

Case Analysis in Ratio and Trend Analysis

Category	Sun Valley County Public Health Agency
<p>FINANCIAL</p> <p>In this Financial section we are looking at item numbers 1-45 on the Public Health Financial Ratios Spreadsheet.</p> <p><u>Revenues</u> establish an agency's capacity to provide services. The following issues are critical to consider when analyzing revenue: growth rate, flexibility, dependability, diversity, major revenue sources.</p> <p><u>Expenditures</u> are approximate measures of an agency's service output. Usually, the more an agency spends the more services it is providing. The following issues are critical to consider when analyzing expenditures: expenditure growth rate in comparison to revenue growth rate, future liabilities, administrative costs, types of public health services provided, ability to collect Accounts Receivable, and number of programs with expenditures exceeding allocated or earned revenue.</p> <p>Reference: Evaluating Financial Condition, 2003, ICMA</p>	<p><u>REVENUES</u></p> <p>Revenues for the agency remain relatively good. There was a healthy increase (7.2%) in Federal revenues while state, and Medicaid revenues also increased.</p> <p>The significant decline in Environmental Health (line # 7) and Vital Stats revenues (line # 8) should be examined to determine if there are any problems with internal controls or if it reflective of other issues such as demographic or economic trends. Environmental Health expenditures decreased by nearly 1% (line #38), but if the decline in revenues continues further decreases in expenditure will be required to avoid a deficit position in the program.</p> <p>One-time Revenues (line #19) have decreased but this is not necessarily an area of significant concern unless an examination indicates otherwise.</p> <p>The county does have the authority to levy and collect a dedicated tax for public health (line #20).</p> <p><u>EXPENDITURES</u></p> <p>The agency did a good job of keeping Total Expenditures (line #17) less than Total Revenues (line #11). While revenues increased 1.3% (line 11), Expenditures were held to only a .3% increase. Surplus is accounted for by increases in the Fund Balance (line #41) which increased 31% over the previous year.</p> <p>Salaries and fringe benefits increased slightly (line #'s 12 & 13) even though FTE decreased by 11 (line # 54). Perhaps these were unfilled positions.</p> <p>The agency did a good job of not over-budgeting in 2008. The Budget Revenues were estimated to be \$13,710,000 (line #28), only \$3,000 above 2007 (line #11). Budgeted revenues received were only off by \$15,000 (line #29 – line #28)</p> <p>There were no significant increases in expenditure categories (lines # 30 – 40).</p> <p>Administration expenses (line #30) were held to nearly a level amount as well as the program expenditures (line #31).</p> <p>The agency grant revenues (line # 23) have increased and</p>

	<p>could be a factor in the increase of Federal Revenues (line #1).</p> <p>Medical Services activities should be monitored since revenues (line #27) did exceed expenditures (line #36) but only by \$900.</p> <p>There was a 4.5% increase in Immunization expenditures, but this is offset by the 6.6% increase in Immunization revenues (line # 26).</p>
<p>OTHER FINANCIAL</p>	<p>The agency was successful in reducing the # of programs that were not self-supporting (line #44).</p> <p>Program with a cost analysis have also increased (line # 25)</p>
<p>DEMOGRAPHIC In this Demographic section we are looking at item numbers 46-53 on the Public Health Financial Ratios Spreadsheet.</p> <p>Population change can affect governmental revenues and the need for services. Looking at the number of building permits issued, poverty rates, and percent of the population that is uninsured assist us in understanding the effect of population change on the financing of local public health services.</p>	<p>The decrease in Building Permits is probably reflective of economic conditions (line #51).</p> <p>The # of uninsured has decreased (line # 53) which could impact the level of medical services required in the agency.</p>
<p>WORKFORCE In this Workforce section we are looking at item numbers 54-57 on the Public Health Financial Ratios Spreadsheet.</p> <p>Employee costs represent a major part of the agency's budget. Monitoring changes in number of employees per capita is a good way to measure change in expenditures. Increasing employee costs may signal expenditures in excess of revenue or a decline in personnel productivity. Assessing financial skills will indicate the level of financial skills in the workforce and may affect the agency's financial performance.</p>	<p>FTE in the agency were reduced by 9 positions (Line # 54).</p>

<p>MISSION CRITICAL</p>	<p>The agency increased the # of priority programs in the budget (line #58) and the # of programs showing improvement also increased (line #60).</p> <p>The # of agency programs were reduced (line # 63)</p>
<p>RATIOS</p> <p>The Public Health Financial Ratios form a management tool that assembles data about an agency’s revenues & expenses, workforce, community demographics and economics, as well as indicators reflective of the type of public health services provided to the community. This data is used to create ratios that can be used to monitor changes in financial status and alert agency leaders to future problems. No one ratio is conclusive. All ratios chosen for study should be examined simultaneously to discern interrelationships that help to explain the trends revealed through ratio analysis.</p> <p>Example of questions to consider when analyzing:</p> <p>1. <u>Revenue Ratios:</u> Is the community experiencing general economic decline? Is this temporary? Is it related to changes in the populations? What agency revenue sources are declining? Is the decline a result of the type of revenue upon which the agency depends? Is there a local tax to support Public Health services? Does the agency have flexibility in its use of revenues? Are unrestricted resources supporting restricted revenue programs? Are there differences between operating revenues estimated in the annual budget and revenues actually received? Are the shortfalls due to inaccurate estimating techniques, sharp fluctuations in the economy or inefficient revenue collection?</p>	<p>Revenues per capita have increased by 1.2% (line #1) while expenditures per capita have increased by 0.2% (line #23). The agency may have a strong grant writing function since Federal revenues exceed state revenues.</p> <p>Some investigation is probably warranted to determine why fee revenues have declined by 4.5% (line #8).</p> <p>Total Margin is good at 1.6% (line 12).</p> <p>The agency is doing a good job at collecting accounts receivable since it is only taking 22 days on average to receive payments.</p> <p>Administrative expenses appear to be reasonable at 12.6% (line 27). Benchmarking with similar size agencies would be beneficial for establishing standards that could be used for comparative analysis.</p> <p>The agency is making progress with increasing the % of programs that are showing improvements (line # 38).</p> <p>Performing a cost analysis is a standard business/financial management best practice (line #44)</p>

<p>2. <u>Expenditure Ratios:</u> Do expenditures exceed revenues? Are the increases the result of new services? Which programs are increasing in costs? What specific costs are driving the increases? Is the agency operating efficiently? Have the number of employees increased? Is productivity declining? Are there new contracts?</p> <p>3. <u>Mission Critical Ratios:</u> Do priority public health programs appear in the agency’s budget? Which program outcomes are not improving? What strategies are in place to assure adequate program funding and the application of quality improvement methods? Are expenses exceeding dedicated and self-generated revenues? What are the costs of providing services in major program areas? Are they reasonable or comparable to similar agencies? Are there plans in place to increase revenues or decrease services if revenue shortfalls are detected?</p>	
<p>OVERALL FINANCIAL CONDITION</p>	<p>Overall, Sun Valley County Health Department shows signs of financial stability. Contributing factors include:</p> <ul style="list-style-type: none"> • Ability to control expenditures • Capacity to acquire federal revenues • Emphasis on financial management practices (e.g., cost analysis, etc) • Accounts receivable collection activities • Low administrative costs • Ability to demonstrate improvements in outcomes (cost efficiencies) • Increase in the number of self supporting programs