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Better business partners in Healthcare

How finance can play a bigger role in achieving business imperatives

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Executive Summary

There has long been an appreciation for the complexity of the healthcare system, which is heightened by the challenges that management face within today's environment of increasing demand and limited funding availability. In this setting, finance teams have a critical role to play in ensuring their organisations thrive and never has there been a better time in health to embrace this opportunity.

As people live longer and the number with non-communicable diseases increases, so does the cost of healthcare. Consumer expectations are also changing, shaped by seamless, digital marketplace experiences in other sectors. People want to be able to access healthcare in a way that suits them – and to have use of the latest medical advances quickly. The need to innovate and embrace new technologies is imperative. These factors are all driving up the costs of delivering healthcare with the current combined Commonwealth and consumer spending on health being nearly 10 per cent of GDP.

Hospital funding is a highly complex area with shared funding responsibility between state and federal governments and the Activity-Based Funding (ABF) model introduced in 2011. Available funding is also under pressure with the Australian Government capping the Commonwealth's share of funding in the 2016 Budget. The recent agreement with the states and territories is for the Commonwealth to fund up to 45 per cent of the growth in the efficient price of activity-based services for public hospitals from 2017–18 to 2019–20, with nominal growth in total Commonwealth funding capped at 6.5 per cent a year for three years. Furthermore, the recent move towards introducing funding adjustments to support safety and quality has greatly complicated the job of health sector finance teams.

Similarly, states and territories are trying to reduce their health funding costs through contestability; using other players in the market to deliver services; and commissioning programs that are outcome-focused.

While the ABF model has benefited the sector with improved data transparency enabling a focus on efficiency and benchmarking, there is an opportunity now for finance teams to change the way they are perceived and how they operate.

To successfully navigate these challenges and become business partners, finance teams need to:

- Standardise and simplify core processes to free up resources and reduce the time spent on transactional work;
- Invest in developing the capabilities required to become better business partners; and
- Give clear roles, responsibilities and objectives to drive the right behaviours.

Looking to the future

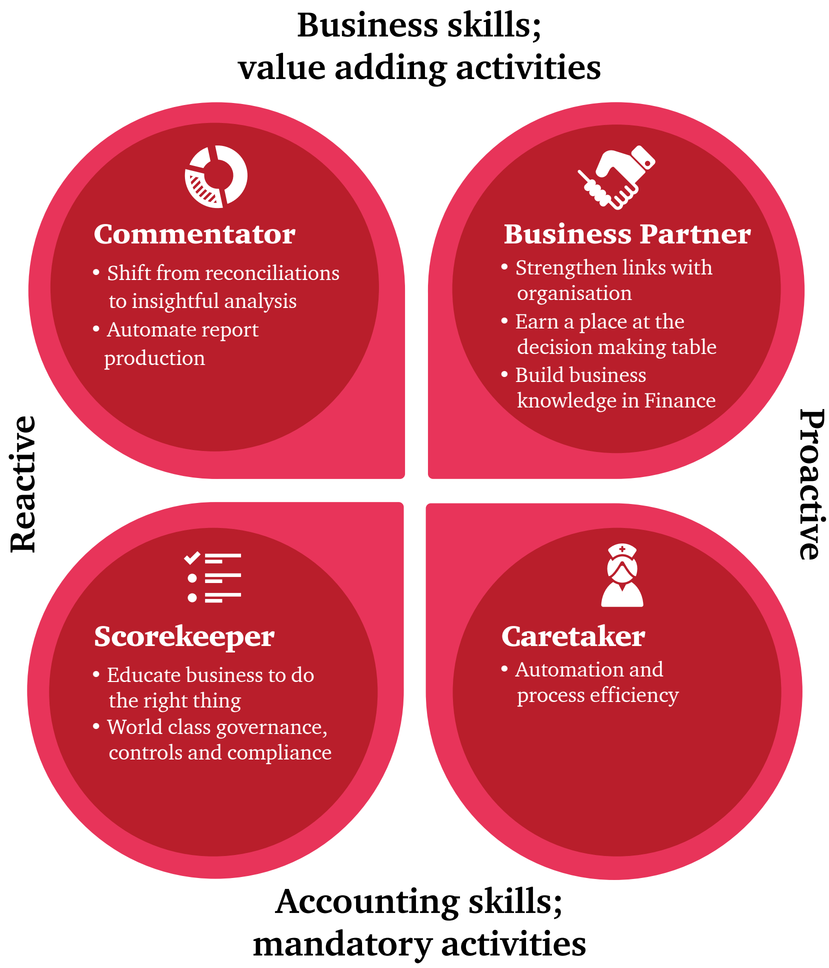
Historically, finance teams have focused on transactional activities and tended to be more reactive than proactive. In addition, most of the reporting and analysis they generated tended to explain historical trends rather than produce forward-looking, predictive indicators.

By contrast, the focus of a business partner is to analyse data and interpret what this means for the organisation and the decisions it needs to make. The partner provides information to different parts of the business, takes a proactive stance, and provides financial and non-financial information that can support decision making.

Effective business partners have a strong role in supporting strategic objectives, both supporting and challenging the business to ensure its strategy creates the desired value while considering acceptable levels of risk.

The diagram below shows the typical roles and skills within a finance function.

Figure 1: Role distribution within finance



The historical role of finance (such as the scorekeeper) is important to retain, and it is not expected that every member of the finance team will eventually become a business partner. However the partner role is becoming more relevant in the current environment due to the trends of moving transactional activities out of the core finance function towards shared service centres, and new technological advancements (such as artificial intelligence and robotic process automation) which are having profound effects on what finance teams do, how they do it and what is expected of them.

An effective business partner should be able to:

Add value through data analysis and insights that improve understanding of the implications of certain decisions

Bring new insights during the investment and appraisal processes for new service or product offerings; these could include a discussion of potential overheads, the possible need for additional financing; or importance of updating technology or capital equipment

Help non-financial staff members better understand the financial implications of decisions

Help meet strategic imperatives, such as supporting cost reduction and revenue optimisation, ensuring compliance and minimising risk across the organisation

Support change throughout the organisation by creating effective business cases and acting as an independent adviser to help maximise the impact of organisation-wide initiatives

Deliver effective reporting linked to business drivers and key performance indicators that are forward looking, and able to be quickly and easily interpreted.

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What this means for hospitals and healthcare providers

Australia's healthcare sector is under pressure to continue to deliver affordable quality healthcare. In this environment, there is a good opportunity for finance teams to upskill and become business partners that better support operational staff. Having a better understanding of the costs and relevant funding streams across an organisation can help with service planning, improving financial performance or making more informed investment decisions around new programs or services.

There are a number of strategies open to finance business partners to help healthcare providers become more efficient and effective. They are capable of much more than just answering backward-focused questions, such as budget to actual variance analysis. We believe their role should be to interpret financial data to help improve performance or to allow the business to make better decisions. Examples of what they can do are:

Set the accountability for meeting organisation-wide strategic objectives such as the National Elective Surgery Targets (NEST), National Emergency Access Targets (NEAT), Emergency Treatment Performance (ETP), efficiency targets and other relevant measures, to create more effective planning and management

Developing 'one source of truth' by taking ownership of the data from multiple systems in the healthcare organisation to ensure the business has the best insights

Support 'service line management', whereby cost centre managers have a full understanding of the costs and resources for which they are responsible, building accountability and ownership

Produce dashboards that contain easy to interpret performance indicators, insightful analysis around performance, and forward-looking predictors of results (both financial and non-financial)

Undertake analysis in conjunction with the operational staff to identify duplication of effort or unnecessary costs, inefficient processes or waste

Support effective resource allocation to reduce unnecessary costs through rostering or employment decisions. For example, interpreting trends from historical data (such as higher or lower periods of activity) and working with operational staff to reduce the need for more expensive agency staff. This may also be used to encourage staff to take leave in expected quieter times and to slot in elective surgery in quieter periods to help meet NEST targets. While this knowledge is intrinsically understood by general managers and senior operational staff, this may not always be well understood by those responsible for rostering

Introducing cheaper medical procurements by analysing the purchases of high-value or high-volume items, such as beds or medicines, to identify spending that is out of sync with contractual arrangements. This information can then be used to negotiate better contract terms

Allocating a business partner to the team producing a business case around whether to change or open a new service, or invest in major equipment, such as diagnostic machines, providing a financial perspective to help inform decision making.

The skills of a good business partner

It takes much more than just getting the numbers right to be a good business partner. It means having a deep understanding of the business, considering the bigger picture, finding and building connections, guiding executives towards making the right decisions, and having the social intelligence to engage effectively with staff.

Other skills include:

- A proactive attitude
- A strategic outlook
- An ability to engage with operational staff
- Good communication skills
- A deep and thorough knowledge of the business and what drives value
- Creativity and innovation
- Being agile, open to change and a continuous learner.

Figure 2: The characteristics of effective business partners

Navigation: The business partner is a co-pilot who points out dangers or possible shortcuts. The key is to provide valuable information at the right time to facilitate the best decisions.

Mediation: The business partner should be well-equipped to build connections between all stakeholders. For instance, by providing insights and platforms that go above and beyond traditional reporting.

Resilience: The business partner should be resilient and able to absorb internal and external developments. Adaptability and flexibility are of grave importance.

Connectivity – connecting the organization, data, people, processes to achieve success

Connectivity: The business partner should be able to make connections. This could revolve around smart process building with the right level of automation, delivering the right data to the right stakeholder or interpreting external insights.

What the operating structure could look like

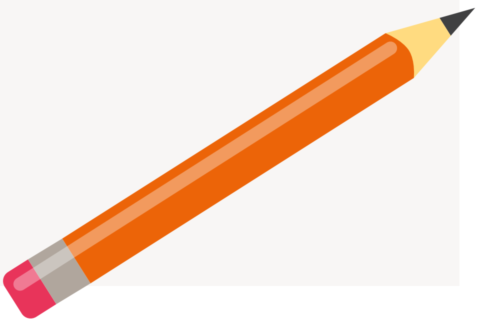
Most business partners currently report directly to the CFO but organisational structures and reporting lines may have to change to achieve true success. For example, aligning business partners to different business units (sites or facilities within a hospital) or functional areas such as emergency departments, or against the organisation-wide strategic imperatives should be considered.

Furthermore, there are options in the way they are positioned and managed, with the following structures being the most typical:

- Part of the finance function or performance team reporting to the CFO or finance director
- Part of the operations team reporting to the business unit, facility or site business managers or general managers
- A combination of the two with a 'dotted line' to the other department or area to support the business, by helping operating leaders to make better decisions and improve performance.

What are the strategies to getting it right?

The best performing financial teams invest heavily in people to fulfil a reliable business partner role. In a recent benchmarking study[1], most finance teams reported that they were dissatisfied with the outcomes of their business partnering efforts. Only a handful had mastered the mix of culture, talent, operating model and technology that enabled effective business partnering.



The feedback included the observation that many finance teams needed to focus on building their business and commercial knowledge but also that the business needed a solid grounding in finance if the two were to work together successfully. The report found that just 24 per cent of finance time is spent on insight-generating activities.[2] There are several strategies health organisations can use to achieve effective business partnering.

Get the basics right

Providing valuable insights requires ensuring the available data is accurate, uniform definitions are in place, and financial processes are well documented and streamlined.

Clear roles and responsibilities

Clear roles and responsibilities, combined with a charter guiding interactions and expectations of how the business partners will operate, will help create clarity and success. It needs to be clear to all that the business partner's job is to offer options, challenge assumptions, question the status quo and have difficult but productive conversations.

Give business partners some space

The best performing organisations use their business partners effectively by clearly delineating roles in the finance department. It is not practical for every member of the finance team to become a business partner. Some members must maintain their historical roles. This reduces the chances of a business partner performing operational tasks so that they can focus on providing valuable insights. Partners are at their best when not being required to complete repetitive activities.

Use technology as a competitive advantage

The rapid pace of technological advances can have a tremendous impact on efficiency. Examples such as cloud-based enterprise resource planning, data analytics, data visualisation and collaboration applications are tools that offer far better insights, and, coupled with artificial intelligence and robotic process automation, they are changing the way things are done.

Align measures of success to commercial outcomes

In order to change finance's behaviours and make them more commercially focused around business results, performance measures need to be changed and aligned with business objectives around customer or patient-centricity. Any improvement in the commercial decision making will be visible in better results as measured by costs, performance KPI's or other metrics reported on in the hospital setting.

Integrating finance into the decision making process

Healthcare organisations need the finance function to be integrated into its decision making process and be present at every stage of that process in order to meet the increasing challenges within this sector. This requires effective business partnering with a focus on generating insights aligned to the organisation's strategic imperatives.

1 PwC, Stepping up: How finance functions are transforming to drive business results, Finance Effectiveness Benchmark Report 2017.
2 Ibid.

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