ARE YOU READY TO BEGIN A CAPITAL PROJECT?

A Guide, Toolkit and Resources for Critical Access Hospitals and Rural Health Centers

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INTRODUCTION

Even with good, efficient planning, the capital development process for critical access hospitals (CAHs) and rural health clinics (RHCs) can take from two to three years from initial project concept to completion. The length and complexity of the process speaks to the importance of pre-planning to develop a clear, well-thought-out concept. Your project concept must be clear to the entire organization[1] and Board or you will be unsuccessful in conveying its benefits to the community and potential funders. Project ideas that have not been vetted through or accepted by the community can get derailed. Also, capital projects that are overbuilt for the demand for care in the service area can result in financial destabilization.

You should begin by acknowledging that every facet of your organization will be affected by the realization of your project, including your patients, staff, programs, operations, community, and your financial viability. When viewed through this lens, it is easy to understand the importance of thinking strategically about your project before you consider design. This is true even though your building project may house only a small portion of your programming. Of course, it is especially true if your new building will replace your existing facility. Strategic thinking and planning is the lynchpin of a successful project.

Poorly-planned project concepts often go through fits and starts through the design phase, thereby escalating design costs and pushing the construction timeline back. Architects like to refer to the Rule of Tens: changes that costs one dollar during the planning phase of a project can cost thousands or even tens of thousands during construction. A strong planning process pays for itself many times over!

The purpose of this document is to provide both a guide and useful tools to evaluate organizational readiness to begin the capital project development process, with the goal of helping your organization avoid the pitfalls that insufficiently planned projects can encounter.

[1] Throughout this manual, the generic term “organization” is used to reference both critical access hospitals and rural health clinics.

HOW TO USE THIS MANUAL

This manual is arranged to provide the user with a clear and logical process to understand the organization's current capability and capacity to successfully complete a capital project. It provides questions assessing different aspects of pre-planning activities that should be considered before building, along with the context describing why the questions are asked and advice for next steps. Also included are tools that may be used to access and record critical information needed to ascertain the organization's readiness.

The manual is divided into two major evaluation sections (Self-assessment and External Influences) that can provide your organization with guidance in evaluating the many factors that will affect your project or your ability to complete your project. Each of these two sections is further divided to include a **Guide** that provides suggestions, questions and forms for focusing your efforts on the issues important to that section and **Tools** you may use to explore and record the results of your investigation. For each tool listed, there is a brief description of how and who in your organization should use it.

Finally, a third section provides a **Readiness Summary** designed for you to gather the results of your evaluation efforts into a single document. Completing this summary offers decision-makers a clear snapshot of the organization's current capability to undertake its capital project.

SELF-ASSESSMENT GUIDE

Is this capital project the result of proactive planning or reaction to outside pressures or opportunities?

Strategic planning provides the board and staff with overarching goals for the next five to ten years as well as short-term action steps. The capital planning component of your strategic plan provides goals and action steps with regard to long-range facility needs, considering whether your organization is meeting the short- and long-term needs of the existing patient population as well as the unmet needs of the larger market, identifying financial improvements, operational efficiencies, and the constantly changing policy environment.

The Questions to Ask	Why?	What to Do Next
Is this capital project clearly integrated into the organization's strategic plan? Does your organization have sound planning processes in place? Is your organization aware of its financial capacity to take on a capital project?	A capital project should flow naturally out of a comprehensive organizational planning process. If management, staff and board are not all on the same page with the organization's strategic direction and need for the capital project, many false starts will be encountered. The first step in capital project readiness is evaluating readiness for organization-wide planning. Determining a baseline level of commitment of resources, financial capacity, and ruling out any major environmental factors helps "clear the decks" for a successful planning process.	Take time to assess the commitment to and appropriate timing of your organization's strategic capital planning process. **Access the Self-Assessment Tool #1 Readiness Checklist.**
		Evaluate your organization's financial health and capacity to undertake a capital project. **Access the Self-Assessment Tool #2 Financial Capacity Review**.
		If planning readiness appears low, step back and take time to educate your board, staff and management team on the importance of a capital project resulting from a comprehensive organizational planning process.

Has your organization assembled an internal project team? Does your organization have a clear internal decision-making process?	A capital project will test your organization in different ways than daily operations do. If a clear decision-making structure is not in place at the start, the project could get held up in the design or construction phases with much back-and-forth that gets expensive (remember the Rule of Tens!). It is especially important that a point-person be established to ensure a clear decision-making process.	Create internal project team of 5-7 members that includes a mix of Board members as well as administrative and clinical staff. The team should represent all aspects of what you do as an organization. **Access the Self-Assessment Tool #3 Defining Roles** and **Strategic Assessment Tool #4 Who's Who Worksheet**.
		Consider hiring a project manager who can execute your plans and add value with their design/construction experience.
		Most importantly, establish a point-person to head up the capital project planning process.

Are you sure that your organization has maximized its current facility?

Before you look to a new facility, a thorough analysis of your current operations will help in two ways: (1) Ensure that your new facility has the most efficient layout and effective program delivery, and (2) Confirm if you need to expand at all! Below are some questions that any organization should ask before it finalizes a project concept.

The Questions to Ask	Why?	What to Do Next
Do you know if your center is operating efficiently?	While your organization may be feeling cramped in its current facility or like it simply cannot take in any additional new patients, there may be a few aspects of your operations you could address in the short-term	Complete an analysis of your organization's operations, looking closely at key productivity, staffing and utilization metrics.

	that would either give you more time or perhaps eliminate your need for an entirely new facility.	**Access the Self-Assessment Tool #2 Financial Capacity Review**.
		Talk to a facilities expert to assess how your current space could be better laid out to allow for more productive operations.
		Evaluate your scheduling template to ensure that it is the best fit for your program delivery strategy/ provider style.
		Consider expanding hours of operations.
Do you know if your center is operating effectively?	Especially if you are considering adding new programs, it is important to know your organization before you attempt to redefine it. A program assessment will help your organization understand which programs are meeting their financial and mission-driven goals and which programs may need to be revamped or discontinued.	Prepare an objective analysis of all of your current programs. Ask which program is effective and which if any are not? Which programs are covering their own costs? **Access the Self-Assessment Tool #5 Operational Readiness and Quality Assessment**.
Is your model of care delivery the best fit?	Planning for a capital project is an ideal time to bring in a new model of care if your current one is not as effective it could be. It is worth taking time to work with your providers to ensure you are using the best model, whether or not you proceed with developing a new building.	Work with your provider group to evaluate the effectiveness of your current care-delivery model. Develop the most effective model of care given the needs of your patient population. **Access the Self-**

		Assessment Tool #6 Physical Space Assessment.
Is your current referral network effective in meeting the needs of patients?	Whether you stay put or build a new facility, a careful evaluation of your referral network may help you see new opportunities for collaboration, joint ventures and co-locating with other services and/or providers.	Evaluate types and volume of referrals not meeting the needs of patients (e.g. referred service provider too far away); consider incorporating services into your future program plan.
Is your organization as productive as it could be?	If you want to expand your facilities because you are currently not profitable, it may pay to take an honest look at your operations to understand whether the facility is the key issue or whether any operational improvements could be made. This exercise will also ensure that when you are ready to expand your operating model is as strong as possible.	Compare your medical provider productivity to benchmarks and goals established by your organization's board. Work with your providers and an operations expert to determine whether low productivity is the result of facility constraints or other factors.

SELF-ASSESSMENT TOOLS

All capital planning processes should begin with a thorough organizational appraisal. The self-assessment tools in this section will help an organization plan for its capital needs by first reviewing what it does, how well it does it, and how prepared it is for growth. These tools are designed to help the organization evaluate its physical and operational capacities, operational efficiency, financial performance, and readiness for growth and policy changes. Completing this step will give the organization an improved understanding of its current capabilities along with findings that will be used to plan and design their capital project.

Self-assessment Tool #1: Readiness Checklist

Is the staff ready? Is the board ready? Are resources available? Is the timeline developed? This quick checklist can help you avoid delays, obstacles, and false starts, which can reduce the staff's confidence in the process.

How to Use: *Use this tool as a final checklist before beginning the capital planning process. The list should help you ascertain how prepared you are to begin the planning process. If your organization has answered "No" or "Unsure" to more than four of these questions, more focus on readiness is needed.*

Who Should Use: *CEO and Board Chair*

Are the following components for successful planning in place?		Yes	No	Unsure or N/A
1.	Commitment, support, and involvement from top leadership			
2.	Clearly defined roles and expectations for all participants in the process, including who will provide input and who will be the decision makers			
3.	Willingness to gather information and input to ensure the relevance of programs to current community needs and the buy-in of all stakeholders			
4.	Appropriate planning committee mix: strategic thinkers and doers (those able to see things through to completion), and big-picture/conceptual thinkers and detail-oriented/perceptual thinkers			
5.	Willingness to be inclusive and encourage broad participation of neighbors, small businesses, the health and human			

Are the following components for successful planning in place?		Yes	No	Unsure or N/A
	services community, and community-based organizations so that people feel ownership of and are energized by the process			
6.	Commitment of resources (e.g., staff time, board time, dollars spent on market research, consultants, etc.)			
7.	Board and staff understands the purpose of the capital project and has clarity on the critical components of it, including possible expansion of services			
8.	The financial systems and position to sustain the demands and drains of a major capital project			
9.	Top management's commitment to careful consideration of recommendations rather than disregarding decisions in favor of his or her intuitive decisions			
14.	Board's and top management's willingness to articulate constraints and non-negotiable items upfront			

Self-assessment Tool #2: Financial Capacity Review

This tool provides an overview of an organization's financial strengths and weaknesses by comparing 15 important indicators vs. established targets and industry standards. Measures tracked include productivity, cost, staffing, and utilization since they greatly influence financial success and growth capacity.

How to Use: *In the table below, list your organization's data and compare to appropriate targets, your own targets, and peer result. To the extent you are able to identify weaknesses in any area, consider how these may limit progress on strategic goals and how to address them going forward.*

Who Should Use: *CFO, for presentation to the full Board*

PERFORMANCE SNAPSHOT (Sample)	**Capital Link Target**	**Organizational Target**	**Current Year Results**
FINANCIAL HEALTH			
Operating Margin	>1-3%	-	-
Bottom Line Margin	>3%	-	-
Days Cash on Hand	>30-45 Days	-	-
Days in Net Patient Receivables	<60 Days	-	-
Personnel-Related Expense as % of Operating Revenue	<70-75%	-	-
Salaries to Net-Patient Revenue	N/A	-	-
PRODUCTIVITY & FINANCIAL OPERATIONS			
Physician Visits / Physician Full-Time Equivalent Employees (FTEs)		-	-
Mid-Level Visits / Mid-Level FTEs		-	-
Medical Patients / Medical Provider FTEs		-	-
Medical Patients / Total Medical Staff FTEs		-	-
Accrued Cost per Patient Visit		-	-

Accrued Cost per Patient	-	-
STAFFING & UTILIZATION		
Medical Support Staff Ratio	-	-
% Admin & Non-Clinical Staff Ratio	-	-
Patient Visit Growth Rate	-	-
HOSPITAL-SPECIFIC		
FTEs per Adjusted Occupied Bed	-	-
Average Daily Census Swing Beds	-	-
Average Daily Census Acute Beds	-	-

Self-assessment Tool #3: Defining Roles

This tool identifies who will be leading and participating in the capital planning process and defines their roles, considering the involvement of staff and board members as well as patients, policy makers, and other community stakeholders.

How to Use: *Identify strategic capital planning participants and assign tasks and responsibilities. First, consider the following preliminary questions. Then, based on your answers, fill out the "Who's Who Worksheet" on the following page to identify the roles and responsibilities of specific individuals.*

Who Should Use: *CEO and Board Chair should develop a proposed "who's who" list for review by the board.*

Preliminary Questions for Discussion:

- Who makes what decisions?
- Who will be the point person to coordinate the project team?
- How much involvement will be sought from the board and the staff?
- Which board and staff members should be on the project committee (and should we include non-board members)?
- Should we include patients in the process (beyond community board members) and if so, how?
- Should we include policy makers in the process and if so, how?

- What outside stakeholders can help inform the process?
- What professionals should we consider to work on the project (architects, builders, etc.)? What should their responsibilities be?

Self-assessment Tool #4: "Who's Who" Worksheet

Leadership and Coordination			
Title	Name	Role	Key Responsibilities

Contributors			
Stage	Name, Title	Role	Key Responsibilities
Self-Assessment			
Environmental Scan			

Self-assessment Tool #5: Operational Readiness and Quality Assessment

This tool contains a two-step process for reviewing both the effectiveness and quality of current operations as well as organizational readiness for change. First, it provides a range of questions to help you clarify your operational model. Second, it prompts you to complete a program evaluation including what's currently working well and opportunities for program growth and improvements to continuity of care.

How to Use: *Your responses to the questions below will create the framework for a growth program of services and will begin to define how that program can be provided with clarity and effectiveness in your community. Use this tool to generate discussion at a strategic capital planning retreat or assign this task to a work group of staff and board representatives to discuss and report findings to the full board at a retreat.*

Who Should Use: *Clinical/operations leadership and/or a committee with intimate knowledge of operations.*

Clarify Your Operational Model

1. Who is your "Community"? Does it include all residents of your geographic region or a targeted sub-group of residents? Or is the geographic region loosely defined? Will your definition of "community" need to change to accommodate growth?

2. What are the possible points of entry at your facility? How does someone become a patient? Is this process consistent with your vision? If not, what impact does that have on your strategic plan?

3. How do your patients define the care they receive at your organization when talking with friends and family? How do your employees define their employer when talking with friends and family? Do your answers reflect a need to redefine your organization in order to support growth?

4. How are we doing with respect to quality measures and patient satisfaction? What are we doing well and what needs improvement?

5. How would you describe your daily patient flow patterns? As smooth as a quiet pond or as tumultuous as the changing ocean tide? Tailored to organizational objectives or patient requests? Do your answers suggest that changes in staffing, hours, facility, or services are needed?

Self-assessment Tool #6: Physical Space Assessment

Every strategic plan must include thoughtful analysis on an organization's physical space. The impetus for this necessity comes from many sources. Does your clinic have enough space to accommodate current needs and future growth? Is your operating model likely to change, thus requiring a different space design? Will you be adding services that require specially-designed spaces? What is the condition of your current buildings? Do you lease space and wish to own?

How to Use: *Answer the questions below to identify your potential physical space needs.*

Who Should Use: *Leadership Team, working in conjunction with the project committee*

1. What is the age and physical condition of your existing buildings? Will any need to be renovated, replaced or expanded in the next five years?
2. Is your existing space sufficient to accommodate future growth? If not, what new or improved space will you need in the next five years?
3. Do your existing facilities help you attract patients, and recruit and retain providers?
4. Is your existing space configured in a manner that provides optimal productivity and enables potential operating model changes?
5. Are your current sites located appropriately to serve your market and provide you with a competitive advantage? Are there new markets you are considering that will require additional sites?
6. If you lease space, is this situation optimal for your needs or do you need to consider replacing the leases or buying/building space?
7. Do you have collaboration or co-location opportunities that will require additional space (e.g., pharmacy, other medical or behavioral health providers, schools, housing, commercial enterprises, etc.)
8. Do you have sufficient working capital and/or debt capacity to improve or expand your existing space?
9. Are you aware of the grants that are available to organizations for capital improvements?
10. Are you aware of low-cost financing tools such as New Markets Tax Credits, USDA long-term financing, and other special loan programs for rural health care organizations?

11. How do you prioritize the needs identified in this process?

EXTERNAL INFLUENCES GUIDE

Can you describe your patient population both now and five years from now?

Knowing your patient base and your community provides a foundation for planning your capital project. This information allows your organization to offer culturally relevant programs that meet the demand for services, helping your organization meet its mission of accessible care. Understanding patient trends will help you plan for your facility and reduce the chances of over- or underestimating the future need for services (and therefore over- or under-building).

The Questions to Ask	Why?	What to Do Next
Does your project respond to today's unmet demand? Can you quantify your unmet demand five years from now?	Planning for your capital project should include defining the unmet demand for services, not just today but five years down the line. A thorough understanding of the size and nature of your market will better allow your organization to offer essential, culturally relevant programs in your expanded facility. With the change to value-based payments by Medicaid and Medicare, there will be more emphasis on preventive care, care management and patient satisfaction.	Prepare a market analysis that utilizes current Census and population projection data to understand the demographic make-up and payer mix both now and in the future, including the change in Medicaid and Medicare payments to value-based. Determine the change in revenue from commercial payers to value-based models. Talk with regional facilities, ACOs and shared savings plans. **Access External Influences Tool #1 Market Assessment**.
Have you considered the effect of demographic changes that lie ahead?	As baby boomers age, will you be prepared to accommodate chronic illness as well as acute illness? What will be the effect of more reliance on Medicare for reimbursement?	Examine the financial repercussions of a shift from Medicaid reimbursement to Medicare and the programmatic

		implications of serving an aging population, or one that is shifting in other ways in your local region. **Access External Influences Tool #2 Issue Inventory** and **External Influences Tool #3 Issue Research**.
Do you know whether your competition is already meeting the demand you have identified?	In addition to understanding the market potential of those whom your organization is not currently seeing, it is important to understand the competitive environment in which your organization operates. If planning for your capital project does not take into account what other providers are available to your potential patient base (as well as what their capacity is), your organization runs the risk of overbuilding.	Use the market analysis to study similar primary care providers in the area, not only RHCs and CAHs, but also Federally Qualified Health Centers (FQHCs), tertiary hospitals and others that provide care for rural and underserved patients.
If you are expanding, do you know what programs your new market will need?	Consider how changes (demographic, economic, and cultural) occurring in your region may determine what new programs your medical center should offer.	In addition to market analysis, reach out to your community through your board and staff to assess what needs your center could meet by offering new programs. **Access External Influences Tool #4 Stakeholder Input**.
If you are offering new programs, have you confirmed that your community will respond	Although you may have identified a market need, such as care coordination, if a new program is announced or rolled out without being sufficiently	Before announcing a new program, engage the community to ensure that your plans will be well-received.

positively to the changes?	vetted, it could result in negative feedback from the community. This possibility can be avoided with a bit of proactive outreach.	Seek out community leaders through connections on your Board and staff. **Access External Influences Tool #5 Community Action Resource Worksheet**.

Examining your external influences is essential to capital planning that truly considers community needs. Your current facility may be sufficient for the existing needs of your community or could be insufficient. Either way, the short-term focus for your organization should be to maximize the efficiencies of the facility to help determine what lies ahead for the long-term. While some market data can only be gathered by conducting primary research such as surveys and focus groups with current or potential patients, a wealth of information on demographic trends can be found at the Census website, www.census.gov.

EXTERNAL INFLUENCES TOOLS

The following tools are designed to help your organization examine marketplace demands, competition, technology trends, the economy, and government policy in order to create a catalog of possibilities that may impact your capital plan. In times of rapid change, as we are experiencing now, success *requires* anticipation *and* preparation. While this process cannot predict the future, exploring the possible events, choices, policies, and issues that *could* affect your organization, no matter how inexact, is better than simply managing reactively. And it is these factors that determine the "landscape" in which you will be operating in the future. Therefore, thorough thought should be given to how these influences will affect your building plans.

External Influences Tool #1 Market Assessment

Whether your organization is expanding to a new site or evaluating changes in its existing service area, a market assessment provides essential information to guide your organization's expansion plans. It is important to define your service area, determine health needs, and study the payer mix in order to estimate market share, competition, unmet needs, and growth opportunities.

How to Use: *Use the resources below to collect and analyze demographic and health information by geographic location.*

Who Should Use: *CEO, in coordination with senior staff*

1. **Define Market Service Area**
    a. Using zip codes, an organization can focus on the general population or specific segments (e.g., children, women of childbearing age, etc.). Sources include:
        i. American FactFinder by the U.S. Census http://factfinder2.census.gov
        ii. Fee-based sites such as DemographicsNow https://gallery.alteryx.com/demographics/

2. **Determine Health Needs**
    a. State and county health departments are usually the most up-to-date source for accurate health indicators, such as immunization and mortality rates. The following resources also provide similar health indicators for all states:
        i. County Health Rankings http://www.countyhealthrankings.org/

ii. Community Health Status Indicators http://wwwn.cdc.gov/communityhealth

iii. Health Landscape www.healthlandscape.org

3. **Assess Population Size by Payer Mix in Your Service Area**
    a. It is important to understand the potential payer mix in your service area and to understand your organization's market opportunity in more detail. The following resources provide payer mix information.
        i. Medicare: Enrollment by county http://www.cms.hhs.gov/MedicareEnrpts/
        ii. Uninsured: US Census https://www.census.gov/did/www/sahie/data
        iii. Exchange-eligible: Un-insurance Explorer Tool www.udsmapper.org
        iv. Medicaid: Enrollment data is available through the state offices of Medicaid

4. **Estimate Market Share**
    a. Compare your organization's patient base to overall service area market size by payer to estimate its market share. For example if there are 4,000 Medicare enrollees in your service area and your organization has 800 Medicare patients, your market share is 55%. Lower market share suggests greater market potential, while any market share of the Medicare population that is over 75% merits a close analysis of other providers as described below.

5. **Review Competition/Similar Providers**
    a. Understanding the market environment in which your organization operates includes an analysis of similar providers. Below are a few resources to help identify other providers in your area who are accepting Medicare and serve rural populations:
    b. For hospitals
        i. US Hospital Finder http://www.ushospitalfinder.com/
        ii. Medicare Hospital Finder https://www.medicare.gov/hospitalcompare/search.html

c. For primary care providers

    i. American Medical Association’s Find a Doctor tool https://apps.ama-assn.org/doctorfinder/home.jsp

    ii. HRSA’s Health Center finder for FQHCs http://findahealthcenter.hrsa.gov/

6. **Estimate Unmet Need/Strategic Program Opportunities**

    a. This final step pulls the market information together and establishes the foundation for programmatic decision-making. Planners should answer the following questions:

        i. Based on the demographic data, health indicators, and insurance mix, what is the unmet need of the population segments and new needs based on value-based payments?

        ii. How should the organization address those opportunities via program changes/expansions/refocus?

External Influences Tool #2: Issue Inventory

This tool helps you identify and categorize the key issues that are likely to create conditions that could have significant consequences for your organization. The issues are divided by origin – federal, state, local, and unique to your organization.

How to Use: *Solicit input from a variety of sources and enter the key issues according to origin in the worksheet below. Use this list to inform the Issue Research Guide found on the following page.*

Who Should Use: *Staff, board members, state associations, National Rural Health Resource Center, and others.*

Category	**Origin**			
	Federal	**State**	**Local**	**Specific to Your Organization**
Demographic Trends (e.g. aging baby boomers and				

their impact; changes to racial/ethnic composition)				
Health Policy (e.g. changes to Medicare and Medicaid)				
Possible Bureaucratic Requirement Modifications (reimbursement process, performance and reporting requirements)				
The Economy				
Local Issues				
Workforce Issues				
Physical Space Needs				
Staff recruitment				
Other Commercial payers State Insurance Exchange				

External Influences Tool #3: Issue Research

This tool provides a means for identifying the issues that may affect your organization's project or your ability to undertake the project and assigning each issue to participating staff to investigate and record the findings. This process helps you begin to envision the future landscape in which you will operate.

How to Use: *Make copies of the table below and complete one page for each key issue (as identified in the Issue Inventory).*

Who Should Use: *Assigned staff*

Identified Issue:
Who Will Research:
Possible Outcomes:
Possible Negative Implications:
Possible Positive Implications:
What Will be Affected and How (e.g., vision, mission, services, systems, structure)?

External Influences Tool #4: Stakeholder Input

This tool assists you in recording ideas, priorities, and recommendations from internal and external stakeholders, including patients, staff, government, other "safety net" providers, and those involved in the health system in general. What do they see as being the most problematic issues in the future? What impact do they expect from changes that lie ahead? How do others see your organization's role in the community? The findings from this investigation will further inform the issues you've identified from your staff and board and the implications these issues may hold for the organization.

How to Use: *Solicit observations, thoughts, ideas, and recommendations from your stakeholders and record your findings.*

Who to Use: *CEO and Board Chair*

Stakeholders to Contact: *Elected officials, other hospitals, colleges and universities, public health department, major employers in your area/employer groups, local business organizations, major local charities or social service groups, the school board, school and post-secondary institutions, municipal staff responsible for community development, planning board, the chamber of commerce, transportation, economic development organizations, local human resources groups, etc.*

Stakeholder	**Input** (Observations, thoughts, ideas, and recommendations)	**Methods** (Interviews, surveys, retreats, in-depth program evaluation worksheets, etc.)
INTERNAL		
Staff, for example: All of the staff Management team Some staff (specific) Volunteer staff		
Board of Directors		
EXTERNAL		
Patients, partners, allies, community		

Specific individuals to be interviewed (e.g., key community leaders)		

External Influences Tool #5: Community Action Resource

Knowing your patient base and your community provides a foundation for executing your capital plan. This information allows your organization to offer culturally relevant programs that meet the demand for services, helping your organization meet its mission of accessible care. Understanding patient trends will help you plan for your facility and reduce the chances of over- or underestimating the future need for services (and therefore over- or under-building).

This tool identifies what community resources may be activated to assist with implementing your strategic plan. Completing this tool allows you to see the scope of community resources available and how they can be helpful to you.

How to Use: *Using your Stakeholder Input and Issue Research, consider how stakeholders can help you address positive and negative impacts. Populate this table with your ideas. See example included in the attached table.*

Who Should Use: *CEO and Leadership Team, in conjunction with Project Committee*

Community Action Resource Worksheet

Strategic Goal	Objective	High-Priority Possibility	Action Step	Community Person or Organization	What Do We Ask Of Them?	Who Will Make Contact?
Become the health care provider of choice for the rural community of Anytown, USA.	Increase patient population by 2,000 records annually	HRSA Small Rural Hospital Improvement Program grant opportunity	Apply for grant	Mayor of Anytown, USA	1. Expedited zoning approval for expansion of existing site 2. Letter of support for application	CEO

READINESS SUMMARY

This section allows you to summarize the most important insights regarding your organization's capabilities and opportunities in your external environment, all gleaned from information gathered during the readiness process. Compiling the key "take-a-ways" of this process in one place allows you to quickly scan the most important findings so you may take them into consideration when developing your capital project plan.

How to Use: *List all of the key findings from the self-assessment and external influences analysis below. Once complete, present this tool to the planning committee to gain consensus that the content accurately reflects the opportunities and challenges ahead, noting any next step to address these, particularly any limitations or weaknesses.*

Who Should Use: *Project planning committee*

Readiness Evaluation: Consider each internal and external planning area in summary, evaluating where readiness is strong or needs additional attention. Define next steps to address any limitations before moving forward.

Planning Area	Strengths/ Opportunities	Limitations or Weaknesses	Next Steps
Strategic Planning Readiness (Self-Assessment Tool #1)			
Financial Capacity (Self-Assessment Tool #2)			

Operational Capacity and Readiness (Self-Assessment Tools #2 and #5)			
Facilities Capacity (Self-Assessment Tools #5 and #6)			
Environmental Factors (External Influences Tools #1, #2 and #4)			
Stakeholder Needs and Resources (External Influences Tools #3 and #5)			

CONCLUSION

There has never been more pressure for organizations to build than there is today given the reality that capital projects are going to be more difficult to do in future years due to anticipated changes in funding and financing opportunities. Your organization should make capital project decisions independent of opportunities (or pressure), and instead base decisions on the facts and realities of your own internal operations and external environment. A proactive organization is one that sets goals independent of short-term opportunities, and a wonderful by-product of this mindset is readiness to build when the right opportunity arise. Luck favors the prepared.

FINANCING CAPITAL INVESTMENTS IN RURAL HEALTH CARE: A RESOURCE OVERVIEW

This resource guide is to help hospital administrators, board members, rural administrators, state associations, community lenders, and community leaders better understand and identify federally sponsored health care financing options. Federal programs can provide favorable terms and lower costs to eligible health organizations that choose to pursue them. Additionally, a number of capital investment programs focus on supporting equipment purchases or starting new lines of business (e.g. USDA Business and Industry Guaranteed Loans) rather than entirely on "bricks and mortar" projects. Depending upon the goal, there are a number of options which can meet your health financing needs.

The links below provide basic background on the different federally sponsored programs, their requirements, best uses, benefits, limitations, and how you can get additional information about them.

Federal programs available to assist with rural health care financing include:

- Community Facilities Program in the Department of Agriculture (USDA)
- Business and Industry Guaranteed Loan Programs, USDA
- Section 242 Hospital Mortgage Insurance Program in the Department of Housing and Urban Development (HUD)
- Section 232 Residential Care Facilities Mortgage Insurance Program, HUD
- 504 Loan Program in the Small Business Administration (SBA)
- 7(a) Business Loan Program, SBA
- Intermediary Lending Pilot (ILP) Program
- New Markets Tax Credit Program in the Department of the Treasury

UNITED STATES DEPARTMENT OF AGRICULTURE (USDA) RURAL DEVELOPMENT

Community Facilities Program

Eligibility	Public entities and not-for-profit corporations that operate essential community facilities in rural areas with populations under 20,000.
Best For	Construction, renovation, and essential equipment, including health information technology (HIT) to meet meaningful use, for hospitals, clinics, and other health care facilities. No size limits but direct loans are generally for $1-3 million while grants are smaller, averaging $35,000.
Benefits	Cash infusion (grants), below-market fixed interest rates reducing the cost of capital (direct loans), credit extended to more facilities in rural areas (guaranteed loans).
How it Works	The program can provide grants, direct loans (with a fixed interest rate), and loan guarantees insuring third party loans (fixed or variable interest rates). Grants are competitive and generally only cover a portion of project costs. Demonstrated community support is an important factor in any application. Facilities apply directly to USDA for grants and direct loans which generally cover only a portion of the project cost. For loan guarantees, a third party lender reaches a loan agreement with a facility and the lender applies to USDA for a loan note guarantee of up to 90% of the principal. This federal guarantee assures the lender of repayment and helps projects that might not otherwise obtain credit. Combinations of funding can also be done, e.g. a direct loan and may be combined with a grant, or a guaranteed loan may be combined with a direct loan.
Limitations	Loan approval requires acceptable security which may include bonds, pledges of tax collections or revenues, and a mortgage on real property. Loan repayment cannot exceed 40 years and terms are commonly 15 to 20 years. Interest rates will depend on market conditions. Guaranteed loan terms must be negotiated with the lender.
Learn More	Contact your local USDA Rural Development field office for more information and application materials http://www.rurdev.usda.gov/recd_map.html. USDA Community Facilities webpage http://www.rurdev.usda.gov/HCF_CF.html

USDA RURAL DEVELOPMENT

Business and Industry Guaranteed Loan Program

Eligibility	Public or not-for-profit, organizations or individuals operating or starting businesses in rural areas—in communities fewer than 50,000 people. The project must provide employment and improve the local economic or environmental climate.
Best For	Clinics and private practices seeking funds for business development, expansion, purchase of land, buildings, or equipment.
Benefits	The federal loan guarantee reduces the lender's credit risk and enables borrowers to receive more favorable interest rates and terms.
How it Works	The eligible lender* and borrower come to a loan agreement and then apply to USDA for a loan guarantee of 60-80% of the principle depending on loan size. The lender must pay an annual renewal fee to maintain the guarantee.
Limitations	Loan terms cannot exceed 30 years for real estate, 15 years for equipment including HIT/electronic health records, inventory, supplies, and 7 years for working capital. The maximum loan amount is $10 million although exceptions up to $25 million are possible in certain circumstances. The borrower must provide acceptable collateral based on the amount of the loan. Guaranteed loan terms are negotiated with the lender.
Learn More	Applications are prepared with a lender and submitted to the USDA Rural Development State Office. Contact your state office for details, www.rurdev.usda.gov/recd_map.html. Lenders with past experience in the program may also be a source of information. USDA Business and Industry webpage http://www.rurdev.usda.gov/BCP_gar.html

*Eligible banks-Federal or state-chartered banks, Farm Credit System institutions, savings and loan associations, credit unions, insurance companies, and the National Rural Utilities Cooperative Finance Corporation automatically are eligible lenders, while other types of lenders must pre-qualify with the USDA.

HOUSING AND URBAN DEVELOPMENT (HUD) OFFICE OF HEALTH PROGRAMS

Section 242 Hospital Mortgage Insurance Program

Eligibility	Public, government-owned, or private (either for-profit or not-for-profit), or acute care hospitals, including Critical Access Hospitals (CAHs).
Best For	Construction, renovation, or refinancing of hospital buildings and equipment purchases.
Benefits	Predictable debt costs from a fixed-rate, fully amortized loan with up to a 25-year term. The federal mortgage insurance provides credit enhancement helping borrowers achieve a lower interest rate. The Section 242 program staff specializes in hospitals and has extensive knowledge of their construction and operation. Proposals are evaluated on the basis of whether the proposal is an acceptable insurance risk for the Federal Housing Administration (FHA) Insurance Fund. It is not a competitive process.
How it Works	A borrower works with a proposed lender to prepare and submit an application. If approved, the lender will purchase the mortgage insurance on behalf of the borrower. HUD staff review the application to ensure the project provides needed health care and that the underwriting analysis demonstrates the borrower's ability to repay the loan.
Limitations	The borrower must be able to provide a first priority mortgage to secure the loan and demonstrate the ability (past income and financial stability) to pay its debts in the future. The loan must be less than the appraised value of the mortgaged hospital. The lender must pay an annual mortgage insurance premium which is usually passed on to the borrower. There are up-front costs associated with preparing the application (for example, a market study, environmental analysis, appraisal, architectural review, etc.) and certain reporting requirements as long as the loan is insured.
Learn More	Contact the Office of Health Programs for more information and to access the list of HUD-approved lenders who can submit applications. Website: HUD Office of Health Programs http://www.hud.gov/health Email: hospitals@hud.gov Phone: 1-877-HLTH-FHA

HUD OFFICE OF HEALTH PROGRAMS

Section 232 Residential Care Facility Mortgage Insurance Program

Eligibility	Public, not-for-profit, or profit-motivated residential care facilities including assisted livings and nursing homes that provide services and accommodations to people who cannot live on their own.
Best For	Construction, renovation, or refinancing of residential care facilities. There are no minimum or maximum loan sizes, but very small for-profit projects may find a better fit with the SBA programs.
Benefits	Similar to the 242 Program—predictable, fully amortized, fixed-rate debt payments, terms up to 40 years depending on type, savings from lower interest rates.
How it Works	The borrower works with a lender to prepare and submit an application (similar to 242 but specific to the type of facility). HUD staff review the underwriting to assess the borrower's ability to repay the loan and determine the risk of the project to the FHA Insurance Fund. It is not a competitive process.
Limitations	The borrower must grant a first priority mortgage on buildings and assets. The loan must be less than the appraised value of the facility and there are percentage limits by type of project. Facilities that are leased or owned by larger organizations are eligible but they should review the requirements for ownership structure. The facility must meet state licensing requirements. Only eligible costs can be financed with the loan and the owner may not receive a return of equity. There are up-front costs associated with preparing the application and ongoing reporting requirements.
Learn More	Contact the Office of Health Programs for more information and to access the list of HUD-approved lenders who can submit applications www.hud.gov/health.

SMALL BUSINESS ADMINISTRATION (SBA) OFFICE OF CAPITAL ACCESS

504 Loan Program

Eligibility	Small businesses operated for a profit. Publically owned and not-for-profit organizations are not eligible. SBA publishes the small business size limits annually http://www.sba.gov/content/small-business-size-standards. Additionally under the 504 Program the business must have a net worth no more than $15 million and net income after federal taxes of no more than $5 million.
Best For	Private practices seeking financing for equipment, construction, or modernization. For-profit businesses that provide services to health care providers.
Benefits	Long term (10- or 20-year), fixed-rate financing to ensure predictable debt costs, savings from lower interest rates.
How it Works	A typical 504 loan has three participants, the borrower, a Certified Development Company (CDC), and a bank or other private lender. The lender contributes 50% of total project costs, the CDC funds 40%, and the borrower pays for 10%. Under certain circumstances (including new businesses) the borrower must contribute up to 20% of total costs. CDCs are not-for-profit corporations dedicated to supporting economic growth in their area of operations; they get investment funds from SBA debentures.
Limitations	Loans may not be used for working capital or to refinance existing debt. Collateral, generally the project assets being financed, is required. The owner must personally guarantee at least 20% of the loan.
Learn More	Contact the local SBA district office for more information and to find CDCs in your area, http://www.sba.gov/about-offices-list/2. SBA Loan Programs http://www.sba.gov/category/navigation-structure/loans-grants/small-business-loans/sba-loan-programs

SMALL BUSINESS ADMINISTRATION (SBA) OFFICE OF CAPITAL ACCESS

7(a) Business Loan Program

Eligibility	Small businesses (check size guidelines) operated for a profit
Best For	Individuals and private practices unable to find credit elsewhere. The loan may be used to purchase land or equipment; to build or modernize existing facilities; to provide short or long-term working capital; to refinance existing debt that has unreasonable terms; or to purchase an existing business.
Benefits	Federally guaranteed loans with flexible underwriting, extended terms, and low down payment. Small businesses benefit from increased financing availability and more advantageous terms. Interest rates may be fixed or variable but in either case they must be less than the SBA cap. The 7(a) Program has simplified and expedited processing for small loans (under $350,000) and rural lenders.
How it Works	Borrowers apply through a participating lender and must demonstrate good management, the ability to repay, and the inability receive credit elsewhere. Banks and other lenders that meet SBA requirements make loans to small businesses and apply to SBA for a loan guaranty of up to 85% for loans under $150,000 and 75% for loans over $150,000. This encourages small business loans and, particularly for small lenders, reduces their asset requirements enabling them to make more loans in the community.
Limitations	The maximum standard loan is $5 million. Real estate loans are limited to 25 years, working capital loans to 7 years, and equipment loans to the useful life of the asset. The business owner(s) may not receive a reimbursement or return of equity from the loan. SBA assesses a fee for each participating loan and these are typically passed on to borrowers.
Learn More	Use the SBA search tool to identify federal, state, and local sources of small business assistance, www.sba.gov/loans-and-grants, or contact local lenders for information on their SBA participation. SBA Loan Programs http://www.sba.gov/category/navigation-structure/loans-grants/small-business-loans/sba-loan-programs Also, contact SBA Community Advantage Lenders, mission-oriented lenders meeting the credit, management, and technical assistance needs of small businesses in underserved markets http://www.sba.gov/content/community-advantage-approved-lenders. The SBA resource guide for small businesses http://www.sba.gov/content/resource-guides

SMALL BUSINESS ADMINISTRATION (SBA) INITIATIVE

Intermediary Lending Pilot (ILP) Program

Eligibility	Small businesses (check size guidelines) operated for a profit
Best For	Individuals and private practices unable to find credit elsewhere. The loan may be used for short or long-term working capital, to purchase land or equipment, and the acquisition of materials, supplies, furniture, and fixtures.
Benefits	Loans are offered through selected nonprofit intermediaries for the purpose of providing loans to small businesses. Intermediaries, which include private, nonprofit community development corporations, have flexible underwriting requirements and more advantageous terms than typically offered by conventional lenders. Small businesses benefit from increased financing availability and low interest rates.
How it Works	SBA makes loans to participating ILP Intermediaries of up to $1 million. ILP Intermediaries relend those funds to startup, newly established, and growing small businesses. Borrowers apply through a participating ILP Intermediary for loans up to $200,000. The maximum interest rate the ILP Intermediary may charge for loans of $50,000 or less is 8.75%. For loans greater than $50,000 but $200,000 or less, the maximum interest rate is 7.5%. All credit decisions are made at the local, intermediary level.
Limitations	The maximum loan to a small business borrower is $200,000. The maximum loan term is 10 years or less, unless the loan finances or refinances real estate or equipment with a useful life exceeding 10 years, in which case the maximum loan term is 25 years.
Learn More	Visit http://www.sba.gov/content/intermediary-lending-pilot-program-0 to view the list of approved ILP Intermediaries. Also, use the SBA search tool to identify federal, state, and local sources of small business assistance www.sba.gov/loans-and-grants. SBA Loan Programs http://www.sba.gov/category/navigation-structure/loans-grants/small-business-loans/sba-loan-programs The SBA resource guide for small businesses http://www.sba.gov/content/resource-guides

DEPARTMENT OF TREASURY, COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFI) FUND

New Markets Tax Credit (NMTC) Program

Eligibility	Public, not-for-profit, or profit-motivated entities operating in low-income communities[2] or serving a low-income population and maintain accountability to the low-income community through representation on an advisory board or on the governing board known as Community Development Entities (CDEs)[2]. To find a CDE serving your area, please visit the NMTC Awardee States Served Map https://www.cdfifund.gov/awards/nmtc/Pages/default.aspx.
Best For	Construction or renovation of real estate, including community facilities such as hospitals, clinics, and health care centers.
Benefits	Loans with flexible terms and lower interest rates. In many circumstances a portion of the debt will convert to equity after a successful repayment period (e.g. 7 years). Borrowers obtain financing from CDEs that are awarded with tax credit allocations. A list of these CDEs is provided on the CDFI Fund's website. Different CDEs operate in different regions (or nationwide) and/or with different specializations (e.g., transit oriented development, or grocery-anchored retail, or health care).
How it Works	CDEs compete for tax credits from the CDFI Fund based on the quality of their proposals and the community benefits they will provide. CDEs that are awarded an allocation use the tax credit to raise investment capital. They use investor capital to make loans and/or equity investments in qualifying businesses that meet the CDE's specific regional or topical specialty area. Community banks and local lenders may partner with a CDE to provide the loan portion of a NMTC investment package.
Limitations	Project investments are made by individual CDEs so terms and conditions will vary depending on negotiations between the borrower and the CDE. CDEs must invest their tax credit funds quickly so they develop project pipelines, often even before tax credits are awarded. The amount of tax credit allocation is limited so NMTC investments are not available to many projects.

[2] Generally, non-metropolitan counties with less than 80% of the state median income qualify.

[2] The CDE is an investment vehicle for tax credits. It may be a stand-alone organization or operated by another entity such as a bank or a Community Development Financial Institution.

Learn More	Contact a CDE with a history of investing in projects similar to yours. The CDFI Fund provides an Allocatee CDE search tool at https://www.cdfifund.gov/awards/nmtc/Pages/default.aspx. Perform an advanced search setting "Award program" to NMTC, "States served" to your state, and leave all other fields (including "State") with default settings, generally "All". The results will list background and contact information on CDEs with a focus in the state. This search does not return national organizations without a specific service area. The community loan department of a local bank may also have information about CDE investments in the area. Treasury CDFI webpage http://www.cdfifund.gov/

SUMMARY OF FEDERAL CAPITAL PROGRAMS FOR HEALTH CARE ORGANIZATIONS

Program	Who Qualifies[1]	Use of Funds	Type of Funding	Maximum Maturity	Maximum Amount	Structure	Benefit[2]
USDA Community Facilities	Public and not-for-profit organizations serving rural communities with fewer than 20,000 people.	Land, buildings, equipment including HIT equipment.	Loans, some grants (with priority to small & low income communities)	40 years	None (grants typically less than $1 million)	Loan secured by assets. Either direct (USDA) loan or loan guaranty.	Predictable costs, reduced interest rates, full amortization
USDA Business & Industry Guaranteed Loan Program	Public, not-for-profit, or profit-motivated organizations serving rural communities with fewer than 50,000 people.	Real estate, equipment, working capital	Loans	20 years for real estate, 15 for equipment, 7 for working capital	$10 million with certain exceptions up to $25 million.	Fixed or variable rate loan as negotiated with lender. USDA guaranty of up to 80% of balance.	Reduced interest rates. Can enable small banks to do additional community lending.
HUD Section 242 Hospital Mortgage Insurance	Public, government-owned, private, not-for-profit, or profit-motivated acute care hospitals	Land, buildings, equipment. May refinance existing debt.	Loans	25 years	None	Fixed rate loan secured by first mortgage. 99% loan guaranty	Predictable costs, reduced interest rates, full amortization
HUD Section 232 Residential Care Facilities	Public, not-for-profit, or profit-motivated residential care facilities	Land, buildings, equipment. May refinance	Loans	40 years (new construction) 35 years (refinancing)	None	Fixed rate loan secured by first mortgage. 99% loan guaranty	Predictable costs, reduced interest rates, full amortization.

Mortgage Insurance		existing debt.					
SBA 504 Loan	Profit-motivated businesses that meet the SBA size requirement.	Land, buildings, equipment, working capital under conditions	Loans	20 years for real estate, 10 for equipment	$5 million	2 fixed rate loans, one in 2nd position, secured by long-term assets.	Predictable costs, reduced interest rates, full amortization
SBA 7(a) Business Loan	Profit-motivated businesses that meet the SBA size requirement	Real estate, equipment, working capital	Loans	25 years for real estate, 10 for fixed assets, 10 for working capital	$5 million	Term loan, borrower contribution required, up to 85% loan guaranty	Predictable costs, full amortization
SBA ILP Loan	Profit-motivated businesses that meet the SBA size requirement	Profit-motivated businesses that meet the SBA size requirement	Loans	25 years for real estate, 10 for working capital	$200,000	Fixed rate, term loan	Predictable costs, reduced interest rates, full amortization
US Treasury New Market Tax Credit	Public, not-for-profit, or profit-motivated organizations in low income communities	Real estate, equipment, working capital	Loans, Equity investment	As determined by lender	None	As determined by lender	Lower costs, a portion of debt may be forgiven after a defined repayment period

1. These are the minimum statutory eligibility requirements. All borrowers will also be required to show creditworthiness and the ability to repay a loan although the details will vary depending on the type and size of project.
2. All of these federal loan programs include the benefit of helping eligible borrowers to obtain financing when it would not otherwise be available.