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U.S. Not-For-Profit Health Care Stand-Alone Ratios: Operating Pressures Led To Mixed Results In 2012

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U.S. Not-For-Profit Health Care Stand-Alone Ratios: Operating Pressures Led To Mixed Results In 2012

The 2012 median ratios for stand-alone hospitals remained generally stable compared with the prior year. However, some measures of financial operating performance are beginning to weaken despite revenue growth across most rating categories. We expect this trend to prevail in the next two years as incremental credit pressures continue to build. Specifically, Standard & Poor's Ratings Services expects a further decline in utilization, slower rate increases for patient service, continued expenditure growth, including greater investment in physicians and technology, and ongoing pressures on pension costs. At the same time, the sector faces difficulty reducing expenses after successive years of consolidation and deep cost-saving measures.

Balance-sheet measures were generally stable, reflecting an increase in unrestricted reserves and limited use of debt. However, the trend in unrestricted reserves to operating expenses, as measured by days' cash on hand, was inconsistent at individual rating levels.

Stand-alones are hospital organizations that do not meet the criteria of a health system, and have less geographic and revenue diversity.

Overview

- The 2012 stand-alone ratios were relatively stable, highlighted by steady coverage of maximum annual debt service and consistent balance-sheet metrics.
- Despite revenue growth, operating results were mixed across individual rating levels but more consistent across rating categories.
- The sector will feel the strain on operating results due to continued credit pressures and limits on additional cost-saving measures.
- Health care reform preparation and industry consolidation are expected to accelerate as more people obtain health insurance in 2014 under the Patient Protection and Affordable Care Act.

Standard & Poor's rates the debt of 409 stand-alone providers. Since our last report, there was some upward movement in ratings with some growth in the percentages of 'A' and 'AA' rating categories and a drop in the percentage of organizations in the 'BBB' category (see charts 1 and 2). Part of this change was related to upgrades based on our view of stronger credit characteristics. However, our credit sample also shifted slightly over the past year because a number of smaller, lower-rated providers were no longer rated. We believe heavy merger activity and broad utilization of bank debt products as a refinancing option, instead of public offerings, contributed to the withdrawal of some of these ratings.

Chart 1

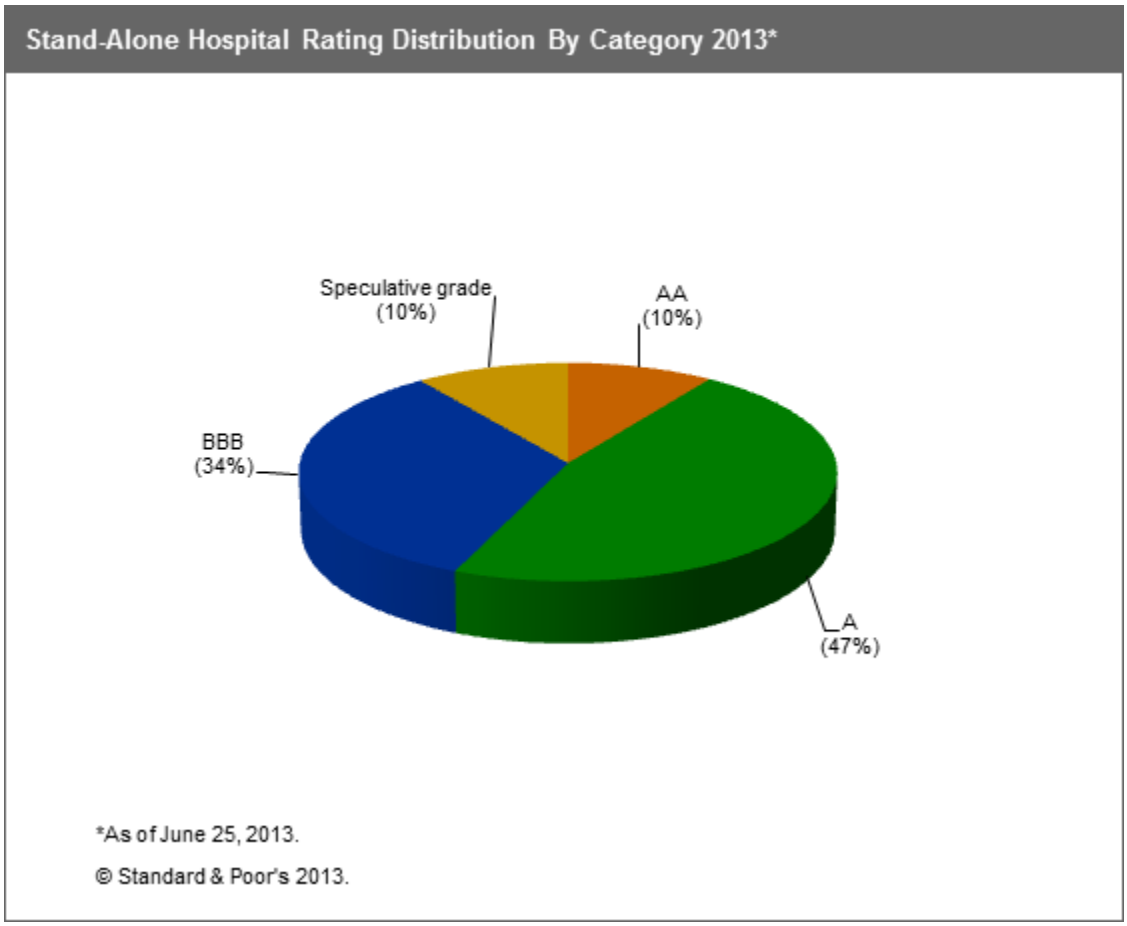
Stand-Alone Hospital Rating Distribution By Category 2013*
Speculative grade (10%)
AA (10%)
BBB (34%)
A (47%)
*As of June 25, 2013.
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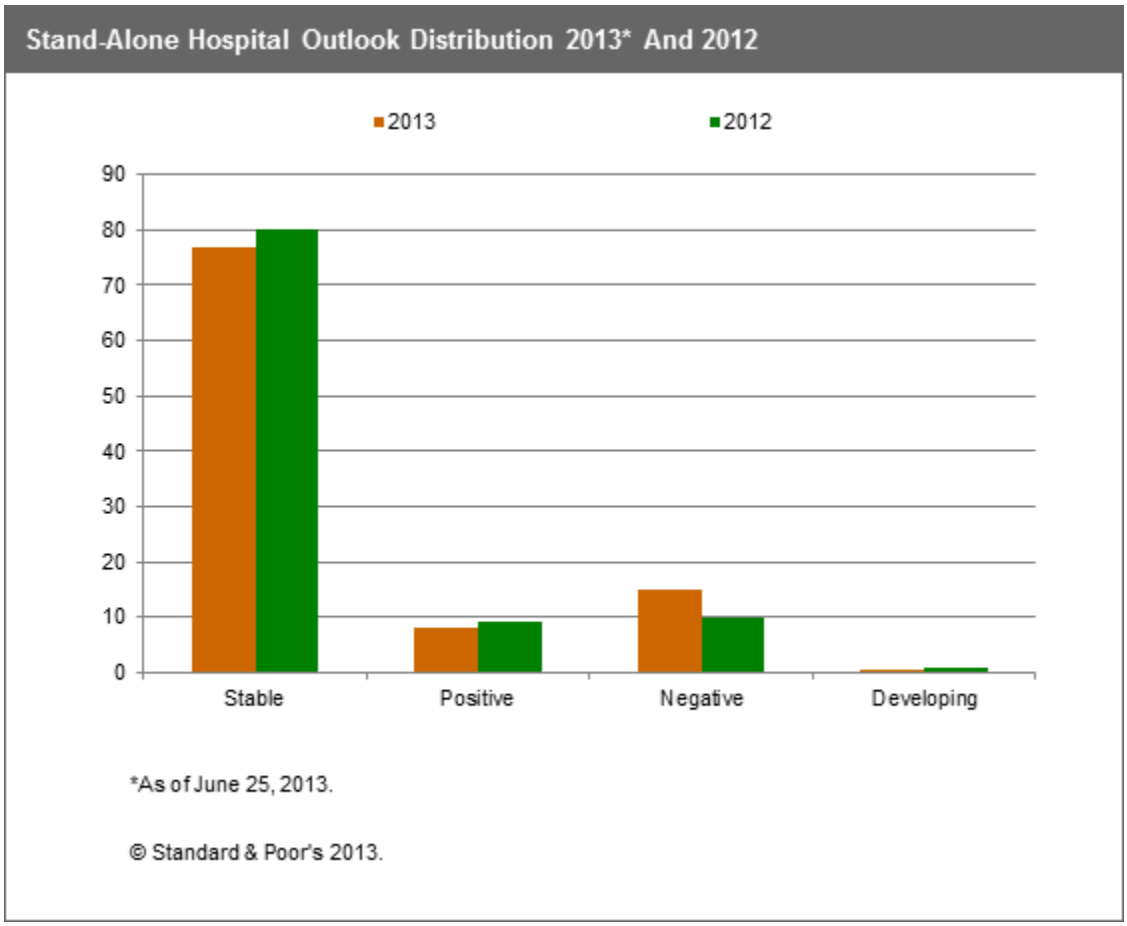
Chart 2



Revenue Growth Did Not Boost Operating Performance For All

Despite soft business volumes and generally thin reimbursement increases, net patient revenue grew across our rated universe of hospitals and health systems, the highest pace of growth since 2008, with 2011 and 2012 incorporating the adoption of Financial Accounting Standards Board 2011-07, which changes the accounting for bad debt to a contractual adjustment rather than an expense (see table 1). We have not restated 2010 and prior years to reflect the new bad debt accounting treatment. For more on the bad debt accounting change, see the article "New Bad Debt Accounting Rules Will Alter Some U.S. Not-for-Profit Health Care Ratios But Won't Affect Ratings", published Jan. 19, 2012. We attribute much of the growth to new revenue from the growing number of employed physicians as well as some revenue sources that we believe may be or are nonrecurring or less typical sources, such as new provider fee programs in several states, meaningful use reimbursement, and payor settlements (including Medicare adjustment payments referred to as "rural floor" payments).

Revenue appeared to decline for the 'BBB' rating category overall (see table 3); however, within each rating level, the decline was only evident for 'BBB+' rated providers (see tables 2a and 2b). Revenue for 'BBB-' rated providers actually increased by 21% year-over-year, which we believe may reflect a change in composition of that group and a decline in

the sample size to 42 from 46, including the exit of some smaller hospitals. Revenue was flat for 'BBB' rated providers.

Balance-Sheet Ratios Held Steady

The balance-sheet medians for stand-alone hospitals in 2012 were relatively stable, but results were somewhat inconsistent across individual rating levels. While unrestricted reserves were up on an absolute basis, except for the speculative-grade category, the median days' cash on hand rose for some rating levels but not for others, which could be due to an increasing expense base. While the general trend is cost containment, we recognize that providers are continuing to invest significantly in physician employment and technology, while also facing higher pension costs. Unrestricted reserves to long-term debt was up for all categories except speculative grade, largely due to some buildup of the organizations' reserves and what we saw as less new debt in fiscal 2012. With the increased use of direct bank debt products, we note that many providers maintained unrestricted reserves well in excess of puttable and contingent liabilities.

Long-term debt to capitalization was essentially flat or down for all rating categories, although the median increased at the 'BBB-' level. There was significant refunding activity in 2012 but new-debt issuance was more limited. As such, there was little overall change in debt to capitalization levels. For the 'BBB-' rating level, the higher metric may be due to the impact of increasing pension liabilities on capitalization rather than the addition of debt.

Table 1

Six-Year Comparison of Acute-Care Overall Medians (Stand-Alone Hospitals And Health Care Systems)

Fiscal Year-End	2012§	2011§	2010	2009	2008	2007
Sample Size	517	551	561	556	532	566
Statement of Operations						
Net patient revenue (NPR; $000)	453,329	406,214	393,875	383,667	358,773	311,196
Salaries & benefits/NPR (%)	55.7	55.0	51.2	51.6	52.0	51.4
Maximum annual debt service coverage (x)	3.8	3.8	3.7	3.0	3.1	4.0
Operating lease-adjusted coverage (x)*	3.1	3.0	3.0	N.A.	N.A.	N.A.
Debt burden (%)	3.0	3.1	3.0	3.1	3.2	3.0
EBIDA ($000)	53,383	49,506	45,548	34,569	34,323	41,254
Nonoperating revenue/total revenue (%)	1.7	1.7	1.5	0.5	1.6	3.0
EBIDA margin (%)	11.6	11.8	10.9	9.4	9.8	12.2
Operating EBIDA margin (%)	9.8	10.2	9.5	9.4	8.9	9.5
Operating margin (%)	2.6	2.7	2.4	2.3	1.8	2.5
Excess margin (%)	4.5	4.7	4.0	2.4	3.0	5.6
Capital expenditures/depr. & amort. exp. (%)	121.2	115.7	106.5	130.3	156.1	151.6
Balance Sheet						
Average age of plant (years)	10.5	10.4	10.0	9.8	9.8	9.7
Cushion ratio (x)	15.9	14.4	14.2	12.9	11.5	13.8
Days' cash on hand	191.7	186.7	164.6	151.6	145.9	167.4

Table 1

Six-Year Comparison of Acute-Care Overall Medians (Stand-Alone Hospitals And Health Care Systems) (cont.)

Days in accounts receivable	49.9	48.3	44.5	46.0	48.4	49.3
Cash flow/total liabilities (%)	15.3	15.9	15.4	12.8	13.7	18.9
Unrestricted reserves ($000)	230,870	200,873	N.A.	N.A.	N.A.	N.A.
Unrestricted reserves/long-term debt (%)	135.1	123.6	118.5	109.7	104.6	115.8
Long-term debt/capitalization (%)	36.4	37.0	38.1	39.0	39.0	36.1
DB pension funded status (%)*	69.0	72.9	71.9	N.A.	N.A.	N.A.
Pension-adjusted long-term debt/capitalization (%)	40.2	40.2	N.A.	N.A.	N.A.	N.A.

Sample size represents stand-alone hospitals and health systems providing audited financial reports for each year. The 2012 sample represents 94% of rated acute-care entities currently rated by Standard & Poor's. §Fiscal 2012 and 2011 ratios stated by Standard & Poor's incorporating FASB 2011-07. *These two ratios are only for entities that have defined-benefit (DB) pension plans or operating leases. N.A.--Not available.

Table 2a

Stand-Alone Hospital Median Ratios By Rating Level -- 2012 vs. 2011

	AA		AA-		A+		A		A-	
Fiscal Year-End	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Sample Size	12	13	18	20	56	57	51	56	67	62
Statement of Operations										
Net patient revenue (NPR; $000)	998,771	861,130	627,438	560,312	449,298	437,199	426,029	331,212	289,985	255,569
Salaries & benefits/NPR (%)	56.4	57	56.2	54.7	54.0	54.1	56.1	54.2	55.9	54.8
Maximum annual debt service coverage (x)	5.8	4.9	5.8	5.8	5.1	4.9	4.8	4.6	3.7	3.6
Operating lease-adjusted coverage (x)*	4.3	4.0	4.4	4.2	4.2	3.9	3.6	3.4	2.9	2.7
Debt burden (%)	2.4	2.6	2.7	2.7	2.7	2.8	2.8	3.0	3.2	3.3
EBIDA ($000)	178,150	166,073	102,686	99,323	69,965	71,454	51,974	46,956	33,463	36,826
Nonoperating revenue/total revenue (%)	2.8	3.9	2.7	2.8	2.7	2.2	2.4	2.3	1.6	1.7
EBIDA margin (%)	14.7	14.5	13.5	15.8	14.4	14.1	12.7	13.6	11.8	10.9
Operating EBIDA margin (%)	12.5	12.6	11.2	13.0	12.2	11.1	10.4	11.2	10.6	10.3
Operating margin (%)	5.2	3.9	4.4	6.2	5.0	3.9	2.9	3.2	2.6	2.1
Excess margin (%)	6.9	8.2	7.2	8.8	7.5	6.9	5.0	5.7	4.2	3.7
Capital expenditures/depr. & amort. exp. (%)	141.0	124.2	130.3	113.6	127.8	123.7	106.3	110.5	119.1	114.6
Balance Sheet										
Average age of plant (years)	9.0	8.9	9.8	9.3	10.0	9.3	10.5	10.6	10.2	10.4
Cushion ratio (x)	35.0	31.3	31.6	30.7	23.4	22.0	20.4	20.3	15.7	15.2
Days' cash on hand	386.9	359.4	300.9	318.7	278.3	261.8	225.9	231.0	196.7	196.9
Days in accounts receivable	49.8	48.6	51.3	46.5	49.7	46.3	49.9	48.9	48.3	47.1
Cash flow/total liabilities (%)	20.7	19.8	21.2	25.6	19.0	18.5	18.9	18.4	15.8	15.1

Table 2a

Stand-Alone Hospital Median Ratios By Rating Level -- 2012 vs. 2011 (cont.)

Unrestricted reserves ($000)	1,120,520	926,270	614,564	500,185	365,105	324,535	223,071	194,471	147,337	131,743
Unrestricted reserves/long-term debt (%)	245.2	259.0	248.3	244.8	197.3	183.7	161.0	144.4	131.5	124.1
Long-term debt/capitalization (%)	24.3	24.0	26.0	26.1	26.8	29.4	29.8	30.8	36.4	39.0
DB pension funded status (%)*	67.5	74.0	69.3	72.9	69.4	72.1	73.0	76.0	70.5	79.1
Pension-adjusted long-term debt/capitalization (%)	27.0	27.0	30.0	30.3	32.9	35.8	32.8	34.7	38.4	40.9

Sample size represents stand-alone hospitals providing audited financial reports for each year. The fiscal year 2012 sample represents 92% of stand-alone hospitals currently rated by Standard & Poor's. Ratios exclude one 'AA+' rated hospital. Fiscal 2012 and 2011 ratios stated by Standard & Poor's incorporating FASB 2011-07. *These two ratios are only for stand-alone providers that have defined-benefit (DB) pension plans or operating leases.

Table 2b

Stand-Alone Hospital Median Ratios By Rating Level -- 2012 vs. 2011

	BBB+		BBB		BBB-		Speculative grade	
Fiscal Year-End	2012	2011	2012	2011	2012	2011	2012	2011
Sample Size	51	62	42	50	42	46	35	41
Statement of Operations								
Net patient revenue (NPR; $000)	248,598	250,132	165,598	165,054	146,160	120,720	136,459	132,589
Salaries & benefits/NPR (%)	54.8	54.9	55.6	54.4	55.8	55.0	55.2	54.9
Maximum annual debt service coverage (x)	3.1	3.2	2.7	2.9	2.6	2.4	1.8	2.1
Operating lease-adjusted coverage (x)*	2.5	2.8	2.3	2.3	2.2	2.1	1.5	1.9
Debt burden (%)	3.3	3.3	3.8	3.6	3.7	3.6	3.9	3.4
EBIDA ($000)	29,892	29,238	18,638	21,655	17,688	13,071	7,916	7,997
Nonoperating revenue/total revenue (%)	1.5	1.6	1.3	1.1	1.5	1.2	0.9	0.8
EBIDA margin (%)	10.1	11.4	10.9	11.5	10.0	9.5	6.3	7.5
Operating EBIDA margin (%)	9.1	9.9	9.5	10.6	8.8	8.5	5.8	7.0
Operating margin (%)	2.5	2.7	1.3	2.4	0.6	0.7	0.4	0.2
Excess margin (%)	4.2	4.0	2.5	3.6	2.4	2.1	0.9	1.1
Capital expenditures/depr. & amort. exp. (%)	123.2	116.3	94.4	99.6	94.8	119.1	77.6	67.2
Balance Sheet								
Average age of plant (years)	11.4	11.1	10.3	10.2	11.4	11.4	12.0	12.1
Cushion ratio (x)	12.5	12.2	9.4	9.1	8.8	8.8	5.9	6.1
Days' cash on hand	166.5	159.4	130.7	136.6	130.5	127.3	85.4	79.7
Days in accounts receivable	47.9	47.4	49.8	49.6	49.7	50.9	48.5	46.6
Cash flow/total liabilities (%)	13.8	16.5	13.0	14.7	11.6	12.4	7.4	9.0
Unrestricted reserves ($000)	106,454	95,495	65,320	61,617	50,341	43,877	22,198	25,955
Unrestricted reserves/long-term debt (%)	120.0	113.4	98.2	87.1	84.4	81.6	57.9	65.0

Table 2b

Stand-Alone Hospital Median Ratios By Rating Level -- 2012 vs. 2011 (cont.)								
Long-term debt/capitalization (%)	37.0	38.7	36.5	38.7	45.8	40.4	47.9	54.0
DB pension funded status (%)*	66.0	68.5	68.2	76.0	68.1	74.3	62.6	66.5
Pension-adjusted long-term debt/capitalization (%)	38.2	40.8	42.7	41.3	47.2	42.6	52.2	56.3

Sample size represents stand-alone hospitals providing audited financial reports for each year. The fiscal year 2012 sample represents 92% of stand-alone hospitals currently rated by Standard & Poor's. Fiscal 2012 and 2011 ratios stated by Standard & Poor's incorporating FASB 2011-07. *These two ratios are only for stand-alone providers that have defined-benefit (DB) pension plans or operating leases.

Table 3

Stand-Alone Hospital Median Ratios By Rating Category								
	AA		**A**		**BBB**		**Speculative grade**	
Fiscal Year-End	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Sample Size	30	34	174	175	135	158	35	41
Statement of Operations								
Net patient revenue (NPR; $000)	844,693	733,401	380,266	356,271	165,854	172,656	136,459	132,589
Salaries & benefits/NPR (%)	56.0	55.2	55.1	54.4	55.6	54.8	55.2	54.9
Maximum annual debt service coverage (x)	6.0	5.2	4.5	4.3	2.8	2.9	1.8	2.1
Operating lease-adjusted coverage (x)*	4.6	4.1	3.4	3.3	2.3	2.5	1.5	1.8
Debt burden (%)	2.4	2.7	2.9	3.0	3.5	3.5	3.9	3.4
EBIDA ($000)	139,982	118,688	46,964	46,814	20,559	21,314	7,916	7,997
Nonoperating revenue/total revenue (%)	2.8	3.1	2.2	2.1	1.5	1.4	0.9	0.8
EBIDA margin (%)	13.6	15.8	12.9	12.8	10.1	11.0	6.3	7.5
Operating EBIDA margin (%)	11.9	12.8	10.9	11.0	9.1	9.7	5.8	7.0
Operating margin (%)	4.9	5.5	3.3	3.3	1.5	1.9	0.4	0.2
Excess margin (%)	7.2	8.7	5.5	5.8	2.6	3.4	0.9	1.1
Capital expenditures/depr. & amort. exp. (%)	135.5	119.1	121.3	112.6	100.2	114.2	77.6	67.2
Balance Sheet								
Average age of plant (years)	9.5	9.0	10.2	10.3	11.2	11.0	12.0	12.1
Cushion ratio (x)	33.5	31.2	19.4	18.6	10.1	10.1	5.9	6.1
Days' cash on hand	321.5	331.7	224.9	221.7	143.3	145.6	85.4	79.7
Days in accounts receivable	51.6	48.1	48.9	47.3	48.6	49.0	48.5	46.6
Cash flow/total liabilities (%)	20.7	21.9	17.7	17.5	13.0	14.6	7.4	9.0
Unrestricted reserves ($000)	707,060	600,873	224,744	217,857	74,692	71,060	22,198	25,955
Unrestricted reserves/long-term debt (%)	245.7	244.8	161.7	146.6	103.7	101.4	57.9	65.0
Long-term debt/capitalization (%)	25.8	25.6	30.3	32.1	39.2	39.0	47.9	54.0
DB pension funded status (%)*	71.0	75.0	70.5	75.4	66.9	71.8	62.6	66.5
Pension-adjusted long-term debt/capitalization (%)	27.7	27.8	36.3	36.5	43.1	41.3	52.2	56.3

Sample size represents stand-alone hospitals providing audited financial reports for each year. The fiscal year 2012 sample represents 92% of stand-alone hospitals currently rated by Standard & Poor's. Fiscal 2012 and 2011 ratios stated by Standard & Poor's incorporating FASB 2011-07. The ratios include one 'AA+' rated hospital. *These two ratios are only for those stand-alone providers that have defined-benefit (DB) pension plans or operating leases.

Industry Consolidation Continues

We have observed a continuation of consolidation through 2012 and into 2013, including nontraditional mergers and acquisitions. We believe that larger integrated systems are generally better positioned to navigate the evolving health care landscape due in part to their ability to leverage their scale with vendors and insurance plans, generate cost savings by eliminating duplicate services, absorb major IT costs across a larger structure, and attract top management and physicians. Financial and geographic dispersion also contribute to a system's strengths. Physician recruitment and retention are particularly important given the current shortage of physicians and projections of an even bigger shortage as the ranks of the newly insured grow in 2014. For a discussion of health systems and some examples of recent partnerships, see the article, "U.S. Not-For-Profit Health Care System Ratios: Metrics Remain Steady As Providers Navigate An Evolving Environment", published Aug. 8, 2013).

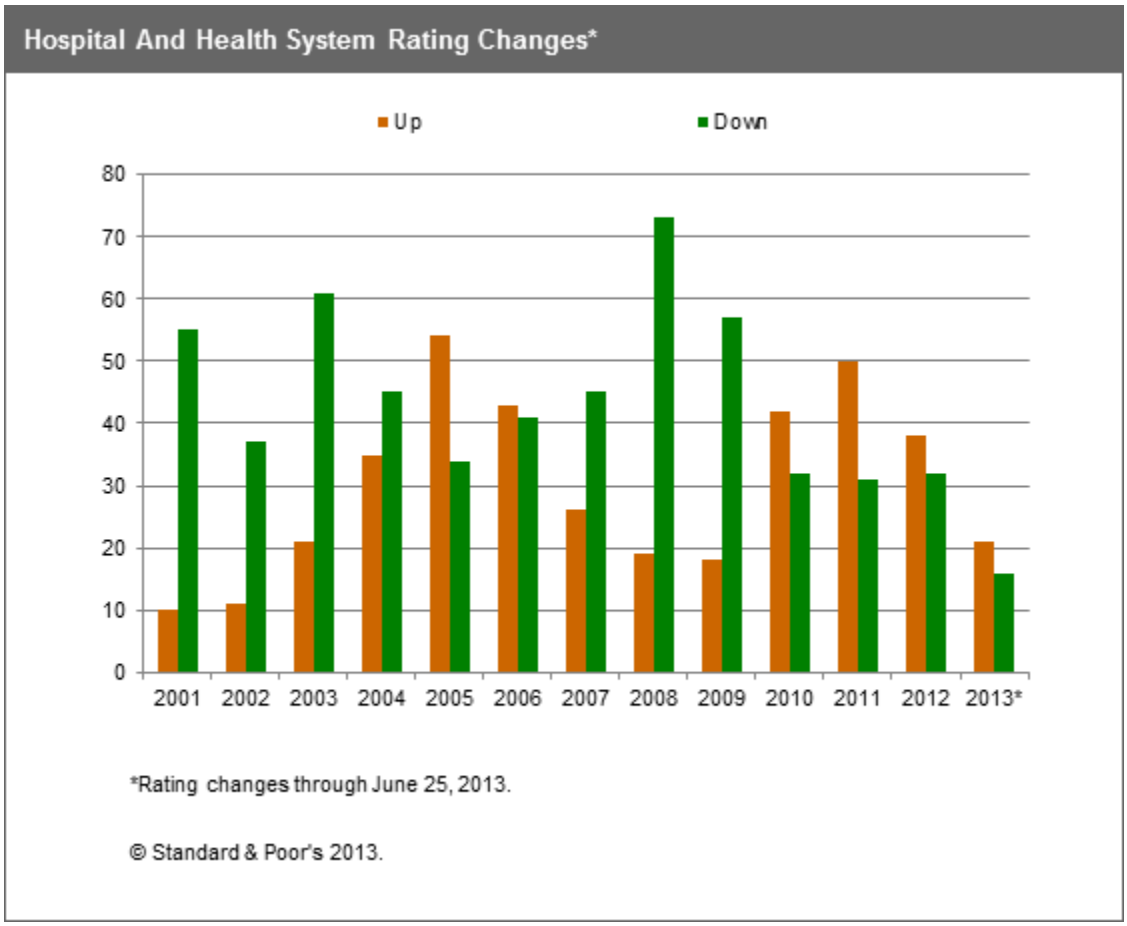
We believe consolidation is one of the reasons that the rating distribution has not worsened, as some hospitals that in the past were content to remain independent have chosen to join other hospitals or health systems. We expect consolidation to continue as providers seek scale and efficiencies to offset increasing operating pressures, and as entities adapt to the changing care delivery environment to better serve a larger insured population.

Rating Distribution Shifted Upward

The rating distribution has been relatively stable over time, but we do see a shift in both ratings and outlooks through June 2013. There was an increase in credits in the 'AA' and 'A' categories and a decrease in the 'BBB' category (see charts 1, 2, and 3). We note that a few of the upgrades to the 'A' category from the 'BBB' category were the result of significant balance-sheet improvement as unrestricted reserves grew and some entities capitalized on relationships with universities (such as NYU Hospitals Center and Highland Hospital of Rochester). In addition, we believe that some of the tilting up was due to the lower-rated entities being acquired by higher-rated organizations and to consolidation efforts generally where partnering has boosted credit profiles and, in some cases, led to the withdrawal of the weaker rating. From January to June 25, 2013, we raised and lowered the ratings on 21 and 16 acute-care providers, respectively, which is similar to the year-earlier trend.

The outlook dispersion also shifted with an increase in negative outlooks to 15%, from 10% a year earlier, and decreases in both stable and positive outlooks (see charts 2 and 4). From January to June 2013, we had 88 rating or outlook changes (i.e. not rating and outlook affirmations) compared with 68 in the year-earlier period. Of those 2013 actions, there were 30 negative outlooks compared with 18 in 2012. We believe this is indicative of a more turbulent operating environment, particularly observed in 2013 interim results where margins seem compressed and volume declines more prevalent. The results also reflect reduced reimbursement and the impact of sequestration.

Chart 3


Hospital And Health System Rating Changes*
Up
Down
80
70
60
50
40
30
20
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0
2001
2002
2003
2004
2005
2006
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2008
2009
2010
2011
2012
2013*
*Rating changes through June 25, 2013.
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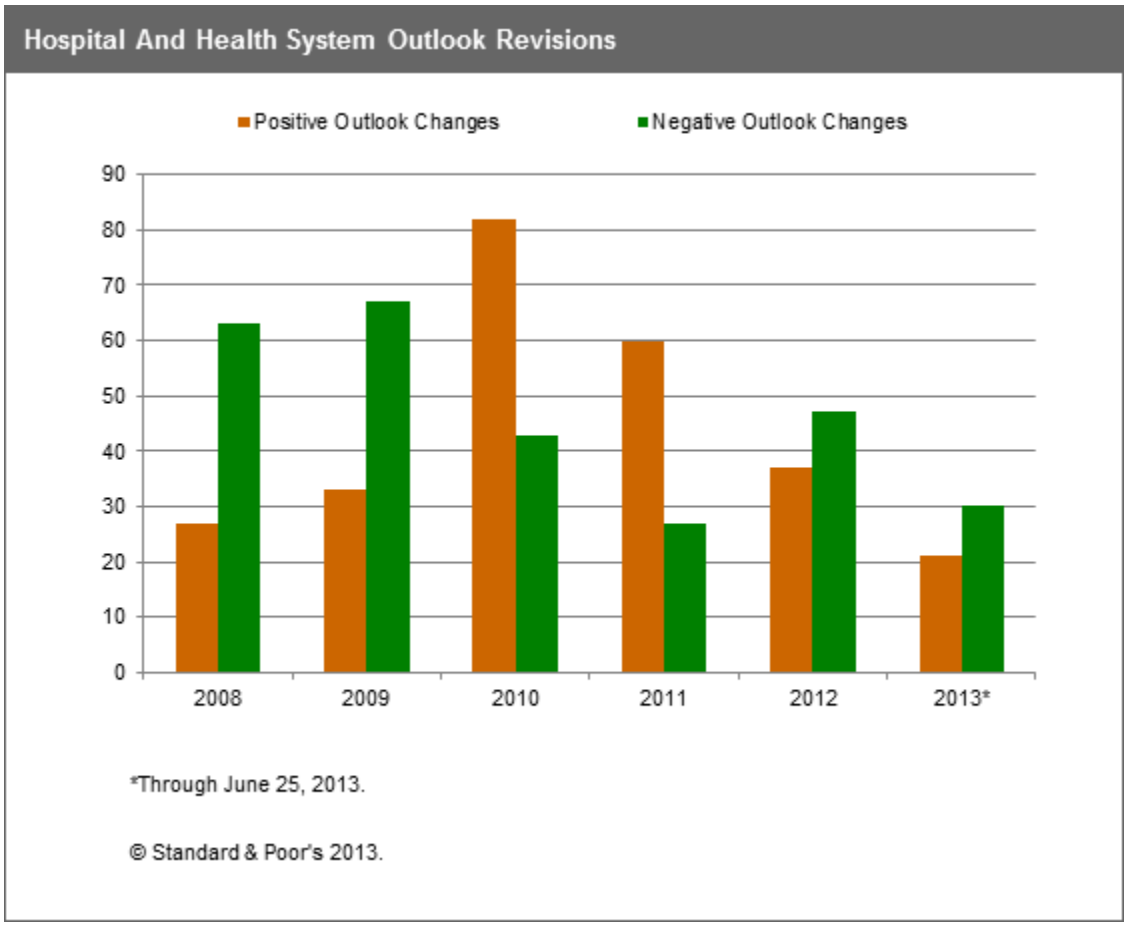
Chart 4



Performance Is Expected To Weaken

Given the uncertainties of health care reform, including the provider investment required to support the newly insured in 2014 and future years, we think most providers will continue to face incremental credit pressures in 2014 (see the article "Health Care Providers And Insurers Pursue Value Initiatives Despite Reform Uncertainties", published May 9, 2013). Furthermore, we believe that the revenue enhancements and cost-cutting of the past several years may be reaching their limit and thus will not be able to keep pace with longer-term reimbursement pressures, especially in light of weaker volumes. We expect transition risk associated with the implementation of value-based service delivery will be in conflict with payor contracts that remain largely fee-for-service and that this will put pressure on providers' operating performance. In recent years, many providers boosted their performance through robust cost containment, often with the assistance of consultants, increased economies of scale, and revenue enhancements, including forging much closer working relationships with physicians and other health care providers. We expect these cost-cutting initiatives will continue but at some point there will be diminishing return.

Based on our rating reviews through the first half of 2013, we believe that providers are currently at the top of the credit cycle and that the spread of upgrades to downgrades, while still positive, has begun to narrow and will continue

to shrink for the remainder of the year and in 2014 (see "U.S. Not-For-Profit Health Care Sector Outlook: Providers Prove Adaptable But Face A Test In 2013 As Reform Looms", published Jan. 4, 2013).

Interpreting The Medians

While we view ratio analysis as an important tool in our assessment of the credit quality of not-for-profit hospitals and health care systems, it is only one of several factors that we take into consideration. Median ratios offer a snapshot of the financial position of all rated providers and help in credit comparisons across rating categories. In addition, we believe tracking median ratios over time allows for a clearer understanding of industry-wide trends and provides a tool to better assess the sector's future credit quality. As part of our median ratio analysis, we have traditionally focused on profitability in terms of operating and excess income, cash flow, unrestricted reserve levels, and capital structure. We continue to view those factors as the most meaningful indicators of a hospital's financial position. Definitions for all of the ratios can be found in the glossary in table 4.

We also published a report on the median ratios for 144 U.S. not-for-profit health care systems, which generally mirror the trends for stand-alone providers. We define health systems as organizations with three or more hospitals that have some economic, business, or geographic dispersion. When a two-hospital system has other nonhospital business lines such as long-term care, significant ownership of physician practices, or insurance products, we use our analytical judgment to decide whether to classify these organizations as systems. Hospital organizations that do not meet the criteria of a health system are classified as stand-alones.

Table 4

Glossary Of Ratios	
Average age of plant (years)	Accumulated depreciation/depreciation expense
Capital expenditures/depreciation & amortization (%)	(Purchases of property, plant, and equipment/depreciation and amortization expense) x 100
Cash flow/total liabilities (%)	(Net income + depreciation and amortization expenses)/total liabilities) x 100
Cushion ratio (x)	Unrestricted reserves/maximum annual debt service
Days' cash on hand	Unrestricted reserves/((operating expense - depreciation expense)/ 365)
Days in accounts receivable	(Net accounts receivable x 365)/net patient revenue
Debt burden (%)	Maximum annual debt service/total revenue x 100
Defined-benefit pension funded status (%)	(Fair value of plan assets/projected benefit obligation) x 100
EBIDA	Net income + depreciation and amortization expenses + interest expense
EBIDA margin (%)	(EBIDA/total revenue) x 100
Excess margin (%)	(Net income/total revenue) x 100
Long-term debt/capitalization (%)	(Long-term debt*/(unrestricted net assets + long term debt)) x 100
Maximum debt service coverage (x)	EBIDA/maximum annual debt service
Net income	Operating income + net nonoperating revenue
Net nonoperating revenue	Nonoperating revenues - nonoperating expenses (e.g. fundraising expenses)
Nonoperating revenue/total revenue (%)	(Investment earnings, unrestricted contributions, earnings from noncontrolled joint ventures, and other nonoperating revenue, net of nonoperating expenses (excludes unrealized gains or losses from investments, swap valuation changes, and extraordinary items as determined by Standard & Poor's)/total revenue x 100
Operating EBIDA margin (%)	(Operating income + depreciation and amortization + interest expense)/total operating revenue x 100

Table 4

Glossary Of Ratios (cont.)	
Operating income	Total operating revenue - total operating expense
Operating lease-adjusted debt service coverage (x)	(EBIDA + operating lease expense)/(maximum annual debt service + operating lease expense)
Operating margin (%)	(Operating income/total operating revenue) x 100
Pension-adjusted long-term debt/capitalization (%)	((Long-term debt* + projected benefit obligation - fair value of plan assets)/(unrestricted net assets + (long term debt + projected benefit obligation - fair value of plan assets))) x 100
Salaries & benefits/net patient revenue (%)	((Salary expense + benefit expense)/net patient revenue)) x 100
Total revenue	Operating revenue + net nonoperating revenue
Unrestricted reserves	Unrestricted cash and investments + unrestricted board designated funds
Unrestricted reserves/long-term debt (%)	(Unrestricted reserves/long-term debt*) x 100

In its reports, Standard & Poor's may adjust numbers in financial statements to ensure analytic consistency. *Long-term debt is net of the current portion.