During this period of rapid industry transformation, it is increasingly important for health centers to measure and monitor organizational data to inform financial management decisions and demonstrate value. Applying data analysis tools helps leaders more effectively track performance, engage staff, understand key drivers, and incorporate operational insights to position the health center for financial sustainability and continued success.

Historical financial and operational data, when put into a comparative context, are signposts on the path to financial stability. The key components of the data analytics process can be simplified as follows:

This toolkit provides guidance in applying these concepts to better understand and improve a health center’s financial performance.

**Benefits of Benchmarking**

Health center performance is impacted by many internal and external factors. Performance benchmarking is beneficial because it supports the factors that lead to long-term financial sustainability, as illustrated in the model at right.

This toolkit recommends methods of tracking and benchmarking financial and operational data in order to strengthen operational performance. Strategies for impacting clinical outcomes and patient satisfaction are beyond the scope of this resource, although these performance areas become increasingly important to health centers’ financial sustainability as they transform from volume-based to value-based reimbursement.

The suggested metrics in this toolkit are not intended to offer simple solutions to the challenges of complex, interconnected operational models but rather are intended to facilitate more detailed analysis and discussion with key stakeholders of your health center.
Health centers should regularly monitor 12-15 performance measures using data available from financial statements, practice management systems, and Uniform Data System (UDS) reporting. However, each organization should adapt this model to track the statistics most relevant for its own performance goals and objectives.

**FEE-FOR-SERVICE PAYMENT ENVIRONMENT**

The following financial and operational metrics are relevant in a fee-for-service model, where volume of visits drives revenue generation.

<table>
<thead>
<tr>
<th>KEY FINANCIAL AND OPERATIONAL METRICS</th>
<th>WHY THIS IS IMPORTANT</th>
<th>FORMULA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL HEALTH (CORPORATE LEVEL)</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Operating Margin                        | Assesses overall strength of business model; margins are typically small but need to be positive | \[
\frac{\text{Change in Operating Net Assets}}{\text{Total Operating Revenue}}
\] |
| Bottom Line Margin                      | Shows whether performance is dependent upon large capital grants and/or other sources of non-operating revenue | \[
\frac{\text{Net Patient Service Revenue}}{\text{Net Patient Accounts Receivable}}
\] |
| Personnel-Related Expense as Percent of Revenue | Consumes 70-75% of revenues; key driver of financial performance | \[
\frac{(\text{Salaries and Related Expenses} + \text{Fringes and Payroll Taxes} + \text{Professional/Contracted/Consultant Fees})}{\text{Total Operating Revenue}}
\] |
| Days in Net Patient Accounts Receivable | Reflects effectiveness of financial management, which starts with collecting money efficiently | \[
\frac{\text{Net Patient Service Revenue}}{\text{Net Patient Accounts Receivable}}
\] |
| Days Cash on Hand                       | Measures cash management and whether there is enough liquidity to keep operations running smoothly | \[
\frac{(\text{Unrestricted Cash} + \text{Investments})}{(\text{Total Operating Expenses} - \text{Depreciation})}
\] |
| **PRODUCTIVITY AND FINANCIAL OPERATIONS (PRODUCE FOR EACH SERVICE AREA)** |                        |         |
| Physician Visits per Physician FTE     | Visit productivity is the basis for revenue generation [in a fee-for-service environment] | \[
\frac{\text{Physician Visits}}{\text{Physician FTEs}}
\] |
| Non-Physician Visits per Non-Physician FTE | Visit productivity is the basis for revenue generation [in a fee-for-service environment] | \[
\frac{\text{Non-Physician Visits}}{\text{Non-Physician FTEs}}
\] |
| Cost (and Revenues) per Visit           | Understand how your visit costs and revenues are changing over time. Do your revenues exceed cost? | \[
\frac{\text{Total Expenses (or Revenues)}}{\text{Total Visits}}
\] |
| Visit Growth Rates                      | Assess how quickly visits are growing. More visits drive higher revenues in a fee-for-service environment | \[
\frac{(\text{Total Visits Current Period}) - \text{(Total Visits in Prior Period)}}{\text{Total Visits in Prior Period}}
\] |
**WHAT METRICS SHOULD I TRACK?**

**VALUE-BASED PAYMENT ENVIRONMENT**
As health centers transition to value-based reimbursement more focused on outcomes, the following metrics become increasingly important. Track these metrics in addition to the financial and operational metrics described under a Fee-For-Service business model.

<table>
<thead>
<tr>
<th><strong>KEY FINANCIAL AND OPERATIONAL METRICS</strong></th>
<th><strong>WHY THIS IS IMPORTANT</strong></th>
<th><strong>FORMULA</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRODUCTIVITY AND FINANCIAL OPERATIONS (PRODUCE FOR EACH SERVICE AREA)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical Patients per Medical Provider FTE</td>
<td>Becomes more important in transition to patient-centered care models</td>
<td>Patients Medical Provider FTEs</td>
</tr>
<tr>
<td>Medical Patients per Medical Staff FTE</td>
<td>Productive team-based care depends on integrated staff and program planning</td>
<td>Total Patients Total Medical Staff FTEs</td>
</tr>
<tr>
<td>Cost per Patient</td>
<td>Understanding and managing costs is critical as reimbursement methodologies change</td>
<td>Total Expenses Total Patients</td>
</tr>
<tr>
<td>Revenues per Patient</td>
<td>Revenues per patient must exceed expenses per patient to ensure financial sustainability</td>
<td>Total Revenues Total Patients</td>
</tr>
<tr>
<td><strong>STAFFING AND UTILIZATION (PRODUCE FOR EACH SERVICE AREA)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical Support Staff Ratio</td>
<td>How does your team composition track with productivity?</td>
<td>Medical Support Staff FTEs Provider FTEs</td>
</tr>
<tr>
<td>Administrative and Non-Clinical Staff</td>
<td>Strategic balancing of personnel costs is key for financial sustainability</td>
<td>Total Administrative and Non-Clinical Staff Total FTEs</td>
</tr>
<tr>
<td>Patient Growth Rates</td>
<td>Are patients growing faster than visits? Is demand growing?</td>
<td>(Total Patients) Current Period - (Total Patients) in Prior Period Total Patients in Prior Period</td>
</tr>
</tbody>
</table>
Benchmarking is the process of evaluating data by comparison with a standardized reference point, allowing health center leadership to better interpret performance results and make management decisions accordingly. Metrics aid in decision-making by revealing trends or indicators for deeper analysis.

**Benchmarking Considerations**

- Since health centers are mission-driven, financial benchmarks must be considered in the context of other non-profit industries. Extremely high margins or liquidity do not necessarily support long-term sustainability if programs and services are compromised in the short run. Health center leaders need to carefully assess their own performance objectives within the context of their organizational mission and evaluate results accordingly.

- For meaningful comparative analysis, it is important to calculate selected performance metrics compared to peers and industry benchmarks or standards. Health centers should also be consistent with their own internal calculations so that period-to-period internal analysis is relevant.

- Identifying appropriate health center peer groups and benchmarks as well as finding comparative performance data can be challenging, but consider the resources listed on the following page.
Data Considerations

- Financial and operational data systems are rarely integrated, making consolidated reporting initiatives a manual process.

- Multiple people within an organization are often responsible for data reporting, which can result in a lack of data consistency and credibility.

- Historical data from prior years may be less immediately relevant for current decision-making, however reports using timely interim data are often not as accurate and/or available.

- Site-level data may be most meaningful but corporate-level data may be more reliable and comparable.

- When comparing with peers, it is critical to ensure the same approach and calculations for measuring benchmarks are used.
The following table provides a summary of the comparative results for financial and operational performance indicators for various peer data sets using 2019 UDS data and Capital Link’s own database of health center financial audits. Health centers should update this model with their own information to determine areas for further review and establish internal targets for each measure.

### Fee-For-Service

<table>
<thead>
<tr>
<th></th>
<th>Capital Link Target</th>
<th>National 2019 Median*</th>
<th>California 2019 Median</th>
<th>Health Center Targets (Set by Center)</th>
<th>Current Year Health Center Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Health (Corporate Level)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Margin</td>
<td>&gt;1-3%</td>
<td>2.0%</td>
<td>2.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bottom Line Margin</td>
<td>&gt;3%</td>
<td>3.4%</td>
<td>3.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel-Related Expense as Percent of Revenue</td>
<td>&lt;70-75%</td>
<td>72.7%</td>
<td>74.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Days in Net Patient Accounts Receivable</td>
<td>&lt;60 Days</td>
<td>38</td>
<td>38</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Days Cash on Hand</td>
<td>&gt;30-45 Days</td>
<td>67</td>
<td>77</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Productivity and Financial Operations (Produce for Each Service Area)

|                              |                     |                        |                         |                                      |                                  |
| Physician Visits per Physician FTE | N/A                | 2,679                  | 3,064                   |                                      |                                  |
| Non-Physician Visits per Non-Physician FTE | N/A                | 2,377                  | 2,941                   |                                      |                                  |
| Operating Expense Per Visit   | N/A                 | $251                   | $252                    |                                      |                                  |
| Visit Growth Rate             | N/A                 | 5%                     | 7%                      |                                      |                                  |

### Value-Based

### Productivity and Financial Operations (Produce for Each Service Area)

|                              |                     |                        |                         |                                      |                                  |
| Medical Patients per Medical Provider FTE | N/A                | 832                    | 893                     |                                      |                                  |
| Medical Patients per Medical Staff FTE | N/A                 | 287                    | 274                     |                                      |                                  |
| Operating Expense per Patient | N/A                 | $964                   | $1,164                  |                                      |                                  |

### Staffing and Utilization

|                              |                     |                        |                         |                                      |                                  |
| Medical Support Staff Ratio   | N/A                 | 1.9                    | 2.1                     |                                      |                                  |
| Administrative and Non-Clinical Staff Percentage | N/A                | 36%                    | 36%                     |                                      |                                  |
| Patient Growth Rate          | N/A                 | 5%                     | 7%                      |                                      |                                  |

*Calculated by Capital Link with available financial audits and UDS data as of 2019. Productivity measures are for Medical Services only.
Monitoring Performance Through Visual Dashboards

While a detailed data analysis and comparisons across a variety of key metrics are helpful, health centers may wish to monitor a more limited set of indicators in a graphical format by using a dashboard.

Some software packages used by health centers offer dashboard reporting modules, including those that are attached to practice management systems that track detailed clinical and operational measures. Dashboards from financial and accounting software, when available, can be helpful but are not usually linked to operational or utilization data sources. Whether the goal is financial sustainability or continued growth, health centers must look for ways to integrate raw data from various sources into visually compelling reports that will allow clinic leadership to routinely monitor ongoing performance.

**Key Steps:**

**Creating Financial and Operational Performance Dashboards**

- **Identify Your Audience**
  - Dashboards are more effective if you tailor them for the intended audience
  - Consider data fluency; clinic boards of directors need more limited, priority information while clinic managers want more detail

- **Choose Your Financial and Operational Metrics**
  - Limit what you are tracking regardless of the audience (10-12 metrics)
  - Stay consistent with your ratio definitions and calculations

- **Match Your Reporting Objectives to Your Available Data Sources**
  - Annual results are often most reliable: Audits, UDS, etc.
  - Monthly/quarterly data better support real-time decision making: PMS systems, interim financials, etc.
  - Reporting frequency also depends on data needs of target audience (boards of directors vs. executive management vs. clinic managers)

- **Explore Your Available Reporting Tools**
  - If dashboard software is not available, look to Microsoft Excel as a relatively easy tool for charting performance results
  - Dashboards typically require an investment of time to set up, but then templates are efficient to run for routine reporting
REVENUES

Revenue Cycle Management (RCM):
Better billing and collections means more revenues. Net Patient Services Revenues comprise 65% of revenues for health centers nationally.

- Revenue maximization starts with the front desk; ensure staff is well trained and motivated for patient enrollment in appropriate insurance programs and collection of minimum visit payments.

- Routinely monitor key revenue cycle metrics, including registration and scheduling efficiency. Several RCM best practices benchmarks are listed below.

- Closely monitor changes in payer mix and reimbursement rates as these drive the operating budget. Ensure staff are trained to bill and collect from all sources.

- Consider outsourcing aspects of collections processes as a way to increase revenue and decrease related administrative costs. Many RCM contractors will provide a no-cost analysis of potential revenue enhancements.

Grants/Contracts Revenues:
Most health centers generate 30% of overall revenues from this source.

- Determine if there are opportunities to secure additional grant or fundraising income to support program expenses.

- This source often shows greater variability over time, so plan accordingly.

RCM BEST PRACTICES GUIDELINES

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Collections at Check-in Rate</td>
<td>75-80%</td>
</tr>
<tr>
<td>Registrar Registration Rate</td>
<td>40/day</td>
</tr>
<tr>
<td>Schedule Occupancy Rate</td>
<td>95% Capacity</td>
</tr>
<tr>
<td>Pre-Registration Rate</td>
<td>&gt;98%</td>
</tr>
<tr>
<td>Insurance Verification Rate</td>
<td>&gt;98%</td>
</tr>
</tbody>
</table>

TYPICAL HEALTH CENTER REVENUE MIX

- Net Patient Service Revenues: 65%
- Grants Including Section 330: 30%
- Contributions/Other: 5%

- REVENUES

- MAXIMIZING REVENUES
When benchmarking tools indicate a potential weakness in one or more specific areas, management should further analyze the reasons and take action as appropriate. It is important to align revenues and expenses with organizational priorities to ensure financial sustainability. Leaders should closely monitor the key revenue and expense categories and adjust controllable items in the short-term while reviewing major longer term and/or strategic changes.

**EXPENSES**

**Employment Expenses:**
Personnel-related costs, including benefits and contracted services comprise 75% of overall health center expenses

- Health insurance is one of the organization's highest costs — review options for higher deductibles (even if self-funded/subsidized by the health center, this strategy often saves money).

- Evaluate the balance between salaries and benefits to ensure it is reflective of the demographics and priorities of your staff.

- Monitor clinical services — track the volume of referrals and patient satisfaction with services on an annual basis to determine at what point in-house services are more cost-effective.

- Consider support services — as the size and number of sites grows, monitor the cost and benefit of utilizing outside resources to maintain facilities and handle similar activities.

**Supplies and Services Expenses:**
Represent 10-15% of costs for a typical center

- Group purchasing programs (GPOs) are a no-cost membership option that provide savings on many products and services — often in the range of 10-20% per line item. Most programs will provide a free analysis to identify potential savings.

**Facilities Expenses:**
Comprise 5-10% of costs for a typical center

- Take advantage of creative, low-cost financing sources available to health centers to fund capital expansion or renovations projects. Some financing programs can even provide project equity to reduce debt. Given current market conditions, consider refinancing opportunities to reduce interest expense.
Health center managers often focus on productivity as the key driver of financial performance. However, productivity is a function of many operational dynamics, most notably the inter-connections between staffing, process, and facility. Real improvement, particularly for team-based care models, often requires addressing these three performance drivers simultaneously.

**Staffing:**
Staffing plans must strategically utilize each member of the team in ways that support the team-based care model.

- Increase the number of patients that each individual provider can effectively manage by finding the right mix of support staff that best meets the needs of your patients, particularly given the growing shortage of providers.
- Increase breadth and depth of services offered to those patients to improve outcomes and minimize overall healthcare costs.

- For each site, determine and monitor the type and number of staff required to support the desired program utilizing the chosen model in the available facility.
- Develop team productivity targets based on industry benchmarks and regularly track progress toward achieving those goals.
- Share results in a public forum as increased incentive to improve performance.
ANALYZE AND ADJUST: REVENUE AND EXPENSES

Process:
The effectiveness and productivity of the team is dependent not only on individual skill sets but on the ability of the team to work together efficiently.

- Ensure daily work flows support the function of the team to effect positive patient outcomes.

GOAL

- Confirm that each staff member is maximizing his/her license and credentials.
- Each team member should spend 80% of the day completing work reflective of his/her particular expertise and 20% on work simply shared by the entire group to maximize team function.
- Examine team processes to eliminate redundancies in reporting and documentation, allowing staff resources to be focused on patient care.

STRATEGIES

Facility:
As the model of care delivery changes, it is essential to have multi-functional, flexible spaces that can be repurposed inexpensively as staff and processes change.

- Maximize use of current space while ensuring flexibility for future growth.

GOAL

- Align space and processes to create patient flow patterns that maximize efficiencies and the number of patients served. Consider the space needs/design layout to ensure patients move quickly and efficiently through the center.
- Increase and/or change the hours of operation to reflect days and times requested by existing and potential patients.
- Develop a facilities plan based on anticipated patient growth to understand how quickly your current or proposed facility will reach capacity and constrain your staff and patient flow.

STRATEGIES
ADDITIONAL RESOURCES

PUBLICATIONS

California Community Health Centers: Financial and Operational Performance Analysis, 2016-2019
Capital Link

Hallmarks of High Performance: Exploring Relationships between Clinical, Financial and Operations Excellence at America’s Health Centers
Capital Link

Federally Qualified Health Centers: Financial and Operational Performance Analysis, 2015-2018
Capital Link

Cost Per Visit: Measuring Health Center Performance
Capital Link and National Association of Community Health Centers

Cost of Care Trends for Community Health Centers, 2012-2016
Capital Link

High-Performance Community Health Centers: Learning, Measuring, and Achieving
Capital Link

WEB RESOURCES

National Association of Community Health Centers’ Research and Data

U.S. Department of Health and Human Services, Data

U.S. Dept of Health & Human Services, Clinical and Financial Measures

Office of Statewide Health Planning and Development, Healthcare Data

Health Center Resource Clearinghouse

WEBINARS

Financial and Operational Benchmarking Trends and Techniques - December 12, 2019

Developing a Business Plan and Financial Forecast for a Health Center Capital Project - June 11, 2020

Understanding Your Costs in an Evolving Payment Environment - A Four-Part Webinar Series for FQHCs

Developing a Community Health Center Capital Project Plan and Budget – Part One - February 13, 2020

Developing a Community Health Center Capital Project Plan and Budget – Part Two - March 26, 2020
ABOUT CAPITAL LINK

Capital Link is a national, non-profit organization that has worked with hundreds of community health centers and Primary Care Associations for more than 25 years to plan for sustainability and growth, access capital, improve and optimize operations and financial management, and articulate value. Established through the health center movement, Capital Link is dedicated to strengthening health centers—financially and operationally—in a rapidly changing marketplace. For more information, visit us at www.caplink.org.