

TASSCUBO

From Processing to Partnership:

How Finance & Treasury Enhancements Can Move Your Institution Forward

Presented by: James Mauldin, Associate Vice Chancellor, University of North Texas System
Michael Manna, Executive Director, J.P. Morgan Chase & Co.
Brian Thomason, Executive Director, J.P. Morgan Chase & Co.

Monday, January 28, 2019: 2:15 – 3:30 p.m.

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Agenda

	Page
1 Learning Outcomes	1
2 Presentation Team	2
3 Higher Education with James Mauldin and Brian Thomason	3
4 Healthcare with Michael Manna	13

Intended Outcomes

- 
- Understand current trends and best practices for higher education treasury management

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- Gain better understanding of current trends and best practices for healthcare treasury management

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- Improve ability to think about and implement new treasury practices at your institution

Agenda

	Page
1 Learning Outcomes	1
2 Presentation Team	2
3 Higher Education with James Mauldin and Brian Thomason	3
4 Healthcare with Michael Manna	13

Presenters



James Mauldin

*Associate Vice Chancellor for Treasury
Finance*

(214) 243-1768

james.mauldin@untsystem.edu

James Mauldin joined the UNT System in 2015 as the Associate Vice Chancellor for Treasury. He is responsible for coordinating the functions of the procure-to-pay cycle, banking, investments, and debt across the organization. Prior to joining the UNT System, James served in the local government sector for seven years, at the City of Fort Worth as Assistant Director of Finance and the City of Cedar Hill as Director of Finance/CFO. Service in both operations and finance in the private sector, however, is where he got his career started, including industries such as telecom, banking, manufacturing, and logistics. James has taught Finance as an adjunct professor at Dallas Baptist University since 2009.

James earned a bachelor's degree and an MBA concentrating in Finance from DBU. He holds a Certified Treasury Professional (CTP) designation and is a Certified Public Accountant (CPA). He is a member of the Association for Financial Professionals and on the boards of Trinity River Mission (Dallas-based non-profit), Cedar Hill Economic Development Corporation, and an advisory board member of TexSTAR (Local Government Investment Pool).



Brian Thomason

*Executive Director
Industry Solutions Specialist*

(213) 621-8107

brian.m.thomason@jpmorgan.com

Brian Thomason is an Industry Solutions Specialist within the Industry Solutions team, part of the Commercial Bank's Treasury Services. He works with higher education industry leaders to understand and address the strategic treasury concerns of these organizations. His areas of expertise include cash management, mobile payments, international cash management, operations efficiency, and strategic planning and budgeting.

Brian has 20 years of experience in the higher education and not-for-profit industry. Prior to joining J.P. Morgan in 2018, Brian began his career at Pepperdine University, focusing on FP&A. From 2000 to 2004 he worked for Abilene Christian University, again in FP&A, and was a key member of the University's ERP implementation team. After returning to Pepperdine in 2004, he helped to lead another ERP implementation. He was named University Controller in 2007 and Associate Vice President in 2011. During his time at Pepperdine, Brian focused on modernizing the University's international operations and tax compliance and on increasing operational efficiencies to redeploy resources to the academic areas of the University. More recently, he focused on net revenue growth, and oversaw the University's student financial literacy initiative. He also taught undergraduate and graduate-level courses in Accounting, Finance, and Hispanic Studies.

A graduate of Abilene Christian University, Brian holds a Bachelor of Business Administration in Finance and a Master of Business Administration from Auburn University. Brian has been a licensed Certified Public Accountant in California since 2009. He also serves as Treasurer of the BMW Car Club of America and is on the Board of Directors of Global Samaritan Resources, an Abilene, Texas-based not-for-profit.



Michael Manna

*Executive Director
Industry Solutions Specialist*

(214) 965-4091

michael.d.manna@jpmorgan.com

Mr. Manna serves as a Healthcare Industry Solutions Specialist within the Commercial Banking business at J.P. Morgan. Providing consultative services for the treasury and payments teams, he is focused on aligning multiple and technically complex treasury solutions to meet the highly customized and unique needs of clients engaged in Healthcare financial operations. Through direct collaboration, Mr. Manna assists the firm's clients to improve the working capital cycle through the optimization of accounts receivable and accounts payable functions, managing liquidity, and providing forward looking analysis of industry trends.

Mr. Manna's entire twenty-five plus year career has been centered on technologies that enable financial transaction processing; focusing on the intersection of treasury functions with Healthcare financial management. Prior to joining J. P. Morgan in July of 2017, he served as First Vice President – Healthcare Consultant at SunTrust Bank where he represented treasury services as a member of the bank's Healthcare Steering Committee. He has held senior positions in sales, sales management, product management, general management, and M&A assignments at a variety of private and public companies.

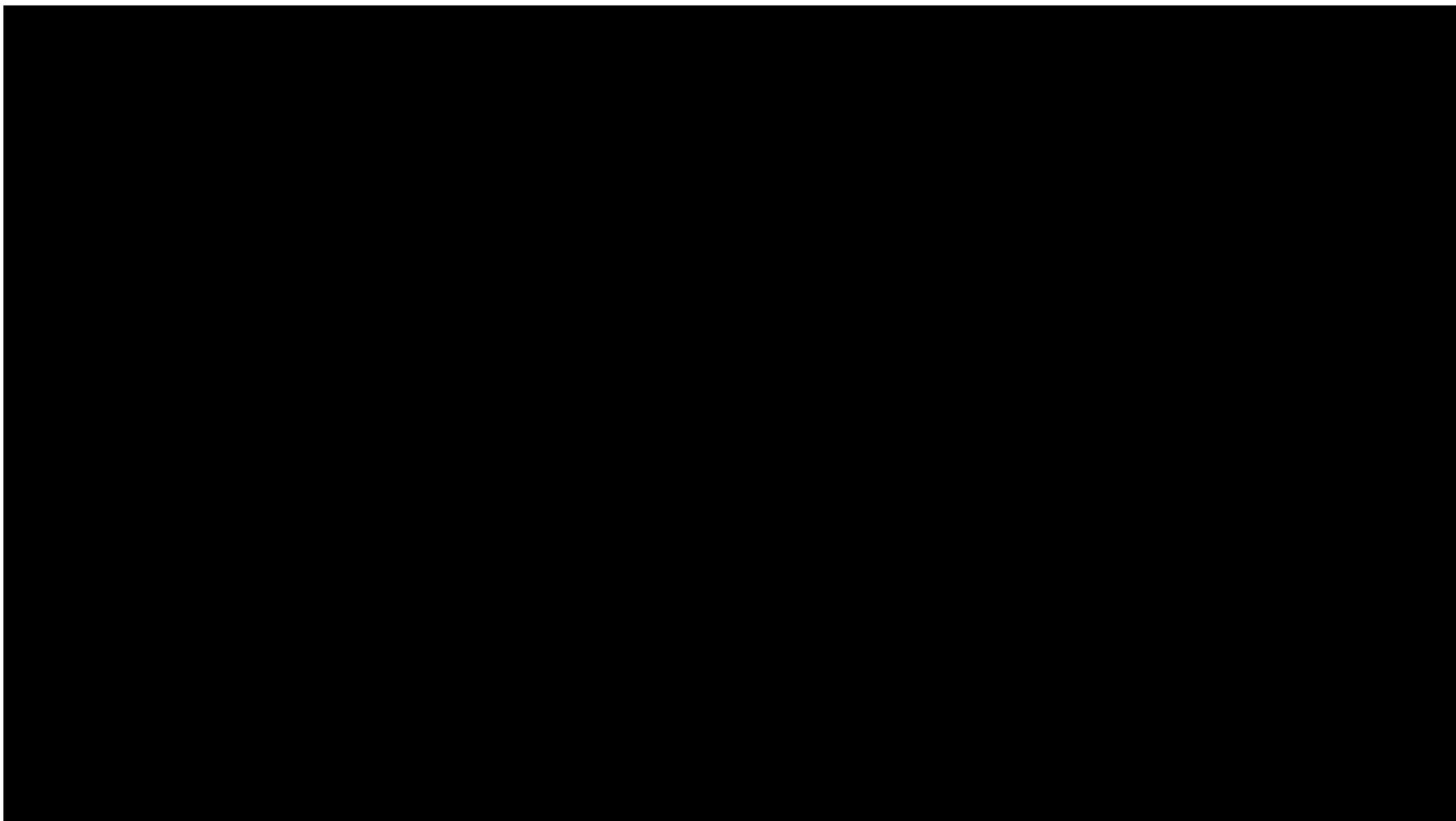
An authority on Healthcare revenue cycle, Mr. Manna speaks regularly at industry conferences. He is a current and longtime member of the Healthcare Information and Management System Society (HIMSS) and maintains the Certified Healthcare Financial Professional (CHFP) designation from the Healthcare Financial Management Association (HFMA). An honors graduate of Boston College, he holds a Bachelor of Arts degree with concentrations in both Political Science and Philosophy. Mr. Manna currently resides in North Texas and is a member of the Board of Directors of the Perot Family Campus of the North Texas Food Bank.

Agenda

	Page
1 Learning Outcomes	1
2 Presentation Team	2
3 Higher Education with James Mauldin and Brian Thomason	3
4 Healthcare with Michael Manna	13

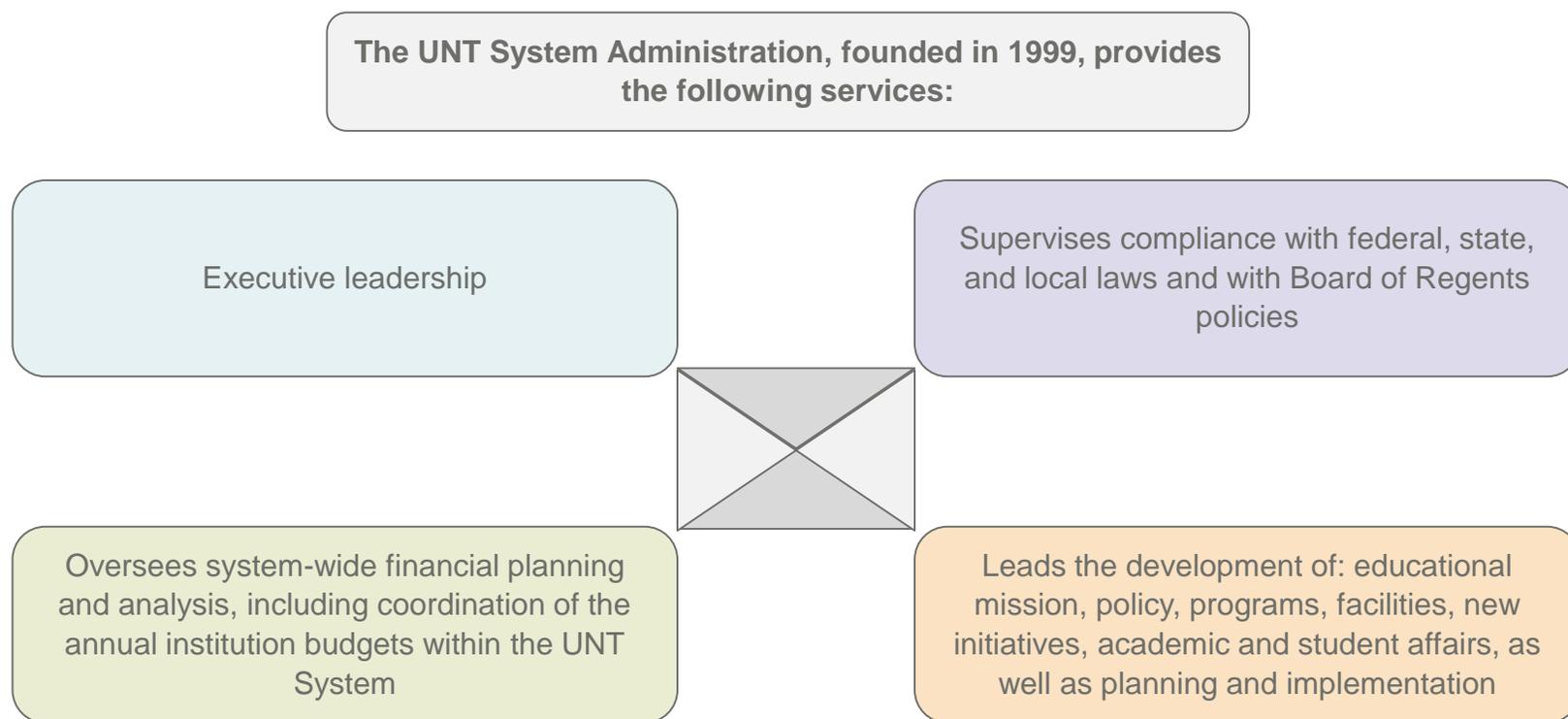
#TogetherWe

The University of North Texas System



About UNT System

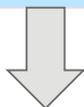
- The University of North Texas System (UNT System or UNTS) includes the **University of North Texas** in Denton (UNT), the **University of North Texas Health Science Center** (UNTHSC) in Fort Worth and the **University of North Texas at Dallas** (UNTDD).
- The three independent universities of the UNT System have **combined enrollment of nearly 44,000 students** across five major teaching locations, including each main campus, as well as Frisco and Downtown Dallas.
 - The UNT System has a **\$1.2 billion** annual consolidated budget, **employs approximately 10,000 people** at its various locations within the robust North Texas Region and **boosts the Texas economy by nearly \$5.2 billion each year**.



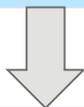
UNTS Banking - Past and Present

2017-2018 RFP

Transitioned from two banks to one



Desired a focused relationship that would be a true partner



Included commitment to investment banking team for awarded bank – relationship strength

Implementation: Phase 2

Seeking to automate payment/positive-pay files



Include Check Print and Single-Use Account products in efforts to transition staff from transactional-focus to analytics



Considering implementing Account Reconciliation Product



Convert to pooled cash to improve cash management efficiencies

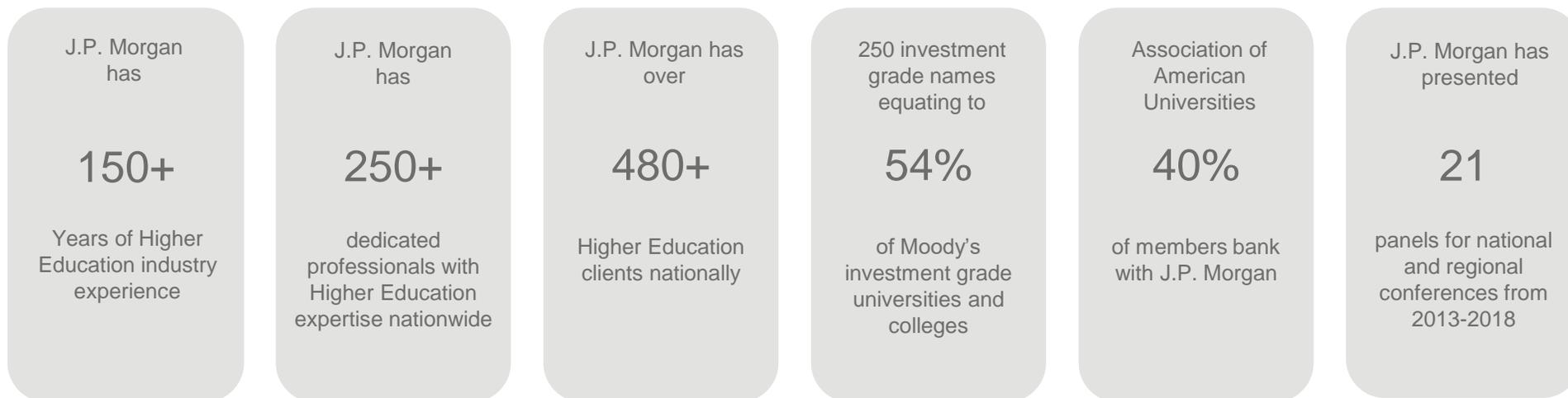
Lessons Learned

Communications with departments and end-users

- Bank Transition
 - Communication effort generally strong
 - Cross-functional, cross-campus RFP & implementation team
 - Face-to-face visits
 - Mass-communication emails
 - But did I ask the right questions? Or ask the questions the right way?
- File Transfer Automation
 - Strong Project Management & Communication with Bank
 - Duplicated payment files week of go-live
 - Root cause analysis points to insufficient testing

About J.P. Morgan Higher Education

J.P. Morgan has an unwavering dedication to the Higher Education Industry



With a commitment to strengthening our communities



New Skills at Work

Five-year, \$250 million training initiative to develop workforce readiness strategies

What are the current pain points for institutions?

Outdated Processes

- Heavily reliant on manual paper-based processes
- Require many eyes and hands to move transactions through the system

Legacy Technology

- Large number of checks, which are costly and time-consuming
- Wires for international payments, currency translation issues
- Lack of fully integrated ledgers

Inefficient Purchasing and AP Policies

- Large number of low-volume, low-dollar “special” vendors
- In-house processing perceived as “high-touch”
- Exceptions are the rule, rather than standard payment, deposit, and vendor terms

Minimal Attention to Receivables

- Except for student tuition and fee payments, difficult to identify incoming funds from donors and granting agencies
- Significant effort on back in (usually in accounting) to code and apply incoming funds properly in GL

The Bank Account as a Cost Center

- Need to manage bank account balances to maximize ECR and interest on shorter term cash
- Inability to maximize corporate a purchasing card spend for rebate

Guiding principles for treasury optimization

Streamlined Processes

- Discover efficiencies and deliver best practice methods across the payments continuum
- Identify improvements and streamline processes

Leverage Technology

- Single multi-payment, multi-currency file capability
- Unique solutions to deliver streamlined reconciliation and cash application
- Integrated Host-to-Host connectivity

Efficient use of AP Channels

- Utilize most efficient and cost effective payments channel
- Outsource where available (processing of paper transactions)
- Use efficient and rewarding payments channels

Improved Receivables

- Create automated reconciliation of transactions across all LOB's
- Positive outcomes/benefit to constituent base

Implementation & Client Service

- Clear and concise implementation plan
- Consistent and high level of client service
- Ongoing support and regular relationship reviews

Key considerations in transforming treasury

What is driving the transformational disruption in treasury?

- Technological changes in the payments industry
- Constituents desiring new ways to interact
- Millennials changing traditional practices
- ERP system upgrades and/or replacements
- Leadership changes at the strategic level that have financial impacts
- Banking RFP cycles giving reasons to consider changes

In what ways is disruption manifesting?

- New methods to remit payments
- Industry efforts to speed up payments present new opportunities for institutions to consider
- Greater level of integration between systems and ease of data exchange, automation
- Heightened focus on cyber risks

How are institutions responding?

- Implementing new ERP solutions
- Asking very tough questions about current banking practices
- Making greater use of partnership models across campus
- Rationalizing account structures, number of accounts
- Increasing dialogue with campus units on current banking practices through education and collaboration
- Distributing banking tools to end-user groups for leaner operations, increased capturing of data, and faster recognition of revenue

Strategic perspectives and trends in receivables

Institutions continue to look for ways to shift more incoming payments to electronic means and eliminate paper wherever possible. Some of this shift is being assisted by the continuous progression of disruptive payment technology such as mobile and P2P advancements.

Millennials are also more likely to embrace electronic payment methods versus prior generations. Treasurers and finance officials may find them more receptive to institution led efforts to drive for greater payment efficiency.

Some tactical ways institutions are driving strategic change



- Expanding use of P2P-style tools to reduce cost and transaction time and use straight through posting of remittance data for automatic reconciliation



- Eliminating paper deposits by using and expanding remote deposit solutions on campus and moving away from cash acceptance to lower vault and branch expenses wherever possible



- Implementing state-of-the-art card terminals that support EMV chips and use token technology to reduce risk, thus reducing the cost of dealing with fraudulent activity



- Shifting online payment acceptance to banks and third parties to reduce PCI scope, and reducing the cost of compliance

Building the roadmap for optimization

Factors important to your institution

- Clearly understand the core strategic goals of the institution and how can finance support them
- Identify the unique attributes of the institution and ensure those are strongly considered as the plan is developed
- Rank order key banking priorities to articulate the importance and anticipated benefits to the institution

Needs assessment

- Understand how banking is conducted today both within the central finance functions and in the end-user units
- Review and assess past efforts to make changes and poll departments to identify their needs and wants
- Survey peer institutions to learn what works and what does not to avoid paths that have not led to success for others

Teaming and collaboration

- Build a cross-functional team of treasury and finance leaders and key personnel in major end-user departments
- Incorporate effective collaboration tools adopted by the organization into the roadmap for banking transformation
- Consider the value of a strong project management approach and partnership to increase successful outcome

Goal setting

- Capture current processing metrics for benchmarking purposes
- Create improvement goals that are linked to key strategic priorities
- Be sure to also identify quality improvement goals that complement the efficiency agenda

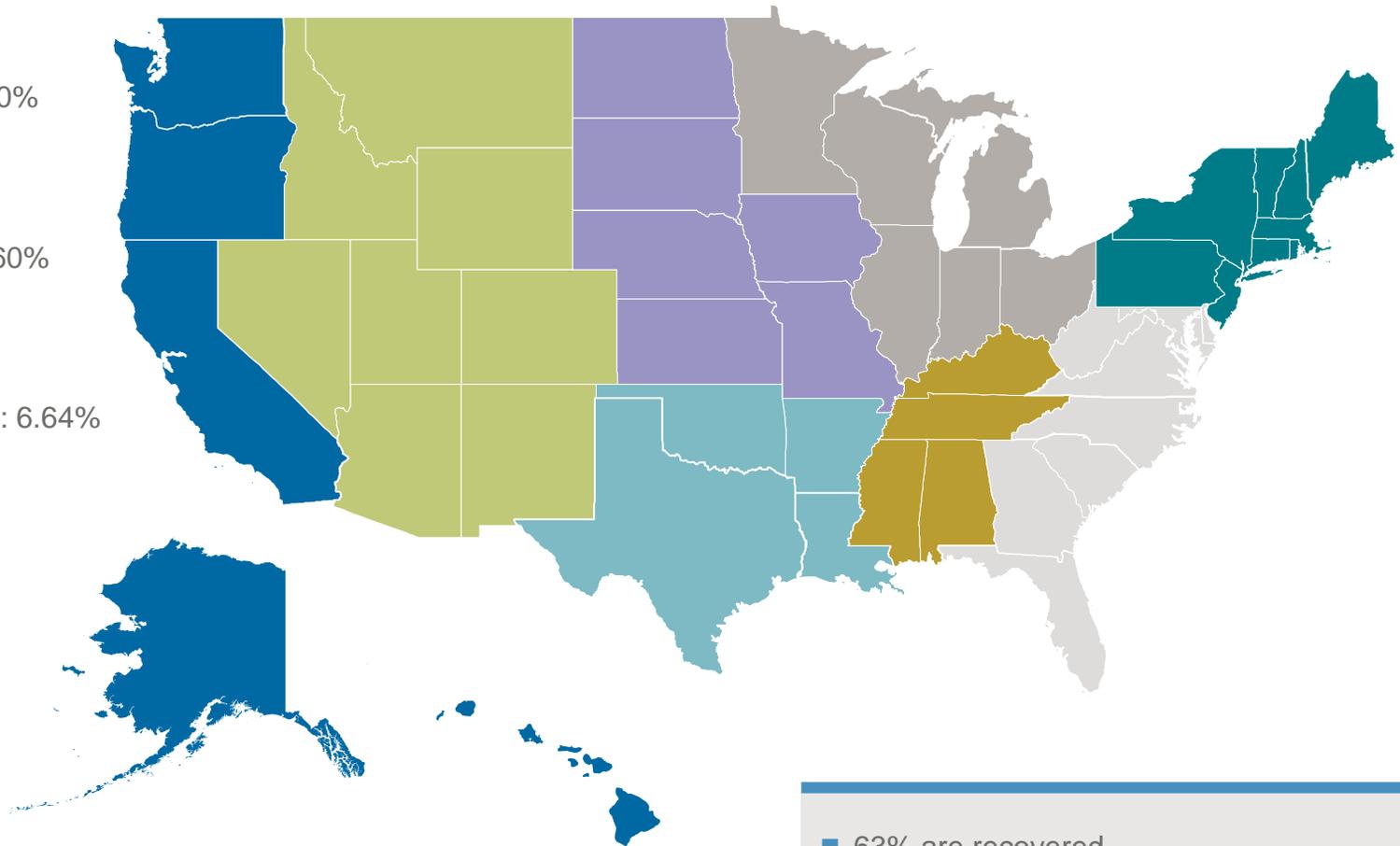
Agenda

	Page
1 Learning Outcomes	1
2 Presentation Team	2
3 Higher Education with James Mauldin and Brian Thomason	3
4 Healthcare with Michael Manna	13

Denial rates of claims (bills) submitted to commercial payers

Denial rates by region

- Pacific: 10.89%
- South Central: 10.50%
- Mid-West: 10.32%
- Southeast: 9.33%
- Southern Plains: 8.60%
- Northeast: 8.30%
- Mountain: 6.99%
- Northeastern Plains: 6.64%



- 63% are recovered
- Average cost to appeal a denial is \$118

Source: Change Healthcare Healthy Hospital Index June, 2017

The path to paperless processing

Less paper, more automation, higher performance

Trending

Receivables: Commercial payments
Impact on Revenue Cycle

- Electronification of paper transactions
- Automation of reconciliation
- Integrating with Patient Accounting System (PAS)
- Ensuring HIPAA compliance
- Migration to Shared Service Centers

Receiving a paper check can be **10 times** more expensive than receiving an ACH payment²

Transaction adoption rates for health plans¹

Fully electronic
% of transactions

Claim submission	95%
Eligibility and benefit verification	79%
Prior authorization	8%
Claim status inquiry	69%
Claim payment	60%
Remittance advice	56%

¹ 2017 CAQH Index

² 2015 Payments Cost Benchmarking Survey

Changing payer contracts

The shift from Fee For Service to “Value”

Pervasive quest for “value” and “quality”

Anthem Blue Cross Nears 60% Value Care Based Spend

“Anthem’s top executive says the health insurer is paying out 58% of its reimbursements via value-based care models that are quickly dominating the U.S. medical system. Anthem ANTM +0.19%, which operates Blue Cross and Blue Shield plans in 14 states, this week opened a window into the health insurance industry’s shift away from the traditional fee-for-service approach that is based on volume of care delivered and can lead to overtreatment and unnecessary medical tests and procedures”

Forbes, April 2017

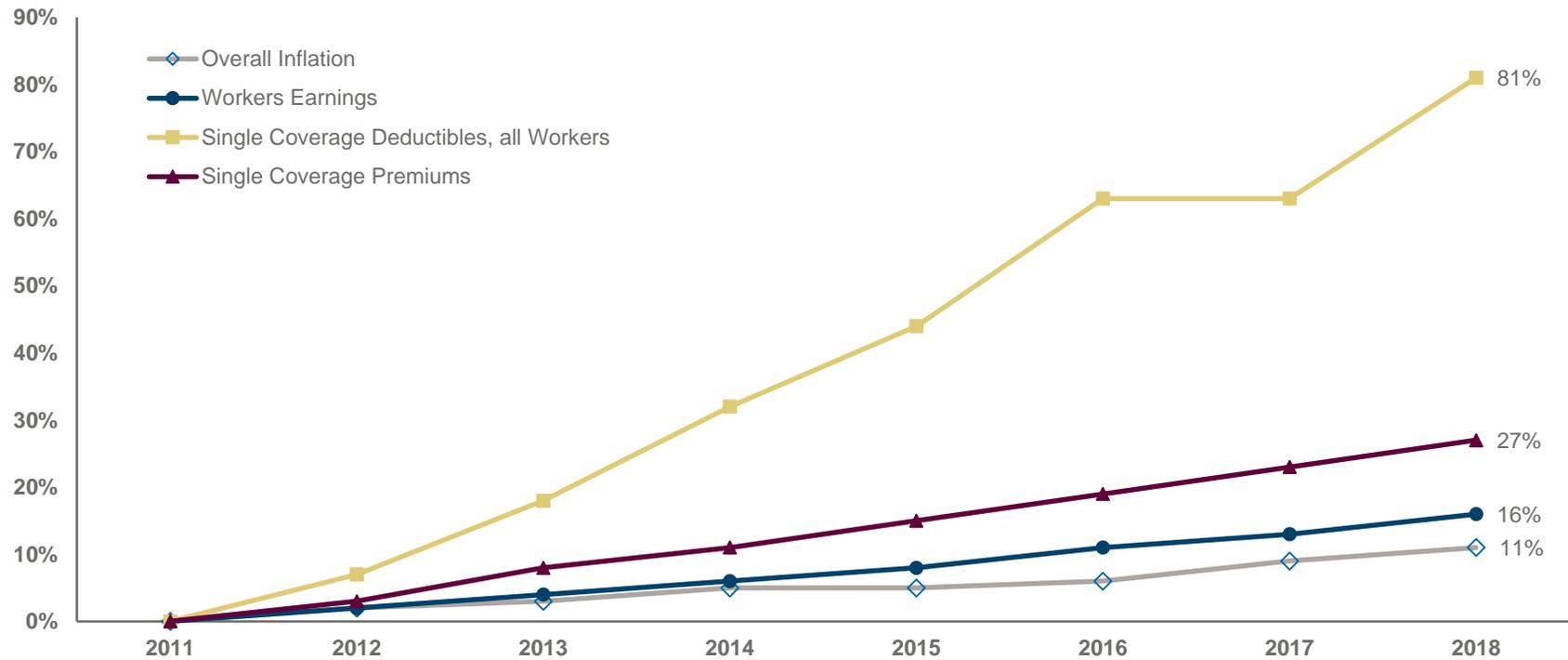
“At the moment, state and regional agencies use 1,367 measures of provider quality. Only 20 percent of these measures are ‘used by more than one state or regional program.’”

EHR Intelligence, May 2016

The change to patient as payer

The patient is now key to full revenue collection

Cumulative increases in health insurance premiums, general annual deductibles, inflation, and workers' earnings, 2011-2018

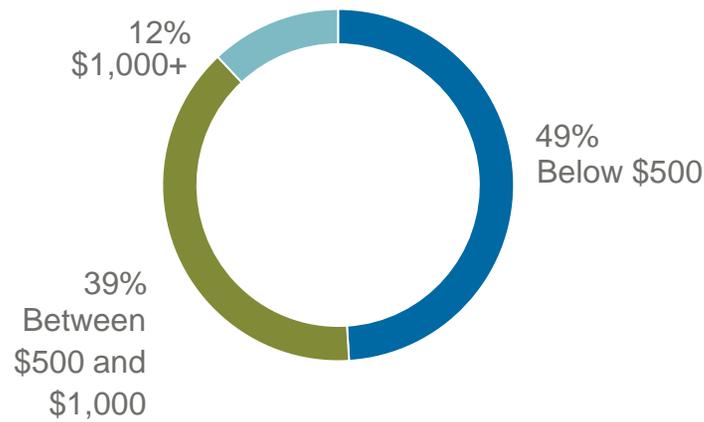


Note: Average general annual deductible is among all covered workers. Workers plans without a general annual deductible for in-network services are assigned a value of zero.

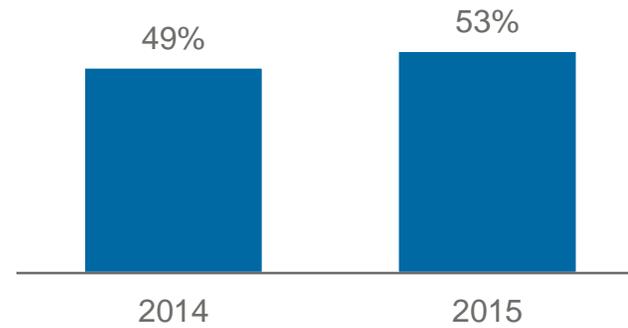
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2011-2018. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 2011-2018; Bureau of Labor Statistics, Seasonality Adjusted Data from the Current Employment Statistics Survey, 2011-2018 (April to April).

Resolving patient balances

Breakdown of out of pocket expenses per encounter



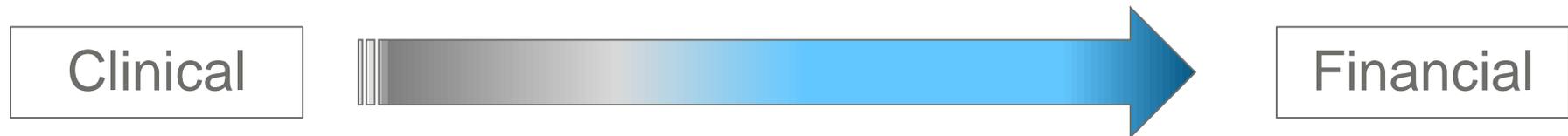
Percent of patient balances not fully resolved



Only 16% of patients with an Encounter of \$1,000 or more fully paid their medical expense.

Source: "Patient Financial Responsibility Increased 11% in 2017.", *RevCycle Intelligence*, March 2018
Crowe RCA Benchmarking Analysis Self-Pay Becomes Ground Zero for Hospital Margins July 2017 ²

Healthcare IT Systems



All clinical systems eventually report data into the Electronic Health Record (EHR) or the Electronic Medical Record (EMR). These systems report data into Patient Accounting Systems (PAS). It is the PAS that serves as the billing (AR) system and is the system of record against which financial reconciliation (such as reconciliation to the GL) occurs.

Takeaways

- Treasury is coming back into focus after a decade of relative obscurity
- The Finance Office must be actively engaged in achieving organization goals and objectives rather than just “making sure the trains run on time”
- Any significant changes to how an organization handles its business processes and banking and treasury activities has a lot of ramifications for the organization as a whole, so it’s important to seek consensus from your stakeholders and over-communicate
- ERPs and third-party systems are expensive investments: leverage them as much as possible to drive efficiency
- Not sure where to start? Consider polling people across multiple levels of your organization to learn where they encounter pain points, and begin attacking those.

Questions?

Thank you!