

Healthcare Systems: Are You Prepared For The Post-COVID-19 Era? (CU Denver, 4/7)

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Join the related Webinar with the authors on Thursday, April 23, 2020: Leading to Recovery: Planning Priorities for Healthcare Organizations Post-COVID-19. [Register here.](#)

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Abstract

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What is the message? Healthcare systems need to start thinking about initiatives once the COVID-19 crisis ends, both to support financial status and to improve healthcare quality. Three initiatives include readying the ground for FEMA, reducing costs, and embracing digital healthcare.

What is the evidence? The authors draw on experience in healthcare research and management.

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COVID+1: We Need to Think Beyond Our Immediate Needs

The COVID-19 situation leaves the United States health systems and hospitals facing more than just a lack of resources, staff burnout, and corporate anxiety. The financial distress related to margins, revenue, and reimbursements is something absent in the news media and public narrative, yet is coming to a slow but sure boil in the background.

While engaged in the combat against COVID-19, deploying all of their resources, healthcare systems neglect the potential financial distress and preparedness for a COVID + 1, the day after this disaster ends. It is paramount that all health systems and hospitals start preparing immediately for the unavoidable financial challenges that are certain to come by using three tactics: (1) readying the ground for FEMA, (2) reducing cost, and (3) embracing digital healthcare. [\[i\]](#)

Strategies for Immediate Needs

In discussions with a number of health systems across the nation this week, we found two broad strategies underway to manage the current situation: flattening the curve and increasing capacity.

Flattening the curve: The first is flattening the curve by allocating maximum federal and state resources to the current problem. The nationwide decision for social distancing and lockdowns is centered to achieve that goal.

Increasing capacity: Second, health systems themselves are working to increase supply by finding any way possible to create capacity. This includes tactics such as stopping all elective procedures in their hospital or health system, turning ambulatory surgery suites into ICUs, turning neonatal ICU space into adult ICU beds, and substantially expanding virtual care clinics.

Health systems outside of New York and other COVID-19 hot spots have reported a decrease in inpatient (hospital) volumes and ER visits as patients are fearful to go to the hospital and the staff is burned out and strained due to the extra work needed to use personal protective equipment (PPE) on every single patient. Broadly, all parts of the health delivery system are facing all-time high stress as healthcare professionals find themselves either in the middle of the onslaught or preparing during every waking moment for that potential.

It is beyond doubt that every effort is currently being made to prepare for the worst-case scenario. If every geographic location gets hit with this as hard as New York or Italy, we will certainly be unable to address this as a country. However, if we are able to lower demand for health services (by flattening the curve) while simultaneously increasing the supply (by creating capacity), we will be able to get through the next few months.

The Looming Financial Disaster

We can see the beginning of financial distress already trying to cripple health systems. This leaves the unfortunate reality that with the current structure of the healthcare system, the very best case scenario is that our health system suffers a financial disaster as opposed to the country suffering a medical catastrophe.

Because most health systems in the country are still financially tied to a “fee-for-service” payment model, and because often half of a health system’s revenue is tied to elective and/or outpatient healthcare, such a financial disaster remains our unfortunate best hope. If we get to a point where ambulatory surgery centers are being used as make-shift ICU beds, we will know that the curve has not flattened, and the country will undoubtedly be in the worse spot. Yet, without that volume, financial disaster looms.

We believe that there is value for healthcare leaders to start now to prepare for COVID + 1. Eventually, the country will be through this crisis. The organizations that can start to see that now, while not sacrificing the current mandate to provide immediate care, will be better positioned.

Three Priorities for COVID+1

We suggest three priorities for a healthcare leader to prepare for the post-COVID era: Ready the ground for FEMA support, reduce cost, and embrace digital healthcare.

Ready the ground for FEMA support

A detailed review must quickly occur to engage with FEMA preparation and reimbursement for all health systems and hospitals. Even though it is hard to see through the midst of a crisis, this declaration of a disaster is meaningful, and organizations which file first will be better prepared

in the future. Losses — including revenue, labor cost, housing, and increased materials — need to be tracked and accounted for the upcoming FEMA benefits. The time will come when all healthcare organizations understand this benefit; those who accessed the system first will be advantaged.

Reduce costs

For nearly a decade, industry alarms have been sounding about the inability of hospitals and health systems to decrease expenses^[ii]. While revenues have been dropping faster than costs throughout the industry, many health systems have been able to insulate themselves with non-operating income from investments. With regular double-digit returns, that supplement has been life-sustaining for many organizations.

However, with the crash of the stock market, it is no longer realistic to think that health systems will be able to supplement their financial success with gains in their business portfolio. Instead, the success in the future will be far more closely related to the fiscal discipline of the health system rather than depending on endowments.

Of course, we need to ensure that the lower costs continue to maintain high-quality healthcare. Fortunately, there are many examples of organizations that have been able to reduce costs and provide world-class healthcare simultaneously. Those organizations which have been avoiding those hard choices while relying on their endowments will be forced to solve that problem — starting with COVID +1.

Embrace digital healthcare

For more than a decade, the industry has been working to improve telemedicine to a level where payers were willing to pay, and patients felt comfortable receiving care. With increasing acceptance of industry disruptors in “digital front door” technology, whatever hesitancy there was toward utilization of digital care has been removed in the past 14 days.

No longer will payers or government agencies express the hesitation to endorse this service, and organizations that are better prepared to implement this digital front door for their healthcare organizations on COVID +1 will be incrementally advantaged over other health systems. As an

industry, we have been waiting for the digital healthcare transition — over the past few weeks, society instantly accepted the inevitability.

Many healthcare organizations are now able to do the basics related to making appointments online or having e-visits for routine care. But, what has happened over the past two weeks has standardized virtual care, and people who just a few weeks ago would have never thought to have used the technology have now fully embraced the technology.

Patients who just a few weeks ago thought their entrance into the hospital or their local health system was through the Emergency Room, or the hospital front door, have now realized that they can access a health system through the digital front door. Organizations that can be prepared to address this after COVID +1 will grow and prosper.

Looking Forward

With proper preparation we believe that we can flatten the curve and save lives. That is the primary goal of every person in the country. However, if we are successful with that effort, healthcare leaders should start now to address the next phase, COVID +1. The goal should not simply be to save lives now, but to continue to do so once the crisis passes.

Notes

[i] A shorter version of these ideas was published in *Modern Healthcare* on April 4, 2020.
<https://www.modernhealthcare.com/opinion-editorial/even-deep-covid-19-crisis-start-planning-now-what-follows>

[ii] In August of 2018 Moody's Investor Service cautioned that "expense growth continues to outpace revenue growth for US not-for-profit and public hospitals"[ii] and that trend has continued. See Moody's Investor Services Research Announcement, August 28, 2018 "Moody's – US NFP & public hospitals' annual medians show expense growth topping revenues for second year."