

The Current Reality

Given the complexities with business-as-usual (BAU) close within Health Care organizations coupled with interoperability challenges and disparate technology platforms, many organizations will struggle to adapt to a virtual close environment given the circumstances brought on us by COVID-19. There is limited precedent into how a global pandemic such as COVID-19 will impact the ability for Health Care organizations to complete their first virtual close. It is critically important to be prepared for COVID-19 related challenges and the likely impacts it will have on a successfully preparing and executing financial close process.

Prepare For Your Virtual Close



Organize
Requirements, capacity, and leadership



Prepare
Resourcing, accessibility, and controls



Deliver
Collaboration, support desk, and reporting/filings



Monitor
Activity tracking, controls, and accounting impact

Organize | Identify and assess

- Launch virtual close schedule, outlining critical path activities
- Evaluate access, resource requirements, and capacity
- Create virtual command center to oversee and manage close

Prepare | Plan and communicate

- Develop virtual close playbook and risk mitigation strategy
- Prepare and communicate virtual close resource plan
- Conduct systems access and internal control preparedness



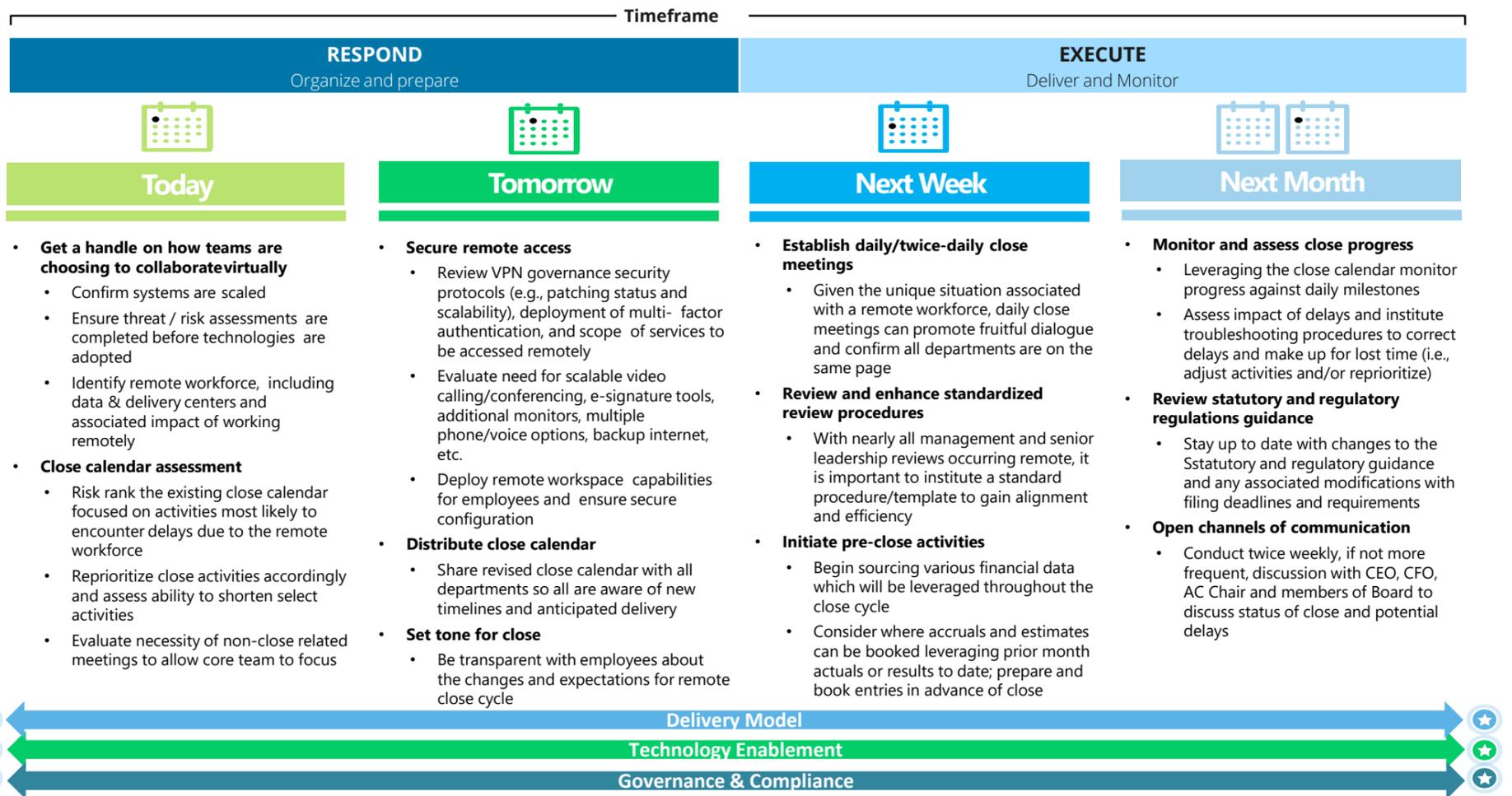
Deliver | Mobilize and execute

- Launch virtual close playbook and collaboration portal
- Activate virtual command center and technical support desk
- Drive issue resolution through execution of defined protocols

Monitor | Govern and comply

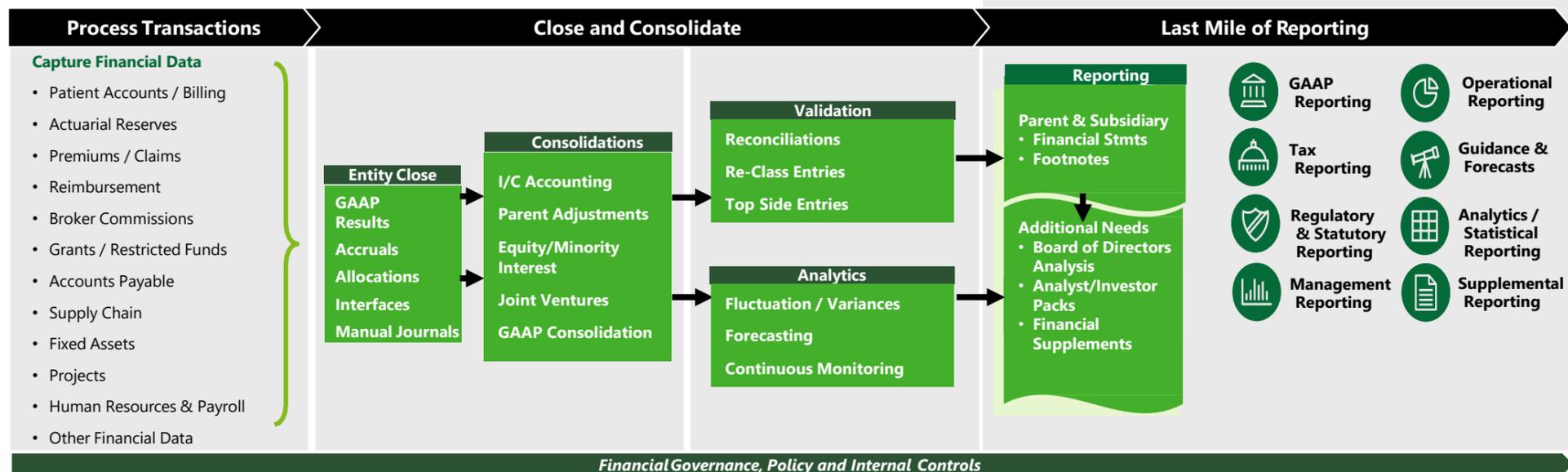
- Monitor team pulse and completion of virtual playbook tasks
- Evaluate controls and variances on ongoing basis
- Measure and address COVID-19 accounting impacts

Preparation, Planning, and Execution



Elevated impacts of today will likely persist and pose sustained challenge in your close environment

Typical Health Care Close Process and Associated Challenges



Close

- Ability to access required systems and data in a timely manner
- Potential for knowledge gaps and issues associated with data hand-off
- Network capacity constraints resulting in delays

Consolidate

- Third-party feeds and information may be delayed or unreliable
- Availability to technical resources could be hindered causing delays in consolidation
- Upstream delays could significantly impact the ability to reconcile and forecast

Report

- Reduced timeline for review and subsequently reporting
- Increased likelihood of reduced real-time performance measures and business insights
- Impact of COVID-19 on regulatory reporting deadlines and requirements

Simulating a Virtual Close for an Health Care

| Key Close Activity | Virtual Close Consideration | Virtual Close Risks | | | |
|--|---|---------------------|---|---|---|
| | | A | B | C | D |
| Process Transactions <input type="checkbox"/> Gather necessary admin systems data via extraction and feeds <input type="checkbox"/> Run capitation models, revenue models, and calculate contractual allowance <input type="checkbox"/> Perform foundation and grant accounting <input type="checkbox"/> Confirm payroll information and other HR data | Ability to access required systems and data in a timely manner | ✓ | ✓ | ✓ | |
| | Network capacity and constraints due to the need for employees to access admin systems, ability to run complex models, and other pertinent financial data remotely | ✓ | ✓ | ✓ | ✓ |
| | Ability to access data including contracts and platforms outside of a typical general ledger / ERP | ✓ | ✓ | | ✓ |
| | Potential delays with the start of the close cycle due to data hand-offs and knowledge gaps | ✓ | ✓ | | |
| Close and Consolidate <input type="checkbox"/> Pre-close meeting <input type="checkbox"/> Perform initial analytics and meet with Finance teams <input type="checkbox"/> Reconcile and close-subledgers <input type="checkbox"/> Confirm Entity, Business Unit or Line of Business sign-off on balances in ledger <input type="checkbox"/> Book recurring journal entries <input type="checkbox"/> Calculate and book Intercompany / Funds Flow allocations <input type="checkbox"/> Post adjusting and eliminating entries <input type="checkbox"/> Post top-side entries <input type="checkbox"/> Close general ledger <input type="checkbox"/> Perform consolidation | Meeting focus on hyper communication, use of new collaboration tools (Video conferencing, online file sharing sites, etc.) | | ✓ | | |
| | Delays due to system latency, upstream data availability, and shared service centers coupled with inefficient communication | ✓ | ✓ | ✓ | ✓ |
| | Simplifying assumptions and / or modified reconciliations and review may be needed to facilitate timely close | ✓ | ✓ | ✓ | ✓ |
| | Modified sign-off may be needed with additionally documented assumptions and simplifications | ✓ | | | ✓ |
| | Confirm entry system accessibility while remote and plan entries may take longer to book remotely due to indirect access | ✓ | ✓ | | |
| | Aggregation of supporting materials from varying entities may pose additional challenges and delays | ✓ | ✓ | ✓ | |
| | New and modified adjusting entries may be needed as a result of macroeconomic conditions and regulatory body reaction, including impairment of assets and goodwill impairment | | ✓ | | |
| | Additional top-side entries may be needed as a result of macroeconomic conditions and regulatory body reaction | | ✓ | | |
| | General Ledger analytics and final review may be revised to target key risk areas in financials due to time and resource availability | ✓ | ✓ | | ✓ |
| | Significant delay due to upstream activity completion, modified final review to incorporate additional simplifications and assumptions and focused risk review | ✓ | ✓ | ✓ | ✓ |
| Last Mile of Reporting <input type="checkbox"/> Prepare annual accounts filing (inclusive of footnotes) <input type="checkbox"/> Prepare financial supplements <input type="checkbox"/> Finalize the analyst and investor packages (i.e., earnings release) <input type="checkbox"/> Update necessary operational and management reporting metrics <input type="checkbox"/> Finalize Regulatory, Statutory, SEC, Local, and Tax reporting, as applicable <input type="checkbox"/> Conduct executive team meetings, audit committee and board of directors reviews | The impact of COVID-19 on business operations and its effect on the organization's disclosures | ✓ | ✓ | | ✓ |
| | Ability to access required systems and employees with relevant information to the financial supplements | | ✓ | | |
| | Reporting delays associated with the remote workforce and inability to conduct real-time, face to face meetings | ✓ | ✓ | | |
| | Based on network constraints, increased likelihood of reduced real-time performance measures and business insights for investor discussions | ✓ | ✓ | ✓ | |
| | Given the fluid nature of COVID-19 responses, potential modifications to regulatory reporting timelines and requirements may occur | ✓ | ✓ | | |
| | Reduced timeline for conducting executive team meetings, audit committee and board reviews | ✓ | ✓ | | |

Virtual Close Risks Legend

| | |
|--|---|
| A Access / Availability to Data | C Third Party Operations Disruption |
| B Increased Activity Time to Completion | D Modified / Interim / Circumvented controls |

Internal Control Considerations

COVID-19 may cause entities to implement new internal controls or modify existing ones. Entities will need to consider the operating effectiveness of controls, including assessing any breakdown in review-type controls or the inability of individuals to perform control duties because of absences (e.g., due to employee illness or the closure of affected offices).

Entities should also consider how a lack of information may affect management's ability to effectively operate controls (e.g., personnel may not be available in affected areas to provide information that is essential to the effective operation of an internal control). If an existing control cannot be performed, **management may need to identify alternative appropriately designed controls to compensate for the lack of information.**

Entities should also consider management's ability to complete its financial reporting process and prepare its financial statements on a timely basis. Entities will need to ensure that they have properly designed and implemented controls related to the selection and application of GAAP for the accounting and disclosure issues arising from COVID-19.

Deloitte Support

As your organization responds to the impacts stemming from COVID-19, Deloitte stands ready to help you tackle your most complex strategic, financial and operational issues. A sample of areas we stand ready to assist include:

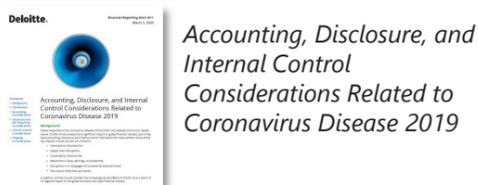
Accounting, Finance & Reporting BAU Support

- Program Management and Communications
- General accounting (Lux GAAP, IFRS)
- External financial reporting
- Management reporting
- Regulatory reporting
- Control support and guidance

Virtual Close Risk Management

- Virtual close risk assessment
- Real-time monitoring
- Close resource support
- Issue identification, triage and resolution
- Regulatory affairs monitoring and response
- Data security and infrastructure

Deloitte Insight



Future of Work: Ways of Working to Sustain and Thrive in Uncertain Times



The heart of resilient leadership: Responding to COVID-19
A guide for senior executives

Contact

Luc Brucher
Partner
Deloitte Luxembourg
lbrucher@deloitte.lu

Karine Pontet
Partner
Deloitte Luxembourg
kpontet@deloitte.lu

Bettina Werner
Director
Deloitte Luxembourg
bewerner@deloitte.lu

Gilles Poncin
Partner
Deloitte Luxembourg
gponcin@deloitte.lu

Nick Tabone
Partner
Deloitte Luxembourg
ntabone@deloitte.lu

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

As used in this document, 'Deloitte' means Deloitte & Touché LLP, which provides audit, assurance, and risk and financial advisory services and Deloitte Consulting LLP, which provides strategy, operations, technology, systems, outsourcing and human capital consulting services. These entities are separate subsidiaries of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.

Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.