

# The Academy VPF and CFO Forums

Cost Containment Strategies to Support LHS Longevity | November 16-18, 2022

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The following is a summary of key initiatives and questions raised during The Academy's VP of Finance (VPF) and Chief Financial Officer (CFO) Forum discussions, held from November 16-18, 2022 with leading health system (LHS) members. Please share your questions or comments with The Academy Member Insights team at [insights@hmacademy.com](mailto:insights@hmacademy.com).

Across the VPF and CFO forums, finance leaders discussed the challenges and solutions they are deploying to minimize cost pressures, find greater efficiencies, and strengthen their workforce pipeline.

## Key Themes Discussed Include:

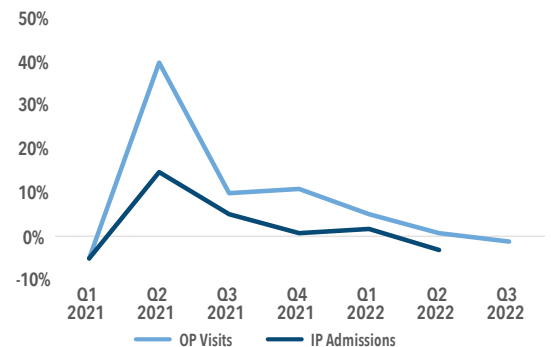
- ✓ Financial Pressures to Contain Costs
- ✓ AI's Potential to Maximize Efficiency
- ✓ Building the Workforce Pipeline

## Financial Pressures to Contain Costs

*"It is all hands-on deck to reduce operating cost of our organization. Nothing is off the table for us."*  
 - VPF, Leading Health System

- Finance leaders are feeling the financial pressure and struggling to determine how to budget, predict, and plan for the future.
  - Part of the challenge around budget forecasting is that patient volumes have been unpredictable for LHS. Kaufman Hall's data on patient volumes indicates that health systems have seen declining volumes across sites of service in 2022 compared to 2021.
- In the meantime, finding cost savings is a focus area for LHS and they are stabilizing their financial performance with varying strategies:
  - Renegotiating contracts: Multiple LHS reached out to all their vendors that they spend over \$1 million annually with and re-evaluated their contracts. One LHS found success in this with payment deferrals and/or cost reductions.
  - Reducing contract labor: One LHS tackled their higher labor costs by reducing their use of contract labor by 75%. They also sent out weekly contract labor number updates to their c-suite to keep the priority top of mind.
  - Negotiating with payers: One LHS is planning to reopen contract negotiations with payers to get rates that better account for inflation's impact on costs. Multiple LHS are renegotiating their Medicare contracts midcycle.
- CFOs are also trying to minimize their costs and improve their assets by rationalizing their portfolio, selling poor performing hospitals, and evaluating opportunities for outsourcing.

**Volume Trends Remain Variable**



## AI's Potential to Maximize Efficiency

*"We're still in the learning phase about technology. I don't know what AI/human interaction looks like right now, but we need to learn more about it."* - EVP & CFO, Leading Health System

- Organizational efficiency and transformative cost reduction activities have become a greater priority, and finance leaders are still in early stages of understanding the full capabilities of automation and AI to achieve greater efficiency in operations and mitigate workforce challenges, though many pilots are underway.
  - For example, one LHS is piloting a robot that takes meals to patients and is working with Phreesia to do virtual registration to eliminate the human need for those tasks.
  - Multiple LHS are implementing AI in rev. cycle and looking for other ways it can be leveraged in back-office roles to lower costs.

- In some cases implementing AI can help reduce the need for FTEs, though in most cases it's a matter of offloading specific tasks and rebalancing roles to improve efficiency and optimize peoples' skillset.
- Finance leaders will need to continue working with clinical and informatics leaders to identify the best opportunities for technology investments and to ensure they are prioritizing solutions that alleviate workforce burden and streamline operations.

## Building the Workforce Pipeline

*"We are doing great things to improve our workforce challenges but struggling to build a workforce pipeline. There is not a pipeline that is going to fill the gap we are experiencing." - CFO, Leading Health System*

- LHS are shifting away from salary increases and bonuses as retention strategies and are becoming more invested in more sustainable strategies like building new workforce pipelines for nursing. VPFs discussed some creative workforce pipeline solutions:
  - One LHS built their pipeline through partnerships with a local tech program.
  - Another LHS is starting to recruit at the high school level to get younger people interested in pursuing a career in healthcare.
  - A third LHS partnered with a local community college to inform students of career opportunities in healthcare and offers to pay for students schooling if they work for their system. The LHS also implemented their recruiting efforts in Puerto Rico to increase international staff tours at their system.
  - To tackle the shortage of nursing educators, one LHS reached out to retired nurses asking them to come back to the system on the education side.
- Some CFOs are currently reworking their benefits packages to maximize employee satisfaction among the younger generations of the workforce who have higher expectations for their employers to offer more flexibilities and work life balance.

Additional resources are available at [The Academy's Member Insights homepage](#).

- [CNO and CHRO Forums: Building a Culture to Support Innovation and Growth](#)
- [AI Collaborative: Top Takeaways from the AI Summit on LHS' Path to Adoption and Scalability](#)
- [COO Forum: Operational Challenges in the Era of Inflation](#)

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