

# Fed Up With Traditional Budgeting? Hello, Dynamic Planning!

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# Challenges with Traditional Planning Processes

## Resource Intensive

The annual budget process typically lasts 4-6 months and requires 20-30% of senior executives and financial managers' overall annual time.

## Lack of Relevance

Leadership and Finance agree that the budget is soon out date after completed; 33% believe the budget is out of date w/in the first month.

## Gaming the Process

Managers incentivized to meet budget targets (not optimal performance) leading to target padding and missing the opportunity to improve.

## Sense of Entitlement

Managers look to preserve their "piece of the pie", thus spend all available dollars to keep future budgets from shrinking.

## Lack of Agility

Plan is updated once a year resulting in organization's inability to adjust based on changing business conditions.

## Lack of Accountability

Managers lack buy in, fail to review reports and question targets rather than taking action/driving improvement.

## The 3 numbers that matter...

**20,000+ hours**

spent developing the annual budget

**6 months**

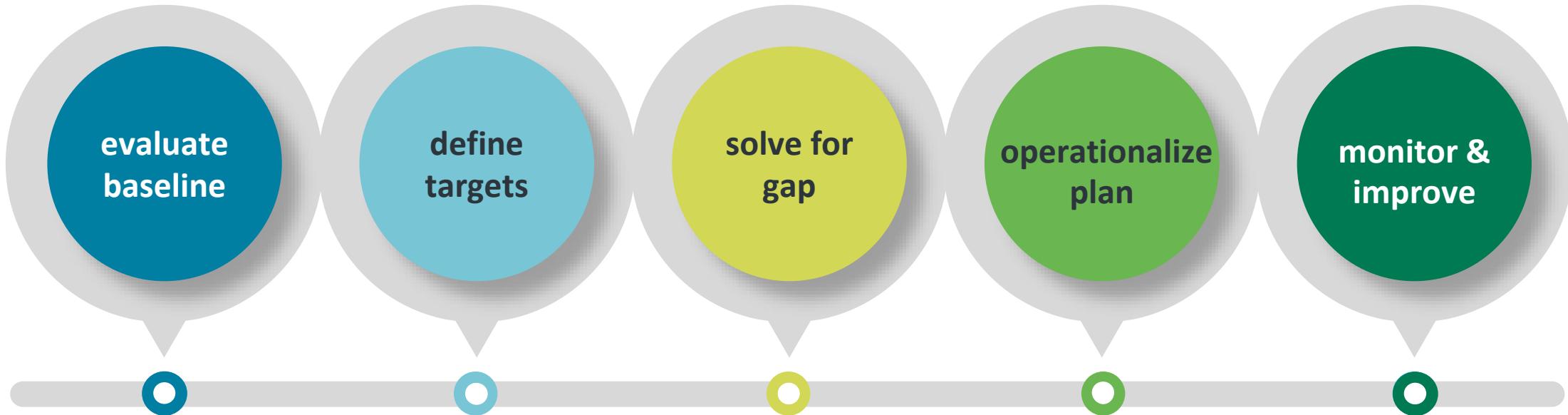
duration of most budget processes

**66% of CFO's**

say budget is no longer relevant after Q1



# Typical Financial Planning, Analytics and Performance Processes

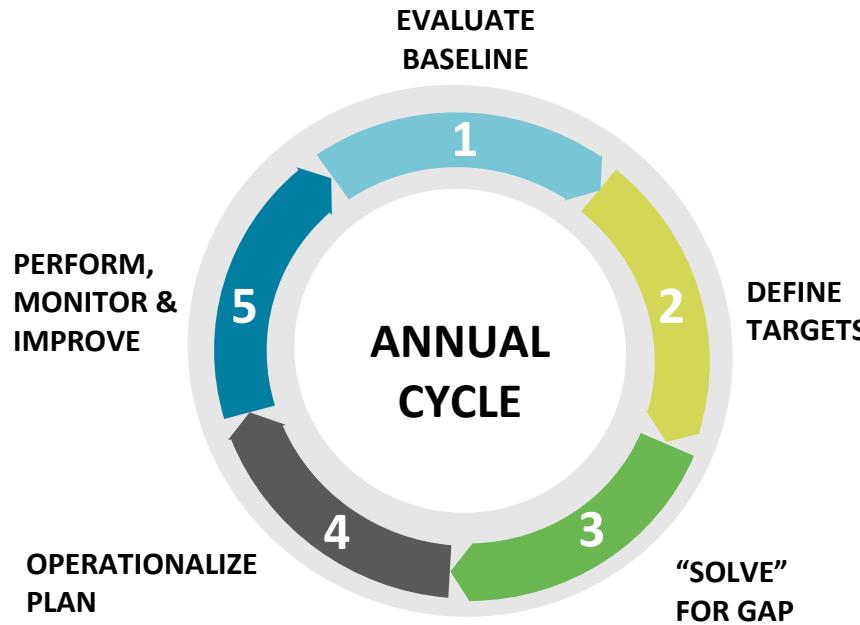


- Analyze profitability
- Analyze balance sheet
- Set Financial Targets
- Model Long Range Plan
- Identify “Gap” to Target
- Identify Growth
- Optimize Top-Line
- Identify Cost Savings Variation
- Develop Budget and Plan
- Analyze Daily, Bi-Weekly & Monthly
- Update Rolling Forecast

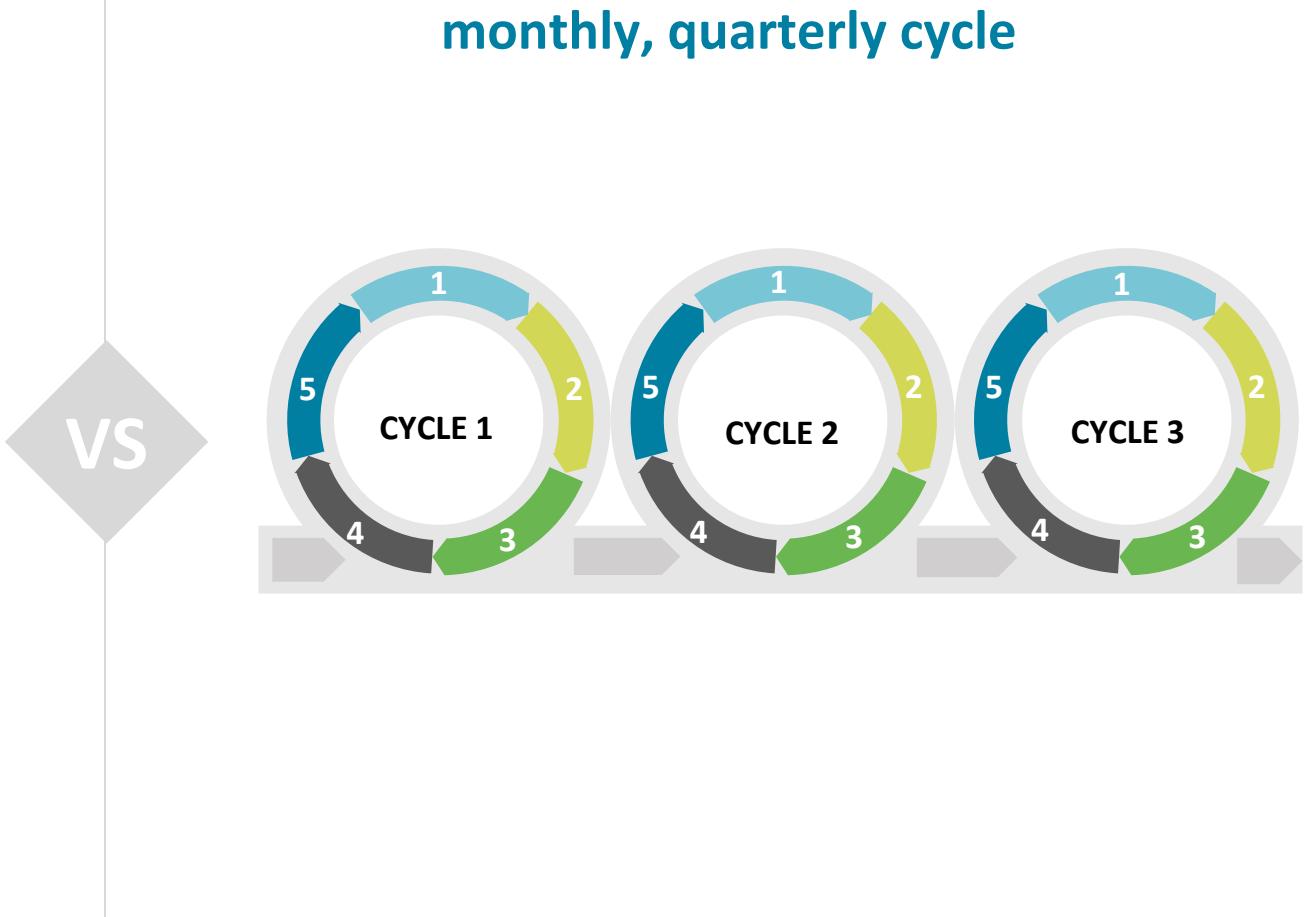


# Healthcare Requires a New Level of Velocity and Automation

single, annual cycle



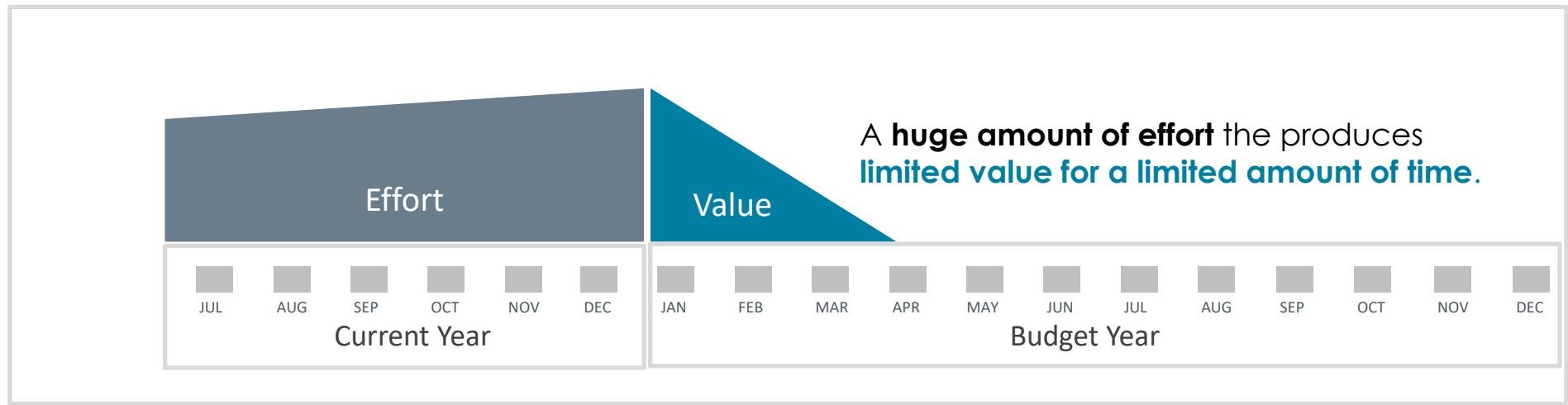
monthly, quarterly cycle



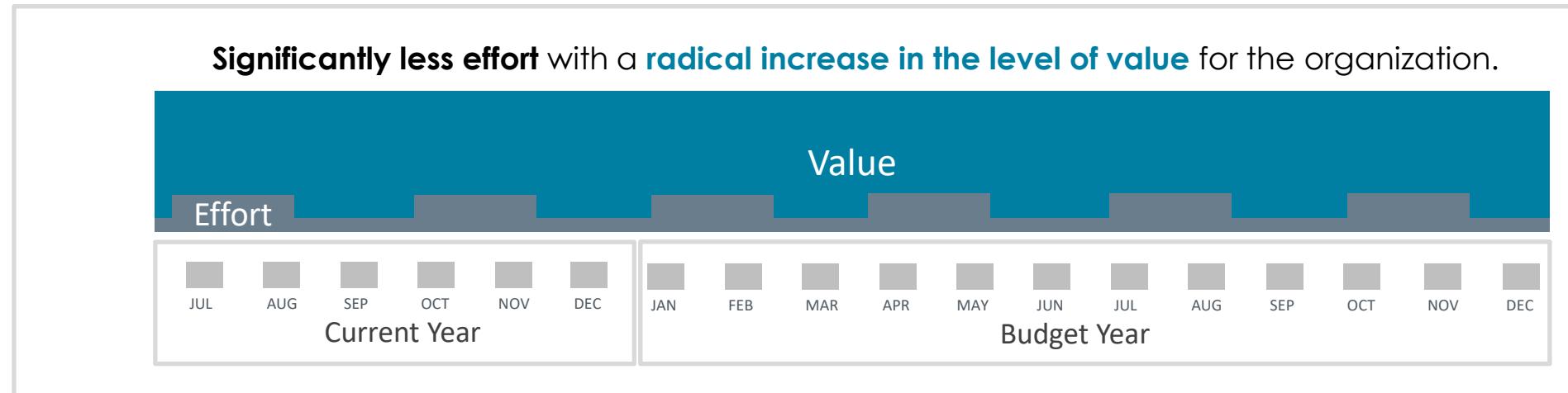


# Advanced Planning: Example of Increasing Value of the Process

## Traditional Planning

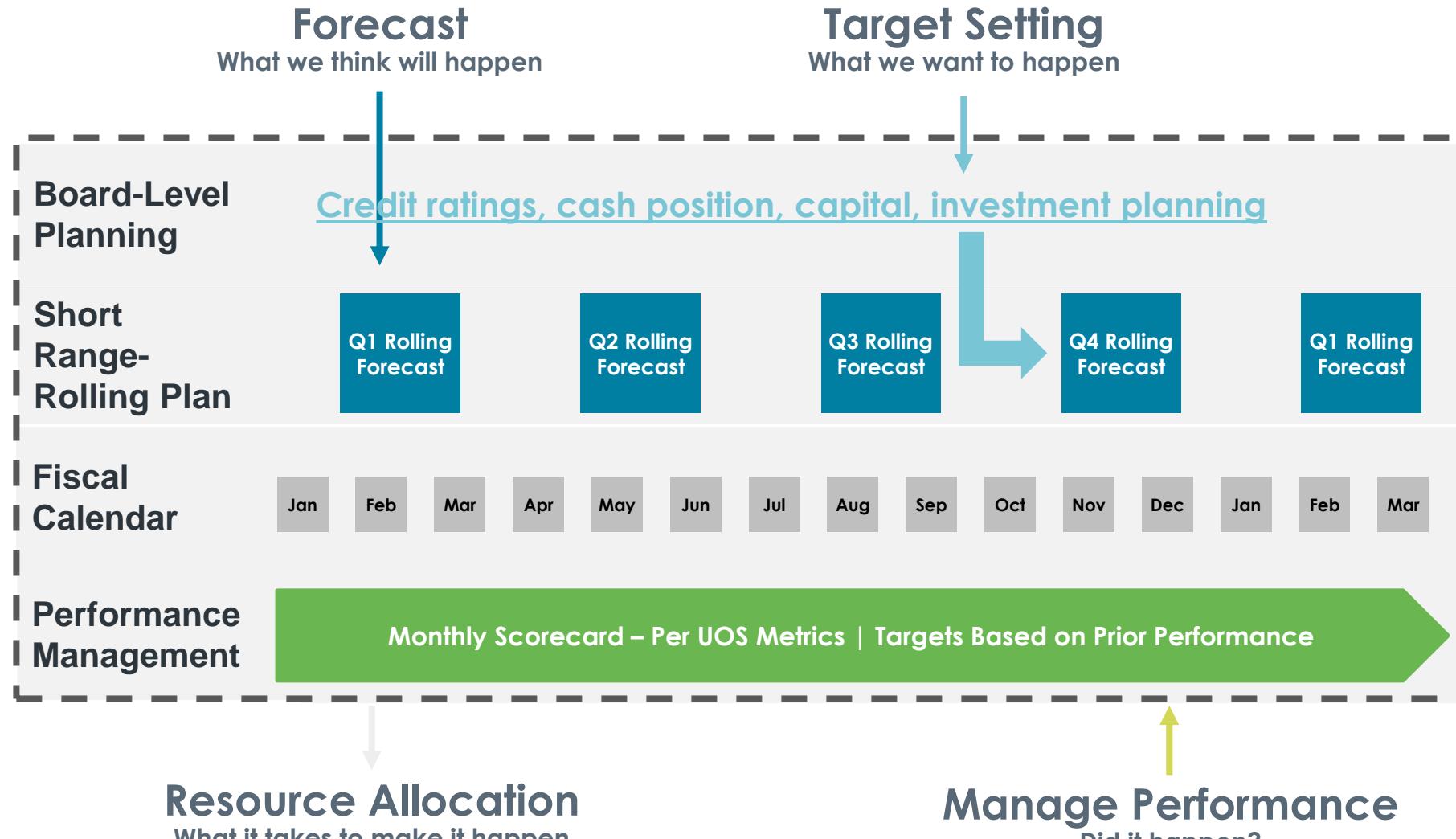


## Dynamic Planning





# Dynamic Planning Process





# The Movement To Dynamic Planning

## Traditional Budget

- Resource Intensive
- Lack of Relevance
- Gaming the Process
- Sense of Entitlement
- Resource Intensive
- Lack of Agility
- Lack of Accountability

## Full Shift to Dynamic Planning



Montefiore



Care New England



children'shealth<sup>?</sup>



ForrestHealth



Geisinger



St. Charles  
Health System

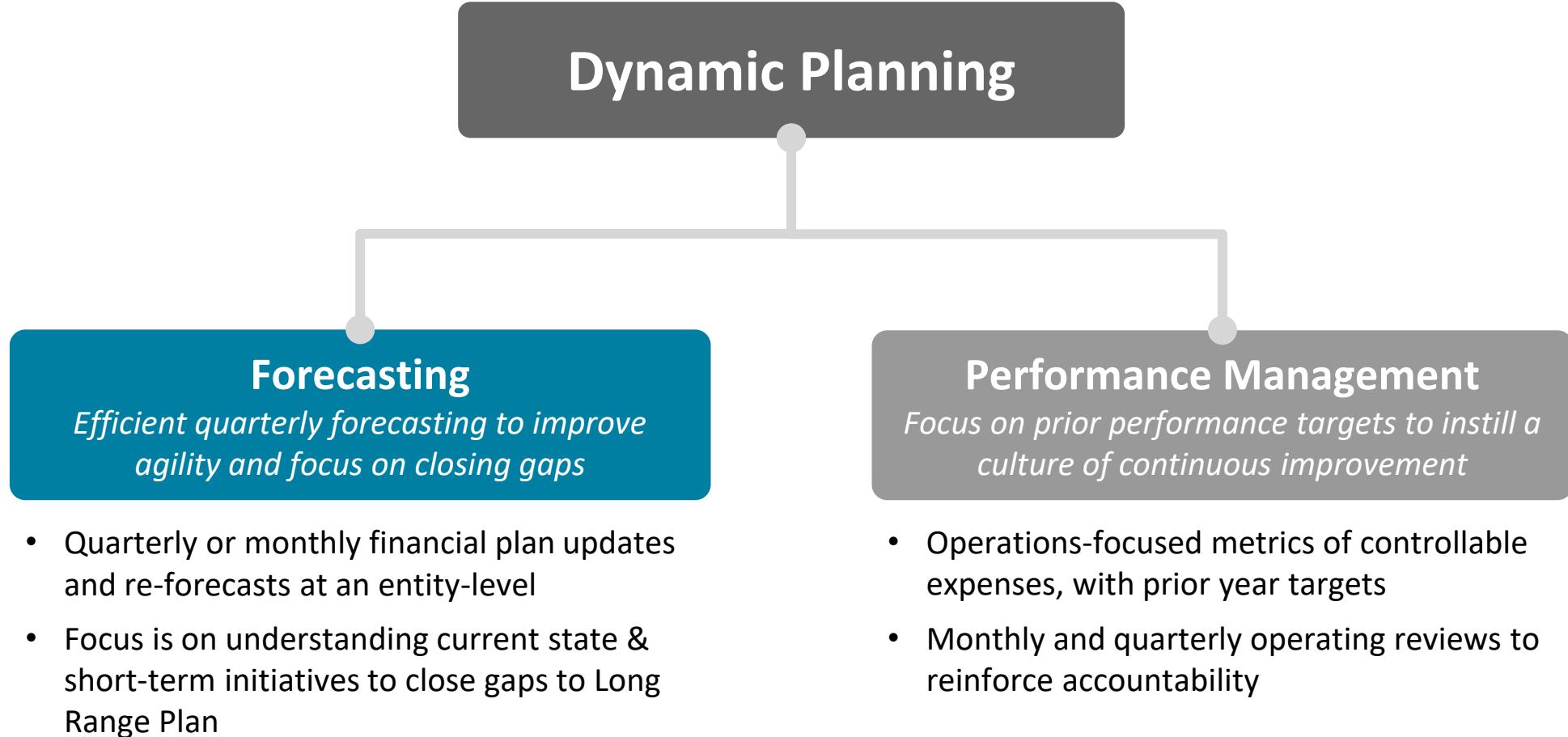


VCU Health

*And many more...*

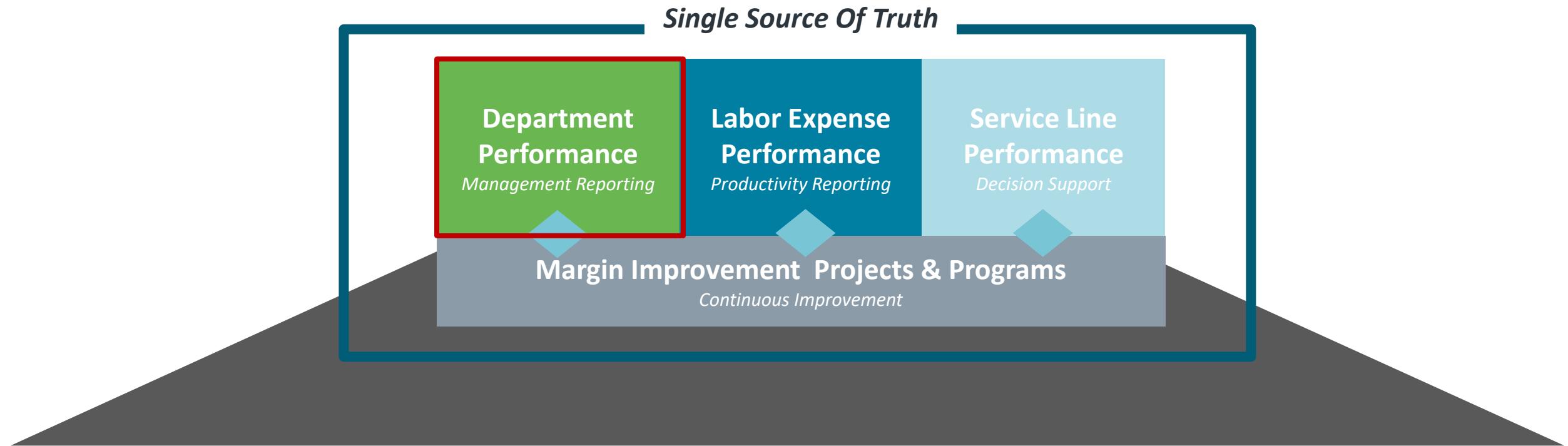


# Dynamic Planning Components





# Performance Management for Results-Driven Accountability



## Components of High Impact Performance Management

Metrics		Analytics		Process			
Actionable Metrics	Meaningful Targets	Accurate & Accessible Data	Automated Results Tracking	Standard Operating Cadence	Clear Expectations	Clear Action Plans & Owners	Leadership Support

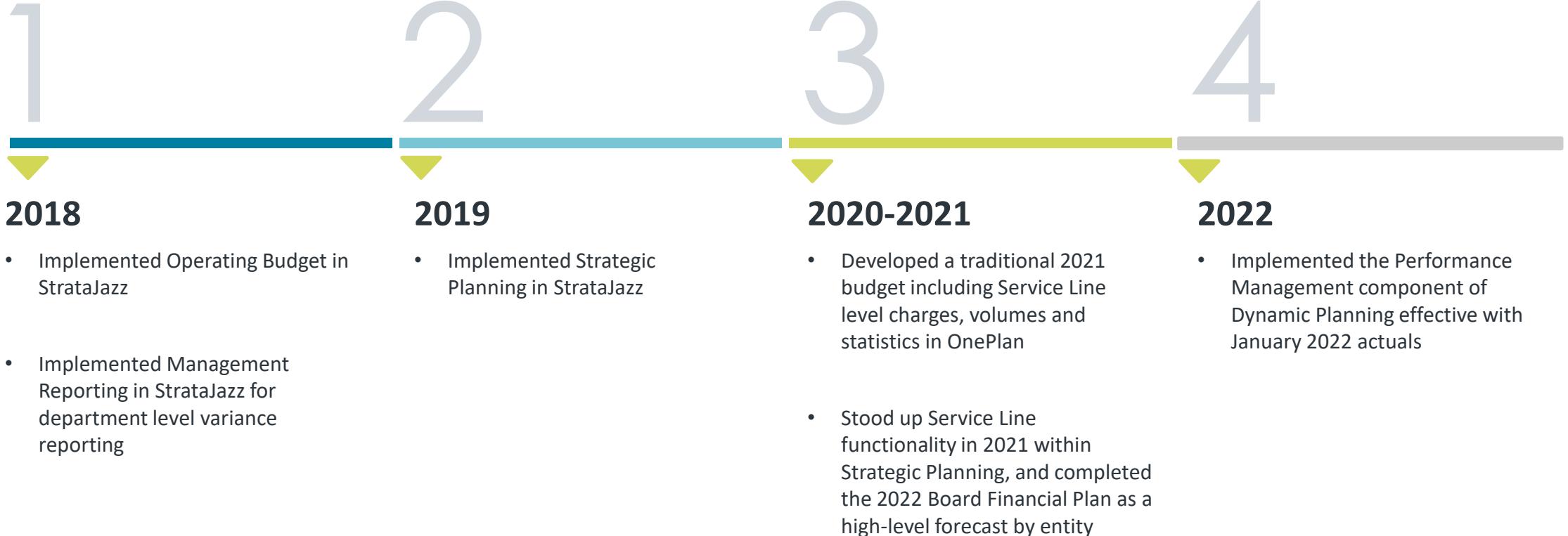


# Children's Health System of Texas (CHST) Overview

- Non-profit Healthcare system with two pediatric hospitals in Dallas and Plano
  - 601 licensed beds, with an additional 140-bed tower coming online by the end of 2024 at Plano
  - ~15,900 inpatient admissions and ~567,000 ER and outpatient visits for 2021
- Several 162(b) Physician Corporations
- Children's Medical Center Foundation
- Children's Medical Center Research Institute at UT Southwestern
- Other smaller entities housing joint ventures and non-controlling interest investments in other partners, an insurance captive, etc.



# Children's Journey to Dynamic Planning





# Considerations for a Successful Dynamic Planning Transition

- ✓ Will you have senior leadership buy-in?
- ✓ What will you load as a “budget” in your General Ledger system?
- ✓ What reporting modifications might you need to make?
- ✓ Fiscal controls over spending must be maintained
- ✓ Strong coordination is required over forecasting inputs throughout the year
- ✓ Focus on continually improving forecasting accuracy and efficiency



# “Wins” from Children’s transition

## De-peaking our planning effort

- Hundreds of hours shaved off the annual plan build
- Forward-looking discussions in monthly operating reviews (MORs) provide forecast input
- Quarterly forecast revisions primarily impact the finance team and select stakeholders

## Strong buy-in from operations and executive leadership

- We embraced “learning together” in moving to a rolling forecast – progress, not perfection
- Operations leadership adapted well to the transition away from departmental budgeting
- Operational teams have had great compliance with providing monthly commentary on actuals vs. rolling targets

## Nimble forecasting process

- Quarterly forecast updates provide greater clarity on future financial performance

A photograph of a night sky featuring the Aurora Borealis (Northern Lights). The sky is a deep navy blue, transitioning into a vibrant green glow where the aurora is visible. Silhouettes of evergreen trees are visible in the foreground against the dark sky. The aurora forms a broad, curved band of light that sweeps across the upper portion of the image.

Questions?