Hospital Finances Brutal Last Year? Here are 5 Financial Must-Do's.

According to a recent report, hospital operating margins were down 55.6% in 2020 compared with 2019, excluding federal CARES funding, and down 16.6% with CARES.

Even before the Covid pandemic, many U.S. hospitals and health care systems faced difficult financial circumstances. Covid made finances even tougher, contributing to declining volumes and revenues, higher expenses and significantly reduced margins. According to a recent report, hospital operating margins were down 55.6% in 2020 compared with 2019, excluding federal CARES funding, and down 16.6% with CARES.

During these tough financial times in health care, what should hospitals and health care systems be doing to preserve their long-term financial viability and meet patients' needs? Here are five financial must-do's:

1. **Sensibly plan for the next pandemic** – The Covid pandemic and its resulting surge in very sick and contagious Covid patients caught most U.S. hospitals flat-footed, due largely to an industry emphasis on near-term cost containment, not long-term emergency preparedness. The result? Emergency departments

unable to instantly isolate potential Covid carriers. Insufficient temporary ICU capacity. Outdated admission, treatment and discharge protocols. Hospitals spent enormous sums to quickly try to address these deficiencies in order to treat patients.Hospitals have learned some hard and costly lessons from the pandemic, including how to better-prepare themselves for the next infectious disease outbreak, whenever it may be. Potential changes to mitigate the financial and clinical impact of such a scenario range from the pricey, including new or redesigned multi-functional clinical spaces and specialized HVAC systems, to less-costly yet critical, like revised surge capacity and infection control protocols.At a minimum, hospitals should be budgeting for a potential future pandemic surge, down to the department level, as well as have plans in place to rapidly change staffing, as needed. Thought should also go to addressing likely future supply chain needs and constraints, and the bottom-line impact of non-labor costs.

2. **Increase financial and clinical alignment** – If the Covid pandemic offered any long-term lessons, it pointed out the need for a hospital's CFO and financial team to regularly communicate with clinical leadership. These conversations should candidly detail the current and projected financial condition of the organization, explain the likelihood of potential financial scenarios impacting the system and outline current clinical practices impacting finances. Furthermore, organizations should be re-budgeting and re-planning for the current fiscal year as well as next fiscal year.All involved should know and be tracking key financial performance metrics such as monthly cash, revenue by department, denials, and payer mix. Emphasis should be placed on maximizing revenue capture in higher-profit areas. Hospitals should work with their commercial and public payers to reduce or eliminate denied claims, which delay reimbursement and cost additional resources to rework.
3. **Plan for telehealth from now on** – Operationally, telehealth and remote patient monitoring are here to stay. Virtual care accounted for 20% of all medical visits in the United States in 2020, according to one report. Hospitals need to plan accordingly, and seek ways to increase their reimbursement opportunities, as well as closely monitor and resolve any telehealth-related denials from payers. While telehealth reimbursement is gradually improving, health care providers should still expect to see some denials on telemedicine claims and plan to rebill as necessary.Despite the initial capital costs, hospitals should be thinking of their longer-term telehealth and remote monitoring capabilities, and invest properly to ensure future sufficiency and capability. Care management teams should proactively reach out to patients to discuss using telehealth services to manage their care.
4. **Recognize the "new normal" of decreased margins** – Hospitals operating under already tight margins found these margins squeezed even further during the pandemic. Amid finite sources and levels of revenue, organizations will increasingly need to cut costs in ways which don't detrimentally affect patient care.For example, hospitals might consider outsourcing key non-patient-facing functional areas like human resources, revenue cycle management and finance, and supply chain management. The "new normal" cultural mantra should be around proactively curtailing costs at all times, not waiting for the next crisis or

negative financial news to spur action.

5. **Emphasize communications and marketing to allay fears** – No matter how rigorous a hospital's operational and sanitary practices related to Covid, some members of the public (and even employees) won't fully believe it until they've repeatedly heard about such measures. At a time when some prospective patients are still delaying surgeries and treatment for chronic and even acute problems despite increasing rates of Covid vaccination and declining Covid case numbers, hospitals still need to make assuaging such concerns an operational priority.Hospital administrators should be considering out-of-the-box marketing approaches to get the word out about their "new normal" operational practices, including using digital/social tools, enlisting endorsements or testimonials from credible local celebrities, and touting their quality ratings.

In Conclusion

The five must-do's listed above are requirements for financial survival in this "new normal" era of health care. It won't take long for an organization to begin realizing the benefits of implementing any of these measures. The key is proactively pursuing these measures now, and not waiting for further financial challenges to develop.