

Squeezing more from IT.(The Healthcare CFO)(Viewpoint essay)

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Howard Latham

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Cash is king, as the saying goes, so then cash flow is the lifeblood of the kingdom. When I started in my position as CFO almost eight years ago, one of my first critical system assessments was directed at our accounting software.

The claims of my predecessors and others implied that the accounting system needed immediate replacement because it was too old, it lacked the analytical tools necessary to be of much use for much longer, it couldn't import or export to spreadsheet programs, and its reporting scope was too limited.

Just before my arrival, the company had spent bundles on various Y2K upgrades so, being a non-profit agency, immediate spending on a completely new accounting system was not a viable option. Positioning for upgrades has been the key goal.

Squeezing more use out of what we have gives us a much better idea of what we must add before deciding on new IT priorities. IT changes must also provide positive impacts on cash flow.

I started digging and discovered that our current system could indeed import and export to and from a variety of file formats, including spreadsheets. We first replaced the annual 3-week-long exercise of manual budget data entry with a 5-minute import routine from the budget spreadsheet master. We did the same thing with the 8- to 12-hour monthly data entry routines for revenues, costs and accounts receivables from the billing system.

Our IT director turned out to be a genius with any of the systems we have but was seldom asked for ways to get data from one to the other. Just like waving a magic wand, data now goes from one (really old) billing system via import/analyze/export routines to the (very old) accounting system in a fraction of the time but is now also reviewed before being used. This also helped us to understand other accounting system tools which resulted in "automating" about 95 percent of monthly recurring entries.

Disproving Old Assumptions

Improving payroll processing was an easier challenge. The integrated payroll module had been a bear to update because of low software supplier quality; therefore, we went with Automatic Data Processing Inc.'s (ADP) product and now import our general ledger data from that.

Being in Florida, where hurricanes are a threat half of the year, this is also an advantage because if we are experiencing power failures, we can have payroll run anytime by making a phone call from anywhere. An added bonus in this move was ADP's Web-based time sheet functionality. This saves us reams of paper each 2-week cycle, increases accuracy and saves immeasurable amounts of staff time. We now process payroll every two weeks for 240 people in less than half the time it took for 160 people eight years ago.

We also reduced the number of general ledger expense accounts (and departmental combinations) from more than 700 to approximately 250. This was a factor in the previously incorrect assumption that the system's reporting capabilities were poor. Accounting allocations and direct charge methods had been implemented that were excessively detailed and created bad results from bad processes. Correcting and condensing these methods then allowed us to properly use the system's reports and structure.

The reports that had been established in the system turned out to be more than sufficient, just not clearly explained and therefore, not well understood by all the management team. Report outputs are now also going straight to PDF files.

Better reporting also raised accuracy that resulted in increased revenues and reduced expenses in grants management. In our business, "tight" grants management is a must. Banking is much smoother and easier than it used to be. We use Web-based banking daily to reconcile accounts and transactions as we go, instead of waiting to find out what's wrong at the end of the month.

About a year ago, we acquired one of those nifty little gadgets that let you scan and deposit checks right from your desk to your bank account. We haven't made many "bank runs" since and we get an extra 2-hour window for deposits. All interbank transfers are done via the Web. About 70 percent of the dollar value of all incoming payments is now made electronically. Sweep accounts minimize non-interest bearing assets.

Cash Flow Specialists

Eight years ago, monthly contract invoicing routines were late and usually inaccurate. We now have invoicing routines for our monthly contracts that can be generated from on a laptop (with e-mail, a fax or printer) from anywhere. This was also done with power interruptions in mind--if we can send an invoice, we can get paid.

We had specific staff whose sole responsibility was data entry of service transactions from handwritten notes. One of our long-term goals is to implement a full electronic health record (EHR), but to reduce costs quickly we re-crafted those routines into cost reductions by using a combination of forms scanning and direct entry by clinical staff into smaller databases from which we could then export transactions into our main system for billing. We found other uses for the scanning software as well, which reduced processing costs in other areas.

In eight years, we have increased payroll size by 50 percent, increased billing activities, streamlined processes, improved accuracy and increased revenues all with the same number of accounting staff and reduced staff in other areas. We have not had audit management letter comments for three years.

It is now time to look for a better accounting system, as we feel the software supplier will soon cease business operations. Our IT investments for these projects and process improvements have been the ADP monthly fees, (minus the software fees we previously paid), scanning and the cost of a check deposit gadget. Our cash flow is visible daily and managed very closely and any potential blockages in flow are known immediately, making our accounting staff seem more like a cardiac specialty team.

Future accounting systems enhancements and acquisitions will include an integrated Web-based HR system (with ADP and tied to payroll), a new financial system that can handle some extra routines and meets International Financial Report Standards; document management integration and an automated clearing house for supplier payments.

We are also in the early stages of our EHR implementation--but that's another story.

Howard G. Latham is chief financial officer for Directions for Mental Health Inc. in Clearwater, Fla. Contact him at howard.latham@directionsmh.org or at (727) 524-4464 ext. 1708.

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