

Leading the transformation

Healthcare finance leaders are ready to unleash investment in technology



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Executive summary

The U.S. healthcare sector is under pressure. Still recovering from the massive impact of COVID-19, it's now struggling with high inflation and labor shortages. Conditions are tough, but the opportunity is massive: McKinsey estimates that total profit across the healthcare sector will grow at a 4% CAGR to \$790 billion by 2026.¹

We surveyed 200 finance professionals in the U.S. healthcare sector to understand how all this is changing healthcare finance teams' priorities and risk perception, and how they compare with finance teams from

other sectors. The research identified that cutting costs and driving efficiencies within the finance function is their greatest priority in the next 12 months.

Healthcare leaders view technology as the top means to achieve this, and they hope it will also improve their ability to analyze business performance and forecast and detect risks. Yet the research shows that healthcare finance leaders face significant obstacles to getting the most out of technology.

¹<https://www.mckinsey.com/industries/healthcare/our-insights/what-to-expect-in-us-healthcare-in-2023-and-beyond>



What we learned from our survey of 200 healthcare finance leaders:



Technology is an important area of focus

Deploying technology within the finance function is finance leaders' second-biggest priority, after cost-cutting. These two priorities are linked because businesses hope that technology will make them more efficient.



AI has great potential

About six in 10 healthcare organizations believe that AI could completely redefine how they run and operate the finance function. In other sectors, it's only about half of finance leaders.



There is a high level of interest in instant payments

Finance leaders want to improve the payment experience for patients. Part of this will involve new forms of digital payment, such as instant payments. 70% intend to use instant payments in two years' time, compared with 47% today.



Transformation is tough

Healthcare finance leaders have ambitious plans for modern technology. But putting those plans into action isn't easy; hurdles are the absence of a strategy, inertia, and a lack of understanding of what's possible.



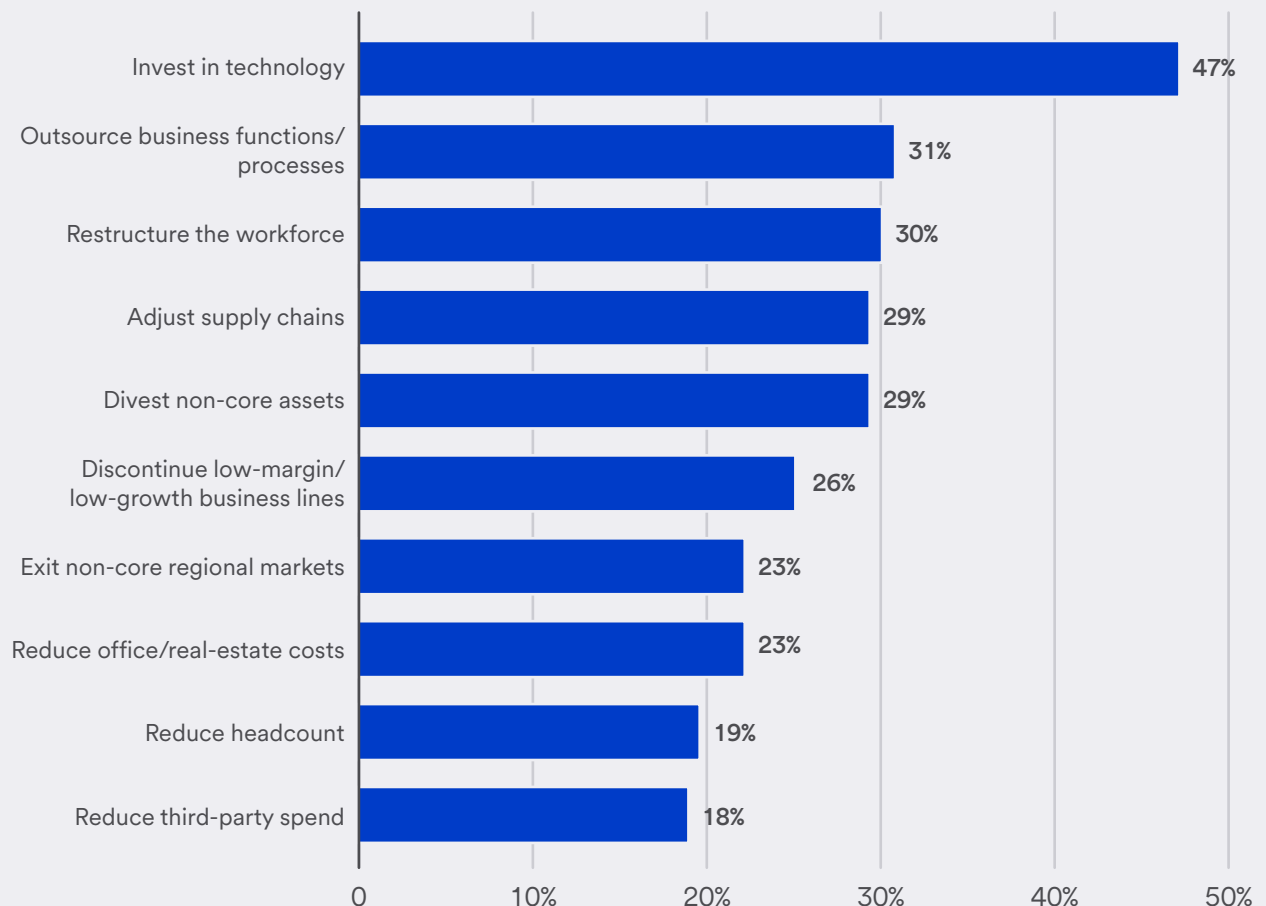
The technology imperative

Nearly half of the healthcare finance leaders we spoke to say they plan to invest in technology to cut costs. This is their top-ranked option, significantly above other tactics such as reducing headcount, adjusting supply chains and outsourcing.

But trimming spending isn't the only reason why these finance leaders want to invest in technology. They also see digital transformation as a way to improve key processes, including performance reporting and analytics, planning and budgeting, and risk and compliance.

Technology is the top way to cut costs

(percentages indicate those that plan to do each of the following to cut costs and drive efficiencies)



The allure of AI

Healthcare finance leaders are particularly excited about AI. When asked about their top three investment priorities, their top choice was using AI and machine learning to enhance insights from data.

It's not hard to see why AI is on their agenda. It's already being used in healthcare settings to improve patient outcomes. For instance, at Johns Hopkins University a new AI-based system has been found to detect sepsis hours earlier than traditional methods, reducing mortality by 20%.²

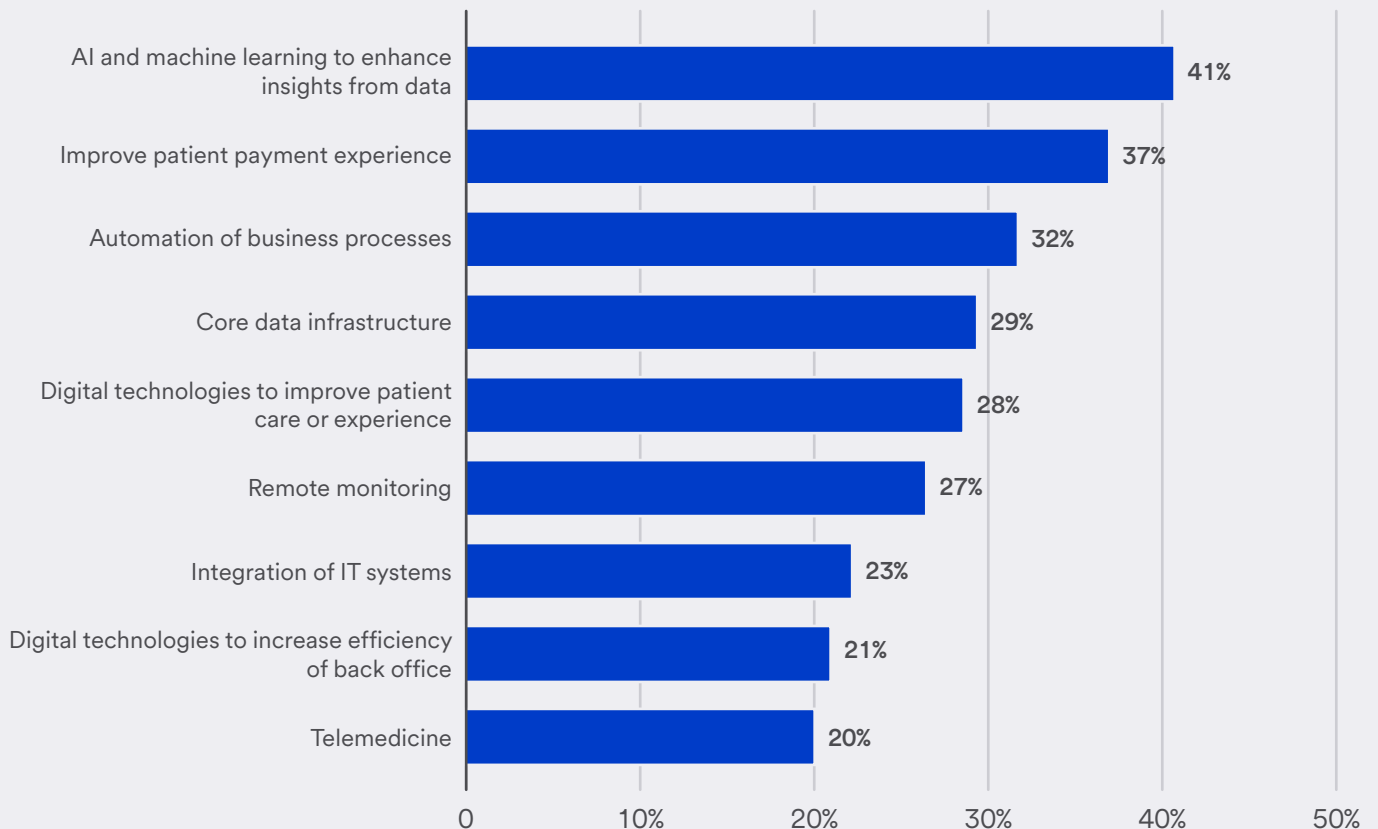
AI also has great potential in the back office. More than six in 10 finance leaders at healthcare providers say AI has the potential to completely redefine how they run and operate the finance function – significantly more than the 52% in other sectors. In one example of this, Boston-based Partners HealthCare uses robotic process automation tools to improve the efficiency of manual finance processes such as account reconciliation. This creates more time for analytical tasks and thinking.³

² <https://hub.jhu.edu/2022/07/21/artificial-intelligence-sepsis-detection/>

³ <https://www.hfma.org/technology/artificial-intelligence/how-artificial-intelligence-makes-healthcare-finance-more-human/>

AI is a top priority

(percentages indicate those that consider each option to be a top-three investment priority)



Using technology comes with obstacles

Healthcare finance teams want to increase their investment in technology, but many aren't ready: 43% say they're still in only the early stages of digitally transforming the finance function. And they understand the risks of getting major technology programs wrong. They rank the pace of technology change and digital disruption as their third-most important business risk.

43%

say they're still in only the early stages of digitally transforming the finance function.



To stand the best chance of success, finance teams must address the three most common factors that slow progress:

1 A lack of clear strategy

For healthcare finance teams, a lack of strategy is the number one obstacle to successfully carrying out digital transformation initiatives: 44% say that this is a top-three obstacle, compared with 36% in other sectors.

The CFO will need to devise a strategy in collaboration with other C-suite leaders. Any strategy to deploy new technology within finance will have to align with the business's wider technology plans.

44%

say that this is a top-three obstacle, compared with 36% in other sectors.

3 People problems

Healthcare finance teams are also struggling with a lack of people to implement and use new technology and a lack of awareness of new technology and its potential benefits. They should consider partnering with technology and digital teams within the business to access valuable expertise.

2 Inertia

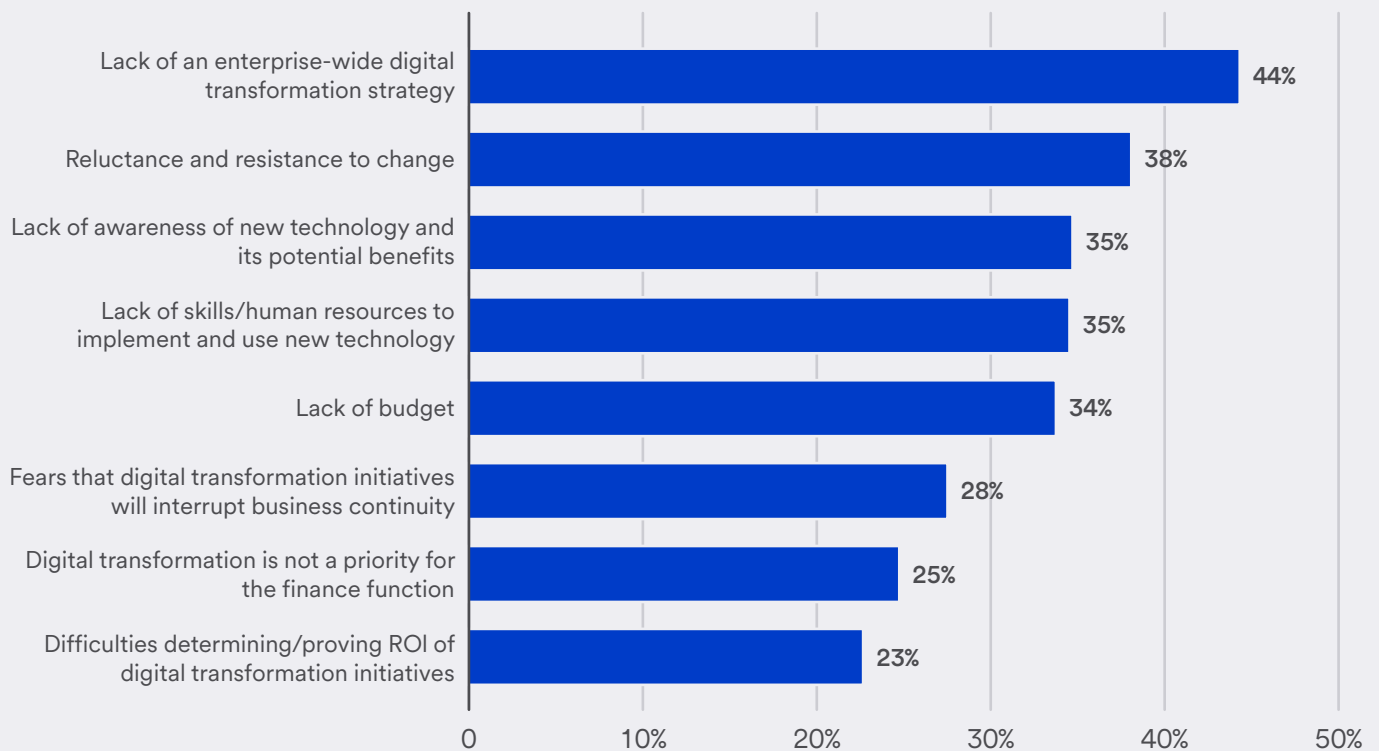
Employees' reluctance to engage with and adopt new technology is these leaders' second-biggest obstacle to using new technology successfully. To create excitement and encourage uptake, they should involve the finance employees who will ultimately use new tools in the process of selecting and implementing them.

"People will embrace change if it benefits them," explains Vipul Kaushal, U.S. Bank Global Treasury Management Senior Vice President and Head of Digital Transformation. "Engagement and adoption of technology across the finance function will be higher if it improves convenience. The process of change also needs to be agile, iterative and inclusive, allowing finance teams to be involved in designing and testing new systems."



Lack of strategy slows finance transformation

(percentages indicate those that consider each option a top-three obstacle)



Improving payment experiences is paramount

Improving patient payment experiences is healthcare finance leaders' second-biggest technology priority for the next three years. More than half (55%) say that improving vendor and customer payment experiences is important.

Today, patients often complain that healthcare bills are confusing and unclear. They find that there are discrepancies between a received bill, the outstanding amount stated on a patient portal and the sum stated by an insurer. When it comes to making payments, patients often find that it's unclear whether they can pay online, and, if so, how.

Healthcare companies are adopting digital payments to help improve the patient experience through delivering faster payments and improving the speed of payment reconciliation. One area that has significant scope for improvement is patient refunds. The relationship between healthcare provider, patient and insurance payor is a complex one, and it can delay payments. Digital payments could help here, and they can also remove the frustrating need to cash small dollar checks.

55%

More than half say that improving vendor and customer payment experiences is important.

Healthcare providers are ahead here:

- » 54% already use B2C payment methods such as Zelle® and Venmo®, compared with 43% of other sectors
- » 47% already use Real-Time Payments, compared with 41% outside the sector

The research shows that healthcare providers will capitalize on their advantage and use digital payments more and more: 70% intend to use instant payments in two years' time, compared with 47% today. And those that have not yet invested plan to catch up. A study by PYMNTS found that 92% of healthcare companies that have not yet invested in real-time payments plan to set budget aside for the enabling software and systems.⁴

These finance leaders might be ambitious, but their adoption of various forms of digital payment has not changed much in the past 12 months.

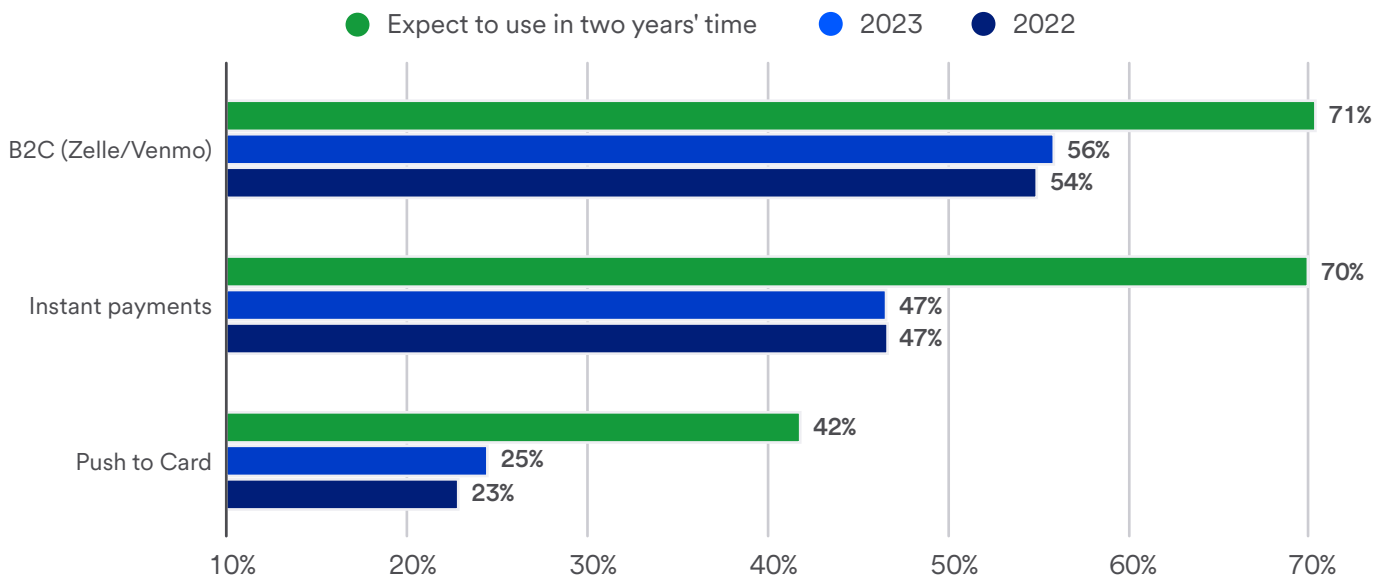
Meghan Wilmes, SVP, Head of Healthcare Product at U.S. Bank, explains how healthcare providers can accelerate adoption.

“By transitioning from paper to digital refund processes, providers can improve efficiency, reduce costs, eliminate manual errors, and enhance patient satisfaction,” she says. “And educating patients on the benefits, as well as the security of digital payments is also important. We hear a lot about fraud, so educating patients about the safety of digital patient refunds is important. Education will be key in driving adoption.”

“I would urge healthcare professionals to consider incorporating digital payment refund processes into their workflows to enhance patient experience and provider efficiency.”

⁴<https://www.pymnts.com/real-time-payments/2023/92-of-healthcare-companies-plan-to-embrace-real-time-payments/>

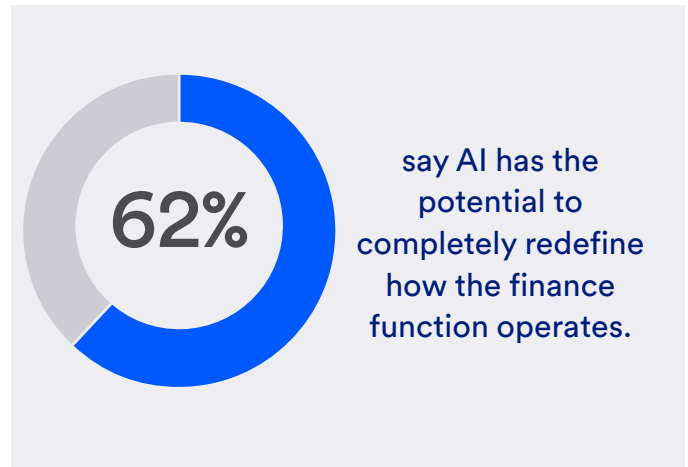
Use of digital payments is set to surge



Conclusion

Healthcare finance leaders are going all in on technology. They believe it will help trim costs, enrich analytics and streamline risk and compliance processes. AI holds particular promise: 62% say it has the potential to completely redefine how the finance function operates. There is also strong appetite to improve the complex payment process by using digital alternatives to checks. For example, 70% plan to use instant payments in two years, up from 47% today.

But there are difficulties. The research reveals that a lack of strategy, reluctance to change and an unawareness of what technology can deliver commonly prevent adoption of new systems. Finance leaders have a vital role to play as businesses ramp up investment in technology. They must lead the transformation.



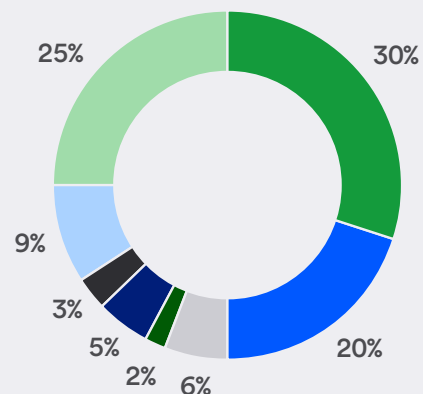
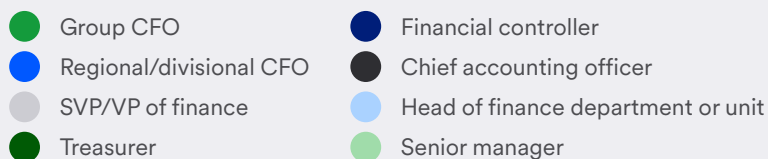
About the research

This data comes from a survey of 200 senior finance leaders who work for businesses in the healthcare sector in the U.S.

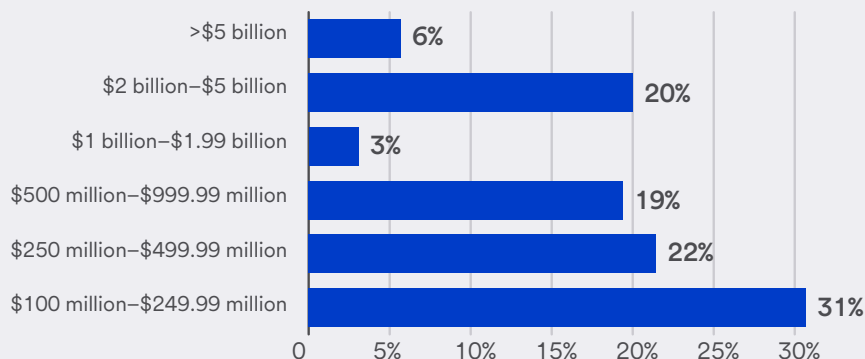
- » 65% of the survey participants are group, regional or divisional CFOs
- » 100% work for a business that generates at least \$100 million in annual revenue
- » 20% work for a business that generates between \$2 billion and \$5 billion in annual revenue

The research is part of a larger study conducted in March-April 2023, for which we surveyed 1,420 senior finance leaders in U.S. businesses. Find out more about the larger study [here](#). That report is the third in a series and follows [Leading through uncertainty](#), a U.S. Bank survey of 750 finance leaders released in 2022. The first edition of the research, [Leading the recovery](#), was released in 2021.

Job role breakdown



Company revenue breakdown



* For a complete breakdown of job roles and company revenue, visit usbank.com/cfo-insights.



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