



METU Dept. of Business Administration
MARC Seminar Series

**“Assessing the Financial Performance of Washington State Hospitals:
An Application of the Du Pont Model”**
by Assoc. Prof. Dr. Fevzi AKINCI
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Time: 14:30

Place: G 262

Abstract

The increasing cost of health care, trends toward outpatient care, and decreasing reimbursement levels highlight hospital financial performance as an area of concern for both the administrators of hospitals and the populations they serve. The purpose of this research is to examine the financial performance of 81 acute care hospitals in Washington State. Many of the hospitals included in this study are isolated facilities that serve small populations, while others are in highly competitive environments. The data for this study are obtained from the 2005 Washington State Department of Health (WSDOH) hospital financial reports. Multiple linear regression analysis is used to determine the relative contribution to returns on equity from profitability and leverage after controlling for ownership, organizational type, critical access hospital status, case mix index, and available beds. The financial performance Washington State hospitals is compared to the industry averages as measured by return on equity and its subcomponent ratios using the Du Pont model: return on assets, total assets to equity, total margin, total asset turnover, debt to equity, and total assets to debt. The findings of this study reveal that there is a significant difference in the relative contribution to return on equity from profitability and leverage in Washington hospitals. The study shows that with the exception of total asset turnover, Washington hospitals do not differ from industry averages in the study ratios. Several managerial and policy implications from these findings are presented. Future research is identified regarding how the performance of hospitals in Washington State can be improved.

Fevzi Akinci, Ph.D., is Associate Professor in the Health Policy and Administration Department at Washington State University (WSU) teaching graduate courses in *health care cost accounting, health care finance, health management decision science, health care economics, and research and evaluation methods*. Prior to joining the faculty at WSU in August 2004, Dr. Akinci was Acting-Chairperson, Graduate Program Director and Assistant Professor of Health Care Administration in the Department of Health Care Administration and International Business with six years of undergraduate and graduate level teaching experience at King’s College, William G. McGowan School of Business in Wilkes-Barre, Pennsylvania.

Dr. Akinci holds the M.H.A. (1995) in *Health Administration*, Saint Louis University and the Ph.D. (1999) in *Health Services Research* with a minor in *economics* from the School of Public Health and John Cook School of Business at Saint Louis University, Missouri, United States. Dr. Akinci's scholarly research accomplishments over the past ten years include over \$1.6 million funded research projects, 25 refereed journal articles, 3 refereed book chapters, 25 refereed proceeding publications, 4 refereed abstracts, and 4 professional/other journal articles. Dr. Akinci's publications appear in such internationally and nationally recognized journals as *Journal of Health Care Finance, Economics and Economic Education Research Journal, Health Marketing Quarterly, and Health Services Management Research*. Dr. Akinci's research program consists of studies that include assessment of economic and financial performance of several firms and programs in the health care field as either Principal or Co-Principal Investigator. Professional memberships include Academy Health, American Association of University Professors, and Association of University Programs in Health Administration (AUPHA) Finance and Economics Faculty Forum.

Dr. Akinci served as a Fellow of the Commission on Accreditation Healthcare Management Education (CAHME) in 1999 and as a member of the CAHME Criteria Review Committee between 1999 and 2001. He is also very knowledgeable about the AACSB accreditation process and its requirements. Dr. Akinci is the first recipient of the *Mary Gumble Levy Award* to recognize his commitment to teaching and research at Saint Louis University in 1998. Other awards and recognitions include the recipient of the *WSU Spokane Faculty Excellence Award* for his scholarly contributions to research, teaching, and service at WSU in 2006, numerous student awards for *Excellence in Teaching* at WSU, the first *Mark R. Leffler Scholar of the Year Award* at King's College in 2003, *Best Paper Award in Nursing Administration Track* at the Business and Health Administration Conference in 2003, and *Distinguished Research Award* at the Allied Academies Fall International Conference in 2001.