## 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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Target Audiences: Public health administrators and policy makers. Program managers. Public health researchers. Keywords: Funding/Financing, Ratio analysis; Geographic Focus: Florida, Nebraska, North Dakota. Conflict disclosure: None.
Risk

• Financial
  o Level of funding increasingly subject to reduction.
  o Advance notice for funding changes getting shorter.

• Clinical
  o 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

• 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
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:
  o Consolidation
  o Streamlined management systems
  o Standardized practices

• Already use financial and performance measures (PBRN work on MPROVE, DACS).
Objectives and methods

• Objectives
  o Design a process to create a composite risk index
  o Implement the process with Nebraska and Florida PBRNs.
  o Create a risk index tool that provides LHDs early warning.

• Methods
  o Data entry. Data already in-hand. Modular design.
  o Combine with reference data (NACCHO, Census, etc) and compute basic ratios.
  o Iterate through practitioner-led index design
  o Focus on creating a risk index composed of multiple individual ratios – that is adaptable to different settings.
# Team

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<thead>
<tr>
<th><strong>Nebraska PBRN</strong></th>
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Implementation and dissemination

• 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
  o Code book developed to insure consistency.
  o Data entry will be complete December 2014.
  o Work will complete in April 2015.