# Healthcare Financial Management and Economics

# Week 8 Assignment 1 — Louisville Community Hospital

**Assignment 1: Ratio Analysis**

It is important to understand that when interpreting financial statements, the numbers alone may not provide the whole financial picture of an organization. Instead, you must analyze the statements using ratios, which are then compared to benchmarks across the healthcare industry. For this Assignment, you examine the financial documents for Louisville Community Hospital and analyze the organization’s financial health.

**Louisville Community Hospital**

Louisville Community Hospital is a small community hospital serving a rural population. The adjusted discharges are 3.30 for the 1st year and 3.10 for the 2nd.

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| **Louisville Community Hospital** |
| **Statement of Operations (in thousands) for the** **Years Ended December 31, 2016 and 2017** |
|  |  |  |  |
|  |  **2016** |  | **2017** |
| Revenues |  |  |  |
|  Net patient service revenue | $23,000  |  |  $19,000  |
|  Net assets released from restriction | 1,000  |  | 800  |
| Total operating revenues | 24,000  |  | 19,800  |
|  |  |  |  |
| Expenses |  |  |  |
|  Salaries and benefits | 13,000  |  | 9,000  |
|  Supplies and other expenses | 7,000  |  | 6,000  |
|  Depreciation | 2,500  |  | 2,000  |
|  General services | 200  |  | 100  |
| Total operating expenses  | 22,700  |  | 17,100  |
|  |  |  |  |
| Operating income | 1,300  |  | 2,700  |
| Non-operating income  | 4,000  |  | 2,500  |
|  |  |  |  |
| Excess of revenues over expenses | 5,300  |  | 5,200  |
|  |  |  |  |
| Increase (decrease) in net assets | $5,300  |  | $5,200  |

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| **Louisville Community Hospital** |
| **Balance Sheet (in thousands)**  |  |  |
| **for the Years Ended December 31, 2016 and 2017** |  |  |
|  |  |  |  |
|  |  **2016** |  |  **2017** |
| Current assets |  |  |  |
|  Cash and cash equivalents | $700  |  | $500  |
|  Net patient receivables | 4,000  |  | 3,500  |
|  Inventory | 950  |  | 750  |
| Total current assets | 5,650  |  | 5,250  |
|  |  |  |  |
| Non-current assets |  |  |  |
| Plant, property, and equipment |  |  |  |
|  Gross plant, property, and equipment | 26,500  |  | 24,000  |
|  (less accumulated depreciation) | (18,000) |  | (17,000) |
| Net plant, property, and equipment | 8,500  |  | 7,000  |
|  |  |  |  |
| Board-designated funds | 18,000  |  | 9,000  |
|  |  |  |  |
| Total assets | 32,150  |  | 21,250  |
|  |  |  |  |
| Current liabilities |  |  |  |
|  Accounts payable | 2,500  |  | 2,000  |
|  Accrued expenses | 900  |  | 750  |
| Total current liabilities | 3,400  |  | 2,750  |
|  |  |  |  |
| Long-term liabilities |  |  |  |
|  Bonds payable | 6,500  |  | 8,000  |
| Total long-term liabilities | 6,500  |  | 8,000  |
|  |  |  |  |
| Net assets | 22,250  |  | 10,500  |
|  |  |  |  |
| Total liabilities and net assets | $32,150  |  | $21,250  |

**To prepare for this Assignment:**

Examine the financial statements from Louisville Community Hospital. Reflect on how you will use this financial data to calculate and analyze the organization’s financial ratios. Refer to Chapter 4 of *Financial Management of Health Care Organizations: An Introduction to Fundamental Tools, Concepts and Applications* for additional guidance.

**The Assignment:**

Using the statement of operations and balance sheet for Louisville Community Hospital, complete the “Week 8 Assignment 1 Ratio Excel Template”.

**Your Assignment is due by** **Day 7 of Week 8.**