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SPECIAL FEATURE

By Christina Román

10 New Year's tips for finance leaders

One New Year prediction can be made with confidence: From accessing capital to improving the revenue cycle, healthcare CFOs and other senior financial executives will face the challenge of continual change.

To help CFOs cope with this challenge, we asked some of the presenters at HFMA's forthcoming Healthcare Finance Executive Summit (February 29 to March 2 in New York) to share specific tips on how CFOs can focus their efforts and ride the waves of change to successful outcomes for themselves and their organizations. Perhaps you will find your New Year's resolution in this list.

Tip 1. Focus your energies. "Often people ask for assistance in 'fixing the revenue cycle,'" notes Jeremy Miller, vice president, customer programs for GE Healthcare Financial Services. "To me, this is like saying 'Let's boil the ocean or cure cancer.'" Instead, he recommends CFOs drill down to address the specific parts of the revenue cycle—whether they are on the front end, in core processes, or in billing—that will offer the biggest impact on the organization's ability to increase revenue to achieve specific long-term objectives.

Tip 2. Address physician angst. Physicians often perceive that administrators don't listen and so are increasingly building their own specialty centers as one way to vent their frustration. "CFOs can help build strong, respectful relationships and collaborate more successfully by lending their operational and financial expertise to analyze the root cause of problems that frustrate physicians," says Olivia Jayne of Croes-Olivia Group. "Start with the assumption that physicians have correctly identified the problem but may have misdiagnosed the cause."

Tip 3. Make informed decisions when issuing bonds. Given the diversity of commercial and investment banking firms, explore all the options so you are confident that issuance and pricing of bonds and derivative structures are market-competitive (from an all-in cost-of-capital perspective). "For example, given compound interest, for every 5 basis points (0.05 percent) differential in market pricing, credit support fees, and/or annual remarketing fees on a $50 million capital structure, nearly $0.5 million of excess costs would be paid over a 30-year lifetime," explains Andrew Majka of Kaufman Hall & Associates. "This is cash flow that could have gone to strategic capital investment or improving liquidity."

Tip 4. Get to a legal "yes!" "The CFO who plans with counsel at the inception of a new service, venture, or contract will position the organization in good legal standing and spend less on legal services," predicts Joanne Judge, CPA, Esq., at Stevens & Lee, P.C. "For example, if your organization plans to merge with a competitor, ensure that an antitrust analysis is completed before time and money are invested in a transaction that could be challenged by regulatory agencies. Likewise, a tax-exempt healthcare organization that adheres to the IRS rules for executive compensation will be less likely to face a charge of excess compensation."

Tip 5. Imagine yourself as your own investor. If you were investing in someone else's bonds, what would you want to know? "You'd want the whole pie," suggests Martin Arrick, director, public finance ratings, for Standard & Poors. "Be forthcoming in your disclosure practices with your own bond holders. Recognize that they are an important constituent. Offer timely and accurate reporting on a quarterly basis, frequent reporting of financial results for the system (versus just the obligated group), and exception reporting, and ensure there are no year-end surprises. Let investors know about positive or negative events that are occurring and give them access to key people they can call with questions."

Tip 6. Put HIPAA to work for you. It's a paradigm shift from challenge to opportunity. "Using HIPAA transaction sets for proactive denials management can reduce or eliminate eight of the 10 most common causes of denials," notes Day Egusquiza, president of AR Systems Inc. "By using all seven of the transaction sets, providers can move cash faster and increase staff productivity by redesigning work flow."

Tip 7. Improve the cost of capital. Traditionally, one of the best ways to improve the cost of capital is to improve credit rating into the high A or AA category and then leverage that access into AAA bond insurance, notes Kaufman Hall's Andrew Majka. Yet for many providers, improving cost of capital depends on making informed decisions regarding fixed-rate versus variable-rate debt, committed versus uncommitted debt, insured versus uninsured capacity, direct versus synthetic implementation, and short versus long amortization. Lower rated organizations should investigate opportunities through the HUD program or with AA-rated or A-rated bond insurers.

Tip 8. Keep current on economic trends. Donald Straszheim, vice chairman of the Milken Institute, confirms that three broad forces will conspire to drive healthcare costs yet higher: patient demographics that reflect an aging workforce, patients' increasing utilization of expensive technology, and their disincentive to conserve scarce resources. "Health insurance has morphed over the last 25 years to practically prepaid insurance," Straszheim says. "It's similar to when 10 of us go out to dinner and agree to split the bill 10 ways," he says. "There is no reason to skip dessert with that payment plan. In fact, I'll have the steak and lobster tails, too."

Tip 9. Do the right thing. While Sarbanes-Oxley focuses on financial reporting, Alan Yuspeh, senior vice president of ethics, compliance, and corporate responsibility at HCA, Inc., urges CFOs to inspire an ethical organizational culture. "Ensure that everyone knows the organization is committed to observing the law in spite of business pressures," he says. "Creating this culture requires the proper 'tone at the top,' with standards articulated through a comprehensive code of conduct that creates awareness, addresses possible violations, and audits and monitors overall ethical and compliance performance."

Tip 10. Put people first. "Is your finance department as committed to creating a culture of service excellence as they are to reducing days in A/R?" asks Karen Cook at Studer Group, who coaches senior healthcare leaders on how to create such a culture. "Service excellence is key because admissions and registration give patients an important first impression of the hospital—just as the bill gives them their last impression." The 'gold-standard CFO' ensures a customer focus by emphasizing finance's role in patient satisfaction to all staff, 'rounding' daily with staff, instilling ownership in front-line managers, revising compensation packages to attract and retain the best people, writing thank-you notes weekly to achievers, and visibly participating at events that recognize staff throughout the organization."

In short, experts suggest that engaging stakeholders in your organization's key initiatives, focusing attention on areas that have the strongest bottom-line and strategic effect, finding opportunities among problems, and keeping an eye on high ethical standards will spell success for healthcare financial leaders in 2004. A daunting challenge, but keeping these 10 tips in mind as the year progresses will help your organization profit through performance. ■