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Experts embracing your mission and delivering results.

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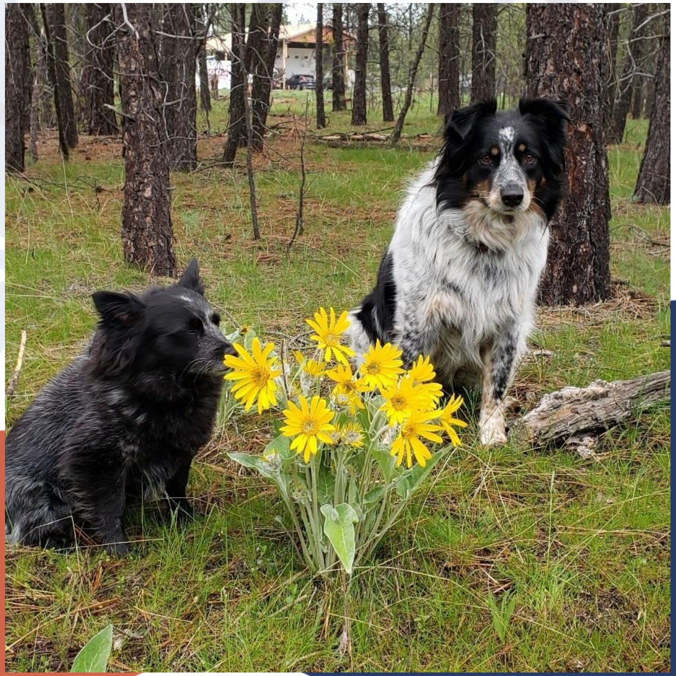
Introduction: About Carolyn

- Graduate of University of Montana and Cappella University with degrees in Business Management, Accounting and Psychology
- Broad background in healthcare, 20+ years of experience in operational management, financial analysis, accounting, revenue cycle management, process improvement, strategic planning, budgeting, and regulatory compliance.
- Joined CLC in 2015, served health centers in many capacities as interim CFO, interim revenue cycle manager, and 340B pharmacy advisor. Also specialize in Medicare and Medicaid cost reports, UDS reporting, indirect cost rate proposals, and other financial analysis
- I enjoy living in the country with my husband and our 4 pets



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Today's Topic

Finance and the CEO

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OBJECTIVES

Understand your organization's finance department – what is on their plate, how to lead the finance team, and how finance should intersect with other aspects of the organization.

Feel confident to know the financial metrics and key areas to review when you receive the monthly financial statements.

Be aware of the opportunities to improve and/or enhance your organization's current financial state.

Financial Status

How are you currently feeling about your organization's financial status?

WORRIED/NERVOUS

SO-SO

IT IS LOOKING GOOD

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The Finance Department – Who, What, and When

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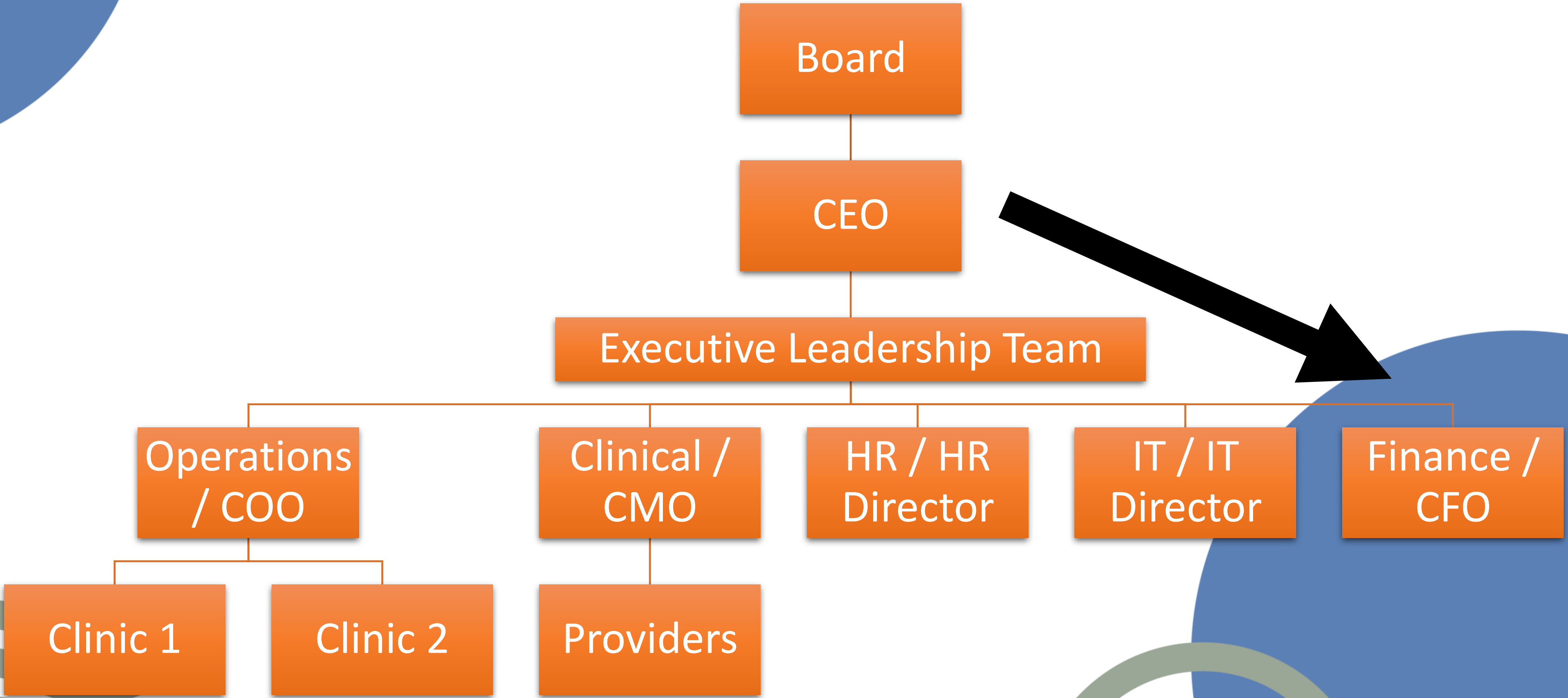
Where does finance report?



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Your Finance Team Leader – The CFO

- Effective Management /Communication
- Analytical Assessment and Forward Thinking
- Revenue Cycle
- Federal and Other Required Compliance (Policies, UDS, CRs, OSVs, grants, budgets, etc)
- Accounting and Month End/Financial Statement Completion

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What is a CFO?

From Dictionary.com

- CFO / ˌsēˌefˈō/
- *noun*
- 1.a chief financial officer, a senior executive with responsibility for the financial affairs of a corporation or other institution.

From Wikipedia.com

- The chief financial officer (CFO) is officer of a company that has primary responsibility for managing the company's finances, including financial planning, management of financial risks, record-keeping, and financial reporting. In some sectors, the CFO is also responsible for analysis of data.

From Salary.com

- Chief Financial Officer is responsible for developing an organization's overall financial policies. Provides strategic direction of all financial functions including accounting, budget, credit, insurance, tax, and treasury. Being a Chief Financial Officer ensures that proper financial controls are in place and that financial transactions support the overall business strategy while conforming with applicable laws and regulations.

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What is a CFO?

From Indeed.com

Working as a Chief Financial Officer

A CFO often works long days and will perform a wide variety of tasks each day. These include:

- Presenting and reporting past and present financial information to members of management, shareholders and employees
- Providing direction and leadership to the finance team and managing the process for budgeting and financial forecasting
- Creating and upholding all the finance and HR procedures
- Overseeing the capital structure of the company and deciding how to invest the company's money
- Overseeing the preparation of all the company's financial reporting

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What is a CFO?

Most Important Attributes:

1. Communication skills
2. Leadership & Focus
3. Strategy/Analysis
4. Accounting technical knowledge and theory
5. Work Ethic
6. Knowledge and Experience in Healthcare, particularly FQHC

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What is a CFO?

- **Common job description responsibilities:**
  - Responsible for all financial reporting, including but not limited to financial statements, cash flow analyses, budgets, reports, etc., for review by Executive Team, Board of Directors, Directors, Managers, and/or auditing agencies.
  - Monitors the organization's financial position and issues scheduled reports on financial stability, liquidity, and growth.
  - Assists in developing/implementing the strategic plan, developing annual budgets to facilitate plan goals, and assessing performance against the annual budget and its long-term strategic plan.
  - Ensure compliance with Generally Accepted Accounting Principles (GAAP), external requirements of funding entities (HRSA), accrediting agencies and applicable federal, state, and local regulatory laws and rules for financial and tax reporting.
  - Reviews and updates fiscal policies and procedures as required. Constantly evaluates internal controls and makes suggestions for improving processes and increasing working efficiency and cost reductions.
  - Responsible for grant management and allocation including application process and periodic reporting on grant expenditures and updates. Fiscal management of all public/government and foundation grants.

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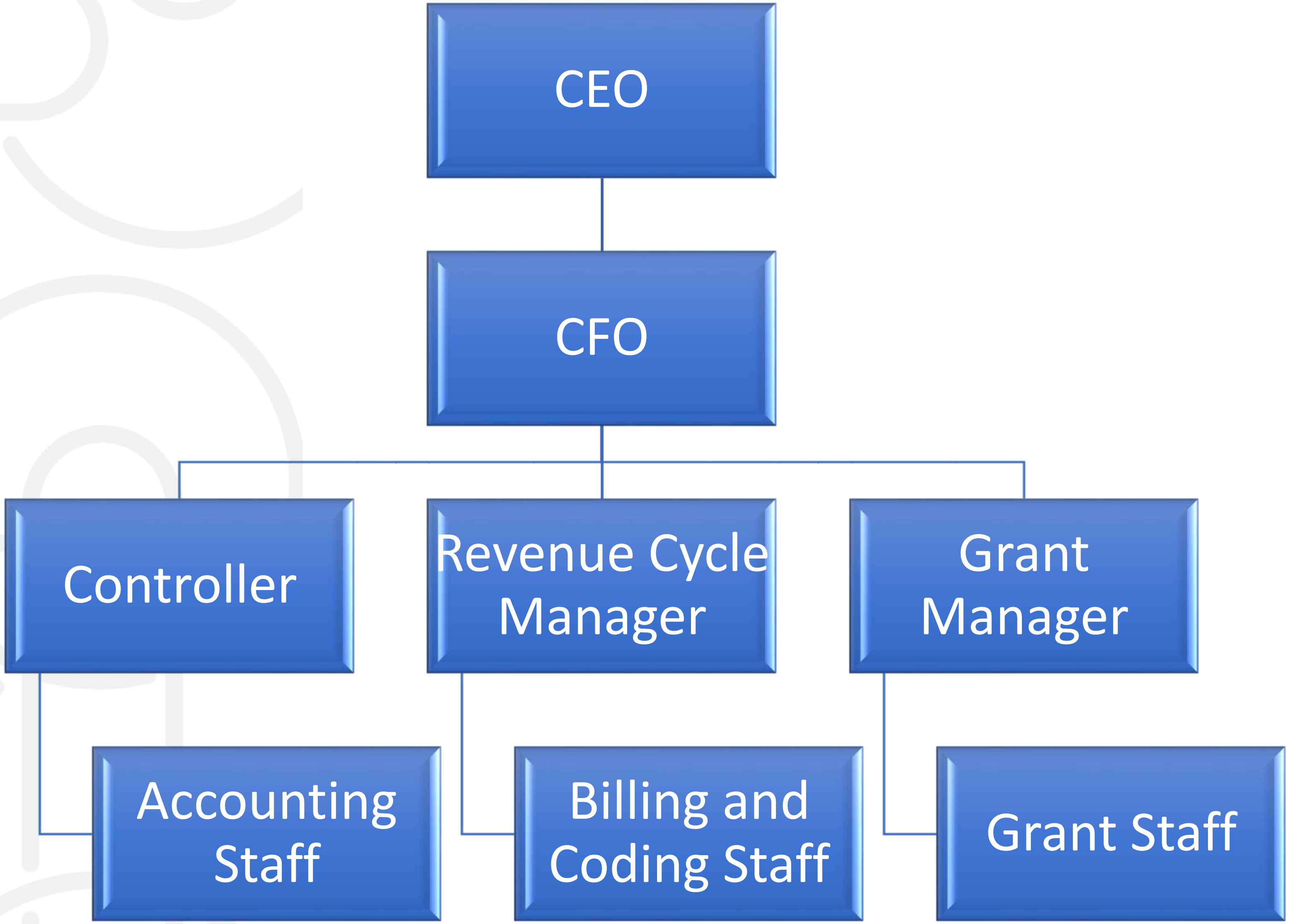
What is a CFO?

- **Job responsibilities continued…**
  - May lead analysis and implementation of capital plans and property acquisitions; oversees central purchasing and inventory to maximize savings and efficiencies and ensures purchased items are of highest quality. Ensures that vendor selections advances the organization's equity goals.
  - Responsible for the Center's relationship with federal and state tax authorities and government regulators (BPHC, regional office, etc.). Supervises the preparation of all regulatory reports (e.g. FSR, UDS, Medicare, Medicaid, IRS Form 990, federal and state tax returns, and payroll tax reporting, etc.).
  - Serves as a member of the Executive Leadership Team (ELT), participating in the development and implementation of overall strategic direction and policies; demonstrates exceptional collaboration skills, and has ability to conceptualize, develop, implement, and manage teams, programs, and policies.
  - Provides technical information to managers and Board concerning financial management and other related matters; provides guidance, direction, and training, as applicable, or makes recommendations for effective management of health center finances.
  - Participates in performance optimization and risk management activities as required.
  - Displays willingness to make timely decisions; exhibits sound and accurate judgment; supports and explains reasoning for decisions; includes appropriate people in decision-making process; develops workable implementation plan.

Finance Dept. Org Chart



Regular Finance Department Activities

- Accounts Payable
- Accounts Receivable
- Payroll
- Month end reporting
- Grant tracking
- Grant draws
- Analysis
- Budgeting and proformas

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Regular Finance Department Activities

- Audits and Tax Reporting
- Cost Reports
- Federal reporting: UDS, FFR, budgets, progress reports, spending reports, carryovers
- Revenue Cycle: Billing and Coding, Fee Schedules
- Sliding Fee program
- Operational Site Visit

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Financial Statements, Compliance, and Reporting

Balance Sheet

- A snapshot that reports the entity's financial position at a specific point in time
- Assets: the goods and property owned by the entity, and amounts due to the entity from others
  - Receivables
  - Prepaid expenses
  - Equipment, net accumulated depreciation
- Liabilities: all debts and amounts owed to outside parties
  - Payables
- Equity: the entity's net worth after all liabilities are paid
  - Referred to as Fund Balance
  - YTD Net income or loss

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Revenue

- Patient Revenues- net payments for services rendered
- Grant/Contract Revenue- Funding from federal, state, local, and private entities
- Pharmacy/340B revenue
- Other Revenue, such as interest income, for example

Expenses

- Salaries and benefits
- Advertising and promotion
- Travel
- Office payroll and expenses
- Direct and indirect medical expense

Operating Income/Loss: Subtracting all operating expenses from net revenues

Cash Flow

- Cash basis
  - Revenue – when cash is received
  - Expenses – when cash is disbursed
- Knowing the cash position as well as the inflows and outflows of cash is a vital measurement of financial health
- Just because you have a positive net income on your financial statements does not mean that you can pay all your bills

Important Financial Deadlines

- Audit – file no later 9 months of fiscal year end
- Tax Return (Form 990) – 15th day of the 5th month after the accounting period ends, filing an extension provides an extra 6 months
- UDS – February 15 each year
- Medicare Cost Report – due 5 months after fiscal year end
- Federal Financial Report (FFR) – dependent upon grant period
- Medicaid Cost Report /Reconciliation– differs by state
- Outstationed Outreach Worker (OSOW) Cost Report – October 31 each year
- Annual HRSA Budget – submitted with SAC or NCC/BPR – dependent upon grant period

Audits

Entities that expend $750,000 or more in federal assistance (includes direct and pass-through)

Single Audit

- Compliance – covers testing and evaluation of the recipient with respect to the usage of funds, operations and compliance with laws and regulations
- Financial – similar to regular financial audit

Low-risk or high-risk recipients

- Low-risk (must audit at least 25% of federal assistance received during year):
  - Single audits have been performed on an annual basis in prior years.
  - The auditor's opinions on the financial statements and the Schedule of Federal expenditures were unqualified
  - There are no material weaknesses identified in prior year audits.
  - None of the Federal programs previously audited had audit findings in the last two years.
- High-risk (must audit at least 50% of all federal assistance received during year)

Must be submitted to the Federal Audit Clearinghouse no later than nine months after the fiscal year end

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HRSA Compliance Manual– Chapters

Health Center Program Eligibility	Health Center Program Oversight	Needs Assessment	Required and Additional Health Services	Clinical Staffing	Accessible Locations and Hours of Operation
Coverage for Medical Emergencies During and After Hours	Continuity of Care and Hospital Admitting	Sliding Fee Discount Program	Quality Improvement/ Assurance	Key Management Staff	Contracts and Subawards
Conflict of Interest	Collaborative Relationships	Financial Management and Accounting Systems	Billing and Collections	Budget	Program Monitoring and Data Reporting Systems
	Board Authority	Board Composition	FTCA		

https://bphc.hrsa.gov/programrequirements/compliancemanual/index.html

Grant Reporting and Tracking

- Ensure systems are built to avoid double dipping
- Determine communication between the program side and financial side of a grant
- Do you need a grant tracking software?
- Must have documentation, documentation, documentation
- Align grant procedures with regular month end financial reporting where possible
- Maximize the accounting systems functions to streamline reporting
- Deadline calendar
- Where can funds be moved for maximum use?

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Beyond Reporting and Deadlines

Analytics, Strategy, & Forward Thinking

- Setting goals for accounting and billing staff performance
- Dashboard report interpretation
- Evaluate data to project outcomes – budget to actual
- Data and analytics by department, location, etc.
- Performance against grant project requirements and budget requirements
- Revenue cycle performance
- Key performance indicators
- Proformas
- Operational activities and the effect on finance

Financial Analysis

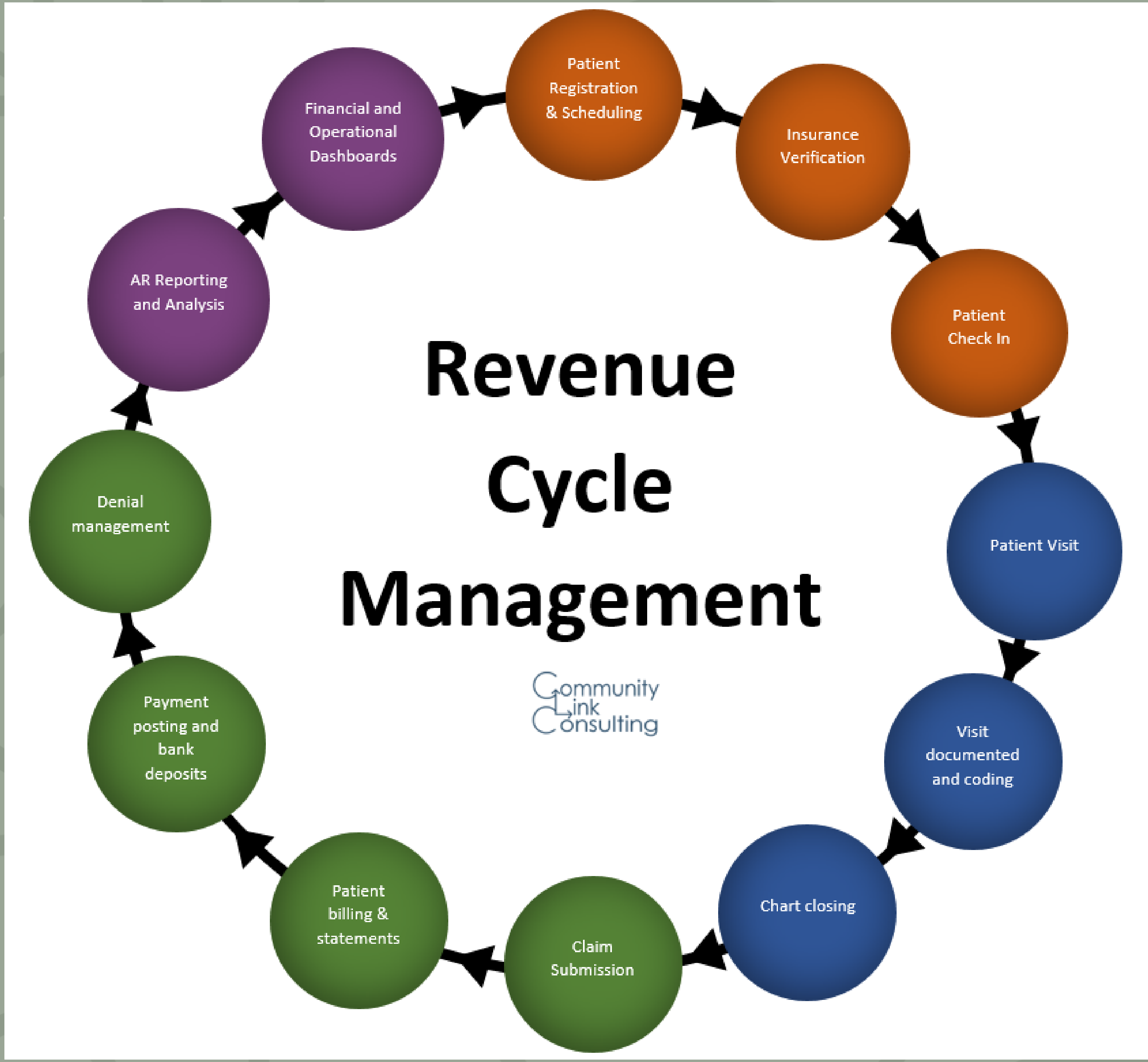
Financial analysis should be a tool to bring operations and finance together

- Review trends
- Cost per visit
- Cost of supplies per visits
- Revenue by payer
- Cash collections per encounter by payer
- Break-even analysis
- Others???

Financial Planning and Strategic Goals

- Proformas
- Business case scenarios
- Putting dollars and cents to strategic goals
- Determine return on investment (ROI)

Revenue Cycle



Why is the Revenue Cycle Important?

- Largest and most complex financial system in a clinic
- Most likely the largest account on the organization's balance sheet
- Maximize revenue and collections
- Accelerate revenue and cash flow
- Process involves all areas of the organization (front desk, clinical, and billing)
    - Communication is key!

Banking and Investments

- Banking relationships
- Banking authority and check signing
- Investments
- Loans
- Leverage of resources

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Set Yourself Up for Financial Success

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Hire the Right CFO

- Must have technical skills and soft skills
- Need to define what your organization need from a CFO
- Must be aligned with your organization’s mission
- Must be willing to dive into the industry and stay on top of changes
- Communication skills
  - How are they planning to connect with other areas of the organization?

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Create a Culture of Financial Understanding

- Clinic – Operations – Finance
  - The CEO needs to lead and support these intersections
- Finance and strategy
- Ensure your leaders understand the organization’s finances
- Regular reporting to the management and leadership teams
- Cross-functional budgeting
- Finance isn’t the bad guy

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Know Your Numbers

- Days Cash on Hand: Days cash on hand represents the number of days of operating expenses that we have with our current cash available
  - Used to measure our liquidity
    - *Liquidity* is the extent to which the organization can convert assets
      into cash to pay liabilities
- Earnings Ratio: measures how much net income or profit is generated as a percentage of revenue, also known as net profit margin
- Current Ratio: measures our ability to pay off short-term liabilities with current assets
  - The higher the number the more capable an organization is of paying its obligations

Financial Ratios

	Jan-22	Feb-22	Mar-22	Apr-22
Days Cash on Hand				
Actual:	170	176	142	133
Earnings Ratio				
Actual:	13.56%	11.30%	9.68%	9.88%
Current Ratio				
Actual:	3.07	2.89	2.21	2.07

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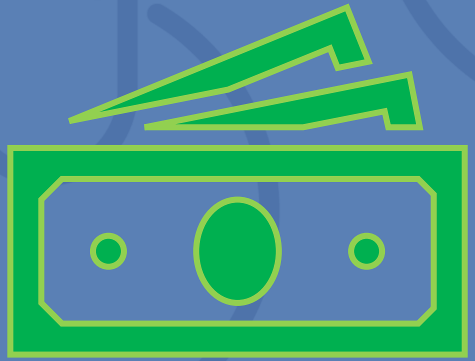
Know Your Numbers

- **Net Income: Actual to Budget**
  - Comparison of the actual net income (revenue – expenses) to budget for the same time period
- **New Patients:** the count of new patient appointments by location
- **Total Cost per Encounter**
  - This chart shows the cost per encounter shows the average cost of a visit
  - This is important to track to compare against your revenue per visit
- **Encounter and Payer Mix**
  - This series of charts shows the number of encounters by payer and/or type of visit as well as the payer mix
  - Payer Mix is the mix by percentage between Medicaid, Medicare, private insurance, and self-pay
  - Encounters by location to show production at each location



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Where can your finances go wrong?

- Bank reconciliations NOT completed
- Lack of internal controls
- Lack of transparency with C-Suite and/or Board of Directors
- Relying too much on your grant funding
- What percentage of your total revenue is grants?
- Where is the cash going??
- Revenue cycle is ignored

How to Course Correct….

Project cash

Run a break-even

What immediate changes need to be made?

Look at the all the drivers

Back to Basics

Create Success in Your Finances

- Ensure there is a quality assurance process for your finance department
  - Internal audits
  - Checks and balances
- Is your accounting software the best solution for you company?
- Find efficiencies for timely data
- Know your numbers and how they are trending
- Set goals tied to the strategic plan
- Always monitor cash
- Monitor industry changes
  - Ex. Medicaid Redetermination
- When in doubt, bring in an outside party
  - Revenue cycle assessment
  - Financial health assessment
  - Audits

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Potential Opportunities

- Targeted Outreach
  - Increase patient basis
  - Patients rolling off the active patient list
  - Scrubbing patient lists for recall appointments
- Service Area Expansion
- Medicaid – do you have an opportunity to evaluate your PPS rate?
- Maximize schedule – telehealth vs. in-patient
- Perform an operational assessment – where can you leverage operationally?
- Potential service line additions

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Potential Opportunities

- Incentive and value-based payment options
- Other grant opportunities
- Cash investment opportunities
- 340B program
- Evaluation of expenses
- Remote staffing
- Leverage technology

Key Take Aways

- The CEO needs to keep their eye on the finances too
- Revenue cycle is the largest and most complicated financial system – do not let it be ignored or an after thought
- The entire organization needs to understand finance as a whole and its connection to clinical and operations
- Finance isn't just about reporting and compliance, needs to be looked at analytically and strategically
- You are never stuck, there are always opportunities

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CLC's Service Line Up

- Interim CFO Services
- Interim COO Services
- C-Suite Coaching
- Strategic Advisory Services
- Interim Controller Services
- Operational Assessment
- Financial Management
- Revenue Cycle Management
- Sliding Fee Discount Program Development
- Cost-Based Fee Schedule
- Medicare Cost Report
- Medicaid Cost Report
- FQHC Look-Alike Designation
- Outsourced Billing Services
- Bookkeeping Services
- Month-End Support
- Federal Financial Report
- Audit Support
- Insurance Contract Review
- Business Analysis
- Project Feasibility
- FQHC Program Compliance
- Grant Writing
- NAP Grant Applications
- SAC Grant Applications
- Change in Scope
- UDS Report
- Needs Assessment
- Population Surveying
- Policy Review and Development
- Board Training
- Strategic Planning
- HRSA Site Visit Preparation
- 340B Pharmacy
- FTCA Application
- Budget Development
- Residency Development

Contact Information

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Experts embracing your mission and delivering results.

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obrigado
Dank U
Merci
mahalo
Köszi
спасибо
Grazie
Thank you
mauruuru
Takk
Gracias
Dziękuję
Děkuju
danke
Kiitos