

Administrative Expense

Name	Administrative Expense
Short/Other Names	Administrative Service Expense as a Percentage of Total Expense
Description	This indicator measures the percentage of the legal entity's total expenses that were spent in administrative departments such as finance and human resources.
Interpretation	A high percentage indicates that administrative costs are a large portion of the region's hospital expenses; a low percentage indicates that administrative costs are a small portion of a region's hospital expenses.
HSP Framework Dimension	Health System Inputs and Characteristics: Efficient allocation of resources
Areas of Need	Not applicable
Geographic Coverage	Newfoundland and Labrador, Prince Edward Island, New Brunswick, Nova Scotia, Quebec, Ontario, Manitoba, Saskatchewan, Alberta, British Columbia, Yukon, Northwest Territories
Reporting Level/Disaggregation	National, Province/Territory, Region, Facility, Others: This indicator is calculated at the level of the legal entity and aggregated to the other levels. For Ontario and Yukon, the hospital is the legal entity. For Quebec, the établissement is the legal entity. For all other jurisdictions, the regional health authority is considered the legal entity.
Indicator Results	Accessing Indicator Results on Your Health System: In Depth

Identifying Information

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Short/Other Names	Administrative Service Expense as a Percentage of Total Expense

Indicator Description and Calculation

Description This indicator measures the percentage of the legal entity's total expenses that were spent in administrative departments such as finance and human resources.

Calculation: The indicator is calculated by dividing the legal entity's administrative expenses net of recoveries (including expenses for administration, finance, human resources and communications) by total expenses net of recoveries.

Description The unit of analysis of this indicator is a dollar of expense. The indicator is expressed as the percentage of total expenses that are in administrative departments. The indicator is calculated by fiscal year.

Calculation: Place of service
Geographic Assignment

Calculation: Type of Measurement Percentage or proportion

Calculation: Adjustment Applied None

Calculation: Method of Adjustment The range of acceptable values is 1st quartile (25th percentile) $1.5 \times$ IQR to 3rd quartile (75th percentile) $+ 1.5 \times$ IQR, where IQR stands for the interquartile range. Values outside of this range are removed from provincial and national averages.

Description:

The denominator includes all expenses net of recoveries.

Inclusions:

Codes include, for all functional and accounting centres, 7* and 8*, as well as secondary financial accounts 1 2* and 3* to 9*. External recoveries are netted to reflect the organization's expenses only.

Exclusions:

Internal recoveries (except for 1 28 Sales Revenue) are netted to offset interdepartmental transfers.

Amortization — Undistributed (9 50) and Net Gain or Loss on Disposal — Undistributed (9 51)

Description:

The numerator includes all expenses associated with the administrative, finance, human resources and communications functional centres.

Inclusions:

Numerator Codes include functional centres 7* 1 10, 7* 1 15, 7* 1 20 and 7* 1 30, as well as secondary financial accounts 1 2* and 3* to 9*. External recoveries are netted to reflect the organization's expenses only.

Exclusions:

Internal recoveries (except for 1 28 Sales Revenue) are netted to offset interdepartmental transfers.

Amortization — Undistributed (9 50) and Net Gain or Loss on Disposal — Undistributed (9 51)

Background, Interpretation and Benchmarks

The indicator can be used by legal entities to determine whether their administrative expenses should be increased or decreased relative to their total expenses.

Rationale	The indicator is influenced by finance, administrative, human resources and communications expenses, in proportion to total expenses. This indicator can be used to improve cost-efficiency.
Interpretation	A high percentage indicates that administrative costs are a large portion of the region's hospital expenses; a low percentage indicates that administrative costs are a small portion of a region's hospital expenses.
HSP Framework Dimension	Health System Inputs and Characteristics: Efficient allocation of resources
Areas of Need	Not applicable
Targets/Benchmarks	Not applicable
References	Not applicable
Availability of Data Sources and Results	
Data Sources	CMDB
Available Data Years	Type of Year: Fiscal First Available Year: 2013 Last Available Year: 2017
Geographic Coverage	Newfoundland and Labrador, Prince Edward Island, New Brunswick, Nova Scotia, Quebec, Ontario, Manitoba, Saskatchewan, Alberta, British Columbia, Yukon, Northwest Territories
Reporting Level/Disaggregation	National, Province/Territory, Region, Facility, Others: This indicator is calculated at the level of the legal entity and aggregated to the other levels. For Ontario and Yukon, the hospital is the legal entity. For Quebec, the établissement is the legal entity. For all other jurisdictions, the regional health authority is considered the legal entity.
Result Updates	
Update Frequency	Every year
Indicator Results	Web Tool: Your Health System: In Depth URL: Accessing Indicator Results on Your Health System: In Depth
Updates	Not applicable
Quality Statement	
Caveats and Limitations	The indicator is calculated at the legal entity level. For most jurisdictions, this is the health region. However, for Ontario and Yukon, the legal entity is the hospital, and for Quebec, the établissement is the legal entity.
Trending Issues	In Saskatchewan, the health regions merged in 2017 to become 1 legal entity, affecting the calculation of this indicator.
Comments	Not applicable