Realising change in healthcare finance

April 2017
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Executive summary

The finance function plays a unique and central role within any healthcare delivery organisation. Recent advancements in technology have created a great opportunity to evolve this into a more strategic and efficient finance function of the future. The time is right for healthcare organisations to appropriately leverage the right technology investments and commit to change to realise this potential.

When visualising their future, finance teams must consider business challenges and the possibilities being created by new technologies. They must also be willing to change how they interact with other internal groups and external stakeholders.

This paper explores how achieving results involves more than simply implementing new enterprise resource planning (ERP) or other financial technology systems. Successful finance function transformation requires a clear sense of purpose, exceptional leadership and careful change management that engages the right individuals.

The current landscape

Every year, $120 billion is invested in the Australian healthcare and social services sector. Yet, despite the sector’s size and matching transaction volumes, healthcare providers typically lag enterprises in other sectors in terms of the digitisation of their operational and financial systems. Even the largest groups, such as hospitals, still rely heavily on paper-based processes for everything from patient records to staff rosters and supply orders. This compares to the United States, for example, where more than 1,400 hospitals are ‘digital hospitals’ — there is only one in Australia which we examine later in this paper.

This low level of digitisation means clinical and administrative teams spend much of their working days doing time-consuming manual processes. Combined with a lack of electronic information and connectivity between medical and financial systems, and different physical sites, there is also limited scope for organisations to gather data about their clinical and business operations.

In turn, it is hard to track outcomes to improve performance.

The lack of modern processes also limits where and how individuals can work, making a career in health less appealing than other sectors – particularly among those with highly transferable skills. In addition, the entire sector is under pressure to deliver more services due to the ageing population and growth in chronic diseases.

All these factors are leading to a thirst for modernisation and genuine transformation of clinical and business processes across the healthcare sector. These initiatives are often being stymied not by technology – which has progressed a massive extent over the past decade and is now both widely available and relatively affordable – but by resistance to change among individuals. With all this in mind, this paper focuses on the potential for digital transformation within the finance function and how best to effect change.

1HIMSS Analytics. Available at www.himssanalytics.org/stage7
Finance professionals at Australian healthcare organisations typically focus on handling transactions such as issuing and processing invoices, maintaining financial controls and producing reports. They are also responsible for cost control.

While these activities are all essential, there is usually little time left for finance groups to add value to the business by analysing data and providing insights to leaders. Finance teams are also often poorly equipped to offer predictions on future trends and requirements.

Finance positions remain rooted in specific locations, close to paper records and the individuals to be served, including doctors, nurses, administrators and patients. Further, there are big gaps in capability between major urban centres and regional areas.

The technology now exists to change this balance and to reinvent the way finance professionals work. The emergence of powerful, standardised ERP systems running on low cost and highly scalable cloud computing infrastructure has made it easier for finance functions to move all transactions, reporting and data analysis to central systems.

Thanks to the Cloud and concurrent advances in mobile devices and network security, these systems can be accessed equally from head offices or remote locations. The growth of robotic process automation, machine learning, artificial intelligence and other technologies will further accelerate the pace of change in years to come.

PwC has considered these trends and mapped out its vision for the ‘finance function of the future’ described in Figure 1.

**Current high performance**

- Less time spent on data gathering, more on analysis.
  
  Data made available to all stakeholders in real time with primary focus on modelling future performance and building scenarios showing impact of changes or external events.

- A high proportion of controls are automated.
  
  All controls automated, embedded and consistent across end-to-end processes. Shift of focus to statistical models that raise warning alerts to indicate fraud, mis-statement or other irregularities.

- Employs more people in ‘business partnering’ roles, paying more to attract quality professionals.
  
  Finance team as we know it, no longer exists. Finance professionals are embedded alongside marketing, operations, strategy and compliance teams to help the business solve broader challenges.

- Less than two weeks to close and report to management.
  
  The ‘close’ no longer exists. Business performance and direction can be assessed at any time, data audited in real time, reducing need for external audit.

- Time spent on transactional activities is falling each year.
  
  All transactional components of finance are fully automated and/or outsourced. Human intervention only required to review variances and exceptions. Finance teams have greater sector-specific skills in new areas such as modelling, business analysis and relationship management.

**In 2030**

- Forecasts produced in a week, not a month.
  
  Real-time forecasting that considers environmental factors such as customer behaviours and government policy changes.

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Finance organisations that can move towards the best practice and long-term changes outlined in this vision stand to gain significant benefits. They will perform core functions more quickly and efficiently, free up cash flow and be better placed to advise their organisations. They will also provide engaging and flexible roles to team members, upskill their people and be better able to secure talent from other sectors.

In fact, our research shows that the world’s top finance functions are now providing more insight and direction to their businesses while operating at almost half of the cost for comparable groups. The same research shows that finance operations can be transformed in as few as 18–24 months, not years as commonly expected.\(^2\)

Within healthcare, finance will play a new and direct role in enhancing patient experiences. This will come from ensuring organisations do all the basics well so they have the right personnel and supplies in place each day and can deliver services efficiently and cost-effectively. It will also follow from being able to connect dots between operational expenditure investment and the experiences of patients – including the outcomes they gain – at every stage of their journeys through the healthcare system.

\(^2\)PwC global finance benchmark report 2015 – Breaking away: How leading finance functions are redefining excellence.

**Figure 2: What sets top performers apart?**

- **Cost efficiency**
  - Over 20% higher pay for insight roles

- **Faster turnaround**
  - Budget 10% faster and forecast in less than half the time

- **Leaner operations**
  - Over 50% more people in ‘business partnering roles’

- **Sharper insight**

- **High performance culture**

Source: PwC global finance benchmark report 2015
For most Australian healthcare organisations and their finance functions, the transition to this new world will involve significant organisational and technological change. We believe it is essential to focus on the human and business process elements of this change to ensure that any new technology systems will be embraced and prove effective.

Paying close attention to change management is especially important for groups that are implementing off-the-shelf ERP and clinical operational systems. While being able to use these systems 'as they come' can significantly reduce technical complexity and risk, it can also increase how much the organisation needs to change to suit the system.

The activities to support a significant change must include strong leadership, early and continued stakeholder engagement, an understanding of current ways of working (to be able to identify strengths and potential obstacles) and the clear identification of benefits. It is also important to provide appropriate training and meet the needs of end users. Without one or more of these elements, the risk of failure substantially increases.

In our experience, sustained change is best achieved by identifying and addressing a small number of critical behaviours that can make or break the entire process. The journey of engagement, benefits identification, co-creation of solutions and co-ownership of the change journey are necessary steps to drive and help support this sustained behaviour change.

As an example, our 2015 global finance benchmark study found that finance functions could expand their capacity by 15–25 per cent and improve both work quality and relationships with the business by adopting a new mindset towards how they managed their teams.

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3 PwC global finance benchmark report 2015 – Breaking away: How leading finance functions are redefining excellence.
A structured approach

The key elements of our Change Management Framework are set out below. This framework starts by asking teams whether they are seeking to effect a transformation or to manage a more incremental transition. We then drill down to the tools and technologies, structural and operational issues, and capability and culture questions to be traversed.

The framework looks at where the organisation is headed and how to get there. That starts with envisaging the future then moves into the execution steps involved in realising results in practice.

At every point, organisations should be prepared to constantly communicate why they are changing and what benefits the change will deliver to the organisation and, importantly, to specific individuals. This one-on-one approach should be mindful of staff members' hopes and fears, and the very human tendency to resist change no matter the potential gains.

Figure 2: PwC Change Management Framework

What is driving you to change?

What needs to change?  How will you change?  How will you know you are successful?
Creating Australia’s first digitally integrated hospital

Case study:

Creating Australia’s first digitally integrated hospital

By Richard Royle, National Digital Health Lead, PwC; former CEO of UnitingCare Health

In the [three] years to October 2014, I was fortunate to oversee the creation of Australia’s first fully integrated digital hospital – St Stephen’s Hospital in Hervey Bay, Queensland. The $96 million facility was created by UnitingCare Health with its funds and a $47 million grant from the Australian Government. It has become an important example of how health facilities can use new digital technologies to lift performance and patient outcomes.

The key technology systems in use at St Stephen’s are the Cerner suite of operational applications and SAP for finance. All records and patient management processes are digitised and held in electronic medical records (EMRs) and other data stores. Information from drug dispensing, surgical procedures and the use of hospital machines such as X-ray devices is captured in the system in real time. Supplies are also barcoded and tracked from [arrival to use or disposal].

Incorporating all these functions into a unified digital system has streamlined operations, unlocked efficiencies and enhanced the experiences of both patients and staff members. For example, by implementing a digitised pre-admission system, arriving patients now go directly to their ward or day surgery unit, reducing work for front-office administration staff.

Going digital has also enabled St Stephen’s to gather an unprecedented amount of objective data about its activities and is allowing it to identify opportunities for improvement. For instance, the patient outcomes and costs associated with different treatment approaches can now be measured over time and acted upon.

One reason that the new hospital has proven successful is we completed a thorough change management program that ran from the planning stage until well after it began treating patients. This program was vital because clinicians had to adopt dramatically different working procedures, such as using computers rather than paper charts while interacting with patients. Patients themselves had to be reassured about concerns such as whether their information would be secure within EMRs.

The key features of this change program included:

- ensuring the project had strong support from the top of the organisation throughout its lifecycle, as well as substantial buy-in from government
- establishing a project team of 30 people led by an individual with direct experience in implementing Cerner at a comparable hospital in the US
- creating the first Chief Medical Information Officer position in Australia to ensure a high level of communication between clinicians, the project team and managers
- providing extensive education around the new system that included detail on the benefits it would deliver, especially in terms of data analytics. This included holding large ‘town hall’ meetings with all staff members
- working closely with clinical and administrative teams to ensure the new system was designed to meet their requirements. This included taking five ‘super users’ to the US to see the Cerner system in action, who could then educate their peers
- starting the new system as the facility opened, and mandating its use from day one rather than operating old and new systems in parallel
- providing extensive ongoing education to staff and the public about the hospital’s operating model, including the use of EMRs and other digital technologies.
About the authors

Stephen Loadsman
Stephen is a Partner in our Consulting team and is part of PwC’s global Finance Function Effectiveness leadership team. Stephen has more than 21 years experience and specialises in providing advice on financial management and finance function to CFOs, finance teams and corporate services teams in the public and private sectors. He has led and been involved in assignments with clients across most industries in Australia, Asia, China, Canada, the UK, South America, Fiji and Papua New Guinea.

Helen Burns
Helen leads PwC’s People & Organisation Consulting team in Brisbane and is a specialist in transformational change enabled by technology. She helps clients prepare their organisation to succeed in the future. For the past 18 years, Helen has worked on large-scale transformations in the public sector at state and federal levels. She has played a key role in supporting public sector leaders to guide their workforce through change. She has worked in the areas of health, social welfare, taxation, energy, border control, energy, aviation and education.

Christopher Rogan
Chris leads our Health Queensland Consulting team in Brisbane and has nearly 20 years experience in commercial and consulting roles. He is recognised for leading successful transformational change projects in large organisations in several industries, including in the public health sector in Queensland. He is an experienced management consultant with a proven ability to design and implement solutions to complex business problems and manage transformational change in health care.

Dean Dimkin
Dean is PwC’s health technology lead and a practising program director with 17 years experience visualising, designing and implementing significant business transformations.

Dean has successfully driven change in complex, 24x7 mission-critical environments. He provides expertise in practice change, innovation, collaborative engagement and technology reform across health, law enforcement, justice, energy and mining, education and welfare.

John Forsythe
John leads PwC’s Digital Hospitals Team in Australia and has 17 years experience consulting in healthcare and major service industries in Australia and the US. John has been involved in more than 90 clinical system go-lives in Australia in executive, line manager and frontline implementation roles. With a focus on transformational change, John has significant experience managing major technology implementations using various methodologies and with multiple vendors.

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