

# Strategies

## SOLUTIONS

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## Capital Prioritization: Choose Wisely

In today's climate of limited resources and access to capital, most health care organizations do not have the financial capacity to meet all potential capital needs. Therefore, capital investments should be prioritized to meet the needs of the organization most effectively. The following strategies will enhance the organization's ability to optimize its use of capital resources.

### Anticipate future capital needs

Determine the investments needed for new service initiatives, program enhancements, equipment, and facility infrastructure for at least five years. Identify major capital needs in the context of a strategic plan and a

strategically driven facility master plan. Include a reserve for unanticipated needs.

### Formalize capital budgeting process

Require that all major capital requests be submitted with a business plan or an impact analysis, which addresses potential increase in revenues, decrease in expenses, improvement in operations, and return on investment. Designate a capital budget committee to review and evaluate all capital requests.

### Prioritize capital expenditures

Evaluate all capital requests using strategic, operational, financial, and

stakeholder criteria (see figure below) that are weighted to reflect their relative importance to the organization. Score and rank candidate projects using these criteria. Allocate capital dollars to as many high-priority projects as can be funded within the organization's financial capacity each year.

### Strategically manage financial resources

Develop capital formation strategies to enhance the organization's financial capacity. Increase fundraising and strengthen the balance sheet to increase debt capacity. Consider reducing or delaying annual outlays for routine equipment replacement to increase funds available for high-priority capital projects.

## Capital Prioritization Criteria



### Strategic/Market Considerations

- Fit with mission/strategic goals
- Clinical priorities
- Market position

### Financial/Operational Issues

- Revenue potential
- Operating savings/productivity
- Contribution margin/ROI
- Required investment
- Life safety/code violations
- Quality of care

### Stakeholder Impact

- Physician support
- Employee satisfaction
- Community impact

### Off the Press Recent Articles

"Expanding Service Area" by Alan Zuckerman and Tracy Johnson, September/October issue of *Health Progress*

"The Role of Marketing in Facility Planning" by Tracy Johnson, October issue of *Health Care Marketing Report*

"Fill Gaps in the Continuum" by Alan Zuckerman and Tracy Johnson, November/December issue of *Health Progress*

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## On the Dais Upcoming Presentations



### Health Policy Forum at Thomas Jefferson University Hospital, Philadelphia

Hugo Finarelli: "The Future of  
Integrated Delivery Systems,"  
November 7

### Carolinas Healthcare Public Relations and Marketing Society, Asheville, North Carolina

Christie Markham: "Positioning  
Clinical Programs for Success,"  
November 14

Hugo Finarelli: "A Practical  
Approach to Demand  
Forecasting and Environmental  
Assessment," November 15



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