



AN EARLY WARNING ASSESSMENT FOR COMMUNITY HEALTH CENTERS
(Issues that should be considered by the Board of Directors)

Is your health center currently experiencing the following?

- ◆ Unable to make payroll or pay benefits on time within the past year?
 Yes No
- ◆ Net loss in at least two of the last three years?*
- ◆ Less than 10 days cash on hand in the most recent year?*
- ◆ Current asset/current liabilities of less than 1.0 in the most recent year?*
- ◆ Stagnating or declining growth (revenue, patients, FTEs)**
- ◆ High Accounts Receivable**
- ◆ Lower productivity than more successful health centers**

Note: The Health Management Associates used the **single asterisk** to define “financially distressed health centers” in their 2009 report, *The Financial Health of New York’s Comprehensive and Diagnostic Treatment Centers*. In a recent publication (*Identifying the Risks of Health Center Lending*, October 2014) prepared by Capital Link and the Community Health Center Capital Fund, those that are **double asterisk** were found to contribute to a health center’s risk of failing.

If you have answered yes to one or more of the above, your health center is potentially in serious distress and needs to immediately address!

Whether or not your health center is currently experiencing the above, you should be able to answer the following questions.

1. What is the current financial position?

Financial Performance Indicator	Actual	Goal
A. Total margin - an indicator of overall performance (net income as a percentage of net revenue)	<input type="checkbox"/> Less than 1% <input type="checkbox"/> 1% <input type="checkbox"/> 2% <input type="checkbox"/> 3% <input type="checkbox"/> 4% <input type="checkbox"/> ≥5% <input type="checkbox"/> Unknown	Minimally, a positive margin of at least 1%, ideally at least 2%

Financial Performance Indicator	Actual	Goal
B. Days cash on hand - a measure of liquidity (cash + marketable securities + unrestricted investments)/ [(Total expenses - depreciation)/365]	<input type="checkbox"/> 0-30 days <input type="checkbox"/> 31-60 days <input type="checkbox"/> 61-90 days <input type="checkbox"/> Unknown	30 days considered minimal; 60+ days is better to offset potential delayed reimbursement
C. Days in A/R (the average number of days for reimbursement)	<input type="checkbox"/> 0-30 days <input type="checkbox"/> 31-60 days <input type="checkbox"/> 61-90 days <input type="checkbox"/> Unknown	<45 days
D. Days in A/P (the number of days before a received bill is paid)	<input type="checkbox"/> 0-30 days <input type="checkbox"/> 31-60 days <input type="checkbox"/> 61-90 days <input type="checkbox"/> Unknown	30 - 45 days, ideally 30 to ensure not being assessed a late fee. Should also evaluate the trend - are the days increasing?
E. Current ratio - indicator of near-term solvency (current assets/current liabilities)	<input type="checkbox"/> 0-0.5 <input type="checkbox"/> 0.6-1.0 <input type="checkbox"/> 1.1-1.5 <input type="checkbox"/> 1.6-2.0 <input type="checkbox"/> 2.1-2.5 <input type="checkbox"/> ≥2.5% <input type="checkbox"/> Unknown	2.0 is considered an "unofficial" standard; the BPHC used to set a goal of at least 1.5

2. When was your fee schedule last reviewed and updated? **Goal - every year**

- 1 year
- 2 years
- 3 years or more

3. Is your sliding fee schedule updated yearly to reflect changes in the Federal Poverty Levels?

- Yes
- No

4. Do you have revenue cycle benchmarks (encounters, charges, payments, denials, unbilled encounters, days to resolve denials) that are monitored monthly by staff?

- Yes
- No

5. Does the health center have access to a line of credit to assure availability of operating cash? **If a health center is unable to access a LOC, this suggests the lender considers them a financial risk.**

- Yes
- No

If so, what % of credit available is currently being used _____%? **If a high % of the LOC is consistently being used, this may be a warning sign of financial instability.**

6. How many provider vacancies do you currently have?

a. How long has the provider position(s) been Vacant?

b. How many of these position(s) are filled with locum tenums?

7. If there is a provider vacancy, how long has that position(s) been vacant?

- 0-3 months
- 4-6 months
- 7-9 months
- 9-12 months
- > 12 months

8. How long have key staff leaders been with the organization?

CEO	<input type="checkbox"/> <1 year	<input type="checkbox"/> 1-3 years	<input type="checkbox"/> 4-6 years	<input type="checkbox"/> 6-9 years	<input type="checkbox"/> >10 years
CFO	<input type="checkbox"/> <1 year	<input type="checkbox"/> 1-3 years	<input type="checkbox"/> 4-6 years	<input type="checkbox"/> 6-9 years	<input type="checkbox"/> >10 years
CIO	<input type="checkbox"/> <1 year	<input type="checkbox"/> 1-3 years	<input type="checkbox"/> 4-6 years	<input type="checkbox"/> 6-9 years	<input type="checkbox"/> >10 years
COO	<input type="checkbox"/> <1 year	<input type="checkbox"/> 1-3 years	<input type="checkbox"/> 4-6 years	<input type="checkbox"/> 6-9 years	<input type="checkbox"/> >10 years
CMO	<input type="checkbox"/> <1 year	<input type="checkbox"/> 1-3 years	<input type="checkbox"/> 4-6 years	<input type="checkbox"/> 6-9 years	<input type="checkbox"/> >10 years
IT DIR	<input type="checkbox"/> <1 year	<input type="checkbox"/> 1-3 years	<input type="checkbox"/> 4-6 years	<input type="checkbox"/> 6-9 years	<input type="checkbox"/> >10 years

Note: Frequent turnover may be an indication of underlying problems and needs to be examined.

9. On average, what is your annual staff turnover in the following categories:

Billing Staff	<input type="checkbox"/> 0-1 yr	<input type="checkbox"/> 1-3 yrs	<input type="checkbox"/> 4-5 yrs	<input type="checkbox"/> >5 yrs
Front Desk	<input type="checkbox"/> 0-1 yr	<input type="checkbox"/> 1-3 yrs	<input type="checkbox"/> 4-5 yrs	<input type="checkbox"/> >5 yrs
Providers	<input type="checkbox"/> 0-1 yr	<input type="checkbox"/> 1-3 yrs	<input type="checkbox"/> 4-5 yrs	<input type="checkbox"/> >5 yrs

10. Does your health center have a strategic plan? Yes No

Is it reviewed at least quarterly? Yes No

If you don't have a plan, you very likely are not going to get "there"!

Note: This tool was developed by NACHC, and modified by the SCPHCA, to assist health centers in recognizing potential financial and operational problems. The above is a snapshot to provide an "early warning" of potential problems. Looking at trends is of equal if not greater importance. This is not meant to be an all-inclusive list.