

Intermountain's financial planning tool helps switch from annual budgets to rolling forecasts

The planning technology enabled the health system to take a more agile financial-planning approach and translate targets from an enterprise level to individual business units.

Intermountain Healthcare has a reputation for being an innovative health system, with caregivers and IT leadership always looking for ways to grow its footprint and expand options for patients to receive care in their preferred setting, whether virtual or in-person. This mission applies to Intermountain's hospitals, medical groups, clinics and its health plan, SelectHealth.

THE PROBLEM

However, finding and allocating budget for these innovation initiatives can be challenging, said Gregory M. Johnson, vice president of finance at Intermountain.

"Not only do we have multiple divisions, but we also must navigate different payment models – both fee-for-service and fee-for-value – and maintain liquidity to support our various projects," he explained. "Uncertainty is the norm in healthcare – it can be difficult to foresee the magnitude of the flu season or respiratory issues for the local population.

"Yet, each year, we created an annual budget that could end up millions of dollars off-target," he continued. "And this was the state of things in 2019, before the COVID-19 pandemic became our reality. We were really seeking a tool that could simplify and streamline how we plan, as well as offer clear, actionable reporting on profitability and productivity across our business units."

PROPOSAL

Intermountain selected the Dynamic Planning system from finance IT vendor Strata to address its challenges. The early phases of implementation, which began in 2019, included rolling forecasts and performance management.

However, in early 2020, when the COVID-19 pandemic arrived in the communities Intermountain serves, the health system still was using its traditional budgeting approach.

"Declining patient volumes due to the deferral of elective procedures, combined with increasing ICU patients, necessitated that hospitals across the country make significant, ongoing adjustments to projected revenues," Johnson recalled. "We made the choice to pause elective procedures shortly before it was mandated across the state of Utah.



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Gregory M. Johnson, Intermountain

"However, because we had moved to a rolling forecast by mid-2020, we were better positioned to manage its impacts and proceed with some of our planned initiatives."

One of the key tenets of Strata's approach, Johnson said, is that financial planning and analysis must be informed by an organization's strategy – not vice versa.

"With the rapid pace of change in our environment, we needed a solution that would provide more agility through a quarterly forecasting process and support our continuous improvement operating model," he noted. "Robust and flexible software gave us the ability to more efficiently forecast our results and identify key performance trends or gaps.

"Leveraging the entire StrataJazz platform also gave us the ability to understand our costs and margins across episodes of care, service lines and patient populations," he added. "Because we have diverse operations that face unique and varying financial

pressures, we determined Dynamic Planning would be a better fit for effective financial planning and performance measurement."

With changes in patient volumes, the ongoing shift to value-based payment models and increasing healthcare costs, Intermountain found creating an annual budget was not as helpful in managing operations. It concluded the rolling forecast model was a common-sense approach given the organization's need to be nimbler in reacting to all the changes it manages.

MEETING THE CHALLENGE

"With a thoughtful approach to change management and the intuitive nature of Strata's platform, our implementation helped management rethink financial targets and drive improvements," Johnson said. "We began our journey in the fall of 2019, undergoing a significant transformation to Dynamic Planning across our hospitals, medical groups, health plan and other areas.

"Leveraging the Strata team, our leadership prioritized the implementation of this new planning technology and process," he continued. "We conducted a thorough evaluation of market-leading solutions in making our decision, and Strata's Dynamic Planning solution was best aligned with our vision and objectives."

For the implementation, Intermountain created a committee that included operational leaders who worked closely with the finance team to help with key decisions and explain to leadership what would be different and why the organization needed to make this change.

Any change, no matter how positive, is often met with resistance, Johnson said, but staff members were pleased with how the team bought into the idea of moving away from budgets.

"When the COVID-19 pandemic hit, we remained committed to the Dynamic Planning model, as traditional budgets don't really work in a global crisis," he noted. "We needed to be able to forecast on the fly and update projections to navigate the many unexpected turns of the pandemic.

"These efforts also helped us ensure we had the liquidity required to take care of patients, caregivers and suppliers while still moving forward with other projects," he added. "At the outset of the pandemic, we set up a command center, which helped us receive ongoing insights from throughout the organization, and Strata's solutions helped us tighten up projections and support decisions that needed to be made."

RESULTS

The planning technology enabled Intermountain to take a more agile financial planning approach, including engaging C-suite leadership and rethinking financial targets. The

health system was able to translate financial-planning targets from an enterprise level to individual business units and departments.

"Now we do quarterly evaluations, and every month, local teams discuss performance through operating reviews," Johnson said. "We're able to reassess our goals and plans periodically based on the actual metrics we achieved.

"As a result of implementing Strata's processes and technology, we also spend more time thinking strategically, including growth initiatives, versus analyzing and looking at details from historical patterns. This has freed up our leadership team to focus on other important initiatives."

He added that throughout the pandemic, Intermountain was proactive in supporting its workforce and did not furlough employees, require pay cuts or eliminate bonuses.

ADVICE FOR OTHERS

"A critical factor to the success of our implementation was engaging with key leadership groups, including our operations council and executive leadership team, in selecting a solution to better manage the organization's finances," Johnson advised. "Giving leaders an opportunity to understand how the new process would work, the benefits of making the change, and requesting them to vote for or against the recommendation to implement were important steps for us."

The buy-in and support were foundational to a successful implementation, he added.

"Ongoing communication also has been essential to our success," he said. "We created an operational finance executive committee that extended beyond the implementation and includes a number of operational leaders who participate in a monthly meeting covering various subjects.

"In these meetings, we discuss issues they have encountered, and we are able to collectively explain enhancements and answer questions reinforcing how rolling forecasts and performance management support our leaders at all levels of the organization in prudently managing the business."

In addition, the monthly operating reviews and quarterly business reviews that occur throughout all business units provide opportunities for communication about the user experience as well as variance explanations so that management better understands the business and can focus their attention on what matters most, he concluded.