A CFOs Framework for Financial Clarity and Action

Modeling Financial Outcomes Under Multiple Scenarios:

Dental Sustainability Illustration

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Not any of you…other state CHC's
Common CHC Modeling Strategies

- **Modeling strategies:**
  - 🎬 **Field of Dreams:** "Build it → demand appears"
  - 🪞 **Rearview Mirror**: "It worked before → it'll work again"
  - 🙏 **The Prayer**: "It has to work"
  - 🔌 **The Plug Number:** "Fix it later"
  - 🚀 **Strategic Initiative:** "Transformation will save us"
  - 🤝 **Teamwork:** "We'll just try harder next year"

Question:

Why do so many CHC's struggle to model financial outcomes?

If those who fail to plan, plan to fail…

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Barriers to CHC Scenario Modeling

Why don’t some Health Centers do it?

- “We don’t have time — just give me the answer.”→ Modeling is optional
- “Perfect is the enemy of done.” — Jon Acuff→ Used as an excuse to skip rigor
- “It’s too complicated… I’d just be guessing.”→ Avoiding uncertainty
- “We don’t have good enough data.”→ Waiting for perfect inputs
- “There’s only one right answer.”→ Fear of being wrong
- “We don’t really have options anyway.”→ Fixed mindset

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Overcoming Barriers to CHC Scenario Modeling

Getting started

- Time
  - Start with a 3-scenario model: Base, downside and upside
  - Build the tool (or borrow) and update monthly
  - Focus on 3 to 5 key drivers
    - Example: Visits/productivity, payer mix, 340b, expense contingencies
- Perfect is the enemy of done
  - Aim for directional accuracy, not precision
  - Time-box the first version. I will only spend X hours on it

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Overcoming Barriers to CHC Scenario Modeling

Getting started

- Complexity – “This is too hard”
  - Use driver-based modeling – not line-by-line detail
  - Separate assumptions from calculation, easier to understand & validate
  - Find an example, don’t start from scratch. Reuse the template
- Data limitations – “We don’t have good information”
  - Use ranges instead of point estimates – allows for uncertainty
  - Leverage internal history – imperfect data provides directional insight
  - Document assumptions – builds credibility & improves communication

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Overcoming Barriers to CHC Scenario Modeling

Getting started

- Fear of being wrong – “There is only one answer”
  - Reframe the goal: Insight, not prediction – decision tool, not guarantee
  - Present outcomes as ranges, not single number
- “We Don’t have options anyway”
  - Link scenarios to specific management actions
  - Define trigger points in advance
    - Example: If visits drop 5%, then implement hiring freeze
    - Use modeling as a basis for an operational playbook

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Example scenarios

What are some of the things happening that a Community Health Center should consider for scenario planning?

Scenarios

Situations to Consider

Medicaid enrollment volatility (work requirements, redeterminations)

- Monitor North Carolina's expected rules
- Compare that to the demographics of your Medicaid patients

ACA Health Insurance Exchange – Lost Insurance

- Monitor shifts from commercial insurance to self-pay and/or sliding fee
- Monitor impacts on 340b pharmacy due to payer mix shifts

Scenarios

Situations to Consider

- 340B profitability
  - Drug manufacturer restrictions
  - Pricing changes which impacts margins
  - If/then, adjustments if profitability changes
- Lost grant funding – adjustments to business models
- New service lines or locations
- Value based care – shared savings changes

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Scenarios

Situations to Consider

- Operational challenges
  - Compensation pressures
  - Technological costs
  - Return on Investment related to technological costs
    - If we pay for AI ambient listening & charting, does it = productivity, improved morale, patient satisfaction, quality?
  - Productivity
  - Competition

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We are going to work through an example

Introductory Question:

Why do so many dental programs feel financially unstable – despite strong demand?

We are solving the wrong problem if we think volume alone drives success

Dental Sustainability

Diagnosing the Issues

- Recognizing it is not one problem, but competing priorities
- Access vs. Productivity: expanding access requires good structure
  - Longer visits, bundled care, and no-show strategies impact capacity
- Primary Dental Care vs. Procedural Focus: What is the mix?
- Operational Efficiency vs. Patient Experience
  - Combining services into 1 visit, may feel patient-friendly, but does it reduce access, limit scheduling flexibility, and impact reimbursement
- Staffing Model vs. Utilization
  - Dentist doing lower-skill work reduces efficiency
  - Underutilized hygienists & assistants = lost capacity and margin

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II

Financial Pressures
Dental Sustainability:

What are the key, driving financial pressures of running a dental program?

You don’t control some of it—but key variables will determine your outcome if you don’t model them

Dental Sustainability

Financial Pressures

- Reimbursement pressure
  - How strong is North Carolina Medicaid?
  - Commercial insurance, comparison to cost structures
  - Uninsured – understanding it, and understanding where we are losing money & how much
- Workforce constraints
  - Recruitment strategies
  - Compensation mismatches?
  - Performing at extent of license? Hygienists and Assistants
- Rising operating costs – supplies, etc. – most costs are fixed until they are not
- Examine structural & operational issues

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Dental Sustainability
Myth vs. Reality

How do we stop blaming the model and start understanding the drivers?

Dental Program Myth	Dental Program Reality
– Dental programs just inherently lose money	– dental program financial performance depends on various controllable drivers
Just work harder & do better	Scheduling design, staffing model, & service mix – not effort alone

III

Metrics of Importance

What should we be analyzing?

Dental Sustainability
Key Metrics

If you don’t measure these consistently, you can’t manager your dental program effectively.

Access & Capacity	No-show rate, Chair utilization, Visit length/appointment structure, scheduling model (single versus multi-service visits)
Provider Productivity	Encounters per provider per day, procedural vs. primary care, hygienist-to-dentist ratio, use of assistants and team-based care
Revenue Realization	Payer mix, revenue per visit, collection rate on self-pay/sliding fee, service mix
Cost Structure & Staffing	Labor cost per visit, staffing model (top-of-license utilization), provider compensation model

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Financial drivers on previous page are interdependent, not isolated

For example, you can have a 10% productivity increase, but without the right payer mix, you may still lose money

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IV

IV

Dental Financial Modeling

What if we can improve …….?

Dental Sustainability

Financial Modeling: Do Incentives Align with Sustainability?

Example: What happens when compensation, production, and financial performance are not aligned?

- Example: 1 FT Dentist – 10 encounters per day, 210 working days/year = 2,100 encounters
- Average revenue per visit $140 = $294,000 annual revenue
- Total cost - salary, benefits, support staff, overhead, etc. $325,000
- Losing $31,000 per year
- Involve the dentist and the team in the process
  - Identify and remove barriers
  - Align with industry practices
    - How many clinic hours a day/week? How much time per visit and/or procedures?
    - What is the staffing mix?
- Define through modeling: What would need to change for this position to become financially sustainable?

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Dental Sustainability

Dental Financial Modeling: Where do you start?

- Establish Your Baseline: Encounters, Revenue per Visit, Cost Structure
  - What is happening today?
- Identify the Key Drivers: We discussed on previous slides
- Define Targeted “What-If” Scenarios: don’t change everything – test specific levers
- Quantify the Financial Impact
  - Example: Provider productivity - what if every dental provider increased daily encounters by X amount?
    - What would be the impact on revenues?
    - What would be the impact on staffing?
    - Any other impacts to consider (do we have the space for the increased productivity?)

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Dental Sustainability

Dental Financial Modeling: Where do you start?

Payer mix – how can we increase encounters for those payers who pay us more favorably?

- Should we do a marketing campaign?
- Do we have the ability to handle more visits with current staff?
- Will patients on the sliding fee scale still have access?

Evaluate Operational Feasibility – avoid try harder & do better – actions/changes

- What is our true capacity? Chairs, Space, patients who need to be seen
- What is our workforce availability?
- What is the plan to execute? Schedule, job duties, patient flow, etc.
- Address the barriers and variables to make it tactical, practical and most importantly actionable

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Dental Sustainability
Financial Modeling

- Service mix planning – how can we fulfill the need in our community but still provide financially sustainable services
  - Should we do more surgical and restorative services?
    - How much do those services cost?
    - When are they profitable?
  - Do we have the staff and the training to provide for financially beneficial dental services?
- Key Point – even small changes can have a big financial impact on the dental practice

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V

V

Diagnosing Root Causes

What is really going on???

Not all dental performance issues are the same – and they require different solutions

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Determining the Cause of Problems

- Structural limitations
  - Low reimbursement rates / unfavorable payer mix
  - High self-pay / sliding fee percentage
- Operational Inefficiencies
  - Scheduling problems – gaps in the schedule, not scheduling for no-shows, etc.
  - Visit structure issues (overly long, bundled encounters, etc.)
  - Productivity, underutilization of hygienists & assistants
  - Poor clinic design and patient flow, or geographic locations
- Strategic Misalignment
  - Balance and economic realities of types of services
  - Staffing model, compensation, and understanding the business environment

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Addressing the Problems

Dental Sustainability

- What can be fixed internally vs. using an outside consultant?
- What requires a strategic redesign?
- Are their issues that are truly non-fixable? (e.g.= reimbursement rates)If so, how do we minimize the financial damage or optimize the financial impact that is available?

- **Not all financial losses are the same and not all require changes or cuts – It is crucial for the CFO to play a role in analyzing where change can be made and assisting key dental decision makers in making meaningful change**

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VI

Final Thoughts

Actionable takeaways

Dental Sustainability

Addressing the Problems – Action Items

Optimize Your Staffing Model

- Align dentists, hygienists, and assistants for top-of licensure utilization
- Evaluate optimal mix: providers vs. support staff
- Ensure providers are focused on the right level of care with each visit

Redesign Scheduling and Reduce No-Shows

- Implement team-based scheduling models
- Strategically double-book high no-show slots
- Reevaluate appointment length and visit structure

Dental Sustainability

Addressing the Problems – Action Items

- Measure Profitability by Service Type
  - Understand margins: preventative versus restorative versus surgical (if applicable)
  - Do we make money on dentures, crowns, if not, how many can we do?
  - Identify which services support or dilute financial sustainability
- Align Provider Incentives and Compensation with Outcomes
  - Evaluate compensation relative to: visit volume and financial performance
  - Consider what is within their control – production, organization, management, etc.
  - Consider what is outside their control – payer mix, payment, etc.

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Dental Sustainability

Addressing the Problems – Action Items

- Evaluate & Adjust Service Mix Strategy
  - Balance of community need vs. financial viability
  - Avoid over-indexing on procedural work at the expense of access and finances
  - Confirm your model supports long-term sustainability
- Use Financial Modeling to Guide Decisions
  - Quantify impact before implementing changes
  - Test: productivity improvements, staffing changes and schedule redesign
  - Use data to move from opinion to informed decision-making
- Monthly/Quarterly, reassess results and revise the plan and the model

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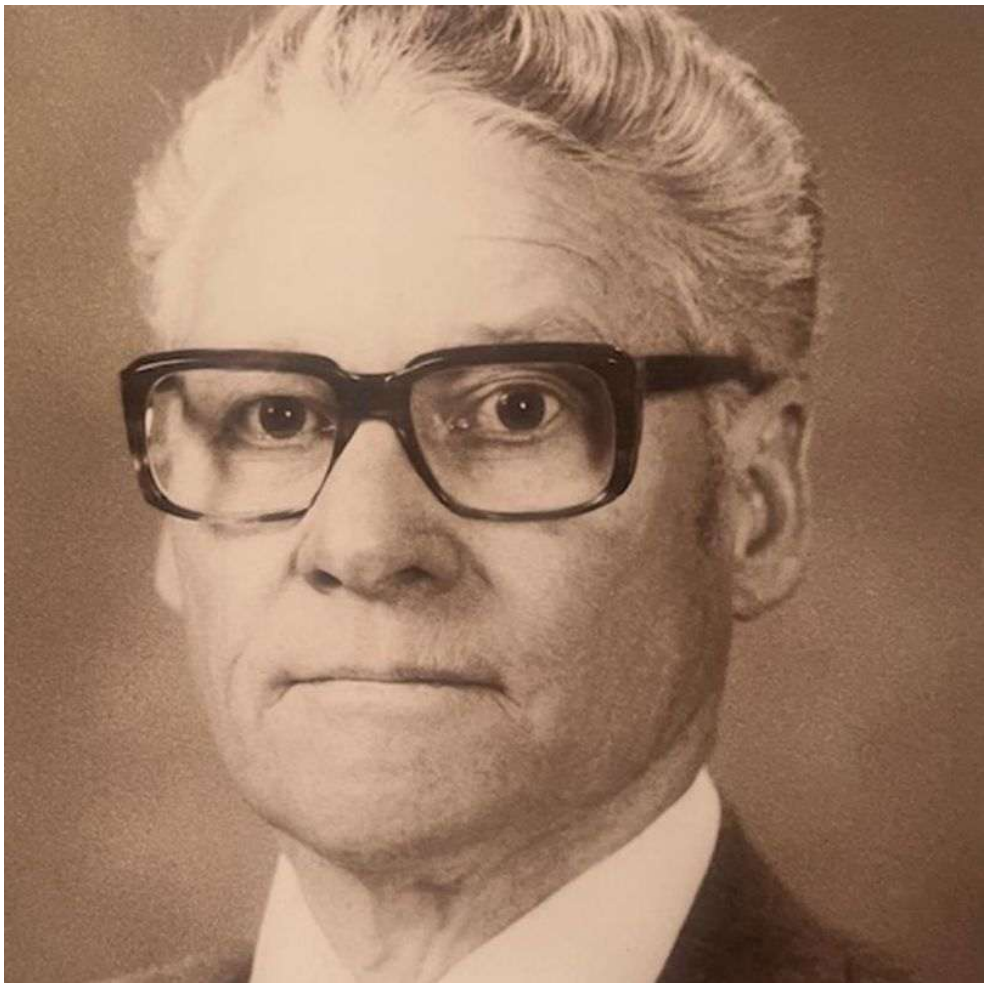
Don’t tell me why we can’t – tell me how we can!”

Herald Amber

First BKD Managing Partner



Sustainability – Dental Example

Closing Thoughts: From Uncertainty to Sustainability

01

Dental financial performance can be improved but it is not accidental

02

Dental must be understood and measured, and structured for sustainability

- Scheduling, staffing, service mix, compensation, location, etc.

03

Demand alone does not create sustainability

04

CFOs must focus on key financial drivers and work to influence change

- Modeling potential financial results can result in more confident, sustainable decisions being made by health center management

05

Lead your dental program to sustainability-by design, not by chance!!!

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Questions?

Thank you!

Contact

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