

# Five Imperatives to Financial Stability

in the Post-Pandemic Era



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GROUP

As healthcare organizations reach the one-year mark after the initial shutdowns in response to the COVID-19 pandemic, they are looking proactively toward the future, even as some have experienced additional surges and associated shutdowns or restrictions. Though hope glimmers with continued distribution of COVID-19 vaccines, even healthcare organizations with a solid financial footing may face a 12- to 24-month journey to return to prior levels of profitability. For many other organizations, the path to financial sustainability will take longer and may require more drastic measures.

In the late fall of 2020, The Chartis Group conducted in-depth interviews with Chief Financial Officers (CFOs) and Chief Operating Officers (COOs) at 18 leading health systems about the current state of their organizations, the journey they have been on, and how they are navigating pandemic-related financial and organizational challenges.

For most organizations, forging a path to financial sustainability has become a strategic imperative. But what does that path look like? We have identified five imperatives that organizations must address, along with tactics leading healthcare organizations have deployed to date to respond to the ongoing financial, operational, and emotional challenges of the pandemic.

## 5 Imperatives for Financial Stability

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**ONE**

Tighten Discipline on Expense Management



**TWO**

Expand Approach to Workforce Management



**THREE**

Accelerate Orientation Toward the Consumer



**FOUR**

Increase Focus on Capacity Management



**FIVE**

Reinvigorate Culture and Workforce Well-Being



## TIGHTEN DISCIPLINE ON EXPENSE MANAGEMENT

Reduced patient volumes have had a significant impact on financial performance, and uncertainty remains around the ongoing impact on demand for services, as well as potential reimbursement pressures. Health care organizations have seen heavy losses as a result of the initial shutdown of non-essential services in the spring of 2020 and, in some locations, additional rounds of voluntary cancellations to free up capacity in early 2021. While CARES Act relief has helped, it has been insufficient for many — especially organizations already operating on thin margins.

# 90%

Though up significantly from the spring of 2020, inpatient and physician visit volumes in the fall were still around 10 percent shy of pre-pandemic levels for most organizations, with emergency department volumes 15-30 percent below prior levels.<sup>i</sup>

### In response to this financial situation, organizations are taking a rigorous and disciplined approach toward greater financial stability. Tactics include:

- **Deploy a comprehensive, structured financial improvement effort.** More than half of the organizations that we interviewed have in place a formalized structure and disciplined process to identify and execute enterprise-wide opportunities to improve financial performance. These efforts are comprehensive in nature, with implications across both acute and ambulatory operations. Appropriate prioritization and timing of implementation requires increased levels of coordination and engagement across the organization.
- **Consider all opportunities to improve financial positioning.** Heightened financial pressures have made it critical that nothing is off the table in a post-pandemic environment. Halting discretionary expenses, pausing retirement fund contributions, and reducing executive compensation are tactics that many leadership teams have had to employ. For many, the past year has also created an opening for conversations about the physician compensation model and overall financial sustainability of the provider enterprise that have been difficult in the past. Additional examples include rationalizing or consolidating clinical programs and practice locations, and disposal of underutilized assets.
- **Implement greater discipline and accountability measures for efficiency and cost management.** Organizations that have been successful in reducing costs have made significant changes to their operating models, including reforming approval processes, implementing more frequent reporting, setting aggressive operating targets, and establishing more intentional sharing of operational data across the organization. The increased accountability for and focus on results has been palpable, with greater rigor and structure around tracking progress toward goals.
- **Adapt Financial Planning and Analysis (FP&A) processes.** Many organizations have made modifications to their FP&A processes to better navigate the continued uncertainties around volume and reimbursement. This has included shifting to a rolling budget which, while historically not a widely utilized approach within health systems, provides more visibility and agility during these uncertain times.

“At this point, there aren’t a lot of sacred cows that are left.”

— COO in the Northeast

“The urgency of the turnaround raised the bar across the whole executive team that has fundamentally transformed our own thinking around standardization, integration, process improvement in a more holistic way.”

— COO in the Northeast



## EXPAND APPROACH TO WORKFORCE MANAGEMENT

A broader look at staffing and workforce management can deliver resource efficiencies and also address pressing workforce challenges — such as burnout, attrition, and absence due to illness or quarantine — and bring about financial savings.

# 5%

In response to the pandemic and after a reduction in force (RIF) equal to 3 percent of total labor expenses, one health system identified and implemented solutions to achieve another 2 percent reduction in total labor expenses without any additional layoffs — entirely through attrition and tighter workforce processes.

### Tactics that leading healthcare organizations have deployed with successful results include:

- **Use flexible staffing solutions and real-time performance management tools.** All organizations we spoke with acknowledged the importance of flexible resources, coupled with visibility and real-time understanding of demand and performance. Example solutions include shifting from fixed to variable staffing models that permit flexing of staff to different clinical areas based on volume, maintaining a sufficient pool of per diem/float staff, refining per diem and float policies to increase staff availability, and implementing productivity monitoring tools.
- **Evaluate clinical and operating models.** For many, the experiences and pressures of the last year have created a burning platform to redesign clinical and operating models to support more efficient and effective resource deployment. Many organizations report initiating the work to automate routine processes, leverage technology to support efficiency, promote teams working to the top of their license, and eliminate non value-added work.
- **Leverage the move to remote work for many functions to free up space and/or reduce real estate expenses.** Organizations have also reported increased staff productivity, particularly when coupled with effective use of automation. Many are considering it a permanent cultural shift.

“We were never successful at staff redeployment — now we’re more used to it, both the management team and the staff. We’ve become more versatile and more responsive. There’s more willingness to move and be more flexible.”

— COO in the Southeast

“We have much more scrutiny now on FTEs. We are challenging ourselves to hire only positions we really need. We have a stricter, more disciplined process now when folks leave to really evaluate whether we need to replace.”

— COO in the Northeast



## ACCELERATE ORIENTATION TOWARD THE CONSUMER

The pandemic has necessitated an increased focus on meeting the needs of the consumer through appropriate digital modalities, redesigned patient service centers, and similar efforts. Many organizations are seizing the opportunity to advance their consumer orientation.

# 51.9%

More than half of all care delivered in mid-April 2020 was virtual (up from less than 1 percent in early March).<sup>ii</sup> While that percentage has eased back to 15-20 percent, studies continue to show that patients both want and expect a more convenient care experience.<sup>iii</sup>

### Among the tactics healthcare organizations have taken to become increasingly consumer-oriented are the following:

- **Redesign internal processes to facilitate a long-term digitally forward approach to care delivery.** With the rapid adoption of virtual care in the early days of the pandemic, patients confirmed their preference for virtual care as a delivery mode option. Many organizations are now prioritizing the hard work required to proactively identify the clinical situations appropriate for virtual visits and the redesign of processes and care models necessary for long-term adoption.
- **Create high-performing contact centers.** Responsiveness to consumer needs includes both the clinical and non-clinical experience, particularly with regard to the convenience of interactions. Many organizations are building out more centralized contact centers for greater streamlining of communications, standardization of experience, and efficiency of securing services.
- **Develop a comprehensive strategy to transform the access experience.** In addition to advancing access infrastructure like patient contact and service centers, many providers are viewing transformation of the overall access experience for patients and consumers as a strategic imperative in today's landscape. This includes active management and optimization of provider capacity and time allocations across all modalities (physical and virtual) to assure consumer expectations for timeliness of services are met.
- **Reprioritize strategic capital investments and network configuration.** The confluence of significant financial pressures, prolonged volume reduction, and shifting consumer expectations has caused many to pause and rethink plans for capital investment. Many organizations highlighted the criticality of forging forward with strategic plans, albeit at a slower pace in some cases. But there also was strong indication of the need to reprioritize investments in digital and other consumer-oriented infrastructure and capabilities, as well as the potential to evaluate the distribution of services and capacity across the system, in light of shifting volumes and integration of digital modalities.

"The brief experience with telehealth shifted our strategies; we created a telehealth unit at the system level and rearranged our IT investment strategy."

— CFO in the Northeast

"Our CEO challenged us to leverage what we learned in terms of better ways to offer service to come out stronger from a consumer/convenience perspective."

— CFO in the Southeast



## INCREASE FOCUS ON CAPACITY MANAGEMENT

COVID-19 surges have highlighted the need to increase flexibility and maximize capacity for meeting the community's healthcare needs, particularly in growing markets. For some organizations, expanding their footprint is not an option, whether due to financial limitations or regulatory restrictions. Taking a critical look at operational efficiencies and reconfigurations can help create needed capacity with existing resources.

# 1/2 DAY

In our experience, organizations through a concerted effort can reasonably achieve a half-day reduction in average length of stay (LOS).

### Specific operational tactics healthcare organizations should consider include:

- **Ensure efficient inpatient throughput.** Focusing on the interrelated roles and processes associated with bed management, patient progression, and care management can reduce costs, expand capacity, and better enable the organization to meet strategic goals. Maximizing procedural and perioperative capacity is also now more important than ever to support volume recovery and growth, and includes tactics related to block time management, daily operational efficiency, service placement, and options for expanding capacity via extended hours or days of operation.
- **Reconfigure built capacity.** Many organizations have found that moving non-clinical staff to a remote workforce and building out the infrastructure to deliver more robust digital health, including hospital-at-home programs, can free up office space and even inpatient beds.
- **Build high-performing physician-APP models.** Not only does the use of advanced practice providers (APPs) vary from organization to organization, but as many organizations have noted, it also can vary internally. [Creating a standard framework](#) that optimizes care delivery and aligns incentive and compensation models can both increase capacity and reduce costs.

"This is pushing us to figure out how to use APPs appropriately; many of our team are salaried, and their comp is not aligned with the physicians."

— CFO in the Midwest/Southwest

"The shift to remote models in IT, revenue cycle, accounting, and administration seems to be working; we are now doing a study to see how much square feet we can free up."

— CFO in the Northeast



## REINVIGORATE CULTURE AND WORKFORCE WELL-BEING

In all of this, healthcare organizations cannot afford to overlook the well-being of clinical and non-clinical staff. Given the unprecedented physical and emotional demands that persist today, all organizations expressed the criticality of addressing burnout, exhaustion, and morale for both remote and on-campus staff.

# 3/5

Only three out of five healthcare workers are certain they will remain in the field after living through the pandemic.<sup>iv</sup> Statistics like these have led to an increased recognition of the physical and emotional toll on healthcare providers and staff.

### Many healthcare organizations have been focusing on filling staffing gaps while also supporting their healthcare teams with tactics such as the following:

- **Develop programs to ease staff burnout.** Organizations have shared how they have created places of respite on campus that allow staff to step away, rolled out new programs focused on mental health support, expanded education and wellness programs to be delivered remotely, and set up concierge services to address specific staff needs, such as childcare and grocery shopping.
- **Increase communication across multiple forums.** Depending on the situation, providing more timely, meaningful communication could take the shape of in-person huddles with leaders, virtual check-ins with those working remotely, and other methods that help all employees stay connected and feel integral to the organization.
- **Normalize and bolster management for remote work.** The lines between personal and professional life have become increasingly blurred for those working from home. Establishing and communicating thoughtful policies can help ensure engagement, connectivity, socialization, and work-life balance. And while the shift to remote work has presented some management challenges, it has also presented opportunities to compete more aggressively for business and staff.
- **Demonstrate gratitude.** Even small acts of acknowledgment can go a long way toward improving morale. Some leaders have sent out special thank-you videos or rounded the halls giving out treats and personally thanking individuals; others have observed a designated Gratitude Day and even made small financial gifts.
- **Advance diversity, equity, and inclusion efforts and anti-racism programs.** As the country has been fighting against COVID-19, the fight against racism also has been front and center for healthcare provider organizations. Many organizations have made addressing disparities in their local communities a top priority.

“We have an obligation to keep employees safe at work, keep them employed, and help them manage the challenges they face as a result. We have offered concierge services for shopping for staff working extra shifts, hotels for staff who did not feel comfortable going home after treating COVID patients, daycare, etc.”

— CFO in the Midwest/Southwest

“This is worse than my experience fighting in a war. In a war, you know when you’re going in and when you get out, but this is never-ending,” one surgeon said.”

— CFO in the Midwest/Southwest

## There's Only One Way to Go from Here.

As healthcare organizations seek stability after an unprecedented year, they must find a path forward to a financially sustainable future. The precise strategy and specific tactics each healthcare organization should take toward financial performance improvement should be tailored to their unique composition, community and organizational needs, and goals. One thing stands true for all: healthcare organizations cannot succeed by standing still.

Many healthcare organizations face similar problems and opportunities as they continue to address the monumental challenges of the last year. Executives can start to move forward on a stronger footing by taking a critical lens to their own operations and applying these learnings from leading healthcare organizations as they determine their financial performance improvement strategies and tactics.

**Upcoming pieces in this series will discuss next steps healthcare organizations should consider as they forge a path to financial sustainability.**

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The Chartis Group® (Chartis) provides comprehensive advisory services and analytics to the healthcare industry. It brings critical thinking and deep industry experience paired with cutting-edge data, analytics, and technology to deliver #NextIntelligence. With an unparalleled depth of expertise in strategic planning, performance excellence, health analytics, informatics and technology, digital and emerging technologies, clinical quality and operations, and strategic communications, Chartis helps leading academic medical centers, integrated delivery networks, children's hospitals and healthcare service organizations achieve transformative results and build a healthier world. Chartis has offices in Atlanta, Boston, Chicago, New York, Minneapolis, and San Francisco.

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