Public Health Systems: Three Financial Management Considerations for the Future

When thinking about the future, it's important for the administrators of public health systems to consider how to reduce costs while improving health outcomes. This can be difficult to achieve, especially when faced with external financial concerns such as a growing and aging population, chronic diseases, and expensive hospital costs. These challenges are especially true in the U.S., particularly for agencies like the Veterans Affairs (VA), which grapples with all of these issues The VA and similar agencies face both internal and external pressure to decrease costs while improving quality of care.

To combat growing external costs and the need to ensure quality outcomes, public health systems such as the VA must evaluate internal financial management solutions to ensure resources are used efficiently and effectively. Some of these solutions will include digital capabilities, such as data analytics and artificial intelligence (AI). Before digital solutions can be implemented, however, public health systems must have a strong cost accounting foundation. On this basis, we argue that there are three main financial management solutions that public health systems should consider for financial sustainability.

1. Effective Cost Accounting – Having a solid accounting system is the cornerstone for any organization or agency that wants to make data-driven financial management decisions. Unfortunately, data collected by the Healthcare Information and Management Systems Society indicates that only 21% of U.S. hospitals have adopted sophisticated internal cost-accounting systems (Ederhof, Chin, & Jopling, 2018). The lack of such sophisticated cost systems leads to misinformed leaders within healthcare organizations who won't understand, or be able to prepare for, the true costs associated with patient care and incorrect spending. This challenge also is applicable to public health systems.

2. Data & Analytics – Once a solid cost-accounting system is established, public health systems can appropriately use data for decision-making. With an overabundance of data coming from multiple health systems and in a variety of formats, it can be overwhelming when thinking about how to harness it and incorporate findings into financial management solutions. It's important for public health systems to have data analysis capabilities and internal talent to help derive value from the data. By having these two components, data analytics will allow health system administrators to make informed financial-management decisions about how to reduce costs and improve health outcomes.

3. Artificial Intelligence – AI and machine learning have the potential to create efficiencies within financial management systems and allow for the evaluation of expenditures, potentially re-allocating funds and tasks where needed. By using AI, public sector agencies will be able to evaluate where they can cut costs and which tasks can be performed by computers instead of employees. AI-performed tasks can result in increased efficiency and accuracy, as well as cost reductions. Additionally, AI allows employees to focus on more meaningful tasks. Where should personnel be deployed to offer a better overall healthcare experience? The possibilities are endless!

As the healthcare industry continues to modernize, there will be no shortage of tools to assist in the quest to improve financial-management decisions, as well as reduced costs and increased outcomes. To reach these outcomes, a strong cost-accounting system is first needed, followed by the addition of digital capabilities, such as data analytics and AI. Regardless of the specific types of solutions used, a

focus on financial management is essential for any public health system hoping to remain sustainable or, better yet, thrive.

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For more information on financial management considerations for public health systems, please visit blakewillsongroup.com and rbmanagementconsultants.com.

Sources

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