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

Terry Glasscock
Senior Project Consultant
HRSA Fall Webinar Series
November 9, 2016
Capital Link - Overview

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

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

Strategic Forces Influencing Health Care Policy

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Senior Project Consultant

Capital Link
www.caplink.org
The primary influences on health care policy are economic.
### Interest Rates

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

**Five Years Ago**
- Fed Funds – 3.00%
- TE Bond -4.5%
- Prime – 5.0%
- Inflation – 4%

**Five Years From Now?**
Healthcare Costs

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

Per person expenditure for healthcare:

- 1965 - $205
- 2000 - $4637
- 2010 - $8233
Social Security, Medicare & Medicaid
Outlays as a Percentage of GDP 1990-2075

Influences: Federal Receipts vs Entitlement Spending

(As percent of GDP)

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

• Entitlement programs cannot be sustained at current levels!
• Medicaid, Medicare, S.S. will be altered!
• The Window of Opportunity for financing future growth will narrow.
An Introduction to “Creating a Dynamic and Useful Strategic Plan”, a New Toolkit for Health Centers

Terry Glasscock
Senior Project Consultant

www.caplink.org
Creating...

A “GPS” Plan
Not A Storage Problem
If you don’t know where you are going, any road will get you there.
Why Have a Strategic Plan?

• Eliminate surprise
• Provide a guide for every day decisions (critical minutia)
• A tool to help keep pace with external change
Key Strategic Planning Components

Mission and Values

Mission
Reaffirmation and Sustainability

Environmental Scan
- Who are we?
- What do we want to be?
- Are we ready?

Self-Assessment

Impact Evaluation
- What are our possible "futures"?
- How might these "futures" impact us?

Goal Setting
- What must we achieve for success?
- What are the steps to take?
- Measures of success?

Action Plan

Mission Reaffirmation and Sustainability

- What conditions are affecting us now?
- What about the future?
SELF-ASSESSMENT

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

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

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

A goal without a plan is just a wish.

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

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

An Introduction to "High-Performance" Community Health Care

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Senior Project Consultant

www.caplink.org
If you can’t measure it......you can’t manage it.

......But....

Not everything that can be counted counts...not everything that counts can be counted
Process of Measure and Change

- Measure inputs
- Measure activities
- Measure outputs
- Measure outcomes and impacts
- Change and measure again
Learning to Measure Performance

• Inputs
  - Resources: human, financial, information

• Outputs
  - Number of patients seen
  - Number of visits
  - I.E. numbers of things done

• Outcomes – Long-term Results
  - Reduction of disease incidence in community
  - Much more difficult to measure
  - Requires “Proxy” measurement
The Importance of Financial Benchmarking

Ratios

• Easier to understand and usually more relevant than the unrelated, free standing information in financial statements and operational data

• Relationship between various pieces of data to reveal indicators that a deeper analysis may be warranted
Benchmark Categories

- Liquidity
- Financial Viability
- Profitability
- Payer-Specific
- Productivity
- Utilization
Liquidity: Days Cash on Hand

**Unrestricted Cash**

(Total Operating Expenses – Depreciation) ÷ 360 Days

**Measures Liquidity**

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

**Recommended Benchmark**

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

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

Resources/Inputs → Programs/Activities → Outputs → Outcomes → Impact

Planning → Operating → Goals and Results
Look Familiar?
Key Strategic Planning Components

Mission and Values

- Mission
- Reaffirmation and Sustainability

Who are we?
What do we want to be?
Are we ready?

Environmental Scan

- What conditions are affecting us now?
- What about the future?
- What are our possible “futures”?
- How might these “futures” impact us?

Self-Assessment

Impact Evaluation

- What must we achieve for success?

Goal Setting

- What are the steps to take?
- Measures of success?

Mission Reaffirmation and Sustainability

Action Plan

- What are the steps to take?
- Measures of success?
Revenue Growth Through Expansion: How to Build Capital Improvements with Low-cost Financing
Bottom Line: Window of Opportunity

- Lowest Interest rates in history
- NMTC, TE bonds, Commercial Rehab Credits, Historic Tax Credits (before new tax policies?)
- Slowly rising building costs (before inflationary policies)
- Before the full effects of the storm ahead: (Medicare and Medicaid changes)
How Do You Get The Best Financing?
Business Plan and Financial Forecast

CRITICAL!
Business Plan:
Non-financial Section

• CHC description and background
• Market analysis and Growth potential
• Organizational experience and structure
• Project Details
Business Plan: Financial Section

• Financial Feasibility
  - Historical Performance (three years audited)
  - 5-7 year Forecast
  - Project budget
  - Sources and Uses
  - Financing Structure
  - Looks Like this…
Where do you get it?
Equity/Grant Funding

- Health Center Cash Reserves
- Federal Government: USDA, NMTC
- State/Local Government Grants/Appropriations
- Foundation Grants—Private or Corporate
- Hospital or Other Partners
- Community Capital Campaigns
- In-Kind Gifts, e.g. Donated Land/Equipment, $1.00/Year Lease for 99 years
Financing Components

- HIIP Grant
- Grants/Gifts
- NMTC
- State Funds
- TE Bonds
- Foundation
- Bank Loan
- HRSA LGP
- USDA
Choosing the Right Pieces Can Make A Huge Difference!
Same $5 million Project

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

Brief Report that evaluates your financial performance
How can you sustain yourself in a time of unprecedented growth and change?

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

• How have you performed in the past?
• How are you doing now?
• How prepared are you to sustain additional growth?
Benchmarking and Goal Setting: Sample Performance Snapshot

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

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

# Debt Capacity Analysis

## Funds Available for Debt Service (incl. rent rebate)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$322,246</td>
<td>$0</td>
<td>$114,933</td>
<td>$163,498</td>
</tr>
</tbody>
</table>

Rent rebate = $0

## Funds Available for Debt Service After Applying D.S.C. Requirement of 1.25

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$257,797</td>
<td>$0</td>
<td>$91,946</td>
<td>$130,798</td>
</tr>
</tbody>
</table>

## Debt Supported by Adjusted Cash Flow (20 year term)

<table>
<thead>
<tr>
<th>Interest Rate Scenario</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.00%</td>
<td>$2,731,103</td>
<td>$0</td>
<td>$974,081</td>
<td>$1,385,680</td>
</tr>
<tr>
<td>6.00%</td>
<td>$2,956,909</td>
<td>$0</td>
<td>$1,054,618</td>
<td>$1,500,247</td>
</tr>
<tr>
<td>5.00%</td>
<td>$3,212,718</td>
<td>$0</td>
<td>$1,145,855</td>
<td>$1,630,037</td>
</tr>
<tr>
<td>4.00%</td>
<td>$3,503,543</td>
<td>$0</td>
<td>$1,249,582</td>
<td>$1,777,593</td>
</tr>
</tbody>
</table>

**How much could you comfortably borrow?**
## Operational Capacity Assessment

### Patient Growth and Utilization

<table>
<thead>
<tr>
<th></th>
<th>CY 10</th>
<th>CY 11</th>
<th>CY 12</th>
<th>CY 13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Visits</td>
<td>57,938</td>
<td>62,403</td>
<td>65,626</td>
<td>73,504</td>
</tr>
<tr>
<td>Total Patients</td>
<td>14,003</td>
<td>15,943</td>
<td>13,928</td>
<td>15,405</td>
</tr>
</tbody>
</table>

### Patient Management: User and Visits

<table>
<thead>
<tr>
<th></th>
<th>CY 10</th>
<th>CY 11</th>
<th>CY 12</th>
<th>CY 13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Patients/Medical Provider FTEs</td>
<td>997.7</td>
<td>1,017.9</td>
<td>608.0</td>
<td>1,143.2</td>
</tr>
<tr>
<td>MH Patients/MH Provider FTEs</td>
<td>174.6</td>
<td>172.9</td>
<td>75.2</td>
<td>145.6</td>
</tr>
<tr>
<td>Dental Patients/Dental Provider FTEs</td>
<td>238.3</td>
<td>760.0</td>
<td>702.7</td>
<td>531.0</td>
</tr>
<tr>
<td>Vision Patients per Vision Provider FTEs</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Enabling Patient per Enabling FTE</td>
<td>77.4</td>
<td>95.8</td>
<td>45.2</td>
<td>34.2</td>
</tr>
<tr>
<td>Total Unduplicated Patient per Total FTE</td>
<td>183.0</td>
<td>184.7</td>
<td>150.1</td>
<td>145.6</td>
</tr>
<tr>
<td>Medical Visits per Provider FTE (Physician and Mid-Levels)</td>
<td>3,504.3</td>
<td>3,333.8</td>
<td>2,299.7</td>
<td>4,092.2</td>
</tr>
<tr>
<td>MH Visits/MH Provider FTEs</td>
<td>1,289.7</td>
<td>1,752.3</td>
<td>1,658.5</td>
<td>1,606.0</td>
</tr>
<tr>
<td>Dental Visits/Dental Provider FTEs</td>
<td>378.3</td>
<td>1,765.7</td>
<td>1,950.2</td>
<td>2,318.1</td>
</tr>
</tbody>
</table>
To Receive a Performance Snapshot...

Send us your

• Audits and UDS reports from the last four years
• Street addresses of all of your locations
Presentation, Webinar

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

Terry Glasscock
Senior Project Consultant

www.caplink.org
Overview

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

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

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

You can’t know what you don’t measure
Data
Today’s Baseball Scores!

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

- Number of Patients
- Number of visits
- Number of FTEs
Information
Today’s Baseball Scores!

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

- Visits/provider
- Expense/visit
- Revenue/visit
## Key Performance Metrics

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

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

- Yourself
- Peers
- Industry Standards
- Geographies
Performance Evaluation Profile

• 72 financial & operational metrics based on financial audits and UDS

• Peer Comparison
  - State, multi-state, consortia
  - National datasets
Sample Performance Dashboard

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

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