

# Foundational Business Practices: Creating a Strong Financial Infrastructure to Support Business Sustainability and the Management of Diverse Funding Sources

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# Session Overview

**Goal:** Review the concept of Diverse Funding Sources and the necessary actions to develop and sustain Diverse Funding Sources.

## How to manage a Diverse Funding sources

Financial Infrastructure- The importance of a good foundation

Budgeting and Financial Modeling- Planning and Resource Allocation

Operational Processes and Workflows- Designing Processes that work

Reporting and Data Analysis- Assuring Financial Sustainability

## How do we operationalize

Panel discussion



Presenter: David E. Wawrzynek MS MBA



Senior Consultant, Coordinated Care Services Inc.



43 years of experience providing and managing behavioral health services



32 years Executive Leadership in finance and agency operations



# Presenter: Tricia Williams



**Senior Consultant, Coordinated Care Services Inc.**



**Over 20 Years of operational experience including building programs from the ground up, with fiscal and regulatory considerations**



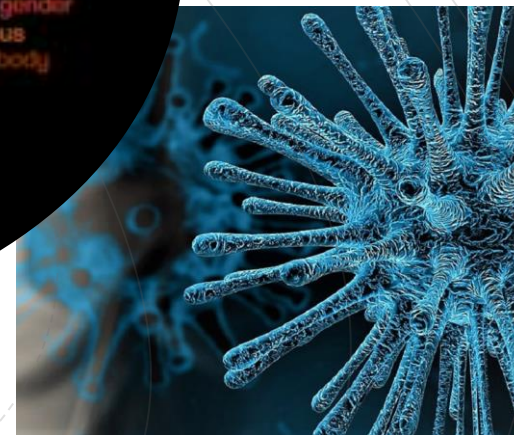
**Over 20 Years of experience in managing community-based services for Medicaid recipients**





A word cloud graphic on a dark circular background. The word 'health' is the largest and most prominent, rendered in a dark red color. Below it, 'social' is the second largest, in a bright orange color. Other significant words include 'people', 'times', 'likely', 'political', 'community', 'factors', 'determinants', 'status', 'economic', 'biological', 'hospital', 'influence', 'human', 'services', 'cultural', 'environmental', 'complex', 'mothers', 'family', 'individuals', 'experiences', 'networks', 'anatomy', 'food', 'strong', 'medical', 'education', 'also', 'housing', 'environmental', 'simple', 'experience', 'poorer', 'healthy', 'continue', 'role', 'gender', 'various', 'see', 'body', 'working', 'political', 'role', 'gender', 'various', 'see', 'body', 'working', 'political', 'role', 'gender', 'various', 'see', 'body', 'working'. Smaller words include 'rates', 'status', 'disease', 'impact', 'level', 'multiple', 'income', 'approaches', 'behaviour', 'recognise', 'choices', 'cultural', 'economic', 'connections', 'high', 'change', 'wide', 'nations', 'average', 'including', 'low', 'times', 'likely', 'people', 'social', 'political', 'community', 'factors', 'determinants', 'status', 'economic', 'biological', 'hospital', 'influence', 'human', 'services', 'cultural', 'environmental', 'complex', 'mothers', 'family', 'individuals', 'experiences', 'networks', 'anatomy', 'food', 'strong', 'medical', 'education', 'also', 'housing', 'environmental', 'simple', 'experience', 'poorer', 'healthy', 'continue', 'role', 'gender', 'various', 'see', 'body', 'working', 'political', 'role', 'gender', 'various', 'see', 'body', 'working'.

# Rural Community Health







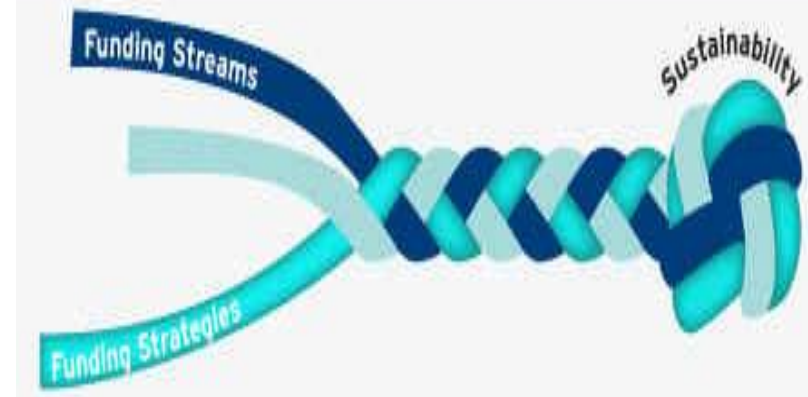
# Fiscal sustainability

# Diverse Funding Sources

- Diverse Funding sources are used to support a common activity, initiative, project and/or service line.



## BRAIDED FUNDING



# Essential Activities that support Strong Financial Infrastructure leading to Business Sustainability and the Management of Diverse Funding Sources



Financial Infrastructure – The importance of a good foundation



Budgeting and financial modeling – Planning and resource allocation



Operational Processes and workflows – designing processes that work



Reporting and Data Analysis – Assuring financial sustainability





# Financial Infrastructure – The importance of a good foundation

- Chart of accounts and cost center design
- Cost assignment and cost allocation
- Method of accounting
- General Ledger software
- ***Unit costing (cost/units)***



# Why is understanding Unit Cost so Important...

- ▶ Failure to accurately understand unit costs can lead to poor decision making that is based upon an incorrect understanding of a program's true unit cost
- ▶ Unit cost is a simple measure to create and track, giving early warning about changes that may have an adverse effect on financial stability



Comparing unit cost to unit revenue is a fundamental analysis of financial sustainability

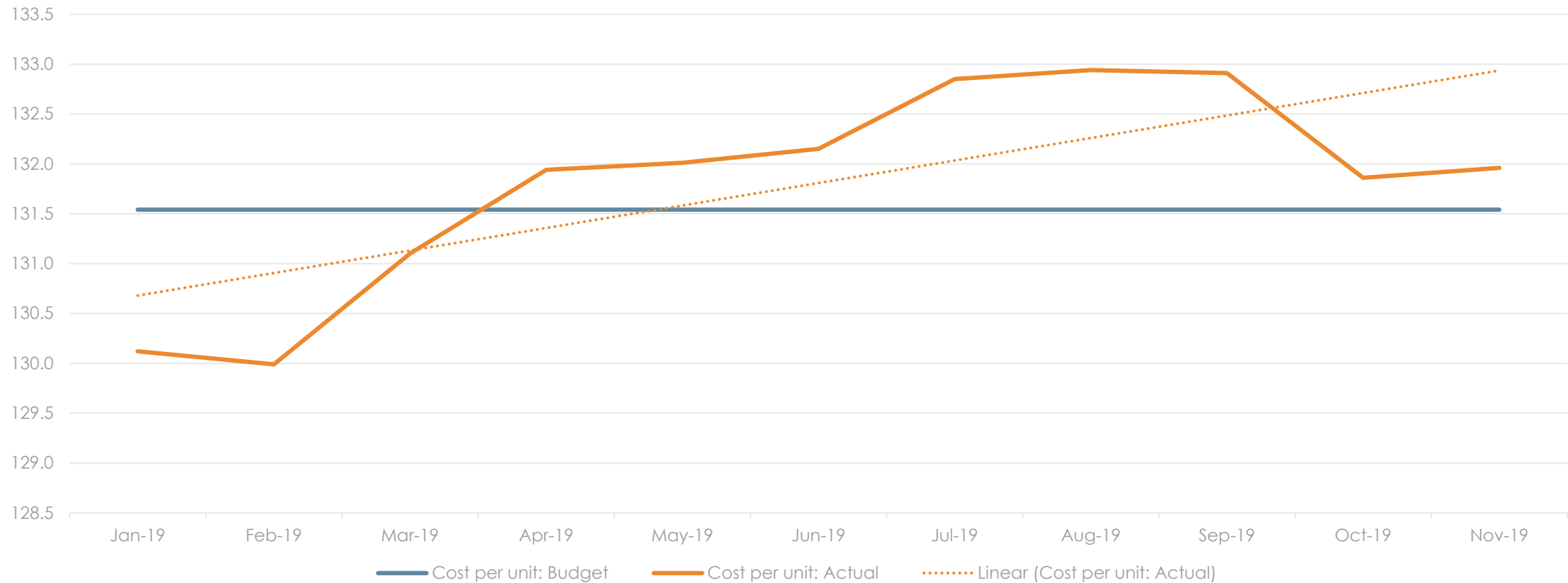


Under new payment models you may be asked to agree to a new rate for your services. Understanding your unit cost is critical to understanding the financial impact of the new rates.

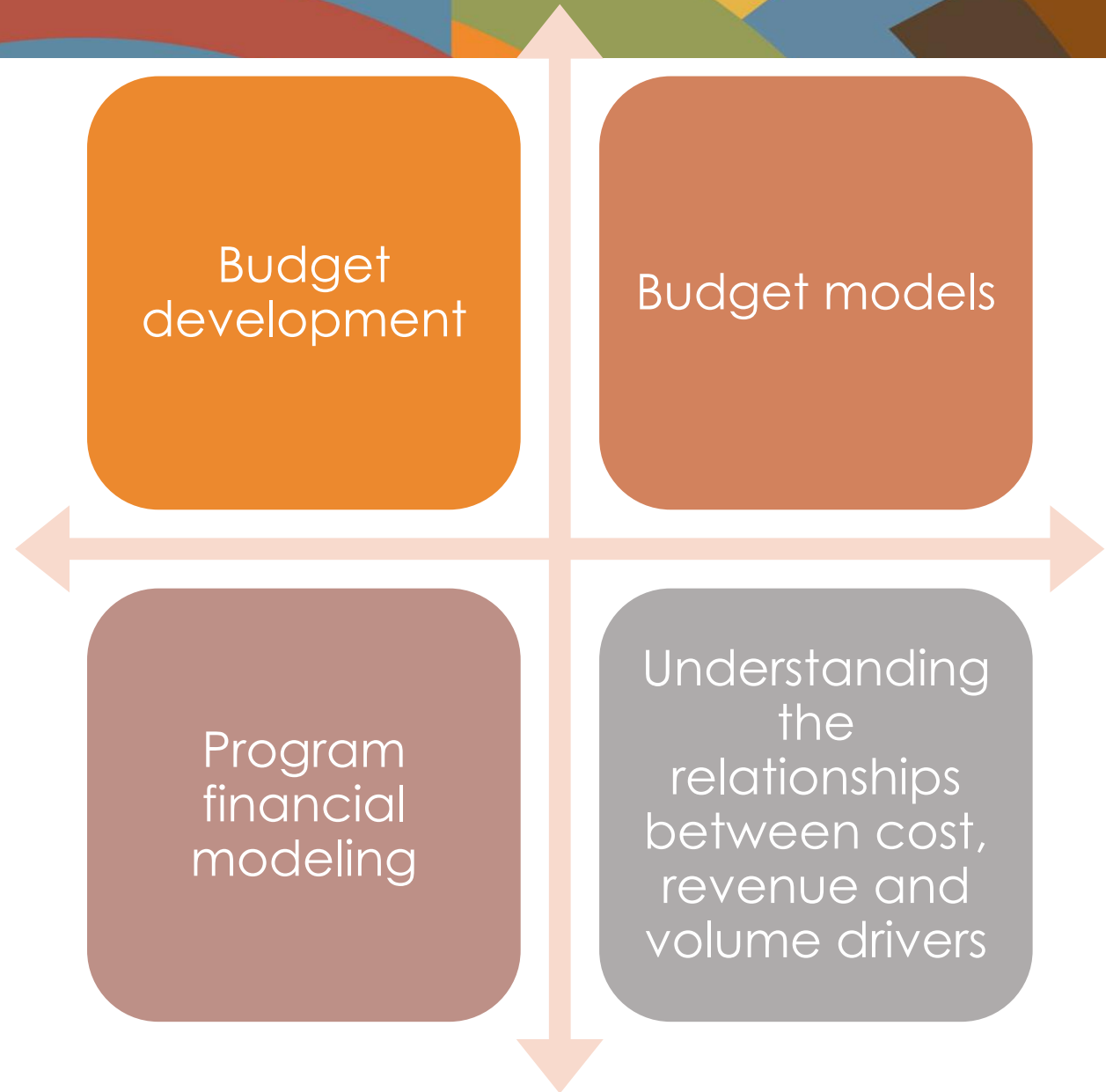


# Unit Cost Monitoring Example

## Clinic Cost per Unit of Service



# Budgeting and financial modeling – Planning and resource allocation





# Financial Monitoring – What is it?



Evaluating monthly program and agency actual financial performance against industry standards or budgeted expectations



Two sets of reporting documents:

Financial Statements  
Actual to budget analysis by program



# Actual to Budget analysis by program



Reports in a single format how each budgeted program is performing in relation to how you expect it to be performing



When reviewed regularly and used to drive decisions can assure that the organization meets its individual program and agency financial goals



Most critical tool in evaluating financial stability and sustainability



<b>Prg 2</b>		<b>Target: 67%</b>	
<b>Ad MH</b>			
	<b>Budget</b>	<b>Actual</b>	<b>% Target</b>
Personal Services	288,016	292,467	68%
Fringe Benefits	89,831	92,541	69%
OTPS	22,084	22,144	67%
Equipment	1,867	1,400	50%
Property	8,667	2,500	19%
A&OH	60,533	61,060	67%
<b>Total Expense</b>	<b>470,998</b>	<b>472,112</b>	<b>67%</b>
<b>Total Revenue</b>	<b>470,387</b>	<b>461,255</b>	<b>65%</b>
<b>(Surplus) / Loss</b>	<b>611</b>	<b>10,857</b>	<b>10,246</b>
			Variance
<b>Units</b>	<b>4,128</b>	<b>3,502</b>	<b>57%</b>
<b>Cost per unit</b>	<b>\$114.10</b>	<b>\$134.81</b>	<b>\$20.71</b>
<b>Revenue per unit</b>	<b>\$113.95</b>	<b>\$131.71</b>	<b>\$17.76</b>



## Operational Processes and workflows – designing processes that work

- Revenue cycle management (RCM)
- Internal controls and segregation of responsibilities
- Financial risk management
- Clarity, communication and accountability
- Quality improvement in financial operations







# What are we trying to accomplish?

- Find the most efficient and effective way of getting the work done
  - What are the exact jobs to be done?
  - Who is responsible for each?
  - What is the sequence of tasks?
  - What is the time, tools, and guidance needed?
  - How do we measure workflow effectiveness?



# Reporting and Data Analysis – Assuring financial sustainability



- Standard financial reporting
- Key financial performance indicators
- Data analysis
- Excel based data analytic tools
- Communicating financial performance





# Panel Discussion

