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Hospitals' financial recovery will be tied to the health of the economy, before and after COVID-19

While healthcare has historically been resilient during economic downturns, the nature of this cycle introduces new challenges.



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Financial futures are at stake as hospitals continue to grapple with the COVID-19 pandemic and widespread unemployment has gripped the country.

Typically, a hospital's budgeting processes aren't affected by widespread unemployment, but in this prolonged economic downturn, two factors -- the loss of employer-sponsored health insurance and reduced consumer spending -- has greatly hindered the financial performance of the nation's hospitals.

<https://www.healthcarefinancenews.com/news/hospitals-financial-recovery-will-be-tied-health-economy-and-after-covid-19>

Millions of consumers have lost their health insurance, and to date, that haven't dug into their own pockets to pay for medical expenses. That has had a direct negative impact on hospital revenue.

Jim Porter, managing director at management restructuring and advisory firm **ToneyKorf Partners**, recently dug into the numbers, surveying hospitals and digging into financial analytics to gauge consumer trends and the healthcare industry response. Looking at factors such as how many COVID-19 patients come into the hospital, how quickly the disease has spread in different areas and what the drivers are for seeking intensive care, the bottom line is that patients will continue to avoid seeking regular care.

"Even with the stimulus that was coming in from CARES (Act) and Medicare, it didn't matter what kind of hospital you are -- you weren't going to see the same kinds of volumes," said **Porter**. "There are other things going on that are impacting hospital finance, including employment."

Typical unemployment cycles have been driven by economic events, said **Porter**. That causes business to be unable to perform, and therefore unable to employ. What's different about the pandemic is that the ability of businesses to employ is being affected by an unprecedented health crisis, which presents a challenge: to accurately predict how and when businesses are going to reopen. Reopenings in many areas have been made possible by meeting certain metrics in terms of case numbers and other factors, but if those metrics change in a negative way, businesses could well retreat. The risk of doing business is significant.

Historically, healthcare has been resilient during economic downturns. This time, though, there's no industry that's immune. That's where a pandemic impact mitigation strategy, or PIMS, comes into play.

"That was the acronym we put together as part of our analysis of what was happening with COVID," said **Porter**. "As COVID comes in and impacts a community or a system or a single hospital, you observe a couple of things. One is, existing volume suffers a decline. It's a clinic that's closed, or social distancing is required, or the population doesn't want to go because they're in high-risk areas. The second thing you'd see is there would be some form of planning or operational increase in capacity ... as a result of the COVID infection driving up the number of patients.

"It's the management of those patients, and the costs and revenue associated with caring for those patients, and then you have the post-COVID period. The number of cases decline, but what you don't see are the return to volume levels you had previously. Either for social reasons or perceived reasons, they don't want to go back to the hospital because they don't think it's a place they can be safe."

THE HOSPITAL RESPONSE

There have been efforts made by hospitals to emphasize things like cleanliness and clinical quality, and Porter and his team turned that into a financial forecast. The inputs were not fixed, meaning they could adjust for factors such as how many people the hospital serves, how many potential consumers are in the area, how populous the state is and other factors. Those would drive the predictions in the model, and the team used PIMS to show different scenarios in a real-time format.

The financial hit was across the board, and didn't discriminate by population or geography. New York City for example, which was hit hard at the beginning of the pandemic but has leveled off in recent months, is still being impacted by a loss in routine volume, which has translated into a significant economic impact. Anecdotally, there has been concern expressed by Southern states. The initial coronavirus volume in the South was very low, and so the stimulus money allocated to those states reflected that; but cases have risen, and additional stimulus funds remain elusive.

The best thing for hospitals, said **Porter**, is to take action as early as they can -- the worst thing to do is wait and see. That action should be in the name of recapturing volume, and aside from advertisements touting cleanliness and high quality, current efforts include scouring for referrals and making sure care is given appropriately to patients, refocusing on IT and virtual health offerings such as telehealth; and managing physician relationships.

How long the current situation lasts is dependent on a few factors. The upcoming election will likely decide the course of the economic recovery, said **Porter**, and from a clinical standpoint, it will depend on whether there's a second surge of COVID-19, or a dreaded one-two punch of coronavirus and flu. That adds a degree of hesitancy to hiring decisions.

"Another thing to think about is the stimulus, and the availability of the stimulus, and right now it's not as forthcoming as we'd like it to be," said **Porter**. "I think we have a ways to go before employment goes back to normal levels."

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