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Leadership and Financial Management for Nurse Leaders: “It’s All about the Money (or at least it feels that way!)”

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Learning Objectives

- Discuss leadership challenges as they relate to financial management.
- Discuss which elements are key on a financial statement.
- Explain how to make your case to the CFO.



How It Started

- Nurse for 37 years
- Leadership for 30 years
- Degrees in education/nursing/MBA



Why Financials Are Important



- If we can't make ends meet, we won't have the \$\$ to care for our patients
- Our patients are the most important
- To take care of our patients, we must be good stewards



Where Do We Start?

- Learn to Speak the Language of Finance & Accounting
- Show an Interest in the Financial Health of the Hospital
- Make the CFO Your Best Friend
 - Will pay off for your patients
 - Will help your career





Learn the Lingo – Payor Contracts Matter

Gross Revenue

- Aka Billed Charges
- Charges before Insurance allowable and patient responsibility are deducted

Net Revenue

- Gross (Billed) Charges **minus** insurance adjustments

In-Network

Amount Billed	Difference From Amount Billed	Plan Paid	You Paid	You May Owe
\$6,091.00	\$4,824.50	\$1,013.20	\$0.00	\$253.30

Net Revenue = \$1,013.20 + \$253.30 = \$1,266.50

Net Revenue / Gross Revenue = 21% or 21¢ on the dollar billed



Learn the Lingo: Payor Contracts Matter

In-Network

Amount Billed	Difference From Amount Billed	Plan Paid	You Paid	You May Owe
\$6,091.00	\$4,824.50	\$1,013.20	\$0.00	\$253.30

Same scenario with negotiated contract of % of billed charges

Amount Billed	Difference from Amount Billed (Write off)	Plan Allowed 80% of Billed Charges	Plan Pays	You May Owe
\$6,091.00	\$1,218.20	\$4,872.80	\$3,898.24	\$974.56
Amount Billed	Difference from Amount Billed (Write off)	Plan Allowed 70% of Billed Charges	Plan Pays	You May Owe
\$6,091.00	\$1,827.30	\$4,263.70	\$3,410.96	\$852.74
Amount Billed	Difference from Amount Billed (Write off)	Plan Allowed 60% of Billed Charges	Plan Pays	You May Owe
\$6,091.00	\$2,436.40	\$3,654.60	\$2,923.68	\$730.92



Learn the Lingo: Revenue

Revenue Generators (Procedure Areas):

- Operating Room
- Cath Lab
- Radiology
- Labor & Delivery





Learn the Lingo: Revenue

Revenue Generators, continued:

- Pharmacy
- Lab





Learn the Lingo: Non-Revenue Centers

Non-Revenue Centers:

- Bedded Units
- Environmental Services
- Food Services

Can't do procedures without beds/EVS/Food Services





Learn the Lingo: Key Performance Indicators (KPIs)

Bedded Units

- Length of Stay (LOS) – bedded units
- Staffing cost
- Overtime cost
- Supply cost
- Drug cost





Learn the Lingo: Length of Stay (LOS)

Length of Stay (LOS) impacts costs

Length of Stay (LOS) and Average LOS (ALOS) are Critical

Several methods can be used to determine LOS

Total Inpatient Days of Care / Total Admissions = Average Length of Stay
(in days)



Learn the Lingo: Length of Stay (LOS) *

*Hospital's average cost per patient per day in the U.S. is \$2,607

LOS impacts costs and hospital success

↑ LOS = ↓ Profit Margin & Possible Loss

Focus on ↓ LOS while maintaining excellent patient care

- Example: Cataract surgery

Ways to accomplish:

- Pre-admission education
- Case Management
- Social Worker
- Home Health



Learn the Lingo: Key Performance Indicators (KPIs)

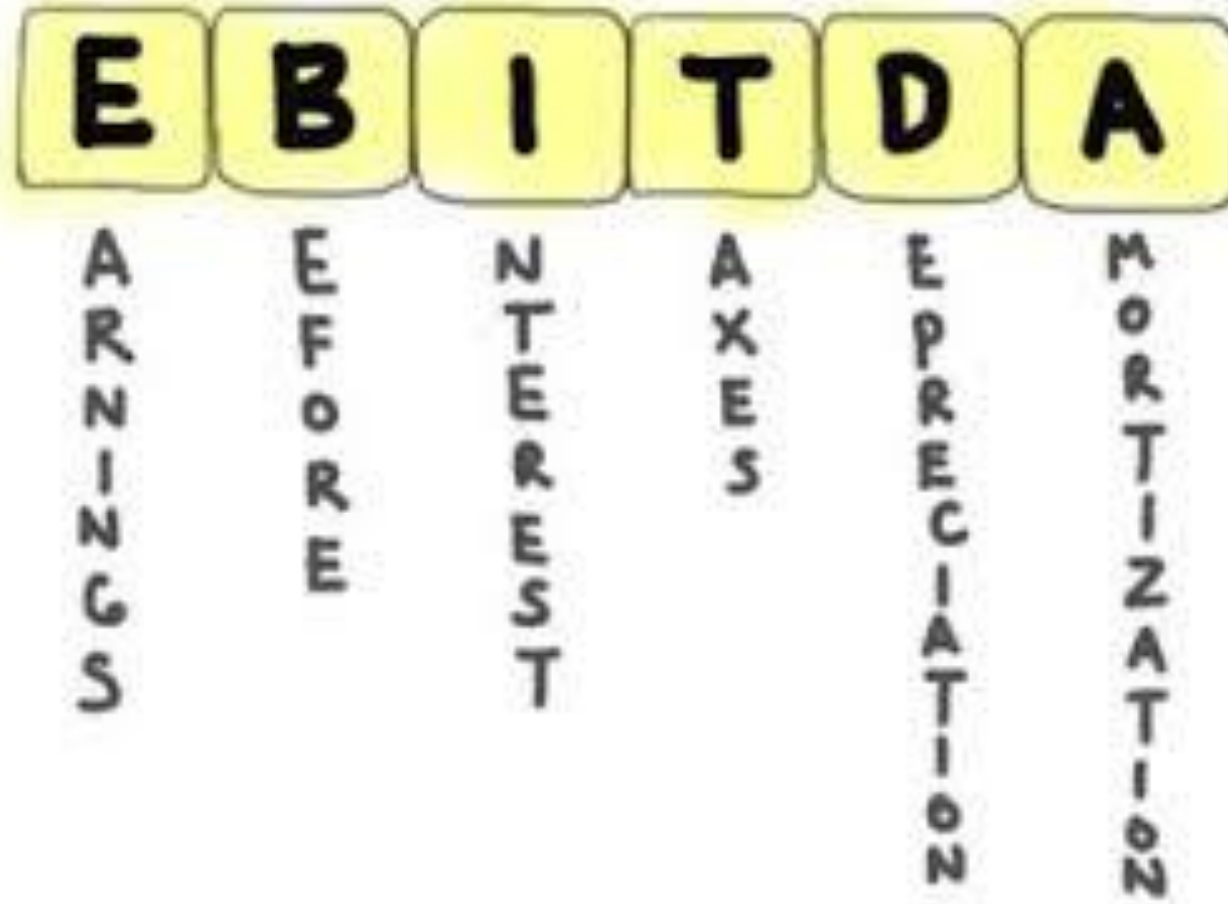
Procedural Areas

- Net Revenue per case
- Supply cost per case
- Implant cost per case
- Labor cost per case
 - Manhours/case

The word 'revenue' is displayed in a stylized, lowercase font. Each letter is composed of multiple overlapping, semi-transparent shapes in various colors including pink, blue, green, yellow, orange, and purple, creating a vibrant, multi-colored effect.



Learn the Lingo: EBITDA





Learn the Lingo: EBITDA

How to Say It: EBITDA

Ee-bit-uh

Ee-bi-duh

Eh-bit-uh

Eh-bi-duh

They're all correct

Depends on your environment



Learn the Lingo: EBITDA

Why is EBITDA Important?

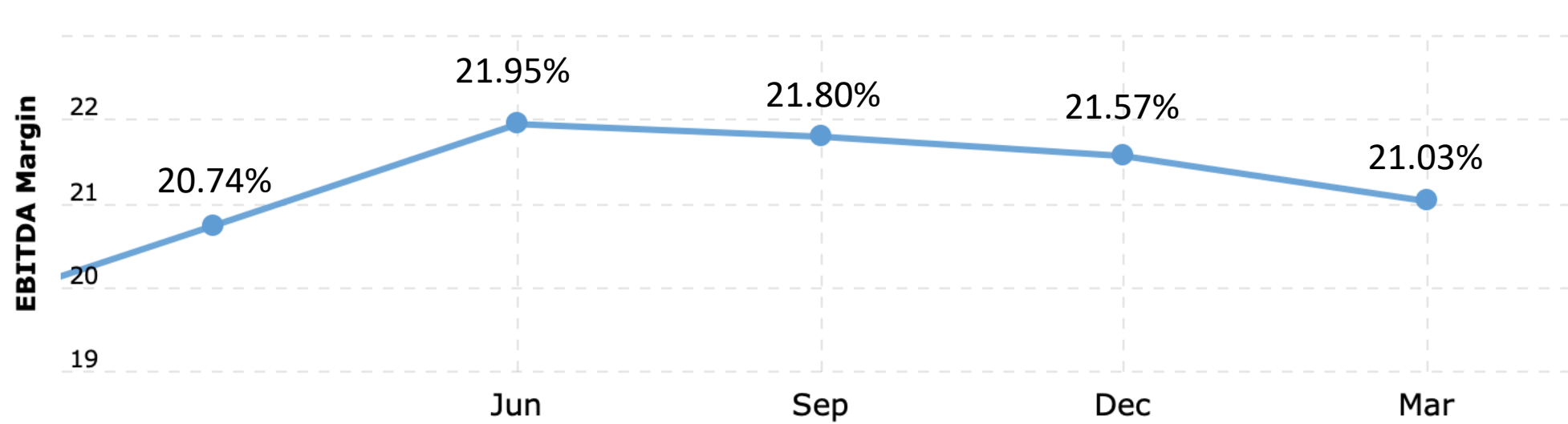
- Common Measure of a Company's Performance
- Evaluates the financial health of a company
- The higher the EBITDA margin
 - The healthier the company
 - The lower the operating expenses



Let's Look at Some Examples of EBITDA Margin

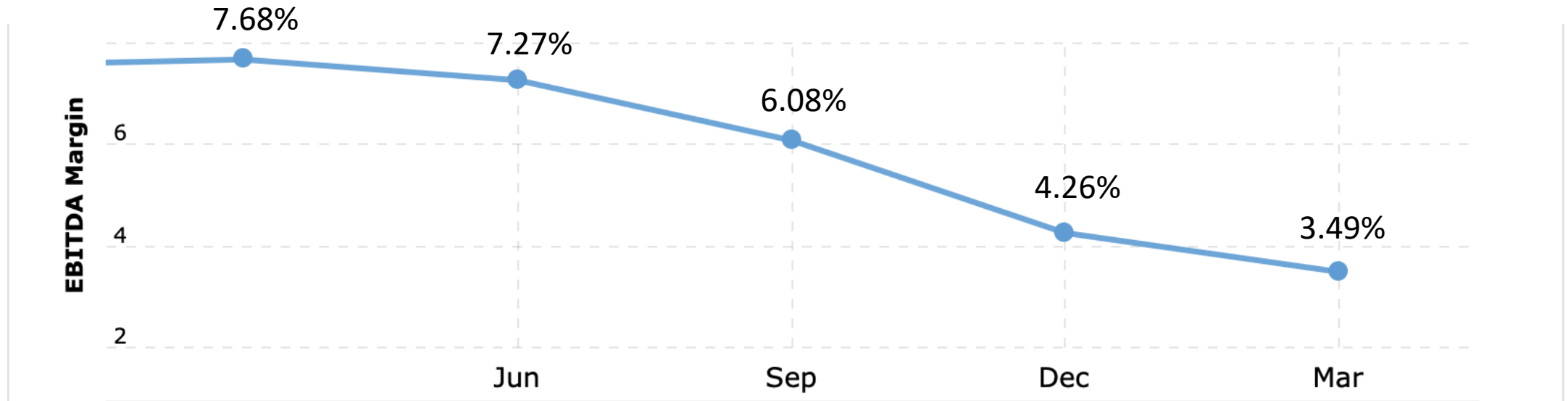


EBITDA Margin Healthcare Corporation of America (HCA) April 2021 – April 2022





EBITDA Margin (Somewhat) Typical Healthcare April 2021 – April 2022





EBITDA Margin: Comparisons

Company	EBITDA Margin
Johnson & Johnson	30.0%
Smith & Nephew Orthopedics	23.9%
Healthcare Corporation of America (HCA)	23.6%
Target Stores	11.3%
Hospitals in General	3.5%



Goals from the CFO's Perspective (and Wise Leaders)

Grow Net Revenue



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Managing Costs
While Maintaining Care





Key Financial Statements

Income Statement

- Profit and Loss statement

Statement of Cash Flow

- Shows trends of cash flow & performance over time

Balance Sheet

- Snapshot of finances at a given time
- Assets
- Liabilities
- Shareholder Equity – amount of money returned to stockholders if all assets were liquidated and debts paid

Key Financial Statements



Income Statement – HCA

Breakdown	TTM	12/31/2021	12/31/2020	12/31/2019	12/31/2018
➤ Total Revenue	59,720,000	58,752,000	51,533,000	51,336,000	46,677,000
Cost of Revenue ★	9,578,000	9,481,000	8,369,000	8,481,000	7,724,000
Gross Profit	50,142,000	49,271,000	43,164,000	42,855,000	38,953,000
➤ Operating Expense ★★	40,597,000	39,593,000	35,902,000	35,637,000	32,311,000
Operating Income	9,545,000	9,678,000	7,262,000	7,218,000	6,642,000
➤ Net Non Operating Interest Inc...	-1,590,000	-1,566,000	-1,584,000	-1,824,000	-1,755,000
➤ Other Income Expense	1,719,000	1,721,000	-248,000	-150,000	448,000

★ Cost of Goods Sold


★★ Other Expenses

Key Financial Statements



Income Statement – HCA

Total Expenses	50,175,000	49,074,000	44,271,000	44,118,000	40,035,000
Net Income from Continuing & Dis...	6,806,000	6,956,000	3,754,000	3,505,000	3,787,000
Normalized Income	5,535,450	5,693,720	3,998,016	3,657,470	3,442,163
Interest Expense	1,590,000	1,566,000	1,584,000	1,824,000	1,755,000
Net Interest Income	-1,590,000	-1,566,000	-1,584,000	-1,824,000	-1,755,000
EBIT	11,264,000	11,399,000	7,014,000	7,068,000	7,090,000
EBITDA	14,152,000	-	-	-	-


$$\begin{aligned}\text{EBITDA Margin} &= \text{EBITDA} / \text{Total Revenue} \\ &= \$14,152,000 / \$59,720,000 = 23.6\%\end{aligned}$$

Key Financial Statements



Statement of Cash Flow – HCA



Breakdown	TTM	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Operating Cash Flow 	877,000	877,000	935,000	1,168,000	931,000
Investing Cash Flow	-691,000	-691,000	-606,000	-1,251,000	-378,000
Financing Cash Flow	-645,000	-645,000	1,164,000	7,000	-371,000
> End Cash Position	1,285,000	1,285,000	1,751,000	257,000	333,000
Capital Expenditure	-408,000	-408,000	-443,000	-408,000	-347,000
Issuance of Capital Stock	14,000	14,000	11,000	11,000	13,000
Issuance of Debt	-	-	1,950,000	1,290,000	394,000
Repayment of Debt	-267,000	-267,000	-405,000	-865,000	-401,000
Repurchase of Capital Stock	0	0	-16,000	-63,000	-48,000
Free Cash Flow	469,000	469,000	492,000	760,000	584,000



Cash generated from normal operations; good indicator of profitability

Key Financial Statements

Balance Sheet – HCA



Breakdown	12/31/2021	12/31/2020	12/31/2019	12/31/2018
> Total Assets	50,742,000	47,490,000	45,058,000	39,207,000
> Total Liabilities Net Minority Int...	49,253,000	44,598,000	45,623,000	42,125,000
> Total Equity Gross Minority Inte...	1,489,000	2,892,000	-565,000	-2,918,000
Total Capitalization	33,409,000	31,367,000	30,769,000	27,083,000
Common Stock Equity	-933,000	572,000	-2,808,000	-4,950,000
Capital Lease Obligations	2,147,000	2,052,000	1,849,000	-
Net Tangible Assets	-10,473,000	-8,006,000	-11,077,000	-12,903,000
Working Capital	3,960,000	3,629,000	3,439,000	2,644,000
Invested Capital	33,646,000	31,576,000	30,914,000	27,871,000
Tangible Book Value	-10,473,000	-8,006,000	-11,077,000	-12,903,000
Total Debt	36,726,000	33,056,000	35,571,000	32,821,000
Net Debt	33,128,000	29,211,000	33,101,000	32,319,000
Share Issued	305,477	339,426	338,446	342,895
Ordinary Shares Number	305,477	339,426	338,446	342,895



How to Make the CFO Your Friend

- Show Your Willingness to Learn
- Never Say, “It is what it is”
- Don’t become defensive
- Show Your Understanding of the Financials of Your Area
- As You Become More Knowledgeable, Offer to Present / Share with Others



How to Make Your Case to the CFO: Request for a Bovie

How Will What You're Asking for Impact Patient Care?

- We do not have enough Bovies for our patient volume. We currently have 7 Bovies and have 8 OR rooms. Result is delay in care waiting for a Bovie to become available. OR time is valued at \$55/minute.

How Will What You're Asking for Impact Revenue?

- Adding another Bovie will allow us to run 8 ORs without delays
- A delay of 1 hour could equal $\$55/\text{minute} * 60 = \$3,300$ in revenue, if the room is filled

Will What You're Asking for Bring in More Physicians?

- Decreasing delays will have a direct impact on physician satisfaction
- Decreasing delays will allow for more operating time = more revenue

When You Learn the Language of the CFO



Your Patients
Your Boss
The CFO
YOU



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