

WHITE PAPER

Survey Says! Healthcare Changes, Yet Again.

Key Findings from Sage Intacct's Healthcare Finance Team Leadership Survey



sage Intacct

Table of Contents

03	Research Reveals Top Issues Facing Today's Healthcare Financial Leaders in a Post-Pandemic Environment
-----------	--

05	Healthcare Finance Leaders are Navigating Through a Perfect Storm
-----------	---

08	Healthcare Organizations Make Changes, React to Changing Conditions and Accelerate Innovation
-----------	---

09	As Healthcare Organizations Emerge from the Pandemic, Frustrations Remain High
-----------	--

12	Equipping Financial Teams for Success
-----------	---------------------------------------

14	2021 is the Year of the CFO
-----------	-----------------------------

15	About Sage Intacct
-----------	--------------------

Research Reveals Top Issues Facing Today's Healthcare Financial Leaders in a Post-Pandemic Environment

The pandemic has taken its toll on every corner of the healthcare provider market. The unprecedented loss—of life, of control, of staff and of money—among U.S. healthcare providers is astounding.

This white paper highlights some of the key findings from Sage Intacct's survey of more than 200 financial healthcare executives and provide practical guidance on what financial leaders can do to adapt their organizations for future success as they emerge from the pandemic.

Healthcare financial leaders are feeling the pressure to do more than report on the status of their organization—they are being counted on to navigate these tumultuous times and position the company for future success.

Key findings from the study include:

- The burdens of the pandemic—combined with an already stressed healthcare system—exacerbated challenges, and our respondents struggled with managing newly remote staff, finding new revenue sources amidst the loss of elective procedures, and keeping track of revenue and expenses in real time
- Pre-pandemic and pandemic-related pressures from inside and outside of the healthcare organization continue to cause significant frustrations for survey respondents—especially in real-time financial data for budgeting and forecasting
- While change is constant, the pandemic brought about accelerated innovations in areas that many of our healthcare leaders had not previously considered, including digital transformation and cloud technologies, among others
- The need for modern financial systems that help financial leaders work in an automated and efficient way—wherever they, and their teams, are located



According to an American Hospital Association report, hospitals lost \$323B in 2020 mainly due to impact of the pandemic. Physicians also reported significant loss, according to an American Medical Association (AMA) report last summer that stated 81% of physicians reported revenue was lower than pre-pandemic levels, with an average decline of 32%.



\$323B
in hospital
revenue loss



81%
of physicians
lost revenue



Healthcare Finance Leaders are Navigating Through a Perfect Storm

Many healthcare organizations—from acute to post-acute and ambulatory—were already operating on razor-thin margins prior to the pandemic. There was little room for error as they were embarking on their value-based care journeys and searching for new ways to deliver higher quality, lower cost care. But no one could have predicted a pandemic and the impact it would have on an already over-burdened healthcare system.

According to the survey, nearly 60% of respondents said the biggest impact the pandemic placed on their organizations were challenges associated with shifting to a remote work environment. Historically, healthcare professionals were expected to be in the hospital or care setting due to the physical nature of what they do. But in attempt to minimize exposure to the virus, a significant portion of workers were asked to

stay home and connect virtually. Suddenly, the financial, clinical and operational systems needed to be accessed by thousands of workers from their homes. In addition to the security challenges this brought, many (73%) of their financial management systems were on-premise, making it next to impossible for them to perform their daily responsibilities from home.

Further, the revenue implications of not being able to perform elective procedures was also enormous, as 46% of respondents experienced service disruptions. The COVIDSurg Collaborative, a global organization focused on measuring the impact of the global pandemic, estimates that 28.4 million elective surgeries were cancelled in 2020. Physicians reported a 70% decline in patient visits from the same period in 2019 according to the AMA report. Many healthcare organizations turned to new business and payment models—from offering non-traditional products and services for sale to adding in new billing models like membership fees.





“We were lucky that we replaced [our accounting system] before the pandemic began, as our AP process was paper-based, manual, and required extensive in-person employee interaction that took days of hand-offs, approvals, and filing of paperwork. Since switching to Sage Intacct’s cloud-based accounting software, the AP process is now completed quickly and electronically. Not only are we handling invoices much faster, but we’re able to do it seamlessly with our team working remotely.”

– Angie Bacon

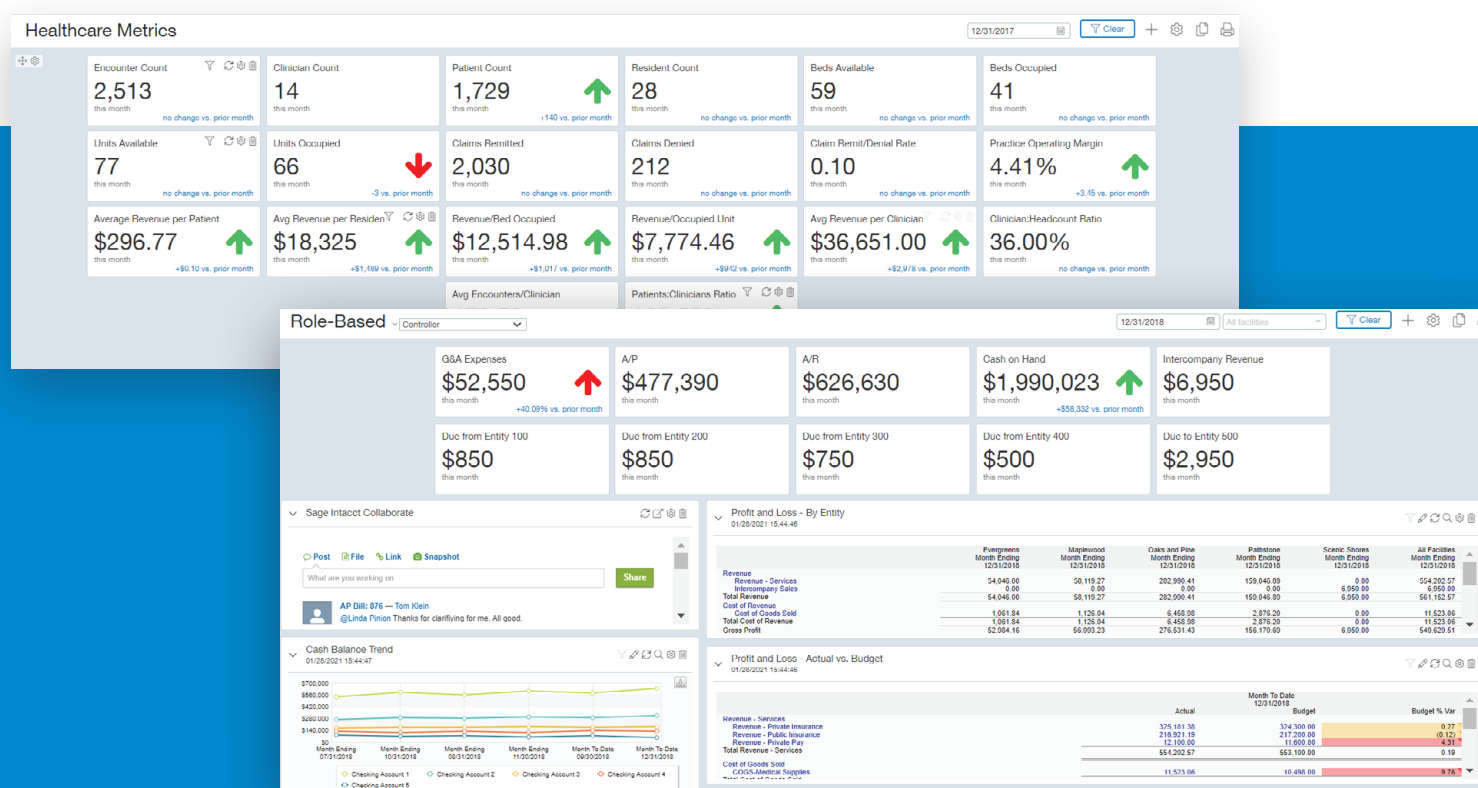
Director of Finance and Accounting at Craig HomeCare

To help offset the loss of revenue due to service disruptions, 30% of respondents reported to have added new services, such as mental health services, VIP access memberships, COVID testing, vaccinations and even personal care kits like dentists offering whitening kits to perform at home. In November 2020, CMS announced its comprehensive strategy to enhance hospital capacity, which opened the door for hospitals to provide more care services outside of their four walls, such as in the home and via ambulatory surgical centers.

Adding services complicated the revenue and cost models many financial leaders had built, and they found themselves searching for more real-time visibility into what was working and what was not. Many financial leaders found themselves struggling

to keep up in real-time with expenses and revenue shortfalls, with 41% reporting that it was difficult to understand and control costs around acquiring pandemic-related supplies including PPE, respirators, and disinfecting solutions and more.

With so many factors changing so quickly, it became evident that it's no longer enough for healthcare finance leaders to only report what happened last month. The severity of the pandemic's financial impact required that they expand their reach and influence. They are now expected to not only report what happened this morning, but also predict what will happen tomorrow. But how can they provide this level of detail and real-time insight across their organizations with the outdated financial management systems many had in place?



Sage Intacct's real-time dashboards give healthcare financial leaders real-time access to insights across their organization that can be easily shared with others who can help drive change when needed.

Healthcare Organizations Make Changes, React to Changing Conditions and Accelerate Innovation

While the healthcare industry was already undergoing significant change, the pandemic accelerated these activities and forced healthcare organizations to think in new and different ways. When asked what changes survey respondents had made in their organizations during the past six months, 60% of respondents agreed that shifting to a remote work environment was the biggest change they made in 2020.

When asked which innovations their organizations implemented that they would not have previously considered, C-suite and financial leaders agreed again that shifting to a remote work environment was a change they would not have previously considered.

Implementing telehealth was the second most-mentioned innovation they embraced. For example, in June 2020, Definitive Healthcare reported a 42% growth in the number of hospitals adopting telehealth, now reaching 75% of all hospitals. The lack of clarity surrounding reimbursement rates for telehealth visits made it challenging for healthcare finance leaders to understand and predict the true financial impact telehealth would have on margins due to the limited analysis tools most financial management systems provide.

Another popular innovation that was mentioned by 24% of respondents was the digital transformation of their operations. While most healthcare executives are already well on their way to leveraging their electronic health record (EHR) systems for clinical care, they are still heavily dependent on paper. In fact, according to a Becker's Hospital Review article, the average 1,500-bed hospital continues to print 8M pages a month, spending \$3.8M each year. In a January 2020 Software Advise study of 1,000 physicians, 44% admitted to still using paper charts despite the fact that billions of dollars have been paid for physicians to adopt EHR systems. By transforming into more digital-first organizations, healthcare organizations are not only able to save money, but are also able to share important clinical, statistical, and financial information instantaneously across their organization.

In line with the digital transformation trend, 16% of survey responders reported greater adoption of cloud technologies. As mentioned previously, giving remote workers access to applications via the cloud was paramount. With this move came new security concerns.

As Healthcare Organizations Emerge from the Pandemic, Frustrations Remain High

Given these massive disruptions, it's no surprise that healthcare organizations today are experiencing many frustrations from within their organizations as well as from external pressures that are out of their control.

Prior to the pandemic, healthcare systems were already frustrated with inefficiencies and delays caused by having multiple, disparate systems (49%). Time-consuming, manual monthly closes also ranked high on their internal frustration list

(48%) as did the lack of process automation and organizational efficiency (44%). Needless to say, with so many manual processes and disparate systems, financial leaders and particularly the C-suite was frustrated with the lack of real-time visibility into key metrics and performance measures (40%).

Once the pandemic hit, a new internal frustration emerged at top of the list: the prevalence of on-premise technology that hindered their mobility and remote workforce (31%). In fact, 73% of respondents characterized their financial management systems as being on-premise. Manual, time-consuming reporting stayed in the top three frustrations (30%) as did inefficiencies and delays due to multiple, disparate systems (28%).

Top Internal Frustrations

Pre-Pandemic

- 49%** | Inefficiencies and delays due to multiple, disparate systems
- 48%** | Time-consuming, manual monthly close
- 44%** | Lack of process automation and organization efficiency

Pandemic-Related

- 31%** | On-premises technology hindering mobility and work-from-home
- 30%** | Manual, time-consuming reporting
- 28%** | Inefficiencies and delays due to multiple, disparate systems

Top External Frustrations

Pre-Pandemic

- 46%** | Lower reimbursement rates
- 42%** | Ongoing cost-reduction initiative
- 35%** | Changing nature of reimbursement (from fee-for-service to value-based care, etc.)
- 35%** | Adapting to new payment models

Pandemic-Related

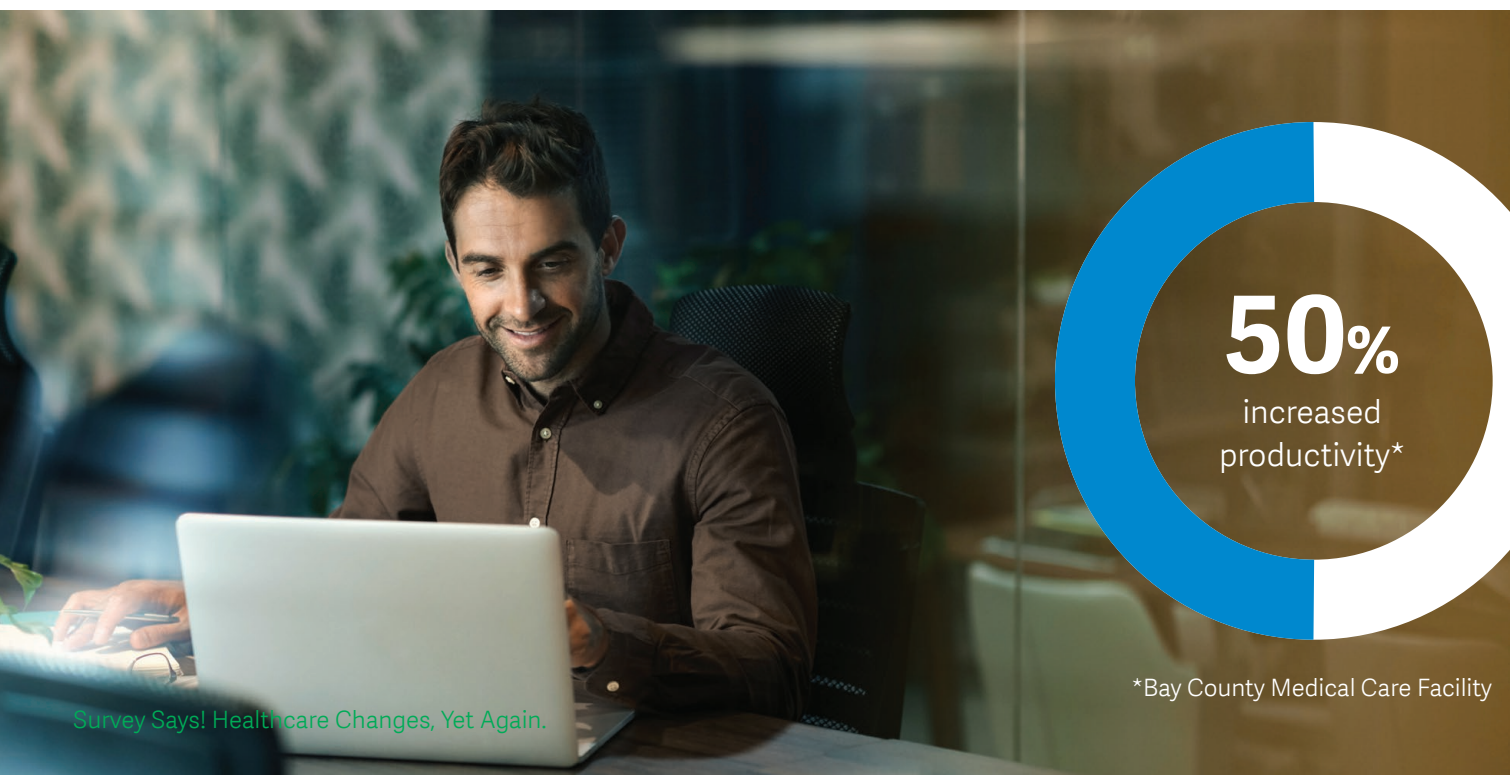
- 42%** | Ongoing cost-reduction initiatives
- 40%** | Workforce shortages
- 35%** | Changing nature of reimbursement (from fee-for-service to value-based care, etc.)
- 35%** | Adapting to new payment models

By moving to more modern and purpose-built accounting systems, some healthcare providers have been able to address these internal frustrations. Eric Jensen, Director of Finance, Behavioral Health Resources, is pleased with the efficiency gains he and his team are experiencing after the implementation of Sage Intacct. "We are much more efficient with our day-to-day bookkeeping tasks, and that's something that was absolutely necessary for me when we were looking for a new solution," said Jensen. "Thanks to Sage Intacct's automation, I do very little transactional work anymore, and have shifted 15% more time toward supporting the business."

Survey respondents were also asked about their biggest frustrations coming from external forces, such as CMS and regulatory bodies. Topping the list of external frustrations prior to the pandemic were lower reimbursement rates (46%), ongoing cost-reduction initiatives (42%) and the rapid shift in reimbursement models (35%).

When analyzing the current pandemic-related external frustrations, cost-reduction initiatives and adapting to new reimbursement models remained high, but 40% touted workforce shortages as one of their biggest external frustrations.

As staff shortages continue to put pressure on today's healthcare CFO, more providers are turning to their financial management systems to greater automation and efficiencies. In recent years, Bay County Medical Care Facility has been able to leverage Sage Intacct's cloud-based software to eliminate spreadsheet-based processes and duplicate data entry—improving the finance team's overall productivity by at least 50%. According to Mike Regulski, Finance Director, BCMCF, "We're providing current financial data and budget-to-actuals for each department at a glance, which has made the organization as a whole more financially sound and accountable for the money we receive from taxpayers."





“Sage Intacct eliminated at least 10 hours a week of manual intercompany transactions, which immediately made a huge impact for us and was quite a relief. It really brought us up to a higher quality standard than QuickBooks could ever support.”

– Sean Mintz

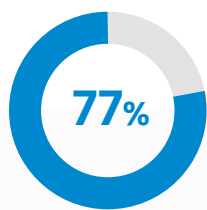
CFO of Banyan Treatment Center

Equipping Financial Teams for Success

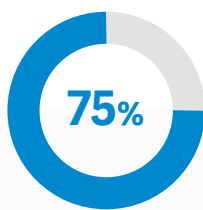
The pandemic exposed many of our healthcare systems' weaknesses, including the inadequacies of financial management systems. To successfully lead their organization through these changes,

CFOs need more modern systems that can help them work more efficiently and gain greater real-time visibility into their organization's key performance indicators.

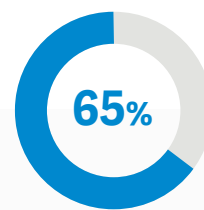
More specifically, survey respondents reported that the most important functionality they need out of their financial management systems is:



Automated financial reporting (77%) to minimize dependencies on manual processes and human resources while expediting month-end closes



Integrations with other systems, such as EHR, billing and payroll systems (75%) as clinical outcomes begin to play a larger role in a provider's financial outcomes



Automated tracking and reporting of outcomes metrics (65%) as the move to value-based care is expected to accelerate in the coming years

Also mentioned by survey respondents was the importance of having a system that helps them maintain HIPAA compliance (42%). For Sage Intacct customer Michelle Naus, CFO of Tri-County Mental Health Services, this is key for her organization. "Rather than printing individual journal entries for signatures, everything is now prepared, routed, approved, posted, and tracked via an audit trail with a click of a button," said Naus. "What's more, the system's role-based workflows and HIPAA-compliant security provide internal controls and documentation, giving me peace of mind that we're audit-ready."

Having the right financial management system to help overcome these challenges and frustrations is the secret to success in 2021. Sage Intacct provides multi-entity financial leaders with real-time dashboards and reports that give visibility at a high level across their entire organization in a single platform, while also empowering them to drill

all the way down to the patient level to help better understand the total cost of care.

As the industry continues its march toward value-based care and reimbursement models, Sage Intacct financial solutions give leaders a new level of understanding how the clinical and financial data work together to produce positive outcomes for patients and providers.

Brian Bogie, Director of the Healthcare Vertical for Sage Intacct, said, "The rapid transformation from fee-for-service to value-based care reimbursement models is forcing today's healthcare CFOs to keep one foot on each side of the fence, constantly modeling different scenarios that require complex analysis of financial, operational, and clinical data. We're proud to work with some of the healthcare industry's most forward-thinking organizations who are confidently leaning into these new payment models."



“As we grow, we’re continuously trying out new ways to track and improve our performance across various dimensions of the business, so it’s been a saving grace that Sage Intacct makes it so much easier to get that information to our executives and the board.”

– Carol King

Accountant, Clearview Cancer Institute

2021 is the Year of the CFO

Coming out of the pandemic, 2021 became the year of the healthcare finance leader, who is in a unique position to take the reins and lead their organizations back to financial success. Given the right tools, healthcare finance leaders can confidently adopt new value-based care initiatives, remove dependencies on manual labor within their departments and provide in-depth strategic guidance to clinical and business leaders throughout their organizations in real-time. The unique demands placed on healthcare finance leaders require financial management systems that are healthcare-aware to give them the visibility and flexibility they need to efficiently manage finances, operations, and people.

As the only financial management solution to be designated as Peer Reviewed by the Healthcare Financial Management Association (HFMA), Sage Intacct's cloud-based platform gives data-driven healthcare finance leaders the power to solve their most complex challenges, including:

- Bringing new products and services to market quickly to capture new revenue streams
- Budgeting and planning solutions to adapt to changing market conditions
- Exploring new reimbursement models like value-based contracting
- Streamlining manual processes to expedite monthly closes and save resources, and
- Managing the latest regulatory requirements like HIPAA, PDGM, PDPM and other reporting mandates

By optimizing its use of the Sage Intacct modern system, the finance team at Agemark Corporation was able to cut its monthly close time in half, gain comprehensive visibility into key metrics for improved decision-making, and grow headcount just 20% as the organization's network burgeoned from 10 to 25 communities, scaling with over 250% growth, while increasing finance headcount just 20%.

According to Alicia Summers, Corporate Controller at Agemark, "Sage Intacct brought big time savings and was a huge transformation for us. Our financial processes are now cookie cutter for all 25 properties, 50 entities, and almost 100 bank accounts, including intercompany transactions, multi-entity allocations, accounts payable, accounts receivable, payroll, and the month-end close."



About Sage Intacct

Sage Intacct is the #1 cloud financial management system for data-driven, growing healthcare organizations. Our security safeguards have been certified as HIPAA- and HITECH-compliant by Avertium (formerly Sword & Shield). Sage Intacct is the only accounting software endorsed by the AICPA and the only financial management solution to have earned the designation of Peer Reviewed by the Healthcare Financial Management Association (HFMA).