# Assignment 6.1: Profit and Loss

Review the income statement in Table 7.2 from Chapter 7 of your Financial Statements and the DNP: Essential Knowledge for Success textbook.

Table 7.2 Income Statement (Profit and Loss)

$ in 000’s

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | March 2017 | March 2016 | Change | 1-Year Growth |
| Gross Patient Revenues |  |  |  |  |
| Routine services | $150.000 | $142.500 | $7.500 | Increase5% |
| Inpatient ancillary | $62.500 | $49.350 | $13.150 | Increase27% |
| Outpatient ancillary | $118.000 | $96,500 | $21,500 | Increase22% |
| Other revenue | $2,500 | $2,150 | $350 | Increase16% |
| Total Gross Revenue | $333,000 | $290,500 | $42,500 | Increase15% |
| Deductions From Revenue |  |  |  |  |
| Bad debt | $18,000 | $21,500 | $3,500 | Decrease16% |
| Government allowance diagnosis-related group (DRG) | $71,000 | $60,800 | ($10,200) | Increase17% |
| Insurance contracts managed care | $35,400 | $38,400 | $3,000 | Decrease8% |
| Charitable allowances | $13,600 | $12,500 | ($1,100) | Increase9% |
| Total Deductions | $138,000 | $133,200 | ($4,800) | Increase 4% |
| Net Revenue from Patient | $195,000 | $157,300 | $45,700 | Increase 24% |
| Operating Expenses |  |  |  |  |
| Salaries | $90,250 | $79,200 | ($11,050) | Increase 14% |
| Benefits | $34,000 | $31,800 | (2,800) | Increase 7% |
| Supplies | $27,200 | $13,600 | ($13,600) | Increase 100% |
| Medical fees | $4,300 | $3,200 | ($1,100) | Increase 34% |
| Purchased services | $8,400 | $5,520 | ($2,880) | Increase 52% |
| Maintenance | $7,500 | $6,200 | ($1,300) | Increase 21% |
| Professional liability | $1,400 | $1,350 | ($50) | Increase 4% |
| Other | $700 | $350 | ($350) | Increase100% |
| Depreciation | $7,400 | $6,200 | ($1,200) | Increase 19% |
| Financing costs | $6,400 | $6,100 | ($300) | Increase 5% |
| Total Operating Expenses | $187,550 | $153,520 | $34,030 | Increase 22% |
| Net Income from Operations (pretax) | $7,450 | $3,780 | $3,670 | Increase 97% |
| % of Net Revenue (Margin) (Net Income/Net Revenue) | 3.82% | 2.40% | 1.42% |  |

Address the following questions:

1. From your analysis, you understand that the net margin for the organization has shown strong growth over the past year. What factor/s is/are driving this improved performance?
2. What concerns do you have regarding current financial performance of this organization? As an executive leader within this organization, what priority issues should this organization address?
3. Is your impression of the reported financial performance generally favorable or unfavorable?