

Health Systems Should Act Now to Stabilize and Position their Organization for Future Success

April 2020



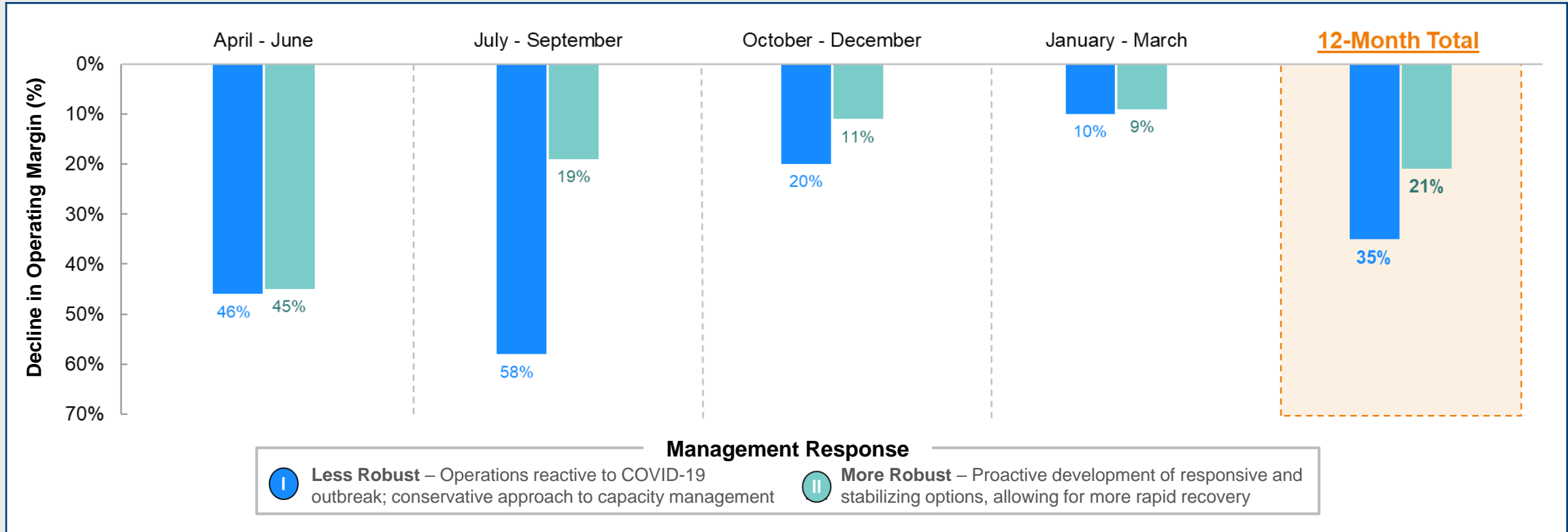
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The Financial Impact of COVID-19 on Health Systems will be Substantial and Lengthy

Over the next 12 months, while individual impacts may vary, health systems are expected to suffer ~20% to 35% declines in operating margins based on the ability of management to respond to the outbreak.

COVID-19 Expected Health System Financial Impact (April 2020 – March 2021)







Note: BDC proprietary model; assumes moderate outbreak over summer 2020 as the result of effective social distancing. If there are multiple waves of infection over the next year, the financial impact would be more significant.

Nationwide, this translates to a **\$350B to \$600B** financial impact to health systems and physicians. The CARES Act subsidy of \$100B for providers will partially offset this deficit, but other measures will be required to ensure financial stability.

Begin COVID-19 Recovery Efforts Now and Continue into the Near Term

Health systems must move rapidly from responding to the virus to rebuilding operations, key relationships, and finances, and reinventing their strategies for a more uncertain world.

Four Strategic Actions	Responding and Stabilizing Actions	Rebuilding and Reinventing Actions
 Prepare Your COVID-19 Recovery Plan	<ul style="list-style-type: none">• Launch a “Recovery Planning Team” to focus attention beyond the present crisis• Develop a game plan to expeditiously bring capacity back online	<ul style="list-style-type: none">• Develop a revenue expansion and diversification plan• Develop patient assurance strategies to regain volume• Rebalance service and volume mix• Recalibrate system strategy to adapt to virtualization of healthcare
 Engage Payer Partners	<ul style="list-style-type: none">• Create a COVID-19 Rapid Payer Game Plan to identify immediate opportunity• Explore COVID-19 relief payments from the commercial payers• Re-negotiate commercial rates deploying strategic pricing	<ul style="list-style-type: none">• Develop a strategic pricing approach to grow health system margins• Develop new payer strategy for key market segments• Develop revenue models for virtual health, alternative sites of care• Revisit risk exposure and risk contracting terms
 Support the Physician Community	<ul style="list-style-type: none">• Recalibrate employed physician compensation to support efforts going ‘above and beyond’• Engage with independent physicians and provide cash flow assistance, education, and advocacy support to help stabilize	<ul style="list-style-type: none">• Revisit physician alignment strategies• Restructure compensation for employed physicians• Strengthen clinical integration and network relationships• Support physicians in their efforts to re-engineer operating models to address new consumer needs
 Evaluate Partnerships & Acquisitions	<ul style="list-style-type: none">• Assess organization’s financial resilience and identify partnership path including merging up, down & sideways	<ul style="list-style-type: none">• Examine potential acquisitions of ambulatory facilities, large physician groups, independent specialty physician groups, and other clinical assets and pursue as appropriate

BDC Advisors can help your organization plan for recovery now.

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