

ACCELERATING YOUR RECOVERY



Whether you have been overwhelmed with COVID-19 patients or you have shut down your revenue-producing operations for patients that never came, you are facing a financial problem that will require a focused, intentional effort to recover from. Galloway has developed a comprehensive work plan to accelerate your recovery based on conversations with leading healthcare executives and our experience leading financial turnarounds.

Your best next steps depend on your answers to a couple of basic questions:

- How soon will you run out of cash?
- How much time can you buy with a mitigating strategy?
- How soon can you get a mitigating strategy into place?
- How much time do you have before you trip a bond covenant?
- How much balance sheet strength do you need to avoid these problems?

If you are not certain of the answer to these questions, answering them should be your top priority. You need to know how much runway is available to solve the financial issues you face in the best way.

DETERMINE WHERE YOU STAND – BUILD A DEMAND MODEL

It is important that you develop and continue to refine a model that forecasts the impact of COVID-19 on your demand, including the volume and requirements of the suspected and confirmed COVID-19 patients, the reduced volume for elective and deferrable cases, the potential volumes from split operations, and the increased volume for elective and deferrable cases in recovery.

If the crisis has not adversely affected your market yet, then build a demand model to get ahead of it:

- Identify track and trend leading indicators of inpatient and outpatient volume such as Google searches for specific symptoms (e.g., loss of smell), positive test rates for COVID-19, changes in rates of testing, rates of inpatient admissions, rates of ICU utilization, time to discharge.
- Monitor the experience of other geographies and their applicability to your area.
- Build models for staffing and supply demand with trigger points for adding volume and build safety reserves.
- Consider the impact of the attrition rate for staff who might be incapacitated by the disease.
- Review volumes of elective and deferred cases for accumulation of pent up demand.

If the crisis has peaked and/or you are considering opening split operations to begin serving non-COVID-19 patients, you should build a financial model to account for the timing, logistics, revenue, and expenses of recovery:

- Start with the premise that you cannot allow restarting normal operations to compromise your ability to deliver care to COVID-19 patients safely. You cannot allow your treating those patients to negatively affect your treating other patients.
- It is imperative to understand what it will take for you to split COVID-19 operations from normal operations so that you can move to recover as quickly as possible. Do you have enough PPE? Can you adequately test patients and staff in order to maintain clean facilities? We have template work “re-opening” work plans developed by clients already accepting non-emergent patients.
- Consider the resource constraints, physician perceptions and needs, staff perceptions, community perceptions and needs, and the margin of the cases in backlog.

Based on the Crisis Demand Model that you built above, you will restate your budget and determine its impact on your strategic financial plan, available cash, and anticipated available capital - including the potential triggering of debt covenants. Use your best assumptions for:

- The increases in crisis cases, the payment you will receive for them, the extraordinary expenses you will incur because of them, and the grant / relief funds that you will receive
- The reductions in other cases and the margin they produce
- The additional cost of serving patients after re-opening, including maintaining clean facilities, testing, PPE, etc.
- The corrective actions you will take regarding reducing costs
- The opportunities to gain volume from increased market share

Overlay all the above on your current availability of cash, investments, and ability to borrow. This model will be somewhat complex and change rapidly over time. Because of the fluidity of the assumptions, make the model easy to update and update it often.

Depending on the results of your analysis, you will find yourself taking actions somewhere along the continuum between “[Securing Cash Flow](#)” to “[Managing a Financial Turnaround](#)” to “[Leveraging a Strong Balance Sheet](#)”.

Regardless of your position, keep up the extraordinary levels of attention you have paid to [Engage the Board and Staff](#). There will not be a “Post-Covid” world for a long time, so the enhanced communication and alignment will need to continue into the future.

It will also be time soon to [Prepare for the Next Wave](#) to build on the lessons learned from this time, particularly around running parallel operations and managing Emergency Operations over a longer period of time.