

# CAPITAL PRIORITIZATION SESSION OVERVIEW

Axiom® Capital Planning provides clear-cut guidelines for evaluating capital purchases. The solution supports a management process that focuses on major projects, while simultaneously determining approvals for smaller capital requests. At the heart of the Capital Planning software is an advanced decision-making module with supporting workflow. The software calculates the optimal portfolio of capital projects considering both budget constraints and the relative importance of evaluation criteria. Key to our approach are guided capital prioritization sessions during which capital budget decisions are ultimately made.

## Session Overview

The capital prioritization session represents the culmination of the entire capital budgeting process. The purpose of the session is to use Axiom Capital Planning to assist in determining the optimal capital allocation based upon your organization's objectives and capital budget constraints for the year. A senior consultant from Kaufman Hall directs the process with a neutral and unbiased perspective, coupled with the experience necessary to keep the group focused and efficient.

During the course of the meeting, each capital request is subjected to thorough discussion and analysis by your executive team. As evaluators, the executive team members score each capital request based upon its contribution to predefined criteria that reflect the strategic objectives of your organization. The individual evaluator's scores are then combined into an aggregate score that leads to an overall priority ranking of the requests. Using this prioritized ranking, the Axiom Capital Planning solution recommends an initial optimal allocation of the available capital dollars.

In a typical session, the group evaluates 40 to 50 of the largest requests, typically representing approximately 70 - 80% of the total value of all of the requests. For the remaining capital requests, capital budget decisions can be made by either utilizing a condensed set of criteria within Axiom Capital Planning, by allocating capital dollars to individual VPs, or by creating allocation pools for functional areas.

## Team Members

We recommend that your team evaluating capital requests be comprised of six to twelve members that often includes the COO, CFO, VP of Patient Care, VP of Materials Management, CIO, VP of Facilities, and physician representatives. These individuals contribute important perspectives from their specific areas of expertise and can effectively represent a cross-section of interests across all areas of your organization. CEO participation in this session is often dependent on their historical involvement in the capital budgeting process. The specific make-up of the evaluation team varies, but the team should be sufficiently diversified to represent the needs of your entire organization.



### Session Details

The capital evaluation session generally lasts between four to six hours. The session is held in a location where each evaluator has access to a computer with access to Axiom Capital Planning. Attendees for the session include your evaluation team, your Axiom Capital Planning system administrator or capital budget coordinator, a senior consultant from Kaufman Hall, and any other individuals critical to your capital budgeting process.

The evaluation session begins with a brief review of your capital process and an overview of the day's agenda, which includes an explanation of the scoring process and guidelines for proposal discussions. To begin the discussions, many organizations choose to have managers or directors present each request and answer any questions that the evaluators may have. An alternative approach is to have capital committee members present the requests and answer questions. Evaluators then score each request directly in Axiom Capital Planning in terms of the benefit that the request provides for each of the criteria. Approximately three to five minutes are allocated to the discussion and scoring of each request. Once the presentations have been

completed, your evaluators review their individual prioritized rankings and make any necessary adjustments.

Next, Axiom Capital Planning calculates a weighted average score using the evaluator scores and the relative weights of each criterion. Based upon these results, the solution provides the overall proposal ranking and optimal allocation of the available capital dollars.

After viewing the initial prioritization, the Kaufman Hall consultant facilitates a discussion of the results. Various capital budget scenarios, which represent different capital plans across the available proposals, can be created and analyzed through trade-offs amongst the proposals. You can make trade-offs by including or excluding requests, adjusting dollar amounts or quantities, changing project scope, and/or changing the timing of project spending. Based on this discussion, your evaluation team gains a clear sense of which capital requests most effectively promote your objectives of the organization. The session concludes after your team has determined a final list of approved capital budget requests.