

# Composite Measure of Financial Risk

- Risk
- Ratio Analysis
- Context – Nebraska, Florida
- Objectives
- Methods
- Team
- Implementation

*“Get to know other worlds,  
if only for comparison.”  
- Wislawa Szymborska*

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# Risk

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- Financial
  - Level of funding increasingly subject to reduction.
  - Advance notice for funding changes getting shorter.
  
- Clinical
  - Programs addressing chronic conditions need 'chronic funding'.
    - Chronic conditions last a long time
      - the funding needs to also.
    - Chronic conditions must be addressed through a variety of treatments.

# Managing Risk

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- Financial risk management relies on constant measurement.
- Chronic conditions management relies on constant measurement.
- Reference levels needed.

# Ratio analysis as a tool to manage risk

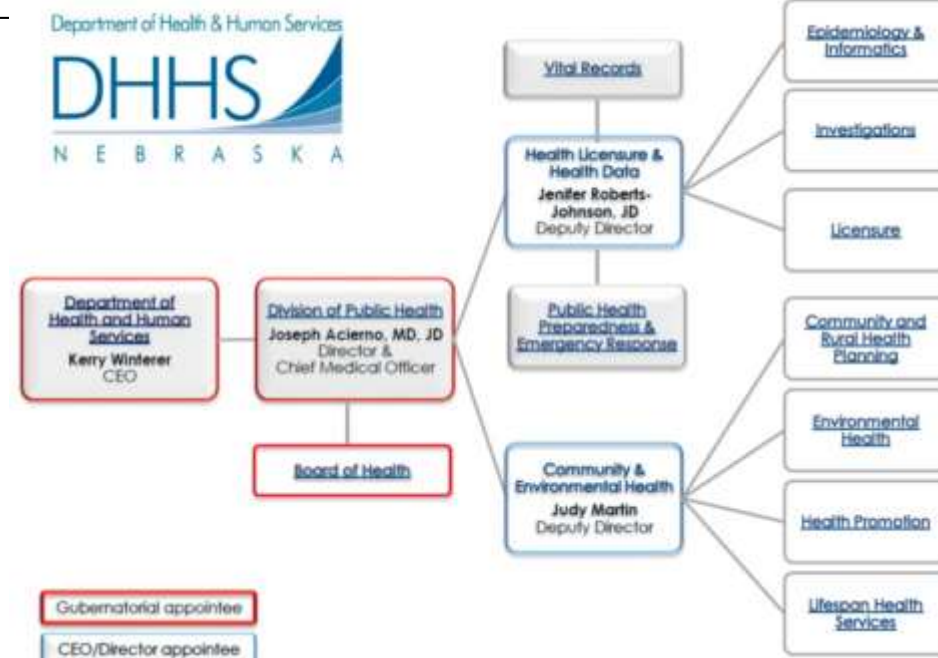
- Ratios provide reference levels.
  - Based on peers
  - Based on your own history.
- The hypothesis we want to pose:  
All LHDs have equal financial capacity to continue provision of public health services.
- Before we can get there, we need to measure 'financial capacity'.
- Urgency
- Ratio analysis already used in other parts of health industry

Figure 1 - The Hospital Strength Index™ Methodology Diagram



# Context - Nebraska

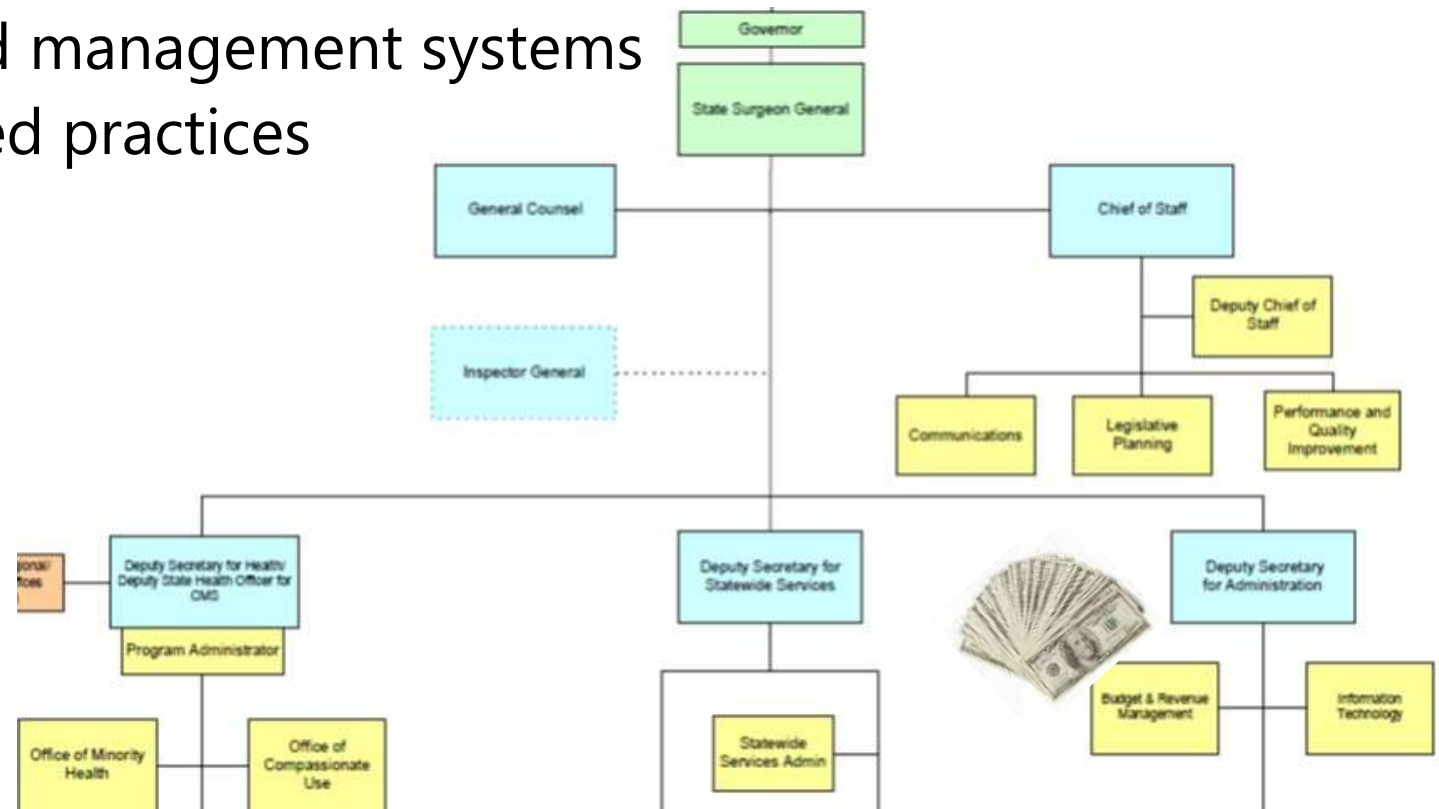
- Fund and staff ↓ since 2009.  
Public health service need ↑.



- 2014 **Nebraska** State Health Plan.  
3 of 4 major priorities require **strengthening capacity** in:
  - health promotion
  - data and information systems
  - integration of public health and primary care
- A **solid financial footing is required** to achieve these priorities.
- A financial risk index can identify if an LHD has that strength.
- Index also directly improves data and information systems.

# Context - Florida

- Have also seen drastic funding reductions.  
Attempting to adapt to lower revenues through:
  - Consolidation
  - Streamlined management systems
  - Standardized practices



- Already use financial and performance measures (PBRN work on MPROVE, DACS).

# Objectives and methods

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- Objectives
  - Design a process to create a composite risk index
  - Implement the process with Nebraska and Florida PBRNs.
  - Create a risk index tool that provides LHDs early warning.
- Methods
  - Data entry. Data already in-hand. Modular design.
  - Combine with reference data (NACCHO, Census, etc) and compute basic ratios.
  - Iterate through practitioner-led index design
  - Focus on creating a risk index composed of multiple individual ratios – that is adaptable to different settings.

# Team

<b>Nebraska PBRN</b>	
Michele Bever	Director of the South Heartland District Health Department
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Pat Lopez	Public Health Association of Nebraska,
David Palm	Nebraska Division of Public Health
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<b>Florida PBRN</b>	
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Karen Chapman	Director of Okaloosa County CHD
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# Implementation and dissemination

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- Excel tool developed that shows LHDs their own ratios and risk index, displays peer averages and projects trends. The tool also allows what-if simulation so LHDs can stress test their financial health.
- All LHDs introduced to the ratio analysis and risk index.
- Tool will be made available on-line. Findings will be shared at conferences and through publications.
- Status
  - Code book developed to insure consistency.
  - Data entry will be complete December 2014.
  - Work will complete in April 2015.