



Community Health Care
Association of New York State

Health Center Financial Landscape & Data Strategies to Survive in Uncertain Times

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Presenters



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Agenda

- 01** How We Got Here (2010 forward)
- 02** 2025 – Framework: Where Do We Go From Here?
- 03** Example – 2019 – 2023 AHCF Trend Analysis
- 04** Questions and Discussion

2010 – Where We Were

Improving Financial Performance

- To be successful, CHCs must manage a “delicate balance” of key cash flow and operating metrics

Cash Flow Measures

- Days unrestricted cash on hand
- Days in accounts receivable
- Days in accounts payable
- Days in working capital
- Debt to equity
- Days in reserve

Operating Measure

- Patient base (patients and visits)
- Payer mix
- Reimbursement rates and collection %
- Subsidies for uncompensated care
- Provider productivity
- Cost per visit

- If one of these indicators strays from “the balance”, adverse financial impact may occur if not detected and addressed in a timely manner
- In preparing of Health Reform CHCs must change their mind-set to “drive-change” and create a positive bottom-line and build a reserve!

2015 – Where We Were

Preparing for Health Reform

- Health Reform creates both opportunities and threats to the Community Health Center (CHC) movement
- To take advantage of the many opportunities that are presenting themselves, CHCs must:
 - Strengthen their current financial and operational systems and create a base to embrace change
 - Manage operations today to generate operating surpluses and build reserves
 - Improve efficiencies and drive down the total cost per visit
 - Develop systems to report and manage quality metrics
 - Stay “ahead of the curve” – understand the changes that are coming and strategically plan for success
 - Build infrastructure, business processes and management reporting today for tomorrow’s payment models

2020 – Where We Were

NOW. NEXT. NEW. FRAMEWORK

Rapid Response to COVID-19 Business Disruption

NOW – The part of the framework that's most urgent. For some FQHCs, addressing the NOW will be a matter of survival. Energies are focused on the critical factors related to cash, communication, and control that are needed to manage through the immediate uncertainty, set priorities, and move toward stabilizing operations.

NEXT – Transition from the urgent focus needed to stabilize the center's survival to the actions that will frame the success of the center in the coming months and years. Focus shifts to the key processes, technologies, services, supply chain issues, and other priorities that will shape the NEXT stage of your center.

NEW – In a new post-disruption healthcare environment, leadership will need to take action and revisit decisions as if they were NEW. From finding capital sources to leading a 100% remote workforce to determining an evolved long-term strategy, needed to operate in a post-disruption healthcare environment.

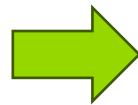
2020 – Where We Were

NOW. Weekly Cash Projections

- Response to the COVID-19 pandemic requires FQHCs to review their cash position for the next 6-12 months
- Projections start with reviewing prior historical weekly visit volume and projecting future reductions in visit volume
 - By department/site
 - Shifts in payer mix
- Evaluate how to adjust the workforce to respond to the reduction in visit volume
- What other measures can be taken to “Expand the Runway”?
- Other governmental relief/stimuli applicable to the FQHC sector and the broader healthcare/business communities
- Monitor and course-correct on a daily/weekly basis

2025 – Where We Are

2010



VBC



COVID



2025



Seems like COVID with a longer “Runway”!

Overview – How To Use Per Patient Data To Project Future Sensitivity Analysis

- Given uncertainties in today's health center environment, center's need to be nimble and build a deep understanding of their business
- The Medicaid cost report (AHCF) contains a wealth of financial and statistical data to analyze a health center's financial performance
 - Number of patients
 - Visits by cost center, provider and payer source
 - Patient revenue by payer source
 - Other revenue
 - Detail salary costs and FTEs
 - Other expenses
- Today, health centers should understand how they got here through analyses of financial metrics and key drivers of performance to assist with developing sensitivity analyses to right the ship and plan for the future

Overview – Financial Performance

- Below is an example of ABC Health Center’s financial performance as reported on the financial statements and converted to a “per patient” basis

	Amount	# of Patients	Amount Per Patient
Patient Services Revenue (PSR)	\$ 42,000,000	40,000	\$1,050
Other Operating Revenue	42,000,000	40,000	\$1,050
Total Operating Revenue	84,000,000	40,000	\$2,100
Total Operating Expenses	86,700,000	40,000	\$2,168
Net Margin	\$ (2,700,000)	40,000	(\$68)
<i>Net Margin %</i>	<i>-3%</i>		<i>-3%</i>

Why The Shift To “Per Patient” Financial Metrics?

- Today’s health center financial framework is founded in the almighty “visit” with assumptions built on recent historical pressures
- Back to Basics
 - Need to “eliminate the noise” and build the center’s financial management system from the ground up
 - New health center financial model = “Patient-centered”, not visit-driven
- Build a “per patient” financial system centered around the center’s patient base and their service utilization needs
 - Ability to translate shifts in patient demands to impact on financial performance
 - Aligned with MCO financial modeling and future payment models
 - Capitation – per member per month (PMPM) payments
 - Measure utilization – per member per year (PMPY)
 - Understand and be positioned for future possible changes in Medicaid

Overview – Financial Performance

- Below is an example of breaking down the net margin per patient by payer source
 - Variance in Patient Services Revenue
 - Importance of patient mix

	Baseline				
	Medicaid	Medicare	Other Public	Commercial Insurance	Self-Pay
Number of Patients	22,904	6,091	783	7,205	3,017
Payer Mix	57%	15%	2%	18%	8%
Patient Services Revenue (PSR)	\$1,315	\$1,172	\$510	\$586	\$43
Other Operating Revenue	\$1,030	\$974	\$457	\$986	\$1,666
Total Operating Revenue	\$2,344	\$2,146	\$967	\$1,571	\$1,709
Total Operating Expenses	\$2,025	\$2,528	\$1,522	\$2,210	\$2,588
Net Margin	\$320	(\$383)	(\$555)	(\$639)	(\$879)
Net Margin %	14%	-18%	-57%	-41%	-51%
Net Margin by Payer	\$ 7,321,439	\$ (2,330,248)	\$ (434,458)	\$ (4,605,201)	\$ (2,651,532)

\$ (2,700,000)

NOTE: For purposes of this example, Other Operating Revenue allocated prorata except for SNP.

Current Attacks on Medicaid

- The Medicaid program, one of the major funding streams for the health centers, is under a microscope from both the federal and state levels given Medicaid budgetary constraints
- Many of the measures being discussed would likely reduce the number of beneficiaries eligible for Medicaid and other public assistance
 - Reduced FMAP for Medicaid expansion populations
 - Medicaid work requirements
 - Reduction of Medicaid enrollment period from 12 months to 6 months
 - Elimination or reduction on use of provider taxes to draw down a federal match
 - Review of existing Medicaid waivers
 - Consideration of no federal match for future waivers that do not comply with the original intent of Medicaid

Example – Impact of Medicaid Cuts

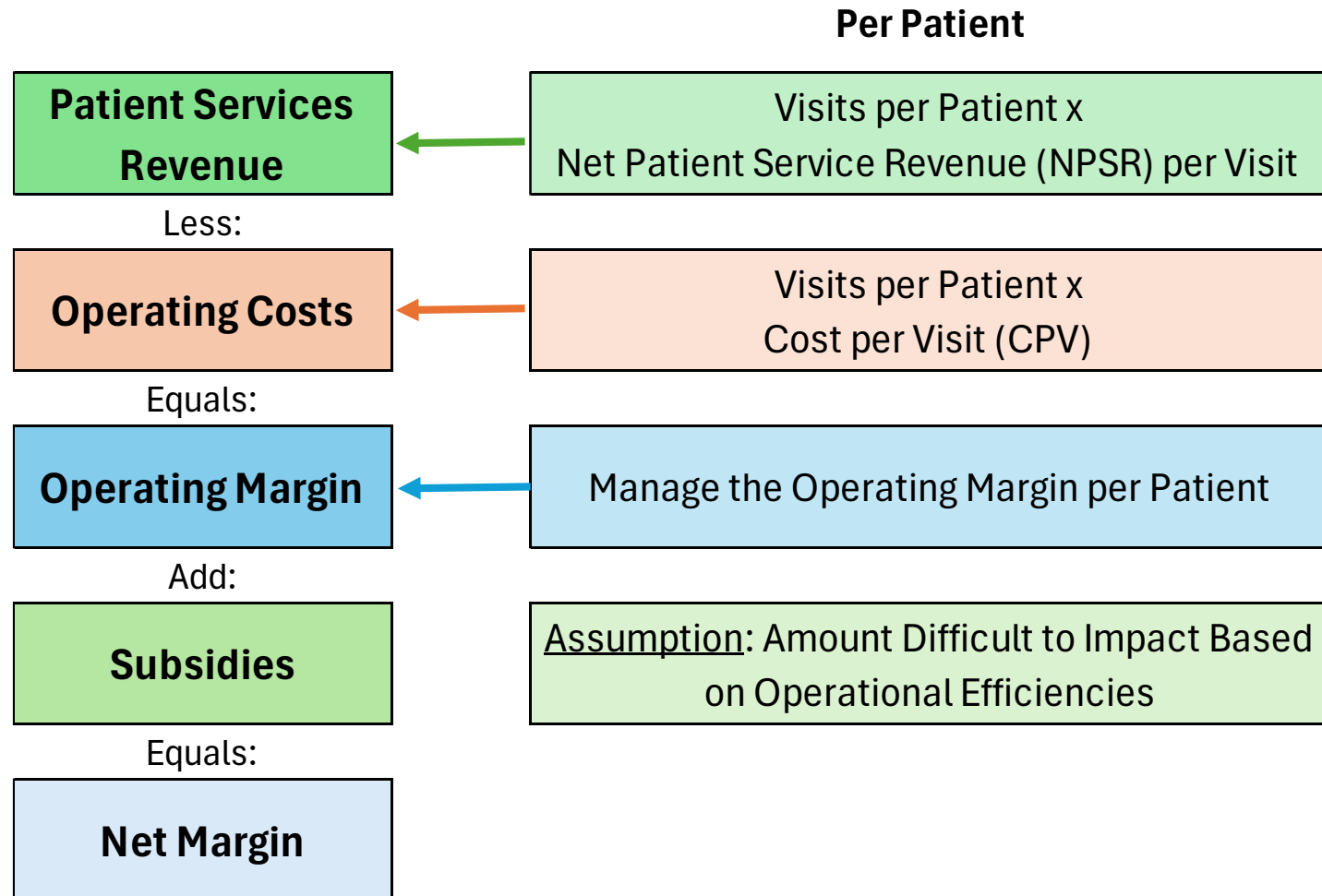
- Below is an example of how Medicaid cuts to enrollment might impact the financial performance of the health center

Drop in Medicaid Enrollment - 10% shift to S/P

	Medicaid	Medicare	Other Public	Commercial Insurance	Self-Pay	TOTAL
Number of Patients	18,904	6,091	783	7,205	7,017	40,000
<i>Payer Mix</i>	47%	15%	2%	18%	18%	100%
Patient Services Revenue (PSR)	\$1,315	\$1,172	\$510	\$586	\$43	\$923
Other Operating Revenue	\$1,030	\$974	\$457	\$986	\$1,666	\$1,114
Total Operating Revenue	\$2,344	\$2,146	\$967	\$1,571	\$1,709	\$2,036
Total Operating Expenses	\$2,025	\$2,528	\$1,522	\$2,210	\$2,588	\$2,224
Net Margin	\$320	(\$383)	(\$555)	(\$639)	(\$879)	(\$187)
<i>Net Margin %</i>	14%	-18%	-57%	-41%	-51%	-9%
Net Margin by Payer	\$ 6,042,815	\$ (2,330,248)	\$ (434,458)	\$ (4,605,201)	\$ (6,167,505)	\$ (7,494,597)
<i>Impact Versus Baseline</i>	<i>\$ (1,278,624)</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ (3,515,973)</i>	<i>\$ (4,794,597)</i>

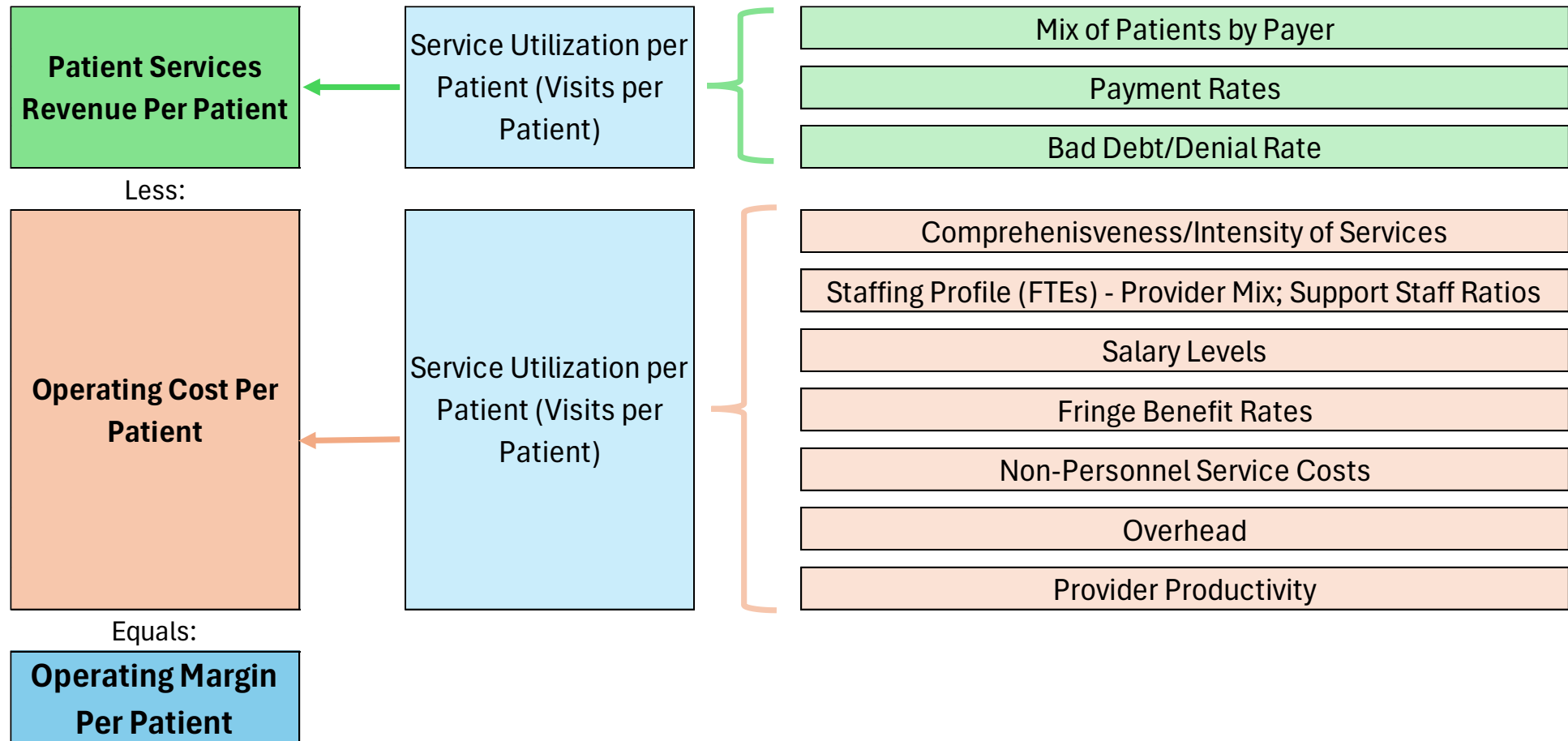
A New Lens – Drivers of Health Center Performance

- Manage the Operating Margin on a Per Patient Basis!



A New Lens – Drivers of Health Center Performance

- Drivers of the Operating Margin Per Patient



Overview – How Did We Get Here?

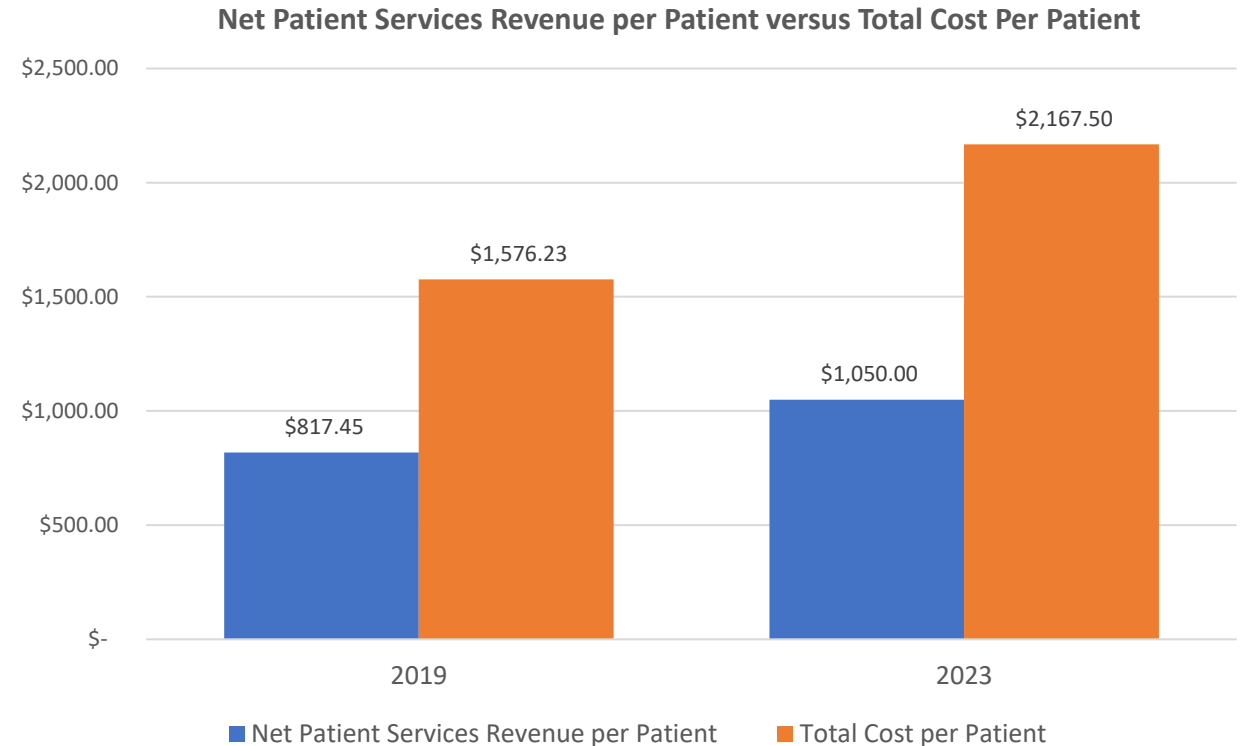
Suggested Short-term Approach:

- Compare cost, revenue and statistical reported in the AHCFs, comparing 2019 (pre-COVID) to 2023 (post-COVID)
- Look at trends in your center's own data and perform a root-cause analysis
- Utilize additional data reported in the Uniform Data System (UDS)
- Build-up from the department levels
- Benchmark against national and statewide metrics
 - Opportunity for CHCANYS to build benchmarks as part of the Financial Data Initiative!
 - UDS national and statewide roll-ups (*Note: Data reported in the UDS differs in certain respects from data reported in the AHCF*)

ABC Health Center AHCF Analysis: 2019 vs. 2023

Analysis of Operating Margin per Patient (*Surplus After Patient Service Revenue*)

- Whereas total patients decreased by 2% between 2019 and 2023, cost per patient increased by 38% and net patient services revenue per patient increased by 28%
- The negative operating margin per patient has increased by 47% to \$(1,118) per patient



	2019	2023	Change	% Change
Cost Per Patient	\$1,576.23	\$2,167.50	\$591.27	37.51%
NPSR Per Patient	\$817.45	\$1,050.00	\$232.55	28.45%
Operating Margin Per Patient	\$ (758.78)	\$ (1,117.50)	\$ (358.72)	47.28%
Operating Margin %	-92.82%	-106.43%	-13.60%	14.66%

ABC Health Center AHCF Analysis: 2019 vs. 2023

Analysis of Non-Grant Revenue (Subsidies) and Net Margin per Patient

- Other Revenue per Patient closes the gap between Operating Costs and Net Patient Services Revenue per Patient
- Excluding capital grants and COVID-1 Supplemental Funding results in an increase in the Net Margin % from -3% to -9%

	2019	2023	Change	% Change
Cost Per Patient	\$1,576.23	\$2,167.50	\$591.27	37.51%
NPSR Per Patient	\$ 817.45	\$ 1,050.00	\$232.55	28.45%
Operating Margin Per Patient	(\$758.78)	(\$1,117.50)	(\$358.72)	47.28%
Other Revenue Per Patient	\$807.30	\$1,050.00	\$242.70	30.06%
Net Margin Per Patient	\$48.52	(\$67.50)	(\$116.02)	-239.13%
Net Margin %	2.99%	-3.21%	-6.20%	-207.64%
Other "Operating" Revenue Per Patient (a)	807.30	\$933.53	\$126.23	15.64%
Net Margin Per Patient	\$48.52	(\$183.97)	(\$232.49)	-479.20%
Net Margin %	2.99%	-9.27%	-12.26%	-410.61%

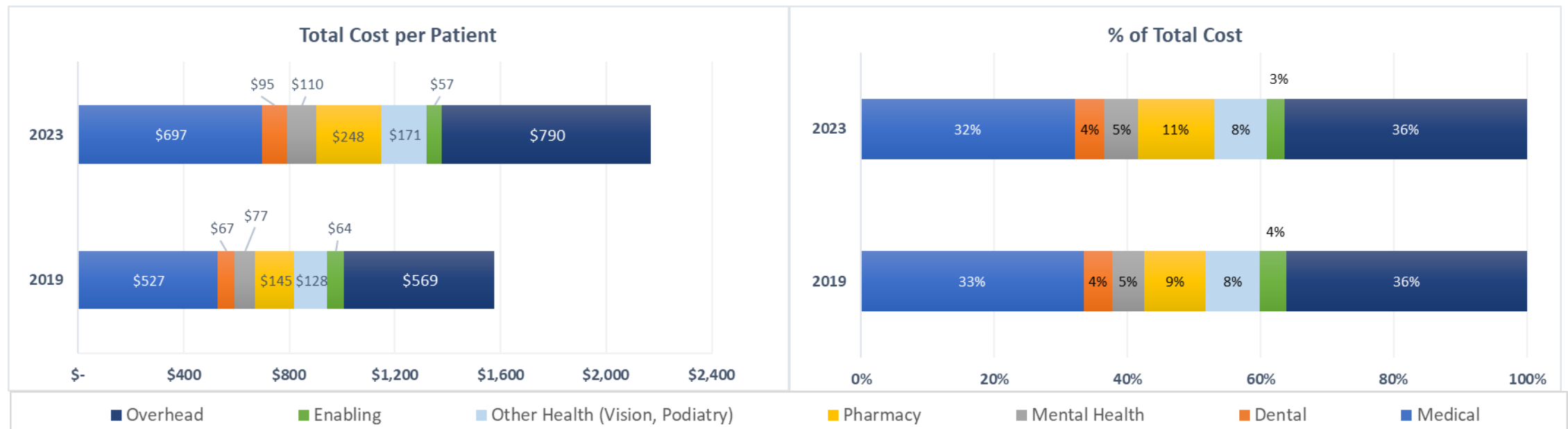
(a) Excluded capital grants and COVID-19 supplemental funding

ABC Health Center AHCF Analysis: 2019 vs. 2023

Analysis of Total Cost per Patient

The total cost per patient increased by 38%. Why?

- More comprehensive set of services per patient?
 - Distribution of % of cost per service type - **Unchanged**



ABC Health Center AHCF Analysis: 2019 vs. 2023

Analysis of Total Cost per Patient

The total cost per patient increased by 38%. Why?

- More comprehensive set of services per patient?
 - Encounter %'s by service category (AHCF) – **Increase in Mental Health visits**
 - Utilization of services (billable) per patient (UDS) – **Slight drop**

Service Encounter %s

Service Category	2019	2023
Medical	65.76%	64.61%
Dental	11.65%	9.83%
Mental Health	13.60%	17.77%
Substance Use Disorder	0.00%	0.00%
Other Professional Services	2.13%	1.62%
Vision	6.86%	6.16%
TOTAL	100.00%	100.00%

Service Utilization (Billable) per Patient

Service Category	2019	2023
Medical	3.19	2.91
Dental	1.93	1.69
Mental Health	7.58	11.24
Substance Use Disorder	3.81	6.32
Other Professional Services	1.89	1.76
Vision	1.44	1.45
TOTAL	4.16	3.97

Utilization per UDS

ABC Health Center AHCF Analysis: 2019 vs. 2023

Analysis of Total Cost per Patient

The total cost per patient increased by 38%. Why?

- Change in staff profile?
 - Total Staff FTEs – **Increased 14%**

	2019	2023	Change	% Change
Clients	41,000	40,000	(1,000)	-2.44%
Services/Visits	170,500	158,750	(11,750)	-6.89%
Provider FTEs	65.00	75.00	10.00	15.38%
Non-Provider FTEs	335.00	380.00	45.00	13.43%
Total FTEs	400.00	455.00	55.00	13.75%
Total Salary Cost	\$ 30,000,000	\$ 37,500,000	\$ 7,500,000	25.00%

Note: Salary cost per FTE should be analyzed at the department level as well as individual position title reported in the AHCF.

ABC Health Center AHCF Analysis: 2019 vs. 2023

Analysis of Total Cost per Patient

The total cost per patient increased by 38%. Why?

- Change in staff profile?
 - Provider mix ratio – ***Essentially Unchanged***
 - Support staff ratio – ***Unchanged***

Support Staff Ratios:	2019	2023
Medical Support/Medical Provider	2.20	2.21
Dental Support/Dental Provider	1.23	1.32
Admin/Total Direct Care	0.32	0.39
Patient Support/Total Provider	1.17	1.15
Enabling Support/Medical Providers	0.45	0.49

Provider Mix Ratios:	2019	2023
Physicians/Medical Providers	0.49	0.52
Dentists/Dental Providers	0.75	0.82

ABC Health Center AHCF Analysis: 2019 vs. 2023

Analysis of Total Cost per Patient

The total cost per patient increased by 38%. Why?

- Change in provider productivity? ***Significant Decrease in Medical and Dental***

Provider Productivity	2019	2023	Variance
Medical	2,549	2,102	-18%
Dental	2,396	1,626	-32%
Mental Health	999	1,065	7%

Note: Productivity levels per FTE should be analyzed at the department level as well as individual position title reported in the AHCF.

ABC Health Center AHCF Analysis: 2019 vs. 2023

Analysis of Total Cost per Patient

The total cost per patient increased by 36% (# of patients flat). Why?

Key Driver Of Cost Per Patient	Assessment
Comprehensiveness of Services <ul style="list-style-type: none">• Distribution of % of cost per service type• Visit %s per service category• Utilization of services (billable) per patient	Unchanged Slight increase in Mental Health Slight Drop
Staff Profile <ul style="list-style-type: none">• Provider mix/support staff ratios• Total number of FTEs	Unchanged Increased by 14%
Overhead %	% Unchanged; \$212 Increase per Patient
Provider Productivity	Significant Decrease
Salary Levels	Increased by 14% overall increase

ABC Health Center AHCF Analysis: 2019 vs. 2023

Analysis of Net Patient Services Revenue (NPSR) per Patient

- Patient mix – ***Unchanged***
- Supplemental analysis of patient service revenue (PSR) gap per payer (see below)

	2019	2023
Payer	%	%
Medicaid	57%	57%
Medicare	13%	15%
Other Public	1%	2%
Commercial	18%	18%
Self-Pay	11%	8%
TOTAL	100%	100%

	2019 AHCF				2023 AHCF			
Payer	Cost/Patient	PSR/Patient	Loss/Patient	Loss % of Cost	Cost/Patient	PSR/Patient	Loss/Patient	Loss % of Cost
Medicaid	\$1,537	\$1,110	\$ (427)	-28%	\$2,025	\$1,315	(\$710)	-35%
Medicare	\$2,112	\$910	\$ (1,203)	-57%	\$2,528	\$1,172	(\$1,356)	-54%
Other Public	\$1,819	\$852	\$ (967)	-53%	\$1,522	\$510	(\$1,011)	-66%
Comm Ins	\$1,107	\$224	\$ (883)	-80%	\$2,210	\$586	(\$1,625)	-74%
Self-pay	\$1,888	\$127	\$ (1,761)	-93%	\$2,588	\$43	(\$2,545)	-98%
Total	\$ 1,576.23	\$817	\$ (759)	-48%	\$2,168	\$1,050	(\$1,118)	-52%

ABC Health Center AHCF Analysis: 2019 vs. 2023

- Summary metrics
 - What do you see?***

Operating Metric
Number of Patients
Number of Visits
Utilization of Services
Number of Staff:
Providers
Non-Providers
Total
Total Salary Cost
Cost Per Patient
NPSR Per Patient
Other Revenue Per Patient
Net Margin Per Patient
<i>Net Margin %</i>

ABC Health Center			
2019	2023	Variance	% Change
41,000	40,000	(1,000)	-2.44%
170,500	158,750	(11,750)	-6.89%
4.16	3.97	(0.19)	-4.56%
65.00	75.00	10.00	15.38%
335.00	380.00	45.00	13.43%
400.00	455.00	55.00	13.75%
\$ 30,000,000	\$ 37,500,000	\$ 7,500,000	25.00%
\$1,576.23	\$2,167.50	\$591.27	37.51%
\$817.45	\$1,050.00	\$232.55	28.45%
\$807.30	\$933.53	\$126.23	15.64%
\$48.52	(\$183.97)	(\$232.49)	-479.20%
2.99%	-9.27%		

AHCF Exhibits

The following AHCF Exhibits were used in the foregoing analysis

- Exhibit IC – Total patients*
- Exhibit ID – Visits by payer and net patient revenue
- Exhibit IIIA – Expenses by cost center, including salary levels by position
- Exhibit IIIF – Other revenue
- Exhibit IVA – FTEs and visits by position

** UDS report for patients by payer*

Note on AHCF Data: To properly analyze and compare data on the AHCF for salary cost per FTE and productivity, salary data reported on Exhibit IIIA must be consistent with FTE and Encounter data reported on Exhibit IVA

2025 – What Can We Do?

- **Key to Success** – *“Know your business inside and out”*
 - Need to be nimble
 - Need to be efficient (cut deadwood)
- **Framework** (performed at the individual department level – roll-up to entity level)
 - Complete 2019-2023 financial operations analysis – *Understand how we got here*
 - Prepare an assessment of the current state with action plans – *Narrative on how to drive change; Key Performance Indicators (KPIs)*
 - Develop a proforma with sensitivity analyses – *Pull different levers to evaluate impact on financial performance*
 - Create monthly/quarterly management reports to track KPIs and financial performance

Questions & Discussion

