



# INDEX

2025 Methodology



CHARTIS

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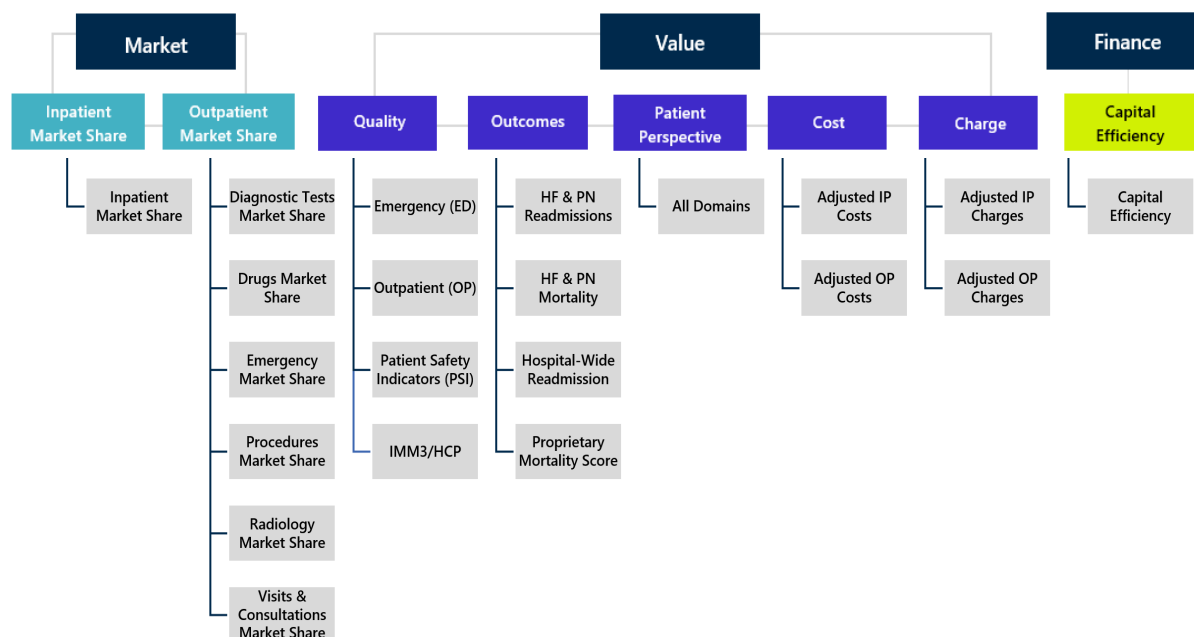
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## The Chartis Rural Hospital Performance INDEX™ Overview

The Chartis Rural Hospital Performance INDEX is the industry's most comprehensive and objective assessment of rural hospital performance. By evaluating performance across eight key Pillars, the INDEX brings a rural-relevant perspective to healthcare leaders making strategic and operational decisions. For more than a decade, the INDEX has helped more than 750 rural and Critical Access Hospitals integrate sophisticated analytics for benchmarking performance and has been used by more than 25 state agencies, state hospital associations, and federal grant programs. The INDEX is the foundation for many of rural healthcare's most prominent awards (e.g. Top 100 Critical Access Hospitals and Top 100 Rural & Community Hospitals) and is used by organizations such as the National Rural Health Association (NRHA) in support of its advocacy and legislative initiatives.

### Methodology Summary

The INDEX is a holistic performance assessment of all Critical Access Hospitals (CAHs) and Rural & Community Hospitals nationally (see *Hospitals in the Study Group* for details). Each hospital's INDEX score is a percentile rank of aggregate performance across eight Pillars spanning Market, Value, and Finance. Each Pillar score reflects a percentile rank of aggregate performance across each underlying Indicator. In total, 36 Indicators serve as the basis for these Pillars (**Figure 1**).<sup>1</sup>



**Figure 1.** The INDEX is comprised of eight Pillars of performance spanning Market, Value and Finance. Thirty-six Indicators serve as the basis of these Pillars.

<sup>1</sup> Additional Indicators are included in detailed INDEX analytic reports for further benchmarking, although these measures are not included in the INDEX rankings.

All data leveraged in the INDEX are the most recent publicly available from CMS. All information in this release represents the most recently available data as of November 1, 2025 (Table 1).

**Table 1. Data Summary**

| Pillar                  | Source | Data Set Name                                                  | Time Period                                      |
|-------------------------|--------|----------------------------------------------------------------|--------------------------------------------------|
| Inpatient Market Share  | CMS    | Service Area File 2024                                         | January 2024-December 2024                       |
| Outpatient Market Share | CMS    | Standard Analytical File - OP 2024                             | January 2024-December 2024                       |
| Quality                 | CMS    | MedPAR 2024 Final Rule                                         | October 2021-September 2024                      |
|                         | CMS    | Hospital Compare - IMM3                                        | October 2023-March 2024                          |
|                         | CMS    | Hospital Compare - OP 18b                                      | October 2023-September 2024                      |
|                         | CMS    | Hospital Compare - OP 22                                       | January 2023-December 2023                       |
| Outcomes                | CMS    | MedPAR 2024 Final Rule                                         | October 2021-September 2024                      |
|                         | CMS    | Hospital Compare - (Overall, HF & PN) Mortality / Readmissions | July 2021-June 2024                              |
| Patient Perspectives    | CMS    | Hospital Compare - HCAHPS                                      | October 2023-September 2024                      |
| Cost                    | CMS    | Standard Analytical File - OP 2024                             | January 2024-December 2024                       |
|                         | CMS    | MedPAR 2024 Final Rule                                         | October 2023-September 2024                      |
|                         | CMS    | Healthcare Cost Report Information Systems (HCRIS) Q4 2025     | Most recent Cost Report provided as of 11/1/2025 |
| Charge                  | CMS    | MedPAR 2024 Final Rule                                         | October 2023-September 2024                      |
|                         | CMS    | Standard Analytical File - OP 2024                             | January 2024-December 2024                       |
| Financial Stability     | CMS    | Healthcare Cost Report Information Systems (HCRIS) Q4 2025     | Most recent Cost Report provided as of 11/1/2025 |

All available data are included in the INDEX. Statistical sampling and data projection methodologies are employed only when necessary. Missing data are imputed using the medians method. Indicators unable to be ranked after imputation due to missing or excluded data are removed from Pillar and composite INDEX rankings.

Each Pillar score reflects a percentile rank of the hospital's aggregate performance across underlying metrics relative to all hospitals in the analysis. In some instances, weighting and/or standardization across Indicators within each Pillar are performed. See Appendix A: Detailed Methodology for additional information specific to each Pillar.

The composite INDEX score reflects each hospital's aggregate performance across all Pillars relative to the study group. For each hospital, a composite score is computed as the percentile rank of the sum of all eight Pillar scores. All Pillars are equally weighted. Providers missing three or more Pillars are excluded from the overall INDEX ranking and no INDEX score is denoted.

## ***Hospitals in the Study Group***

The INDEX strives to include all active Critical Access Hospitals (CAHs) and Rural & Community Hospitals. CCRH defines Rural & Community Hospitals as all active U.S. short-term acute care, non-specialty and non-federal hospitals located in zip codes designated as "rural" by the Federal Office of Rural Health Policy (FORHP) with no more than 200 beds. A total of 766 Rural PPS and 1,330 CAHs were included in the final study.

The most recently available CMS Provider of Services (POS) file is used to determine the initial population

of eligible hospitals. This file contains individual records for each Medicare-approved provider and is updated quarterly. This dataset is cross-checked against other sources including the AHA Hospital Directory and the American Hospital Directory to confirm hospital identity, status, and appropriateness for inclusion. Exclusions are based on the following criteria:

- Specialty Hospital Designation:
  - Providers designated as specialty hospitals in the CMS Hospital Provider of Services file are excluded. These include psychiatric, rehab, long-term care, surgical specialty and other specialty facilities.
  - Hospitals designated as cancer centers and children's or pediatric hospitals are excluded.
  - Governmental facilities including Veterans Administration, Indian Health Service hospitals and related federal facilities are excluded.
  - Hospitals with 80 percent of their MS-DRG inpatient case mix concentrated in three or fewer Major Diagnostic Categories (MDCs) are excluded.
- Geography:
  - Hospitals in outlying U.S. Territories (i.e. Samoa, Virgin Islands, Puerto Rico, etc.) are excluded.
- Data Availability:
  - Hospitals with missing or implausible critical financial indicators, including revenue and balance sheet data, in their Medicare Hospital Cost Report Information System (HCRIS) filings are excluded.
  - Hospitals that do not participate in Inpatient Quality Reporting (IQR) and Outpatient Quality Reporting (OQR) programs are excluded from the affected Pillar and overall INDEX rankings. Hospitals whose data are suppressed by CMS due to low volumes are included in the study; missing data are imputed for these facilities.
  - Hospitals missing more than 40 percent of the Indicators in each Pillar are excluded from that Pillar analysis.
  - Hospitals missing three or more Pillar scores due to lack of supporting data are excluded from the composite INDEX analysis.

## Appendix A: Detailed Methodology

**Table 2.** Inpatient Market Share Pillar Methodology

| Component   | Inpatient Market Share                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Data Source | CMS Service Area File                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Indicator   | Medicare Inpatient Market Share                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Methodology | <p>Each hospital's inpatient service area is defined as the fewest number of zip codes comprising 65 percent of the hospital's total inpatient Medicare case count over the most recent three years of available data. Zip codes with fewer than an average of one (1) case per year are removed. Zip codes with a center point more than 35 miles from the hospital are removed. The home zip code is included. Total cases are suppressed for provider/zip combinations with cases of less than 11.</p> <p>Inpatient market share is computed as the total inpatient Medicare hospital cases from the defined service area divided by the total inpatient Medicare market cases from the defined service area for the most recent year of available data.</p> |
| Scoring     | Inpatient market share values are percentile ranked across all hospitals in the analysis. To reward facilities with strong market positions, higher market shares receive higher percentile rankings.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

**Table 3.** Outpatient Market Share Pillar Methodology

| Component   | Outpatient Market Share                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Data Source | Outpatient Standard Analytical File (OPSAF)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Indicators  | <p>Medicare Outpatient Market Share – Diagnostic Tests</p> <p>Medicare Outpatient Market Share – Drugs</p> <p>Medicare Outpatient Market Share – Emergency</p> <p>Medicare Outpatient Market Share – Procedures</p> <p>Medicare Outpatient Market Share – Radiology</p> <p>Medicare Outpatient Market Share – Visits and Consultations</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Methodology | <p>For each service line, each hospital's outpatient service area is defined as the fewest number of Federal Information Processing Standard (FIPS) codes comprising 65 percent of the hospital's outpatient Medicare procedures over the most recent three years. FIPS codes with fewer than an average of one (1) procedure per year are removed. FIPS codes with a center point more than 35 miles from the hospital are removed. The home FIPS code is included.</p> <p>For each service line, market share is computed as the total outpatient hospital Medicare payments from the defined service area divided by the total outpatient market Medicare payments from the defined service area for the most recent year of available data.</p> <p>Principal Components Factor Analysis is employed to determine the appropriate weighting for each service line.</p> |
| Scoring     | Percentile rankings are calculated based on the market share scores for each service line. Service lines are weighted according to Factor Analysis. To reward facilities with strong outpatient market positions, greater market shares receive higher percentile rankings.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Notes       | Outpatient procedures are categorized under the highest-ranking category by case based on CPT and revenue codes. Procedures that do not fall into those categories are excluded. Dialysis, Urgent Care, and Anesthesia procedures were excluded due to low volumes across the study group.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

**Table 4.** Quality Pillar Methodology

| Component   | Quality                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Data Source | Hospital Compare – Process of Care                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Indicators  | <p>OP-18b Median Time from ED Arrival to ED Departure for Discharged ED Patients</p> <p>OP-22 Percent of Patients Leaving without Being Seen</p> <p>PSI 6 Iatrogenic Pneumothorax Rate</p> <p>PSI 9 Perioperative Hemorrhage or Hematoma Rate</p> <p>PSI 11 Postoperative Respiratory Failure Rate</p> <p>PSI 12 Perioperative Pulmonary Embolism or Deep Vein Thrombosis</p> <p>PSI 13 Postoperative Sepsis Rate</p> <p>HCP/IMM-3 Influenza Vaccination Coverage Among Healthcare Personnel (HCP)</p>                                                                                                                                                                                                                                                                                                                                                                          |
| Methodology | <p>Process of Care data are compiled as reported on Hospital Compare. No further data manipulation is performed. Patient Safety Indicator (PSI) risk adjusted rates are produced by AHRQ WinQI software based on the most recent three years of available MedPAR data.</p> <p>Data suppressed by CMS due to insufficient volume are imputed to estimate missing values. Hospitals not reporting these measures citing the footnote of, “Data are shown only for hospitals that participate in the Inpatient Quality Reporting (IQR) and Outpatient Quality Reporting (OQR) programs” are excluded from the Pillar analysis. Hospitals missing data for six or more Indicators are excluded from the Pillar analysis. Pillar score is denoted as a blank.</p> <p>Principal Components Factor Analysis is employed to determine the appropriate weighting for each Indicator.</p> |
| Scoring     | Lower values receive higher scores. Across all Indicators, the weighted average (as determined by Factor Analysis) is percentile ranked against all analyzed providers to derive the Pillar score.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Notes       | The analyzed Indicators represent the most widely-accepted, rural-relevant measures with data for at least 50 percent of hospitals in the study. New metrics and measures that are not representative of rural hospital performance are purposefully omitted. The incorporation of additional measures in the future will be considered based on industry acceptance and data availability.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

**Table 5.** Outcomes Pillar Methodology

| Component    | Outcomes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Data Sources | Hospital Compare – Mortality and Readmission<br>Medicare Provider and Analysis Review (MedPAR)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Indicators   | 30-Day Pneumonia (PN) Readmission Rate<br>30-Day Heart Failure (HF) Readmission Rate<br>30-day Mortality Rates for PN<br>30-day Mortality Rates for HF<br>30-Day Hospital-Wide Readmission Rate<br>Proprietary Risk-Adjusted In-Hospital All-Condition Mortality Score                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Methodology  | <p>Readmission rates are compiled as reported on Hospital Compare. No further data manipulation is performed.</p> <p>To compute the Proprietary Risk-Adjusted In-Hospital All-Condition Mortality Score, data are first stratified by DRG cluster. In clusters with lower mortality rates, contingency tables are used to stratify according to age, history of COVID-19 infection, and number of comorbidities. National per-stratum mortality rates are used to calculate expected mortality rates for each hospital. In clusters with higher mortality rates, logistic regression models are fit, adjusting for age, gender, history of COVID-19 infection, cluster-specific comorbidities, and admission source. Expected rates from the contingency table and logistic models are risk-adjusted for each hospital based upon patient mix. For each hospital, the number of standard deviations between the observed and expected mortality rates is computed. Note inpatients age 65 or older are excluded if the patient stayed less than two days (unless died), left against medical advice, was transferred, or was assigned DRGs 981-999. Discharges from the first two quarters of 2020 were excluded. Inpatients with a primary diagnosis of COVID-19 or a secondary diagnosis of COVID-19 present on admission were excluded.</p> <p>Missing data that are suppressed by CMS due to insufficient volume imputed to estimate missing values. Hospitals not reporting these measures citing the footnote of, “Data are shown only for hospitals that participate in the Inpatient Quality Reporting (IQR) and Outpatient Quality Reporting (OQR) programs” are excluded from the Pillar analysis. Hospitals missing data for four or more Indicators are excluded from the Pillar analysis. Pillar score is denoted as a blank.</p> <p>Principal Components Factor Analysis is employed to determine the appropriate weighting for each Indicator.</p> |
| Scoring      | To reward facilities with strong outcomes, lower readmission and mortality rates receive higher scores. Higher Mortality Scores receive higher scores. Across all evaluated Indicators, the weighted average (as determined by factor analysis) is percentile ranked against all analyzed providers to derive the Pillar score.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Notes        | The analyzed Indicators represent the most widely-accepted, rural-relevant measures with data for at least 50 percent of hospitals in the study. New metrics and measures that are not representative of rural hospital performance are purposefully omitted. The incorporation of additional measures in the future will be considered based on industry acceptance and data availability.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

**Table 6.** Patient Perspective Pillar Methodology

| Component   | Patient Perspective                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Data Source | Hospital Compare – HCAHPS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Indicators  | <p>Patients Reporting they would "Definitely Recommend" the Hospital</p> <p>Patients Rating the Hospital a 9 or 10 on a Scale from 0 (Lowest) to 10 (Highest)</p> <p>Patients Reporting their Room and Bathroom were "Always" Clean</p> <p>Patients Reporting Nurses "Always" Communicated Well</p> <p>Patients Reporting Doctors "Always" Communicated Well</p> <p>Patients Reporting they "Always" Received Help as Soon as they Wanted</p> <p>Patients Reporting Staff "Always" Explained Medications Before Administering</p> <p>Patients Reporting "Yes" they were Given Information About what to Do during their Recovery at Home</p> <p>Patients Reporting the Area Around their Room was "Always" Quiet at Night</p> <p>Did patients understand their care when they left the hospital?</p> |
| Methodology | <p>HCAHPS scores are compiled as reported on Hospital Compare. No further data manipulation is performed.</p> <p>Data that are suppressed by CMS due to insufficient volume are imputed to estimate missing values. Hospitals not reporting these measures citing the footnote of, "Data are shown only for hospitals that participate in the Inpatient Quality Reporting (IQR) and Outpatient Quality Reporting (OQR) programs" are excluded from the Pillar analysis. Hospitals missing data for seven or more Indicators are excluded from the Pillar analysis. Pillar score is denoted as a blank.</p> <p>Principal Components Factor Analysis is employed to determine the appropriate weighting for each Indicator.</p>                                                                        |
| Scoring     | <p>Across all evaluated Indicators, the weighted average (as determined by factor analysis) is percentile ranked against all analyzed providers to derive the Pillar score. To reward facilities with strong patient satisfaction, hospitals with higher scores receive higher percentile ranks.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

**Table 7. Cost Pillar Methodology**

| Component    | Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Data Sources | Medicare Provider and Analysis Review (MedPAR)<br>Outpatient Standard Analytical File (OPSAF)<br>Healthcare Cost Report Information Systems (HCRIS)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Indicators   | Medicare Adjusted Average Costs – Inpatient<br>Medicare Adjusted Average Costs – Outpatient                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Methodology  | <p>An overall average cost-to-charge ratio is computed for each hospital based on total charges and costs as reported in the Medicare Hospital Cost Report Information System. See Charge Pillar Methodology (Table 8) for detail regarding charge calculations.</p> <p>To calculate inpatient average costs, each hospital's cost-to-charge ratio is applied to MedPAR inpatient charge data at the claim/patient level and adjusted based on the CMS-assigned case weight for that claim's MS-DRG. Each hospital's costs are aggregated for all inpatients to derive an overall average adjusted inpatient cost.</p> <p>To calculate outpatient average costs, a hospital's cost-to-charge ratio is applied to Medicare Outpatient Standard Analytical File charge data at the claim/HCPCS level and adjusted based on the CMS-assigned case weight for that claim's Ambulatory Payment Classification (APC) code. Each hospital's costs are aggregated for all outpatient procedures to derive an overall average adjusted outpatient cost.</p> |
| Scoring      | For each hospital, scores for both Indicators are aggregated and percentile ranked against all analyzed providers to derive the Pillar score. Both Indicators are equally-weighted. To reward facilities with strong cost efficiency, lower average costs receive higher percentile rankings.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

**Table 8. Charge Pillar Methodology**

| Component    | Charge                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Data Sources | Medicare Provider and Analysis Review (MedPAR)<br>Outpatient Standard Analytical File (OPSAF)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Indicators   | Medicare Adjusted Average Charges – Inpatient<br>Medicare Adjusted Average Charges – Outpatient                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Methodology  | <p>For each hospital in the analysis, inpatient charges are case-mix adjusted based on the CMS-assigned case weight for each claim's MS-DRG. Ungroupable cases not assigned a DRG are excluded from the analysis. Each hospital's case-mix adjusted inpatient charges are aggregated to derive an average adjusted inpatient charge per case. Average inpatient charges are wage-rate adjusted according to CMS-defined provider wage indices.</p> <p>For each hospital in the analysis, outpatient charges are case-mix adjusted based on the CMS-assigned case weight for each claim's Ambulatory Payment Classification (APC) code. Procedures not assigned an APC code are excluded from the analysis. Each hospital's case-mix adjusted outpatient charges are aggregated to derive an average adjusted charge per unit. Average outpatient charges are wage-rate adjusted according to CMS-defined provider wage indices.</p> |
| Scoring      | For each hospital, scores for both Indicators are aggregated and percentile ranked against all analyzed providers to derive the Pillar score. Both Indicators are equally-weighted. To reward facilities with competitive charges, lower average charges receive higher percentile rankings.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

**Table 9.** Financial Efficiency Pillar Methodology

| Component   | Financial Efficiency                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Data Source | Healthcare Cost Report Information Systems (HCRIS)                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Indicator   | Net Income/Total Revenue                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Methodology | The above ratio is calculated for each hospital based on the most recently available HCRIS data.                                                                                                                                                                                                                                                                                                                                                                                    |
| Scoring     | For each hospital, Net Income/Total Revenue is percentile ranked against all analyzed providers to derive the Pillar score. To reward facilities with greater financial stability, higher ratios receive higher percentile rankings.                                                                                                                                                                                                                                                |
| Notes       | The Financial Stability Index is adapted from academic research identifying the financial ratios most highly correlated to long-term fiscal viability (Lynn, M. & Wetheim, P. Key Financial Ratios Can Foretell Hospital Closures. HFMA Journal, 47(11), 66-70. 1993). Additional metrics were not evaluated in the INDEX due to poor data integrity. The incorporation of additional measures in the future will be considered based on industry acceptance and data availability. |