

CAH Finance and Operations Webinars



May 16, 2024

Best Practices for CAHs: Budget Process and Budget Building

The mission of the Oregon Office of Rural Health is to improve the quality, availability and accessibility of health care for rural Oregonians.

The Oregon Office of Rural Health's vision statement is to serve as a state leader in providing resources, developing innovative strategies and cultivating collaborative partnerships to support Oregon rural communities in achieving optimal health and well-being.

Webinar Logistics

- Audio is muted for all attendees.
- Select to populate the  to populate the chat feature on the bottom right of your screen. Please use either the chat function or raise your hand  on the bottom of your screen to ask your question live.
- Presentation slides and recordings will be posted shortly after the session at: <https://www.ohsu.edu/oregon-office-of-rural-health/resources-and-technical-assistance-cahs>.





CAH Operation and Finance Webinars

June 20, 2024 | 12 p.m. – 1 p.m. | [Register here](#)

Interface: How Primary Care and CAH Operations Can Work Together

July 18, 2024 | 12 p.m. – 1 p.m. | [Register here](#)

Beyond Coexisting: Building a Thriving Relationship Between Finance and Human Resources

August 15, 2024 | 12 p.m. – 1 p.m. | [Register here](#)

Behavioral Health: Leveraging RHCs to Expand an Essential Service



Rob Bloom is a Principal at Wintergreen. Prior to joining Wintergreen as a Principal, Rob served as CFO for Carthage Area Hospital for over a decade. He previously held positions with the Hospital as Administrator of Primary Care Services and Interim Chief Financial Officer. In addition to his role as CFO at Carthage, Rob also served concurrently (2021-2022) as Chief Financial Officer at Claxton Hepburn Medical Center and Orleans Community Hospital in addition to providing consultative services to several other hospitals in rural New York.



Emily Gazda, CPA, MBA has served as CFO in addition to multiple finance roles over the past decade for several rural hospitals in New York and Kansas. Her experience includes the financial integration of acquired entities and leading overall financial reporting and analysis. Emily's expertise with grant reporting and compliance has led to over \$35M secured in Covid funding, successful single audits and additional funding exceeding \$30M secured for entities in forms of grants such as TMRAA/VAP and VAPAP.

Best Practices: Budget Process / Budget Building

May 16, 2024



Presentation Objective



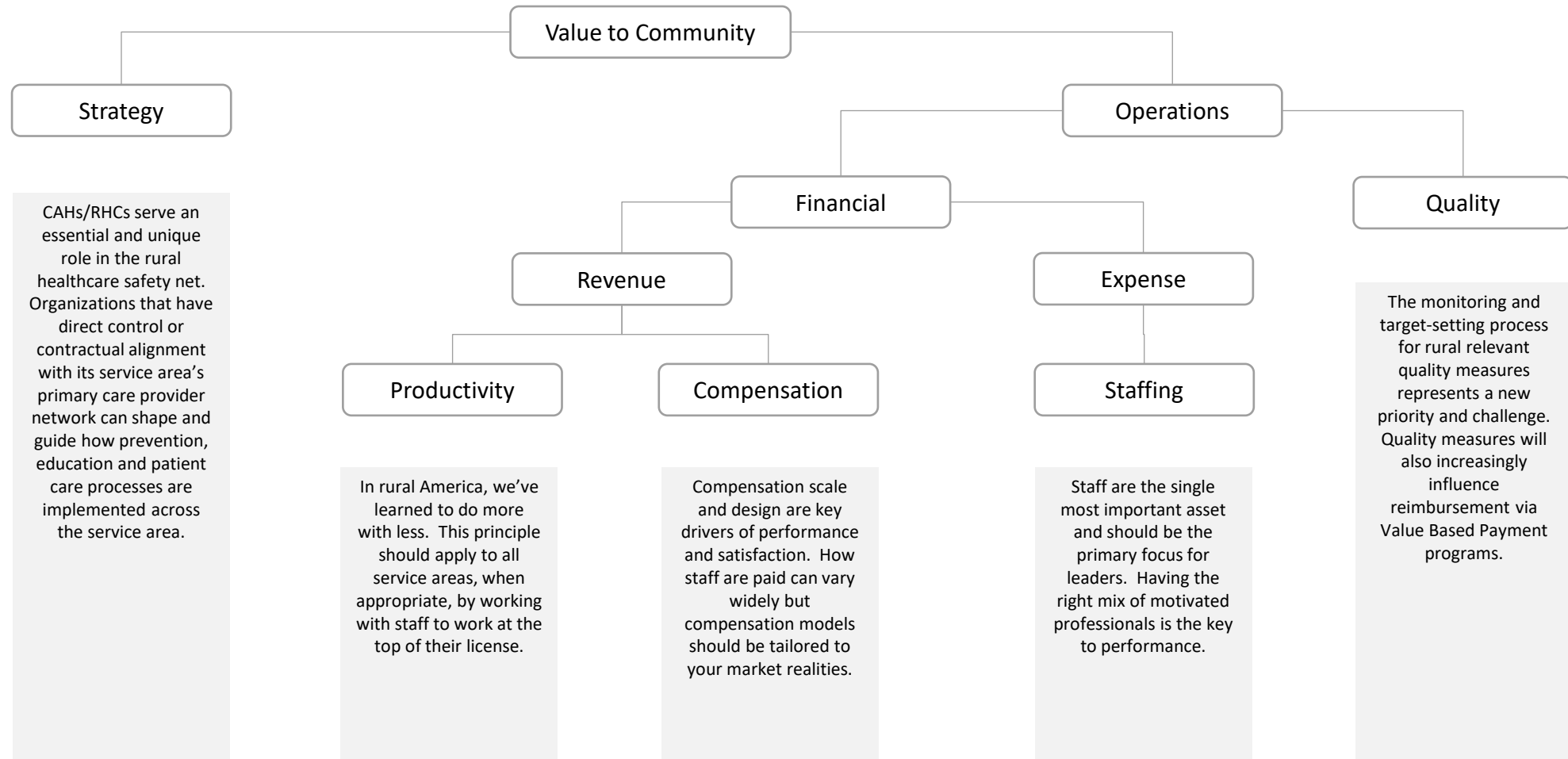
Creating a budget isn't everyone's idea of fun, but creating a repeatable and annual budget process that involves department and hospital leadership is essential for understanding your current position and where you are heading. A solid budget process allows hospitals to compare actual to budgeted performance on a monthly basis to understand both areas of opportunity (and areas that need attention) and functions as a way to empower department managers.

Take Aways

- ➔ Create an appropriate budget timeline
- ➔ Determine the vital data elements to include in your budget process
- ➔ Know the players involved in a successful budget process
- ➔ Maintain accountability until the end of the budget year

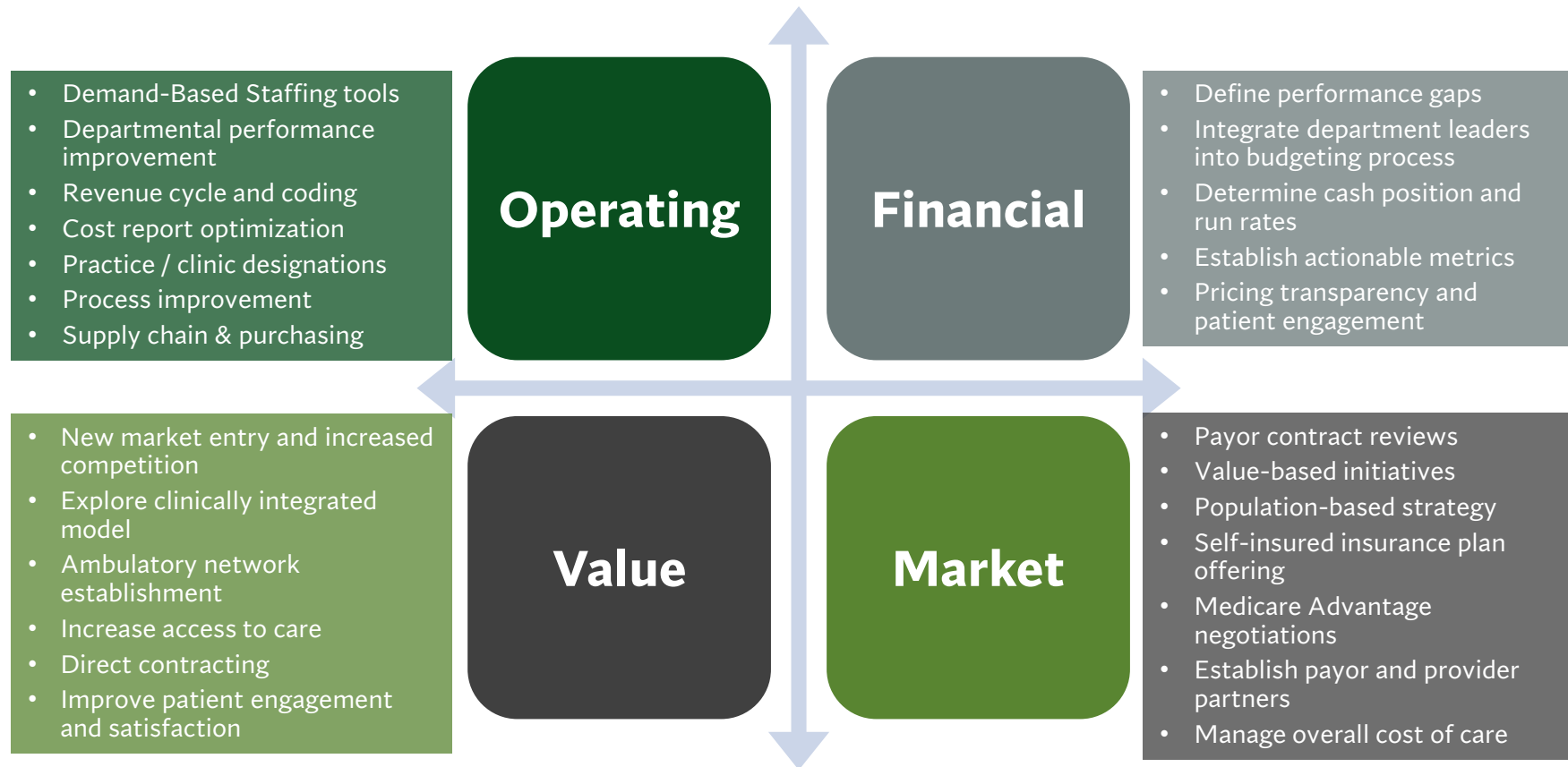
A Budget Isn't That Important... Right?

Performance Model



Performance Improvement

The budget serves as the numerical representation of plans for each of the four identified areas to improve the organizational position



Strategy, Strategy, Strategy

- **Strategic Plan:** The organization's strategic plan should drive budget development and communication with operations.
- **Measure Execution:** The overarching goal of monthly budget variance analysis is to measure execution of the strategic plan and drive corrective action. IT IS NOT TO PROVIDE AN EXPLANATION FOR NEGATIVE VARIANCES.
- **Execution:** Expected changes from prior results can only be driven by executable plans. Don't put changes in the budget without an executable plan.
- **Common Failures**
 - Zero based budgeting without an intent to change
 - Statistical changes without a plan for growth
 - Adjustments to discounts and allowances
 - Pressure from the board or C Suite



Develop the budget based on executable operational plans linked to the strategic plan.

Importance of a Budget Process

- **Accountability** – Operations cannot be held accountable if there is not a clear definition of success and failure. Success should not be assumed as prior year status quo.
- **Funding** – Standard grant applications include projections for fund uses which becomes easier when a budget is in place.
 - *Many facilities lost the ability to support PRF funding due to lack of an appropriate budget to support lost revenue dollars.*
- **Program Assessment** – If programs continue to fall short year after year, it is time to raise the flag for a detailed look at operations.
- **Capital Planning** – Capital planning often is thought of as separate from the operational budget. This is the time to utilize the operational budget to plan cash flow for capital needs.



Plan a Successful Budget Season

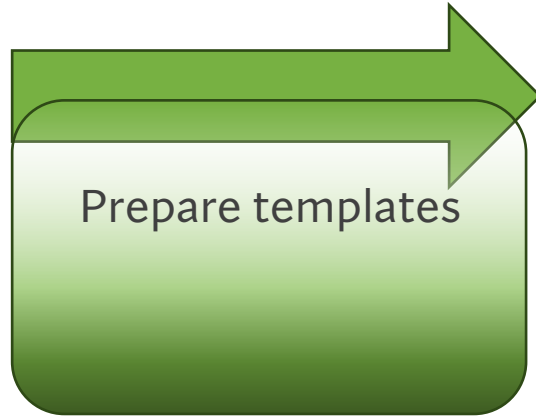
Timeline for Success



Develop an appropriate timeline: work backwards from the date of final Board Presentation. Expected time for each phase will vary on the size and complexity of the organization, and its strategic goals.

Communicate expectations: It is important to begin the budget season with communication outlining expectations and a clear timeline. Building a budget requires input from individuals outside of Finance. To avoid unwanted surprises, send a “kickoff” communication announcing the budget build process has begun and that participation is expected.

Prepare Templates



Develop a template: The budget process should not be new every year, only your assumptions. Knowing this, it is best practice to utilize templates that allow for the plug and play of data year over year rather than annual rebuilds starting from scratch. Templates can be built any time prior to the data collection phase and can serve the organization for years to come.

Common templates:

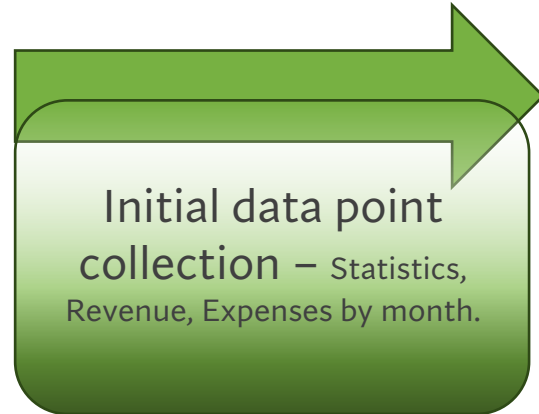
- Master
- GL template
- Labor template
- Statistics
- Operations

Gain efficiencies: Given the staffing constraints affecting healthcare facilities, templates ease the burden on those participating in the budget build and can lead to a quicker turnaround compared to other methodologies.



Review your budget process and consider where templates can be used to gain efficiencies.

Initial Data Point Collection



Verify Data: Revenue and expenses should be pulled on an account level by Month. This assists in additional seasonality review as well as confirmation that the data is applicable to the full period used to annualize.

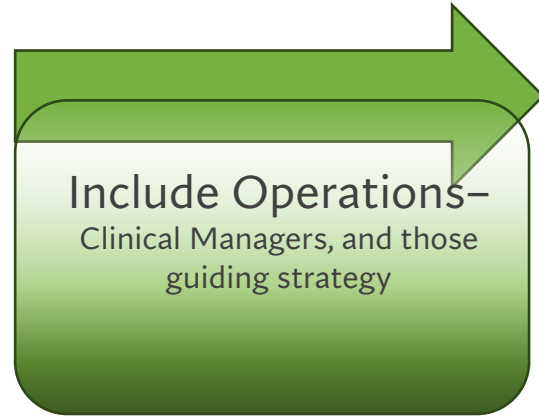
- Mid year program start or stop.
- Seasonal departments (school based).
- Expenses no longer applicable.

Know the drivers of each department: Driving statistics for patient facing departments may be obvious but don't assume that administrative and overhead departments are not impacted by utilization changes.



Spend time thinking about what statistics should be used for non patient facing departments.

Include Operations



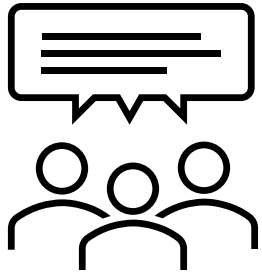
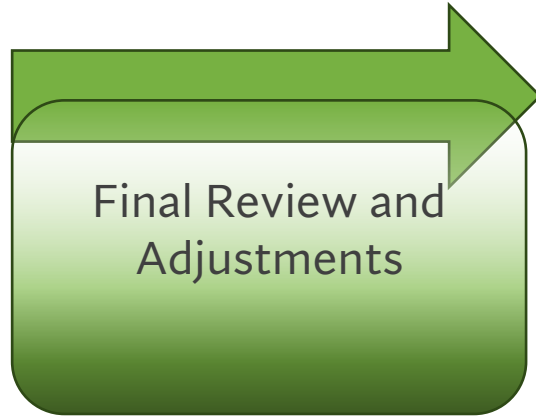
Remove Silos: Collaboration will drive buy in and accountability which does not stop after the budget is approved. This is a great time to develop multi-disciplinary relationships. Create a dialogue that allows the feed of information from strategic and operational team members to those that have a technical strength in formulas and worksheets. Rather than relying on averages, have operations itemize their budget or provide justification for the dollars they are being allocated.

The budget is only able to be achieved if the organization is aligned with the strategic goals included in it.



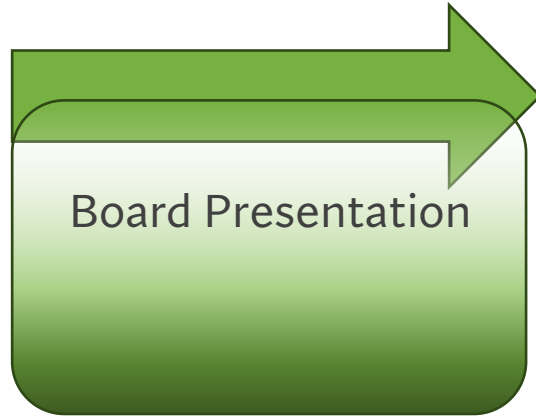
Develop the operational budget team – Include those that are responsible to drive program results, and those involved in strategic operational changes.

Final Steps



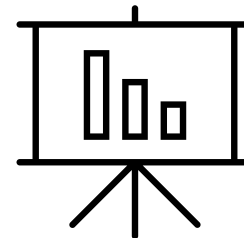
Review for accuracy and legitimacy: A variance threshold should be agreed upon that is used to flag accounts that experience changes in budget compared to prior year performance and/or prior year budget. Anything beyond this threshold should be verified with Operations and Leadership before adding to the budget.

Preview Results to operational budget team: Once all data is collected, review the proposed final budget with collaborative budget team. Preview results by month including statistics and overall financial statement. Adjustments may be needed based on these conversations to align with overall budgetary objectives. Make sure all assumptions are documented and updated if needed.



Present for acceptance: A full Budget Presentation includes more than numbers. This is the time to discuss what expectations and goals are for the year to come.

- Clearly communicate assumptions used within the build.
- Present the budget in the same format financials are typically presented.
- Present statistics used to drive budget results.
- Show comparatives, where did the year end compared to the budget presented? Drive these changes home with assumptions supported by organizational goals.



Capital Planning

Capital Planning



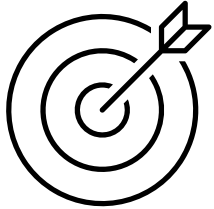
Compliance: 42 CFR 482.12(d) *Standard: Institutional plan and budget.* The institution must have an overall institutional plan that meets the following conditions:

- Annual operating budget prepared according to GAAP
- Include anticipated income and expenses
- Include capital expenditures \geq 3 years
 - \$600+ specific requirements
- Reviewed and updated annual
- Governance oversight



Timing: Understanding your accrual-based budget is the first step in working towards a cash-based budget to plan for capital spending.

Know your plant: Pre Plan items that are aging out or which are breaking down often. Don't assume that rent vs buy new will be the same answer in every circumstance. What once was rented may not be more effective to buy and vice versa.

Follow Through



Expect for performance and understand shortfalls: Including operations in the process allows for standards that are self set, understood up front and agreed upon. Follow this through until the end of the budget year.

-  • Determine the variance threshold that triggers explanation.
-  • Develop explanation process and maintain documentation of explanations.
 - Operations should be providing information timely enough for inclusion in monthly board reporting on variances.
- Develop processes and procedures when the mark is missed and follow through on results after implementation.

CTA Summary

- Develop the budget based on executable operational plans linked to the strategic plan.
- Review your budget process and consider where templates can be used to gain efficiencies.
- Spend time thinking about what statistics should be used for non patient facing departments.
- Develop the operational budget team Determine the variance threshold that triggers explanation.
- Develop explanation process and maintain documentation of explanations.

Q & A



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ORH Announcements



Next Community Conversations | May 23 | 12:00 p.m.
Tackling Workforce Challenges Through Recruitment & Retention - [*Register here*](#)

June 12-13, Virtual | 1st Annual Forum on Rural Population Health & Health Equity
([*Register here*](#))

October 2-4, Bend, OR | 41st Annual Oregon Rural Health Conference
([*More information here*](#))

Thank you!

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