



Proactive Scenario Planning: Modeling Financial Implications



www.caplink.org

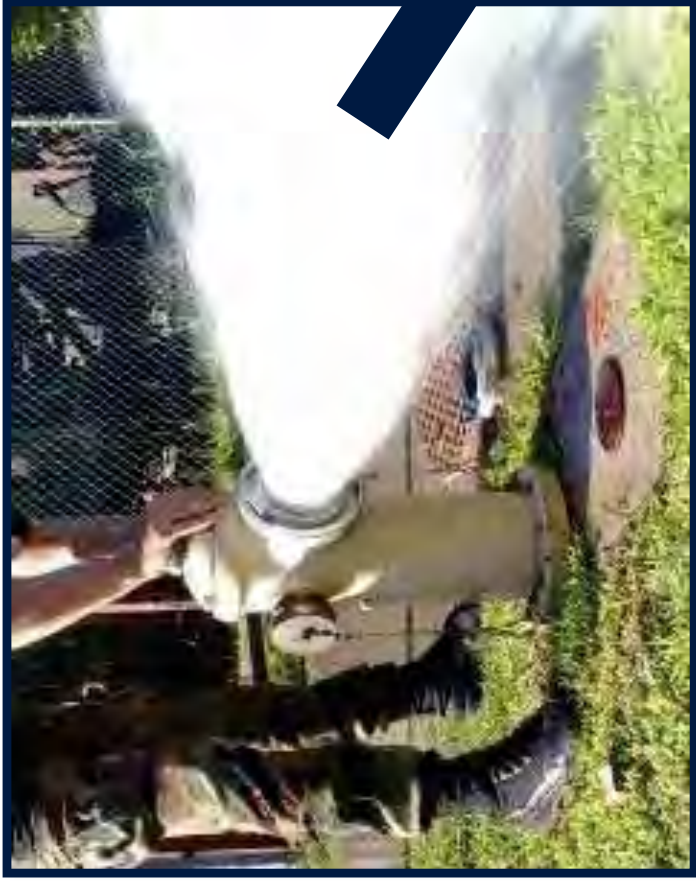
Jonathan Chapman

Director CHC Advisory Services, Capital Link

Webinar

October 10 , 2017

Your World ...almost every day



Do We Manage Strategically?

How Do We Strategically Manage?

Risk on the Edge...



Scenario Planning



Why Scenarios?



Don't worry about how many we invite.



We've
got
plenty of
room for
everyon
e.

Advantages to Scenario Planning

- Provides Productive Action Steps in Times of Uncertainty
- Complexity (or Lack Thereof)
- Conserve Resources
- Hints at Consequences
- Enhances Our Thought/Decision Process
- Reduces Reactionary Responses
- Does Not Have to be Precise to be Right

“

Amateurs study the plan;

Professionals study the assumptions.

”

Selected Aspects of Scenario Planning

- Assumptions about Assumptions
- Limited Variables
- Provides *Level* of Confidence
- Establishes Ranges to Test Thresholds
- Does not Foretell the Future
- Typically Gets Us to *Yes, No, Maybe;*
but Not Definitive

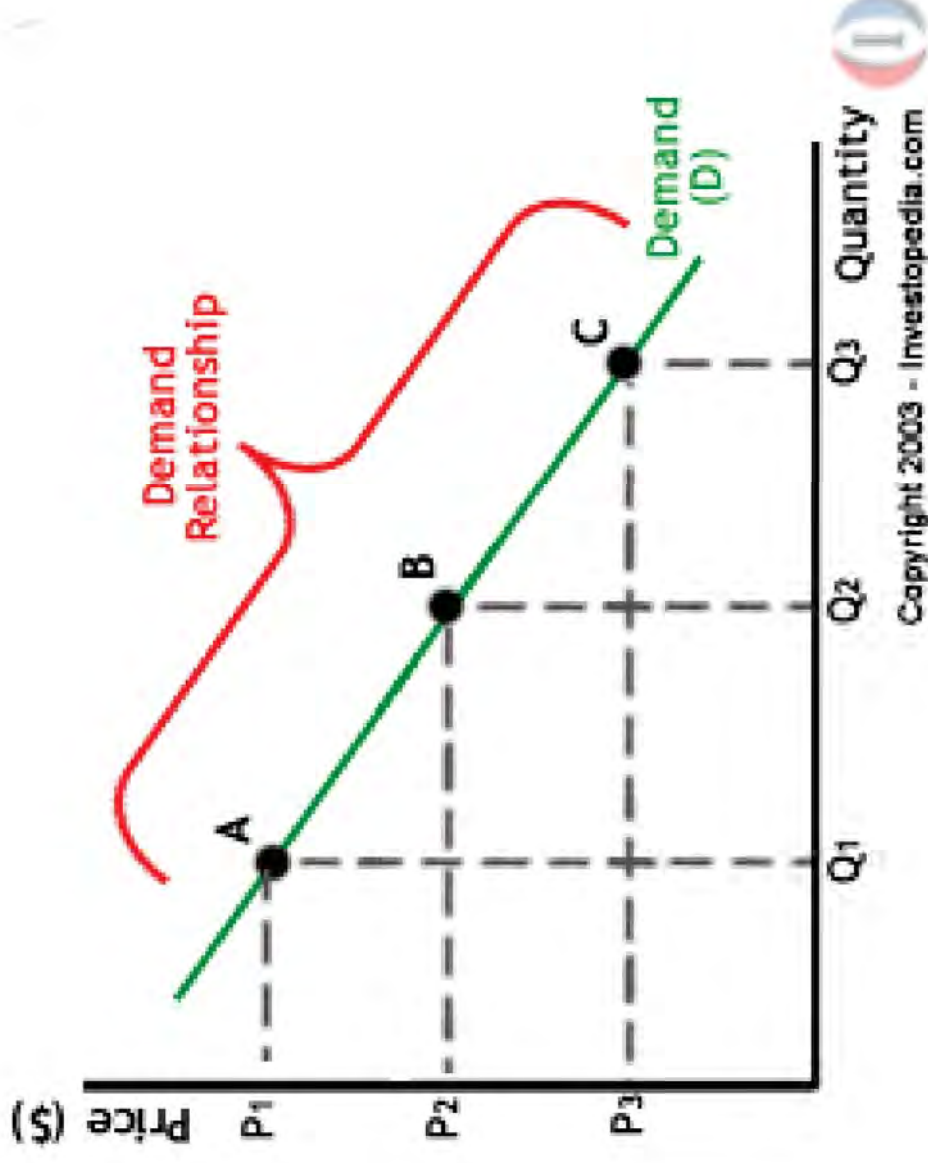
Examples of Scenario Planning

- Disaster Response
- ‘Back of the Envelope’
- Financial Forecasts/Modeling
- Architectural Blueprints
- Predictive Analytics
- All of Your HRSA Grant Applications

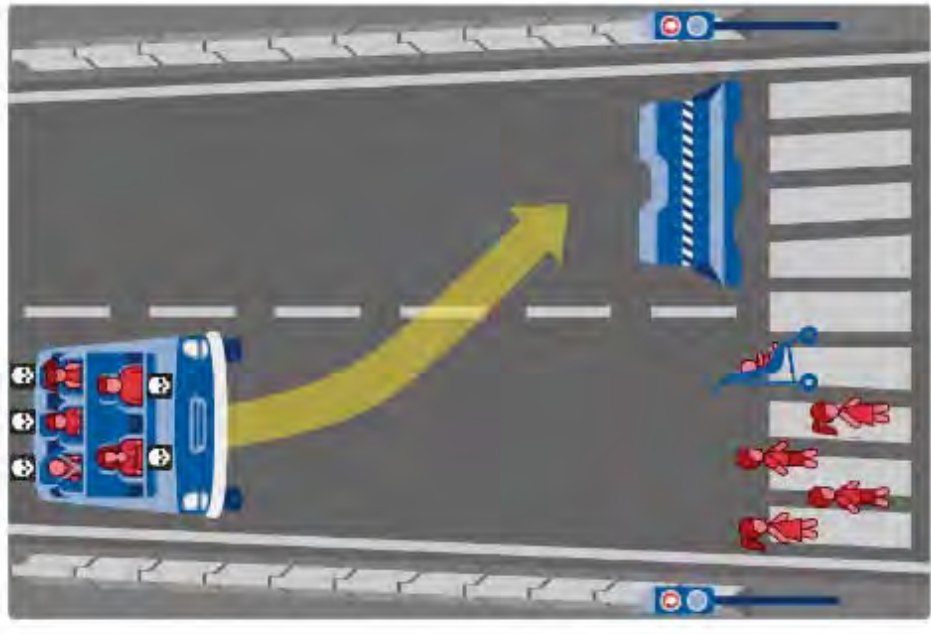
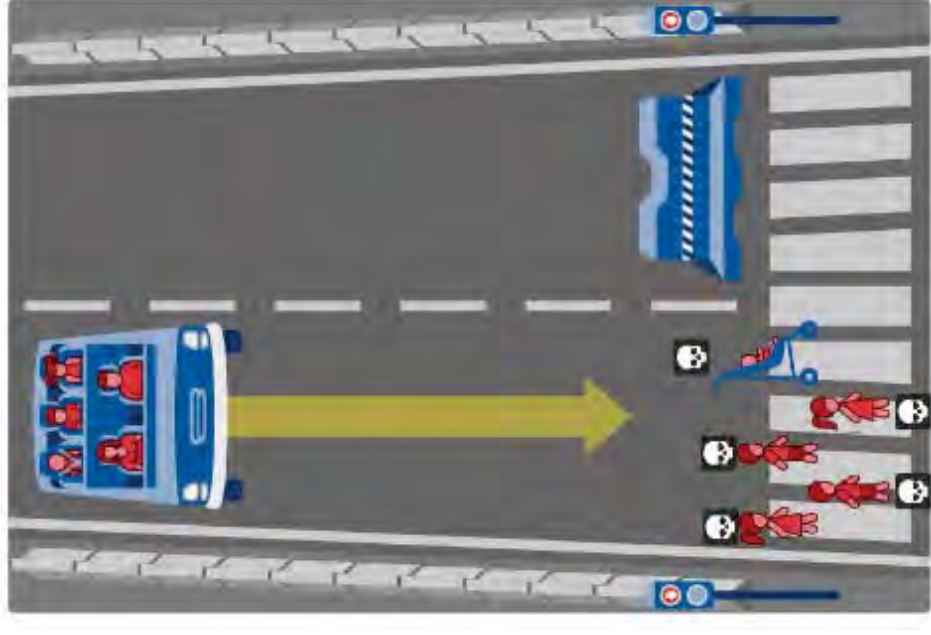
Examples of Scenario Planning



Examples of Scenario Planning



Examples of Scenario Planning



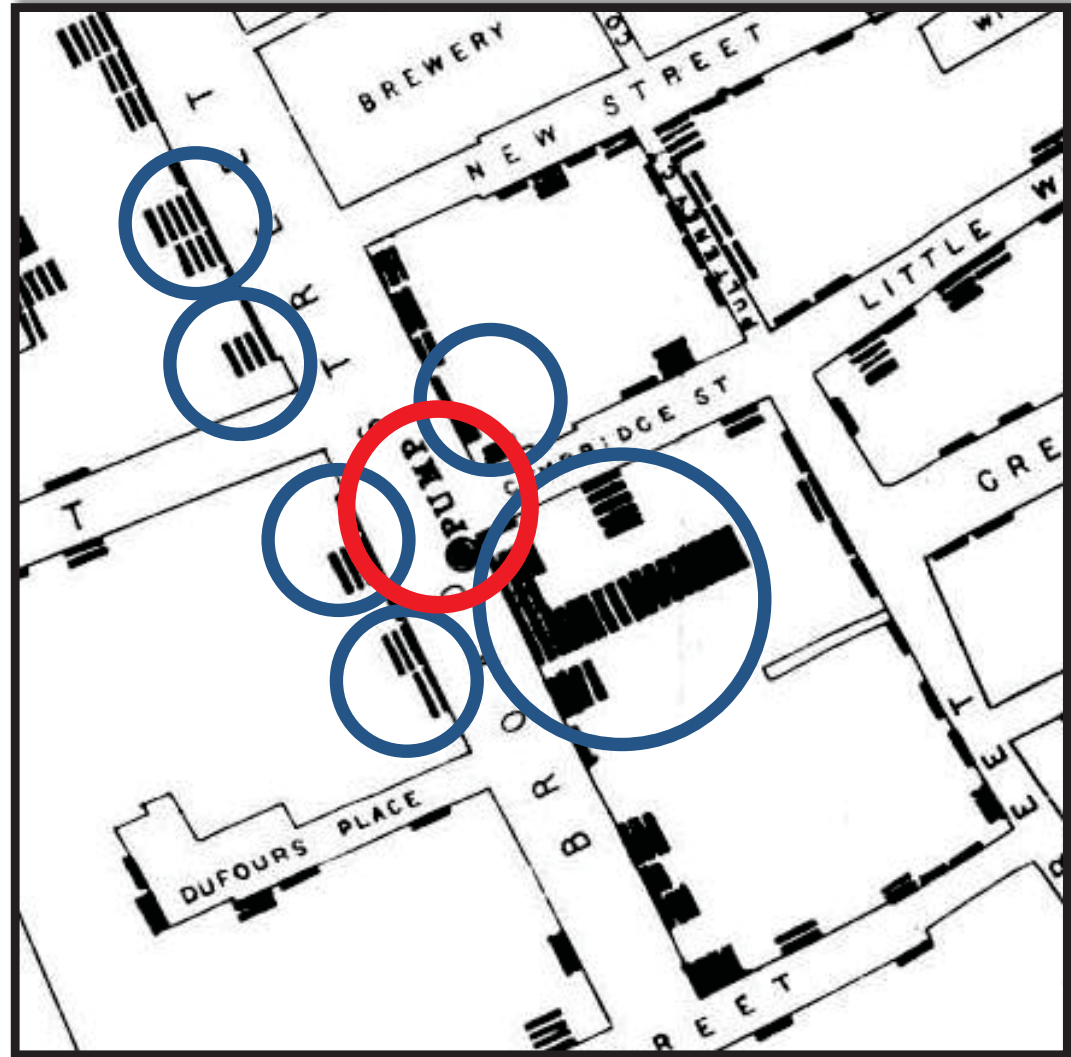
“

A good plan today is better

than a perfect plan tomorrow.

”


Dr. John Snow...in 1854



Examples of Scenario Planning



Value and Impact of Health Centers

VALUE  **IMPACT of HEALTH CENTERS**
XYZ PCA

PCA LOGO HERE

Fifteen Federally Qualified Health Centers (FQHCs) and other safety-net clinics provide care to residents of [XYZ State]. They collectively provide tremendous value and impacts to their communities—from ACCESS to care for vulnerable populations; SAVINGS to the health care system; JOBS and ECONOMIC STIMULUS to local communities; STATE-OF-THE-ART, COMPREHENSIVE, COORDINATED CARE, with a focus on CHRONIC DISEASE MANAGEMENT and QUALITY HEALTH OUTCOMES. Highlights of their 2015 contributions are shown below.

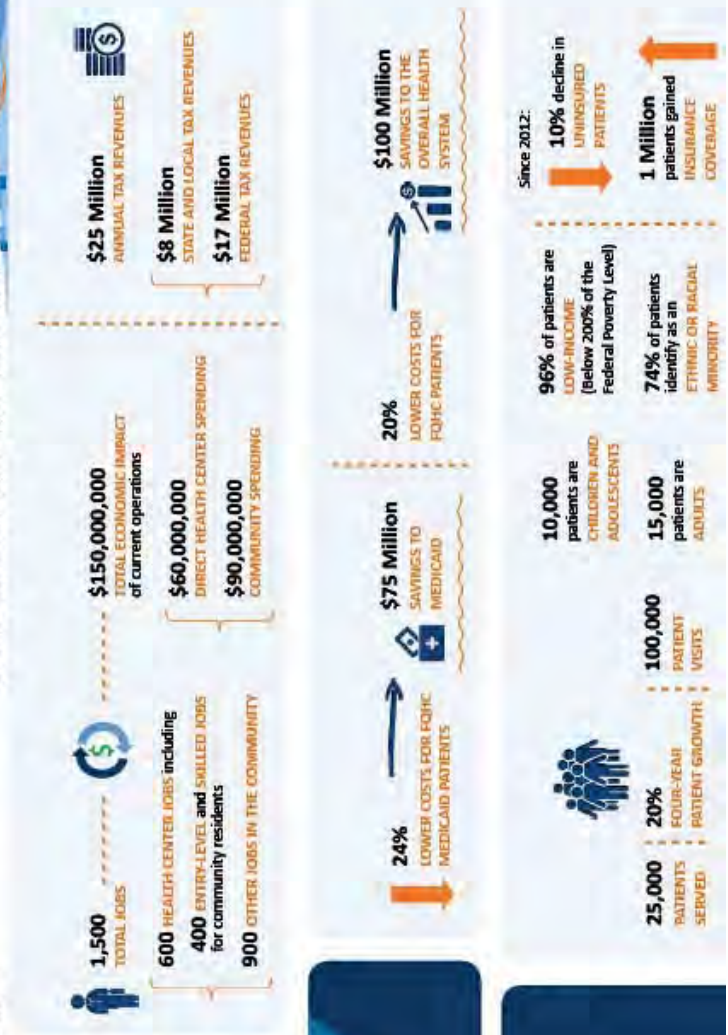
XYZ PCA Health Centers Provide...

JOBS
and other positive
impacts on the
ECONOMY

SAVINGS
to the health system

ACCESS
to care for vulnerable
populations

SAMPLE NUMBERS ONLY - NOT ACTUAL DATA



Category	Metric
JOBS and other positive impacts on the ECONOMY	1,500 TOTAL JOBS
	600 HEALTH CENTER JOBS including 400 ENTRY-LEVEL and SKILLED JOBS for community residents
	900 OTHER JOBS IN THE COMMUNITY
	\$150,000,000 TOTAL ECONOMIC IMPACT of current operations
SAVINGS to the health system	\$60,000,000 DIRECT HEALTH CENTER SPENDING
	\$90,000,000 COMMUNITY SPENDING
	\$75 Million SAVINGS TO MEDICAID
ACCESS to care for vulnerable populations	25,000 PATIENTS SERVED
	20% FOUR-YEAR PATIENT GROWTH
	100,000 PATIENT VISITS
	15,000 patients are ADULTS
10,000 patients are CHILDREN AND ADOLESCENTS	
96% of patients are LOW-INCOME (below 200% of the Federal Poverty Level)	
74% of patients identify as an ETHNIC OR RACIAL MINORITY	
24% LOWER COSTS FOR MEDICAID PATIENTS	
20% LOWER COSTS FOR FQHC PATIENTS	
\$100 Million SAVINGS TO THE OVERALL HEALTH SYSTEM	
\$25 Million ANNUAL TAX REVENUES	
\$8 Million STATE AND LOCAL TAX REVENUES	
\$17 Million FEDERAL TAX REVENUES	
Since 2012:	10% decline in UNINSURED PATIENTS
1 Million patients gained INSURANCE COVERAGE	

UDSMAPPER – Analysis Results

Analysis Results x

Total # Health Center Patients	Total Population, 2010-2014	Health Center Penetration of Total Pop	Unserviced (by Health Centers) Total Pop	Low-Income Pop 10-14
133,390	714,575	18.66%	581,185	425,426,00

Enter TOTAL patients to be served

Enter TOTAL NEW patients to be served

Enter NEW LOW INCOME patients to be served

Label	Value	Description
Analysis Area Total Population	714,575	Total (Census) population for defined target area ZIPs
Current (2015) Health Center Patients	133,390	Residents of defined target area counted as a patient of
Current Health Center Penetration Rate - Total Pop.	18.66%	Percent of total target population using a Health Center
Current Total Pop. Unserviced by Health Centers	581,185	Count of target area residents not using a Health Center
Total New Patients to be Served	0	Total new patients to be served by proposed site
% Health Center Unserviced Total Pop. Targeted	0.00%	Percent of target area residents not currently

* Note: Low-income penetration and need assumes all current users to be low income - watch for Health Centers cur

[Save to Excel](#)

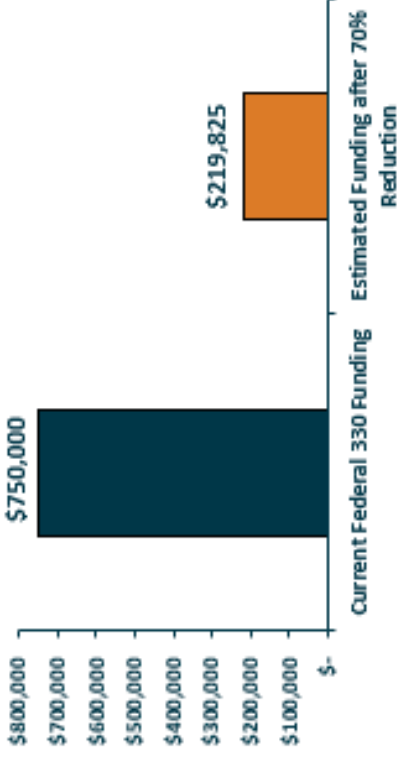
NACHC's Funding Cliff Estimator

Percent of Patients Losing Access to Care
Due to a 70% Federal Grant Reduction

https://d3n8a8pro7vhmxc.cloudfront.net/nachc/pages/297/attachments/original/1486144245/2017_Funding_Cliff_Impact_Estimator.xlsx?1486144245

NACHC's Funding Cliff Estimator

Health Center Funding Cliff Impact Estimator

<p>What is the Health Center Funding Cliff? Just over 70% of federal funding for the Health Centers program comes from the Health Centers Fund. In 2015, Congress extended this fund on a bipartisan basis for two years. Without action before October 1, 2017, the fund is set to expire, meaning health centers will face an immediate 70% cut in funding.</p>	<p>Estimating the Impact of the Cliff on Your Health Center</p> <p><u>Today</u></p> <p>Total Federal 330 Funding: \$750,000</p> <p>Total Overall Revenue: \$1,700,000</p> <p>Number of Patients Served: 5,000</p> <p><u>If the Cliff Were to Occur</u></p> <p>Amount of Federal 330 Funding Lost: \$530,175</p> <p>Number of Patients Losing Access to Care: 1,559</p>							
<p>Why the Cliff Matters According to the federal government's own estimates, this potential 70% reduction in funding would result in the closure of 2,800 health center sites, layoffs of more than 50,000 providers and staff, and most importantly, a loss of access to primary and preventive care for 9 million patients who often have no other place to turn. Cuts would affect every health center in</p>	<p>The Funding Cliff Would Lead to Major Losses for Health Centers</p>  <table border="1"> <thead> <tr> <th>Funding Category</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Current Federal 330 Funding</td> <td>\$750,000</td> </tr> <tr> <td>Estimated Funding after 70% Reduction</td> <td>\$219,825</td> </tr> </tbody> </table>		Funding Category	Amount	Current Federal 330 Funding	\$750,000	Estimated Funding after 70% Reduction	\$219,825
Funding Category	Amount							
Current Federal 330 Funding	\$750,000							
Estimated Funding after 70% Reduction	\$219,825							

NACHC's Medicaid Impact Statement

Providing Summary of Medicaid's Significance To Health Centers and Their Patients

[https://d3n8a8pro7vhmxc.cloudfront.net/nachc/pages/297/attachments/original/1486144991/2017 Medicaid Impact Statement \(1\).xlsx?1486144991](https://d3n8a8pro7vhmxc.cloudfront.net/nachc/pages/297/attachments/original/1486144991/2017_Medicaid_Impact_Statement_(1).xlsx?1486144991)

NACHC's Medicaid Impact Statement

At Your Best Health Center		In Arkansas	
We employ 14 people.	We provide high quality, cost effective, integrated care for 5,000 people in our community.	In 2015 we cared for 2,500 Medicaid beneficiaries.	Which represented 50% of patients who came through our door.
Health centers serve 67,658 Medicaid beneficiaries.	Which is 36% of all patients served by health centers.	Health centers are cost effective Medicaid providers, serving 8.1% of all Medicaid beneficiaries in our state	but representing only 0.76% of the state's total Medicaid expenditures.

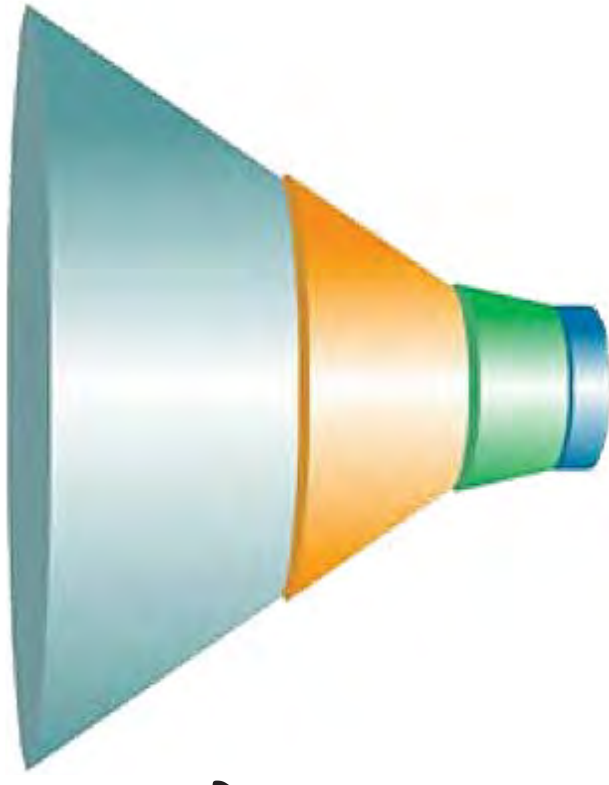
Back of the Envelope



Thinking of Expanding?

An organization wants to consider increasing its low income population market share by 5%.

How many more patients, visits, and providers would that mean?



Expansion Considerations

- Market Share – Current and Projected
- Number of Patients from specific population divided by that total population
- Service Area FQHC Patients = 133,390
- Service Area General Population = 714,575; Low Income Population = 425,426
- 19% market share General Population; 31% market share Low Income Population

- Estimating Encounters/Visits
- Historic/Realistic visits per patient times expected patients
- FQHC Visits = 586,916
- $586,916 / 133,390 = 4.4$ visits per patient

- Projecting Workforce Needs
- Historic/Realistic Provider Productivity divided by expected visits/patients
- FQHC Provider FTE = 628
- FQHC Visits = 586,916
- $586,916 / 628 = 934$ visits per FTE

Expansion Considerations

- An organization wants to increase its low income population market share by 5%; how many more patients, visits, providers?
- $31\% \times 1.05 = 32.55 = 33\%$
- $33\% \times 425,426 = 140,391$ patients
(increase of 7,000 low income patients)
- $7,000 * 4.4$ visits per patient = 30,800 additional visits
- $30,800 / 934$ visits per Provider FTE = 33 additional Provider FTEs

Expansion Considerations

- Estimated Square Footage/Funding Needed to Treat New Patients – **HYPOTHETICAL**
- Using estimated square feet per provider as basis...1,100
- **33 FTE x 1,100 sq ft per = 36,300 total sq ft**
- Using estimated cost per square foot as basis...\$480
- **36,300 sq ft * \$480/sq ft = \$17.4M estimated cost**

Expansion Considerations

Typical Breakdown of Project Costs for Health Centers:

Hard Costs: 70%
Equipment: 15%
Soft Costs: 15%

Total Project Cost 100%

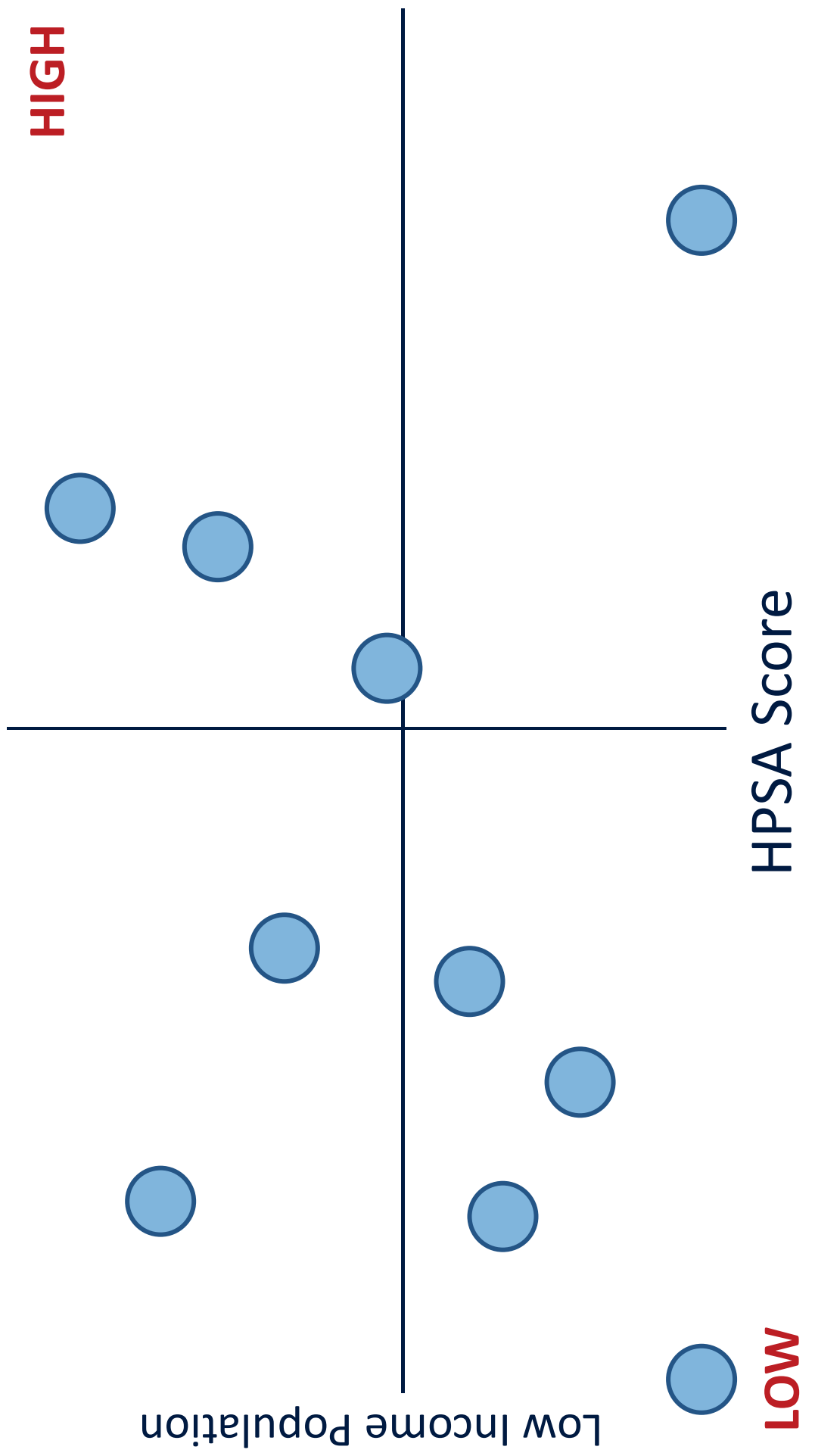
+ Land/Building Acquisition

Service Expansion - Immunization Rates and Costs

- Tetanus, Diphtheria, and Pertussis
- Not being vaccinated results in approximately 5,320 cases per 100,000 children
- \$17,000 in hospitalization costs per case
- Dtap Vaccine = \$80/child
- 74,000 children under 5 years of age in service area
- Current Immunization Rate = 70%  30% = \$20 million in costs
- Spend \$1.6 million to increase the Immunization Rate to 80%
- **New Immunization Rate = 77%**  **23% = \$15 million in costs**

Reduction of Hospitalization Costs of \$5 Million

Identifying Priorities




Capital Link's Revenue Modeling Tool

- Impact of Medicaid Eligibility
- Grant Funding for Uninsured
- Basic Assumptions:
 - PPS,
 - Payor Mix,
 - Reimbursement,
 - Expenses

Financial Sensitivity

Medicaid Patient Revenue Modeling Tool		
Current Medicaid Patients:		10,000
Current Billable Medicaid Visits:		37,000
Current Medicaid/PPS Rate:		\$150.00
Percentage Increase (-Decrease) in Medicaid Patients:		0.00%
	CURRENT PATIENTS	TOTAL REVENUE
Medicare	700	\$300,000.00
Other Public	700	\$300,000.00
Private Insurance	2,100	\$500,000.00
Uninsured/Self Pay	1,510	\$90,000.00
Other Patient Revenue		\$25,000.00

Financial Sensitivity

Medicaid Impact Analysis w/	0.00%	Change
Projected Change in Annual Revenue	\$0.00	
Change in Days Cash on Hand	0.0	
Current		
Average Surplus (Deficit) 330 Funding per Uninsured Patient	(\$2.98)	(\$2.98)
Total Surplus (Deficit) 330 Funding for Uninsured Patients	(\$4,497)	(\$4,497)
 CAPITAL LINK		

Financial Sensitivity

Financial Impact Analysis (Operating Statement)				
CONSOLIDATED INCOME STATEMENT (CURRENT BUDGET)			%	
HRSA 330 Grant		\$	750,000	10%
Patient Revenue				
Medicare	\$	300,000	5%	
Medicaid	\$	5,550,000	86%	
Uninsured	\$	90,000	1%	
Private	\$	500,000	8%	
Other	\$	25,000	0%	
Total Patient Revenue			100%	86%
Other Operating Revenue				4%
Total Revenue		\$	7,515,000	96%
Operating Expenses		\$	7,000,000	
Depreciation Expense		\$	500,000	
Total Expenses		\$	7,500,000	100%
Operating Surplus/Deficit			\$15,000	0.2%

Financial Sensitivity

Medicaid Patient Revenue Modeling Tool		
Current Medicaid Patients:		10,000
Current Billable Medicaid Visits:		37,000
Current Medicaid/PPS Rate:		\$150.00
Percentage Increase (-Decrease) in Medicaid Patients:		-10.00%
	CURRENT PATIENTS	TOTAL REVENUE
Medicare	700	\$300,000.00
Other Public	700	\$300,000.00
Private Insurance	2,100	\$500,000.00
Uninsured/Self Pay	1,510	\$90,000.00
Other Patient Revenue		\$25,000.00

Financial Sensitivity

PROJECTED INCOME STATEMENT (SCENARIO)					%
HRSA 330 Grant			\$	750,000	11%
Patient Revenue					
Medicare	\$	300,000		5%	
Medicaid	\$	4,995,000		84%	
Uninsured	\$	149,603		3%	
Private	\$	500,000		8%	
Other	\$	25,000		0%	
Total Patient Revenue				100%	
	\$	5,969,603			85%
Other Operating Revenue				\$300,000	4%
Total Revenue			\$	7,019,603	96%
Operating Expenses			\$	7,000,000	
Depreciation Expense			\$	500,000	
Total Expenses			\$	7,500,000	107%
Operating Surplus/Deficit				(\$480,397)	-7%

Implementation

- What potential change ‘wakes you up at night’? Why?
- What operational goal(s) will not happen without planning? Why?
- What planning resource(s) is most scarce? How to compensate?
- Most pressing issue(s) facing your organization? Consequences?
- Conduct one “back of the envelope” scenario. Assumptions?

“Strategic Planning is PRACTICE.

Strategic Management is the GAME.”

Innovation is driven by the ability to

Fail quickly,

Learn, and

Evolve.

Jonathan Chapman

Colorado

jchapman@caplink.org

970.833.8513