APPENDIX 1: GLOSSARY OF TERMS

Note: Refer to the Instructions and Definitions Section of the survey instruments in Appendix 3 for terms not defined here.

Abbreviations used in this report:

AODA: alcohol and other drug abuse
BHI: Bureau of Health Information
CAH: Critical Access Hospital
FTE: full-time equivalent
FY: fiscal year
GMS: general medical-surgical
HMO: health maintenance organization
PPO: preferred provider organization
PPS: prospective payment system

Active/Associate medical staff – Physicians with full admitting privileges at a hospital. Active medical staff generally admit more patients than do associate physicians. Although practices vary from hospital to hospital, physicians on the associate staff usually do not have voting privileges in medical staff meetings at the facility.

Adjusted census – A calculation that accounts for the average daily census, adjusted to reflect the impact of both inpatient and outpatient volume. The steps used to calculate adjusted census are as follows:

1. Inpatient gross revenue per inpatient day = (Total gross inpatient service revenue + Total gross inpatient ancillary revenue) / Total inpatient days
2. Adjusted outpatient days = Gross outpatient revenue / Inpatient gross revenue per inpatient day
3. Adjusted census = (Total inpatient days + Adjusted outpatient days) / Number of days in fiscal year.

Adjusted discharges – A calculation that adjusts the number of discharges (hospitalizations) to reflect the impact of both inpatient and outpatient volume. The steps used to calculate adjusted discharges are as follows:

1. Inpatient gross revenue per discharge = (Total gross inpatient service revenue + Total gross inpatient ancillary revenue) / Total inpatient discharges
2. Outpatient equivalent discharges = Gross outpatient revenue / Inpatient gross revenue per discharge
3. Total hospital adjusted discharges = Total inpatient discharges + Outpatient equivalent discharges

Amortization of financing expense – The gradual recognition of the expenses related to securing a loan or bond. These are recognized over the life of the loan.

Analysis areas – Clusters of counties configured originally into seven administrative districts for the state; modified by BHI to allow for two additional sub areas, thus creating a total of nine analysis areas. (See the county listing in Section III and the map in Appendix 4).

Ancillary revenue – Charges for services other than room, board, and medical nursing services, such as laboratory, radiology, pharmacy, and therapy services that are provided to hospital patients in the course of care.

Average census – The average number of patients in a hospital on any given day. It is calculated by dividing total inpatient days by the number of days in the fiscal year.

Average length of stay – The average period of time (usually stated in days) patients stay in a hospital. It is calculated by dividing total patient days by the number of patients discharged by the facility. Average length of stay may reflect a variety of factors such as case mix, severity of illness, hospital efficiency, or programmatic considerations.

Average age of plant - A measure of the average age (in years) of a hospital's fixed assets.

Bad debt – Claims arising from rendering patient care services that the hospital, using a sound credit and collection policy, determines are not collectable; bad debt does not include charity care and is treated as deduction from revenue.

Beds set up and staffed - The number of beds that are staffed by a facility as of the end of its fiscal year. This may be more or less than the capacity of the facility and usually fluctuates over time to reflect changes in utilization. Beds set up and staffed may occasionally exceed hospital capacity to cover short-term peaks in utilization, such as might occur following a major multi-vehicle accident.

Capital component of insurance premium – Expense for insurance on buildings and fixtures.

Capital component (of total expenses) – Indicates the portion of hospital expenses allocated to depreciation expense, interest expense, amortization of financing expenses, rents and leases and the capital component of insurance premium.

Critical Access Hospital – GMS care facilities providing outpatient, emergency and short-term inpatient services. Generally rural not-for-profit hospitals are eligible to convert to CAHs if they are more than a 35-mile drive from another hospital or CAH, and may have up to 25 beds. They have an average inpatient stay of 96 hours or less. A CAH must have 24-hour emergency care available. Hospitals certified as CAHs are noted as such in Section IV (Individual Hospital Tables).

Charity care – Charges for health care a hospital provides to a patient who, after an investigation of the circumstances surrounding the patient's ability to pay, including nonqualification for a public program, is determined by the hospital to be unable to pay all or a portion of the hospital's normal billed charges.

Current ratio – A ratio of current assets to current liabilities, providing information about a facility's ability to meet its current liabilities.

Days in net patient accounts receivable – Indicates the average length of time that patient accounts are outstanding. Increasing values for this ratio may imply problems in collection or billing.

Deductions from revenue – The proportion of charges that were billed to patients for services provided but were not received by hospitals due to reduced reimbursement from both government and private sources, charity care, or bad debt. The uncollected charges are treated as deductions from revenue.

Distinct unit – A wing or group of beds at a hospital specially designated and staffed to provide services to a specific class of patients (e.g., orthopedics, hospice, psychiatric).

Equity – Assets or the entries on a balance sheet showing all properties and claims against other that may be applied, directly or indirectly, to cover liabilities.

Equity financing – Relates unrestricted fund balances to total assets.

Expenses – All expired costs for goods and services that have been used or consumed in carrying out some activity during the fiscal year and from which no benefit will extend beyond the present.

Fiscal statistics (also called financial statistics) – Used to indicate a hospital's liquidity or net income (i.e., the income it retains from revenue after expenses are subtracted). Fiscal statistics are used by health care analysts and financial specialists to evaluate the internal operations of a hospital, and to determine the ability of the institution to incur additional indebtedness. Each statistic represents the relationship between two or more data items and provides a useful measure for assessing a hospital's financial health. Fiscal statistics may be expressed as a ratio or multiplied by 100 and expressed as a percent. The formulas used to calculate most of the fiscal statistics used in this document were taken from the book 2011 *Almanac of Hospital Financial and Operating Indicators: A Comprehensive Benchmark of the Nation's Hospitals* by Ingenix, Inc.

Fiscal year – A 12-month accounting period that begins and ends according to the internal operations of a hospital.

Full-time equivalent (FTE) – A measure of staffing levels calculated by dividing the total number of part-time work hours at a facility by the length of the normal full-time work week and adding the resulting number to the number of full-time persons employed at the facility.

Gross patient revenue – The total charges generated by hospitals to inpatients and outpatients for services provided, regardless of the amount a hospital actually expects to collect.

Health maintenance organization (HMO) – A health care plan that makes available to its participants, in consideration for predetermined periodic fixed payments, comprehensive health care services performed by providers selected by the organization.

Interest expense – Includes all interest incurred on borrowing for working capital purposes and for capital debt purposes.

Long-term debt – Any general obligation of a hospital with a term greater than one year.

Long-term debt to equity ratio – Highlights the extent to which the hospital relies on long-term debt to finance capital assets, an important measure of a hospital's financial health.

Medicare – The federal health insurance program for the elderly and/or disabled, created under 42 USC 1395 and 42 CFR subchapter B, also known as Title 18.

Medical Assistance – A state health insurance program for people with low or no incomes, with federal matching funds, created under ss. 49.43 to 49.497, Wisconsin Statutes, also known as Medicaid, MA, or Title 19. For purposes of this report, Medical Assistance includes BadgerCare, a Medicaid-like program.

Net income – The amount of total revenue retained after subtracting total expenses and factoring in nonoperating gains or losses.

Net patient revenue – Total gross revenue from service to inpatients and outpatients minus total deductions from revenue (i.e., the revenue actually collected by hospitals for services to patients).

Nonoperating gain or loss – Gains or losses from incidental services such as unrestricted gifts, donated services, contributions from donors, unrestricted income from endowment funds, and income from investments other than income related to borrowed funds.

Occupancy rate – A measure of the extent to which a hospital uses beds available for patient care. It is calculated by dividing a facility's total inpatient days by the product of the number of beds set up and staffed as of the last day of the fiscal year multiplied by the number of days in the fiscal year.

Other revenue – Consists of revenue from services other than health care provided to patients, as well as sales and services to nonpatients (e.g., cafeteria or gift-shop sales). This includes tax appropriations.

Operating margin – Defines the proportion of total revenue that remains after the subtraction of total expenses. Includes revenue from nonpatient care activities, such as cafeteria and gift-shop sales.

Outpatient gross revenue – Total charges billed to outpatients for services provided.

Patient revenue – The sum of charges generated by a hospital from patient services only. Patient revenue may be gross or net and maybe calculated for all patients, together, and/or separately for inpatients and outpatients.

Return on equity – Indicates net income per dollar invested in the hospital by financial supporters (donors) and by the hospital itself through retained income.

Supplies and services – Includes professional fees, contracted nursing services, malpractice insurance premiums, and all other operating expenses.

Swing bed – An acute-care hospital bed that may also be used to treat patients requiring long-term care services. Facilities having swing beds may be eligible for special reimbursement under Medicare for nursing home services provided in those beds if they meet certain conditions.

Times interest earned – Measures the extent to which earnings could fall and still not impair a hospital's ability to repay its interest obligations.

Total asset turnover – Measures the relationship between revenue (a rough measure of output) and assets (a rough measure of input).

Total revenue – The sum of net patient revenue and other revenue from operations.

Total hospital net income – Indicates how much the hospital generates (keeps) from all sources.

Volume group – A classification system created by BHI, based upon total hospital discharges (hospitalizations), adjusted to account for both inpatient and outpatient volume. GMS hospitals are ranked from lowest to highest and assigned to a group from 1 to 7. Specialty hospitals are not assigned a volume group.