

**2023 Mid America Summer Institute** Aug. 7-9 • Minneapolis

# Igniting the Spark

**FOR HEALTHCARE TRANSFORMATION**

**HFMA Region 8**

GREATER HEARTLAND • IOWA • MINNESOTA • NEBRASKA  
NORTH DAKOTA • SOUTH DAKOTA • SUNFLOWER



2023 Mid America Summer Institute Aug. 7-9 • Minneapolis

FOR HEALTHCARE TRANSFORMATION

# DEVELOPING AND EXECUTING STRATEGY IN AN EVER-CHANGING HEALTHCARE WORLD



**HFMA Region 8**

GREATER HEARTLAND • IOWA • MINNESOTA • NEBRASKA • NORTH DAKOTA • SOUTH DAKOTA • SUNFLOWER

## DISCLAIMER

This presentation is presented with the understanding that the information contained does not constitute legal, accounting or other professional advice. It is not intended to be responsive to any individual situation or concerns, as the contents of this presentation are intended for general information purposes only. Viewers are urged not to act upon the information contained in this presentation without first consulting competent legal, accounting or other professional advice regarding implications of a particular factual situation. Questions and additional information can be submitted to your Eide Bailly representative, or to the presenter of this session.



## PRESENTERS



Ralph Llewellyn, CPA, CHFP  
Partner  
Fargo, ND



Traci Rabine  
Director  
Fargo, ND



## LEARNING OBJECTIVES

- Learn how changes in the healthcare market are causing organizations to revisit their operational and delivery strategies.
- Explore opportunities to differentiate your organization through strategy.
- Learn about strategies to improve employee recruitment and engagement in the execution of the strategic plan.





# THE EVER-CHANGING WORLD



MEDICAL REPORT  
02-06-58 MALE  
02 :43 080  
586 :89 403  
253 :684 :01  
99 :RP\_809

# TECHNOLOGY ADVANCEMENTS



# PAYOR CHANGES

1.03	1,000.00	1,000.00	12,000.00	24,000.00
1.04	2,000.00	2,000.00	2,000.00	2,000.00
1.05	48,000.00	4,300.00	48,000.00	4,300.00

Amount

SEVEN BAHT

ment un

ผู้ตรวจสอบ





**COMPETITION**

# DATA





# PROFITABILITY



# TIMING


# STRATEGIC RELATIONSHIPS





**CULTURE**

innovative supportive empowered  
comfortable flexible friendly stressful dignity  
siloes challenging outdated rigid boring destructive  
unapproachable cliquy progressive  
integrity exciting toxic hostile rewarding  
deceitful caring unsupportive biased professional  
compassionate isolating family disengaged positive  
collaborative fun micromanaged  
teamwork engaging loyal negative  
motivating combative



“Great things in business are never done by one person. They’re done by a team of people.”

~ Steve Jobs



What is the  
Purpose of the  
Goals you are  
Setting?



# DRIVING A DIFFERENT APPROACH



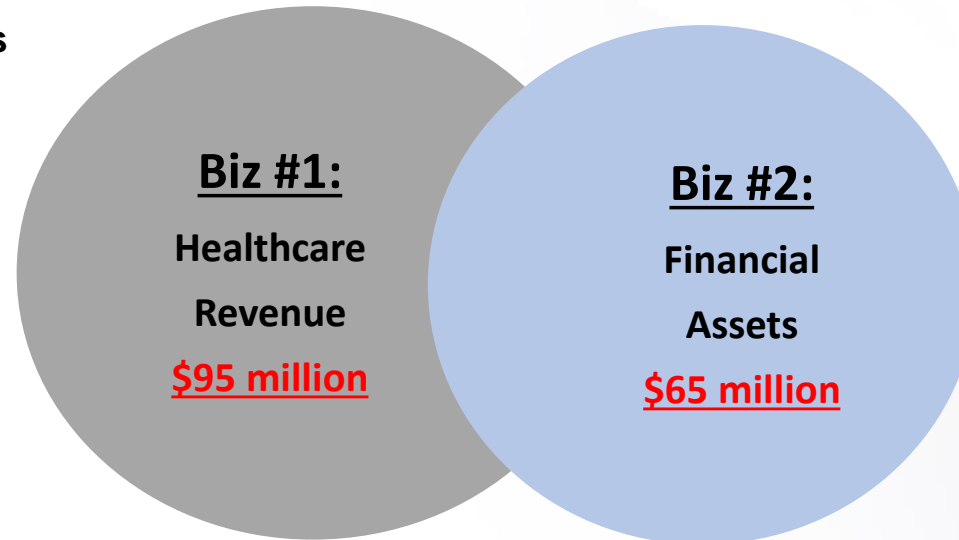
# HIDDEN REIMBURSEMENT



## Overview: Two Distinct Businesses

### Biz #1: Healthcare Operations

- Access of Services
- Quality of Services
- Cost of Services
- Providers
- Employees
- Community
- Governance



### Biz #2: Financial Assets

- A. Cash / Treasury Management
  - Bank Deposit Needs
  - Working Capital Needs
- B. Investment Operations
  - Fiduciary Process
  - Investment Policy
  - Risk Management
  - Financial Planning
  - Investing Process
  - Monitoring & Reporting

S&P BBB Rural Hospitals-Ave Margin 3%

2%

Best in Class

4-6%

6-8%

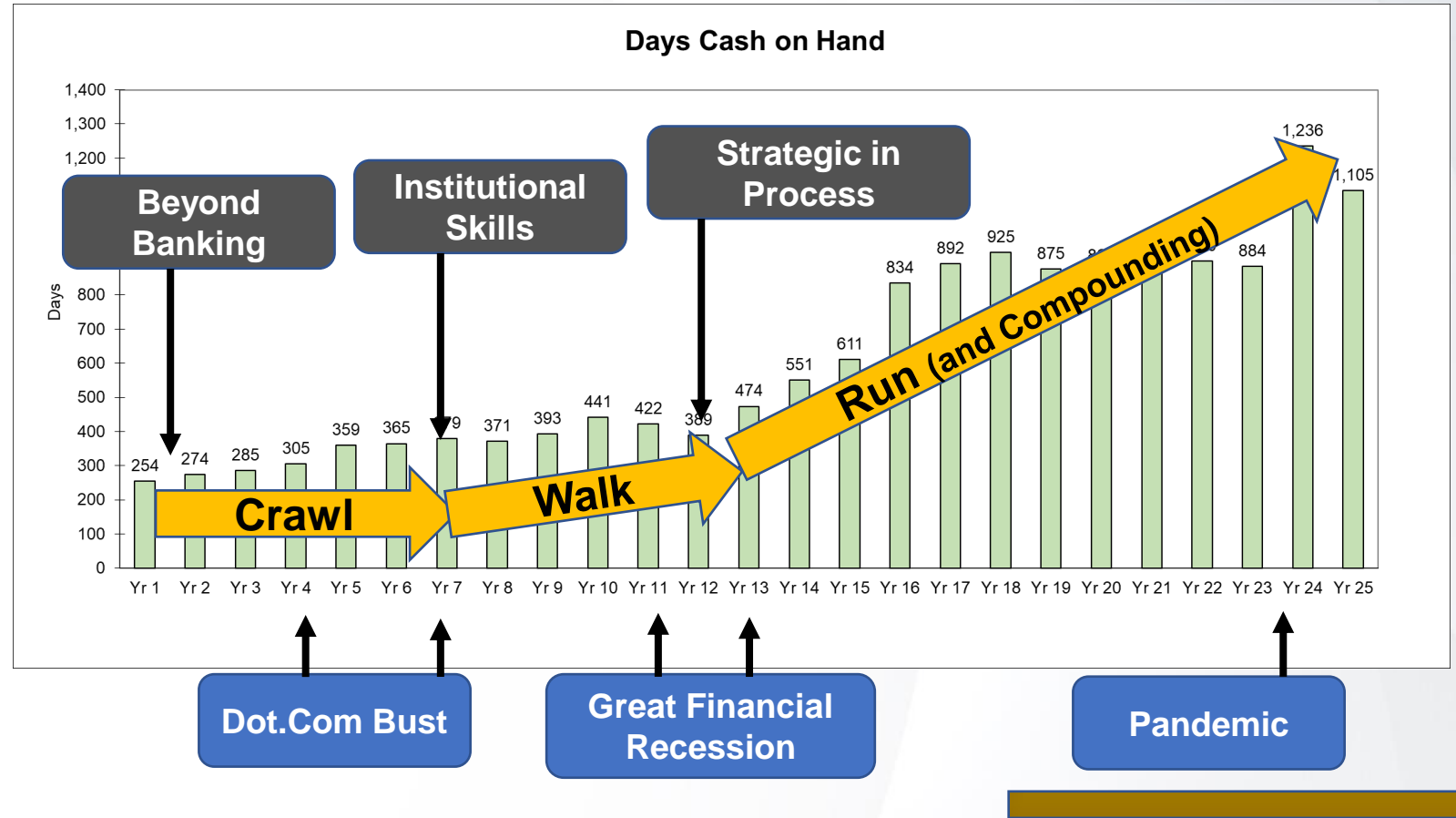
**Strategic Opportunity for Biz #2 is greater and likely more sustainable**

\*Source: S&P Ratings Small Hospital Medians BBB

## THE RESULT OF 1 RURAL INDEPENDENT HOSPITAL

Returns of 8.0% over 20 years compounded

A Story  
About the  
Importance  
of Strategy  
for Biz #2



# Strategic Resources Available for Biz #2

Access to Executive Resources improves outcomes and require less time from CEO or CFO

# 01

## Fiduciary

1. Governance
  - a) Board of Directors
  - b) Finance / Invest Committee
2. Management
  - a) Chief Executive Officer
  - b) Chief Financial Officer
  - c) **Executive Resources up to Outsourced CIO**

# 02

## Investment Operations

1. Investment Policy
2. Objectives, Time Horizon, Allocation
3. **Risk Management – beyond volatility**
4. **Financial Plan – connected to mission**
5. **Contracts and Agreements**
6. **Audit Support**
7. **Strategy for Continuous Improvement**

# 04

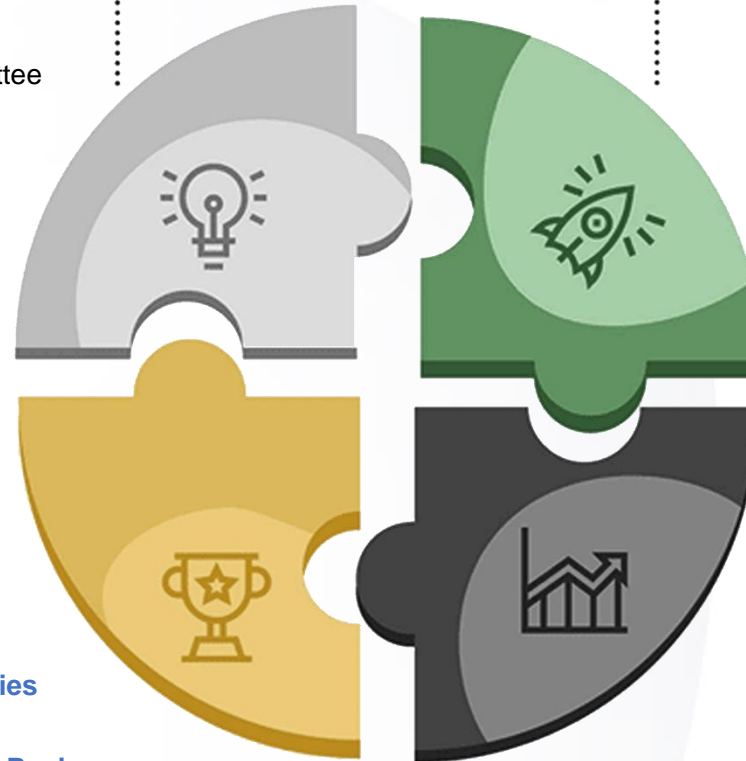
## Monitoring & Reporting

1. Policy Adherence
2. Custodial Statements
3. **Software Reporting Tools**
  - a) **Monthly Journal Entries**
  - b) **CFO Report**
  - c) **Fiduciary Report and Review**
4. **Annual Report and Review with Mission**
5. **Learning Proper Temperament and Long-Term Orientation**

# 03

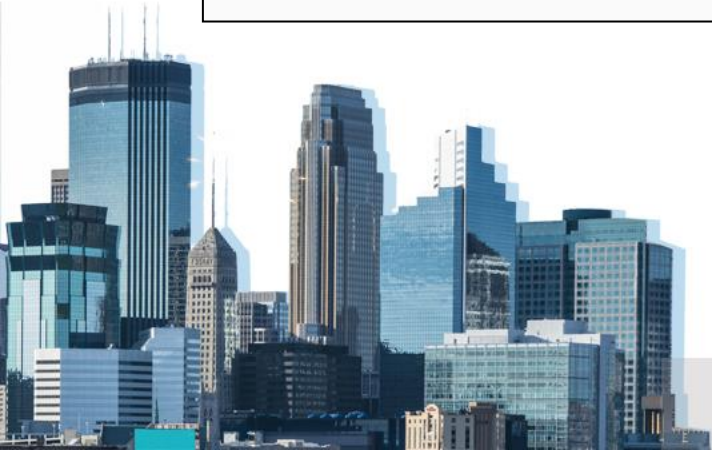
## Asset Strategy & Management

1. Cash Management
  - a) Bank Deposits
  - b) **Cash Mngt @ 5+%**
2. Investment Management
  - a) **Strategies for 1-3 Yr Time Horizon**
  - b) **Strategies for 4 – 10 Yr Time Horizon**
  - c) **Strategies for 10+ Yr Time Horizon**



# Common List of Opportunities

Cash Management	Investment Process	Investment Strategy	Monitoring & Reporting
<ol style="list-style-type: none"> <li>1. Increased returns by earning the bank spread.</li> <li>2. Enhanced liquidity.</li> <li>3. No ongoing time requirements needed by management.</li> </ol>	<ol style="list-style-type: none"> <li>1. A policy with institutional best practices.</li> <li>2. Financial planning process to determine best asset allocation.</li> <li>3. Risk assessment and mitigation processes.</li> <li>4. Developing a strategy and ongoing improvement process.</li> <li>5. Lower the total cost, which includes fees largely “invisible”.</li> </ol>	<ol style="list-style-type: none"> <li>1. Lower duration and inflation risk.</li> <li>2. Due diligence criteria based on unified philosophy and principles.</li> <li>3. Direct ownership of marketable securities in separately managed accounts.</li> <li>4. Truly diversified strategies designed to further reduce investment risks.</li> </ol>	<ol style="list-style-type: none"> <li>1. Software specialized for reporting.</li> <li>2. Monthly reconciliation with journal entry reporting.</li> <li>3. Quarterly asset allocation and performance reporting.</li> <li>4. Improve leadership to coordinate all the players and processes.</li> <li>5. Limited time needed by Management or Governance to effectively oversee the process.</li> </ol>



# Implementing the Strategic Opportunities:

## Benefits of Strategic Resources.....

### Little Time Needed but Keep Control

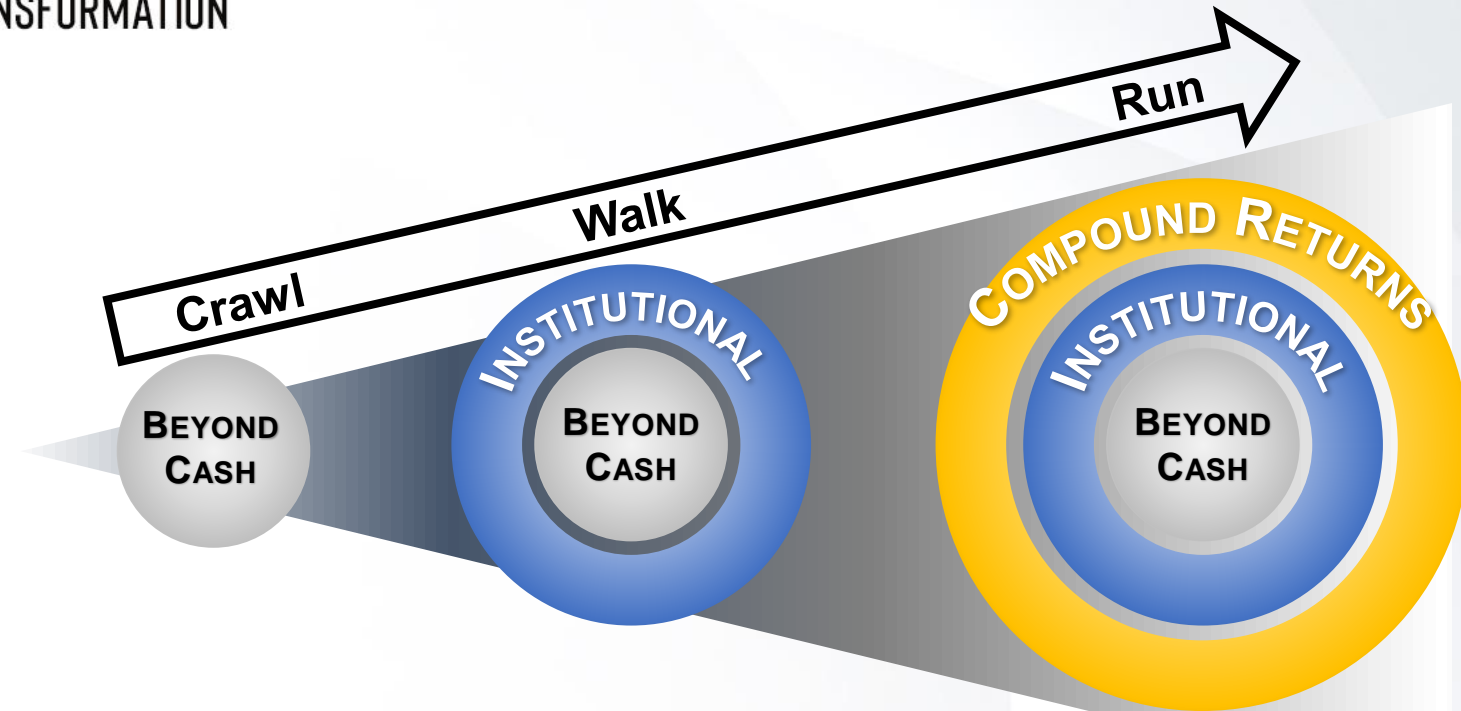
<u>Recommendation</u>	<u>Timeline</u>	<u>Mngt Time Needed</u>	<u>Return Impact</u>
1. Cash Mngt Improvements	1 - 2 months	2 – 4 hours	+2.0 - 5.0%
2. Lower Fees	1 - 3 months	2 – 6 hours	+0.5 - 1.0%
3. Financial Plan	2 – 4 months	4 – 8 hours	Positive
4. Policy	4 - 8 months	8 – 12 hours	Positive
5. Implementation	1 -2 months	2 – 4 hours	
6. Annual Process: Review, Monitor, Yr 2 Strategy, Etc.		2 – 4 hours	

**Management’s Time Allocation Needed in Year 1 Estimated 2 – 3 hours / month**





# Continuously Improve: A Long-term Process



## Beyond Cash

- Policy Implementation
- Establish Financial Planning
- Allocate beyond banks
- Establish Review Cycle
- Establish Performance Report

## Institutional Skills

- Executive level leadership
- Enhanced Financial Planning
- Broader allocation of invest strategies
- Enhanced Institutional Temperament
- Enhanced monitoring and reviews
- Enhanced teaching and education

## Compound Returns

- Advanced Institutional Processes
- Advanced Institutional Temperament
- Advanced risk management knowledge
- Full allocation to equities
- Complete understanding of Philosophy and Principles
- Decisions truly based on patience, discipline and what is best long-term





# **SYSTEMS IMPACT STRATEGY**



**HOW DO WE DEFINE SYSTEMS?**

**STRATEGY TO  
IMPROVE  
FINANCIAL  
PERFORMANCE**





# SERVICE LINE STRATEGY

A professional office scene where a woman with curly hair, wearing a grey blazer and a light-colored top, is shaking hands with a man in a dark suit. The man is seen from the back. In the background, another woman in a dark blazer and white shirt is smiling. The setting is a modern office with large windows and a desk.

**EMPLOYEE  
RECRUITMENT &  
ENGAGEMENT**



**WRAP UP!**

**QUESTIONS?**





# THANK YOU!

Ralph Llewellyn  
Partner/Critical Access Hospitals  
Industry Leader  
rllewellyn@eidebailly.com  
701.239.8594

Traci Rabine  
Senior Manager  
trabine@eidebailly.com  
701.476.8737



CPAs & BUSINESS ADVISORS