

Time for solutions.

Canadian Health Care Financial Executive Survey



Executive summary

The role of financial executives in the health care field has undergone a radical transformation during the last decade – and the impact of this shift is reaching a pressure point. As robust data is needed to support business cases for dealing with changing demographics and stretched resources, health CEOs and boards are looking for guidance and solutions from their Chief Financial Officers (CFOs). The challenge? Getting good data presents a Catch-22. The resources of the finance function in the health care industry have not caught up with need or expectations. *Identifying and accessing the right information on a timely basis to help make the right investments requires investment itself.* Recent Deloitte research indicates that this is a widespread phenomenon in the Canadian health care space – and that the time has finally arrived for its resolution.

For this survey, 74 urban and rural health care financial executives from regional health authorities and hospitals across Canada were interviewed in the summer of 2005. The survey was phone-based and respondents were assured of their anonymity. The goal of the survey was to identify the unique issues and challenges of health care CFOs and the degree to which these are prevalent on a national basis.

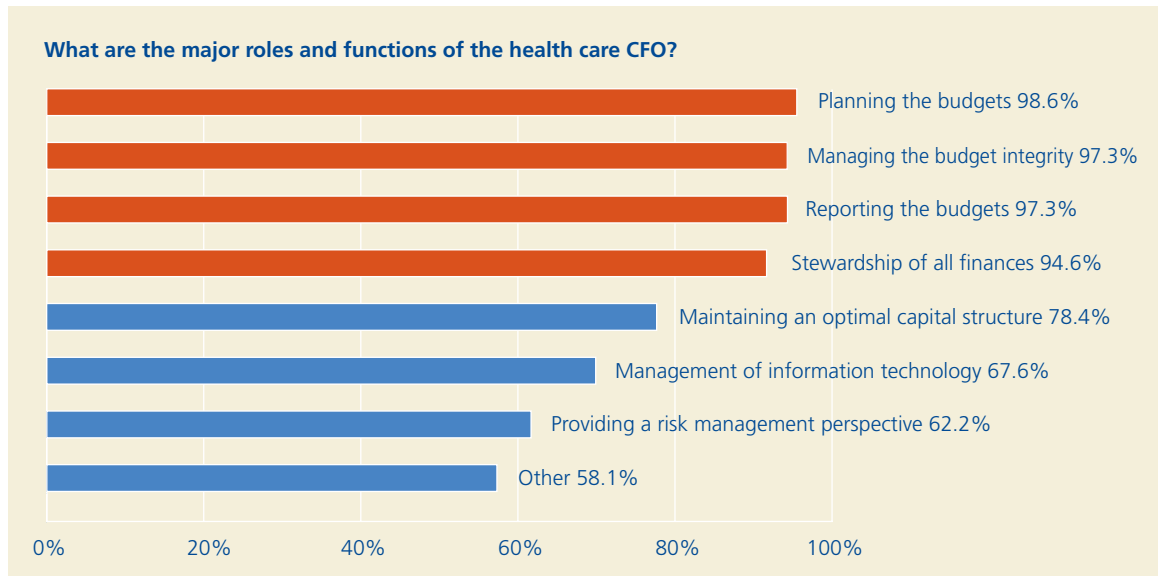
Key findings

Deloitte has uncovered consistent cross-Canada support of the alarming shortage of robust information and resources for health care CFOs. Highlights are:

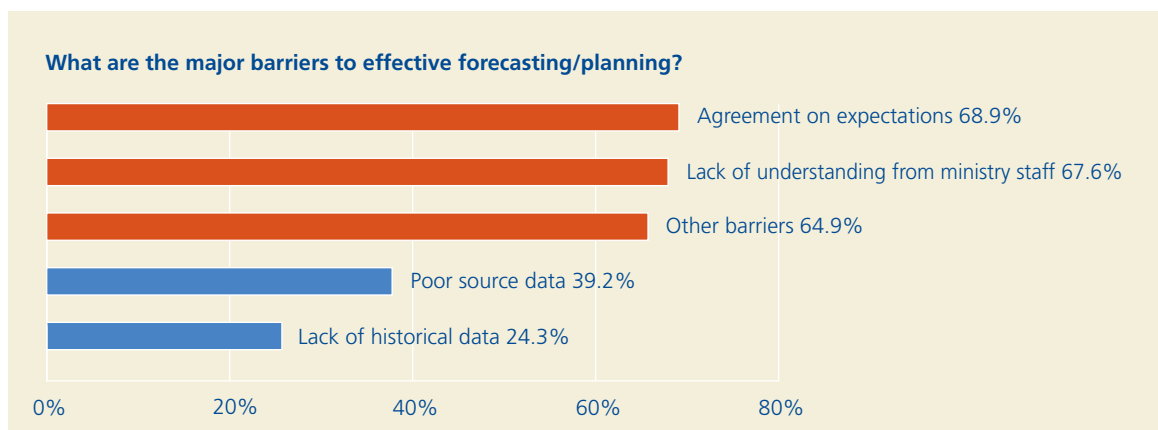
- **Health care CFOs wear many hats:** Approximately 60% of CFOs had responsibility for areas that fall outside the traditional function of CFOs in private organizations.
- **Getting good data is difficult:** The right information to support effective decision-making is not easily identified, available and captured. A key reason is that only 11% of information technology (IT) systems are integrated and real-time.
- **The time is right to empower the finance function:** According to 77% of respondents, there is a compelling need to enhance decision support tools to improve the quality and usefulness of information throughout health care organizations.
- **Human resources (HR) practices also need enhancement:** Recruiting and retaining people for the finance function with a combined skill set in both health care and finance is difficult and adequate training programs are not in place to support this need.

Health care CFOs – many hats, few resources

Our survey demonstrates that while planning, budgeting and reporting continue to be key CFO roles, most are now also responsible for IT and capital structure management. Up to 60% of CFOs stated they had supplemental roles and functions including managing admitting and medical records, in addition to support services such as laundry, housekeeping, food services and materials management.



To establish budgets and evaluate targets and results, more than 80% of CFOs rely on a combination of ministry plans/budgets, historical performance data and community need assessments. Almost 70% also use industry benchmarks. But health care CFOs are hampered in the planning/forecasting process by a number of challenges. They want a better understanding of various requests and additional useful data. For example, almost 70% of CFOs report difficulty in managing different stakeholder needs and opinions. Other barriers include unpredictable long-term funding, lack of formal forecasting models and inadequate processes.



“We use all and any information that is available to help us reach our budget targets. Specific health information for the population; data on heart attacks, diabetes and cancer. The more stats and data, the better.”

Time for solutions

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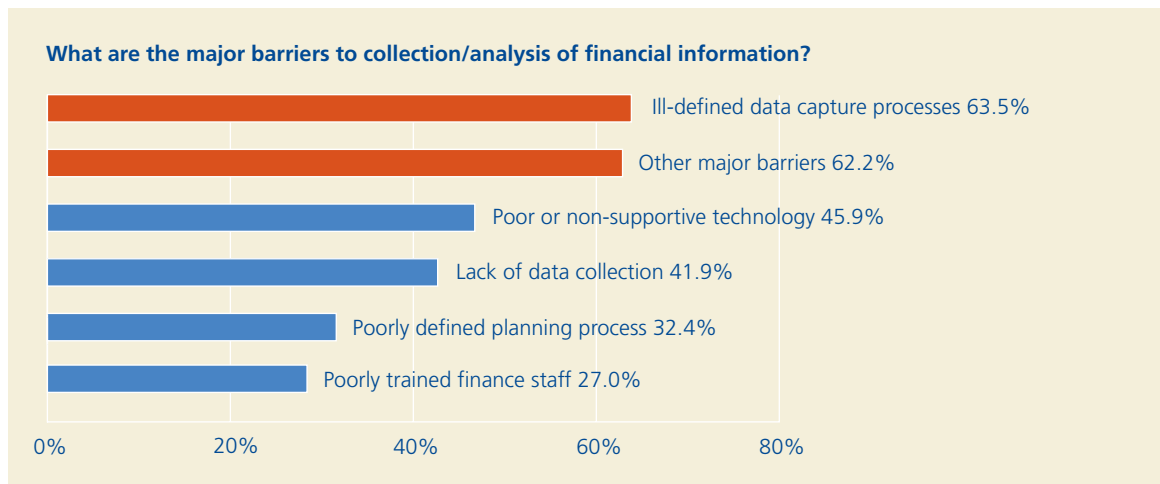
Deloitte views the role of the CFO as both a strategist and a steward. The former role encompasses planning, capital optimization, analysis and interpretation; the latter involves policy enforcement, risk management, recording and reporting, and stakeholder management. Unfortunately, the opportunity for health care CFOs to lead in these areas is compromised by their responsibility for a multitude of functions and the short-term outlook inherent in annual funding and changing political environments.

To effectively manage both roles, the health care CFO needs improved tools and resources – particularly in the area of performance management, cited in the survey as a top priority by over 90% of respondents. This is closely followed by 84% focused on redesigning financial processes, 55% for a new capital structure and 50% focused on implementing new financial systems and department reorganization.

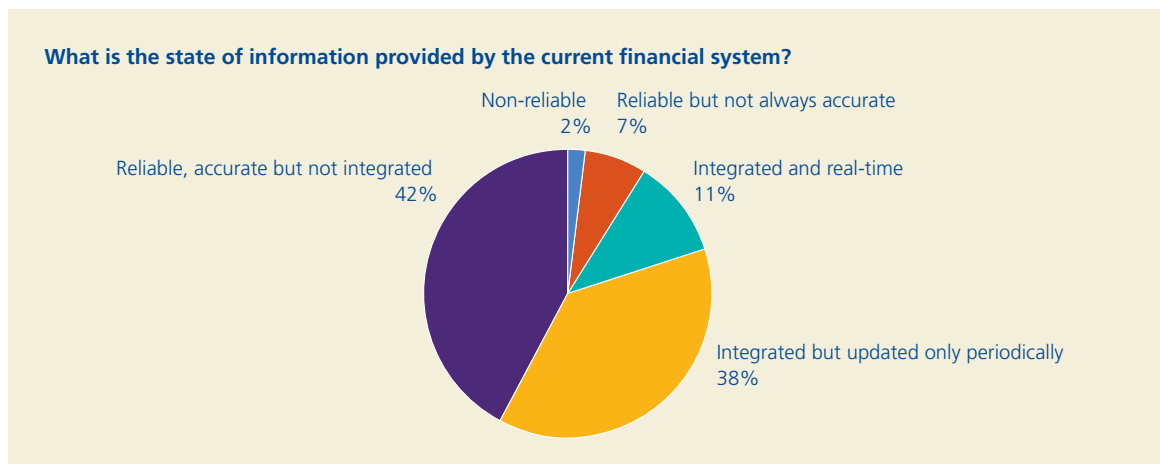
Getting good data is difficult

CFOs believe that the availability of certain data would help them fulfill their many functions and roles more efficiently. Specifically, over 85% are interested in usage and care volume data, acuity information and cost data. As a group, rural CFOs focused more than urban CFOs on the need for improved information on acute care staffing and better cost analysis, care costing and workload measures.

The survey indicates that health organizations do not currently have certain key financial or operational information or the appropriate tools necessary for the prioritization and allocation of resources. Ill-defined data capture processes are a primary barrier for about 60% of CFOs. They also listed over 26 other barriers – some of which were unique to rural or to urban facilities. In rural situations, CFOs were challenged by inadequately trained staff and constantly changing processes. In urban settings, issues included lack of peer comparisons, unpredictable funding from ministries of health and tight deadlines.



Adding weight to these barriers is the state of IT systems in the health care financial environment, with only 11% providing integrated and real-time data.



“Timely and accurate information is critical. We collect a lot of data for external organizations, but we need to focus on the appropriate data, rather than capturing data. I’m not convinced we are collecting the right data to make the right decisions.”

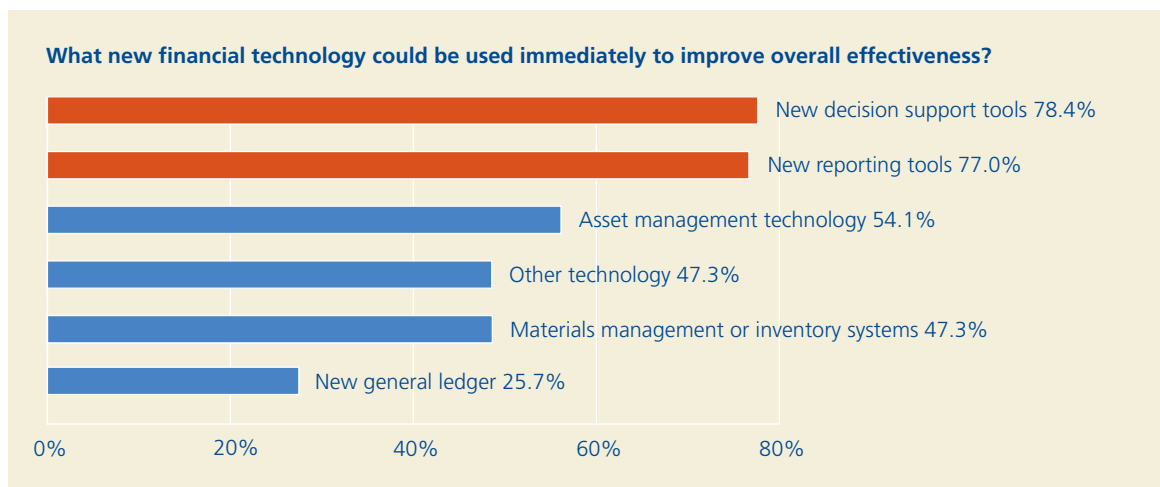
Understanding the barriers to attaining good financial data, CFOs know that streamlining its collection and analysis would require some major initiatives. They report needing enhanced decision support tools (89%), better budget processes from the ministries (81%) and increased data quality management (78%). When asked to comment on other incentives, standardization of financial information was strongly emphasized.

Deloitte supports the view of health care CFOs that consistency of process reporting and timing is difficult to achieve without standardizing information capture and recording across the organization. Our experience in both the public and private-sector indicates that it is critical to clearly define the financial and non-financial measures that drive value, and to have a single source of reliable data for analysis. This is a difficult, but not insurmountable task in a health care environment. Improving communication with provincial health ministries – along with greater transparency/standardization in reporting – would help CFOs focus on measuring and capturing data that are critical to running the organization.

The time is right to empower the finance function

The business case for empowering the finance function in health care has never been more compelling! Leading health organizations are finally recognizing the opportunity – and the critical need – to invest in change initiatives that will improve the efficiency and effectiveness of their processes, as well as increase the value provided by finance to the broader organization. To quote one respondent, “The big initiative right now is to investigate, acquire and develop a better management performance tool – what I call a dashboard.”

The CFOs surveyed are optimistic about the capacity of new information technology to assist in the capture and analysis of data to support improved decision making. Of the tools available, 77% of health care CFOs believe that those enabling decision support and reporting would be immediately useful, and almost 55% are interested in asset and material management technology. Health CFOs listed up to 17 other alternative technology services where new systems and processes would have a positive impact, including improved budgeting modules, case costing, payroll and HR scheduling.



“There is a need for redesigning collection and analysis because the life of the hospital is so complex. Hospitals haven’t invested in management tools. What we have given them are tools for clinical management, but not financial management.”

Deloitte believes that in the health care setting, strategically implemented information technology solutions can provide a comprehensive management analysis toolkit for tracking operating and financial performance. They can be used to consolidate separate sources of financial and business information into a common, trusted repository. As one respondent stated, “We want to go with an integrated system... to improve efficiency and reliability... We need budgeting, forecasting and management reporting in one technology that integrates financial and clinical data together.” With a strong business case to support the need and define the benefits, health care CFOs could access the following:

- Finance tools and templates that enable real-time scenario analysis and performance measurements.
- Proactive planning and management tools, such as business intelligence, expert systems, program leadership and scenario analysis.
- Financial information systems that are integrated with common databases and provide real-time information.

HR practices also need enhancement

Despite the relative stability of the role of the health care CFO (69% have been with their current organization for five years or more; 79% have been in their current position for two years or more), there are a number of challenges to recruiting and retaining talent across the country. Compensation is the most significant challenge, followed by availability and geography. Additionally, almost two-thirds of respondents report that finding individuals with a combined health care/finance background is difficult.



CFOs are concerned not only about the quantity of qualified individuals, but the depth and breadth of their qualifications as well. For example, in the planning for capital redevelopment projects, health care CFOs stressed the importance of project management skills, leadership support, and a thorough understanding of the funding process and ministry requirements. Additionally, some CFOs expressed concern about the moderate to substantial increase in workload required to address new Public Sector Accountability Board (PSAB) reporting requirements.

To help overcome the current talent challenge – and prepare for the future – Deloitte believes there is a need to develop specialized programs that will attract top finance talent. Strong retention programs focused on key staff and high performers should also be implemented. The CFO must build an “internal customer-centric” organization that is highly team-oriented, where rewards are based on the measurement of the nature and quality of services provided to its business units, stakeholders and partners.

“The health care system is in the media constantly getting bad press, so people come with sceptical and preconceived ideas about working in health care.”

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