



Budget modeling

Behavioral healthcare company

Created a formal framework for budgeting and planning process to accurately plan for infrastructure and personnel to percolate management targets

Behavioral healthcare company needs budget modeling

Picture this...

You're looking to create budget models (top-down and bottom-up) to percolate management targets to business units, consolidate business unit's plans for management, and reconcile the two approaches to prepare the final budget. You lacked a formal budgeting and planning framework, that resulted in inaccurate translation of growth targets into infrastructure and personnel planning.

You turn to Accordion.

We partner with your team to create a formal framework for budgeting and planning process to accurately plan for infrastructure and personnel, including:

- 1) Finalizing the input/assumption metrics after working closely with the FP&A Team and building a top-down model to lay out 5 Year Budget P&L plan based on the forecasts provided by the management team
- 2) Building a bottom-up budget template with the location level input metrics using macros to replicate and customize it for each business unit. Also, creating separate models for planned De Novo (organic growth), acquisition (inorganic growth) locations of following FY
- 3) Sharing summaries of the initial budget values with the individual business unit POCs to get their inputs. Incorporating the modified inputs into the models to finalize the bottom-up budget values
- 4) Designing a budget consolidation model to compile budget numbers from multiple models at location and account level. Uploading the consolidated budget data to ERP and repurposing in other financial reports

Your value is enhanced.

You have redesigned the budget framework and helped the client in finalizing the budgets on time and enable necessary tracking and reporting requirements. Your budget consolidation model helped combine the budget values from more than 20 budget models without losing the details of the budget data

BUDGET MODELING

KEY RESULT

- Delivered P&L budget for >20 regions within 2 months timeframe
- ~\$600M of annual revenue and 4.5M visits budgeted

VALUE LEVERS PULLED

- Long range planning
- Bottom-up and top-down budgeting
- Reconciliation and triangulation

Situation

- The client lacked a formal budgeting and planning framework, resulting in inaccurate translation of growth targets into infrastructure and personnel planning
- Partnered to create Budget models (top-down and bottom-up) to percolate management targets to business units, consolidate business unit's plans for management, and reconcile the two approaches to prepare the final budget.

Accordion Value Add

- Finalized the input/assumption metrics after working closely with the FP&A Team and built a Top-down model to lay out 5 Year Budget P&L plan based on the forecasts provided by the management team
- Built a Bottom-up budget template with the location level input metrics using macros to replicate and customize it for each Business Unit. Also, created separate models for planned De Novo (organic growth), Acquisition (inorganic growth) locations of following FY
- Shared summaries of the initial budget values with the individual business unit POCs to get their inputs. The modified inputs were incorporated into the models to finalize the Bottom-up budget values
- Designed a Budget Consolidation model to compile budget numbers from multiple models at location and account level. The consolidated budget data was uploaded to ERP and repurposed in other Financial reports

Impact

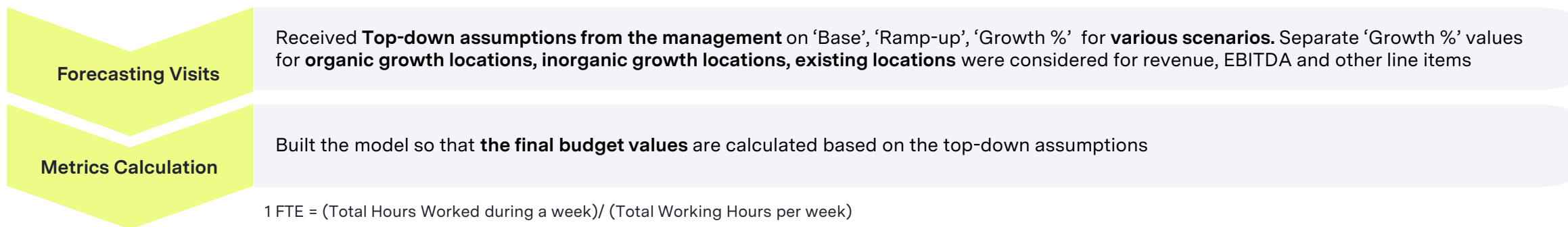
- Redesigning the budget framework helped the client in finalizing the budgets on time and enable necessary tracking and reporting requirements
- Budget Consolidation model helped combine the budget values from more than 20 budget models without losing the details of the budget data

Approach & methodology

Bottom-up Budget Model:



Top-down Budget Model:



Bottom-up forecasting process

		Actuals					Forecast					Forecast	
		Year-0	Year-0	Year-0	Year-0	Year-0	Year-0	Year-0	Year-0	Year-0	Year-0	Year-1	Year-1
		April	May	June	July	August	September	October	November	December	January	February	
Business Days >>		22	20	22	22	21	21	22	19	22	20	20	
Seasonality (% of Annual Visits in Month) >>		1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
OUTPATIENT VISITS													
Mature Locations													
Location 1		100	100	100	100	100	100	103	105	107	112	-	
	Clinician Type 1	50	50	50	50	50	50	50	50	50	50	-	
	Clinician Type 2	10	10	10	10	10	10	10	10	10	10	-	
	Clinician Type 3	20	20	20	20	20	20	20	20	20	20	-	
	Clinician Type 4	10	10	10	10	10	10	10	10	10	10	-	
	New Hire Clinician						-	3	5	7	12	-	
Total Mature Visits		100	100	100	100	100	100	103	105	107	112	-	
Growth Locations													
Location 1		100	100	100	100	100	103	105	107	112	130	2,690	
	Clinician Type 1	50	50	50	50	50	50	50	50	50	50	609	
	Clinician Type 2	10	10	10	10	10	10	10	10	10	10	126	
	Clinician Type 3	20	20	20	20	20	20	20	20	20	20	1,407	
	Clinician Type 4	10	10	10	10	10	10	10	10	10	10	98	
	New Hire Clinician						3	5	7	12	20	450	
Total Growth Visits		100	100	100	100	100	103	105	107	112	130	2,690	
High Growth													
Location 1		100	100	100	100	100	100	100	100	103	105	838	
	Clinician Type 1	50	50	50	50	50	50	50	50	50	50	181	
	Clinician Type 2	10	10	10	10	10	10	10	10	10	10	201	
	Clinician Type 3	20	20	20	20	20	20	20	20	20	20	422	
	Clinician Type 4	10	10	10	10	10	10	10	10	10	10	33	
	New Hire Clinician						-	-	-	3	5	-	
Total High Growth Visits		100	100	100	100	100	100	100	100	103	105	838	
TOTAL OUTPATIENT VISITS		300	300	300	300	300	303	308	312	322	347	3,528	

Bottom-up Model: This tab forecasts Outpatient visits for Clinician Type and New Hire clinicians at location level. These visits are further being used to calculate revenue and COGS.

The locations are further being divided into 3 'Growth types' provided by the user.

Bottom-up actuals and forecast summary

		ACTUALS					FORECAST					
		Year-0									Year-1	
Business Unit		April	May	June	July	August	September	October	November	December	January	February
Business Unit 1	Business Days	22	20	22	22	21	21	22	19	22	20	20
	Seasonality (% of Visits in Month compared to Annual average)	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
	# Clinicians	10	10	10	10	10	11	12	12	13	13	13
	# New Hire Clinicians according to schedule	0	0	0	0	0	1	1	0	0	0	0
REVENUE												
	Location 1	\$ 14,500	\$ 14,700	\$ 16,000	\$ 15,500	\$ 16,500	\$ 15,400	\$ 16,000	\$ 16,300	\$ 16,700	\$ 17,200	\$ -
	Location 2	\$ 16,500	\$ 16,700	\$ 16,000	\$ 15,500	\$ 15,400	\$ 16,100	\$ 16,400	\$ 16,600	\$ 17,300	\$ 20,000	\$ 323,250
	Location 3	\$ 16,700	\$ 16,000	\$ 16,200	\$ 16,500	\$ 15,500	\$ 15,900	\$ 16,100	\$ 16,200	\$ 16,500	\$ 16,700	\$ 106,854
TOTAL REVENUE		\$ 47,700	\$ 47,400	\$ 48,200	\$ 47,500	\$ 47,400	\$ 47,400	\$ 48,500	\$ 49,100	\$ 50,500	\$ 53,900	\$ 430,104
VISITS												
	Location 1	100	100	100	100	100	100	103	105	107	112	0
	Location 2	100	100	100	100	100	103	105	107	112	130	0
	Location 3	100	100	100	100	100	100	100	100	103	105	0
TOTAL VISITS		300	300	300	300	300	303	308	312	322	347	-
REVENUE PER VISIT												
	Location 1	\$145	\$147	\$160	\$155	\$165	\$154	\$155	\$156	\$156	\$154	\$0
	Location 2	\$165	\$167	\$160	\$155	\$154	\$156	\$157	\$155	\$154	\$154	\$0
	Location 3	\$167	\$160	\$162	\$165	\$155	\$159	\$161	\$162	\$160	\$160	\$0
TOTAL REVENUE PER VISIT		\$ 159	\$ 158	\$ 161	\$ 158	\$ 158	\$ 156	\$ 158	\$ 158	\$ 157	\$ 156	\$ -
VISITS PER CLINICIAN												
	Location 1	33	33	33	33	33	33	26	26	27	28	0
	Location 2	25	25	25	25	25	21	21	21	22	26	0
	Location 3	33	33	33	33	33	33	33	33	26	26	0
TOTAL VISITS PER CLINICIAN		30	30	30	30	30	28	26	26	25	27	-
COST OF GOODS SOLD												
	Location 1	\$9,500	\$9,500	\$10,000	\$10,000	\$10,500	\$10,000	\$12,000	\$12,000	\$12,000	\$12,000	\$0
	Location 2	\$10,500	\$10,500	\$10,500	\$10,000	\$10,000	\$12,500	\$12,500	\$12,500	\$12,500	\$13,000	\$5,000
	Location 3	\$10,500	\$10,000	\$10,000	\$10,500	\$9,500	\$10,000	\$10,000	\$10,000	\$12,000	\$12,000	\$0
TOTAL COST OF GOODS SOLD		\$30,500	\$30,000	\$30,500	\$30,500	\$30,000	\$32,500	\$34,500	\$34,500	\$36,500	\$37,000	\$5,000
Gross Profit Margin												
	Location 1	34.5%	35.4%	37.5%	35.5%	36.4%	35.1%	25.0%	26.4%	28.1%	30.2%	0.0%
	Location 2	36.4%	37.1%	34.4%	35.5%	35.1%	22.4%	23.8%	24.7%	27.7%	35.0%	98.5%
	Location 3	37.1%	37.5%	38.3%	36.4%	38.7%	37.1%	37.9%	38.3%	27.3%	28.1%	100.0%
TOTAL Gross Profit Margin		36.1%	36.7%	36.7%	35.8%	36.7%	31.4%	28.9%	29.7%	27.7%	31.4%	98.8%
GROSS PROFIT		\$ 17,200	\$ 17,400	\$ 17,700	\$ 17,000	\$ 17,400	\$ 14,900	\$ 14,000	\$ 14,600	\$ 14,000	\$ 16,900	\$ 425,104

- Bottom-up Model: This output tab shows the monthly actuals and forecasted key metrics at location level. These help user understand the trend of the values.

Top – down assumptions for BUs

Projection P&L Assumptions for Existing Locations					
	Year-1	Year-2	Year-3	Year-4	Year-5
Revenue Growth for Existing Locations					
Existing Locations for following Business units					
Business Unit 1	8.0%	14.0%	12.0%	14.0%	13.0%
Business Unit 2	11.5%	17.5%	15.5%	14.0%	16.5%
Business Unit 3	9.0%	15.0%	13.0%	14.0%	14.0%
Business Unit 4	6.0%	12.0%	10.0%	14.0%	11.0%
Business Unit 5	7.0%	13.0%	11.0%	14.0%	12.0%
Business Unit 6	5.0%	11.0%	9.0%	14.0%	10.0%
Business Unit 7	4.5%	10.5%	8.5%	14.0%	9.5%
Business Unit 8	7.5%	13.5%	11.5%	14.0%	12.5%
Business Unit 9	15.0%	21.0%	19.0%	14.0%	20.0%
Business Unit 10	6.0%	12.0%	10.0%	14.0%	11.0%
Business Unit 11	18.0%	24.0%	22.0%	14.0%	23.0%
Business Unit 12	12.0%	18.0%	16.0%	14.0%	17.0%
EBITDA Margin					
Existing Base (2019 & Prior)					
Business Unit 1	20.0%	22.0%	23.0%	21.0%	25.0%
Business Unit 2	20.0%	22.0%	23.0%	21.0%	25.0%
Business Unit 3	20.0%	22.0%	23.0%	21.0%	25.0%
Business Unit 4	20.0%	22.0%	23.0%	21.0%	25.0%
Business Unit 5	20.0%	22.0%	23.0%	21.0%	25.0%
Business Unit 6	20.0%	22.0%	23.0%	21.0%	25.0%
Business Unit 7	20.0%	22.0%	23.0%	21.0%	25.0%
Business Unit 8	20.0%	22.0%	23.0%	21.0%	25.0%
Business Unit 9	20.0%	22.0%	23.0%	21.0%	25.0%
Business Unit 10	20.0%	22.0%	23.0%	21.0%	25.0%
Business Unit 11	20.0%	22.0%	23.0%	21.0%	25.0%
Business Unit 12	20.0%	22.0%	23.0%	21.0%	25.0%

- Top-down model: This tab provides the functionality to input the projected 'Revenue growth %' and 'EBITDA Margin %' values for different business units