Important Content Note:

This technical assistance resource was developed prior to the August 2017 release of the Health Center Compliance Manual by the Health Resources and Services Administration’s (HRSA) Bureau of Primary Health Care (BPHC). The BPHC Compliance Manual, issued August 2017, indicates where PINS, PALs and other program guidance are now superseded or subsumed by the BPHC Compliance Manual.

See:
The Board’s Role in Strategic and Capital Planning

Strategic planning and capital planning are two of the most important activities in which a health center’s board of directors (and management team) can engage because it sets the health center’s course for the coming years. Strategic and capital planning isn’t about the board and staff predicting the future. It’s about making decisions to best position the health center to survive and to even take advantage of potential changes over time. Although planning doesn’t assure that a specific result will follow, it does set in place a proactive process for achieving goals that will support the health center’s mission.

In order for the board to fulfill its duty to ensure that the health center’s current position is viable, and to be in a good position to explore options for expanding access in the future (including, but not limited to the establishment of new sites and services), strategic and capital planning should hold prominent positions in the health center board’s commitment to the organization. Further, Section 330-Related Requirements hold health center boards responsible for establishing the health center’s annual and long-term goals, measuring and evaluating the center’s progress in meeting such goals, and developing plans for the long-range viability of the organization. Strategic and capital planning are essential elements in exercising these responsibilities.

As discussed below, often, strategic planning and capital planning involve lengthy processes that need to be accomplished over time. The good news, however, is that all of the effort and hard work that the board of directors, together with the management team, puts into strategic and
capital planning will be rewarded, if treated as a high priority. First, as will be discussed below, engaging in the process itself is of great value to the health center because in the planning process, the board and management team define “success” for the health center and clarify its mission and goals. Second, the product of the strategic and capital planning processes will be a well-constructed road map of operational and programmatic steps to achieve the health center’s goals within a specific time frame.

In general, the goals of a health center’s strategic planning process are to:

♦ Clarify the mission and goals to all stakeholders
♦ Assess whether the health center has been effective in meeting its mission
♦ Consider whether the organization is doing what it should be doing or if there should be changes
♦ Address the external environment in which the health center operates and consider the impact of change and uncertainties
♦ Develop a framework of strengths, weaknesses, opportunities, and challenges to help make program and financial decisions
♦ Develop priorities and strategies to guide staff to achieve specific organizational aims throughout the year

This Information Bulletin:

♦ Describes why the strategic and capital planning processes are important
♦ Reviews key components of the strategic planning process
♦ Explores the steps in capital planning and the preliminary questions health center boards should ask themselves before engaging in a capital project

WHY CONDUCT STRATEGIC PLANNING?

Planning is identifying a goal and breaking it down to a set of intentional actions to take to achieve that goal. It’s defining the vision – the dream – that board members, management, patients, and the community all have for the health center and action steps to achieve the dream. Planning is strategic for health centers when the process assures that the services provided by the health center are informed by the needs of the community and other related trends that impact the center such as funding options, competition, changing demographics of the service area, or workforce and leadership.

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THE STRATEGIC PLANNING PROCESS

The strategic planning process varies from center to center depending on the size of the health center, the level and success of previous planning efforts, and other unique characteristics of the health center and the community it serves. However, a common thread is this – despite the importance of strategic planning, often this activity is unintentionally given little attention. With limited time in monthly meetings and full agendas, boards typically are forced to spend a significant portion of their time reacting to matters related to the oversight of day-to-day operations of the health center they govern and do not have sufficient time to devote to planning for the health center’s future.
In order for a health center board of directors to be fully invested and engaged in the health center’s planning process, the process itself needs to be clear and structured, with a defined role for board members. That is not to say, however, that the full board needs to participate in every step of the strategic planning process. In fact, as will be discussed below, the board of directors should leave certain parts of the planning process to other essential stakeholder groups.

It may be wise for the board to engage in strategic planning away from the health center and outside of its normal meeting schedule. With this in mind, strategic planning is often conducted during a one or two-day retreat with board members and the health center’s management team, without disruption or distraction of common daily occurrences at the health center.

While some health centers are comfortable with, and capable of, engaging in a strategic planning process on their own, others may benefit from the use of a professional facilitator who will be present for all or part of the process. Often, this individual is someone familiar with health centers in general, but who is not on the staff or board of the particular center. The use of a professional facilitator can be particularly helpful if the current dynamics of the board are less than ideal. A neutral “out-sider” may help motivate the board to work together in a more cohesive manner to achieve common goals.

The planning process should be a time for board members to consider their vision and values for the health center. It’s a time to be creative and think “outside the box,” within the context of known realities and facts. Prior to the retreat, the board may designate a committee to oversee and take the lead in planning the process.

As for the substance of the strategic planning process, it is about addressing three questions:

1. **Where are we now?**
2. **Where do we want to be?**
3. **How will we get there?**

For guidance on developing answers to these three questions, see the resource [Creating a Dynamic and Useful Strategic Plan: A Toolkit for Health Centers](https://www.nachc.com) on the MyNACHC Learning Center, www.nachc.com. Published by NACHC and Capital Link in 2015, the Toolkit includes templates for conducting a self-assessment, an environmental scan, an impact evaluation, strategic goals and objectives, and an action plan.

### Where Are We Now?

The foundation of an effective strategic planning process starts with a review of the present environment inside the health center, in the community served by the center, and within the larger state and national arena (including the current social, economic, and political environment as well as any anticipated changes in those areas). To understand the current environment, the board’s strategic planning committee should gather information about the status of current health center strategic priorities. The following are sources for information for the board to review:

♦ **Community needs assessment** – This assessment helps to identify the health care needs of the center’s target and patient populations. Board members should make sure that the needs assessment used for strategic planning is not more than five years old.
♦ **Health Center Program grant application** – The grant application defines the organization’s current services, staffing, clinic sites, and target population. It serves as a good reference point for board members to understand the scope of the health center’s services and the way in which (and where) services are currently provided.

♦ **Patients and staff satisfaction surveys and board self-evaluations** – The results of these surveys and evaluations will provide the board with information that can be used to set strategic planning goals for improvement.

♦ **Clinical and financial performance measures** – These annual and project period measures are found in the Health Center Program grant application and annual reports (such as the health center’s annual Uniform Data System (UDS) Reports). The measures give the board a picture of the health center’s current clinical and financial performance and identify areas for establishing improvement goals in the strategic plan. The UDS Reports also provide the basis for trend data comparing the center’s performance in certain measures to other centers within the state and to health centers nationally.

♦ **Internal and external organizational assessment** – Organizational assessment commonly uses a tool called SWOT analysis, which looks at strengths, weaknesses, opportunities and threats. SWOT analysis is most valuable when information is gathered from various stakeholders, such as the management team, clinical leadership, health center partner organizations, patients, and board members themselves.

**Conducting an Accurate and Complete Internal Organizational Assessment**

Conducting an accurate and complete internal organizational assessment is an ideal way to start the strategic planning process and to make the process more “tangible” and less “theoretical” by providing specific areas examples of areas where the health center is meeting (and exceeding) goals and areas where it needs to improve. Further, if the health center’s board of directors does not have an accurate and comprehensive understanding of the health center’s strengths and weaknesses at the outset of the strategic planning process, the process itself will not produce valuable and useful results for the health center.

In order to conduct an organizational assessment, the board of directors (or the board committee organizing the self-assessment) should collect information from all of the health center’s relevant stakeholder groups, such as board members themselves; the management team and clinical leadership; patients; affiliation partners, if applicable; anyone else that the board of directors and management team believe would have a thoughtful and useful opinion on the health center’s strengths and weaknesses.

There are a variety of ways that the health center can perform the organizational assessment depending on the culture of the health center – from asking participants to complete an assessment checklist on their own time and return it to the health center at a later date to hosting a meeting where groups of specific stakeholders (such as a group of patients or a group of clinical providers) respond to questions about their perception of strengths or weaknesses, or what goals are being met and which ones are not.
As a starting point for an organizational assessment, the board of directors might consider asking questions related to current strategic priorities. For example:

♦ Are staff and board members clear about current strategic goals and objectives that will enable the center to achieve its mission?

♦ Does the health center have the right people and capabilities, and do their roles align with current strategic priorities?

♦ Are health outcomes of patients improving? How do we know? What is the evidence?

♦ Is the financial management system achieving billing and collections goals for different payers?

♦ Has staff retention improved?

Just as important as obtaining the results of the assessment(s), is the comparison of results among the different groups. By asking representatives from each of the health center’s stakeholder groups to participate in the organizational assessment process and comparing the results among the different groups, the health center will gain a more clear understanding of its actual and perceived strengths and weaknesses.

Conducting an Assessment of the External Environment

Not only must the health center’s board of directors look inward at the health center’s mission, values, strengths and weaknesses, but it must also look outward at its surrounding environment and its position in that environment.

Specific areas of consideration when evaluating the environment include:

♦ The business environment – This evaluation includes the economic and regulatory climates, social and demographic trends, and technology available to the health center (e.g., use of electronic medical records, online patient management system, and telemedicine).

♦ The competition (if any) – This evaluation allows the board to consider how the health center competes with other similarly situated health care entities in its service area and whether there are any collaboration or affiliation opportunities that the health center should be pursuing in lieu of competition as a means of leveraging resources, combining expertise and capacity, and avoiding unnecessary duplication.

♦ The health center’s market and current consumers – This evaluation allows the board to analyze the health center’s effectiveness in providing necessary services to the populations that it intends to reach, as well as whether the health center should pursue expansion of services and/or sites, try different approaches, maintain its current position in the marketplace, “right-size” or downsize in certain areas. Conducting a market assessment helps to identify the underserved needs and populations in the health center’s service area and highlights opportunities for service expansion.

♦ The opportunities and threats that the health center faces – This evaluation provides the board with an opportunity to look at the bigger picture and to consider other opportunities and threats not otherwise evident from a review of the business environment. A discussion that summarizes the overall opportunities and threats is a useful tool in developing the strategic action plan.
Involving Key Stakeholder Groups in the Planning Process

While the health center’s board of directors, with support from the management team, is at the heart of designing and directing the strategic planning process, as noted above, other stakeholder groups may be invited to participate in the strategic planning process or parts of it. These include (but are not limited to):

- The health center’s clinical leadership
- Health center patients
- Individuals who are not health center patients
- Other health care provider organizations
- Community business leaders
- Affiliation / collaborative partners

By including these stakeholder groups, the board can get a more accurate picture of the health center today and how it should plan for the health center’s future than it could by just engaging in the process itself. Further, not only will the consideration of differing points of view make the assessment process better, but the board’s commitment to ensure that the opinions of these stakeholder groups will be given weight will also help to create good will in the organization.

While inclusion of various stakeholder groups is important, it is not practical to allow every stakeholder group to participate at every stage of the strategic planning process. Though stakeholder groups may be involved actively in the process, the board of directors must continue to exercise leadership over the extent of stakeholder involvement, which may vary by group. If there are a number of stakeholder groups who want to participate actively, the board should consider creating specialized task forces to work on issues prior to the strategic planning event so that it can encourage participation without creating the problem of “too many cooks spoiling the broth.”

By the same token, the full board of directors will not have the time or energy to participate in each part of the process. For this reason, the board should allow the “heavy lifting” of the strategic planning process to be handled by a planning committee comprised of board representatives and representatives from other stakeholder groups.

For many health centers, the planning committee is one of the standing board committees described in the health center’s bylaws and the membership on the committee is defined by the bylaws. If membership on the planning committee is only for board members, the board should consider appointing members of other stakeholder groups to participate on an advisory basis, if necessary. For health centers without a standing planning committee, presumably the health center’s by-laws would allow the board of directors to appoint such a committee on an ad hoc basis.

Where Do We Want to Be?

As a next step, the board of directors, whether itself or through a committee, will take the information from the internal organizational assessment process and the external environmental analysis and distill it into strategic priorities that focus on what the health center needs to accomplish going forward.

Priority topics may include:

- **Enhancing patient-centeredness**, such as:
  - Service improvement
  - Personal health management
  - Community development
Strengthening the center’s workforce, such as:
– Recruitment
– Staff development and continuous learning
– Staff retention and joy in the workplace

Assuring compliant systems, such as:
– Corporate compliance
– Health regulations
– Risk management

Expecting results-oriented feedback, such as:
– Data driven improvement
– Health information technology development

Assuring financial stability, such as:
– Demonstrated cost efficient operations
– Growth in new funds
– New market expansion

Maintaining an aligned system:
– Strategic partnerships
– Demonstrating value

Strategic priorities should be defined as much as possible so staff and board members have a clear understanding of expectations.

How Will We Get There?

The next step – creating an action plan to achieve the strategic priorities – is where the rubber meets the road. This is where the board or the planning committee identifies goals, measureable objectives, activities and action steps (and the priority of each), who is responsible for each step, and what milestones will be tracked. Milestones are important to help keep staff and the board on track over time and to measure progress toward achieving the intended impact.

Throughout the next several years, the board will monitor the plan for achieving the strategic priorities. Priorities in the plan will be used by the Chief Executive Officer (CEO) to set his/her performance goals and used by the board to assess CEO performance. The board will use the strategic action plan as a framework for assessing their own performance. The plan will be used to develop annual work plans and operating budgets and to drive a culture of improvement within the health center.

The creation of a definitive strategic action plan is often the point at which the strategic planning process falters. There are many reasons why this happens and health centers and their boards should pay attention to avoid these common roadblocks.

Lack of adequate time – Make sure there is sufficient time to transform the strategic priorities identified during the assessment process into specific action steps that are assigned to board members and staff to ensure that the plan is implemented. It is easy to spend too much time and energy on conducting the Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis, including the internal organizational assessment and the external environmental analysis, and developing the general priorities, only to realize that you have to rush through developing the specific strategic action steps.

Endless planning – The board of directors should avoid the tendency to engage in a planning process that has no defined end. It can be easy to get so caught up in the process itself that the health center fails to define and take concrete steps toward implementing the strategic action plan. While boards should allow sufficient time to engage in a meaningful planning process, there should also be a time frame established in which
the planning group (whether it is the board alone or supported by a board committee) schedules an end to the discussion and starts defining the specific steps that management must take to realize these priorities.

**Unusable documents** – The board of directors should ensure that strategic planning documents, from the internal organizational assessment and external analysis through the strategic action plan and expected outcomes, are accurate, concrete, and thorough.

If you are going to take the time to plan, do it right.

1. Talk through alternative scenarios for realizing your aims.
2. Map out ways to test them.
3. Be concrete about guiding values, deadlines, and ways to evaluate your experiments.
4. Put enough flesh on the bare bones of your plans to keep the document alive and kicking.

The result will be a plan that:

- Defines performance goals and objectives to achieve the health center’s mission and vision and identifies action steps for implementation
- Responds to the health care needs of the target and patient populations
- Assures the financial well-being of the health center
- Guides strategic and operational decision-making and action
- Improves the value of the health center to its patients and the community
- Reflects current conditions with the health center and its marketplace.¹

**CAPITAL PLANNING**

Strategic planning processes often generate capital planning projects that can be significant in terms of both money and time. An upfront investment in capital planning will yield significant benefits in terms of costs, time, and overall usefulness of the capital asset plan.

In general, the goals of a health center’s capital planning process are:

- Ensure sufficient capital assets to support the health center’s mission in the future
- Assess external factors that will impact health center assets and determine what opportunities and challenges exist there
- Evaluate the health center’s progress in meeting capital asset goals it has set for itself
- Develop capital priorities and a strategy for implementation

¹ From the document *Governing Board Responsibilities and How to Do Them*, chapter 3, NACHC 2011.
Keys to a Successful Capital Planning Process

1. Assess the physical condition of property (equipment or facility), whether owned or leased.

2. Identify the current and future capital needs of the health center.

3. Define the scope of the capital project(s).

4. Establish the cost of the project(s) and creating a project budget.

5. Develop a plan for financing the capital project.

6. Create a plan for completing the project within the project budget.

A number of useful and free resources that support successful capital planning are located on the website of Capital Link, a nonprofit organization that assists health centers in planning and obtaining financing for capital projects. http://www.caplink.org/ Resources can be viewed after signing in to the site. They include:

♦ Spotlight on Capital Resources: Community Development Financial Institutions (2014) – describes CDFI and their role in providing capital to businesses, including health centers.


♦ Assembling a Capital Project Team (2013) – a “how-to” guide on assembling a skilled team, including responsibilities of team members and how they contribute to a capital development project.

♦ Engaging Staff and Community in Defining Your Capital Project (2013) – offers tools and techniques to solicit input from health center staff and community members to inform the design of a capital project.

The Board’s Role in Capital Planning

As fiduciaries of the health center, the board must make decisions that allow the health center to grow in a way that makes sense in the health care environment in which the health center exists, while, at the same time, ensures the protection of the health center’s mission, values and resources. In other words, the board needs to ensure that the capital planning project is in the best interest of the health center.

While much of any capital planning process will be managed by the health center’s senior staff, the board of directors has a key role to play in monitoring the progress of the process. It does this by asking itself the following questions.

Is this Project the Best Way to Accomplish the Center’s Mission?

This question reflects the overlap between strategic and capital planning. As discussed above, the board of directors must constantly evaluate whether the steps it is taking are consistent with, and further, the health center’s mission. Engaging in the capital planning process without answering this question is the equivalent of putting the cart before the horse. Missing this step could send the health center management into the midst of a complicated and time consuming planning process resulting in the purchase of equipment or property that impedes or contradicts the health center’s mission, or simply does not advance stated goals, at the expense of real priorities.
As capital planning is a fundamental part of strategic planning, the board should answer this question as part of the strategic planning analysis. The answer to this question could lead to a major shift in strategy, such as abandoning or fundamentally reshaping a project.

Is This Project Fiscally Prudent?

The board of directors should approach this question in two ways:

♦ Is the project within the health center’s budget?
♦ What will be the effect of the project and expanded services on the health center’s future revenues and expenses?

Not only does the board need to analyze the actual cost of the project, but also what the long-term financial impact of the project will be on the health center. Comprehensive financial projections of the health center’s balance sheet, income statement and cash flow are critical undertakings at this junction.

Is the CEO Leading the Project Effectively?

As the board will not be involved in the day-to-day management of the capital planning process, it needs to ensure that the project is being managed effectively by the CEO. Evaluating the CEO is already one of the board’s responsibilities under the Section 330-Related Requirements, which require that the board approve the selection and dismissal of the CEO and evaluate his or her performance. The planning and accomplishment of the health center’s capital projects are (or should be) an important element of the CEO’s overall performance, as well as an essential part of his or her job description. As such, the board should incorporate a review of the CEO’s leadership in implementing capital projects in the annual evaluation.

In order to ensure that any board-approved capital project is being effectively managed by the CEO, and to correct any significant budgetary or policy issues in a timely manner, the board should require periodic reports from management regarding the project’s status and success in meeting deadlines. If a review of the CEO’s leadership of the capital planning process does not coincide with the board’s overall annual evaluation of him or her, the board can utilize the periodic capital project reviews and deliverables as part of its overall evaluation. If the processes are simultaneously ongoing, then the capital planning evaluation can be incorporated in the overall evaluation process.

Either way, when analyzing whether the CEO can effectively lead the capital project, it is important that the CEO evaluation tool be “flexible” enough to accommodate modifications to the capital project. In addition to developing a flexible evaluation tool at the outset of the capital planning process, the board should continuously reevaluate the tool throughout the process to ensure that it accurately measures the CEO’s success and, if it does not because the project has changed, it is adapted to do so.

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How Can the Board Be More Helpful to the CEO?

While the capital planning process is complicated and time-consuming for the board of directors, it is even more so for the CEO and senior management of the health center. The board cannot and should not be involved in the day-to-day planning of the capital project, but should not be so far removed from the process that it cannot step in if problems arise that the board can and should help resolve.

The board should find the middle ground between becoming too involved and being completely detached. In order to find this middle ground, the board should communicate regularly with the CEO regarding the status of the process, support the CEO in managing the day-to-day requirements of the project, and challenge the CEO if it becomes clear there is a problem with the management of the project. The board of directors should plan to participate actively in the “significant” decisions related to the capital project and allow the CEO to manage the day-to-day aspects.

Specific Capital Planning Issues that Should Include Board Involvement

What will be considered “significant” decisions related to the capital planning process will be health center-specific and dependent upon the type and size of project being undertaken. At the outset of the planning process, the board, in consultation with the CEO and other senior staff, should determine in which decisions the board will be involved, and which will be left to the discretion of the CEO. Capital Link suggests that the following could be considered “significant” decisions and should include board input:

- Project scope (building size, services to be provided, numbers served, etc.)
- Project budget
- Project schedule
- Selection of major project consultants (architect, builder, etc.)
- Site selection
- Final design option
- Project funding and the terms of any loans

Using a Capital Planning Project Committee

Time is a precious commodity for health center board members. Board meetings are full to begin with—notwithstanding all of the work a capital planning project requires. Numerous demands and limited time prevent many health center boards from devoting sufficient time to shepherding the health center through the capital planning process. For this reason, it may make sense for the board to appoint a capital project committee to serve as liaison between the full board of directors and the health center’s senior staff. The full board would still be involved in the “significant” decisions related to the capital project, but the committee should work with the health center’s senior management on a more regular basis and keep the full board briefed on relevant issues. If the health center has a planning committee, it may make sense for capital planning to be one of its responsibilities.
CONCLUSION

The board’s role in the strategic and capital planning processes boils down to two words — active oversight — finding the balance between being disengaged and overly-involved.

The board of directors must:

♦ Establish the framework for both the strategic planning and capital planning processes

♦ Ensure that sufficient time and energy are dedicated by relevant stakeholders (including members of the board themselves) to making the processes work

♦ Define and guide the health center through each of the important and “significant” implementation decisions emanating from the planning effort

In some cases this might mean that the full board is actively involved in all aspects of the planning processes. In other cases, a board committee may be assigned to do most of the leg-work with the management team’s support; the full board having a limited role in the process.

While there are countless ways that health center boards can engage in the strategic and capital planning processes, the key components and questions described above provide a solid foundation for such processes. Ultimately, the strategic and capital planning processes will be only as useful to the health center as the health center is willing to make them. These processes require sufficient buy-in, time, effort, and leadership from the board in order to be successful.