

COVID19 Pandemic- Financial Impact and Recuperation Strategies for Hospitals

Presenter

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Today's Goals

- Discuss the COVID19 Impact on Operations
- Understand what Relief Funding we received and what it is for
- Recovery Challenges for Operations and Budgets

What does the COVID19 Virus look like?

There are many levels of the Virus that affect us all

- › Mild Case- Many of those infected may show no symptoms and wouldn't know it unless they are tested or actually have mild symptoms of sore throat, some nasal congestion, a little cough, achy muscles, loss of smell or taste and maybe a low-grade fever.
- › Mild to Moderate Case- Patients with more respiratory problems, fever, significant cough, shortness of breath, chest pressure and feel extremely wiped out.
- › Moderate to Severe Case- The primary reason people will require hospitalization is due to more severe respiratory problems, namely low oxygen levels. Not all severe cases require a ventilator and not all cases end up in the ICU.

What the Media telling us is happening across the US

- › **“COVID19 Impact on Hospitals Worse Than Previously Estimated”** –Factors such as how many patients would need ICU treatment, average length of stay and fatality risk are straining hospital resources.
- › Early predictions underestimated how long patients with COVID19 would need to stay in hospitals and how many would need intensive care.
- › **“Hospitals Face Unprecedented Financial Pressures Due to COVID19”** – Hospitals face catastrophic financial challenges in light of the COVID19 pandemic.
- › The fight against this virus has created the greatest financial crisis in history for hospitals. Many hospitals are still on the brink of a financial breakdown.

What hospitals are telling us in Texas

- › **There seems to be some discrepancy between different geographical areas and different sized hospitals.**
- › South Texas, the Texas Panhandle, Houston and Dallas are hotspots with a higher concentration of Covid19 patients
- › Larger Hospital Systems tell us they have used the Relief Funds or will use it to offset the large amount of lost revenues but will survive as a result of the Grant Dollars and are recovering and volumes are returning
- › Smaller Rural Hospitals, while they incurred lost revenues, are concerned how they will be able to use all of the Relief Funds going forward

Partial Summary of Financial “Relief” for Healthcare Providers

Expansion of the Accelerated & Advanced Payments (AAP) Program administered by the Centers for Medicare & Medicaid Services (CMS)

Paycheck Protection Program loans administered through the U.S. Small Business Administration (SBA)

Public Health & Social Services Emergency Fund (PHSSEF) administered by the U.S. Department of Health and Human Services (HHS)

COVID-19 Telehealth Program administered by the Federal Communications Commission (FCC)

Public Assistance Program administered by the Federal Emergency Management Agency (FEMA)

Potential Business Interruption (BI) insurance coverage

Everyone needs a trusted advisor.
Who's yours?

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\$484 Billion Relief Package

**Paycheck Protection Program & Healthcare Enactment Act (PPPHEA): House passed
– April 23, 2020**

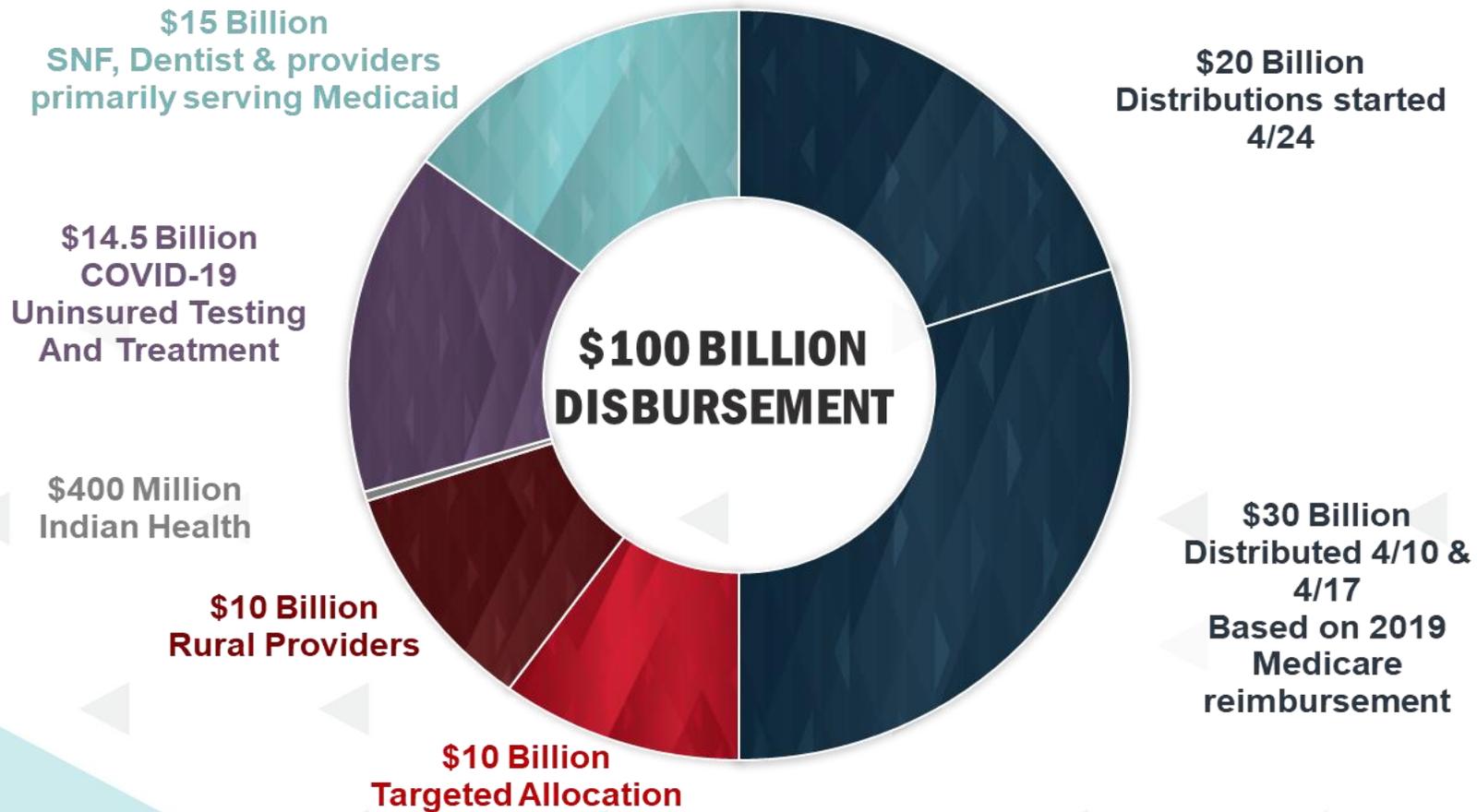
- \$310 Billion new funding for SBA PPP**
- \$60 Billions SBA EIDL Relief**
- \$75 Billion additional funding for the PHSSEF**
- \$25 Billion to expand COVID-19 testing**

This package was limited to expedite relief

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CARES ACT & COVID-19



HHS Stimulus Funds

- › **May only be used to prevent, prepare for & respond to coronavirus**
- › May be used for expenses incurred or revenues lost attributable to coronavirus
- › May not be used to reimburse expenses or losses that have been reimbursed from other sources
- › Reporting required
- › HHS reserves right to audit recipients

Why Relief Funds paid to hospitals?

- › Declining Revenues- to increase personal and public safety across the country while conserving PPE, hospitals moved to cancel non-emergency procedures
- › Increasing Costs- COVID 19 required additional drug and labor costs, additional medical supplies including PPE and additional equipment including ventilators and beds
- › Increased Uninsured Patients- millions of Americans became uninsured from given spike in unemployment. Many families lost healthcare coverage.

Medicare Part A & B Providers & Suppliers

- › Accelerated & advanced payments are intended as emergency funding to address cash flow issues for Medicare providers & suppliers, particularly during times of national emergencies or disasters
- › Temporarily lifts Medicare 2% sequester
- › Delay DSH reduction until December 1, 2020
- › Increases Medicare reimbursement on COVID-19 DRGs by 20%

Paycheck Protection Program

A small business concern that meets SBA's size standards (industry based or alternative size)

Any business, 501(c)(3) NFP, 501(c)(19) veterans organization, or tribal concern with the **GREATER** of

- 500 employees
- SBA industry size standard (per SBA website not in recent 4/6/2020 FAQ, CARES Act or regs)

Any business with a NAICS Code beginning with 72 having > 1 physical location & employs < 500 per location

- Accommodations (hotels)
- Food services

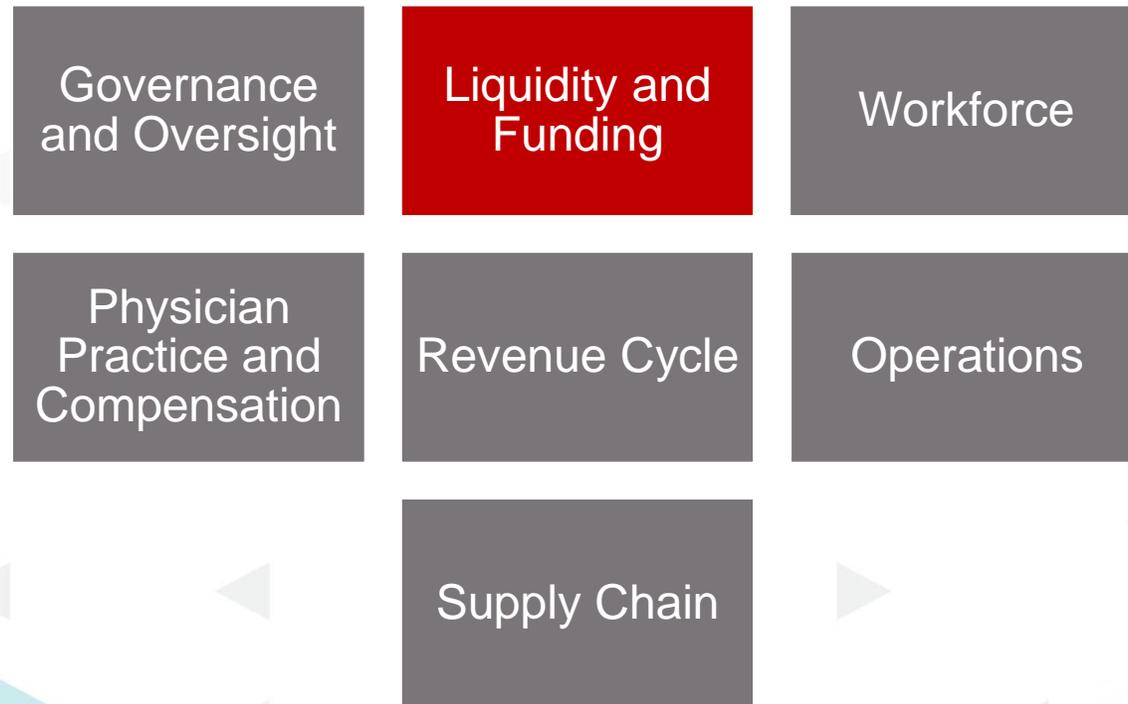
Sole proprietors, independent contractors & self-employed persons

What are problems we may see?

1. Will physicians see increases in patient complication rates as a result of postponing care- for patients delaying treatment for existing conditions and patients who put off seeking an initial diagnosis?
2. Because of the diversion of outpatient services away from hospitals during the COVID19 pandemic, will patients continue to seek outpatient care outside of the hospital setting and hurt the bottom lines of hospitals going forward?

Comprehensive COVID-19 Support Services

COVID-19 disruption placing extensive demands on hospital leaders to adjust business operations and stay informed of risks and opportunities



Operational Considerations

- › What is the best way to optimize the revenue cycle during this period of disruption?
 - Cash acceleration strategies
 - Payer updates
 - Tracking denials
 - Managing revenue cycle/business office staff productivity

Revenue Cycle

- Some organizations already reporting 30%-40% decrease in revenues
- Modeling lost revenue
- Mitigating cash flow crisis through strong business office processes:
 - Accelerated payment and recoupment reconciliation
 - Medicare MS DRG 20% increase COVID Cases
- Alternative Care Sites and 855 credentialing
- Telehealth and Virtual Health Services

Key considerations moving forward

Billing, Coding and Collections-

- › Make sure you know what is covered by health plans with rapid rule changes:
- › Remote Billing Work- Is it feasible to shift your billing office staff to remote status?
- › Changes to Medicare Regulations- Several Medicare changes were implemented
- › Co-Pays and Deductibles- Health plans are making changes to policies on patient out of pocket responsibilities.

Payer Updates

- Most commercial payers are issuing updates: UHC, BCBS, Aetna, Cigna, Humana
- Changes to authorizations
 - Post-acute care
 - Surgeries
 - Transfers
- Early prescription refills
- Telehealth
- Testing

Hospital Responses to COVID19

- › Worker Safety and Support
- › Patient Service Delivery
- › Data Streams for Situational Awareness
- › Facility Practices
- › Communications

What are the Recovery Concerns?

1. How long will it take a provider to recover losses from the cancellation of elective procedures?
2. When will “normal” return and what will it look like?
3. When will utilization get back to pre-COVID19 levels?

How will Hospitals Recover

- › Setting Targets
- › Focusing on Communication
- › Getting Buy-in from the Entire Organization
- › Board Oversight Responsibility and Strategy Matters

Implementing Recovery Steps

1. Establish Ownership
2. Setting the Target
3. Name the Recovery Program- Brand it
4. Establish Guiding Principles
5. Governance
6. Get a Handle on the Resources
7. Communicate, Communicate, Communicate

Summary

- We covered a lot of material
- Recovery will be defined differently to different organizations
- Recovery will be Financial or Operational
- Recovery will be at a different pace at different organizations
- It is hard to put a timeline on Recovery at this point

Questions and Answers

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