

## SPOTLIGHT INTERVIEW SERIES: KEY FINANCIAL CONSIDERATIONS FOR HOSPICE BOARDS



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A key responsibility of hospice board members is financial stewardship, which requires not only an understanding of accounting principals and the organization's finances, but also the financial context in which the hospice operates.

To fulfill its financial oversight role, hospice boards should:

- Ensure that all its members, not just its Treasurer or Finance Committee members, have or are offered a basic education in accounting and hospice reimbursement,
- Be provided a high-level set of key performance indicators that drive the hospice's financial performance, and
- Insist on financial feasibility studies when considering major new initiatives.

Two key areas unique to hospice finance are the cash flow implications of payment models and the Medicare Aggregate Cap. Understanding the payment models allows board members to anticipate the cash flow implications changes in operations or policy. The Aggregate cap applies to the average Medicare payments per patient across all those served by the hospice in a given period. Any amount above the cap is recouped, so financial statements need to be reviewed with an eye towards any potential to exceed this cap.

All hospice board members should:

- Take their financial responsibilities seriously regardless of whether their primary skills lie in another area

- Ask the difficult questions – don't overlook something that doesn't make sense
- Focus on strong financial performance and not use "non-profit" status as a justification for underperforming

Hospice board members should be mindful of potential changes on the horizon that include:

- Payment reforms which might squeeze margins or restrict referrals
- Proposals to reduce the aggregate cap to a point that it could impact a far larger number of hospices than it currently does
- Increasing scrutiny and the costs to prevent or respond to audits
- A growing staffing crisis for nurses and aides which has the potential to increase salary, recruiting and onboarding costs
- Consolidation as pressure on margins causes hospices to look to greater scale
- More aggressive marketing as competition increases

While it's a great time to be in hospice, board members need to be aware of changes and trends and proactively address them in order to be strong stewards of the organization's finances.

## ADDITIONAL RESOURCES

- *Take the Fear Out of Financial Statements*, Stephanie Cory, BoardSource Blog, 2017  
<https://blog.boardsource.org/blog/making-financial-statements-less-scary>
- *Financial Leadership and the Nonprofit Board of Directors*, Madeleine Monson-Rosen, 2019  
<https://www.missionbox.com/article/143/financial-leadership-and-the-nonprofit-board-of-directors>
- *Hospices Strategize to Stave Off Cap Overage Payments*, Lea Anne Stoughton, Hospice News, 2020  
<https://hospicenews.com/2020/02/25/hospices-strategize-to-stave-off-cap-overage-payments%E2%BB%BF/>

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## DISCUSSION GUIDE

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1. Do all of our board members feel comfortable that they have the basic understanding of accounting and hospice to fulfill their role of financial oversight and to understand key performance indicators and benchmarks? If not, what can we do to increase that comfort level?
2. How does our board keep abreast of proposals or trends that are likely to impact our financial performance?
3. Do our board members feel comfortable asking “stupid” or “difficult” questions? If not, what can we change in our board’s culture to encourage speaking up?
4. Do we fully address financial feasibility when looking at new strategic initiatives?