

Case Study: Strategic Financial Planning in Long-Term Care

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BACKGROUND

John Maxwell, CEO of Seabury Nursing Center, a not-for-profit long-term care organization located in suburban Connecticut, had just emerged from a board of directors meeting. He was contemplating the instructions he had received from the board's executive committee to assess the financial feasibility of adding a home care program to the Center's array of services.

Seabury's current services consist of two levels of inpatient care, chronic care, and subacute units, and a senior citizens' apartment complex financed in part by the Federal Department of Housing and Urban Development. In keeping with its mission, Seabury has a reputation of providing personalized, high-quality, and compassionate care across all levels of its continuum.

The CEO and his executive team agreed to meet the following week to plan the next steps.

FRAMEWORK OF THE BOARD'S MANDATE

At its last retreat, the board made clear that, reimbursement and payment systems notwithstanding, Seabury must establish realistic and achievable financial plans that are consistent with their strategic plans. Accordingly, three points relative to integrating strategic planning and financial planning should hold sway:

1. Both are the primary responsibility of the board
2. Strategic planning should precede financial planning
3. The board should play an active role in the financial planning process

Ultimately, every important investment decision involves three general principles:

1. Does it make sense financially?
2. Does it make sense operationally?
3. Does it make sense politically?