

Chart Your Own Course: Reflections of a Hospital CFO

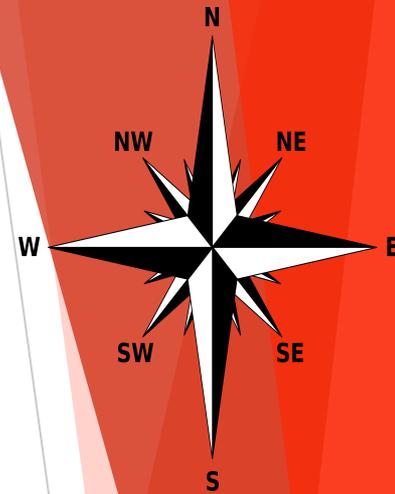
Alabama HFMA Fall Institute

September 26, 2017



Chart Your Own Course: Conversation Topics

- ▶ OLD STUFF: History revisited: New economy; Same challenges
- ▶ ONE SIZE DOESN'T FIT ALL: Trust your instincts...Play to your strengths
- ▶ FIRST THINGS FIRST: Focus on the big picture
- ▶ CFO'S CURRENCY: Credibility is earned
- ▶ IT'S ALL ABOUT THE TEAM: Become a good coach
- ▶ UNFINISHED BUSINESS: Healthcare affordability



OLD STUFF: History Revisited

New Economy; Same Challenges

1970's

“Healthcare costs are escalating rapidly, partially due to unexpectedly high Medicare expenditures, rapid inflation, expansion of hospital expenses and profits, and changes in medical care including greater use of technology and medications. American medicine is now seen in crisis.” - Public Broadcasting System - Healthcare Crisis: Healthcare Timeline

U.S. Economic Indicators (1980)

Consumer Price Index - 13.58%

Federal Funds Rate - 21.50%

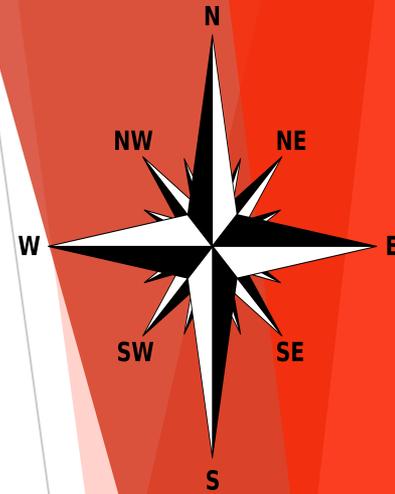
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1981: Medicaid Disproportionate Share, Boren Amendment and Medicaid Managed Care Waivers established (OBRA 81)

1983: Medicare Prospective Payment (DRG) System

1986: EMTALA, COBRA, Dual Eligible (OBRA 86)

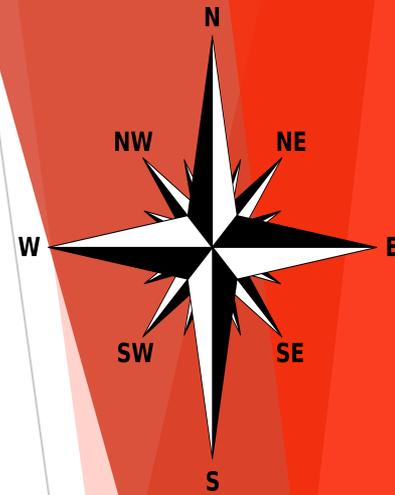
1987: Census Bureau estimates uninsured at 31 million



ONE SIZE DOESN'T FIT ALL: Trust Your Instincts...Play to Your Strengths

“You can’t connect the dots looking forward; you can only connect them looking backward. So you have to trust that the dots will somehow connect in your future. You have to trust in something - your gut, destiny, life, karma, whatever. This approach has never let me down, and it has made all the difference in my life.” - *Steve Jobs*

“Look inside yourself, try to identify your strongest threads, reinforce them with practice and learning and then either find or carve out a role that draws on those strengths everyday.” - *Marcus Buckingham & Donald Clifton, PhD; Now, Discover Your Strengths*



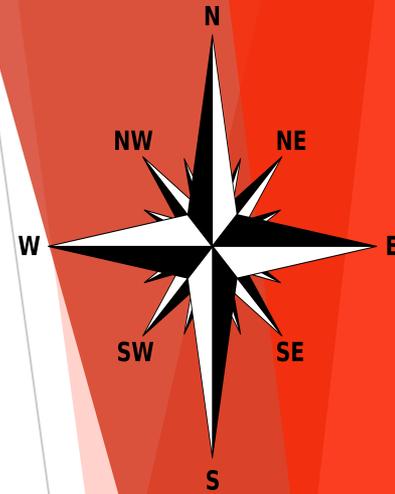
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ONE SIZE DOESN'T FIT ALL: Trust Your Instincts...Play to Your Strengths

Success = Preparation + Opportunity

Strengths = Talents + Knowledge + Skills

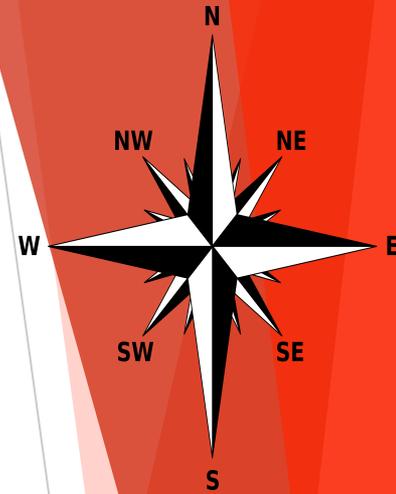
- ▶ There are several different paths to paying your dues
- ▶ Look for mentors at each stop along the way
- ▶ Be prepared to take calculated risks
- ▶ It's the CEO - CFO relationship that counts



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FIRST THINGS FIRST: Focus on the Big Picture

- ▶ Bond rating is your report card
- ▶ Remember that “cash is king”
- ▶ You can’t shrink your way to greatness
- ▶ There’s never enough capital
- ▶ You are what you measure
- ▶ Run your own race
- ▶ Managing risk goes beyond finance

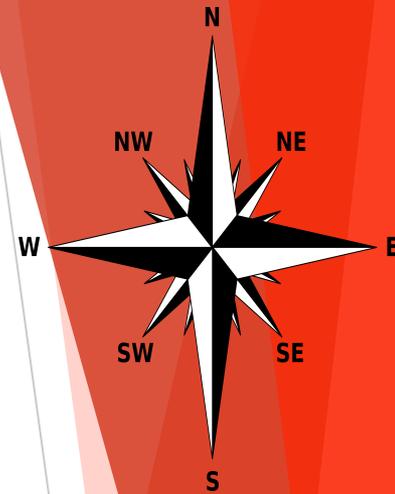


CFO'S CURRENCY: Credibility is Earned

“A team is not a group of people that work together. A team is a group of people who trust each other.” *Simon Sinek*

- ▶ Be willing to enter the arena
- ▶ Have a game plan and don't blink
- ▶ Look for quick wins
- ▶ Over deliver on your promises
- ▶ Don't always cry wolf
- ▶ Create win - win deals

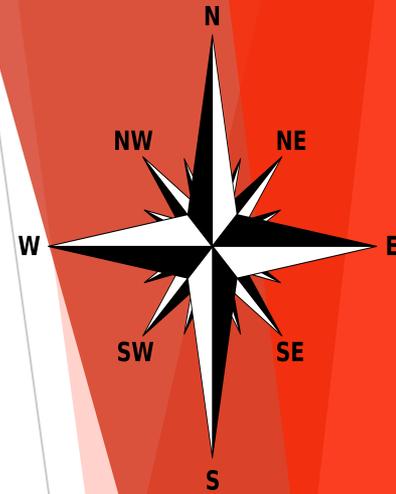
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IT'S ALL ABOUT THE TEAM: Become a Good Coach

“The achievements of an organization are the results of the combined efforts of each individual.” *Vince Lombardi*

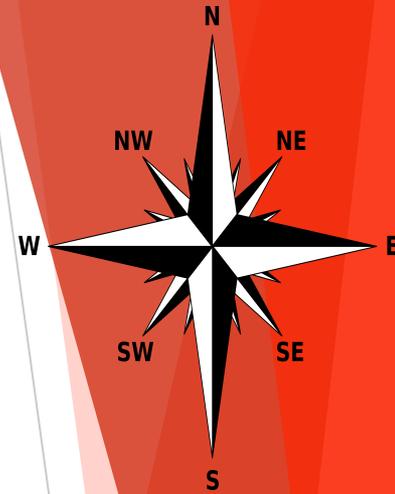
- ▶ Finance 101 for clinicians
- ▶ Staff development requires delegation
- ▶ Be comfortable not being the content expert
- ▶ Celebrate successes
- ▶ “Promote” your stars
- ▶ Find your successor



UNFINISHED BUSINESS: Healthcare Affordability

“Anthem’s new outpatient imaging policy likely to hit hospitals’ bottom line.” - *Modern Healthcare*, August 26, 2017

- ▶ Unsustainable pricing model: A labyrinth of cross subsidies
- ▶ Pricing redesign objectives:
 - ▶ A “soft landing” for both providers and insurers
 - ▶ More affordable outpatient services
 - ▶ Less reliance on ancillary service margins
 - ▶ Better diversification of service line profit margins
 - ▶ Help the transition to bundled pricing and value-based payment
- ▶ Medicaid/Medicare Losses: Is Medicare breakeven a realistic target?



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