The FQHC Income Statement

Common tendencies of the revenue and expenses of a community health center

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Health Delivery
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Agenda

- Statement of Financial Activities
  - Revenue Cycle
    - Sources of revenue
    - Analytical tools
    - Landscape
  - Expenses
    - Monitoring tools
Do you know what it means when all your financial statements are in red ink?

That it's time to change the printer cartridge?
Statement of Financial Activities
For the month and YTD ending 4/30/2015

<table>
<thead>
<tr>
<th></th>
<th>MTD</th>
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<tbody>
<tr>
<td><strong>Revenues</strong></td>
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<tr>
<td>Personnel</td>
<td>621,250</td>
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Net Change in Assets - Surplus/(Deficit)  
(4,000) | 584,000
Sources of Revenue

- Federal Grant
- State Grants
- Foundations and Local Fund Development
- Patient Services Revenue
- Pharmacy (340B)
Sources of Revenue

- Federal Grant
  - Section 330 of the Public Health Service Act
    - [http://bphc.hrsa.gov/about/legislation.html](http://bphc.hrsa.gov/about/legislation.html)
    - c – planning grants
    - e – operating grants
    - f – infant mortality grants
    - g – migratory and seasonal agricultural workers
    - h – Homeless populations
    - i – residents of public housing
    - j – access grants
Sources of Revenue

- Federal Grant
  - Section 330 of the Public Health Service Act
    - Supplemental Funding
    - PCMH quality
    - Outreach
    - Expanded Services
    - Health Infrastructure Improvement Program
    - New Access Points
Federal Grant

- Landscape
  - Funds must be budgeted and appropriated
  - Usually receive bi-partisan support
  - ACA law
  - Changing priorities of the BPHC and HRSA
    - New regulations – minimum user requirements
    - Program Information Notices (PINs)
      - Sliding Fee PIN (2014-02)
      - Budgeting and Accounting PIN (2013-01)
Sources of Revenue

- State Grants
- Michigan Department of Community Health (MDCH)
  - Ryan White – HIV
  - Immunization Action Plan
  - Women’s Infant and Children (WIC)
  - Teen Pregnancy Prevention
  - Tobacco Reduction
  - Diabetes Prevention
  - Many others
State Grant

- Landscape
  - Sustainability issues
  - Reporting and tracking
  - Reimbursement methodology
  - Audits
Sources of Revenue

- Foundations
  - American Cancer Society
  - Kellogg Foundation
  - CVS Foundation
  - BCBS Endowment
Foundations

- Landscape
  - Changing priorities
  - Sustainability
Sources of Revenue

- Fund Development
  - Board fundraising
  - Internal department
Sources of Revenue

- Patient Services Revenue
- FQHC Landscape
  - Schedule of Fees (Sliding Fee PIN)
  - Sliding Fee
  - Changing payment models

- ICD-10
- SIMS ASC
- MCR PPS
- Commercial payers folding

- ACA law
- Marketplace
- Medicaid Expansion
Patient Services Revenue

- Medicaid
  - Memorandum of Agreement
    - Currently many centers still 1-4 years out on reconciliations
    - Changing reimbursement levels
  - Healthy Michigan
    - Required waivers
    - 4 year limits
Patient Services Revenue

- Medicare
  - FQHC PPS Rate
  - MCR Advantage Plans
  - Switch to value based reimbursement
  - MCR required reporting
    - Monthly credit balance
    - Annual cost report
Patient Services Revenue

- Commercial
  - Contract negotiations
  - Reimbursement turnaround time

- Self Pay
  - Sliding Fee PIN
  - Increased scrutiny on alternative funding sources

- Pharmacy (340B)
Analytical Tools - Revenue

- Budget vs. Actual
  - % Source
  - Encounters
  - Payer Mix

- This year vs. last
  - % Source
  - Encounters
  - Payer Mix
“Our books are balanced. 50% of our numbers are real and 50% are made up.”
Analytical Tools – Funding Dependencies

- Grants
- Medicaid
- Medicare
- Donors
State of Michigan did not get CMS approval for the 2nd waiver for Healthy Michigan and the coverage is in jeopardy.
One of the larger Marketplace insurers in your service area has filed for bankruptcy.
Foundations are moving from capital investment to programs.
Congress has to pass a budget or risk a government shut down.
## Expenses

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Expenses

- Personnel expenses will typically make up the majority of an FQHC’s expenses.

- Health Centers typically report operating losses when salaries are greater than 70-75% or total revenue.

- How efficiently are you using those resources?
  - Productivity
  - Cost/Encounter - UDS
  - Per Provider FTE

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Analytical Tools - Expenses

- Budget vs. actual
- Last year vs. actual
- % of annual budget

- Comparison/Benchmarks
  - UDS cost measures state and national
  - HRSA grant financial goals
Under budget is not necessarily a good thing
Can drastically alter budget
Tracking and reporting requirements usually significant
Restricted funds
- Statement presentation can breakout
Considerations:
- Restricted revenue is greater than restricted expenses
- Without the grant, the deficit is significantly greater
I think you should be more specific here in STEP TWO.
Questions?

THANK YOU!
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