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Crowe Healthcare Summit 2017**

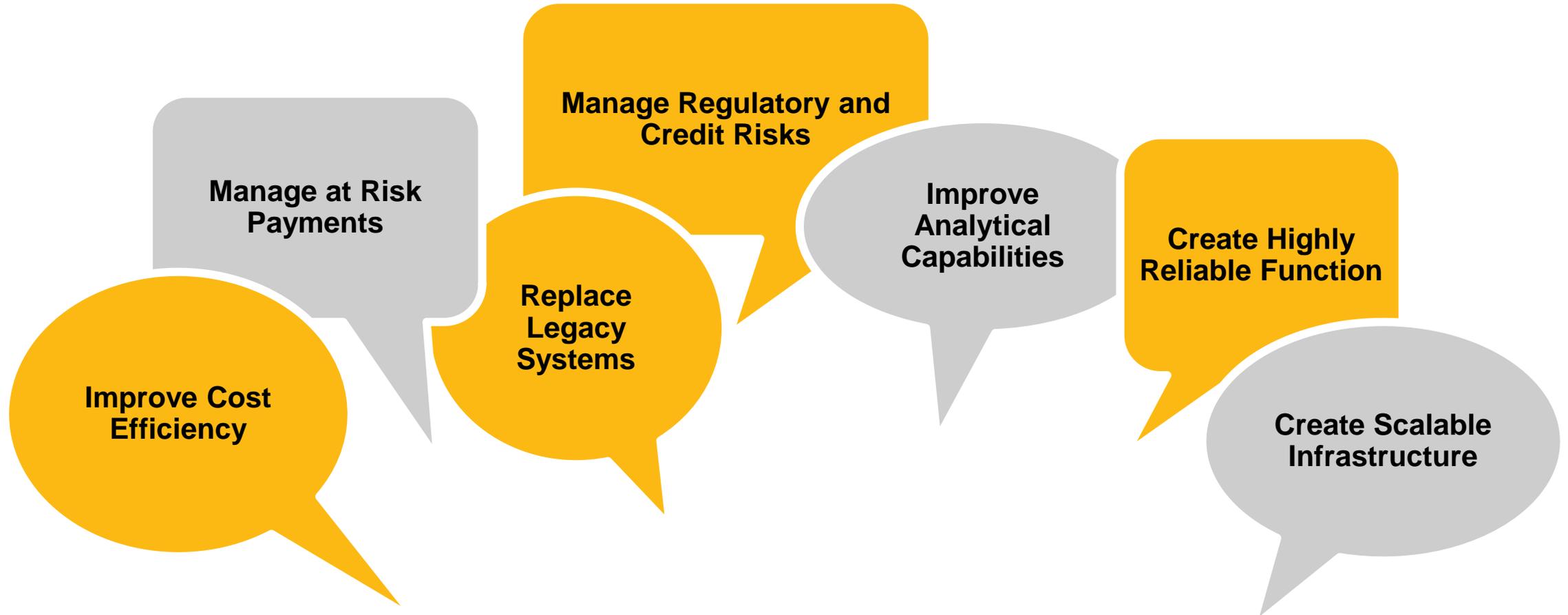
Accelerating Finance in the New Era

September 19, 2017

Tracey Coyne and Christian Heuer

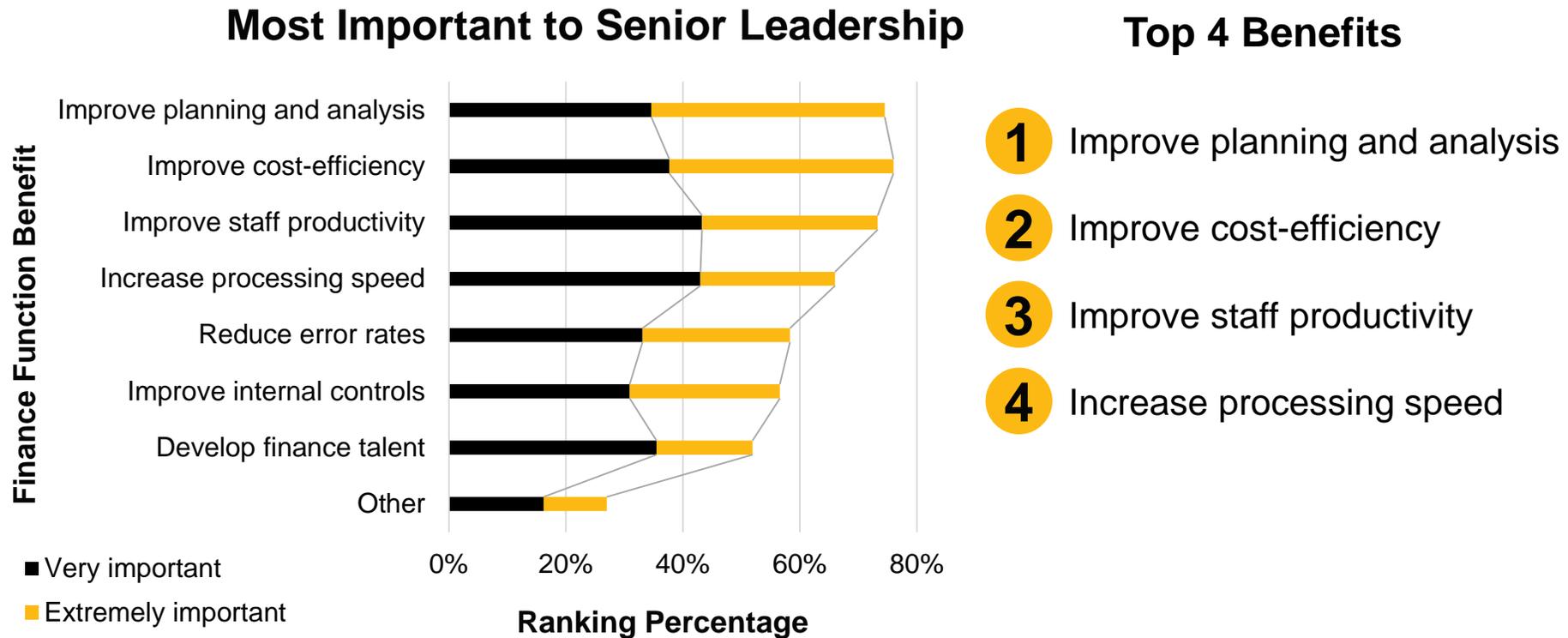
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The Agenda for Change: What Our Clients are Saying



The Agenda for Change: What Leading Organizations are Saying

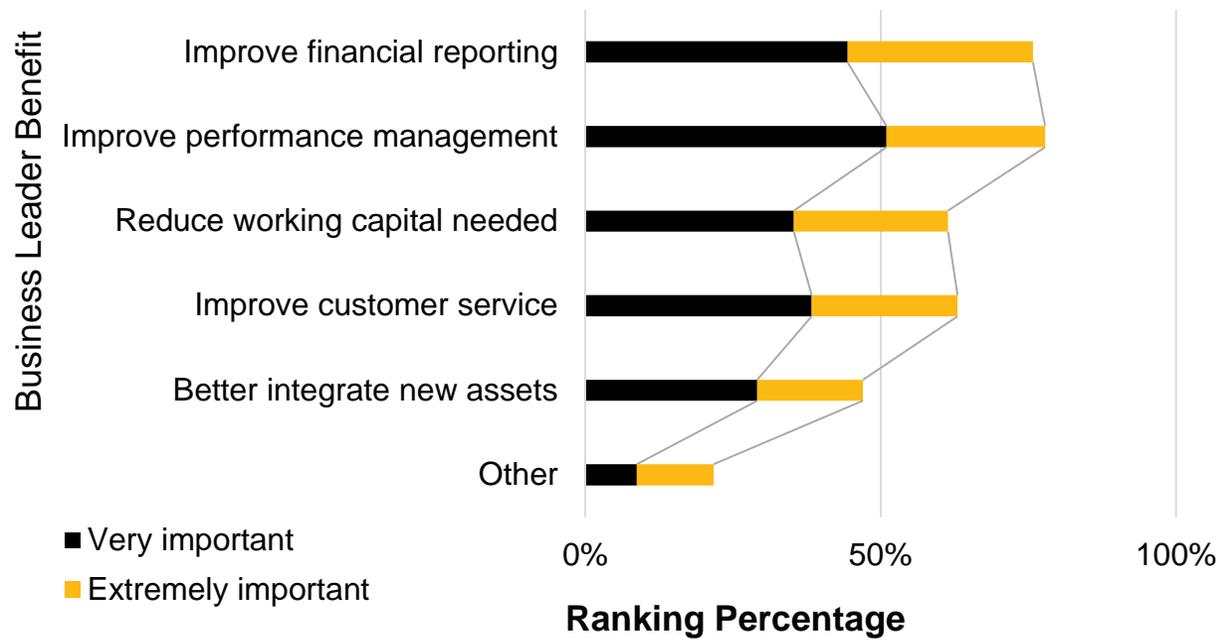
“75% of APQC survey respondents agreed the following Finance Function process improvement benefits are most important to *Finance* leaders”:



The Agenda for Change: What Leading Organizations are Saying

“The same APQC survey respondents agreed the following Finance Function process improvement benefits are most important to *Business* leaders”:

Most Important to Senior Leadership



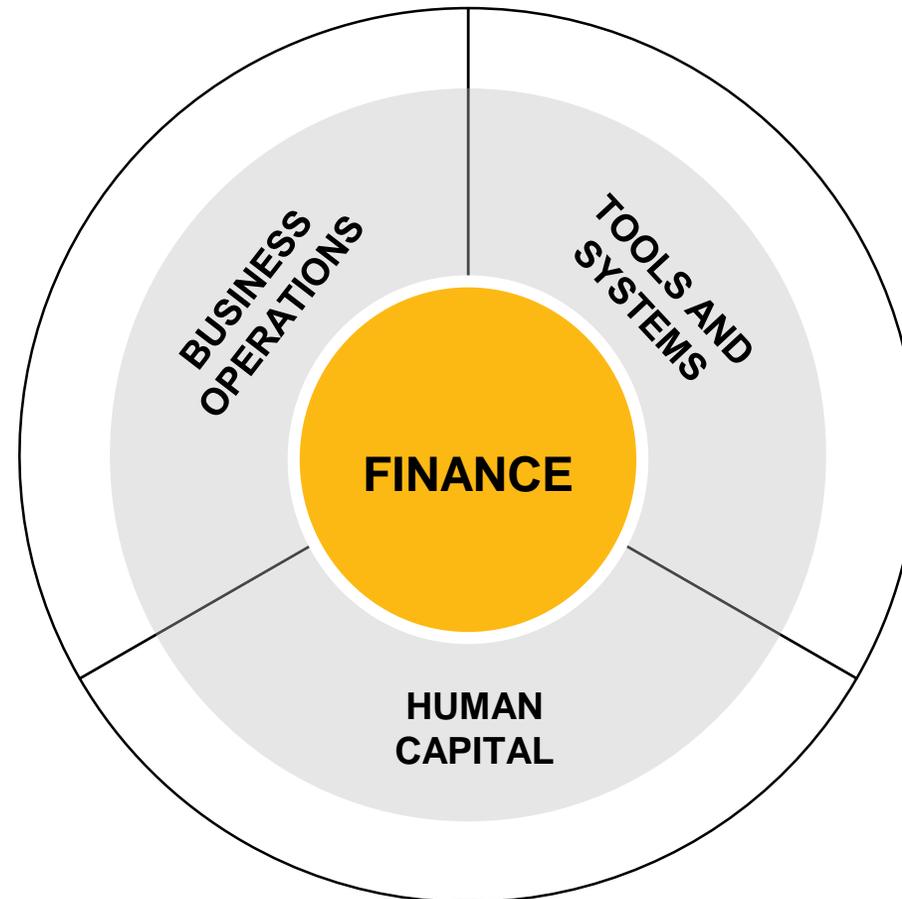
Top 4 Benefits

- 1 Improve financial reporting on revenue and cost drivers
- 2 Improve performance management model strengths and weaknesses
- 3 Reduce level of working capital to operate
- 4 Improve customer service experience

What is Finance Transformation?

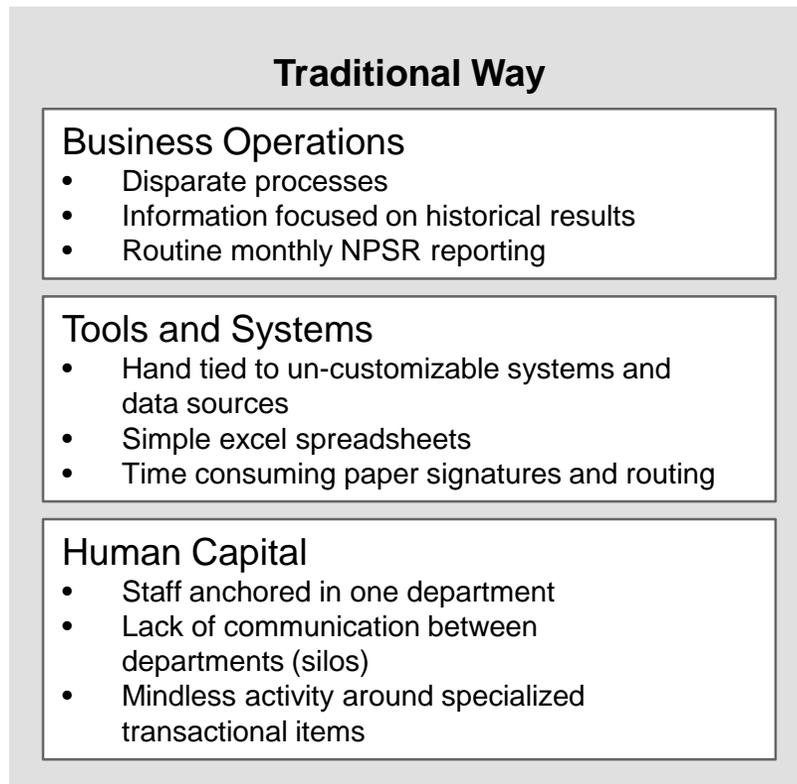
Finance Transformation is taking existing finance function's business operations, tools, systems and human capital structure and improving them to best in class performance.

**Providing greater value
at the right time...
and doing more
with less!**



Why Invest in Finance Transformation?

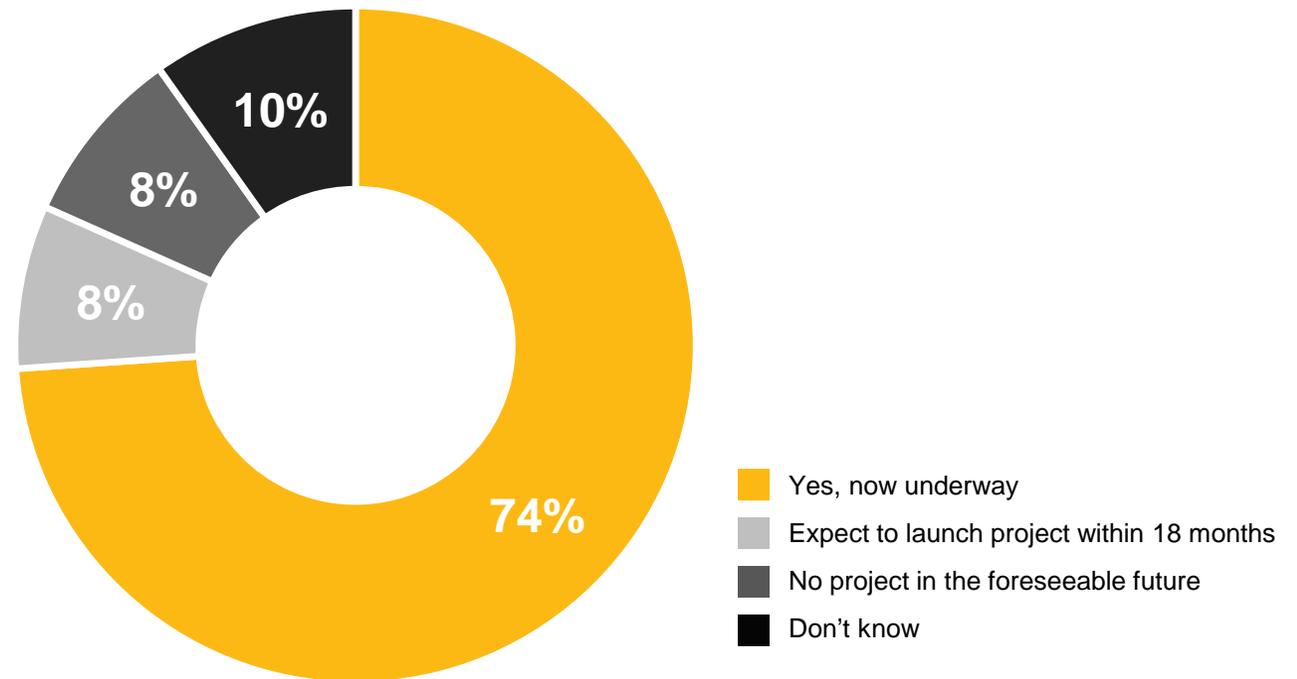
Today the pressure on business leaders to perform is greater than before and CFO's and VP's of Finance are looking for assistance to **evolve their finance function to the new era** in the following areas:



Check Point

How many of you are currently engaged in a finance process improvement project?

APQC Survey participants currently engaged in a finance process improvement initiative*

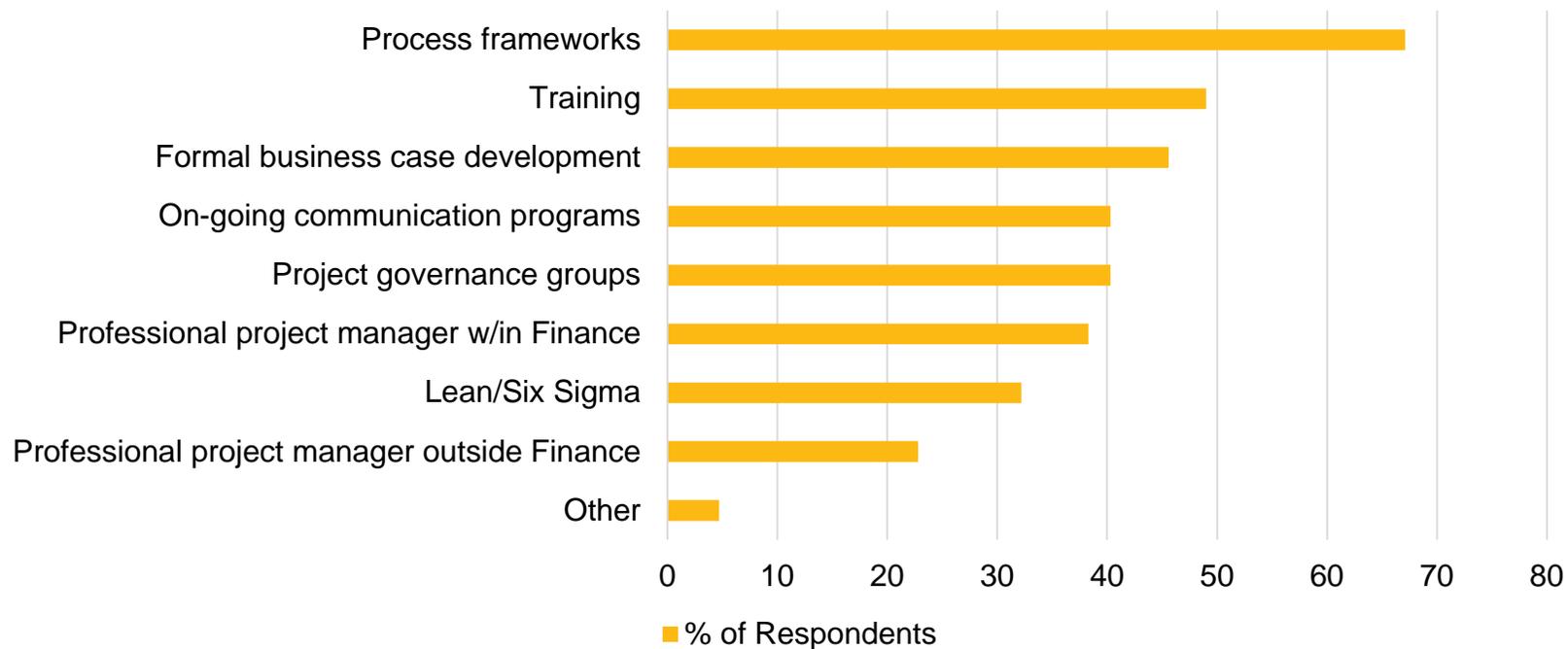


*Source: APQC, Financial Management Process Improvement, Survey Summary Report, May 2016

Transformation Methodologies Used

Organizations are using change management methods with process improvement methods to support their transformation plans. “APQC survey respondents are fans of process frameworks”.

Finance Process Improvement Methodologies Used*



*Source: APQC, Financial Management Process Improvement, Survey Summary Report, May 2016

Learning Objectives

Understand where you are on the spectrum of performance and where you want to be

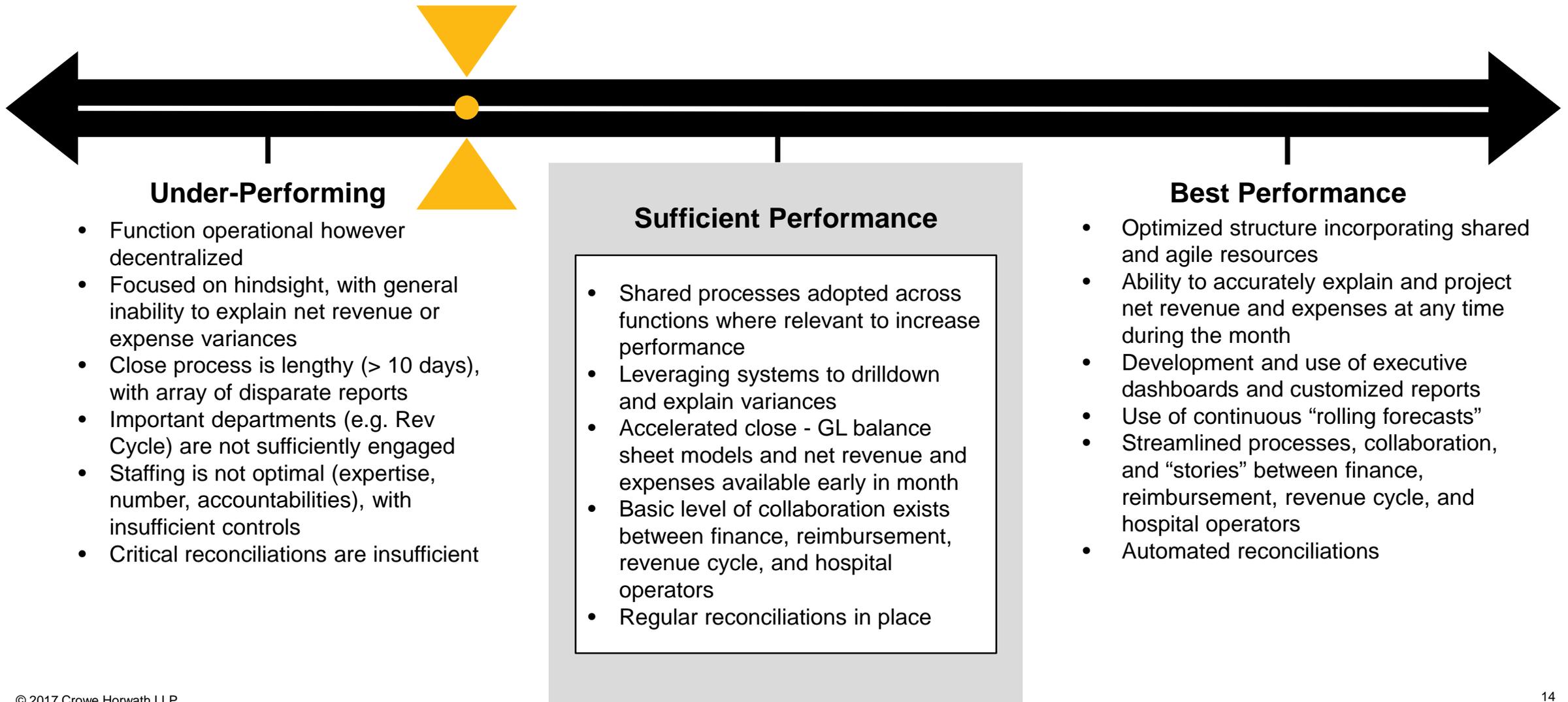
Understand how to appropriately benchmark your performance

Identify gaps and improvement opportunities to meeting your desired performance

Build a framework for sustained implementation

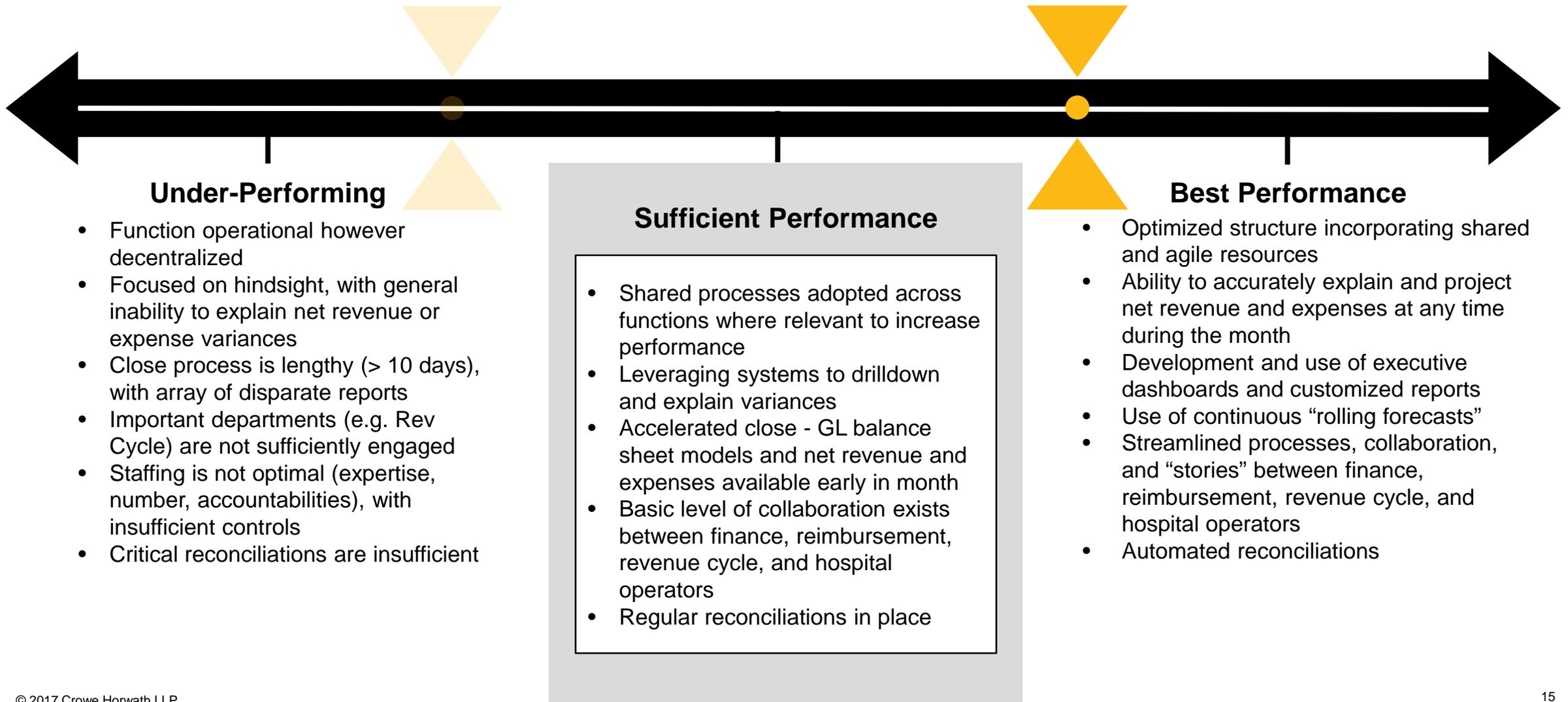
Building Block #1

Understand **where you are** on the spectrum of performance today



Building Block #1

Understand **where you want to be** on the spectrum of performance today



Understand **how to perform comparative analytics** of your performance

Why perform comparative analytics?

Proper comparative analytics ...

- 1 Facilitates transformation and reinforces change
- 2 Involves key stakeholders
- 3 Surfaces performance gaps
- 4 Uncovers leading practices

Understand **how to perform comparative analytics** of your performance

Types of Comparative Analytics

Internal comparative analytics – current performance of own organization

Competitive comparative analytics – compare to industry

Strategic comparative analytics – compare other organization's direction

Comparative Analytics Steps



Finance Organization: Competitive Comparative Analytics

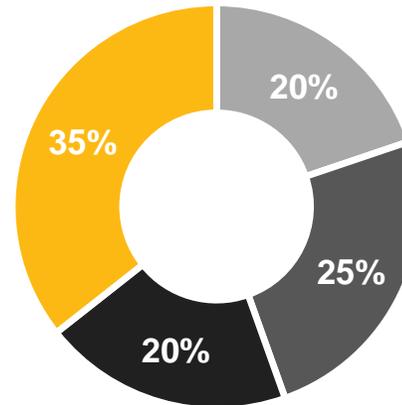
Analysis

The Finance Organization's time allocation is similar to top performers; however, time spent on management activities is near the bottom performers.

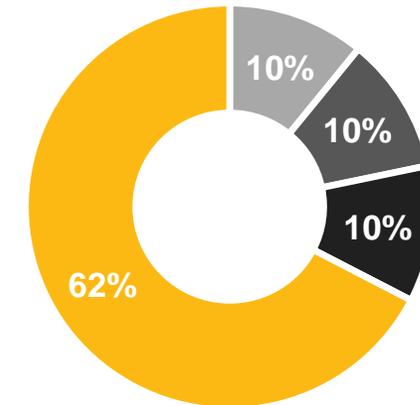
Based on our qualitative research on site visits, this time allocation may be reflective of the long-tenured and collegial workforce in the department.

Adoption of leading practices may allow for a reduction in decision support and transaction processing time to allow for more managerial time.

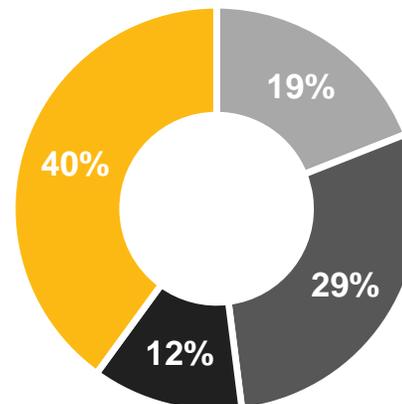
Top Performer



Bottom Performer



Metric Values



- Time Allocation: Control
- Time Allocation: Decision Support
- Time Allocation: Management Activities
- Time Allocation: Transaction Processing

Assessment Sample Deliverable

Accounts Payable: Competitive Comparative Analytics

Analysis

Staffing is near median levels.

Time and expense reimbursement is timely, mirroring the efficiency of the payroll department and reflecting ROI on investment in IT infrastructure.

Although a high percentage of invoice line items are received electronically, the organization may benefit from taking advantage of pricing discounts and more timely payment.

Personnel costs based on dollars of revenue are under performing in comparison to the peer group median reflecting Client Health's location in a major metropolitan area.

Metric	Client Health	Bottom Performers	Median	High Performers	%tile
Number of FTEs that perform the process "process accounts payable (AP)" per \$1 billion revenue	9.42	12.24	9.0	5.9	43%
Cycle time: approve and schedule T&E reimbursements	3.4	14.0	9.0	5.0	82%
Percentage of discounts available that are taken	62%	69%	82%	98%	24%
Percentage of invoice line items paid on time	72%	78%	90%	95%	17%
Percentage of invoice line items received electronically	72%	21%	50%	71%	75%
Total cost to perform the AP process per \$1,000 in revenue	\$0.68	\$0.77	\$0.56	\$0.41	40%

\$500,000 opportunity taking advantage of pricing discounts.

Source: APQC 2015 Rapid Performance Assessment Tool. Includes for profit corporations, not-for-profit, and governmental agencies classified as General Medical and Surgical Hospitals

Building Block #3

Identify gaps and improvement opportunities to meeting your desired performance

Business Operations

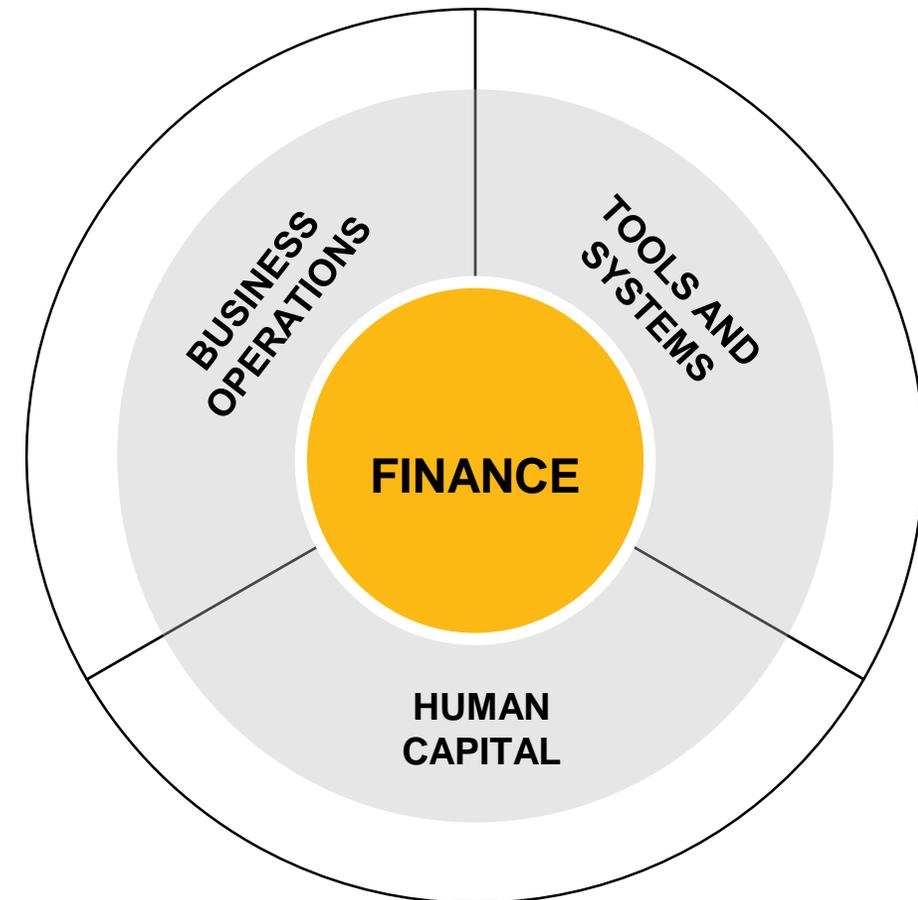
- What non-value added activities and manual tasks should and can be eliminated?
- What bottlenecks and issues in existing processes decrease your internal effectiveness and ability to serve customers?

Tools and Systems

- Do you have work flow and automation technologies in place?
- Are you using technology effectively and are your systems scalable for growth?

Human Capital

- Do you have the right people in the right positions, and the optimal organizational design, to support your processes?
- Do you have the right individual and organizational performance metrics?



Building Block #3

Build a holistic framework for sustained implementation*

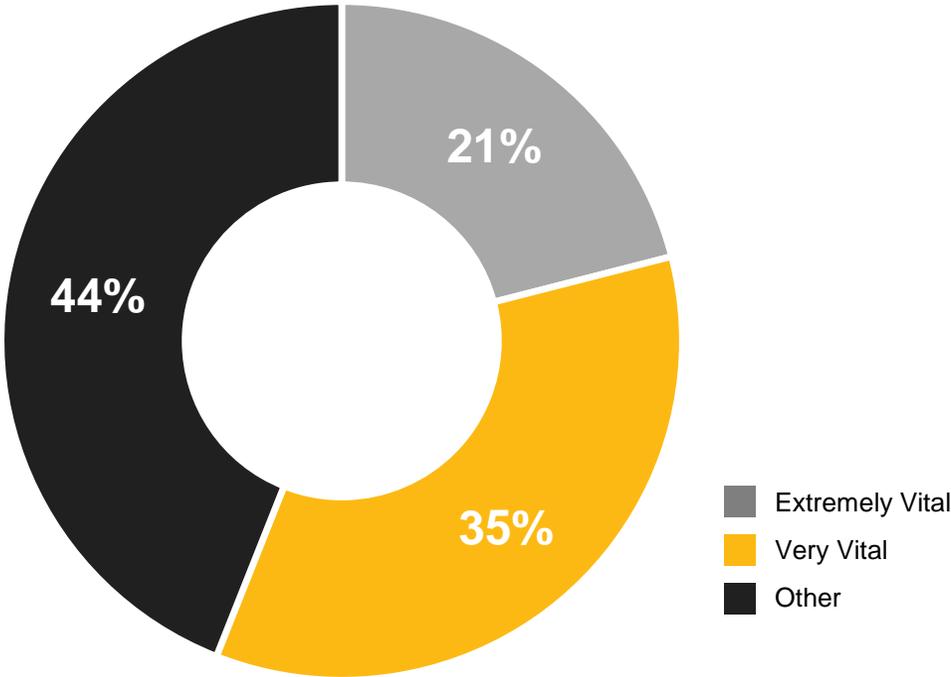
- Senior management should **drive the performance** improvement change within the organization
- **Combine centralized governance** with decentralized implementation when implementing improvement opportunities
- **Engage employees** throughout the journey
- **Build periodic reporting** on tangible key performance metrics and intangible measures into the process

*Source: APQC, Transformational Change, Making it Last, 2014

Importance of Technology to Finance Transformation

56% of APQC survey respondents agreed technology is vital to Finance Function improvements*

Importance of Technology to Finance Function Improvements*



*Source: APQC, Financial Management Process Improvement, Survey Summary Report, May 2016

Importance of Technology to Finance Transformation

In **Finance 2020: Death by Digital****, industry analyst David Axson wrote:

“In just three short years, finance won’t look anything like it does today. **Complex legacy systems will be gone, replaced by cloud-based platforms** for reporting, planning, forecasting, and **analytics that will deliver self-service data** to decision-makers across the enterprise. **Machine-learning and robotic systems will ruthlessly automate many routine businesses**, freeing up your finance team to spend 75% of its time on decision support and predictive analysis, guided by artificial intelligence and input from statisticians, data scientists, behavioral economists, and even anthropologists.”

**Source: Axson, David A.J., “Finance 2020: Death by digital,” Accenture Strategy, 2016

Check Point

How many of you are using **innovative information management strategies**?

What types of technology?

Cloud based systems,
Robotic Process Automation Tools,
Work Flow Tools,
Machine Learning,
Data Visualization,
Statistics?



Transformation Best Practices

Human Capital

Develop the structure to meet the **needs of the business** rather than redesigning around current people

Organize staff groups around **end-to-end processes**, customer outcomes and to capture economies of scale

Instill a service and **value driven culture** and establish clear **accountabilities for performance metrics**



Business Processes

Standardize processes and apply policies consistently across the organization

Design processes to support the **simplicity of operation** and the achievement of cost and performance targets

Define and negotiate **Service Level Agreements (SLAs) with performance metrics** that are aligned with business strategy



Technology

Understand **key workflows and how data is managed** in and out of the organization

Identify **transformative technology** that can change the way a process works

Leverage existing IT structure to the fullest extent

Example Pitfalls to Avoid

Pitfall #1: Building new structure around historical FTEs and operating silos

A successful environment organizes structures around an **end-to-end customer service**

Best practice example = Ensure all FTEs along the process (local and centralized) report up to the same Executive or Steering Committee (e.g., Procure to Pay)



Pitfall #2: Moving historical processes into new structure without process redesign

A successful environment focuses attention on **elimination of manual processes** and **inclusion of workflow automation**

Best practice example = Deploy processes with push technologies and notifications versus historical pull processes with manual interventions



Pitfall #3: Not defining or reporting on performance metrics

A successful environment builds a **culture of continuous process improvement and the routine dissemination of performance metrics** supports quantitative measurement of financial contributions by the function

Best practice example = Service Level Agreements are deployed and reported on a frequent basis to customers

Summary

- 1** Organizational change is inevitable
- 2** Finance Transformation allows for adaptation to internal and external demands placed on the finance function
- 3** Change is facilitated by proper scoping, planning, resourcing, methodology and implementation
- 4** Pitfalls can be avoided by using best practices in assessing and implementing change

Questions

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