


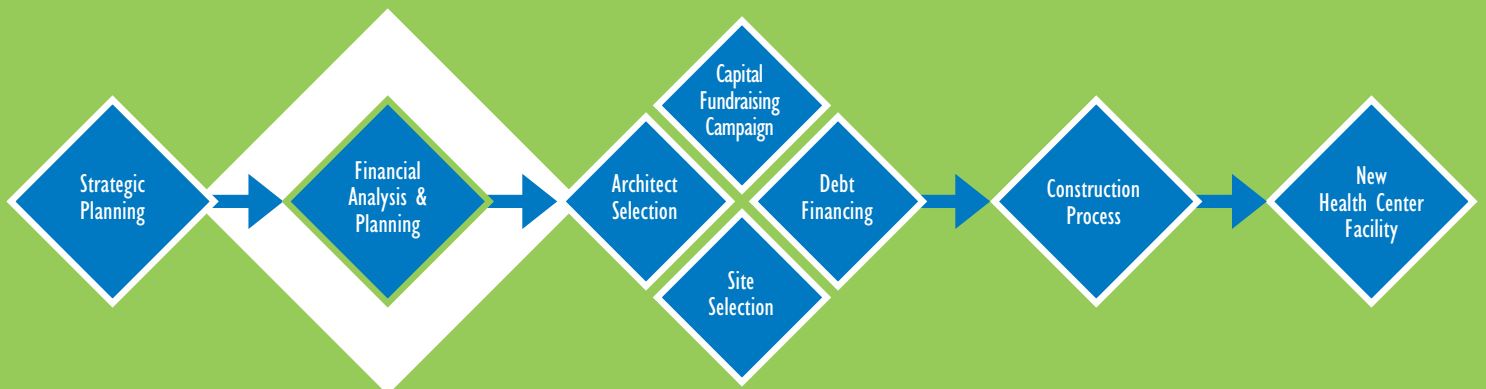
Creating a Business Plan for a Community Health Center Capital Project

A "HOW-TO" MANUAL

	FY1		FY2	
	%NPSR	%Visits	%NPSR	%Visits
Payor Mix				
Medicaid Fee-for-Service	31%	27%		
Medicaid Capitation	10%	12%		
Medicare	6%	8%		
Self-Pay/Uncomp. Care	30%	38%	35%	
Blue Cross/Blue Shield	3%	3%	3%	
Commercial/Other	20%	12%		
Total	100%	100%		



Prepared by Capital Link



Creating a Business Plan for a Community Health Center Capital Project

A “How-To” Manual

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Prepared by
Capital Link

Boston, Massachusetts

Capital Link is a national nonprofit consulting organization that provides high-quality, affordable, innovative advisory services related to planning and financing capital projects for nonprofit community health centers to support and expand community-based health care. Working nationally out of offices in several states, Capital Link has assisted more than 105 individual health centers in obtaining grants and loans for capital projects totaling more than \$430 million.

Capital Link was founded as a collaborative effort of the Primary Care Associations in Massachusetts, Illinois, North Carolina and Texas, the Community Health Center Capital Fund and the National Association of Community Health Centers. Capital Link is governed by a Board appointed by the Massachusetts League of Community Health Centers and the National Association of Community Health Centers and receives support from the Bureau of Primary Health Care. For local contact information please visit Capital Link's website at the address listed below.

Capital Link gratefully acknowledges support from the Bureau of Primary Health Care, Health Resources and Services Administration, U.S. Department of Health and Human Services for the development of this document.

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Graphic Design: Studio N, Medford, MA.

Printed in the U.S.A. on recycled paper.

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INTRODUCTION

THIS MANUAL HAS BEEN DESIGNED to provide healthcare professionals with a “hands-on” approach to writing a business plan. While the focus is centered on health centers engaged in capital improvement projects, the suggested outline presented in the following pages may be tailored to a variety of purposes.

Business texts have been written about many of the individual topics touched upon in this manual. Analyzing financial statements or undertaking a market needs assessment are subjects of considerable complexity. Detailed discussion of these topics and others are beyond the scope of this manual.

Rather, we have written a “user-friendly” primer that will allow you to flip back and forth within and between sections as you write your *own* business plan. Are you having trouble getting started? Is it difficult to organize your material? What are the essential elements needed to make your business plan more readable? And, perhaps most importantly, what is the best way to present information in order to successfully obtain financing for a capital improvement project? These questions and others will be answered in the following pages.

WHY WRITE A BUSINESS PLAN, ANYWAY?

BUSINESS PLANS ARE WRITTEN for a variety of purposes and aimed at a diverse set of audiences. Some of the most common reasons for writing a business plan include:

- **To carry out specific goals of the organization’s strategic plan.** For example, in its strategic plan, the Board of Directors and management may have identified a goal to develop a managed care entity. The business plan describes *how* the health center will translate this goal into a viable business opportunity (e.g., identifying the particular market niche, the individuals who will manage the venture and various financing alternatives for the new business).
- **To provide the Board of Directors, staff and management with a common road map.** Many organizations write business plans to enumerate a range of specific activities that they intend to undertake over a period of time (e.g., one-to-three years) and then annually

update it. This process keeps the Board, management and staff focused on the particular tasks at hand and ensures that all parties are working together toward a set of common goals.

- **To obtain financing from various funding sources (e.g., lenders, foundations, corporations, public agencies).** When embarking upon a project that requires outside financing (e.g., a capital improvement project or capitalizing a new business), financial institutions and others require a business plan that describes and analyzes the nature of the capital project, the market opportunity, the level of financing required, the risks inherent to the venture, and other salient aspects of the plan.
- **To attract business partners (e.g., joint venture, partnerships, etc.).** Similar to the point above, health centers that undertake business ventures with other entities will often write a business plan (independently or jointly) that lays out the “hows and whys” of the plan and identifies the responsibilities of each party in order to avoid future misunderstandings.

Before You Begin...

Before embarking on a business plan, it is important to begin by asking yourself a few questions:

What is the purpose of your business plan?

Who is the audience?

What messages do you want to get across?

Keeping the answers to these questions in the forefront of your mind will help you frame your business plan and present information in a direct, concise fashion.

BUSINESS PLANS AND THE ORGANIZATIONAL PROCESS

BUSINESS PLANNING, or the writing of a *business plan*, is the third and final component of an organization’s planning process. The process usually begins with a mission (or, vision) statement. Mission statements are broad, sweeping declarations about the organization’s *vision and/or raison d’être*. And, they almost never change. Rarely does an organization alter its essential purpose.

A *strategic plan*, or strategic planning, is usually the second component of the organizational planning process. A strategic plan is a dynamic document that broadly sets out the intermediate and long-term goals of an organization. With a planning horizon of between three and five years, most strategic plans focus on assessing an organization’s strengths, weaknesses, opportunities and threats. Ultimately, a strategic plan results in

organizational transformation and change through implementing new market, operational and management strategies.

Business planning is the final leg of the organizational planning process, translating the long-term goals of the strategic plan into specific, action steps. Typically, a business plan has a time horizon of between one and three years and provides the details for *translating the goals of the strategic plan into concrete business activities*.

Organizational Planning Process

Mission Statement: Broad statement about the organizational vision; rarely changes; typically driven by the Board of Directors.

Strategic Plan: General plan about where the organization would like to head; typically has a planning horizon of three-to-five years; assesses organization's strengths and weaknesses and identifies new product/market opportunities.

Business Plan: Detailed operating plan; translates the goals of the strategic plan into concrete action; typically has a planning horizon of one-to-three years; provides the "hows and whys" for undertaking specific business activities.

REMEMBER... The writing of a business plan is greatly strengthened by a thorough planning process, one that must occur before the health center starts to write its plan. Ideally, by the time a health center sits down to write a business plan, it should have already examined its market, its competition, the dynamics of the environment in which it is operating, the unmet health care needs in the community, and finally, its own financial and operational needs and capacities.

It only makes sense to write the business plan if the health center has first convinced itself (through a comprehensive strategic planning process) that a capital project makes sense. Once that process is complete, convincing others to invest in the project becomes much easier because the rationale is in place. Then, the actual writing of the business plan becomes an exercise of sifting through information already gathered by the health center and organizing the information so that it's easy for lenders and others to determine the merits of the investment in a clear and expeditious manner.

This manual has been specifically prepared to assist health centers in preparing a business plan for a capital project. Regardless of the plan's chief purpose, there is no single technique for writing a plan, no set formula that must be adhered to. Business plans may be as short as ten pages, or as long as 50 (though, on average, most plans are between 25 and 30 pages). The essential ingredients are descriptive information and analysis about the current operation and proposed project, so that your reader is armed with a clear understanding of what you intend to accomplish and how you intend to do it.

With regard to getting your capital project financed, a word to the wise... It is always an excellent idea to establish early contact with your funding sources *before* submitting a formal request. Preliminary discussions with institutions that you have targeted for possible financing (e.g., banks, foundations, corporate giving programs, etc.) provide a “reality check” about the health center’s plans. **Capital Link** can be a good source of early assistance with a capital project as well. The early assistance may help guide and shape the project’s direction as you continue your planning. Of course, it’s also important not to visit prospective funders *too early* in the process, as it may appear that your plans are poorly thought-out.

This manual is organized into seven sections, each one representing one of the components of the business plan, as shown in the suggested business plan format on the following page. Throughout the manual, informational hints, tips and other suggestions are highlighted in boldface or placed in boxes for ease of reference. Have fun and good luck!

The following outline is one suggested format for organizing your materials:

Business Plan Outline
(specifically designed for a capital improvement project)

A. Executive Summary

B. History and Operations

1. Organizational Background and Mission
2. Strategic Direction
3. Programs and Services
4. Review of Operations
5. Facilities

C. Market Description and Analysis

1. Summary Overview
2. Market Characteristics
3. Profile of XYZ Health Center's Clients
4. Competitive Analysis
5. Trends in Market Environment
6. Current and Proposed Market and Outreach Activities

D. Management and Governance

1. Overview
2. Staff Experience and Qualifications
3. Board of Directors

E. The Capital Project

1. Project Description and Rationale
2. Estimated Project Budget
3. Sources and Uses of Project Funds
4. Profile of Development Team
5. Anticipated Timeframe
6. Proposed Plan of Operations During Construction

F. Financial Operations and Pro Forma

1. Overview
2. Historical Financial Performance and Condition
3. Projected Financial Performance
4. Underlying Assumptions

G. Appendix (list of attachments)

EXECUTIVE SUMMARY

THE EXECUTIVE SUMMARY is the shortest (typically one-to-two pages), yet the most-read section of your business plan. Not only is it the first section of the plan, but the one that financial institutions, investors, funders and other interested parties invariably flip to *immediately* in order to get a snapshot of the health center, what it is seeking (in terms of financing), and the purpose of the financing.

Since the Executive Summary is the reader's "first impression" of you and your organization, is it important to communicate in a clear, concise fashion. The Executive Summary is a synopsis of the health center's "story" and should offer a compelling reason for the reader to continue to read on!

The health center's "story" is a description of operations and management, the patients served, past and projected financial operations, and most importantly, the nature of the proposed capital project. Because the Executive Summary is a synopsis of the business plan, it is easiest to write the Executive Summary after finishing the bulk of the plan. The Executive Summary invites the reader to take a glimpse at your operation and encourages him/her to turn the pages and learn more.

Objectives

- state the amount and type of financing requested (e.g., "a \$1.5 million construction and permanent loan at the following terms," or "a \$200,000 capital grant," etc.)
- summarize the nature of the capital project (e.g., "to build a new facility to support expanded operations" or "to renovate the building in order to make more efficient use of existing space")
- provide a synopsis of the health center's history and operations, leading to a statement of the capital project's rationale
- sum up the benefits and expected results of the project, once fully completed (e.g., more patients served, additional square footage, increase in annual revenues, etc.)

Since the average business plan is usually between 25 and 30 pages long, what is the best way to present the plan's highlights in one-to-two pages? One easy-to-read approach is to generally follow the outline of your business plan and briefly summarize selected sections. For example, the Executive Summary might look something like this:

EXECUTIVE SUMMARY

XYZ Community Health Center, Inc. ("XYZ") requests a permanent loan in the amount of \$____ million for the purpose of renovating and expanding its main facility located at _____. The requested terms are a ____-year loan with a ____-year amortization. The loan will be collateralized by the health center's building.

History and Operations Provide two-to-three paragraphs about the health center's background, the range of services provided, the number of sites and patients served, and other general information about operations.

Market Description In a concise manner, communicate to the reader why the market can support an expanded facility, and why the capital project will enhance the center's operations and market position. Provide one-to-three paragraphs about the market environment in which the health center operates, a short profile of the patient base, and a summary of the competitive environment.

The Capital Project Provide a concise description of the capital improvement project and the anticipated benefits in one-to-three paragraphs (e.g., XYZ Health Center, Inc. intends to expand the existing square footage of the health center by 5,000 square feet. Additionally, we will re-configure _____. As a result of the expansion and remodeling, XYZ anticipates it will improve _____. The project is expected to be completed nine months from the start of construction, scheduled to begin June, 20__).

Financial Operations In two-to-three short paragraphs, provide an overview of the health center's finances, a brief summary of how the health center has performed, and whether the patient base is stable, growing or declining. A good way to accomplish this difficult task is to provide a broad financial overview (e.g., over the past three fiscal years, XYZ's total operating revenues have increased 20%, due to population growth in our town. During this period of growth, the health center has operated profitably, posting average profit margins of 2.5%).

Loan Repayment Ability Loan repayment is *always* your lender's key concern. If you are developing the business plan to obtain a loan, the Executive Summary should close with two strong statements about: (1) the soundness and reasonability of the financial projections and (2) the health center's ability to repay the loan through cash flow generated by operations.

HISTORY AND OPERATIONS

MOST LIKELY, the reader(s) of your business plan will be unfamiliar with the health center's operations and may be unfamiliar with health centers generally. Since most business plans usually anticipate embarking upon a new venture (e.g., capital improvement project or a new managed care entity) this section is a particularly important component to informing and convincing the reader of the strength in current operations.

Objectives:

- give a short account of the health center's history, i.e. how and why it was founded
- describe the organization's mission and strategic direction (particularly in the context of the new business venture described in your plan)
- provide detailed information about the health center's programs, services and operations

As mentioned in the suggested business plan outline on page 5, one good approach to organizing this section is as follows:

1. Organizational Description and Mission
2. Strategic Direction
3. Programs and Services
4. Review of Operations
5. Facilities

1. Organizational Description and Mission Most health centers have a story to tell about the lack of accessibility to healthcare and other local conditions that led to their creation. A concise synopsis of the organization's history and description, including the health center's mission is a useful starting point for this section.

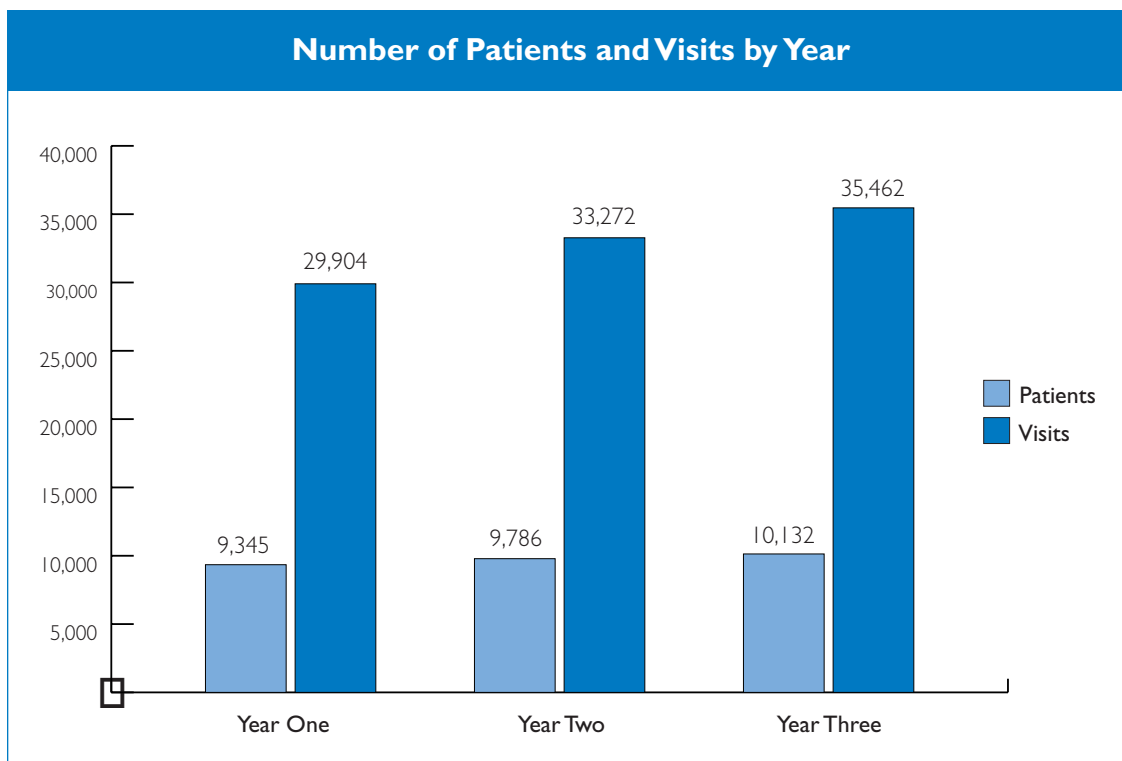
2. Strategic Direction In this section it is useful to describe the health center's long-term strategy and how the current capital improvement plan fits into its overall strategic direction.

3. Programs and Services Health centers offer clients a variety of programs and services. For those not directly involved in the healthcare field, the array of acronyms (e.g., WIC, PACE, CHIP) can be confusing, so it is important to clearly identify each program. Also, many readers may not be familiar with terms such as “Section 330,” “FQHC,” and other health center designations. It is helpful to provide a brief narrative description of the various programs and payors relevant to the health center’s operations and to summarize the health center’s major programs and services.

4. Review of Operations Topics that should be covered in this section include staffing composition, patient and user data, provider recruitment, affiliation and network arrangements, informational systems capacity, and managed care issues. It is helpful to extract major characteristics about your operation and neatly summarize the trends for the reader using tables and charts, such as the following:

Volume	FY 1	FY 2	FY 3
Total Number of Patients	9,345	9,786	10,132
Total Number of Visits	29,904	33,272	35,462

You may wish to include a chart that visually depicts the historic trend in patient visits, as follows:



5. Facilities If the health center operates multiple sites, a facilities listing is frequently useful in orienting the reader:

Location	Square Footage	Own? / Lease?
100 Main Street	7,764	own
265 South Street	4,400	lease

Tables can also be a helpful way to depict the current and proposed hours of operation at the health center:

Hours of Operation	Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Total:
Existing	0	9am–5pm	9am–5pm	9am–5pm	9am–5pm	9am–5pm	0	40 hours
Planned	0	8am–9pm	8am–5pm	8am–9pm	8am–9pm	8am–5pm	8am–12pm	61 hours

Tips!

Educate the Reader!

Since the reader may be unfamiliar with community health centers, it is important to relay the following information to the reader:

What is a community health center?

How are health centers funded?

What does it mean to be a Section 330 health center, FQHC, or other health center designation?

What are the Medicaid policies in your state?

In short, you may have to educate the reader and impart basic information on health centers.

MARKET DESCRIPTION AND ANALYSIS

MARKET DEMAND... Competition... Pricing Strategy. These business concepts, once eschewed by many in the nonprofit community health center world, are now part of the daily lexicon. When and why did this happen?

Changes in third-party reimbursement, the predominance of managed care, and healthcare and welfare reform at the state and federal levels are but a few of the many developments that have contributed to a sea change in the “typical” health center’s market environment. Community health centers have adopted traditional marketing concepts and tools as one of many responses to a rapidly shifting landscape.

As implied by this section’s suggested title, the main purpose of this section is to *describe and analyze* your market. A secondary but equally important purpose of this section is to make the connection between the trends in your market and the rationale for the capital improvement project. Thorough planning, completed through a strategic planning process and evidenced in your business plan, should show a clear need for a building project. Unfortunately, most business plans (regardless of the industry) do only an adequate job of describing the organization’s market, and a mediocre job of providing supporting analysis *and* relating both to the reasoning behind the business strategy.

Objectives:

- describe the health center’s market in geographic and demographic terms, and cite the particular health status indicators or unmet health care needs in the community
- provide a demographic profile of the health center’s current patient base and “market share” within the community
- analyze demand for future services and the health center’s “projected market share” after project completion
- identify the health center’s key competitor(s) and the health center’s strategic advantages
- *make the critical connection* for the reader between what is happening in the market and the need for the capital improvement project

The Market Description and Analysis section may well be the most important part of your business plan. It will arm you with the information you need to demonstrate that sufficient demand for services exists to justify the expanded/renovated facility. It will show that you've completed the necessary homework on your market and competition, thereby increasing prospects for the project's future success.

There are a variety of ways to present market information in your business plan. Basically, you will need to educate your reader about the relevant demographic and health status factors associated with the geographic area from which you draw patients. Then you must compare this information with the patient population you are currently serving and the population you expect to serve once your project is completed. You must also identify and evaluate your competition and the major trends in your marketplace. If you are projecting that the health center will grow as a result of the expansion, you must be able to relate your growth assumptions to the realities of your market. Your goal in this section is to help your reader understand your niche and "market share" and the opportunities for growth and/or efficiencies that will result from your project.

When considering a capital improvement project, many community health centers have clung to the "Field of Dreams" syndrome: "build it and they will come." That is, we assumed that if we built a larger facility, patients would simply flock to us for their health-care needs. While this phenomenon may be true in many remote, underserved parts of the country, it is not always the experience in larger, urban markets where patients may have greater choices.

In some markets, health centers are fighting to retain their existing patient base in the face of increasing competition; in other markets, community health centers are gearing up to attract new patients. Regardless of your particular situation, it is imperative that you have thoroughly evaluated your market dynamics and carefully considered whether a capital project is the right decision for your health center.

If you have not already completed this analysis through a strategic planning process, *stop right here!* After you have completed your strategic planning process, you should have a wealth of data to draw from to provide the reader of your business plan with absolute proof about the *need and demand* for the capital improvement project.

Note: Most good business plans include a market feasibility study that provides the support and documentation for a capital expansion project, conducted by the organization itself or an independent, third-party. Many lenders and other financial institutions routinely require a market feasibility study prior to extending financing.

GETTING STARTED!

OK... NOW THAT you're thoroughly convinced of the importance of a comprehensive market analysis, what is the best way to display this information in your business plan? There are many ways to present this data in an interesting, readable format, if you keep these three objectives at the forefront:

1. *Describe* key characteristics of the overall market and the patients you serve;
2. *Analyze* trends in the data; and
3. *Make the Connection* between what's happening in the market and the need for the capital improvement project.

Remember... what you are trying to accomplish in this section is to provide the reader with convincing evidence that there is strong demand for the health center's services *and* that an expanded facility will enable the center to sustain and grow its market share.

Tips!

- Use graphics, tables and other visual aids as a way of breaking up the text and embellishing points
- Make liberal use of bullets, boldfaced typed, different-sized fonts, etc., in order to emphasize your points

Here are some types of information used to describe your market:

- **Geographic Data** Describe the geographic area from which the health center draws patients. The geographic area may be illustrated in terms of census tracts, zip codes, counties, an incorporated area, or other unique, distinguishing characteristics.
- **Demographic and Health Status Data** Provide general demographic and socio-economic characteristics of the overall market and the health center's patient base, and the center's market share. Examples of the types of information typically included are income, sex, race and ethnicity, and age data. You may also want to provide health status indicators for the overall market area.
- **Competition** Identify the health center's competitors, physicians and other medical facilities in the area of the current and proposed (new) site. Where else do patients go for care? Provide this information in the context of the health center's range of services (e.g., medical, dental, behavioral, etc.).

- **Location and Transportation Issues** Identify major transportation routes. How do patients get to your facility? If you are building a new facility, how does the new site compare with the old site in terms of traffic and transportation patterns for staff and patients?
- **Strategic Advantages** Identify other strategic advantages of the health center such as linguistic and cultural competency, alternative medical services, etc.

As you *analyze your market*, keep these important points in mind:

- **Growth Trends** Based on the description of the health center’s market and the detailed population and encounter data, are segments of your center’s population growing, declining or constant? Explain why and relate this data to anticipated market opportunities.
- **Market Trends** What trends are currently taking place in your market that will affect the way you do business (e.g., local changes in the healthcare delivery or payor system, new employers locating in the service area, etc.)? What will be the likely impact of these trends on the health center’s operations?

In describing and analyzing your market, don’t forget to make the connection for your reader! Few readers of your business plan will know and understand your market as thoroughly as you do, so remember to:

- **Make the connection** between the health center’s market position (current and anticipated) and the need for the proposed capital improvement project. Analyze the health center’s expansion plans in the context of the market data presented, always keeping in mind your reader’s central question: can the “market” support an expanded facility?

PULLING IT ALL TOGETHER

AS PART OF the written narrative that synthesizes and analyzes the data, it’s often a good idea to incorporate relevant tables and charts to help your reader better-understand your market. We’ve included an example under Appendix A, which should give you some ideas for describing and analyzing your market. The example also demonstrates ways of incorporating relevant tables and charts with the narrative to convey the relevant information about your market and proposed project.

Tips!

Consider Your Audience!

- Who will be reading your business plan? What's the level of understanding about the healthcare field generally, and community health centers, in particular?
- Write your business plan in an easy-to-read, easy-to-understand format!
- *Remember!* Describe...Analyze... Make the Connection for your reader

Where can you get the data? Most centers wonder where they can obtain market and competitor information. The table below lists some popular sources of available data. In addition, many state primary care associations have conducted marketplace studies, which may provide excellent data for use in health center business planning.

Sources for Market and Health Center Data			
Topic	Available Data	Source	Website
Socio-Demographic Data	Population trends, population by age, race/ethnicity, & gender, language, income levels (poverty and low income)	U.S. Census Bureau; state census data center; state Department of Education (languages of school children); Agency for Healthcare Quality and Research Safety-Net Monitoring Data	www.census.gov www.ahrq.gov/data/safetynet/profile.htm
Employment & Industry Trends	Unemployment rate, labor force changes, largest employers	State Division of Employment & Training; U.S. Department of Labor's Bureau of Labor Statistics; U.S. Census Bureau	www.bls.gov/lauhome.htm www.census.gov
Provider Data	Primary care physicians, hospital discharge trends, major hospitals	State Board of Registration in Medicine; American Medical Association; American Dental Society, state hospital association; state offices of health care finance & policy; regional medical directories; Agency for Healthcare Quality and Research Safety-Net Monitoring Data	www.ama-assn.org www.ada.org www.ahrq.gov/data/safetynet/profile.htm
Managed Care Trends	HMO enrollment, Medicaid enrollment	State Division of Insurance; state Medicaid office; state association of HMOs	
Insurance Status	Health insurance status	State offices of health care finance & policy; Agency for Healthcare Quality and Research Safety-Net Monitoring Data	www.ahrq.gov/data/safetynet/profile.htm
Health Status Indicators	Nativity/Death, AIDS, asthma, diabetes, heart disease, etc.	State Department of Public Health; Centers for Disease Control & Prevention; National Center for Health Statistics; Agency for Healthcare Quality and Research Safety-Net Monitoring Data	www.cdc.gov www.cdc.gov/nchs/ www.ahrq.gov/data/safetynet/profile.htm
Health Professional Shortage Areas	Current federal listing	Division of Shortage Designation	www.bphc.hrsa.dhhs.gov/databases/hpsa.hpsa.cfm

For additional resources visit www.caplinc.org.

MANAGEMENT AND GOVERNANCE

MANAGEMENT IS the single most important determinant of a health center’s operational and financial success. As such, your reader must become comfortable with you and your senior staff. While a certain “comfort level” is usually determined by personal contact with key managers—the C.E.O., C.F.O. and other senior staff—this section of the business plan offers written documentation of the team’s qualifications and experience.

Objectives:

- furnish the reader with a clear sense of the management team’s organization in terms of key tasks and responsibilities
- introduce key individual managers to the reader—name and title—and provide concise summaries of their experience and background
- distinguish between the role of management and the Board of Directors
- emphasize the Board and management team’s experience in managing a capital project, if applicable

The Management section need not be long: two-to-three pages are more than adequate. It is not advisable to use up valuable “reading space” by inserting management resumes in this section; rather, they should be included as an attachment in the business plan appendix. What is important in this section is to convey, at a minimum, these two critical points:

1. the management group is well-experienced and functions effectively as a team, and
2. the Board of Directors has appropriate credentials and offers the necessary oversight and support to management

One good approach to accomplishing your objectives is to start out with three-to-four paragraphs detailing the functions and responsibilities of the Board of Directors and the management team, as well as a discussion of the health center’s formal planning process(es). Does the health center have an annual retreat? Do you write a strategic plan and update it regularly? How often does the Board meet, and does it operate with a committee structure, etc.? This type of presentation, followed by a short summary of each key manager’s qualifications, will provide a good overview for the reader and set the stage for a site visit by your reader at a later date.

THE CAPITAL PROJECT

AT THIS POINT in the business plan, you have provided the reader with a detailed review of your programs and operations, the people who manage these activities and a descriptive analysis of the health center's market environment. In short, the “story” is building up to the central plot: the capital improvement project.

The Capital Project section is the “guts” of your plan. It communicates to the reader that you have thought through all the detailed planning and minutiae that a major capital project entails. It describes the nature of the project, the people who are involved, the timing of the project and the anticipated benefits to the health center, its patients and the general community upon completion.

Objectives:

- Identify the rationale for the capital project. Why are you embarking upon the project?
- Describe the capital project. What does it entail?
- Provide an estimate of project costs and identify expected sources of financing
- List the members of your development team and their qualifications
- Give the expected timeframe for the projected start and completion dates
- Provide a plan for managing disruptions to current operations during construction and/or renovation

The Capital Project section must present a convincing case to the reader about why the proposed project is *good for business*. Your strategic planning process should have fleshed out the health center's reasons for pursuing a capital project. These reasons might include:

- to expand the scope of services offered to patients
- to enable the health center to gain a competitive edge in the market
- to build financial strength by attracting new types of patients or enhancing revenue
- to improve operating efficiencies in healthcare delivery
- to mitigate and/or eliminate weaknesses in operations caused by the present facility

Your tasks in this section are to: (1) persuade the readers that this project makes good business sense and (2) invite them to become one of the project's supporters.

Presumably, you have retained the services of an architect, owner's representative, general contractor and/or other professionals to shepherd you through this dizzying, complex process (see also Capital Link's manual on Developing a Primary Care Facility). Ideally, some of the needed information will be provided by members of your project team and can be easily inserted into this section.

As noted earlier, this is a section where close attention to detail makes a big difference. The more particulars you can supply about your project, the more impressed your readers will be that yours is a *solid* plan. While many of the details can be supplied as attachments in the Appendix, this is also a good section to break up narrative and insert tables and other visual effects.

Clearly, there is a lot of detailed information to provide in this section. One easy approach is to systematically address each individual objective, as noted here:

1. Identify the Rationale for the Capital Project Most health centers have a “story” to tell about their current facility. Perhaps the building was donated by the city or county. Or perhaps, a parcel of land was donated to the health center upon which to build a new facility. In many cases, management added onto the building in a piecemeal fashion over the years, as budgetary concerns permitted.

In any case, it is a fair statement to say that most health centers have been forced to “make do” with what they had for a long time. The proposed capital project may (and, in fact, *should*) represent the culmination of an extended and thoughtful planning process by management and Board alike to relocate the health center into a building uniquely designed for *its* operations, or to re-configure the space to increase operating efficiencies.

While you don't need to recount the entire story in your business plan, a concise two-to-three paragraphs about why you are embarking upon the current capital project is important.

2. Describe the Capital Project In one-to-two pages (or more, depending upon the project's complexity), provide a detailed description of the project. Almost all projects have discrete phases (e.g., pre-schematic design, design development, site development, demolition, etc.), so it is often a good idea to describe the construction and/or renovation in these terms. Again, your professional consultants (e.g., architects, owner's representatives, general contractor, etc.) ought to provide you with much of this information. It's often a good idea to summarize your space plans in the following manner:

Description of Area	Current Site (net sq. ft)	Proposed Site (net sq. ft.)
Medical	6,256	11,000
Dental	936	2,200
Mental Health	1,000	2,000
Laboratory	526	700
Administrative	3,446	4,000
Other (specify) — Conference Room	0	700
Total Sq. Footage	12,164	20,600

Description of Area	Current # of Rooms	Proposed # of Rooms
Medical Exam Rooms	17	30
Dental Operatories	5	9
Mental Health Visit Rooms	6	12
Administrative Offices	5	8
Other	0	1
Total	33	60

- 3. Provide an Estimate of Project Costs (The Project Budget)** This section is very straightforward and is one that will be of serious interest to your lender. In an estimate of project costs, you must detail *every* cost associated with the capital project. These costs are usually grouped according to “hard” costs (i.e., land acquisition, site preparation, actual construction, etc.), furniture and equipment costs, and “soft” costs (i.e., engineering and architectural fees, bank interest during construction, permit fees, etc.). A suggested format for the estimated project budget may be found under Appendix B: Sample Project Budget/Sources and Uses of Funds.

Capital vs. Operating Budget: What's the Difference?

Capital Budget: A detailed listing of proposed expenditures associated with a capital improvement project, including hard costs, soft costs, and furniture and equipment costs.

Operating Budget: An accounting of the organization's projected revenues and expenses, usually prepared annually. Most business plans include financial projections for three-to-five years, prepared on a fiscal year basis. The format for the operating budget should be similar to the current financial statements produced by the health center.

- 4. Provide the Expected Sources and Uses of Project Funds** Once you've detailed what the project is going to cost, you also need to provide information on how the health center will pay for the project—the anticipated sources of financing. Most health centers use several sources of cash for the project, for example: (1) cash reserved from operations and specially earmarked for the capital project; (2) grant funds (federal, private, etc.); (3) a loan from a bank or other alternative lender; or (4) funds that the health center raised from a major capital campaign. A suggested format for presenting the Sources and Uses of Funds may be found under Appendix B: Sample Project Budget/Sources and Uses of Funds.

Project Budget vs. Sources and Uses of Funds: What's the Difference?

Project Budget

- Shows cost of the entire project, broken into various costs components: hard costs, furniture and equipment costs, and soft costs

Sources and Uses of Funds

- Shows how the project is financed (Sources of Funds) and how the funds are spent (Uses of Funds)
- Sources of Funds may include cash reserves, loans, grants, capital campaign proceeds
- Uses of Funds is essentially the Project Budget

Sources of Funds = Uses of Funds

If capital campaign proceeds are used to finance a capital project, it is not always possible for all capital campaign pledges to be paid prior to the time you are ready to start construction. For example, you may have a two-year capital campaign underway and have obtained, but not yet collected, individual and corporate pledges. If you intend to borrow money to complete the construction project, make sure you are clear about the timing of when those receipts are to be collected. Your lender may have requirements for what percentage of the capital campaign must be completed (70%?, 100%?) prior to finalizing a loan. The most important factor to keep in mind is to make certain there are adequate funds in place to complete the project before starting construction. While some of the funds may come in as construction progresses, you want to be sure you have sufficient funds to complete the project on time and in its entirety.

5. **List the Capital Development Team and Their Qualifications** The contents for this section are evident. Your capital development team will include your architect, owner's representative (optional, but advisable), general contractor and/or construction manager, engineer, financial and design consultants (optional), attorney, and key health center staff. Note that there may be some overlap between the development team and the management team. Typically, in addition to the health center's C.E.O., there may be two or three other senior managers who participate on the capital development team. It is likely that only some of your capital development team players will be in place at the time that you begin circulating your business plan; others will be added as the project progresses.
6. **Projected Timeframe** When setting out the projected timeframe, it is important to be realistic. With few exceptions all projects take longer than anticipated. Scheduling problems due to weather, delays in obtaining permits and licenses, and unanticipated design changes all contribute to lengthening a project's timeframe to completion. These delays frequently result in higher project costs, contingencies for which should be built into your capital budget. Be sure to include a chart that lays out a realistic timeframe for the project. For example:

Task	Estimated Completion Date
Land acquisition	
Preliminary arch. & engineering plans	
Submit financing package	
Final architectural and engineering plans	
Permits & approvals completed	
Demolition	
Construction completed	

7. Plan for Managing Operations During Construction Since operations *must* continue during the construction process, it is important to communicate to the reader that you have completely thought through this important issue. Health centers have employed a variety of creative approaches to ensure that patients continue to receive the highest care possible and that staff can get their jobs done with minimal disruptions.

FINANCIAL OPERATIONS AND PRO FORMA

READERS OF YOUR BUSINESS PLAN, particularly funders, are interested in a comprehensive review of the health center's financial operations. Their objectives are usually three-fold:

1. to gain a full understanding of the center's past and current financial operations in order to confirm that the health center is well-managed and is fiscally sound;
2. to ensure that the proposed capital project is financially viable and, in the case of a loan, to make sure that the prospects of loan repayment are high; and
3. to scrutinize the health center's operational and financial outlook.

Objectives:

- present an honest, realistic discussion of the health center's financial operations
- provide reasonable financial projections that are consistent with past trends and that demonstrate the project's financial viability
- provide your lender with ample information with which to make a (positive) loan decision
- present the information in an easy-to-understand format

With few exceptions, the financial operations of most health centers are complicated, and therefore difficult for the uninformed reader to grasp easily. Health centers have multiple revenue sources, which include patient fees as well as federal, state and local grants and contracts. Moreover, patient revenue is derived from a variety of sources, including Medicaid, Medicare, commercial insurers and other third-party payors, all of which may pay on a fee-for-service or capitated basis. Given the typical health center's complex finances, what is the most effective way to present the health center's current and anticipated level of financial activity?

One useful approach is to divide the financial section into two components:

- **Current and Past Financial Operations** The purpose of this section is to give the reader a comprehensive review of the health center’s historical and current financial performance.
- **Projected Financial Performance** This section provides detailed projections (complete with underlying assumptions) of the health center’s future financial performance.

Both sections should contain both financial numbers and accompanying narrative. The numbers are typically displayed in a spreadsheet format. Under Appendix C: Financial Forecasting Tool (“ForecasT”), you will find suggested formats for presenting your historical and projected balance sheet, income statement, and cash flow statement, as well as supporting schedules showing staffing patterns, utilization and reimbursement, and grant revenue. An electronic version of ForecasT is available to health centers through Capital Link.

The narrative is used to discuss and explain the financial results. As such, it is useful to begin the narrative by hitting the high points and summarizing broad trends regarding the health center’s financial performance for the reader. Once you begin to discuss the specifics, the narrative should provide detailed information about each item on the income statement (e.g., revenues and expenses) and the balance sheet (e.g., assets and liabilities) to provide the reader with a full and complete understanding of the financial operations. Under Appendix D: Financial Ratio Definitions, you will find definitions of commonly-used financial ratios, which you may wish to incorporate into your financial narrative as well.

Here is a suggested outline for organizing your materials:

A. Current and Past Financial Operations

Lenders and other funders are typically interested in your fiscal year-to-date financials and the last three years of financial performance. Summarizing this amount of financial information can result in a rambling, confusing narrative, so the best approach is often to break down this section into discrete topics, as follows:

1. **Summary** The health center’s financial performance should be summarized in three-to-four paragraphs. Why are revenues growing, decreasing, or staying essentially flat? Which revenue segments have been growing the fastest/slowest, and why? Has the health center’s bottom-line performance been steady or variable?
2. **Revenue** Following the summary, provide a comprehensive discussion of the health center’s current and historical revenue by discussing trends in revenue mix, payor mix, reimbursement levels, changes in the macroenvironment affecting revenue, new program initiatives and other activities that directly influence revenue. Did a new competitor enter the market? What are the trends and/or changes in reimbursement policies? Has patient usage varied over the historical period covered?

Again, the use of tables, charts, and other visual graphics is an effective way of breaking up text and keeping the reader’s attention on what is otherwise fairly “dry” material.

It may be helpful to give the reader a “snapshot” of the center’s revenue mix, as follows:

Revenue Mix	FY1	FY2	FY3
Net Patient Service Revenue	65%	66%	70%
Grant and Contract Revenue	34%	33%	28%
Other Revenue	1%	1%	2%
TOTAL	100%	100%	100%

The chart below is an example of how to portray payor mix, based on Net Patient Service Revenue (NPSR) and visits:

Payor Mix	FY 1		FY 2		FY 3	
	% NPSR	% Visits	% NPSR	% Visits	% NPSR	% Visits
Medicaid Fee-for-Service	31%	27%	29%	26%	27%	22%
Medicaid Capitation	10%	12%	8%	11%	8%	13%
Medicare	6%	8%	7%	7%	8%	7%
Self-Pay/Uncomp. Care	30%	38%	35%	42%	40%	43%
Blue Cross/Blue Shield	3%	3%	3%	2%	2%	2%
Commercial/Other	20%	12%	18%	12%	15%	13%
Total	100%	100%	100%	100%	100%	100%

Remember that the point of including data in chart form (or otherwise) is to illuminate the text in another way that informs the reader. The charts should always relate to the text!

3. **Expenses and Operating Results** Following the discussion of revenue and patient growth, relate the trends and data previously presented and their effect on expenses and operating results. Has growth in operating expenses outpaced revenue growth? If so, why? Did lay-offs occur? Were there increases in certain categories of operating expenses that were beyond management's control (e.g., malpractice and liability insurance)? Did the health center add new programs that have not yet generated positive bottom-line results? Provide the reader with a comprehensive discussion of these and other related issues.
4. **Financial Condition** Financial condition refers to the health center's liquidity and leverage, all tied into the center's balance sheet. Most comprehensive reviews of healthcare finances include a discussion of key balance sheet items including days cash on hand, receivables levels and turnover, short- and long-term debt, and the relationship between debt and net assets. You may also want to provide a description of short and long-term debt and composition of net worth (restricted, unrestricted).

Tips!

- Take the offensive! If there's a blemish on the health center's financial record, tackle it head on by explaining the deviation and the remedial steps undertaken.
- Break up the text with charts, tables and other "visuals," but be careful that the visuals help illuminate the financials, rather than make them more confusing!

B. Projected Financial Performance

There are numerous approaches to preparing financial projections and no single "right" way. For the purposes of preparing a business plan, it's best to include: (1) a written narrative summarizing the methodology behind the projections and the major assumptions that drive the financial projections and (2) a spreadsheet presentation of the center's financial projections. Keep in mind that the most important consideration is to develop *realistic, achievable* financial projections.

The narrative must be carefully written and consistent with the spreadsheets. Ideally, these spreadsheets should also include the center's financial results for the three previous fiscal years, the current year, and three-to-five years of projections (see the sample format included under Appendix C: Financial Forecasting Tool ("ForecasT") for one idea of how you can present this information).

You should also include back-up information that corresponds to the projections, but provides greater detail on how you arrived at the numbers. See the Patient Volume/Patient Revenue, Payor Mix, Growth, Grants and Contracts, Employment Information, and Financial Ratios Worksheets included under Appendix C: Financial Forecasting Tool ("ForecasT") for ideas about how to provide specific information to back up your projections.

Basically, you want your reader to understand how you constructed the projections so that s/he can have confidence that you understand the project's financial implications on the health center's total operations. For example, if the projections call for a significant increase in patient visits, you must be clear about how you expect your staffing levels, supplies, lab expenses, etc., to change as a result of growth in patient volume. Be reasonable and conservative in your projections! The higher your projected growth, the more skeptical your reader will be that you can achieve your goals. Moreover, depending to the situation, the reader may hold you to those projections.

GETTING STARTED!

GIVEN THE COMPLEXITY of assembling a set of financial projections, what is the best way of presenting this information in your business plan? Here is one suggested outline for the Projected Financial Performance section. Again we suggest that you make use of charts and graphs such as the ones shown in the previous section to display financial information.

- 1. General Comments and Methodology** It is usually helpful to state the period that the projections cover (e.g., five-year projections with FY___ as a base year). Then, in three-to-four paragraphs, discuss your methodology, that is, how management, your auditors and/or consultants prepared the projections. As detailed later in this section, there are several approaches that most health centers use to develop financial projections.
- 2. Revenue Projections** You should first provide at least one paragraph summarizing the revenue side of your financial projection model. Are you expecting new sources of revenue? Are there shifts in volume trends? Will you be adding new providers and increasing the number of visits?

After a summary paragraph, it is then important to list each significant revenue source that the health center generates and then the related, underlying assumptions. Three-to-four sentences for each revenue source are sufficient; what is important is to ensure that your reader can evaluate the numbers in the spreadsheet using the written narrative information. In addition, you want to make sure that the numbers and written narrative are consistent.

- 3. Expense Projections** The same approach that is used for the revenue projections (as detailed above) should be used to detail the assumptions underlying the expenses. Keep in mind the relationships between revenue and expenses *and* between expense categories. For example, if you are projecting higher volume, you will most likely be adding providers. If you are adding providers, you must factor in higher salaries/benefits, and other related expenses such as supplies, lab fees, etc. If you are planning to take out a loan to finance your building project, make sure you include the interest expense in your projections. Also, remember that your depreciation expense will also increase as a result of the building project.

4. Operating Income After you have detailed the assumptions underlying the revenues and expenses, you should summarize the projected operating results over the forecast period. If you are applying for a loan, you should summarize the center's projected net cash available for debt service (i.e., net revenues plus interest expense, depreciation and amortization, plus any other non-cash expense) since these numbers will be especially important to your lender. You should also include your assumptions regarding the terms of the loan (i.e., interest rate and amortization) and calculate your projected debt service coverage (see *Ratio Analysis: A Lender's Tool* later in this section).

5. Financial Condition Capital projects have a dramatic affect on a health center's balance sheet. Fixed assets increase, cash balances usually decrease, and depending on how the project is financed, the health center may add long-term debt to its balance sheet. Those changes significantly modify the financial condition of a health center.

You will want to show to the reader how your balance sheet will change due to the capital project by adding the costs of the new building project and showing how other various balance sheet categories (such as cash and long-term debt) change as a result of the building project. Be sure to explain your assumptions regarding the building project in the narrative.

In addition, you will want to include a discussion about the key balance sheet items, such as days cash on hand, leverage, and accounts receivable turnover, just as you did in the narrative for historical and current financial condition. See Appendix D: Financial Ratio Definitions for descriptions of these ratios.

6. Cash Flow The Cash Flow Statement presents important information to the reader about the anticipated flow of funds within an organization. Cash flow is dramatically affected by a capital project as well as by health center operations. Lenders will be interested in seeing the organization's projected cash flow.

Approaches to Developing Financial Projections

There are many approaches that health centers can use to develop financial projections. In certain instances, you may find it helpful to use a combination of approaches.

The simplest approach to developing projections is to apply an inflation factor of, say, 3% to each revenue and expense category in the health center's budget. This approach does not account for changes in the health center's environment and their effect on staffing, reimbursement levels, or payor mix. In addition, the simplicity of the inflation-factor approach may give the reader the impression that management lacks financial sophistication. However, this method can be especially helpful for estimating the growth of specific revenue and expense items that are not expected to change dramatically.

Given that health center operations are dynamic, it is generally more appropriate to create projections based upon operational and environmental factors by using a provider-driven or demand-driven approach.

Provider-driven projections estimate patient volume based on the provider staffing at a health center. For example, suppose that historically the average number of annual visits per provider at a particular health center is 4,250. The health center, which has an existing staff of two providers, may plan to add another provider in the coming year. Using historical productivity levels, the three doctors would contribute 12,750 visits per year. Assuming an average reimbursement of \$85 per visit, \$1,083,750 in revenue will be generated by the three providers. The chief drawback of the provider-driven approach is that it doesn't account for competition and market forces. However, the approach works well in an environment where there is limited competition, plenty of demand for services, and the simple act of adding a provider increases volume at the center.

Demand-driven projections are based upon actual demand and environmental forces. This approach involves determining volume and reimbursement levels for each individual payor by considering market, competitive, and environmental factors, since such forces as competition, the opening or closing of local businesses, and changes in insurance eligibility requirements will affect health center volume. Demand-driven projections are especially relevant in highly-competitive markets where volume is determined by the market.

Expense projections are developed in a similar manner in both the provider-driven and demand-driven approach. Expense projections typically have fixed and variable components. Fixed expenses do not change with volume, whereas variable expenses such as salaries/benefits, supplies, pharmaceuticals and lab fees, are driven by volume. Historical experience can also be drawn upon to determine the appropriate expense levels.

The development of financial projections can help a center plan for its future. As such, it is critical to develop realistic financial projections that are achievable and reflective of the market and particular health center characteristics.

Ratio Analysis: A Lender's Tool

Banks and other financial institutions make frequent use of ratio analysis as a means of measuring financial performance as well as to establish “benchmarks” with which to analyze a prospective borrower against others in a peer group. You should familiarize yourself with these ratios and selectively include them or others in the discussion of the health center’s current and past financial performance. A more detailed list of financial ratios is included under Appendix D: Financial Ratio Definitions.

- 1. Current ratio** Current assets (i.e., assets that will be converted to cash within one year) divided by current liabilities (i.e., liabilities that will be paid within one year). This ratio is a measure of liquidity and analyzes the number of current dollars available to cover each dollar of current liabilities. For example, a current ratio of 1.5 means that the health center has \$1.50 in assets to cover every \$1.00 of liabilities.
- 2. Days in Patient Accounts Receivable (Accounts Receivable Turnover)** Patient accounts receivable divided by average daily patient revenue. This ratio provides an indication of the quality of receivables by measuring (in days) how quickly receivables are collected. As an example, an accounts receivable turnover of 36 days means that a health center’s receivables (in a certain class) “turn over” (or, are converted to cash) every 36 days, on average. Most funders will analyze a health center’s A/R by payor class.
- 3. Debt Service Coverage** Change in Net Assets plus depreciation, amortization and interest expense divided by loan payments (interest expense plus principal repayment). This ratio measures the amount of “cushion” available for debt service. Debt service coverage of 1.2 would mean that a health center has \$1.20 of cash flow available for every \$1.00 required to pay debt service.
- 4. Leverage Ratio** Total liabilities divided by net assets. This key ratio provides an indication of the relationship between an organization’s debt and its net assets (or, fund balance or retained earnings). The higher the leverage ratio, the more encumbered the organization is with debt.

Tips!

- The presentation of the health center's projected financial performance should be similar in format and content to the discussion of the health center's historical performance.
- All projected increases in revenue should be justifiable. For example, if self-pay revenue represents 32% of your budget and has grown at 2–3% annually, any significant change from historical levels must be explained and justified.
- Remember that your lender's #1 priority is debt repayment. The projections should indicate an ability to service debt at the level requested (with a comfortable cushion) to provide reassurance in the event that actual results are weaker than projected performance.
- Use the same format for your financial projections in order to provide ease-of-comparison with current and historical financial data.

SUGGESTED LIST OF ATTACHMENTS

MANY PEOPLE often think of the Appendix, which contains supporting document attachments, as an insignificant part of a business plan, a collection of documents that are included but rarely read. In fact, the Appendix is an extension of your business plan, enabling you to *elaborate*, *expand* and *enhance* various points made elsewhere in the narrative text.

If the attachments in the Appendix are wisely selected, the reader will be left with a strong impression that you have completely thought through your plan. Perhaps more importantly, it could save you and your staff invaluable hours down the road when the reader invariably asks for more documentation and written verification of data referred to in the business plan.

SUGGESTED LIST OF ATTACHMENTS FOR INCLUSION IN THE APPENDIX

(Note: Sample formats for charts and tables highlighted in blue are located under Appendix B: Sample Project Budget/Sources and Uses of Funds or Appendix C: Financial Forecasting Tool (“ForecasT”).)

A. Management and Board-Related

1. Health Center’s Organizational Mission (or, Vision) Statement
2. Current Strategic Plan
3. Organizational Chart
4. Resumes of Key Managers
5. List of Board of Directors (including institutional affiliation for each Director)

B. Market Environment

1. Needs Assessment or Market Study
2. Map of Service Area (current and proposed). Also include a map that shows current and proposed location(s) of facilities.

C. Financial Information

1. Three Years of Audited Financial Statements
2. Current Fiscal Year Budget
3. Interim Financial Statement with Previous Year Comparisons (Income Statement and Balance Sheet)
4. [Patient Volume / Patient Revenue Worksheet](#)
5. [Payor Mix Worksheet](#)
6. [Growth Worksheet](#)
7. [Grants and Contracts Worksheet](#)
8. [Employment Information Worksheet](#)
9. [Depreciation Expense Schedule](#)
10. [Loan Amortization Schedule](#)
11. [Financial Ratios Worksheet](#)
12. [Three-to-Five Year Financial Projections \(Statement of Financial Position, Statement of Activities, Cash Flow Statement\)](#)
13. List of Assumptions Underlying Financial Projections

D. Capital Project

1. [Estimated Project Budget](#)
2. [Projected Sources and Uses of Funds Chart](#)
3. Building Plans/Pre-Schematic Drawings (if available, or if required)
4. List of Materials Specifications (if available, or if required)

E. Other

(Note: Due to the size and potential confidentiality of many of these items, you may want to provide them only upon request.)

1. Annual Reports, marketing brochures or other descriptive information about the health center
2. Affiliation Agreements or Memoranda of Understanding with hospitals, providers, vendors or others
3. Current Federal, State or Local grant and/or contractual awards
4. Brief Description of Licenses, Permits or other Regulatory Approvals, as appropriate
5. Copies of Lease Agreements (i.e., real estate)
6. Real Estate Appraisals

FINAL RECOMMENDATIONS

YOUR BUSINESS PLAN will be designed for multiple purposes, though its primary use will be to attract debt and equity financing. Traditional banks, alternative lenders (e.g., community loan funds, credit unions), corporate giving programs, small and large foundations, and individual donors will be the likely audience(s) for your business plan.

Undoubtedly, each will require different kinds of information in order to make their investment decisions. Indeed, in some cases, you may be asked to strictly adhere to a certain format and will have to individually tailor your business plan to suit the particular financing source.

Whether you are seeking a conventional loan, tax-exempt bond financing, a program-related investment, grant or a donation, the following final recommendations ought to be considered:

1. Establish contact with your funding sources prior to the submission of a formal request.

It's important to “pave the way” so that prospective funders can anticipate your financing request. Contact your funding source(s) at least six-to-nine months prior to submitting a formal request. One or two informational visits with the appropriate representative (e.g., loan officer, grants manager, etc.) will familiarize them with the health center's future plans and ease your way into a formal review process. One caveat...Don't visit your prospective funders *too* early in the planning process, before your plans are well thought-out. You only get one chance to make a first impression!

2. Know your funders and their internal approval process(es).

Familiarize yourself with the banking, foundation and corporate giving communities. Which banks have the best track record in community lending, and which have been cited by regulators for doing “too little”? Are there pending mergers and/or acquisitions in the banking industry that may disrupt local lending operations? What are the schedules for formal reviews of grant requests at the foundations and corporate giving programs that you've targeted?

Also, what are the typical size grants made by the foundation? Does your project fit in with their programs? Is the request size “too big” or “too small?” What is the underwriting process and when should you expect a decision on your request?

Arm yourself with information to help successfully structure a future financing request.

3. Be realistic and honest with your funders about the level of risk associated with your loan request.

By nature, most funders (particularly traditional lenders) are risk-averse. And, they want to know the type of risk they are taking when making an investment. Identify the risks inherent in your plan before your funder does.

4. Identify multiple funding options.

As the old adage says, “don’t put all your eggs in one basket.” Your friendly bank that provides an annual line of credit may balk at considering a permanent mortgage on your building. Or, the local company that regularly and reliably contributed to your health center may disappear or change its policies as a result of a corporate merger or acquisition. Develop as many funding sources as possible to expand your options and to ensure that the financing proposals are market competitive.

5. Recognize that most terms and conditions are negotiable.

Once you’ve successfully obtained one (or, ideally, several) funding proposals from lenders, recognize that most terms and conditions are negotiable.

6. Leverage \$\$ that your organization has on deposit with local banks.

Few health centers realize the financial power they wield with local banks. Even a small, single-site health center usually has upwards of \$1 million revolving through a local depository financial institution. Deposits are a no-risk, highly-profitable business line for banks. Consequently, the banks that hold your deposits have a greater interest in keeping you as a customer. Use this financial leverage to your advantage when applying for a loan.

7. Appearance Counts

While we’re taught “not to judge a book by its cover,” appearance does count! In many cases, your business plan may be a funder’s first look at your organization. The availability of desktop publishing and other software graphic programs makes it easy for any health center to put together a polished, impressive business plan.

Good luck! With proper planning, you are on your way to obtaining the financing and, ultimately, occupying the right facility for your health center.

For further assistance in developing your business plan and/or developing financial projections, please contact:

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Boston, MA 02108
Phone: 617-422-0350
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APPENDIX A: SAMPLE FORMAT FOR PRESENTING HEALTH CENTER MARKET DATA

HERE'S AN EXAMPLE of how you might choose to incorporate in your business plan the relevant data about your health center's current market, your market opportunities, and your proposed capital project. Of course, there are many ways to present market data—this example is meant only to help spur your thinking about how you can best help your reader understand the basic market assumptions and dynamics underlying your plan.

Geographic Area

XYZ Health Center currently draws most of its patients from four major Zip Codes in the City of Warren (12122, 12125, 12124, 12121), which it considers to be its primary service area. With a total population of 48,858 (according to the 1990 US Census), these Zip Code areas are home to a large number of low income residents, many of whom seek services at the health center. As indicated in the table below, the health center is a significant provider and serves roughly 27% of the residents in its primary service area. The health center serves approximately 59% of the residents in the 12122 zone and almost 31% of the residents in 12125.

Zip Code	Primary Service Area Population	Health Center Patients	Market Share
12122	7,965	4,709	59.1%
12125	12,111	3,740	30.9%
12124	18,909	3,879	20.5%
12121	9,873	787	8.0%
Total	48,858	13,115	26.8%

The health center draws approximately 64% of its patients from two Zip Code areas (12122 and 12125). The proposed new facility is located on Washington Street, less than one mile from the existing facility on the major thoroughfare connecting the northern and

southern parts of the health center’s primary service area. The proposed site is situated at the nexus between three major bus lines and has ample accessible parking next door. Because of the improved accessibility and visibility of the proposed site, the health center believes that it will increase its market penetration in the 12122 and 12125 areas, and continue to build a larger patient base in the 12124 and 12121 areas.

Income Status

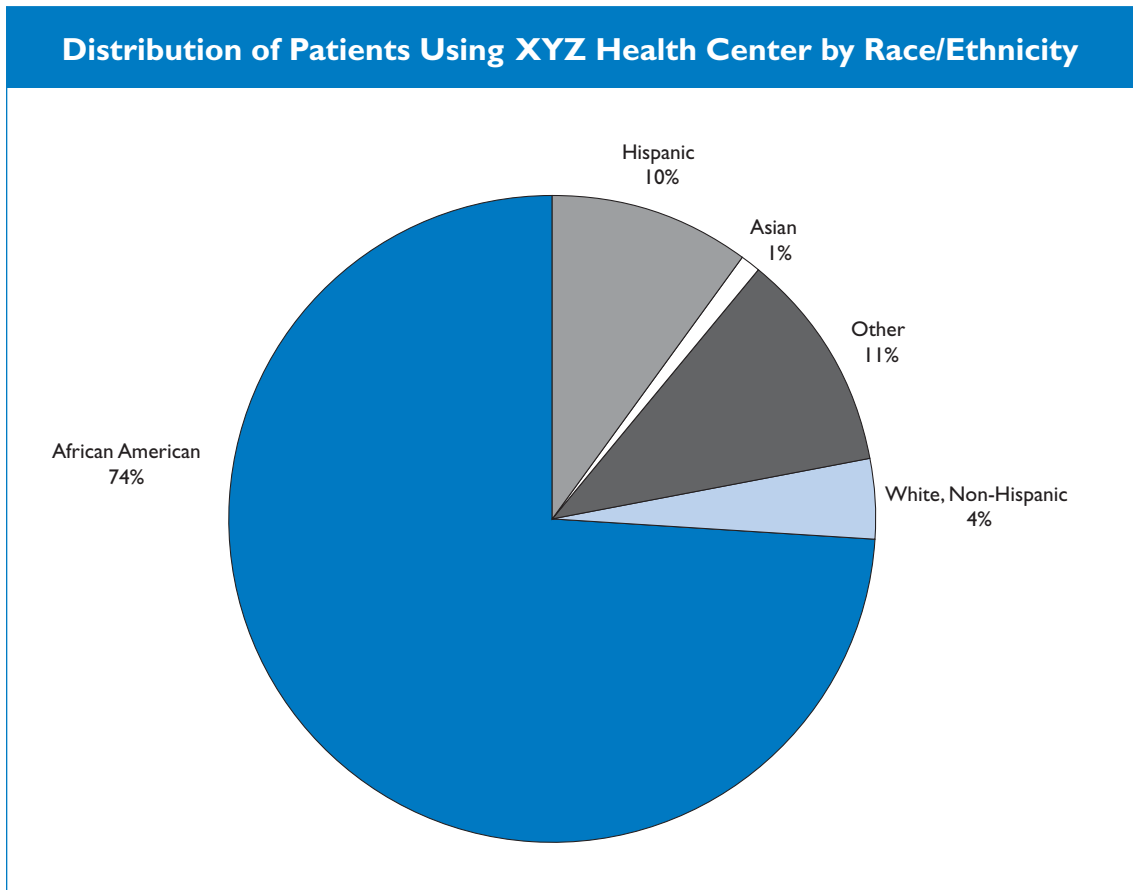
Approximately 61% of the residents living within the health center’s primary service area live at or below 200% of the federal poverty level. The XYZ Health Center is virtually the only primary care provider in the area that provides services regardless of a patient’s ability to pay. As a result, the health center faces no significant competition for the low-income market. The data below indicate that while the health center has achieved significant market penetration in the low-income segment, many more residents remain unserved. The absence of other providers serving this population points to the significant need for primary care services among low-income residents, which justifies the health center’s expansion in this community.

Income Status	Population in Primary Service Area (PSA) & % of Total	Patients in PSA & % of Total	Estimated Center Market Share
At or below poverty level	11,142 (23%)	4,985 (38%)	45%
100% to 200% of poverty level	18,503 (38%)	5,770 (44%)	31%
Greater than 200% of poverty level	19,213 (39%)	2,360 (18%)	12%
Total	48,858 (100%)	13,115 (100%)	27%

Racial and Ethnic Characteristics

The community served by the health center is racially and ethnically diverse. According to the 1990 US Census, approximately 58% of the residents are African-American, 10% are of Hispanic origin (Black and White), and 23% are White. While Asians made up only 2% of the population in 1990, during the last decade the area has experienced a large influx of immigrants, mainly of Asian and Hispanic descent. The health center is well equipped to serve this diverse population, with a multi-lingual staff many of whom live in the community.

Race/National Origin	Population in Primary Service Area (PSA) & % of Total	Patients in PSA & % of Total	Estimated Health Center Market Share
American Indian/Alaskan Native	317 (<1%)	1 (0%)	0%
Asian	824 (2%)	79 (<1%)	10%
Black, not Hispanic origin	28,554 (58%)	9,679 (74%)	34%
Hispanic	4,965 (10%)	1,351 (10%)	27%
White	11,289 (23%)	511 (4%)	5%
Other/Unknown	2,909 (6%)	1,494 (11%)	51%
Total	48,858 (100%)	13,115 (100%)	27%



Age Demographics

The health center provides services to patients across the life cycle. Mirroring the relative youth of the area population, approximately 70% of the health center's patients are under the age of 35, and are comprised largely of mothers and children. Based on the growing public school enrollment over the last six years, the health center expects that the 2000 US Census data will show that the population has shifted slightly to the younger end of the age spectrum, as new immigrants with children have moved into the area. The health center's strength in serving this market will serve as an asset in expanding the health center's young patient base in the future.

Relevant Age Groups	Primary Service Area	CHC Patients	Market Share
< 20 years of age	15,299	5,549	36.3%
Aged 20–34	14,029	3,671	26.0%
Aged 35–44	6,844	1,201	17.5%
Aged 45–54	4,382	926	21.1%
Aged 55–64	3,476	819	23.6%
Aged 65+	4,828	949	19.7%
Total	48,858	13,115	26.8%



APPENDIX B: SAMPLE PROJECT BUDGET/ SOURCES AND USES OF FUNDS

Spreadsheet versions of the Project Budget and Sources & Uses of Funds are available to health centers through:

Capital Link
40 Court Street, 10th floor
Boston, MA 02108
617-422-0350
www.caplink.org

“Health Center Name” Proposed Project Budget

This sample budget is intended as a comprehensive checklist. Don't worry! You will not need every item shown on the checklist! A detailed budget is useful, however, because it reminds you to consider services and expenses that are not necessarily apparent or anticipated but may be required. Some health centers use a detailed budget for internal planning purposes and a more consolidated budget for external presentations.

Total Sq. Footage	Total Costs	Cost/Sq. Foot	
Real Estate Related Costs:			
Land Acquisition	<input type="text"/>	<input type="text"/>	<input type="text"/>
Acquisition of Existing Building	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total Real Estate Costs:			
Hard Costs:			
Site Preparation	<input type="text"/>	<input type="text"/>	
Construction/Renovation:			
Asbestos Abatement	<input type="text"/>	<input type="text"/>	<input type="text"/>
Environmental Remediation	<input type="text"/>	<input type="text"/>	<input type="text"/>
Construction of New Building	<input type="text"/>	<input type="text"/>	<input type="text"/>
Rehab of Existing Building	<input type="text"/>	<input type="text"/>	<input type="text"/>
Construction of Addition to Existing Bldg	<input type="text"/>	<input type="text"/>	<input type="text"/>
Owner “Not in Contract” Items			
Construction Contingency	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total Hard Costs:	<input type="text"/>	<input type="text"/>	<input type="text"/>
Furniture, Fixtures & Equipment (FF&E) Costs:			
Furniture	<input type="text"/>	<input type="text"/>	
Medical Equipment	<input type="text"/>	<input type="text"/>	
Dental Equipment	<input type="text"/>	<input type="text"/>	<input type="text"/>
Computers	<input type="text"/>	<input type="text"/>	
Telephone/Data	<input type="text"/>	<input type="text"/>	
Security Systems	<input type="text"/>	<input type="text"/>	<input type="text"/>
Signage	<input type="text"/>	<input type="text"/>	
Artwork/Plants	<input type="text"/>	<input type="text"/>	
Installation Costs	<input type="text"/>	<input type="text"/>	
Equipment Contingency	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total FF&E Costs:	<input type="text"/>	<input type="text"/>	<input type="text"/>

Total Sq. Footage

Total Costs

Cost/Sq. Foot

Soft Costs:

Architectural Fees

Reimbursables

Engineering Fees

Geotechnical (Test Borings)

Environmental

Civil

Structural

Plumbing

Fire Protection

Mechanical

Electrical

Reimbursables

Environmental Assessment

Surveys

Title Reports & Title Insurance

Appraisal

Construction Testing

Controlled Tests & Inspections

Owner's Representative

Owner's Attorney (corporate, finance, real estate)

Consultants

Project Management

Program & Space Planning

Financial Feasibility

Construction Manager (pre-construction)

Cost Estimator

Interior Designer

Signage/Graphic Designer

Telecommunications Consultant

MIS Consultant

Equipment Planner

Security Consultant

Other Consultants

Total Sq. Footage	Total Costs	Cost/Sq. Foot
Owner's Insurance (Builder's Risk, Liability, Property, Other)	<input type="text"/>	<input type="text"/>
Permits and Fees		
Building	<input type="text"/>	<input type="text"/>
Filing	<input type="text"/>	<input type="text"/>
Regulatory	<input type="text"/>	<input type="text"/>
Other	<input type="text"/>	<input type="text"/>
Financing Costs		
Commitment/Issuance Fee	<input type="text"/>	<input type="text"/>
Development Fee	<input type="text"/>	<input type="text"/>
Lender's Attorney	<input type="text"/>	<input type="text"/>
Bond Counsel	<input type="text"/>	<input type="text"/>
Engineer/Lender's Rep. Fee	<input type="text"/>	<input type="text"/>
Closing Costs		
Mortgage Recording Tax	<input type="text"/>	<input type="text"/>
Other	<input type="text"/>	<input type="text"/>
Interest Costs during Construction	<input type="text"/>	<input type="text"/>
Payment and Performance Bonds	<input type="text"/>	<input type="text"/>
Temporary Utilities	<input type="text"/>	<input type="text"/>
Working Capital/Initial Operating Expenses	<input type="text"/>	<input type="text"/>
Moving	<input type="text"/>	<input type="text"/>
Rent	<input type="text"/>	<input type="text"/>
Soft Costs Contingency	<input type="text"/>	<input type="text"/>
Total Soft Costs:	<input type="text"/>	<input type="text"/>
Total Project Costs:	<input type="text"/>	<input type="text"/>

“HEALTH CENTER NAME”

Sources and Uses of Project Funds

Sources of Funds:

Grants or Contributions from

Loan from

Cash from reserves _____

Total Sources of Funds

Uses of Funds:


Real Estate Related Costs

Total Hard Costs

Total Equipment Costs

Total Soft Costs _____

Total Uses of Funds



APPENDIX C: FINANCIAL FORECASTING TOOL ("ForecasT")

Capital Link has a Financial Forecasting Tool ("ForecasT") to assist community health centers in developing a financial forecast. The following pages illustrate Capital Link's "ForecasT." For additional information or assistance, please contact:

Capital Link
40 Court Street, 10th floor
Boston, MA 02108
617-422-0350
www.caplink.org

NAME OF HEALTH CENTER
STATEMENT OF FINANCIAL POSITION
HISTORICAL AND PROJECTED

FISCAL YEAR	Audited Results		Projected Results		FY __	%	FY __	%	FY __	%
	FY __	%	FY __	%						
ASSETS										
Cash & Investments										
Accounts Receivable										
Grants Receivable										
Inventory										
Other Current Assets										
Total Current Assets										
Land, Building & Improvements										
Construction in Progress										
Furniture & Equipment										
Gross Fixed Assets										
Accumulated Depreciation										
Net Fixed Assets										
Other Assets										
Total Other Assets										
TOTAL ASSETS										
LIABILITIES AND NET ASSETS										
Accounts Payable										
Accrued Expenses										
Current Maturities of Long-Term Debt										
Current Maturities of Capital Leases										
Other Current Liabilities										
Total Current Liabilities										
Long-Term Debt										
Capital Lease Obligations										
Other Long-Term Liabilities										
Total Long-Term Liabilities										
Total Liabilities										
Total Net Assets										
TOTAL LIAB. AND NET ASSETS										

Month in which fiscal year ends:

NAME OF HEALTH CENTER
STATEMENT OF ACTIVITIES
HISTORICAL AND PROJECTED

Month in which fiscal year ends:

FISCAL YEAR	Audited Results		Projected Results		FY		%	
	FY	%	FY	%	FY	%	FY	%
Net Patient Service Revenue								
Total Operating Grants & Contracts								
Contributions / Fundraising Income								
Donated Goods & Services								
Net Assets Released from Restrictions								
Other Operating Revenue								
TOTAL OPERATING REVENUE								
Salaries & Related Expense								
Fringes & Payroll Taxes								
Professional / Contracted / Consultant Fees								
Supplies								
Insurance								
Travel & Training								
Administration & General								
Bad Debt Expense								
Rent								
Facility Operation & Maintenance								
Depreciation								
Depreciation on New Site								
Interest Expense								
Interest Expense New Site								
Other Operating Expense								
TOTAL OPERATING EXPENSES								
CHANGE IN NET ASSETS - OPERATING								
Grants / Contributions for Capital								
Changes in Temporarily Rest. Net Assets								
Contributions & Donations (Non-operating)								
Investment & Interest Income								
Other Non-operating Income								
TOTAL NON-OPERATING INCOME								
CHANGE IN NET ASSETS								

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NAME OF HEALTH CENTER
CASH FLOW STATEMENT
HISTORICAL AND PROJECTED

Month in which fiscal year ends:

FISCAL YEAR	Audited Results			Projected Results		
	FY ____	FY ____	FY ____	FY ____	FY ____	FY ____
CASH FLOW FROM OPERATIONS						
Change in Net Assets						
Adjustments:						
Depreciation						
(Increase) Decrease in A/R						
(Increase) Decrease in Grants Receivable						
(Increase) Decrease in Inventory						
(Increase) Decrease in Other Current Assets						
(Increase) Decrease in Other Assets						
Increase (Decrease) in Accounts Payable						
Increase (Decrease) in Accrued Exp						
Increase (Decrease) in Other Current Liab.						
Cash Flow from Operations						
Cash Flow from Investment						
Acquisition of Land, Building & Improv						
Construction in Progress						
Acquisition of Furniture & Equipment						
Cash Flow from Investment						
Cash Flow from Financing Activities						
Proceeds (Paydown) of Long-term Debt						
Proceeds (Paydown) of Capital Leases						
Proceeds (Paydown) of Other L.T. Liab.						
Cash Flow from Financing Activities						
Net Cash Flow						
Beginning Cash						
Ending Cash						

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NAME OF HEALTH CENTER

PATIENT VOLUME
(Historical and Projected)

Month in which fiscal year ends:

	Actual Results						Projected Results											
	FY		FY		FY		FY		FY		FY							
	Visits	Users	Visits	Users	Visits	Users	Visits	Users	Visits	Users	Visits	Users						
Payor																		
Medical Fee-for-Service:																		
Medicaid																		
Uncompensated Care																		
Self Pay																		
HMO																		
Private Insurance																		
Total Fee-for-Service:																		
Capitation - Medical:																		
Capitated Medicaid																		
Capitated Plan 2 - Medical																		
Total Cap - Medical:																		
Total Medical																		
Dental Fee-for-Service																		
Medicaid																		
Medicare																		
Self Pay																		
HMO																		
Private Insurance																		
Total Fee-for-Service:																		
Capitation - Dental:																		
Medicaid Capitation																		
Capitated Plan 2 - Dental																		
Total Cap - Dental:																		
Total Dental																		
Mental Health FFS																		
Medicaid																		
Medicare																		
Self Pay																		
Private Insurance																		
Total Fee-for-Service:																		
Capitation - Mental Hlth:																		
Medicaid Capitation																		
Capitated Plan 2																		
Total Cap - Mental Hlth:																		
Total Mental Health																		
Total Med, Dent, MH																		
Pharmacy**																		

* Mental Health Users are unduplicated.
** Pharmacy scripts not included in total user and visit calculation.

NAME OF HEALTH CENTER
 PATIENT REVENUE
 (Historical and Projected)

	Actual Results						Projected Results					
	FY _____		FY _____		FY _____		FY _____		FY _____		FY _____	
	Rev/ Visit	Rev/ User PM/PM	Total Revenue	Rev/ Visit	Rev/ User PM/PM	Total Revenue	Rev/ Visit	Rev/ User PM/PM	Total Revenue	Rev/ Visit	Rev/ User PM/PM	Total Revenue
Payor												
Medicaid Fee-for-Service:												
Medicaid												
Medicare												
Uncompensated Care												
Self Pay												
HMO												
Private Insurance												
Total Fee-for-Service:												
Capitation - Medical:												
Capitated Medicaid												
Capitated Plan 2 - Medical												
Total Cap - Medical:												
Total Medical												
Dental Fee-for-Service												
Medicaid												
Medicare												
Self Pay												
HMO												
Private Insurance												
Total Fee-for-Service:												
Capitation - Dental:												
Medicaid Capitation												
Capitated Plan 2 - Dental												
Total Cap - Dental:												
Total Dental												
Mental Health FFS												
Medicaid												
Medicare												
Self Pay												
Private Insurance												
Total Fee-for-Service:												
Capitation - Mental Hlth:												
Medicaid Capitation												
Capitated Plan 2												
Total Cap - Mental Hlth:												
Total Mental Health												
Pharmacy												
Total Patient Revenue												

NAME OF HEALTH CENTER

PAYOR MIX
(Historical and Projected)

Month in which fiscal year ends:	Actual Results					Projected Results						
	FY ___	FY ___	FY ___	FY ___	FY ___	FY ___	FY ___	FY ___	FY ___	FY ___		
	% of Visits	% of Users	% of Revenue	% of Visits	% of Users	% of Revenue	% of Visits	% of Users	% of Revenue	% of Visits	% of Users	% of Revenue
PAYOR MIX - MEDICAL SERVICES												
Medical Fee-for-Service:												
Medicaid												
Medicare												
Uncompensated Care												
Self Pay												
HMO												
Private Insurance												
Total Fee-for-Service:												
Capitation - Medical:												
Capitated Medicaid												
Capitated Plan 2 - Medical												
Total Cap - Medical:												
Total Medical Payor Mix												
PAYOR MIX - DENTAL SERVICES												
Dental Fee-for-Service												
Medicaid												
Medicare												
Self Pay												
HMO												
Private Insurance												
Total Fee-for-Service:												
Capitation - Dental:												
Medicaid Capitation												
Capitated Plan 2 - Dental												
Total Cap - Dental:												
Total Dental												
PAYOR MIX - MENTAL HEALTH												
Mental Health FFS												
Medicaid												
Medicare												
Self Pay												
Private Insurance												
Total Fee-for-Service:												
Capitation - Mental Hlth:												
Medicaid Capitation												
Capitated Plan 2												
Total Cap - Mental Hlth:												
Total Mental Health												

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NAME OF HEALTH CENTER

GROWTH
(Historical and Projected)

Month in which fiscal year ends:

	Actual Results						Projected Results											
	FY		FY		FY		FY		FY		FY							
	Visit Growth	User Growth	Revenue Growth	Visit Growth	User Growth	Revenue Growth	Visit Growth	User Growth	Revenue Growth	Visit Growth	User Growth	Revenue Growth						
Payor																		
Medical Fee-for-Service:																		
Medicaid																		
Medicare																		
Uncompensated Care																		
Self Pay																		
HMO																		
Private Insurance																		
Total Fee-for-Service:																		
Capitation - Medical:																		
Capitated Medicaid																		
Capitated Plan 2 - Medical																		
Total Cap - Medical:																		
Total Medical																		
Dental Fee-for-Service																		
Medicaid																		
Medicare																		
Self Pay																		
HMO																		
Private Insurance																		
Total Fee-for-Service:																		
Capitation - Dental:																		
Medicaid Capitation																		
Capitated Plan 2 - Dental																		
Total Cap - Dental:																		
Total Dental																		
Mental Health FFS																		
Medicaid																		
Medicare																		
Self Pay																		
Private Insurance																		
Total Fee-for-Service:																		
Capitation - Mental Hith:																		
Medicaid Capitation																		
Capitated Plan 2																		
Total Cap - Mental Hith:																		
Total Mental Health																		
Total Med, Dent, MH																		
Pharmacy**																		

NAME OF HEALTH CENTER

**Grants and Contracts
(Historical and Projected)**

Please list major sources and dollar amounts of grant and contract revenue for three previous and five projected years.
Month in which fiscal year ends:

Grant / Contract Source	Actual Results			Projected Results					
	FY	FY	FY	FY	FY	FY	FY	FY	
Operating Grants									
Total Operating Grants	0	0	0	0	0	0	0	0	0
Grants/Contributions for Capital									
Total Capital Grants	0	0	0	0	0	0	0	0	0
Total Grants and Contracts:	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

NAME OF HEALTH CENTER
 EMPLOYMENT INFORMATION
 Historical and Projected

Month in which fiscal year ends:

	Actual Results						Projected Results										
	FY	FTEs	Salaries	FTEs	Salaries	FTEs	FY	FTEs	Salaries	FTEs	Salaries	FTEs	FY	FTEs	Salaries		
Service Provider:																	
Physician																	
Midlevel (PA, NP)																	
Nurses (RN)																	
Mental Health Provider																	
Dental Providers																	
Medical Provider Support*																	
Dental Provider Support																	
Pharmacy																	
Clerical & Administration																	
Total FTEs/Salaries	0.00		\$0	0.00	\$0	0.00			\$0	0.00	\$0	0.00			\$0	0.00	\$0
Fringe Benefit Expense																	
TOTAL	0.00		\$0	0.00	\$0	0.00			\$0	0.00	\$0	0.00			\$0	0.00	\$0

*Provider support - Clinical support staff, outreach workers, etc.

SALARY GROWTH

	Actual Results						Projected Results								
	FY	Sala / FTE	% growth	FY	Sala / FTE	% growth	FY	Sala / FTE	% growth	FY	Sala / FTE	% growth	FY	Sala / FTE	% growth
Service Provider:															
Physician															
Midlevel (PA, NP)															
Nurses (RN)															
Mental Health Provider															
Dental Providers															
Medical Provider Support*															
Dental Provider Support															
Pharmacy															
Clerical & Administration															
Average Salary / FTE															
Fringe Exp/Tot Salary															

VISITS PER FTEs

	Actual Results						Projected Results											
	FY	Total Visits / Total FTEs	Med Visits / Provider FTEs	Med Visits / Med FTEs	Dental Visits / Provider FTEs	Mntl Hlth Visits/ MH FTEs	FY	Total Visits / Total FTEs	Med Visits / Provider FTEs	Med Visits / Med FTEs	Dental Visits / Provider FTEs	Mntl Hlth Visits/ MH FTEs	FY	Total Visits / Total FTEs	Med Visits / Provider FTEs	Med Visits / Med FTEs	Dental Visits / Provider FTEs	Mntl Hlth Visits/ MH FTEs
Total Visits / Total FTEs																		
Med Visits / Provider FTEs																		
Med Visits / Med FTEs																		
Dental Visits / Provider FTEs																		
Mntl Hlth Visits/ MH FTEs																		

NAME OF HEALTH CENTER

Depreciation Expense on New Site

	<u>Number of Years Depreciated</u>	<u>Annual Depreciation Expense</u>
Building Project Costs		
Building Acquisition*		
Hard Costs		
Soft Costs		
Total Building Project Costs		

*Excludes cost to purchase land

Furniture, Fixtures, and Equip Costs

 FF&E Costs
 Computer Equipment

Total Annual Depreciation Expense:

Depreciation Schedules Provided by Auditors:

Building	years
Equipment and Furnishings	years
Computer Equipment	years

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for assistance contact Capital Link at 617-422-0350.

NAME OF HEALTH CENTER
Loan Amortization Schedule

ASSUMPTIONS

Total Project Budget:	
Loan Amount:	
Construction Loan Interest Rate:	
Permanent Interest Rate:	
Loan Amortization (# Years):	
Construction Loan Period Beginning:	
Construction Loan Period Ending:	
Date of FYE following end of Construction Period:	

INTEREST ONLY CONSTRUCTION PERIOD

Time Period	Amount Drawn on Loan	Loan Balance	Interest Expense	Fiscal Year Cumulative Interest
January-05				
February-05				
March-05				
April-05				
May-05				
June-05				
July-05				
August-05				
September-05				
October-05				
November-05				
December-05				
INTEREST DURING CONSTRUCTION				

Time Period	# Months Payable on Loan	Loan Value @ Start of Term	Annual Principal & Interest Payment	Annual Interest Expense	Annual Principal Payable	Loan Value @ End of Term	Monthly Mortgage Payment	Monthly Interest Payment	Monthly Principle Payment
12/31/2006	12								
12/31/2007	12								
12/30/2008	12								
12/30/2009	12								
12/30/2010	12								
12/30/2011	12								
12/29/2012	12								
12/29/2013	12								
12/29/2014	12								
12/29/2015	12								
12/28/2016	12								
12/28/2017	12								
12/28/2018	12								
12/28/2019	12								
12/27/2020	12								
12/27/2021	12								
12/27/2022	12								
12/27/2023	12								
12/26/2024	12								
12/26/2025	12								
Cumulative Loan Payments									
Interest Only Period Cumulative Payment									
Total Loan Payments									

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NAME OF HEALTH CENTER

**Financial Ratios
(Historical and Projected)**

Month in which fiscal year ends:

Financial Ratios	Average	Actual Results		Projected Results	
		FY ____	FY ____	FY ____	FY ____
Days in Net Patient A/R					
Days in Grants Receivable					
Days in Accounts Payable					
Days in Accrued Expenses					
Days Cash on Hand					
Debt Service Coverage Ratio					
Leverage Ratio					
Operating Revenue Growth Rate					
Operating Margin					
Bottom Line Margin					
Supplies as % of NPSR					
Supply Cost per Visit					
Bad Debt as % of NPSR					

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APPENDIX D: FINANCIAL RATIO DEFINITIONS

Profitability

Operating Margin

Change in Operating Net Assets / Total Operating Revenue

Bottom Line Margin

Change in Net Assets / Total Operating Revenue

Growth

Operating Revenue Growth Rate

$(\text{Operating Revenue (Year 2)} - \text{Operating Revenue (Year 1)}) / \text{Operating Revenue (Year 1)}$

Financial Condition/Solvency

Current Assets

Total Current Assets

Current Liabilities

Total Current Liabilities

Working Capital

Current Assets - Current Liabilities

Current Ratio

Current Assets / Current Liabilities

Days in Net Patient Accounts Receivable

$\text{Net Patient A/R} / ((\text{Net Patient Service Rev} / (\# \text{ months} * 30)))$

Days in Grants Receivable

$\text{Grants Receivable} / (\text{Grant Revenue} / (\# \text{ months} * 30))$

Days in All Receivables (Patient, Grants, Contracts)

$(\text{Net Patient A/R} + \text{Grants \& Contracts A/R} + \text{Other A/R}) / ((\text{Net Patient Service Rev} + \text{Uncompensated Care Rev} + \text{Grants \& Contract Rev} + \text{Net Assets Released from Restrictions} / (\# \text{ months} * 30))$

Days in Accounts Payable

$\text{Accounts Payable} / ((\text{Total Operating Expenses} - \text{Salaries} - \text{Depreciation}) / (\# \text{ months} * 30))$

Unrestricted Cash and Investments

Cash + Investments

Days Cash on Hand (unrestricted)

$(\text{Cash} + \text{Investments}) / ((\text{Total Operating Expenses} - \text{Depreciation}) / (\# \text{ months} * 30))$

Total Cash & Investments (restr. & unrestr.)

Cash + Investments + Restricted Investments

Debt Capacity

Leverage

Total Liabilities / Total Net Assets

Debt Service Coverage Ratio

$(\text{Change in Net Assets} + \text{Depreciation} + \text{Interest Expense}) / (((\text{Current Maturities of L.T. Debt} + \text{Current Maturities of Capital Leases}) * (\# \text{ months}/12)) + \text{Interest Expense})$

Supplies & Bad Debt Ratios

Supplies as % of Net Patient Service Revenue

Supplies Expense / Net Patient Service Rev

Supply Cost per Visit

Supplies Expense / Total # of Visits

Bad Debt as % of Net Patient Service Revenue

Bad Debt Expense / Net Patient Service Rev

Is your health center contemplating a major investment in property and equipment? If so, it's likely that you plan on approaching a variety of funding sources or constituencies to ask for their support for the project. And that means you need a business plan!

Ideally, your plan should succinctly introduce your health center and its leaders to those who may not know you; it should clearly demonstrate the need for the capital investment; and it should describe your project, its rationale and its financial implications for your health center. This "how-to" manual has been specifically designed to help you do that! Written for community health center professionals, it covers all the major aspects of preparing a business plan for a capital project. Organized into seven major content areas, the manual provides a suggested outline of information to include in your business plan and provides practical guidance on organizing and presenting your health center's information in a readable and compelling way.

A good business plan is a tool that will help you open many doors. This manual can help you open the door that's most important to you: the one to your new health center!



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