Best Practices in Capital Planning and Financing

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March 7, 2018

Steps to Success

- Strategic Planning
- Financial Strength
- Operational and Clinical Excellence
- Assessing Market Opportunity
- Developing a Business Plan
- Leadership and Project Planning Expertise
- Identifying Capital Sources

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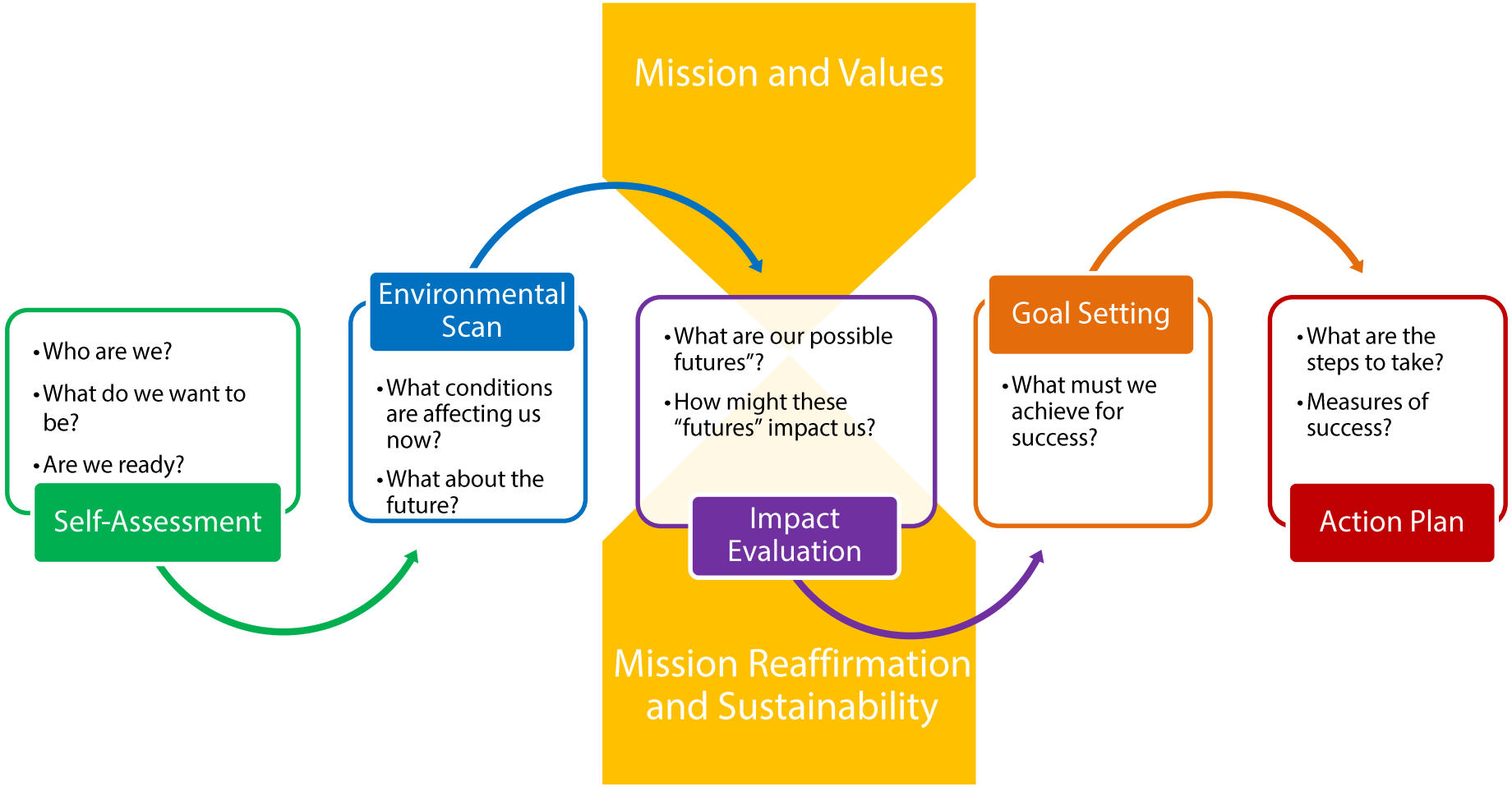
Strategic Planning
You Must Start Taking It Seriously

A “GPS” Plan

Not A Storage Problem

Strategic Planning Toolkit



Strategic Planning Resources

- *Creating a Dynamic and Useful Strategic Plan*
  (toolkit: http://www.caplink.org/resources/publications)
- *An Introduction to "Creating a Dynamic and Useful Strategic Plan", a New Toolkit for Health Centers*
  (webinar: http://www.caplink.org/events/webinars)
- *Strategic Growth Readiness Assessment:* This Capital Link service provides a base-level financial and operational view of a health center, helping management and board members determine if they are prepared for a capital project and identify next steps for future growth.
  (service: http://www. caplink.org/services/begin)
- *Preparing for a Capital Project: Are You Ready?*
  (publication: http://www.caplink.org/resources/publications)

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Financial Strength

Building and Maintaining Financial Strength

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- Have a finger on the pulse of your **financial health** through consistent tracking and benchmarking.
- **Regularly monitor your performance trends.** Calculate key measures to uncover trends over time, using information from financial statements and Uniform Data System (UDS) reporting.
- **Compare your results to peers and industry benchmarks.** Use the data to compare your health center to peers, whether against centers of the same size or in urban or rural locations, and against industry benchmarks.

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Benchmarking/Best Practices

WHAT do I want to track?

WHERE do I find this data?

WHICH metrics do I need?

HOW do I analyze it?

WHO needs to know?

Financial Strength: Key Metrics

	Metric	Why This Is Important
1	Operating Margin	Measuring stick of your business model; margins typically small but need to be positive
2	Bottom Line Margin	Is performance dependent upon large capital grants and/or other sources of non-operating revenue?
3	Personnel-Related Expense	Consumes 70-75% of budget; key driver of financial performance
4	Days Net Patient A/R	Financial management starts with collecting your money efficiently
5	Days Cash on Hand	Is there enough liquidity to keep operations running smoothly?
6	Physician Productivity (visits)	Productivity is the basis for revenue generation
7	Mid-Level Productivity (visits)	Productivity is the basis for revenue generation
8	Dental Provider Productivity (visits)	Productivity is the basis for revenue generation

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Financial Performance Resources

- *Performance Benchmarking Toolkit for Health Centers* (toolkit: http://www.caplink.org/resources/publications)
- *Hallmarks of High Performance: Exploring the Relationship between Clinical, Financial and Operational Excellence at America's Health Centers* (publication: http://www.caplink.org/resources/publications)
- *High-Performance Community Health Centers: Learning, Measuring, and Achieving* (publication: http://www.caplink.org/resources/publications)
- *High-Performance Community Healthcare: How to Measure It and How to Achieve It* (webinar: http://www.caplink.org/events/webinars)
- *Financial and Operational Benchmarking* (webinar: http://caplink.org/index.php/events/webinars)

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Operational and Clinical Excellence

- **Operational and clinical excellence are necessary before expanding capacity**. Review your health center's current operations, your organizational readiness for change, and if your health center's program of services, staffing and processes need adjusting.
- **Analyze productivity and patient utilization.** Consider operational changes that could be made to increase efficiencies and improve the delivery of current services. It can help determine if new facilities or services are needed, or if changes could be made to existing space and programs.
- **Clarify your operational model.** Starting with a definition of your community, evaluate points of patient entry, how they currently receive care, and what changes might need to be made to grow smoothly.
- **Evaluate your programs.** Examine what programs your health center currently offers and identify opportunities for new services that may be arising.

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Related Resources:

- *Creating a Healthcare Facility that Supports the Patient-Centered Medical Home* (publication: http://www.caplink.org/resources/publications)
- *Creating a Place for Care: Fostering Alignment and Eliminating Barriers in the Patient-Centered Medical Home* (publication: http://www.caplink.org/resources/publications)
- *Developing an Organizational Culture that Sustains the Patient-Centered Medical Home: Lessons Learned* (publication: http://www.caplink.org/resources/publications)

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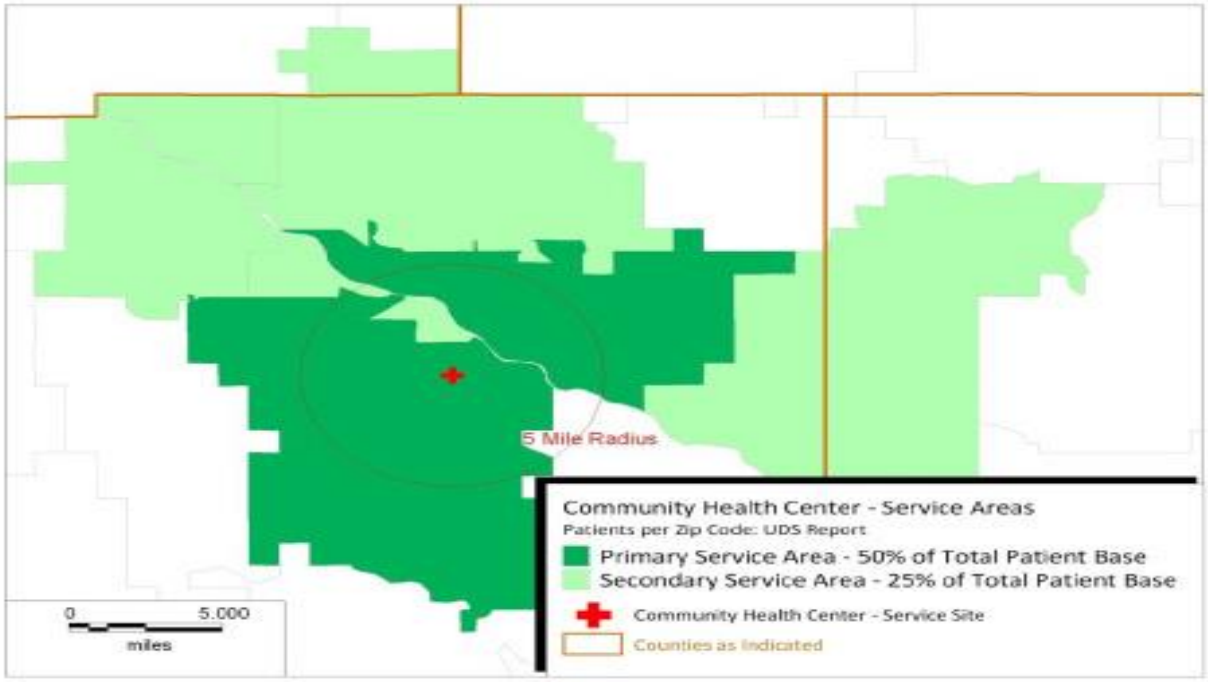
Market Opportunity

Before embarking on a capital project, it is essential to research your community and patient needs in order to identify gaps your health center could potentially fill.



Market Opportunity

- **Define current service area and potential markets for expansion.** Using current data such as patient origin by zip code, a health center can focus on geography, general population, or specific segments (e.g., children, level of poverty, women of childbearing age, etc.) to identify needs by population and/or location in order to better address those needs.
- **Evaluate unmet health needs.** State and county health departments are usually the most up-to-date source for accurate health indicators, such as immunization and mortality rates. Look at patient trends now, and forecast for future needs, as population demographics change.
- **Assess payer mix.** It is important to understand the potential payer mix in your service area and to understand which of the currently uninsured might enroll in Medicaid, the health insurance exchange, or Medicare. This payer mix assessment can help determine whether the patient population can support new or expanded services and the extent to which subsidies to support care to the uninsured will be needed.

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Market Opportunity

- **Review competition/similar providers.** Identify competitor health care providers in your market, and compare your metrics to theirs. Take into account what services they offer, and their capacity, in order to predict how your potential opportunity will impact the community.
- **Estimate your health center's market share.** Based on opportunities and needs in the service area, and taking into account competitors, estimate the current and projected market share that your health center could serve.
- **Estimate unmet needs/strategic program opportunities.** Once a health center has identified the characteristics and needs of its service area or market, it has the data to determine what additional resources are needed to proceed (including financing, partnerships, and outreach). This process also provides the basis for site selection to ensure that your targeted location aligns with the dynamics of the market you are endeavoring to serve.

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Related Resources:

- *American FactFinder by the U.S. Census:* http://factfinder2.census.gov
- *Fee-based sites such as DemographicsNow:* www.DemographicsNow.com
- *County Health Rankings:* http://www.countyhealthrankings.org/
- *Community Health Status Indicators:* www.cdc.gov/CommunityHealth
- *HealthLandscape:* www.healthlandscape.org
- *Medicaid:* Enrollment data is available through the state offices of Medicaid
- *Medicare:* Enrollment by county at http://www.cms.hhs.gov/MedicareEnrpts/
- *Uninsured:* US Census https://www.census.gov/did/www/sahie/data

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Related Resources:

- *Mapping and decision-support tool, including exchange eligibility, GIS mapping of locations, health indicators, population statistics, and various provider types:* www.udsmapper.org
- *Planning in Uncertain Times: Market Assessment for Service Expansion to Respond to Community Needs* (webinar: http://www.caplink.org/events/webinars)
- *Market Assessment for Service Expansion Rooted in the Community* (webinar: http://www.caplink.org/events/webinars)
- *Market Assessment and Payer Mix Modeling in an Era of Health Reform* (webinar: http://www.caplink.org/events/webinars)
- *Market Assessment and Patient Revenue Modeling* (webinar: http://www.caplink.org/events/webinars)
- *NACHC State Level Data and Maps:* http://nachc.org/research-and-data/state-level-data-maps/
- *NACHC's Protocol for Responding to and Assessing Patients' Assets, Risks, and Experiences, or PRAPARE* (toolkit: http://nachc.org/research-and-data/prapare/)

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Business Plan

- To carry out specific goals of the organization's strategic plan.
- To provide the Board of Directors, staff, and management with a common road map.
- To obtain financing from various funding sources

Components of a Business Plan

- CHC description and background
- Market analysis and growth potential
- Organizational experience and structure
- Project details
- Financial history and forecast

Business Plan: Financial Section

- Financial Feasibility
  - Historical performance (three years audited)
  - 5-7 year forecast
  - Project budget
  - Sources and uses
  - Financing structure

STATEMENT OF FINANCIAL POSITION
HISTORICAL AND PROJECTED

Month in which fiscal year ends:

	Audited Results				Projected Results								
						15.00%		25.00%		10.00%			
FISCAL YEAR	**2011-06-30**	**2012-06-30**	**2013-06-30**	**%Δ**	6/30/2014	**%Δ**	6/30/2015	**%Δ**	6/30/2016	**%Δ**	6/30/2017	**800.00%**	6/30/2018
ASSETS													
Cash & Investments	240,794	251,548	286,927		1,722,597		3,600,619		5,729,949		8,194,297		10,404,746
Restricted Cash and Investments	0	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0
Accounts Receivable	785,048	1,055,330	998,041		1,587,788		1,764,885		2,117,411		2,335,478		2,484,575
Grants Receivable	84,797	866,103	291,629		262,183		267,427		272,775		278,231		283,795
Inventory	111,487	93,892	181,847	0.0%	8,542	0.0%	9,381	0.0%	11,031	0.0%	12,061	0.0%	12,771
Other Current Assets	188,446	82,118	144,439	0.0%	144,439	0.0%	144,439	0.0%	144,439	0.0%	144,439	0.0%	144,439
Total Current Assets	1,410,572	2,348,991	1,902,883		3,725,549		5,786,751		8,275,605		10,964,506		13,330,327
Land, Building & Improvements	2,588,427	2,572,169	6,361,436		6,361,436		6,361,436		27,939,936		27,939,936		27,939,936
	210,898	2,541,410	0										
Furniture, Equipment & Leasehold	1,308,453	1,589,598	2,258,844		2,258,844		2,258,844		3,290,844		3,290,844		3,290,844
Gross Fixed Assets	4,107,778	6,703,177	8,620,280		8,620,280		8,620,280		31,230,780		31,230,780		31,230,780
Accumulated Depreciation	1,785,843	2,143,187	2,570,833		3,032,479		3,494,125		4,656,494		5,818,864		6,981,233
Net Fixed Assets	2,321,935	4,559,990	6,049,447		5,587,801		5,126,155		26,574,286		25,411,916		24,249,547
Other LT Assets	174,551	219,042	214,034	0.0%	214,034	0.0%	214,034	0.0%	214,034	0.0%	214,034	0.0%	214,034
Total Other Assets	174,551	219,042	214,034		214,034		214,034		214,034		214,034		214,034
TOTAL ASSETS	**$3,907,058**	**$7,128,023**	**$8,166,364**		**$9,527,384**		**$11,126,940**		**$35,063,924**		**$36,590,456**		**$37,793,908**
LIABILITIES AND NET ASSETS													
Accounts Payable	907,188	1,292,918	1,109,667		1,874,214		2,019,874		2,623,185		2,771,844		2,894,586
Accrued Expenses	471,570	560,496	625,761		650,054		754,369		810,751		891,933		959,727
Current Maturities of Long-Term Debt	37,321	131,914	154,458		0		0		0		278,614		266,715
Current Maturities of Capital Leases	0	0	0		0		0		0		0		0
Other Current Liabilities	550,000	0	500,000	0.0%	500,000	0.0%	500,000	0.0%	500,000	0.0%	500,000	0.0%	500,000
Total Current Liabilities	1,966,079	1,985,328	2,389,886		3,024,268		3,274,243		3,933,936		4,442,391		4,621,028
Long-Term Debt	900,572	1,924,346	2,052,125		2,052,125		2,052,125		2,052,125		1,773,511		1,506,796
New Long Term Debt (USDA)	0	0	0		0		0		22,000,000		21,721,386		21,454,671
Other Long-Term Liabilities	0	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0
Total Long-Term Liabilities	900,572	1,924,346	2,052,125		2,052,125		2,052,125		24,052,125		23,494,897		22,961,466
Total Liabilities	2,866,651	3,909,674	4,442,011		5,076,393		5,326,368		27,986,061		27,937,288		27,582,495
Total Net Assets	1,040,407	3,218,349	3,724,353		4,450,991		5,800,572		7,077,863		8,653,168		10,211,413
TOTAL LIAB. AND NET ASSETS	**$3,907,058**	**$7,128,023**	**$8,166,364**		**$9,527,384**		**$11,126,940**		**$35,063,924**		**$36,590,456**		**$37,793,908**

STATEMENT OF ACTIVITIES
HISTORICAL AND PROJECTED

Month in which fiscal year ends: 0 | 0 | 25.00% | 0

FISCAL YEAR	Audited Results 2011-06-30	2012-06-30	2013-06-30	%	%Δ	Projected Results 6/30/2014	%	%Δ	6/30/2015	%	%Δ	6/30/2016	%
Net Patient Service Revenue	5,840,358	8,836,651	10,134,893	81.1%		13,295,111	86.0%		14,778,008	87.0%		17,729,828	88.8%
Total Operating Grants & Contracts	1,824,818	1,950,270	1,757,503	14.1%	2.0%	1,792,653	11.6%	2.0%	1,828,506	10.8%	2.0%	1,865,076	9.3%
Contributions / Fundraising Income	153,096	256,945	224,631	1.8%	2.0%	229,124	1.5%	0.0%	229,124	1.3%	0.0%	229,124	1.1%
Donated Goods & Services	277,266	0	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%
Net Assets Released from Restrictions	0	125,525	236,484	1.9%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%
Other Operating Revenue	69,193	374,345	145,563	1.2%	0.0%	145,563	0.9%	0.0%	145,563	0.9%	0.0%	145,563	0.7%
TOTAL OPERATING REVENUE	**8,164,731**	**11,543,736**	**12,499,074**	100.0%		**15,462,451**	100.0%		**16,981,201**	100.0%		**19,969,591**	100.0%
Salaries & Related Expense	5,410,039	6,715,217	7,534,826	60.3%		7,772,172	50.3%		9,019,381	53.1%		9,693,499	48.5%
Fringes & Payroll Taxes	1,223,464	1,479,018	1,677,094	13.4%		1,731,367	11.2%		2,009,201	11.8%		2,159,371	10.8%
Professional / Contracted / Consultant Fees	662,649	486,538	613,193	4.9%	3.0%	631,589	4.1%	0.0%	631,589	3.7%	0.0%	631,589	3.2%
Admin and Supplies	881,855	1,606,261	2,485,647	19.9%		3,074,963	19.9%		3,376,992	19.9%		3,971,282	19.9%
Insurance	29,668	25,821	32,672	0.3%		40,418	0.3%		44,388	0.3%		52,200	0.3%
Bad Debt Expense	311,334	289,670	0	0.0%		402,024	2.6%		441,511	2.6%		519,209	2.6%
Rent	0	0	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%
Facility Operation & Maintenance	376,995	451,129	481,502	3.9%	5.0%	505,577	3.3%	5.0%	530,856	3.1%	5.0%	557,399	2.8%
Depreciation	229,881	373,089	461,646	3.7%	0.0%	461,646	3.0%	0.0%	461,646	2.7%	0.0%	461,646	2.3%
Depreciation on New Site	0	0	0	0.0%		0	0.0%		0	0.0%		700,723	3.5%
Interest Expense	46,657	102,526	116,056	0.9%	0.0%	116,056	0.8%	0.0%	116,056	0.7%	0.0%	116,056	0.6%
Interest Expense New Site	0	0	0	0.0%		0	0.0%		0	0.0%		829,324	4.2%
Other Operating Expense	0	0	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%
TOTAL OPERATING EXPENSES	**9,172,542**	**11,529,269**	**13,402,636**	107.2%		**14,735,813**	95.3%		**16,631,620**	97.9%		**19,692,299**	98.6%
CHANGE IN NET ASSETS - OPERATING	**-1,007,811**	**14,467**	**-903,562**	-7.2%		**726,638**	4.7%		**349,581**	2.1%		**277,292**	1.4%
Grants / Contributions for Capital	991,880	2,182,379	1,090,950	8.7%			0.0%		1,000,000	5.9%		1,000,000	5.0%
Changes in Temporarily Rest. Net Assets	-272,729	-47,063	248,985	2.0%			0.0%			0.0%			0.0%
Contributions & Donations (Non-operating)	0	0	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%
Investment & Interest Income	1,932	326	514	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%
Other Non-operating Income	0	27,833	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%
TOTAL NON-OPERATING INCOME	**721,083**	**2,163,475**	**1,340,449**	10.7%		**0**	0.0%		**1,000,000**	5.9%		**1,000,000**	5.0%
CHANGE IN NET ASSETS	**-$286,728**	**$2,177,942**	**$436,887**	3.5%		**$726,638**	4.7%		**$1,349,581**	7.9%		**$1,277,292**	6.4%
Cash available to service Debt						1,304,340			1,927,283			3,385,041	

CASH FLOW STATEMENT
HISTORICAL AND PROJECTED

Month in which fiscal year ends: 0

FISCAL YEAR	Audited Results				Projected Results					
	011-06-30		2012-06-30		2013-06-30		6/30/2014		6/30/2015		6/30/2016	
CASH FLOW FROM OPERATIONS												
Change in Net Assets			$2,177,942		$436,887		$726,638		$1,349,581		$1,277,292	
Adjustments:												
Depreciation			357,344		427,646		461,646		461,646		1,162,369	
(Increase) Decrease in Restricted Cash/Inv			0		0		0		0		0	
(Increase) Decrease in A/R			-270,282		57,289		-589,747		-177,097		-352,525	
(Increase) Decrease in Grants Receivable			-781,306		574,474		29,446		-5,244		-5,349	
(Increase) Decrease in Inventory			17,595		-87,955		173,305		-839		-1,651	
(Increase) Decrease in Othr Current Assets			106,328		-62,321		0		0		0	
(Increase) Decrease in Othr LT Assets			-44,491		5,008		0		0		0	
Increase (Decrease) in Accounts Payable			385,730		-183,251		764,547		145,661		603,310	
Increase (Decrease) in Accrued Exp			88,926		65,265		24,293		104,315		56,382	
Increase (Decrease) in Othr Current Liab.			-550,000		500,000		0		0		0	
Cash Flow from Operations				$1,487,786		$1,733,042		$1,590,128		$1,878,022		$2,739,829
Cash Flow from Investment												
Acquisition of Land, Building & Improv			16,258		-3,789,267		0		0		-21,578,500	
Construction in Progress			-2,330,512		2,541,410		0		0		0	
Acquisition of Furniture & Equipment			-281,145		-669,246		0		0		-1,032,000	
Cash Flow from Investment				-$2,595,399		-$1,917,103		$0		$0		-$22,610,500
Cash Flow from Financing Activities												
Proceeds (Paydown) of Long-term Debt			1,118,367		150,323		-154,458		0		0	
Proceeds (Paydown) of Capital Leases			0		0		0		0		22,000,000	
Proceeds (Paydown) of Othr L.T. Liab.			0		0		0		0		0	
Cash Flow from Financing Activities				$1,118,367		$150,323		-$154,458		$0		$22,000,000
Net Cash Flow				$10,754		-$33,738		$1,435,670		$1,878,022		$2,129,329
Beginning Cash				$240,794		$251,548		$286,927		$1,722,597		$3,600,619
Ending Cash				$251,548		$217,810		$1,722,597		$3,600,619		$5,729,949

PATIENT REVENUE
HISTORICAL AND PROJECTED

VISITS

	2013-06-30		6/30/2014		6/30/2015		6/30/2016		6/30/2017		6/30/2018
	Visits	%Δ	Visits	%Δ	Visits	%Δ	Visits	%Δ	Visits	%Δ	Visits
Medical Visits	57971	0%	59114	5%	62070	20%	74484	12%	83422	5%	87593
Dental Visits	2471	0%	4274	5%	4488	5%	4712	5%	4948	5%	5195
Mental Health Visits	2430	0%	2825	5%	2430	5%	4860	5%	5103	5%	5358
Radiology*	2059	0%	3589	5%	3768	5%	3957	5%	4155	5%	4362
Home Visits		0%	714	5%	750	5%	787	5%	827	5%	868
Nursing home		0%	1173	5%	1232	5%	1293	5%	1358	5%	1426
Total Visits			71689		74737		90093		99812		104802

Reimbursement Rates

	2013-06-30		6/30/2014		6/30/2015		6/30/2016		6/30/2017		6/30/2018
	Ave Rate	%Δ	Ave Rate	%Δ	Ave Rate	%	Ave Rate	%Δ	Ave Rate	%Δ	Ave Rate
Medical		0%	$ 126.60	2%	$ 129.14	2%	$ 131.72	2%	$ 134.35	2%	$ 137.04
Dental		0%	$ 71.20	2%	$ 72.62	2%	$ 74.07	2%	$ 75.55	2%	$ 77.06
Mental Health		0%	$ 99.93	2%	$ 101.92	2%	$ 103.96	2%	$ 106.04	2%	$ 108.16
Radiology*		0%	$ 119.12	2%	$ 121.50	2%	$ 123.93	2%	$ 126.41	2%	$ 128.94
Home Visits		0%	$ 94.82	2%	$ 96.71	2%	$ 98.65	2%	$ 100.62	2%	$ 102.63
Nursing home		0%	$ 108.90	2%	$ 111.08	2%	$ 113.30	2%	$ 115.57	2%	$ 117.88

	2013-06-30		6/30/2014		6/30/2015		6/30/2016		6/30/2017		6/30/2018
Pharmacy Revenue	Rev	%Δ		%Δ		%Δ		%Δ		%Δ	
	$ 2,185,970.00		$ 4,601,563	5%	$ 5,521,876	20%	$ 6,350,157	15%	$ 6,667,665	5%	$ 7,001,048

Patient Revenue

	2013-06-30 Revenue	6/30/2014 Revenue	6/30/2015 Revenue	6/30/2016 Revenu	6/30/2017 Revenue	6/30/2018 Revenue	6/30/2019 Revenue	6/30/2020 Revenue
Medical	$ 7,475,460	$ 7,484,016	$ 8,015,381	$ 9,810,827	$ 11,207,888	$ 12,003,648	$ 12,855,907	$ 13,768,677
Dental	$ 197,241	$ 304,288	$ 325,892	$ 349,031	$ 373,812	$ 400,353	$ 428,778	$ 459,221
Mental Health		$ 282,292	$ 247,678	$ 505,262	$ 541,136	$ 579,556	$ 620,705	$ 664,775
Pharmacy	$ 2,185,970	$ 4,601,563	$ 5,521,876	$ 6,350,157	$ 6,667,665	$ 7,001,048	$ 7,351,100	$ 7,351,100
Radiology*		$ 427,511	$ 457,864	$ 490,373	$ 525,189	$ 562,478	$ 602,413	$ 645,185
Home Visits	$ 123,881	$ 67,698	$ 72,505	$ 77,652	$ 83,166	$ 89,070	$ 95,394	$ 102,167
Nursing home	$ -	$ 127,743	$ 136,813	$ 146,526	$ 156,930	$ 168,072	$ 180,005	$ 192,785
Total Patient Revenue	$ 9,982,552	$ 13,295,111	$ 14,778,008	$ 17,729,828	$ 19,555,785	$ 20,804,225	$ 22,134,303	$ 23,183,911

EMPLOYMENT
HISTORICAL AND PROJECTED

	ACTUAL			PROJECTED							
	2013-06-30			6/30/2014				6/30/2015			
Service Provider:	FTEs	Ave. Salary	Total Salary	FTEs	%Δ Ave Sal	Ave. Salary	Total Salary	FTEs	%Δ Ave Sal	Ave. Salary	Total Salary
Physician	6.42	NA	NA	8.00	0.0%	$ 134,708.00	$ 1,077,664	8.00	2.0%	$ 137,402.16	$ 1,099,217
Midlevel (PA, NP)	11.39	NA	NA	9.00	0.0%	$ 80,256.00	$ 722,304	9.00	2.0%	$ 81,861.12	$ 736,750
Nurses (RN)	15.56	NA	NA	13.00	0.0%	$ 61,596.00	$ 800,748	18.00	2.0%	$ 62,827.92	$ 1,130,903
Medical Assistants	0.00	NA	NA	13.00	0.0%	$ 32,287.00	$ 419,731	16.67	2.0%	$ 32,932.74	$ 548,989
X-ray Personnel	3.87	NA	NA	4.28	0.0%	$ 51,515.00	$ 220,484	3.05	2.0%	$ 52,545.30	$ 160,263
Medical provieder support	12.14	NA	NA	18.58	0.0%	$ 32,512.00	$ 604,073	26.56	2.0%	$ 33,162.24	$ 880,789
Dental Provider (Dentists)	0.99	NA	NA	1.50	0.0%	$ 112,450.00	$ 168,675	2.10	2.0%	$ 114,699.00	$ 240,868
Hygeinist (Dental Hygenists)	0.78	NA	NA	0.90	0.0%	$ 64,435.00	$ 57,992	0.86	2.0%	$ 65,723.70	$ 56,522
Dental Support	1.32	NA	NA	3.40	0.0%	$ 38,331.00	$ 130,325	4.40	2.0%	$ 39,097.62	$ 172,030
Mental Health Provider	0.44	NA	NA	0.60	0.0%	$ 99,000.00	$ 59,400	0.95	2.0%	$ 100,980.00	$ 95,931
Social Workers	2.00	NA	NA	2.00	0.0%	$ 63,515.00	$ 127,030	3.00	2.0%	$ 64,785.30	$ 194,356
Other Professional Services	0.34	NA	NA	1.48	0.0%	$ 69,029.00	$ 102,163	1.50	2.0%	$ 70,409.58	$ 105,614
Pharmacy (Pharmacy Personnel)	8.61	NA	NA	10.20	0.0%	$ 63,434.00	$ 647,027	10.60	2.0%	$ 64,702.68	$ 685,848
Eligibility Assistance Workers	2.97	NA	NA	3.40	0.0%	$ 34,981.00	$ 118,935	3.42	2.0%	$ 35,680.62	$ 122,028
Clerical and Administration	1.00	NA	NA	1.00	0.0%	$ 32,798.61	$ 32,799	1.00	2.0%	$ 33,454.58	$ 33,455
WIC (women, infants and children)	4.11	NA	NA	4.10	0.0%	$ 37,666.00	$ 154,431	4.10	2.0%	$ 38,419.32	$ 157,519
Management and Support Staff	12.26	NA	NA	11.48	0.0%	$ 104,321.00	$ 1,197,605	10.21	2.0%	$ 106,407.42	$ 1,086,420
Fiscall and Billing Staff	10.22	NA	NA	11.48	0.0%	$ 58,139.00	$ 667,436	17.29	2.0%	$ 59,301.78	$ 1,025,328
IT Staff	3.21	NA	NA	5.60	0.0%	$ 60,777.00	$ 340,351	5.42	2.0%	$ 61,992.54	$ 336,000
Facility Staff	1.47	NA	NA	2.00	0.0%	$ 61,500.00	$ 123,000	2.40	2.0%	$ 62,730.00	$ 150,552
Patient Support Staff	23.74	NA	NA		0.0%	$ -	$ -	0.00	2.0%	$ -	$ -
Other	0.00	NA	NA	0.00	0.0%	$ -	$ -	0.00	2.0%	$ -	$ -
TOTAL	122.84	NA	NA	125.00			$ 7,772,172	148.53			$ 9,019,381

	2013-06-30	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Total Visits / Total FTEs	0	574	503	578	602	604	606	612
Med Visits / Provider	3255	3477	3651	4256	4391	4380	4380	4599
Dental Visits / Dental Provider	7268	7268	7268	7268	7268	7268	7268	7268
Mntl Hlth Visits/ Mental Health Prov	2430	2430	2430	2430	2430	2430	2430	2430

Sources & Uses of Project Funds

ABC Community Health Center		
SOURCES AND USES OF PROJECT FUNDS		
Sources of Funds:		
Grants/Contributions for Capital	1,750,000	50.0%
Cash from Reserves	500,000	14.3%
Debt Financing	1,250,000	35.7%
Total Sources of Funds	**$3,500,000**	100.0%
Uses of Funds:		
Real Estate Related Costs	640,000	18.3%
Total Hard Costs	2,200,000	62.9%
Total Soft Costs	330,000	9.4%
Total Equipment Costs	330,000	9.4%
Total Uses of Funds	**$3,500,000**	100.0%

Copyright 2005, Capital Link, All Rights Reserved. Financial Forecasting Tool ("ForecasT")

Related Resources:

- *Creating a Business Plan for a Community Health Center Capital Project: a "How-To" Manual*
  (toolkit: http://www.caplink.org/resources/publications)
- *Debt Capacity*
  (service: http://www.caplink.org/services/begin/debt-capacity)
- *Estimating Capital Project Costs for Health Centers*
  (publication: http://www.caplink.org/resources/publications)
- *Incorporating Capital Plans and Capitalization Goals into Strategic Planning* (webinar: http://www.caplink.org/events/webinars)
- *Developing and Using a Capital Project Budget*
  (webinar: http://www.caplink.org/events/webinars)

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Understanding and Obtaining Financing

CAPITAL LINK

- Put you best foot forward (business plan)
- Research the best structure
- Research special qualification (NMTC, USDA)
- Seek term sheets with Request for Proposal (RFP)

Financing Components

- Federal Grants
- Grants/Gifts
- NMTC
- State Funds
- Tax-Exempt Bonds
- Foundations
- CDFIs
- Bank Loan
- USDA

Combining the Best Financing Sources

Structure considerations mean big financial differences!

Example

For example:
a $10,000,000 project

Conventional Bank Loan

- Loan is 80% of project value: $8,000,000
- Interest rate is 6% with 25 year amortization
- Where will the remaining $2,000,000 come from?
  - Sale of existing building?
  - Hospital contribution?
  - State?
  - Capital Campaign?
  - Government grant

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Conventional Bank Loan

Source Funds:

Bank Loan…….$8,000,000
Other……$2,000,000
Total……$10,000,000

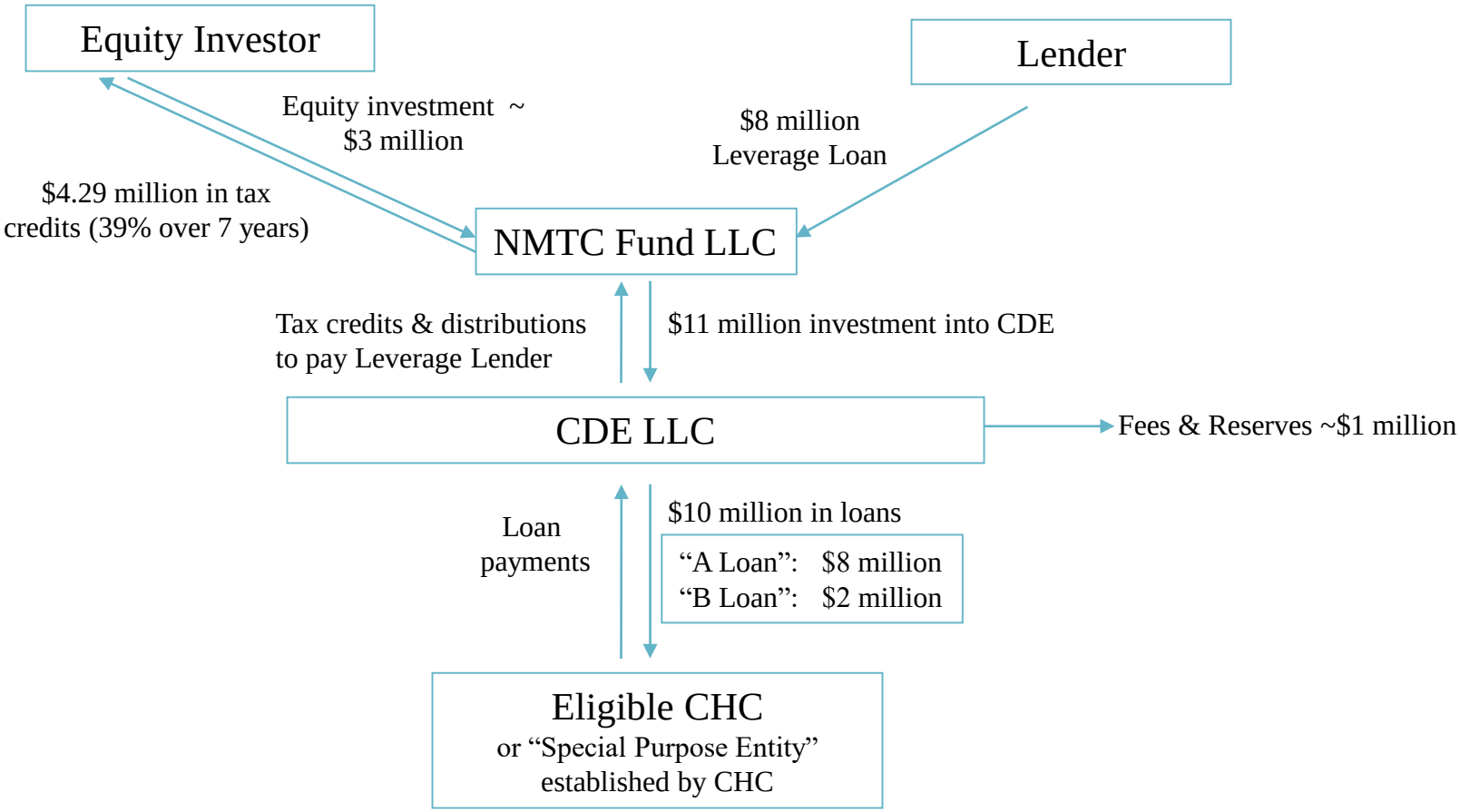
Annual Debt Service (P&I)……$618,500

New Markets Tax Credit Program

- "Investment" that isn't repaid
- 20% to 25% of total project cost
- Finding a Community Development Entity (CDE)
- Application and awards
- Safe for two more years

NMTC Hypothetical FQHC Project

Assumes $10 Million in Project Costs



Weighted Average Cost of Capital ~ 5.2% in current market; ~$520,000 interest-only for 7 yrs; refi $8 million after 7 years

Bank Loan and NMTC

- NMTC investment approximately 20% of project cost
- Bank loan for the balance - $8,000,000 ***interest only*** for 7 years – same rate
- **$2,000,000 in "free" money!**

Bank Loan: NMTC, Interest Only

Sources of Funds:

Bank Loan.....$8,000,000
NMTC.....$2,000,000
Total.....$10,000,000

Annual Debt Service.....$480,000

US Department of Agriculture

- Usable with other options
- Population 20,000 or under
- Loan guarantee 90%
- Direct Loan 3.5% for 40 years

USDA Direct Loan Structure

- Loan will be 80% of project Cost - $8,000,000.
- Roughly 3.5% interest rate with 40 year amortization.
- Where will the remaining $2,000,000 come from?

USDA Direct Loan

Sources of Funds:

USDA Loan.....$ 8,000,000
Other.....$ 2,000,000
Total.....$10,000,000

Annual Debt Service.....$ 371,982

Tax-Exempt Bonds

- With other options
- NMTC
- State issuing authority
- Private purchase by bank

Tax Exempt Bonds and NMTC

- NMTC investment approximately 20% of project cost - $2,000,000
- TE Bonds for the balance - $8,000,000 ***interest only*** for 7 years
- Interest rate – 3.5% (fixed 10 years)
- **No need for additional financing**

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TE Bond: NMTC

Sources of Funds:

TE Bonds.....$ 8,000,000
NMTC.....$ 2,000,000
Total.....$10,000,000

Annual Debt Service.....$280,000

Foundation PRI

- Program Related Investment
- With NMTC

Foundation and NMTC

- NMTC investment approximately 20% of project cost: $2,000,000
- **80% federal guarantee**
- **No need for additional financing**
- Loan for the balance - $8,000,000 ***interest only*** for 7 years
- Interest rate of 3.0%

Foundation PRI and NMTC

Sources of Funds:

Tax Bonds.....$ 8,000,000
NMTC.....$ 2,000,000
Total.....$10,000,000

Annual Debt Service.....$ 240,000

Related Resources:

- *Finding and Acquiring the Best Funding Sources for Your Project* (webinar: http://www.caplink.org/events/webinars)
- *Finding the Best and Lowest Financing for Your Project* (webinar: http://www.caplink.org/events/webinars)
- *Working with the USDA: Opportunities for Rural Federally Qualified Health Centers* (publication: http://www.caplink.org/resources/publications)
- *Selecting the Right Capital Project Financing* (publication: http://www.caplink.org/resources/publications)
- *Capital Funding Options for Rural Community Health Centers* (publication: http://www.caplink.org/resources/publications)

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Related Resources:

- *Spotlight On Capital Resources: New Markets Tax Credits series* (publications: http://caplink.org/resources/publications#NMTC)
- *Capital Project Financing resources* (publications: http://www.caplink.org/resources/publications)
- *Financing Health Center Projects with New Markets Tax Credits* (webinar: http://www.caplink.org/events/webinars)
- *Accessing Capital from Community Development Financial Institutions* (webinar: http://www.caplink.org/events/webinars)
- *HRSA's Capital Development Grant Technical Assistance* (online resource: https://bphc.hrsa.gov/programopportunities/fundingopportunities/capdev.html)

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Leadership and Project Planning Expertise

- Be Honest About Identifying Leadership Shortcomings
- Consider the Skill Sets and the Time Team Members Will Need to Allocate
- Undertake a Thorough Vetting of Outside Experts Being Recruited
- Recruit & Retain Talented Providers and Key Staff
- Cultivate Your Leadership Team
- Offer Continual Training

Related Resources:

- *Developing a Health Center: A Guide for Health Center Staff and Boards on Managing the Design and Construction Process* (publication: http://www.caplink.org/resources/publications)
- *Engaging Staff and Community in Defining Your Capital Project* (publication: http://www.caplink.org/resources/publications)
- *Planning for Growth: Health Center Board and Staff Training* (webinar: http://www.caplink.org/events/webinars)
- *NACHC's Staffing the Safety Net: Building the Primary Care Workforce at America's Health Centers* (report: http://www.nachc.org/wp-content/uploads/2015/10/NACHC_Workforce_Report_2016.pdf)
- *NACHC's Workforce Snapshot* (fact sheet: http://nachc.org/wp-content/uploads/2016/10/Workforce-Snapshot_October2016.pdf)
- *Solutions, Training, and Assistance for Recruitment and Retention (STAR²) Center*, project of the Association of Clinicians for the Underserved (resources and training: http://www.chcworkforce.org/)
- *Adding Fund Development Capacity to Sustain Health Center Growth* (publication: http://www.caplink.org/resources/publications)
- *Assembling a Capital Project Team* (publication: http://www.caplink.org/resources/publications)
- *Capital Project Work Plan* (publication: http://www.caplink.org/resources/publications)

Questions?

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