Redesigning Cash Management with Automation: RFP through Implementation

September 16, 2015

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Vice President  Treasury Services
AGENDA

Background
• Overview of Bon Secours Health System (BSHSI)

Impetus
• Why redesign the cash management system?

RFP
• Process and timeline

Solutions
• Project plan and milestones

Keys
• Takeaways and lessons learned
The Mission of the Bon Secours Health System is to bring compassion to health care and to be Good Help to Those In Need, especially those who are poor & dying.

As a system of caregivers we commit ourselves to help bring people and communities to health and wholeness as part of the healing ministry of Jesus Christ & the Catholic Church.
WHO IS BON SECOURS: OUR VISION

Inspired by the healing ministry of Jesus Christ & the Charism of Bon Secours...

As a prophetic Catholic health ministry we will partner with our communities to create a more humane world, build health and social justice for all, & provide exceptional value for those we serve.
$3.3 billion not-for-profit Catholic healthcare system

- Acute care hospitals
- Nursing care centers
- Community-based home health divisions
- Hospice services
- Assisted living facilities
- Physician practice management
- Ambulatory facilities
Domestic Communities Served
- New York
- Maryland
- Virginia
- Kentucky
- South Carolina
- Florida

International Communities Served
- Haiti
- South Africa
- Peru
BSHSI STEWARDSHIP INITIATIVE

2012: Prepare for Healthcare Reform

Stewardship Objectives and Hypothesis

BSHSI Current State

- Decentralized operations
- Variable practices
- Duplicative efforts
- Sub-optimal resource utilization
- Excess costs
- Holding company model

BSHSI Envisioned Future

- Increased systemness
- Standardized practices
- Reduced duplication
- Optimized resource utilization
- Cost savings
- Integrated operating company model

Proposed Vehicles

Centralization / Shared Services / Outsourcing
Standardization / Optimization
FINANCE DEPARTMENT STEWARDSHIP VISION

Resource and Business Partner
• To be the indispensable financial resource and business partner for BSHSI executive, Clinical and operational leaders

Support, Education, Guidance, Oversight
• To provide financial support, education, guidance and oversight through sound and compliant financial management, efficiency, automation, and standardization in efforts to achieve BSHSI’s strategic goals of the present and future.

Prioritize
• Based on opportunities for improvement and standardization.

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TREASURY SERVICES STEWARDSHIP GOAL

• “Push Button” Reconciliation
  – Fully automated 3-way match between the bank, billing system and general ledger

• Redesign BSHSI’s Lockbox Depository Structure
  – Utilize technology to
    • Reduce processing costs
    • Expedite and increase automation of cash reconciliation
    • Improve operational efficiencies
2013 CURRENT STATE ASSESSMENT

- No significant investment in cash management platform 10+ years
- System outdated:
  - Manual
  - Paper intensive
  - Not standardized across system
  - Highly inefficient
  - *Need for automation*
- Excessive courier and Fed Ex costs
  - Cash less solution
- Vendor consolidation
  - Too many vendors driving up costs
OBJECTIVE:
Improve and redesign BSHSI's depository structure using a qualified and innovative depository institution that utilizes technology to reduce processing costs, expedite and increase automation of cash reconciliation, and improve operational efficiencies of acute, physician, long-term care, and home health locations by:

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<td>Optimize treasury workstation technology (i.e., recordkeeping or in-house banking); currently, Treasura in-house-banking is used; and,</td>
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<td>Improve cash flow with same-day deposit across all points of access</td>
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PROJECT GOVERNANCE STRUCTURE

BSHSI Stewardship Committee
(Executive Management Team)
Including
Executive Champion
(Janice Burnett, BSHSI CFO)

Project Management Office
(External consultant; directed Working Group and Bank resources)

Project Steering Committee
(Accounting, Information Services, Legal Affairs, Revenue Cycle, Sponsorship, Treasury)

Bank Implementation Team
(Management of implementation resources, coordination of deliverables with PMO; weekly update meetings, monthly mgmt. meetings, quarterly on-site visits)

Working Group
(Business Unit Stakeholders; design, build, implement)
PROCESS: RFP TO IMPLEMENTATION KICKOFF

Phase 1: Issue RFP to Qualified Banking Institutions
- Oct 2013

Phase 2: Selection Communication & RFP Issuance
- Dec 2013
- Feb 2014
- Apr 2014

On-Site Oral Presentations
- Feb 2014
- Apr 2014

RFP Selection Communication
- Jun 2014

Contract Negotiations
- Aug 2014

Current State Assessments

Project Plan Creation
- Oct 2014

Phase 3: Solution Implementation
- Oct 2014

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PURPOSE OF RFP PHASES

Phase 1
- Partner with a qualified and innovative banking institution that will challenge conventional thinking and provide Executive Management with innovative solutions to meet the stated goals and alleviate backend cash reconciliation issues.
- Case study required for a similar project with comparable customer needs showcasing institution’s knowledge and capabilities.

Phase 2
- Sought innovative solutions to redesign depository structure utilizing technology to reduce processing costs, expedite and increase automation of cash reconciliation, and improve operational efficiencies.
- Winner will demonstrate forward thinking nature and recommend a solution to fully automate cash reconciliation, from upfront A/R collection to backend cash reconciliation.
• BSHSI values diversity within the health system and with its business partners.
  – System-wide Diversity and Inclusion Council
  – Promotes and governs BSHSI’s Diversity and Inclusion policies
  – Policies an integral part of all BSHSI business partnerships

• RFP responses needed to address respondents’ commitment to community support and diversity
  – Separate mission due diligence assessed cultural fit with BSHSI

• Set new paradigm for asking Diversity commitment questions in subsequent BSHSI RFPs
IMPLEMENTATION RISKS

**Financial**
- Disruption of cash flow & increase in unapplied cash
- Increased upfront costs

**Operational**
- Reconciliation hazards
- Resource constraints
- Implementation and support risk
- Insufficient information collected

**Strategic**
- Replacing 3rd party services
- Vendor or partner risk
- Solution risk

**Compliance**
- Audit management letter comments

*Good Help to Those in Need®*
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*Significant progress
Progress however significant dependencies exist
Progress
Actual Results Obtained:

• **PMO project costs of $705,000 are covered by actual savings identified** through Year 1 and reoccurring savings for the following years

• Year 1 actual savings of $922,491 achieves **134% of our estimated benefit** of $688,914. These savings include:
  
  • $236K – Contract considerations
  • $250K – Replacement of bank loan with ancillary business requirement to winning institution (impact begins during implementation year starting October 27th, 2014)
  • $264K – Elimination of CareMedic storage fees via implementation of new BSHSI enterprise document management vendor. Conservatively projecting 50% of savings achieved by end of Year 1. 100% of savings achievable starting in Year 2.

• Savings were not previously accounted for in FY15 budget

*Discount rate of 10% is derived from BSHSI's weighted average cost of capital*
KEY TAKEAWAYS

- Banks were forced to be creative
- Value of Executive Champion: Top-down buy-in
- Tight project management
- Trust new technology
- Key stakeholders represented at all levels
  - Communication of needs and desires
  - Understanding how references are using technology vs. BSHSI needs
- Carefully developed ROI goals showing real cost savings
  - Matching needs to return as well as process improvement
  - No “process improvement for improvements’ sake” without tangible ROI
AND THE WINNER IS…

Bank of America
Questions?