

## FINANCIAL – Inefficiencies

The inefficient use of financial resources in a healthcare organization can have a negative impact on service delivery, employee retention and performance, or community partnerships. The inefficient use of financial resources may also impact an organization's ability to meet their strategic priorities. This risk relates to service disruption and inability to provide patient centered care due to inadequate resources and failure to execute on the capital plan. This document contains information entered by HIROC subscriber healthcare organizations (acute and non-acute) in the Risk Register application to help you in your assessment of this risk.



### Ranking / Ratings<sup>1</sup>

- Likelihood – average score 2.95
- Impact – average score 2.90

**The Risk Register allows for risks to be assessed on a five-point likelihood and impact scale, with five being the highest.**

### Key Controls / Mitigation Strategies

- Financial Policies and Oversight
  - ✓ Finance & Audit Committee / Board of Directors governance and oversight
  - ✓ Clinical Utilization Committee
  - ✓ Annual planning process to establish spending for the fiscal year:
    - Undertake long range planning exercises to anticipate cost pressures, and develop mitigation strategies
    - Explore opportunities for revenue and funding optimization
    - Evidence informed decision making
  - ✓ Monthly portfolio meetings with leadership to discuss variances, identify issues, develop mitigation strategies and action plans
  - ✓ Reporting and analysis tools with capabilities and technology in place to consolidate information from various areas / teams, allow for comprehensive analysis, and support informed decision-making
  - ✓ Increase awareness of resource utilization
  - ✓ Validate, share and align utilization metrics, targets, and standards
  - ✓ Innovative ways to provide exceptional patient care with efficient staffing models
    - Approval process for changes in staffing levels
  - ✓ Centralization and standardization of activities, processes, controls and functions
  - ✓ Leadership training and education on financial management
- Financial controls
  - ✓ Financial internal controls to ensure:
    - Financial information is reliable, accurate, authorized, complete and timely
    - Key information and transactions are approved within the approved framework
    - Corporate governance is compliant with applicable laws, rules and internal policies
    - Internal processes are compliant with applicable laws, rules and internal policies
  - ✓ Leverage finance systems for automated controls (e.g. approve via workflow)
  - ✓ Segregation of duties is maintained in all areas to reduce the risk of fraud or error
  - ✓ Account reconciliations and analysis
  - ✓ Signing authority policies
  - ✓ Annual financial statement audit
  - ✓ Standard month end close process



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- ✓ Internal audit process
- ✓ Finance transformation project (strategic initiatives aimed at improving finance within the organization) approved by senior management and board
- ✓ Enhance procedural checklists
  
- Capital budgeting
  - ✓ 5 Year capital planning and capital forecasting processes
  - ✓ Capital detailed budgets required for all new projects
  - ✓ Finance review of all requisitions over certain amounts (e.g. \$50K)
  - ✓ Process in place for requests to re-purpose funding
  - ✓ Monitoring by capital committee and senior management
  - ✓ Individual accountability (e.g. executive lead)

### Monitoring / Indicators



- Regular reporting to leadership teams and /or finance department:
  - Variance reports (actual spending vs. planned / budgeted spending) and historic trending to identify areas of risk, develop required actions / mitigations, and monitor progress
  - Month end financial reports
  - Productivity rates dashboards, with drill down functionality available for various detail levels (e.g. cost centers, departments, programs)
  - Key indicators (e.g. total margin, current ratio, cost per weighted case)
  - Total paid hours (combined Unit Producing Personnel (UPP) and Management and Operations (M&O) worked hours) and the percent change compared to the previous year
  - Clinical utilization data:
    - Comprehensive data collection and process performance reporting
    - Hours per patient days (HPPD) (e.g. actual vs. budgeted)
    - Actual vs. expected length of stay (LOS) (e.g. inpatient units, emergency department)
- Review of contractual agreements to:
  - Ensure compliance with project approval limits
  - Identify and address gaps and opportunities
  - Ensure they are priced competitively
- Consistent approach, definitions, and metrics to various services (e.g. cost/meal day) offered across the system / region to ensure accurate reporting and benchmarking
- Feedback from patients, families, staff, senior leadership
- Number of lean continuous improvement projects completed / implemented
- Performance metrics (e.g. clinician-level, patient group-level)
- Education / training (% completion)
- Overtime hours
- Sick time / leave
- Vacancy rates