

Fed Up With Traditional Budgeting? Hello, Dynamic Planning!

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Challenges with Traditional Planning Processes

Resource Intensive

The annual budget process typically lasts 4-6 months and requires 20-30% of senior executives and financial managers' overall annual time.

Lack of Relevance

Leadership and Finance agree that the budget is soon out of date after completed; 33% believe the budget is out of date w/in the first month.

Gaming the Process

Managers incentivized to meet budget targets (not optimal performance) leading to target padding and missing the opportunity to improve.

Sense of Entitlement

Managers look to preserve their "piece of the pie", thus spend all available dollars to keep future budgets from shrinking.

Lack of Agility

Plan is updated once a year resulting in organization's inability to adjust based on changing business conditions.

Lack of Accountability

Managers lack buy in, fail to review reports and question targets rather than taking action/driving improvement.

The 3 numbers that matter...

20,000+ hours

spent developing the annual budget

6 months

duration of most budget processes

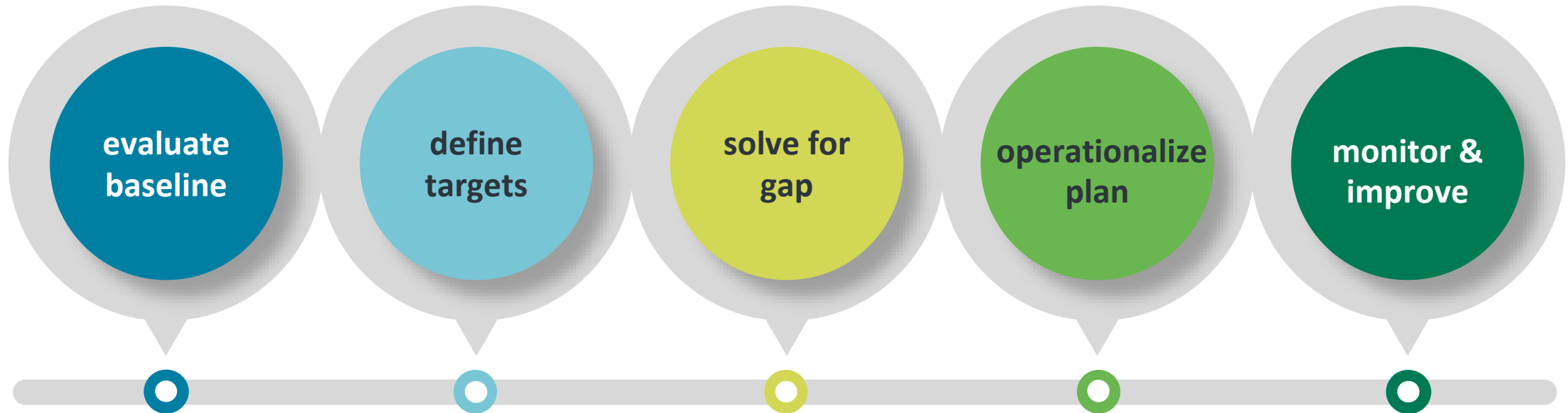
66% of CFO's

say budget is no longer relevant after Q1





Typical Financial Planning, Analytics and Performance Processes



- Analyze profitability
- Analyze balance sheet

- Set Financial Targets
- Model Long Range Plan
- Identify “Gap” to Target

- Identify Growth
- Optimize Top-Line
- Identify Cost Savings Variation

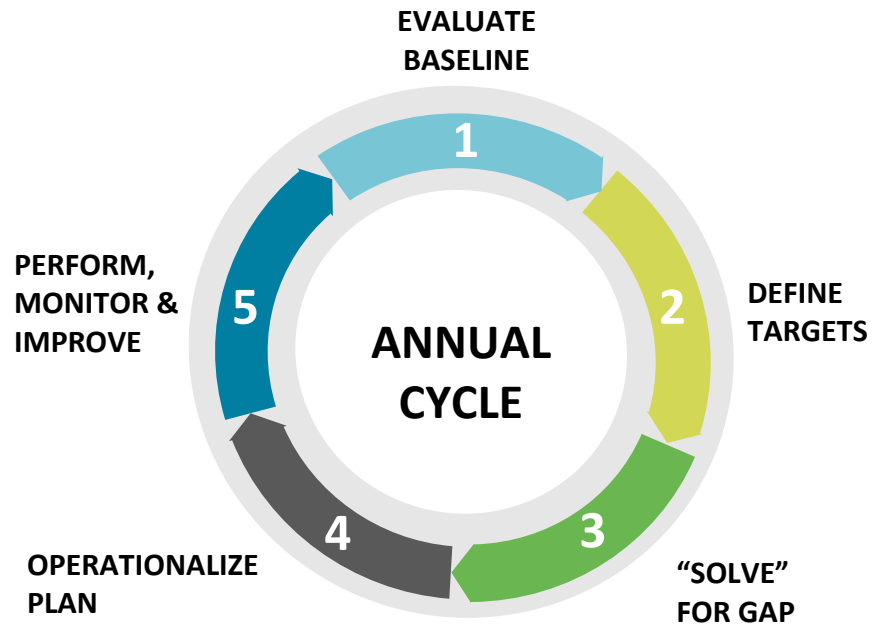
- Develop Budget and Plan

- Analyze Daily, Bi-Weekly & Monthly
- Update Rolling Forecast



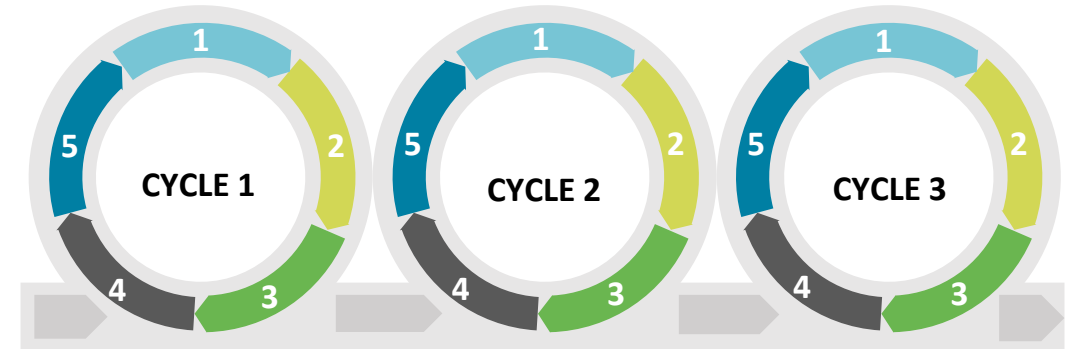
Healthcare Requires a New Level of Velocity and Automation

single, annual cycle



VS

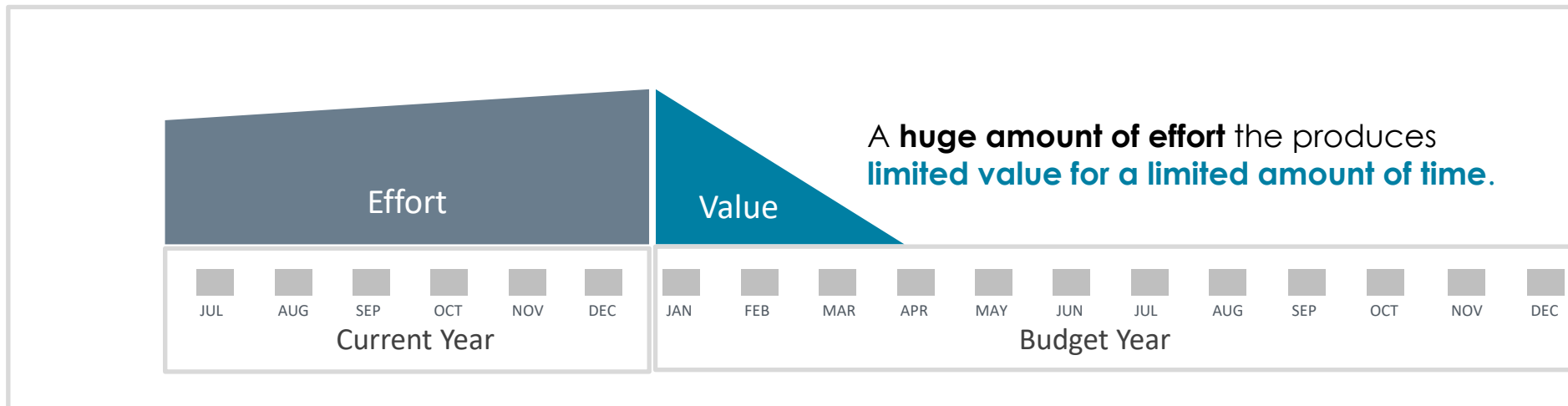
monthly, quarterly cycle



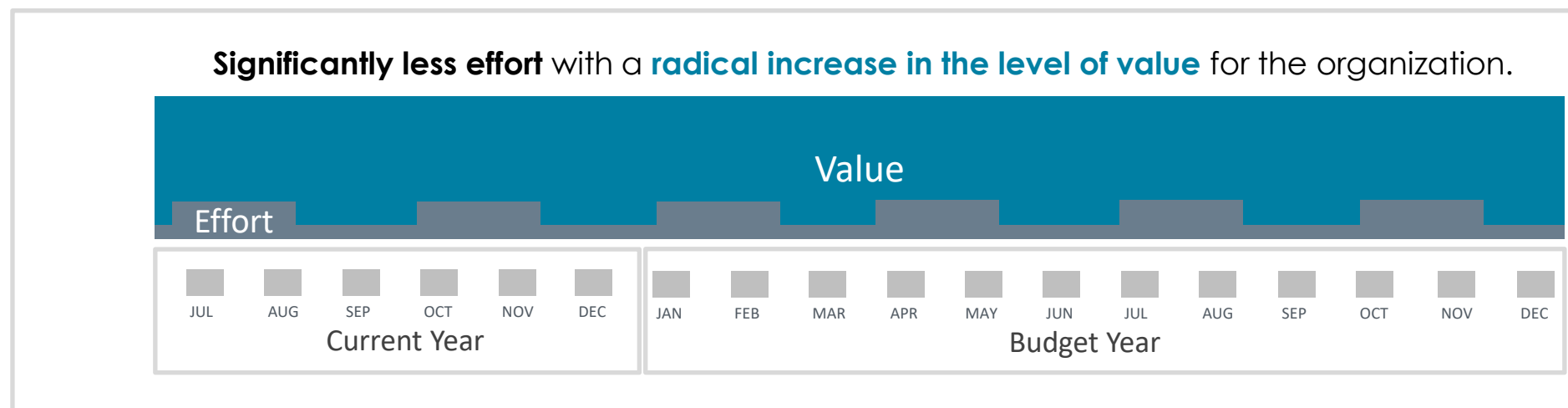


Advanced Planning: Example of Increasing Value of the Process

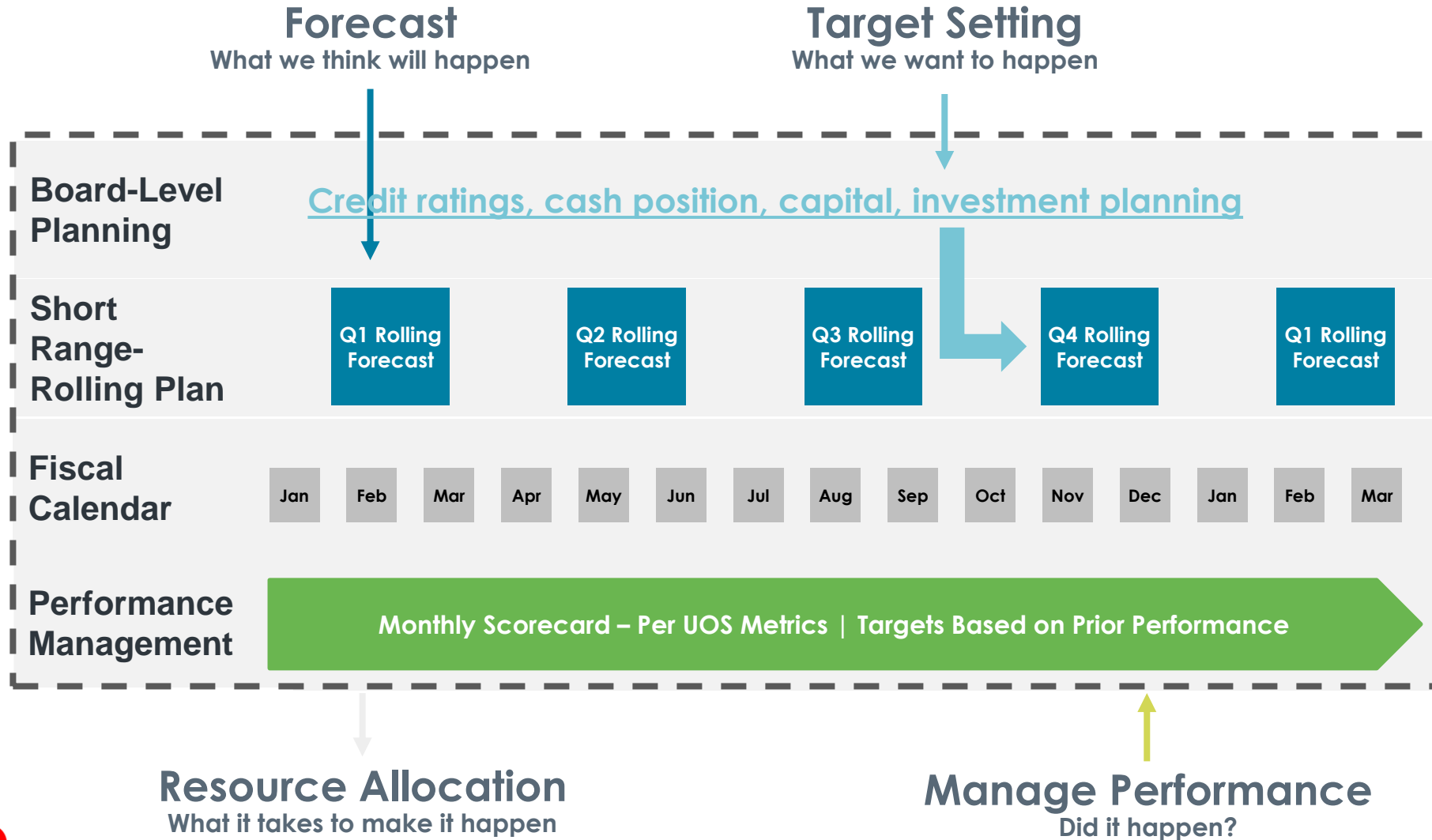
Traditional
Planning



Dynamic
Planning



Dynamic Planning Process





The Movement To Dynamic Planning

Traditional Budget

- Resource Intensive
- Lack of Relevance
- Gaming the Process
- Sense of Entitlement
- Resource Intensive
- Lack of Agility
- Lack of Accountability



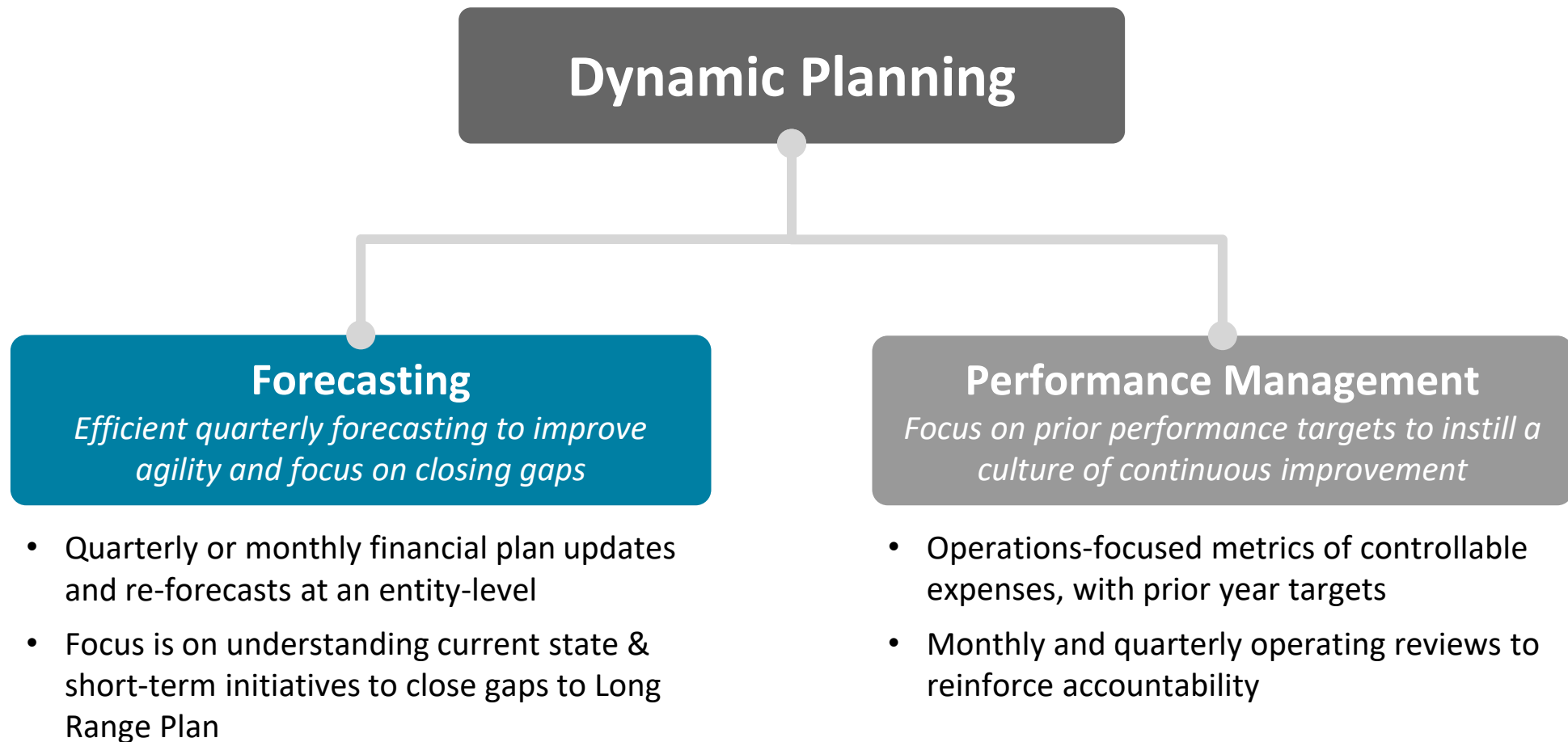
Full Shift to Dynamic Planning



And many more...

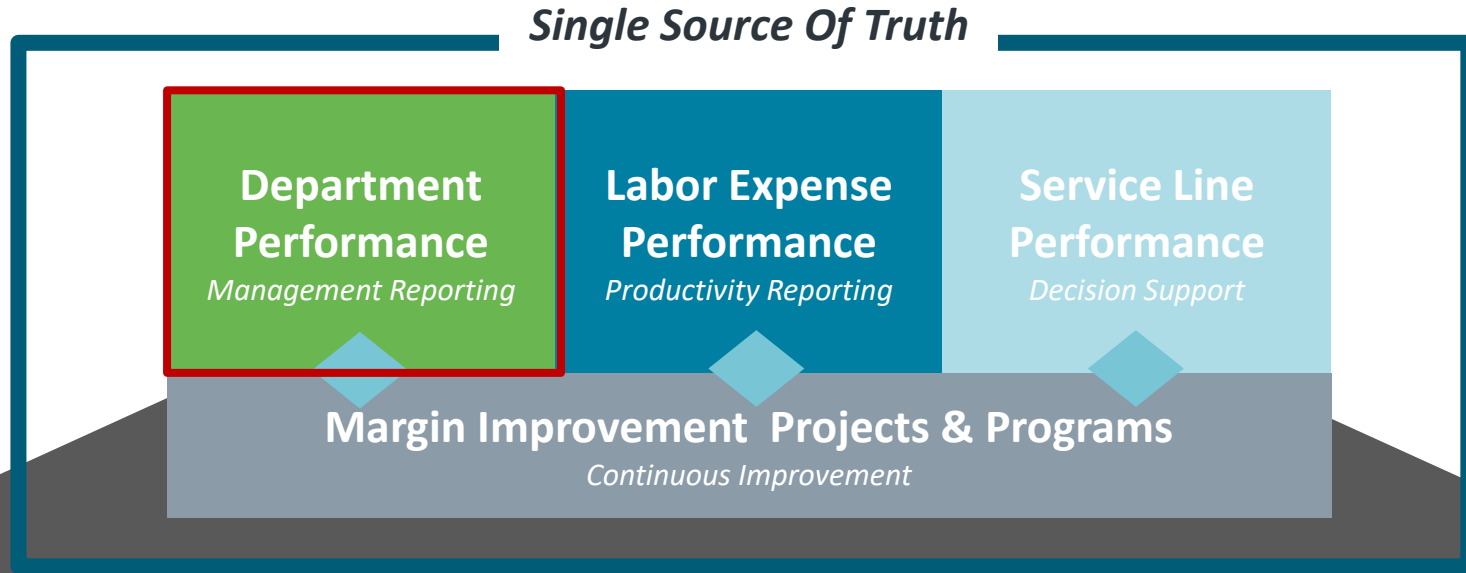


Dynamic Planning Components





Performance Management for Results-Driven Accountability



Components of High Impact Performance Management

Metrics		Analytics		Process			
Actionable Metrics	Meaningful Targets	Accurate & Accessible Data	Automated Results Tracking	Standard Operating Cadence	Clear Expectations	Clear Action Plans & Owners	Leadership Support



Children's Health System of Texas (CHST) Overview

- Non-profit Healthcare system with two pediatric hospitals in Dallas and Plano
 - 601 licensed beds, with an additional 140-bed tower coming online by the end of 2024 at Plano
 - ~15,900 inpatient admissions and ~567,000 ER and outpatient visits for 2021
- Several 162(b) Physician Corporations
- Children's Medical Center Foundation
- Children's Medical Center Research Institute at UT Southwestern
- Other smaller entities housing joint ventures and non-controlling interest investments in other partners, an insurance captive, etc.



Children's Journey to Dynamic Planning

1

2018

- Implemented Operating Budget in StrataJazz
- Implemented Management Reporting in StrataJazz for department level variance reporting

2

2019

- Implemented Strategic Planning in StrataJazz

3

2020-2021

- Developed a traditional 2021 budget including Service Line level charges, volumes and statistics in OnePlan
- Stood up Service Line functionality in 2021 within Strategic Planning, and completed the 2022 Board Financial Plan as a high-level forecast by entity

4

2022

- Implemented the Performance Management component of Dynamic Planning effective with January 2022 actuals



Considerations for a Successful Dynamic Planning Transition

- ✔ Will you have senior leadership buy-in?
- ✔ What will you load as a “budget” in your General Ledger system?
- ✔ What reporting modifications might you need to make?
- ✔ Fiscal controls over spending must be maintained
- ✔ Strong coordination is required over forecasting inputs throughout the year
- ✔ Focus on continually improving forecasting accuracy and efficiency



“Wins” from Children’s transition

De-peaking our planning effort

- Hundreds of hours shaved off the annual plan build
- Forward-looking discussions in monthly operating reviews (MORs) provide forecast input
- Quarterly forecast revisions primarily impact the finance team and select stakeholders

Strong buy-in from operations and executive leadership

- We embraced “learning together” in moving to a rolling forecast – progress, not perfection
- Operations leadership adapted well to the transition away from departmental budgeting
- Operational teams have had great compliance with providing monthly commentary on actuals vs. rolling targets

Nimble forecasting process

- Quarterly forecast updates provide greater clarity on future financial performance

A photograph of the Aurora Borealis (Northern Lights) over a forest at night. The sky is dark blue and black, filled with numerous stars. The aurora displays vibrant green and purple bands of light. The foreground shows the dark silhouettes of evergreen and deciduous trees.

Questions?