

## The RCHA Story

Rural Community Hospitals of America (RCHA) is a manager of rural community hospitals in small markets ranging in population size from 5,000 to 20,000. The business model stems from the fact that small community hospitals cannot afford the overhead of expensive leadership expertise in the areas of human resources, finance, accounting, reimbursement, compliance, revenue cycle, supply chain and Information Technology, as well as clinical services and operations. To address this reality, RCHA provides central administrative support services in these areas to 14 hospitals with plans to grow in the next five years. RCHA is based in Kansas City, MO.

The Go Budget free Journey started at RCHA when John Ross was hired as their CFO in May of 2013. At that point the twelve managed hospitals had just emerged from chapter 11 bankruptcy proceedings. The RCHA owners and senior leaders were excited about going budget free to eliminate the waste of budgeting and to capture the improved financial performance of the rolling six quarter forecast (6QF).

During August of 2013, the 6QF models were created for the twelve hospitals under management at that point. A couple of hours were spent with each hospital CEO and their leadership team during September to introduce the 6QF and create the first rolling forecast. Once each hospital 6QF was complete, a consolidated 6QF was created for the twelve hospitals. The consolidated 6QF was presented to the owner's finance committee and board in October of 2013 and approved as the financial plan for fiscal year 2014.

Several quarterly cycles have been completed. The operations VPs appreciate the 6QF tool are using it as a basis of conversation with CEOs regarding week to week and month to month performance. Quarterly key demand indicators and key expense drivers are converted to daily metrics that the CEOs use in morning stand up sessions with hospital management. One additional innovation for the quarterly planning cycle is adding a target 6QF as well as doing the base case 6QF that was prepared during the first three quarterly cycles. The target 6QF identifies activities that will positively impact key demand indicators and expense drivers requiring additional effort to achieve. The intent of the target 6QF is to move hospitals towards their financial targets for EBITDA and bottom line.

Financial benchmarking is supported by actual to actual monthly reporting that shows improvement efforts are working over time when comparing the current period actual revenues and expenses to prior periods.