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The CFO path: From reactive to transformative

The healthcare industry is navigating challenging times, but chief financial officers (CFOs) have a tremendous opportunity to make a profound impact. While their expertise in understanding the numbers, negotiating contracts and driving value in operations remains essential, the current landscape calls for even greater leadership and vision. Now more than ever, CFOs are pivotal to the success of the healthcare mission. They have the power to drive meaningful change, support innovative solutions and lead their organizations to new heights. This is their moment to shine and make a difference that resonates far beyond the balance sheets.

The anxiety in the field is reasonable. [National health expenditures](#) are growing at a pace that outpaces general inflation. So are operational costs, [particularly labor costs](#). Rating agency [downgrades continue to outpace upgrades](#). While health system [margins are inching upward](#), plans to [reduce Medicaid spending and end Affordable Care Act subsidies](#) could place further pressure on a position that is, for many systems, already tenuous.

The instability calls for an expansive, full voice from financial leadership. Call it **transformative financial leadership**. CFOs must lead, not react. A forward-looking CFO's role surpasses the traditional one—financial stewardship—to demand strategic direction.

Anticipating and overcoming challenges

It's easy to say but hard to do. CFOs face numerous challenges in this expanded role. These include overcoming the traditional inclination to deference to the CEO, balancing mission with financial sustainability, navigating workforce pressures and managing reimbursement uncertainties and a tricky regulatory environment.

These situations call for flexibility and a commitment to innovation. "My role has evolved far beyond managing finances," says Jim McManus, CFO of Adena Health,



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Chillicothe, OH. "Our strategic initiatives combine financial planning with clinical and operational priorities. We have to align these efforts. This requires effective change management to ensure that every strategy we implement improves patient outcomes and organizational efficiency."

Start with the basic blocking and tackling of financial management, which is evolving. The transformative CFO can **enhance operational efficiency** by leading a comprehensive review of service agreements to reveal redundancies and cost-saving opportunities. Centralized contract management ensures economies of scale and reduces administrative waste.

In a similar vein, CFOs are uniquely positioned to guide their organizations in **leveraging supplemental funding** from nontraditional sources. Programs such as state-directed payments provide critical opportunities to offset financial strain. CFOs should identify and maximize these revenue streams, building robust financial presentations to strengthen credit ratings and demonstrate the reliability of supplemental funding.

But it's not all dollars and cents. Health systems face existential questions about their identity. To address these, CFOs must help their systems build out high-value, consumer-driven services. **Reviewing operating models**

is entirely under the transformative CFO's purview. This should extend to expanding outpatient services such as expansion of ambulatory surgery centers (ASCs), expansion of community-based offices and, when the market conditions are appropriate, walk-in urgent care centers. Consumers are demanding the convenience. Consider a partnership with an ASC management company, which might allow your system to enhance service line capabilities and accelerate market entry.

CFOs must also **get involved with policy** by addressing risks and developing contingency plans. Policy changes and budget cuts can throw even the best-laid plans off track. CFOs should feel unleashed to advocate on behalf of their organizations. At minimum, transformative CFOs must regularly analyze the regulatory environment to help their CEOs and their organizations anticipate and adapt to evolving policy landscapes.

Finally, CFOs must work closely with internal security and technology teams to **strengthen cybersecurity preparedness**. Cyberattacks pose a significant risk to healthcare organizations. CFOs must prioritize investments in robust cybersecurity frameworks, oversee drills, and integrate cybersecurity into financial and operational reviews.

Delivering value through transformation

To navigate toward transformative financial leadership, CFOs must prioritize. They can't do it all. Here are three ingredients that can jumpstart the process:

1. **Focus on the data.** Data, and insights derived from it, are fundamental to CFOs' enhanced role. They drive the ability to identify and eliminate inefficiencies, make wise investments, and ensure the institution's financial health and viability. The transformative CFO must synthesize clinical, operational, and financial data to anticipate demand, allocate resources strategically, and optimize performance.

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2. **Lead technology investments.** Technology drives growth. That's hardly news; but given the price of technology and what rides on the outcome, the gap between a successful investment and an unsuccessful one can have a profound impact on a system's long-term financial stability. Transformative CFOs must work closely with technology teams to align investments with a system's strategic priorities, seeking measurable returns across financial, operational, and clinical domains.

This applies to investments in technologies around telehealth, revenue cycle automation, electronic health record systems and clinical infrastructure—in other words, to find affordable ways that **technology can focus limited resources to enhance both clinical outcomes and margin**, according to Marlon Priest, M.D., managing partner of BetterHealthMD. "Patient expectations are for a great clinical outcome at a reasonable cost," Priest says. "That would be the unique result of the transformative CFO working in a highly collaborative manner with the chief clinical operations officer—to take advantage of clinical and financial technology to create outstanding outcomes at a reasonable cost. That's the definition of value, and that's what the best CFOs can provide. They must review and use on a daily basis data from technology to improve quality and the cost of care."

3. Redefine operating models. Traditional hospital-centric models still suit some smaller community-based hospitals and systems. But they are insufficient for most academic medical centers, integrated delivery networks, and other types of large systems. CFOs must work with their CEOs and boards to design nimble governance structures that address labor shortages, supply chain constraints, and competition from nontraditional providers. This will require some creative thinking, including rethinking operational structures, leveraging partnerships, and a commitment to flexibility.

A final thought

Challenges and opportunities exist in equal measure. Transformational CFOs can help their organizations navigate this dynamic environment. Their role has evolved from financial stewardship to strategic leadership, demanding flexibility to address operational pressures, align resources with mission objectives and create long-term value.

Transformational CFOs can help their organizations navigate both challenges and opportunities.

“It’s about balancing immediate financial needs with long-term investments in technology, workforce optimization and value-based care,” says Craig Collins, senior vice president and CFO of UK HealthCare, Lexington, KY.

“The healthcare landscape won’t stop changing. So, my role is to ensure that we remain agile and positioned for sustainable success.”

By harnessing data, redefining operational models and embracing technology, CFOs can lead. They can balance financial sustainability with the delivery of exceptional patient care. It might not feel natural, but this may be the CFO’s time to shine.

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Appendix

CFO Maturity Model for Financial Sustainability

Transformative financial leadership can make or break the 21st century health system. CFOs are uniquely positioned to navigate the complexities of a dynamic, shifting landscape. Their role has evolved from financial stewardship to strategic leadership, demanding agility to address operational pressures, align resources with mission objectives, and create long-term value. By harnessing data, redefining operational models, and embracing technology, CFOs can balance financial sustainability with the delivery of exceptional patient care.

This rubric outlines a maturity model to evaluate and enhance a CFO’s readiness to lead an organization toward long-term financial sustainability. Here’s how to use it:

1. Score each dimension from 1 (Reactive) to 5 (Transformative).
2. Highlight areas scoring below 3 (Developing) for targeted improvement.
3. Develop an action plan to address areas that need work.
4. Reassess every 6 to 12 months to track progress.

DIMENSION	1 REACTIVE	2 EMERGING	3 DEVELOPING	4 STRATEGIC	5 TRANSFORMATIVE
Strategic Alignment	Financial strategy is disconnected from clinical and operational priorities	Basic alignment exists, but collaboration is limited	Financial planning supports broad organizational goals, but ROI and metrics are underdeveloped	Finance drives operational and clinical improvements, with clear, quantifiable metrics	Fully integrated strategy in which financial, operational, and clinical goals are seamlessly aligned
Data-Driven Decision-Making	Data are fragmented and rarely used for proactive decision-making	Basic analytics are in place, but decision-making is still largely reactive	Data integration enables consistent, actionable insights	Predictive analytics drive decision-making, resource alignment, and demand planning	Advanced AI and prescriptive analytics provide real-time insights that drive innovation and agility
Technology Adoption	Siloed or outdated technologies dominate the clinical and operational landscape	Initial adoption of basic technologies like mobile apps, patient portals, and electronic scheduling	Technology investments are aligned with strategic goals but lack full ROI optimization	Investments in advanced technologies deliver measurable financial and clinical returns	Fully optimized, interoperable systems drive efficiency, patient satisfaction, and financial growth
Operational Efficiency	Inefficiencies are prevalent, with fragmented processes and little focus on cost control	Efficiency improvements are under way, but redundancies and missed cost-saving opportunities remain	Comprehensive reviews and streamlined operations reduce costs while improving outcomes	Centralized systems and strategic procurement enhance operational and financial efficiency	Fully integrated, cost-efficient operations that adapt to market and organizational needs
Workforce Optimization	Workforce strategy is outdated, with limited innovation in compensation or employment models	Basic adjustments to workforce structures, but gaps in strategy and alignment persist	Workforce optimization addresses gaps, leverages provider skill-mix and adjusted compensation models	Comprehensive workforce strategies drive productivity, satisfaction, and cost efficiency	Future-ready workforce aligned with strategic priorities, supported by continuous innovation
Value-Based Care Readiness	No preparation for value-based care models or reimbursement	Early efforts to explore value-based care models, but financial alignment is lacking	Financial planning incorporates shared-risk models and basic outcome tracking	CFO drives value-based care strategy with robust alignment of financial and clinical priorities	Fully integrated value-based care delivery system with innovative reimbursement models
Change Management	Change initiatives are <i>ad hoc</i> and lack direction and stakeholder buy-in	Some efforts to manage change, but resistance and unclear objectives hinder progress	Structured change management frameworks guide initiatives, with accountability established	Organizational support ensures strong buy-in and measurable results for change initiatives	Change is institutionalized as part of the organization’s culture, driving continuous improvement