Planning in Uncertain Times: Market Assessment for Service Expansion to Respond to Community Needs

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Capital Link

• Launched in 1995, nonprofit, HRSA national cooperative partner
• Offices in CA, CO, MA, 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

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Today’s Agenda

- Assessing Your Environment
- Resources & Visualization
- “Back of the Envelope” Capital Calculations
- Scenarios using Operational Data

Why Have a Market Assessment?

“If you don’t know where you are going, any road will get you there.”

- Eliminate surprise
- Provide a guide for every day decisions (critical minutia)
- A process/tool to help keep pace with external change
Things to Know Before You Start

- What is your current Market?
- Market can = geography, specific population, service type, etc
- The resulting data will likely inform & expand any ‘gut instinct’
- Reviewers may occasionally have a differing opinion
- It is an investment
- It will and should evolve

Strategic Planning Toolkit

Download a free copy online:
http://www.caplink.org/resources/publications
Environmental Assessment

“Where we live, learn, work and play can have a greater impact on how long and how well we live than medical care”

– Robert Wood Johnson Foundation issue brief on the Social Determinants of Health
Market Assessment

Whether your health center is expanding to a new site or evaluating changes in its existing service area, a market assessment provides essential information to guide your organization’s strategic direction. It is important to define your service area, determine health needs, and study the payer mix in order to estimate market share, competition, unmet needs, and growth opportunities.

How to Use: Use the resources on this page to collect and analyze demographic and health information by geographic location.
Drilling Down: Market Assessment

• Primary Goal: Evaluate a health center’s current market area or a possible new market to determine the potential demand for expansion.
• Also answers:
  - What?
  - How?
  - To Whom?

Capital Link’s Typical Table of Contents

• Health Center Overview
• Service Area Identification
• Service Area Description
• Comparative Demographics and Economic Indicators
• Medical Needs of the Service Area
• Estimating Service Area Demand
• Special Considerations
Service Area Identification

- Examine and map patient origins
- Approximately 75% (or other natural break) is considered Primary
- Next 10-15% is Secondary
- Similar to HRSA UDS Service Area Map and UDSDAMPER

2015 Health Center Profile

BIGHORN VALLEY HEALTH CENTER
HARDIN, MONTANA
Service Area Map
Total Patients Served: 2,046

Service Area Description

- Basic mapping to present geographical place and surroundings
- Establish basic population segments
  - Total
  - low income
  - low income not served by health centers
Demographics and Economic Indicators

- Compare state, county, metropolitan areas, cities, zip codes, etc
  - Populations
  - Race
  - Income Ratios
  - Education
  - Language
  - Business Establishments and Employees by Industry
  - Disabilities
  - Many more, usually according to health center specifics

Mapping Example:
Filipino Population Born Outside of US
Medical Needs of Service Area

- Compare state, county, metropolitan areas, cities, zip codes, etc
  - General health indicators
- Other health providers and facilities
- Health Professional Shortage Areas (HPSA) and MUA/Ps
- Health Disparities
- Selected Workforce Considerations

Estimating Service Area Demand

- Evaluate service area market share
  - Total population and low income population
  - Payor mix
- Population Projections
  - Anticipate changing demographics and their effect
- Estimating potential patients, visits, providers, capital needs
Market Assessment - Expansion

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

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

Market Assessment - UDSMAPPER

15 minutes drive time from zip code 90012 in Los Angeles, California
Market Assessment - UDSMAPPER

15 minutes drive time from 90012 in Los Angeles, California
WITH TRAFFIC CONSIDERATION

Added layer with health center and hospital locations
Market Assessment – UDSMAPPER Data
Market Assessment - UDSMAPPER

- Low Income Not Served by Health Centers for Combined
  - 0
  - 1 - 2,200
  - 2,201 - 6,200
  - 6,201 - 12,200
  - 12,201 - 24,200
  - 24,201 and greater

- Total # of Health Center Patients for Combined, 2015:
  - 90012, Los Angeles
  - Low Income Not Served by Health Centers for Combined
    - 2,581
    - 10,419

Market Assessment – Resources

- UDSMAPPER and HealthLandscape
- US Census Quickfacts & FactFinder...demographics, housing, health, businesses
- County Health Rankings...health indicators, peer comparisons
- HRSA’s Area Health Resource Files...health indicators, hospital utilization, workforce, and demographics
- HRSA’s Data Warehouse...numerous, diversified
- CDC/National Center for Health Statistics – esp. Ambulatory Health Care Data
- US Small Business Administration’s Market Analysis
- Policy Map...demographics, economics, housing, health, etc
Links to Resources

- UDS Mapper/HealthLandscape [http://www.udsmapper.org](http://www.udsmapper.org)
- U.S. Census Bureau
  - American FactFinder [http://factfinder.census.gov/home/saff/aff_transition.html](http://factfinder.census.gov/home/saff/aff_transition.html)
  - QuickFacts [http://quickfacts.census.gov/qfd/index.html](http://quickfacts.census.gov/qfd/index.html)
- CHC WONDER Database [www.wonder.cdc.gov](http://www.wonder.cdc.gov)
- Community Health Status Indicators [http://wwwn.cdc.gov/CommunityHealth/home](http://wwwn.cdc.gov/CommunityHealth/home)
- Behavioral Risk Factor Surveillance Survey (BRFSS) [http://www.cdc.gov/BRFSS/](http://www.cdc.gov/BRFSS/)

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“A good plan today is better than a perfect plan tomorrow.”
Examining the Service Area
Understand Payer Mix

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>Estimated Uninsured (age less than 65)</th>
<th>Medicaid Eligibles</th>
<th>Marketplace-Eligible (Uninsured between 138% and 400% FPL, IF Citizens or Legal Residents)</th>
<th>Medicare Enrollees</th>
<th>Other Insured</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>Estimated Total Pop</td>
<td>Estimated Number</td>
<td>% of total</td>
<td>Estimated Number</td>
<td>% of total</td>
</tr>
<tr>
<td>Current Service Area</td>
<td>891,900</td>
<td>129,500</td>
<td>14.5%</td>
<td>164,500</td>
<td>18.4%</td>
<td>76,100</td>
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<tr>
<td>Potential Service Area</td>
<td>137,500</td>
<td>45,400</td>
<td>33.0%</td>
<td>25,400</td>
<td>18.4%</td>
<td>24,800</td>
</tr>
</tbody>
</table>

• Important to understand this both in current year AND 5 years from now

Data Sources for Payer Mix

• **Medicaid**
  - State by state: search terms include Medicaid enrollment statistics, data, eligibility, report by county

• **Medicare**
  - Enrollment by County: [http://www.cms.hhs.gov/MedicareEnrpts/](http://www.cms.hhs.gov/MedicareEnrpts/)

• **Uninsured**
  - Small Area Health Insurance Estimates [https://www.census.gov/did/www/sahie/data](https://www.census.gov/did/www/sahie/data)
  - American Factfinder [http://factfinder2.census.gov/](http://factfinder2.census.gov/)

• **Exchange-eligible**
  - UDS Mapper [www.udsmapper.org](http://www.udsmapper.org)
  - Can also be utilized to deduce newly-eligible Medicaid population
Expansion Considerations

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

- **Estimating Encounters/Visits**
  - Historic/Realistic visits per patient times expected patients
  - FQHC Visits = 586,916
  - \(\frac{586,916}{133,390} = 4.4\) visits per patient

- **Projecting Workforce Needs**
  - Historic/Realistic Provider Productivity divided by expected visits/patients
  - FQHC Provider FTE = 628
  - FQHC Visits = 586,916
  - \(\frac{586,916}{628} = 934\) visits per FTE
Expansion Considerations

• An organization wants to increase its low income population market share by 5%; how many more patients, visits, providers?

• \(31\% \times 1.05 = 32.55 = 33\%\)
• \(33\% \times 425,426 = 140,391\) patients (increase of 7,000 low income patients)

• \(7,000 \times 4.4\) visits per patient = 30,800 additional visits

• \(30,800 \div 934\) visits per Provider FTE = 33 additional Provider FTEs

Expansion Considerations

• Estimated Square Footage/Funding Needed to Treat New Patients – \textit{HYPOTHETICAL}

• Using estimated square feet per provider as basis...1,100

• \(33\) FTE \(\times\) 1,100 sq ft per = 36,300 total sq ft

• Using estimated cost per square foot as basis...\$480

• \(36,300\) sq ft \(\times\) \$480/sq ft = \$17.4M estimated cost
Expansion Considerations

Typical Breakdown of Project Costs for Health Centers:

<table>
<thead>
<tr>
<th>Costs</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hard Costs</td>
<td>70%</td>
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<tr>
<td>Equipment</td>
<td>15%</td>
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<tr>
<td>Soft Costs</td>
<td>15%</td>
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</tbody>
</table>

Total Project Cost 100%
+ Land/Building Acquisition

Capital Link’s Medicaid Scenario Tool

<table>
<thead>
<tr>
<th>Medicaid Patient Revenue Modeling Tool</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Medicaid Patients:</td>
</tr>
<tr>
<td>Current Billable Medicaid Visits:</td>
</tr>
<tr>
<td>Current PPS Rate:</td>
</tr>
<tr>
<td>Percentage Increase (-Decrease) in Medicaid Patients:</td>
</tr>
<tr>
<td>Medicare</td>
</tr>
<tr>
<td>Other Public</td>
</tr>
<tr>
<td>Private Insurance</td>
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<tr>
<td>Uninsured/self Pay</td>
</tr>
</tbody>
</table>
### Medicaid Patient Revenue Modeling Tool

| Current Medicaid Patients: | 10,000 |
| Current Billable Medicaid Visits: | 35,000 |
| Current PPS Rate: | $200.00 |
| Percentage Increase (-Decrease) in Medicaid Patients: | -5.00% |

| Medicare | 700 | $300,000.00 |
| Other Public | 700 | $300,000.00 |
| Private Insurance | 2,100 | $400,000.00 |
| Uninsured/Self Pay | 1,500 | $90,000.00 |

### Medicaid Impact Analysis w/ -5.00% Change

| Projected Change in Annual Revenue | ($320,000.00) |
| Change in Days Cash on Hand | (16.5) |
| Average Surplus (Deficit) 330 Funding per Uninsured Patient | ($66.67) | ($175.00) |
| Total Surplus (Deficit) 330 Funding for Uninsured Patients | ($100,000) | ($350,000) |
Capital Link’s Medicaid Scenario Tool

<table>
<thead>
<tr>
<th>Revised Medicaid Patients</th>
<th>Percent Change from Current Medicaid Patients</th>
<th>Medicaid Revenue</th>
<th>Amount Change from Current Medicaid Revenue</th>
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<td>(9,500)</td>
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<td>(9,000)</td>
<td>(1,000)</td>
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<tr>
<td>(6,500)</td>
<td>(3,500)</td>
<td>$4,550,000</td>
<td>($2,450,000)</td>
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For More Information

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