

Introduction to a Set of Public Health Financial Ratios

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Presenter Disclosures

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The following personal financial relationships with commercial interests relevant to this presentation existed during the past 12 months:

No relationships to disclose

Objectives for This Session

- Explain the function of financial ratios
- Identify the different types of financial ratios
- Discuss how financial ratios can help Public Health Organizations increase
 - Accountability
 - Transparency
 - Performance improvement in Financial Management of Public Health Funds

Financial Ratios Have Value

- ▶ **Measure financial success**
 - What measures demonstrate success?
 - Requires a set of financial indicators – leaders must choose which ones
- ▶ **Evaluate financial condition**
 - Tracking performance is vital for an agency to continually change and to improve
 - How much variation over time or across PH organizations is acceptable?
- ▶ **Inform quality improvement initiatives in PH**
 - Where are the areas for improvement?
 - Acquiring, using, or managing resources
- ▶ **Increases transparency and stewardship**

Financial Ratios: Data & Analysis

▶ Data needed

- Revenue
- Expenses
- Demographics
- Program
- Outcomes

▶ Analysis needed

- Trends over time
- Comparison across agencies
- Financial projections

Primary Categories for Public Health Financial Ratios

- ▶ Revenues – 23
- ▶ Expenditures – 15
- ▶ Mission Critical – 8
- ▶ Community Statistics – 8
- ▶ Total Number – 53

Revenues per Capita Ratio

- ▶ Changes in revenues relative to population size
- ▶ Ratio
 - $\text{Total Revenues} / \text{Total County Population}$
- ▶ Alerting Trend
 - Decreasing revenues per capita
 - Revenues are decreasing
 - Population is increasing

Compare Ratios Over Time & Across Organizations

Public Health Revenues Per Capita



- ▶ Are revenues increasing?
 - Which source?
 - Temporary or long-term?
 - Are increasing revenues sustainable?
 - Did number of services increase too?
- ▶ Or has population size decreased?

Revenues Per Capita
Increasing for County M

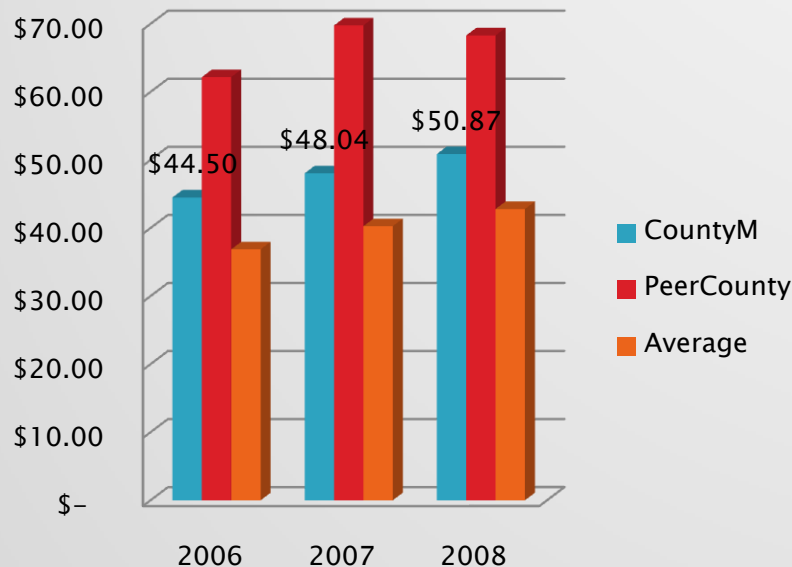
Questions to ASK

Expenditures Per Capita Ratio

- ▶ Changes in expenditures relative to changes in county's population size
- ▶ Ratio:
 - $\text{Total Expenditures} / \text{County's Population}$
- ▶ Alerting Trend:
 - Increasing expenditures per capita

Financial Ratios & Analysis

Public Health Expenditures Per Capita



- Have expenditures increased?
 - Sufficient revenue to cover increases in expenditures?
 - Increases due to more services, increased cost of services, administrative costs?
- Or has the population size decreased?

Expenditure Per Capita are increasing for County M

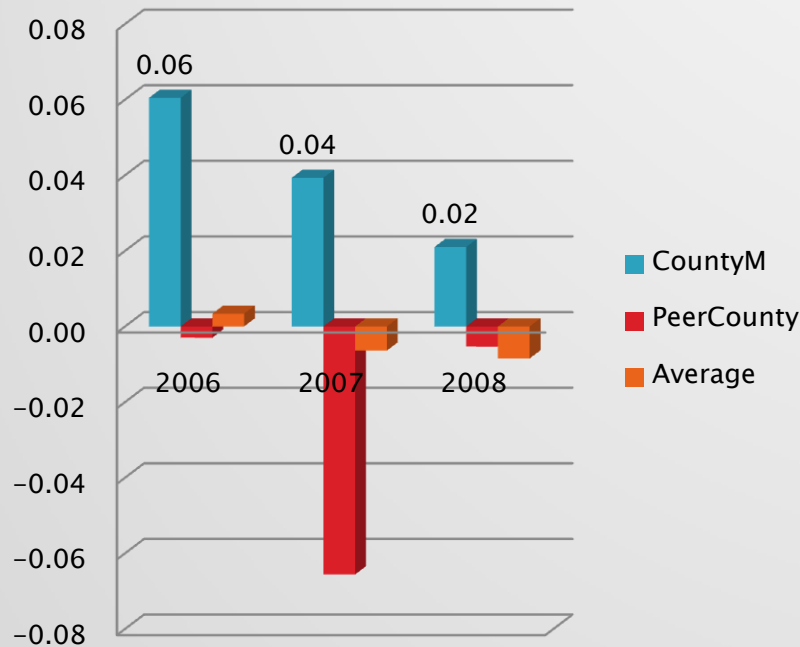
Questions to ASK

Total Margin Ratio

- ▶ Total margin is net surplus or deficit divided by total revenues
- ▶ Reports on what each dollar of revenue generated by the agency produced in surplus (deficit) revenue
- ▶ Ratio
 - $(\text{Total Revenues} - \text{Total Expenditures}) / \text{Total Revenues}$
- ▶ Alerting Trend
 - Negative values
 - Expenditures are exceeding revenues
 - Very high negative values may indicate financial difficulty.

Financial Ratios & Analysis

Total Margin



- ▶ County M's Total Margin is + but decreasing over time (NOTE: In '08 County M makes 2 cents for every dollar of total revenues)
 - Result of increasing expenditures? Which ones?
 - Revenue streams shrinking? Which ones?

Total Margin is Decreasing for County M

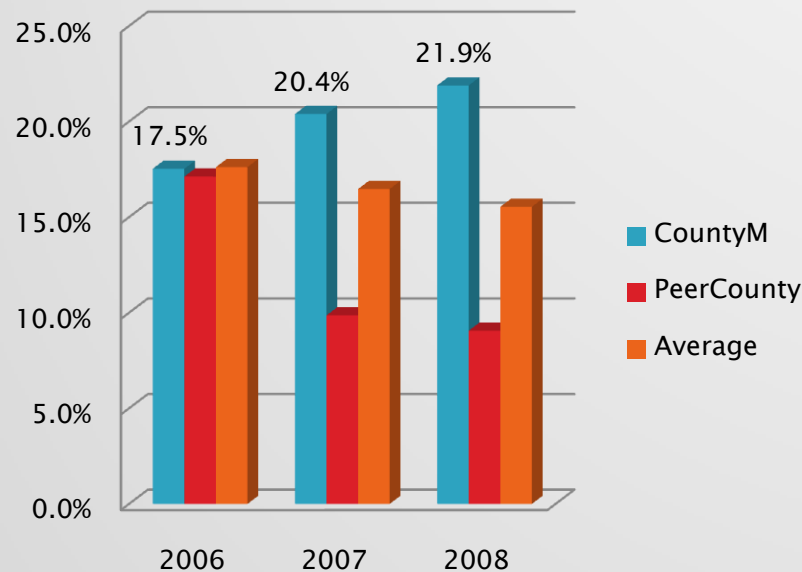
Questions to ASK

General Fund Balance as % of Total Revenues Ratio

- ▶ % of Total Revenues in the General Fund
 - General Funds are unrestricted funds
- ▶ Ratio
 - $\text{General Fund Balance} / \text{Total Revenues}$
- ▶ Alerting Trend
 - Low values
 - Indicate that most of the Public Health Organization's revenues are restricted
 - Limits ability of the Organization to fund infrastructure and essential public health skills such as surveillance, community engagement, etc.

Financial Ratios & Analysis

General Fund Balance % of Total Revenue



- ▶ Is County M's ratio far removed from the average of other large PH Organizations?
- ▶ Is the increase in the General Fund planned?
- ▶ Is the General Fund expected to increase in future years?
 - Are there plans to improve current levels of Public Health services addressing community needs?

General Fund Balance % of Total Revenue is Increasing for County M

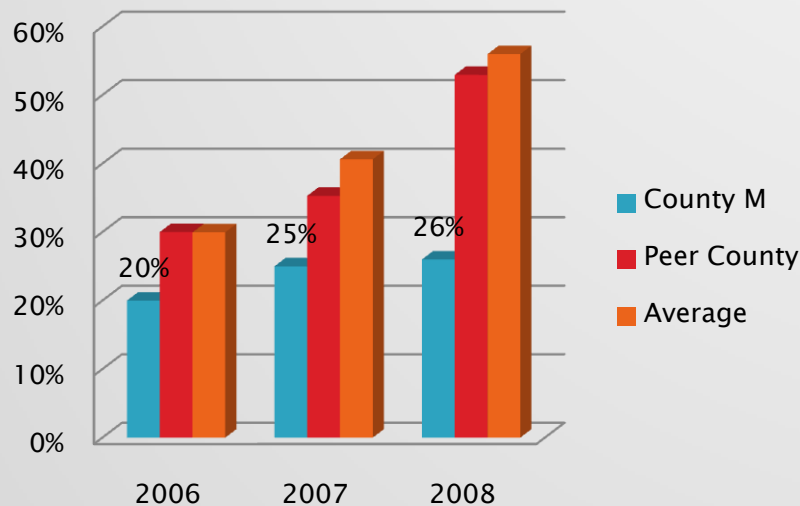
Questions to ASK

Mission Critical Ratios

- ▶ % of Monitored Community Health Outcomes w/Improvement Over 3 Years Ratio
 - $\frac{\# \text{ of Improved Community Health Outcomes Monitored}}{\text{Total \# of Monitored Community Health Outcomes}}$
- ▶ Alerting Trend
 - Low values
 - Decreasing trend

Mission Critical Ratios

% of Priority Community Outcomes Improved 3 Year Rate



County M's % of improved community health outcomes is low with little improvement.

- ▶ Are the revenues and expenditures aligned with priority community health outcomes?
 - Does the budget include funding for these programs?
- ▶ Can we spend the resources more effectively & efficiently?

Questions to ASK

Recap of County M's Five Financial Ratios

- ▶ Revenues and Expenditures Per Capita are increasing
 - Need to monitor causes
 - Are trends sustainable
- ▶ Total margin is increasing
 - Result of increasing revenues
- ▶ General Fund Ratio is increasing and is 6% higher than average of large Public Health Organizations
 - Are increased revenues in this fund?
 - Are there plans to reinvest into the public health system?
- ▶ Low % of Monitored Community Health Outcomes are improving
 - Current efforts are not succeeding
 - Opportunity to use increased resources to improve community health outcomes

Use of Standard Financial Ratios

- ▶ Monitor & maintain existing service levels
- ▶ Plan to meet demands of growth and decline
- ▶ Account for revenues, expenditures, and progress reaching community health goals
- ▶ Identify areas for improvement
- ▶ Become more transparent
 - Standard Financial Ratios reported to stakeholders

Thank You

- ▶ Calls and emails are most welcomed!

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