

As we start to emerge from the first wave of COVID-19, most hospitals fall into two groups:

- The first group was at least partially overwhelmed with COVID-19 patients, shortages of PPE and staff stress that tested systems and leadership like never before.
- The second was a provider who shut down revenue-producing operations, stocked up on supplies and urgently prepared for patients that never came. One hospital CEO described it as “I have never worked so hard to take care of such few patients.”

One outcome is consistent: even the largest, best capitalized Systems are now facing financial issues that will require a focused, intentional effort. However, if your cash and financial position is relatively strong compared to your competitors, then you should seize the opportunities.

A DECIDED COMPETITIVE ADVANTAGE

If you have a strong balance sheet and limited worries about cash or covenants, you will have a decided competitive advantage. Act quickly and strategically to press that advantage. Some of those actions will be more tactical (e.g., moving quickly on the backlog because you have more cash for PPE and staffing) and some will be more strategic (e.g., solving problems for others caused by the crisis, acquisitions, etc.).

There will be a **large backlog of cases waiting** for the crisis to abate. Organizations that move quickly into recovery and begin to address this backlog have an opportunity to capture a disproportionate share of the deferred margin that the backlog represents. Having the resources to effectively segregate operations and provide clean facilities with ample staff and equipment, you will be able to surge your capacity in these select areas to capture that deferred margin.

- **Recall / Recruit / Retrain Staff.** You will need to have enough trained staff to handle the surge in specific types of backlogged cases that you will prioritize - likely beyond the staff that you have during routine operations. Gaps in staffing may be exacerbated by staff attrition during / after the crisis, so you will likely need to recruit and/or retrain new staff to handle the surge. Your relatively strong financial position will allow you to act on this opportunity while others cannot.
- **Expand Hours.** It is critical to increase the hours available to serve the backlog, including longer schedules and weekend schedules, especially if you have limited "clean" facilities. Reconsider all elements of scheduling, including historic block schedules, in order to optimize the number of cases you can serve in the limited facilities.
- **Procedural Throughput.** Increasing throughput during this surge will allow the organization to get more work done in limited facilities with limited staff. Prioritize efforts to redesign process flow to increase throughput and contribution margin / case minute in procedural areas. You can leverage your financial strength to provide more PPE and frequent testing than your competitors, allowing you to do more cases. For example, many organizations struggle with achieving increased efficiency of utilization of high cost areas like operating rooms and cath labs. This situation may provide an unprecedented opportunity to successfully address operational inefficiencies.
- **Your Providers' Plans.** The ramp up capacity plan needs to be coupled with the capacity and plans of your provider community with focus on the high margin cases. Integration with the provider community will allow you to better plan your capacity while building relationships which should help

earning incremental volume. Delivering high quality service to providers will be critical to gain long term market share.

Your competitors facing cash shortages or requiring urgent financial turnarounds will likely have to make radical changes without taking the time to redesign processes or consider physician / staff / patient input. Often these changes reduce service levels and can lead to a “brand shock” for those organizations. Invest the time and energy into **redesigning your processes to** expand the gap in performance between you and your competitors, especially in those areas that will be adversely affected by their financial difficulties.

Consider the problems being faced by others in your community and how you can help solve them. Other providers, employers, and government entities will be asking themselves the same questions about cash flow, debt payments, and balance sheet strength that you are. **How can you use your strength to help those with financial problems?** How can you partner with others with strong balance sheets to create even more value?

- **Physicians.** Many independent physician practices are facing significant financial issues through the crisis and may be looking for more financial stability. Predictable capitated payments to manage patient populations may be more attractive now than they have been in the past. Now may be the time to move more aggressively into population health initiatives, especially if you can negotiate new sources of revenues from employers as discussed below.
- **Surgery and Imaging Centers.** Lost revenue may mean that these organizations will struggle to make debt payments, and the owners may be open to investment or acquisition. Consider the impact of diminished cash flow in the foreseeable future (because of higher operating costs and lower volumes) on the price you are willing to pay.
- **Hospitals.** Those hospitals running out of cash may be open to affiliation or merger discussions now. They may be strategically strong but financially weak and simply need a bridge through the crisis. Or the crisis may have accelerated financial problems already underway. While there may be many “bargains” available, consider only actions that will strengthen your strategic position.
- **Employers / Government Entities.**
 - All employers and schools will be worried about creating and maintaining a safe work environment for their employees / students as they reopen. You are in a strong position to offer a package of services to help them with education, testing, remediation, etc.
 - Most employers will be looking for ways to reduce their operating costs as they go through their own financial turnaround. Healthcare costs for self-insured employers are a large and mostly poorly managed line item. It may be time for strong healthcare organizations to move more aggressively into managing the self-insured healthcare costs of the employers in their markets (including government entities). It may be best to start with managing your own self-insured healthcare costs, but you can move quickly to offer the same capabilities to your local employers to create new revenue streams for you, reduce their healthcare costs, and improve the health status in your community. There are many new tools and approaches that have made this model faster, easier, and cheaper than ever.

In addition, even if you have a strong balance sheet, there will be many opportunities to improve performance by redesigning processes and managing your portfolio of services based on the lessons learned from the crisis. Several of these are described in [Managing the Financial Turnaround](#).

CONCLUSION

Your top priority is to know how much runway is available to solve the financial issues you face in the next several months. If you have a strong balance sheet and do not have to aggressively pursue a financial turnaround, you have the opportunity to leverage that position for both a competitive advantage and to take strategic actions with your community that will be mutually beneficial. Do not waste the opportunity!

Galloway has developed a comprehensive work plan to accelerate your recovery based on conversations with leading healthcare executives and our experience leading financial turnarounds, customized for your situation.

Our thoughts on other related topics can be found by following the link to [INSIGHTs](#) on our website.

[Securing Cash Flow](#)

[Managing a Financial Turnaround](#)

[Leverage a Strong Balance Sheet](#)

[Preparing for the Next Wave](#)

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Galloway Consulting helps hospital groups, physicians, and payer/providers improve operations, outcomes, and profits so they can better serve their communities. Our healthcare team has mastered every aspect of the business.



Mitchell Galloway is the CEO and co-founder of Galloway Consulting and built his reputation by helping healthcare executives transform their organizations, often achieving landmark results on seemingly impossible timetables. Among the country's foremost authorities on organizational strategy, he takes the lead role with our clients, rapidly diagnosing the challenges they face and prescribing innovative, timely, and effective responses. Mitch has been in the healthcare business for his entire thirty-five-year career, starting his first consulting business 28 years ago. He has an MBA from Emory University's Goizueta Business School, where he achieved the #1 class ranking and was recognized as the Outstanding Graduate Student in the field of Organization and Management. He has a Bachelor of Science in Health Systems from the Georgia Institute of Technology.