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CFO Boot Camp – Data Driven Decision Making

“Bringing the Numbers to Life”



Jeffrey E. Allen, CPA

Partner

Springfield Office | 417.865.8701

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Objectives

- Avoiding the “checklist mentality”
- Examining the true role of the CFO
- Communicating financial results where all can understand
- Analyzing the decision making process & common barriers that must be overcome
- Discussing not for profit – “a tax status not a way of life”
- Looking at what a well-run community health center (CHC) finance department looks like

Avoiding the Checklist Mentality

- The financial statements have just been completed!
 - Start of the journey
 - End of the journey
 - Somewhere in between
- The same can be said of the Medicare cost report, the UDS report, etc.

Avoiding the Checklist Mentality

- What can I learn from what I just completed?
- What needs to be done differently?
- What could be improved?
- How am I going to make time for non-crisis types of activities?

CFO Roles & Responsibilities

- What are the fundamental responsibilities of the CFO?
 - Steward – take ownership
 - Strategist – setting the financial course
 - Oversight of the Organization's financial matters
 - Financial recordkeeping & reporting
 - Business voice of the Organization

CFO Roles & Responsibilities

- The role of the CFO should not be taken lightly - the effectiveness of the CFO can make or break the financial performance of an organization
- Given the expanded scrutiny of CHCs by the federal granting agency & other business partners (lenders, contributors, etc.), the CFO's role is in the spotlight more than ever in the past
- Have an adequate understanding of clinic operations
- The CFO needs to be able to effectively communicate financial results

Communicating Where All Can Understand

- Communicating financial information (which is often complex), in a way that an individual who does not have a finance or accounting background can understand, is challenging
- Don't choose to communicate where you impress the financial expert in the room, choose to communicate where the non-expert can easily grasp the financial message you are trying to communicate

Know Your Audience

- What are their main concerns?
- How do they make decisions?
- What is the business culture?
- Who are the key decision makers?
- Who are the negative people in the group & how do I handle them & their objections?
- What is the audience's frame of reference?

Communicating with the Board of Directors

- CHC boards tend to love benchmarking information – “how do we compare to others?”
- They also love trend information – “are we on the right track?”
- Use charts, graphs & pictures in the right way – see the following two examples from presentations that have been shared with the public
 - Simplicity of the message
 - Use of pictures to keep attention & drive point home

VICTORIA POLICE DEPARTMENT ANNUAL REPORT 2012

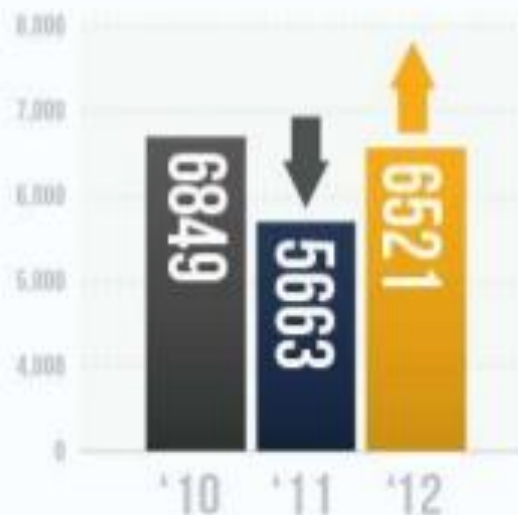
[HOME](#)[CONTACT](#)[LOGIN](#)[ANNUAL REPORT](#)

CRIME TRENDS

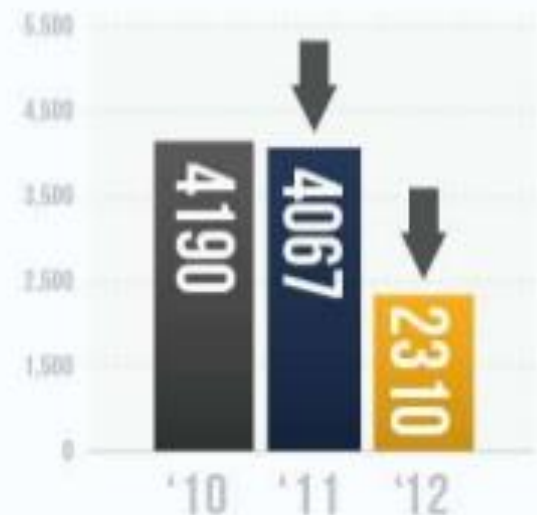
CRIMES AGAINST PERSON



CRIMES AGAINST PROPERTY



OTHER CRIMINAL CODE OF CANADA OFFENCES



“At our front reception we are averaging an amazing 4000 calls a month – that’s a call every 2 minutes!”

2013 ANNUAL REPORT, IMMIGRANT CENTRE MANITOBA



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Data with Pictures or Graphs

- Numbers by themselves are often only appealing to accountants
- Graphics with data can be very persuasive & be much more compelling than data alone
- Pictures can often pull out emotions that can lead to decisions being made
- What were your thoughts & emotions when you saw the picture of the little girl holding the phone?

Are there Needed Outcomes?

- Is your communication information-only or are there desired outcomes?
- What message are you wanting to emphasize? For example:
 - We are not going down the right path
 - We are doing much better now
 - We need assistance in
- Communication should not be manipulative in nature, but can be tailored for emphasis

Communication Tips

- Selecting the right data is critical
 - Too much data is overwhelming
 - Not everything has to be communicated
- Respect your time allotment
 - Attention spans are not increasing
 - Make sure your time frame is appropriate
 - End early so there is adequate time for questions
 - Brevity is your friend!!

Communication Tips

- Financial data must always be consistent – inconsistencies undermine your credibility. For example:
 - Cash on balance sheet should match statement of cash flows
 - Patient accounts receivable on the balance sheet should match your accounts receivable analysis

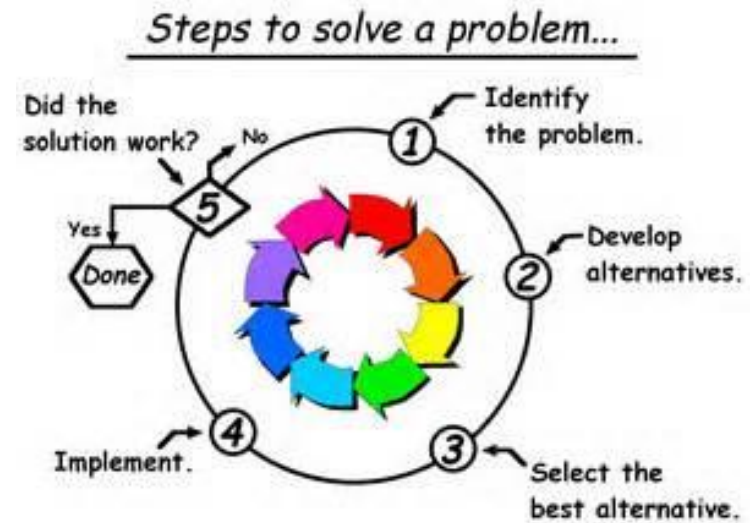
Communication Tips

- Consider the use of handouts
 - Record for future reference
 - Gives someone the ability to make notes
- Anticipate questions
- When answering questions – always (if possible):
 - Validate (e.g. good question, I see why you asked, etc.)
 - Clarify
 - Respond



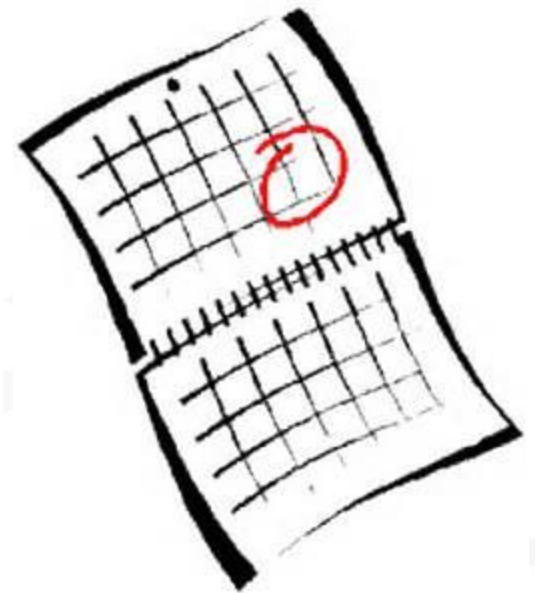
Decision Making Process

- State the Problem
- Identify Alternatives
- Evaluate the Alternatives
- Make a Decision
- Implement the decision
- <http://www.business-analysis-made-easy.com/Decision-Making-Model-In-Five-Steps.html>



Decision Making Process

- What is your tracking tool? (spreadsheet, action plan, etc.)
- Key dates
- Assignment of tasks
- Monitoring & accountability
- Overlap
- Who says when we are done?



Barriers to Decision Making Process

- The CEO (or board) that never listens
- Fear of providers, board members, etc...
- Time, Time, Time!
- It has always been done this way
- Pride



"This really is an innovative approach, but I'm afraid we can't consider it. It's never been done before."

Not for Profit is a
tax status, NOT a
way of life



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Financial Health Reminders

- Community health centers are business entities
 - No money = no mission
 - Health centers must make money from operations to maintain financial stability
 - Requires proactive approach to financial management



Financial Health Reminders

- Focus on the future from a **financial sustainability** perspective includes
 - Ongoing facility needs/requirements
 - Debt service requirements
 - Increase cash reserves
- Strategic planning should include consideration of the financial impact of decisions (forecast discussion to come)

Best Practices

- We see a lot of CHC finance departments!
What do the best CHC finance departments look like?

Finance Departments to Emulate

- Not continually in crisis mode
- Financials are completed within 30 days (very few exceptions), audit within 120 days, cost reports are filed on time, other reporting deadlines are not missed
- CFO participates in planning meetings & he/she makes time to give CEO & Board feedback on financial implications of proposed decisions
- Not penny wise, pound foolish
- Well-respected member of the management team & communicates well with other departments

Final Thoughts

- The CFO sets the tone for the financial function of the CHC – sound financial practices that result in financial sustainability of the mission should be the expectation
- Don't be bashful – understand the role of the CFO position & tactfully insist upon sound business decisions from the management team & the Board of Directors

Questions?

Thank You!