



# High-Performance Healthcare: How to Measure It and How To Achieve It



**CAPITAL LINK**

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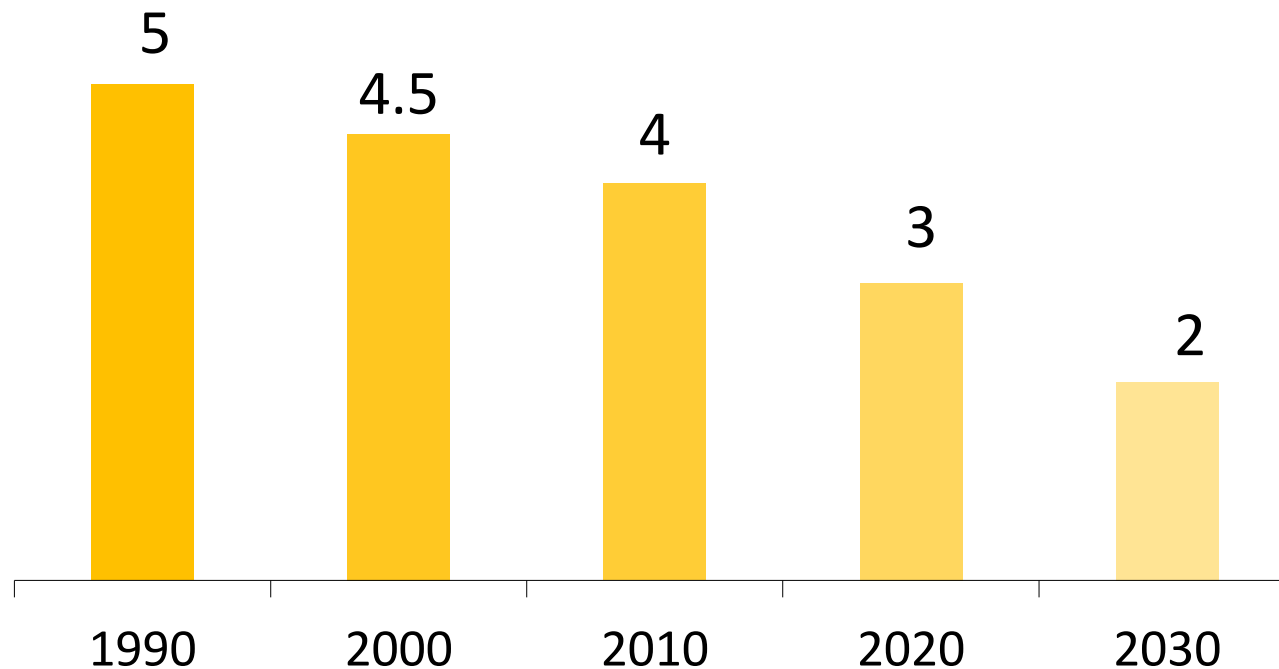
# What is High-Performance?

- A business has its “bottom line” as the ultimate measure.
- For us, its not so easy to define.
- Like any non-profit, we must succeed in our mission as well as our financial sustainability.
- No margin...no mission.

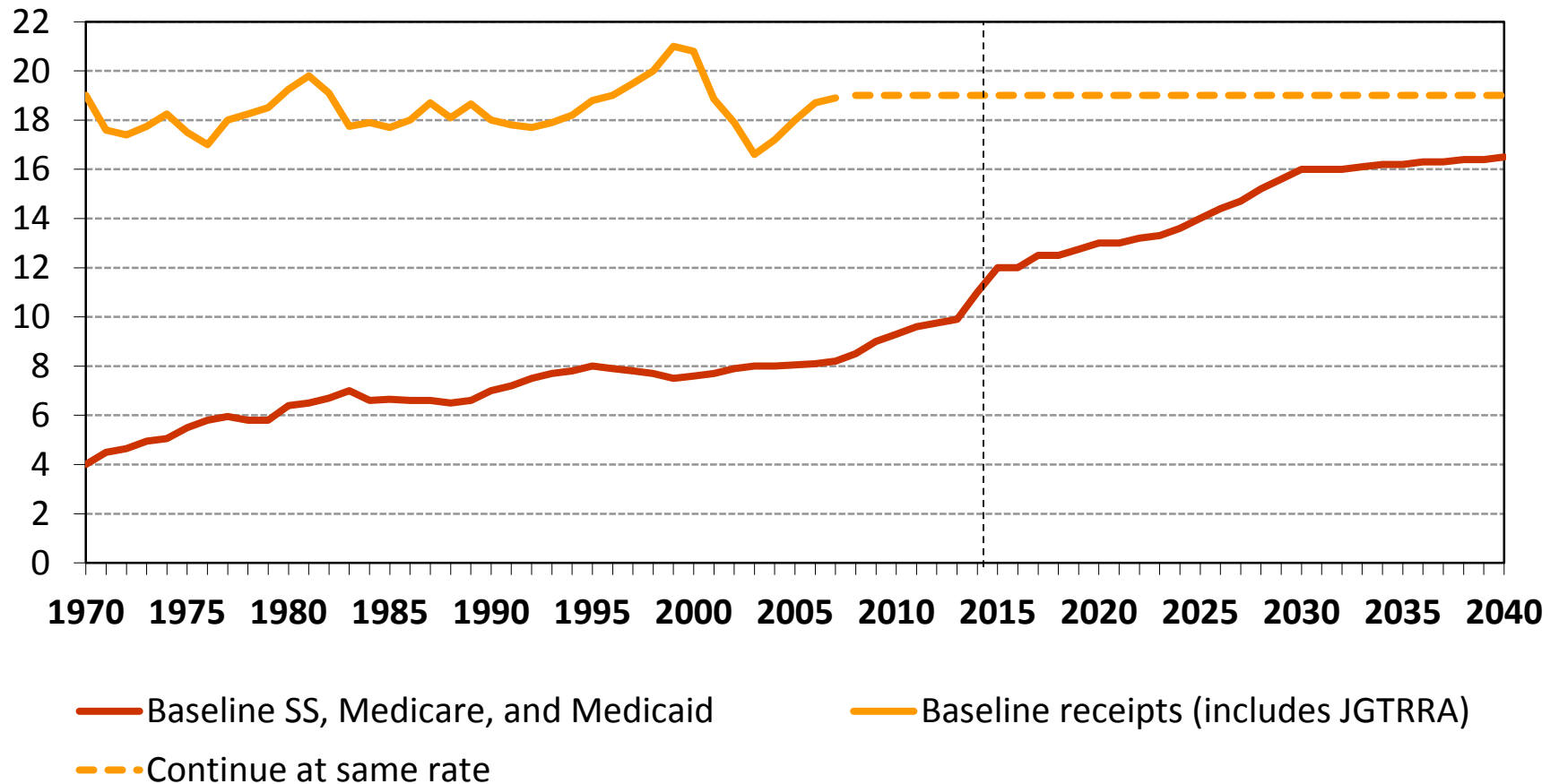
# Why Now?

- Congress' own Commission on Entitlement Reform reported that SS, Medicare, Medicaid and interest on the national debt will exceed all federal income by 2030!
- International Monetary Fund: The United States must either decrease benefits for Medicare and Medicaid by 50% or increase taxes by 60% to maintain solvency of those programs.

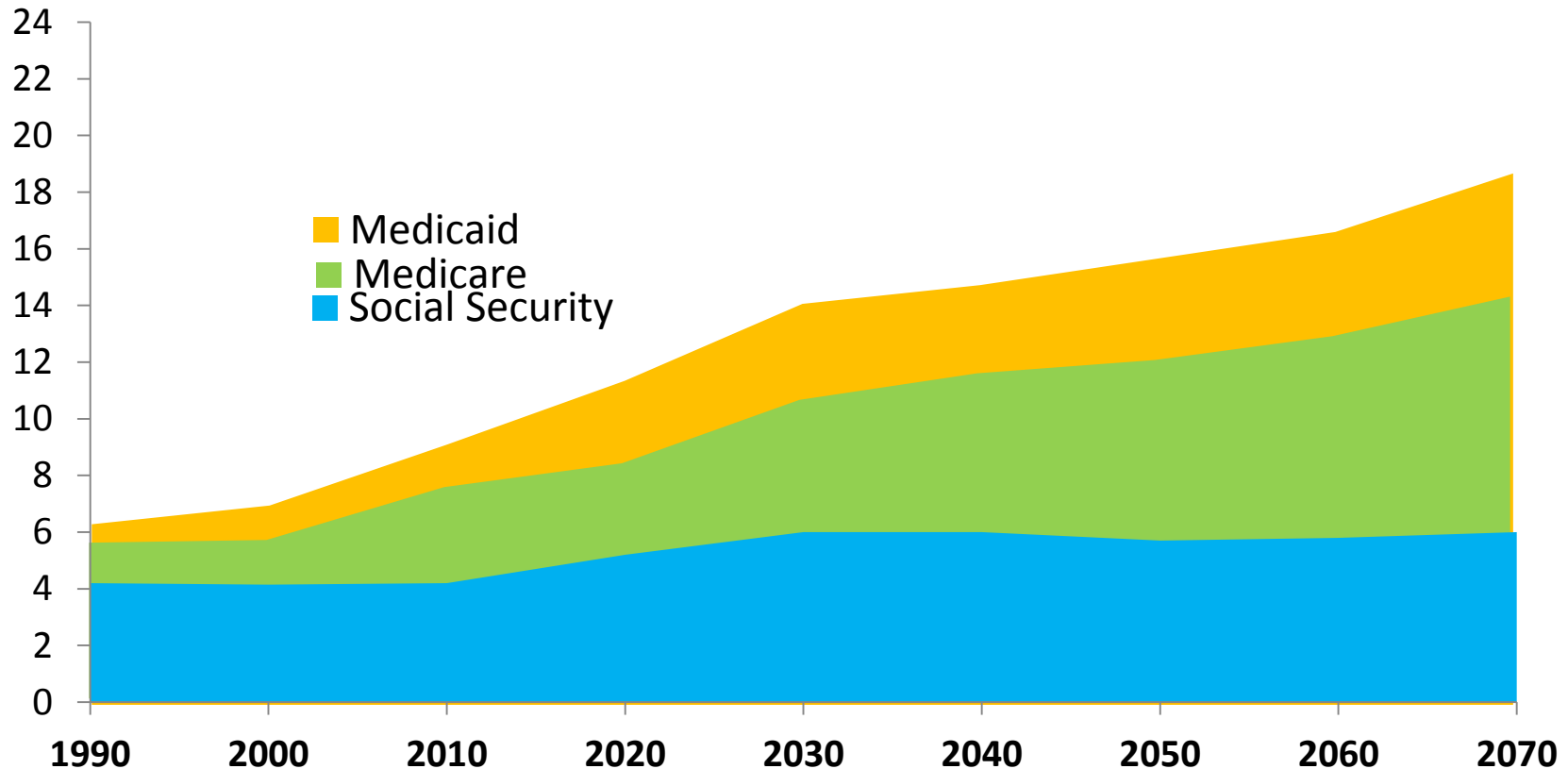
# Number of Workers Per Retiree



# Federal Receipts vs. Entitlements



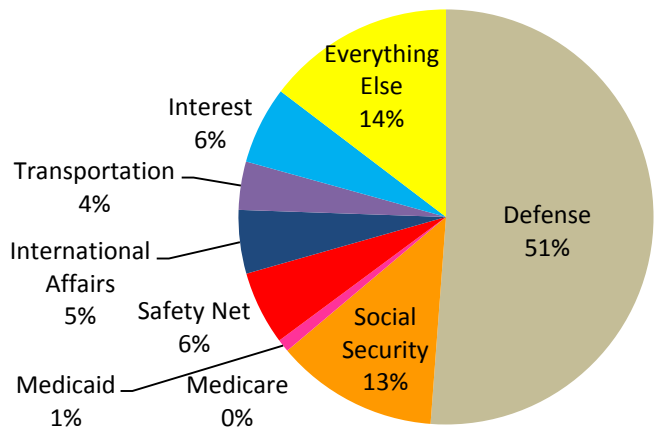
# Social Security, Medicare & Medicaid Outlays as a Percentage of GDP 1990-2075



Source: C. Eugene Steurle 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.

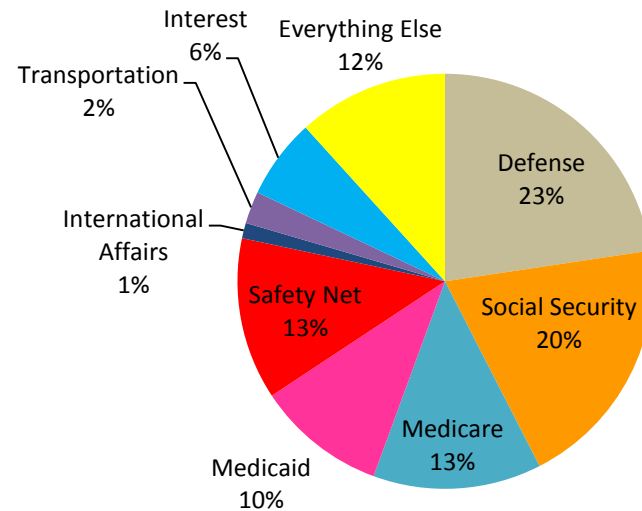
# Federal Government Spending

**1962**



Safety Net  
S.S.  
20%

**2011**



Medicaid  
Medicare  
S.S.  
43%

# 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



# Just When...

- Growing need for services: Demographic pressures
- Increasing complexity of patients
- Pressure to boost revenue :Need to ensure resources spent efficiently and effectively
- Preparation for Patient Centered Medical Homes, ACOs, Capitation

*You can't manage what  
you don't know!*

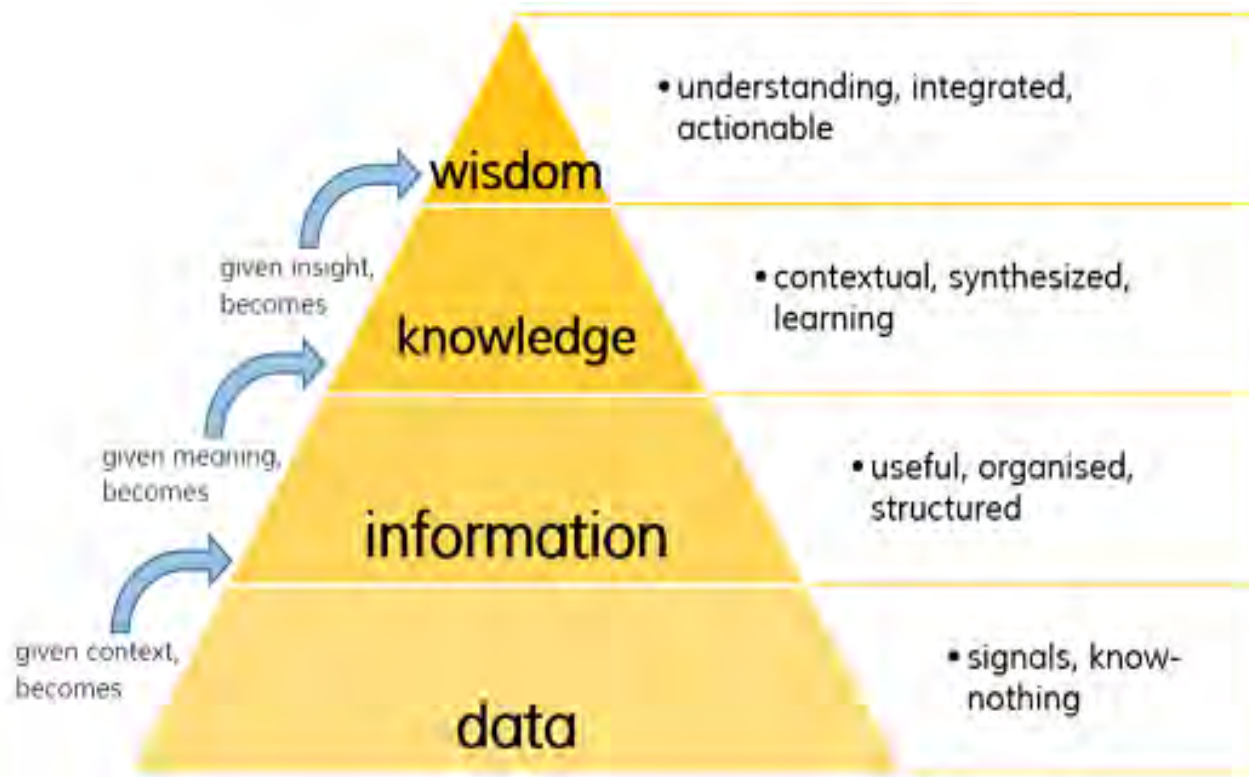
*If you can't measure it,  
You can't manage it!*

*Becoming more productive and  
efficient is essential.*

# *Managing with Metrics Is simply...*



# Acquiring Management Wisdom



# Measure

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Gathering Data:  
What Should You Measure?

# Process of Measure

- Measure inputs
- Measure activities
- Measure outputs
- Measure outcomes

# Measuring Inputs

- Inputs
  - Human and Physical – Hours worked, number of specified FTEs, examination rooms, phone calls answered, supplies, physical space, and equipment (i.e., MRI, x-ray, and lab)
  - Financial – Salaries, equipment lease, overhead costs per square foot, and contract services



# Measuring Activities

- **Program Activities** are what the program does with the resources. Activities are the processes, tools, events, technology, and actions that are an intentional part of the program implementation. These interventions are used to bring about the intended program changes or results. All functions of the organization...operational, clinical, financial.
- Scheduling, intake, examination times, recording time.

# Measuring Outputs

- Outputs
  - *Physical* – Number of visits or encounters, patients, prescriptions, cases, X-rays, lab work, referrals made, etc.
  - Patient and Staff Satisfaction
  - *Financial* – patient revenues, Net Margin

# Measuring Data

Service Provider:	FTEs
Physician	8.57
Midlevel (PA, NP)	11
Nurses (RN)	8.34
Medical Provider Support*	29.67
Dental Provider	5.34
Hygienist	8.11
Dental Support	14.44
Clerical and Administration	56.36
Facilities	1.48
Enabling	7.81
<b>TOTAL</b>	<b>151.12</b>

	Visits
Medical Visits	52,483
Dental Visits	31,297
Mental Health Visits	0
<b>Total Visits</b>	<b>83,780</b>

*How Do We Convert Data to  
Information?*

# Comparing

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Comparing Related Data Creates Information

# Creating Information

- Ratios
- Visits/Provider
- Cost/visit
- Net Margin
- Debt/Equity

# Comparison Begins to Provide Meaning

Comparison	Ratio
Total Visits / Total FTEs	554
Med Visits / Provider	2682
Dental Visits / Dental Provider	2327

# Benchmarking

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Turning Information into Knowledge



# Assessing Results



# Beyond the Budget

- Measuring and benchmarking goes beyond the budget...beyond financial
- Financial measures should be benchmarked
- Operational measures will be benchmarked
- And, there are some measures and benchmarks that are a combination.
- If a measure has a \$ in front of it is financial; if it doesn't it is usually operational
- Let's look at some examples

# Benchmarking Information

Year	2013	2014
Service Provider:	FTEs	FTEs
Physician	8.57	9.5
Midlevel (PA, NP)	11	13.53
Nurses (RN)	8.34	11.9
Medical Provider Support*	29.67	42.03
Dental Provider	5.34	5.3
Hygienist	8.11	8.5
Dental Support	14.44	18
Mental Health Provider		0.33
Clerical and Administration	56.36	62.44
Facilities	1.48	2
Enabling	7.81	9
Admin Enabling		2
<b>TOTAL</b>	<b>151.12</b>	<b>184.53</b>

Year	2013	2014
Med Visits / Provider	2,682	2,300
Dental Visits / Dental Provider	2,327	2,319

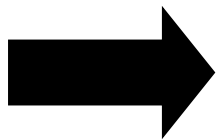
You're learning more;  
information is becoming  
knowledge

# Liquidity: Days Cash on Hand

## Unrestricted Cash

(Total Operating Expenses – Depreciation) ÷ 360 Days)

### *Measures Liquidity*



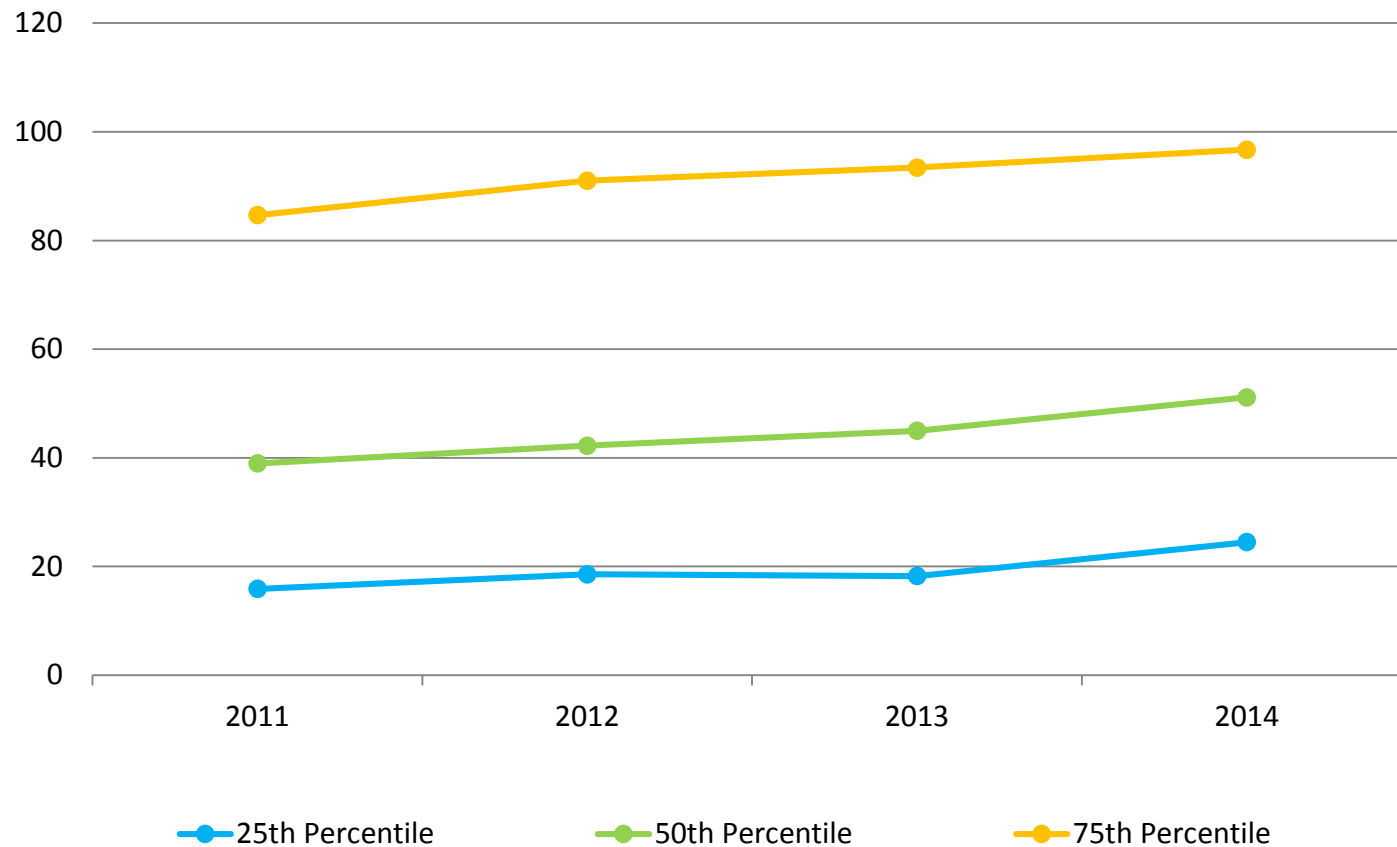
*The number of days an organization can operate without any new cash inflows*

### *Recommended Benchmark*



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

# Days Cash on Hand – National Averages

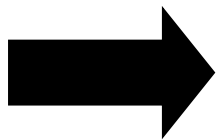


# Liquidity: Days in All Accounts Receivable

## All Receivables

$$\frac{\text{NPSR} + \text{G\&C Receivables} + \text{Net Assets Released from Restrictions}}{360 \text{ Days}}$$

### *Measures Liquidity*



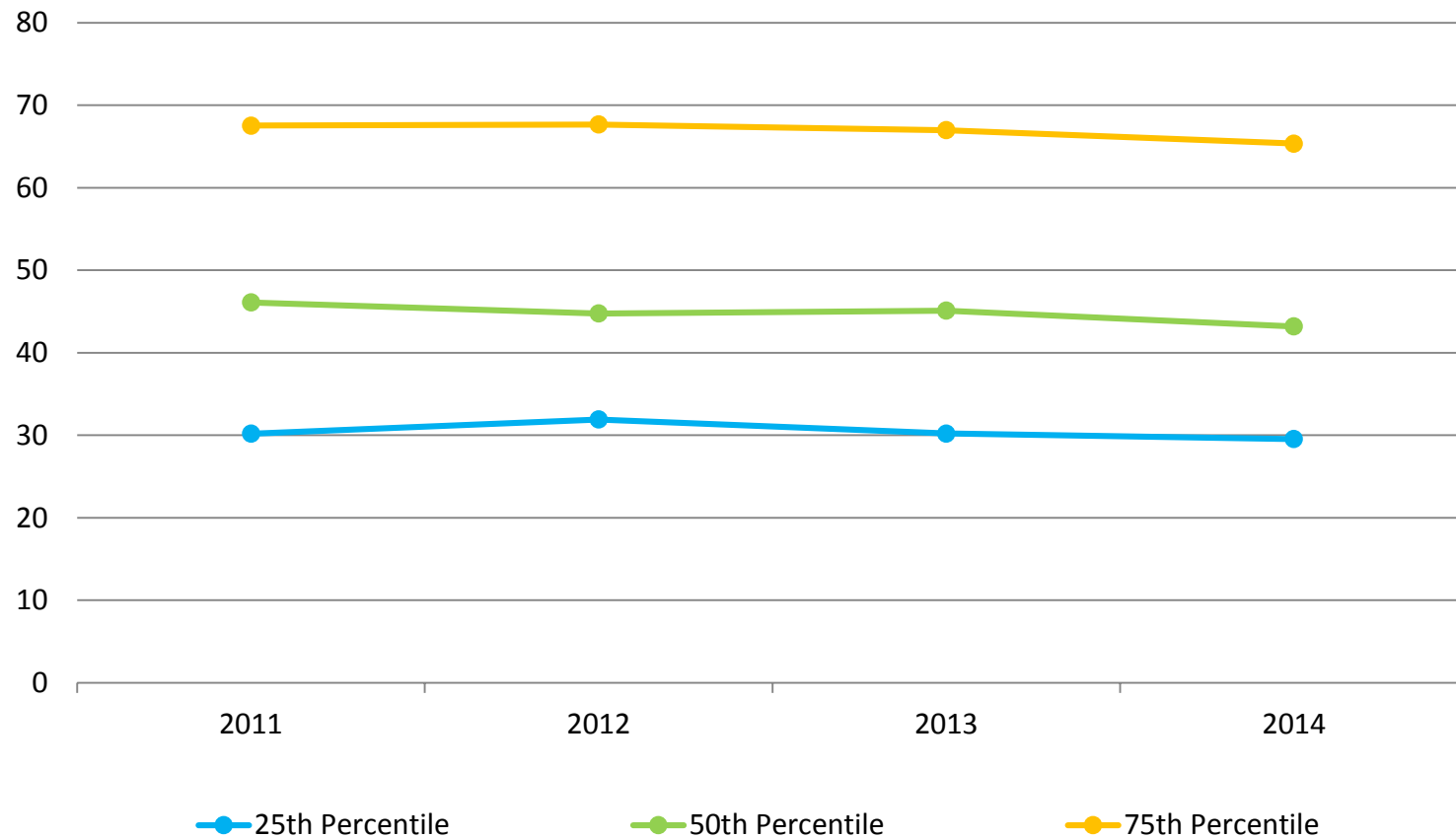
*The average number of days it takes the health center to turn all its receivables into cash*

### *Capital Link's Recommended Benchmark*



*Goal is to keep this ratio low! Maintain All Receivables turn **under 60 days***

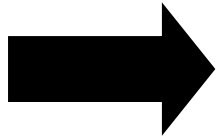
# Days Net Patient Receivables – National Averages



# Operating Margin

$$\frac{\text{Change in Net Operating Assets}}{\text{Total Operating Revenue}}$$

## *Measures Profitability*



*The percentage of operating revenue that the health center retains as profit (or loses) from operations.*

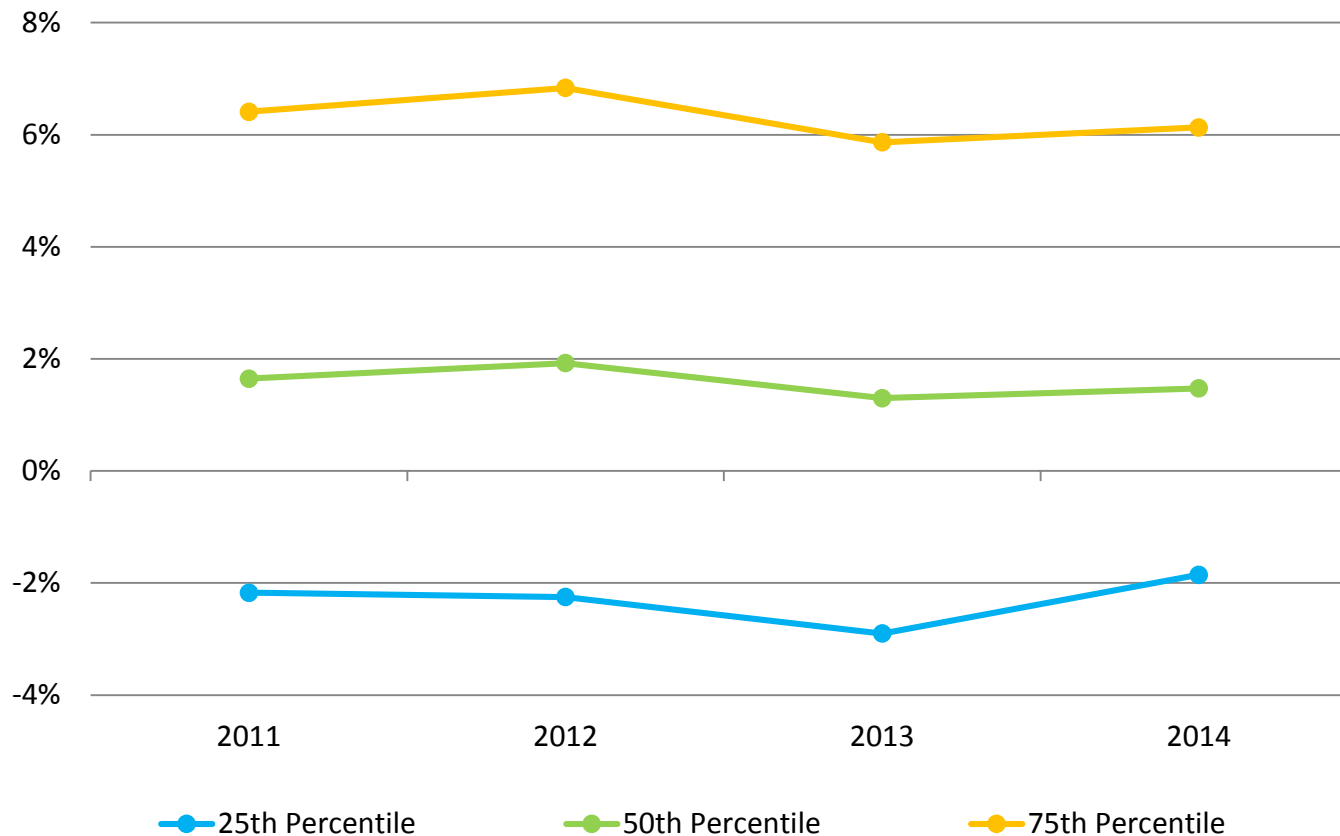
## *Capital Link's Recommended Benchmark*



*Maintain Operating Margin at **3%** or higher. The higher the margin, the stronger the financial performance.*



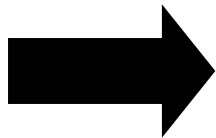
# Operating Margin – National Averages



# Bottom Line Margin

$$\frac{\text{Change in Net Assets}}{\text{Total Operating Revenue}}$$

*Measures Profitability*



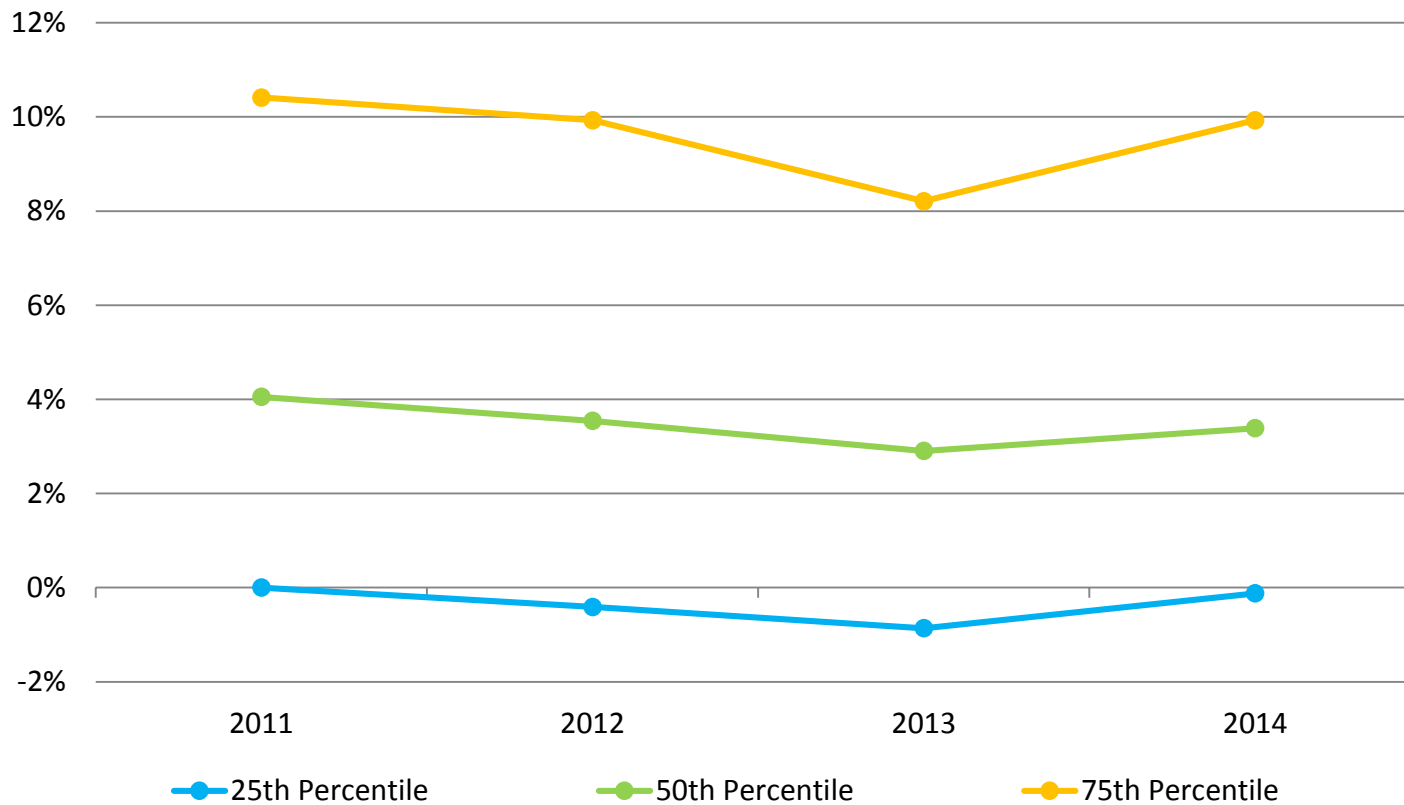
*The percentage of operating revenue that the health center retains as profit (or loses) from all business activities.*

*Recommended Benchmark*



*Maintain Bottom Line Margin at **3 to 5%** or higher. The higher the margin, the stronger the financial performance.*

# Bottom Line Margin – National Averages



# Evaluating Before Changing

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Converting Knowledge to Wisdom

# Learning What To Do

- Much information is easy to interpret once you've completed benchmarking.
- Some improvement choices are obvious.
- Don't focus yet on what to do, focus on what the results are telling you.
- Consider multiple causes for the information.

# Evaluating: Breaking Good

- Start by evaluating what you do well.
- Why do you perform well?
  - Inputs, outputs, systems?
- Are your performance causes exportable to any of your less effective systems?
- Which sites are doing better?
- What would have to change?
- Xerox

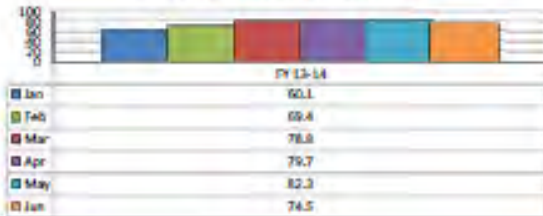
# Getting to Dashboards

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Management tools at a glance

### Days Unrestricted Cash\*

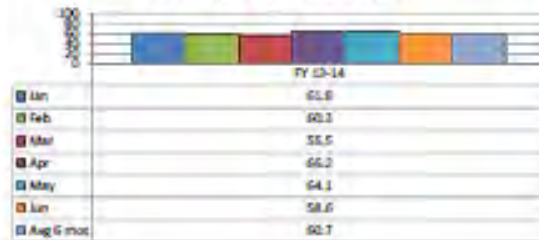
Benchmark is 45 or better; higher is better  
Ability to pay back short term liabilities



\*Includes Investments

### Average Days in A/R

Benchmark is 40 or less; less is better

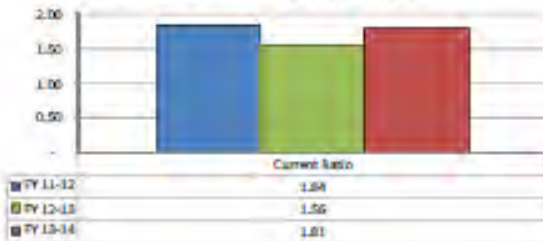


### Average Income per Clinic Day



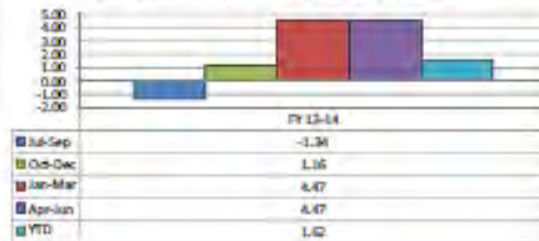
### Current Ratio

Benchmark is 2.0 or higher; higher is better



### Debt Service Ratio

Bank Requirement is 1.50 or higher; higher is better



### Payer Visits Mix

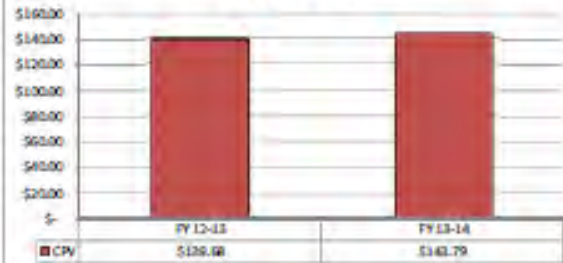
Previous Year = Outer Layer  
Current Year = Inner Layer



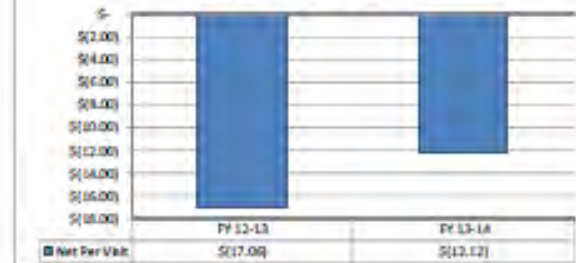
### Client Revenue per Visit



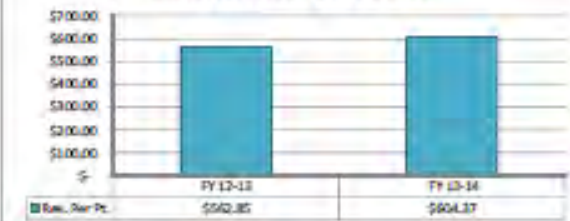
### Cost per Visit



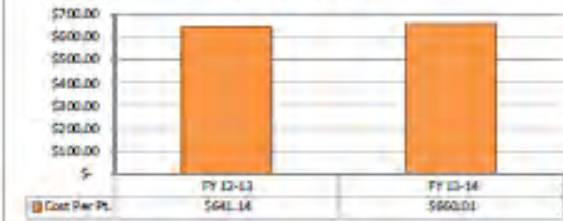
### Net Loss per Visit



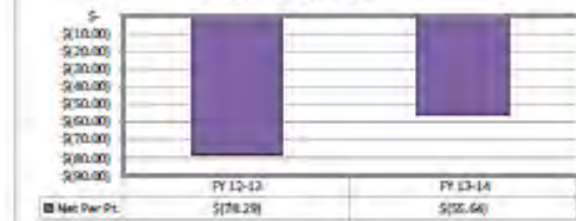
### Client Revenue per Patient



### Cost Per Patient



### Net Loss per Patient





*Strategic Management Requires  
Strategic Planning*

Mostly Business

by Jeff Gribb



"This plan will be much easier not to implement than the last plan we didn't implement."

# Key Strategic Planning Components



# Self-Assessment

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- 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

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- 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

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- 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

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- Specific
- Measurable
- Attainable
- Realistic
- Timely

# Action Plan

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- “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



# Questions?

## Contact

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