

Leveraging Cloud Financials to Support Growing Healthcare Organizations



Growth of healthcare organizations – from either consolidation or increased output and revenues – continues to trend upward in the industry, thanks to drivers such as federal mandates, market competition, tighter margins and the increasing need to do more with less. On the consolidation side, in a 2013 survey conducted by the Healthcare Financial Services division of GE Capital, 88 percent of 233 senior healthcare services executives reported that they expect to pursue M&A activity in the next 12 months. And Hammond Hanlon Camp's November 2013 report, Merger and Acquisition Trends in Healthcare, forecast the M&A outlook for healthcare to remain strong into 2014 as a result of favorable capital markets, additional clarity around the health reform law and continued need for clinical integration and cost control as new value-based care models are implemented.

Regardless of whether healthcare organizations expand as a result of consolidation or organic growth, the one challenge they all face is trying to gain visibility and transparency of information across the organization in order to better manage costs and link cost to outcomes and industry performance – without negatively impacting revenue and growth. One of the ways healthcare

organizations can avoid over-investing in human and IT resources is to cost-effectively scale their IT systems, including their financial management systems.

Turning to the cloud for financial management

As growing healthcare organizations strive to cost-effectively scale their business, cloud computing is being recognized as a viable solution. Indeed, the global healthcare industry will invest \$5.4 billion in cloud computing by 2017, with the U.S. capturing the largest piece of the market, according to MarketsandMarkets' September 2013 report, The Healthcare Cloud Computing Market – Global Trends, Challenges, Opportunities and Forecasts 2012-2017. MarketsandMarkets also noted that the market for cloud computing in healthcare will grow at a CAGR of 20.5 percent from 2012 to 2017.

Among U.S. healthcare organizations, HIMSS Analytics' inaugural 2014 HIMSS Analytics Cloud Survey revealed widespread adoption of cloud services, with 80 percent of the

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— Sharon Carnicelli | Product Marketing Manager | Intacct

150 respondents reporting that they currently use cloud services. The top three reasons for adopting cloud services were lower maintenance costs, speed of deployment and lack of internal IT resources. Regulatory pressures are also driving healthcare organizations to leverage more agile, cost-effective technologies.

Within financial management, multiple systems housing disparate data, spreadsheet-based financial consolidation processes, long and cumbersome monthly closes, and lack of visibility into financial and operational performance are common pain points for growing healthcare organizations, according to Sharon Carnicelli, product marketing manager for Intacct, leading provider of cloud financial management and accounting software. Intacct works with many healthcare organizations in need of managing their financials as they expand. Many were expending manual effort and too much time trying to gather data spread across several different locations and put them into spreadsheets, which led to lack of timely visibility into their performance, Carnicelli pointed out in a June 2014 webinar, *How Growing Healthcare Organizations Leverage Cloud Financials*, presented by Healthcare Finance News.

Solutions that automate key financial processes are helping finance departments in healthcare organizations become more efficient with the monthly close, the procure-to-pay process and management reporting. Automation also helps capture and centralize financial data so that they can gain insight into what’s happening at each location as well as the overall organization. In addition, automation within a cloud-based solution helps healthcare organizations keep IT staff from expanding, even as the organization continues to grow. “They want to be a healthcare company and not an IT company,” Carnicelli pointed out. “So they want to minimize reliance on IT, so they can keep doing what they do best.”

Modern-day accounting using ‘dimensions’

With healthcare organizations required to report to several different stakeholders, including regulatory agencies and investors, visibility and transparency of data is critical. “The second key benefit that our customers have gained from Intacct is total visibility into the numbers,” Carnicelli said. Healthcare organizations need visibility of data at different levels – big picture to granular – from summary results that span their entire business to reports that look at a roll-up of all entities within the organization, a specific department and even down to information on individual transactions. “In order to effectively manage your business, you’re also going to want visibility by the attributes that drive your business such as product and service offerings, projects, customers or vendors,” she said. “In addition you may want to look at comparisons over time to get a better handle on how these drivers are shaping your performance.”

Traditional accounting systems have made it difficult to achieve granular visibility into financial performance. These systems typically use segment values to categorize data within their chart of accounts (COA) structure. As organizations grow, however, managing a segmented chart of accounts becomes increasingly more complex. For example, if a healthcare organization sets up a new account to track equipment in five departments for five projects at three of its locations 75 account code combinations would need to be defined in their COAs. With Intacct’s solution, which creates a simplified “modern-day COA,” healthcare organizations can define the natural account and use “dimensions” to capture the business context of transactions, which makes managing the chart of accounts more streamlined and efficient.

Intacct's solution enables real-time tagging of all transactions with dimension values, giving healthcare organizations the ability to "slice" information in multiple ways – from a financial and a statistical perspective – for reporting purposes. These dimensions provide improved visibility into a healthcare organization's financial activity and performance. "Without adding any additional account codes, you're going to be able to slice that information by a variety of dimensions," she said. "That gives you unparalleled visibility."

With dimensions not tied to the natural account – unlike segment values – healthcare organizations can maintain a small, "generic" COA, which allows these dimensions to help shape reporting, Carnicelli explained. Dimensions can be used to reflect industry-specific terminology or repurposed to capture information unique to the organization or industry. With healthcare organizations needing to share information with multiple stakeholders and tease out granular information for different business drivers, the ability to easily create standard and unique views of data is critical.

Healthcare organizations can use reporting in Intacct to track, for example, volume of surgical patients per type of patient across clinics or in one particular clinic, budget versus actual cost of different treatments by clinic, revenue by type of treatment by clinic, source of revenue – Medicare, Medicaid, private insurance – by clinic and so on. Tags, which are assigned to transactions, enable reporting on any of those areas. "It's real time, so every transaction that's actually going into the system is being accounted for," Carnicelli said.

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Healthcare organizations may want to look at financial measures to determine performance or operational measures that combine financial data with other business metrics specific to the organization. Visibility into performance on a cash basis and accrual basis at the same time is also critical. Intacct's solution, therefore, allows healthcare organizations to seamlessly switch across different ways of looking at their business. With all reporting being driven from the same data set that captures the transactions as they happen, visibility is gained in real time, allowing for timely decision-making and the elimination of creating and updating reports in external tools such as Excel or Crystal reports. "As the business changes and new customers, entities or currencies are added, healthcare organizations retain total visibility without having to rewrite any reports," Carnicelli pointed out.

With changes rapidly occurring in the industry, single-entity providers can implement Intacct's solution with the knowledge that as they grow their business multiple new entities can be easily and quickly added to the system – typically within an hour. A flexible financial management and accounting system – whose lifecycle, as an industry standard, spans some 10 years – gives single-entity organizations the needed scalability for business expansion without further IT investment. While "you just can't predict the future" where growth is concerned, according to Carnicelli, healthcare organizations can be prepared.

Renal Ventures: streamlining financial processes, improving business reporting

Renal Ventures Management, provider of dialysis services across 30 clinics in six states, doubled its size in the last three years. Its growth, however, was compromised by numerous challenges. Renal Ventures was forced to rely on a

time-intensive, error-prone manual process of data manipulation using spreadsheets to consolidate financial information from 20 different clinic-specific QuickBooks databases. Excel-produced reports and manual reporting, respectively, excluded the accounting department and decision-makers in other departments from gaining visibility into information such as sales and profit and loss statements (P&L), which were not being reported in QuickBooks.

Instead of adding staff to manage the increasing data, which was becoming unsustainable with QuickBooks, Renal Ventures deployed Intacct's cloud-based solution. Through a standardized set of accounts, all of Renal Ventures Management's entities, for example, can share a vendor and gain visibility into various business information such as the organization's total spend with that particular vendor.

Intacct's multi-entity management helped streamline financial accounting processes, reducing the time to create consolidated financial results from a full day to two hours. Automation has also eliminated the need to add finance and accounting staff as the organization grows. Better reporting and access to data has given executives more complete, real-time information to make better, timely business decisions.

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The move from QuickBooks to Intacct resulted in an ROI of 154 percent, with an average annual benefit of more than \$163,000. "We now have a single chart of accounts and consolidated financials, which has allowed us to virtually eliminate manual processing of financial data outside the application," said Dan Orlinski, senior finance director. "Not only were they getting all this value without having to hire anybody else, but they were doing it so much better," Carnicelli added. "They were getting far more for their efforts."

Financial viability

Healthcare organizations are looking to keep growing and thriving in this era of healthcare transformation. Indeed, in the 25th Annual HIMSS Leadership Survey, which highlighted what's on the minds of senior IT executives, 25 percent of respondents said that financial viability is the key business objective their organization is trying to achieve in the next 12 months. With the percentage trending upward – 21 percent in 2013, while 15 percent chose it in 2012 – clearly financial viability is gaining in importance among healthcare organizations.

"These business objectives will continue to rise in importance as accountable care organizations and other value-based reimbursement models are formed and become operational, as M&A drives consolidation in the marketplace and competition in healthcare markets increases," said Patty Enrado, special projects editor for HIMSS Media and webinar speaker. Those organizations that successfully meet their business objectives will continue to grow and be cost efficient as a result of leveraging robust, enabling, cloud-based technology.



Intacct

Intacct is the cloud financial management company. Bringing cloud computing to finance and accounting, Intacct's award-winning applications are the preferred financial applications for AICPA business solutions. Intacct's accounting software, in use by more than 7,300 organizations from startups to public companies, is designed to improve company performance and make finance more productive. Hundreds of leading CPA firms and Value Added Resellers offer Intacct to their clients. The Intacct system includes accounting, contract management, revenue recognition, project accounting, fund accounting, inventory management, purchasing, vendor management, financial consolidation, and financial reporting applications, all delivered over the Internet via cloud computing. Intacct is headquartered in San Jose, California. For more information, please visit www.intacct.com or call 877-437-7765.