



NAATP
NATIONAL 2024

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Understanding Provider Finances: A Business School Workshop



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The Core & More

How the Core Financials can help you lead your organization.

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Building YOUR Confidence in Financial Management

Stereotypes

- Roles & Positions
- Ownership structures
- Genders

Self Talk

Educational Background

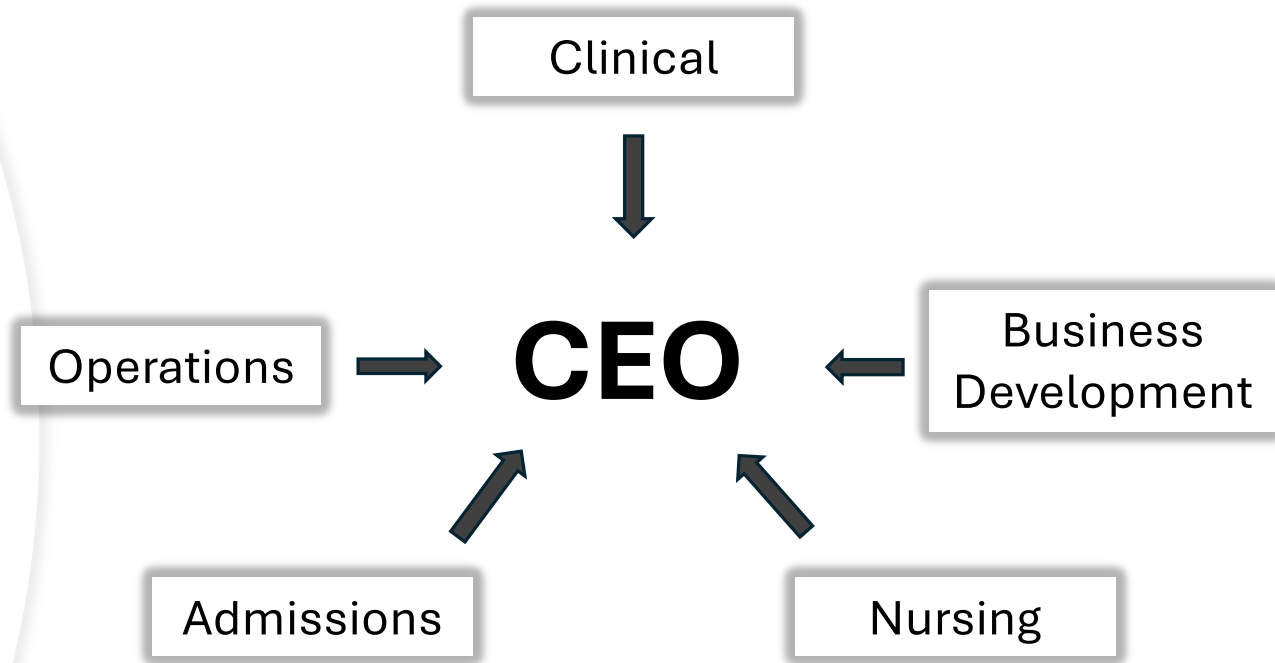
You know the Levers

- Census
- AMA
- Clinical Program
- Turnover



Multiple Pathways for Career Growth

There is no “one way” any longer



Session Objectives

- Leadership Development
- What is your why?
 - Build sustainable enterprises with a clinician's heart
- Mentorship
 - Who has been successful?
- Seek out opportunities to round out experience
 - CEO In training
 - Large Company
 - Medium Small



Session Objectives

- Gaining confidence in financial management
- Multiple Pathways for Career Growth
- Leadership Development
- Understanding the core financials
- Talk about the relationship between financials and strategy
- How do the financials and their focus as well as presentation support your business model
- Thoughts about finances and organization operations

Core Financials

- Budget
- Balance Sheet
- Income Statement
- Cash Forecast
- Accounts Receivable Report
- Accounts Payable Report



The Budget

The budget should be re-developed annually as a realistic plan for what the organization intends to do.

The budget should be aligned with the strategic plan. The plan should drive the budget, but for many organizations this is not reality.

Budget revenues conservatively.

Budget expenses liberally.

A revenue calculator that takes into account; realistic utilization, current rates, historical collection ratios/ anticipated bad debt/charity care.

The Balance Sheet

THE BALANCE SHEET IS THE
SNAPSHOT SCORECARD OF
THE ORGANIZATION'S ASSETS
AND LIABILITIES AT A POINT
IN TIME.

THIS IS THE LARGER PICTURE
OF THE ORGANIZATIONS
POSITION FINANCIALS
SITUATION.

BE CAREFUL HOW YOU
EVALUATE LIABILITIES THAT
DO NOT REQUIRE PAYBACK.
(GRANTS)

IN THE NOT-FOR-PROFIT
SECTOR WATCH OUT FOR
ASSETS THAT ARE MORE LIKE
LIABILITIES.

PAY VERY CAREFUL
ATTENTION TO WHAT IS
MISSING IN THE LIABILITIES.
FOR EXAMPLE, IS THERE AN
ALLOWANCE FOR AUDIT
RECOUPMENTS AND LEGAL.

The Income Statement

The Income Statement shows you the revenue and expenses with a net bottom line for a period of time, usually monthly, quarterly, and then annually.

Make note of whether or not accrual accounting principles are being followed with fidelity. In the NFP sector you will sometimes see modified accrual or even some elements of cash accounting.

Do not assume another organization is following GAAP or FASB best practices.

The Cash Forecast

- The Cash Forecast will project out (ideally for one year) the cash needed to fund the operations of the organization taking into account planned or typical expenses and revenues with realistic timing associated with each.
- Cash flow is the blood flow of the body of your organization.
- Behavioral Health organizations have collapsed due to poor cash forecasting and the resulting poor cash management.
- If the forecast shows a future need, dig the well now, financiers look more favorably on the organization that saw the need coming and planned for it.





Accounts Receivable Report

The Accounts Receivable Report is a list of all the payments that are due to the company.

This is largely going to be comprised of patient and insurance receivables as well as grant and other contract receivables depending on your funding mix and sources.

Watch this aging like a hawk in the behavioral health sector. The BH sector usually sees A/R aging 1.5 to 2x of the traditional health sector. Why? There are many reasons from underinvestment in claims management to parity violations and more.



Accounts Payable Report

- The Accounts Payable Report is the list of all payments the company is obligated to make or at least that have been recorded.
- Pay attention to the aging here, payables aged out past 30 days are a red flag.
- The average time payables sit in the APR is an indication of organizational health.

Strategy & Financials

- The company type will affect how you organize and what you monitor in your financials.
- Not for Profit Organizations are more likely to build with cash and then support new operations through a grind period before expanding operational support.
- For Profit, Private or Public, & P.E. backed organizations are more likely to be leveraging debt instruments beyond lines of credit.
- This affects how they measure burn rates on cash or credit. Important either way, but different implications, like the cost of credit.





Financials & Operations

- It is important to tie financial statement frequency with the operating mode of the organization to encourage people to look at the right things.
- Forecasts, A/P and A/R Reports - Weekly to stay on top of issues before they become a trend, or the impact is significant.
- Income Statement, Budgets, Balance Sheet – Monthly
- Whole picture with analysis and trends – Quarterly for Boards and funders, a week or month does not make a larger trend but a quarter may.

Financials & Operations

- Never Forget – Their Money, Their Rules!
- Too many organizations take the money without fully understanding the operational impact or focus of the funding source.
- Governments, Boards, Investors, and Lenders all want something different. They may all want you to succeed, but their definitions of success are vastly different.



The CEO & CFO Relationship

3 Absolute Must Haves:

1) Technical Competence (not just recording the numbers, but knowing what they mean and ability to develop insight)

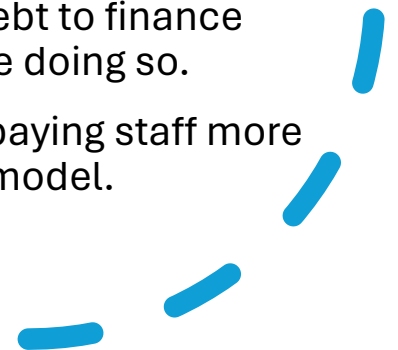
2) Trust (this must be absolute)

3) Communication (to understand not just inform)

If you do not have all three in your CFO, you are in trouble already, or will be soon enough.

How to Know.. When you're in Trouble

- When the A/R report balances are growing but your patient service volume is not.
- When the cost of care exceeds your average reimbursement rate.
- When your turnover is increasing.
- When patient utilization is dropping.
- When cash is burning faster than planned.
- When financials are not arriving on time.
- When you are not scaling/ growing, affording you the revenue growth to invest in your current operations, or future operations.
- When you are not considering leveraging debt to finance growth, but other in market competitors are doing so.
- When a care model evolves that supports paying staff more than you do, and you don't convert to that model.



What to do, When in Trouble...

- Admit there is a problem to your core management team and Board. Engage them in evaluating the issues.
- Stop digging the hole and go deep into the numbers to evaluate the source(s) of the problem.
- Ask an objective person with financial and sector experience to review your financials and ask questions.
- Talk with your auditors to see what insight(s) they may have.
- Develop a plan to improve the situation with an updated cash flow forecast.



Think About

- If you don't teach your team how to read the financials, and their purpose, how can you expect them to know them, and how can you expect them to lead the organization to financial success?

INNOVATIVE
leadership

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Upcoming Sessions

2:45-3:15

Exhibit Hall Popcorn Party & Networking Session

Sponsored By:



3:15-4:15

NAATP Educational Workshops

- Implementing the ASAM Criteria 4th Edition: The What and the How
Governor's Square 15
- Virtual Reality and AI: The Future of Technology in Treatment Centers
Governor's Square 14
- Addiction Medications: FDA-approved and Emerging Pharmacotherapies
Governor's Square 12

4:15-5:15

Reception for All: Members and Prospective Members

Appetizers, refreshments and TWO \$1,500 prize drawings

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