

Forward-Looking Crisis Management for COVID-19 Recovery

Market Corner Commentary
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In our January 9, 2020, [article](#), we identified the following five margin pressures that are coalescing to drive more value into the delivery of healthcare services:

SHIFTING
PAYER MIX

MORE
DISCIPLINED
PURCHASING

CHANGING
CONSUMER
BEHAVIORS

NEW
COMPETITORS

DRAMATICALLY
SHIFTING
REGULATORY
ENVIRONMENT

Their collective impact poses an existential threat to many health systems. Consequently, “business-as-usual” is no longer a viable long-term strategy. Strategic partnerships, reconfiguring routine care, increasing productivity and effective revenue management are value-based strategies that help enhance competitiveness and ensure long-term market relevance.

Enlightened leaders are using the crisis to advance consumerism, digital connectivity, asset-light business models, strategic partnerships, increasing productivity and other value-creating strategies.

Since publishing the article, the COVID-19 pandemic has landed on American shores, shut down the US economy and placed enormous pressure on providers to care for those inflicted with the contagion. Already under margin pressure, the COVID-19 pandemic has wreaked havoc upon health system business models and generated unprecedented operating losses.

This article will address the financial pressures inflicted on health systems due to COVID-19 and strategies for minimizing the pressures. More importantly, it will explain how the pandemic is accelerating the movement to value-based business practices. It will further explore how enlightened health systems can simultaneously manage the shorter- and longer-term strategic and competitive challenges rising from the COVID-19 pandemic.

Key Takeaways

- Strategic partnerships, reconfiguring routine care, increasing productivity and effective revenue management are value-based strategies that help enhance competitiveness and ensure long-term market relevance.
- Combined with increased costs for COVID-19-specific labor and supplies, health systems are experiencing breathtaking financial losses. Not all providers will survive the pandemic intact.
- Crisis periods often bring out the best in people and organizations. They can become a catalyst to organizational transformation.
- Healthcare will experience more consolidation as consumption patterns drive toward value, transparency and personalization.
- Healthcare’s best leaders are embracing forward-looking strategies to accelerate true patient-centered care even as they battle COVID-19.

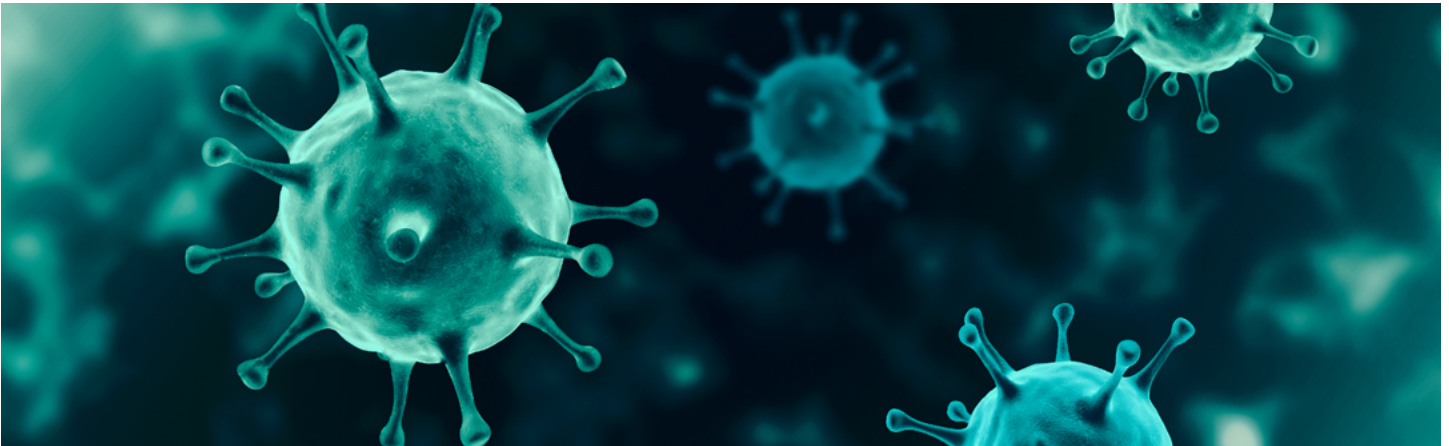
BOTTOM FALLING OUT

The U.S. healthcare system is aggressively fighting COVID-19. It is building patient surge capacity, scouring for lifesaving ventilators and personal protective equipment (PPE), massively expanding virus testing and tracing, recruiting volunteers to fortify frontline staffing and reconfiguring patient engagement practices.

As health systems have flexed to increase their COVID-19 treatment capacities, they have seen dramatic declines in non-COVID-19 admissions, surgeries, Emergency Department (ED) visits and revenues. Combined with increased costs for COVID-19-specific labor and supplies, health systems are experiencing breathtaking financial losses.

The federal and state governments understand the problems confronting health systems and are taking steps to address them. They have relaxed regulatory restrictions and instituted new payment codes to encourage more flexible, efficient and timely care delivery. They also are funding programs to provide financial relief to providers as the pandemic unfolds in real time.

Notwithstanding the massive efforts to mobilize and fund COVID-19 care, not all providers will survive the pandemic intact. Quorum’s potential bankruptcy filing is a worrisome signal that the pandemic poses systemic challenges for many providers.



FIGHTING THE WAR

When organizations conduct post-mortems on their crisis management, most conclude that they should have responded more quickly and aggressively to the crisis. Risk aversion, hesitation and lack of vision impede responsiveness and exact an organizational toll.

In tackling the immediate challenges posed by COVID-19, health system leaders cannot ignore the macro forces driving the industry toward value-based delivery. Enlightened leaders will address short-term challenges, to the extent possible, in ways that contribute to long-term organizational sustainability.

Anticipation and responsiveness matter. The current operating environment for health systems is dynamic, fluid and chaotic. To apply military terminology, health system leaders need to avoid, whenever possible, being O.B.E. (“overcome by events”). This requires acknowledgement (things can go wrong), imagination (what could go wrong), and scenario planning (how can they go wrong).

During crises, both financial and strategic flexibility are vital. Outcomes trump process. Leaders focus on solving “jobs to be done” in real time. Great organizations, when and wherever possible, push decision making with accountability to frontline staff.

Strong leaders make decisions with accurate and actionable data. They communicate clearly and openly. Their actions and consistency of purpose build trust among individuals and between teams. Together, the enterprise unites against the common foe (e.g. COVID-19) with a shared vision of success and a template for taking action.

Even with great leadership and strategic vision, organizations without resources can still fail. In crisis periods, cash is king. It creates time and flexibility to adjust tactics to operating realities. Health systems, to the extent possible, must generate enough liquidity to maintain strategic flexibility during the COVID-19 pandemic.

Tactics for expanding liquidity could include cutting nonessential services, reassigning or furloughing employees, delaying capital expenditures, expanding credit lines, collecting receivables and delaying payables. With adequate liquidity, health systems are better able to withstand near-term declines in revenues, profits and cash flow. Without it, they become more vulnerable.

Financial and strategic flexibility are inextricably linked. With financial flexibility, organizations can be more open to innovative, even unorthodox solutions. The emergence of virtual care models illustrates the power of a crisis to break down organizational barriers to change.

At Baylor Scott & White Health (BSWH), for example, daily virtual care visits more than quintupled between March 17th and April 8th. During the same time, traditional face-to-face patient visits decreased by more than fifty percent. BSWH’s president Pete McCanna describes the process through which the organization managed this remarkable transition to virtual care.

We had this elastic demand for eVisits, but didn’t have enough providers to cover them. At the same time, clinic visits were down. Providers had time on their hands. We quickly trained them on our virtual care platform and more than tripled our eVisit capacity within 36 hours.

—Peter McCanna
President, Baylor Scott & White Health

As illustrated by BSWH’s virtual care experience, crisis periods often bring out the best in people and organizations. Their efforts to solve the “jobs to be done” not only relieves short-term pressures, they can become a catalyst to organizational transformation.

WINNING THE PEACE

The COVID-19 crisis gives health systems a chance to overcome the organizational inertia that often frustrates progressive reforms. Health systems should begin to position for recovery now even as they battle COVID-19.

A 2009 Harvard Business Review article by John Quelch and Katherine Jocz notes that companies often gain market share exiting from recessions. Economic turmoil disrupts the status quo and forces buyers to reevaluate and re-prioritize their purchasing decisions. The authors stress that successful companies acquire new customers by streamlining product and service portfolios, improving affordability and bolstering trust. Dislocation creates opportunity.

Healthcare's competitive landscape was already changing in fundamental ways before COVID-19. In the words of BSW's McCanna, healthcare is moving from "wholesale to retail, from analog to digital, from physical to virtual, and from centralized to decentralized delivery." The COVID-19 pandemic is helping to accelerate those changes.

Enlightened leaders are using the crisis to advance consumerism, digital connectivity, asset-light business models, strategic partnerships, increasing productivity and other value-creating strategies. This approach has the dual benefit of solving short-term COVID-19 problems more effectively while improving longer-term organizational competitiveness.

The pandemic also has created opportunities for new entrants to make their mark on healthcare. Numerous health systems have leveraged their nascent telemedicine platforms quickly, enabling them to scale their virtual care services rapidly in response to the immediate patient-care demands. COVID-19 has become a proving ground for early-stage telehealth companies. They are here to stay.

Center for Medicare and Medicaid Services (CMS) has taken several steps that enable providers to staff and operate more efficiently. They include HIPAA waivers, payment for virtual visits, expanded service scope for professionals and new guidance for elective surgeries.

As providers adapt to this more progressive regulatory and payment environment, perhaps many of these provisions will become permanent. The crisis gives policymakers the opportunity to reshape healthcare's regulatory landscape in ways that help promote level-field competition, data sharing, and innovation. No industry needs this more than healthcare.



As happens in any truly disruptive period, clear winners and losers emerge. Healthcare will experience more consolidation as consumption patterns drive toward value, transparency and personalization. Healthcare organizations should already be thinking about how they will reclaim its lost volume and then increase their organization's market share post COVID-19.

Many health system executives already have this focus, as one McCanna is already thinking about how BSW will reclaim its lost volume and then increase the organization's market share,

Our recovery plan has two elements. The first is to regain the lost volume by offering compelling services to our customers. The second is to address our cost structure in fundamental ways that improve outcomes and increase value. Expect to see more virtual care, augmented intelligence and rigorous back-office optimization.

**—Peter McCanna
President, Baylor Scott & White Health**



HEALTHCARE'S FINEST HOUR

In the years to come, healthcare will remember the spring of 2020 as the time when the industry recaptured its soul. The dedication and courage of frontline caregivers during this pandemic is awe inspiring. We will recall and honor their sacrifices. They have rekindled appreciation for healthcare's humanity and healing mission.

We also will recall the supply shortages, the miscommunication and logistical failures that made their vital work more difficult, dangerous and heartbreaking. In the pandemic's wake, enlightened companies will deliver on commitments to serve doctors, nurses, technicians and aides better. Healthcare systems that do this will win the public's confidence and trust. They will prosper.

In the final analysis, it is healthcare's business practices that must transform. During this perilous time, healthcare's best leaders are embracing forward-looking strategies to accelerate true patient-centered care even as they battle COVID-19. This is their finest hour.

AUTHORS



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Jeff Jones serves as Chief Commercial and Strategy Officer for **Conifer Health Solutions**. In this role, he defines the strategic direction for Conifer including the enterprise strategy, strategic partnerships, leads all commercial activities, heads client service and delivery, owns brand, marketing and go to market strategy, and directs new solution innovation. Jeff joined Conifer's Executive Leadership Team in September 2019 bringing with him over 30 years of industry experience.

Jeff's experience in both the healthcare and technology industries coupled with his demonstrated track record partnering with health systems, academic medical centers, specialized providers, medical groups and health technology companies allows him to bring unparalleled insights into Conifer's overall business.

