

# FORV/S®

## Strategies for CFO Financial Communications to the Board

April 11, 2024



FORV/S is a trademark of FORV/S, LLP, registered with the U.S. Patent and Trademark Office.

## Meet the Presenters



**Jeremy Jeffery, CPA, FHFMA**  
Chief Financial Officer  
Jefferson Regional Medical Center



**Josh Reaper, CPA, FHFMA**  
Senior Manager  
FORV/S

**FORV/S**

2

FORV/S is a trademark of FORV/S, LLP, registered with the U.S. Patent and Trademark Office.

## Agenda

- Key Functions of a CFO
- Roles & Responsibilities of a Board of Directors
- Strategy for Communications
- Summarizing Financials & Operations

**FORV/S**

3

## Key Functions of a CFO

---

**FORV/S**

FORV/S is a trademark of FORV/S, LLP, registered with the U.S. Patent and Trademark Office.

# CFO Job Description Components

- Planning
- Operations
- Financial Information
- Risk Management
- Funding
- Third Parties

**FORV/S**

5

# CFO Job Description

## Planning

- Assist in guiding organization's future direction
- Direct implementation of strategic business and financial budgeting plans

## Operations

- Manage accounting, human resources, revenue cycle, reimbursement, compliance and various other areas
- Assist decision making

## Financial Information

- Oversee issuance of financial information and report financial results
- Performance compared to budget
- Accurate financials

**FORV/S**

6

FORV/S is a trademark of FORV/S, LLP, registered with the U.S. Patent and Trademark Office.

# CFO Job Description



## Risk Management

- Monitor and mitigate organization's risk profile
- Handle legal issues and insurance coverage
- Monitor financial internal controls



## Funding

- Monitor cash balances and cash forecasts
- Debt financing



## Third Parties

- Maintain financial relationships with rating agency, bankers and investment brokers

**FORV/S**



## Priorities of a Healthcare CFO

### Identify & Manage Cost Reductions

- Tools in place to identify?

### Become More Agile

- Adapt to changes in business
- Budgeting & Forecasting

### Understand Impact of Clinical Outcomes in Financial Performance

- Connection of clinical measures & financials

**FORV/S**

## Question

Which of the following is the highest priority for your organization?

- A / Identifying Cost Reductions
- B / Understanding how clinical operations impact financials
- C / Physician & provider management
- D / Managing cash flow

**FORV/S**

9

## Roles & Responsibilities of the Board of Directors

---

**FORV/S**

FORV/S is a trademark of FORV/S, LLP, registered with the U.S. Patent and Trademark Office.

## Roles & Responsibilities of Board of Directors

### Establish Vision, Mission & Values

- Guide & set the pace for its current operations & future development

### Set Strategy & Structure

- Determine the business strategy & plans
- Ensure the organizational structure is appropriate to implement the strategies

### Delegation to Management

- Delegate, monitor & evaluate implementation of strategies by management

**FORV/S**

11

## Primary Duties of Board of Directors

### Establish Longevity

- Provide continuity for the organization
- Long-term planning

### Governance

- Govern the organization by broad policies & objectives by continually review its work
- Evaluate results to plan/budget

### Accountability

- Account to the public for the services of the organization
- Provide for fiscal accountability, approve the budget & formulate policies

**FORV/S**

12

## Duty of the CFO – to the CEO? Or to The Board?



### Dual Reporting Responsibility

- Potential Conflict?
- CFO has responsibility of complete & transparent reporting to the Board

### What if CEO & CFO Disagree?

- Must agree on a protocol for reporting to the board

**FORV/S**

13

# Strategy for Communication

---

**FORV/S**

FORV/S is a trademark of FORV/S, LLP, registered with the U.S. Patent and Trademark Office.

## Gain an Understanding

When you look at your Board, what is the largest challenge they face in understanding your organization?

**FORV/S**



15

## Question

**When was the last time you changed your basic financial reporting to your Board?**

- A** / Within the last 6 months
- B** / Within the last 6-12 months
- C** / Within 1-3 years
- D** / Greater than 3 years

**FORV/S**

16

FORV/S is a trademark of FORV/S, LLP, registered with the U.S. Patent and Trademark Office.



## Gain an Understanding

- How do you turn these challenges into opportunities?
  - Survey for their interests
  - Education on topics
  - Use of operational metrics & key performance indicators (KPI's)
- “Goldilocks Dilemma”
  - Too much
  - Too little
  - Just right

**FORV/S**

17

## Strategy

- Know you Board – plan and develop a strategy to reach your audience
- Be clear and concise
  - Use graphs and comparisons
  - Develop the context for them
  - How does this fit in our strategy?
- Transparency is key for Board confidence
  - “Bad news is not like fine wine, it does not get better with age”

**FORV/S**

18

## Strategy

- Gain credibility
  - Consistent historical data
  - Use clean and well-designed deliverables
  - Should support the strategy

*“Above all, success in business requires two things: a winning competitive strategy, and superb organizational execution. Distrust is the enemy of both. I submit that while high trust won’t necessarily rescue a poor strategy, low trust will almost always derail a good one.”*

– STEPHEN R COVEY  
The Speed of Trust

**FORV/S**

19

FORV/S is a trademark of FORV/S, LLP, registered with the U.S. Patent and Trademark Office.

## Other Strategic Communications



Outside of financial results, consider communicating:



**FORV/S**

20

FORV/S is a trademark of FORV/S, LLP, registered with the U.S. Patent and Trademark Office.

## Expectations Into Action

- Over the years, we've seen a wide range of approaches
  - 4 graphs
  - 60 pages
- Neither of these extremes addresses one of the primary problems between Boards and CFOs

**Surprising the Board is not a good thing**

**FORV/S**

21

## Expectations Into Action

- Evaluation of your Board needs
- Planning communications to meet the needs
- Ask for feedback
- Experiment with the data
- If your reporting hasn't changed in the past 2-3 years – is the information relevant?

***“Simple can be harder than complex: You have to work hard to get your thinking clean to make it simple. But it's worth it in the end because once you get there, you can move mountains.”***

***-Steve Jobs***

**FORV/S**

22

# Summarizing Financials & Operations

---

**FORV/S**

FORV/S is a trademark of FORV/S, LLP, registered with the U.S. Patent and Trademark Office.

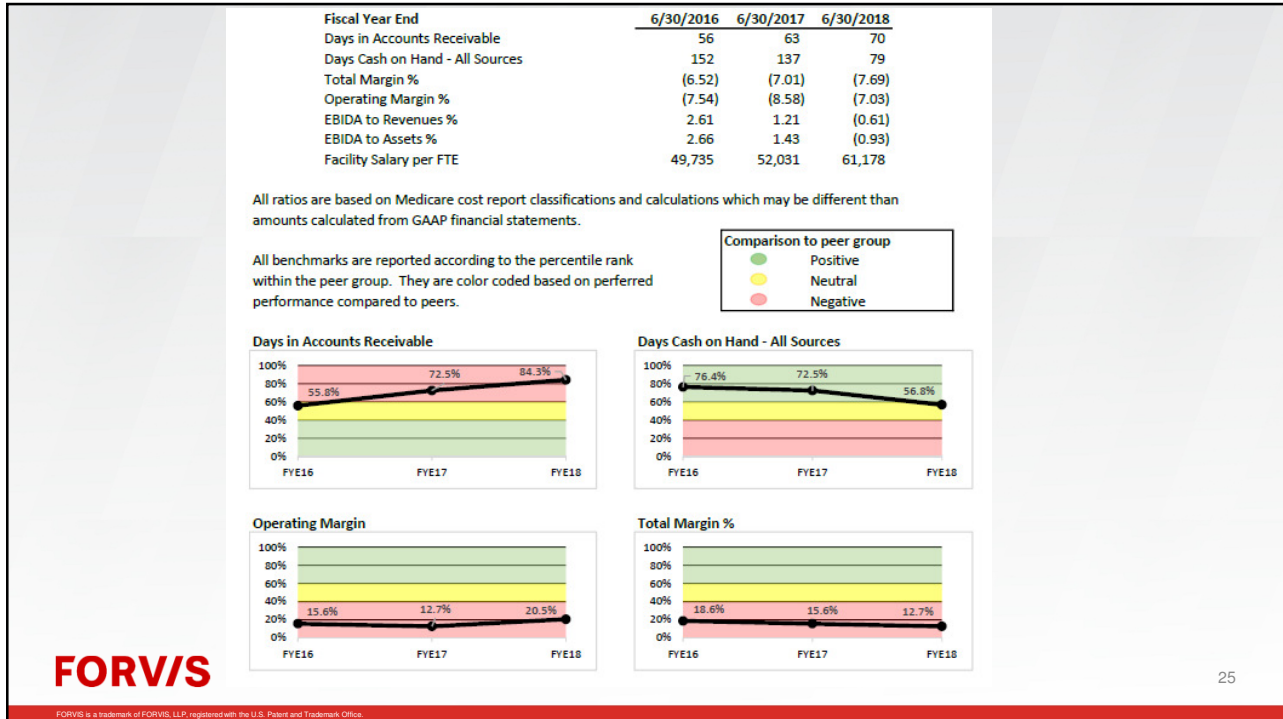
## Transparency

- What is appropriate for Management analysis isn't always appropriate for the Board
- Track simple measures that are relevant to strategy or risks
- What helps you tell a story?

**FORV/S**

FORV/S is a trademark of FORV/S, LLP, registered with the U.S. Patent and Trademark Office.

24



# Focus for Board

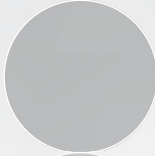
- Year to date vs. prior year to date is a good focus, but don't neglect longer-term trends**
- The amount of effort we have seen analyzing monthly results is:**  
 Staggering, Confusing, Not Meaningful
- Break out service lines or other one-time events for clarity:**  
 340B, Grants/Contributions/Funding, Non-operations items (pensions, investment values)
- Use charts & graphics to compare versus tables**

**FORV/S**

26

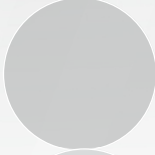
FORV/S is a trademark of FORV/S, LLP, registered with the U.S. Patent and Trademark Office.

## Focus for Board



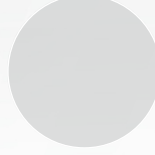
### What are the “Drivers”?

Funding programs that are somewhat disconnected from volumes  
Isolate program revenues and direct expenses  
Understand how these drive differences in budget vs. actual



### Frequently asked Questions:

How are we doing?  
What should our bottom line be?  
What should we be asking about?

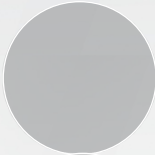


### Cash flow needs for financing requirements

**FORV/S**

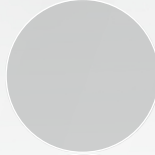
27

## Focus for Board



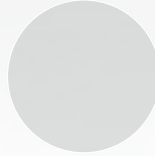
### Often Overlooked:

Use of operational data to bolster understanding (Mechanics of allowances, business office information)  
Use of meaningful (& condensed) peer data  
Use of meaningful (& condensed) stats



### Relate non-financial data to the financials

Tell the story of “why”



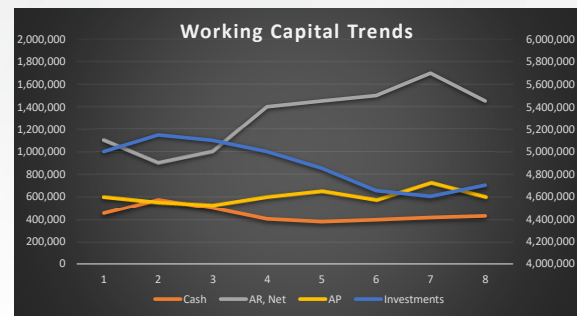
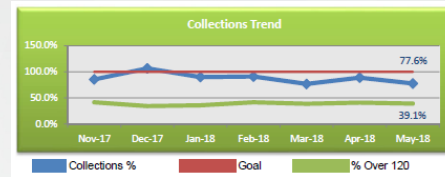
### What do you use as a gut check and would the Board benefit from that information?

**FORV/S**

28

## Board Disconnects

- Divergence of Cash and Accrual
- Hospital reporting “Good Bottom Line” but also report they are tight on cash
- Frequently caused by business office problems
  - Delays in billing
  - Poor write-offs
  - Inadequate allowances
- Cash flow-
  - 3 month moving average of cash vs. net revenues
  - Net days in accounts receivable
  - Accounts payable fluctuations?



**FORV/S**

FORV/S is a trademark of FORV/S, LLP, registered with the U.S. Patent and Trademark Office.

## Board Disconnects

- Allowances for bad debt, contractals and 3<sup>rd</sup> party settlements
  - How are these determined?
  - How does it impact the financials?
- Balance sheet or income statement approach?
- Other “risky” areas – specifically those that are estimates

**FORV/S**

FORV/S is a trademark of FORV/S, LLP, registered with the U.S. Patent and Trademark Office.

30

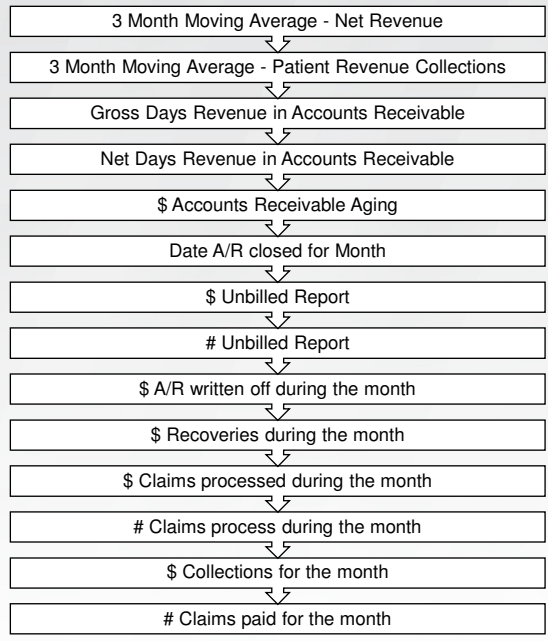
# Business Operations & Basic Accounting

- Probably more CFOs have departed due to problems in estimates and business office than anything else
- Business office back-logs affect timely information and cash
- Accounting personnel failing to timely perform their routine duties is another problem spot
- So why not a business office report card?
  - For self protection?
  - As a Board report?

**FORV/S**

31

**Quiz: Which of these matter?**



**FORV/S**

32



	Key Metric	Best Practice - 90th Percentile	Best Practice - Median
Financial Management	Average Daily Gross Revenue	Site Specific	Site Specific
	Net Days in Accounts Receivable (A/R)	<34.2 Days	<40.6 Days
	Cash Collection as a Percentage of Net Patient Service Revenue	≥102.9%	≥99.4%
	Days Cash on Hand	150 Days	
	Charity Care	<1.4%	<4.9%
	Bad Debts	<0.2%	<0.8%
	Uncompensated Care	<2.2%	<5.1%
	Cost to Collect	<1.5%	<2.8%
Patient Access	Pre-Registration	≥98%	≥94%
	Insurance Verification Rate	≥98%	≥94%
	Service Authorization Rate - IP & OBS	≥98%	≥94%
	Service Authorization Rate - OP	≥98%	≥94%
	Conversion Rate of Uninsured Patient to Payer Source	≥20%	≥15%
	Point-of-Service (POS) Cash Collections	≥51.5%	≥21.3%

**FORV/S**

33

FORV/S is a trademark of FORV/S, LLP, registered with the U.S. Patent and Trademark Office.

	Key Metric	Best Practice - 90th Percentile	Best Practice - Median
Pre-Billing & Claims	Days in Total Discharge Not Final Billed (DNFB)	<2.9 Days	<4.7 Days
	Days in Final Billed Not Submitted to Payer (FBNS)	0 Days	<0.2 Days
	Days in Total Discharge Not Submitted to Payer (DNSP)	<3.2 Days	<5.1 Days
	UB04 (837i) Clean Claim Rate	≥85%	
	Late Charges as a Percentage of Total Charges	≤2%	
Accounts Resolution	Aged A/R as a Percentage of Total Billed A/R (90 days & greater)	≤14%	≤19.8%
	Denial Rate (Zero Pay & Partial Pay)	≤4%	
	Denial Write-Offs as a Percentage of Net Patient Service	≤2%	≤3%
	Overtaken Denial Rate (Appeals Success Rate)	≥60%	≥40%
	Net Days in Credit Balance	<1.5 Days	<2 Days

**FORV/S**

34

FORV/S is a trademark of FORV/S, LLP, registered with the U.S. Patent and Trademark Office.

## Question

Which of the following would be beneficial in your financial reports to the Board?

- A / Charts & Graphs
- B / Comparative Data
- C / Operational Data linked to financials
- D / KPIs – Key Performance Indicators

**FORV/S**

35

## Summary

Gain an understanding of your Board

Plan so you can avoid bad situations

Educate your Board members

Be transparent, concise and visual

Use KPI's or other metrics to support strategy

Focus on quality, not quantity

Make sure your financials are consistent

**FORV/S**

36

# Questions?

[forvis.com](https://forvis.com)

The information set forth in this presentation contains the analysis and conclusions of the author(s) based upon his/her/their research and analysis of industry information and legal authorities. Such analysis and conclusions should not be deemed opinions or conclusions by FORVIS or the author(s) as to any individual situation as situations are fact specific. The reader should perform its own analysis and form its own conclusions regarding any specific situation. Further, the author(s) conclusions may be revised without notice with or without changes in industry information and legal authorities.  
FORVIS is a trademark of FORVIS, LLP, registered with the U.S. Patent and Trademark Office. © 2023 FORVIS, LLP. All rights reserved.

**FORVIS**

Assurance / Tax / Consulting