CFO Role and Perspective

William J. Mooney Educational Series & HFMA Maryland New Member Welcome

Thursday, December 4, 2014
Session Objectives

• Local outlook has just been addressed for you

• “Checkbook test”

• “Month In The Life” of a Hospital Financial Leader
  – Less finance/accounting than you might think
  – Operations focus!
  – “System” orientation has significant impact on job profile
  – Communications with Executive Team – *daily* – is a key role
St. Agnes Hospital – Baltimore, MD

- Scott Furniss, CFO

- $450 Million in Operating Revenue
- Part of Ascension Health (St. Louis)
- 180+ Employed Physicians
- 276 beds
- 3,300 employees
- 25,000 admissions
- 11,000 surgeries
- 84,000 ED visits
- 150 year history of serving SW Baltimore
- Maryland last remaining rate regulated state
- Prior 30+ year statewide rate waiver with CMS replaced this year with New Waiver agreement
- Hospitals have all accepted “Global Budgets” that set annual revenues regardless of volume
Restructuring the CFO Role - 2014

Historical Role...

New Role!
Restructuring the CFO Role - 2014

**Historical Role...**

- Transaction-based
- Reports Production
- Reconciliations
- Billing and Collections

**New Role!**

- Job Descriptions Being Dramatically Revised
- New Role: “Strategist and Catalyst”
- “Streamline, Standardize, Centralize” Back-Office Functions
- Business Development
- New Models of Care
- Physician Alignment/Engagement
Monday – Key Day

• Daily Safety Huddle at 7:30a (more on that in a minute)

• Executive Team 12noon – 2pm
  – Communications
  – System Coordination
  – Goals Progress
  – Decision Making
  – Discernment
  – Prayer(!)
DAILY Safety Huddle at 7:30am

• Nearly two years of this daily meeting

• 40-60 hospital leaders

• Face-to-face – 15-30 minutes

• One of the most significant improvements I have seen in care improvement/coordination in 20+ years in healthcare
Financial Reporting Coordination

- System-wide **consistency** is crucial
- GAAP interpretation/communications
- Financial Policies
- Templates, Templates, Templates!
- …and more templates.
- Debt compliance disclosures
  - “Rep Letters”
Capital Planning Considerations

• Everyone has limits (depends on who “owns” you!)

• Can typically only fund 25% or less of requests

• How do you decide?
  – *Strategic* – all the way to the Board (and/or System)
    • Alignment with Strategic Plan
  – *Routine* – include Managers/Directors – let them decide!
  – *Clinical* – Use a Physician Committee if you can
Compliance – What is It?

- HUGE risk for all leaders, but particularly financial leaders

- Very, very, easy to cripple an organization

- Frequently out of ignorance rather than intentional fraud

- Rigorous process around physician:
  - Employment
  - Rents
  - Coverage
Advocacy/Policy Influence

• For Maryland Hospitals, MHA is the key conduit

• Requires regular feedback and idea exchange

• Influence requires regular participation

• Also lobby and advocate alone for unique circumstances
  – Political
  – Regulatory
  – Local or National System
  – Legal
Continuing Education

• (These guys are pretty good)

• COMMIT to be a lifelong learner
  – “I don’t have time”
  – …YOU DON’T HAVE TIME TO NOT HAVE TIME

• Multiple other resources
  – Set aside reading time weekly (typically weekends)
  – Ask financial leaders in your organization to share materials.
  – Commit to attend at least 2 in-person sessions per year

• Help others learn – participate in a local organization
  – BEST way to network and learn more as you do it
Information Technology

• Massive shift in last 10 years

• Touches almost all aspects of the organization

• Substantial implications for financial:
  – Efficiency
  – Accuracy
  – Performance and Exception Monitoring
  – Communications

• Therefore: All financial leaders have to spend time understanding and planning/allocating IT resources
Clinical Documentation/Medical Records

• Why would a financial leader care?

• Substantial implications for revenue
  – Not documented = “didn’t happen”
  – Didn’t happen = no payment

• Costs accelerating for both IT and coders

• Compliance – do you look good in orange?

• Substantial physician engagement required
  – Only they can provide the required documentation, typically
  – Multiple rules about not “leading” them
Human Resource Monitoring/Decisions

• Why? 50% of a hospital spend

• Most significant aspect of satisfaction
  – Patients
  – Families
  – Physicians

• Compensation rules for a hospital are surprisingly complex
  – Shift differentials
  – Weekend premiums
  – Weekenders
  – Premiums to address key shortages
  – Union contracts (sometimes)
Internal/External Auditors

• Can be your best friend or worst enemy

• **KEEP THEM YOUR FRIEND**

• Allocate time to openly communicate regularly

• Develop key areas of concern to be investigated **TOGETHER**

• Significant compliance and financial risk without quality:
  – Internal audit program
  – External audit team
  – Audit Committee
Governance

• Could be local or national (or both!)

• Boards keep us independently accountable

• To do their jobs, Boards and Board Committees need significant input from financial leaders
  – Education
  – Updates
  – Planning/Decision Making
  – Routine meeting and materials preparation

• This takes a considerable time investment (quality)

• Committees can include Finance, Planning, Audit, and many more
Thank you for coming today!

What questions can I answer for you?