AMN Healthcare

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COMING BACK FROM COVID-19:
A PATH TO RECOVERING REVENUE, DECREASING COSTS, AND ACQUIRING TALENT

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The coronavirus pandemic of 2020 threw a punch at the economy, and at healthcare in particular, from which it will be challenging to recover.

Due to the pandemic, healthcare spending in the U.S. declined by 18% in the first quarter of 2020, the largest decline since 1959, according to the U.S. Department of Commerce. The American Hospital Association reports that hospitals and health systems lost $200 billion in the first quarter of this year, while the Medical Group Management Association (MGMA) indicates that 97% of physician practices experienced a negative financial impact as a result of the virus.

Though it will be difficult, coming back from the pandemic is achievable and will require a wide range of strategic and tactical initiatives falling into four key categories, including:

- **Revenue Enhancement** – at the low point of March & April, many healthcare organizations were operating at well below 50% of pre-COVID census and were on run-rates that suggested tens (if not hundreds) of millions of dollar losses per month. A primary priority for healthcare organizations will be developing strategies to recoup revenue and in order to return to pre-COVID levels.
- **Cost Containment** – as healthcare organizations are opening back up, things are inherently going to be more costly – additional cleaning costs, limited capacity, and unpredictability of demand will all create scenarios that can drive costs and eat into already thin margins. Independent of the return of procedures, cost containment is a critical focus area. It will be important for healthcare facilities to identify “low hanging fruit” in the near term as they transition through a financially tenuous time.
- **Workforce & Operational Flexibility** – among many other things, COVID highlighted the need for greater resource flexibility and optimization. With high levels of uncertainty lingering for the foreseeable future, healthcare organizations must develop plans that allow them to quickly pivot as new challenges and priorities arise.
- **Talent Acquisition & Retention** – amidst uncertainty and volatility, many organizations’ talent acquisition and retention efforts stalled completely. Additionally, the stress of COVID likely caused additional employee unrest and declining engagement, further highlighting the need to refocus on talent. As hospitals ramp up activity, they will rely on a strong workforce to drive forward their strategic objectives. This will place renewed priority on both talent acquisition and retention.

The chart below illustrates questions to be addressed when planning for each of these initiatives:

An Integrated Approach:

While these questions revolve around familiar challenges that many organizations have tackled before in isolation, the abrupt impact of COVID and the uniqueness of the current situation requires hospitals to approach these four initiatives concurrently. The true challenge will be developing these initiatives quickly and in an integrated manner, while simultaneously addressing other day-to-day responsibilities.

To manage this challenge, we recommend dividing efforts into two overlapping phases:

Phase 1: Margin Acceleration: This phase focuses on reintroducing procedures in a deliberate manner that accounts for both revenue and cost implications.

Phase 2: Operational Stability: Once organizations have regained financial stability, they can invest in other initiatives to position themselves for long-term operational efficiency and sustainability. Phase 2 establishes what operational changes must be made to enable future flexibility in the new normal.

There are many problems to be solved and different ways to solve them. Both **Procedural Categorization** and **Productive Staffing Grids** offer examples of immediate next steps that organizations can take to begin the overall process.

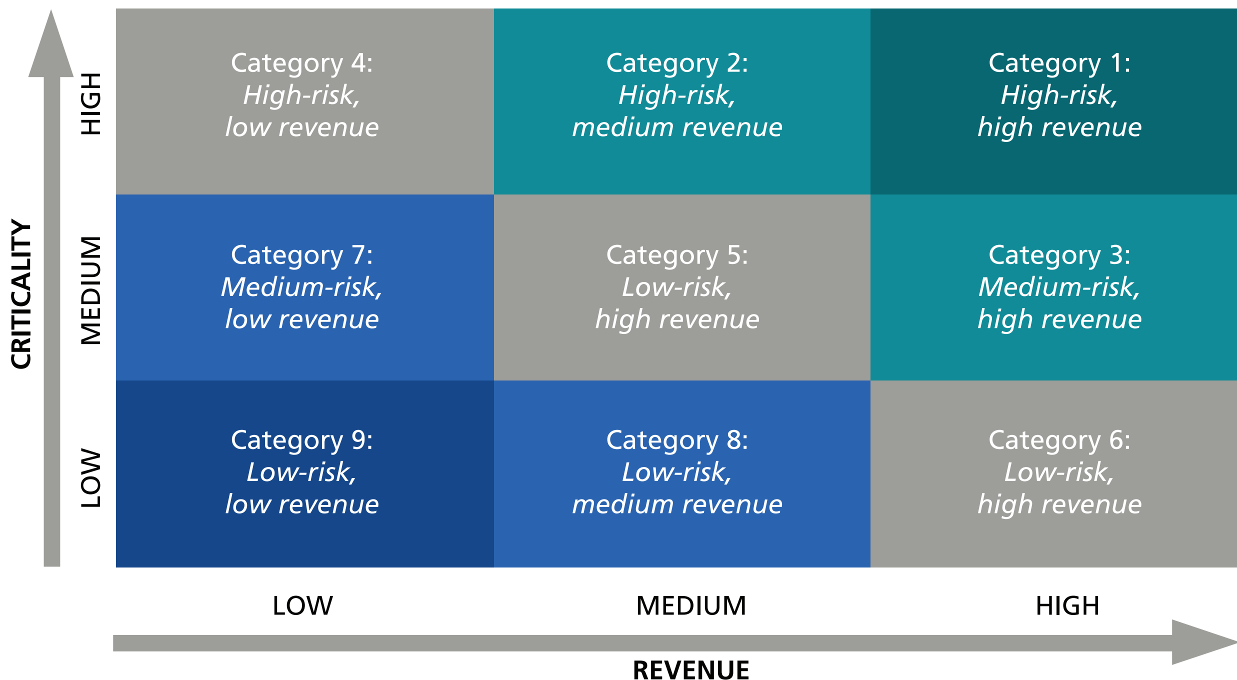
Example 1: Procedural Categorization – Categorizing patient and procedure types to build strategies for managing reintroduction.

As states lift COVID-19 restrictions, resuming elective and non-essential procedures is top of mind for health systems, and for good reason. Conservative estimates report that during the peak of the crisis, complying with CMS guidelines was costing U.S. hospitals more than $1B per day. Rebounding from the financial blow caused by crisis-related postponement and cancellations is a timely strategic decision that must account for patient acuity and financial impact.

In this pressing matter, action is more important than accuracy. By customizing the following steps to meet distinct organizational strategy and patient needs, hospitals can expedite the planning process and accelerate the time to recovery:

1. **Identify capacity and willingness to ramp up surgeries.** Accounting for updated social distancing and sanitation guidelines, staffing implications, and facility requirements, consider your organization's ability to reintroduce surgeries by facility and service line.
2. **Compare to 2019 baselines.** What were your historical volumes by facility and/or service line? Factor in extending hours, productivity assumptions for telehealth, and regional competitors' strategic decisions when understanding volume impact.
3. **Map procedures into categories.** Create categories of expected procedural volume by identifying the high-impact factors that will shape how and where you focus. For example, plot procedures based on criticality (patient safety and acuity) and strategic importance (revenue and margin impact, service line strategy, etc.) as shown in the following visual. Each procedural category will have a distinct strategy.
4. **Once you have categorized procedures, adjust based on the patients' willingness to return.** Patients' inclination to schedule may be based on insurance, acuity and risk, type of procedure (elective vs. non-essential), and/or their personal comfort levels.
5. **Evaluate capacity to reintroduce postponed procedures.** With the initial path forward drafted by category and willingness to return, build a reintroduction timeline and roadmap that accounts for expected procedural return and that calculates how long it will take to layer more procedures back into the system.

By completing these five steps, you will be ready to communicate and act on your procedural reintroduction strategy, a major milestone on the path to regaining stability in a post-COVID world.



Once you have created the procedural reintroduction grid, you can begin to address the following considerations for each category: Where and how should we leverage telemedicine? Can or should we refer these procedures to other providers? How and when should we communicate with the patients?

Example 2: Productive Staffing Grids – Implement reliable, automated tools to provide full transparency around the impact of staffing decisions.

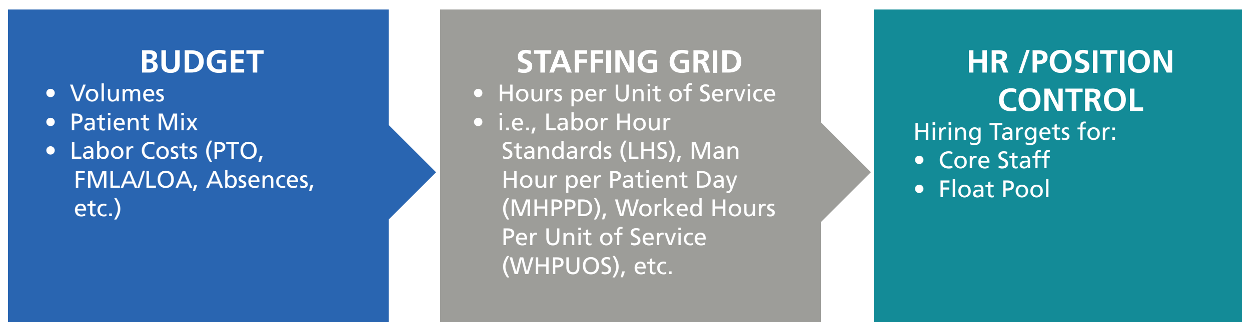
Labor is any healthcare organization's largest expense, and seemingly "small decisions" add up quickly to significant financial costs. For example, consider a charge nurse on a unit who is working with the house supervisor and resource management center to determine staffing needs for the upcoming shift. Based upon the information provided in the ADT system there are two expected admits they need to plan for in this hypothetical scenario. The charge nurse and house supervisor refer to their department's staffing grid to determine the number of staff needed for that shift. Leveraging the staffing grid, they see that they need 4.5 RNs. Left unsure of what to do, they make the decision they feel is best for patient care and round up to plan for 5 RNs for the shift.

For a 12-hour shift, this equates to 6 hours of excess labor. When aggregated across a year this means $87,600 of excess labor cost (6 hours a day x 365 days a year x $40/hour) and an excellent opportunity to save on "low hanging fruit."

Healthcare organizations struggle with creating productive staffing grids. It requires a blend of expertise on a variety of topics such as: concepts behind productivity methodology, the math behind the various inputs/outputs, an easy way to see how clinical targets impact outcomes, and a clear communication and education process to those front-line stakeholders who use the grids to make labor decisions. Often there are two key gaps most organizations have:

1. Misalignment in productivity metrics that don't include all the clinical or operational factors
2. Transparency and communication/training to front-line stakeholders on how staffing decisions impact productivity and labor spend

Ideally, the review and analysis of staffing grids is an annual process that occurs as indicated in the graphic below:



The inputs required include all factors that will impact productive targets and reality of daily operations such as:

- Frequency of staffing requests due to higher acuity patient needs NOT reflected in the general patient population
- Education and training
- Staff that don't flex with volumes (leadership, educators, etc.)
- Meeting
- Orientation
- Planned volume (census) and frequency patterns
- Productivity targets

Having a simple, automated tool that will calculate the impacts of staffing levels defined in the grid is the second element to provide the transparency around the impact of staffing decisions.

More Than One Pathway

These are simply a few of the strategic concepts and specific tactics healthcare facilities should consider as they plan their path forward in the new, post-COVID environment. There is no one right way to begin this journey.

The biggest risk to healthcare organizations is not taking the first step.

For more information on this and other strategic healthcare topics, please visit:
www.MerrittHawkins.com