equiply

Capital Productivity Index

Methodology Guide

September 2026

A-Tier Hospital List

This guide explains the methodology behind Equiply's Capital Productivity Index (CPI): how hospitals are scored, how the A-F grade is assigned, what data it draws on, and what the score does and does not measure. It accompanies the published A-Tier Hospital List.

equiply

The information contained in this publication is intended to serve as a guide for general comparison, but not as the sole basis upon which any specific conduct is to be recommended or undertaken. The reader bears sole risk and responsibility for any analysis, interpretation, or conclusion based on the information contained in this publication, and Equiply shall not be responsible for any errors, misstatements, inaccuracies, or omissions contained herein.

This guide is intended to support general comparison of hospital capital health using publicly available CMS cost-report data. It is not a substitute for a hospital's own financial statements or audited cost reports, and Equiply makes no representation as to the completeness or accuracy of any third party's underlying filing.

equiply

Overview

The Capital Productivity Index (CPI) is Equiply's scoring model for how well a hospital is converting its capital, its buildings and equipment, into financial performance. It answers one practical question: for every dollar invested in fixed assets, how much operating profit is that hospital generating, and is it reinvesting enough to keep its plant and equipment from aging past the point of safe, efficient use?

Every hospital is scored on a 0-100 composite built from four components, each capturing a different piece of capital health, then mapped to a letter grade from A to F. The A-Tier Hospital List is the set of hospitals nationwide that scored a Grade A: the strongest, most capital-productive general acute-care hospitals in the country by this measure.

What CPI is built to answer

Component	Question it answers	Weight
Capital Productivity	How much operating profit does each dollar of net fixed assets produce?	40%
Operating Margin	Is the hospital financially healthy enough to fund its own capital needs?	25%
Equipment Age	How old is the hospital's plant and equipment, on average?	20%
Reinvestment Pace	Is capital spending keeping pace with depreciation, or falling behind?	15%

Each component is detailed in full, with its exact formula, in “Measures and Formulas” below.

Data Sources

CPI is built entirely from the CMS Healthcare Provider Cost Reporting Information System (HCRIS): the same Medicare cost reports (Form 2552-10) every U.S. hospital participating in Medicare is required to file annually. This is free, public data, not a proprietary survey or a self-reported ranking submission.

For each hospital, Equiply pulls up to five years of filings and keeps the best available report status for a given fiscal year-end, in this order: Settled With Audit, Settled Without Audit, Amended, Reopened, As Submitted. This avoids a common data-quality trap: a hospital that refiled or was later audited does not produce two conflicting entries for the same year.

Bed count, shown alongside each hospital's grade, is pulled from the same cost report: Worksheet S-3, Part I, Line 14 (“Total”), Column 2, the hospital's own reported total bed count for the cost-reporting period.

Hospital Inclusion Criteria

CPI scores general, short-term acute-care hospitals: the kind of hospital the CPI formula was designed around, and the fairest population to compare on a single scale. A hospital's CMS Certification Number (CCN) encodes its facility type, and that code is what determines inclusion, not its name or self-description.

Included	Excluded
General short-term acute-care hospitals (CCN facility-type code 0001–0879)	Critical Access Hospitals (CAH)
	Psychiatric hospitals
	Long-term care hospitals (LTCH)
	Inpatient rehabilitation hospitals
	Children's hospitals

A hospital must also have at least two fiscal years of cost-report filings on record to be scored at all, since the reinvestment-pace component requires comparing capital spending across time. Hospitals below that threshold, or missing a required cost-report line item (explained in “Data Quality Holds” below), are held out of scoring rather than assigned an artificial grade.

A known limitation: cardiac and orthopedic specialty hospitals do not carry a separate CCN facility-type code, they file as ordinary short-term acute-care hospitals, so they cannot be reliably separated out using cost-report data alone. Doing so would require patient-level diagnosis data CPI does not use. A small number of specialty hospitals may therefore appear in the scored population alongside general hospitals.

Measures and Formulas

Capital Productivity, Operating Margin, and Equipment Age are each calculated from the hospital's most recently filed fiscal year. Reinvestment Pace looks at a trailing three-year window, since it is inherently a measure of trend, not a single-year snapshot.

1. Capital Productivity (40%)

Operating income divided by net fixed assets, for the latest fiscal year. This is the hospital's own “profit per dollar invested” in buildings and equipment.

Scored against a 0.65 target (a hospital earning $0.65 of operating income per dollar of net fixed assets or better scores the maximum on this component); scaled proportionally and capped at 0 and 100 below and above that range.

2. Operating Margin (25%)

Operating income divided by net patient revenue, expressed as a percentage, for the latest fiscal year. A hospital with a thin or negative margin has little room to self-fund capital projects without new debt.

Scored against a 15% target margin, scaled proportionally, capped at 0 and 100.

3. Equipment Age (20%)

Accumulated depreciation divided by the current year's depreciation expense, in years, a standard proxy for the average age of a hospital's plant and equipment.

Scored against a 15-year ceiling with a 10-year target range: a hospital at or below roughly 5 years old scores the maximum, aging out to 0 by 15 years.

4. Reinvestment Pace (15%)

Capital expenditure (the year-over-year change in net fixed assets, plus that year's depreciation) averaged over the trailing three fiscal years, divided by average depreciation over the same three years. A ratio at or above 1.0 means capital spending is keeping pace with the wear on existing assets; below 1.0 means the hospital's asset base is aging faster than it is being replaced.

Scored on a curve that reaches 80 of 100 at a 1.0 ratio, then continues rewarding sustained reinvestment above that pace up to 100.

Scoring and Grade Bands

The four component scores (each already scaled 0-100) are combined by their weights into a single CPI composite, also on a 0-100 scale:

CPI = 0.40 × Capital Productivity + 0.25 × Operating Margin + 0.20 × Equipment Age + 0.15 × Reinvestment Pace

Grade	CPI Range	Tier Label
A	80 – 100	Elite
B	60 – 79.9	Strong
C	45 – 59.9	Stable
D	30 – 44.9	At risk
F	Below 30	Critical

The A-Tier Hospital List published on Equiply's site is exactly the population that scored Grade A under this formula: CPI of 80 or above.

Data Quality Holds

Not every hospital in the eligible population receives a grade. A hospital is held out of scoring, rather than assigned a grade, when:

- It has fewer than two fiscal years of cost-report filings on record.
- A required cost-report line, net fixed assets, net patient revenue, operating income, depreciation expense, or accumulated depreciation, is missing or unusable in its most recent filing.

These hospitals are not penalized with a low grade, since a missing input would make that grade meaningless, they are simply excluded from the graded population until a complete filing is available. A hospital whose most recent filing is still “As Submitted” (not yet audited or settled by its Medicare Administrative Contractor) is scored normally, but that status is retained internally as a note that the figures could still be revised.

equiply

Scope and Limitations

This is a straightforward, single-formula methodology, and it is worth being direct about what it does and does not do:

No peer adjustment. Every hospital is scored against the same fixed targets (0.65 productivity, 15% margin, a 15-year age ceiling), regardless of size, teaching status, or rural versus urban setting. A 30-bed community hospital and an 800-bed academic medical center are graded on the same scale.

A single-year snapshot for three of four components. Capital Productivity, Operating Margin, and Equipment Age all reflect only the hospital's most recently filed year. Only Reinvestment Pace looks at a multi-year trend.

Cardiac and orthopedic specialty hospitals are not separable. As noted above, CMS cost-report data alone cannot reliably distinguish a specialty hospital filing as a short-term acute-care facility from a true general hospital.

Built for general acute-care hospitals only. Critical Access Hospitals, psychiatric, long-term care, rehabilitation, and children's hospitals are excluded outright; the formula was not designed to compare across those very different operating models.

A public-data ranking, not a substitute for a full financial review. CPI is intended to surface, at a glance, which hospitals are managing their capital well and which may be underinvesting. It is a starting point for a conversation, not a final verdict on a hospital's financial health.

Questions about a specific hospital's score, or about this methodology, can be directed to Equiply.