

Northwestern Memorial Healthcare vs. Stanford Health Care

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Organization Background



Parent of an integrated nonprofit healthcare organization, anchored by Northwestern Memorial Hospital and Northwestern Medical Group

Provides health care services to communities in northern IL

Top payers (by patient accounts receivable)

- Managed care (32%)
- Patients (19%)



Operates Stanford Hospital, an adult acute care hospital in Palo Alto, CA

Also operates a number of outpatient physician clinics in community settings or in association with regional hospitals

Top payers (by net patient service revenue)

- Managed care (73%)
- Medicare (20%)



Auditor's Opinion

Clean opinion

Clean opinion

Subsequent Events

“Northwestern Memorial evaluated events and transactions occurring subsequent to August 31, 2017 through November 30, 2017, the date of issuance of the accompanying consolidated financial statements. **There were no recognized subsequent events and no unrecognized subsequent events requiring disclosure other than those disclosed in Note 9.**”

“SHC has evaluated subsequent events occurring between the end of the most recent fiscal year and December 5, 2017, the date the financial statements were issued.”

Comparing Financial Statements

	Northwestern Memorial HealthCare	Stanford Health Care
Investment	<ul style="list-style-type: none"> • Equity method but fewer investments • Mutual funds, bonds, securities 	<ul style="list-style-type: none"> • Managed pool, more diverse (less risky) • Mutual funds, fixed income, public equity, real estate, natural resources, private equity
Accounts receivable days	60.6	46.9
Bad debt	23.78% (\$223,411,000)	23.82% (\$191,000,000)
Net asset	<ul style="list-style-type: none"> • Many health network partnerships • Used for operations, property, charity care, education 	<ul style="list-style-type: none"> • Few health network partnerships • Used for property and operations
Operating margin ratio	6.23% (2017), 5.49% (2016)	5.25% (2017), 3.61% (2016)
Revenue growth rate	10.81%	8.71%
Times interest earned ratio	22.28 (2017), 13.50 (2016)	11.10 (2017), 1.76 (2016)
Debt ratio	0.18 (2017), 0.26 (2016)	0.78 (2017), 0.89 (2016)

Recommendation

Winner

Investment



Accounts receivable days



Bad debt



Net asset



Operating margin ratio



Revenue growth rate



Times interest earned ratio



Debt ratio



Both healthcare entities are great organizations with strong financial statements.

However, based on these eight standards, we would recommend **Northwestern Memorial HealthCare**.