Financial Literacy
for
PROS Directors

The Alliance for Rights and Recovery
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CCSI
Coordinated Care Services, Inc.
Innovative Solutions in Human Service Delivery

Learning Objectives

- Gain a better understanding of standard financial reports and how you can use them

- Gain a better understanding of the budgeting process and where you fit in

- Gain a better understanding of one's unit costs and thus allow providers to be able to strategize and have increased flexibility in delivering services

- A supervisor needs a basic understanding of budgets to be able to communicate programmatic/clinician needs to leadership positions and convey important information back to their clinicians/supervisees

- Answer the questions:

- When it comes to finance – what should I be paying attention to?

- How often? With whom? and why?

- What is it reasonable to expect from my financial team to manage my programs?

Finance Department – Who and What

- Size of the department is dependent on the size of the organization

- Normally lead by a Director of Finance or Chief Financial Officer that reports to the Chief Executive Officer

- Primary functions are:

  - Processing payments

  - Billing and processing reimbursements

  - Financial reporting and monitoring

  - Ensuring the accuracy, security, and safety of organization resources

  - Ensuring that the organization is financially secure and sustainable

Financial Data Structure – Expenses and Revenues

- Expenses – Amounts paid year-to-date classified in accounts that aggregate expenses by type.

- Example of expenses: Salary, fringe benefits – health insurance, operating expenses, Supplies, cost of equipment and property

- Revenues - Amounts collected or anticipated to be collected classified in accounts that aggregates revenues by type.

- Examples of revenues: Medicaid revenue, commercial insurance revenue, state or local grants, donations, Medicare revenue

- Profit or Loss – Difference between the organization's expenses and revenues

Nonprofit organizations

- Nonprofit is an organization that qualifies for tax-exempt status by the IRS because of its mission and purpose to further a social cause or provide a public benefit.

- Nonprofits can generate a profit (margin) but they must reinvest the profits back into the organizations. Margins can accumulate over time and recorded as Net Assets on an organizations balance sheet

Statement of Activities – Profit and Loss

Program Detail

P&L Program 2 12/31/21	
Support and Revenue	
County and state funding	241,835
Community Grants	65,524
SOR grant	101,250
Program Revenue	5,961
Total Support and Revenue	414,570
Expense	
Salary	210,197
FICA	15,628
Workers Compensation	734
Disability	412
Unemployment	316
Health Insurance	41,172
Pension	6,962
Program Supplies	1,457
Office Supplies	2,210
Minor Equipment	750
Consultant	4,070
Telephone	1,522
Postage	525
Maintenance/Repair	1,210
Printing	2,100
Training	621
Recruitment	1,200
General Liability	1,300
Office Expense	2,100
Travel	400
Electric	1,841
Janitorial	1,100
Rent	29,075
Equipment	0
Operating Expense	326,902
Administration and Overhead	51,290
Gross Expense	378,192
Net Surplus/(Loss)	36,378

Provides a detailed view of expenses and revenues of a single program or cost center

Operating Budget – what is it?

Tool used to plan income and expense for each of the organizations programs to provide a fiscal roadmap for the coming year

- Operating budget should be driven by mission priorities and fiscal accountability

- Operating budgets detail how resources will be used and revenues generated

- Operating budgets demonstrate how programs will be managed within available resources

- Operating budgets Provide Benchmarks to guide decision making

Budget Development
Who should be at the table?

- Good budgets are financial and strategic roadmaps that require the input and expertise of:

  - Executive Leadership

  - Program and Clinical Staff

  - Financial Staff, and

  - Operations Staff

Best Practice Budget Development

- Budgets should be presented to the Board for the next year in December – budget development in October and November

- For operating expenses: review current year expenses, prorate them to the end of the year, determine net increases or decreases based upon next year planning

- For staffing: review current staffing by position, determine net increases or decreases based upon next year planning

- For revenues: determine billable volume based upon productivity standards and budgeted staffing - multiply that by average reimbursement rates based upon payer mix

Key concepts in Budget Development

- Staffing and fringe benefits can be over 75% of total costs – take the time to budget at the position level

- Volume (billable units) = budgeted direct care staff x productivity expectations

- Revenue = volume x average reimbursement rate

- Average reimbursement rate is determined by the average reimbursement rate by payer and the % of services billed to each payer

- Gross cost per unit = Total expenses / volume

- Gross revenue per unit = Total revenue / volume

2021 Operating Budget

	Admin	Program 1	Program 2	Program 3	Total
Expense					
Salary	90,241	128,982	231,217	293,019	743,459
Fringe Benefits	28,877	41,274	73,989	93,766	237,906
Other than Personal Services	23,029	19,208	24,489	24,892	91,618
Rent	12,935	22,444	29,075	33,498	97,952
Equipment	0	0	0	5,000	5,000
Overhead	(155,082)	31,566	54,929	68,587	0
Total Expenses	0	243,474	413,699	518,762	1,175,935
Support and Revenue					
County and state funding		222,876	241,835		464,711
Community Grants		10,000	64,653	10,000	84,653
SOR grant			101,250		101,250
Program Revenue		10,598	5,961	508,762	525,321
Total Support and Revenue	0	243,474	413,699	518,762	1,175,935
Net Surplus/(Loss)		0	0	0	0
Units of Service		3,154	2,995	4,710	
Gross Cost per Unit		77.20	138.13	110.14	
Gross revenue per unit		77.20	138.13	110.14	

Budgeting – Questions to ask yourself

Am I being asked to contribute to budget development?

Do I understand the key financial variables I am asked to manage?

Do I have the tools I need to monitor success?

Actual to Budget Analysis by Program

- Monthly report that analyzes how each budgeted program is performing in relation to your expectations

- When reviewed regularly and used to inform decisions it can help to ensure that the organization meets its individual program and agency financial goals

- One of the most critical tools in evaluating, monitoring and assuring financial stability and sustainability

12/31/2021	Budget	Actual	% Target
Expense			
Salary	293,019	268,825	92%
Fringe Benefits	93,766	86,024	92%
Other than Personal Services	24,892	20,371	82%
Rent	33,498	33,498	100%
Equipment	5,000	6,100	122%
Overhead	68,587	64,618	94%
Total Expenses	518,762	479,436	**92%**
Support and Revenue			
County and state funding			
Community Grants	10,000	10,000	100%
SOR grant			
Program Revenue	508,762	463,214	91%
Total Support and Revenue	518,762	473,214	**91%**
Net Surplus/(Loss)	0	(6,222)	
Units of Service	4,710	4,512	96%
Gross Cost per Unit	110.14	106.26	96%
Gross revenue per unit	110.14	104.88	95%

Using your actual to budget report Recommendations

- Request that the report be created _as soon after the close of each month as possible_. Reviewing your financial results well after the fact diminishes your ability to effect necessary changes

- Review it with your staff responsible for program financial performance. _Make this a mandatory monthly meeting._

- When you have variance between actual and budgeted results do a _root cause analysis to determine what factors or variables are in play_. Sometimes the causes are not as obvious as they seem on the surface.

- _Take each significant variance and determine if action is immediately required or if you can wait to evaluate performance in the next period._ Graph month over month performance variables you are managing so you can evaluate trends over time. This will help you determine when to act.

What can you expect from your financial team?

- Invitation to be involved in the Budgeting process

- Tools to monitor and manage your programs:

    - Accurate and timely financial reports in an easy-to-understand format to include:

        - Year to date actual to budget analysis

        - Staff productivity visualization reports by staff by month with trendlines

    - Answers to your questions

- Partnership

You cannot effectively monitor and manage financial performance in isolation. You need executive leadership, financial leadership, program leadership and operations leadership at the table and on the same page.

Some thoughts on staff productivity

The relationship between the number of hours you pay direct care staff and number of hours they provide billable services is one of the most sensitive variable driving financial success

Setting quantitative standards through the budgeting process, communicating and monitoring those standards and supporting staff who struggling to meet expectations is a crucial financial element that is sometimes overlooked.

Answers to our original questions

- Answer the questions:

    - When it comes to finance – what should I be paying attention to?

    Staff productivity, gross cost per unit, gross revenue per unit, profit/loss

    - How often?

    Monthly, as soon after the close of the month as possible

    - With whom?, and why?

    Staff responsible for financial results to inform decision making

    - What is it reasonable to expect from my financial team to manage my programs?

    Timely, accurate reports that are easy to understand and provide you with the information necessary to drive financial success

How Does PROS Re-Design Change Finance Concepts

- Overall PROS Re-Design does not change financial concepts

- Financial concepts can support the changes being implemented

  - Creating a team that includes finance, billing, program, IT/EHR and quality/compliance staff

  - Develop models and budgets based on new rules and new program design

  - Develop timelines and workflows

  - Review "productivity" standards

Areas to focus
Billing and Budget

- New Billing algorithms reconfiguration – claims testing

- Incorporating Billing changes

  - Removal of program participation time

  - Redefined PROS unit

  - Restructuring tiers

  - New minimum thresholds to bill along with new unit rules to meet thresholds

- Budget: New staffing ratios – how it will affect costs/what will the new team composition be/will you need to hire new staff or terminate existing staff

Areas to focus
Off-Site, Individual and Telehealth

- **Off** site services
  - Travel time
  - No shows
  - Travel costs
  - Safety and Security
  - IT, Technology and EHR

Individual services
- Efficiency of group vs one to one

Telehealth
- Technology costs
- Efficiency of staff time

Areas to focus
Staff

- Training

- Understanding complex care management

- No program participation time

- Recordkeeping

- Collapsing of services into Psychosocial Rehabilitation

- Cognitive Remediation

- ORS expanded service definition & ORS 15 min service durations

- Integration of Peer workers as equal members of the PROS team

Areas to focus
Human Resources, EHR and Quality

- Human Resources

  - Staffing redesign – rehabilitation specialist, peers, employment specialist

  - Job Descriptions

  - Credentialing: Especially for Peer Services

- EHR modifications

  - Documentation

  - Billing

- Quality and Compliance

  - Policies and Procedures

Discussion

- Do you have a team?
    - If yes, how often does that team meet? Who's on the team?
    - If no, what are some of the barriers that's preventing you from having a team
- How much is your finance/billing staff involved and understand changes?
- Are you working on developing financial models?
- Have you thought about new program design?
- Have you implemented any changes already?