



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

Board Bulletin

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Enhancing Sustainability with Strong Fiscal Policies

As part of the national movement to heighten accountability in federal programs, more emphasis is being placed on the sustainability of community health centers (CHCs). Recent American Recovery and Reinvestment Act (ARRA) CHC funding opportunities specifically asked applicants to demonstrate sustainability of the project proposal beyond the two-year funding. To be competitive in the funding environment and for overall organizational health, CHCs need to focus on enhancing project sustainability. Nonprofit organizations are allowed and should strive for a profit margin that can be put back into project activities to fulfill the mission. CHCs cannot increase access and expand services without using sound financial management to secure additional resources. CHC boards must develop effective policies that safeguard existing health center resources but also build organizational stability through increased program income and operation efficiency.

Financial Management Duties

Key fiscal responsibilities of the CHC board include: 1) establishing health center financial priorities; 2) developing long-range financial planning; 3) reviewing/approving the annual budget; and 4) ensuring a rigorous annual audit is done followed by an auditors' report to the board to demonstrate effective oversight. CHC boards must establish financial management policies that include the following:

- ***Internal Control Procedures*** – Boards must establish policies to ensure that an appropriate 'checks and balances' system is in place. Duties must be segregated to prevent anyone from having unbridled control over the handling of financial functions (see September 2008 *Board Bulletin*). In the case of patient fees, duties of receiving, recording, depositing, reporting and reconciling of payments must be separated among employees to prevent opportunities for theft. Boards must routinely review financial reports to fulfill oversight duties.
- ***Procurement Standards*** – CHCs must adhere to specific standards outlined in 45 CFR Part 74 where the cost of the procurement is treated as a direct cost to the grant. Standards should include conflict of interest provisions to prevent employees and board members from receiving private gain from CHC activities. Regulations also require that CHCs maximize open and free competition when procuring services or materials. Policies must establish a bidding process that promotes procurement of services and materials of most benefit to the CHC in terms of price and quality. Procurement procedures must be in place to prevent unnecessary purchases and to identify contractors who are proven performers (e.g., reference checks).
- ***Eligibility Determination Protocols*** – Patient registration systems must use procedures that capture eligibility information for all services and programs. 330 CHC funding should only be used for those individuals at or below 200% Federal Poverty Level (FPL) which makes it imperative to have policies in place that accurately capture patient income levels to determine eligibility for services. CHC boards should update sliding fee discount schedules annually to reflect updated FPL guidelines (usually published by February each year).
- ***Billing and Collection System*** – Mission sustainability is jeopardized when CHCs leave money on the table. An accurate billing system foundation requires the establishment of charges based on the marketplace and health center costs. Since CHC cost reporting is critical to enhanced reimbursement, procedures must be established that accurately capture all health center costs. Policies must also be in place to adjust or discount charges based on the established sliding fee scale. Billing and collection systems must focus on maximizing revenue with procedures in place that quickly identify reimbursement problems to prevent cash flow issues, including accounts receivable aging. BPHC Policy Information Notice 98-23 states "Health centers should establish a target for days in receivables for collections on billable services by payer, monitor collection rates on outstanding balances and follow-up or write-off such balances as appropriate." When CHCs fail to maximize revenue, it is difficult to demonstrate need for additional resources (e.g., state funding).

While the Finance Committee can be an expedient way to thoroughly oversee fiscal management, it is imperative that all board members have a working knowledge of financial matters to exercise fiduciary "due diligence." To review OKPCA's entire *Board Bulletin* series, visit the 'Programs' section of www.okpca.org.

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