



*Strengthening Oklahoma's Safety Net,  
One Community At A Time*

## **Board Bulletin**

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### **Analyzing the Statement of Activity**

This report is historically called the “Income Statement” or “Profit and Loss Statement.” It is also referred to as the “Statement of Operations.” Because it shows the income or revenue and expenses associated with providing services, the “bottom line” of the statement indicates how much the health center earned or lost during the reporting period. Community health center (CHC) board members should carefully review the Statement of Activity report to ensure that the health center is operationally sound with revenue greater than expenses.

#### **Trends & Relationships**

As a trending tool, the Statement of Activity will most likely have four columns that list *Current Month, Year-to-Date, Budget* and *Variance*. This allows boards to compare the actual activity to the operating budget and analyze the variance – either (over) or under. Because the budget reflects the mission and programmatic goals for the current year, this format allows boards to determine if the health center is meeting established goals in financial terms. Boards may use a second “Statement of Activity” format to compare current operations with the previous year, trending the current activity with what happened a year ago. The columns for that report would reflect *Current Year, Prior Year, Variance* and *% Change*. Effective review of the Statement of Activity requires board members to be educated on which variances are significant. An ‘under’ amount in income needs to be investigated while an (over) in expenses would indicate that more money is being spent than budgeted. Board members must feel free to ask questions and those reporting must be prepared to explain variances.

#### **Patient Visits**

Because productivity factors greatly on revenue and the health center’s bottom line, health centers should track “Visit” numbers on the Statement of Activity. Patient volume (i.e., visits) should be tracked by users (to determine patient utilization trends) and by providers (to identify provider productivity trends).

#### **Revenue**

330-funded health center revenue sources - the amount of money an organization brings in - would include, but not be limited to, the following:

**Grant Funding** – Because federal funding is typically a significant portion of the overall CHC budget, it will most likely be listed as a line item. By listing the amount of federal funding recognized as revenue for the month, boards can easily compare that to the overall budget to ensure reasonable ‘draw down’ of grant dollars.

**Patient Revenue** – Boards must compare changes in patient revenue to changes in patient volume (i.e., visits) by looking at ‘current activity to budget’ and ‘current year to prior year.’ Unusual trends, such as a change in reimbursement rates or shifts in payor mix, need to be analyzed further.

#### **Expenses**

CHCs cannot deliver health care without spending money. Boards, as health center stewards, must review expenses to ensure money is spent prudently and in accordance with the budget. Statement of Activity reports will include numerous expense line items which require monitoring, including the following:

**Salaries & Wages** and **Fringe Benefits** – As the largest expense categories for health centers, they deserve full board attention to ensure budget compliance. **Consultant and Professional Fees** must also be monitored.

**Supplies, Laboratory** and **Pharmaceuticals** - Three expense categories required for health care delivery. If notable spending increases occur, boards should ask questions and expect reasonable explanations.

**Travel and Conferences** – The CHC world requires numerous trainings and conferences. However, excessive expenses in this category should be researched further to ensure proper and effective use of health center funds.

**Bad Debt Provision** – If ‘bad debt’ increases significantly, this may be a sign of poor collection procedures.

In summary, monitoring variances from actual activity to budget and from current year to prior year is key to the bottom line. To review OPCA’s entire *Board Bulletin* series, visit the ‘CHC Boards’ section of [www.okpca.org](http://www.okpca.org).

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