

Using your Financials to Justify Technology Investments and ROI

Presented by
Sean Hale and Larry Fischer



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“Behind Every Successful
Nonprofit You’ll Find a
Strong Back Office”



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AGENDA

1. Cost Accounting Modeling
2. Basic KPIs
3. Making the Case for a Tech Investment
4. Bonus #1: NICRA
5. Bonus #2: Related Tips

Topic 1: Cost Accounting Modeling

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Why Cost Accounting?

To understand the true profitability of each major program and activity

To make smarter tech investments

And to make other smart “overhead” investments



Revenue	Last Year
Grants	\$2,000,000
Donations	\$1,000,000
Gala	\$300,000
	\$3,300,000
Expenses	
Personnel	\$2,500,000
Program Supplies	\$700,000
Gala Supplies	\$100,000
	\$3,300,000
Profit / Loss	\$0

Time Allocation

	Admin	Gala	Other Development	Programs
Executive Director	25%	35%	15%	25%
Admin Staff	90%	10%		
Program Staff		10%		90%
Development Staff		35%	65%	

Revenue	Admin	Gala	Other Development	Programs	TOTAL
Grants				\$2,000,000	\$2,000,000
Donations			\$1,000,000		\$1,000,000
Gala		\$300,000			\$300,000
	\$0	\$300,000	\$1,000,000	\$2,000,000	\$3,300,000
Expenses	Admin	Gala	Other Development	Programs	TOTAL
Personnel	\$217,500	\$325,000	\$120,000	\$1,837,500	\$2,500,000
Program Supplies				\$700,000	\$700,000
Gala Supplies		\$100,000			\$100,000
	\$217,500	\$425,000	\$120,000	\$2,537,500	\$3,300,000
Profit / Loss	-\$217,500	-\$125,000	\$880,000	-\$537,500	\$0

Topic 2: Basic KPIs



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Cost per unit of service

For example: A single therapy session

True, full program cost = \$300k / yr
1,600 therapy sessions per year

$\$300,000 / 1,600 =$
\$188 (cost per therapy session)

KPIs Include:

\$188 (cost per therapy session)

Therapist morale and turnover

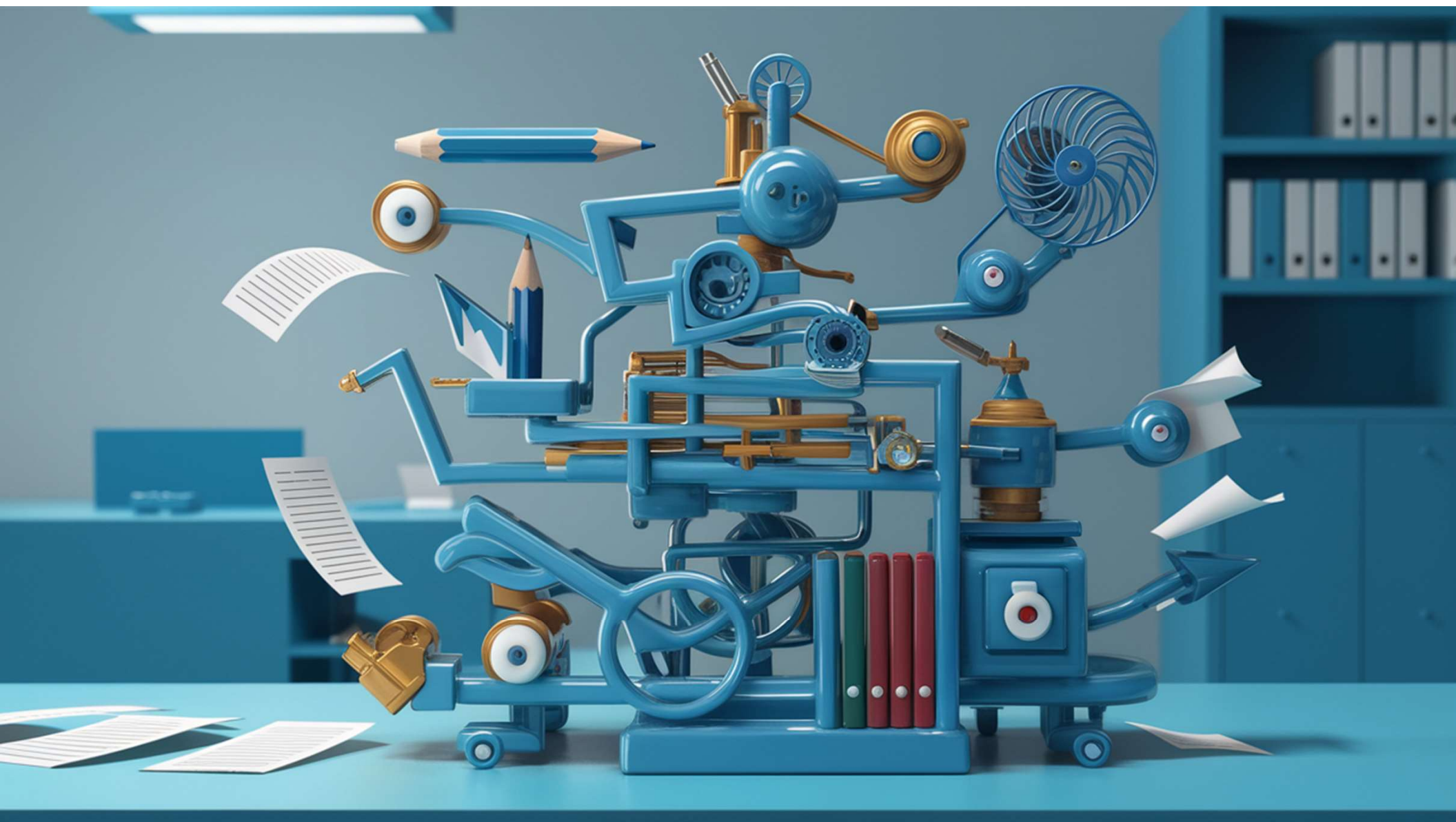
Therapist productivity and workload?

Topic 3: Making the Case for Tech Investments

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Current Program Expenses + KPI	
\$300,000	Annual Program Cost (including indirect costs)
1,600	Annual Therapy Sessions Delivered (2 FT counselor - 200 work days/yr)
\$188	Cost Per Session (KPI)

How do we currently pay for each session program?			
	Per Unit	Per Year	Notes
Funder	\$145	\$232,000	Flat rate per session
Fundraising	\$43	\$68,000	Raised by fundraising department
	\$188	\$300,000	

Proposal to Solve the Therapist Morale Problem	
\$45,000	Proposed Upgrade to Case Management Software
\$10,000	Annual maintenance cost, training on software (after year 1)

NO!

NO!

NO!



Therapist Time Allocation (average day)	
4	Hours of Therapy Sessions (1 hr ea)
3	Hours of Paperwork related to therapy (for grantors, etc.)
1	Staff meetings, professional development, etc.

Therapist Time Allocation (average day)	
4	Hours of Therapy Sessions (1 hr ea)
3	Hours of Paperwork related to therapy (for grantors, etc.)
1	Staff meetings, professional development, etc.

New Therapist Time Allocation (average day)	
6	Hours of Therapy Sessions (1 hr ea)
1	Hours of Paperwork related to therapy (for grantors, etc.)
1	Staff meetings, professional development, etc.

New Program Expenses + KPI	
\$300,000	Annual Program Cost (including indirect costs)
\$10,000	Annual Software Maintenance (year 2 and beyond)
2,400	Annual Therapy Sessions Delivered (2 FT counselor - 200 work days/yr)
\$125	KPI (cost per session)

How quickly does the initial investment pay for itself?	
\$63	Savings Per Session
720	Number of Sessions Needed to Cover Initial \$45,000
200	Sessions per month
3.6	Number of months until payoff

YES.

YES!

YES!





Bonus #1:
NICRA



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NICRA

Negotiated

Indirect

Cost

Rate

Agreement

What reimbursement would you rather get?

15%

De minimus

Fully
Funded

How do you get a NICRA?

- Check in with your cognizant agency
- Pick a Cost Accounting Methodology
 - Simplified Allocation
 - Multiple Allocation Base
 - Direct Allocation Method
- Dig into 2 CFR 200 for details
- Submit your Application

Bonus #2: KPIs



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KPIs for Sample Nonprofit: Special Needs Children

- # of daily therapist visits
- Cost per visit
- Quality of visits / treatment
- Quality of paperwork
- # of billing staff
- Collections rates (A/R, copay, deductible, etc.)
- Medicaid rate
- Average Mileage per visit
- Mileage and phone reimbursement rates
- Adequate staff equipment
- Staff turnover rates
- Claim denials
- Staff net promotor score
- Patient net promotor score
- Staff absenteeism
- Client missed visits
- Long-term patient success
- Outreach statistics
- Patients served
- Growth in patients served
- Development department performance

KPI tools:

- 100% Cloud-based
 - Sharepoint
 - Microsoft 365
- Case management system
 - Mileage
 - Therapist notes
 - Scheduling
 - Strong reporting
- Good accounting system
 - Strong A/R
 - Separate cost centers
 - Dept - level reports
- Good CRM

Pro Tip:

- Best Nonprofits To Work For (Annual Survey)



Additional Impact

- Children served grew from 1,100 to 1,500
- No need to increase billing staff

Further Reading

NICRA: Getting your Government Grants to Cover Indirect Costs

ROI in Nonprofit Technology Decisions

Unleashing Innovation: Using Everyday Technology to Improve your Nonprofit's Services

Technology Budgeting Worksheet

Automation for Nonprofits: What is It, How Does it Work, and How Can it Help Me?

Q & A



CASE STUDY



Sean Hale and Larry Fischer

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Bonus #3: Case Study



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Therapists performing Home Health as a not for profit 501(c)3

Cost of a Therapist

Salary	\$85,000
Fringe	\$17,000
Other expenses (phone, mileage, etc.)	\$9,500
Indirect Cost	\$ 22,300
Total	<u>\$134,500</u>

- Key Issues

- Mix of Clients

- Medicaid 65% \$125/visit
- Commercial 35% \$95/ visit
- Average Rate \$114/visit

How do we recover \$111,500 per therapist?

What KPI's drive our decisions?

- Recovered Rate per visit
- # of paid visits per day
- Available Days to work

How do we recover \$111,500 per therapist?

Available Days to work

Baseline	260 days
Vacation	-35
Holidays	-20
Spring Break	-5
Sick Days	-5
Team Meetings	-5
Total Available Work Days	190 days

How do we recover \$111,500 per therapist?

Average revenue per therapist

Average Rate	\$114/visit
Visits / Day	4
Work Days / Year	190
Potential Visits / Year	760
Potential Revenue	\$87,020

Oops! That's a \$46,000 shortfall!

Can KPIs and good data solve that?

1. Visit scheduling becomes a key item. (Visits per day cannot go below 4.)
2. How do we measure the quality of our visits?
3. We must be able to record therapy and issue claims to be paid. Must be recorded correctly.
4. Medicaid must be 65% of our paid visits.
5. We cannot have claim denials and must be paid in full for claims.
6. We must collect Co-pays and deductibles.
7. We must track mileage for accurate payment.
8. We need visibility in our monthly accounting reports compared to budget.
9. Are we hiring the correct staff and not turning over staff.

What KPIs do we need to track?

- Visits per day must be 4. Therapists must meet this number. How many extra visits do we schedule? How many cancellations do we have? Can we add a visit if there is a cancellation? How many claim denials and re-bills do we have?
- Do we have sufficient billing staff?
- What are our collections. (A/R, Co-pay, Deductibles)
- What is our Medicaid rate percentage?
- How much mileage are we paying? Are we getting the best cell phone rates?
- Do our field personnel have adequate equipment? (PC's and phones)?
- Can we integrate to the G/L? Does our G/L produce timely answers?
- Do we have good budget numbers to compare actuals with?
- For Government contracts do we have a NICRA in order to recover as much overhead as we can?
- How does our development department perform?
- What are our hiring statistics? Are we considered a best place to work in local "best to" publications?

Systems to track KPIs

- Must be in the cloud! Nothing can be manual. Must all integrate seamlessly.
- Medical system with claims processing. Integrate to maps to track. Must keep therapist notes. Must track results of therapy. Must process claims to payers.
- Visit Scheduling with Maps must be part of or integrate to Medical System. (Must average 4 per day)
- Must track by therapist and summarize weekly/ monthly/ annually.
- Mileage System that does not pay for first visit (considered Commuting and not deductible).
- Track payments and collections along with Co-pays and deductibles).
- Must drive results down to therapist level.
- Must integrate to G/L.
- G/L must track budget to actual. Track donor data. Track cost/revenue of the special events.
- G/L must have good separation of cost centers. Indirect Cost must be tracked.
- Need donor management system.
- Do we have adequate HR systems.

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