

Financial Performance Analysis of Hospitals in North Sumatra

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Abstract

This study aims to analyze the financial performance of hospitals in North Sumatra by examining key financial indicators, including liquidity, solvency, and profitability ratios. The research employs a quantitative, descriptive approach, using secondary financial data from hospital financial statements over a specific period. The analysis focuses on assessing the hospitals' ability to manage resources efficiently, meet short-term and long-term obligations, and sustain operational performance. The results indicate that the overall financial performance of hospitals in North Sumatra is relatively stable, although variations exist among institutions. Liquidity ratios generally fall within acceptable levels, suggesting that hospitals can meet short-term liabilities. Solvency ratios indicate a moderate level of financial risk, while profitability ratios show that some hospitals still face challenges in generating optimal financial returns due to high operational costs and reliance on external funding. The study concludes that improving cost efficiency, strengthening financial management practices, and adopting performance-based management strategies are essential to enhance hospital financial sustainability. These findings provide valuable insights for hospital management and policymakers in developing strategies to improve financial performance and ensure the long-term viability of healthcare services in North Sumatra.

Keywords: *financial performance, Hospital in North Sumatra, analysis*

I. INTRODUCTION

Hospitals play a vital role in providing essential healthcare services while simultaneously functioning as complex organizations that require effective financial management to ensure sustainability. In recent years, hospitals have faced increasing financial pressures due to rising operational costs, advancements in medical technology, and changes in healthcare financing systems. As a result, evaluating hospital financial performance has become increasingly important for management and policymakers to ensure the continuity and quality of healthcare services. In North Sumatra, hospitals operate under diverse ownership structures, including public and private institutions, each facing unique financial challenges. The implementation of national health insurance schemes and regulatory reforms has further influenced hospital revenue structures and cost management practices. These conditions require hospitals to manage their financial resources efficiently to maintain service quality while achieving financial stability. Financial performance analysis provides a comprehensive assessment of a hospital's ability to manage assets, liabilities, revenues, and expenses. Key financial indicators such as liquidity, solvency, and profitability ratios are commonly used to evaluate operational efficiency and financial health. Through financial ratio analysis, hospital management can identify strengths, weaknesses, and potential financial risks that may affect long-term performance. (Looi, 2022)

Despite the importance of financial performance evaluation, empirical studies focusing on hospitals in North Sumatra remain limited. Differences in scale, service capacity, and funding sources among hospitals may lead to variations in financial performance that require in-depth analysis. Therefore, this study aims to analyze the financial performance of hospitals in North Sumatra using financial ratio analysis, providing insights into their financial condition and supporting strategic decision-making. The findings of this study are expected to contribute to the development of more effective financial management strategies and policy recommendations to enhance the sustainability and performance of hospitals in North Sumatra.

II. RESEARCH METHODOLOGY

The problem-solving methods used in this program include providing students with supplies, guidance, and instruction in reading daily financial reports and in identifying the basic needs essential to everyday life. Furthermore, we also hold discussions and share information on the procedures for preparing these financial reports. This is expected to ensure the program runs smoothly and can be implemented annually. This program also includes training and mentoring provided by lecturers and community service participants, under the supervision of field lecturers.

III. RESULTS AND DISCUSSION

The results of the financial performance analysis of hospitals in North Sumatra are presented based on key financial ratios, including liquidity, solvency, and profitability. The analysis reflects the hospitals' ability

to manage financial resources, meet financial obligations, and sustain operational activities.

The liquidity ratio analysis indicates that most hospitals in North Sumatra are in a relatively healthy condition. Current ratio values generally fall within acceptable standards, suggesting that hospitals are capable of meeting short-term liabilities using current assets. However, several hospitals show lower liquidity levels, which may indicate challenges in cash flow management and delays in receivables collection, particularly related to insurance reimbursement processes. Solvency analysis reveals that hospitals in North Sumatra maintain a moderate level of financial leverage. Debt-to-asset and debt-to-equity ratios indicate that hospitals rely on both internal and external funding sources to support operations and investment. While the overall solvency condition remains manageable, some hospitals exhibit higher dependency on long-term debt, which could pose financial risks if not supported by stable revenue growth.

The profitability ratios show varied results across hospitals. Several institutions demonstrate positive operating margins, indicating effective cost control and revenue management. However, a number of hospitals experience low or negative profitability due to high operational costs, limited service capacity, and inefficiencies in resource utilization. These conditions suggest that profitability remains a key challenge for hospital sustainability in the region.

IV. DISCUSSION

. Overall Financial Performance

Overall, the financial performance of hospitals in North Sumatra can be categorized as relatively stable but uneven. Differences in ownership structure, service scale, and financial management practices contribute to the variation in performance among hospitals. Hospitals with stronger financial controls and efficient operational management tend to exhibit better financial outcomes. Based on the results of the financial performance analysis, it can be concluded that hospitals in North Sumatra generally demonstrate a relatively stable financial condition, although significant variations exist among institutions. Liquidity ratios indicate that most hospitals are able to meet their short-term obligations, reflecting adequate management of current assets and liabilities. However, several hospitals still face liquidity challenges related to cash flow constraints and delayed receivables.

The solvency analysis shows that hospitals maintain a moderate level of financial leverage,

suggesting a balanced use of internal funds and external financing. Nevertheless, hospitals with higher dependency on long-term debt may face increased financial risk if revenue growth does not keep pace with debt obligations. This condition highlights the importance of prudent debt management and long-term financial planning.

Profitability remains the most critical challenge for hospitals in North Sumatra. While some hospitals achieve positive operating margins, others experience low or negative profitability due to high operational costs and inefficiencies in resource utilization. These findings indicate that improving cost control, enhancing operational efficiency, and optimizing revenue management are essential to strengthening hospital financial performance.

Overall, the study concludes that sustainable financial performance in hospitals requires effective financial management, efficient resource allocation, and strategic planning. Strengthening these aspects will support the long-term viability of hospitals and ensure the continuous delivery of quality healthcare services in North Sumatra.

V. RECOMMENDATIONS

Suggestions for further research to close research shortcomings. It does not contain outside suggestions for further research.

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