4 COMPONENTS OF SUCCESSFUL CAPITAL PLANNING & TRACKING IN HEALTHCARE
Without question, over the last several years, the process of capital planning has become an increasingly strategic function for hospitals and health systems. If done effectively, the allocation of capital dollars to projects - across construction, medical equipment and IT related categories - can manifest into true competitive advantage, or perhaps represent a lost opportunity. Few would argue that the ‘right’ investments in technology and facility related upgrades can positively impact the process and quality of care.

However, the challenge for many organizations is they lack the enabling tools and frameworks to streamline the process of initiating, evaluating and approval capital project submissions that best align and support the organization’s overall strategic plan.
INTRODUCTION

Typical Capital Planning and Tracking Process

Areas where technology and process can streamline the capital planning & tracking process

With limited capital dollars and a seemingly unlimited demand for capital investment, the question of where to properly allocate capital is one that demands a high level of collaboration and participation across key financial, operational and clinical stakeholders. Having a structured process in place can help organizations ensure they make the right decisions. However, as Finance teams assess their current approach, they are often faced with challenges at each stage in the process, including capacity modeling, evaluating and comparing requests and finally on-going capital tracking.
OBSTACLES TO SUCCESSFUL CAPITAL PLANNING

Inconsistency and Lack of Visibility

Transforming the capital planning process into a more strategic activity requires addressing several common challenges:

Incomplete Requests Submitted
Requests are often incomplete or lack the supporting detail to make their case and there is often inconsistency in project submissions which makes it difficult to assess and compare projects across financial and qualitative measures.

Inconsistent Evaluation Criteria
Without a common and consistent set of evaluation criterion, capital planning committees struggle to effectively and fairly evaluate the cost/benefit of projects. Review processes for new requests are often fragmented and award processes may not be based on merit but rather awarded on a ‘first come, first serve’ basis.

Poorly Defined Tracking and Measurement
Planning and tracking is especially difficult when there is no central repository where all requests are housed. Requests are often incomplete or lack the supporting detail to make their case and there is often inconsistency in project submissions which makes it difficult to assess and compare projects across financial and qualitative measures.
Much has been written about the increasingly strategic role that Finance teams now have in healthcare provider organizations. As industry trends continue to drive down operating margins, go-forward strategic and tactical plans are being critically evaluated to consider their bottom-line impact. This dynamic has been a catalyst for Finance to streamline and improve inefficient planning processes. This is especially true with decisions related to capital investments – particularly large capital projects – where the risk and reward associated with go-forward projects is that much greater. In turn, the process of initiating, consolidating and then evaluating capital requests is demanding more efficient processes to ensure investments are made in areas that provide the greatest return and best support overall hospital strategy.

In our work with hospital finance teams, the following are 4 components that are vital to improving the capital planning process.
1. Require common elements in every capital request

2. Define consistent workflow for reviewing capital submissions

3. Evaluate all capital requests against uniform criteria

4. Leverage the same method for tracking and reporting progress
By standardizing the ‘input form(s)’ associated with all new capital requests, healthcare provider organizations can structure how proposed projects will be evaluated across financial and non-financial measures. Initiators should be guided with prompts or instructions in the form to help convey the core elements of the project in a consistent manner.

**Common elements in requests may include:**

- Project owner and management sponsor
- Project type - Construction, Clinical, IT, etc.
- Strategic goals and objectives this supports
- Justification and financial impact
- Capital needs in current and future years
- Key milestones and project timeline
- Supporting documentation

**Other considerations for the submission process:**

- Consolidate all requests in central repository for a single source of information to make decisions from; thus eliminating standalone spreadsheets and tracking
- Make the submission process easier for the requestor by providing an intuitive, online submission form accessible to all who need it
1. Require common elements in every capital request

Objective:
Streamline the submission process with submissions that are detailed and consistently presented.

Approach:
2. Provide online Request Forms to guide contributors.
3. Initial submissions should indicate where additional reviews are required.

Key Milestones
- What key milestones are noteworthy?

Strategy Alignment
- How does this project align to Strategy?

Financial Impact
- What is the incremental impact on Financials?

Justification
- Why is this Capital Investment Important?

Supporting Docs
- What supporting documents are needed?

Owner/Sponsor
- Who will own and sponsor the project?

Funding Type
- Is this project supporting IT, Clinical, etc?

Review/Approve
- What reviews and approvals are needed?

INITIATE
SUBMIT

Single Repository for all Capital Submissions
Having the right information and complete information starts with engaging the right people in the process. This helps to ensure the projected costs, timelines and risks are well-defined and clearly communicated.

With that in mind, once a capital request has been submitted, it should follow a predefined, automated workflow. Workflow tools should be used in healthcare organizations with a moderate volume of requests to ensure expediency along with the proper level of scrutiny. All submissions must follow the same workflow, albeit conditional in some cases, allowing for the automation of alerts and notifications to relevant stakeholders as their review and approval is needed.

As an example, large IT projects might need to go to IT and legal departments for evaluation before finalizing. In doing so, these ‘expert’ reviews ensure that each project submission is complete and accurate before committee review.

By doing so, the final submission has been reviewed and deemed ‘complete’ by the proper stakeholders. In turn, capital committees aren’t having to wait or delay their decision to ‘approve’ or ‘deny’ the project because it is missing critical pieces of information or because it hadn’t been vetted by all key stakeholders.
2 Define consistent workflow for reviewing each capital submission

**Objective:**
Ensure New Requests are complete and ready for Capital Committee(s) evaluation.

**Approach:**
1. Automate the review process with workflow tools.
2. Conditional rules should direct to proper individuals/groups.
3. Final sign-off means projects are ready for review/approval process.
Once all submissions for capital are received, the capital committees are tasked with the job of approving and prioritizing the allocation of dollars to those projects that best align with the hospitals near-term needs, as well as, its strategic priorities. In the absence of technologies that are designed to support this process, this can be a disconnected process that might not lead to the optimal decisions. E-mail, Word and Excel become de facto collaboration and database platforms, something they were never designed to do.

Moving to an applications framework designed to store and report on capital submissions can significantly improve access and visibility into capital requests. Centralizing a repository of all capital projects benefits the evaluation committee(s) as they can more effectively review and compare capital requests based on strategic ‘fit’, need and priority. This helps leaders achieve their goal of balancing their portfolio of approved projects across construction, IT and clinical equipment investments.
Evaluate all capital requests against uniform criteria

**Objective:**
Evaluate a comprehensive set of requests to ‘balance’ investments across key spend categories.

**Approach:**
1. Reporting can be performed across project attributes.
2. Investment decisions made in context to spend in other areas.
Having timely access to reports that highlight actual project spend to-date against approved capital gives executive leaders the visibility they need to monitor progress and ensure committed funds are tracking as expected. Additionally, more consistent and timely reviews should be conducted of actual spend against approved spend for each major capital project. This monitoring function is supported by transaction-level financial reporting and, where appropriate, could include commentary to highlight milestone achievement on major projects by named project sponsors.

The shift away from resource intensive, manual capital planning and tracking to a more automated process has several benefits:

1. It ensures that right stakeholders are engaged and have transparency around what capital requests and ensuring costs aren’t missed in the process.
2. The increased collaboration with IT, Engineering and Supply Chain departments helps keep cost and scheduling estimates in-line.
3. Costs are more consistently identified and associated with capital projects which helps ensure actual spending stays in-line with approved spending limits.
Leverage the same method for tracking and reporting progress

**Capital Project Monitoring**
*On-going Major Projects*

- **Facility (Construction)**
- **Main Lobby Renovation**
- **OB/Newborn Wing Expansion**

1. Actual, committed and planned spend.

2. Workflow Notifications (email) to key Project Owners
   - “Books” incorporate analysis, solicit commentary on status.

**Objective:**
Provide stakeholders with clear visibility to project related spend and milestone achievement.

**Approach:**
1. Enable ad hoc spend analysis
2. Incorporate periodic updates thru automated Project Tracking Update “templates”.

**Execution:**
- Workflow Alerts & Notifications
- Executive Sponsors
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