Disruptors, Nurses, and Tech: 3 Topics Analyzed by Exchange CFOs

Summary: CFOs are putting the spotlight on three key areas that need to be streamlined in order to ensure an organization's financial health.

healthleaders exchange
CFO EXCHANGE

Today's healthcare financial leaders face escalating costs, a difficult nursing workforce landscape, aggressive market disruptors, and the need for optimized technology.

Pressure mounts on CFOs to ensure their organizations remain viable as they deal with these issues, which makes strategizing with peers imperative.

The 2023 HealthLeaders CFO Exchange brought more than two dozen leading health system CFOs from across the country together in Napa Valley, California, to discuss the changing internal and external dynamics of the healthcare finance industry.

Below is more on three areas that prompted significant discussion between the Exchange attendees.

Market disruptors: Partner, but don't chase

CFOs at the event agreed that if you choose not to partner with the disruptors in your market, be prepared to compete with them.

Market disruptors will be in most markets in no time. Not only are these disruptors targeting the most profitable portions of a CFO's business, they are more aggressive than the normal competition.

So, who are CFOs seeing as the biggest disruptors in the market right now? Look no further than self-insured employers and employer coalitions, big tech, private equity, and national payer vertical integration.

If you can't compete, the next best option is to partner, but how can CFOs ensure a successful partnership?

"If partnership is an option, the partnership must be mutually beneficial," Mike Browning, CFO of OhioHealth says.

"Health systems offer significant benefits to a partnership with potential disruptors. Disruptors are typically well-funded and have a strong talent pool, so a combination of these resources can be the foundation for a successful partnership," Browning says.

Another way to ensure a successful partnership is by shoring up partnership criteria.

Continued on page 4.

KEY TAKEAWAYS

- Market disruptors: Partner, but don't chase
- Nursing workforce: Flexibility equals retention
- Technology: Focus on foundational tasks

Rob Wasalaski

MARKET EXECUTIVE, HEALTHCARE, HIGHER EDUCATION AND NOT-FOR-PROFIT, GLOBAL COMMERCIAL BANKING
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Staffing costs. New, well-funded competitors. Technology challenges.

Although 2023 has produced an overall financial improvement over 2022, healthcare operators and their CFOs continue to battle on all these fronts. The ultimate war we're fighting: margin compression.

That was the headline from the presentations and corridor conversations at HealthLeaders' recent CFO Exchange in Napa, California. From what we heard at this gathering of 35 industry thought leaders, it's clear not only that the battles will continue, but there are more storm clouds on the horizon.

Healthcare remains ripe for disruption. That's evident from the money entering the industry, from both private equity and well-funded competitors. New marketplace entrants like Amazon and expanding players like Walgreens are targeting the highest-margin lines of business, leaving traditional hospitals and health systems to rely even more heavily on lower-margin operations—with significant impact on overall profits. Traditional systems know they must figure out how to handle and charge for digitally delivered services, and respond to consumer interest in simplified, transparent price structures.

These new competitors are putting even more pressure on internal operations. Staffing costs are up across the system, but nursing is the focal point. With fewer young people entering nursing school, how do we maintain a pipeline of talent to meet the needs of our patients and hospitals? On top of that, the industry is experiencing a post-pandemic 22% yearly turnover rate among the country's 4.2 million nurses. At that rate, the entire nursing staff could turn over in five years. Nurses say they want opportunities for growth and development, but also flexibility in schedules. Hospitals need to rethink the traditional shift model—and provide dynamic scheduling and thoughtful career paths to increase retention rates among these critical team members.

At every healthcare organization, management also is grappling with decisions about technology investments, which can be harnessed to improve revenue cycles, manage vendors, lower costs and increase efficiencies. The ability to improve insurance reimbursement outcomes is a particular target. But big technology shifts come at a price—not just the hefty price tag, but also in terms of short-term disruption to the system.

Add in the impact of ongoing inflation and pressure on reimbursements, and it's easy to see why the leaders in attendance were focused on operational efficiency and cost reduction.

Our biggest takeaways? As our team sees on a daily basis in the field, every hospital and healthcare system—their boards, CEOs and CFOs—must make those big technology decisions and look for the structural improvements necessary for this new environment. Only then can we not only improve upon the financial improvements we have seen this year, but eventually overcome and thrive.

Leaders hear how peers are addressing the complexities facing them. From left, Karen Testman, CFO, MemorialCare, and Cheryl Sadro, CFO, UC Davis Health.

"I recommend having an established partnership criteria grid based on success drivers for the capability or strategic initiative you are looking to partner on to help avoid chasing the fad," Scott Hawig, VP and CFO at Froedtert Health, says.

"Additionally, I recommend one of the criteria be commitment to the industry—trying to build a partnership quarter by quarter or by funding cycle can tax the ability to scale," Hawig says.

Nursing workforce: Flexibility equals retention

From strikes to retention, the nursing workforce is top of mind for CFOs, and these challenges won't ease up anytime soon. That's why CFOs need to be placing a strong focus on their nursing pipeline and retention.

Closing the gap between supply and demand of the nursing workforce is crucial, and retaining nurses and building a pipeline is essential.

When it comes to retention, CFOs need to keep nurses engaged and feeling valuable. One way to do this is by offering scheduling flexibility to recruit and retain your staff, the executives said.

"The organization who figures out employee scheduling flexibility will change the game and own the market for recruitment and retention," Holly Lorenz, DNP, RN, NEA-BC, former CNO at UPMC, said.

On way to achieve flexibility is to bring in analytical, technological, and leadership support for flexible scheduling, Hawig says.

"Improved recruitment and retention leads to less agency and premium pay usage, plus improved volume matching capabilities," Hawig says.

Investments in staff will continue to be a financial challenge for CFOs as they are in a constant battle with the bottom line.

"To meet these financial demands, we not only need to find efficiencies in expenses outside of personnel—we have to enhance our revenues. As many health systems have experienced over the past one to two years, traditional revenue growth will likely not be enough to cover compensation and inflation costs," Browning says.

Diversifying revenues as well as looking outside the traditional healthcare market are options available for CFOs to enhance revenues and put more money back in to their nursing workforce.

Technology: Focus on foundational tasks

When it comes to technology, with margins low and expenses high, CFOs say there's a lot of opportunity to optimize the technology you already have.

CFOs should focus on reports showing areas that are not fully optimized to reduce costs and staff, initiatives to fully utilize what they are already paying for, and take better advantage of technology by automating basic, administrative tasks.

Timothy Ajayi, VP & CFO, Bristol Hospital and Health Care, shares his thoughts during a roundtable discussion

When it comes to bringing technology back to the basics, while middle revenue cycle technology is bright and shiny, it's expensive and it's not streamlining the basic operational tasks that are needed for organizations to survive and thrive.

"In the realm of healthcare, there's a noticeable gravitation towards automating revenue cycles and clinical documentation through artificial intelligence. While cutting-edge research is pushing the boundaries, it often remains inaccessible to many," Kyle Wilcox, FACHE, FHFMA, vice president of finance and operations at Unity Point-Grinnell Regional Medical Center, says.

That's why when budgets are tight, CFOs need to shift the focus to automating foundational tasks first.

The CFO Exchange provides the chance for executives to connect and expand their network. Scott Hayworth, EVP of Finance, CFO, CAO and Treasurer, Froedtert Health, enjoys a break with Brennan Peterson, AVP and CFO, Atrium Health.

"Imagine a software that distills complex emails into concise summaries for the team, or AI that crafts initial drafts of innovative concepts or offers assistance in transforming a comprehensive business plan into a streamlined PowerPoint presentation," Wilcox says.

CFOs, as the stewards of innovation, play a pivotal role in communicating transformative ideas to stakeholders.

"By harnessing AI for more effective and efficient communication, we position ourselves to drive organizational change at a pace that sets us apart from the competition," Wilcox says.