

A low-angle shot of a sailboat's mast and sails against a clear blue sky. The sails are white with some blue and red accents. The mast is dark and runs diagonally across the frame. The sails are billowing, suggesting a breeze. A red banner is overlaid on the left side of the image, containing the title text.

Healthcare's Framework for Building Resilience



The healthcare industry is constantly facing headwinds from every direction

Consumerization has changed patient expectations and eroded patient loyalty. Public health emergencies have created supply and talent shortages. Reductions in government funding and lower reimbursement rates have destabilized many organizations' financial foundations.

Faced with so many serious challenges, it's imperative for healthcare organizations to invest in resilience. Resilience is not only critical to navigating ever-changing business and regulatory landscapes; it's also essential to thriving in any environment, no matter how challenging. Healthcare organizations have an important mandate: to serve and protect their communities throughout their lifetimes. Their ability to fulfill this mission relies on their commitment to resilience.

Persevere

Stabilize the Business

THE SITUATION

Immediate action is required to ensure continuity of care, stabilize finances and mitigate clinical and organizational risk.

KEY STRATEGIC ACTIONS

Strategy & Business Model

- ▶ Assess revenue capture capabilities and design a revenue recovery plan
- ▶ Create a plan to consolidate or exit underperforming service lines
- ▶ Monitor changes to labor expenses and create a plan to stabilize them
- ▶ Perform supply chain and vendor assessments to determine what relationships need to change

Operations

- ▶ Evaluate staff retention and create a plan to improve retention rates
- ▶ Assess current digital and tech solutions and identify potential enhancements
- ▶ Evaluate inefficiencies in workflows and determine potential solutions
- ▶ Revisit staffing model and diagnose what changes need to be made both short- and long-term

Liquidity & Cash Flow

- ▶ Reevaluate lending arrangements and relationships, including covenants
- ▶ Assess capital investments to make sure they are deployed in the right place at the right time
- ▶ Consider liquidating or consolidating real estate where possible
- ▶ Evaluate underperforming assets

Risk Management

- ▶ Proactively address staffing and quality of care issues
- ▶ Conduct an enterprise business continuity assessment
- ▶ Pursue an IT review to assess risks related to ransomware, malware and HIPAA violations
- ▶ Conduct a post-implementation analysis to ensure there are no adverse effects as a result of recent business changes

Regulation, Legislation & Compliance

- ▶ Evaluate any new federal, state or local legislation to determine what actions must be taken immediately
- ▶ Determine whether any government programs are coming to an end soon that may impact the business (ex. The conclusion of a Public Health Emergency (PHE))
- ▶ Assess current contracts and arrangements to determine if they will be impacted by pending regulatory changes

RESILIENCE IN ACTION

Amid a public health crisis, a small independent hospital has difficulty continuing to provide care due to staffing gaps. In response, hospital leadership assesses where existing staff can be redeployed and what options are available to employ temporary staff to ensure continuity of critical care.

Maintain

Balance Risk and Innovation

THE SITUATION

Care continuity is stable and the organization is on solid financial footing. The focus is on putting the right people, processes and technology in place to set the organization up for long-term sustainable growth.



KEY STRATEGIC ACTIONS

Strategy & Business Model

- ▶ Evaluate key financial metrics to ensure optimal capital structure
- ▶ Create a governance/steering committee to manage strategy and develop policies and procedures as needed
- ▶ Evaluate potential partnerships with start-up health ventures to expand current capabilities
- ▶ Explore new service lines based on community needs, growth potential and current capital available for deployment

Operations

- ▶ Perform a critical evaluation of the leadership structure to determine if the right people are in the right roles
- ▶ Set up dashboard reporting to track actionable goals tied to KPIs
- ▶ Evaluate opportunities to increase patient access (ex. Expanding telehealth opportunities)

Liquidity & Cash Flow

- ▶ Continually measure and monitor liquidity and cash flow to avoid unpleasant financial surprises
- ▶ Negotiate cost-reduction opportunities with lenders
- ▶ Periodically evaluate capital framework to ensure flexibility to make strategic moves
- ▶ Implement zero-based budgeting across the enterprise
- ▶ Build up cash to ensure resources are available for future growth opportunities

Risk Management

- ▶ Conduct a root cause analysis (RCA) to determine the reason(s) for financial difficulties
- ▶ Create an approach to address future challenges based on learnings from the RCA
- ▶ Evaluate insurance program thresholds and exclusions and make shifts where necessary
- ▶ Continually evaluate available clinical and non-clinical talent pools

Regulation, Legislation & Compliance

- ▶ Assess current financial reporting processes and address gaps
- ▶ Audit the organization's compliance with billing and reimbursement regulations
- ▶ Evaluate impact of federal, state and local legislation on M&A
- ▶ Stay current and proactive during comment periods when the Centers for Medicare & Medicaid Services (CMS) releases its federal register draft



RESILIENCE IN ACTION

A physician's practice has stable financials, but growth has stagnated. Leadership identifies an opportunity to expand patient access by offering online self-scheduling and telehealth appointments. The practice creates a six-month plan to implement these capabilities.

Recover

Pivot to Growth and Seize Opportunity

THE SITUATION

The organization has a deep understanding of its growth potential and opportunities for innovation. Leadership focuses on creating plans to deploy capital to accelerate growth and cultivate an outstanding reputation for quality service in their community.

KEY STRATEGIC ACTIONS

Strategy & Business Model

- ▶ Perform a critical assessment of organizational structure to solidify its position to optimize growth opportunities
- ▶ Appraise prospective external partnerships and acquisition targets; prioritize those with high growth potential
- ▶ Evaluate historical performance and growth potential of service lines to determine whether to divest or reinvest
- ▶ Implement population health improvement programs to cultivate long-term lower costs of care

Operations

- ▶ Assess whether clinical staff are practicing at the top of their licenses
- ▶ Deploy nurse practitioners and physician assistants where appropriate to reduce burnout and increase patient access
- ▶ Optimize technology in day-to-day operations (ex. AI in patient evaluations, use of predictive staffing models)

Liquidity & Cash Flow

- ▶ Consider alternative funding sources to pursue innovative growth opportunities
- ▶ Grow referral base through affiliations with other providers and companies
- ▶ Establish greater rigor around the capital decision-making process for new and existing investments
- ▶ Evaluate build-versus-buy opportunities
- ▶ Implement revenue cycle optimizations and assess whether to invest in new revenue cycle technologies

Risk Management

- ▶ Appoint a person or firm, internal or external, to oversee the risk management process
- ▶ Conduct an enterprise risk assessment of all internal controls
- ▶ Update business continuity protocols and procedures based on data and findings from recent crises

Regulation, Legislation & Compliance

- ▶ Assess the organization's risk of fines and funding clawback from government programs
- ▶ Use electronic medical record systems (EMRs) to help keep track of compliance and regulation
- ▶ Evaluate legislative compliance of new ventures
- ▶ Understand existing and pending regulations that may impact new areas of business

RESILIENCE IN ACTION

A hospital creates a regulation and compliance roadmap, which charts out existing and proposed legislation and identifies what business activities could be impacted by each legislative measure. The hospital regularly updates and consults this roadmap before making a major business decision.

Thrive

Business Fundamentals and Growth are Strong

THE SITUATION

The organization is outperforming competitors in its community. Growth is both strong and sustainable and capital is abundant. The organization now has the opportunity to invest in long-term innovative solutions and strategies that require greater agility, maturity and resources to yield results.



KEY STRATEGIC ACTIONS

Strategy & Business Model

- ▶ Execute on external partnerships that will accelerate growth
- ▶ Close on priority acquisition targets and set up a robust post-acquisition integration plan
- ▶ Focus on high-value service lines and outsource low-value service lines
- ▶ Evaluate and address underperforming service lines and assets

Operations

- ▶ Implement improvements to patient access and throughput models to support growth
- ▶ Consider pursuing strategic partnerships with other service providers
- ▶ Create an enterprise-wide digital roadmap to implement solutions that address current pain points (ex. High labor costs)
- ▶ Implement upskilling and reskilling programs for staff; focus on upskilling staff whose job duties are impacted by technology
- ▶ Create a remote workforce model to improve staff retention

Liquidity & Cash Flow

- ▶ Create a strategy to deploy excess liquidity
- ▶ Assess your reserve strategy; identify changes necessary to align cash reserves with business priorities
- ▶ Carefully track cash surpluses; create and implement a rigorous process for tapping into funds to mitigate wasteful spending
- ▶ Employ stringent ROI evaluations for new proposed ventures; make adjustments as needed

Risk Management

- ▶ Reassess risk compliance to ensure the organization has not opened itself up to unnecessary risk during high-growth periods
- ▶ Assess financial risk of increased outsourcing of some procedures to lower-cost sites of care
- ▶ Adopt more strict regulatory standards beyond the limits of current compliance requirements
- ▶ Surface patterns, trends and anomalies for a more comprehensive risk assessment through advanced data analytics

Regulation, Legislation & Compliance

- ▶ Continuously evaluate proposed regulations and assess their potential impact on your operations, including new ventures
- ▶ Conduct internal surveys (ex. Clinical quality surveys) to identify and address issues before external surveyors make assessments
- ▶ Prioritize improving clinical quality and obtaining certifications that differentiate your organization from its competitors

RESILIENCE IN ACTION

An academic medical center implements a robust career development program for all staff, allowing both clinical and non-clinical employees to return to school, obtain new certifications and boost their career potential. They advertise this program and highlight its successes to improve talent attraction and retention.



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