The Catholic Identity of Catholic Healthcare Institutions:
Challenges and Opportunities within Germany and the United States
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Introduction:

The Catholic identity of Catholic healthcare systems continues to be an important and tangible expression of the continued healing ministry of Jesus Christ. As the delivery of healthcare has evolved over many centuries, becoming more technology enabled and more complex, the core competencies of focused personal attention; holistic care for the whole person: body, mind and spirit; and creation of supporting structures and intentional assessment in the areas of both mission integration and stewardship are even more critical components of demonstrating our Catholic identity. As a finance professional in the largest Catholic healthcare system in the United States, I would like to share a few examples of how my organization, Ascension Health, consciously stewards our resources to ensure our ability to continue the healing ministry of Jesus.

In order to be successful in advancing Jesus’ healing ministry, we understand our mission to be inextricably integrated with our ability to be financially successful – our “margin.” Both our mission and our margin are crucial to the sustainability of our healthcare system, as we live out our mission in the context of a business setting within the U.S. healthcare delivery system. It is also important to reflect our system’s values in our business processes, especially the value of wisdom, defined by us as the integration of excellence and stewardship. The value of wisdom compels us to develop and use robust and comprehensive analytics for decision-making, incorporate rigor and discipline in all financial processes, and serve as clear and transparent communicators of complex data and financial results.

The business setting within which we operate presents many external and internal challenges, not the least of which is federally sponsored healthcare reform. These challenges, including rapidly shifting market dynamics and business models, make it even more difficult – yet at the same time more important – to demonstrate our Catholic identity. We believe that to be successful under emerging models of care over the next three to seven years, high-quality healthcare will need to be delivered within the context of increasingly important relationships with key stakeholders: patients, physicians and payers. In other words, our ability to build and sustain community will be even more crucial.

How does Ascension Health express its Catholic identity in the area of stewardship? There are many examples, such as providing full financial stewardship reports. Our reports share not only financial data indicating how well we serve our communities, but also metrics measuring our level of Care for the Poor and Community Benefit. These measures ensure our mission is an important facet of every financial stewardship decision, and every presentation. Other examples
include developing socially responsible investment guidelines for use by our external investment managers, and focusing cost-reduction initiatives on areas other than elimination of staff positions. I have chosen three financial processes to explore more in depth to provide practical examples and implications of how our system’s Catholic identity is demonstrated through our finance function:

- Strategic and financial planning process
- Strong balance sheet management
- Capital allocation process

**Strategic and Financial Planning Process**

Ascension Health has a robust five-year planning process called the ISOFP (Integrated Strategic, Operational and Financial Plan). Our strategic and financial planning process starts with a community needs assessment, the same type of fundamental assessment our sponsors performed 400-plus years ago. The assessment has been enhanced over the years with enabling tools and technology, but at its core its underlying question is very much the same: What services do our communities need and how can we meet those needs? The mission of our organization is a central focus of the planning process – all strategic plans developed by our Health Ministries must communicate how the mission of the organization will be served through these plans. The planning process is a very inclusive one, and many members of management and leadership participate in developing, reviewing and endorsing the plan. It is important that physicians and clinicians play a large role in developing the strategy and equally important that operations staff are confident of their ability to achieve the strategic and financial initiatives identified.

The outcome of the strategic and financial planning process is a set of measurements that are comprehensive, clear and consistently aligned throughout the organization. From this process, an “integrated scorecard” is developed annually, which identifies accountability measures that address mission, our overarching strategic objectives and the internal strengths necessary for us to develop in order to achieve those objectives, and operational and financial measures. From the integrated scorecard measures, both long-term (three-year cycle) and short-term (annual) at-risk measures are developed. These measures inform individual performance plans and day-to-day operational initiatives.

This process allows for thoughtful discernment from a balanced, holistic perspective, provides well-aligned and clearly defined measures, and ensures that the common good of the system and the communities served are met.

**Strong Balance Sheet Management**

Ascension Health has developed a healthy financial position over many years through strong financial performance, disciplined management practices, and excellent leadership and talent across the System. This financial position has led to very positive credit ratings (AA+) from the U.S. bond rating agencies. Because of our fidelity to responsible stewardship, we do not believe that poor business decisions should be rationalized on the basis of supporting our mission.
So how does this strong financial position support our mission? How does it reinforce our Catholic identity? Our creditworthiness allows us to enjoy a lower cost of capital than many of our peers, thereby reducing interest expense by tens of millions of dollars or more each year. It also provides us wider flexibility when entering the debt markets, and lower issuance costs. All of this gives us the ability to funnel more of our resources into meeting the expanding health needs of individuals in the communities we serve.

One example that demonstrates the value of our strong balance sheet occurred a few years ago when we were experiencing a significant deficit in the funded status of our defined-benefit pension plan. Reflecting changes in the employment market in relation to retirement plans, we made a decision to switch from a defined-benefit plan to a defined-contribution plan. However, we were unwilling to simply move our existing associates to the defined-contribution plan because it was important for the organization to honor the pension-plan promise it made to those associates when they accepted employment. Therefore, all associates who were hired when the original defined-benefit plan was offered were grandfathered into that plan when Ascension Health moved new associates to the defined-contribution plan. However, because of a significant funding deficit, the financial position of the defined-benefit plan was precarious, and pension expense and funding needs were significantly higher due to the need to address the deficit.

Ascension Health used its strong creditworthiness to issue $600 million of subordinated debt and contributed the proceeds of this debt offering into the older pension plan. This effectively fully funded the plan at the time and reduced ongoing pension expense and funding requirements. Had the balance sheet not been as strong as it was, we would not have had the ability to strengthen our associates’ certainty about receiving their pension benefits due, and we also helped to reduce administrative expenses for the organization.

**Capital Allocation Process**

Ascension Health’s Capital Allocation Process focuses on the optimization of resources, the principle of subsidiarity and the principle of the common good. Interestingly, the current process was developed using a very participative discernment process that identifies the process used and the tools needed to enhance the decision-making processes. As financial professionals supporting this System-wide process, the way we arrive at decisions and the manner in which the decisions are communicated are equally important as the decisions themselves. The process developed honors our System’s distributed leadership model by allowing capital decisions under certain financial thresholds to be made solely by local Health Ministry leadership. Capital projects of higher dollar values are reviewed and ultimately approved by a Capital Allocation Council composed of local Health Ministry and national System multi-disciplinary leaders. The Capital Allocation Council brings a level of rigor, discipline and accountability to the decision-making process while ensuring fairness, consistency and optimized returns. The approach reflects both the mission and values of our national health ministry, allows for greater reinvestment in needed services and facilities, and provides consistent and equitable decision-making, promoting integrity and trust.
One of the tools Ascension Health uses to promote optimized capital investment decisions is called the capital investment matrix. This matrix plots each of our Health Ministries on a nine-square grid based upon its operating potential and financial performance. This matrix allows for the accumulation of a wide variety of factors that should influence the decision-making process and displays the results of these factors on one page. The tool allows both Health Ministry leadership and the Capital Allocation Council to make better decisions by examining many different and relevant factors through one matrix. The matrix also ensures that the System’s capital allocation process is operating justly, is promoting the common good and is effectively stewarding the System’s resources.

Conclusion

Ascension Health intentionally and thoughtfully stewards its resources in many and varied ways to ensure that it can sustain its mission of continuing the healing ministry of Jesus both now and well into the future. These very practical examples portray how our national health ministry continues to be true to Catholic Social Teaching, integrating our mission and our margin as measures of how well we are serving our patients and communities and how our values are lived out in day-to-day operational practices. Through our processes we have developed holistic, sustainable operating models to provide coordinated, efficient processes; safe, effective, evidence-based care; and emotional and spiritual support to our patients and their families.

Ascension Health has created an enduring culture of stewardship that is best summed up in the words of one of our founders, St. Vincent de Paul: “Those who have the management of anything are obliged to manage it well and to use it faithfully because it belongs to our good God.”