HEALTH SYSTEM 100
LEADERSHIP CONFERENCE

Health System 100 Coronavirus Task Force Executive Summary

April 23 - The Road to Recovery for Health Systems: Envisioning the "New Normal"

April 23, 2020

Through complimentary weekly **Health System 100 Coronavirus Task Force** conference calls with top experts and providers on the front lines, we aim to **share best practices in crisis management** and **valuable business-scenario planning**.

Guests:

Douglas Cropper, CEO, Genesis Health System
Howard Kern, President & CEO, Sentara Healthcare
Jeffrey Kraut, EVP Strategy, Northwell Health
Mark Rich, EVP Global Operations, Steward Health Care System
Douglas Watson, CFO, Dignity Health Arizona
Tim Weir, CEO, Olmsted Medical Center

Overview

As the COVID-19 pandemic evolves from a clinical crisis into an economic recovery plan, health systems are facing hard questions about the preparation for a potential resurgence, the resumption of elective procedures, and potential permanent shifts to the acute care business model. Many systems are struggling to pinpoint the timing of the recovery, ranging from optimistic views that hospital systems will be up and running by mid-May, to the more pessimistic view that the "new normal" will take nine months or more to materialize. Sentara Health CEO **Howard Kern** foresees healthcare headed into a "very difficult protracted recession".

Quantifying the Hit to Health Systems

As inpatient procedures have dropped – particularly lucrative elective surgeries – systems have seen topline revenues evaporate; projections for April range from 50% to 60% of previous-year levels.

- **Doug Cropper** (Genesis) predicts April revenue will be in the range of 55% to 60%, with ED lowest at 40%. Doug's ASCs (part of a JV setup) were shut down altogether.
- **Doug Watson** (Dignity Health Arizona) plans for April revenue in the 40% to 70% range, varying by service line.
- For Sentara, where April will come in at 50%, **Howard Kern** cites unanticipated drops in transplantation, cardiac surgery, interventional cardiology, and orthopedics.
- **Tim Weir** (Olmstead) sees April on the low end, about 45%. That's in line with **Jeff Kraut** (Northwell) where April will be about 50%, and May will likely drop to 45%.

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- One relative bright spot is Steward's Boston business, where **Mark Rich** says gross revenue will increase in April. Yet overall, Steward's April will be about 60% of last year, and where it owns its physicians (in ophthalmology and ENT) the hits are much bigger, or what Mark calls "a bottom-line killer".

Timing out "Back to Normal"

Resuming elective procedures is on everyone's mind. What is the right timing? When will states lift restrictions? How will patients react? On the question of how long it will take to get back to 90% of pre-COVID-19 revenue:

- **Doug Cropper** foresees being back to 80% by July, but he says electives won't return fully for another six to twelve months.
- **Jeff Kraut** expects a return to "normal" by June.
- **Howard Kern** is on a similar timeline and thinks Sentara will hit 90% by mid-to-late summer.
- **Mark Rich** reminded callers that UT and TX are already resuming electives and says even Gov. Baker in Mass. wants to restart urgent, non-COVID-19 care as soon as possible. All the same, Mark says Steward's bottom line will not recover until 2021.
- **Tim Weir** says Olmstead is looking at late fall or end of year to get back to 90% revenue.
- **Doug Watson** is less concerned about when it comes back, but rather how it comes back. Dignity Arizona anticipates lots of pent up demand and is trying to figure out how to use a maximum number of ICU beds for returning patients while remaining prepared for a potential new CV surge.

Obstacles along the Road to Recovery

The consensus among health system executives seems clear: getting back to normal will not be easy. Even if systems are ready to bring back procedures, many obstacles stand in the way. **Jeff Kraut** thinks maintaining surge capacity – to safeguard against a COVID-19 return – is one potential impediment (understandable for a system that added 1400 ICU beds in three weeks.) Several executives think the public itself could be a cause of concern: **Tim Weir** fears patients may not have the wherewithal to cover out of pocket expenses.

A similar concern was voiced by **Mark Rich**, who thinks the increase in unemployed patients will alter payer mix and impact bottom lines, especially in non-Medicaid expansion states like TX. **Doug Cropper**

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attributes it to higher out of pocket health plans and says economic pressures on patients may preclude them from pursuing elective care. Other challenges providers cited as a potential impediment to the return to normal activity include insufficient COVID-19 testing, PPE shortages, and patient fear (of contracting COVID-19).

Long-term Implications

Is the healthcare landscape shifting as a result of COVID-19? In some areas yes, according to executives. For example, telehealth – where both **Howard Kern** and **Jeff Kraut** say their doctors have gone from a couple hundred tele-visits per day (pre-COVID-19) to several thousand per day. At Northwell, they are anticipating some 5200 MDs will host more than 200,000 telehealth consultations in the month of May. **Doug Cropper** predicts 50% of his employed physicians will move to a telehealth model, and **Mark Rich** thinks the relaxed reimbursement is likely to stay.

Among the more somber predictions, **Howard Kern** thinks the impending economic crisis will force many systems to have to make "tough cost-cutting decisions" that have been pushed off for years because we've been living in "times of plenty."

Doug Watson anticipates a shift in supply chain practices – away from just-in-time inventories of disposable PPE from China, in favor of reusable cloth gowns that are made locally, more environmentally sound, and better for the bottom line. Mark also thinks staffing dynamics will change – aging MDs will retire, and fewer prospective nurses will gravitate to healthcare. **Jeff Kraut**, **Doug Cropper**, and **Howard Kern** all see 2020 as an opportunity to make strategic acquisition decisions, especially when it comes to specialty physician groups. Jeff thinks many docs will be looking for "the shelter" of a health system, to which Howard says it's better to acquire than to watch them go underwater.