Tactics for Provider Organizations to Manage Through COVID-19 and Plan for What's Next

Despite the widespread impact of COVID-19 on businesses from all sectors and geographies, there may be no industry more immediately and severely impacted than the healthcare sector. How healthcare provider organizations rapidly organize and respond to the developing crisis will have lasting impacts on their business, their communities, and their ability to care for patients today and in the future.

…there are key aspects of ***business continuity, regulatory considerations, and financial loss*** *that should be quickly assessed and integrated into a healthcare organization's COVID-19 response plan.*

The evolving COVID-19 pandemic has resulted in an extremely fluid situation in which guidance from governmental health agencies, researchers and regulatory bodies can significantly change not only by the day but by the minute. Even with the rapidly evolving situation, there are key aspects of business continuity, regulatory considerations and financial loss that should be quickly assessed and integrated into a healthcare organization's COVID-19 response plan.

Tactics to Maintain Business Continuity

After creating a Rapid Response Team that includes a multidisciplinary group of stakeholders charged by leadership to develop an emergency response plan, allocate necessary resources and communicate key information to staff across the system as well as the community, healthcare leadership must quickly shift their focus to establishing business continuity in order to weather the storm.

Business continuity is the mechanism by which healthcare organizations will maintain core operations in order to respond to COVID-19, continue to care for essential patient populations and maintain financial sustainability.

"Business continuity is the mechanism by which healthcare organizations will maintain core operations in order to respond to the COVID-19 situation, continue to care for essential patient populations, and maintain financial sustainability."

Healthcare organizations should be sure to integrate the following key areas of business continuity into their COVID-19 response plans:

— **Leverage variable staffing models.** If needed, take advantage of relaxed enrollment and credentialing regulations for clinicians, including waived screening requirements such as application fees and background checks, and plan for arrangements with licensed providers from across state lines or those who may have recently retired. Use scheduling modifications and furlough to balance virus exposure and rest periods for staff.

— **Identify key contracted services and evaluate for risk of their ability to deliver services.** Examples of services to evaluate include coding and billing services, equipment repair, and specialized services such as pheresis and dialysis. Coordinate with vendors to understand where there may be service interruptions and develop mitigation plans as needed; also ensure they have a workflow that allows their workers to work remotely while following HIPAA security regulations.

— **Monitor expected events.** Despite inevitable disruption to business operations, continue to monitor performance in key areas. For example, ensure cash is being deposited and posted at expected rates, as there may be disruptions to lockbox processes. Ensure your accounts receivable is being worked to deliver cash needed in the future; reinforce denials management capability to maximize revenue capture; and continue to monitor workforce productivity of your staff, even if they are remote.

Key Regulatory Relaxations

In light of COVID-19, government and managed care entities have offered various waivers and relaxed regulations in order to help provider organizations manage through capacity issues and financial distress. While some regulatory considerations are offered in situations where providers are directly treating COVID-19 patients, other waivers can be used by any provider so they may continue to treat essential patient populations not diagnosed with COVID-19 while complying with guidance on social distancing and quarantine.

Depending on the type of healthcare organization and the patient population that is being treated, providers should review the following regulatory considerations and determine whether there are opportunities to take advantage of recent regulatory updates in order to better maintain business operations.

— **CMS coverage waivers.** CMS has released various waivers related to coverage of patients treated in skilled nursing facilities and critical-access hospitals, and for acute-care patients being housed in excluded units due to capacity issues. Additionally, CMS has issued special coverage allowances for rehabilitation facilities, long-term care hospitals and home health agencies in order to accommodate these facilities in assisting in housing affected patients and easing capacity issues.

— **Telehealth and multi-state licensure restriction lifts.** While many healthcare organizations have been reluctant to embrace telehealth due to uncertainty around reimbursement, recent regulatory waivers are encouraging its use. Specific updates include waiving originating-site and established-patient guidelines, easing in-state licensing requirements, reducing copays by payors, and relaxing HIPAA compliance so that providers can use readily accessible video devices to connect with patients. Providers should ensure that their fee schedules and billing systems are loaded with telehealth-specific billing elements and that no edits are in place preventing telehealth claims from going out.

- **Payor waivers, filing extensions and payment requests.** For COVID-19 related testing, many payors have waived prior-authorization requirements, as well as copays and deductibles; some payors have also waived referral requirements. As a precaution, providers should contact payors in writing and request an extension to timely filing limits and appeal deadlines for all claim types. Additionally, hospital providers should request Periodic Interim Payments (PIPs) and advances from their major payors to maintain cash flow.
- **Tax and other cost deferments.** The Treasury Secretary announced that corporations will be able to defer up to $10 million in tax payments to the IRS for 90 days because of the COVID-19 outbreak. These deferrals will occur on an interest-free and penalty-free basis. Organizations should continue to monitor developments and regularly check the CMS website for possible deferral of upcoming cost report settlements owed to the Medicare program and for those subject to any other federal plans, including continued loosening of regulations.

Strategies to Prevent Financial Loss

Even with excellent business continuity planning and taking advantage of current regulatory waivers, healthcare organizations, like firms across other industries, will experience financial loss as a result of COVID-19. While these financial implications are likely inevitable, how well organizations strategize and plan for financial loss will ultimately determine how quickly they recover and return to business as usual. Healthcare organizations should consider the following:

- **Seek funding sources.** Consult with lenders to extend available credit capacity for 90-180 days, or more; consult with your legal team and financial auditors on the likelihood of obtaining a waiver to existing credit agreements in order to prevent potential going-concern issues, especially if it appears likely that volume or liquidity declines will lead to covenant breaches in Q1 or Q2. Tap additional funding sources by negotiating short-term loans or additional equity contributions from your equity holder or sponsor. In tightly held businesses, solicit equity contributions from senior executives/physician owners. Consult with your health system foundation for potential contributions or loans and the release of unrestricted funds. Work with investment advisors to fully understand the liquid nature of your investment portfolio and determine which investments can be readily converted to cash, and at what cost. Additionally, consider monetizing your buildings through sale-leaseback transactions to provide a one-time influx of cash.
- **Defer costs.** Critically think through other cash flow requirements that might impact operational capabilities. If possible, defer acquisitions or non-critical capital projects. Increase controls around purchase orders and access to inventory; purchasing managers are likely to accelerate orders for fear of future scarcity, and thus theft is a greater risk. Consider temporarily suspending company contributions to 401(k) plans, if permissible, and make up lost contributions later. Defer contractual earnout payments to physician sellers; to quell concerns, convert these obligations to promissory notes that bear interest with future payment dates. If high-dollar purchases are processed through corporate credit cards, renegotiate payment terms and expedite frequency of cash rebates from annual to monthly. Contact utility providers and other high-dollar vendors to extend payment terms and push 10-60 days beyond current payment practices. Contact your bank to ask what types of extraordinary credit facilities they may offer. Federal authorities have dropped borrowing rates to 0% and may take other measures to provide liquidity to banks, but be prepared that your lender may not know all the details yet.

— **Practice sound fiscal management.** Review revenue recognition practices. In times of significant volume shifts, estimating realized revenue can often be more complex; a miss now sets up difficulties later. Immediately track excess costs related to COVID-19, to the best extent possible, to support documentation needs around insurance coverages. This will be useful for grant submissions and for business interruption insurance claims, or as a guide to MD&A with your lenders or shareholders. Track excessive premium pay, outside agency use, excessive/non-ordinary course supplies and inventory purchases, and work/retention bonuses. Contact your insurance broker to review insurance contracts for business interruption coverage. The profit shortfall between typical procedures (including electives that are being cancelled) and those associated with caring for the COVID-19 population should be quantified, as these declines in profitability may be covered. Finally, work closely with operational leaders to increase their understanding of the financial impact of proposed operational decisions, namely those impacting staffing and inventory requirements.

"Provider organizations will need to be prepared for what is to come and develop recovery strategies that may include extending and expanding some of the "temporary" arrangements they put in place to respond to COVID-19, ultimately creating a new normal for their operations."

What's Next

Eventually, public health officials will allow businesses to resume normal operations, and healthcare providers will once again open their doors to non-emergent ambulatory patients and those seeking elective procedures. Even at that point, however, the challenges faced by healthcare organizations will be far from over, as they may see a surge in pent-up demand while continuing to experience depleted inventories and overworked staff. Further, the impact on an organization's finances will likely be significant, leaving them searching for ways to quickly recover. Provider organizations will need to be prepared for what is to come

and develop recovery strategies that may include extending and expanding some of the "temporary" arrangements they put in place to respond to COVID-19 — ultimately creating a new normal for their operations. Provider organizations should consider the following strategies:

— **Expand telemedicine.** Leverage and accelerate the application of telemedicine rolled out during the COVID-19 response in an effort to address pent-up demand and improve overall patient throughput.

— **Optimize patient access.** Plan for scheduling optimization, including template design as volume returns to normal, particularly in procedural and operating rooms in order to alleviate elective case loss due to backlog. Extend hours of operation to catch up on postponed surgeries, procedures and visits. Open appointment slots and shift as much volume to the ambulatory setting as possible, utilizing advanced practitioners to the top of their licenses and allowing clinicians to make up work units.

— **Accelerate cash.** Monitor payor performance and lockbox production to ensure cash flow is maintained. Repurpose and dedicate revenue cycle staff to work low-hanging fruit in order to maximize cash inflows and accelerate cash collections. Adjust A/R strategy through focused billing, follow-up and account resolution, and create a COVID-19 denials management and reporting process. Implement a self-pay discount or prompt-pay program to accelerate cash on self-pay accounts.

— **Evaluate operations.** Review any unresolved action items where follow-up is required to close gaps after the event. Analyze operational areas where staffing models, contractual agreements and other past practices inhibited your ability to respond effectively, and develop action plans to close these gaps for current operations and to prevent issues in the future. Consider strategies to address these gaps, such as building out a more permanent remote workforce and leveraging automation to manage transactional work.

Conclusion

It is not too late for healthcare organizations to identify the key elements of business continuity, regulatory considerations and financial loss that are most relevant for them and rapidly integrate these into their COVID-19 response plans. Communications during this crisis are key; develop a robust and timely communication plan to key stakeholders on operational and financial issues and their status. Include boards of directors, senior leaders, lenders, vendors and employees. Do not be afraid of over-communicating to your strongest asset – your people – because being open and honest will lessen their fears and anxiety and pay dividends later. The road back to business as usual will certainly be long, but organizations that are able to capitalize on these concepts successfully will likely be the first to recover. Finally, it is imperative that provider organizations prepare for what is next and develop recovery strategies that will allow them to regain their financial position once this crisis passes.

BRIAN FLYNN
Senior Managing Director
+1.617.747.1743
Brian.Flynn@fticonsulting.com

LISA O'CONNOR
Senior Managing Director
+1.617.893.8042
Lisa.O'Connor@fticonsulting.com

CHRIS GEORGE
Senior Managing Director
+1.617.897.1500
Chris.George@fticonsulting.com

JEFF BENTON
Senior Managing Director
+1.202.312.9113
Jeffrey.Benton@fticonsulting.com

F T I™ CONSULTING