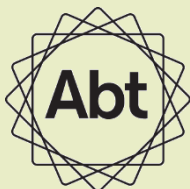


Financial Challenges of Private Medical Training Institutes (PMTIs)

Overview of Issues and Strategies

Shoshana Hecker
Banyan Global

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Jhpiego
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Objectives of the session

- Identify and analyze key financial challenges faced by PMTIs
- Discuss costing and pricing challenges
- Identify sources of revenues / financing
- Understand the importance of revenue diversification
- Assess the role of efficiency and financial management skills
- Discuss strategies for operational stability and longer term financial sustainability

Financial Challenges

- How many of you have problems with?
 - Current cash flow?
 - Payment by self-paying students?
 - Government payments / reimbursements?
 - Donor sponsorship?
 - Rising costs?
 - Unexpected expenses and charges?
 - Longer term financial viability?

What is the structure of your school's funding?

- Students' payments: _____ %
 - Government: _____ %
 - Sponsors: _____ %
 - Donors: _____ %
 - Student loans: _____ %
 - Non-tuition revenue: _____ %
 - Other: _____ %
- Total 100%

Where does the Money Go?

Salaries: _____%

Teaching expenses: _____%

Housing: _____%

Catering / food: _____%

Maintenance: _____%

Equipment: _____%

Taxes: _____%

Other: _____%

What is the Single Biggest Financing Problem?

- Efficiency / business model?
- Cost structure?
- Low tuition?
- Uncertainty of funding?
- Weaker financial management skills?
- Competition from public schools?
- Small size / scope of activities?
- Underinvestment?
- Uncertain future demand for education?
- Other?

Case 1: Malawi - CHAM Nursing Colleges

- 3 year certificate program for about 150-200 nursing students funded predominantly by the government
- Recently transformed from a small school to prepare 10-15 students for the local hospital to a training institution to produce larger numbers of nurses
- Full boarding schools where catering consumes 50-60% of the operating budget
- 10% cost-sharing (co-payment) by students irrespective of income status paid with reluctance by students each semester
- Irregular government payments and student contributions lead to cash crunches and school closures

Case 1: What Financial Issues can you Identify?

- ...
- ...
- ...
- ...
- ...
- ...

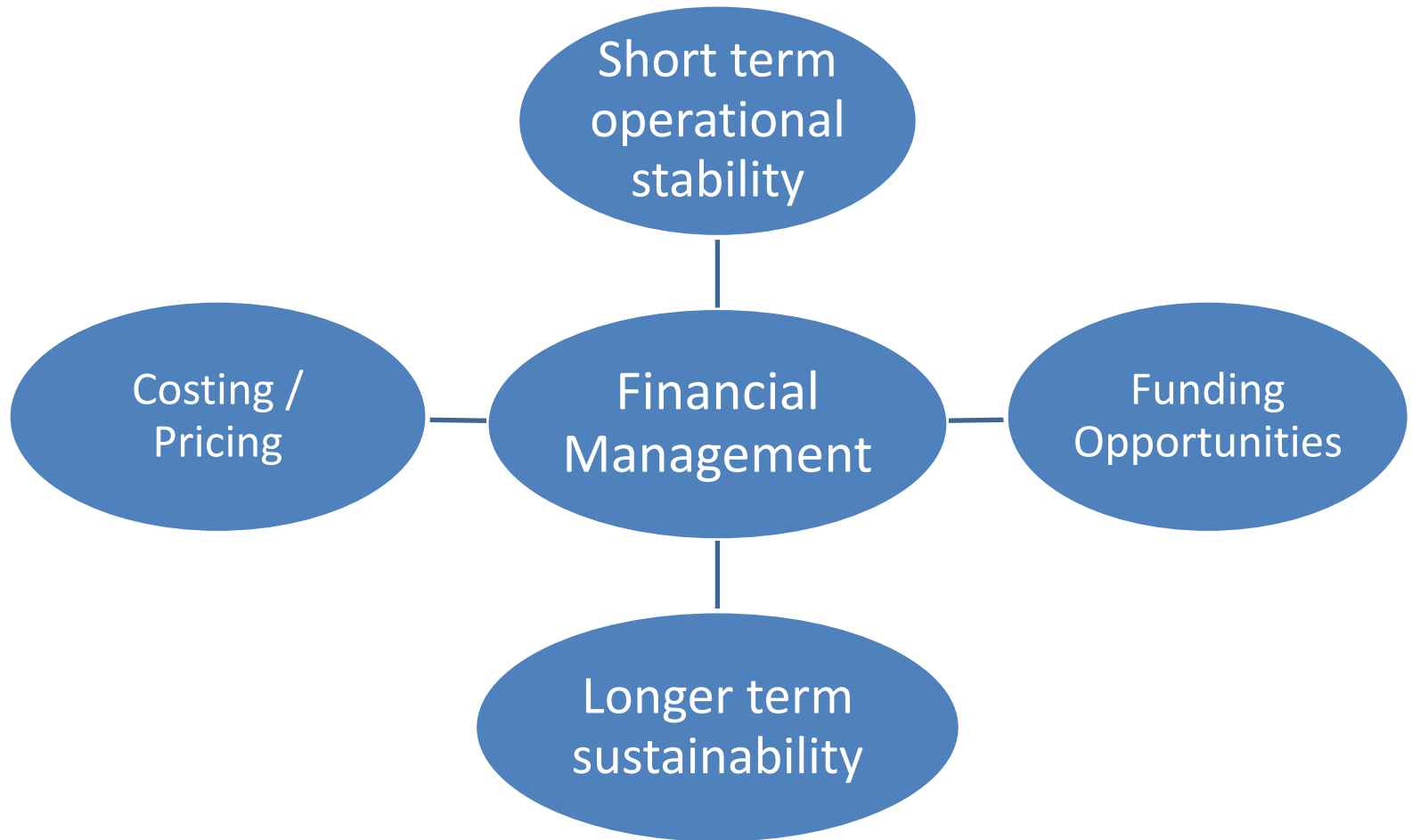
Case 2: Zambia - Copperbelt Nursing Polytechnic

- 3 year certificate program for about 150-200 students
- 95% of the annual budget comes from student tuition fees, the remaining 5% comes from fundraising activities.
- Tuition fees cover classroom and practical training, uniforms and teaching materials.
- Students must pay 50% of the tuition fees before classes begin. The balance must be paid within three (3) months of the start of the session.
- Students are not able to access government funding to help cover fees for their training at private institutions.
- CNP set their tuition fees based on what other institutes were charging for similar training.

Case 1: What Financial Issues can you Identify?

- ...
- ...
- ...
- ...
- ...
- ...

Financial Challenges Framework



Costing / Pricing

- Do you know your Costs?
 - Costing methods
 - Cost verification frequency
 - Cost controls
- How to set your Price?
 - Pricing methods
 - Re-pricing frequency
 - Ability / willingness to pay

Student Financing

- Self financing
 - Ability to pay vs. willingness to pay
 - Low contribution of student own financing towards the bottom line
- Student loans
 - Government schemes
 - Private loans
- College sponsored student loans
 - Risks of crediting students directly

Government Financing

- Eligibility of PMTIs for government financing
- Type of financing
 - Grants / subsidies
 - Scholarships
 - In-kind support
- Amount of financing
 - Dominant versus marginal
- Regularity of financing / payment

Donor Sponsorship

Nature of donor funding for PMTIs

- Type of funding
 - In-kind support
 - Grants
 - Scholarships
- Amount
 - Supplementary
- Availability of funding
 - Short-term

Other Sources of Financing

- Market funding
 - Public and private medical facilities sponsorship
- Additional training programs
 - Continuing and professional education
- Corporate support
 - Patronage / social responsibility
- Research and development
- Direct health services
- Other sources

Revenue Stability and Diversification

- Cash flow stability is critical for successful operations
 - Cash planning
 - Access to external short-term financing
- Revenue diversification
 - Important for stability, but not always the best strategy
 - Diversification carries risks as well as benefits

Financial Management and Efficiency

- Efficient operations and sound financial management contribute to financial stability and sustainability
- Efficiency
 - Operational efficiency
 - Cost controls critical
 - Focus on core programs and competencies
- Financial management capability
 - Planning and budget management

Strategies

Short term financial stability

- Knowledge of true costs of operations (costing) and adequate pricing (tuition)
- Cash flow planning and budgeting
- Cost controls and effective collections
- Access to short-term external funding for cash smoothing
- Others?

Long term financial sustainability

- Pricing for growth and expansion of operations
- Capital budgeting and investment planning
- Expansion of size/scope
- Strategic diversification of income
- Others?

Conclusions

- PMTIs fill in an important gap in the production of human resources for health, but they are often at early stages of development (size / scope disadvantages)
- Short-term financial stability may sometimes be at odds with the longer term sustainability
- Both costing and revenue strategies are critical to long-term success/sustainability



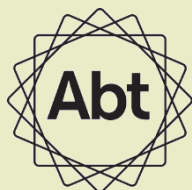
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through the Private Sector

shecker@banyanglobal.com

www.shopsproject.org



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