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CFOs as "Chief Flight Officers": CHE Trinity Health's Ben Carter on Financial Leadership Today

Ben Carter, executive vice president of finance of CHE Trinity Health, talks about the system merger and how healthcare CFOs today also need to be "chief flight officers."

For Ben Carter, career and hobby share a lot of overlap — metaphorically, at least.

Professionally, Mr. Carter serves as executive vice president of finance of Livonia, Mich.-based CHE Trinity Health, one of the largest Catholic-based health systems in the U.S. He previously was CFO of Trinity Health before it merged with Newtown Square, Pa.-based Catholic Health East, and he has 30 years of total experience in healthcare, 13 as a CFO and COO.

His main hobby? Aviation. Mr. Carter has more than 15 years of experience as a pilot, and he's also a chief flight instructor, teaching a handful of students the ropes of life in the air. "I've always been interested in aviation," Mr. Carter said in an interview at the 2013 Strata Decision Summit in Chicago. "I really wasn't able to start until I was 40, but I was absolutely hooked."

He says he has the type of personality where he "has to be doing something," and flying every weekend gives him that extra outlet. "My wife [Beth] laughs about this, but pilots are always looking for a reason to fly," says Mr. Carter, who finds time for about five hours of sleep per night.

Mr. Carter says a lot of the knowledge he has learned as a pilot applies to healthcare. As CFOs navigate their organization's fiscal future, he said they and other healthcare finance executives should amend their titles to include "chief flight officer" as well — a metaphor that is summed up in five main principles.

CFOs as pilots

Hospitals and health systems are caught in the middle of the transition from a fee-for-service payment system to a pay-for-performance system. To handle the challenges associated with the change, CFOs and finance teams should consider the right flight path, Mr. Carter says.

What makes a plane fly?

Thrust, lift, drag and weight are the four main components affecting a plane's takeoff. But for a plane to leave the ground, thrust and lift have to exceed drag and weight. Similarly, finance leaders have to find out what keeps their organizations in the air, or solvent.

"What creates lift and thrust in your organization?" Mr. Carter says. "You need to know the answer to that." At CHE Trinity Health, he said leaders use executive dashboards to monitor essential metrics like operating margin and to discern which hospitals and service lines are creating the most value, and to make adjustments at those that aren't.

What critical elements need to be managed?

Speed, altitude, heading and other measurements are gauged consistently during flight, Mr. Carter says. Executive dashboards again play a major role in showing how the health system is performing in real time. He said he looks at different measures daily and monthly and makes changes when red flags arise.

"As CFO, do I think the organization is on the right course or not?" Mr. Carter says. "If they aren't, I call our COO and key 'lieutenants,' and we go to work and figure out what we need to do to make adjustments."

What goes into the strategic planning?

When Mr. Carter prepares for flights, there are several environmental factors he considers. For example, is there a headwind that could affect fuel burn? What is the magnetic course? What route is best suited for the flight?

Planning for CHE Trinity Health requires the same kind of vision, both in the short term and long term. Mr. Carter says his organization made strategic plans to maintain its "Aa/AA" rating, which Moody's Investors Service and Fitch Ratings both affirmed

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this past October. However, he says every facility and market is different, and "we have to do our planning given what the peculiars are of that particular market."

What is the contingency plan?

Bad weather and turbulence have forced Mr. Carter to make adjustments on the fly, and healthcare leaders are facing the same challenges today: federal budget deficits, sequestration, ICD-10, the two-midnight rule, bundled payments, physician employment, health insurance exchanges. Finance executives have to be ready for these contingencies and manage them well, Mr. Carter says, and that requires clear communication and collaboration within the organization.

How can you execute a safe landing?

CHE Trinity Health, which has $7 billion cash on hand, was able to maintain its high credit rating, but now it's about replicating that success over the long haul, Mr. Carter says. Hospital leaders must plan three to five years ahead — but also with measurable outcomes.

"Our board has goals to achieve clinical quality/patient satisfaction, financial performance and community benefit," Mr. Carter said. "They have a balanced scorecard, and the expectation is that we manage all three of those equally."

The merger between Trinity Health and CHE

Mr. Carter says those principles and concepts of being a "chief flight officer" were vital as the CHE Trinity Health merger closed this past May. The new system has 80 hospitals across 20 states, more than $13 billion in annual operating revenue and about $19 billion in assets. Mr. Carter, who manages all financial operations in tandem with Jenny Barnett, interim CFO and treasurer of the organization, says the transaction made the most sense from a strategic and cultural point of view.

"A lot of our foundational values were common and consistent and gave us lift," Mr. Carter says of the due diligence between Trinity Health and CHE. "Our missions and values, we're both Catholic-based. We had our readiness checklist, and we were ready."

The organizations were able to complete the merger within eight months, an extremely short period of time considering the complexity behind such a deal. "These things are difficult, and the more you delay it, the harder it's going to be to do," Mr. Carter says. "We dedicated ourselves to a timeline."

This is not to say there weren't issues along the way. In February, in the middle of negotiations, Trinity Health President and CEO Joseph Swedish announced he was resigning to become CEO of one of the largest health insurers in the country, WellPoint. "That was a bump, a little bit of clear air turbulence," Mr. Carter says of Mr. Swedish leaving. But they knew it wouldn't derail the big picture.

Mr. Carter says system executives have already identified $300 million in annual savings, after three years, and the new entity is in a better position to deliver coordinated and integrated care associated with healthcare reform. Although mega-mergers like CHE Trinity Health are often scrutinized for potentially higher charges and larger negotiating clout with payers, Mr. Carter says this deal was strictly about meeting the requirements of a changing healthcare environment and sustaining the ministry.

"We're moving toward population health and value-based care and reimbursement," Mr. Carter says. "This isn't about jacking up prices — this is about leveraging our infrastructure to make population health management work."