



Benchmarking Analysis of Maine Hospitals

Performance and Trends

Prepared for: Maine Hospital Association

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Presented by:

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Goal for the analysis

- To understand if Maine hospitals “recovered” financially post-COVID compared to hospitals in surrounding states (New Hampshire and Vermont)
- To understand post-COVID financial results of hospitals in the three-state region to hospitals nationwide



Hospitals organized and reported by size

- CAH and PPS hospitals reported separately
- Maine hospital cohorts were analyzed separately but results did not vary by cohort; thus, cohort-level analysis is not included in this report

Project Overview (cont.)

Key Performance Indicators Assessed

- Profitability
- Capital Structure
- Liquidity
- Operational Efficiency

Time Period

- FY 2019 (pre-COVID)
- 2021 (during COVID)
- 2023 (post-COVID)

Data Sources

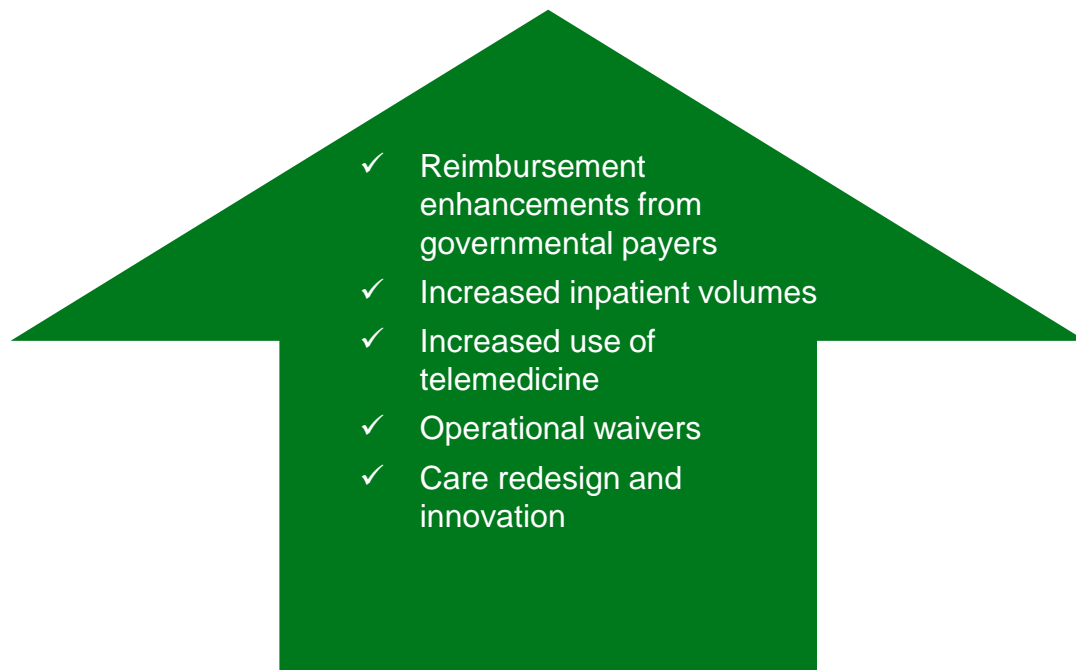
- Filed Medicare Cost Report Financial Data¹
- Maine Health Data Organization (MHDO) Financial Data – for data verification purposes²

1) The Medicare Cost Report Financial Data encompasses financial information across all fund types, including General, Specific Purpose, Endowment, and Plant Funds.

2) The Maine Health Data Organization (MHDO) Financial Data primarily reports results from the General Fund. As a result, financial metrics derived from this source may not fully capture funds allocated to Specific Purpose, Endowment, or Plant Funds, which could lead to differences when comparing financial performance across datasets.

What is the post-COVID reality for Maine hospitals?

- The Impact of COVID on hospital operations was significant – MHA is interested in understanding if Maine hospitals were able to “recover” from the COVID crisis as well as hospitals in neighboring states.



During COVID, several factors supported hospital margins

Post-COVID, sustaining factors impacting hospital margins



Drivers of Hospital Financial Outcomes

- This benchmarking analysis shows how Maine hospitals' financial outcomes compare to hospitals in Vermont and New Hampshire and nationally.
- This analysis, however, does not identify the reasons for the differences identified. Hospitals face several distinct challenges impacting financial outcomes.



**Patient volumes,
capacity, access**



**Payer Mix, Rates,
Ability to Pay,
Denials**



**Expense
inflation**



**Regulatory and
environmental
challenges**

Regional Hospitals Evaluated

Number of Hospitals Evaluated by State

	PPS	CAH	Total
Maine	17	16	33
New Hampshire	13	13	26
Vermont	6	8	14
Grand Total	36	37	73

- PPS and CAHs were analyzed separately due to distinct reimbursement models, cost structures, and operational constraints, allowing for more accurate financial comparisons and benchmarking.
- Maine and Vermont have a similar number of hospitals 33 and 26 respectively, while Vermont only has 14 hospitals.
- For all three states, there are about the same number of CAHs and PPS hospitals

Our Financial Benchmarking Analysis Overview

National Ranking

- How did Maine, New Hampshire, and Vermont Hospitals compare to median national metrics?

Trending Over Time

- How did hospitals “rebound” post-COVID (a comparison of 2019, 2021 and 2023 financial data)?

Classify Hospitals by Risk Profile

- What is the relative risk profile of Maine hospitals as compared to other states?

National
Ranking

How did Maine, New Hampshire, and Vermont Hospitals compare to median national metrics?

Ranking of Maine Hospitals to National Indicators

Ranking of 2023 Median Financial Metrics to U.S. States

PPS (50 states) and CAH (45 states)

Lower Score Better

Metric	Maine	
	PPS	CAH
1 Total Margin	39	29
2 Operating Margin	46	17
3 Return on Equity	21	28
4 Current Ratio	26	33
5 Net Days in Patient A/R	42	5
6 Equity Financing Ratio	49	24
7 Cash Flow to Total Liabilities	22	31
8 Average Age of Plant	46	40
9 Occupancy Rate	21	9

- Most of Maine’s rankings were in the bottom quartile when compared nationally for PPS hospitals, as discussed in more detail on the following page.
- CAH facilities ranked slightly more favorable overall to national medians.

Ranking of ME, NH, and VT Hospitals to National Indicators

- Overall, New Hampshire PPS hospitals have more favorable rankings than Maine and Vermont.
- Maine’s CAH rankings are similar to New Hampshire, and more favorable than Vermont.

Ranking of 2023 Median Financial Metrics to U.S. States

PPS (50 states) and CAH (45 states)

Lower Score Better

		PPS			CAH		
		New			New		
	Metric	Maine	Hampshire	Vermont	Maine	Hampshire	Vermont
1	Total Margin	39	16	40	29	7	42
2	Operating Margin	46	25	50	17	9	40
3	Return on Equity	21	8	47	28	6	44
4	Current Ratio	26	40	38	33	29	42
5	Net Days in Patient A/R	42	9	3	5	10	30
6	Equity Financing Ratio	49	38	25	24	26	23
8	Cash Flow to Total Liabilities	22	19	15	31	14	40
9	Average Age of Plant	46	44	39	40	15	33
10	Occupancy Rate	21	8	14	9	7	1

National Ranking – Observations

- **PPS Hospitals:**

- Maine ranks poorly in total margin (39th), operating margin (46th), and equity financing ratio (49th), suggesting weak profitability and financial stability.
- Maine hospitals ranked 46th out of 50 states with respect to its median average age of plant.
- However, Maine hospitals performed somewhat better on return on equity (21st) and occupancy rate (21st) metrics.

- **CAHs:**

- Maine CAHs reported better rankings in total margin (29th), operating margin (17th), and equity financing ratio (24th) than its PPS counterparts, however not top quartile rankings.
- CAHs ranked well in net days in patient A/R (5th) and occupancy rate (9th), indicating strong patient flow and efficient billing processes.
- Maine's CAHs' average age of plant (40th) suggesting that these facilities face aging infrastructure, increasing maintenance costs, and potential long-term financial strain.

Key Metrics for Hospitals in Maine and Surrounding States – PPS



Metric	2023 Median			
	US	Maine	New Hampshire	Vermont
1 Total Margin	3%	0%	5%	0%
2 Operating Margin	-3%	-12%	-4%	-27%
3 Return on Equity	7%	7%	12%	0%
4 Current Ratio	1.7	1.7	1.5	1.5
5 Net Days in Patient A/R	48	55	44	42
6 Equity Financing Ratio	62%	40%	55%	64%
7 Cash Flow to Total Liabilities	10%	12%	13%	14%
8 Average Age of Plant	12	16	15	14
9 Occupancy Rate	55%	59%	69%	63%

- Maine PPS hospital medians trended lower than US medians as well as New Hampshire and Vermont hospital medians in key financial indicators such as:
 - Equity financing ratio
 - Average age of plant
 - Net days in patient A/R

Current State Observations – PPS Hospitals

Low Equity Financing (40%)

- Maine lags behind **New Hampshire (55%)**, **Vermont (64%)**, and the **U.S. median (62%)**, indicating **higher reliance on debt**, increasing **financial vulnerability** to interest rate fluctuations.

Aging Infrastructure (16 Years)

- Maine has the **oldest plant facilities**, exceeding the **U.S. median (12 years)**, signaling **underinvestment in capital improvements**, leading to **higher maintenance costs and reduced efficiency**.

Financial Strain and Operating Losses

- With a **zero total margin** and **-12% operating margin**, Maine struggles with **expenses exceeding revenue**, relying on **non-operating income to break even**.
- **New Hampshire (5% total margin, -4% operating margin)** is in a stronger position.

Key Metrics for Hospitals in Maine and Surrounding States – CAH



- While not at the top, total margin, equity financing ratio, net days in A/R and occupancy rates were trending more in line with comparative facilities in the region and nationally.
- However, the average age of plant for Maine CAHs is a concern.

Metric	2023 Median			
	US	Maine	New Hampshire	Vermont
1 Total Margin	4%	2%	8%	-2%
2 Operating Margin	-7%	-4%	-1%	-17%
3 Return on Equity	6%	5%	13%	-3%
4 Current Ratio	2.8	2.0	2.2	1.5
5 Net Days in Patient A/R	48	40	42	50
6 Equity Financing Ratio	65%	63%	63%	63%
7 Cash Flow to Total Liabilities	17%	12%	26%	4%
8 Average Age of Plant	12	17	12	14
9 Occupancy Rate	28%	44%	46%	62%

Current State Observations – CAHs

Moderate Profitability but Lagging Peers

- Maine's **2% total margin** and
- **-4% operating margin** signals **financial strain**, trailing **New Hampshire (8%, -1%)**, but outperforming **Vermont (-2%, -17%)**—highlighting the need for **cost optimization and revenue enhancement**.

Efficient Revenue Cycle Management

- With **Net Days in Patient A/R at 40 days**, Maine outperforms **New Hampshire (42)**, **Vermont (50)**, and the **U.S. median (48)**—indicating **strong billing and collections processes**, a key operational strength.

Aging Infrastructure Requires Investment

- Maine's **average plant age of 17 years** is the **oldest among peer states**, exceeding the **U.S. median (12 years)**, signaling an **urgent need for capital reinvestment** to sustain long-term operational efficiency.

Trending
Over Time

How did hospitals “rebound” post-COVID?
(A comparison of 2019, 2021, and 2023 financial data)

Hospital Financial and Operational Metrics



Profitability: measures financial performance and earnings

- Total Margin – Overall profitability as a percentage of total net revenue.
- Operating Margin – Profitability from core hospital operations.
- Return on Equity (ROE) – Effectiveness in generating returns from equity investment.



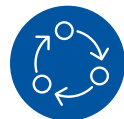
Capital Structure: evaluates financial leverage and funding sources

- Equity Financing Ratio – Percentage of assets funded by equity vs. debt.
- Cash Flow to Total Liabilities – Ability to cover total liabilities using operating cash flow.



Liquidity: measures short-term financial health

- Current Ratio – Ability to cover short-term obligations with current assets.
- Net Days in Patient A/R – Efficiency in collecting payments from patients and insurers.

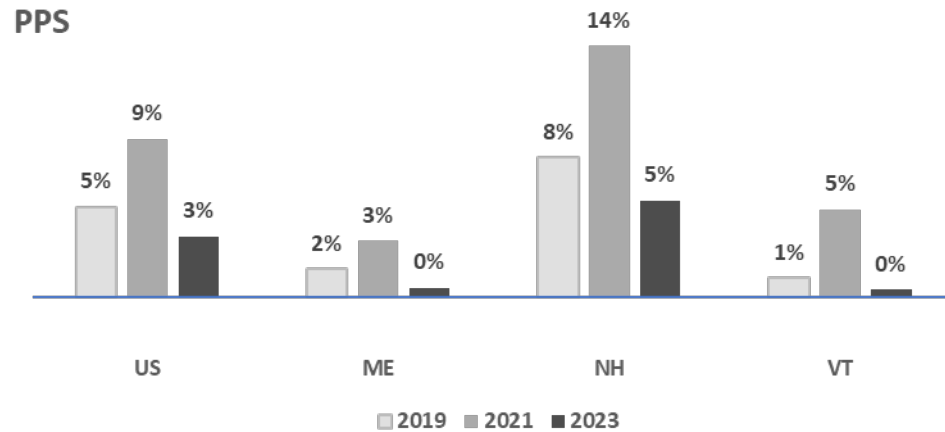


Operational Efficiency: evaluates resource utilization and infrastructure investment

- Average Age of Plant – Indicates hospital capital investment needs based on asset age.
- Occupancy Rate – Measures hospital bed utilization and capacity efficiency.

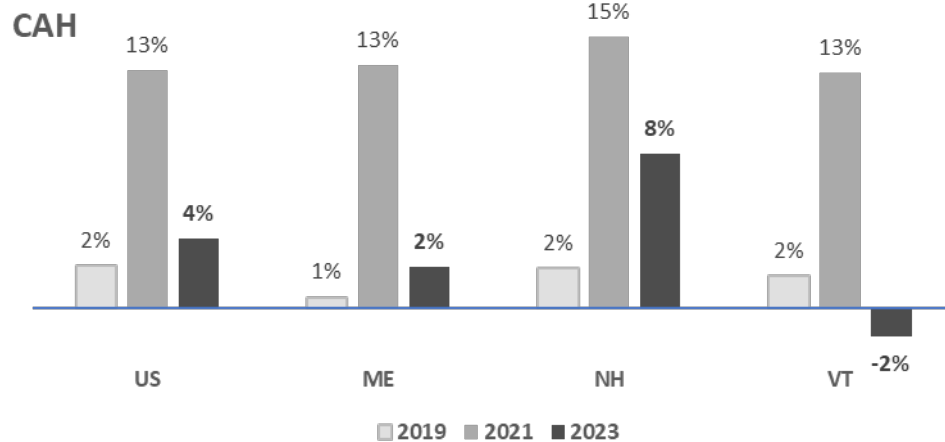
Total Margin (Median)

Definition: Overall profitability as a percentage of total net revenue



PPS

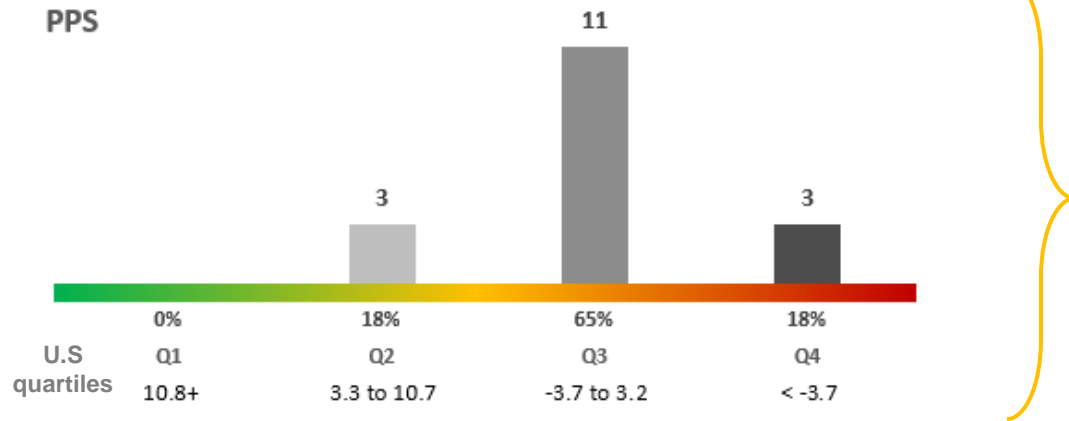
2023 median PPS hospital total margins indicated these hospitals **have not reverted to pre-pandemic levels**, indicating **ongoing financial challenges**.



CAH

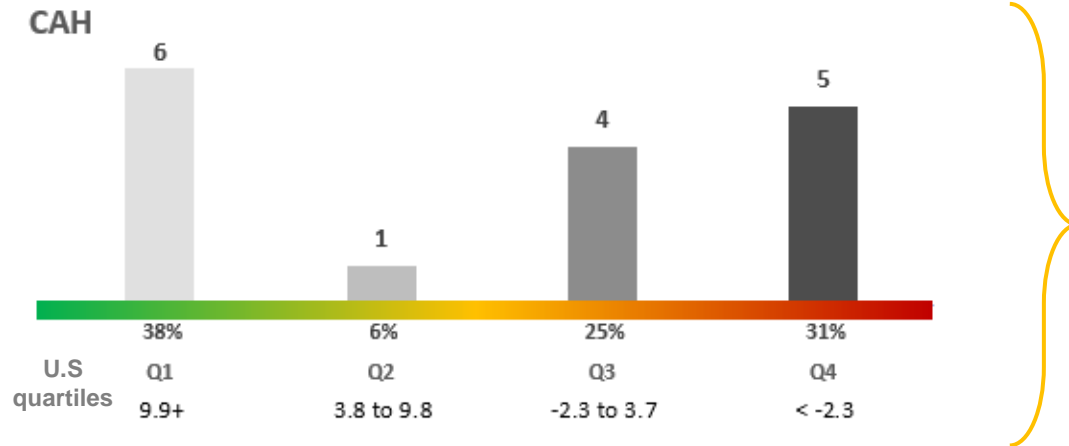
Conversely, in 2023, hospital medians indicated that **CAHs in the US overall, Maine, and New Hampshire recovered to their 2019 profitability levels on average**, while Vermont CAHs continued to face declining financial performance.

Total Margin (2023) by National Quartile for Maine Hospitals



PPS

Most Maine PPS hospitals are **in the bottom quartiles** indicating limited or negative margins.

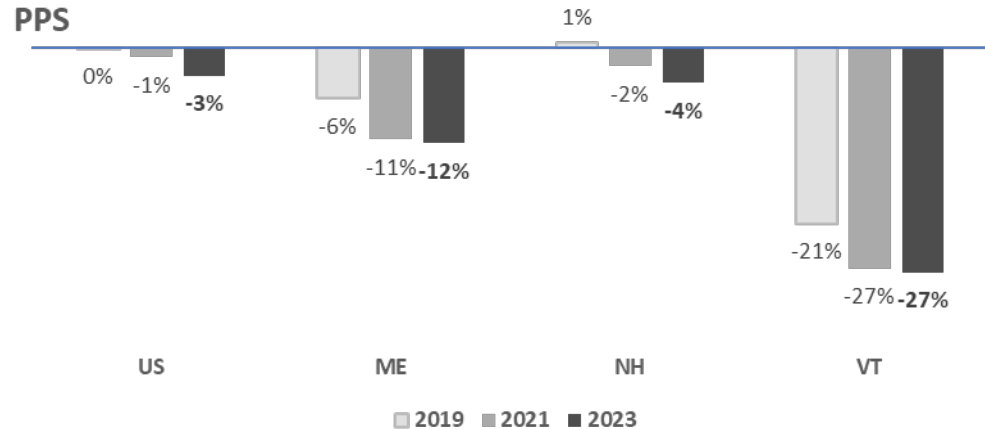


CAH

Maine CAHs have a **larger share in the highest quartile** compared to PPS hospitals, showing that more CAHs reported stronger total margins. However, **more than half of the CAHs are in the bottom quartiles.**

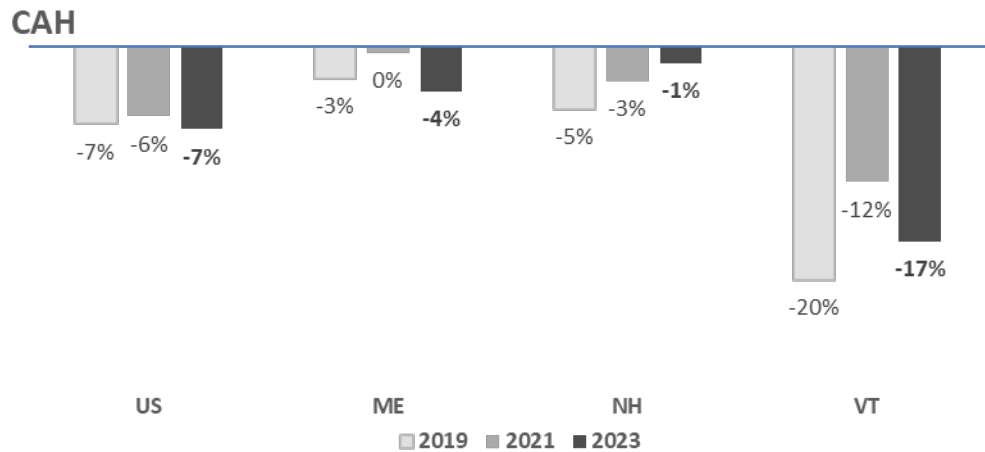
Operating Margin (Median)

Definition: Profitability from core hospital operations



PPS

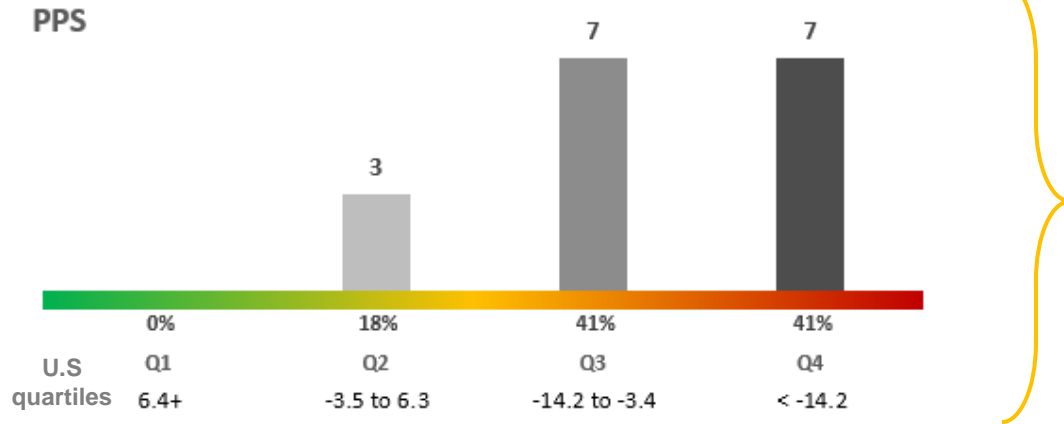
2023 median PPS hospital operating margins **were lower in all three states** compared to 2019 margins.



CAH

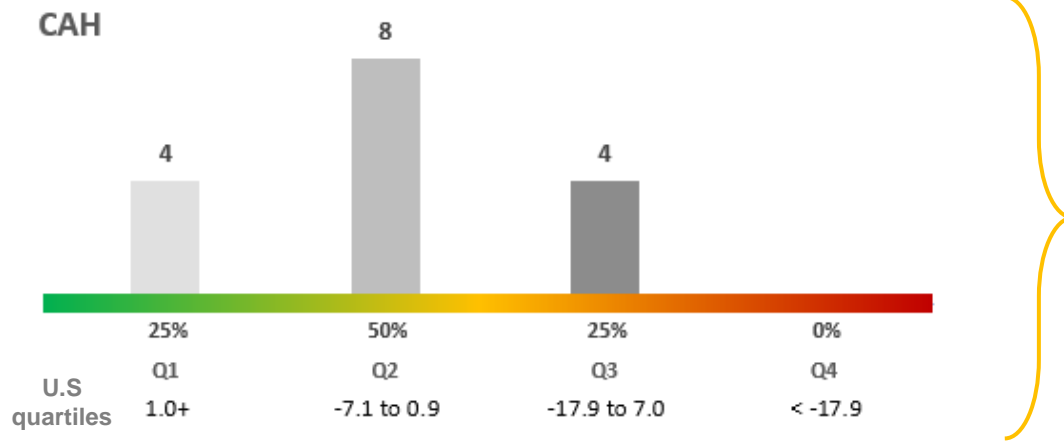
The median operating margin for CAHs in 2019, 2021 and 2023 **was negative, nationally as well as for the regional hospitals analyzed**. The level of recovery from the pandemic for CAHs varied, compared to PPS hospital counterparts.

Operating Margin (National Quartiles)



PPS

Maine PPS hospitals exhibited a weaker financial position in 2023, with approximately **80% of the hospitals reporting operating margins in the bottom two quartiles.**



CAH

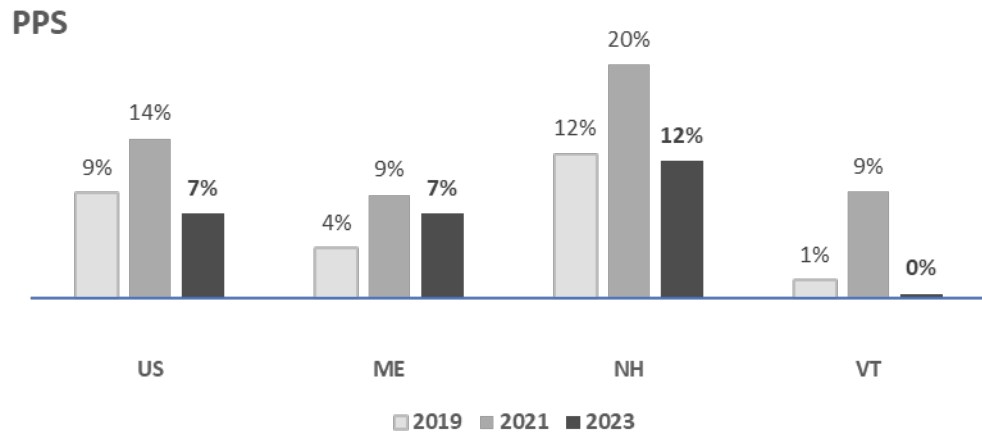
Maine CAHs performed more favorably, with **no hospitals in the lowest quartile** and a quarter of the hospitals in the top quartile.

Quartile Margin Analysis – Observations

- **PPS Hospitals:**
 - 65% fall in Q3 (-3.7% to 3.2%) for Total Margin, with 18% in Q4 (< -3.7%), indicating widespread financial strain.
 - 82% fall in Q3/Q4 for Operating Margin (< -3.5%), with 41% in Q4 (< -14.2%), highlighting significant operational losses.
 - No hospitals in Q1 (> 6.4%), underscoring profitability challenges.
- **CAH Hospitals:**
 - 38% in Q1 (> 9.9%) for Total Margin, showing stronger financial stability than PPS.
 - 50% in Q2 (-7.1% to 0.9%) for Operating Margin, with no hospitals in Q4 (< -17.9%), suggesting better cost control.
- **Key Takeaways:**
 - PPS hospitals face severe financial pressure, with most in negative operating margins.
 - CAHs have stronger total margins but must maintain operational efficiency.
 - Strategic focus on cost control, revenue diversification, and operational efficiency is critical for financial sustainability.

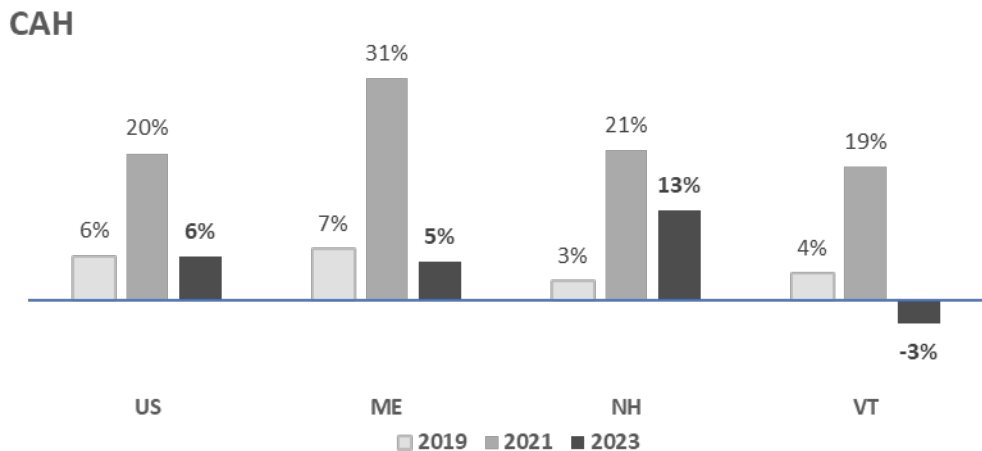
Return on Equity (Median)

Definition: Effectiveness in generating returns from equity investment



PPS

Maine PPS hospitals **experienced relatively stable return on equity** (ROE) across the years, with a slight decline in 2023, aligning with national trends. However, Maine lagged behind New Hampshire.

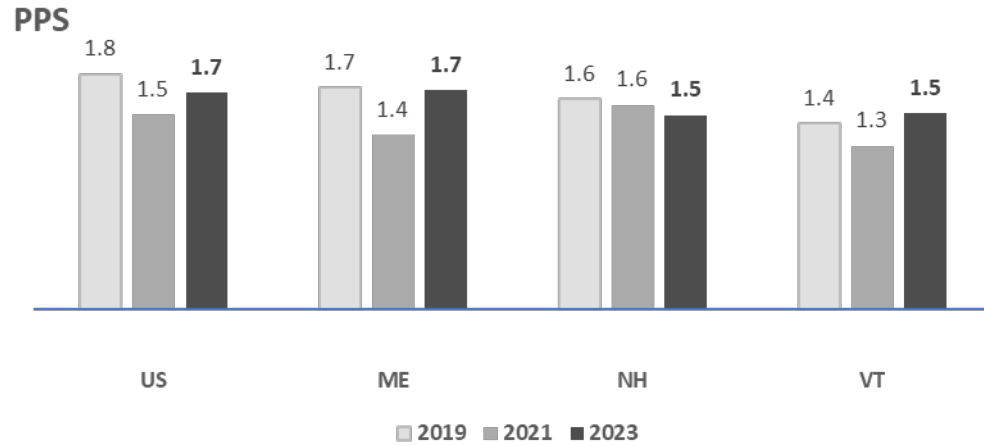


CAH

Maine CAHs had strong financial results during COVID but have since declined, struggling to keep up with national and New Hampshire trends.

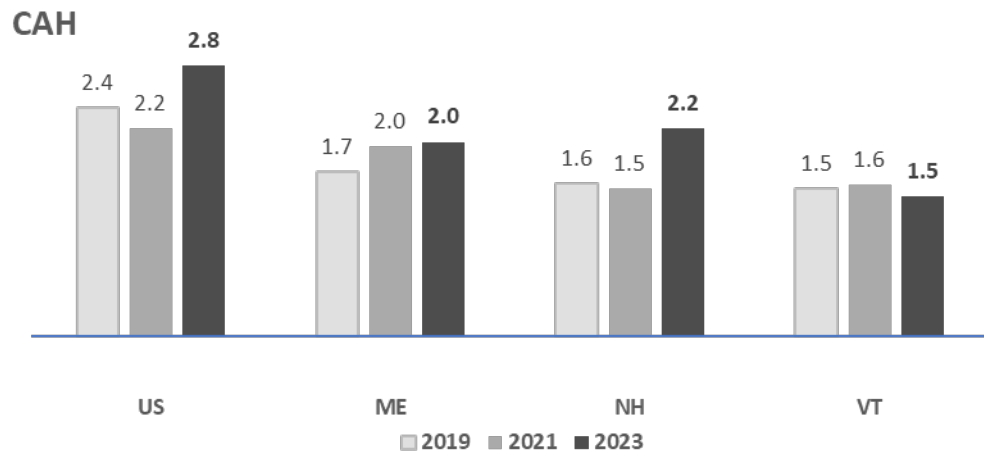
Current Ratio (Median)

Definition: Ability to cover short-term obligations with current assets



PPS

Maine PPS hospitals **maintain liquidity in line with the national median**, and slightly more favorable than regional peers.

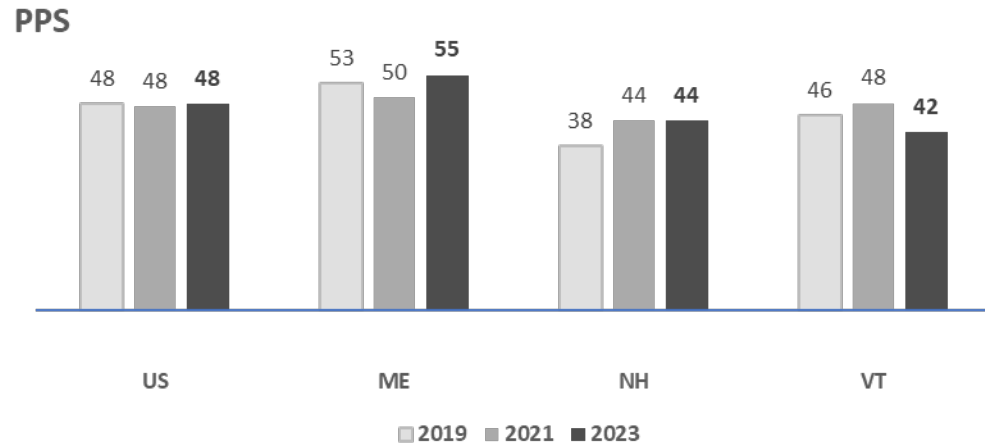


CAH

Maine CAHs' liquidity is **below the national median**, but remain **in line with regional peers**.

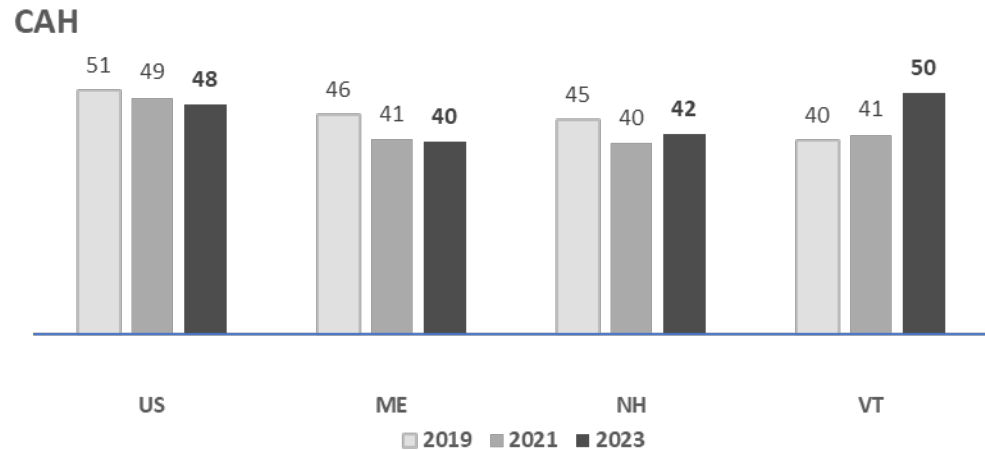
Net Days in Patient A/R (Median)

Definition: Efficiency in collecting payments from patients and insurers



PPS

Maine PPS hospitals have **higher receivable days** than the national median, indicating a longer collection cycle.

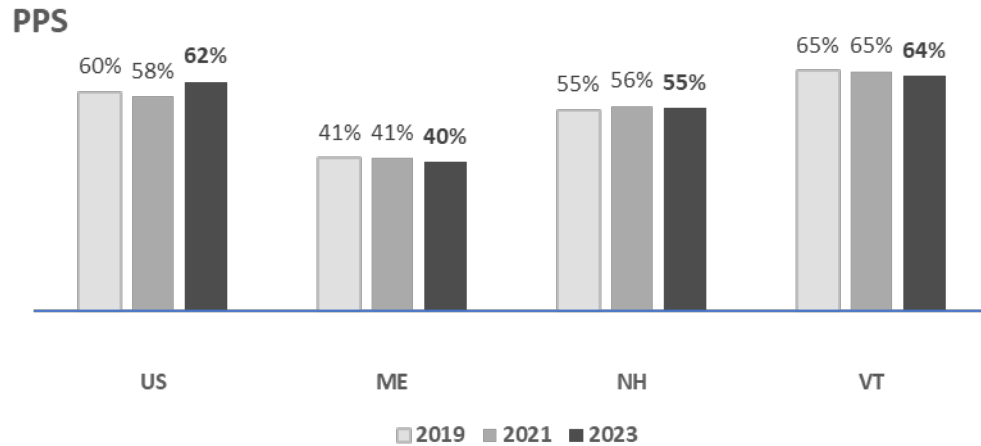


CAH

Maine CAHs have **reduced receivable days since 2019**. They remain **below the national median**, reflecting stronger collections performance, and are aligned with New Hampshire but outperform Vermont, where receivable days have increased significantly.

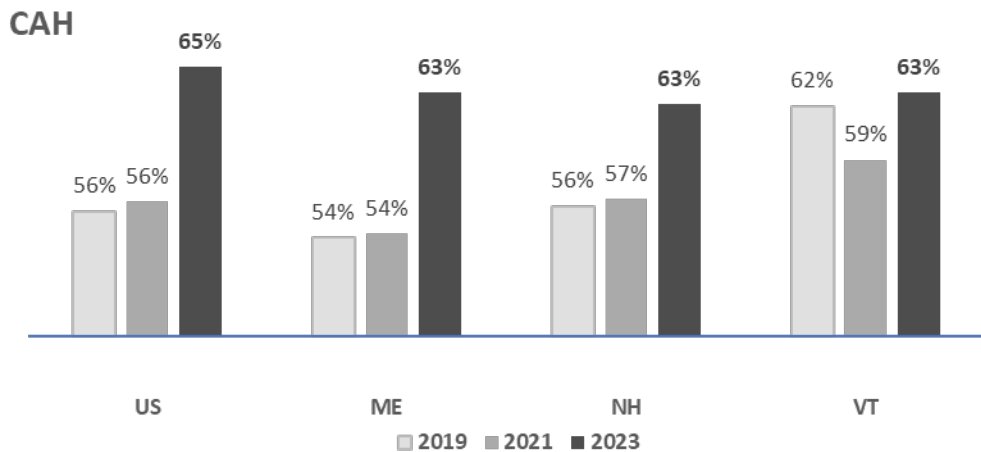
Equity Financing Ratio (Median)

Definition: Percentage of assets funded by equity vs. debt



PPS

Maine PPS hospitals have consistently had the **lowest equity financing ratio** compared to U.S., New Hampshire, and Vermont.



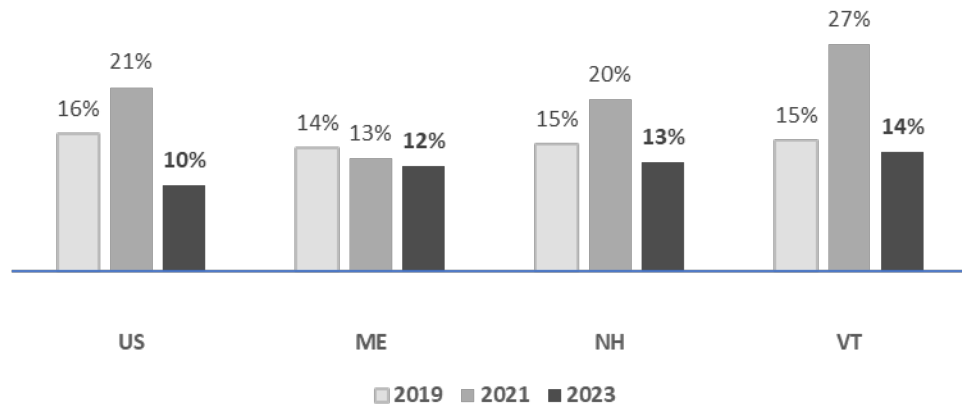
CAH

Maine CAHs increased their equity financing ratio, **showing improved financial stability.**

Cash Flow to Total Liabilities (Median)

Definition: Ability to cover total liabilities using operating cash flow

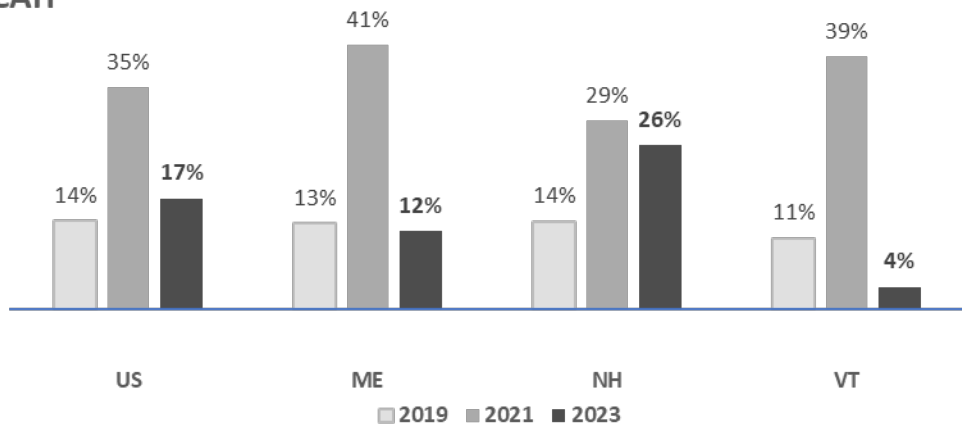
PPS



PPS

Maine PPS hospitals have **maintained relatively stable** cash flow to liability levels, exceeding the national median but trailing slightly behind regional benchmarks.

CAH



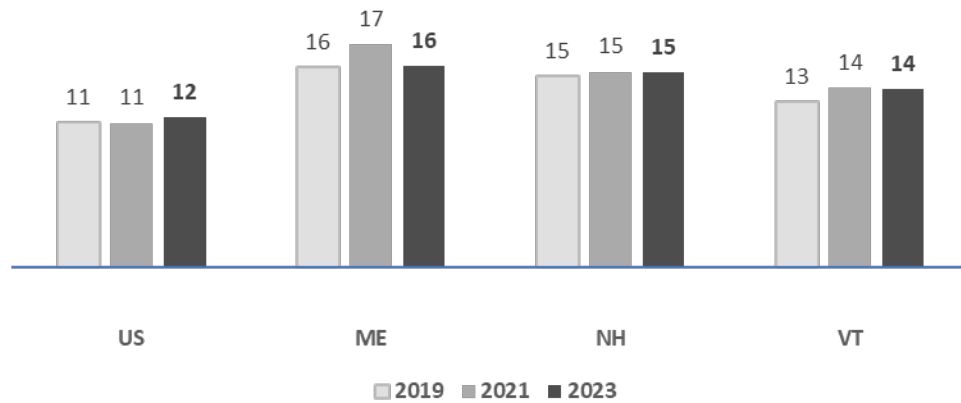
CAH

Maine CAHs **have not rebounded** to pre-pandemic levels, compared to New Hampshire's CAHs, which **show notable improvement**, and Vermont's CAHs, which **experienced a steep decline**.

Average Age of Plant (Median)

Definition: Indicates hospital capital investment needs based on asset age

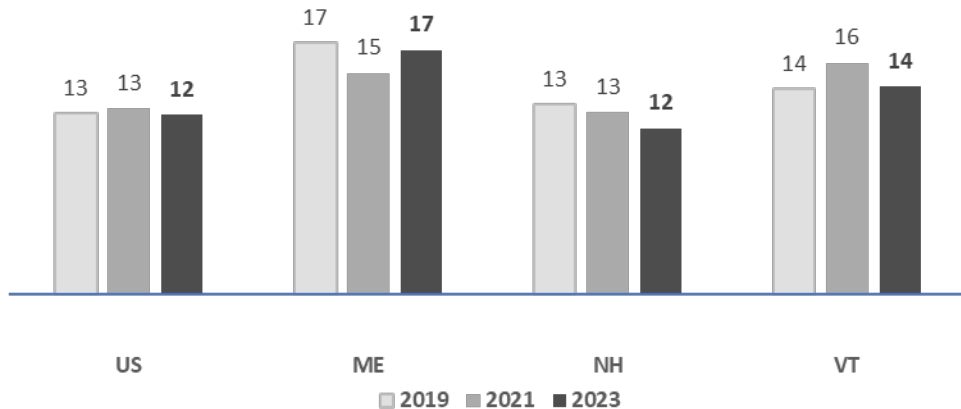
PPS



PPS

Maine's PPS hospitals have an **older facility base compared to the U.S. median**, indicating slower capital reinvestment.

CAH



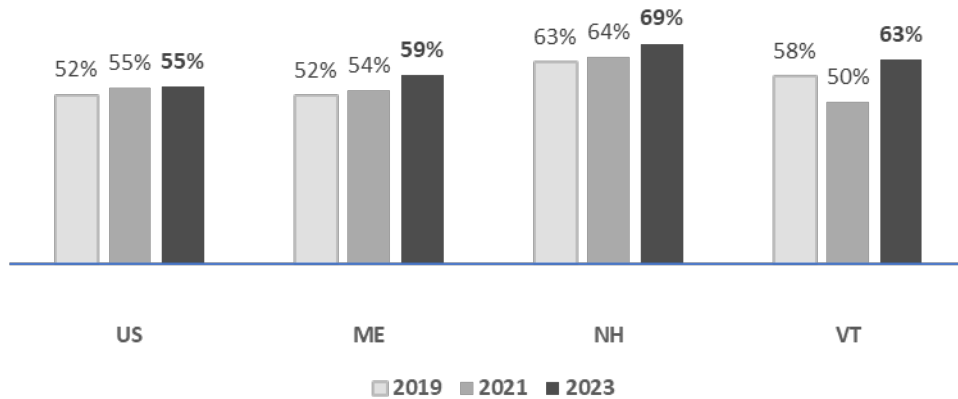
CAH

Maine CAHs have an **older plant age than the U.S. median**, reflecting slower facility upgrades, similar to Maine PPS hospitals.

Occupancy Rate (Median)

Definition: Indicates hospital capital investment needs based on asset age

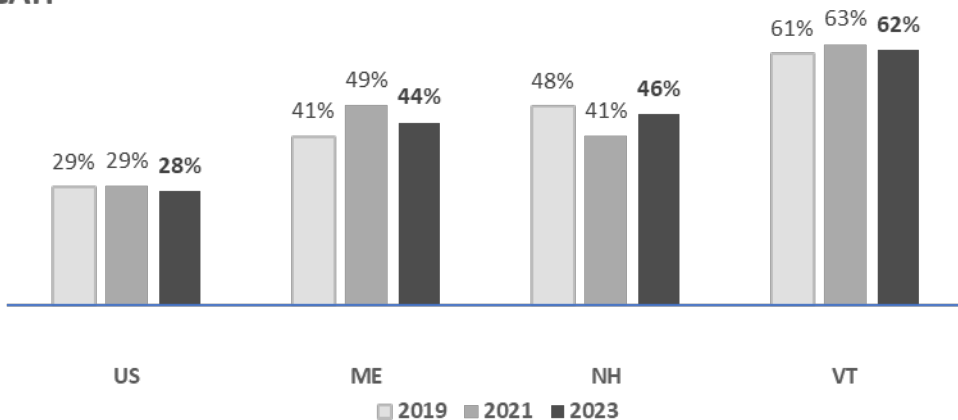
PPS



PPS

Maine PPS hospitals have **steadily increased occupancy**, surpassing the national median in 2023.

CAH



CAH

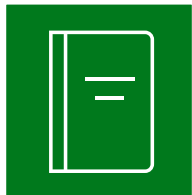
Maine CAH occupancy **peaked in 2021 but declined in 2023**, remaining **above the national median** and comparable to New Hampshire but lower than Vermont, where occupancy has remained consistently high.

Classify
Hospitals by
Risk Profile

What is the relative risk profile of Maine hospitals as compared to other states?

Assessing Hospitals' Financial Risk Profile

- PYA evaluated financial metrics of CAHs and PPS hospitals in Maine, New Hampshire, and Vermont to assess the financial health of each state's hospitals.
- Specifically, we performed the following work steps:



1. Obtained financial statement data from 2023 Medicare Cost Reports and compared to MHDO financial data



2. For each hospital, evaluated the financial metrics to assign a risk classification



3. Assigned a weight to each metric's risk score



4. Based on its overall risk score, each hospital was assigned to one of four risk classifications: limited risk, low risk, medium risk, and high risk

Risk Profile Score Methodology

2023 financial metrics were assigned a risk score based on:

- 1) Industry benchmarks
- 2) PYA's professional judgment



Assigned weight to each metric's risk score

Metric	Metric Weight
Total Margin	15%
Operating Margin	15%
Return on Equity	10%
Current Ratio	10%
Net Days in Patient A/R	10%
Equity Financing Ratio	20%
Cash Flow to Total Liabilities	10%
Average Age of Plant	5%
Occupancy Rate	5%
	100%



Each hospital assigned to one of 4 risk classifications based on its cumulative score



Hospital Risk Classification

Limited Risk

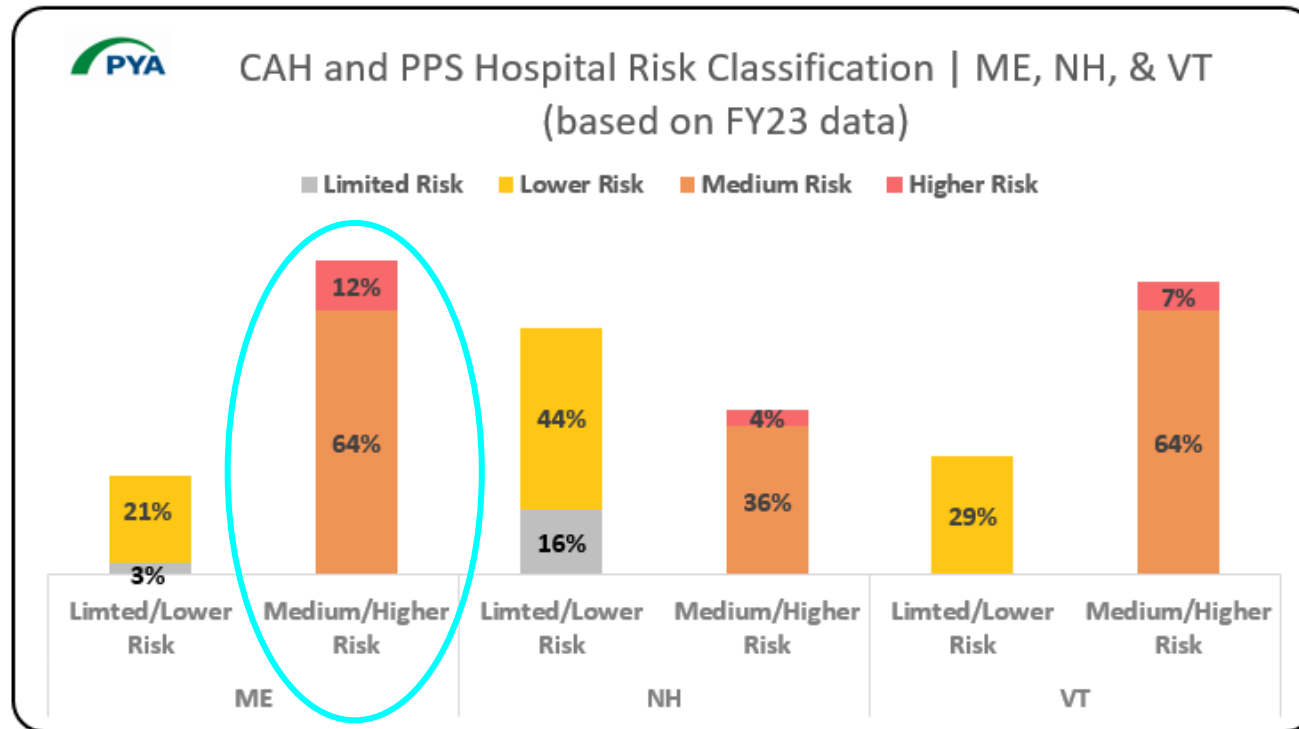
Lower Risk

Medium Risk

Higher Risk

Risk Classifications – CAHs + PPS Hospitals

Total Hospitals Evaluated: 72



Number of Hospitals

33

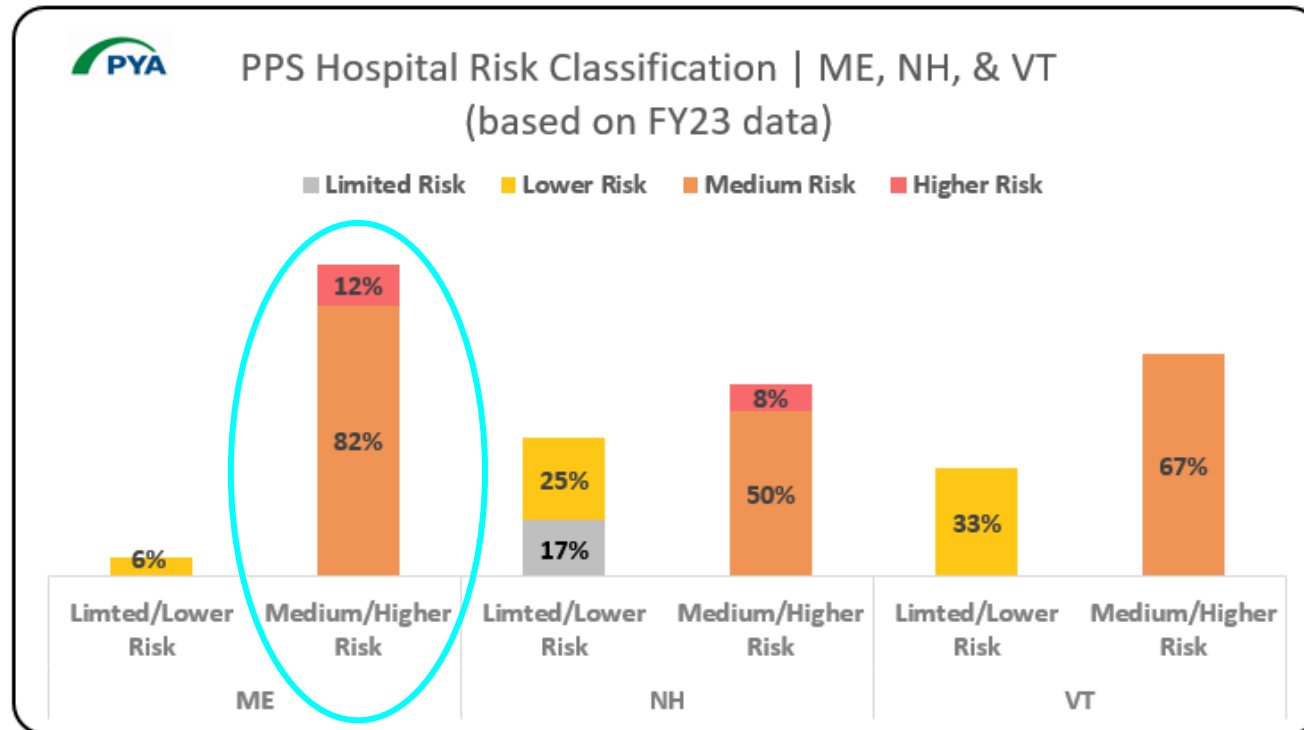
25

14

- Based on our risk profile metrics and weighting criteria, hospitals in Maine and Vermont have higher risk profiles than New Hampshire hospitals
- Maine has the highest % of medium/higher risk hospitals

Risk Classifications – PPS Hospitals

Total Hospitals Evaluated: 35



Number of Hospitals

17

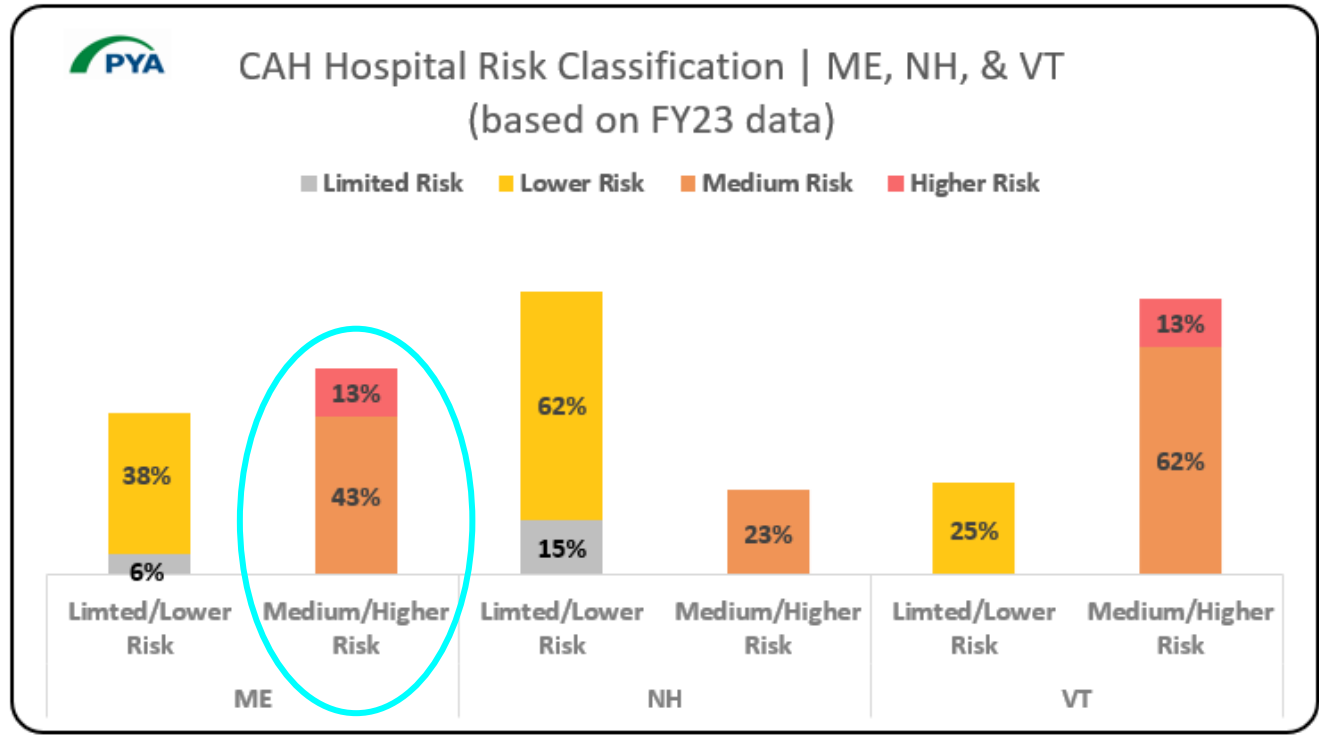
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- Based on our risk profile metrics and weighting criteria, Maine had the highest % of PPS hospitals classified as medium/higher risk.

Risk Classifications – CAHs

Total Hospitals Evaluated: 37



Number of Hospitals

16

13

8

- Based on our risk profile metrics and weighting criteria, Maine had more CAHs classified as medium higher/risk than New Hampshire but fewer than Vermont.

Chartis 2025 Rural Health State of the State

- The **2025 Chartis Rural Health State of the State Report** identifies 432 rural hospitals at risk of closure due to their similarities with those rural hospitals that have closed over the last several years.
 - **No rural Maine hospital is identified as a closure risk.** However, this fact alone does not support the conclusion that Maine hospitals do not face financial distress likely to result in decreased services for the communities they serve.
 - **Strong emphasis on historical indicators attributes** of previously closed hospitals may not accurately predict future risk, yet Chartis uses factors (e.g., control status, daily census, length of stay) from past closures without fully accounting for current market shifts and evolving care delivery models.
 - **Limited scope** exclusively targets rural hospitals—neglecting urban and suburban facilities facing similar distress—and lacks a broader comparative assessment that could reveal nationwide closure patterns.
 - **Limited consideration of varied cost structures** assumes uniform financial constraints among rural hospitals, disregarding differences in operational efficiency, administrative costs, and reliance on contract labor, which can heavily influence sustainability.
 - **Significant weight given to Medicaid Expansion** centers its closure risk analysis on Medicaid expansion status without adequately considering other revenue influences, such as commercial rates or state reimbursement policies.

Comparing PYA’s Financial Risk Profiling Approach to Chartis’ 2025 Model

Category	PYA’s Approach	Chartis’ Approach	Comparison
Profitability	<ul style="list-style-type: none"> Total Margin Operating Margin Return on Equity 	<ul style="list-style-type: none"> Years of Negative Operating Margin Percentage Change in Net Patient Revenue 	PYA provides clear, quantitative profitability measures that enable direct benchmarking, while Chartis focuses on distress trends, which may overlook recent improvements.
Capital Structure	<ul style="list-style-type: none"> Equity Financing Ratio Cash Flow to Total Liabilities 	<ul style="list-style-type: none"> Case Mix Index 	PYA prioritizes financial sustainability through debt and liquidity management, while Chartis evaluates service complexity, which does not always correlate with financial resilience.
Liquidity	<ul style="list-style-type: none"> Current Ratio Net Days in Patient A/R 	<ul style="list-style-type: none"> Medicaid Expansion Status 	PYA’s model directly assesses financial stability with liquidity metrics, while Chartis incorporates external policy factors that may not fully reflect hospital-specific financial strategies.
Operational Efficiency	<ul style="list-style-type: none"> Average Age of Plant Occupancy Rate 	<ul style="list-style-type: none"> Average Age of Plant Occupancy Rate Average Daily Census for Swing Beds/SNF 	PYA and Chartis evaluate similar measures for operational efficiency.

Advantages of PYA's Risk Profiling Approach

Evaluates All Hospitals, Not Just Rural

- Unlike Chartis, which only examines rural hospitals, PYA's approach assesses **both rural and urban hospitals**, allowing for a more complete and comparative analysis.

Focus on Core Financial Fundamentals

- PYA evaluates **profitability, capital structure, liquidity, and efficiency** using concrete financial metrics rather than broad external trends.

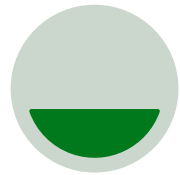
Clear, Actionable Insights

- PYA's methodology allows hospitals to **pinpoint specific areas for financial improvement**, rather than just identifying general risk factors.

Holistic View of Financial Health

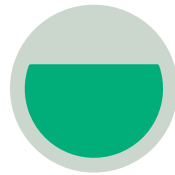
- By incorporating **capital structure and liquidity**, PYA provides a **full financial picture**, rather than overemphasizing external policy influences like Medicaid expansion.

Key Takeaways – PPS Hospitals



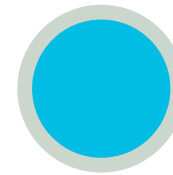
Weak Profitability and Financial Strain

Maine's PPS hospitals rank **poorly in total and operating margin**, indicating **expenses outpacing revenue** and **greater reliance on non-operating income** to break even.



High Debt Reliance and Aging Infrastructure

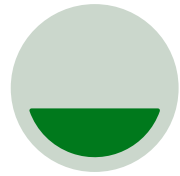
A **low equity financing ratio** (49th nationally) signals **heavy reliance on debt**, increasing financial vulnerability. Maine's **average age of plant is among the oldest**, highlighting the need for **capital investment**.



Operational Efficiency Concerns

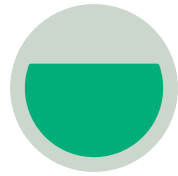
Maine has **longer net days in A/R** than peers, signaling **slower collections**. However, occupancy rates **exceed the national median**, suggesting **stronger inpatient utilization**.

Key Takeaways – CAHs



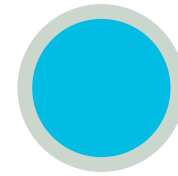
Moderate Profitability but Below Peers

While **stronger than PPS hospitals**, Maine's CAHs **lag behind New Hampshire in profitability**, highlighting the need for **cost controls and revenue enhancement strategies**.



Efficient Billing and Collections

With **one of the lowest net days in patient A/R** (ranked 5th nationally), CAHs **outperform Vermont and New Hampshire**, demonstrating **strong revenue cycle management**.



Aging Infrastructure Requires Investment

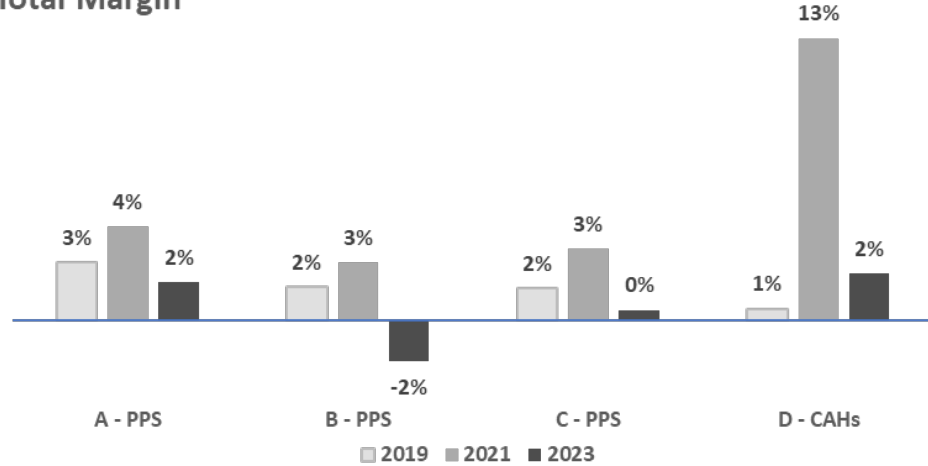
Maine CAHs have the **oldest plant age among peers**, signaling **deferred capital reinvestment risks**.



Appendix Information

Is the Trending of Maine Margins Different by Peer Group?

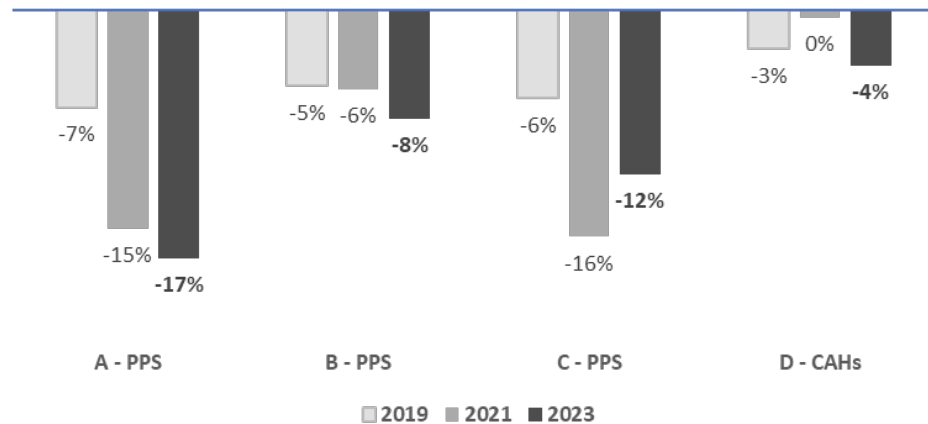
Total Margin



Total Margin (Median Indicators)

CAHs recovered from pre-COVID based on total margin indicators, whereas hospitals in peer groups A, B and C did not regain the same levels of overall margin as in 2019 (pre-pandemic).

Operating Margin



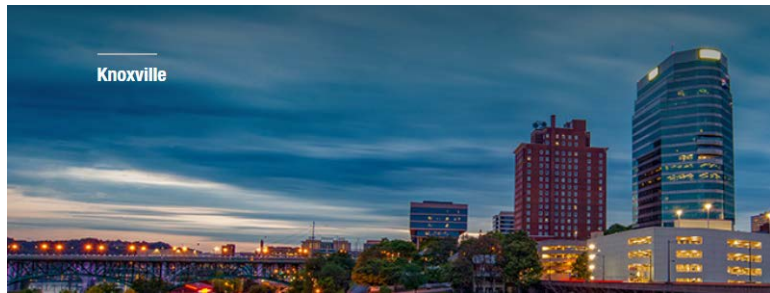
Operating Margin

From an operating margin perspective, all peer groups median operating margin post-COVID is worse than pre-covid levels.



Questions?

If you have any questions, please do not hesitate to contact us.



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