



## Chief Financial Officer Interview

Featuring

# Mark Rich

Executive Vice President and CFO  
Caritas Christi Health Care

### Professional Profile

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**Current Position:** Executive Vice President and CFO, Caritas Christi

**Start Date:** Joined Caritas in May 2006, CFO since November 2007

**Responsibilities:** System Finance, Information Technology,  
Treasury and Contracting

**Positions Prior to Current:** Partner / Director of Healthcare Consulting,  
Feeley & Driscoll, PC

**College:** SUNY Binghamton

**HFMA Membership:** Since 1986

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1. Can you comment about your experience as an HFMA member? How have you been able to use your HFMA experience to support you in your current position? Are there unique features to HFMA membership that especially helped you during your career?

A. I've been a member of HFMA since 1986. I have been to many, many great educational meetings. Far and away though, I think that the biggest benefit is the opportunity that is presented by participation in terms of building your professional network. Healthcare in Massachusetts and Rhode Island is a small world. I've met so many great people and had the opportunity to work with so many great people through HFMA in my 24 years of membership. It has been a great opportunity to reach out to people. Despite the fact that we are all competitors, it's nice to be able to - under the banner of HFMA - reach

out to people, to find out what they're doing and what's working for them.

2. Tell us a little about your organization and its mission?

A. Caritas Christi is a 6-hospital system with 400 employed physicians and a contracting network of over 1200 physicians covering nearly the whole of Eastern Mass. We're about a \$1.3 billion net revenue organization, with 68,000 discharges, 265,000 emergency room visits, and about 1.1 million physician encounters in our employed group. We employ over 12,000 people which makes us the 11th largest employer in the State.

We are a system of community hospitals something that makes us unique in New

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England. Being a “community hospital based System” drives all of our strategies, our communications, our interactions with patients and their families, payers, regulators, and our employees.

Our mission really is to deliver world class healthcare in the communities where our patients live. Along with that, we are a faith-based organization committed to the social justice aspects of health care, in terms of access and quality for all of our patients.

3. *From your current perspective, what do you view as the 2-3 most significant challenges in today’s healthcare environment?*

A. Do I have to stop at just two or three? First and foremost let me say that the most important challenges are those faced by our patients and their families as they navigate the complexities of today’s healthcare environment. Those challenges far exceed the economic issues providers face.

That said, it is my job to plan for and address those economic issues. Chief among those issues is making sure that we have adequate access to capital over a long period of time so that we can continue to provide the services that help our patients meet their challenges without having to leave the communities where they live. We all know that the markets have changed and that the capital market challenges have become even greater. During the last year Caritas has seen upgrades in our bond ratings but the markets still remain limited for a System like ours.

To respond to the “new world order” in the capital markets, the industry must consider going beyond simple tax exempt financing to look to more creative solutions. Obviously given our recent announcement, we have found our “creative solution” outside of the tax exempt financing system.

The other economic challenge in this

“healthcare reform world” of change is reconfiguring the payment systems from a fee-for-service model to an accountable care model. While conceptually we can all outline a plan that would do that, it’s the practical component of living in both worlds that will be a challenge. We at Caritas think that from an integration standpoint (in terms of both our physician and our I.T platforms) we already have the infrastructure for the patient care and physician components of an ACO (or at least a great start). But the waters will continue to be “choppy” for the next several years for all providers.

4. *How do these challenges affect Caritas Christi in particular? How are your challenges similar and different from those of other health systems?*

A. Caritas Christi has had relatively strong P&L performance over the past 4-5 years, and is relatively strong from an “innovation” standpoint. Our issue is that many of our hospitals were in dire economic distress prior to joining the System. As a result we are left with this legacy of weak balance sheets.

The other challenge, from a practical standpoint is that we have a very large pension liability. Like most companies, the market drop in October 2008 hit our pension investments hard and exacerbated funding gap. Ensuring the long term viability of those pensions and fulfilling our commitment to current and former employees and their families is clearly among our highest priorities. It is also a huge challenge, particularly when combined with relatively weak balance sheet. Add in limited debt capacity and you end up with some scenarios that are not attractive in the short or long run. Our recently announced new structure will give us the opportunity to meet our capital needs and our pension obligations while satisfying our goal/vision of world class healthcare in the communities where our patients live.

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5. *Could you pick out the top three challenges you faced when you first came into your current position? How did you approach these challenges and what strides have you made?*

A. When I first took over this job in November 2007 we had two failed acquisition attempts, we were experiencing decreases in volume, we had lost key physician leaders, we were economically disadvantaged in terms of managed care rates, we were on the precipice of a downgrade to junk bond status, and we had an interim CEO. Other than that, it was great! All that said though, we still had a lot of talented and highly caring and dedicated people within Caritas Christi. My challenge was, given the tenuousness and the turnover in the corporate leadership, being able to maintain the team and keep everyone focused on the areas that I thought were most important for the organization. Being able to find that spot where people's talents

were going to be maximized and where their job satisfaction was going to be maximized given the new vision and direction of the System were probably the biggest challenges. We addressed that by focusing the Finance division on three goals:

- Net revenue “per click”: We don't necessarily influence the number of clicks, but we certainly influence the net revenue per click, through our revenue cycle initiatives, through making sure that our patients have all the opportunity to access the insurance options that are available to them and being able to counsel them through that – sometimes complex process.
- Cash management and the stewardship of our liquid assets: At that time, we did not have much money but we still needed

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to make sure that our money was working as hard as it could for us, while balancing the risk against ensuring that the long term needs of the organization and the short term needs of just running a day-to-day business were met.

- Information flow and support: The third component is Finance's role in making sure that we are providing real-time, reliable, and actionable information. In Finance we produce a lot of data, but the goal really is to get actionable information on the table as fast as we can.

6. *How has your organization changed since your arrival? How has your focus changed as a result of the current economic crisis?*

- A. I think Caritas Christi was always, from a patient care perspective, a quality organization that really led with mission. That really hasn't changed. What has changed since November 2007 is that we became laser focused on getting back to "blocking and tackling", and the rigor and discipline of running a very large business. We've gone through our reorganization; it's a constantly evolving process. We're much more nimble; we're much more focused on growth and more willing to articulate our strategies in terms of taking on more risk.

One of the biggest things that we did along those lines concerns I.T. Right before the economic crisis, we made a decision to invest \$73 million in IT infrastructure over a three year period. The crash came, but we continued with that investment because we recognized that –while challenging in the short term – it is/was crucial to our long-term strategy.

We like to say that the economic crisis didn't change the way we think. It simply restored our focus to the areas that had been important to the system for a long time: quality service to our patients in the communities

where they live, done so in the most efficient manner possible.

7. *How has Massachusetts Health Reform affected your business? What do you see as the major challenges for health reform over the coming year, in addition to the obvious challenge of affordability?*

- A. Massachusetts health reform has generally been a good thing for Caritas because it has been a good thing for our patients. Economically for us as a provider the results are mixed but generally positive. I do think that national healthcare reform will have the same problems as Massachusetts health reform – which is not just the "affordability", but maintaining the political commitment to the continued affordability.

In terms of national health reform, we remain a low cost provider with the strong foundations for an ACO, so we believe that we are well positioned and can thrive under reform. It will definitely be an interesting time.

8. *What are the key performance indicators that you strive to achieve all the time?*

- A. In keeping with our focus on "actionable information" we see the production of highly focused real-time performance indicators as one of the keys to our success. For example, in addition to simple measures of daily volume and cash, we are orienting ourselves to being able to give hospital leaders meaningful data to interface in real time with physicians. Beyond the economics, we are also constantly monitoring quality and safety issues.

9. *Tell us about your management and staff structure? How do you keep your staff and leadership apprised of the key performance issues? Are there specific tools you use to ensure good*

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*communication among your leaders?*

- A. Because we're a lean, low cost organization, I have a broad portfolio but I have great leaders in each one of those areas. We are a "hybrid matrix" organization. Within Finance we have some clear matrix leaders. For example, Revenue Cycle reports up through one Vice President of Revenue Cycle for the System; Purchasing is centralized; Reimbursement is run centrally. Accounting, Payroll and other functions are done locally. So we have this combination of central and local leaders and staff. It can sometimes be a challenge but with good communication we think it allows us a great balance between maximizing the return on our human capital while ensuring a satisfying and rewarding employment environment.

All of our performance metrics go out to the

key leaders in the organization (down to the department directors and managers) every day. Everybody knows these 4 or 5 areas are the things that are most critical to our success. Everybody is getting the same information in real time. For example, if you're in PFS you're getting daily cash, but also if you're in Supply Chain or Nursing you're getting daily cash reports. We want to make sure that that our team is focused on the things that are important to the organization for the execution of our strategy.

10. *What is your prediction for the next few years in terms of the strength and health of your organization? What will help you remain strong?*

- A. I think Caritas Christi will continue to

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remain strong. We had a great turnaround year and we expect that to continue. We are basically right on budget for 2010 and I expect to end the year on target.

Additionally, our new relationship with Cerberus Capital Management will provide us with much needed capital to continue to support and develop the services we provide.

11. *How is your current CFO role different from other similar positions you've held and how have other organizations differed from your current organization?*

A. I started my career at Mass. Eye and Ear in Finance. I then went into consulting, first with Laventhol and Horwath and then Feeley and Driscoll. I joined Caritas Christi in Business Development then became CFO. While it would seem that my job now

is different than my roles prior to Caritas it's not different in the terms of my objectives and goals. It's really my job to be proactively thinking about how we can best serve the organization, about where the organization is going in the long term, about being a participant in the process of change, about shaping the strategies of the organization, and helping to execute those strategies.

12. *How do you expect Caritas Christi and MA/RI to fare in terms of national funding/support for health IT initiatives?*

A. I am not sure about the State in total. At Caritas Christi we have positioned ourselves to be able to access those dollars. We made a huge investment in IT that will be finishing up in the next 9 months. The result will be a fully wired System. (We currently have been recognized by HIMMS as a "Stage 6" provider).

13. *What suggestions do you have for HFMA members who may wish to follow a career path to CFO and how would you suggest they take advantage of their HFMA membership?*

A. I think the best thing anyone joining HFMA can do is to be involved. I believe that I've benefited tremendously from my HFMA involvement, both personally and professionally. Health care finance in Mass and Rhode Island is a small "organization" and there are huge benefits in terms of network development and career growth that come from participation.

There's also tremendous opportunity in terms of the quality of the educational programs. I'm constantly amazed at the high quality of the programs that I go to. We have good speakers, we're on target, and we're on focus. What people in the general membership may not realize are the rigors that the Board goes through in ensuring that we continually get good speakers, and have high quality educational programs. □

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