

AACN 2019: PROGRAM COSTING, FORECASTING, AND BUSINESS PLANNING.

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A Fully Developed Business Plan

- A fully developed business plan has to be built with input from all of the key stakeholders with a shared vision and commitment to execute the tenants of the plan.
- This typically starts with an agreed upon strategic plan. A strategic plan is the theory behind any extended business plan.
- Once that process is established a Year 1 of the business plan must be established to start the trajectory of the entity. This process will involve all the key stakeholders at a more granular level, as well as many data sets to drive the projections.
- Once this is accomplished the general theories and established path can be charted out with coefficients that are agreed upon.

Strategic Planning

- Establishing the strategic mission and vision of the entity will become the driving force behind the direction of the business plan.
 - This type of planning typically comes from the President/Provost/Dean level and is carried through all levels of the entity.
- Business planning (specifically Year 1) will become the operationalization of the strategic mission and vision of the entity.

Operationalization

- Once the strategic vision is set by senior leadership, it becomes the job of employees in our positions to find a way to fund and execute that strategic vision.
- In my experience this is a very difficulty and multifaceted question to answer, that requires a short and long range business plan. And these plans need constant communication, especially as they evolve.
- The slides following take an in-depth look at the short term planning needed to execute a forecastable budget.

Programmatic Costing Process

Theory:

Due to the interwoven nature of the CON's cost structure, it is necessary to deconstruct cost to its simplest form. In the area of teaching this would be the workload associated with teaching, and in faculty practice this would be by site, for example. The main elements of cost for the CON are:

1. Teaching Workload
2. Faculty Practice
3. Administrative Personnel
4. Research/Endowments
5. Service
6. Non-salary spending

Costing Process-Non Tuition

- The CON's costing must take into account non-tuition generating areas such as faculty practice, GNE, endowment, and fees.
- The costing process for these areas are a much more direct relationship. These areas are housed inside of accounting units and thus can be easily identified and costed.
- It is also important to highlight these areas and remove them from the cost pool, as they would unfairly burden the tuition generating portion of the CON's business. All associated costs in these areas are actual/realized totals, and specific to those activities.
- The CON is currently generating 17.85% of total revenue from these operations.

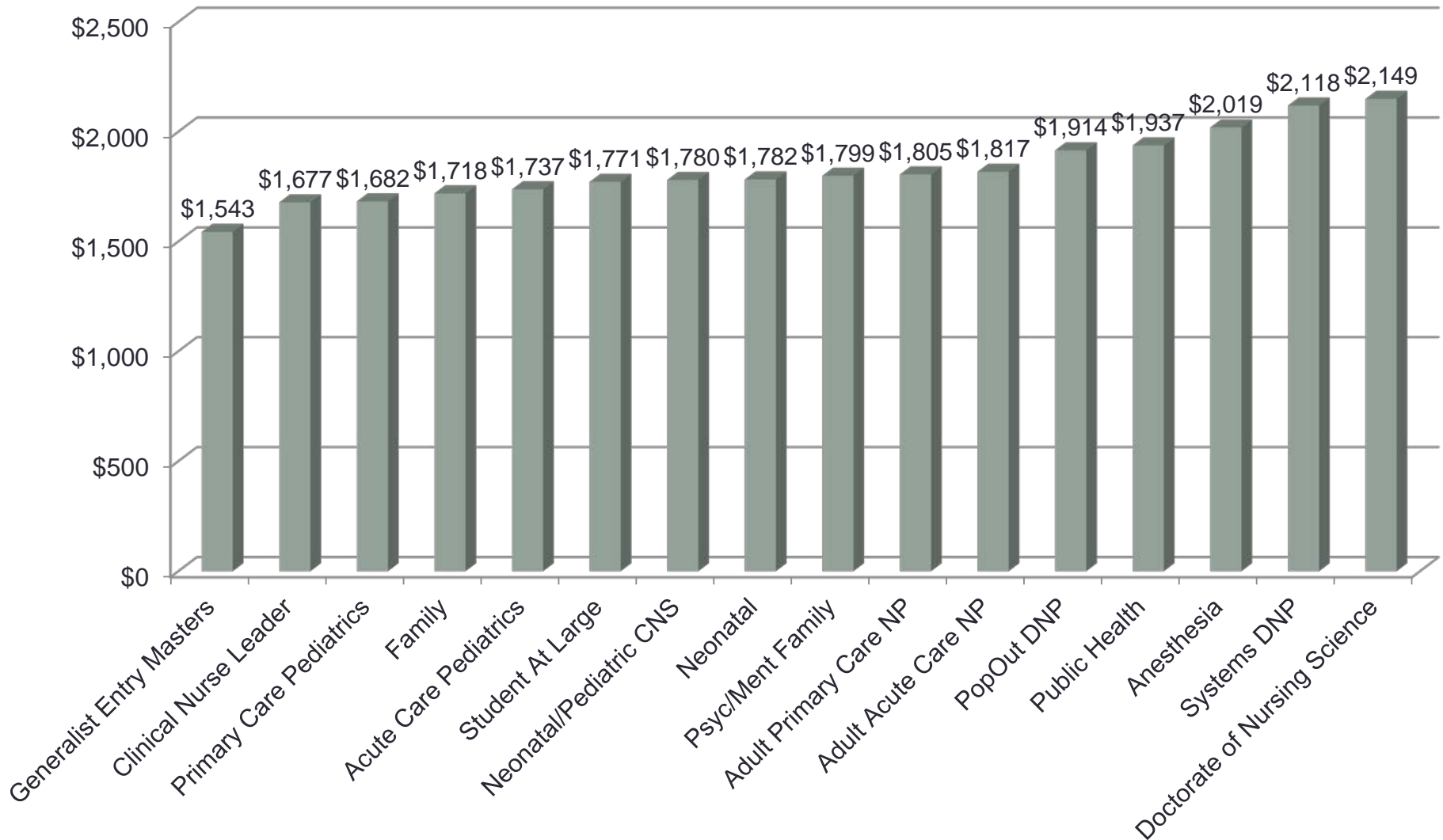
Costing Process-Courses

- The CON assigns EU (educational units) to all faculty who teach or advise a specific course.
 - This process provides the opportunity to formulaically cost each and every course.
 - The formula divides the salary a faculty earns for their EU allotment by total EU's allotted per year to arrive to an average EU per person. Then this average EU price is multiplied by how many EU's a course was allotted. Thus the specific course now has a specific cost.
 - Example: If Faculty A has 60 EU's for the year and is paid \$60K for those EU's, then the Average EU is \$1,000, and if that faculty teaches 5 courses worth 12 EU's each, each course costs \$12,000.

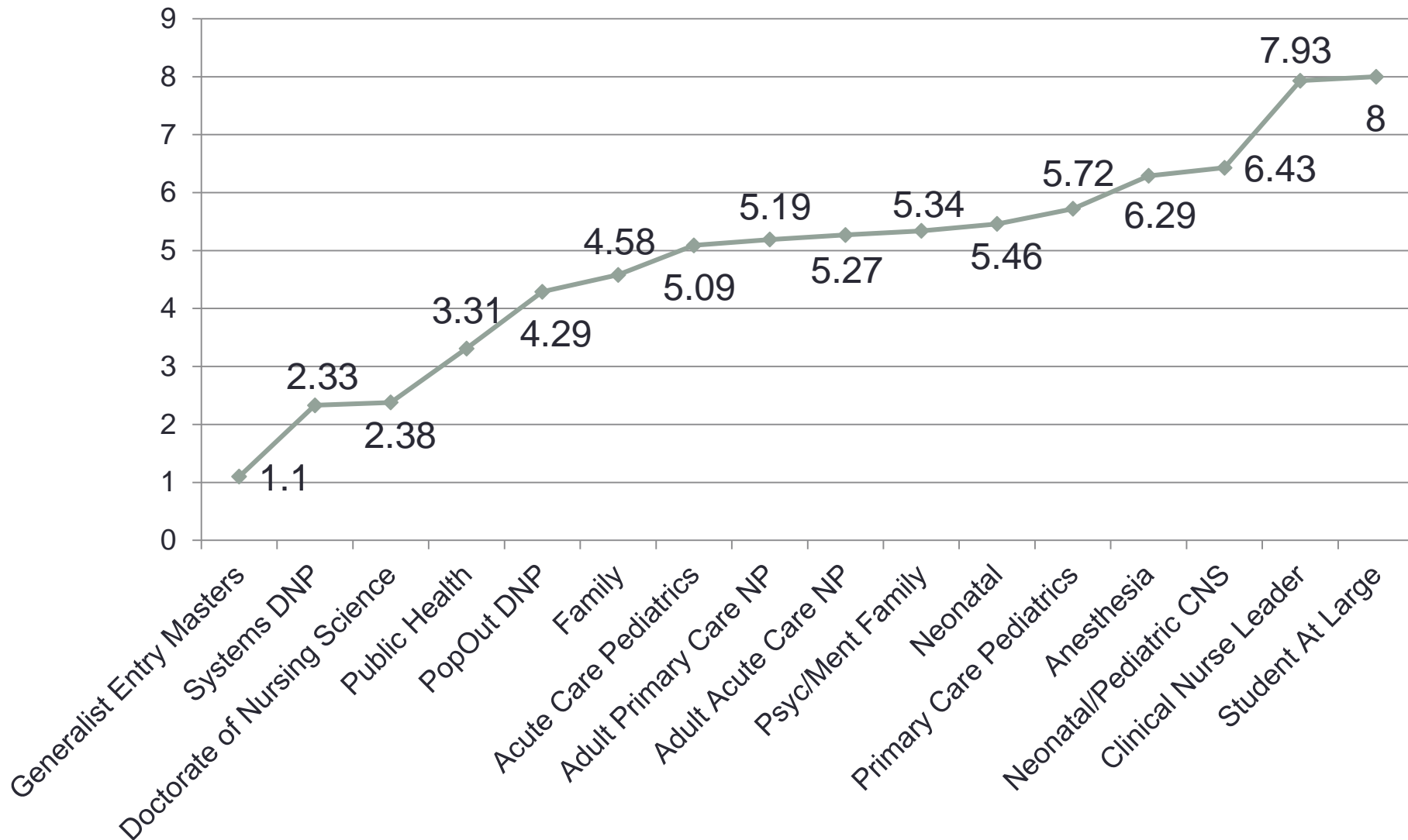
Costing Process-Programs

- Once all courses taught for the AY are costed, they must be placed in the appropriate programs of study. This process then gives the actual teaching/advisement cost of each program.
- In order to spread cost as accurately as possible, each course's cost (determined by the specific number of EU's given to the course) is divided by the different programs of study it engages.
 - Example: If a course cost \$12,000 to teach and it had 6 different types of students enrolled for that term, each program would receive \$2,000 of cost.

Average EU Cost Per Program



Intersection Score



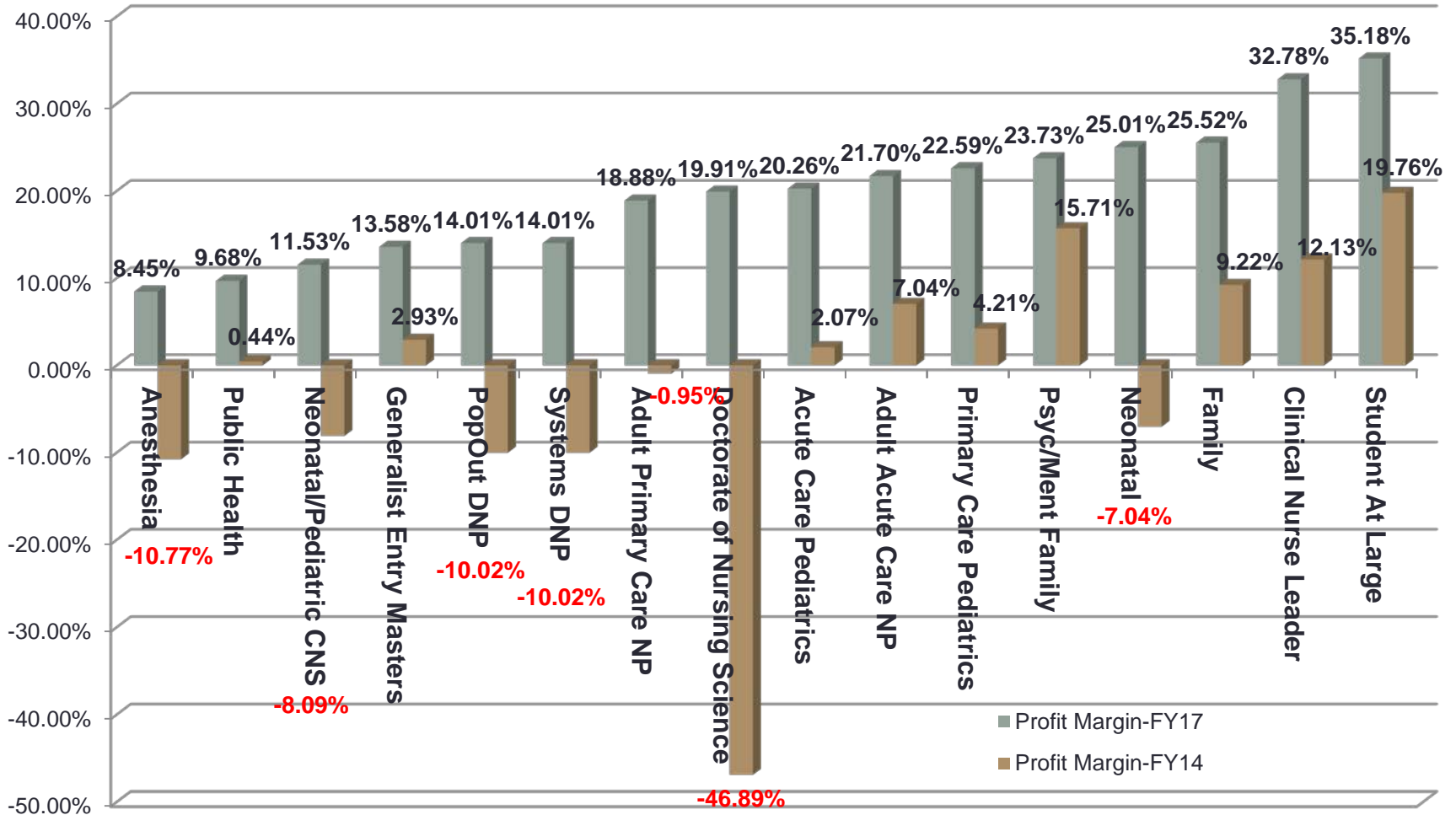
Costing Programs-Cont.

- After all teaching effort has been accounted for fairly, but still leaves effort/cost allocated to service, administration, and research out of the equation.
- Assumption #1 would be used to allocate cost.
 - Example: If Program A generated 5% of all tuition revenue, and the total cost of remaining workload categories was \$1MM dollars, then the program would be charged \$50,000 worth of cost.
- The end result is the specific Profit Margin per program and allows the CON to also view each of the PARTS units in terms of a financial ROI.

Conclusions of Programmatic Costing

1. Courses that are shared among different programs of study are the most cost efficient.
2. Congruity of workload assignments is paramount to maintain consistency among programmatic tracks and the cost basis.
3. Enrollment management decisions can be made based on this analysis.

Programmatic Profit Margin



Controllable Costs

- Costing out programs and determining profitability is an important planning step, but once it is completed moving towards the examination of that cost basis is key.
- Projecting a cost basis will provide guidance towards being able to project a revenue basis to support the operationalization of the strategic plan.

Personnel Cost Basis Forecast

- In most scenarios this becomes an exercise in communication with key stakeholders of your unit.
- Taking the time to set meetings, and review current resources and then resources requested for the coming year.
- Understanding the request for these resources becomes very important for prioritizing them in the later stages of the forecast. Especially in reference to workload.

Personnel Cost Basis Forecast

- In addition to imputing the requests for additional personnel requests of each stakeholder, adjustments need to be made for merit adjustments, promotions, and raises given based on performance.
- Another key metric to input is any effect from research funding as this can ebb and flow and create chaos year to year.

Non-Salary Cost Basis Forecast

- In a similar communication assessing the needs for non-salary support will be necessary. These line items typically include food, travel, software, contractual agreements, etc..
- These line items are typically much less dynamic than the personnel requests and much more controllable from an administrative perspective.

Total Cost Basis

- These main components should make up the cost basis for your institutions.
- This cost basis is mostly likely the most expensive version of your institution, and it will most likely require quite a bit of adjustment to the revenue streams your entity uses to fund operations.

Enrollment Management-Revenue

- Once programs have been costed and a cost basis is forecasted, that information can be used to craft an enrollment management strategy.
- A comprehensive enrollment management strategy is key to a consistent and forecastable revenue stream.
- Armed with the information of what programs can produce a positive net, the next step is to project and accurate enrollment.

Enrollment Management-Revenue

- Enrollment management is a shared experience with senior leadership, finance teams, admissions, and the faculty.
- It is the area of the business that is most sensitive to the faculty and if mismanaged can result in a need for unbudgeted hiring or unexpected surge in clinical placement needs.

Enrollment Management-Revenue

- Enrollment management forecasting falls into two distinct categories:
 - New admissions for the fiscal year
 - Existing students per program
- For new admissions this is where the programmatic costing data can really be an ally to a financial decision maker.

Enrollment Management-Revenue

- Forecasting the existing student base is the first step into building an accurate revenue forecast. In order to do that you will need:
 - An accurate schedule of all graduations.
 - A time study that takes into account any term by term attrition (LOA's and WTHD's) by a percentage.
 - An accurate schedule of projected credits taken per student (discounted for typical variance).

Enrollment Management-Revenue

- Once an accurate existing student base is projected the work of assigning new admissions targets begins.
- At this point a cost basis is forecasted and an existing pool of students is forecasted to produce a level of revenue.
- This is the juncture where using the data from programmatic costing can inform on which programs new admissions should be more heavily focused.

Enrollment Management-Revenue

- New admissions will now be the driver to fill the budgetary gap (if one exists) for the request for heightened resources.
- Once a satisfactory amount of new admissions is developed, these forecasts are brought back to senior leadership and program directors to discuss the viability of those admission targets.

Other Revenues

- Most colleges and universities have access to other revenue types that typically include:
 - Faculty Practice groups
 - Endowments
 - Research Indirect Funds
 - Philanthropy
 - Medicare Pass Through
- Projection of these funds can be dynamic in the case of faculty practice or much more static in the case of endowment income.

Year 1 Completed

- After assessing the programmatic viability, a starting cost basis, a starting enrollment management strategy, and adding other revenues a fully realized picture of Year 1 will be available.
- At this point you will be able to use the basis of Year 1 and carry it into the future. There are many other topics to cover besides the strategy and theory used to draft year 1, but this will be the starting point to project out 3-5 years.

Long Range Business Planning

- The previous slides have detailed out the short term budget and forecasting process that is undertaken by the CON.
- The forthcoming slides are built on this data set but extrapolated out into the future to give a roadmap for the entire business of the College.
- This document is an agreed upon path forward that is reviewed yearly for progress and adjusted for unforeseen events.

Rush University CON 5 year business plan: 2018-2023

- 2017/18 marked the first year the CON had constructed a revolving 5 year business plan. The mission of this living document was to:
 - Establish the operationalization of the CON's Strategic Plan
 - Provide internal/external audiences the ability to learn the CON's overall business structure and goals.
- To achieve the mission of the plan, the CON had to document/develop the following main business processes:
 - Establish/maintain a strategic enrollment management plan (Section 5, pg.24)
 - Understand and benchmark CON competition (Section 3, pg.18)
 - Establish/maintain a comprehensive marketing plan (Section 4, pg.23)
 - Align and integrate with the CON strategic plan (Section 5, pg.24)
 - Continue to provide strong and repeatable financial and operational results in core business areas (Section 7, pg.40)
- The subsequent slides will review 2018's actual vs. projected data in reference to the above business processes, and 2019-24's targeted goals.

Rush University CON 5 year business plan: 2018-2023

- Major Goals of Year 1 of the 5 year business plan (FY18):
 - Establish/project a base level of enrollment that satisfies the current/future available workload, clinical sites, and cost basis of the CON.
 - Establish a multiyear, data driven tuition projection to ensure the CON programs are marketable and indebtedness is being addressed.
 - Continue to analyze and climb in the US News and World Report Rankings.
 - Continue to produce an application base large enough to support yearly admission targets for all programs.
 - Continue to benchmark all AACN faculty salaries with CON faculty salaries to ensure competitiveness.
 - Establish a clear CON strategic plan, with succession planning for CON leadership.
 - Development/Execution of a strategic marketing plan.
 - Growth of the Office of Faculty Practice.
 - Establish/project a level of research funding the CON can expect over an extended period of time.
 - Continue to produce strong/stable financial results.

CON Competition: FY19-23

- The CON benchmarks itself against its competition in three major areas:
 - Rankings (Section 3, pg.19)
 - Tuition pricing/Program offerings (Section 3, pg.20)
 - Faculty Salaries (Section 3, pg.22)
- These three areas directly affect the core business of the CON (Section 2, pg.18):
 - Enrollment Management
 - Faculty Recruitment/Retention
 - Faculty Practice Operations

CON Competition- Rankings FY19-23

- The CON is ranked yearly by US News and World Reports, and this is one of the major criterion used by prospective students in choosing a program. Below are the CON's ranks over time (Section 3, pg.19):

College of Nursing Rankings (Overall)	2019	2018	2017	2016	
Masters	8th	18th	18th	16th	
Doctorate	2nd	4th	4th	5th	
Online	4th	14th	7th	11th	
Program Specific ranks	2019	2018	2017	2016	2015
Clinical Nurse Leader	1st	1st	4th	3rd	4th
Adult Acute	2nd	1st	4th	4th	4th
Adult Primary	5th	1st	6th	4th	4th
Family	4th	6th	10th	9th	12th
Pediatric Primary	5th	4th	5th	5th	5th
PMHNP	1st	1st	2nd	2nd	3rd
CRNA	4th	4th	4th	4th	2nd
Nursing Administration (DNP Systems)	7th	4th	10th	NA	NA

- These rankings (plus local schools) make up the basis of the schools that CON compares its tuition pricing against, to ensure it is properly priced in the market place.
- The CON is currently developing new strategies to best leverage the ranking rubrics and climb in FY19's US News ranks.

CON Competition-Tuition Pricing-FY19-FY23

- Competition for tuition pricing was determined by mining application influencers. The top two criterion, controlling tuition, were (Section 3, pg. 19):
 1. US News and World Report News Rankings
 2. Location
- Given this data, a list of schools fitting these criterion were created to benchmark tuition pricing against, and create a long term tuition pricing goal to stay within the marketplace (Section 3, pg. 20).
 - FY18's tuition pricing had a planned 1.5% increase across all programs, but due to prudent spending and an increase in Faculty Practice profitability the CON was able to hold tuition flat for FY19 (0% increase for all programs). This exceeded expectations for FY19.
 - FY20-22 has a planned 2% tuition increase for all programs, and a 3% increase in FY23 (Section 5, pg.26).

CON Marketing Plan-FY19

Below are the major tenets of the CON Marketing Plan, please consult the 5 year business plan for details/Specific ROIs (Section 4, pg.23):

- Created engaging website and social media content about programs, degrees, students, alumni, and faculty, as well as highlighting diversity and the inter-professional environment of Rush University.
- Expanded faculty profiles to demonstrate leadership and reputation in nursing/teaching/research.
- Created sustained relationships with local colleges and affiliates for prospective GEM students.
- Monitored Marcel Digital “pay-per-click” advertising campaign and directed key word buys for specific programs.
- Attended over 15 conferences to recruit current nurses looking to pursue an advanced degree.
- Created print marketing pieces (ads, folders, inserts, banners, flyers) to use at recruiting events, highlighting the college and university, ensuring that diversity was represented in all materials.
- Conducted monthly on-campus open houses to provide information to prospective students.
- Conducted monthly online sessions to provide information to prospective students.
- Op-Ed participation.

FY19 Prospectus-Goals

- Given the data from FY18, and the goals that have either been accomplished or furthered a new set of Major Goals for FY19 have taken form:
 - Continuing to ensure overall enrollment can be met via new admissions, reducing attrition, and utilizing scholarships.
 - Ensuring tuition pricing does not rise by more than the predicted 2% for all programs by controlling cost and efficiency.
 - Continuing to operate programs of study at levels of optimization exhibited in FY17, ensuring programmatic profitability.
 - Improvement in the US News and World Report rankings.
 - Meeting growth targets established for the Office of Faculty Practice.
 - Meeting projected research metrics.
 - Fully hiring all open faculty/staff positions.
 - Continuing to provide strong bottom line financial results and meet yearly operating budgets (have met or exceeded operating budgets from FY16-18).

Q and A