



New Mexico Community Health Centers

Board Management: Using Data to Drive Improvement



CAPITAL LINK

www.caplink.org

Jonathan Chapman,

Director of CHC Advisory Services

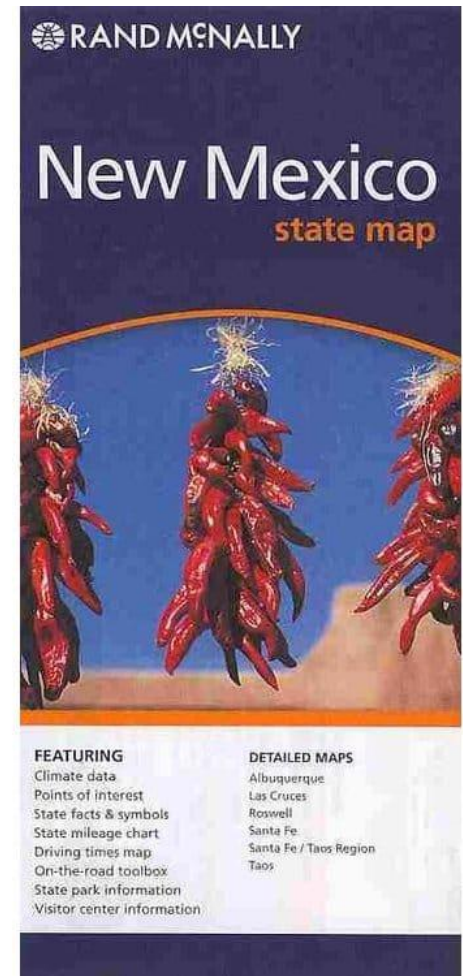
June 14, 2019

Capital Link

- Launched in 1995, nonprofit, HRSA national cooperative agreement partner
- Offices in CA, CO, FL, MA, MO, and WV
- **Over \$1.1 billion** in financing for over **230** capital projects (about 10% of current health center facility space)
- We help health centers:
 - **Plan for Sustainability and Growth** - Market assessments; new service line feasibility; scenario modeling; business planning and forecasts; understand costs of existing and new services; plan for collaborations, mergers and acquisitions.
 - **Access Capital** - Tools, resources, training; direct one-on-one assistance to leverage capital from a variety of sources
 - **Improve and Optimize Operations and Financial Management** - Provide analytics, tools and training in using comparative data to improve performance
 - **Articulate Value** - Assess value and impact of health centers on communities, the health system and the economy

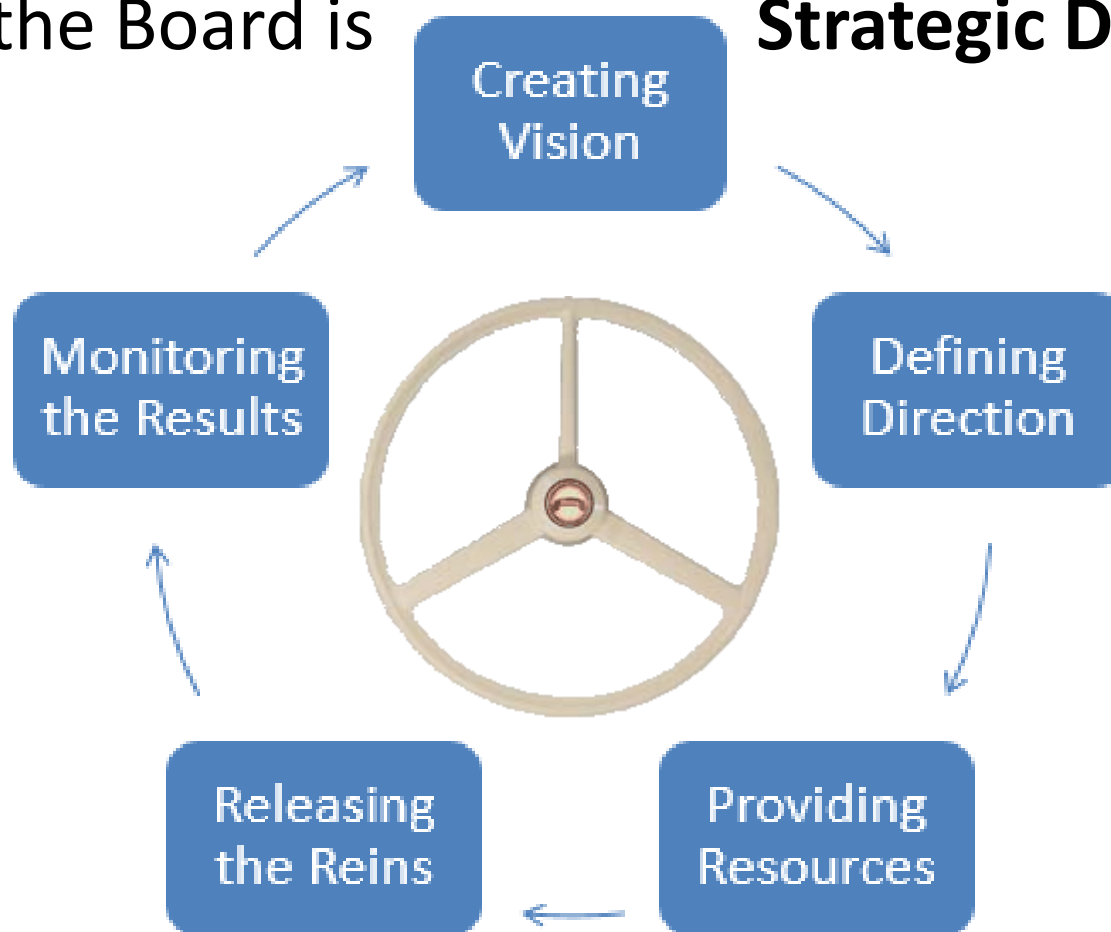
The Importance of the Data-Driven Decision

- Growing need for services
- Increasing complexity of patients
- Need to ensure resources spent efficiently
- Increasing complexity of organizations
- Pressure to boost revenue
- Preparation for and Implementation of
 - Payment Reform,
 - Patient-Centered Medical Homes,
 - Affordable Care Organizations, and
 - The Next New Thing



The Importance of Data to FQHC Boards

The Role of the Board is **Strategic Direction**



Strategic Direction

“The more unpredictable the environment, the greater the opportunity—if you have the leadership skills to capitalize on it.”

Nathan Rothschild

Six Little Words that Mean So Much in Leadership

Anticipate

Challenge

Interpret



Decide

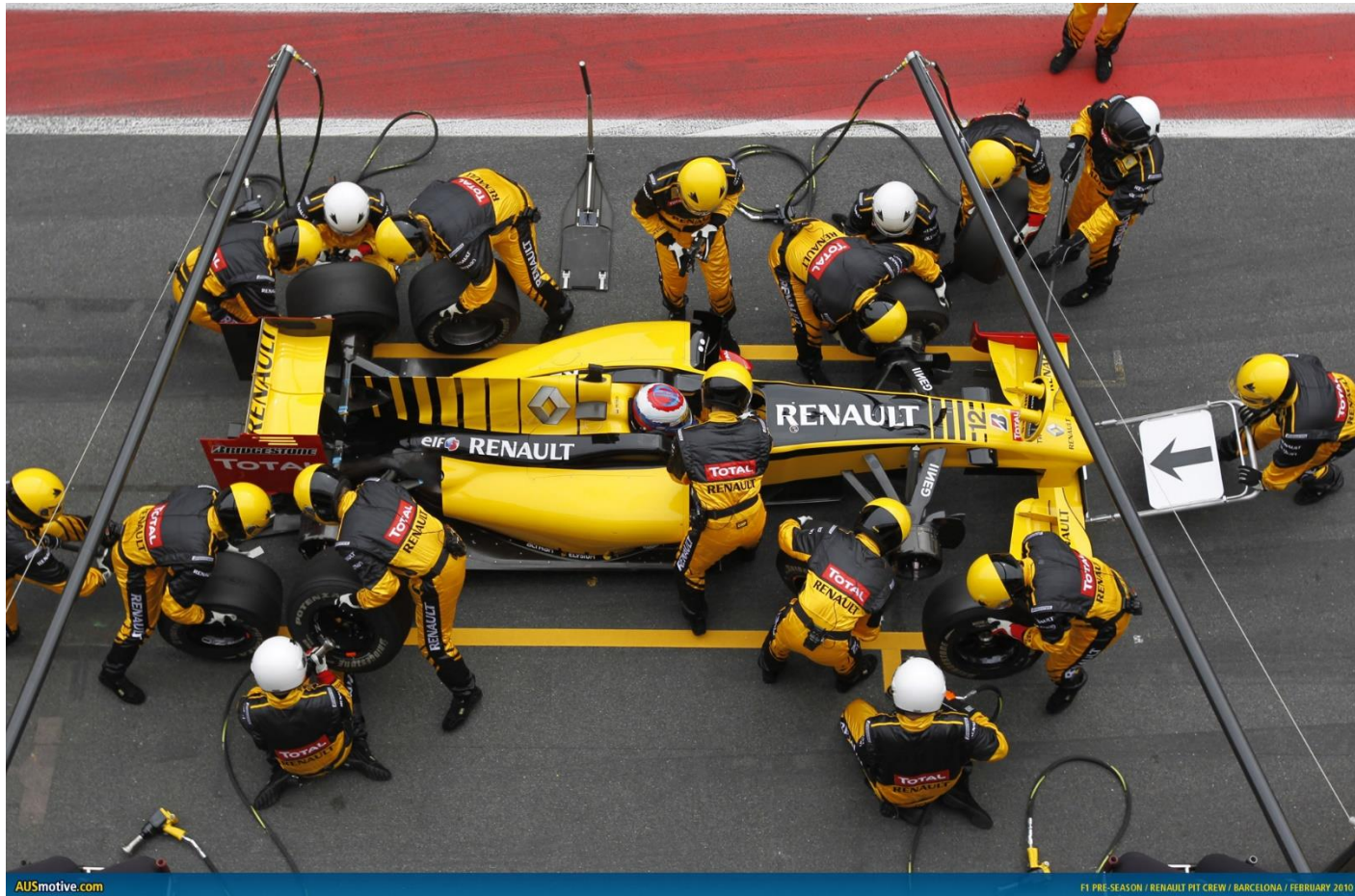
Align

Learn

Leadership Self-Assessment

<https://surveys.zfco.com/pages/WebParticipantSignup.jsp?product=el360&signupMode=try>

Assessing Performance



Assessing Performance



Assessing Performance



FQHC Board Responsibilities Relying on Data

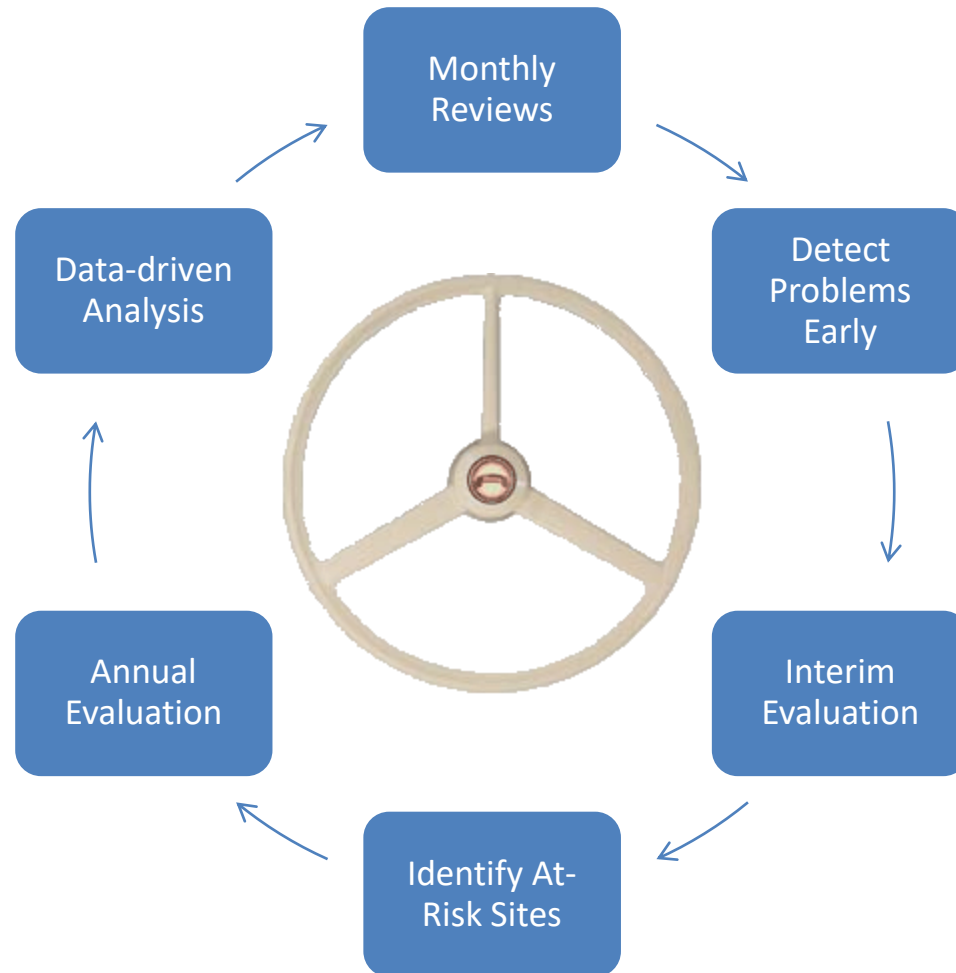
- Assure the center is financially viable
- Assure center is operating in accordance with its own established policies
- Establish systematic tracking system of board policies and procedures
- Establish bylaws
- Hold regularly scheduled meetings, at least once each month
- Keep board meeting minutes
- Tenure/Evaluation of the Executive Director
- Meet board educational and training needs
- Assure the center is operating in compliance with laws and regulations
- Conduct annual board self evaluation
- Conduct programmatic and financial strategic planning
- Monitor and evaluate center activities and process in meeting goals
- Develop and nurture partnerships and good working relationships

But... Data by Itself Is Not Always Helpful



Using metrics to show the relationship
between various pieces of data
to **reveal trends and/or indicators**
provides more useful information.

Performance Evaluation: Financial and Operational



Financial Reports

- Annual Financial Budget & Approved Plan
- Profit and Loss Statements Balance Sheets
- Annual Financial Audits

More Valuable with Variance Analysis



Vs. Yourself

Vs. Peers and Industry Guidelines

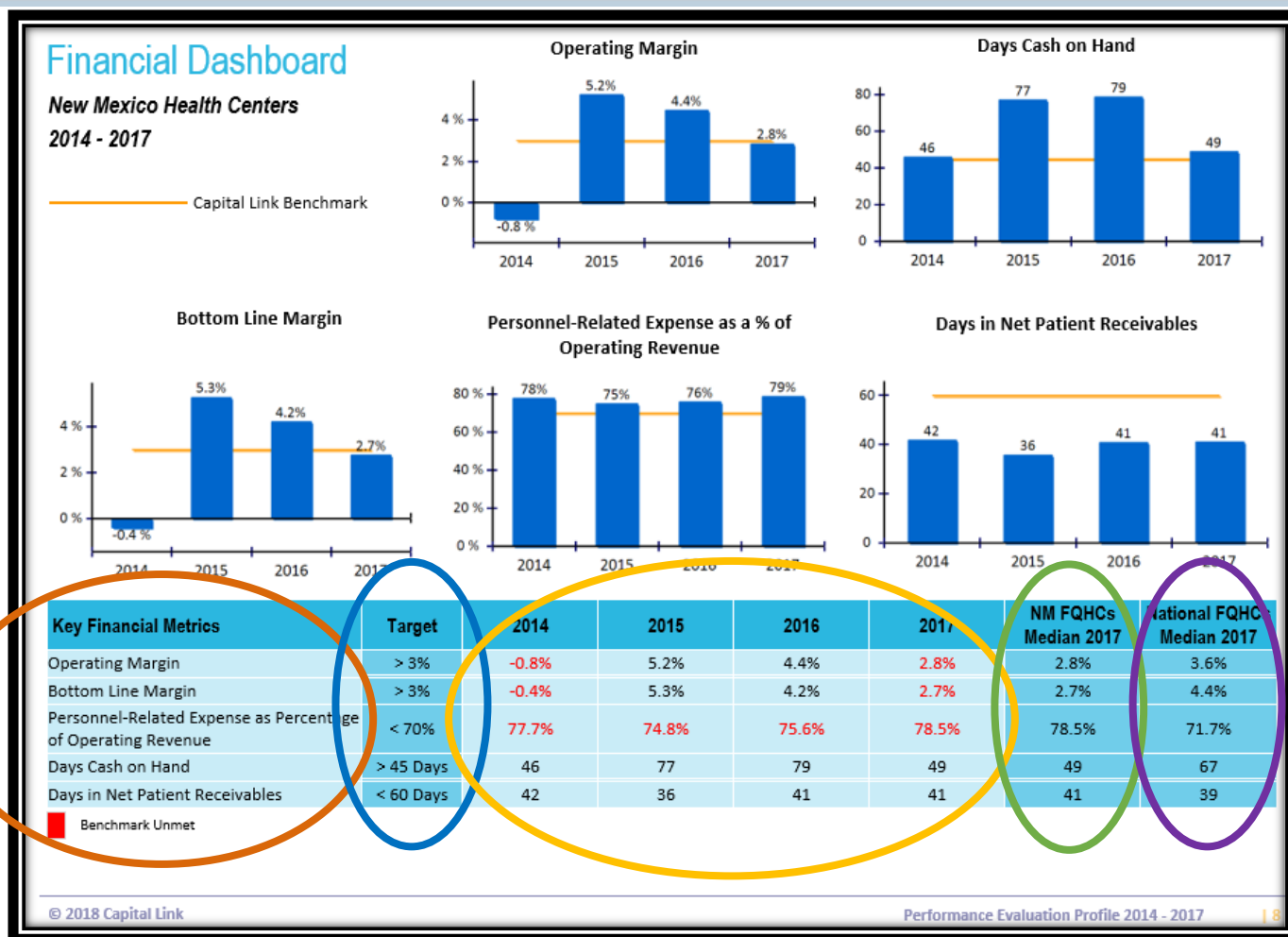


‘Traditional’ Financial & Operational Data

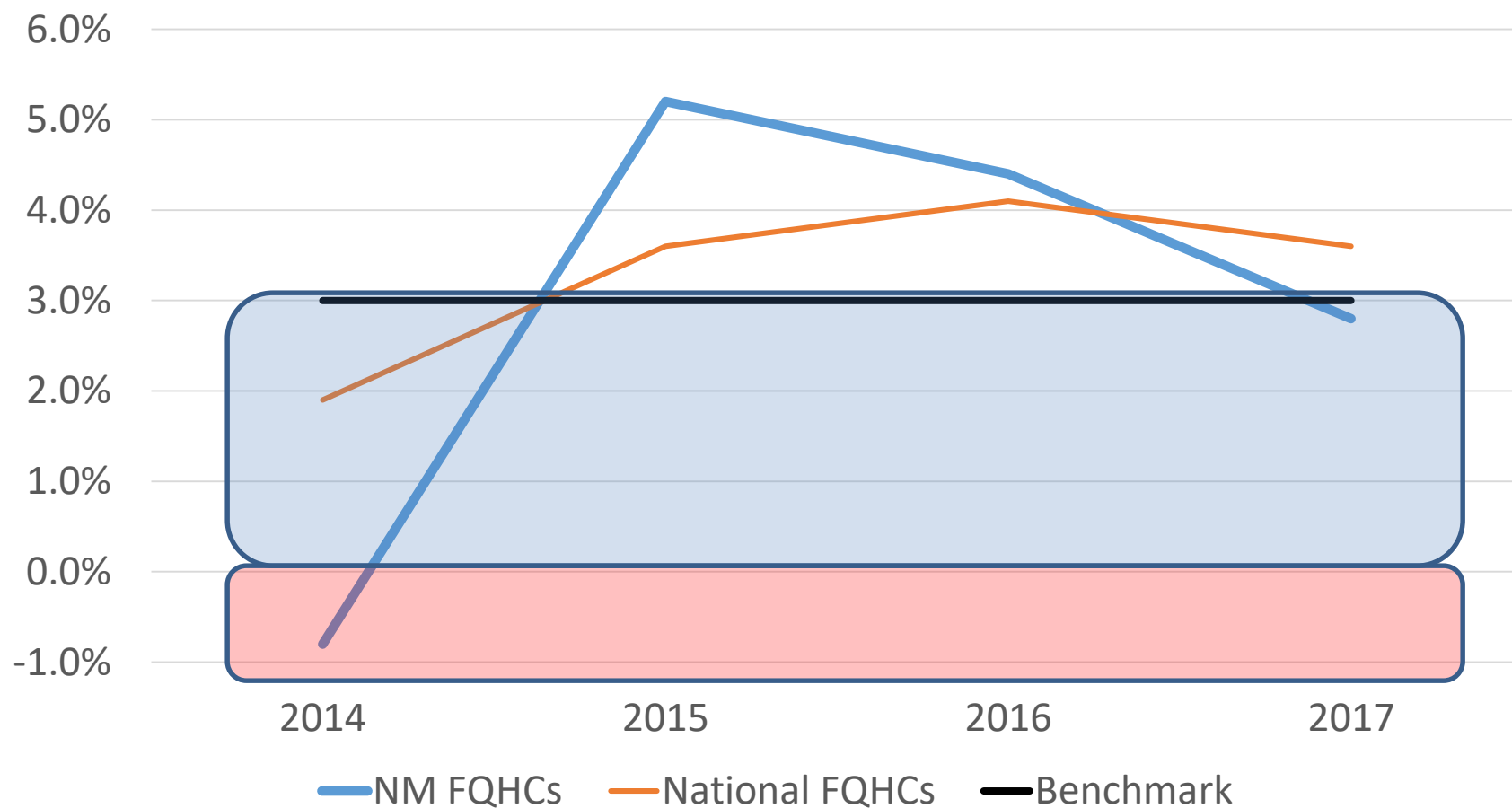
	Metric	Why This Is Important
1	Operating Margin	Measuring stick of your business model; margins typically small but need to be positive
2	Bottom Line Margin	Is performance dependent upon large capital grants and/or other sources of non-operating revenue?
3	Personnel-Related Expense	Consumes 70-75% of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

*Capital Link Performance Benchmarking Toolkit

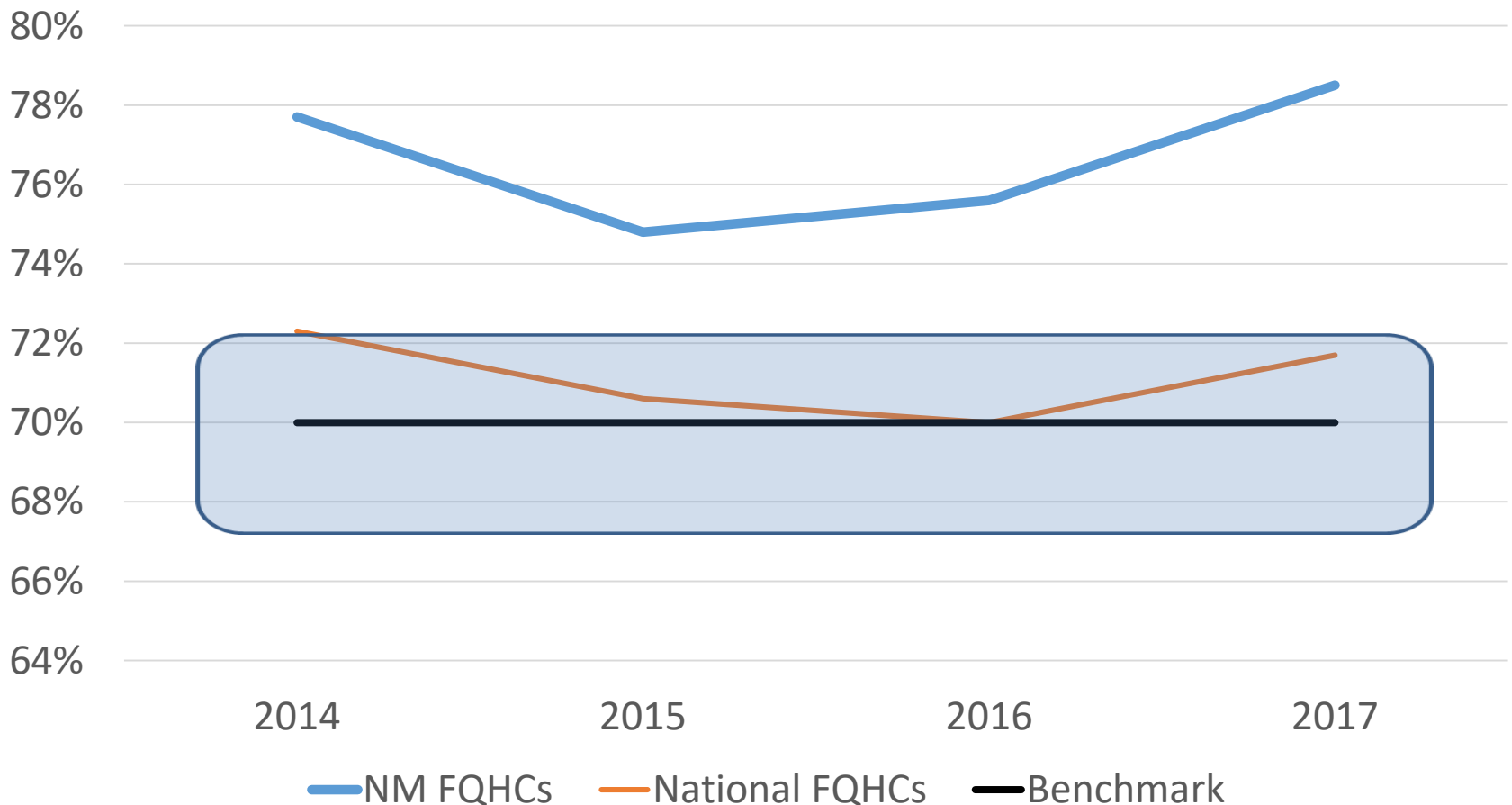
Driving Financial Health: Dashboard from the PEP



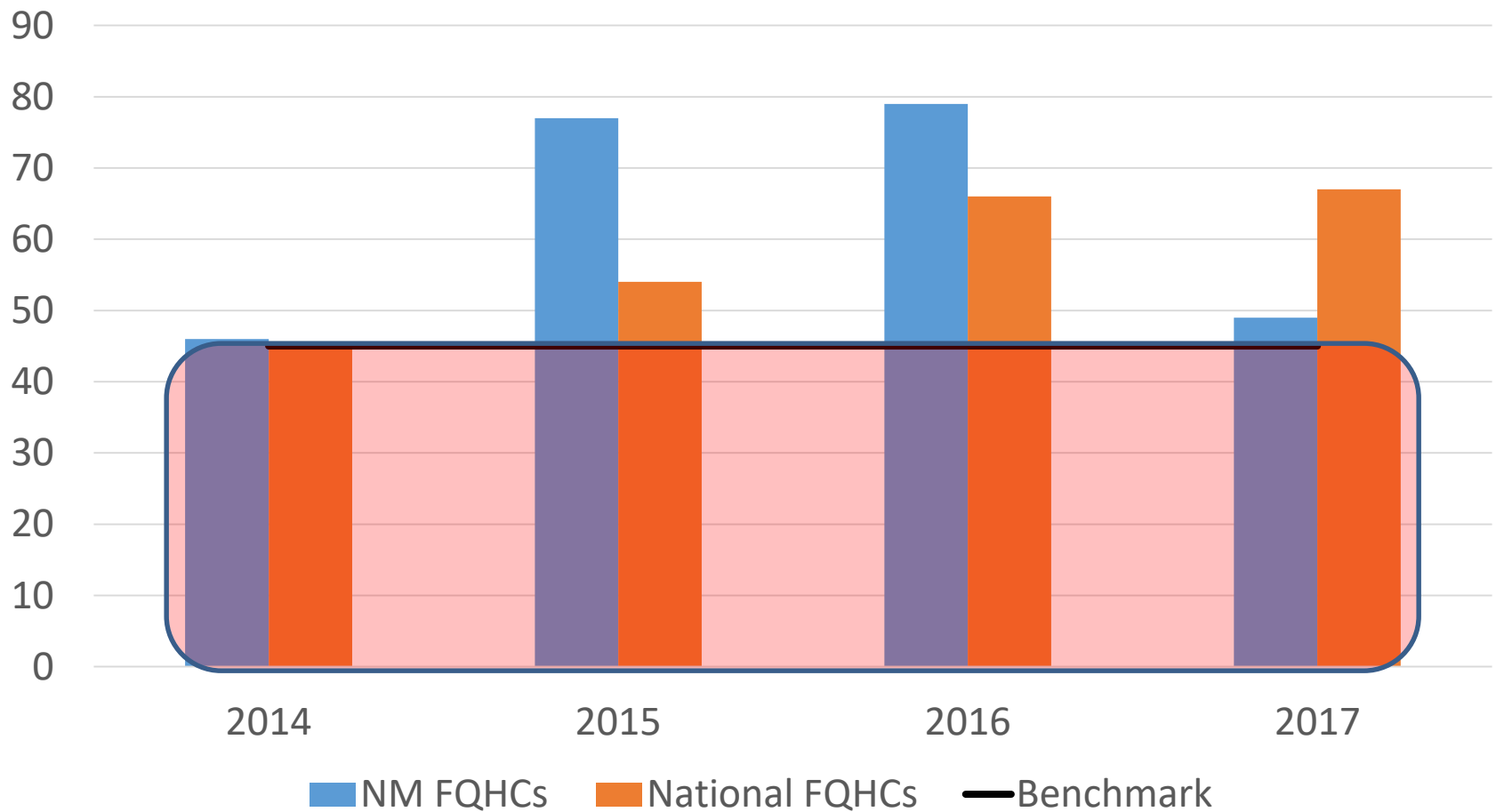
Operating Margin - Medians



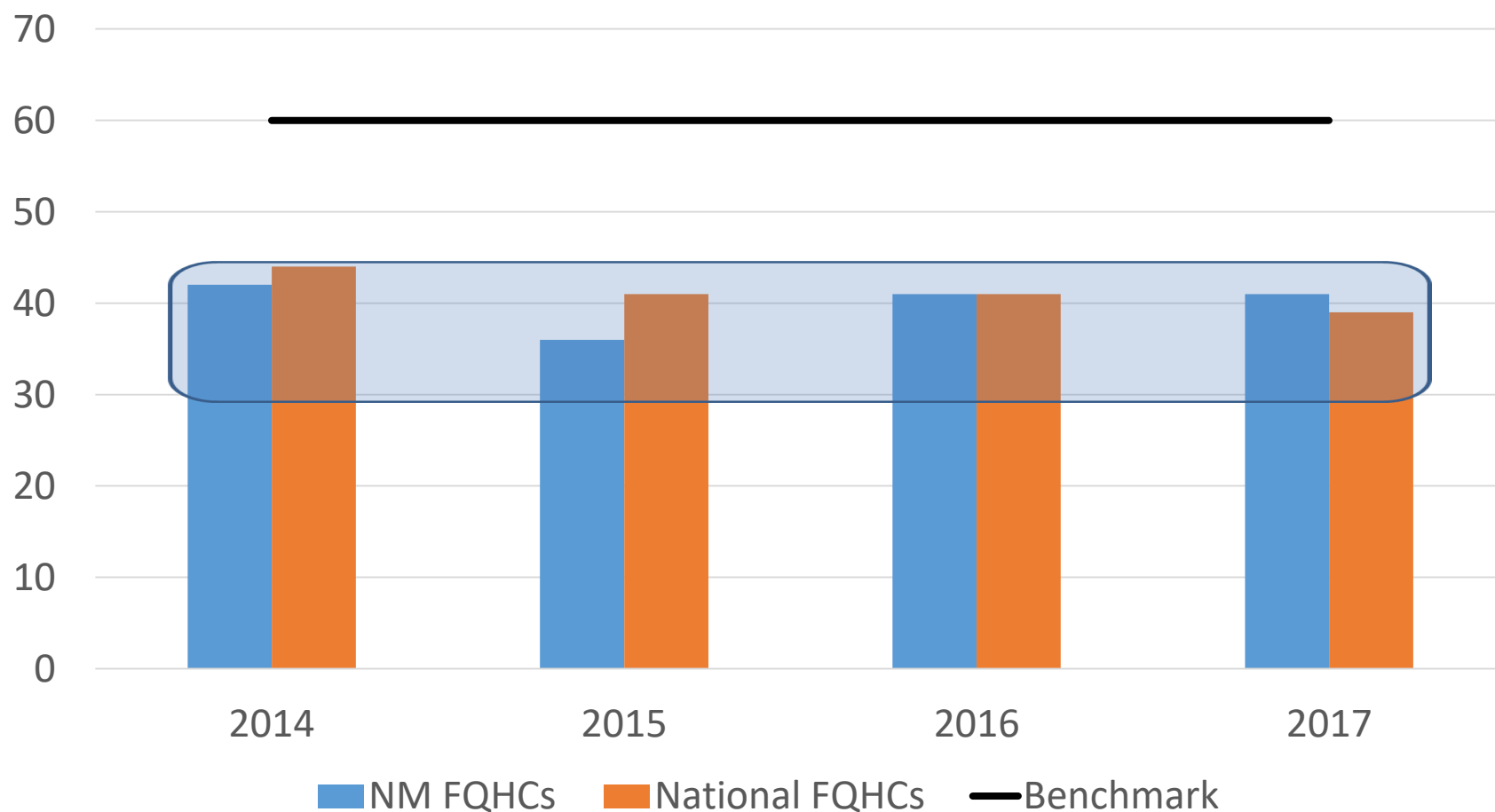
Personnel-Related Expense as a Percent of Operating Revenue - Medians



Days Cash on Hand - Medians



Days in Net Patient Receivables - Medians

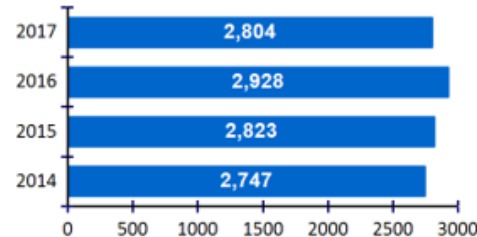


Driving Productivity: Dashboard from the PEP

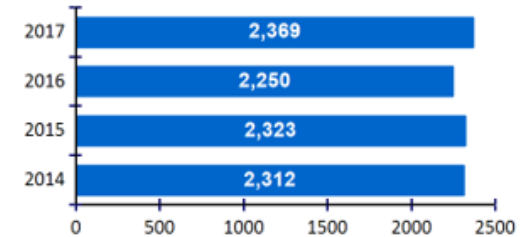
Productivity Dashboard

New Mexico Health Centers
2014 - 2017

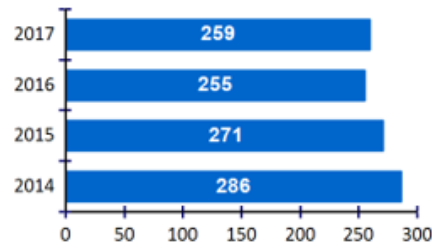
Physician Visits per Physician FTEs



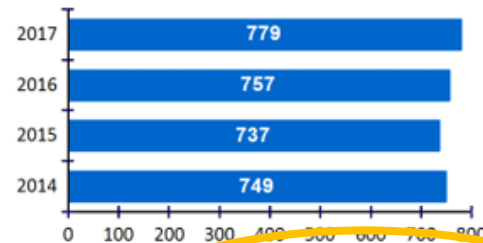
Mid-Level Visits per Mid-Level FTEs



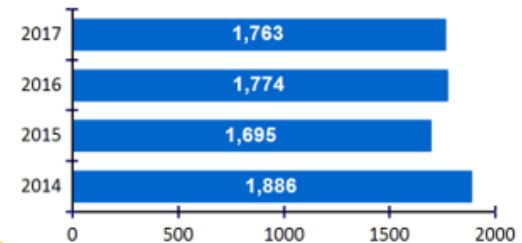
Medical Patients per Medical FTE



Medical Patients per Medical Provider FTEs



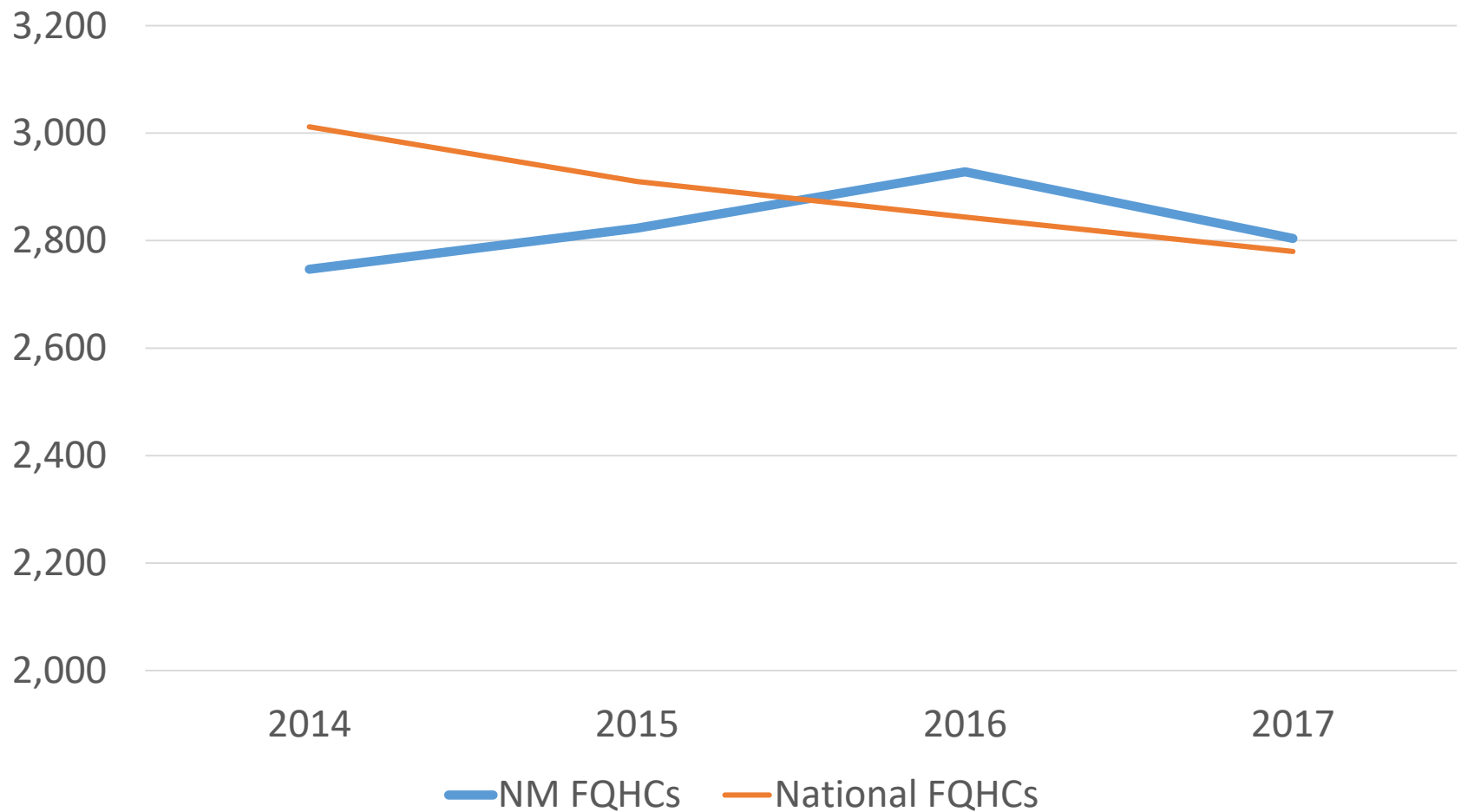
Dental Visits per Dental Provider FTEs



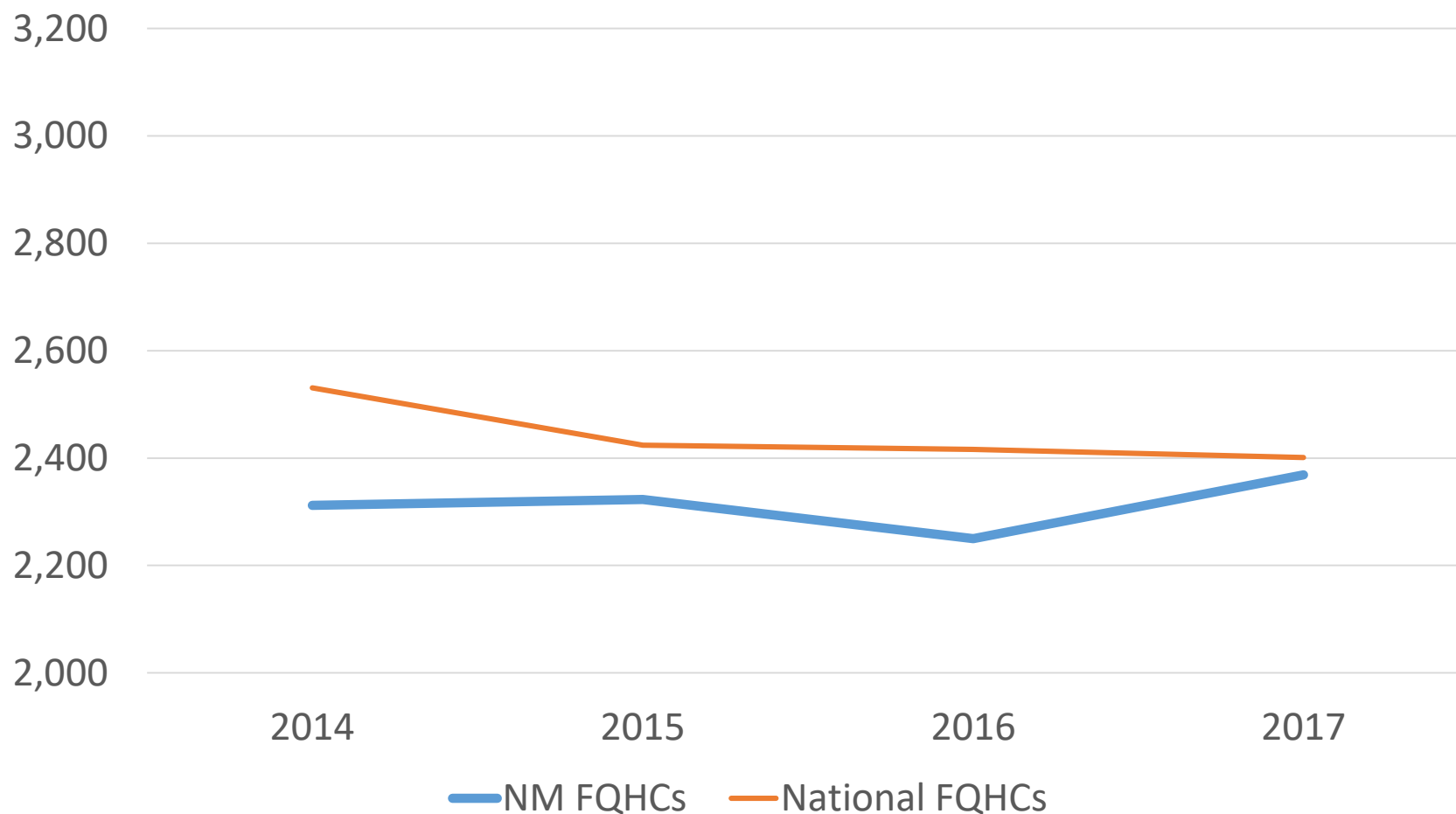
Key Productivity Metrics

	2014	2015	2016	2017	NM FQHCs Median 2017	National FQHCs Median 2017
Physician Visits per Physician FTE	2,747	2,823	2,928	2,804	2,804	2,780
Mid-Level Visits per Mid-Level FTE	2,312	2,323	2,250	2,369	2,369	2,401
Medical Patients per Medical Staff FTE	286	271	255	259	259	295
Medical Patients per Medical Provider FTE	749	737	757	779	779	864
Dental Visits per Dental Provider FTE	1,886	1,695	1,774	1,763	1,763	1,762

Physician Visits per Physician FTE - Medians



Mid-Level Visits per Mid-Level FTE - Medians



Evolving Business Model

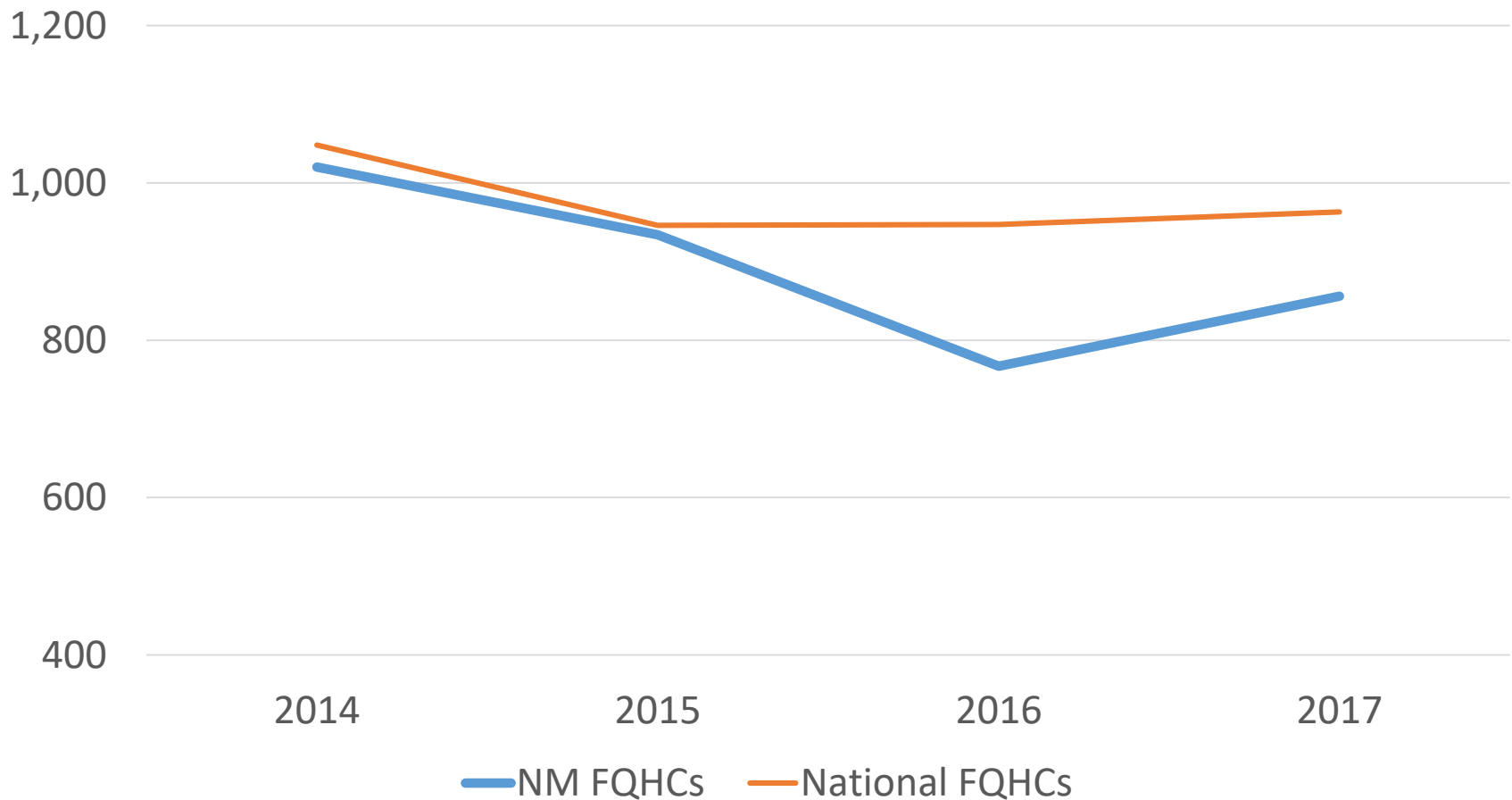


Evolving Financial & Operational Data

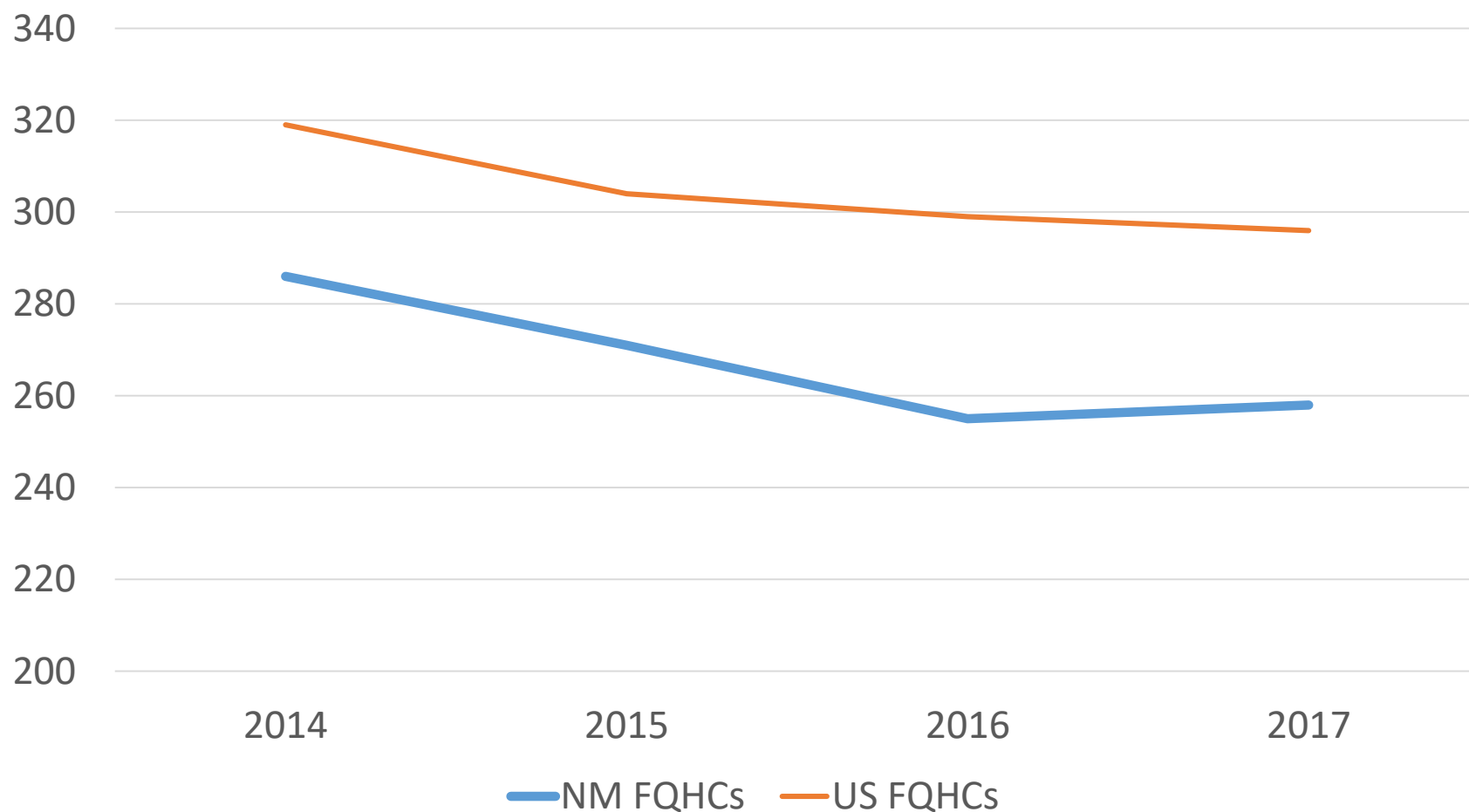
	Metric	Why This Is Important
9	Medical Provider Productivity (patients)	Becomes more important in transition to team-based care
10	Medical Team Productivity	Who are your teams? How do they perform?
11	Cost (Revenue) Per Visit	How are your visit costs changing over time?
12	Cost (Revenue) per Patient	With the move to PCMH, how are patient costs changing?
13	Medical Support Staff Ratio	How strategic is the staffing of the medical teams?
14	Non-Clinical Staff Ratio	Non-clinical employees are not revenue drivers
15	Visit/Patient Growth Rates	Are visits growing faster than patients? Is demand growing?

*Capital Link Performance Benchmarking Toolkit

Mental Health Visits per Mental Health Provider FTE -Medians

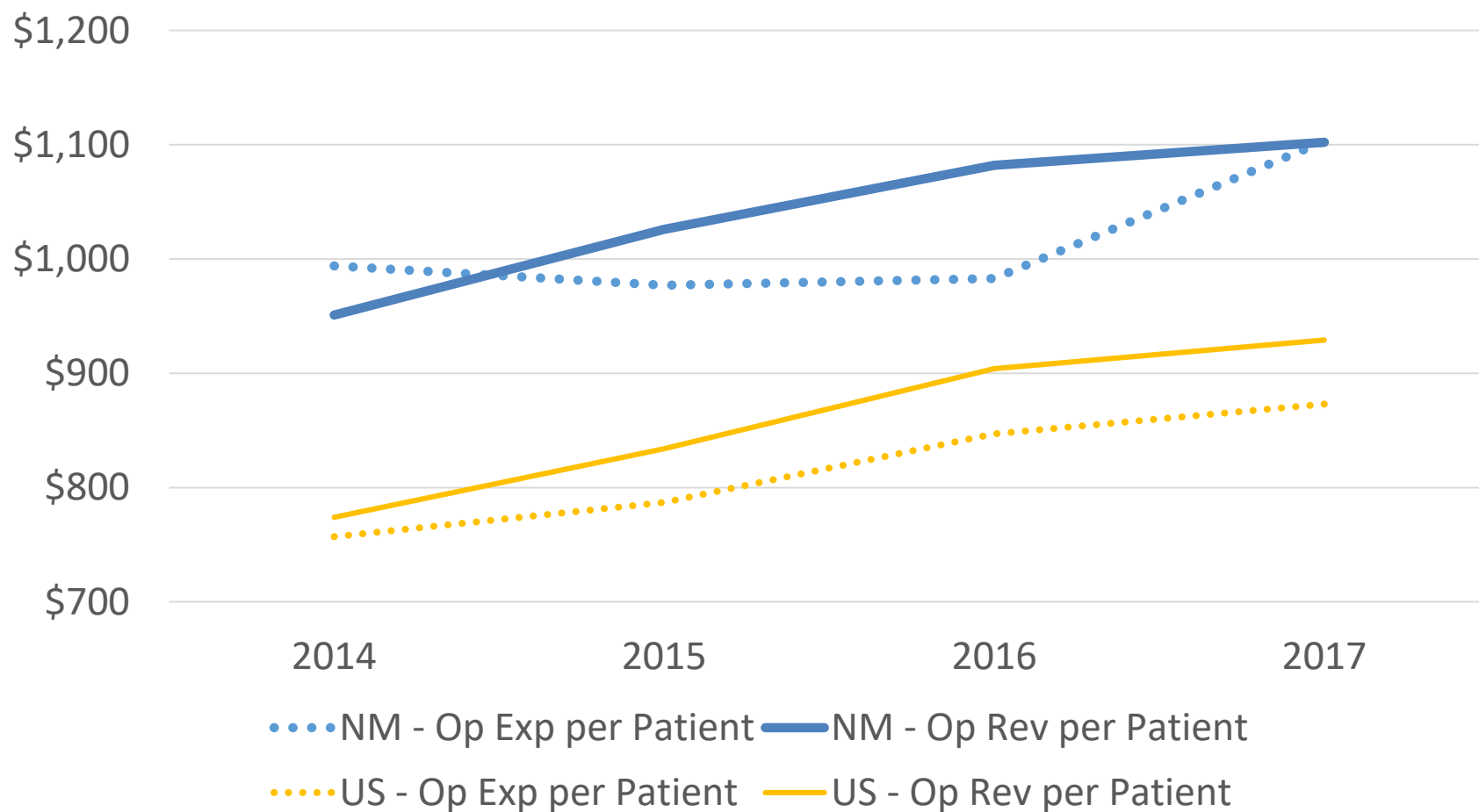


Medical Patients per Medical FTE - Medians

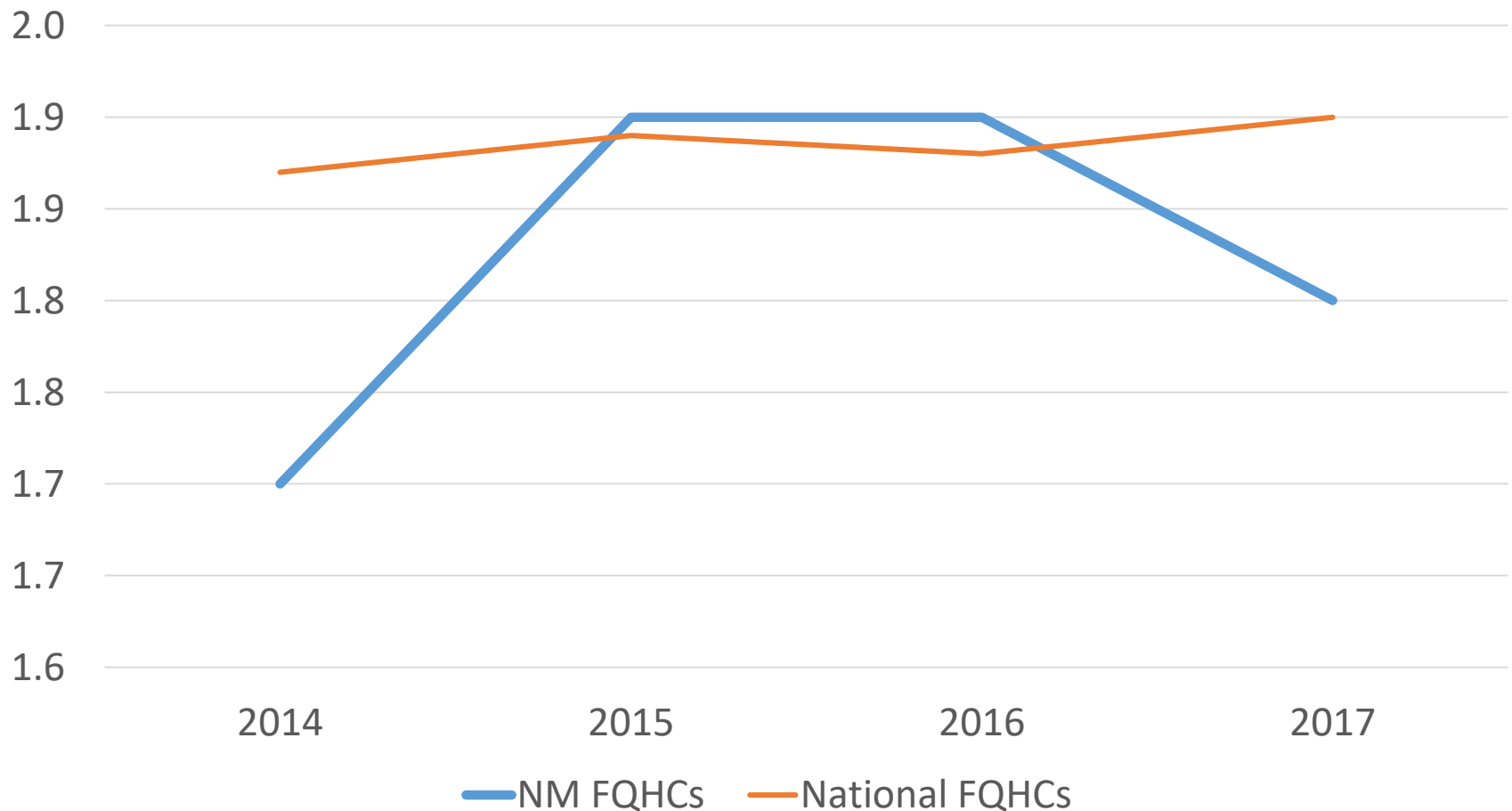


Operating Revenue & Expense per Patient - Medians

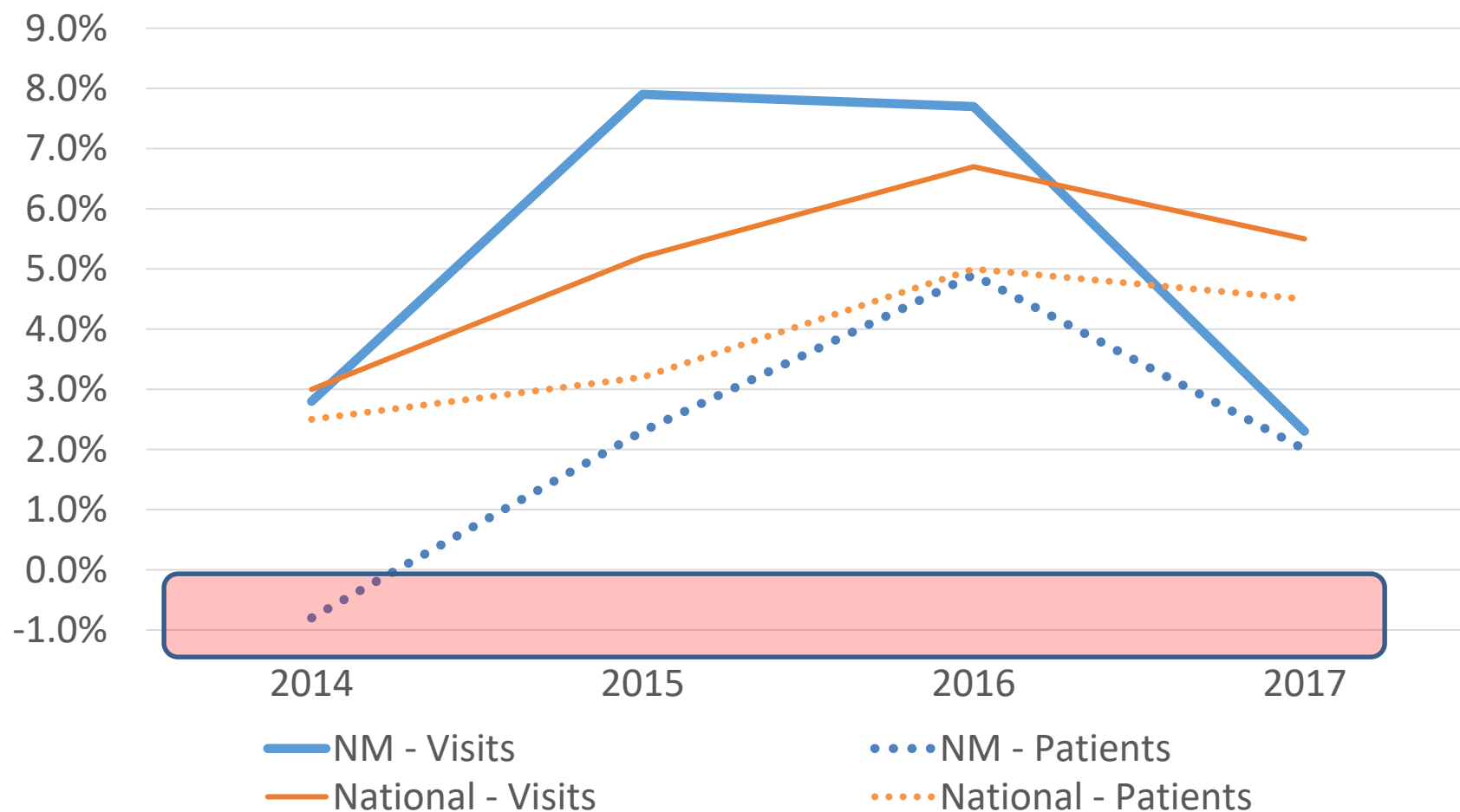
NOTE: Comparing Median Expenses and 330 Grant Funds – could be from 2 different health centers



Non-Provider Medical Staff per Medical Provider



Visit and Growth Rates - Medians



Key Observations:

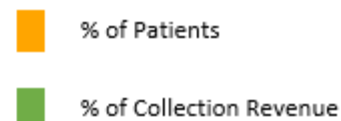
New Mexico Health Centers - at the Medians

- Personal-Related Expenses as Percentage of Operating Margin were their lowest of the four year period during 2015 and 2016 corresponding with those year's having highest Operating Margin and Days Cash on Hand
- 2015 saw the highest Operating Margin and the highest increase Days Cash on Hand while experiencing the lowest Personnel Expense percentage and Days in Patient A/R.
- Operating Expense per Patient has increased 12.9% over three year period, while Operating Revenue per Patient has increased only 7.4% causing a 'break-even' for 2017
- While Patient Service Revenue Growth Rate continues to be robust, Grants and Contract Revenue Growth Rate in 2017 saw its first decrease
- Although both declined from 2016 to 2017 after significant increases, Visit and Patient Growth rates continued to be positive
- Most selected clinical medians were close to or better than national medians

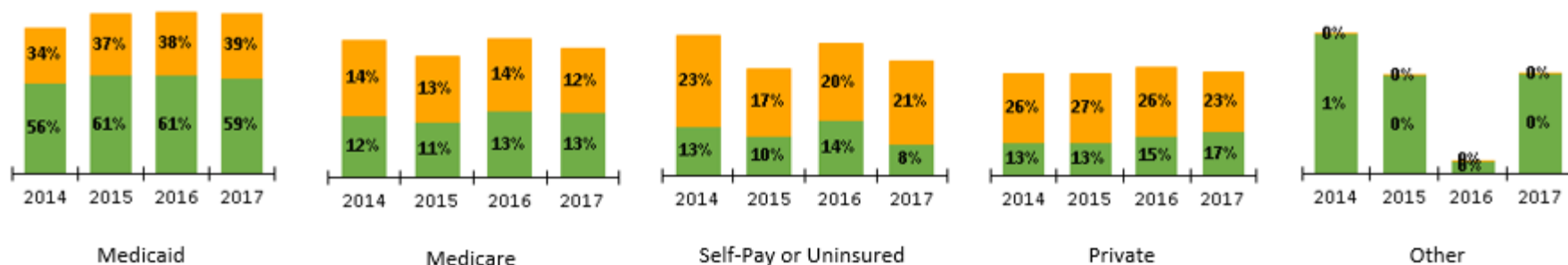
Payer Mix Dashboard

New Mexico Health Centers

2014 - 2017



Patient and Collection Revenue by Payer Service



Payer Mix	2014	2015	2016	2017	NM FQHCs Median 2017	National FQHCs Median 2017
Self-Pay Patients as Percentage of Total Patients	24%	17%	20%	21%	21%	20%
Self-Pay Collections as Percentage of Total Collections	13%	10%	14%	8%	8%	7%
Medicaid Patients as Percentage of Total Patients	34%	38%	38%	39%	39%	45%
Medicaid Collections as Percentage of Total Collections	56%	61%	61%	59%	59%	62%
Medicare Patients as Percentage of Total Patients	14%	13%	14%	12%	12%	9%
Medicare Collections as Percentage of Total Collections	12%	11%	13%	13%	13%	10%
Other Publicly Insured Patients as Percentage of Total Patients	-	-	-	-	-	-
Other Public Collections as Percentage of Total Collections	1%	0%	0%	0%	0%	0%
Privately Insured Patients as Percentage of Total Patients	26%	27%	26%	23%	23%	18%
Private Insurance Collections as Percentage of Total Collections	13%	13%	15%	17%	17%	13%

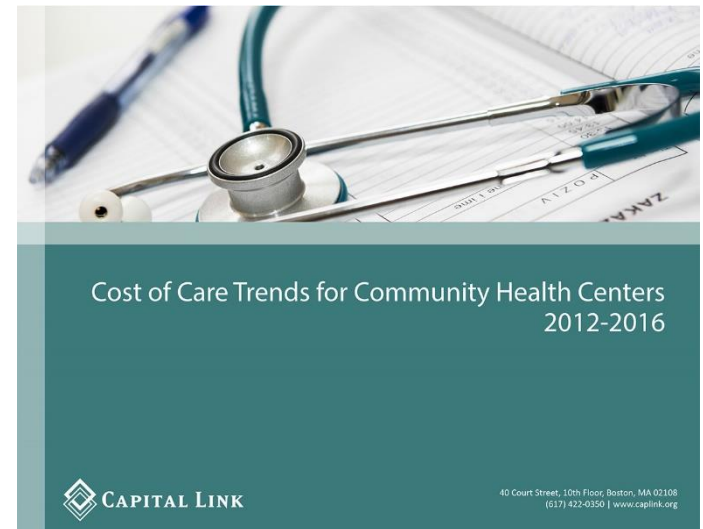
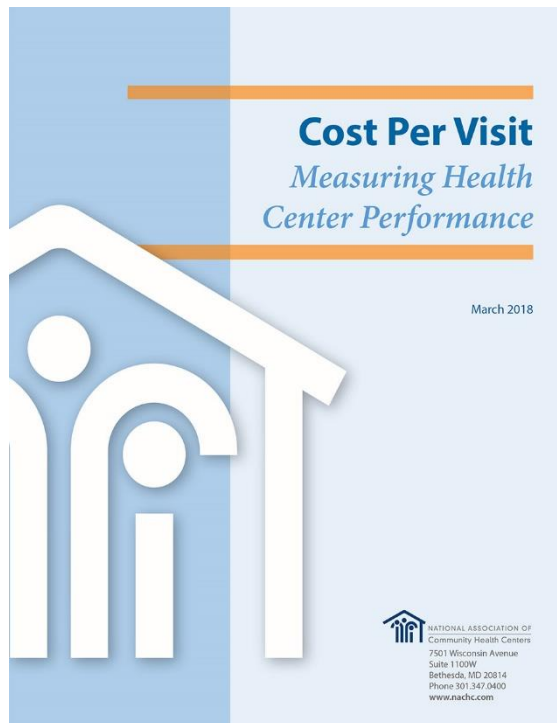
Performance Detail

Financial Health: Performance and Liquidity Measures

New Mexico Health Centers 2014 - 2017

Performance and Liquidity Measures	Target	2014	2015	2016	2017	Percentile	NM FQHCs 2017	National FQHCs 2017
Operating Margin	> 3%	2.7%	9.6%	7.7%	3.9%	75	3.9%	9.2%
		-0.8%	5.2%	4.4%	2.8%	50	2.8%	3.6%
		-3.0%	-1.6%	1.2%	-3.6%	25	-3.6%	-0.2%
Bottom Line Margin	> 3%	3.1%	9.2%	8.3%	3.7%	75	3.7%	10.3%
		-0.4%	5.3%	4.2%	2.7%	50	2.7%	4.4%
		-3.0%	0.2%	0.7%	-2.7%	25	-2.7%	0.9%
Personnel-Related Expense as Percentage of Operating Revenue	< 70%	82.4%	79.9%	78.4%	81.2%	75	81.2%	76.6%
		77.7%	74.8%	75.6%	78.5%	50	78.5%	71.7%
		71.8%	71.0%	70.9%	74.2%	25	74.2%	64.8%
Days Cash on Hand	> 45 Days	77	99	118	75	75	75	120
		46	77	79	49	50	49	67
		28	53	59	26	25	26	29
Current Ratio	> 1.25	6.2	6.0	5.4	5.2	75	5.2	5.3
		3.1	3.8	3.5	2.8	50	2.8	3.1
		2.0	2.1	2.5	2.3	25	2.3	1.9
Days in Net Patient Receivables	< 60 Days	46	54	55	53	75	53	57
		42	36	41	41	50	41	39
		36	32	28	31	25	31	27
Days in All Receivables	< 60 Days	48	38	43	47	75	47	55
		41	37	27	35	50	35	38
		37	30	25	29	25	29	27
Days in Accounts Payable	< 45 Days	37	45	27	47	75	47	47
		33	33	16	35	50	35	29
		8	15	12	16	25	16	18
Debt Service Coverage Ratio	> 1.25	13.4	17.8	24.8	24.2	75	24.2	13.7
		2.6	8.0	15.5	10.5	50	10.5	4.7
		0.4	1.6	6.1	-0.2	25	-0.2	1.5
Leverage	< 3.0	0.5	0.4	0.4	0.6	75	0.6	0.8
		0.2	0.2	0.2	0.2	50	0.2	0.4
		0.1	0.1	0.1	0.2	25	0.2	0.2

Cost of Care Resources



<http://mylearning.nachc.com/diweb/catalog/item/id/2461810/q/c=76&o=-d>

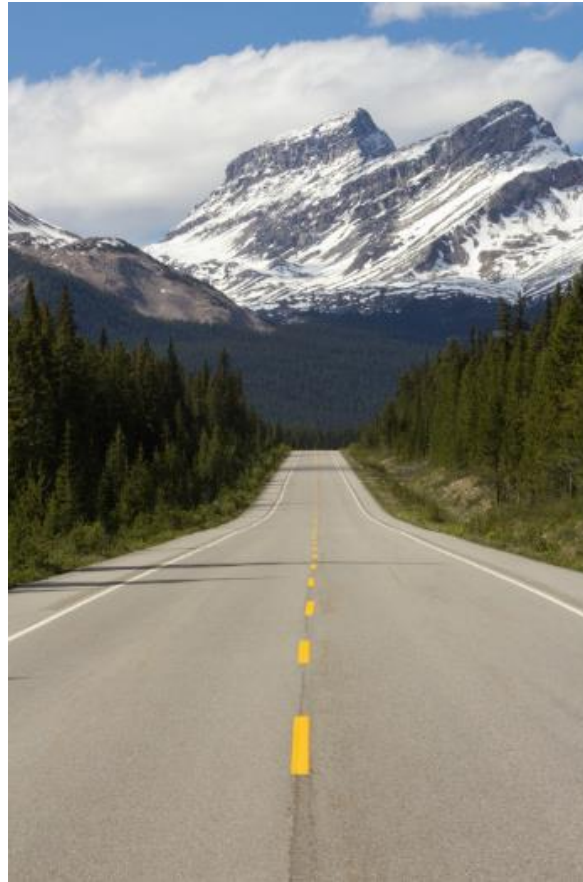
<http://go.pardot.com/l/149871/2018-04-23/n9x5w>



Real World Scenarios



Assessing Risk



Assessing Risk

You have just reached the \$10,000 plateau on a TV game show. Now you must choose between quitting with the \$10,000 in hand or betting the entire \$10,000 in one of three scenarios. Do you...

- A. Take the \$10,000 and run
- B. Take a 50% chance of winning \$20,000
- C. Take a 25% chance of winning \$40,000
- D. Take a 5% chance of winning \$100,000

Scenario 1

- **Situation:**
 - *The CEO reports that she would like to eliminate Saturday hours at the main site.*
- **Board responsibility:**
 - *Assure the center is financially viable*
 - *Assure center is operating in accordance with its own established policies*
 - *Assure the center is operating in compliance with laws and regulations*

What metrics should be requested prior to eliminating Saturday hours?

Scenario 2

- **Situation:**
 - *The city manager contacts a board member to encourage the FQHC to apply for a \$10,000 grant to have a provider at the food bank every Wednesday.*
- **Board responsibility:**
 - *Assure the center is financially viable*
 - *Conduct programmatic and financial strategic planning*
 - *Monitor & evaluate center activities & process in meeting goals*
 - *Develop and nurture partnerships and good working relationships*

What metrics should be requested prior to providing support (or not) in pursuing the grant?

Scenario 3

- **Situation:**

- *While in a grocery store, you overhear a man complaining about not being able to get “in” your health center for two months.*

- **Board responsibility:**

- *Monitor & evaluate center activities & process in meeting goals*
- *Develop and nurture partnerships and good working relationships*
- *Assure center is operating in accordance with its own established policies*

Concerned? Why?

Scenario 4

- **Situation:**
 - *The CEO has made a presentation to the board advocating for the construction of a new clinic in a nearby community.*
- **Board responsibility:**
 - *Assure the center is financially viable*
 - *Conduct programmatic and financial strategic planning*
 - *Monitor & evaluate center activities & process in meeting goals*
 - *Develop and nurture partnerships and good working relationships*

What do you want to see in the way of projected financial information to determine if this is a viable idea?

Scenario Building

- What opportunities are you evaluating right now?
- What do you need to know in order to make an informed decision?
- What challenges are you consistently faced with?
- Are there ways to use metrics to reach a fuller understanding of the situation?

A Few Do-It-Yourself Resources

- **Capital Link's Scenario Modeling, Strategic Planning & Benchmarking Toolkits**
- Strategic Leadership: The Essential Skills
<https://hbr.org/2013/01/strategic-leadership-the-essential-skills>
- Leadership Self-Assessment
<https://surveys.zfco.com/pages/WebParticipantSignup.jsp?product=el360&signupMode=try>
- *Freakonomics* – books and podcasts by Steven Levitt and Stephen Dubner



What Does Success Look Like?



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