22.68 13.19 Uncompensated Care (%) 0.00 1.72 4.91 2.87 3.74	3-Year Change in Operating Expenses (%)	-4.45	21.39	48.30	18.81	12.21
Patient Deductions (%) 11.71 24.12 41.83 44.39 46.00 Medicaid Payer Mix (%) 0.00 22.33 50.73 22.68 13.19 Uncompensated Care (%) 0.00 1.72 4.91 2.87 3.74	Other					
Medicaid Payer Mix (%) 0.00 22.33 50.73 22.68 13.19 Uncompensated Care (%) 0.00 1.72 4.91 2.87 3.74		3.06	8.61	22.53		
Uncompensated Care (%) 0.00 1.72 4.91 2.87 3.74						
- ' '		0.00	22.33	50.73	22.68	13.19
Number of Included CAHs 13 13 13 119.00 1334.00						
	Number of Included CAHs	13	13	13	119.00	$133\overline{4.00}$

^{*} Number of available 2022 Medicare Cost Reports: 13
† Census Division 9: Pacific (Alaska, California, Hawaii, Oregon, and Washington)

[‡] 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 2020. See complete report for discussion.

Appendix

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).

Total Margin

Definition

$$\label{eq:Total Margin} \text{Total Margin} = \frac{\text{Net Income}}{\text{Total Revenue}}$$

Medicare cost report accounts

Total Margin =
$$\frac{\text{Worksheet G} - 3, \text{ Line 29}}{\text{Worksheet G} - 3, \text{ (Line 3 + Line 25)}}$$

Interpretation

Total Margin measures the control of expenses relative to revenues. A positive value indicates total expenses are less than total revenues (a profit). Very high positive values may indicate higher patient volumes, which drive down the cost per unit of service. A negative value indicates total expenses are greater than total revenues (a loss). Very high negative values may indicate financial difficulty.

Data quality and exclusion criteria

Hospitals with total revenues of zero were excluded from the calculation of medians.

Operating margin

Definition

$$Operating Margin = \frac{Net patient revenue + Other revenue - Total operating expense}{Net patient revenue + Other revenue}$$

Medicare cost report accounts

$$Operating\ Margin = \frac{Worksheet\ G-3,\ (Line\ 3+Line\ 8\ to\ 22+Line\ 24-Line\ 4)}{Worksheet\ G-3,\ (Line\ 3+Line\ 8\ to\ 22+Line\ 24)}$$

Interpretation

Operating Margin measures the control of operating expenses relative to operating revenue (net patient and other revenue). A positive value indicates operating expenses are less than operating revenue (an operating profit). Very high positive values may indicate higher patient volumes, which drive down the cost per unit of service. A negative value indicates operating expenses are greater than operating revenues (an operating loss). Very high negative values may indicate financial difficulty.

Data quality and exclusion criteria

Operating margin can be calculated in different ways. Given the data constraints of the Medicare Cost Report, the definition used in this report is the best match between operating revenues and operating expenses. For a full explanation, see Flex Monitoring Team Briefing Paper 17: Differences in Measurement of Operating Margin.