

Fastballs, Curveballs, Spitballs: How to Hit a Homerun with the Accounting and Finance Challenges in 2026

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01 Setting Budgets and Using Them Effectively to Stay on Track



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Components of Setting a Strong Budget

Budget Setting and Buy-in



Who Is Being Included in Budget Setting?

- If department heads are not being included in budget setting process, there is the potential for missed key inputs that only they may be aware of or thinking about
- It's easier to get manager/department head buy-in if they are part of the budget setting process. They feel more ownership and have more trust in the numbers they are being held accountable for

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Budgeting Process – Historical vs. Projections

- 2 or 3 Year Average?
- Trailing Twelve Months?
- Prices (Charge Master)
- Staffing Changes
- External Factors
 - Inflation
 - Staffing Market
 - Regulatory Changes
- Reimbursement (Payor Mix)
- Budget Implications
 - Gross vs. Net

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Budget Setting – Timeline and Approval Process

Define your timeline and work backwards

General Timing Windows

- 120–150 days before fiscal year: assumptions finalized
- 90–120 days: department-level input
- 60 days: consolidation and stress-testing
- 30 days: governance review and approval

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Budget Monitoring

Monitoring

- Monthly
 - Department Heads give input on variances
 - Controller/CFO review with CEO
 - Discussed with Board
 - Follow-up plan and impact on following month
- Semiannual
 - Do any departments or assumptions require a reforecast?
 - Are there any KPI benchmarks that trigger a reforecast?

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02

Key Performance Indicators (KPI) and Board Reporting



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Key Performance Indicators KPI



Profitability

- Operating margin
- Earnings before interest depreciation and amortization (EBIDA)

Cost indicators

- Salary per FTE
- Salaries & wages as a percentage of total operating revenues

Liquidity

- Current ratio
- Days in accounts receivable
- Days cash on hand

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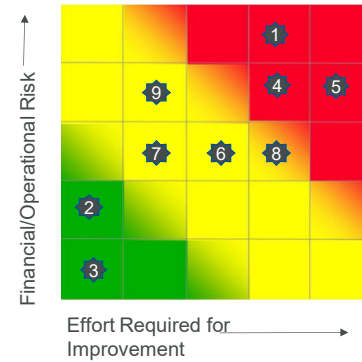
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KPI Risk vs. Improvement Effort

- Net Days in AR
- AR Greater than 90 Days
- Days Cash on Hand
- Days in Unbilled AR
- Point of Service Collections
- Denial Rate
- Write-offs as % of Net Patient Revenue
- Clean Claim Rate
- Appointment No-Show Rate



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Tracking of Key Performance Indicators (KPI)

Transparency – Regardless of the metric that is being tracked

Metric	January	February	March	April	May	June	July	August	September	October	November	December	Average	Budget
1	50.00	51.00	50.00	52.00	53.00	50.00	48.00	49.00	51.00	54.00	55.00	56.00	51.58	49.90
2	1,100.00	950.00	920.00	989.00	850.00	799.00	875.00	988.00	825.00	950.00	860.00	1,010.00	926.33	1,000.00
3	1.10	1.15	1.35	1.42	1.11	1.16	1.20	1.30	1.22	1.19	1.04	1.05	1.19	1.75
4	135.00	140.00	138.00	142.00	150.00	151.00	131.00	129.00	135.00	145.00	150.00	125.00	139.25	120.00
5	15.20	16.20	16.40	14.40	15.90	17.00	16.90	18.10	18.40	19.00	18.25	19.10	17.07	18.00
6	1.00	0.99	1.01	0.98	1.04	0.99	1.01	0.99	1.06	0.97	1.00	0.97	1.00	1.00
7	1,507.48	1,608.12	1,701.25	1,498.75	1,560.28	1,675.20	1,601.98	1,558.71	1,532.64	1,490.01	1,725.60	1,700.21	1,596.69	1,500.00
8	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
9	(1.40)	(1.50)	(2.00)	(2.50)	(0.05)	(0.75)	(1.20)	(0.90)	(0.25)	(2.25)	(0.84)	(0.05)	(1.14)	0.25
10	(5.00)	(4.98)	1.00	(2.00)	(4.25)	(3.78)	(1.25)	(3.17)	(4.25)	0.05	1.20	2.00	(2.04)	0.50



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Cost Report Estimate and Impact on KPI

Important to update Monthly

- Can have a large impact on current ratio
- Can shine light on need to modify interim payment rates or do interim cost report
- Will give management and board a true picture of operating margin
- Avoids large swings at year-end when cost report is completed
- Boards and Management do not like large unknown surprises to bottom line.

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340B Program

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Current Concerns

The Rebate Model

5 manufacturers have attempted to implement a rebate model in which 340B savings are recognized on the back-end.

Current State

Entities purchase drugs at **340B** pricing

- HRSA 340B Rebate Pilot Program
- FAQs
- 1,243 comments received
- 163 Bipartisan U.S. House Members Urge HHS to stop pilot
- AHA asks FTC, DOJ to investigate manufacturers' anticompetitive efforts
- No cost to covered entities

Proposed State

Entities purchase drugs at **GPO / WAC** pricing

Administer drugs to eligible patients

Submit usage data to manufacturers

Receive back-end rebate

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340B Rebate Model

Impacts

Items to Consider



Cash Flow Disturbances

Operational impacts to finance departments due to up-front responsibility/higher initial acquisition cost

Administrative Burden

Utilization of staff to track rebates, ensure timely data submissions, & reconcile payments

Patient Assistance

Tracking & Reporting Capabilities

Utilization of multiple vendors
340B pricing transparency decreased

Third-Party Administrator Collaboration

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340B Rebate Model

Impacts

Eligible Drugs

Drug	Manufacturer	Indication
Eliquis	Bristol Myers Squibb	Anticoagulant
Enbrel	Amgen	Rheumatoid Arthritis
Entresto	Novartis	Heart Failure
Farxiga	AstraZeneca	Diabetes/Heart Failure/CKD
Fiasp	Novo Nordisk	Diabetes
Imbruvica	Pharmacyclics	Blood Cancers
Januvia	Merck	Diabetes
Jardiance	Boehringer Ingelheim	Diabetes/Heart Failure/CKD
Stelara	Janssen Biotech	Autoimmune Disease
Xarelto	Janssen Biotech	Anticoagulant

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Financial Stress

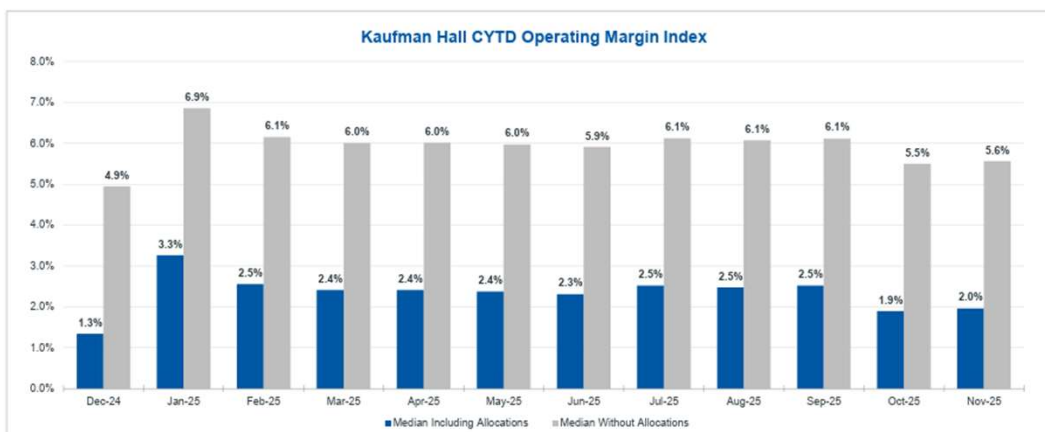


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Financial Stress

National Operating Margin Results

Operating Margin



Kaufman Hall, National Hospital Flash Report (November 2025 Metrics)

*Basic Hospitals only. The Kaufman Hall Hospital Operating Margin and Operating EBITDA Margin Index are comprised of the national median of our dataset and are disclosed with and without adjustments for allocations to hospitals from contracts, utilization, and other entities.

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Margin Improvement Focus Areas

Revenues

- Revenue cycle optimization
 - Denials management
 - Charge capture accuracy
 - Accounts receivable management
- Payer contracting
- Service line rationalization
- Government program(s) utilization
 - Cost reports
 - Grant and relief funding

Expenses

- Labor cost management
 - Contract labor
 - Workforce productivity
- Supply chain and purchases services
 - Supplier contracts
 - Standardization (physician preferences)
 - Pharmacy spend
- Administrative and overhead reduction

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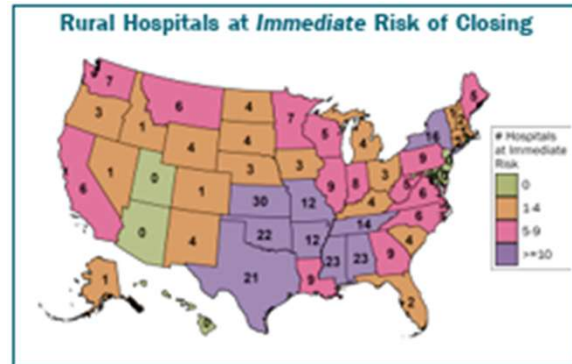
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Current Economic Environment

- Rural hospitals experiencing negative margins over the last five years
- Nearly half of rural hospitals experienced negative margins prior to and during the pandemic¹
- Several rural hospitals continue to be at risk of closure



Source: Center for Healthcare Quality & Payment Reform: Rural Hospitals at Risk of Closing

¹www.aha.org/system/files/media/file/2024/04/Assessing-the-Impact-of-COVID-19-on-Rural-Hospitals-report.pdf

Going Concern Framework

- Evaluate whether conditions or events raise substantial doubt about the entity’s ability to continue as a going concern
 - One year from date financial statements are issued (or available to be issued)
- Potential conditions
 - Recurring losses
 - Liquidity shortfalls
 - Covenant compliance
- Considerations in management evaluation
 - Management plans
 - Understanding covenants
 - Cash projections and days cash on hand



Leading Healthcare Indicators for the Next 3–5 Years

Demonstrating Sustainability & Health

Ensuring long-term sustainability through financial health amid rising costs; quality and clinical outcomes, changes to reimbursement, operational efficiency, and revenue integrity

Creating Organizational Agility

Ensuring strategic plans are followed through to execution. Plans need to be aligned with the organization's day-to-day operations and realities to drive change and success, requiring focused speed and discipline.

Achieving Health

Being Strategically Focused & Disciplined With a Priority on Aligned Growth

Maintaining a clear strategic direction; prioritizing initiatives that align with core mission and goals; and an anticipation of the need for both organic and inorganic growth

Optimizing Our Talent & Workforce

Organizations need to invest in their people, culture, and technology (including AI) to best position the workforce for success. Organizations must address current and future labor shortages and be willing to adopt innovative solutions.

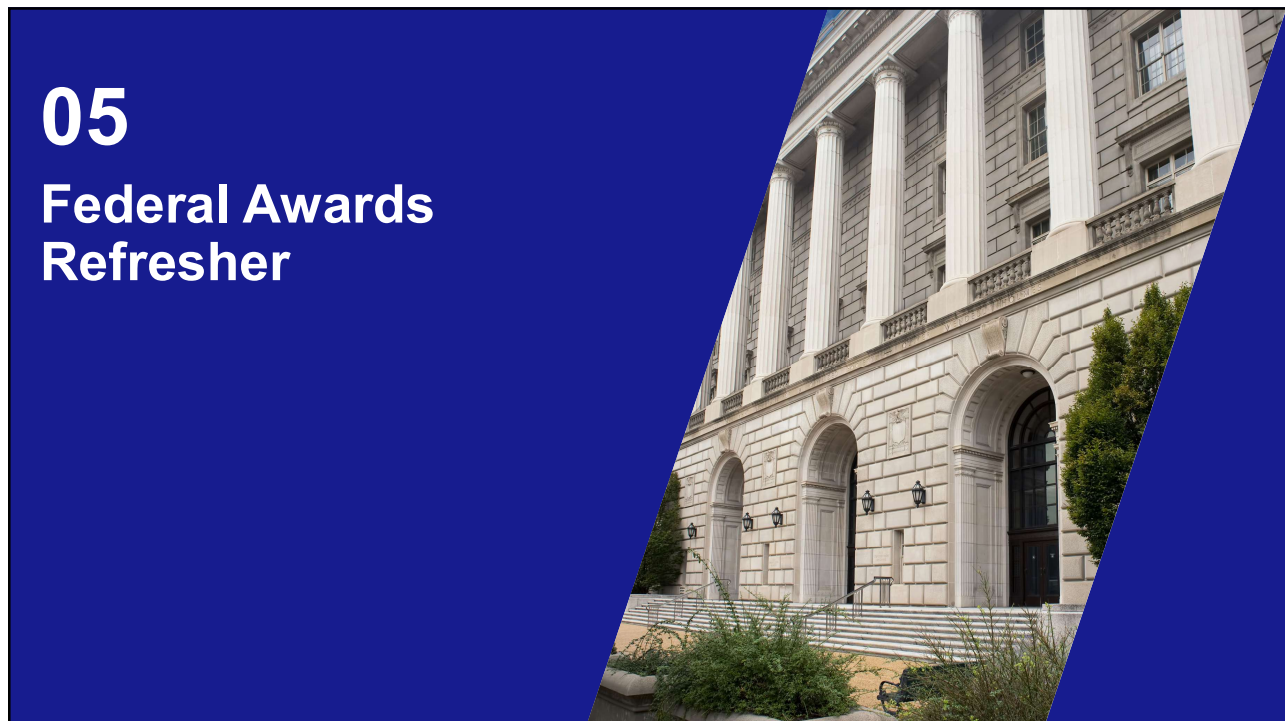
Navigating the Legislative, Regulatory, & Payor Environment Strategically

With a new administration and the passage of the OBBBA come the need to act strategically (not reactively) to legislative, regulatory, and payor changes. Reimbursement and compliance become strategic areas of focus, as talent must be developed in these areas.

Uniting Value-Based Care With Financial & Operational Goals

Leveraging value-based care opportunities to improve patient outcomes while controlling costs. Ensure these goals further the strategic and operational aspirations of the organization.

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Sources: Forvis Mazars Mindsets 2025, Forvis Mazars Market Point of View, Advisory Board, HFMA, Becker's Hospital Review



Healthcare Legislation and Grants

One Big Beautiful Bill – Enacted July 4, 2025

- Federal spending reductions impacting Medicaid and SNAP
- Patient coverage mix may shift, affecting reimbursement and charity care levels

Kansas Rural Health Transformation Grant (RHTP)

- Part of State's application to federal Rural Health Transformation Program
- Implemented over 5 years – Year 1 funding of \$221.89M
 - Evidenced-Based Practice Program
 - 100k* infrastructure payments to offset related expenses
 - 50k* incentive payments based on specified performance measures
- Kansas RHTP funding represent federal financial assistance passed through the State of Kansas (Federal Award Identification Number (AIN) 93.798)

* These are the amounts available for rural Hospitals. Reduced payments also available for RHCs, FQHCs and rural CCBHCs.

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What is a Federal Award?

- Financial assistance provided by the U.S. federal government – either directly from a federal agency or indirectly through a pass-through entity – to a non-federal organization to carry out a public purpose
- Federal awards accumulated and reported within an annual Schedule of Federal Expenditures (SEFA)
- Single audits under the Uniform Guidance required if an entity expends more than \$1,000,000 in federal awards in a single fiscal year
- Awardee required to oversee internal controls and compliance with laws and regulations surrounding the federal award

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What is the Compliance Supplement?

- Issued yearly by the Office of Management and Budget (OMB)
- Outlines compliance requirements under federal programs

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	N	N	N	N	Y	Y	N	Y	Y	N

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Compliance Requirements - SAS 145 & 148

- Increased focus on internal controls

Compliance Requirement	Risks of Material Noncompliance	Compliance Requirement	Risks of Material Noncompliance
Allowable Costs	<ul style="list-style-type: none"> • Direct (other than payroll & fringe) • Payroll • Fringe benefits • Indirect costs 	Matching, LOE, Earmarking	<ul style="list-style-type: none"> • Matching • Level of Effort • Earmarking
Cash Management	<ul style="list-style-type: none"> • Advance draw • Reimbursement • Subrecipient payments 	Procurement, Suspension, & Debarment	<ul style="list-style-type: none"> • Procurement • Suspension & debarment
Eligibility	<ul style="list-style-type: none"> • Beneficiary payments • Subrecipient payments 	Reporting	<ul style="list-style-type: none"> • Financial reports • Performance reports • Special reports • FFATA
Equipment & Real Property Management	<ul style="list-style-type: none"> • All acquired equipment during the grant period • Equipment deletions/disposals during year • Real property disposals during year 	Special Tests	<ul style="list-style-type: none"> • Each special test evaluated separately

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Compliance Requirements Versus Internal Controls Over Compliance

Compliance

The Requirements listed in the compliance supplement (ex. allowable costs, eligibility, etc.)

Things that are required to be done per the regulations/grant agreement

Internal Controls

Controls in place to make sure each compliance requirement is met (ex. adequate segregation of duties in review and authorization of costs, computations checked for accuracy, etc.)

Designed to prevent or detect and correct instances of noncompliance

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Common Findings

- SEFA Preparation
 - Improper reporting (multiple revisions)
 - Improper identification/classification of subrecipient payments
- Internal Controls over Compliance
- Timely inspection of work performed (i.e., monitoring)
- Procurement – Policies consistently followed across the entity
- Suspension & Debarment – Vendors checked
 - Verify against federal SAM.gov suspension & debarment list

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Questions?

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