



Maine Hospital Association

FINANCIAL ANALYSIS OF MAINE'S HOSPITALS 2025



EXECUTIVE SUMMARY

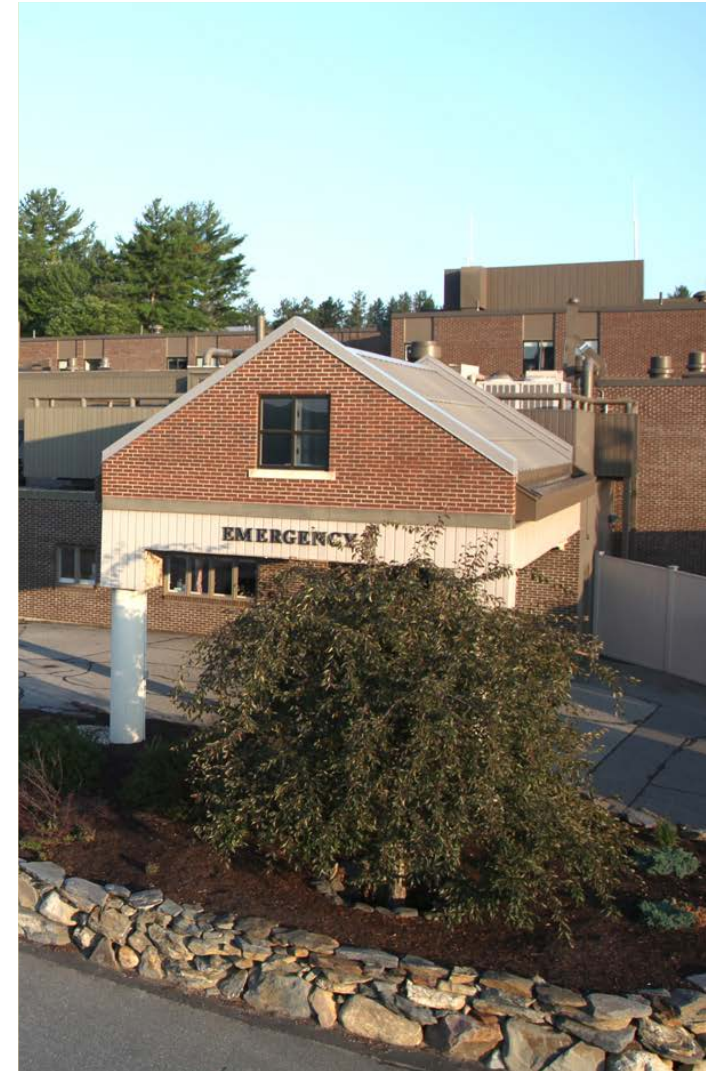
Maine hospitals are in a precarious financial condition.

A national analysis of leading hospital financial indicators illustrates this problem in a new and concerning way.

In particular, Maine's larger hospitals are:

- poor,
- heavily in debt, and
- in older facilities

The public and policymakers need to understand the importance of these indicators and how Maine hospitals are suffering.



BACKGROUND

MHA Board directed staff to contract with a national firm to conduct a study of the financial condition of Maine hospitals.

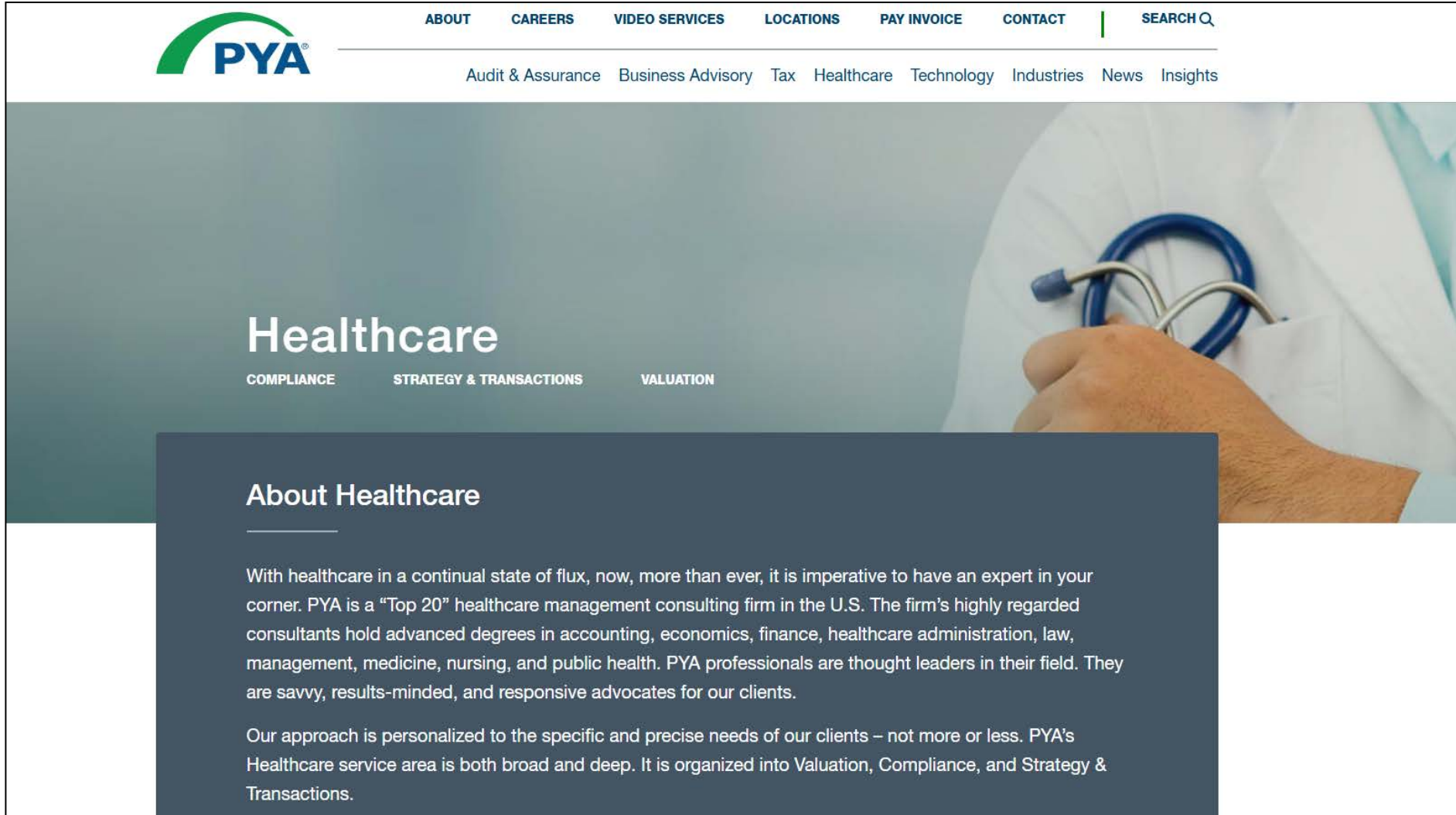
MHA contracted PYA, a tax and accounting firm that does healthcare consulting, in October 2024.

PYA delivered its study in March 2025.

The information contained in the following report is a consolidated highlight of the larger, comprehensive PYA report.



CONSULTANT



PYA

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Healthcare

COMPLIANCE STRATEGY & TRANSACTIONS VALUATION

About Healthcare

With healthcare in a continual state of flux, now, more than ever, it is imperative to have an expert in your corner. PYA is a “Top 20” healthcare management consulting firm in the U.S. The firm’s highly regarded consultants hold advanced degrees in accounting, economics, finance, healthcare administration, law, management, medicine, nursing, and public health. PYA professionals are thought leaders in their field. They are savvy, results-minded, and responsive advocates for our clients.

Our approach is personalized to the specific and precise needs of our clients – not more or less. PYA’s Healthcare service area is both broad and deep. It is organized into Valuation, Compliance, and Strategy & Transactions.

PYA is a Top 15 auditor of the nation’s largest health systems and is consistently ranked as one of the country’s Top 20 healthcare consulting firms by Modern Healthcare.

<https://www.pyapc.com/>



STUDY OVERVIEW

This study by PYA and Maine Hospital Association reveals the growing financial strain on Maine’s hospitals, particularly its Prospective Payment System (PPS) hospitals, which rank among the lowest in the nation in key financial metrics such as operating margin, equity financing ratio, and average age of plant. For comparison purposes, Maine hospitals were benchmarked against New Hampshire and Vermont, as well as national data.

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

STUDY OVERVIEW CONT.

The study finds the current situation unsustainable—hospitals are grappling with crippling costs, plummeting revenues, and aging infrastructure. Many are being forced to cut services, delay critical investments, and stretch resources beyond safe limits.

Critical Access Hospitals (CAHs) have shown relative financial resilience, however, a closer look at the data would show a handful of very strong CAH hospitals and several in financial trouble, with those also struggling with declining liquidity, mounting operational pressures, and aging facilities.

The study also finds that Maine’s hospitals are still reeling from the financial devastation of the COVID-19 pandemic, and recovery has been slow and uneven. If lawmakers, policymakers, and the public fail to act now, closures, service reductions, and staff shortages will soon become harsh realities.





Benchmarking Analysis of Maine Hospitals

Performance and Trends

Prepared for: Maine Hospital Association

February 25, 2025

Presented by:

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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?

RESULTS







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

		Maine	
Metric		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 but still face challenges with aging infrastructure.
- Large percentage of hospitals are occupied by patients, operating at or near full capacity, indicating a higher demand for services.

- Maine PPS hospitals are the **5th poorest** and the **2nd most heavily in debt** in the country.
- And our facilities are the **5th oldest** in the country.
- A high occupancy rate suggests that hospital resources are being effectively used and minimizing waste.

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.

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

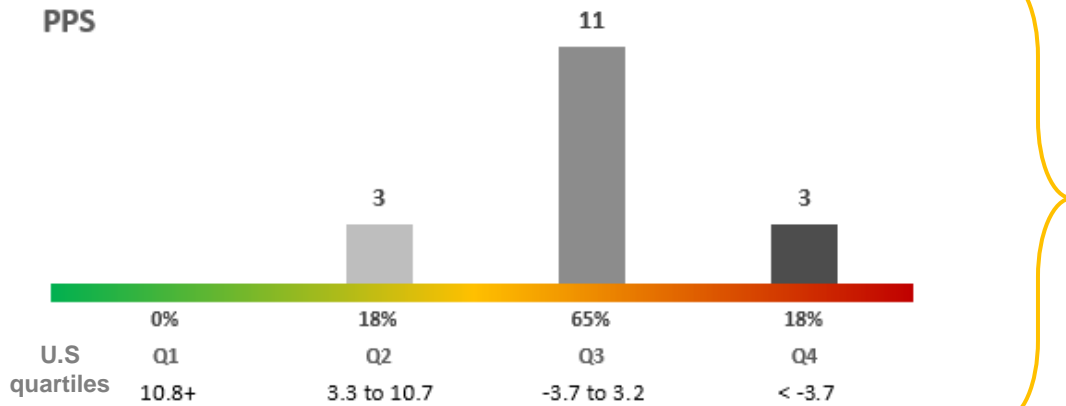
- Overall, New Hampshire PPS hospitals have more favorable rankings than Maine and Vermont.
- Maine’s CAH rankings are similar to New Hampshire, and more favorable than Vermont.

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

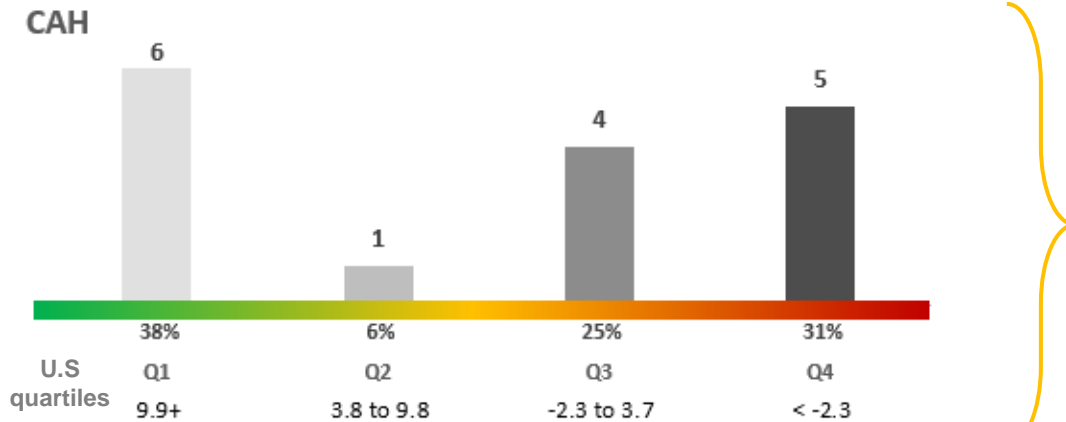
- Maine PPS hospitals are similar to VT hospitals but are meaningfully worse on debt and age of plant.
- Maine hospitals are nothing like NH hospitals.
- CAH hospitals were more stable, but there is greater diversity in CAH hospitals’ financial standing.

Total Margin (2023) by National Quartile for Maine Hospitals



PPS

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



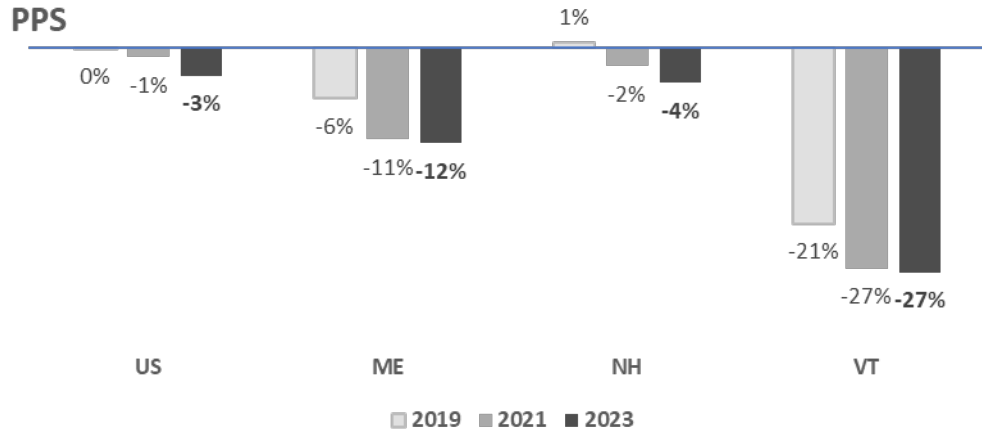
CAH

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.**

- Maine PPS hospitals are compactly clustered in negative territory.
- CAH hospitals show a handful with strong margins and a handful with very negative margins.
- As such, the median average portrayal of CAHs in some of our tables and graphs are potentially misleading.

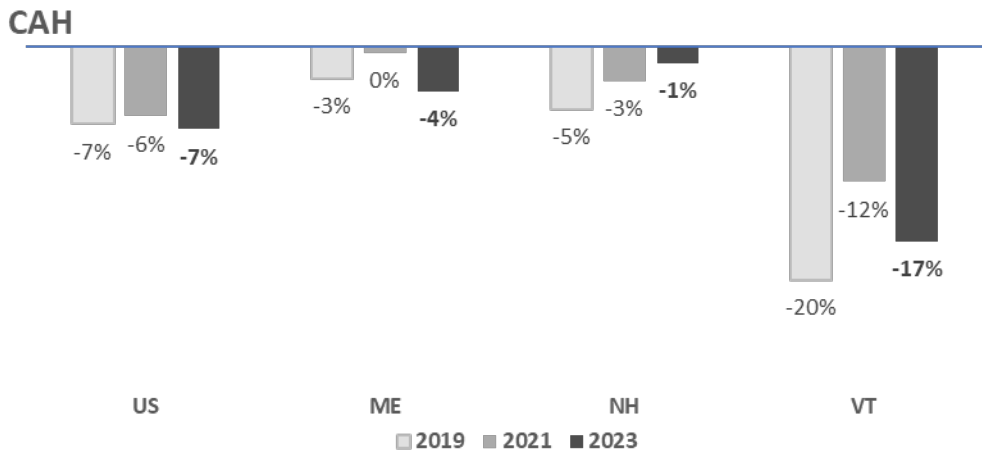
Operating Margin (Median) Pre and Post COVID-19

Definition of Operating Margin: Profitability from core hospital operations



PPS

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



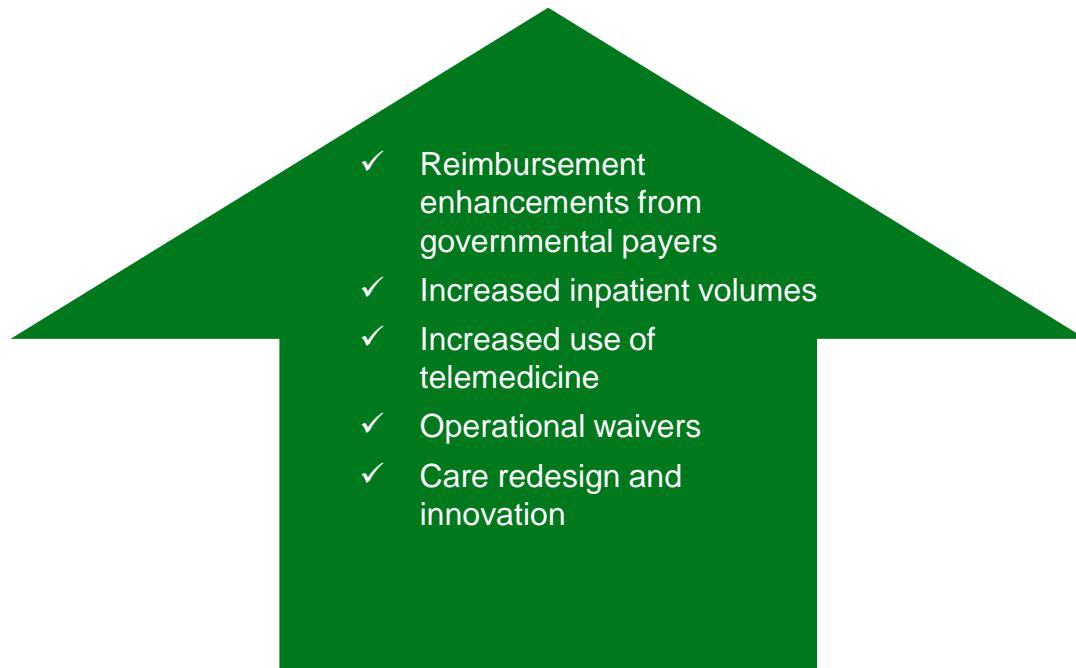
CAH

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.

Overall, operating margins have declined, with CAHs consistently experiencing financial strain and PPS hospitals seeing reduced profitability post-pandemic.

What is the post-COVID reality for Maine hospitals?

- The Impact of COVID on hospital operations was significant. Maine hospitals have not been able to “recover” from the COVID crisis.



During COVID, several factors supported hospital margins

Post-COVID, sustaining factors impacting hospital margins



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)

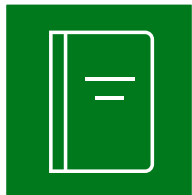
- Maine has the **oldest plant facilities**, exceeding the **U.S. median (12 years)**, signaling **underinvestment in capital improvements**, leading to **higher maintenance costs and reduced efficiency**.

Financial Strain and Operating Losses

- With virtually **zero total margin** and **negative operating margins**, Maine hospitals struggle to make ends meet each year and also to rebuild dwindling cash reserves.
- **New Hampshire (5% total margin, -4% operating margin)** is in a stronger position.

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%



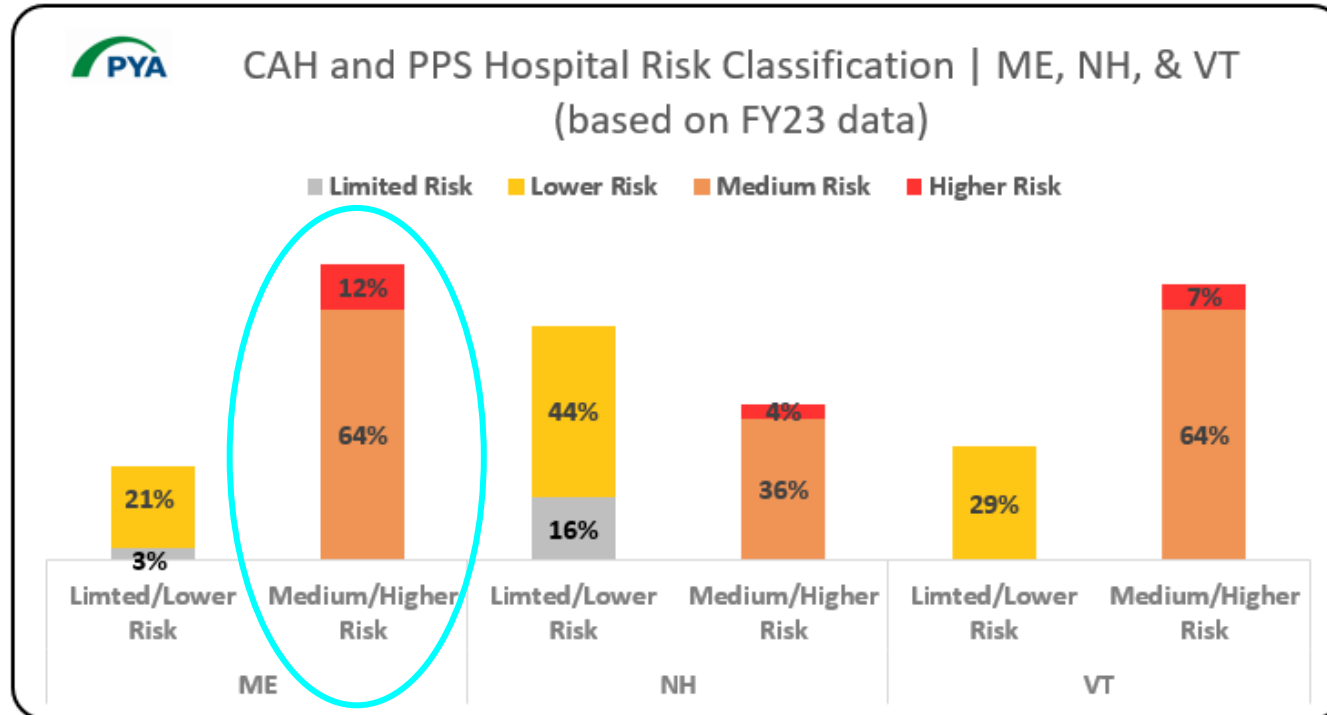
Each hospital assigned to one of 4 risk classifications based on its cumulative score



Hospital Risk Classification
Limited Risk
Lower Risk
Medium Risk
Higher Risk

Risk Classifications – CAHs + PPS Hospitals

Total Hospitals Evaluated: 72



Number of Hospitals

33

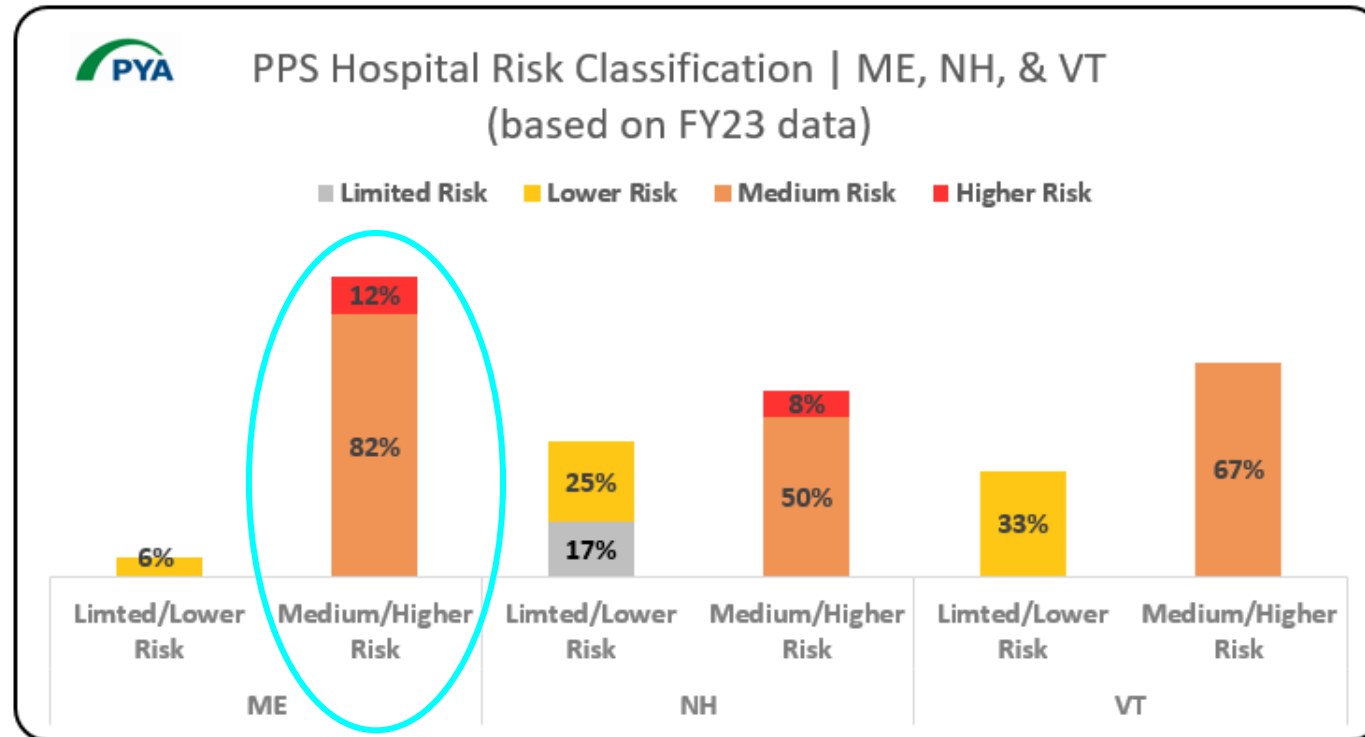
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- Based on our risk profile metrics and weighting criteria, combined CAH and PPS hospitals in Maine and Vermont have higher risk profiles than New Hampshire hospitals
- Maine has the highest % of medium/higher risk hospitals

Risk Classifications – PPS Hospitals

Total Hospitals Evaluated: 35



Number of Hospitals

17

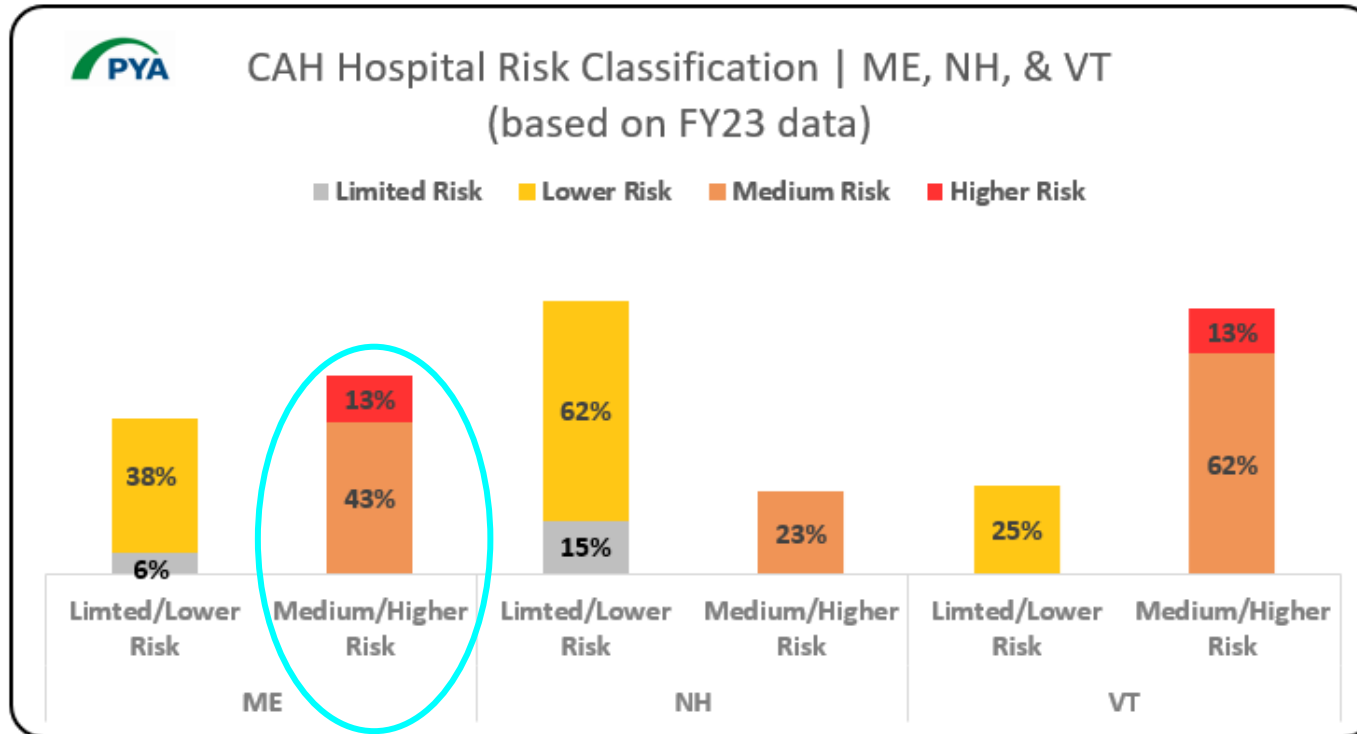
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- Based on our risk profile metrics and weighting criteria, Maine had the highest % of PPS hospitals classified as medium/higher risk.

Risk Classifications – CAHs

Total Hospitals Evaluated: 37



Number of Hospitals

16

13

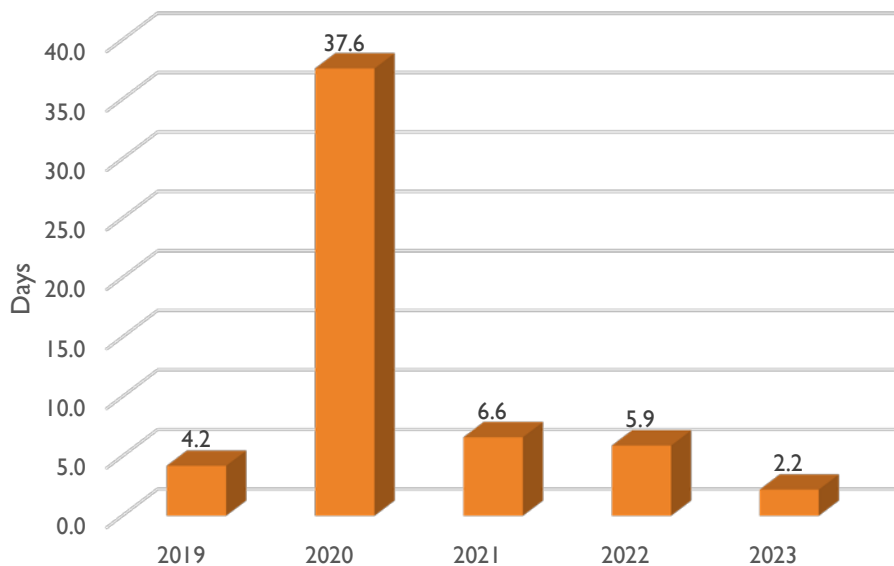
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- Based on our risk profile metrics and weighting criteria, Maine had more CAHs classified as medium higher/risk than New Hampshire but fewer than Vermont.

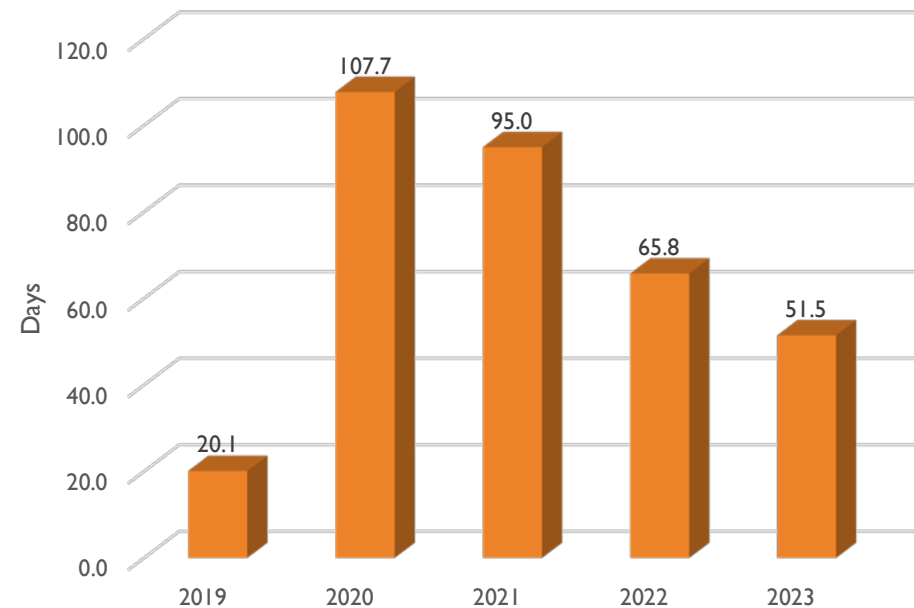
MAINE HOSPITALS' DAYS CASH ON HAND

Days Cash on Hand is a key liquidity metric that measures how many days an organization can cover its operating expenses using its available cash and cash equivalents. Maine CAH hospitals vary widely, with some having significant reserves and others having only a few days, while nearly all Maine PPS hospitals are showing signs of limited reserves. The influx of cash in 2020 is reflecting the COVID-19 Hospital Relief funds.

Median Days Cash on Hand for Maine PPS Hospitals



Median Days Cash on Hand for Maine CAHs



*Data Sourced from Maine Health Data Organization (MHDO)

APPENDIX: NOTES ON FINANCIAL ANALYSIS OF MAINE HOSPITALS

Data Sources and Methodology

This financial benchmarking analysis of Maine hospitals utilizes data from multiple sources to provide a comprehensive view of hospital performance and trends. Key data sources include:

- **Medicare Cost Reports:** Provide financial information across all fund types, including General, Specific Purpose, Endowment, and Plant Funds.
- **Maine Health Data Organization (MHDO) Financial Data:** Reports primarily from the General Fund, potentially leading to discrepancies when comparing across datasets.
- **Other Benchmarking Sources:** National ranking data and comparative financial indicators from Vermont, New Hampshire, and U.S. medians.

Hospitals are classified into two categories based on their reimbursement models:

- **Prospective Payment System (PPS) Hospitals:** Larger acute care hospitals paid on a per-service basis.
- **Critical Access Hospitals (CAHs):** Smaller, rural hospitals receiving cost-based reimbursement.

Benchmarking and Comparative Analysis

- Financial performance was evaluated by comparing Maine hospitals to national benchmarks and regional counterparts in Vermont and New Hampshire.
- Quartile rankings were assigned to hospitals based on their financial metrics to identify strengths and areas for improvement.
- Risk profiling assigned a score to hospitals based on industry benchmarks and professional judgment.

APPENDIX: NOTES ON FINANCIAL ANALYSIS OF MAINE HOSPITALS



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.



Days Cash on Hand

- PYA did not include an analysis of Days Cash On Hand due to the inability to account for the varying measures across states and nationally. As a result, MHA has included a separate graph using the MHDO data set.

APPENDIX CONT.

Post-COVID Financial Trends

- The study analyzed the recovery of Maine hospitals post-COVID, comparing financial trends before and after the pandemic.
- Key challenges identified post-pandemic include higher labor, pharmaceutical, and supply costs, as well as reimbursement challenges.
- CAHs showed stronger total margins compared to PPS hospitals, though infrastructure concerns persist due to aging facilities.

Risk Classification and Hospital Stability

- Maine hospitals exhibited higher financial risk compared to New Hampshire, with a significant percentage categorized as medium-to-high risk.
- The study utilized a risk profiling methodology distinct from the Chartis 2025 Rural Health State of the State Report, offering a broader view of financial sustainability across hospital types.

For further inquiries, please refer to the full report or contact the Maine Hospital Association.

THANK YOU

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