

Financial Report Glossary

Not-for-profit health care system – The “profits” of a nonprofit health care system, such as Norton Healthcare, are reinvested in its community assets. This contrasts with for-profit health care providers, which use part of their profits to pay stockholder dividends. Norton uses its profits to improve facilities, technology, information systems, services and other areas; and to provide direct benefits to the community through the “Community Dividend,” as described below.

Cash flow from operations – Money generated and used for operations during a specific time period

Cash reserves – The amount of cash, cash equivalents and investments, which can be easily converted to cash to pay the company’s obligations

Community dividend – The cost to fund charity care, education, unpaid Medicaid services, pastoral care and counseling, research and health initiatives benefiting the community

Days cash on hand – A calculation based on the amount of cash reserves divided by the average daily direct and fixed expenses for the period. This is a key indicator of an organization’s financial strength.

Gross revenues – Total revenues generated by providing services to patients

Maximum debt service coverage ratio – An important indicator of an organization’s ability to meet debt obligations

Net patient receivables – Gross patient receivables less an allowance for contractual arrangements (reduced amounts paid by commercial and government insurance programs) less an allowance for uncollectible accounts

Net revenues – Gross revenues less third-party payer (commercial and government insurance programs) reductions due to contractual arrangements

Operating income – Profit realized from operations; in Norton Healthcare’s case, patient service margin plus investment income

Patient service margin – Financial results from our organization’s core business, patient care services. Patient service margin represents the surplus (or loss) generated by providing patient services, less direct expenses (salaries, benefits, medications, supplies and bad debts) and fixed expenses (depreciation, rent and interest).

Total system assets – The amount of total assets of the company, which includes cash, cash equivalents, patient accounts receivable, investments, property, equipment and other assets