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## Hospital CFO Report

# How health systems can survive the COVID-19 pandemic: 5 keys to financial recovery

Angie Stewart – May 21, 2020



Health systems' volumes have dropped drastically during the COVID-19 pandemic — even in "hot spots" overwhelmed with COVID-19 patients.

In these hard-hit areas, overall visits are down 54.5 percent, inpatient volumes are down 41 percent and emergency room volumes are down 60 percent, according a new report from Strata Decision Technology analyzing over two million patient visits and procedures from 51 healthcare delivery systems using the company's financial planning, analytics and performance platform, StrataJazz®.

These across-the-board low volumes translate into revenue losses and fiscal hardship for health systems throughout the U.S. During a May 15 [webinar](#) sponsored by Strata Decision Technology and hosted by *Becker's Hospital Review*, Strata's John Baker, senior director of continuous improvement, and Liz Kirk, senior vice president of strategic services, outlined five key steps to financial recovery:

**1. Establish leadership and ownership.** Every financial recovery program needs an executive champion to set the tone for improvement, as well as a designated "recovery program owner" to coordinate the entire program, Mr. Baker said. The involvement of C-suite executives creates urgency and ensures accountability while helping to remove barriers and avoid indecision.

"Having an executive around the table, fully engaged, is going to make things move faster," Mr. Baker said.

**2. Set a reasonable, clear target.** Although the months ahead are uncertain, health systems can calculate financial improvement targets using core principals, Ms. Kirk said. That starts with determining how much cash on hand will be needed at the end of the recovery period, then subtracting financial gains such as estimated federal relief or current cash balance of unrestricted assets. From there, systems should create projections as to what cash flow is expected to look like when volumes return to somewhat normal levels.

"That gives you the target you need to activate your organization around to find savings," Ms. Kirk said.

**3. Establish guiding principles.** Financial recovery shouldn't come at the expense of quality outcomes or physician and employee satisfaction, said Mr. Baker. Organizations can help employees rally around financial targets by showing them the thought and reasoning behind targets, while instilling confidence about efforts to maintain a high-performing culture.

**4. Stay on top of governance and accountability.** First, identify opportunities for financial improvement and test whether initiatives in those areas can be backed by analytics. Data-supported initiatives can be implemented and moved to the performance management and tracking stage. From there, health systems need to ensure they're able to track how well hundreds of simultaneous initiatives deliver on results — and that they can course-correct as needed, with a strong accountability structure in place.

**5. Break down the messaging.** Communicate financial goals in a way that makes sense to front-line providers and senior leadership alike, Ms. Kirk advised. Telling a physician that the health system needs to find \$100 million to recover from COVID-19, for instance, won't be productive. Instead, frame the project in terms of cost reduction per inpatient case or operating room cases per day — metrics that seem far more manageable and will therefore drive crucial engagement.

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