

Health system transformation: now, next and beyond during the COVID-19 pandemic

July 2020



Building a better working world

Executives from US health care provider systems joined a virtual roundtable on July 30, 2020, to discuss challenges their organizations are facing during the COVID-19 pandemic and to share their plans for short- and long-term transformation efforts.

Topics included:

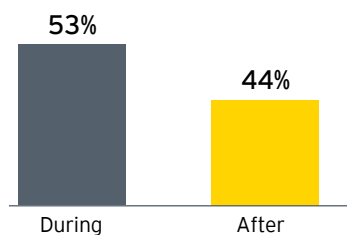
- ▶ **Now:** Navigating care delivery and business operations during the COVID-19 pandemic
- ▶ **Next:** Reconsidering capital spending and preparing for an uncertain future
- ▶ **Beyond:** Transforming the future health care landscape

This document synthesizes key trends and themes shared – and near-term and long-term strategies and operations – by leading health executives.

Preference for telehealth during and after the COVID-19 pandemic for the following aspects of care delivery:

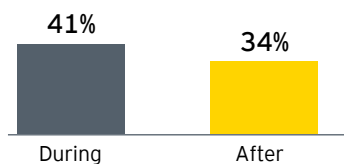
Waiting room

Figure 1



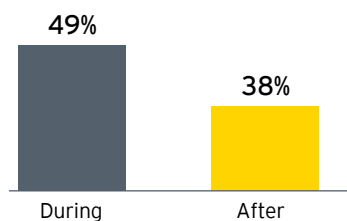
Recurring appointments

Figure 3



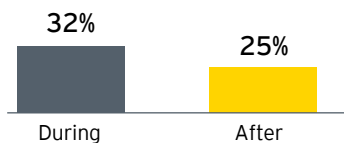
Follow-up appointments for a health condition

Figure 2



First appointment for a health condition

Figure 4



Now: Navigating care delivery and business operations during the COVID-19 pandemic

Health care executives in multiple locations around the United States shared how their organizations scaled to meet surges in COVID-19 cases and how they intend to transform care delivery in a pandemic. After obtaining required PPE, establishing screening protocols, retrofitting clinical space and prioritizing surgery backlogs, systems are now focusing on three primary goals: (1) finding the right blend of in-person and telehealth offerings as patients are showing preference for an in-person medical experience, (2) determining the future of remote work for their employees, and (3) forging a new care delivery paradigm in what is expected to be a new normal.

1. Finding the right blend of in-person and telehealth offerings

Many health care organizations rapidly launched or expanded telehealth offerings due to patients' inability to be seen in traditional settings. Health systems noted high telehealth adoption rates during COVID-19 surges but are seeing certain populations prefer to receive care in person as providers begin accepting physical appointments for certain conditions. [The EY-Parthenon Consumer Health Survey 2020](#) echoed this statement, finding patients are more accepting of telehealth options for certain cases, such

as virtual waiting rooms or for follow-up appointments, rather than for initial clinical consultations. Telehealth adoption rates during COVID-19 surges may not accurately reflect consumer demand but rather what providers could offer as an alternative care delivery method.

2. Determining the future of remote work for their employees

The COVID-19 pandemic required health systems to rapidly shift administrative personnel to a remote work model. The group's consensus was administrative staff are likely to stay remote for another 12 months to support flexibility around childcare and education. Nearly all indicated this shift has led to hospital systems seeing increased staff engagement scores.

While administrative staff were the first employees to shift to remote work, systems did mention multiple practice areas, such as radiology and psychiatry, showing preference for a work-from-home model. One system emphasized a drastic increase in clinician productivity after doubling its investment in remote operations.

While consumers are showing a preference for physical clinical consultations for first appointments, there is opportunity for the right blend of telehealth and physical operations to satisfy both patient and provider preferences.

3. Forging a new care delivery paradigm in what is expected to be a new normal

Most attendees were from large health systems and indicated they had received timely and adequate Coronavirus Aid, Relief, and Economic Security (CARES) Act and Federal Emergency Management Agency (FEMA) funding to somewhat stabilize their institutions after the influx of COVID-19 cases. Additionally, most organizations were at more than 90% of pre-COVID-19 inpatient volumes, helping them to forecast a "near-budget" CY2020. With a pause in capital planning and some operational cost reductions, most large systems anticipate more than adequate recovery from the loss of volume experienced the first and second quarters of this year.

Many attendees said they are being approached with partnership proposals and high volumes of physician applications to clinically integrated networks to access advanced payments and telehealth offerings as smaller health systems and physician groups seek security.

Next: Reconsidering capital spending and preparing for an uncertain future

US health system leaders acknowledge the risk of a second wave of COVID-19 disrupting normal care delivery and access. However, they believe if it were to happen, they have appropriately prepared operations to deal with resurgence of the virus. Organizations are now shifting focus toward developing various financial projection models, though they have felt tentative on starting new projects due to an unknown future health landscape.

1. Projecting financials in an unknown landscape

Systems are noticing an uptick in COVID-19 cases and are preparing for scenarios ranging from full shutdowns to business as usual. Due to the wide range of possible unknowns in the health care landscape

over the next three to six months, leaders lack confidence in making any predictions. Thus, systems are considering opportunities to reduce overall financial commitments, such as delaying capital expenditures and evaluating strategic goals based on varying potential financial pressures. Engaging health system boards and leadership in modeling scenarios has been critical in preparing for reducing organizational risk and possible future outbreaks.

2. Identifying opportunities to reduce operating costs

As health organizations look to reduce operating costs, they believe that permitting certain roles to work remotely indefinitely provides options for the system to consider reducing lease commitments or transform administrative areas into revenue-generating spaces. Executives indicated that their health systems have plans of continuing a work-from-home model through July 2021. In parallel, they are reviewing lease obligations and identifying potential reductions in geographic footprint in administrative and clinical areas, as they predict telehealth will drastically reduce the need for primary care office space.

Alternatively, health systems are considering repurposing administrative office space to be used for revenue-generating activities should there be no way to decrease total office space commitments. This provides systems a way to expand care delivery access for high-demand services and counter social distancing requirements, likely continuing for the foreseeable future.

3. Health systems are continuing to move forward with ambulatory care investments

Roundtable executives expressed that they are moving forward with ambulatory expansion projects after seeing demand for in-person clinical visits return once outpatient settings were reopened. Our recent [consumer survey](#) also showed this trend – indicating that nearly 80% of patient care will likely continue to be delivered in person – but will likely shift to outpatient or home care settings.

Beyond: Transforming the future health care landscape

Health systems are planning strategies for possible alternative futures. Executives are looking closely at operational restructuring to meet short- and long-term scenarios. Acquisition conversations have deteriorated in certain cases; others continue, but previously agreed-upon terms have changed to account for financial pressures and still-unknown variables. Those engaged in M&A activities are looking to differentiate their systems through deals, whereas historically they may have focused primarily on increasing their footprint to gain market share.

While the path forward is blurry at best, the future state operating model will not, and should not, look like the pre-COVID-19 operating model. Future health care entities will need to be lean and nimble, while leveraging digital care and administrative solutions tailored to patients' and providers' needs more than ever. As the new normal becomes business as usual, adaptability and resiliency will predict long-term winners in the health care space.

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