

# Doylestown Healthcare Partnership

Policy# 20190925

<b>POLICY: Determination of Cash Available for Allocation of Incentive Dollars</b>	
<b>DATE OF ORIGIN: 9/2019</b>	<b>NEXT REVIEW DATE: 12/2020</b>
<b>AUTHOR (ROLE): Finance Committee Co-Chair, Doylestown Healthcare Partnership; Chief Accounting Officer, Doylestown Health</b>	
<b>APPROVED BY (ROLE): Executive Director, Doylestown Healthcare Partnership</b>	

## **SCOPE:**

This policy applies to The Doylestown Healthcare Partnership LLC (DHP), DHP Members (Investors) and DHP Clinical Participants (Stakeholders).

## **Policy Objectives:**

- To ensure maintenance of a sufficient cash balance to meet the committed obligations and ongoing needs of DHP operations.
- To establish a consistent threshold for determining the amount of cash available for allocating incentive dollars through merit based payments to Stakeholders (*according to Compensation Committee method*) or distribution to Investors (*based on Management Committee decision*).

## **Policy:**

1. The DHP Finance Committee shall establish a model for setting the appropriate threshold of minimum cash reserves to ensure the organization is prepared to meet the expenses associated with DHP business operations as well as committed obligations to Stakeholders. These include:

### Expenses associated with DHP business operations

- Dedicated Staff Compensation
- Medical Director Payments
- Amounts reimbursed to Doylestown Hospital for care coordination
- Amounts reimbursed to Doylestown Hospital for data analytics
- Insurance and Administrative Costs
- Taxes
- Other Operating Expenses

### Committed Obligations to Stakeholders

- Third Party amounts paid to Doylestown Hospital
  - Hospital committed portion for Blue Cross IPPIP Incentives
- Third Party amounts paid to Primary Care Physicians (PCPs) and Specialists. Examples include:
  - PCP amounts passed-through DHP for care coordination

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- PCP amounts passed-through DHP for (Humana) model practice
  - PCP committed portion for Blue Cross IPPIP Incentives
  - PCP committed portion of Tandigm Payments
  - PCP and Specialist Meeting Stipends
2. The Target Threshold for Minimum Cash Reserve is set at 180 Days Cash on Hand, based on current year budgeted expenses associated with operations.
- This threshold reflects the lower predictability of an organization the size and stage of development of DHP, as well as the magnitude of expenses reimbursed to the Hospital.
  - The Minimum Cash Reserve must be net of any outstanding committed obligations asset out above.
  - The DHP Finance Committee shall review and adjust the target threshold and associated model as appropriate, and at least annually.
  - The DHP financial reporting package will identify the amount of the minimum cash reserve, as well as the amount available over and above that threshold, to enable the Compensation and Management Committees to make appropriate financial decisions. Refer to Attachment A.
3. When Incentive Dollars received are above amounts for committed obligations and base operating expenses, there are three potential options the Finance Committee may recommend for the use of dollars in excess of the Minimum Cash Reserve amount. These options are to be exercised in the light of the overall DHP goals, and can include any or all of the following.
- Issue incentive payments to Stakeholders, based on performance metrics (as defined and measured by the Compensation Committee).
  - Make distributions to Investors to return equity on initial investment based on percentage of Membership interest (amount determined by Management Committee).
  - Set aside as long-term investment, designated for the sustainability of the organization based on the recommendation of the Finance Committee and approval by the Management Committee

Revised: 12/18/2019

Attachment

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## Attachment A

### Doylestown Health Partnership December 31, 2019

#### Overall Days Cash on Hand:

Total Expenses	\$ 8,290,834
Days in Year	365
Average Daily Expenses <i>[incl Incentive]</i>	\$ 22,714.61
Days Cash on Hand	119

#### Adjusted Cash on Hand for Minimum Reserve

Receivable (Reimb for Directorship)	6,250
Due to Hospital	-
Due to Members	(1,728,549)
Accounts Payable (Admin Svcs/ Data Analytics/Audit Fees)	(455,236)
<b>Adjusted Cash (ToBe) Available</b>	<b>\$ 534,380</b>

#### Days Cash on Hand for Minimum Reserve

2019 Budgeted Expenses Associated with DHP Operations	1,939,842.00
<b>Average Daily Expenses</b>	<b>\$ 5,314.64</b>
<b>Days Cash on Hand</b>	<b>101</b>

Minimum Cash Required Threshold	\$ 956,634.41
Minimum Days Cash on Hand	<b>180</b>

#### Amount available

**Above (Below) Minimum \$ (422,253.94)**