Report on the Financial Condition of 8 Community Health Centers in New Hampshire

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Methodology

• Data taken from audited financial statements
• Standardize the financial statement formats
• Calculate relevant ratios
• Not all relevant data is reported, e.g., details of grant revenue and contributions, amounts of charity care
### Aggregate Income Statement

**2003-07**

($000s)

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pt. svc</td>
<td>12,472</td>
<td>14,905</td>
<td>18,853</td>
<td>20,801</td>
<td>23,664</td>
</tr>
<tr>
<td>Grants</td>
<td>14,794</td>
<td>15,656</td>
<td>16,730</td>
<td>15,907</td>
<td>17,030</td>
</tr>
<tr>
<td>Other</td>
<td>2,422</td>
<td>3,862</td>
<td>4,657</td>
<td>2,194</td>
<td>2,112</td>
</tr>
<tr>
<td>Totl rev</td>
<td>29,688</td>
<td>34,423</td>
<td>40,240</td>
<td>38,902</td>
<td>42,806</td>
</tr>
<tr>
<td>Op exp</td>
<td>28,720</td>
<td>33,579</td>
<td>39,851</td>
<td>39,564</td>
<td>42,889</td>
</tr>
<tr>
<td>Op inc</td>
<td>968</td>
<td>844</td>
<td>389</td>
<td>(662)</td>
<td>(83)</td>
</tr>
<tr>
<td>Nonop</td>
<td>86</td>
<td>76</td>
<td>136</td>
<td>227</td>
<td>424</td>
</tr>
<tr>
<td>Excess</td>
<td>1,054</td>
<td>920</td>
<td>525</td>
<td>(435)</td>
<td>341</td>
</tr>
</tbody>
</table>
Aggregate Sources of Cash
2003-07
($000s)

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount ($000s)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>1,455</td>
<td>(50%)</td>
</tr>
<tr>
<td>Nonoper income</td>
<td>949</td>
<td>(33%)</td>
</tr>
<tr>
<td>Other chgs in net assets</td>
<td>487</td>
<td>(17%)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>2,975</td>
<td>(31%)</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>2,489</td>
<td>(26%)</td>
</tr>
<tr>
<td>Trsfr fr restr funds</td>
<td>1,324</td>
<td>(14%)</td>
</tr>
<tr>
<td>Sale fixed assets</td>
<td>32</td>
<td>(0%)</td>
</tr>
<tr>
<td>Total sources</td>
<td>9,713</td>
<td>(100%)</td>
</tr>
</tbody>
</table>
## Aggregate Uses of Cash, 2003-07

($000s)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures</td>
<td>4,491</td>
<td>(46%)</td>
</tr>
<tr>
<td>Repay long-term debt</td>
<td>1,088</td>
<td>(11%)</td>
</tr>
<tr>
<td>Decr other noncurr liab</td>
<td>1,380</td>
<td>(14%)</td>
</tr>
<tr>
<td>Noncash revenues</td>
<td>600</td>
<td>(6%)</td>
</tr>
<tr>
<td>Net working capital</td>
<td>717</td>
<td>(7%)</td>
</tr>
<tr>
<td>Increase in cash</td>
<td>533</td>
<td>(5%)</td>
</tr>
<tr>
<td>Incr other noncurr assets</td>
<td>626</td>
<td>(6%)</td>
</tr>
<tr>
<td>Transfer to other entities</td>
<td>260</td>
<td>(3%)</td>
</tr>
<tr>
<td>Incr trustee-held invest</td>
<td>18</td>
<td>(0%)</td>
</tr>
<tr>
<td><strong>Total uses</strong></td>
<td>9,713</td>
<td>(100%)</td>
</tr>
</tbody>
</table>
Overall Financial Picture

- Large decrease in operating income to almost break-even in 2007
- Investment income has helped to offset this
- Excess of revenue over expense has fallen 60%
- Health centers have borrowed $2.5 million to purchase $4.5 million of property, plant, and equipment
Profitability

• Operating margins (excluding investment income) decreased over the past 5 years
  – In the aggregate, operating margins have been negative for past 2 years
  – Shift from grant revenue to billing for services
  – Expenses grew faster than revenues
Profitability

• Total margins (including investment income) have decreased over 5 years
  – In 2007, variation was between -2% and +3%
  – In 2007, 2 centers had negative margins; 3 centers were above 1%
  – 3 centers have had positive margins in each of the past 3 years
  – 2 centers have investment income over $100,000; remainder have less than $5,000
  – 1 center reported contributions over $100,000; 2 centers reported no contributions
NH Community Health Centers

Total Margin

Ratio

2002  2003  2004  2005  2006  2007

(high)

(median)

(low)
Liquidity

• Current ratio is a measure of ability to meet current obligations. Common benchmark is 2.
  – 2 centers were above 2 in each of the 5 years
  – 1 health center has been below 1 in each of the 5 years; another in the most recent 4 years
  – In 2007, 2 centers were above 2; 3 centers were below 1
Liquidity

• Days in accounts receivable
  – Median has improved from 95 days to 50 days
  – In 2007, 3 centers are above the median, but have made significant improvements
  – Differences in health centers may have to do with payor mix
NH Community Health Centers

Days in Accounts Receivable

Days

Year

High
Median
Low

2002  2003  2004  2005  2006  2007
Liquidity

• Days cash on hand describes how long a CHC could stretch its cash, assuming an average daily rate of spending
  – In 2007, the median was 21 days; 2 centers had less than 10 days
  – In 2007, 1 center had 177 days cash because of funds that have been set aside for capital expansion
NH Community Health Centers

Days Cash on Hand

Year

Days

2002  2003  2004  2005  2006  2007

High
Median
Low
Capital Structure

• Equity financing ratio measures the amount of equity used to purchase assets (versus debt financing)
  – In 2007, median was 18%, meaning 4 centers were financing 82% of their assets with debt
NH Community Health Centers

Equity Financing Ratio

Year
2002 2003 2004 2005 2006 2007
Ratio
0 0.1 0.2 0.3 0.4 0.5 0.6 0.7 0.8 0.9 1

High
Median
Low
A Fragile Financial Puzzle

• Revenue generation
  – Operations
  – Grants
  – Investments
  – Contributions

• Expense control

• Capital planning and financing