Performance Benchmarking Toolkit for Health Centers:
Tracking Data to Improve Financial Performance
Health Center Financial Performance Analytics

During this period of rapid industry transformation, it is increasingly important for health centers to measure and monitor organizational data to inform financial management decisions and demonstrate value. Applying data analysis tools helps leaders more effectively track performance, understand key drivers, and incorporate operational insights to position the health center for financial sustainability and continued success.

Historical financial and operational data, when put into a comparative context, are signposts on the path to financial stability. The data analytics process can be simplified as follows:

This toolkit provides guidance in applying these concepts to better understand and improve a health center’s financial performance.

What Drives Health Center Financial Outcomes?

Health center performance is impacted by many internal and external factors. Most importantly, performance is driven by the mission of providing quality care and high levels of satisfaction to patients while ensuring financial sustainability, as illustrated in the model at right.

This toolkit highlights connections between financial outcomes and operational performance. Clinical outcomes and patient satisfaction are beyond the scope of this analysis, although these performance areas become increasingly important as health centers transform from volume-based to value-based incentives. The suggested financial and operational metrics and potential action items in this document are intended to facilitate more detailed analysis and discussion within an organization and should not be construed as appropriate for all health centers nor as simple solutions to be applied to complicated and inter-connected operational models.
Capital Link suggests health centers regularly monitor 10-15 performance measures using data available from financial statements, practice management systems, and Uniform Data System (UDS) reporting. However, each organization should adapt this model to closely track the statistics most relevant for its own performance goals and objectives.

<table>
<thead>
<tr>
<th>KEY FINANCIAL &amp; OPERATIONAL METRICS</th>
<th>Why This is Important</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Operating Margin</td>
<td>Measuring stick of your business model; margins are typically small but need to be positive</td>
<td>Change in Operating Net Assets / Total Operating Revenue</td>
</tr>
<tr>
<td>2 Bottom Line Margin</td>
<td>Is performance dependent upon large capital grants and/or other sources of non-operating revenue?</td>
<td>Change in Net Assets / Total Operating Revenue</td>
</tr>
<tr>
<td>3 Personnel-Related Expenses as a Percent of Revenue</td>
<td>Consumes 70-75% of revenues; key driver of financial performance</td>
<td>(Salaries &amp; Related Expenses + Fringes &amp; Payroll Taxes + Professional/Contracted/Consultant Fees) / Total Operating Revenue</td>
</tr>
<tr>
<td>4 Days in Net Patient Accounts Receivable</td>
<td>Financial management starts with collecting your money efficiently</td>
<td>Net Patient Accounts Receivable / Net Patient Service Revenue / 360</td>
</tr>
<tr>
<td>5 Days Cash on Hand</td>
<td>Is there enough liquidity to keep operations running smoothly?</td>
<td>(Unrestricted Cash + Investments) / (Total Operating Expenses - Depreciation) / 360</td>
</tr>
<tr>
<td>6 Physician Productivity (visits)</td>
<td>Productivity is the basis for revenue generation [in a fee-for-service environment]</td>
<td>Physician Visits / Physician FTEs</td>
</tr>
<tr>
<td>7 Mid-Level Productivity (visits)</td>
<td>Productivity is the basis for revenue generation [in a fee-for-service environment]</td>
<td>Mid-Level Visits / Mid-Level FTEs</td>
</tr>
<tr>
<td>8 Dental Provider Productivity (visits)</td>
<td>Productivity is the basis for revenue generation [in a fee-for-service environment]</td>
<td>Dental Visits / Dental Provider FTEs</td>
</tr>
<tr>
<td>9 Medical Provider Productivity (patients)</td>
<td>Becomes more important in transition to patient-centered care models</td>
<td>Medical Patients / Medical Provider FTEs</td>
</tr>
<tr>
<td>10 Medical Team Productivity</td>
<td>Productive team-based care depends on integrated staff and program planning</td>
<td>Total Medical Patients / Total Medical Staff FTEs</td>
</tr>
<tr>
<td>11 Cost (and Revenue) Per Visit</td>
<td>How are your visit costs and revenues changing over time?</td>
<td>Total Expenses (or Revenues) / Total Visits</td>
</tr>
<tr>
<td>12 Cost (and Revenue) per Patient</td>
<td>With the move to PCMH, how are patient costs and revenues changing?</td>
<td>Total Expenses (or Revenues) / Total Patients</td>
</tr>
<tr>
<td>13 Medical Support Staff Ratio</td>
<td>How does your team composition track with productivity?</td>
<td>Medical Support Staff FTEs / Medical Provider FTEs</td>
</tr>
<tr>
<td>14 Non-Clinical Staff Ratio</td>
<td>Strategic balancing of personnel costs is key for financial sustainability</td>
<td>Total Facility and Non-Clinical Support Staff / Total FTEs</td>
</tr>
<tr>
<td>15 Visit (and Patient) Growth Rates</td>
<td>Are visits growing faster than patients? Is demand growing?</td>
<td>[(Total Visits (or Patients) in Current Period - (Total Visits (or Patients) in Prior Period)) / Total Visits (or Patients) in Prior Period]</td>
</tr>
</tbody>
</table>
Assessing Results through Benchmarking

Benchmarking is the process of reporting data within a comparative context, allowing health center leadership to better interpret performance outcomes and make financial management decisions accordingly.

**Considerations for health center benchmarking:**

- Since health centers are mission-driven organizations, financial benchmarks must be considered in the context of other non-profit industries. Extremely high margins or liquidity do not necessarily point to long-term sustainability if programs and services are compromised in the short run. Health center leaders need to carefully assess their own performance objectives and evaluate their results accordingly.
- For meaningful comparative analysis, it is important to calculate selected performance metrics in line with industry peers. Health centers should also be consistent with their own internal calculations so that period-to-period internal analysis is relevant.

**What can you compare your performance to?**

**Operational Data Sources**
- Uniform Data System (UDS)
- Practice Management System (PMS)

**Financial Data Sources**
- Internal financials
- Audits
- Capital Link

**Against Yourself**
- Budget to actuals
- Period to period trending

**Against Your Peers**
- Local, regional, state, national
- Clinic type, size, location
- State Primary Care Association (PCA)
- Regional Associations and Consortia
- Health Center Controlled Networks (HCCNs)
- Capital Link
- Capital Link
- Guidestar: IRS form 990

**Against Industry Standards**
- High performers
- Industry guidelines
- Payer contractual targets
- HRSA UDS goals/averages
- Capital Link comparative analyses
- Capital Link

**Challenges to effective health center benchmarking:**

- Financial and operational data systems are rarely integrated, making consolidated reporting initiatives a manual process.
- Multiple people within an organization are often responsible for data reporting which can result in a lack of data consistency and credibility.
- Identifying appropriate health center peer groups and benchmarks as well as finding comparative performance data can be challenging.
- Historical data from prior years may be less immediately relevant for current decision-making, however reports using timely interim data is often not as accurate and/or available.
- Site-level data may be most meaningful but corporate-level data may be more reliable and comparable.
Benchmarking and Goal Setting: Sample Performance Snapshot

This snapshot provides an overview of a health center’s financial strengths and weaknesses by comparing 15 important indicators vs. established targets and industry standards. Measures tracked include productivity, cost, staffing, and utilization since they greatly influence financial success and growth capacity. Health centers should update this type of model with their own information to determine areas for further review and establish internal targets for each measure.

<table>
<thead>
<tr>
<th>Performance Snapshot</th>
<th>Capital Link Target</th>
<th>Health Center Target</th>
<th>Current Year Health Center Results</th>
<th>National 2015 Median *</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL HEALTH</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Operating Margin</td>
<td>&gt;1-3%</td>
<td>-</td>
<td>-</td>
<td>3.9%</td>
</tr>
<tr>
<td>2. Bottom Line Margin</td>
<td>&gt;3%</td>
<td>-</td>
<td>-</td>
<td>5.5%</td>
</tr>
<tr>
<td>3. Personnel-Related Expenses as Percent of Revenue</td>
<td>&lt;70-75%</td>
<td>-</td>
<td>-</td>
<td>71%</td>
</tr>
<tr>
<td>4. Days in Net Patient Accounts Receivables</td>
<td>&lt;60 Days</td>
<td>-</td>
<td>-</td>
<td>39</td>
</tr>
<tr>
<td>5. Days Cash on Hand</td>
<td>&gt;30-45 Days</td>
<td>-</td>
<td>-</td>
<td>57</td>
</tr>
<tr>
<td><strong>PRODUCTIVITY &amp; FINANCIAL OPERATIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Physician Productivity (visits)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,933</td>
</tr>
<tr>
<td>7. Mid-Level Productivity (visits)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,444</td>
</tr>
<tr>
<td>8. Dental Provider Productivity (visits)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,904</td>
</tr>
<tr>
<td>9. Medical Provider Productivity (patients)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>897</td>
</tr>
<tr>
<td>10. Medical Team Productivity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>303</td>
</tr>
<tr>
<td>11. Cost per Visit</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$208</td>
</tr>
<tr>
<td>12. Cost per Patient</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$807</td>
</tr>
<tr>
<td><strong>STAFFING &amp; UTILIZATION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Medical Support Staff Ratio</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.9</td>
</tr>
<tr>
<td>14. Non-Clinical Staff Ratio</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>37.5%</td>
</tr>
<tr>
<td>15. Visit Growth Rate</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

*Calculated by Capital Link with available financial audits and UDS data as of 3/30/17
Monitoring Top-Line Performance through Visual Dashboards

While the performance snapshot provides detailed data analysis and comparisons across a variety of key metrics, health centers may wish to monitor a more limited set of indicators in a graphical format, commonly referred to as a dashboard.

Some software packages used by health centers offer dashboard reporting modules, including those that are attached to practice management systems that track detailed clinical and operational measures. Dashboards from financial and accounting software, when available, can be helpful but are not usually linked to operational or utilization data sources. Whether the goal is financial sustainability or continued growth, health centers must look for ways to integrate raw data from various sources into visually compelling reports that will allow clinic leadership to routinely monitor ongoing performance.

Key steps for creating financial and operational performance dashboards

1. **Identify your target audience**
   - Dashboards are more effective if you tailor them for the intended audience
   - Consider data fluency; clinic boards of directors need more limited, priority information while clinic managers want more detail

2. **Choose your financial and operational metrics**
   - Limit what you are tracking regardless of the audience (5-10 metrics)
   - Stay consistent with your ratio definitions and calculations

3. **Match your reporting objectives to your available data sources**
   - Annual results are often most reliable: audits, UDS, etc.
   - Monthly/quarterly data better support real-time decision making: PMS systems, interim financials, etc.
   - Reporting frequency also depends on data needs of target audience (boards of directors vs. executive management vs. clinic managers)

4. **Explore your available reporting tools**
   - If dashboard software is not available, look to Microsoft Excel as a relatively easy tool for charting performance results
   - Dashboards typically require an investment of time to set up, but then templates are efficient to run for routine reporting
Sample Performance Dashboard

The following dashboard illustrates several sample templates that may be used for routine performance monitoring. These and/or other charts should be populated with actual health center data and incorporate benchmark targets where appropriate.
When benchmarking tools indicate a potential weakness in one or more specific areas, management should further analyze the reasons and take action as appropriate. It is important to align revenues and expenses with organizational priorities to ensure financial sustainability. Management should closely monitor the key revenue and expense categories and adjust controllable items in the short-term while reviewing major longer term and/or strategic changes.

### Patient Revenue Management: Better billing and collections means more revenues

- Revenue maximization starts with the front desk; ensure staff is well trained and motivated for patient enrollment in appropriate insurance programs and collection of minimum visit payments.
- Closely monitor changes in payer mix and reimbursement rates as these drive the operating budget.
- Routinely monitor key revenue cycle metrics, including: accounts receivable days, % of A/R>90 days, average net revenue per visit, allowances as a % of charges, denial rates.
- Consider outsourcing aspects of collections processes as a way to increase revenue and decrease related administrative costs.

### Grants/Contracts Revenues: Most health centers generate 30% of overall revenues from this source

- Determine if there are opportunities to secure additional grant or fundraising income to support program expenses.

### Employment Expenses: Personnel-related costs including benefits and contracted services comprise 3/4 of overall health center expenses

- Health insurance is one of the organization’s highest costs—review options for higher deductibles (even if self-funded/subsidized by the health center, this strategy often saves money).
- Evaluate the balance between salaries and benefits to ensure it is reflective of the demographics and priorities of your staff.
- Contracted clinical services — monitor the volume of referrals and patient satisfaction with services on an annual basis to determine at what point in-house services are more cost-effective.
- Contracted support services — as the size and number of sites grows, monitor the cost and benefit of utilizing outside resources to maintain facilities.

### Supplies and Services Expenses: Represent 10-15% of costs for a typical center

- Group purchasing programs are a no-cost membership option that provides savings on many products and services—often in the range of 10-20% per line item. Most programs will provide a free analysis to identify potential savings.

### Facilities Expenses: Typically comprise 5-10% of expenses

- Take advantage of creative low-cost financing sources available to health centers to fund capital expansion or renovation projects. Some financing programs can even provide project equity to reduce debt. Given current market conditions, consider refinancing opportunities to reduce interest expense.
### Analyze and Adjust: Revenue and Expenses

Health center managers often focus on productivity as the key driver of financial performance. However, productivity is a function of many operational dynamics, most notably the inter-connections between staffing, process, and facility. Real improvement, particularly for team-based care models, often requires addressing these three performance drivers simultaneously.

#### Staffing: Staffing plans must strategically utilize each member of the team in ways that support the team-based care model

| Goals | • Increase the number of patients that each individual provider can effectively manage by finding the right mix of support staff that best meets the needs of your patient populations, particularly given the growing shortage of providers.  
• Increase the breadth and depth of services offered to those patients to improve outcomes and minimize overall healthcare costs. |
|---|---|
| Strategies | • For each site, determine and monitor the type and number of staff required to support the desired program utilizing the chosen model in the available facility.  
• Develop team productivity targets based on industry benchmarks and regularly track progress toward achieving those goals.  
• Share results in a public forum as increased incentive to improve performance. |

#### Process: The effectiveness and productivity of the team is dependent not only on individual skill sets but on the ability of the team to work together efficiently

<table>
<thead>
<tr>
<th>Goal</th>
<th>• Ensure daily work flows support the function of the team to effect positive patient outcomes.</th>
</tr>
</thead>
</table>
| Strategies | • Confirm that each staff member is maximizing his/her license and credentials. A good rule of thumb is for each team member to spend 80% of the day completing work reflective of his/her particular expertise and 20% on work simply shared by the entire group to maximize team function.  
• Examine team processes to eliminate redundancies in reporting and documentation, allowing more staff resources to be focused on patient care. |

#### Facility: As the model of care delivery changes, it is essential to have multi-functional, flexible spaces that can be repurposed inexpensively as staff and processes change

<table>
<thead>
<tr>
<th>Goal</th>
<th>• Maximize use of current space while ensuring flexibility for future growth.</th>
</tr>
</thead>
</table>
| Strategies | • Align space and processes to create patient flow patterns that maximize efficiencies and the number of patients served. It is important to consider space needs/design layout to ensure patients move quickly and efficiently through the center. For example, simply moving certain functions near the front desk is a basic change that can improve patient flow.  
• Increase and/or change the hours of operation to reflect days and times requested by existing and potential patients. Evaluate hours for alignment with the work, school, and cultural schedules of your community. For example, late evening hours may be beneficial in a farming community. Early morning hours may be most popular in a community of long-distance commuters. Late afternoon well-child appointments are key to building your school-aged population.  
• Develop a facilities plan based on anticipated patient growth to understand how quickly your current or proposed facility will reach capacity and constrain your staff and patient flow. Strategically plan to expand or upgrade your facility space so that there is room for growth when you need it. |
Additional Resources

Publications

Hallmarks of High Performance: Exploring Relationships between Clinical, Financial and Operations Excellence at America’s Health Centers
Capital Link, January 2016
http://www.caplink.org/resources

High-Performance Community Health Centers: Learning, Measuring, and Achieving
Capital Link, October 2014
http://www.caplink.org/resources/publications

Identifying the Risks of Health Center Failure: A Guide for Health Centers
Community Health Center Financial Perspectives, Issue 5
Capital Link and Community Health Center Capital Fund, October 2014
http://www.caplink.org/resources/reports

Community Health Center Financial Perspectives, Issue 1
Capital Link and Community Health Center Capital Fund, July 2013
http://www.caplink.org/resources/reports

Capital Link, January 2015
http://www.caplink.org/resources/reports

Webinars

Hallmarks of High Performance at America’s Health Centers
Capital Link, December 2015
http://www.caplink.org/events/webinars

High-Performance Community Healthcare: How to Measure It and How to Achieve It
Capital Link, November 2015
http://www.caplink.org/events/webinars

Overview of Performance-Enhancing Tools for Health Centers
Capital Link, December 2014
http://www.caplink.org/events/webinars

An Introduction to Financial Benchmarking
Capital Link, October 2013
http://www.caplink.org/resources/webinars

Web Resources

National Association of Community Health Centers’ Research and Data
http://www.nachc.com/research-data.cfm

U.S. Department of Health and Human Services, Data
http://bphc.hrsa.gov/datareporting/index.html

U.S. Dept of Health & Human Services, Clinical & Financial Measures

Office of Statewide Health Planning & Development, Healthcare Data
http://www.oshpd.ca.gov/Healthcare-Data.html
Acknowledgement

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About Capital Link

Capital Link is a national, non-profit organization that has worked with hundreds of health centers and Primary Care Associations since 1998 to plan capital projects, finance growth, and identify ways to improve performance. We provide innovative consulting services and extensive technical assistance with the goal of supporting and expanding community-based health care. For more information, visit www.caplink.org.