



CFO Outlook for Healthcare

Priorities to Address Workforce, Data,
and Costing Challenges



2022

Introduction

More than 20 months into the COVID-19 pandemic, hospitals and health systems nationwide continue to face numerous financial, operational, and clinical challenges. Many rely on outmoded processes and insufficient technology while juggling widespread staffing issues and increasingly high expenses, according to Syntellis' annual survey of about 420 U.S. healthcare finance professionals.

At the same time, the demands of the pandemic have driven many healthcare providers to become more agile, with advances made in shortening prolonged budget cycles and drawing data from across their organizations. Yet a vast majority (82%) of survey respondents said their organizations should do more to leverage financial and operational data to inform strategic decisions. Many still lack optimal tools to empower data-driven decision-making and strengthen the financial health of their organizations in these uncertain times.

Some anticipated 2021 would be a year of recovery following the unprecedented clinical and financial challenges of 2020, but the year brought new challenges that hindered efforts by hospitals and health systems to regain stable financial ground. Chief among those challenges were rising costs compounded by U.S. labor shortages and global supply chain issues. As one survey respondent described it: "The pandemic and ongoing resource demands have hampered our ability to focus on anything but day-to-day operations."

This report features findings from the annual survey examining processes, technology, and priorities in healthcare finance, as well as performance data from more than 1,000 hospitals and health systems aggregated by Syntellis' Axiom™ Comparative Analytics. Our findings are organized by:

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Accomplishments and Priorities

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Ongoing Challenges

KEY FINDINGS: 2021 ACCOMPLISHMENTS AND PRIORITIES

- ✓ Addressing workforce issues is a major priority, with more than 70% of respondents targeting workforce optimization and productivity initiatives
- ✓ More than 90% of healthcare finance leaders are confident in their organizations' ability to adapt quickly to a changing environment
- ✓ Organizations are more agile, with the percent of organizations reporting budget cycles of six months or longer dropping to 29%
- ✓ More than half (55%) of organizations use some form of rolling forecasting
- ✓ Cost management and reductions are top of mind, with Total Expense per Adjusted Discharge up more than 25% versus pre-pandemic levels
- ✓ Departments treating COVID-19 patients saw the biggest non-labor increases, with Respiratory Care Medical Supply Expense per Procedure up 59% from 2019
- ✓ More than half of survey respondents (53%) cited supply chain benchmarking and analytics as valuable capabilities
- ✓ Organizations are seeking better ways to predict the future with nearly half (46%) planning to increase use of predictive analytics technology

KEY FINDINGS: ONGOING CHALLENGES

- ✓ U.S. labor shortages contribute to escalating labor expenses, with Labor Expense per Adjusted Discharge up 27% above pre-pandemic levels
- ✓ Competition for workers is driving up hourly rates, especially for departments affected by the pandemic; hourly rates for respiratory therapists, for example, rose nearly 12% since before the pandemic
- ✓ Global supply chain issues have driven up expenses, with Non-Labor Expense per Adjusted Discharge up 24% versus pre-pandemic levels
- ✓ Despite access to data from across their organizations, a vast majority (82%) of healthcare finance professionals said their organizations should do more to leverage financial and operational data
- ✓ One-third report being unhappy with the data submission process for financial benchmarking and a quarter are not using any financial benchmarks
- ✓ Organizations need more comprehensive and reliable decision support solutions; nearly two-thirds of organizations with decision support solutions have inadequate systems that require them to rely on spreadsheets
- ✓ Fewer than one in four finance professionals feel their cost accounting data is useful in driving cost improvements, despite high confidence in the data's accuracy

Accomplishments and Priorities

Addressing Workforce Issues

Healthcare providers face mounting expense pressures from nearly every angle as nationwide labor shortages and global supply chain issues exacerbate the challenges of the COVID-19 pandemic. As of October 2021, Total Expense per Adjusted Discharge was up more than 25% versus pre-pandemic levels in October 2019 and more than 11% compared to the same month in 2020, according to the [Syntellis Performance Trends](#) report.

Managing workforce issues is a major priority for healthcare finance leaders, reflecting the widespread impacts of the labor shortages for healthcare providers across the country. Asked the importance of specific activities to helping maintain fiscal health in a changing environment, the percent of respondents who selected workforce optimization remained unchanged from the previous year's survey at 74%. Perhaps in acknowledgement of the clinical burnout issues organizations face, the proportion of respondents who viewed workforce productivity as important dropped from 84% in 2020 to 73% in 2021.

Managing and reducing overall costs remain high priorities as organizations continue their efforts to rein in rapidly rising expenses. Respondents who viewed increased planning as important rose from 47% to 63%, likely due to a need to prepare and remain agile in today's uncertain environment.

+25%

Total Expense per Adjusted Discharge versus pre-pandemic levels

Top four priorities cited as “very important” to fiscal health:

Workforce optimization

74%

Workforce productivity

73%

Cost management and reductions

69%

Increased planning

63%

Agility and Process Improvements

COVID-19 drove organizations to enhance flexibility across management and operations. Nearly two years into the pandemic, healthcare finance leaders are more confident than ever in their organizations' ability to adapt to ever-changing market and business circumstances.

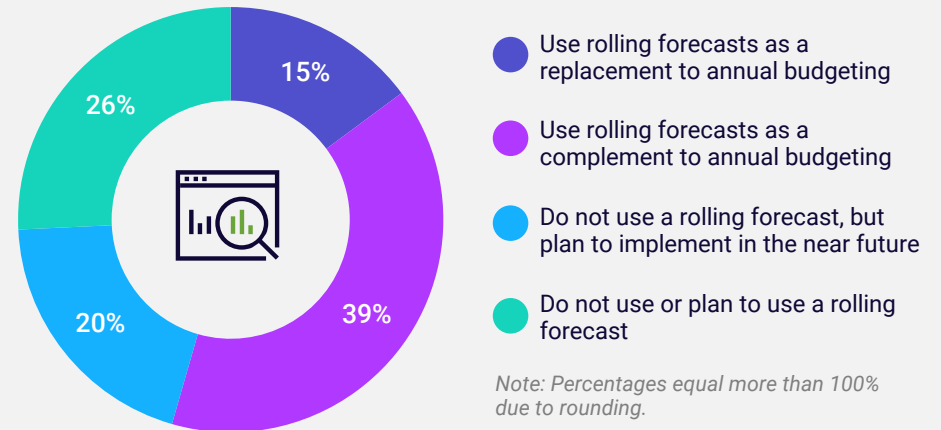
92%

Are either somewhat or very confident in their teams' ability to quickly adjust strategies and plans in response to sudden changes, up from 83% in late 2020

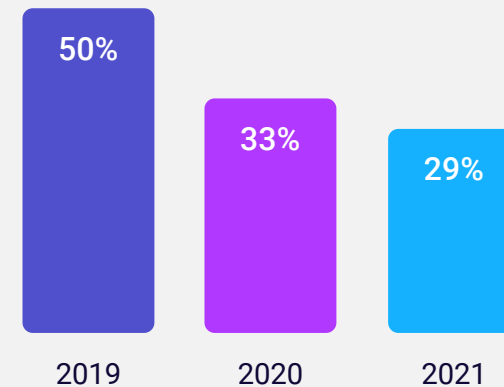
Many organizations increased agility by implementing more efficient budget processes. The survey results show a decline in the length of budget cycles as evolving budgeting practices and the volatility of the pandemic drive the need for more timely budgeting. The proportion of organizations with budgeting cycles of six months or more dropped to 29%, down from 50% before the pandemic in 2019.

More than half (55%) of organizations use rolling forecasting. The percent that use it as a replacement for annual budgeting rose to 15%, up from 12% in 2020 and 7% in 2019. Forty percent use rolling forecasting as a complement to an annual budget; 46% do not use rolling forecasting, but 43% of those plan to implement it in the near future.

Which best describes use of rolling forecasts at your organization?



Percent of organizations with budget cycles of six months or more



Supply Chain Analytics Highly Valued Amid Global Supply Chain Challenges

More than half of survey respondents (53%) cited supply chain benchmarking and analytics as valuable to their organizations. The importance of these capabilities is growing as healthcare organizations nationwide feel the effects of global supply chain issues.

Hospitals and health systems saw Non-Labor Expense per Adjusted Discharge jump 24% compared to 2019 levels in October 2021 and 7% versus October 2020. Supply Expense per Adjusted Discharge made up a significant proportion of that increase, at nearly 20% above pre-pandemic levels.

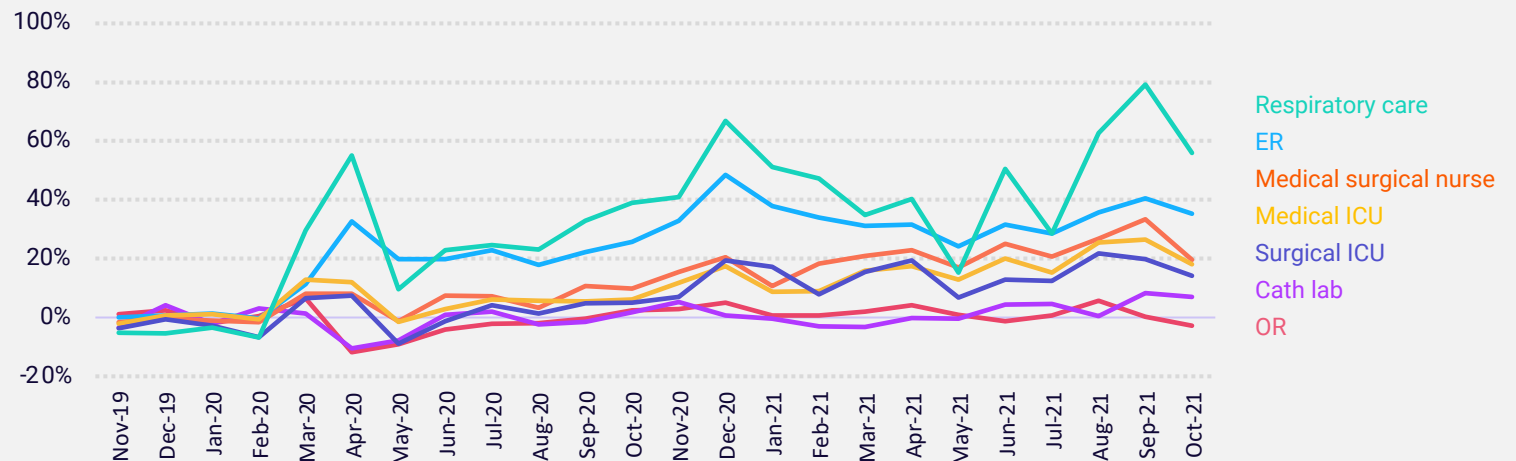
Departments that interact with COVID-19 patients have been disproportionately affected by increased costs. Respiratory Care, for example, had the highest increase in Medical Supply Expense per Procedure at 56% in October versus pre-pandemic costs in October 2019. Other areas experiencing sizable increases over the same period included ERs (35%), Medical Surgical Nursing (20%), Medical ICUs (18%), and Surgical ICUs (14%).

53% View supply chain benchmarking and analytics as valuable financial planning solution capabilities

ER, Medical Surgical Nursing, Medical ICU, Surgical ICU, and Respiratory Care have seen steady growth of medical supply expense per unit of service since COVID-19 began.

OR and **Cath Lab** have not seen large increases in medical supply expense per unit of service.

Top departments for medical supply use see growth in medical supply expense per unit of service
Indexed at Oct. 2019



Data Analytics Improvements Will Support 2022 Priorities

Looking to the future, organizations are focused on reducing costs and improving efficiency – especially workforce efficiencies. Healthcare finance leaders said their top priorities for 2022 are to:

52% Manage strategic and performance improvement initiatives

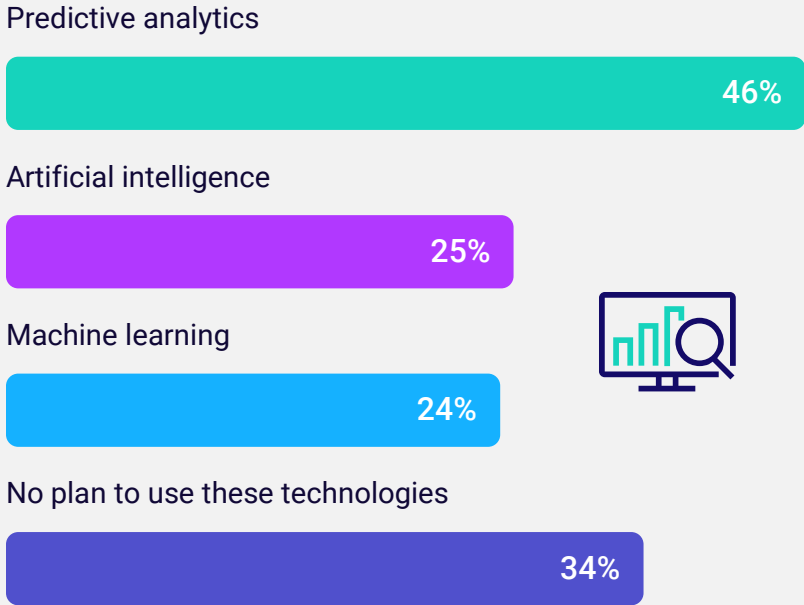
48% Reduce costs

39% Measure and monitor productivity

In terms of new technology, organizations are primarily seeking ways to better predict the future.

Nearly half (46%) of organizations plan to increase data analysis using predictive analytics within the next 12-18 months. A quarter plan to increase use of artificial intelligence and 24% plan to use more machine learning. Only 34% do not plan to increase use of any of these technologies in the near term.

Do you plan to increase your utilization of data analysis tools in the next 12-18 months?



Ongoing Challenges

Widespread Labor Issues Driving Up Costs, Hourly Wages

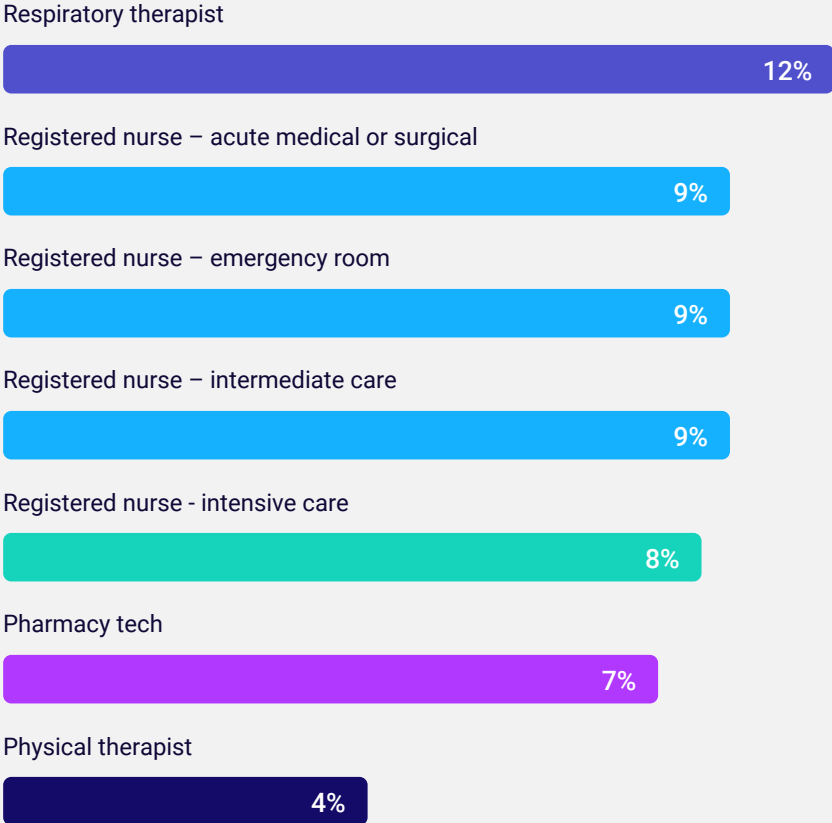
Staffing issues are a common and growing area of concern for healthcare finance professionals. One survey respondent commented that recent high turnover levels make it difficult to maintain “cohesive attention to changes in the business and clinical environments,” while another respondent said, “Staffing and employee retention is driving up the cost of healthcare.” Two-thirds (67%) of respondents said advanced productivity with predictive analytics would be a high-value capability of their enterprise performance management (EPM) solution.

Rising labor expenses have been a major driver of overall expense increases throughout the pandemic. Labor Expense per Adjusted Discharge jumped 27% in October 2021 compared to 2019 pre-COVID levels. High rates of staff turnover due to pandemic burnout and labor shortages are pushing up hourly rates as providers face fierce competition for qualified healthcare professionals. Some increases in hourly rates are to be expected with annual merit and inflation increases, but the rate of increases is notably higher in areas most affected by pandemic-related demands.

Respiratory therapists top the list, with hourly rates jumping 12% in October 2021 compared to the same period in 2019. That is triple the nearly 4% increase in hourly rates seen for physical therapists over the same period, reflecting high demand for respiratory therapists as providers care for patients suffering short- and long-term respiratory effects of COVID-19.

Registered nurses (RNs) also saw significant increases in several areas. From October 2019 to October 2021, hourly rates rose 8% for Intensive Care RNs, and about 9% for Emergency Room RNs, Intermediate Care RNs, and Acute Medical or Surgical RNs.

Hourly rate increases: Oct. 2019 vs. Oct. 2021



Organizations Do Not Optimize Data to Guide Decisions

Having sound data and analytics capabilities remains vital to COVID-19 response and recovery efforts. While many hospitals and health systems collate a broad range of data, finance leaders overwhelmingly agree that they do not maximize how they use that data. Most respondents said their decision support systems gather data from across the enterprise, inside and outside of hospital walls: 44% have visibility across the entire enterprise, while 34% capture data from hospitals and outpatient facilities.

82%

should do more to leverage financial and operational data

Despite these capabilities, however, 82% said their organizations should do more to leverage financial and operational data to inform strategic decisions.

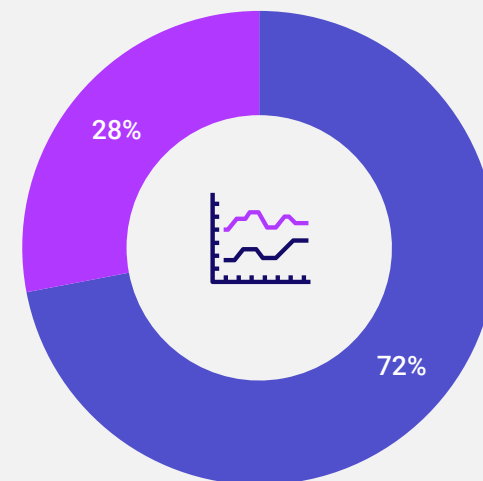
A third of finance professionals said they are not satisfied with the data submission process for financial performance benchmarks at their organizations, and a quarter do not use financial performance benchmarks at all.



One respondent commented:

“We still struggle with too much data from too many different systems that leads to questioning the validity and accuracy of information.”

Does your organization use financial benchmarks?



- Not using financial benchmarks but plan to
- Not using financial benchmarks and no plans to



Decision Support Solution Capabilities Vary Widely

Healthcare organizations nationwide have a broad range of decision support capabilities, indicating significant need for more effective, streamlined, and comprehensive solutions. Finance leaders report using their decision support tools for a variety of performance improvement initiatives, including:

- Identifying and reducing variations in care
- Enhancing care coordination
- Targeting length of stay
- Tracking and improving workforce productivity

Asked to describe their decision support processes, nearly a third of respondents said they rely on a variety of disparate tools. Nearly two-thirds of organizations with decision support solutions primarily rely on spreadsheets because their solutions offer only rudimentary means to track and manage performance. Just 18% of respondents manage performance improvement initiatives with a robust and modern solution.

18% Our decision support solution provides a high degree of confidence in our ability to track and manage our performance. Most functions are performed in our decision support system.

29% Our decision support solution has only simplistic methods to track and manage performance. Most reporting involves a combination of our decision support system and Excel.

32% We use multiple tools to solve our needs.

21% We use rudimentary tools. Most work is done in Excel.

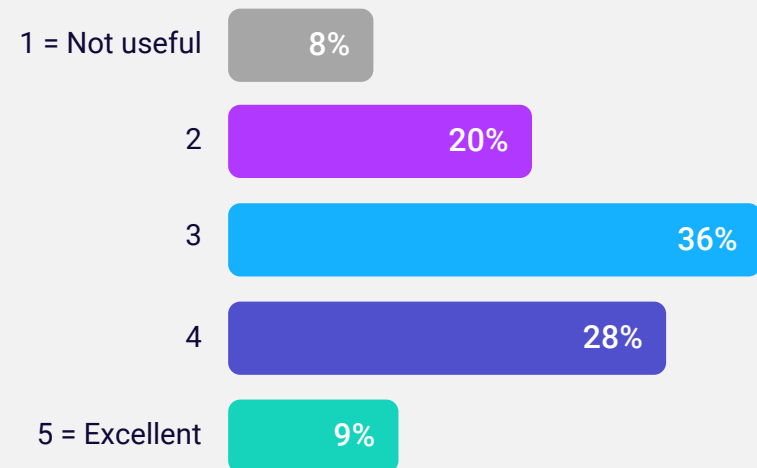
Accurate Cost Data Doesn't Necessarily Drive Cost Improvement

Finance leaders expressed relatively high levels of confidence in their cost accounting systems, with 55% saying they were confident or very confident in system accuracy. Respondents were less confident, however, in how effectively their cost accounting data drives cost improvement initiatives: 28% said the data was not useful, 36% were neutral, and 37% said the data was very useful.

These results show a clear discrepancy between the proportion of organizations that have reliable cost accounting data and those actually using the data to affect true cost transformation. The fact that more than 1 in 4 respondents do not use data to drive cost improvement initiatives, despite feeling the data is accurate, suggests that organizations should consider addressing other barriers standing in the way of this critical activity – such as the inability of their decision support solutions to pinpoint areas of improvement.



On a scale of 1 to 5, how effective is your cost accounting data at driving cost improvement initiatives at your organization?



Imperatives for 2022

Five Imperatives for 2022

Hospitals and health systems nationwide face a confluence of challenges testing their financial and operational processes and capabilities. While organizations have taken steps to enhance their agility in adapting to sudden market changes over the past year, the volatility of the COVID-19 pandemic coupled with escalating healthcare costs, global supply chain issues, and national labor shortages continue to strain resources. **Five imperatives drawn from the latest data and survey results include:**

1 Optimize Workforce Productivity

U.S. labor shortages make managing workforce productivity increasingly essential. Having a robust [data and analytics platform](#) empowers healthcare leaders to aggregate and drill into data from across an organization. It allows them to assess performance, identify opportunities for improvement, and link those improvements to measurable cost savings.

2 Prioritize Integrated Cost Management

As costs continue to increase at an unsustainable rate, healthcare leaders must find ways to integrate routine cost reduction and management processes into everyday operations. A reliable [cost accounting solution](#) is essential to providing the kind of transparency and market insights needed to drive effective, ongoing cost management.

3 Implement Comprehensive Decision Support Solutions

Too many organizations continue to rely on disparate systems and spreadsheets to guide critical organizational decisions. Healthcare leaders need [robust solutions](#) to facilitate timely and accurate data-driven decision-making. Finance leaders should develop their analytics capabilities to ensure they can leverage data to effect change.

4 Gauge Performance with Financial Benchmarking

The volatility of the current environment makes it more vital than ever to track organizational performance against both internal and external [financial benchmarks](#). Healthcare leaders should seek to implement efficient data submission processes to gain the most accurate and comprehensive picture of overall performance.

5 Focus on Planning for Strategic and Performance Improvement

The survey results show that increased planning and managing strategic and performance improvement initiatives are top priorities for healthcare leaders. To be successful, organizations need [robust tools](#) with effective and reliable data and analytics capabilities that can draw data from across the enterprise to provide a comprehensive view of operations and strategic initiatives for informed decision-making.



Syntellis Performance Solutions provides innovative enterprise performance management software, data and analytics solutions for healthcare organizations. Its solutions include enterprise planning, cost and decision support, and financial and clinical analytics tools to elevate organizational performance and transform vision into reality.

With over 2,800 organizations and 450,000 users relying on its Axiom and Connected Analytics software, combined with No. 1 rankings from Black Book Research and an HFMA Peer Review designation for nine consecutive years, Syntellis helps healthcare providers acquire insights, accelerate decisions and advance their business plans.

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