



# Recovery and transformation in a COVID-19 environment

May 11, 2020



COVID-19, a game-changing disruptor for the health industry, has changed the way health care will be delivered now and in the future. The public health crisis has highlighted the industry's weaknesses and also propelled digital care delivery years forward.

We reconvened a group of CEOs from hospital systems across the US on May 8 - four weeks after their initial COVID-19 roundtable - to discuss lessons learned and new challenges related to the COVID-19 pandemic. Topics included:

1. **Now:** thoughts on restart expectations and the approach to scale operations (e.g., patients, physicians, staff, supplies); short-term changes to the operating model that may be required
2. **Next:** modeling outlook for clinical volumes and reimbursement for the coming year(s)
3. **Beyond:** projected long-term changes to the business model as a result of COVID-19 (e.g., new entrants, disruptions, competition, new financial reality)

As some hospital executives continue to push through surges, most are now prioritizing recovery, reactivation and transformation for their organizations. Most health providers have transitioned their Crisis Command Centers into hybrid Crisis & Recovery Command Centers, preparing their health system to ebb and flow between crisis and recovery as subsequent COVID-19 waves impact their organization.

In general, hospital systems are cautiously optimistic - taking a calculated but cautious approach in restarting their operations and transforming their operating models.

## Near-term focus of health care providers:

Health care executives are focused on clinical reactivation, regaining patient trust and short-term operating model changes to improve near-term operations. As they reactivate clinical operations, near-term priorities include the following:

### 1. Forecasting of clinical demand and finances

Executives are beginning to see reimbursement impacts due to increased patients on Medicaid as a result of job losses. Even marginal shifts from commercial to Medicaid reimbursement may materially impact provider businesses that already operate on thin margins. Forecasting will play an important role in navigating the uncertain future.

A centralized analytics department is a step in the right direction. Historically, analytics in health systems have been

siloed based on various services (e.g., finance, operations). However, efficiencies could be gained through a centralized analytics approach. Although setting up a centralized process will require considerable planning and effort, it will enable large systems that operate across a variety of geographies and markets to develop most effective models and solutions for COVID-19 and beyond.

To enable a clear understanding of the disease curve and produce meaningful demand forecasts, most executives underscored that adequate, timely and accurate testing is critical, as they will inform the assumptions underlying the model and inform business actions.

## 2. Employee return to work

In order to reactivate clinical services effectively, clinicians and other health care workers must feel recognized and cared for. There should be consistent and transparent messaging from leadership on decisions being made (e.g., changes to protocols), and there should be options to structure schedules to best manage workload and avoid employee burnout. In the post-COVID-19 world, providers are seeing non-clinical employees (e.g., revenue cycle) working from home, and some are seeing an improvement in productivity relative to working in the office. Revenues will be suppressed this year, and reducing cost is paramount to solvency. A work-from-home solution could be a win-win for health systems and their employees. Additionally, one health executive contended that this may present an opportunity to expand the talent pool by tapping rural geographies that previously were out of the question.

## 3. Patient safety, trust and engagement

Clinical service reactivation is a top priority to care for the mounting need in the community and to reignite the economic engines of the health provider system. Semi-elective procedures are being prioritized by acuity and urgency. Patient safety, trust and engagement are critical and present a potential limitation on the ability to recapture delayed volumes.

Communications need to be clear and concise as to what is being done to keep patients safe. One health system has had positive feedback with its execution of a “yes” campaign – a checklist of all things the organization is saying “yes” to in order to promote patient/provider safety. Furthermore, providers are establishing teams dedicated to rescheduling patients proactively based on capacity plans and proactively reaching out to established patients not seen in past year (i.e., campaigns to established patients for annual physicals, preventive care, flu shots and/or upcoming appointment). Additionally, systems are communicating via text messaging and digital health campaigns to all patients outlining any changes resulting from COVID-19 and/or encouraging patients to resume appointments. And, finally, systems have established structured methods for follow-up calls to all COVID-19-positive patients at established time periods post-discharge.

Of the hospitals that have initiated reopening of elective procedures, clinical volumes have been promising (e.g., in some instances up to 70% volume vs. same time last year) despite a mix of patient excitement and apprehension in seeking care.

## 4. Making COVID-19 waivers and impacts permanent

Less than two months ago, regulations and care delivery models changed overnight – removing barriers to adoption and use of telehealth, promoting more payor collaboration and creating new government funding relief programs.

Health systems are working with payors and other counterparts to transition the temporary COVID-19 waivers into thoughtful

and sustainable policies and procedures that positively impact the way care is delivered (e.g., telehealth, HIPAA, payor relationships, diversified suppliers). While health systems have quickly ramped up virtual capabilities, there is still a long way to go. Listening to the health consumer will be a key input into delivering better virtual care.

Finally, health industry leaders see potential home-health opportunities in the following areas:

- ▶ Home infusion only captures 12% of market today but may move to 25%.
- ▶ Labs at home cut cost and wait time.
- ▶ Home health presents an opportunity to more effectively manage Medicare risk in the long term.

## Mid-term/long-term focus of health care providers:

The mid- and long-term priorities for health systems comprise three components that will help steer them toward a stronger future:

### 1. Organization and communication

Hospitals are adapting their recovery program management structures to support future-state transformation. The organization design and operating model have been heavily disrupted. Before it settles into a “new normal” – there is a narrow window to capitalize on the disruption and adjust the organization and operating model to be nimbler and more effective. Broad system-wide engagement and strong lines of communication are critical to successfully maneuver the transformation.

### 2. Care delivery operating model

The care delivery model has been shifted light-years forward. Real-time innovation and telehealth adoption have shifted patient care expectations and provider adoption of technology. Additionally, staffing and training models have been transformed in the wake of COVID-19. Dynamic staffing will improve workforce efficiency and safety.

Other key updates to the care delivery operating model include:

- ▶ Facility configuration and layout are being revisited to safely enable scaled operations, taking social distancing into consideration.
- ▶ Virtual and telehealth care continue to be developed as an enterprise solution to enable change in the care delivery operating model. The IT infrastructure must be built out in parallel to enable the greater technology demands of a telehealth care model.
- ▶ Supply chain diversification is being considered to maintain continuity of critical resources.

### 3. Financial sustainability and mission

Health care organizations are analyzing their future financial standing, and where necessary they are engaging in liquidity management tactics to improve cash position and prepare for potential restructuring. If an organization's financials are stable and secure, it is beneficial to analyze competitors' respective positioning to either capitalize on market demand opportunities or look to acquire/partner with other entities in a weaker financial position. Additionally, organizations will have to stay ahead of state and federal funding applications and reporting requirements in order to maintain appropriate funding levels.

## Conclusion

While the health care business is disrupted, industry leaders are searching for changes and enhancements to the provider operating model to optimize the "new normal" - living with COVID-19 or "para-COVID" as one hospital system executive described it.

Although the future remains uncertain, COVID-19 will be a part of our business environment for the foreseeable future. Delivering quality health care remains imperative. This problem requires innovative methods to recover and eventually to reimagine the go-forward health care economy.

The Ernst & Young LLP team would like to thank all the executives who participated in this discussion. We look forward to continued interactions as we all navigate these difficult times together. For more information about how to lead through the COVID-19 crisis, please visit [ey.com/COVID-19](https://www.ey.com/COVID-19) or reach out to your EY account executive for our latest insights.

**About EY**

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](http://ey.com/privacy). For more information about our organization, please visit [ey.com](http://ey.com).

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2020 Ernst & Young LLP.  
All Rights Reserved.

US SCORE no. --  
2004-3471091  
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

**[ey.com](http://ey.com)**

