Agenda

• Introduction
• Demographics
• Important Ratios
• Key Issues & Connections
• Benchmarks
• Q & A
Introduction

- Data collected from:
  - Individual Health Center Audit Reports
  - Bureau of Primary Health Care’s Uniform Data System (UDS) Tables

- Demographics
  - Service Area
  - Geographic Location
  - Revenue

- Ratios

<table>
<thead>
<tr>
<th>Audit Ratios</th>
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<tbody>
<tr>
<td>Financial Viability</td>
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<tr>
<td>Profitability</td>
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<td>Productivity</td>
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<td>Patient Mix</td>
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<td>Payer Mix</td>
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<tr>
<td>Reimbursement</td>
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- Benchmarks
  - 75th Percentile of Health Centers
Demographics

Geographic Classification
- Northern MI, 30%
- SE Lower MI, 46%
- SW Lower MI, 24%

Revenue Classification
- Less than $10mm, 55%
- $10 to $20mm, 32%
- 20mm and over, 24%

Service Area Classification
- Urban, 65%
- Rural, 35%
Important Ratios

• Current Ratio
• Cost per Encounter
• Operating Margin
• Days Cash on Hand
Current Ratio

Test of short-term debt paying ability

Higher ratios are more desirable
Cost per Encounter

Average Cost per Encounter

Medical cost efficiency
Lower cost is more desirable

Geographic Classification
- Northern MI
- SE Lower MI
- SW Lower MI

Revenue Classification
- Less than $10mm
- $10 to $20mm
- $20mm and over

Service Area
- Rural
- Urban
Operating Margin

% of operating revenue that the Health Center retains as operating profit

Target is 1%-3%, higher margins mean stronger financial performance

Average Operating Margin

Geographic Classification
- Northern MI
- SE Lower MI
- SW Lower MI

Revenue Classification
- Less than $10mm
- $10 to $20mm
- $20mm and over

Service Area
- Rural
- Urban
Days Cash on Hand

Number of days a Health Center can cover its daily operating expenses with its current level of cash and investments

Target is 30-120 days
Key Issues & Connections

• Debt to Equity
  – Increasing Debt
• Encounters per Physician & Midlevel
• Self-Pay % of Revenue
Debt

• Debt to Equity Ratio
  – Measure of what is used to finance a Health Center’s assets
  – Target usually less than 40%

• Increasing Debt
  – Current ratio to decrease
  – Higher operating expenses
    • Interest and depreciation
  – Higher risk level
  – Lower profit margins
  – Lower cash on hand
    • Principal and interest payments
Encounters

• Medicare Reimbursement Productivity Standards
  – Physician: 4,200 encounters
  – Midlevel: 2,100 encounters

• Trend: Increasing Cost per Encounter
  – Future reimbursement cuts
Self-Pay

- Second Largest Source of Revenue
  - Lowest reimbursement %
  - Avg. 32% of revenue & 28% reimbursement
- Grant Revenue vs. Self-Pay
  - Lower Revenue Health centers have more self-pay
  - Correlation between amount of self-pay and grants
- Poverty Level
  - Lower poverty $\rightarrow$ higher self-pay % and grant revenue
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### Benchmarks (75th Percentile)

#### 75th Percentile Audit Ratio Calculations

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<tr>
<th>Classification</th>
<th>Ratio</th>
<th>Geographic Location</th>
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<th>Overall</th>
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#### 75th Percentile UDS Ratio Calculations

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See “Benchmarks” in Data Sheet handout.

UDS Benchmarks

Audit Benchmarks
• For More Information:
  – See “Data Sheet” handout & full emailed copy
  – Contact:

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