

# Trustee Insights

TRANSFORMING GOVERNANCE



## Financial Stability: Moving Past Survival Mode to Sustainable Growth

Shifting to a human-centric mindset is critical to shaping a sustainable model for the future

BY YIANNI DOUROS

**A**mid macro forces that continue to affect the industry post-pandemic, health care leaders face challenging decisions about where to focus resources and prioritize investments. The clinician shortage, supply chain constraints, inflation, rising labor costs and dynamic consumer expectations have been so acute that leaders have been focused on putting

out fires just to keep up with daily operational and care delivery needs.

Nearly 50% of provider chief financial officers (CFOs) are forecasting increased labor expenses to last between three to five more years. [Studies show](#) hospital margins still hover at near-zero levels and financial leaders of health systems are focused on stabilizing cost and operating structures. With so much attention centered on near-

Featured article sponsored by

  
**accenture**

term fixes, health system leaders are finding it difficult to take a long view of the financial well-being of their organizations.

Health systems need to evolve past stabilization and survival mode to reinvention and growth mode. For financial leaders, this means gaining more awareness about clinical operations and a greater understanding of care delivery priorities. Shifting from a traditional transaction-first mindset to a human-centric mindset focused on providing people the care they need is critical to shaping a sustainable model for the future. As health systems plan for reinventing how work is done, the board needs to be advocating for this mindset shift as much as it prioritizes quality across the system.

[Accenture's "Provider CFO Stability & Reinvention" Survey](#) of provider CFOs and vice presidents of finance across health systems with over \$1 billion in revenue revealed the top three internal pressures they view as a threat over the next three to five years: 1) Lack of financial visibility across the entire organization and/or sufficient capital, 2) Lack of technical infrastructure and 3) Inability to deliver clinical care and programs that meet community needs. More specifically, nearly 60%

of CFOs across health systems with at least one acute care hospital claim that lack of financial visibility and/or sufficient capital is the most threatening internal challenge they are currently facing.

This lack of financial visibility and the inability to deliver care programs that meet community needs are critical drivers for why reinventing for growth is becoming more essential. Ironically, even with many health systems trying to stabilize operations, the same CFOs view a lack of transformation vision as the least concerning internal pressure when in fact alignment on strategic intent should be more of a priority.

## Where do we grow next?

Finding growth opportunities requires first taking a whole-system view of why, where and how to unlock trapped or hidden value in the organization. Achieving visibility into who spends how much on what, as well as why, is critical. But a major disconnect exists among provider executive leadership teams.

The area where most CFOs (47%) say they are least aligned with their fellow executive leadership team members is growth strategy, compared to VPs of finance (45%) who believe their executive leadership team members are most aligned on growth strategy. This disconnect among leadership and within health system finance teams indicates a need for more transparency, as well as greater frequency and consistency in communicating how care is being delivered.

Some health systems might focus on adopting technology to alleviate clinician burnout. Others

may explore the use of generative AI to optimize care delivery pathways. Some may form partnerships, joint ventures and alliances to reinvent what a community-centric experience means. These and other potential initiatives require investment, and they also require visibility from CFOs, other leaders and the board into the trapped value that can translate into that investment.

To achieve system-wide visibility and enable sound strategic (versus administrative) decision making, CFOs must pay closer attention to the top care delivery needs of the health system. Looking through this lens can provide answers to how the organization should prioritize care settings and models that not only enable better access, experiences and outcomes, but are also more sustainable. Moreover, hospital system boards that support and help guide this shift to a leadership team that looks at system-wide needs will pave the way for a more resilient team that is aligned on growth agendas.

Many organizations struggle to achieve growth objectives, let alone in a profitable and sustainable manner. To better understand what those achieving long-term profitable growth are doing, [a global study](#) of 1,615 companies across industries, including health care, revealed that companies that are resilient and perform consistently through disruption are those that aim to consistently perform above their peers across three major dimensions — financial, business and technology — not just one. Financial stability has been the focus in recent years and is still a priority. The time is now, however, for health systems to think

bigger and make decisions that will help them make the shift from stabilization to reinvention.

## Financial Stability and Growth are not an “Either/or”

Health systems have been under major pressure to stay afloat. We are now at a critical point in time when the decisions leaders make today will have a long-term impact on the system, patients and communities that they serve. The good news is if the entire health care C-suite works together with the board, this impact can be positive and enable growth.

Health system boards and executive leaders should consider these five actions for making the transition from survival mode to growth mode.

**1. Engage the board in reinvention.** Some health systems lack strategic and tactical collaboration between executive leadership teams and boards. Engaging the board for alignment alone will not position health systems for success. Instead, executive leaders should interact with the board in the process and shaping of the reinvention, rather than just in subsequent decisions. Continuous communication and collaboration between these two entities is critical to each of the subsequent actions and thus achieving sustainable growth.

**2. Gain systemwide visibility on financial cost structure.** Health system leaders, especially the board, need comfort and greater ease in gaining visibility across the enterprise. This view historically is siloed. Finance often knows about expenditures while other functions do not. Organizations often have

distinct financial systems that are not interconnected. This creates challenges in reporting accuracy which is an impediment to achieving long-term sustainable growth. Connecting enterprise systems is only one step to achieving a single source of truth. In addition to gaining a connected view, leaders must also align on investment priorities with a board that is informed with the right source data and analytics that reinforces levels of accountability for results associated with those investments.

**3. Involve clinicians in decision-making processes.** Many health systems are learning that challenges solved in the boardroom do not factor in the perspective of the front lines. Clinical leaders must be involved in solutioning as health systems begin to focus more on reinventing with new care models. This goes hand-in-hand with boards' primary focus on maintaining the highest standards of quality across their health systems. Whether it's determining how to improve capacity or how to achieve financial stability, not including the opinions of clinicians who are facing these issues in their daily work is a missed opportunity.

**4. Balance the push and pull.** There is a delicate relationship

between cost pressures and workforce challenges. While each is a major challenge with significant complexity to distill, the drivers are similar. If work can be done more efficiently through a balance of new technology and people, it is important that hospital boards embrace innovation while overcoming the distraction of new technology "buzz" to understand the value proposition more keenly for their organization and tangible returns. Investing in technology may add costs in the near-term but addressing enterprise financial visibility on additional and unnecessary costs can help health systems self-fund the new technology applications that can lead to efficiencies and savings over time. Not investing will perpetuate rising labor costs and fragmented operations as providers will be forced to retain their existing workforce or hire more talent without addressing the necessary changes to how work is delivered.

**5. Don't wait to think about growth.** As noted earlier, organizations that focus on only one aspect of resilience — financial, business or technology strength — might make short-term gains, but they are not laying foundations for long-term,

sustainable growth. Health care leaders and boards must look across the enterprise for growth opportunities and establish a structure to enable growth. The right operating model can help to ensure the organization is equipped with the right set of resources and capabilities to support the growth priorities once capital is freed up.

Health system boards and executives — including CFOs — must strive for financial stability but should also focus on reinventing how work is done and how care is delivered. Those who wait too long to prioritize growth will continue to serve their communities, but the investments in new and more sustainable models are what will enable them to reinvent patient care delivery and workforce experience to the extent our industry needs now and moving forward.

---

**Yianni Douros** ([yianni.i.douros@accenture.com](mailto:yianni.i.douros@accenture.com)) is a managing director at Accenture and a member of the North America Health Strategy practice.

---

*Please note that the views of interviewees do not always reflect the views of the AHA.*

--	--