

Summary of Proposed Future Vision for Financial Services

The Business Case for moving forward with a regional strategy and structure for Financial Services is rooted in enhancing existing system capacity, improving client access to services, and improving the experience of people receiving care. This will be achieved by reducing the cost of transactional type processing and investing more in analytical services which will support better decision making in an environment of increasing healthcare demand competing for the same or less resources. Key to this proposal is enhancing efficiency of Finance Services and reducing duplication of work across the region, while recognizing the need for local expertise and services at different sites. Additionally, the Financial Services proposal builds on and strengthens our existing shared service organization by making it larger and creating economies of scale to ensure it is sustainable moving forward.

Current State: Today, each of the seven hospitals within the South East LHIN operates independent Financial Services departments, which have evolved over the years according to the specific needs of the organizations. While there are working relationships between organizations, the hospitals do not share common staff. Each hospital uses different technology systems and has customized the systems to their own hospital's needs, which poses a challenge to regional data collection and measurement.

Finance services fall into three distinct categories: transactional, analytical and strategic.

Transactional (General Ledger, Accounts Payable, Accounts Receivable, Fixed Assets):

Transactional services are high volume activities such as processing invoices that require a standardized skillset. These services are presently provided by each individual hospital and include other functions such as bank reconciliations; journal entries; accruals, third party accounting and initial population of third party reporting for the ministry and other key stakeholders. Significant opportunity exists to standardize how this work occurs and to create economies of scale by delivering these services centrally.

Analytical services: Some services delivered by member hospitals' Finance departments

require significant local expertise. A few examples are financial reporting and analysis to support program managers and directors; budget analysis and development; and some aspects of third party reporting. A future model must maintain on-site local hospital expertise but allow for sharing knowledge and processes among member hospitals to maximize efficiencies. This can be achieved by having all Finance staff report through to the new shared service but still spend a majority of their time at each member hospital.

Strategic services: Some services impact the ability of each hospital to meet its own strategic objectives. Examples are setting the strategic direction for budget development; treasury management; financial statement oversight and commentary; meetings with key stakeholders; supporting each member hospital's audit committee; final review of reporting to executives and boards, and compliance reporting. Eventually the full scope of services including financial strategic services will be provided by the shared service organization.

Opportunities Considered: Detailed recommendations have been developed in the Finance Business Case for the following areas of opportunities.

- General Accounting
- Accounts Payable
- Supply Chain (review as it relates to the processing of Accounts Payable)
- Capital Asset Planning & Fixed Asset Management
- Accounts Receivable
- Financial Reporting
- Analytical Services
- Strategic type services

Discussions regarding payroll accounting and the interrelationship with Human Resources have been undertaken. Joint sessions with the Human Resource working group are planned in the coming months to further discuss the best model for the region.

Recommendations have also been developed for potential “early win” opportunities, as per the group's mandate, for the following:

- Banking and related services

- PCard's
- Audit services
- Actuarial services
- Collection Agency services
- Legal services
- Insurance services

A separate working team was established and separate business case has been developed for establishing a Regional Decision Support service.

Working Group Process and Engagement:

Since October 2015, a group of Finance leaders from the 7 SE LHIN hospitals has been meeting on a regular basis to explore the key priorities and opportunities for a regional Finance service, building off the work done in Phase 1 of the Health Care Tomorrow – Hospital Services Project. Their mandate is to develop a business case to optimize a regionalized approach to Finance in the South East region.

The Working Group held six focus sessions, each focused on different Finance components. These sessions brought together a mix of approximately 20 people who were identified as content experts in one or more of the finance fields. These focus sessions ensured the Working Group understood the current state, best practices, future opportunities, benefits, risks and mitigation strategies, as identified by the experts in our region. Many of the focus session attendees were brought back together for a meeting in early March, 2016 to receive an update on the business case development and provide further input.

In addition to these sessions, an overall engagement plan for Phase 2 of the Health Care Tomorrow – Hospital Services project created opportunities for the Working Group to gather meaningful input from all stakeholders between October 2015 and May 2016. This engagement included two surveys for staff from across the region. An open-ended survey tool was included to allow input, with 633 people responding and 34 specifically on the Working

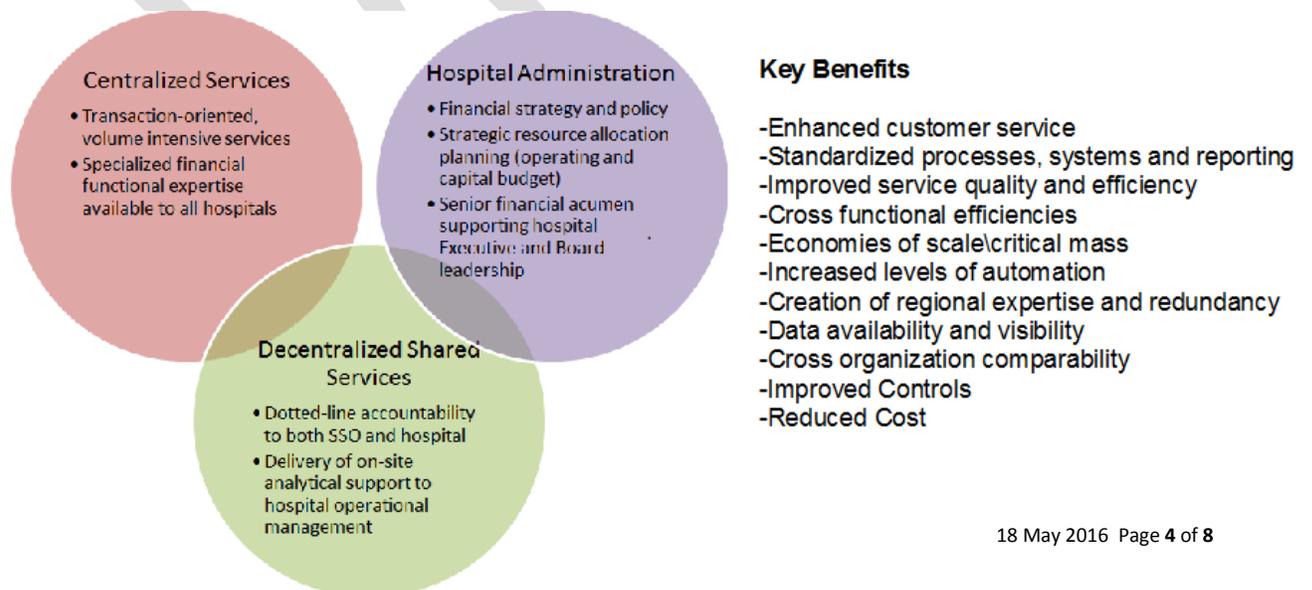
Group summary. The input compiled from these engagement activities contributes to Working Group meetings in order to inform the on-going development of the business case. Face-to-face meetings with Finance professionals and front-line staff will be held in the future.

Process Undertaken

The Finance Working Group has and continues to review best practices from other shared service organizations to inform the team’s recommendations for each opportunity. Consultation with other hospitals, IT vendors, existing shared service organizations and health system leaders is ongoing in order to ensure the final business case incorporates lessons learned and successes already achieved elsewhere. An independent third party review will assess the reasonableness of all assumptions and the appropriateness of all financial estimates that support the business case.

Future State

The proposed future state will strive to align appropriate resources to financial processes; ensure that on-site financial resources remain in place where required, while shifting other staff to a centralized location where work processes can be standardized. The proposed organizational structure will reflect leading practices for shared financial support services in order to provide lower transactional costs and enhanced analytical support. The proposed model positions the shared support services entity to operate successfully within the healthcare environment and align with the Health Care Tomorrow Hospital Services project strategic goals.



The proposed structure aims to deliver effective hospital financial services. The goal is more efficient and standardized processes and outputs across the hospitals of the South East LHIN, with clear accountabilities that leverage existing skills and capabilities within our system.

Key Risks: Broadly, there are two categories of risk to be considered: those which affect the Hospital Services project as a whole; and those which are specific to financial services. Of those risks which are project wide, there are three sub-categories: Implementation Risks, People Risks and Financial Risks.

Risks to the Project: Implementation

One of the primary risks identified across all groups during Phase 2 was the Varying Systems, Approaches and Policies around the provision of service. While the variance does create an issue, if member organizations can identify, and agree to implement, best practice, while prioritizing their approach to implementation through a cooperative mechanism, this risk can be mitigated.

Implementation of regional standards across the business and clinical functions hold an inherent risk of significant Up-front Costs. Equipment and systems, particularly in enabling sectors like Information Services (e.g. SAP/ HIS costs), coupled with the need for training in new processes and technologies, are responsible for the bulk of this risk. Further, the work of these projects needs to be carried out all while “keeping the lights on” at individual organizations. However, this can be mitigated by identifying business cases that are enablers and prioritizing the work within each, phasing implementation, and engaging staff in the implementation planning to ensure that projects carried out at each site are as effective and efficient as possible.

Risks to the Project: People

People-related concerns are three pronged and formed around patients, staff and physicians.

Patient Concerns stem largely from a worry about loss of services/ personal connections as well as an increased need to travel for services. The risks should be minimal to the Financial Services business case. A Regional Patient Advisory Council is in place to engage patients in

Health Care Tomorrow.

Staff Concerns are largely related to job security and job satisfaction. Based on a number of engagement sessions and surveys with staff, they have repeatedly voiced concern about the projects' impact on retention/ recruitment, changing roles, locations and employers and a potential loss of support staff. The project as a whole has created a Human Resources Advisory (HRA) Committee to assess the business cases and create a standard HR approach. There has also been Change Management support from the project, as well as staff engagement, active communication channels and a recognition that strong implementation planning will be key to help further alleviate these matters.

Physician Concerns may focus on the impact to physician practice, the availability of local supports, the impact on the location of services and impacts on earned income. These risks are likely to pertain minimally to the Financial Services business case. A Physician Change Management Committee is in place to engage physicians throughout the process.

Risks to the Project: Financial

Benefits Realization is the sole risk within this category and refers to the possibility of decreased financial benefits, an inability to predict service increases, the varying needs and financial conditions of each organization and the fear that costs to certain hospitals will increase. Collecting strong baseline data and identifying non-dollar value-adds, coupled with the creation of a cost/ benefit sharing methodology that is in-line with CEO and Board expectations will help to mitigate the risks posed.

Risks Specific to Financial Services:

Risks specific to this business case are varied but largely have strong mitigation plans. Foremost, the Impact on Customer Service is a concern during the transitory period from current to future state. To mitigate, the proposed model has recognized the need for local expertise and service requirements in the transitional years before moving to a modified on-site presence (e.g. scheduled on-site days, on-demand service, etc.).

Complexity of Varying Systems and the Segregation of Duties are two related risks to the finance business case. Varying systems stem from the fact that each organization has

established its own method of providing financial services, thereby increasing the difficulty of integration into a shared service. Likewise, segregation of duties builds on this concern, as individual financial systems have evolved internal synergies that may be lost in the SSO. To mitigate, a robust system inventory will need to be carried out prior to implementation to ensure a smooth transition. Further, new control standards will need to be developed and standardization should be prioritized as a priority item for implementation.

Fiscal related risks specific to finance are the dual issues of Varying Financial Health for Member Hospitals and Impact to Foundations. Member financial health references the fact that liquidity levels vary from organization to organization, and requires that the future state model offers sufficient flexibility while allowing for 'one-offs' as needed. Foundation specific concerns stem from questions around the sharing/ selling of end-of-life resources that were donated to a specific institution/ community. To mitigate this, the foundations will need to be involved as the project moves into implementation planning.

Finally, Confidentiality and Privacy Issues are a concern, given that the regionalization of services will require the sharing of information to fully integrate. Common standards and appropriate agreements will need to be developed at member hospitals to ensure ongoing compliance with privacy legislation.

A comprehensive detailed summary of all risks and mitigation plans is included in the full Finance business case.

Anticipated Phasing: The Finance working group has requested information from the IT working group and the primary IT vendor to inform its recommendations regarding phasing. The IT vendor has provided some preliminary information regarding four different possible approaches to implementation of business software. Recommendations from the vendor regarding how phasing should occur (i.e. application by application and/or hospital by hospital) has not been yet been received. This information will materially impact the potential timing and changes in human resources and the financial estimates that will be contained in the business case.

Human Resources: Through SECHEF, each hospital has endorsed a set of guiding human resources principles that will influence the development of the business case. These principles

include, but are not limited to:

- Treat all impacted people across the region in a fair and respectful manner with transparent processes
- Manage any potential transitions to ensure the least amount of disruption to patient/client service
- Promote the retention of key skills and competencies.

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