

FHURS Data Discussion and Guide Sheet:

For Profit vs. Not-For-Profit (Notable Differences)

	For Profit	Not-for-Profit
Use of Profits	Profits are retained/reinvest within the organization and/or distribute to owners and shareholders.	Profits are retained/reinvest within the organization.
Tax Exemption	Not tax exempt.	Exempt from Federal and many State taxes (must meet qualifications of a 501(c)(3) with the IRS).
Asset Ownership	Assets belong to the owners and shareholders.	Assets belong to the organization.

Bad Debt – in the audited financial statements, historically bad debt has been written off at the full amount of charges not received and has been included on the expense line of the audit. Bad debt did not include what is known as contractual adjustments, the difference between negotiated payment rates (including Medicaid and Medicare) and actual charges. Recent accounting guidance had required that bad debt be included in the revenue line as a reduction to revenue and not an expense. The FHURS data has always included bad debt as reduction to revenue rather than an expense.

Conclusion: Bad debt in the FHURS data is a reduction in revenue and not an expense and therefore does not inflate cost/expense numbers for charges (or sticker price as noted by the Commission). Charity and contractual adjustments are recorded the same way as bad debt in the FHURS and audited financial statements have these items as a reduction to revenue as well.

EBITDA – Earnings before interest, taxes, depreciation, and amortization (EBITDA) is a measure of “cash” operations as it eliminates non-cash items like depreciation and amortization and focuses on the day-to-day actual cost of all activities of the hospital.

Below is a table that shows how the FHURS income statement is constructed along with an indication of common differences between the FHURS report structure and audited financial statements. Also included is how EBITDA is calculated.

OPERATING REVENUE:			Audit vs. FHURS	EBITDA
01	Inpatient Services Revenue	\$ 7,490.08		
02	Outpatient Services Revenue	\$ 3,616.70		
03	Total Patient Service Revenue (Line 1 + Line 2)	\$ 11,106.78		
DEDUCTIONS FROM REVENUE AND NET REVENUE:				
04	Total Deductions from Revenue	\$ 8,575.09	Bad Debt in FHURS	
05	Net Patient Care Revenue (Line 3 - Line 4)	\$ 2,531.69		
06	Other Operating Revenue	\$ 21.29	Local and State Tax Revenue in Audit	
07	Total Operating Revenue (Line 5 + Line 6)	\$ 2,552.98		
OPERATING EXPENSE:				
08	Salaries and Wages-Patient Care	\$ 560.95		
09	Other Expense-Patient Care	\$ 620.60		
10	Salaries and Wages-Administrative & General	\$ 343.19		
11	Other Expense-Administrative & General	\$ 775.84	Bad Debt in audit	add back interest, depreciation and amortization
12	Total Operating Expense (Lines 8 through Line 11)	\$ 2,300.58		
13	Operating Margin (Line 7 - Line 12)	\$ 252.40		
NONOPERATING REVENUE AND EXPENSE:				
14	Nonoperating Revenue	\$ 183.89	Local and State Tax Revenue in FHURS	
15	Nonoperating Expense	\$ 166.19		
16	Excess (Deficiency) of Nonoperating Revenues Over Nonoperating Expenses (Line 14 - Line 15)	\$ 17.70		
17	Total Margin B/F Income Taxes & Extraordinary Items (Line 13 + Line 16)	\$ 270.10		
18	Provision for Incomes Taxes	\$ (2.50)		add back
EXTRAORDINARY ITEMS (DETAIL BELOW):				
19	Extraordinary Gains *	\$ 0.30		
21	Extraordinary Losses *	\$ -		
24	Total Extraordinary Items (Lines 19 + 21)	\$ 0.30		
25	Total Margin (Line 17 + 18 + 24)	\$ 267.90		Start With