

Strategic financial analysis for kindred healthcare inc report sample

[Business](#), [Company](#)



\n[[toc title="Table of Contents"](#)]\n

\n \t

1. [Background information](#) \n \t
2. [Industry Structure and Market Analysis](#) \n \t
3. [Financial Position Recap](#) \n \t
4. [Capital Structure](#) \n \t
5. [Strategic Opportunities](#) \n \t
6. [Conclusion](#) \n

\n[/toc]\n \n

Background information

Kindred Healthcare Inc. was established in the year 1985 under the name Vencor Inc. After its operation for a decade and a half, the company filed for bankruptcy. After the dealing with the bankruptcy cases, the company opted to change its name to the currently known Kindred Healthcare Inc. Despite the initial bankruptcy odds, the company has revitalized itself to be one of the leading providers of health care services in the United States of America. The company's mission is to enhance the healing process of their patients' and reignite their hope in life. Further, the company is focused on protecting its clients' confidentiality and provides them with quality service for every penny they pay for their medical bills.

The healthcare services provided by this company include rehabilitation services, disease cure and control, inpatient and outpatient services. The company also provides medical emergency services, home care services, and medical referral services. Additionally, the company engages itself in

drug innovation and works in collaboration with other hospitals to improve the general healthcare services in the United States of America.

The company's headquarters are situated at Louisville, Kentucky, USA.

However, it has several branches evenly spread within the United States. For instance, by the end of 30th June 2014, the company provided its services in 2353 locations. Last but not least, the company's clients range from inpatients and outpatients, accident victims, and expectant mothers amongst others.

Industry Structure and Market Analysis

This company falls under the healthcare industry. The industry is mainly concerned with the disease diagnosis, control, prevention, and the rehabilitation of patients who need close attention as a result of disease or from prolonged abuse of drugs. Kindred Healthcare Inc. operates in the United States healthcare industry that is largely dominated by the private sectors. The composition of this industry shows that close to 80 percent of the hospitals is owned and administered by the nongovernmental organization, 20 percent government owned, and 28 percent are solely for profit making business. However, the United States government plays a major role in moderating the healthcare industry by frequently coming up with policies and legislation that protect the public.

The United States government provides 60-65 percent medical care insurance to its citizenry through its programs such as the Children's Medical Insurance Program, Medicaid, TRICARE, Veterans Health Administration and the recently controversial Obama Medicare. Despite all these efforts, the

access to medical care remains a major challenge in the United States because 16 percent of the citizens are not insured. This makes access to medical care very expensive to these categories of people.

A number of opportunities and threats still exist in this industry. One of the opportunities that the company can take advantage of is the increasing need for healthcare services in the United States. Secondly, there is an increased need for healthcare consultation and awareness campaigns. On the other hand, disease prevalence is a major threat to the wellbeing of this organization. The company can liaise with the government to provide medical awareness to the public at an agreed fee. This will increase the company's revenues.

Financial Position Recap

First and foremost, the company's current ratios were 1.510 and 1.5249 in the financial years ended 2013 and 2012 respectively. This represents a 0.9605 percent decrease in the company's ability to pay its liabilities within a period of one year. However, the ratio shows that the company can still meet its short-term obligations without overstressing its current assets.

In the financial years ended 2013 and 2012, the company had -3.405% and -0.962% as its net profits margins correspondingly. These percentages suggest that the company made losses in the two financial years. However, the company's losses increased by 264% in the 2013 fiscal year.

In addition, the firm's fixed assets turnover ratio increased by 22.67% between the financial years 2012 and 2013. This implies that the company increased its investment in the fixed assets. Lastly, the company's total debt

ratio also increased by 3.010% meaning that the firm increased its debts by the stated percentage.

Capital Structure

The management of Kindred Healthcare Inc. applies asset or rather property development capital structure. This capital structure entails investing more on the fixed assets are compared to current assets. This can be attested to by the company's asset management ratios. For instance, in the fiscal years ended 2013 and 2012, the company fixed assets turnover of 5.289 and 4.311 respectively. This represents a 22.67% increase in the firm's ability to generate revenue from its already existed fixed assets.

In the short term, the company should seek more external funding by taking long term loans. The accounting department should advise the company and lead in sourcing for cheap credit services. The company can use this source of funding in opening up new branches to cater for the ever dynamic healthcare market. However, the company should focus on building its equity in the long run.

Kindred Healthcare Inc. risk tolerance can be classified as neutral. This means that the likelihood of the firm to make losses on the shareholders' capital is neither high nor low. Secondly, people will always seek medical attention on a daily basis and therefore the company is assured of generating revenues from its services. This is consistent with the company's mission of enhancing the healing process for its customers.

Strategic Opportunities

The management of the company should adopt a twofold strategy to increase its profitability. Firstly, the company can increase its market share by establishing new branches in the areas that they do not have a physical presence. The demand for help care remains a challenge to be sufficiently addressed by the existing health institutions. The institution should take advantage of the increased governmental funding in setting up new hospitals.

Cost minimization is the second strategy that the company can adopt. The increasing total debt ratio of the company shows a worrying trend. In order to avoid this trend, the company should always try as much as possible to keep its expenses at low rates.

Conclusion

The current ratio indicates that the firm is in a position to meet all its financial obligations. However, this is not the real case because the firm has negative profitability ratios. This implies that in any case of solvency, the company will be forced to overstretch its financial resources and will, therefore, be forced to pay for its liabilities from the capital reserves. The company is not financially healthy, and necessary financial measures should be taken in order to rescue the firm.