New Mexico Community Health Centers

Board Management: Using Data to Drive Improvement

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**

- Creating Vision
- Defining Direction
- Releasing the Reins
- Providing Resources
- Monitoring the Results

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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

- Monthly Reviews
- Detect Problems Early
- Interim Evaluation
- Identify At-Risk Sites
- Annual Evaluation

Data-driven Analysis
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

<table>
<thead>
<tr>
<th>Metric</th>
<th>Why This Is Important</th>
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<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>

*Capital Link Performance Benchmarking Toolkit*
Driving Financial Health: Dashboard from the PEP

### Financial Dashboard

**New Mexico Health Centers**
**2014 - 2017**

#### Operating Margin
- 2014: 0.8%
- 2015: 5.2%
- 2016: 4.4%
- 2017: 2.8%

#### Days Cash on Hand
- 2014: 46 days
- 2015: 77 days
- 2016: 79 days
- 2017: 49 days

#### Bottom Line Margin
- 2014: 5.3%
- 2015: 4.2%
- 2016: 2.7%

#### Personnel-Related Expense as a % of Operating Revenue
- 2014: 78%
- 2015: 75%
- 2016: 70%
- 2017: 79%

#### Days in Net Patient Receivables
- 2014: 42 days
- 2015: 36 days
- 2016: 41 days
- 2017: 41 days

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<tbody>
<tr>
<td>Operating Margin</td>
<td>&gt; 3%</td>
<td>-0.8%</td>
<td>5.2%</td>
<td>4.4%</td>
<td>2.8%</td>
<td>2.8%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Bottom Line Margin</td>
<td>&gt; 3%</td>
<td>-0.4%</td>
<td>5.3%</td>
<td>4.2%</td>
<td>2.7%</td>
<td>2.7%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Personnel-Related Expense as Percentage of Operating Revenue</td>
<td>&lt; 70%</td>
<td>77.7%</td>
<td>74.8%</td>
<td>75.6%</td>
<td>78.5%</td>
<td>78.5%</td>
<td>71.7%</td>
</tr>
<tr>
<td>Days Cash on Hand</td>
<td>≥ 45 Days</td>
<td>46</td>
<td>77</td>
<td>79</td>
<td>49</td>
<td>49</td>
<td>67</td>
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<tr>
<td>Days in Net Patient Receivables</td>
<td>≤ 60 Days</td>
<td>42</td>
<td>36</td>
<td>41</td>
<td>41</td>
<td>41</td>
<td>59</td>
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</tbody>
</table>

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Performance Evaluation Profile 2014 - 2017
Operating Margin - Medians

-1.0%  0.0%  1.0%  2.0%  3.0%  4.0%  5.0%  6.0%

2014  2015  2016  2017

NM FQHCs  National FQHCs  Benchmark
Personnel-Related Expense as a Percent of Operating Revenue - Medians

- 2014: 64%
- 2015: 66%
- 2016: 68%
- 2017: 70%

NM FQHCs, National FQHCs, Benchmark.
Days Cash on Hand - Medians

- NM FQHCs
- National FQHCs
- Benchmark

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Days in Net Patient Receivables - Medians

- 2014
- 2015
- 2016
- 2017

NM FQHCs | National FQHCs | Benchmark
Driving Productivity: Dashboard from the PEP

**Productivity Dashboard**

*New Mexico Health Centers*

*2014 - 2017*

### Key Productivity Metrics

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<tr>
<td>Physician Visits per Physician FTE</td>
<td>2,747</td>
<td>2,823</td>
<td>2,928</td>
<td>2,804</td>
<td>2,804</td>
<td>2,780</td>
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<tr>
<td>Mid-Level Visits per Mid-Level FTE</td>
<td>2,312</td>
<td>2,323</td>
<td>2,250</td>
<td>2,369</td>
<td>2,369</td>
<td>2,401</td>
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<td>Medical Patients per Medical Staff FTE</td>
<td>286</td>
<td>171</td>
<td>255</td>
<td>259</td>
<td>259</td>
<td>295</td>
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<tr>
<td>Medical Patients per Medical Provider FTE</td>
<td>749</td>
<td>737</td>
<td>757</td>
<td>779</td>
<td>779</td>
<td>864</td>
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<tr>
<td>Dental Visits per Dental Provider FTE</td>
<td>1,886</td>
<td>1,695</td>
<td>1,774</td>
<td>1,763</td>
<td>1,763</td>
<td>1,762</td>
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</tbody>
</table>
Physician Visits per Physician FTE - Medians

- 2014: NM FQHCs: 2,800
- 2015: NM FQHCs: 2,800
- 2016: NM FQHCs: 2,900
- 2017: NM FQHCs: 2,800
- 2014: National FQHCs: 2,700
- 2015: National FQHCs: 2,500
- 2016: National FQHCs: 2,600
- 2017: National FQHCs: 2,500

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Mid-Level Visits per Mid-Level FTE - Medians

<table>
<thead>
<tr>
<th>Year</th>
<th>NM FQHCs</th>
<th>National FQHCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2,200</td>
<td>2,600</td>
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<tr>
<td>2015</td>
<td>2,300</td>
<td>2,500</td>
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<tr>
<td>2016</td>
<td>2,200</td>
<td>2,400</td>
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<tr>
<td>2017</td>
<td>2,400</td>
<td>2,300</td>
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Evolving Business Model
# Evolving Financial & Operational Data

## Metric

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

*Capital Link Performance Benchmarking Toolkit*
Mental Health Visits per Mental Health Provider FTE - Medians

- NM FQHCs
- National FQHCs
Medical Patients per Medical FTE - Medians

- 2014
- 2015
- 2016
- 2017

NM FQHCs
US FQHCs
Operating Revenue & Expense per Patient - Medians

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

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<tr>
<td>2014</td>
<td>$700</td>
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<td>2015</td>
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<td>2016</td>
<td>$900</td>
<td>$1,100</td>
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<tr>
<td>2017</td>
<td>$1,000</td>
<td>$1,200</td>
<td>$1,000</td>
<td>$1,200</td>
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</tbody>
</table>
Non-Provider Medical Staff per Medical Provider

<table>
<thead>
<tr>
<th>Year</th>
<th>NM FQHCs</th>
<th>National FQHCs</th>
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</thead>
<tbody>
<tr>
<td>2014</td>
<td>1.7</td>
<td>1.9</td>
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<tr>
<td>2015</td>
<td>1.8</td>
<td>1.9</td>
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<tr>
<td>2016</td>
<td>1.7</td>
<td>1.8</td>
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<tr>
<td>2017</td>
<td>1.9</td>
<td>1.8</td>
</tr>
</tbody>
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Visit and Growth Rates - Medians

- NM - Visits
- NM - Patients
- National - Visits
- National - Patients
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

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<tbody>
<tr>
<td>Medicaid Patients as Percentage of Total Patients</td>
<td>24%</td>
<td>17%</td>
<td>20%</td>
<td>21%</td>
<td>21%</td>
<td>20%</td>
</tr>
<tr>
<td>Medicaid Collections as Percentage of Total Collections</td>
<td>13%</td>
<td>10%</td>
<td>14%</td>
<td>8%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Medicare Patients as Percentage of Total Patients</td>
<td>34%</td>
<td>38%</td>
<td>38%</td>
<td>39%</td>
<td>39%</td>
<td>45%</td>
</tr>
<tr>
<td>Medicare Collections as Percentage of Total Collections</td>
<td>56%</td>
<td>61%</td>
<td>61%</td>
<td>59%</td>
<td>59%</td>
<td>62%</td>
</tr>
<tr>
<td>Self-Pay or Uninsured Patients as Percentage of Total Patients</td>
<td>14%</td>
<td>13%</td>
<td>14%</td>
<td>12%</td>
<td>12%</td>
<td>9%</td>
</tr>
<tr>
<td>Self-Pay or Uninsured Collections as Percentage of Total Collections</td>
<td>12%</td>
<td>11%</td>
<td>13%</td>
<td>13%</td>
<td>13%</td>
<td>10%</td>
</tr>
<tr>
<td>Other Publicly Insured Patients as Percentage of Total Patients</td>
<td>-</td>
<td>-</td>
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<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Other Publicly Insured Collections as Percentage of Total Collections</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Privately Insured Patients as Percentage of Total Patients</td>
<td>26%</td>
<td>27%</td>
<td>26%</td>
<td>23%</td>
<td>23%</td>
<td>18%</td>
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<tr>
<td>Privately Insured Collections as Percentage of Total Collections</td>
<td>13%</td>
<td>13%</td>
<td>15%</td>
<td>17%</td>
<td>17%</td>
<td>13%</td>
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### Financial Health: Performance and Liquidity Measures

**New Mexico Health Centers 2014 - 2017**

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<tbody>
<tr>
<td>Operating Margin</td>
<td>&gt; 3%</td>
<td>2.7%</td>
<td>9.6%</td>
<td>7.7%</td>
<td>3.9%</td>
<td>75</td>
<td>3.9%</td>
<td>9.2%</td>
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<td>-0.8%</td>
<td>5.2%</td>
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<td>-3.0%</td>
<td>-1.6%</td>
<td>1.2%</td>
<td>-3.6%</td>
<td>25</td>
<td>-3.6%</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Bottom Line Margin</td>
<td>&gt; 3%</td>
<td>3.1%</td>
<td>9.2%</td>
<td>8.3%</td>
<td>3.7%</td>
<td>75</td>
<td>3.7%</td>
<td>10.3%</td>
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<td>2.7%</td>
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<td>-3.0%</td>
<td>0.2%</td>
<td>0.7%</td>
<td>-2.7%</td>
<td>25</td>
<td>-2.7%</td>
<td>0.9%</td>
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<tr>
<td>Personnel-Related Expense as Percentage of Operating Revenue</td>
<td>&lt; 70%</td>
<td>82.4%</td>
<td>79.9%</td>
<td>78.4%</td>
<td>81.2%</td>
<td>75</td>
<td>81.2%</td>
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<td>71.8%</td>
<td>71.0%</td>
<td>70.9%</td>
<td>74.2%</td>
<td>25</td>
<td>74.2%</td>
<td>64.8%</td>
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<tr>
<td>Days Cash on Hand</td>
<td>&gt; 45 Days</td>
<td>77</td>
<td>99</td>
<td>118</td>
<td>75</td>
<td>75</td>
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<td>120</td>
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<td>26</td>
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<tr>
<td>Current Ratio</td>
<td>&gt; 1.25</td>
<td>6.2</td>
<td>6.0</td>
<td>5.4</td>
<td>5.2</td>
<td>75</td>
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<td>2.0</td>
<td>2.1</td>
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<td>2.3</td>
<td>25</td>
<td>2.3</td>
<td>1.9</td>
</tr>
<tr>
<td>Days in Net Patient Receivables</td>
<td>&lt; 60 Days</td>
<td>46</td>
<td>54</td>
<td>55</td>
<td>53</td>
<td>75</td>
<td>53</td>
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<td>27</td>
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<tr>
<td>Days in All Receivables</td>
<td>&lt; 60 Days</td>
<td>48</td>
<td>38</td>
<td>43</td>
<td>47</td>
<td>75</td>
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<tr>
<td>Days in Accounts Payable</td>
<td>&lt; 45 Days</td>
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<td>18</td>
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<tr>
<td>Debt Service Coverage Ratio</td>
<td>&gt; 1.25</td>
<td>13.4</td>
<td>17.8</td>
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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?

- Time, Info, Resources to Plan
  - Productive Teams
    - Improved and Stable Operations
      - Staff and Patient Satisfaction
        - Improved Patient Outcomes
          - Financial Sustainability
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