



THE CFO AS AGENT OF CHANGE

*Analysis and in-depth discussion from healthcare finance leaders
at the HealthLeaders Media CFO Exchange in August 2014*

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Redesigning Business Models for the Shift Toward Value



RENÉ LETOURNEAU

Senior Finance Editor
HealthLeaders Media

Hospital and health system chief financial officers have seen the industry—and the role they play within their organizations—change dramatically over the past several years.

The financial leaders who participated in our annual invitation-only HealthLeaders Media CFO Exchange at The Grand Del Mar in San Diego this past August agree that navigating the transformation from a fee-for-service business model to one based on value and outcomes requires an entirely new way of thinking about the delivery of healthcare.

Not only are CFOs responsible for executing the vision of the CEO and board of directors, they now must also play a bigger role than ever in shaping the strategies that will create a more sustainable financial enterprise in the long term. Additionally, as senior executives, CFOs know they must collaborate with administrative and clinical leaders in new ways to find meaningful approaches to provide higher-quality, lower-cost care.

In the conversation we call “The CFO as Change Agent,” our CFO Exchange attendees discuss what is involved in being a driving force behind the organizational changes required for success in an era of healthcare that is being designed around population health management and risk-based reimbursement arrangements.

The report that follows highlights the main areas of focus for these CFOs as they develop strategies to secure their institutions’ financial health in a value-driven payment environment. ■

René Letourneau

Drive Organizational Change Through Collaboration and Quality Performance



TRACE DEVANNY

President, Nuance Healthcare
Nuance Communications, Inc.
Burlington, Massachusetts
www.nuance.com/healthcare

This year's HealthLeaders Media CFO Exchange was an invigorating event where participants had the opportunity to learn about the evolving roles of financial executives in healthcare organizations. Whether you had a chance to attend the conference or not, this report, *The CFO as Agent of Change*, will help you define a new culture of cross-organizational collaboration.

Today's healthcare CFOs are not only responsible for the financial integrity of their healthcare organizations, but they also embody a role that enables and supports both the clinical practice and quality initiatives. At Nuance, we see more and more healthcare organizations embracing this shift, resulting in a positive impact to the overall well-being and productivity of their organizations. These leaders have become agents of change in their organizations, dispelling the myth that the CFO is the person who always says "no."

As a CFO, you can help create this important new culture by driving change across many important areas of healthcare, including:

Data: With accurate data and documentation in place, physicians get to spend more time with patients. Richer documentation helps to enable better patient outcomes, ensure compliance, and drive better financial results.

Quality: Quality has many aspects, and reimbursement models increasingly are being based on quality and value, not volume. By working more closely with the physicians and other clinical caregivers in your organization, you are better equipped to help deliver higher-quality, lower-cost healthcare.

Reputation: Reputation is an always-present indicator of how well healthcare organizations are delivering services to their patients in this competitive environment. As more accurate data drives better quality of care, the positive impact on clinical outcomes can extend to the organization's reputation, as well.

What are *you* doing to improve quality, data accuracy, and your organization's reputation? Do you have the right tools and processes to make this change? Are you communicating this change to the organization? With tight collaboration among the various key stakeholders, efficient processes, and the right technology solutions, you can make a difference as a change agent in this new healthcare era.

We hope that you enjoy the following discussion about improving clinical, operational, and financial success. Let's continue the conversation.

—Trace Devanny

Discussion

Leading the Transformation From Volume to Value

RENÉ LETOURNEAU

The healthcare industry is under tremendous pressure to evolve rapidly to keep pace with health reform legislation and the shift toward value-based reimbursements. The stakes are high, and provider organizations need to make shrewd decisions about their business models in order to thrive in this unprecedented era of change.

The 41 hospital and health system financial leaders in attendance at HealthLeaders Media's fourth annual CFO Exchange understand the many roles they are now expected to take on as they lead their organizations into new strategies that encompass the movement toward population health management, the need to take on new risk-based payer contracts, and the challenges involved with aligning physicians and staff with new financial goals.

The CFO's new role

There is widespread consensus among the CFOs that their main function is now more strategic and less operational than in years past.

"I find myself spending less time describing our monthly financial results from a more traditional standpoint and more time explaining the strategy behind the results," says John Grigson, senior vice president and chief financial officer at Covenant Health in Lubbock, Texas.

"I work very closely with our strategic planning team

because the world that is changing is the revenue world. Cost is cost, and we all need to work on cost, but what's really changing is how we generate revenue and how we're going to be paid for quality and outcomes versus volume. I think CFOs today are really in a position to lead this strategy of how we make this transition. We need to make sure it is done correctly because if we don't, at the end of the day, we're not going to generate the revenue, and we're not going to be able to pay the expenses."

TAKEAWAYS

- The CFO's new role
- Communicating the message
- Defining a new culture

Jerry Arndt, senior vice president at Gundersen Health System in La Crosse, Wisconsin, notices the same shift in his role. "Certainly things have moved in the direction of strategic versus a transactional kind of a role for the chief financial officer," he says. "Obviously,

we've got the workaday stuff that has to get tended to in our organizations. We need some strong down-lines and some strong talent to take care of the accounting and the finance functions, but strategy is where I think financial leaders ought to be spending their time."

While the CFO has historically had to take a conservative approach to any new financial strategy, this is changing as health systems look to restructure their business models in preparation for the move away from fee-for-service payments, Arndt adds.

"I think the role of finance leadership has traditionally been in large part to protect the organization against itself,"

THE PARTICIPANTS

Todd Anderson, CPA

Finance and Operations Chief Financial Officer
Grandview Medical Center, Dayton, Ohio

Jerry Arndt

Senior Vice President, Business Services
Gundersen Health System, La Crosse, Wisconsin

Charles F. Ayscue, MBA

Senior Vice President, Finance & Chief Financial Officer
Mission Health System, Asheville, North Carolina

Nick Barto

Senior Vice President & Chief Financial Officer
Catholic Health Initiatives, Englewood, Colorado

Talana Bell, CPA

Chief Financial Officer
Flowers Hospital, Dothan, Alabama

Mark Bogen, CPA

Chief Financial Officer & Senior Vice President, Finance
South Nassau Community Hospital, Oceanside, New York

Michael Burke

Senior Vice President & Vice Dean, Corporate Chief
Financial Officer
NYU Langone Medical Center, New York City

Allen R. Butcher, CPA

Senior Vice President & Chief Financial Officer
Columbus Regional Health System, Columbus, Georgia

Dennis Dahlen

Senior Vice President of Finance & Chief Financial Officer
Banner Health, Phoenix

Terry Deak

Vice President & Chief Financial Officer
Lodi Health, Lodi, California

Jim Dietsche, CPA

Executive Vice President and Chief Financial Officer
Bellin Health System, Green Bay, Wisconsin

Jeremy Eaves

Senior Vice President, Financial Operations
Baylor Scott & White Health, Dallas

Mary Ann Freas, CPA

Senior Vice President & Chief Financial Officer
Southwest General Health Center,
Middleburg Heights, Ohio

Kevin Griffin

Senior Vice President of Financial Planning & Analysis
Novant Health, Inc., Winston-Salem, North Carolina

John Grigson, CPA

Senior Vice President and Chief Financial Officer
Covenant Health, Lubbock, Texas

he says. "You've just got to have some checks and balances, and I think the financial side has typically been the checks to keep those things under control. I see that changing. I see the financial leadership actually being in the lead on some of that stuff and trying to get us out of our paradigms and traditional core businesses and perhaps into some things that will help shore us up for the future. When you think of all the pressures that we've got on reimbursement, we're going to have to find new things to augment the stuff that we used to do in order to keep the boat afloat."

Communicating the message

Ted Miller, vice president of finance and chief financial officer at Floyd Memorial Hospital & Health Services in New Albany, Indiana, says that communicating his organization's central message around its new

business plans is a recent part of his job requirements.

"I think another big change in the role is being one of the chief communicators," Miller says. "A lot of times when the decisions are made at the senior level, it's the CFO who has to articulate the whole opportunity—the risks, how it fits in with strategy, why we made that decision—because our management team honestly wants to know. That means we're communication officers, as well, a lot of the time."

Charles Ayscue, senior vice president and chief financial officer at Asheville, North Carolina-based Mission Health System, says a growing part of his job is communicating with physicians to get them on board with cost-containment efforts around standardization of care and reducing overutilization of expensive resources.



DAVID HARTIG

"I find myself spending less time describing our monthly financial results from a more traditional standpoint and more time explaining the strategy behind the results."

JOHN GRIGSON, SENIOR VICE
PRESIDENT AND CHIEF FINANCIAL
OFFICER, COVENANT HEALTH,
LUBBOCK, TEXAS

THE PARTICIPANTS

Charlie Hall

Executive Vice President & Chief Financial Officer
Piedmont Healthcare, Atlanta

Rick Hinds, CPA

Executive Vice President & Chief Financial Officer
UC Health, Cincinnati

Dale Hocking, CPA

Chief Financial Officer
Jupiter Medical Center, Jupiter, Florida

Allen Johnson

Chief Financial Officer
Truman Medical Centers, Kansas City, Missouri

Michelle Mahan

Senior Vice President & Chief Financial Officer
Frederick Memorial Health System, Frederick, Maryland

Tim Maurice, MBA

Chief Financial Officer
UC Davis Health System, Sacramento, California

Dale Maxwell

Senior Vice President & Chief Financial Officer
Presbyterian Healthcare Services, Albuquerque, New Mexico

Patrick McGuire, MBA, CPA

Chief Financial Officer
St. John Providence Health System and the Michigan
Ministries of Ascension Health, Warren, Michigan

Chris McLean

Executive Vice President & Chief Financial Officer
Methodist Le Bonheur Healthcare, Memphis, Tennessee

Mark Meyer, BS, CPA

Executive Vice President & Chief Financial Officer
Grady Health System, Atlanta

Edward W. Miller

Vice President of Finance & Chief Financial Officer
Floyd Memorial Hospital & Health Services,
New Albany, Indiana

Daniel J. Moncher, FACHE, CPA, MBA

Executive Vice President & Chief Financial Officer
Firelands Regional Medical Center, Sandusky, Ohio

Gregory Pagliuza, FACHE

Chief Financial Officer
Trinity Regional Health System, Rock Island, Illinois

Bob Reilly

Chief Financial Officer
Anne Arundel Medical Center, Annapolis, Maryland

Craig S. Richmond, CPA

Senior Vice President and Chief Financial Officer
The MetroHealth System, Cleveland

"You've got to be transparent with people," he says. "It's a different day in healthcare. I spend a great deal of time trying to educate and trying to roll data out to physicians and clinicians to show them our reimbursements and our cost-cutting strategies to say, 'This is where we are today, and this is where we want to be next year.'"

Achieving physician buy-in and support is key to successfully rolling out any new strategy and is a big part of how the CFO can create change.

Chris McLean, executive vice president and chief financial officer at Methodist Le Bonheur Healthcare in Memphis, Tennessee, says that as his organization purchases physician practices, he is also investing more of his time in working with doctors around trying to meet the organization's goals.

"Probably the biggest change [in my role] is having greater involvement in physician integration activities," McLean says. "Some of that comes as we have acquired practices, and I was involved in most of the deals. You develop relationships with the bigger groups as you try to integrate and change how they do business, and I found myself more involved in those relationships. When you're trying to convince them to do something different, you can help explain to them the economic benefits or problems if the changes do or don't occur. That is probably the biggest additional activity that I've seen in the past few years in my role."

Defining a new culture

Establishing physician buy-in around new clinical protocols is just the tip of the iceberg when it comes to the part the CFO plays in developing a



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JERRY ARNDT, SENIOR VICE
PRESIDENT, GUNDERSEN HEALTH
SYSTEM, LA CROSSE, WIS.

THE PARTICIPANTS

Dennis Roemer, CPA, MBA, CHE

Executive Vice President & Chief Financial Officer
Lancaster General Health, Lancaster, Pennsylvania

Rich Rothberger

Corporate Executive Vice President &
Chief Financial Officer
Scripps Health, San Diego

Cheryl Sadro

Senior Vice President of Finance & Chief Financial Officer
Memorial Hospital, Chattanooga, Tennessee

Robert S. Shapiro

Senior Vice President & Chief Financial Officer
North Shore-LIJ Health System, Great Neck, New York

Don Shaw

Vice President, Revenue Cycle
Baton Rouge General Medical Center, Baton Rouge, Louisiana

Julie Soekoro, CPA

Chief Financial Officer
Trinity Medical Center, Birmingham, Alabama

Bernadette Spong, CPA, MBA

Vice President of Finance & Chief Financial Officer
Rex Healthcare, Raleigh, North Carolina

Karen Testman

Chief Financial Officer
MemorialCare Health System, Long Beach, California

Mark A. Thompson, CPA

Chief Financial Officer & Vice President of Finance
Regional Health, Rapid City, South Dakota

Elizabeth "Beth" Ward, CPA, MBA

Chief Financial Officer
University Hospitals UT Southwestern, Dallas

Marlene A. Weatherwax, CPA

Vice President & Chief Financial Officer
Columbus Regional Hospital, Columbus, Indiana

James Wentz, MBA

Chief Financial Officer
University of Mississippi Medical Center, Jackson, Mississippi

John Yeager

Chief Financial Officer
West Virginia United Health System, Fairmont, West Virginia



DAVID HARTIG

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CHRIS MCLEAN, EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER, METHODIST LE BONHEUR HEALTHCARE, MEMPHIS, TENN.

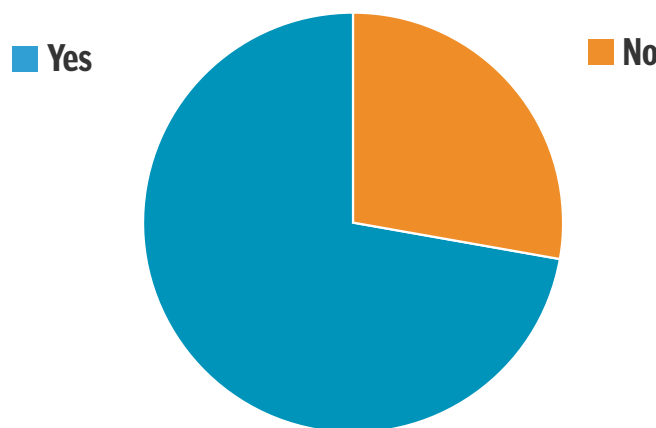
prosperous workplace culture.

Mary Ann Freas, senior vice president and chief financial officer at Southwest General Health Center in Middleburg Heights, Ohio, says the CFO also has to work hard to break

down the barriers that often exist between the finance department and other teams within the organization because everyone is working toward the same goals around quality, outcomes, and cost containment.

MAKING THE SWITCH

Do you believe the healthcare industry will make the switch from volume to value?

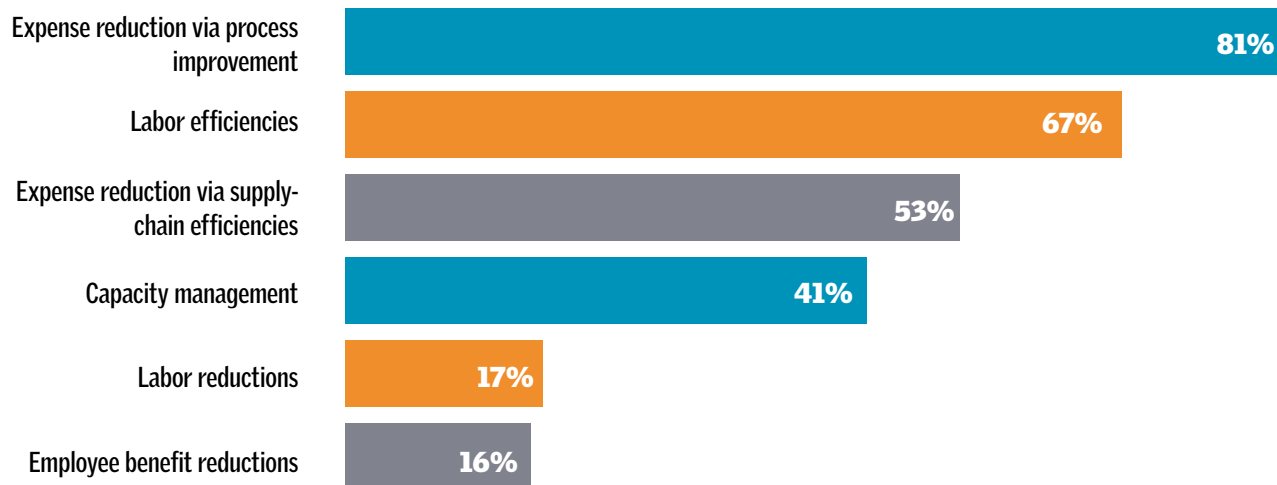


SOURCE: HealthLeaders Media Industry Survey 2014:
Forging Healthcare's New Financial Foundation, January 2014

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COST CONTROL, FOCUS AREAS

What are the top three areas you will focus on next year to control costs?



Multi-response

SOURCE: HealthLeaders Media Industry Survey 2014: Forging Healthcare's New Financial Foundation, January 2014

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"My focus has always been around operational improvement, but I think that typically the CFO role is perceived by other leaders in an organization as being primarily interested in investment management, risk management, financing, and the internal accounting functions," Freas says. "They sort of put the CFO into that silo or into that box. I think that the changes in the industry have forced upon others the understanding that our worlds are increasingly overlapping. I think that others are more open to the CFO participating in conversations around how the financials, the budget, and resource allocation can help to further patient safety, patient engagement, employee

engagement, and quality scores, because they all have impact on the cash flow and the operating margin."

Rick Hinds, executive vice president and chief financial officer at UC Health

in Cincinnati, says that creating a culture where everyone understands the vast changes the organization is undergoing as patient volume moves from the inpatient to the outpatient

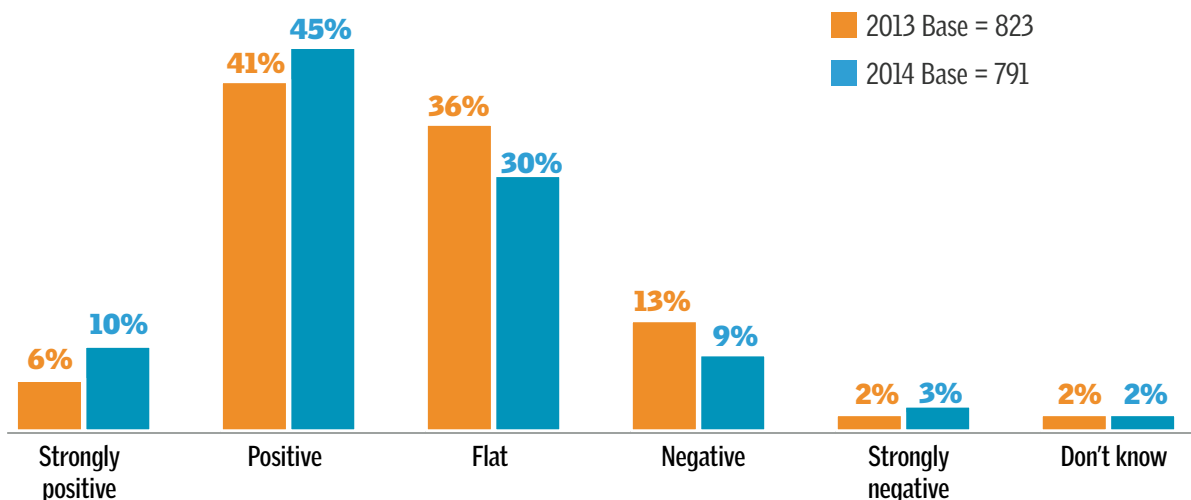
"I think another big change in the role is being one of the chief communicators."

TED MILLER, VICE PRESIDENT OF FINANCE AND CHIEF FINANCIAL OFFICER, FLOYD MEMORIAL HOSPITAL & HEALTH SERVICES, NEW ALBANY, IND.



FISCAL MANAGEMENT, OVERALL PERFORMANCE

What is your organization's financial forecast for the 2014 fiscal year?



SOURCE: HealthLeaders Media Industry Survey 2014: Forging Healthcare's New Financial Foundation, January 2014

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setting is one of his biggest challenges, but it's critical to success in a value-based payment world.

"We're seeing a huge cultural transformation within our organization," Hinds says. "Hospitals used to be the money makers, and now it's shifting to the outpatient. You have these cultural silos that are changing rapidly, and it's hard to get everyone moving in the same direction. It ends up impacting us as CFOs, but we're struggling right now with bringing everyone together and breaking down the silos to really integrate across the doctors and the hospitals to get everyone on the same page about where we're going, where we're making money, and where we're

not making money. We're actually trying to reestablish an overall system culture and trying to break down some of these silos, but that's a lot of work and it doesn't happen overnight."



"Hospitals used to be the money makers, and now it's shifting to the outpatient."

RICK HINDS, EXECUTIVE
VICE PRESIDENT AND CHIEF
FINANCIAL OFFICER,
UC HEALTH IN CINCINNATI

René Letourneau is senior finance editor for HealthLeaders Media. She may be contacted at rletourneau@healthleadersmedia.com.



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Vice President and Publisher
RAFAEL CARDOSO
rcardoso@healthleadersmedia.com

Leadership Programs Director
JIM MOLPUS
jmolpus@healthleadersmedia.com

Editorial Director
EDWARD PREWITT
eprewitt@healthleadersmedia.com

Managing Editor
BOB WERTZ
bwertz@healthleadersmedia.com

Senior Leadership Editor
PHILIP BETBEZE
pbetbeze@healthleadersmedia.com

Senior Finance Editor
RENÉ LETOURNEAU
rletourneau@healthleadersmedia.com

Media Sales Operations Manager
ALEX MULLEN
amullen@healthleadersmedia.com



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75 Sylvan Street, Suite A-101 > Danvers, MA 01923 > 781-639-3390
100 Winners Circle, Suite 300 > Brentwood, TN 37027 > 800-639-7477
For general inquiries, please email: sales@healthleadersmedia.com.