



COVID-19 – How Your Healthcare Institution Can Manage Through This Crisis

As COVID-19 continues to spread throughout the United States, our national healthcare system is likely to be stressed by the significant increase in patient admissions related to the Coronavirus. During this unprecedented time, it will be critical for financial systems to run smoothly to support the activity of caregivers providing essential services at the front lines of this pandemic, as well as providing additional support to healthcare providers that will likely struggle over the coming months. Administrators at these healthcare institutions will need to focus their efforts effectively in three primary areas to maintain continuity of care and system viability; (1) data collection, (2) managing and monitoring cash flow and (3) communication, both internally and externally, with stakeholders.

Data Collection: Real time operational data (i.e. volume, service mix, etc.) will be essential to understanding the COVID-19 impact, and its near-term financial implications on each health system, acute-care based facility, physician practice, and healthcare support entity. It is critical to collect data in an efficient and fluid way to support both treatment and reimbursement. Adjusting existing data systems where necessary, setting up separate cost codes to monitor COVID-19 activity (to



potentially streamline COVID-19 related reimbursement), and stress-testing those systems will be essential for the efficient collection of real time data to assess the COVID-19 impact. This data will be essential to provide management with the real-time visibility needed to make immediate and impactful decisions.

Focus on the moment, but don't lose sight of the next 9-12 months: Monitoring and managing cash flow will be paramount in guiding your institution through this pandemic, including updating both 13-week and longer-term forecasts. This will include sensitizing those forecasts to changes in revenue and cash collections related to volume and service mix, as well as the impacts on your provider and supplier base. With the exception of deferring

certain discretionary spending, cost containment will be difficult, and likely counterproductive. Reducing staff and limiting care for other patients is not an option. The focus for managing cash flow will need to be on managing the revenue stream. Accelerating reimbursement will allow providers to focus on care and treatment.



The first 4 weeks may not be severely impacted due to the lag in collections largely based on activity prior to the numerous COVID-19 mitigation efforts being implemented. However, weeks 5 through 13 could show a significant decline. Volumes could be up for primary care providers and acute-based facilities but will likely be depressed or deferred for specialties like dermatology, dental, and elective surgery. Practices that rely on elective procedures will need to weather near-term reductions in activity, but cash flow but will likely rebound from pent-up demand for these procedures in subsequent months. Practices that rely on co-pays for cash flow need to be aware of the impact that “no co-pay” practices for COVID-19 related treatment will likely have on their near-term cash flow. There needs to be a sharp focus on getting through the short-term, while understanding, anticipating and minimizing any damage to the longer-term cash flows.

Additionally, facilities will need to be prepared with both the systems and resources required to effectively identify and treat COVID-19 infected patients. Establishing a task force to determine if there are investments to be made in equipment and supplies for testing, triage and treatment will be essential to be able to move at the speed necessary to combat COVID-19.

Government resources will be pumped into the healthcare system on a local, state and federal level to assist providers and patients. As funds become available, processes will need to be developed to access that funding and reimbursement. This is one area where robust systems, for example, having a COVID-19 cost center, can have a critical impact on speeding up the reimbursement process for COVID-19 activity. In order to act quickly, healthcare facilities will need to anticipate their needs and know where to get the funds to pay for it.

Communicate, Communicate, Communicate:

Communication with both internal and external financial partners and stakeholders is imperative to manage expectations and minimize any financial stress. Healthcare providers, companies, and health systems should open a dialogue immediately with their financial partners if any significant negative impacts are being forecast (e.g. liquidity pressure, potentially stressed covenants). It will be imperative to understand if additional liquidity will be required so that those needs can be addressed on a timely basis. Lending institutions have indicated a willingness to support impacted businesses and those at the front lines of this pandemic. Proactive and accurate communication will help to minimize the financial and operational impacts related to COVID-19.



Providers are faced with challenges under the best of circumstances. This crisis will, no doubt, exacerbate those stresses. Vigilance, preparation and communication are key.

MARK J NORMAN

Managing Director
+1 214 397 1600
mark.norman@fticonsulting.com

ROBERTA HARKAVY PROBBER

Senior Director
+1 212 651 7124
roberta.probber@fticonsulting.com