

*Nebraska*  
***DATABANK***  
*Balance Sheet*  
*Manual*

*Reporting Balance Sheet data to the  
Nebraska Hospital Association  
**DATABANK Program***

**[www.nhanet.org/databank.htm](http://www.nhanet.org/databank.htm)  
[www.databank.org](http://www.databank.org)**

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# DATABANK PROGRAM REPORTING MANUAL

## - BALANCE SHEET -

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### **OVERVIEW**

For many years hospitals have had issues, which require the need for data, but they lacked financial and statistical information to tell others about those issues or to know how their hospital compared to others.

As time went on, various organizations made attempts to collect data about the hospital industry. Unfortunately, the reporting requirements were often burdensome and the resulting information was very outdated.

In response to these considerations, the *Colorado Health & Hospital Association* (CHA) Board of Directors established the **DATABANK** Program in 1985 to collect financial and utilization data from hospitals throughout the state. This information was primarily focused on the Income Statement.

Starting in 2002, **DATABANK** is collecting 28 balance sheet and two supplemental data elements. From this data, the system will produce 18 calculated indicators and ratios in a variety of report formats. Please use this manual to report the data as closely to the definitions as possible.

# DATABANK PROGRAM REPORTING MANUAL

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### DATA COLLECTION

Just as you have been submitting your facilities' **Income Statement** data using the **DATABANK Web Site**, the **Balance Sheet** is the next form in the submission process.

### SUBMITTING DATA

The **DATABANK** Input Form collects balance sheet information from **the previous month's Balance Sheet from your hospital's financial statements.** A sample copy of the **DATABANK Balance Sheet** Input Form is attached and should be referenced when reviewing the following reporting instructions.

**IMPORTANT:** The response deadline date will always fall on or around the 25<sup>th</sup> of each month. **In order to run your hospital's Balance Sheet reports, you must also submit the Income Statement data to the DATABANK Web Site.**

To make it easy to participate, you may submit data in one of two ways:

1. **Internet Submission:** Log on to the **DATABANK Web Site** ([www.databank.org](http://www.databank.org)) and submit the **DATABANK Balance Sheet Input Form**. The **Balance Sheet Input Form** follows the Income Statement data entry forms or, you can click the link on the navigation bar, which appears on the left side of your screen.
2. **Secondary Method:** Complete the hard copy **DATABANK Balance Sheet Input Form** and fax it to NHA at (402) 475-4091. By faxing the data, you will not have access to the Balance Sheet Reports unless you contact NHA and request a specific report. If you need assistance in gaining access to the **DATABANK Web Site**, please contact NHA.

# DATABANK PROGRAM REPORTING MANUAL

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### ESTIMATING DATA

If information for a specific data element is unavailable at the response deadline, you are encouraged to estimate its value to the best of your ability. When the correct information is available, simply log on to the web site and correct the data.

Changes to previously submitted data can be made at any time during the calendar year and the change will be reflected in the month for which the correction applies. Peer group and ad hoc aggregations previously reported to providers in hard copy will not be updated for the impact of the corrections. However, any reports printed from the web site will reflect any changes made to the database.

For many hospitals, the fiscal year end is December 31. Frequently, due to year-end adjustments, the financial statements for December are not prepared on the same schedule as other months. We recognize there may be annual fiscal year-end adjustments that could affect your December reports. However, it is extremely important that we have the December data, even without adjustments, reported by the regular time deadline in January.

**What we suggest is this:** submit December data including all adjustments that you are aware of at the time you prepare the **DATABANK** Input Form, as well as estimates of remaining adjustments. After your year-end audit is completed, log on to the **DATABANK** Web Site and correct the data, making the appropriate comments about this data being, "**DECEMBER-ADJUSTED**". Please remember that prior year corrections are not to be made after the prior year cut-off date.

### LATE DATA

Timely data submission is essential to the success of the **DATABANK** Program. Keeping **DATABANK** valid and statistically significant is in everyone's best interest. You can help by submitting your data in a timely manner. If your **DATABANK** information is not submitted via the web site or faxed to the association, an association representative will call the hospital **DATABANK** Contact Person for the information. If the data is not available at that time, the association will not be able to produce your summary and peer group reports for that month.

It is very important to submit your data - *even if you miss the response deadline*. By submitting the information after the deadline, it will allow the database to provide you, and your peers in other hospitals, with complete and accurate reports all year long. **A complete database is in everyone's best interest!**

# **DATABANK PROGRAM REPORTING MANUAL**

## **- BALANCE SHEET -**

### **DATA REVIEW**

After you have entered your balance sheet data via the **DATABANK Web Site**, you should generate the **Balance Sheet Report** to compare the values you just entered to prior months. Another useful report in reviewing the accuracy of your data is the **Balance Sheet Ratios Report**. Both of these reports can be produced from the *Reporting Facility* on the **DATABANK Web Site**.

Please remember that you are responsible for the accuracy of the data you submit. You should review the information for completeness, accuracy, general reasonableness and accounting sense. Appropriate relationships between data elements from the prior month should be reviewed. If you detect errors during your review, please correct the data for the month in which the errors occurred. The corrections will be reflected in any subsequent reports you run.

# DATABANK PROGRAM REPORTING MANUAL

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### REPORTS

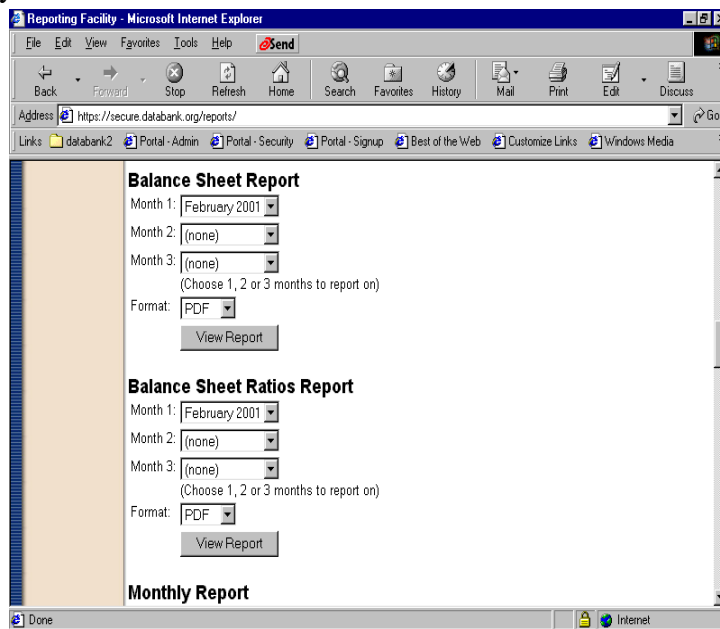
In addition to the reports available for the Income Statement data, the **DATABANK Web Site** offers **four** additional reports primarily focused on the Balance Sheet. Remember, you must submit both the Income Statement data **and** the Balance Sheet data to receive the Balance Sheet Ratios Report.

Please keep two important points in mind when requesting a report from the **DATABANK** web site:

1. Reports that display your hospital's data can be viewed immediately, as long as you have supplied the requested data.
2. Reports that include peer groups can be viewed when the **minimum numbers of hospitals have submitted data** for the peer groups your hospital is included.

### **DATABANK Balance Sheet Report (Hospital Only)**

This report allows you to report your Balance Sheet data for one, two or three months. The report format displays the data you entered from line 1 to line 30. This report allows you to view three months of data and review it for consistency. The screen shot to the left



illustrates that you can choose any month for reporting that you have entered into the system. Furthermore, you have the ability to run this report in Portable Document Format (PDF files are read by Adobe Acrobat Reader). Only the months that you have entered will appear in the drop down boxes.

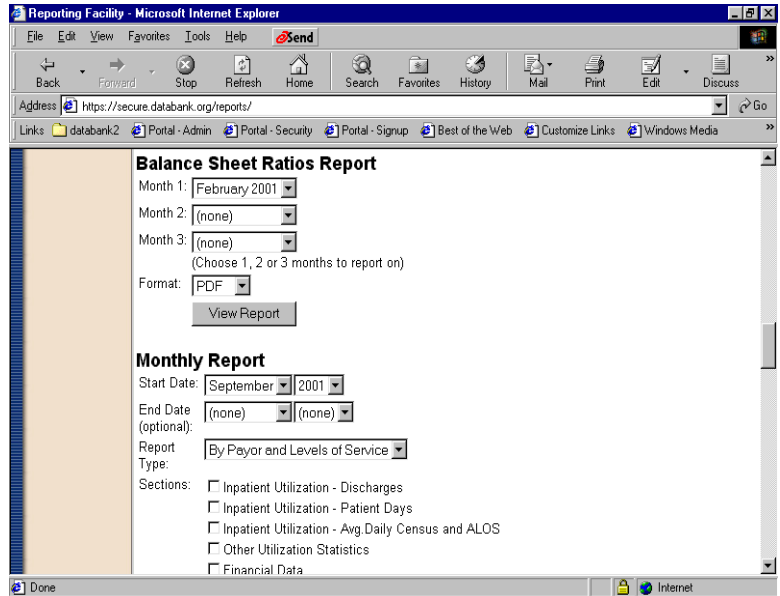
# DATABANK PROGRAM REPORTING MANUAL

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### **DATABANK Balance Sheet Ratios Report (Hospital Only)**

This report allows you to report your Balance Sheet Ratios for one, two or three months. The report format displays your facilities' Balance Sheet Ratios using the data you entered from line 1 to line 30.

This report allows you to view three months of ratios and is another report for your data review. The screen shot to the right shows that you could choose any month for reporting that you have entered into the system. As in the previous report, you have the ability to run this report in Portable Document Format (PDF files are read by Adobe Acrobat Reader). Only the months that you have entered will appear in the drop down boxes.



The screenshot shows a web browser window titled "Reporting Facility - Microsoft Internet Explorer". The address bar shows "https://secure.databank.org/reports/". The main content area displays the "Balance Sheet Ratios Report" form. It includes three dropdown menus for "Month 1", "Month 2", and "Month 3", with "February 2001", "(none)", and "(none)" selected respectively. Below these is a "Format" dropdown set to "PDF" and a "View Report" button. A "Monthly Report" section follows, with "Start Date" set to "September 2001" and "End Date" set to "(none)". The "Report Type" is "By Payor and Levels of Service". Under "Sections", several checkboxes are visible, including "Inpatient Utilization - Discharges", "Inpatient Utilization - Patient Days", "Inpatient Utilization - Avg Daily Census and ALOS", "Other Utilization Statistics", and "Financial Data".

**Note:** In order to generate a Balance Sheet Ratios Report for a month, you must enter both the Income Statement and Balance Sheet data.

### **PEER GROUPS**

The two reports described above are available for your hospital compared to peer groups. The DATABANK Balance Sheet Report allows you to compare your facilities' data to peer group averages. The DATABANK Balance Sheet Ratios Report allows you to benchmark your ratios against peer group data.

If you have questions or comments about the data indicators or the calculations used, please contact the **DATABANK System Administrator** at your association.

# DATABANK PROGRAM REPORTING MANUAL

## - BALANCE SHEET -

### DEFINITIONS AND INSTRUCTIONS

#### OVERVIEW

The following definitions and instructions are designed to assist you in the completion of the **DATABANK Balance Sheet** information. They are generally consistent with the **AICPA** Audit and Accounting Guide for Health Care Organizations (New Edition as of June 1, 1996), and Generally Accepted Accounting Principles (GAAP). **DATABANK Balance Sheet Reports** are designed to provide useful information about hospital operations. We recognize that some hospital accounting and data collection systems may not be structured to comply precisely with these instructions. However, to the extent possible, we encourage you to conform to the definitions so that the resulting reports will be comparable to the available peer groups and therefore more useful to the end users. We also encourage your feedback about the definitions and instructions. We consider this feedback in terms of needed modifications to definitions to promote usefulness of the data and comparability among hospitals and health systems.

#### REPORTING ENTITY

The information reported to the **DATABANK Program** reflects **all healthcare** operations which are governed by the hospital board and which are included in the hospital's financial statements. Any portion of the facility, which is separately licensed for long-term care (skilled or intermediate), is *included* in the hospital operations definition.

**All Healthcare Operations Definition:** Report **all** operations of the healthcare enterprise that have a common balance sheet (single or multiple hospitals and other health services within an integrated healthcare delivery system). Depending upon the structure of the healthcare enterprise, activities reported for DATABANK could include ambulatory providers, long-term care providers or other non-acute providers as well as medical office building operations. Depending on the nature of these activities relative to the direct patient care activities of the hospital, these activities could be classified as either operating or nonoperating. To the extent possible, the Balance Sheet's scope of data should be consistent with what is reported on your DATABANK Income Statement data submissions.

# DATABANK PROGRAM REPORTING MANUAL

## - BALANCE SHEET -

### LINE ITEM DEFINITIONS/INSTRUCTIONS:

#### ASSETS

##### **Current Assets:**

##### **Line 1 – Cash and Short-Term Investments**

Cash and cash equivalents should include all cash and highly liquid investments that are both readily convertible to cash and so near to maturity that they present insignificant risk of changes in value because of changes in interest rates.

**Short-Term Investments** meet two important criteria: (a) ready marketability and (b) a clear management intention to convert them to working capital in the near future.

##### **Line 2 – Patient Accounts Receivable**

Report money due from patients or third-party payers for services rendered to patients by the hospital. (Patient Accounts Receivable should be net of *Contractual Allowances*.)

Receivables include amounts **due for health care services** from

- Patients, third-party payers, and self funded employer plans

##### **Line 3 – Allowance for Doubtful Accounts**

Allowance for Doubtful Accounts includes amounts owed to the organization that it expects it will never receive.

##### **Line 4 – Net Accounts Receivable**

Net Accounts Receivable is equal to Patient Accounts Receivable less Allowance for Doubtful Accounts. This is a calculated field.

##### **Line 5 – Inventories**

Report the value of supplies owned by the hospital as reported on the hospital's balance sheet. Inventories typically include medical and surgical supplies, pharmaceuticals, linens, uniforms, garments, food and other commodities, housekeeping, maintenance and office supplies.

##### **Line 6 – Other Current Assets**

Report the value of all other current assets.

##### **Line 7 – Total Current Assets**

Total Current Assets is equal to Cash and Short-Term Investments plus Net Accounts Receivable plus Inventories plus Other Current Assets. ***This is a calculated field.***

# **DATABANK PROGRAM REPORTING MANUAL**

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### **Assets Whose Use is Limited**

#### **Line 8 – By Board Action**

Assets that are segregated and limited either by the Board or management (for example, designated for expenditure in the acquisition of property and equipment or for the liquidation of long-term debt) or by outside third parties other than a donor or grantor (for example, funds under bond agreements or malpractice arrangements) as to how the assets may be used.

#### **Line 9 – By Donors**

Report the value of assets whose use is limited by donors. A donor stipulation that specifies the use for a contributed asset that is more specific than broad limits resulting from the nature of the organization, the environment in which it operates, and the purposes specified in its articles of incorporation or bylaws or comparable documents for an unincorporated association. A restriction on an organization's use of the asset contributed may be temporary or permanent.

#### **Line 10 – Long -Term Investments**

Short Term Investments meet two important criteria: (a) readily marketable and (b) a clear management intention to convert them to working capital in the near future. **All investments *not* meeting both of these tests are classified as permanent or long-term investments. Examples for inclusion in Long-Term Investments are:**

1. Investments in securities.
2. Investments in tangible fixed assets not currently used in operations: land held for speculation.
3. Investments set aside in special funds: sinking funds, pension funds, plant expansion funds.
4. Investments in non-consolidated subsidiaries or affiliated companies.

#### **Line 11 – Property Plant & Equipment**

Report the value of your hospitals **Land, Buildings** and **Equipment** (major and minor movable equipment which is capitalized) recorded on your hospital's books. Most property, plant & equipment figures are depreciable. Land is the exception. Typical accounts used to record property and equipment transactions are land and land improvements, buildings and improvements, leasehold improvements, equipment (fixed and movable) leased property and equipment, accumulated depreciation and amortization, and construction in progress.

#### **Line 12 – Less Accumulated Depreciation**

Report the amount on your hospital's balance sheet that reflects the cost of use (wear and tear and obsolescence) on buildings and equipment.

# **DATABANK PROGRAM REPORTING MANUAL**

## **- BALANCE SHEET -**

### **Line 13 – Property Plant & Equipment, Net**

**Property Plant & Equipment, Net** is equal to Property Plant & Equipment minus Accumulated Depreciation. *This is a calculated field.*

### **Line 14 – Other Assets**

Other assets may include prepaid expenses, deposits, and deferred expenses. Prepaid costs, such as amounts paid to physicians for future services (for example, administering a hospital department or providing community services that further the organization's mission) may be deferred and amortized over the period benefited. Such assets are classified as current or noncurrent as appropriate.

### **Line 15 – Hospital Foundation**

Report the net asset amount that appears on the balance sheet for the hospital's foundation.

### **Line 16 – Total Assets**

**Total Assets** is equal to **Total Current Assets** plus both Limited Assets **By Board Action** and **By Donors** plus **Long Term Investments** plus **Property, Plant & Equipment** plus **Other Assets** plus **Hospital Foundation**. *This is a calculated field.*

# DATABANK PROGRAM REPORTING MANUAL

## - BALANCE SHEET -

<b>LIABILITIES AND NET ASSETS</b>
-----------------------------------

### **Current Liabilities:**

#### **Line 17 – Current Portion of Long-Term Debt**

Report the amount that appears on the balance sheet for this liability. This is the portion of debt principal that is due in the next twelve months. **Long-Term Debt** is defined, as installment notes, specific-building bonds, collateral trust bonds and bank mortgages, minus the portion of debt principal that is due in the next twelve months.

#### **Line 18 – Accounts Payable/Accrued Expenses**

Report the amount that the hospital owes to ordinary business creditors plus the amount that has been accrued for the hospital's expenses. Included in the definition of accrued expenses are amounts for retainage and construction accounts payable, estimated third-party payer settlements, deferred third party reimbursement and advances from third-party payers.

#### **Line 19 – Other Current Liabilities**

This line should contain liabilities falling due in the current operating cycle which have not been previously reported on lines 17 and 18.

#### **Line 20 – Deferred Revenues**

Report the value in the liability account used for revenues and other cash receipts prior to the completion of the transaction.

#### **Line 21 – Total Current Liabilities**

**Total Current Liabilities** is equal to **Current Portion of Long-Term Debt** plus **Other Current Liabilities** plus **Accounts Payable/Accrued Expenses** plus **Other Current Assets** plus **Deferred Revenues**. *This is a calculated field.*

#### **Line 22 – Long-Term Debt (excluding current portion)**

Report the value of installment notes, specific building bonds, collateral trust bonds and mortgage loans, minus the portion of debt principal that is due in the next twelve months.

#### **Line 23 – Other Liabilities**

Report the value of all other liabilities not previously reported on the balance sheet.

# DATABANK PROGRAM REPORTING MANUAL

## - BALANCE SHEET -

<b>NET ASSETS:</b>
--------------------

### **Line 24 – Unrestricted**

Report the part of net assets of a not-for-profit organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Report equity or stockholder's equity on this line.

### **Line 25 – Temporarily Restricted**

Report the part of net assets of a not-for-profit organization resulting (a) from contributions and other inflows of assets whose use by the organization is limited by the donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, or (c) from reclassification to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the organization pursuant to those stipulations.

### **Line 26 – Permanently Restricted**

Report the part of net assets of a not-for-profit organization resulting from (a) contributions and other inflow of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the actions of the organization, (b) other asset enhancements and diminishments subject to the same kind of stipulations, and (c) reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

### **Line 27 – Total Net Assets**

**Total Net Assets** is equal to **Unrestricted Net Assets** plus **Temporarily Restricted Net Assets** plus **Permanently Restricted Net Assets**. *This is a calculated field.*

### **Line 28 – Total Liabilities & Net Assets**

**Total Liabilities & Net Assets** is equal to **Total Current Liabilities** plus **Long Term Debt** plus **Other Liabilities (non current)** plus **Total Net Assets**. *This is a calculated field.*

# DATABANK PROGRAM REPORTING MANUAL

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<b>SUPPLEMENTAL DATA</b>
--------------------------

Note: To calculate certain financial ratios, DATABANK is asking for two additional data elements. These will be used to calculate:

1. *Cash Flow to Net Patient Revenue*
2. *Debt Service Coverage Ratio*
3. *Return to Net Patient Revenue*

### **Line 29 – Principal Payment on Long-Term Debt**

Report the amount paid that reflects the *principal* portion of the hospital's long-term debt payment for the same period that the excess of revenues over expenses, interest and depreciation expenses are reported.

### **Line 30 – Premium Revenue**

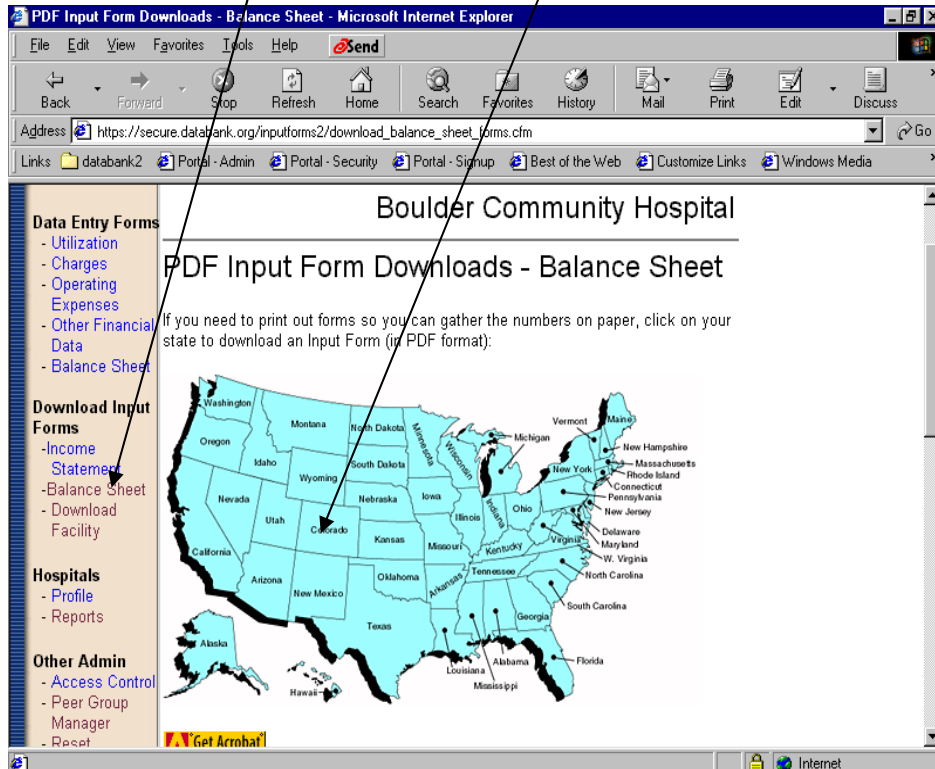
This is also called "Premium Income". Premium revenue generally includes the revenue recorded by the hospital entity for capitation or prepaid health insurance contracts. This line records those amounts recorded within your institution.

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### PRINTING A DATABANK BALANCE SHEET INPUT FORM

To print a copy of the **DATABANK Balance Sheet Input Form**, click on **Balance Sheet** under the Download Input Forms. Then, click on your state and the form will appear on your screen. Print the Input Form and use it as a collection tool. In the future, you may not need to even print this form in order to enter the data on the web site.



# DATABANK PROGRAM REPORTING MANUAL

## - BALANCE SHEET -

### FORMULAS USED ON THE DATABANK BALANCE SHEET – RATIOS REPORT

#### I. Liquidity Ratios

##### 1. Current Ratio

**Formula:** 
$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

**Comment:** This liquidity ratio indicator shows the number of times short-term obligations can be met from short-term creditors. Because it provides an indication of the ability to pay liabilities, a high ratio number is one way short-term creditors evaluate their margin of safety.

**Desired Trend:** Up

##### 2. Days in Accounts Receivable (net)

**Formula:** 
$$\frac{\text{Net Patient Accounts Receivable}}{\text{Last three months of Net Patient Revenue} / \text{Number of Calendar Days in the last three months}}$$

**Comment:** Average time that receivables are outstanding.

**Desired Trend:** Down

##### 3. Days Cash on Hand – Current

**Formula:** 
$$\frac{\text{Cash and Short + Term Investments}}{(\text{YTD Total Operating Expense} - \text{YTD Depreciation}) / \text{YTD Days}}$$
 **Note:** Total Operating Expense and Depreciation are accumulated, year to date.

**Comment:** This solvency indicator measures the number of days an organization can pay its cash operating expenses if none of the accounts receivable were collected. This liquidity indicator shows the minimal survival period of an organization.

**Desired Trend:** Up

##### 4. Days Cash on Hand – All Sources

**Formula:** 
$$\frac{\text{Cash and Short + Term Investments} + \text{Assets Limited By Board} + \text{Assets Limited By Donors} + \text{Long-Term Investments}}{(\text{YTD Total Operating Expense} - \text{YTD Depreciation}) / \text{Days in Period}}$$

**Note:** Total Operating Expense and Depreciation are accumulated, year to date.

**Comment:** Number of days of average cash expense that the hospital maintains in *total* cash.

**Desired Trend:** Up

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### 5. Average Payment Period

**Formula:** 
$$\frac{\text{Current Liabilities}}{(\text{YTD Total Operating Expense} - \text{YTD Depreciation}) / \text{YTD Days}}$$

(YTD Total Operating Expense – YTD Depreciation) / YTD Days

**Note:** Total Operating Expense and Depreciation are accumulated, year to date.

**Comment:** A measure of solvency that uses adjusted current liabilities in its computation.

**Desired Trend:** Down

## II. Profitability Ratios

### 6. Operating Margin

**Formula:** 
$$\frac{\text{Operating Income}}{\text{Total Operating Revenues}}$$

**Comment:** Measure of hospital profitability and the relationship of income from operations to strictly operating revenue.

**Desired Trend:** Up

### 7. Total Margin

**Formula:** 
$$\frac{\text{Excess of Revenue Over Expenses}}{\text{Operating} + \text{Non-operating Revenue}}$$

**Comment:** Primary measure of total hospital profitability. Percentage of revenue recognized as net income.

**Desired Trend:** Up

### 8. Return on Total Net Assets (Return on Equity)

**Formula:** 
$$\frac{\text{YTD Excess of Revenue Over Expenses}}{\text{Total Net Assets}}$$

**Comment:** Net income generated per dollar of asset investment. Measures viability to replace assets.

**Desired Trend:** Up

## III. Activity Ratios

### 9. Total Net Assets Turnover Ratio

**Formula:** 
$$\frac{\text{YTD Total Net Revenues}}{\text{Total Net Assets}}$$

**Comment:** Index of the number of revenue dollars generated per dollar of asset investment.

**Desired Trend:** Up

# DATABANK PROGRAM REPORTING MANUAL

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### 10. Fixed Assets Turnover Ratio

**Formula:** 
$$\frac{\text{YTD Total Net Revenues}}{\text{Net Plant and Equipment}}$$

**Comment:** Number of revenue dollars generated per dollar of fixed asset investment.

**Desired Trend:** Up

### 11. Average Age of Plant Ratio

**Formula:** 
$$\frac{\text{Accumulated Depreciation}}{\text{Depreciation Expense for the last 12 Months}}$$

**Comment:** Indicates the financial age of the fixed assets of the hospital. The older the average age, the greater the short term need for capital resources. Average age of plant and equipment is measured in years.

**Desired Trend:** Down

**What it means:** The age of a hospital's physical plant and equipment measures the current status of medical technology and facilities used in providing medical services. The average age of plant and equipment is determined by dividing accumulated depreciation by this period's depreciation expense.

Empirical studies show that average age of plant and equipment is highly statistically association with financial status, bond ratings, and projections of return on net operating revenue.

<b>Average Age of Plant</b>				
	<b>Reacting Phase</b>		<b>Strategic Planning Phase</b>	
<b>Status</b>	“Distressed”	“Struggling”	“Implementing”	“Proactive”
<b>Range</b>	9.51 or more	8.07 to 9.50	7.14 to 8.06	7.13 or less
<b>Profiles</b>	Significant amounts of dated technology being used in providing medical and health care services; facilities are old.	Some new and some dated technology is being used in providing medical and health care services in relatively old facilities.	Most of the technology is current that is being used in providing medical and health care services with some modern facilities.	Capability of having current technology and modern facilities for use in providing medical and health care service.

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### **IV. Capital Structure Ratios**

#### **12. Long-Term Debt to Net Assets Ratio**

**Formula:** 
$$\frac{\text{Long-Term Debt}}{\text{Net Assets}}$$

**Comment:** Importance of long-term debt in the hospital capital structure. This ratio measures risk. High values suggest that the institution relies heavily on debt as opposed to equity to finance their assets.

**Desired Trend:** Down

#### **13. Times Interest Earned Ratio**

**Formula:** 
$$\frac{\text{YTD Excess of Revenue Over Exp.} + \text{YTD Interest Expense}}{\text{YTD Interest Expense}}$$

**Comment:** Defines relative security of debt from the creditor's point of view. Multiple by which current interest is being met from operating income.

**Desired Trend:** Up

#### **14. Debt Service Coverage Ratio**

**Formula:** 
$$\frac{\text{YTD Excess of Revenue Over Expenses} + \text{YTD Interest Expense} + \text{YTD Depr. Exp.}}{\text{YTD Interest Exp.} + \text{YTD Principal Payment on Long-Term Debt}}$$

**Comment:** Defines relative security of debt from the creditor's point of view. Multiple by which long-term debt is being met from operating income.

**Desired Trend:** Up

# DATABANK PROGRAM REPORTING MANUAL

## - BALANCE SHEET -

### V. Wall Street Ratios

#### 15. Cash Flow to Net Patient Revenue

**Formula:**  $\frac{\text{YTD Excess of Revenues Over Expenses} + \text{YTD Depreciation Expense}}{\text{YTD Net Patient Service Revenue} + \text{YTD Premium Revenue}}$

**Comment:** The ratio of cash flow to net patient revenue is a quick barometer of two key financial indicators in a health care entity – return and medical technology.

**Desired Trend:** Up

**What it means:** A powerful barometer of the ability of a health care organization to meet payroll and working capital requirements, satisfy long-term debt payments, and provide cash for investing in future infrastructure, such as medical practices, medical technology, community outreach and prevention. Useful in overall strategic planning and assessing operating performance.

<b>Cash Flow to Net Patient Revenue</b>				
	<b>Reacting Phase</b>		<b>Strategic Planning Phase</b>	
<b>Status</b>	“Distressed”	“Struggling”	“Implementing”	“Proactive”
<b>Range</b>	9.55% or Less	9.56% to 12.31 %	12.32 % to 15.58 %	15.59% or More
<b>Profiles</b>	Shortage of cash for payroll and meeting day-to-day operations.	Focused on short-term resource management from cash flow and working capital pressures.	Reasonable cash flow but less than enough for continuous capital improvement.	Able to invest in new medical practices and technology, outreach services, etc.

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## - BALANCE SHEET -

### 16. Cash Flow to Total Current Liabilities

**Formula:**  $\frac{\text{YTD Excess of Revenues Over Expenses} + \text{YTD Depreciation Expense}}{\text{Total Liabilities}}$

**Comment:** The ratio of cash flow to total liabilities is important in assessing the capital structure and new financing for a health care entity.

**Desired Trend:** Up

**What it means:** Cash flow to total liabilities is a strong measure of the financial structure and new financing for any health care entity. This indicator relates the cash flow from the statement of operations to the aggregate current, long-term and other liabilities balance sheet. Health care entities are in a reacting phase if current cash flows are insufficient to retire all existing liabilities within five years and it is difficult to retire long-term debt.

Cash Flow to Total Liabilities				
	Reacting Phase		Strategic Planning Phase	
Status	“Distressed”	“Struggling”	“Implementing”	“Proactive”
Range	15.78% or Less	15.79% to 23.32%	23.33 % to 32.41 %	32.42% or More
Profiles	Cash flows from internal sources will require many years to retire existing liabilities – insufficient equity.	Significant pressure on the entity to meet obligations – insufficient equity.	Reasonable monitoring of cash flows to meet obligations – adequate equity.	Financing strong entity that can manage cash flows for meeting all obligations.

### 17. Return to Net Operating Revenue

**Formula:**  $\frac{\text{YTD Excess of Revenues Over Expenses}}{\text{YTD Total Revenues} + \text{YTD Gains and Other Support (Other Operating Revenue)}}$

**Comment:** Financial analysts view net operating revenue as a financial measure of the ongoing capability of the health care entity to provide services that are accepted by the marketplace. To financial analysts, net operating revenue is the engine. The return is the bottom line from this engine.

Return to Net Operating Revenue				
	Reacting Phase		Strategic Planning Phase	
Status	“Distressed”	“Struggling”	“Implementing”	“Proactive”
Range	3.75% or Less	3.76% to 6.25%	6.26% to 9.19%	9.20% or More
Profiles	Negative or low bottom line that brings into question the financial viability of the health care entity.	Insufficient returns to fully support the health care entity’s mission.	Comfortable returns but must depend on external financing sources for significant new initiatives.	Strong returns with internal capabilities for financing some new initiatives.

# DATABANK PROGRAM REPORTING MANUAL

## - BALANCE SHEET -

### 18. Return to Patient Revenue

**Formula:** 
$$\frac{\text{YTD Excess of Revenues Over Expenses}}{\text{YTD Net Patient Revenues} + \text{YTD Premium Revenues}}$$

**Comment:** This ratio relates net income performance indicator to the net patient service revenue and premium revenue of the health care entity.

**Desired Trend:** Up

**What it means:** The ratio of patient revenue is a performance measure of the health care entity's medical and health care services in the marketplace.

Patient revenue includes patient-service and premium revenues. Patient revenue is net of any contractual allowances and adjustments. It does not include other operating revenue, or net assets released from restrictions and used for operations.

Patient revenue includes: inpatient outpatient, clinic, home health services and managed care plans.

A return of 8 percent is the target to maintain the current status of medical practice, technology, and clinical protocols.

<b>Return to Patient Revenue</b>				
	<b>Reacting Phase</b>		<b>Strategic Planning Phase</b>	
<b>Status</b>	“Distressed”	“Struggling”	“Implementing”	“Proactive”
<b>Range</b>	3.75% or Less	3.76% to 6.25%	6.26% to 9.19%	9.20% or More
<b>Profiles</b>	Unable to maintain the current level of medical practice, technology and clinical protocols.	Some areas of service use current level of medical practice, technology and clinical protocols.	Current in most areas of service with medical practice, technology and clinical protocols.	Able to be a leader in advances in medical practice, technology and clinical protocols.

“Tables” and “What it means:” are courtesy of Thomas R. Prince, Professor of Accounting and Information Systems at Northwestern University.