



Extra, Extra! Hear All about It! HRSA–Supported Resources for Health Center Analysis and Improvement



Terry Glasscock

Senior Project Consultant

HRSA Fall Webinar Series

November 9, 2016

Capital Link - Overview

- Launched in 1995, nonprofit, HRSA national cooperative partner
- Offices in MA, CA, CO, ME, MO, RI, SC and WV
- **Over \$1 billion** in financing for **over 215** capital projects
 - **Direct assistance** to health centers and complementary nonprofit organizations in planning for and financing operational growth and capital needs
 - **Industry vision and leadership** in the development of strategies for organizational, facilities, operational and financial improvements
 - **Metrics and analytical services** for measuring health center impact, evaluating financial and operating trends and promoting performance improvement

Resources Available From Capital Link

Paid for by HRSA

- What Are The Strategic Forces Influencing Health Care Policy ([Presentation](#), [Webinar](#))
- Strategic Planning Designed for FQHCs: The Strategic Planning Toolkit ([Presentation](#), [Webinar](#), [Toolkit](#))
- High-Performance Community Health Care – How to Measure and Achieve It ([Presentation](#), [Webinar](#))
- Revenue Growth Through Expansion: How to Build Capital Improvements with Low-cost Financing ([Presentation](#), [Webinar](#))
- Performance Snapshot ([Brief report that evaluates your financial, financial I performance](#))
- Metrics that Matter: Review of Financial and Operational Measures Needed for Management Decisions ([Presentation](#), [Webinar](#))

Presentation, Webinar



Strategic Forces Influencing Health Care Policy



Terry Glasscock
Senior Project Consultant

“

The primary influences on health care policy are economic.

”

Interest Rates

Now

- Fed Funds – 0% to .25%
- TE Bond - .25%
- Prime – 3.25%
- Inflation - .5%

Five Years Ago

- Fed Funds – 3.00%
- TE Bond -4.5%
- Prime – 5.0%
- Inflation – 4%

Five Years From Now?

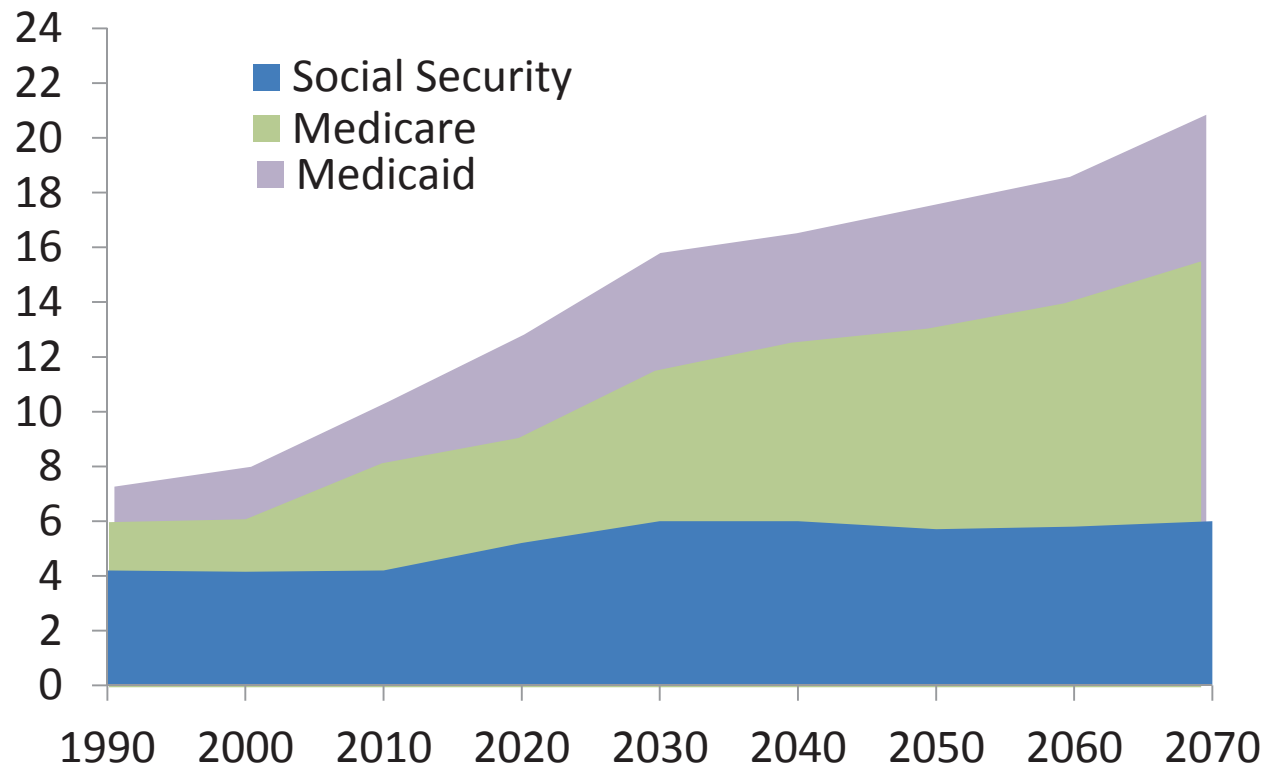
Healthcare Costs

- 1900 – 3% GDP (Gross Domestic Product).
- 1964 – 6% GDP
- 1994 – 15% GDP
- 2020 – 25% GDP

Per person expenditure for healthcare:

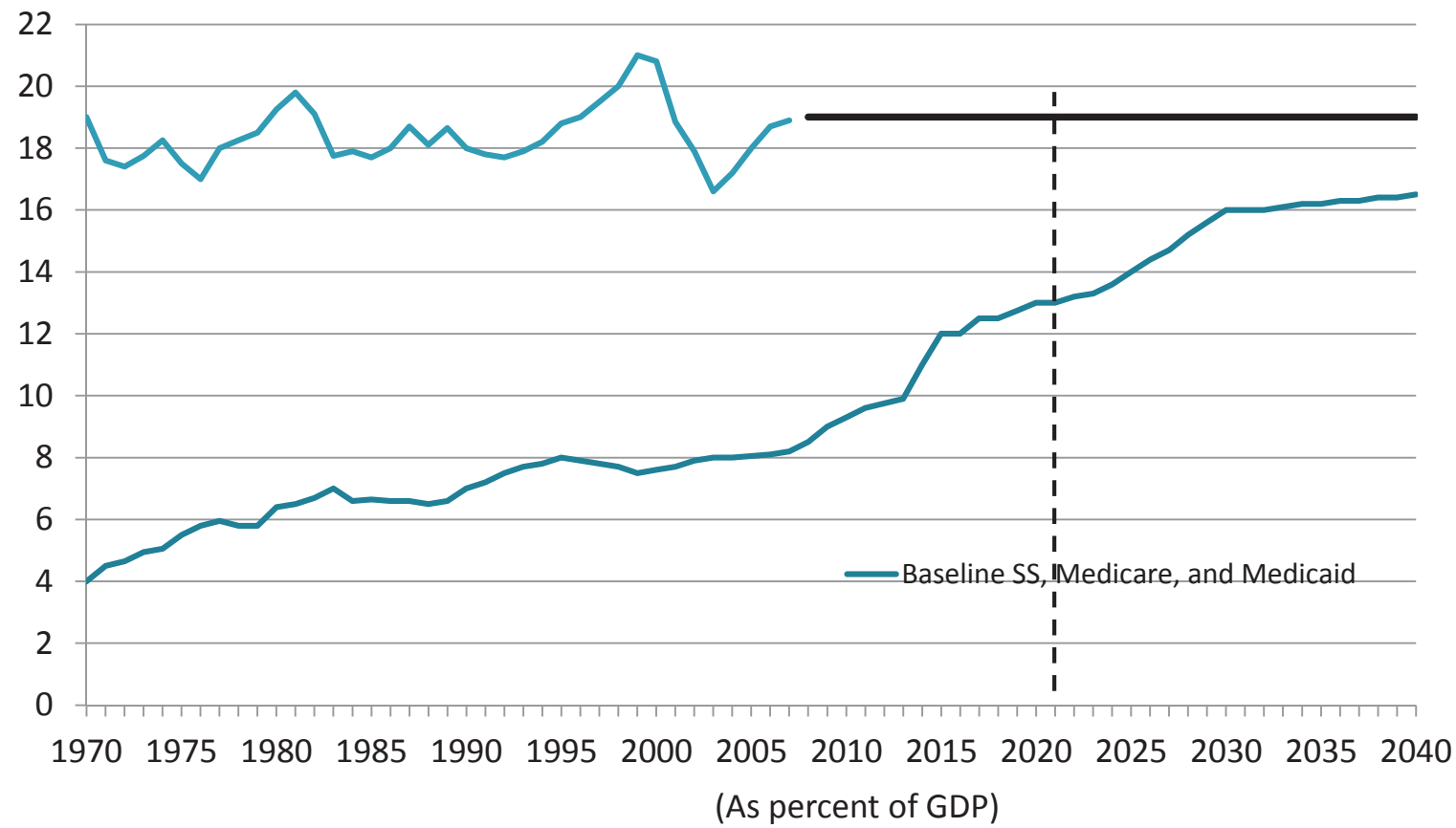
- 1965 - \$205
- 2000 - \$4637
- 2010 - \$8233

Social Security, Medicare & Medicaid Outlays as a Percentage of GDP 1990-2075



Source: C. Eugene Steuerle and Adam Carasso, (*Budget Crisis at the Door*), The Urban Institute, 2003. Based on data from the Congressional Budget Office, "A 125Year Picture of the Federal Government's Share of the Economy, 1950-2075," July 3, 2002, table 2.

Influences: Federal Receipts vs Entitlement Spending




Source: C. Eugene Steurle and Adam Carasso, (*Budget Crisis at the Door*), The Urban Institute, 2003 Based on data from *Budget of the U.S. Government, FY 2004* and CBO's "Analysis of the President's Budget, FY 2004."


Looking Ahead...

- Entitlement programs cannot be sustained at current levels!
- Medicaid, Medicare, S.S. will be altered!
- The Window of Opportunity for financing future growth will narrow.

Presentation, Webinar, Toolkit



An Introduction to “Creating a Dynamic and Useful Strategic Plan”, a New Toolkit for Health Centers

 **CAPITAL LINK**
www.caplink.org

Terry Glasscock
Senior Project Consultant

Creating...

A "GPS" Plan



Not A Storage Problem



“

If you don't know where you are going, any road will get you there.

”

Why Have a Strategic Plan?

- Eliminate surprise
- Provide a guide for every day decisions (critical minutia)
- A tool to help keep pace with external change

Key Strategic Planning Components



SELF-ASSESSMENT

- What you do
- Why you do it
- How you do it
- What you do well
- What you could do better
- Operational capacity
- Financial capacity
- Physical capacity
- Irony of Strategic Planning: most effort needed

ENVIRONMENTAL SCAN

- You can't manage what you don't know
- What lies ahead (environmental scan)
- Demographic shift (overwhelming)
- Government healthcare policy
- Government fiscal policy
- National and global economy
- Local economy
- Invite stakeholders to provide input
 - Community
 - Patients, Providers, staff
 - Government: local, state, federal
 - Other social services
- There is no “future” there are possible “futures”

IMPACT EVALUATION

- What possibilities did we find in landscaping
- What are the operating and financial implications of each of those possibilities.
- Listing the possibilities and the impacts on the CHC of each one
- Prioritizing the probabilities
- Analyzing the impact on each possibility
- Capital Needs, human resources, connections

GOAL SETTING

A goal without a plan is just a wish.

- Strategic Goal Setting Guide
- Guide to Establishing Objectives for Strategic Goals

ACTION PLAN

- “What if” planning
- Contingent Action Plan
- “Back-to-the-Future” planning
- Immediate Action Plan
- Maximizing positive possibilities
- Minimizing negative possibilities
- Timeline estimates for intervention
- Community Activation

Presentation, Webinar



An Introduction to “High-Performance” Community Health Care



Terry Glasscock
Senior Project Consultant

*If you can't measure it.....you can't
manage it.*

.....But....

*Not everything that can be counted
counts...not everything that counts can
be counted*

Process of Measure and Change

- Measure inputs
- Measure activities
- Measure outputs
- Measure outcomes and impacts
- Change and measure again

Learning to Measure Performance

- Inputs
 - Resources: human, financial, information
- Outputs
 - Number of patients seen
 - Number of visits
 - I.E. numbers of things done
- Outcomes – Long-term Results
 - Reduction of disease incidence in community
 - Much more difficult to measure
 - Requires “Proxy” measurement

The Importance of Financial Benchmarking

Ratios

- Easier to understand and usually more relevant than the unrelated, free standing information in financial statements and operational data
- Relationship between various pieces of data to reveal indicators that a deeper analysis may be warranted

Benchmark Categories

- Liquidity
- Financial Viability
- Profitability
- Payer-Specific
- Productivity
- Utilization

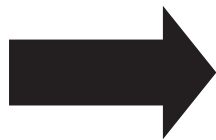


Liquidity: Days Cash on Hand

Unrestricted Cash

(Total Operating Expenses – Depreciation) ÷ 360 Days)

Measures Liquidity



The number of days an organization can operate without any new cash inflows

Recommended Benchmark

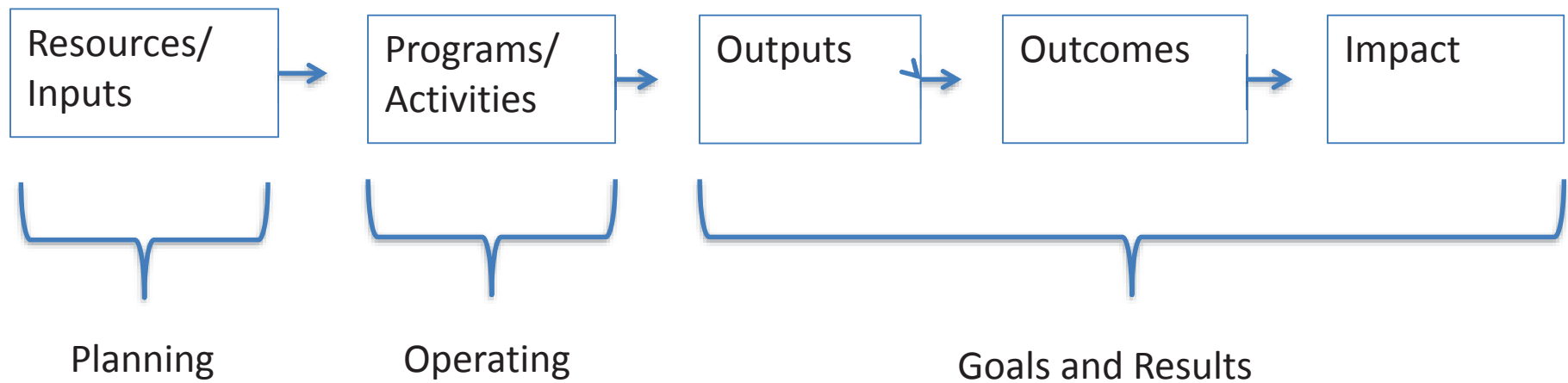


*Maintain Days Cash on Hand **at least 60 days** at minimum. Stretch goal: **90 days***

Logic Model of Management

- I like it because....well...its logical.
- A logic model is a systematic and visual way to present and share your understanding -
- Of the relationships among the resources needed to operate your program
- And the changes or results you hope to achieve. (Outcomes)
- Look at it this way....

Using Logic...To Measure



Look Familiar?

Key Strategic Planning Components



Presentation, Webinar



Revenue Growth Through Expansion: How to Build Capital Improvements with Low-cost Financing



Terry Glasscock
Senior Project Consultant

Bottom Line: Window of Opportunity

- Lowest Interest rates in history
- NMTC, TE bonds, Commercial Rehab Credits, Historic Tax Credits (before new tax policies?)
- Slowly rising building costs (before inflationary policies)
- Before the full effects of the storm ahead: (Medicare and Medicaid changes)

How Do You Get The Best Financing?



Business Plan and Financial Forecast

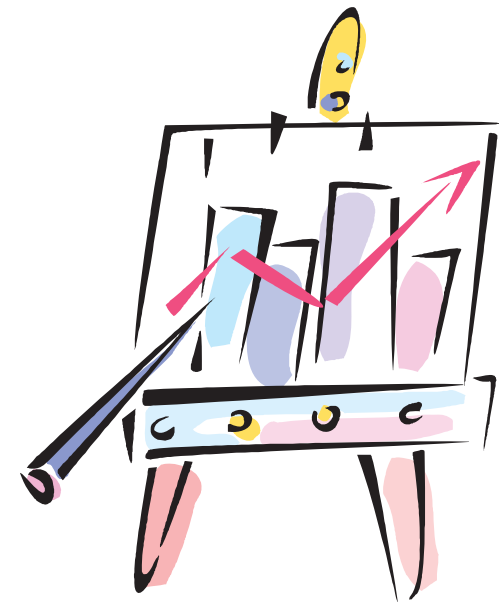
CRITICAL!

Business Plan: Non-financial Section

- CHC description and background
- Market analysis and Growth potential
- Organizational experience and structure
- Project Details

Business Plan: Financial Section

- Financial Feasibility
 - Historical Performance (three years audited)
 - 5-7 year Forecast
 - Project budget
 - Sources and Uses
 - Financing Structure
 - Looks Like this...



Where do you get it?



Equity/ Grant Funding

Health Center Cash
Reserves

Federal Government:
USDA, NMTC

State/Local
Government
Grants/Appropriations

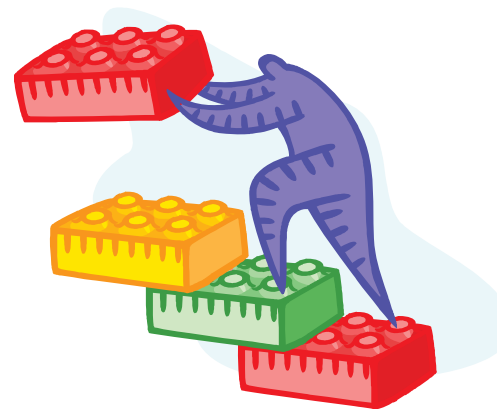
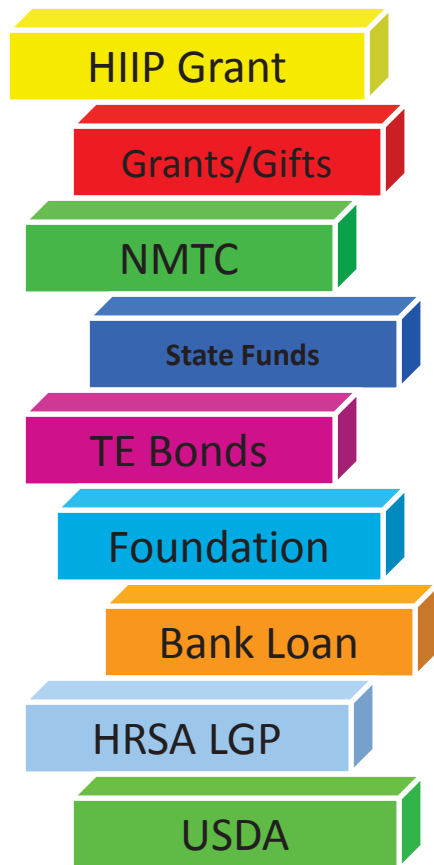
Foundation Grants—
Private or Corporate

Hospital or Other
Partners

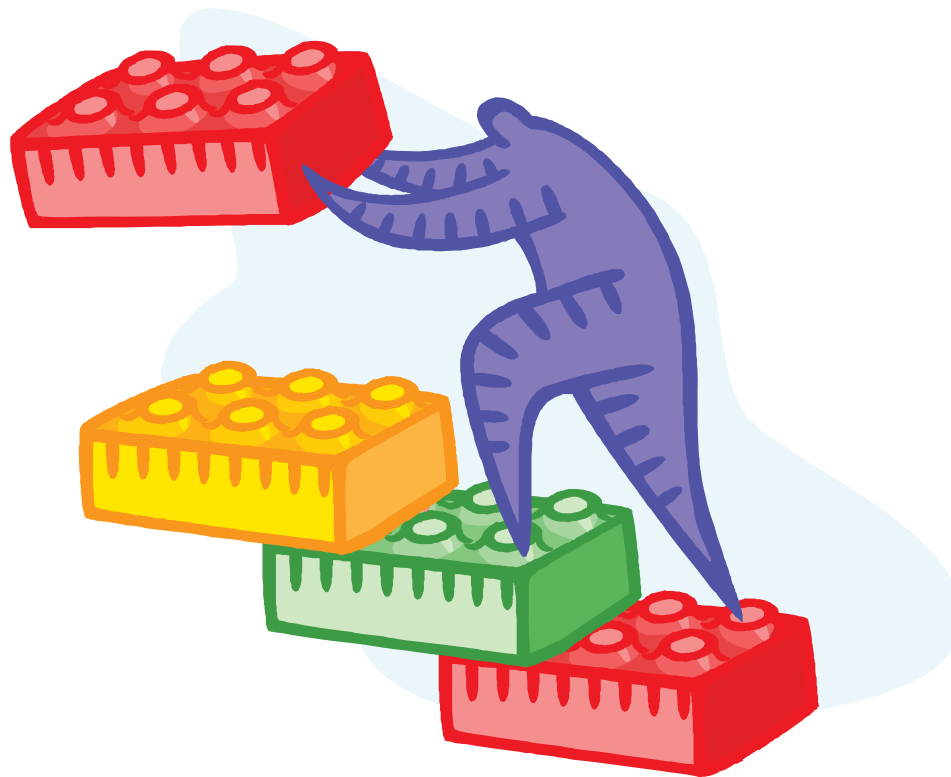
Community Capital
Campaigns

In-Kind Gifts, e.g.
Donated
Land/Equipment,
\$1.00/Year Lease for 99
years

Financing Components



Choosing the Right Pieces Can Make A Huge Difference!



Same \$5 million Project

- Traditional bank loan - \$310,000
- Using NMTC with bank loan - \$240,000
- USDA Loan - \$186,000
- Tax Exempt Bonds and NMTC - \$156,000
- Foundation Program Related Investment (PRI) and NMTC - \$120,000

Performance Snapshot

*Brief Report that evaluates your
financial performance*

How can you sustain yourself in a time of unprecedented growth and change?

The Performance Snapshot helps you look at yourself now and teaches you what to look for in the future.

Financial Assessment

- How have you performed in the past?
- How are you doing now?
- How prepared are you to sustain additional growth?

Benchmarking and Goal Setting: Sample Performance Snapshot

A performance snapshot provides a relatively detailed overview of a health center's performance in comparison to available targets and benchmarks. Capital Link's analysis on the financial health of California health centers may be utilized by health centers to develop their own comparative frameworks for performance analysis.¹ The following table provides a summary of the comparative results for 15 financial and operational performance indicators for various peer data sets. A more detailed listing of performance results and analysis, including quartile and multi-year results, is available on Capital Link's website. Health centers should update this type of model with their own information to determine areas for further review and establish internal targets for each measure.

PERFORMANCE SNAPSHOT (Sample)		Capital Link Target	Health Center Target	Current Year Health Center Results	2013 CA Median	CA Financial High Performers 2013 Median	National 2013 Median
FINANCIAL HEALTH							
1	Operating Margin	>1-3%	-	-	2.1%	7.1%	1.2%
2	Bottom Line Margin	>3%	-	-	4.4%	6.7%	3.6%
3	Days Cash on Hand	>30-45 Days	-	-	52	90	47
4	Days in Net Patient Receivables	<60 Days	-	-	47	53	43
5	Personnel-Related Expense as % of Operating Revenue	<70-75%	-	-	74%	70%	73%
PRODUCTIVITY & FINANCIAL OPERATIONS							
6	Physician Visits / Physician Full-Time Equivalent Employees (FTEs)		-	-	3,385	3,784	3,118
7	Mid-Level Visits / Mid-Level FTEs		-	-	3,032	3,358	2,632
8	Dental Visits / Dental Provider FTEs		-	-	2,696	2,937	1,981
9	Medical Patients / Medical Provider FTEs		-	-	960	1,033	964
10	Medical Patients / Total Medical Staff FTEs		-	-	330	344	329
11	Accrued Cost per Patient Visit		-	-	\$186	\$170	\$187
12	Accrued Cost per Patient		-	-	\$779	\$661	\$680
STAFFING & UTILIZATION							
13	Medical Support Staff Ratio		-	-	2.1	2.3	1.9
14	% Admin & Non-Clinical Staff Ratio		-	-	21%	22%	21%
15	Patient Visit Growth Rate		-	-	6.0%	7.1%	2.0%

¹ California Community Health Centers: Financial & Operational Performance Analysis, 2010-2013, Capital Link, January 2015, <http://www.caplink.org/resources/reports>

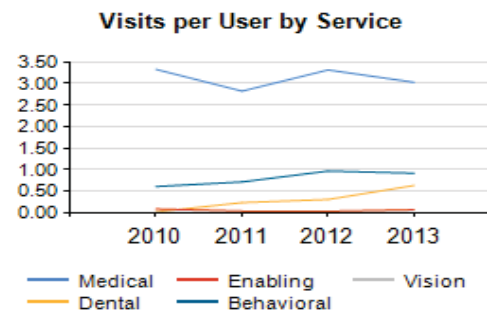
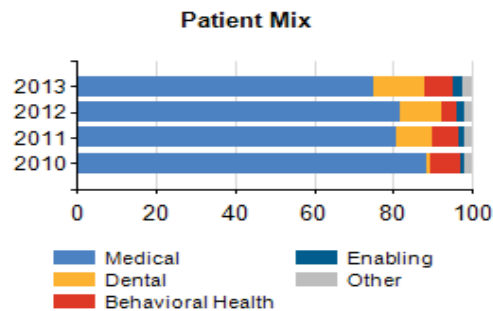
Debt Capacity Analysis

Debt Capacity Sensitivity Analysis		2014	2013	2012	2011
Funds Available for Debt Service (incl. rent rebate)		\$322,246	\$0	\$114,933	\$163,498
Rent rebate =	\$0				
Funds Available for Debt Service After Applying D.S.C. Requirement. of 1.25		\$257,797	\$0	\$91,946	\$130,798
Debt Supported by Adjusted Cash Flow (20 year term)					
Interest Rate Scenario:	7.00%	\$2,731,103	\$0	\$974,081	\$1,385,680
Interest Rate Scenario:	6.00%	\$2,956,909	\$0	\$1,054,618	\$1,500,247
Interest Rate Scenario:	5.00%	\$3,212,718	\$0	\$1,145,855	\$1,630,037
Interest Rate Scenario:	4.00%	\$3,503,543	\$0	\$1,249,582	\$1,777,593

How much could you comfortably borrow?

Operational Capacity Assessment

Patient Growth and Utilization	CY 10	CY 11	CY 12	CY 13
Patient Visits	57,938	62,403	65,626	73,504
Total Patients	14,003	15,943	13,928	15,405




Patient Management: User and Visits	CY 10	CY 11	CY 12	CY 13
Medical Patients/Medical Provider FTEs	997.7	1,017.9	608.0	1,143.2
MH Patients/MH Provider FTEs	174.6	172.9	75.2	145.6
Dental Patients/Dental Provider FTEs	238.3	760.0	702.7	531.0
Vision Patients per Vision Provider FTEs	NA	NA	NA	NA
Enabling Patient per Enabling FTE	77.4	95.8	45.2	34.2
Total Unduplicated Patient per Total FTE	183.0	184.7	150.1	145.6
Medical Visits per Provider FTE (Physician and Mid-Levels)	3,504.3	3,333.8	2,299.7	4,092.2
MH Visits/MH Provider FTEs	1,289.7	1,752.3	1,658.5	1,606.0
Dental Visits/Dental Provider FTEs	378.3	1,765.7	1,950.2	2,318.1

To Receive a Performance Snapshot...


Send us your

- Audits and UDS reports from the last four years
- Street addresses of all of your locations

Presentation, Webinar



Metrics that Matter: Review of Financial and Operational Measures Needed for Management Decisions

 **CAPITAL LINK**
www.caplink.org

Terry Glasscock
Senior Project Consultant

Overview

- Financial Reporting
- What's Enough and What's Too Much
- Full Statements or Dashboard?
- How much Operational Data should a board see/understand/control?
- Where's the line?
- What Do You Measure?



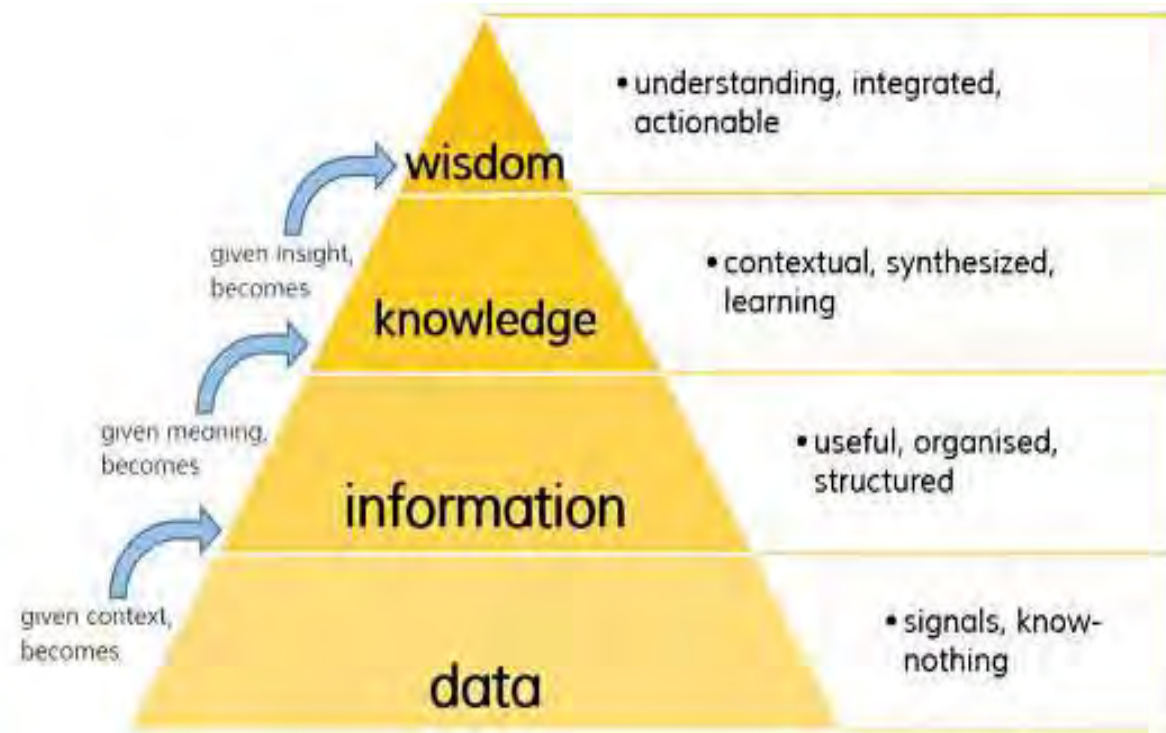
Importance of Data/Metrics

- Growing need for services
- Increasing complexity of patients
- Increasing complexity of organizations
- Need to ensure resources spent efficiently and effectively
- Pressure to boost revenue
- Preparation for and Implementation of Payment Reform, Patient-Centered Medical Homes, ACOs

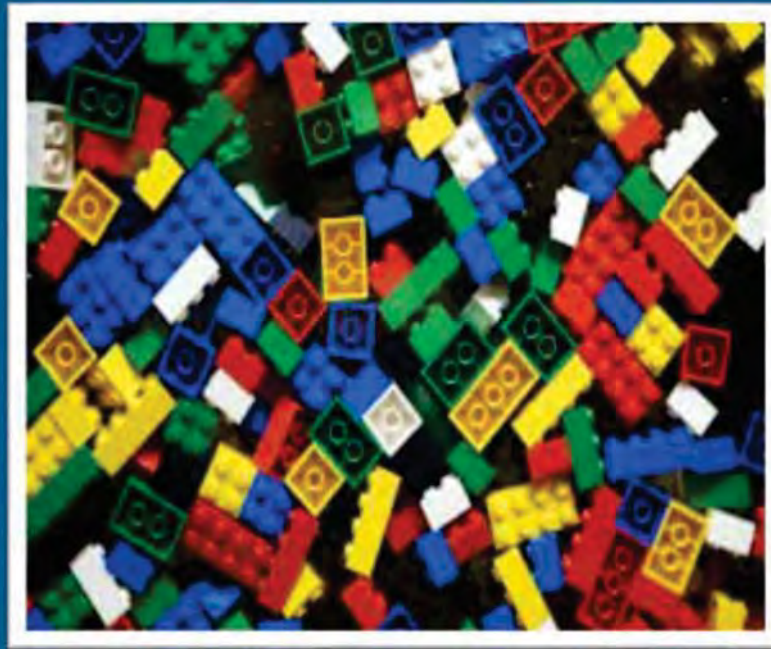
Why Metrics Matter

You can't manage what you don't know and...

You can't know what you don't measure



Data



Today's Baseball Scores!

- 5 to 3
- 8 to 7
- 3 to 2



Data

- Number of Patients
- Number of visits
- Number of FTEs

Information



Today's Baseball Scores!

- Cubs 5 to Giants 3
- Red Sox 8 to Yankees 7
- Orioles 3 to White Sox 2



Information

- Visits/provider
- Expense/visit
- Revenue/visit

Key Performance 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

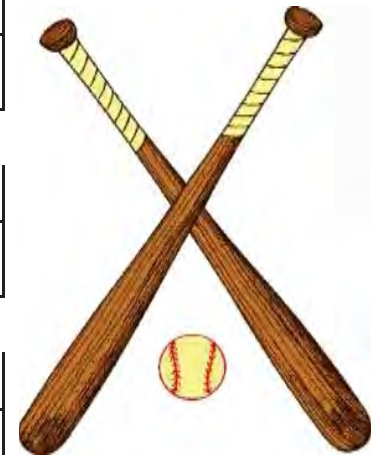
*Capital Link Performance Benchmarking Toolkit

Knowledge



Today's Baseball Standings!

#	AL East	W	L	PCT	GB	HOME	AWAY	L10
1	Red Sox	93	69	.574	-	47-34	46-35	5-5
2	Orioles	89	73	.549	4.0	50-31	39-42	7-3
-	Blue Jays	89	73	.549	4.0	46-35	43-38	6-4
4	Yankees	84	78	.519	9.0	48-33	36-45	5-5
5	Rays	68	94	.420	25.0	36-45	32-49	3-7

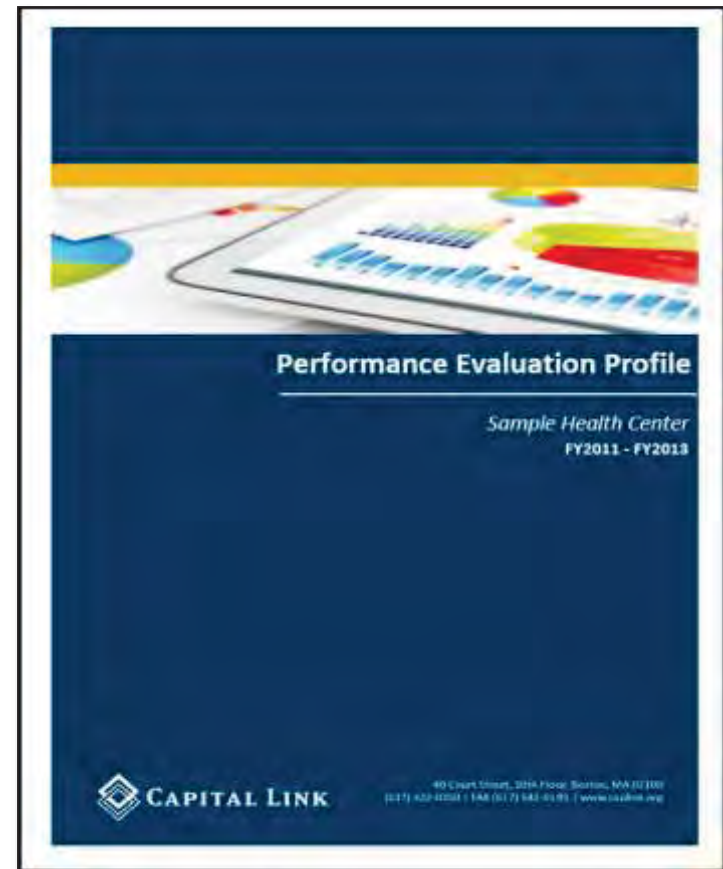


Benchmarking & Trend Analysis



Performance Evaluation Profile

- 72 financial & operational metrics based on financial audits and UDS
- Peer Comparison
 - State, multi-state, consortia
 - National datasets



Sample Performance Dashboard

The following dashboard illustrates several sample templates that may be used for routine performance monitoring. These and/or other charts should be populated with actual health center data and incorporate benchmark targets where appropriate.



Questions?

Contact

Terry Glasscock

Senior Project Consultant

781-789-6847

tglasscock@caplink.org

Visit us Online: www.caplink.org

- Learn more about our products and services
 - Download our free publications and resources
 - Register for upcoming webinars
 - Sign up for our e-newsletter, *Capital Ink*
 - Subscribe to our blog at capitallinksblog.blogspot.com
-

Contact Us

Main Office

Massachusetts

Allison Coleman

Chief Executive Officer
acoleman@caplink.org

Susan Petrie

Chief Operating Officer
Tel: 617-988-2248
spetrie@caplink.org

Steve Rubman

Director of Data & Information Systems
Tel: 617-988-2299
srubman@caplink.org

Regional Offices

California

Dale Johnson

Project Consultant
Tel: 847-942-9062
djohnson@caplink.org

Tony Skapinsky

Project Consultant
Tel: 805-544-2355
tskapinsky@caplink.org

Colorado

Jonathan Chapman

Tel: 225-241-6855
Director of CHC Advisory Services
jchapman@caplink.org

Maine

Dan Woodman

Project Consultant
Tel: 781-315-5424
dwoodman@caplink.org

Maryland

Daniel Moss

Project Consultant
Tel: 240-676-9930
dmossm@caplink.org

Missouri

Mark Lurtz

Senior Director of Partnership
Development
Tel: 636-244-3082
mlurtz@caplink.org

Rhode Island

Rebecca Polan

Project Consultant
Tel: 401-846-3109
rpolan@caplink.org

South Carolina

Terry Glasscock

Senior Project Consultant
Tel: 781-789-6847
tglasscock@caplink.org

West Virginia

Cindy Barr

Operations & Facilities Planner
Tel: 304-876-6996
cbarr@caplink.org