DEVELOPING A SUSTAINABLE FINANCE FOOTPRINT

For health care organizations

April 29th, 2021

RSM

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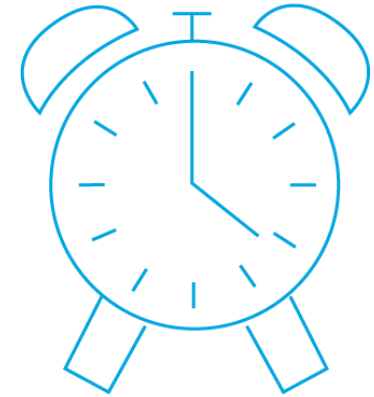
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Agenda

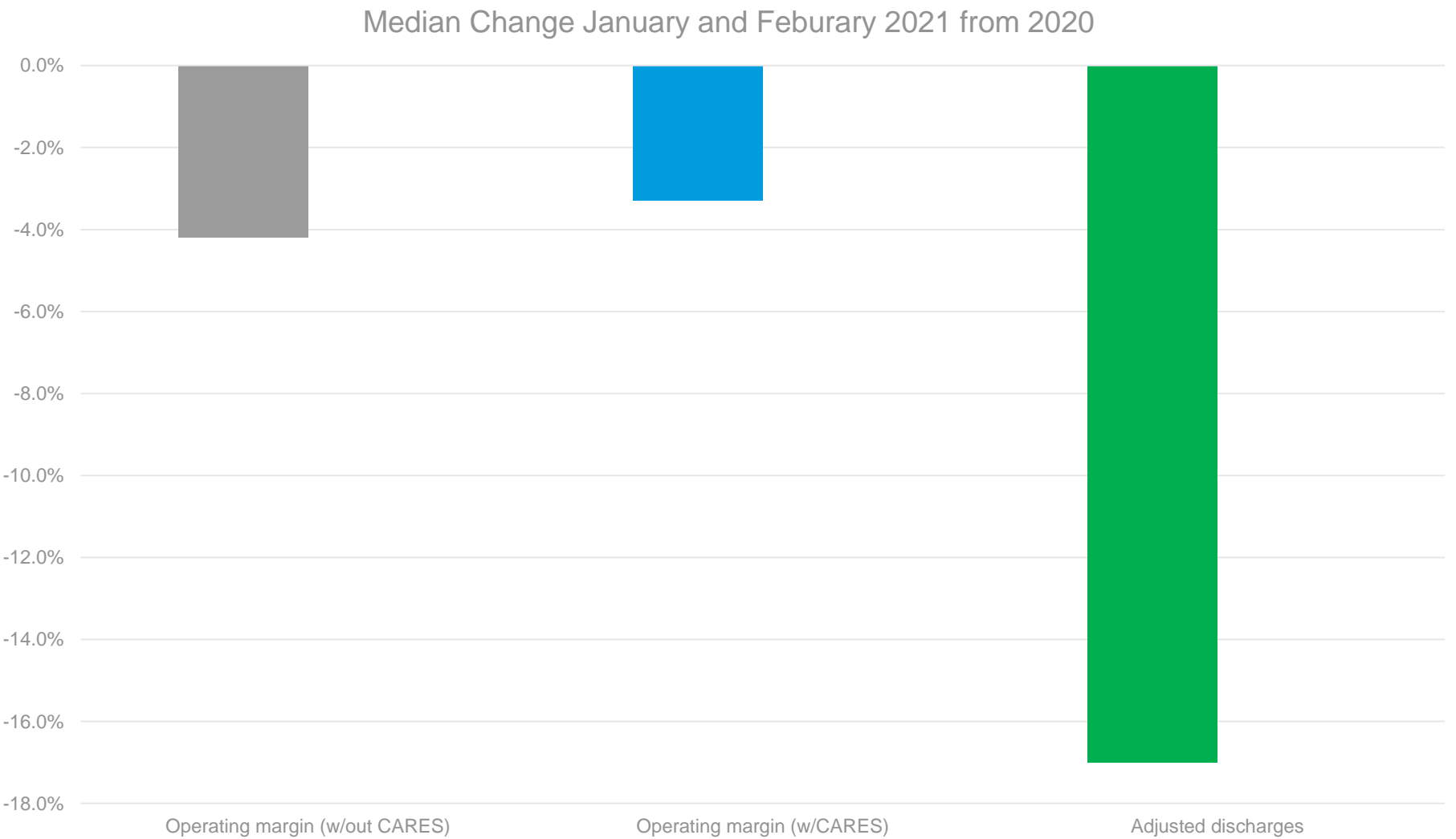| Topic	Time
Introduction	5
Industry Trends	20
Building a Strategic Finance Vision	15
Focusing on Finance Delivery	15
Establishing Foundational Processes, Controls and Governance	15
Automating Finance Processes	15
Q&A – Use the Chat! We will reply after the webcast.	5

INDUSTRY TRENDS

Unemployment

Unemployment Rate
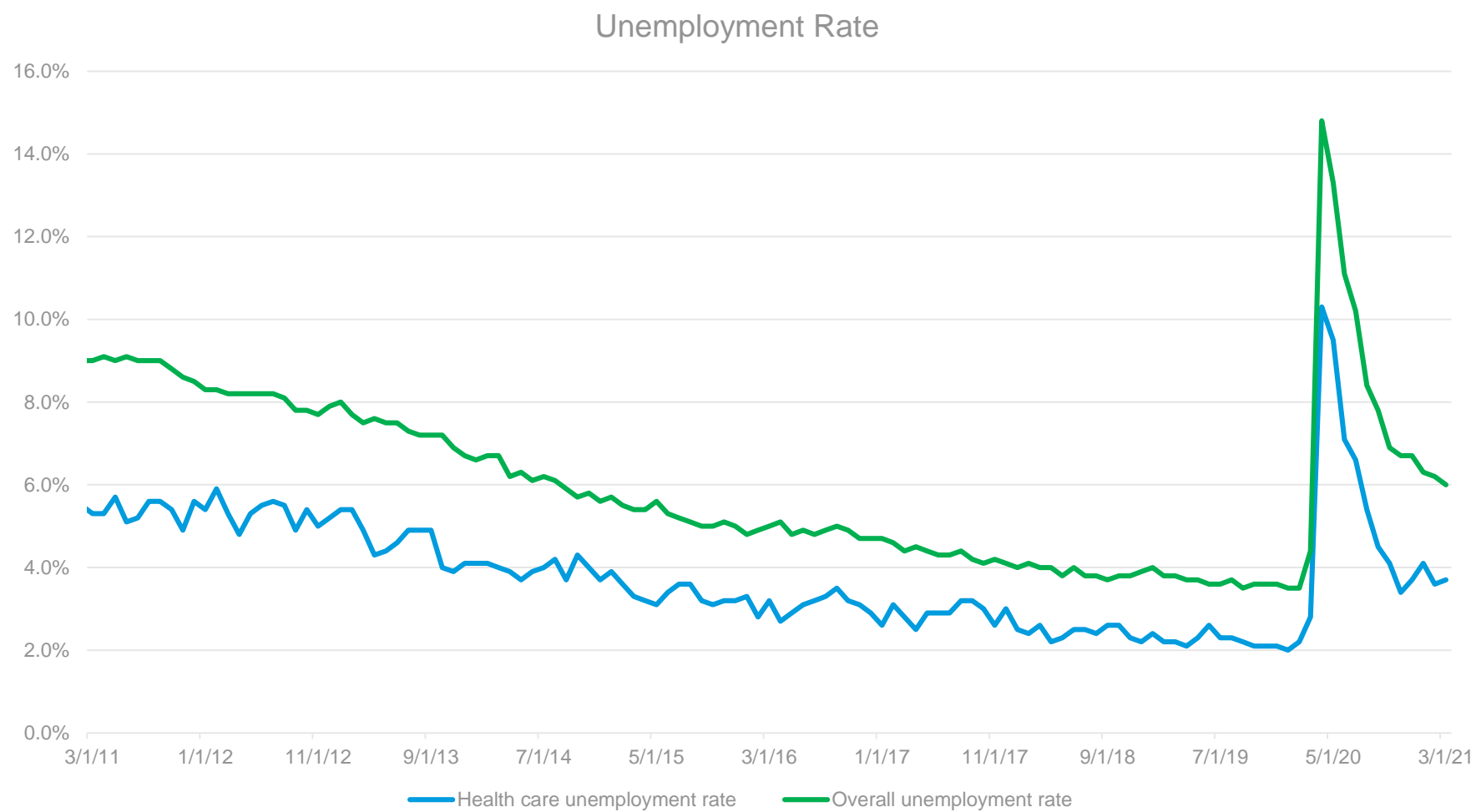
Source: U.S. Bureau of Labor Statistics

Margin

Median Change January and Feburary 2021 from 2020

Source: Kaufman Hall

Impacting the office of the CFO

Close faster

Ability to close, consolidate, and report up to

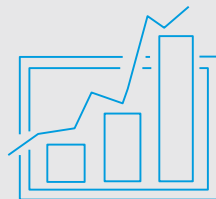## 50% faster

than average

Save money

Perform the finance & accounting function at over
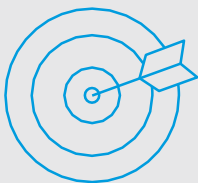
40% lower

cost than average

More analytical

Enable workforce to focus on analytical activities with

25% less

resources dedicated to transactional processing

More reliable

Improve data and reporting accuracy by

10%

versus the average

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BUILDING A STRATEGIC FINANCE VISION

Finance Operating Model ("FOM") Value

Defined

- An operating model is a representation of how finance will deliver value to its internal and external customers

- Comprehensive components are defined for a holistic view of the function to bring together a single view (i.e. people, process, technology, controls, etc.)

Levers of Value

- Each component represents an opportunity to unlock further value in the finance function

- Directly supports overall market strategy and be a competitive advantage to an organization

Holistic View of an Organization

- The design of each component of the operating model are interdependent and unlock benefits

- Most improvement is delivered when each component supports the functions of the others

- Integration of functions enables finance to operate seamlessly

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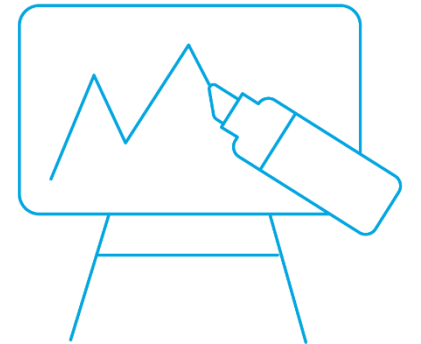
The innovative CFO: Becoming influential and driving value

The innovative CFO maximizes the value of a finance function through the alignment of strategic objectives with the planned design of the enterprise business model. The path to transforming and/or Innovating can be measured by the effectiveness of each component and is unique for each organization.

Sustainer
The organization has highly manual processes and outdated technology that impairs their ability to achieve business objectives

Transformer
The organization has begun to incorporate automation in processes and technology that improves their ability to achieve objectives consistently

Innovator
The organization leverages end-to-end integration throughout the business architecture that enables timely delivery of operational and strategic information to make critical decisions

SUSTAIN

TRANSFORM

INNOVATE

TARGET OPERATING MODEL

Organization & people

Technology

Policy, Controls & Compliance

STRATEGY

Process

Data & reporting

Performance management

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Office of the CFO: Target operating model

RSM's enterprise target operating model is an excellent tool to assess the client's current functional operating model, in order to create a business case for innovative change that supports your desired future state transformation.

Organization & People
Aligning people with specific roles and responsibilities within an organizational model that is responsive to change and utilizes formal programs for developing the next generation of leaders

Policy, Controls, & Compliance
Defining a common business language that is disseminated across the organization and identifying proper segregation of duties to balance cost, risk, security and privacy, and quality of output

Data & Reporting
Standardizing and governing data to balance source system supply with reporting and analytic demand

Strategy
Capturing and refining Finance strategy that empowers employees to become valued business partners that execute processes with targeted outcomes in alignment with business goals

Technology
Integrating transactional, storage, and reporting systems end-to-end to drive Finance automation across critical business processes and data elements

Process
Designing tasks and activities with clear ownership in order to execute business objectives with efficiency and effectiveness

Performance Management
Developing KPIs that align to strategic goals and enable operational efficiency and performance improvements that create enterprise value

Optimizing the office of the CFO
Becoming influential and driving value

Optimizing the office of the CFO

The CFO's role is to enable the enterprise to effectively execute its strategic vision by providing a high performing finance function that integrates operations, finance, accounting, reporting, and performance measurement
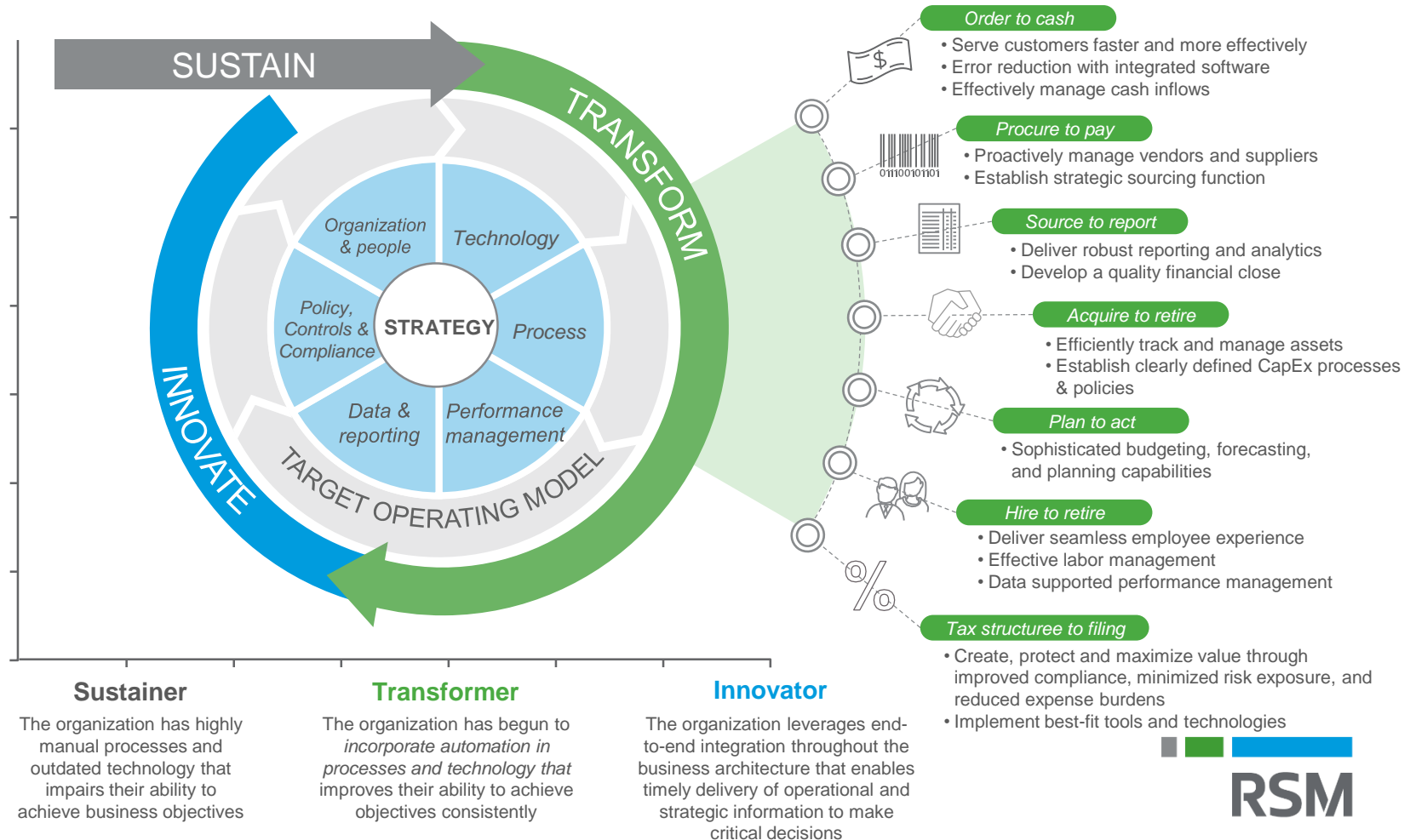
The innovative CFO maximizes the value of a finance function through the alignment of strategic objectives with the planned design of the enterprise business model. The path to transforming and innovating can be measured by the effectiveness of each component RSM's enterprise target operating model and is unique for each organization.

Creating a business case for innovative change that supports your desired future state transformation begins with assessing your current functional operating model, evaluating your strategic goals and positioning your function value additive to the enterprise.

Becoming influential and driving value | Starts with alignment of enterprise strategy and functional design

SUSTAIN

TRANSFORM

INNOVATE

TARGET OPERATING MODEL

- Organization & people
- Technology
- Policy, Controls & Compliance
- STRATEGY
- Process
- Data & reporting
- Performance management

Order to cash
- Serve customers faster and more effectively
- Error reduction with integrated software
- Effectively manage cash inflows

Procure to pay
- Proactively manage vendors and suppliers
- Establish strategic sourcing function

Source to report
- Deliver robust reporting and analytics
- Develop a quality financial close

Acquire to retire
- Efficiently track and manage assets
- Establish clearly defined CapEx processes & policies

Plan to act
- Sophisticated budgeting, forecasting, and planning capabilities

Hire to retire
- Deliver seamless employee experience
- Effective labor management
- Data supported performance management

Tax structuree to filing
- Create, protect and maximize value through improved compliance, minimized risk exposure, and reduced expense burdens
- Implement best-fit tools and technologies

Sustainer

The organization has highly manual processes and outdated technology that impairs their ability to achieve business objectives

Transformer

The organization has begun to *incorporate automation in processes and technology that* improves their ability to achieve objectives consistently

Innovator

The organization leverages end-to-end integration throughout the business architecture that enables timely delivery of operational and strategic information to make critical decisions

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FOCUSING ON FINANCE DELIVERY

Finance Delivery Model

In defining the Finance functions there are many models to serve internal and external customers to meet business needs, these models should be designed to focus on the organizations strategic objectives and scale overtime

- Individual BU's are close to the customer with a large delegation from the Corporate management
- Corporate has limited oversight on BU's that commit to multi year strategic plans focusing on meeting financial targets.
- Finance agenda is set by BU CFO; local level service
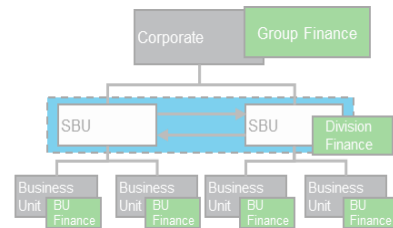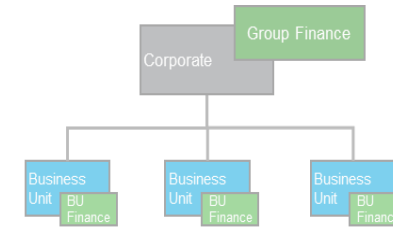
- SBUs link with Corporate to help make key decisions. Loose confederation across SBUs.
- Corporate moderately delegate planning and goal setting to SBUs
- Corporate and BU's share accountability for broad set of financial and operating metrics

- Corporate make key decisions and manage BU's
- Limited delegation to BU's, Corporate significantly accountable for financial and operating performance and dictate plans and goals to BU's
- Central group Finance executing all process types
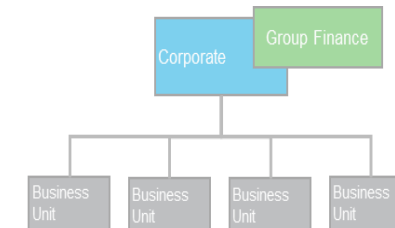
SBU = strategic business unit

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Process Delivery Models

Finance processes can be delivered through a combination of the following models coupled with outsourcing and/or off-shoring strategies, with a focus on what activities make sense at what level for every organization.
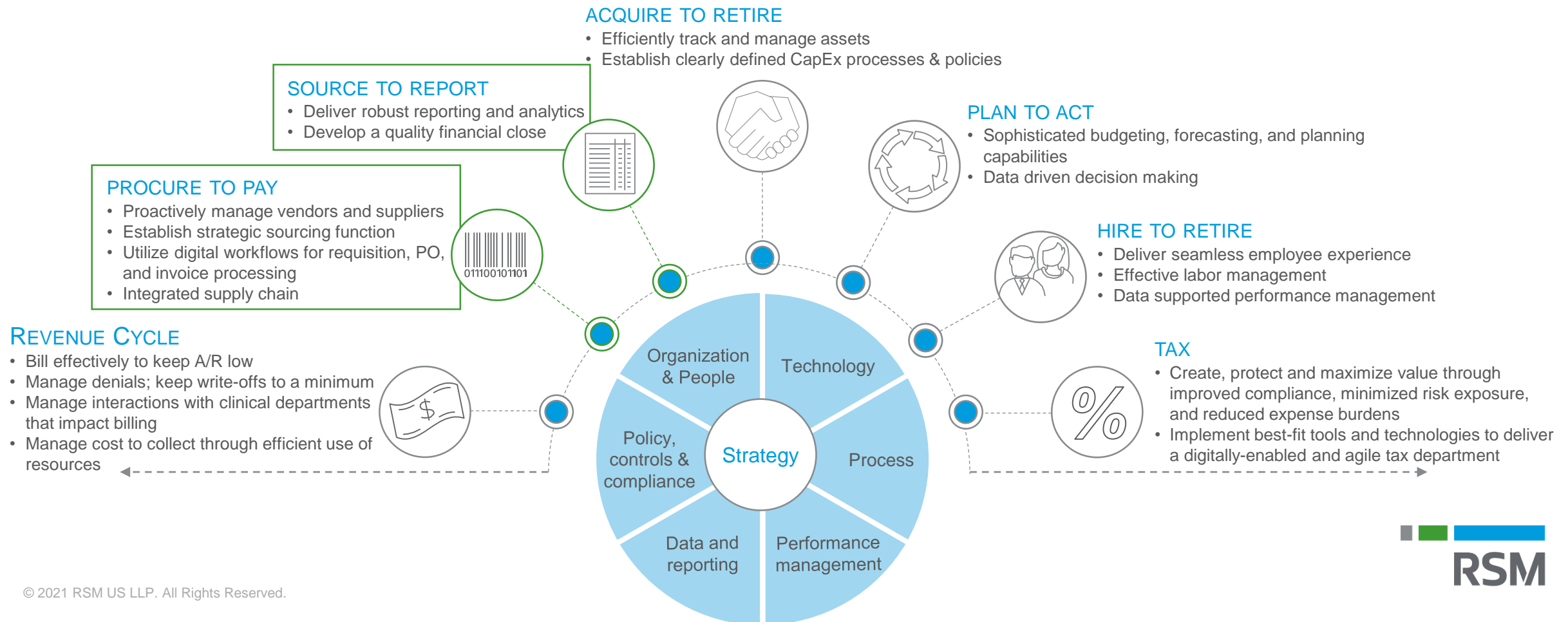
	Centers of Excellence	Shared Services	Specialist Services
Service Provided	• Analysis of financial results • Decision support • Management reporting • Customer service • Process improvement	• Transaction support (AP, FA, GL, AR) • Standard reporting • Data maintenance • Process improvement	• Tax support • Treasury • Audit • SOX compliance
Core Competencies	• Deep Business Unit (BU) knowledge • Personalized service • Financial analytics • Data mgt. and insight	• Standard and repeatable services which are scalable and adaptive • Customer service • Performance management execution	• Functional skills based on specific responsibility • Product innovation
Key Driver	• Leading Practice / • Standard Setting • Quality / Compliance	• Efficiency / Cost Reduction • Flexibility / Scalability	• Highly Specialized Knowledge • Quality / Compliance
Typical location strategy	• In-House and/or Offshored	• Outsourced and/or Offshored	• In-House (Some Outsourcing)

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ESTABLISHING FOUNDATIONAL PROCESSES, CONTROLS AND GOVERNANCE
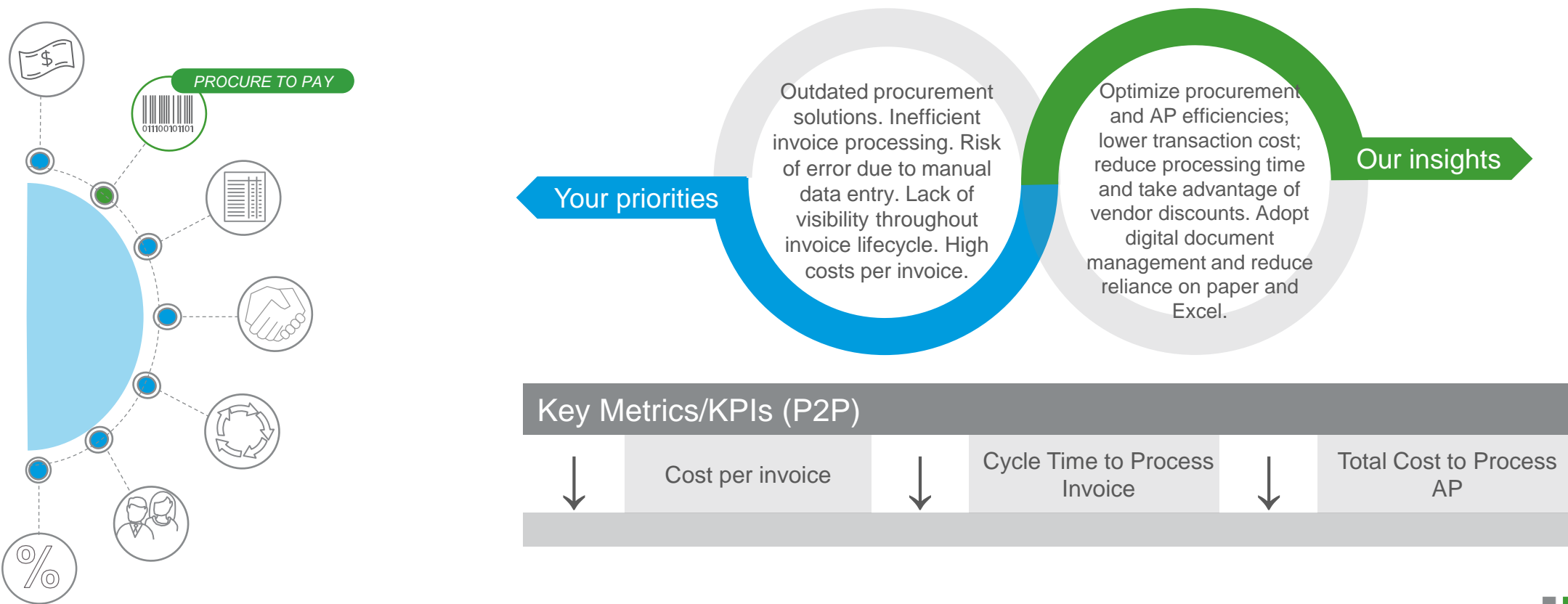
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Office of the CFO: Focus on value driven processes

The CFO's role is to enable the enterprise to effectively execute its strategic vision by providing a high performing finance function that integrates operations, finance, accounting, reporting, performance measurement, and risk management. A focus on value driven processes is critical to achieving the Target Operating Model.
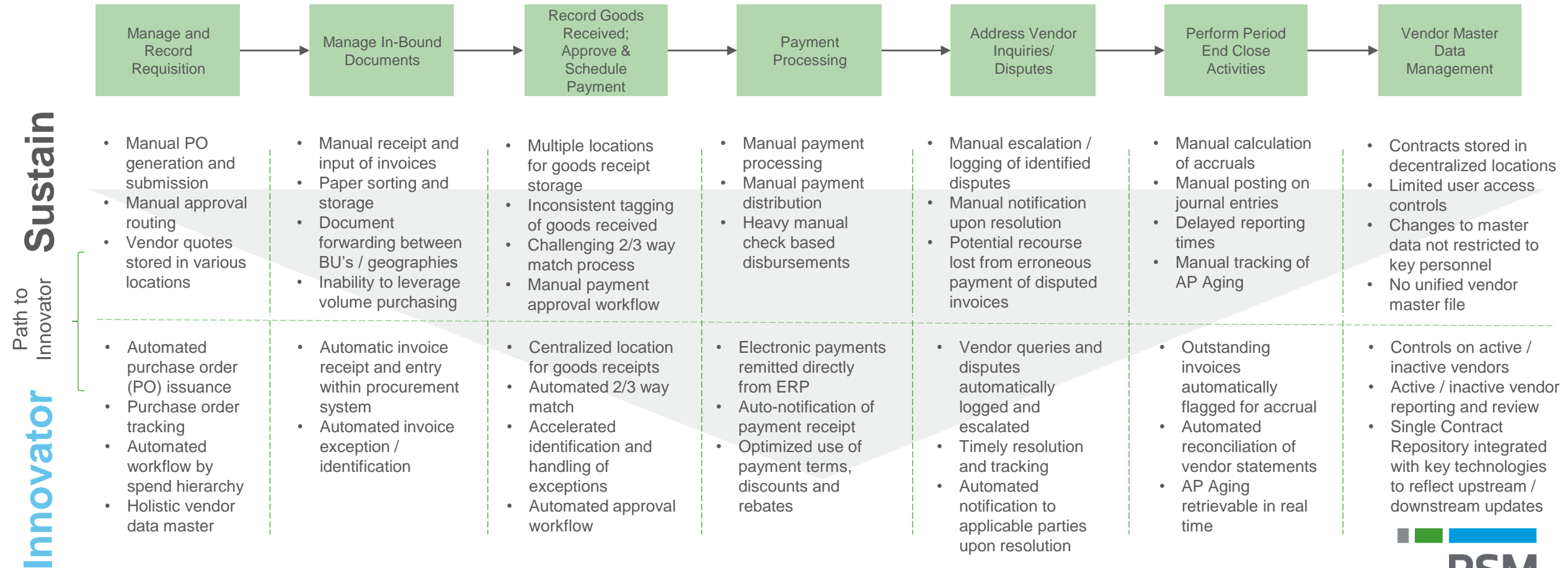
ACQUIRE TO RETIRE
- Efficiently track and manage assets
- Establish clearly defined CapEx processes & policies

SOURCE TO REPORT
- Deliver robust reporting and analytics
- Develop a quality financial close

PLAN TO ACT
- Sophisticated budgeting, forecasting, and planning capabilities
- Data driven decision making

PROCURE TO PAY
- Proactively manage vendors and suppliers
- Establish strategic sourcing function
- Utilize digital workflows for requisition, PO, and invoice processing
- Integrated supply chain

HIRE TO RETIRE
- Deliver seamless employee experience
- Effective labor management
- Data supported performance management

REVENUE CYCLE
- Bill effectively to keep A/R low
- Manage denials; keep write-offs to a minimum
- Manage interactions with clinical departments that impact billing
- Manage cost to collect through efficient use of resources

TAX
- Create, protect and maximize value through improved compliance, minimized risk exposure, and reduced expense burdens
- Implement best-fit tools and technologies to deliver a digitally-enabled and agile tax department

Organization & People

Technology

Policy, controls & compliance

Strategy

Process

Data and reporting

Performance management

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Procure-to-Pay: Insights, opportunities, transformative value

The procure-to-pay (P2P) process is essential to keeping operations running smoothly. Procurement efficiency is critical for companies looking to optimize their back office where the organization must find the correct suppliers, negotiate contracts, reduce spending, and automate the purchasing cycle.

PROCURE TO PAY

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Your priorities

Outdated procurement solutions. Inefficient invoice processing. Risk of error due to manual data entry. Lack of visibility throughout invoice lifecycle. High costs per invoice.

Optimize procurement and AP efficiencies; lower transaction cost; reduce processing time and take advantage of vendor discounts. Adopt digital document management and reduce reliance on paper and Excel.

Our insights

Key Metrics/KPIs (P2P)

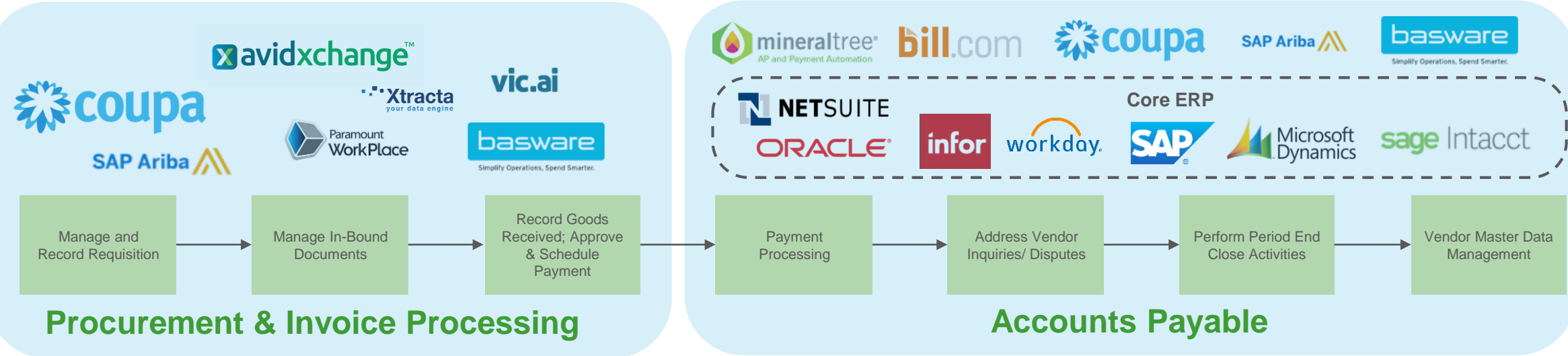| Cost per invoice	Cycle Time to Process Invoice	Total Cost to Process AP

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Procure-to-Pay: Maturity Alignment

A transition from a Sustainable to an Innovative Procure to Pay business process will enable organizations to become more efficient, scalable, effective, accurate, and controlled across people, process, and technology landscape.
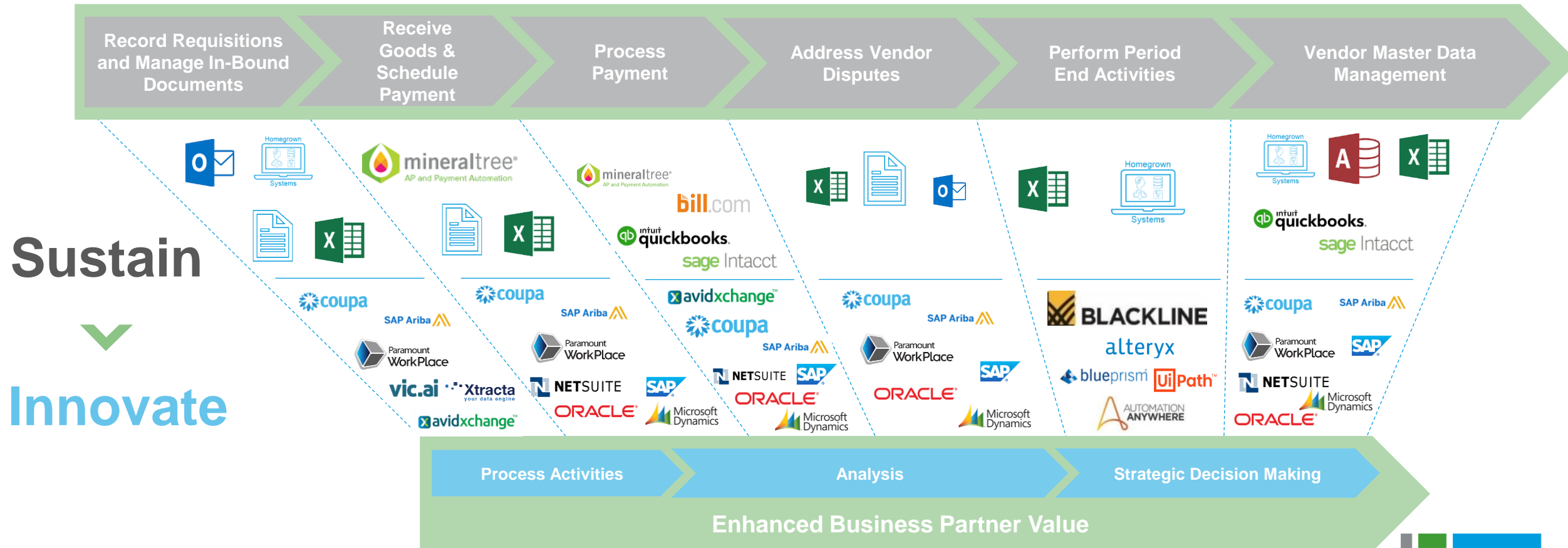
Manage and Record Requisition	Manage In-Bound Documents	Record Goods Received; Approve & Schedule Payment	Payment Processing	Address Vendor Inquiries/ Disputes	Perform Period End Close Activities	Vendor Master Data Management

Sustain

• Manual PO generation and submission • Manual approval routing • Vendor quotes stored in various locations	• Manual receipt and input of invoices • Paper sorting and storage • Document forwarding between BU's / geographies • Inability to leverage volume purchasing	• Multiple locations for goods receipt storage • Inconsistent tagging of goods received • Challenging 2/3 way match process • Manual payment approval workflow	• Manual payment processing • Manual payment distribution • Heavy manual check based disbursements	• Manual escalation / logging of identified disputes • Manual notification upon resolution • Potential recourse lost from erroneous payment of disputed invoices	• Manual calculation of accruals • Manual posting on journal entries • Delayed reporting times • Manual tracking of AP Aging	• Contracts stored in decentralized locations • Limited user access controls • Changes to master data not restricted to key personnel • No unified vendor master file

Path to Innovator / **Innovator**

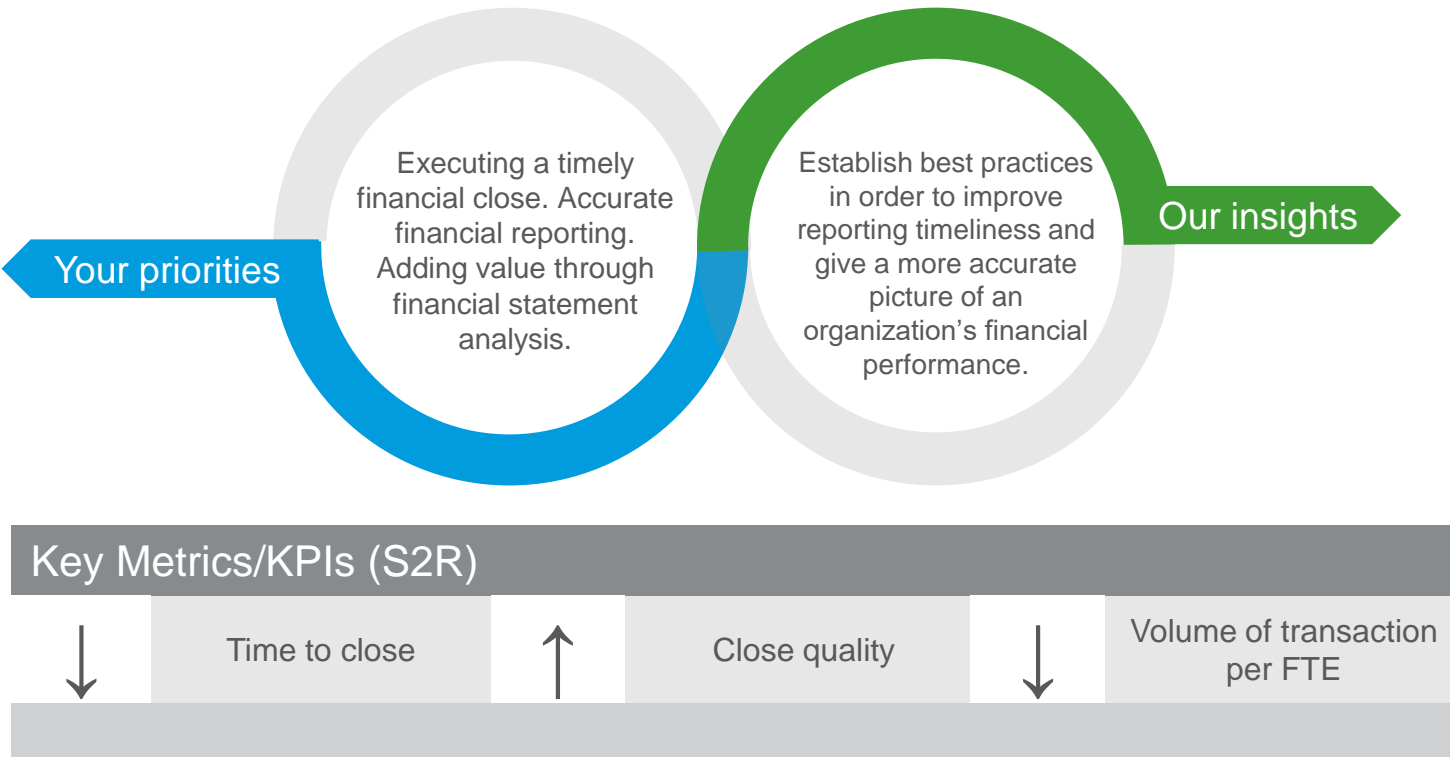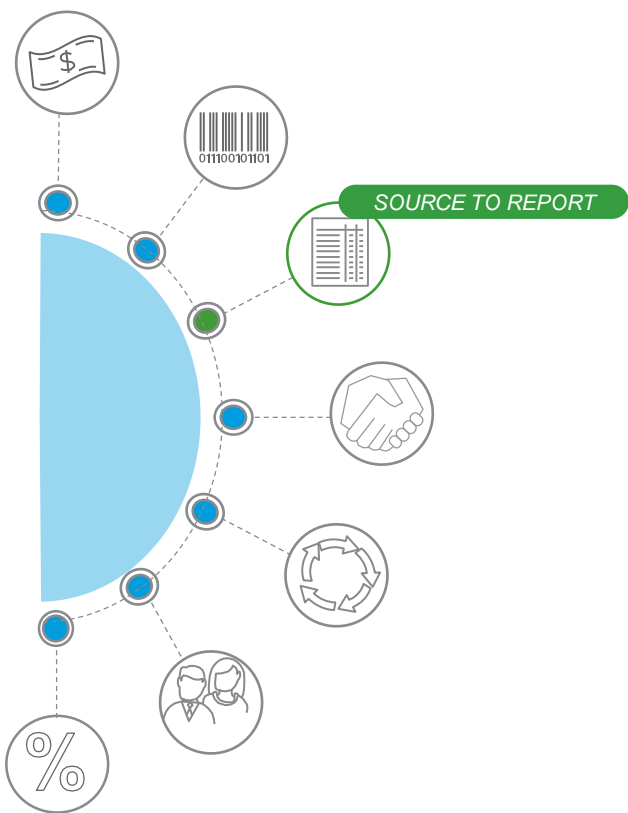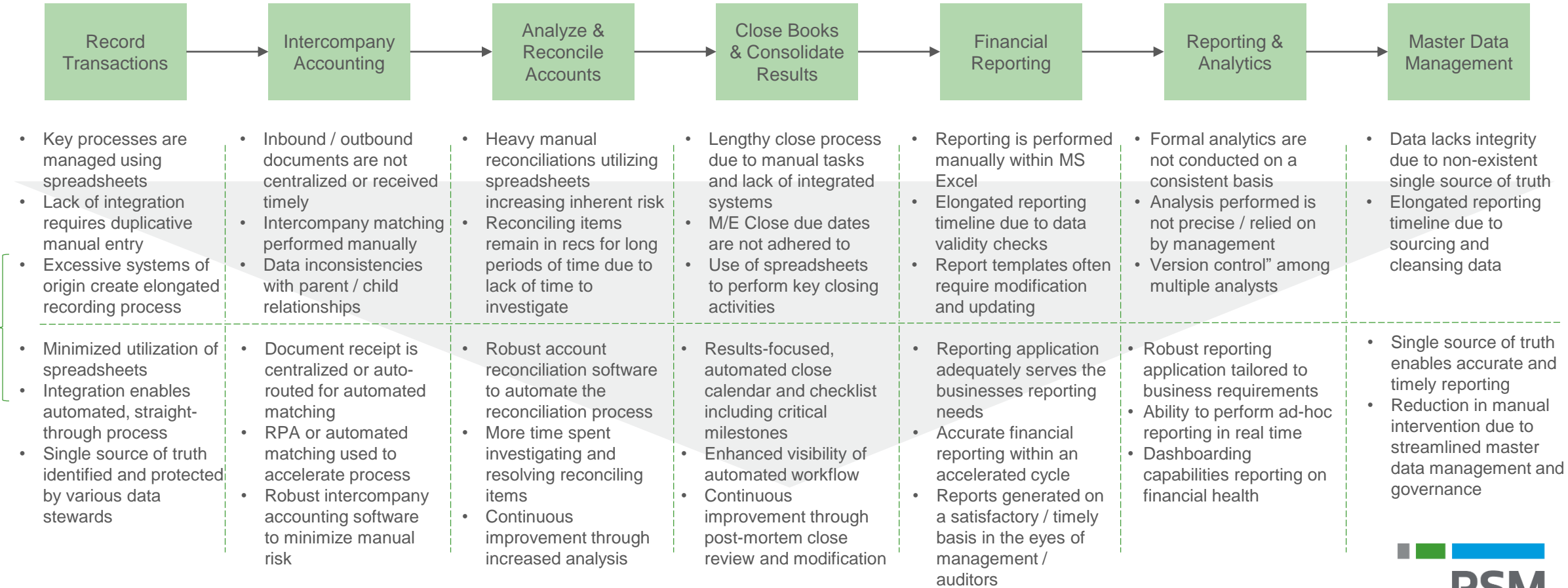|						
• Automated purchase order (PO) issuance • Purchase order tracking • Automated workflow by spend hierarchy • Holistic vendor data master	• Automatic invoice receipt and entry within procurement system • Automated invoice exception / identification	• Centralized location for goods receipts • Automated 2/3 way match • Accelerated identification and handling of exceptions • Automated approval workflow	• Electronic payments remitted directly from ERP • Auto-notification of payment receipt • Optimized use of payment terms, discounts and rebates	• Vendor queries and disputes automatically logged and escalated • Timely resolution and tracking • Automated notification to applicable parties upon resolution	• Outstanding invoices automatically flagged for accrual • Automated reconciliation of vendor statements • AP Aging retrievable in real time	• Controls on active / inactive vendors • Active / inactive vendor reporting and review • Single Contract Repository integrated with key technologies to reflect upstream / downstream updates

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Procure-to-Pay: Technology Alignment

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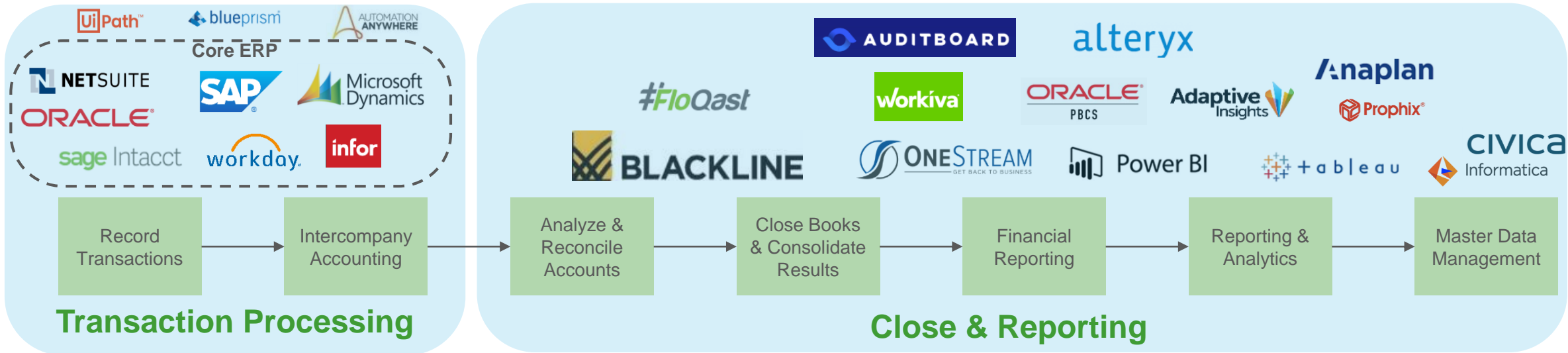

Procurement & Invoice Processing

Manage and Record Requisition	Manage In-Bound Documents	Record Goods Received; Approve & Schedule Payment

Accounts Payable

Payment Processing	Address Vendor Inquiries/ Disputes	Perform Period End Close Activities	Vendor Master Data Management

Innovator Leading Practices

• Automated purchase order (PO) issuance • Purchase order tracking • Automated workflow by spend hierarchy • Holistic vendor data master	• Automatic invoice receipt and entry within procurement system • Automated invoice exception / identification	• Centralized location for goods receipts • Automated 2/3 way match • Accelerated identification and handling of exceptions • Automated approval workflow	• Electronic payments remitted directly from ERP • Auto-notification of payment receipt • Optimized use of payment terms, discounts and rebates	• Vendor queries and disputes automatically logged and escalated • Timely resolution and tracking • Automated notification to applicable parties upon resolution	• Outstanding invoices automatically flagged for accrual • Automated reconciliation of vendor statements • AP Aging retrievable in real time	• Controls on active / inactive vendors • Active / inactive vendor reporting and review • Single Contract Repository integrated with key technologies to reflect upstream / downstream updates

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Procure-to-Pay: Digital Evolution

An organization's digital maturity evolves from Sustainable to Innovator through the use and implementation of applications and software. The graphic below shows a typical transformation as it relates to the software surrounding Procure to Pay.

Sustain

Innovate

Process stages (top arrow):
Record Requisitions and Manage In-Bound Documents | Receive Goods & Schedule Payment | Process Payment | Address Vendor Disputes | Perform Period End Activities | Vendor Master Data Management

Bottom arrow: Process Activities | Analysis | Strategic Decision Making

Enhanced Business Partner Value

Source-to-Report: Insights, opportunities, transformative value

A comprehensive Source-to-report (S2R) process involves providing financial, operational, and strategic information to understand how an organization is performing. The process is comprised of gathering, converting and delivering relevant, timely, and accurate information to both internal and external stakeholders.

SOURCE TO REPORT

Your priorities

Executing a timely financial close. Accurate financial reporting. Adding value through financial statement analysis.

Establish best practices in order to improve reporting timeliness and give a more accurate picture of an organization's financial performance.

Our insights

Key Metrics/KPIs (S2R)

↓ Time to close	↑ Close quality	↓ Volume of transaction per FTE

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Source-to-Report: Maturity Alignment

A transition from a Sustainable to Innovative Source to Report business process will enable organizations to become more efficient, scalable, effective, accurate, and controlled across people, process, and technology landscape.

Record Transactions	Intercompany Accounting	Analyze & Reconcile Accounts	Close Books & Consolidate Results	Financial Reporting	Reporting & Analytics	Master Data Management

Sustain

• Key processes are managed using spreadsheets • Lack of integration requires duplicative manual entry • Excessive systems of origin create elongated recording process	• Inbound / outbound documents are not centralized or received timely • Intercompany matching performed manually • Data inconsistencies with parent / child relationships	• Heavy manual reconciliations utilizing spreadsheets increasing inherent risk • Reconciling items remain in recs for long periods of time due to lack of time to investigate	• Lengthy close process due to manual tasks and lack of integrated systems • M/E Close due dates are not adhered to • Use of spreadsheets to perform key closing activities	• Reporting is performed manually within MS Excel • Elongated reporting timeline due to data validity checks • Report templates often require modification and updating	• Formal analytics are not conducted on a consistent basis • Analysis performed is not precise / relied on by management • Version control" among multiple analysts	• Data lacks integrity due to non-existent single source of truth • Elongated reporting timeline due to sourcing and cleansing data

Innovator

Path to Innovator

• Minimized utilization of spreadsheets • Integration enables automated, straight-through process • Single source of truth identified and protected by various data stewards	• Document receipt is centralized or auto-routed for automated matching • RPA or automated matching used to accelerate process • Robust intercompany accounting software to minimize manual risk	• Robust account reconciliation software to automate the reconciliation process • More time spent investigating and resolving reconciling items • Continuous improvement through increased analysis	• Results-focused, automated close calendar and checklist including critical milestones • Enhanced visibility of automated workflow • Continuous improvement through post-mortem close review and modification	• Reporting application adequately serves the businesses reporting needs • Accurate financial reporting within an accelerated cycle • Reports generated on a satisfactory / timely basis in the eyes of management / auditors	• Robust reporting application tailored to business requirements • Ability to perform ad-hoc reporting in real time • Dashboarding capabilities reporting on financial health	• Single source of truth enables accurate and timely reporting • Reduction in manual intervention due to streamlined master data management and governance

Source-to-Report: Technology Alignment

A transition from a Sustainable to an Innovative Source to Report business process will enable organizations to become more efficient, scalable, effective, accurate, and controlled across people, process, and technology landscape.

Transaction Processing

Record Transactions	Intercompany Accounting

Close & Reporting

Analyze & Reconcile Accounts	Close Books & Consolidate Results	Financial Reporting	Reporting & Analytics	Master Data Management

Innovator Leading Practices

• Minimized utilization of spreadsheets • Integration enables automated, straight-through process • Single source of truth identified and protected by various data stewards	• Document receipt is centralized or auto-routed for automated matching • RPA or automated matching used to accelerate process • Robust intercompany accounting software to minimize manual risk	• Robust account reconciliation software to automate the reconciliation process • More time spent investigating and resolving reconciling items • Continuous improvement through increased analysis	• Results-focused, automated close calendar and checklist including critical milestones • Enhanced visibility of automated workflow • Continuous improvement through post-mortem close review and modification	• Reporting application adequately serves the businesses reporting needs • Accurate financial reporting within an accelerated cycle • Reports generated on a satisfactory / timely basis in the eyes of management / auditors	• Robust reporting application tailored to business requirements • Ability to perform ad-hoc reporting in real time • Dashboarding capabilities reporting on financial health	• Single source of truth enables accurate and timely reporting • Reduction in manual intervention due to streamlined master data management and governance

Source-to-Report: Digital Evolution

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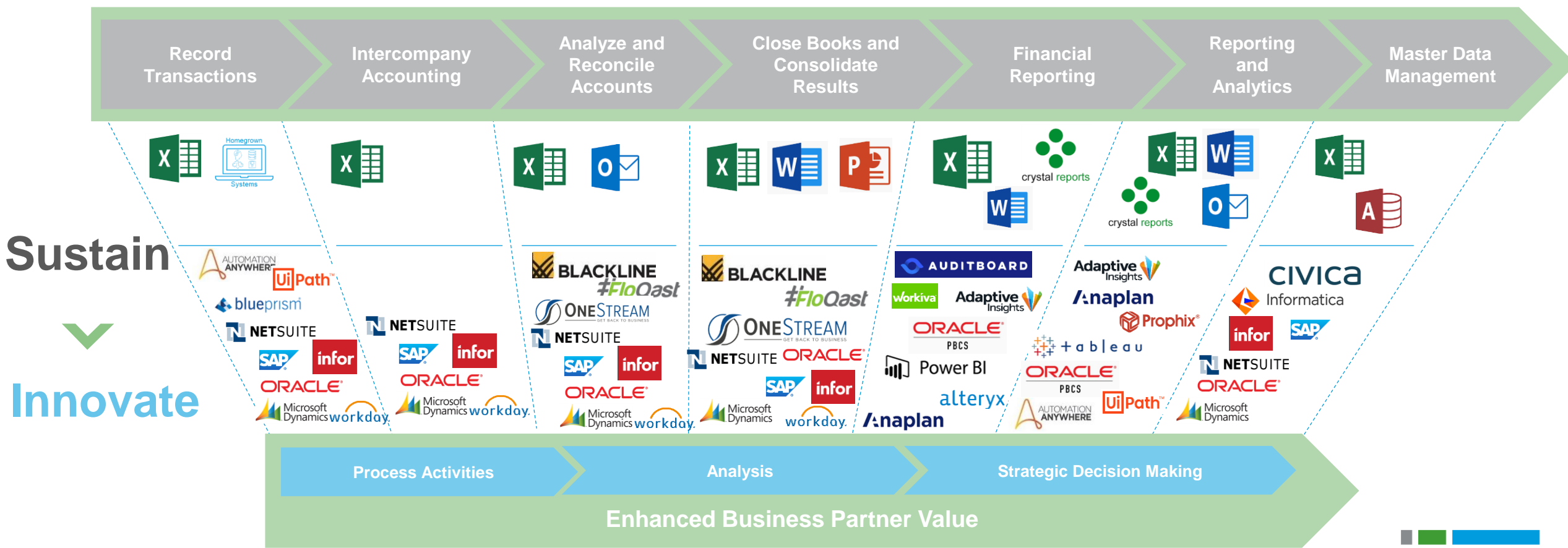
AUTOMATING FINANCE PROCESSES

Purposeful Automation

Automating a bad process simply makes a bad process run faster. Purposeful automation requires an approach to evaluate where and how the greatest impact can be achieved. **Optimized automation** frequently requires a **concert of technology platforms** to achieve the highest possible impact and value.
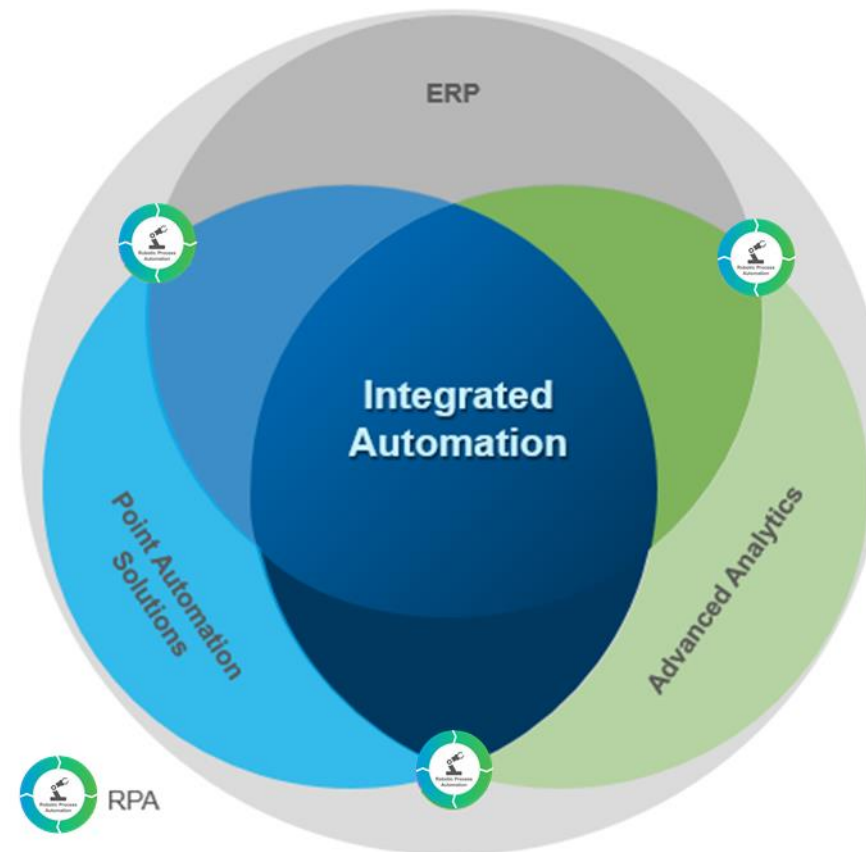
Business Solutions for the CFO

The CFO must consider **Technology Solutions** that **Improve Business Processes** and **Empower Data Governance** that align to the organization's **Strategy.**

Business Solutions

Operational Transaction Applications	**CRM** Customer Relationship Mgmt.	**ERP** Enterprise Resource Planning	**FCA** Financial Close Automation	**EPM** Enterprise Performance Mgmt.	**D&R** Data & Reporting Assets	**RPA** Robotic Process Automation

Functional Capabilities

• Business event capture • Event explode into accounting event (journal entry) • Point of Sale and order transaction Recording • Current System Authority • Reservations • Shipping	• Customer Tracking • Sales Growth Analysis and Forecasting • Customer Master Data Management • Sales Pipeline Analytics • Interaction Management • Relationship Management	• Data Integration • Subsidiary Ledger • General Ledger • Accounting Rules • Accruals & Amortization • Consolidation / Elimination • Financial Reporting • Mgmt. Accounting	• GL Account Reconciliations • Task Management • Variance Analysis • Transaction Matching • Journal Entry Management • Intercompany Hub • Allocation Accounting	• Budgeting, Forecasting, & Modeling • Scenario Planning • Financial Consolidation • Hierarchical Views • Performance Analytics • Transactional & Variance Analysis	• Data Warehousing • Reference and Master Data Management • Data & Reporting Cataloging • Data Lakes / Marts / Operational Data Stores • Data visualization • Self-service BI • Big Data	• Bot deployment for structured, repeatable, and logic-based tasks • Handles high volume tasks at a rapid rate • Cost savings on overhead • Data analytics for tasks

Benefits

Automated Accounting Events and Source Transaction Record	**Enhanced Customer Relationship Insights and Pipeline Management**	**Centralized data source for financial accounting and reporting**	**Consolidated financial suite with efficient financial close and analysis**	**Enhanced operational visibility and automated financial planning and analysis**	**Authoritative data storage and information presentation areas**	**Improved task productivity and reduced operational costs**

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Evolving Finance Systems & Data Architecture

A target operating finance system and data reference architecture provides a single path to authoritative data needed by all users for their business needs. This **Transforms** a Finance function from a **Sustainer** to **Innovator.**

Business users demand for data, operational reporting, analytics, and visualization can drive Finance employees into data loops where more energy is expended getting to answers than using them!
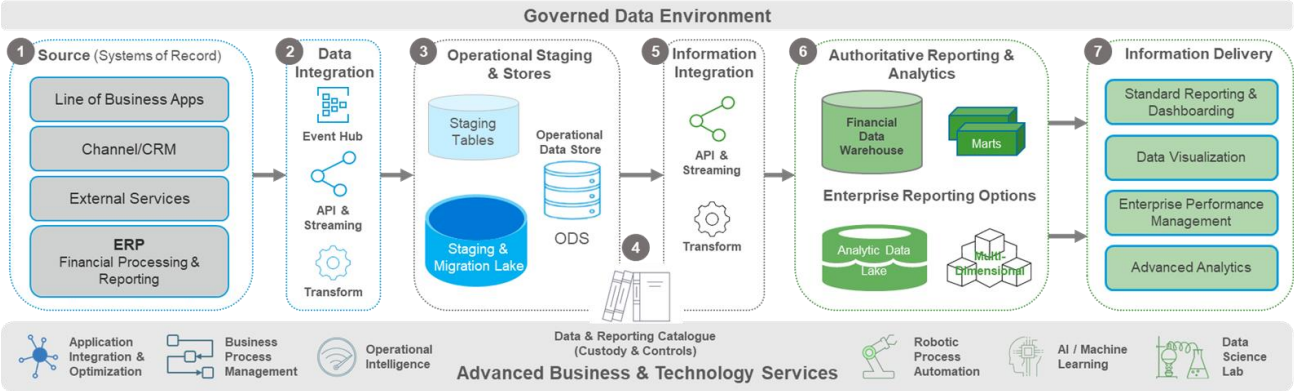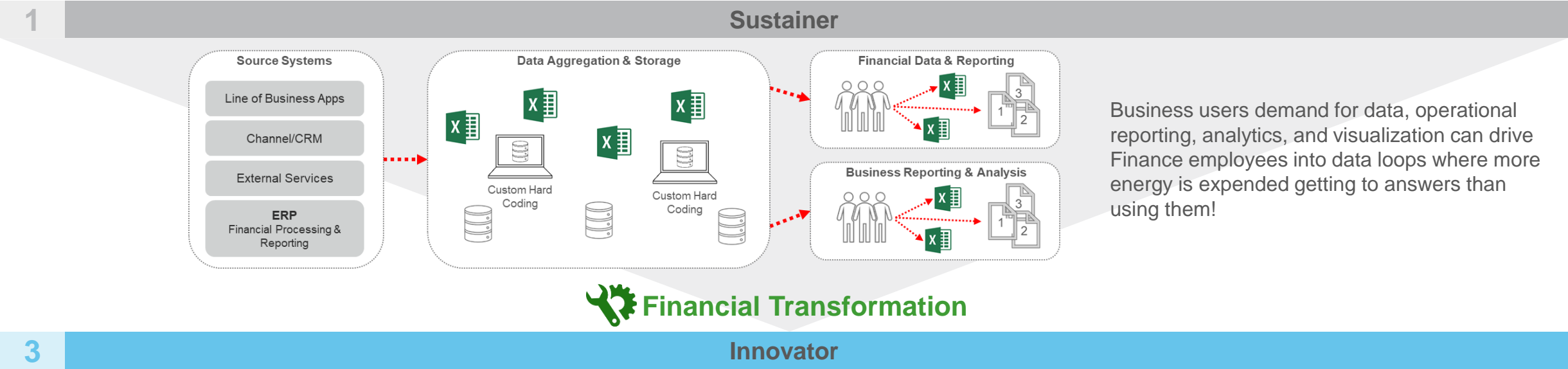
A careful combination of a business data/reporting strategy, ongoing clarity of financial priorities and requirements, and collaboration with technology services can apply proven architectures and services to deliver insightful information to empower business impact.

Financial Architecture Transition Path

To achieve target state and become an Innovator, Finance organization's must undergo significant transformation initiatives, that move from transactional processing modes into an interim level state, and ultimately into an innovative and modern finance and system data architecture.

Sustainer **1** **Transformer** **2** **Innovator** **3**
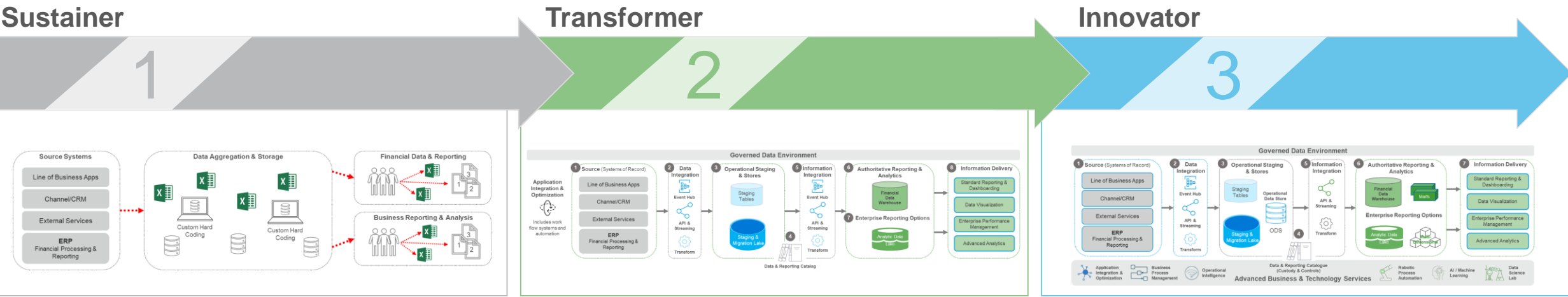
Workstreams and Key Transformation Activities

- Program & Project Management
- Business Process Improvement
- Data Management & Controls Implementation
- Reporting & Analytics Standardization
- Solution Architecture Design
- Organizational Change Management

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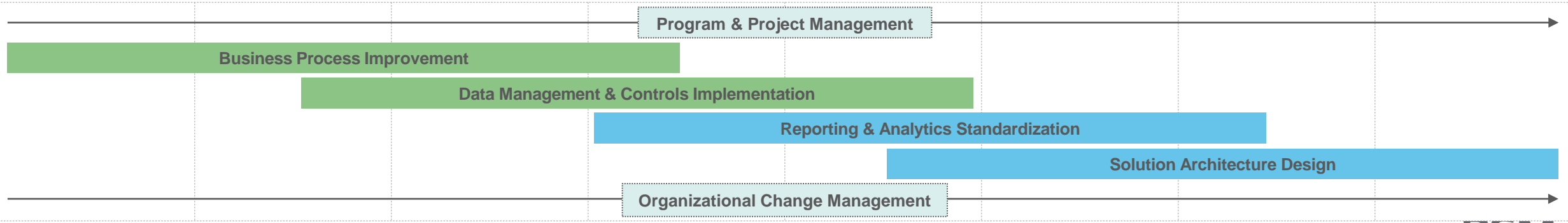
Success Story

Client Objectives

Client burdened with legacy processes and technologies that were over-customized and underleveraged. Aspirations for future acquisition growth required innovation and the need to modernize how to aggregate, manage, analyze and report on operational and financial information:

| **Business Process Design** | **Applications Architecture** | **Clinical Infrastructure** | **Data Management and Governance** |

The Organization achieved the following objectives:

- Evaluated the current state of the business as it relates to client's 1) Electronic Medical Record (EMR), 2) Financial Management (ERP), 3) Human Capital Management (HRIS), and 4) Clinical Infrastructure

- By way of documentation and findings, including leading practices and shared client experience, hypothesized a desired future state that supports the long term vision and strategy

- Performed a stress test of the modifications and changes, as a means to validate the recommendations and initiatives necessary to transition to the future state

- Prioritized and sequenced initiatives by way of a detailed and executable roadmap that helped guide client transition into the future logically

The future state technology stack comprised of:

- EMR and related integrated applications

- ERP integrated to EPM, Blackline, Lease Accounting Software

- HRIS, including Applicant Tracking System and BenefitsAdministration tool

- Data warehouse as single source of truth and business intelligence tools for visualization

Project Scope & Activities

Electronic Medical Records, Finance, Human Resources, Infrastructure Assessment

- Evaluate current state processes and identify pain points
- Document initial business requirements and deliver preliminary recommendations
- Conduct future state design sessions, compile taxonomy and identify business requirements for future state design
- Aggregate future state process quick wins, foundational and transformational project portfolio
- Prioritize project portfolio and compile roadmap for execution

Data Strategy, Reporting and Governance

- Guidance to enable development of data warehouse and future state data strategy and application architecture

Program Management and Executive Support

- Overall guidance on program direction and advising Executives on their digital transformation initiatives

Impact & Results

Decrease

- Non-standardized policies and procedures
- Manually intensive processes
- Data governance and management challenges
- Inadequate application architecture to support key business processes

Increase

- Value driven and scalable processes
- System integration and data management
- Automation
- Positive patient and therapist experience
- Growth capacity

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QUESTIONS AND ANSWERS

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