workday.

eBook

Five Forecasting Best Practices for Healthcare Organizations

The importance of business agility.

What’s keeping you up at night?

In today’s changing world, healthcare organizations must be prepared to respond and adapt quickly amid ongoing uncertainty. From fluctuating patient volumes, to changes in payor mix, to mergers and acquisitions, health systems and other providers have a lot to plan for.

So how can organizations stay ahead of shifting internal and external drivers? How can leaders feel confident in their plans when change is the only constant?

The key to thriving is business agility. A powerful, flexible enterprise planning platform enables your finance team to incorporate changes as they happen—without skipping a beat. Healthcare organizations can run any number of what-if scenarios to prepare for what’s next. By modeling the financial impact of various decisions, you can go on a ‘test run’ with your scenarios, and see how it will affect your most important initiatives.

Read this eBook to understand how healthcare organizations like yours have replaced one-off annual plans with agile forecasts and timely data, so your organization can sharpen insight, reduce risk, and operate with agility.

#1

Challenge

Enable rolling forecasts.

Say you'd like to update payor mix and patient visits to reflect your Q1 actuals. Next you need to revise patient revenue numbers. What will all of this mean for your Q4 cash position? It should be easy enough, but this one "small" change triggers a waterfall of updates consuming hours, days, or even weeks—particularly if you do your planning on spreadsheets.

After all, spreadsheets work great for individual back-of-the-envelope analysis, but an organization relying on a web of lookups glued together with copy-and-paste makes forecasting time-consuming and error-prone.

Finance professionals say they take an average of 77 days to complete an annual budget and 20 more to perform a forecast, according to the Association of Finance Professionals. With a cycle that slow, it's difficult to provide a rolling view of the organization or make time for strategic analysis.

> "A couple of months after we went live with our annual budget process, we pivoted to month-to-month forecasting in just four days.
>
> Director of Financial Planning and Operational Analysis, Christiana Care

Best practice

Implement a cadence that allows you to ingest actuals on an automated basis. Then easily adjust drivers in your model so you can provide an always-on rolling forecast.

77 days working up annual plan

20 days preparing forecast

Day 98 plan is obsolete

#2

Challenge

Keep everyone on the same page.

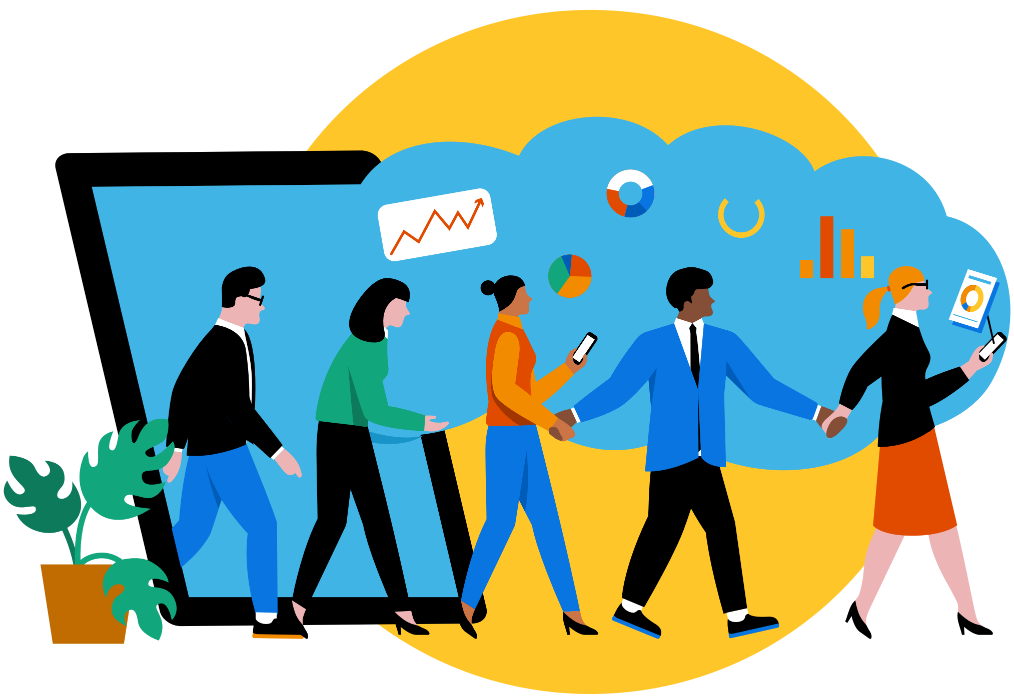
Are we all aligned on the numbers? A solid plan requires a comprehensive model to ensure that everyone is on the same page and has access to the latest data.

And with data coming from multiple sources—revenue and expenses from your ERP, personnel from your HR or payroll system, as well as patient and procedure data in your electronic health record and operational systems—relying on disconnected spreadsheets becomes problematic. You'll end up with decisions that are delayed or, worse yet, based on stale data.

Best practice

Toss out the spreadsheets and use a specialized platform that incorporates the latest data to drive your KPIs. Establish a single source of truth for the entire organization—so everyone's on the same page.

> "With Workday Adaptive Planning OfficeConnect capabilities, data updates are automatic. That means board book presentations can be prepared in a matter of hours, as opposed to the week it took previously.
>
> VP Business Operations, Kindred at Home



#3

Challenge

Model multiple what-if scenarios concurrently.

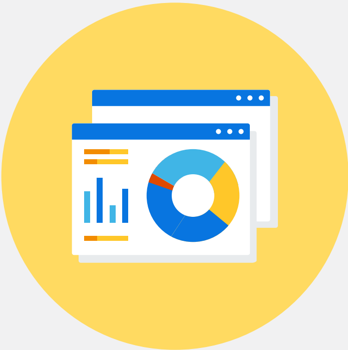
Driver-based models that span the full gamut of operational metrics such as revenue by service and location, patient insurance type, and number of daily visits per physician, enable organizations to run the holistic what-if scenarios necessary to support critical resource allocation decisions.

Models ought to be able to answer questions like, What happens if we expand ambulatory care services? What are the impacts of increased insurance claim processing times?

Businesses today need to be agile. And finance teams need the flexibility to spin off multiple scenarios at a moment's notice in order to explore the implications of possible strategic decisions.

Best practice

With the right platform, this kind of complex planning can be fast and easy—and far more flexible than traditional spreadsheet-based planning. You can easily change assumptions and quickly see results. Then take all the time you need to analyze the implications.



> "We love Workday Adaptive Planning because we get a central view of our data through which we can easily make changes to budgets and forecasts on the fly.

Director of Finance & Accounting,
UCF College of Medicine

#4

Challenge

Get business partners to own the plan.

When plans are locked up on an FP&A analyst's hard drive, business owners have difficulty accessing their KPIs. This creates a lack of ownership and accountability for the results—it becomes "finance's number" instead of their own.

Critical KPI data—average treatment charge, claims denial rate, staff-to-patient ratio, average number of beds occupied, and more—needs to be in the hands of decision-makers. Getting answers to ad hoc questions shouldn't be a multi-day, one-off exercise for an FP&A analyst.

Best practice

Empower stakeholders with real-time, self-service access to the data they need, and the plan will become theirs. A dashboard allows budget owners outside of finance to easily review KPIs and see the impact of their decisions without having to put requests into finance.

> "The ease of use of Workday Adaptive Planning gives us more buy-in from the nurses who manage the budgets across our 600 locations.
>
> VP Business Operations,
> Kindred at Home

#5

Challenge

Integrate top-down with bottom-up models and assumptions.

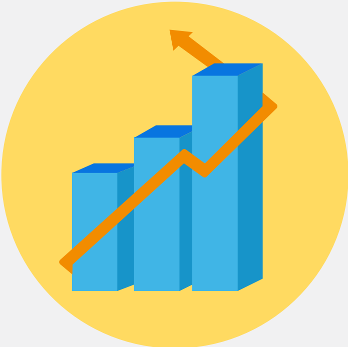
Guidance from executives and board members typically starts with top-down metrics—payor mix, net revenue, capital plans, volume drivers, market changes, and more. But building an operational plan that you can execute against also requires detailed ground-up assumptions.

So when it comes to building a model, the FP&A team is left with a choice: Should we start from a growth rate and make margin and ratio assumptions (top-down)? Or with a detailed personnel roster and trial expenses (bottom-up)?

Picking one leaves you with a plan reflecting only half the business. Doing both in spreadsheets is tough because the two models remain disconnected, and you're left with a manual goal-seek or copy and paste exercise to make sure everything syncs up (and good luck with that).

Best practice

Combine high-level, top-down growth and margin-based models with a detailed bottom-up model that includes staffing requirements, net revenue by patient type, service type, and payor mix in a single platform. Then quickly and easily reconcile differences and identify gaps.



> “Workday Adaptive Planning helps us to meld our financial data and nonfinancial data together to create a unified plan, which we could not do before.
>
> Director of Finance & Accounting,
> UCF College of Medicine

Your journey to agile planning starts here.

Modern cloud finance solutions like Workday Adaptive Planning allow you to:

- Gather data in real time—Invest your time in picking the right planning process that eliminates the need for manual data gathering, making you efficient enough to be able to produce rolling forecasts.
- Involve everyone in planning—Get everyone in the organization involved in the planning process by giving them access to real-time data. And let business partners 'own' their numbers.
- Utilize multiple scenario planning—Your driver-based models should be flexible enough to allow you to change multiple assumptions and immediately see the impacts across the business, so you can respond accordingly.
- Take advantage of the best of both worlds—Combine high-level top-down growth and margin-based models with detailed bottom-up personnel rosters and schedules in a single platform so you can quickly reconcile differences and identify gaps.

Learn more about how planning is transforming organizations like yours.

About Workday

Workday is a leading provider of enterprise cloud applications for finance and human resources. Founded in 2005, Workday delivers financial management, human capital management, planning, and analytics applications designed for the world's largest companies, educational institutions, and government agencies. Organizations ranging from medium-sized businesses to Fortune 50 enterprises have selected Workday.

To learn more, visit https://www.adaptiveplanning.com

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