



Health centers are non-profit private or public entities that serve designated medically underserved populations/areas or special medically underserved populations comprised of migrant and seasonal farmworkers, the homeless or residents of public housing. The Board Education Video Series is a resource to strengthen governance and ultimately the services provided by health centers.

MODULE 3

What Can a Board Do to Insure Financial Health?

Discussion Guide

Before watching the Module 3 video vignette, consider these basic elements of health center governance.

A health center's community and their funding sources trust that the health center's board is protecting the health center's assets, assuring that income is managed properly, and establishing policies that ensure accurate recording of financial activities. To safeguard the center's finances, board members should understand:

- Where is the money coming from,
- How is the money being spent,
- How to plan for needed services and growth.

Financial health is having sufficient assets (such as dollars in the bank) to cover liabilities (such as dollars owed for payroll, rent, and supplies).

Board members learn about their center's financial health by reading the monthly financial statements, reviewing the Finance Committee reports, and asking questions from staff and Committee members, such as:

- Is the cash flow adequate to meet our annual program goals?
- Are systems in place to assure compliance with Health Center Program financial requirements?
- How is our health center doing on the five measures used by the Health Center Program to measure financial performance?

Because the board's role is to assure the long-term survival of the health center, board members should make sure they receive monthly financial reports, understand the different measures, and discuss the implications with each other and with staff.

This vignette demonstrates an unusual, but not impossible, situation related to cash flow.

Module 3, Vignette 1

(There is only one vignette in this module.)

As you watch vignette 1, think about the financial report your board just received (or will receive) and whether that information assures you that your center won't have a short-term cash flow problem.

After watching vignette 1, discuss these or other questions with the full board.

1. Do you think the situation in the video could really happen at a health center?
2. Could the board have been informed earlier about this problem? If so, when and how?
3. How does your board, CEO, and staff work together to monitor cash flow and avoid a crisis?
4. What are your health center's long-term financial goals and objectives and what measures does the board monitor to assess if progress is being made?



MODULE 3 What Can a Board Do to Insure Financial Health?

Resource Guide

Health Center Program Requirements

<http://www.bphc.hrsa.gov/about/requirements/index.html>

See requirements 12, 13, and 14 under Management and Finance for a description of financial management and internal controls policies, billing and collections, and budget requirements.

Health Center Performance Measures

<http://bphc.hrsa.gov/policiesregulations/performanceasures>

Health centers are expected to have ongoing quality improvement/assessment programs that incorporate measures that emphasize health outcomes and demonstrate the value of care delivered by health centers. Financial performance measures that should be monitored over time to assess trends are:

- Total cost per patient
- Medical cost per medical visit
- Change in net assets to expense ratio
- Working capital to monthly expense ratio
- Long term debt to equity ratio

Across the Board: Financial Management of Health Centers

<http://vacommunityhealth.org/pdf/Acrosstheboardfinancials.pdf> and

Understanding Community Health Center Financial Information

<http://vacommunityhealth.org/documents/ATBspring08english4.pdf>

See these documents for information on what board members should know about health center's finances, what information to review, and what questions to ask.

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