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## POLICY AND PROCEDURE

**Title:** Financial Sustainability Plan

**Department:** Finance – DSRIP

**Effective Date:** 3/8/2016

**Annual Review Date:** 12/31/2016

**Date Revised:** N/A

### Policy

The Adirondack Health Institute Performing Provider System (AHI PPS) must monitor the stability of its partners to ensure that the goals of DSRIP and AHI PPS's milestones are achieved in the communities served. AHI PPS will assess the financial stability of its partners on an annual basis, identify potentially "financially fragile" partners, and develop a process to monitor and assist "financially fragile" partners, where appropriate, with sustaining their operations.

### Procedure

1. Annual Financial Assessment:
  - a. On an annual basis, partners will be required to submit a Financial Sustainability survey. A copy of this policy will be provided along with the survey to remind partners of the process and their responsibilities.
  - b. Partners will be requested to provide selected financial information for a 3-year period in order to calculate the following financial metrics (which generally coincide with the financial metrics used by New York State Department of Health (NYSDOH) to evaluate the financial stability of PPS-Lead entities (Below information includes metric measurements used at the time of Financial Sustainability Plan effective date and will be reevaluated when plan is revised.):
    - i. Days Cash on Hand (Weak: < 20 , Medium: 20-64.82 , Strong: > 64.82 days)
    - ii. Current Ratio (Wk: < .82:1 , Mdm: .82:1 – 1.66:1 , Stg: > 1.66:1 )
    - iii. Debt to Equity Ratio (Wk: > 95.07%, Mdm: 67.10% - 95.07%, Stg: < 67.10%)
    - iv. Operating Margin (Wk: < -5.96%, Mdm: -5.96% - +0.24%, Stg: > +0.24%)
  - c. Partners will also be requested to provide answers to several financial attestations as part of the assessment, identifying potential financial concerns such as if the



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organization has a going concern audit opinion, or a filing for bankruptcy protection.

- d. Partners will also be required to provide their annual audit reports, if applicable.
  - e. The DSRIP Finance Manager will be responsible for compiling the surveys and audit reports, and recalculate/confirm the financial metrics for each partner.
  - f. The DSRIP Finance Manager will evaluate results based on:
    - i. Comparison to NYSDOH benchmarks for each metric as developed by AHI PPS Finance Committee.
    - ii. Knowledge of impending changes to a partner's financial performance given the implementation of identified DSRIP projects as well as the impact of broader health reform initiatives.
  - g. Partners will then be stratified by DSRIP Finance Manager between strong, medium, and weak financial stability.
2. Financial Assessment Waiver:
- a. It is recognized that some PPS partners (such as Government Entities) would have difficulty completing a financial assessment due to the nature of their organization.
  - b. Any organization unable to participate in the Annual Financial Assessment may submit a waiver to the AHI PPS Finance Committee seeking relief from the Annual Financial Assessment requirement.
  - c. On a partner by partner basis the AHI PPS Finance Committee will review the waiver and determine if partner is exempt from the Annual Financial Assessment requirement.
  - d. Any partner found exempt would still be required to satisfy all other reporting requirements.
  - e. Any partner denied exemption would be required to fulfill the Annual Financial Assessment requirements or else be at risk of exclusion from participating in AHI PPS.
3. Identification of "financially fragile" partners:
- a. Partners identified as "weak" based on the annual Financial Assessment process will be compiled by the DSRIP Finance Manager and presented to AHI PPS management team.



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- b. A designation of “weak” for any “days cash on hand” response will automatically place partner into review process. Partners found to be “medium” or “strong” for “days cash on hand” would need to be found “weak” in two or more additional financial metrics to place partner into review process.
  - c. AHI PPS management team will review the list of “weak” partners and identify those that are critical to attaining DSRIP goals and success in PPS project accomplishments.
  - d. AHI PPS management team will schedule meetings for those partners identified as “weak” and critical to the success of DSRIP and AHI PPS projects. Other members of the Project Management Office may also meet to further discuss the partner’s financial health and strategic plans.
  - e. As a result of this process, the AHI PPS management team will identify those partners believed to be “financially fragile” and critical to the success of DSRIP and AHI PPS projects. A partner profile will be developed by DSRIP Finance Manager containing:
    - i. The financial metrics of the partner as compared to benchmarks
    - ii. Summary of the discussions with the partner and their strategic plan
    - iii. The DSRIP projects the partner is involved in.
  - f. On an annual basis the list of “financially fragile” partners as identified in section 3.e. above will be presented to the AHI PPS Finance Committee for discussion and approval.
4. Development of Performance Improvement Plans (PIPs) for “Financially Fragile” Partners and Monitoring:
- a. Partners approved by AHI PPS Finance Committee as “financially fragile” will be asked to prepare a PIP to describe their glide path to financial sustainability and the resources required.
    - i. If “financially fragile” partner participates in multiple PPSs, collaboration efforts with the other PPSs should be taken into consideration.
    - ii. The form of the PIP should be consistent with NYSDOH monitoring of Vital Access Providers.
  - b. Partners approved by AHI PPS Finance Committee as “financially fragile” will be asked to provide additional information such as:



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- i. Submit financial metrics at least quarterly, instead of annually, to allow for more frequent monitoring. (The PIP may require monthly submissions depending on the financial condition on the partner.)
  - ii. Submit additional metrics and measures such as:
    1. 3-year trend in operating statistics
    2. Interim financial data (quarterly)
    3. Payer mix of patients in the last year
    4. Size of annual operating revenue
- c. AHI PPS management team will review PIP submitted by the partner for reasonableness as to the ability to sustain operations and satisfy DSRIP project metrics.
- d. As part of the PIP process, AHI PPS management team will assess the partner's need for technical assistance and financial resources required to attain financial sustainability.
- i. AHI PPS management team will assess the partner's needs and determine whether expertise of other partners within AHI PPS can be leveraged to assist "financially fragile" partner.
  - ii. As part of AHI PPS's funds flow, a Sustainability Fund will be established to assist "financially fragile" partners with attaining financial health. As the financial Sustainability Fund has limited resources, each request will be evaluated based on the availability of funds, and the relative needs of all requests to the Fund. The Sustainability Fund may be accessed to:
    1. Cover costs of consultants and other technical assistance required, or
    2. Other needs that are identified by the partner
- e. PIPs and requests for funds from Sustainability Fund will be brought to the AHI PPS Finance Committee, AHI PPS Steering Committee, and AHI Board of Directors for review and approval.
- f. Partners will be required to provide quarterly progress reports to the AHI PPS management team detailing PIP accomplishments.
- g. Progress for accomplishing deliverables of the PIP will be monitored on a quarterly basis by DSRIP finance manager and reported to AHI PPS Finance Committee, AHI PPS Steering Committee, and AHI Board of Directors when necessary.
- h. "Financially fragile" status will be re-evaluated annually as part of the financial



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assessment process.

5. Collaboration with other PPSs:
  - a. In developing PIPs and assessing the need for funding from the Sustainability Fund, partners will be evaluated to determine if partner participates in other PPSs.
  - b. For “financially fragile” partners, AHI PPS management team will contact the respective PPS(s) to collaborate efforts, where appropriate, around designing an effective PIP and avoid duplication of funding, if applicable.
6. Partner Responsibilities:
  - a. Annual participation in Financial Sustainability survey
  - b. Annual submission of audited financial statements, where applicable
  - c. For partners identified as “financially fragile”
    - i. Preparation of PIP
    - ii. Quarterly participation in Financial Sustainability survey
    - iii. Quarterly reporting to AHI PPS as required by the PIP
  - d. Cooperation with the PMO in discussions concerning financial stability and/or PIPs.
7. PMO Roles and Responsibilities:
  - a. Annual dissemination of aggregation of Financial Sustainability surveys and partner financial statements.
  - b. Annual calculation of financial metrics of partners and stratification of strong, medium, and weak partners.
  - c. Communications with partners on the results of the Financial Sustainability survey and the developments of PIPs.
  - d. Communication with the AHI PPS Finance Committee, AHI PPS Steering Committee, and AHI Board of Directors on the financial assessment and identification of “financially fragile” partners, development of PIPs, and quarterly monitoring efforts.



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- e. Maintain confidentiality of all partner financial documents, analysis, PIPs, and discussions.
8. Confidentiality:
- a. Financial information and documents accessed as a result of this Financial Sustainability Plan will be held confidential as stipulated in the AHI PPS Partner Participation Agreement, section XII – Data Use and Confidentiality.

**Contact Person:** DSRIP Finance Manager

**Responsible Person:** Chief Financial Officer

**Approved by:** AHI PPS Finance Committee/AHI PPS Steering Committee