

For Healthcare Financial Transformation, Cultural Change is Key

Changing the culture was key to shifting from an annual to rolling budgeting process at John Muir Health as part of a healthcare financial transformation effort.

By [Jacqueline LaPointe](#)

May 10, 2021 - If there is a lesson to take from the COVID-19 pandemic, it is that the way healthcare operates needs to change. Sudden, dramatic declines in patient volumes left many hospitals and health systems without a stable revenue source, while supply shortages left their clinicians without the necessary equipment to protect their patients and themselves.

Many organizations are now on the [road to recovery](#) a year later, but this event has prompted more executives to consider healthcare financial transformation to ensure stability and viability in the event of another crisis.

A top priority for hospital and health system executives is changing the budgeting process.

Hospital finance leaders have evolved processes and adopted new capabilities, like rolling forecasting, to manage budgets more effectively during the COVID-19 pandemic. In fact, a recent [survey](#) showed nearly a 100 percent increase in the use of rolling forecasts, with 12 percent of 2020 respondents reporting that their organization uses rolling forecasts instead of annual budgeting compared to 7 percent in 2019.

Rolling forecasts leverage historical data to predict future performance over a continuous period of time. The forecasts are updated regularly throughout the year to predict the next period of time. This system of budgeting gives organizations financial flexibility, which is key to ensuring funds are being allocated to departments where they are most needed.

Moving forward, even more executives plan to use the dynamic method of hospital budgeting to provide flexibility and agility.

But culture can be a major barrier to implementing a healthcare financial transformation like rolling budgeting, says Mika Taylor, director of financial planning and budget at John Muir Health.

“There's always the natural hesitancy for change,” Taylor told *RevCycleIntelligence*. “Some people are very uncomfortable with change and it’s a big, drastic change. If the organization doesn’t have the appetite for it, it’s going to be a very tough, uphill battle.”

Taylor spoke from experience, having helped to implement rolling budgets at the John Muir Health several years ago, which especially benefited the organization when COVID-19 hit.

The key to successful healthcare financial transformation at John Muir Health? Transformation needs to start from the top, with communication and flexibility being the backbone for enterprise-wide success.

Buy-in from Leadership

Buy-in at the executive level was key during the early days of the transformation. Not all operational leaders will want to implement rolling budgets, arguing that their organizations are unique and require a traditional budget. Investors and boards can also be stuck on quarterly earnings calls and the like, which have traditionally relied on the annual budgeting process.

Having a CFO or other executive on board can really push the needle when it comes to transformation. “Once they had the buy-in from the finance committee, the board, and properly socialized it, that was highly effective for us,” Taylor added.

Having a champion who is a “visible leader” with the “trust and respect” of the team and is “well liked” is also key for changing culture throughout the rest of the organization. For John Muir Health, that was their senior vice president of ancillary services.

“It made it easier for people to hear and digest the message from him and he had that kind of translation of partnership with finance. It really went a long way,” Taylor explained.

Making implementation collaboratively was also important, especially with spreading the message that finance is doing it with the organization, not to the organization.

Outreach

“What was key was having effective outreach, so a combination between messaging and communication,” Taylor explained. “We may live and breathe this from a finance perspective, day in and day out, but it is something [other departments] looked at maybe monthly, definitely annually.”

At John Muir Health, the financial planning team established drop-in educational sessions on top of high-level communications. The sessions provided what Taylor referred to as “elbow support” for operational leaders on a monthly basis at computer labs, pre-pandemic that is.

“We would sit with them and they’d literally be bringing their stuff up on the screen. We were showing them how to drill through, how to comment, how to answer [questions],” Taylor explained.

The financial planning team also delivered updates on implementation of rolling budgeting each month to reiterate the benefits of the process and explain changes.

“From a communication standpoint, we made sure we really leveraged existing forums that operations already had to inform leaders and keep them updated on our progress,” Taylor explained.

Attendance at the monthly meetings has steadily declined, especially since the start of the pandemic, but Taylor and the team are repurposing the educational sessions, putting them on the calendar and on-demand.

“I’ve put together a calendar for the year based off of the different areas leaders said they wanted training on, so time-keeping or really digging in and drilling into different parts of the systems that we use,” Taylor said. “Now we have a training schedule two times a month, different topics, different trainers.”

“We’re also just trying to incorporate more of our finance team more broadly, too. And we have partnered with operations so there’s actually some nurse leaders that are doing the training,” Taylor added.

With these changes, interest in the educational sessions has increased. “It’s amazing that there’s actually an interest, that people want training on these things,” Taylor said.

Flexibility

In addition to an executive champion and frequent communications, flexibility was also key to transforming financial processes. For instance, identifying metrics that operational leaders will need to track for rolling budgeting success are not always static.

Taylor used the example of controlling what you eat by cooking at home versus eating at a restaurant. “Same thing here, it’s expenses that you have influence over and can control” like identifying wasteful utilization of items.

“A lot of it was going to be kind of eye-opening behavior changes, and then feeling like they’re part of the solution, knowing that they could change it,” Taylor stated. “I think it went a long way.”

Taylor also warned of giving staff more than they can chew when it comes to healthcare financial transformation.

At John Muir Health, the financial planning team worked with leaders across the enterprise to create a list of performance metrics for monthly reporting. It started as a standardized list of metrics for everyone. However, the team realized from partnering with Strata Decision Technology and gaining insights into how other hospitals implemented rolling budgets that they needed to customize metrics based on the department’s primary function, so hospital care, ambulatory care, and administrative/overhead.

“Their feedback was to keep it focused. If you have too many [metrics], people are going to get overwhelmed and they might not put the attention to all of them,” Taylor explained. “And if you have too many, they may feel like they don’t have influence on it. So we really focused on what metrics that we think they actually have influence over changing and that’s what drove our starting point.”

Lessons Learned

Having gone through implementation now, Taylor said the biggest lesson learned is not having an accountability structure in place.

“We didn’t have our monthly and quarterly business reviews in place in 2017 for doing this in the 2018 fiscal year. We had been practicing our metrics, but it really wasn’t mandatory,” Taylor explained. “So once we did that, we spent the whole next year focusing on what does our accountability and our business review process look like?”

“Creating that blueprint so it’s a living breathing thing,” Taylor continued. “So if we change metrics, we change parts, there are guidelines that we can follow. The way

we're evolving we've implemented the decision support module in Strata as well. We're also looking to stand up the service line performance management structure.”

The new technology will help the organization work with not just operational but service line leaders who are more focused on volume, margin, and strategy. “Then, revolving it by bringing back our quarterly business review process with a more balanced lens of the operational report out, the service line report out, our strategic initiatives.”

The organization recently held a town hall to get that messaging and communication so key to success with operational leaders.

Eventually, the organization will also take these lessons learned and tying the new budgeting system to its capital planning to get “firing on all cylinders,” Taylor stated. Implementing a healthcare financial transformation project like rolling budgeting takes time and some bumps along the way.

“People tend to think it's a one-year thing, replacing an annual budget,” Taylor concluded. “It really is a multi-year journey and you do have to really assess the appetite of the organization and the bandwidth for change.”