LANCASTER POLLARD

Sample Education Sessions for Hospitals

The ability of community health care providers to accomplish their mission depends on their ability to manage change. The cost and complexity of health care delivery continues to rise, government oversight expands, and payment sources continue to evolve.

Community hospitals will continue to need low-cost, flexible and creative capital funding solutions to accomplish their missions and remain competitive. A prudent capital funding plan creates growth via expansions and new construction, and it can both directly and indirectly influence such issues as recruitment and retention of physicians and other staff.

Lancaster Pollard offers these free sessions year-round to hospitals, their boards, and health care organizations. Each can be tailored to the audience, and requests for sessions not listed are welcome. To request a session, contact any of the offices below or e-mail edeforest@lancasterpollard.com.

Upswings, Downturns, the Yield Curve and You: Market Factors Impacting Financing

Constantly changing market factors can create opportunities to borrow where once there were none, and they can change a promising financing option into an inefficient one. Hospitals that plan to issue debt or otherwise borrow money to finance expansions, renovations or new construction must understand what these factors are, and how to monitor them, in order to choose the most cost-effective financing option.

- Learn what market factors to monitor in advance of a capital project (e.g. the yield curve, investor appetite for hospital bonds) and how those factors will impact various financing options' long-term costs
- Understand the current financing environment for smaller hospitals
- Review through case studies how market states and market shifts affected various hospital's financing decisions

Uncovering Financing Options for Community and Rural Hospitals

Many small hospitals often cannot access the capital necessary to make critical renovations and upgrades. Although profitable, many do not meet the high benchmarks bond rating agencies require to earn investment-grade ratings and are unable to raise the funds on their own. Yet small hospitals may be stronger borrowers than they think, and there may be more options available than they realize.

This program demystifies several financing options available to community and rural hospitals. It uses case studies to explain how actual hospitals evaluated their borrowing options and illustrates the various processes and results.

- Learn what financing options are available to community hospitals (including Critical Access Hospitals) to fund renovation, expansion, and new constructions projects.

- Determine specific advantages (and disadvantages) of each structure, including federal FHA 242 mortgage insurance and the USDA Community Facilities Program; taxable and tax-exempt bonds; letters-of-credit; bond insurance; and private placements.

- Case studies explain how several community hospitals chose to finance their progress.

(continued on reverse)

Financing Progress

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Financial Benchmarking through a Nonprofit Lens: Keeping your Mission in Focus

Traditional benchmarks for judging financial and investment performance are grounded in for-profit philosophy. Mission-based goals, however, do not always equate with for-profit financial goals. Basing the financial plan on for-profit benchmarks may detract from the mission.

Nonprofit organizations are designed to operate perpetually, with no exit strategy, so financial goals and measurements must be structured to facilitate this long-term mission. This presentation offers a set of financial targets rooted in a nonprofit perspective, allowing health stewards to keep their focus on current residents and keep their mission strong for the future.

- Look at financial goals from a nonprofit perspective, understand the differences between for-profit and nonprofit benchmarks, and learn the benefits of striving toward financial goals derived from nonprofit philosophy.
- Participants will learn the how's and why's of building liquidity and how to better analyze fund balances.
- Participants will be able to evaluate, from a long-term mission perspective, such expenditures as investment in physical plant, debt, and liquid assets.

Enterprise Risk Management: Optimizing Performance and Minimizing Risk

An organization's capital structure is its permanent financing structure, including long-term debt, equity and retained earnings. While a for-profit's optimal capital structure may minimize the total cost of capital *or* maximize the market value of equity, a nonprofit's optimal capital structure optimizes a mix of debt *and* equity.

One of the most significant dangers faced by nonprofit healthcare providers is the unintended assumption of unforeseen risk as organizations make tough decisions to improve competitiveness and capabilities. Creating an appropriate mix requires understanding both sides of the balance sheet, and their impact on one another.

- Understand how nonprofit investors differ from for-profit investors, and why for-profit strategies can threaten a nonprofit's mission.
- Learn to better assess the risks you are taking, and identify the ones you should take, by setting a risk tolerance liability benchmark that is based on your organization's own assets, liabilities, debt covenants and goals.
- Understand how a liability-driven asset allocation strategy and active maintenance can optimize a portfolio, smooth market volatility to create more predictable asset returns, and help a nonprofit maintain its financial strength for the life of its mission.

Financing for Future Flexibility

Many hospitals are familiar with the concept of hedging investments against volatility. The current sub-prime mortgage crisis and liquidity crisis in the capital markets is calling attention to the importance of broader "escape route" strategies: of hedging not just investments but an entire financial structure against potential market movements. Auction-rate bonds are failing to find buyers; credit is tighter; the markets continue to swing. Hospitals should ensure that when they close on a financing, they leave a window open. Otherwise, they may find themselves paying much more interest than they anticipated or even in default, even though their own credit profile or balance sheet hasn't changed.

This presentation reviews market conditions and explains how various financial tools and requirements can be structured to provide for flexibility.

- Learn how market shifts can impact your financing strategy.
- Understand how debt covenants and prepayment penalties impact long-term financial flexibility and the affordability of future projects.
- Learn how bonds, letters of credit, swaps and other tools and vehicles can be structured to allow financial flexibility – and the potential pitfalls if they're not.