

6 Ways to Combat Distress in Healthcare



How the industry can relieve its financial strains, based on insights from 100 healthcare CFOs

According to the *2022 BDO Healthcare CFO Outlook Survey*, 63% of healthcare organizations are thriving, but 34% are just surviving. And while healthcare CFOs have an optimistic outlook—82% expect to be thriving in one year—they'll need to make changes this year if they're going to reach their revenue goals. To prevent and solve for financial distress, CFOs need to review and address the underlying causes. Otherwise, they might find themselves falling short of expectations in the year ahead.

STAFFING SHORTAGES



40% of healthcare CFOs say **retaining key talent** is a top workforce challenge in 2022.

How can you avoid a labor shortage?

Think about increasing wages for your frontline staff, especially your nurses. You could also reconsider the benefits you're offering and ask yourself what offerings would be attractive for your frontline staff. For example, whether you offer free childcare could mean the difference between your staff staying and walking out for another employment opportunity.

BUDGET FORECASTING



45% of healthcare organizations will undergo a **strategic cost reduction** exercise in 2022 to meet their profitability goals.

How else can you cut costs?

One option is to adopt a zero-based approach to budgeting this year. This allows you to build your budget from the ground up and find new areas to adjust costs to free up resources.

BOND COVENANT VIOLATIONS

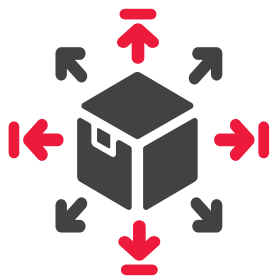


42% of healthcare CFOs have **defaulted on their bond or loan covenants** in the past 12 months. Interestingly, 25% say they have not defaulted but are concerned they will default in the next year.

How can you avoid violations?

The first step to take is to meet with your financial advisors, especially if you are worried you're going to default on your bond or loan covenants. You want to get their counsel before you default so you can prepare your organization and mitigate the damage. Ideally, they can help you avoid a default altogether.

SUPPLY CHAIN STRAINS

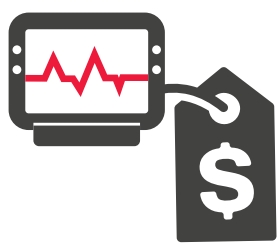


84% of healthcare CFOs say **supply chain disruption** is a risk in 2022.

How can you mitigate these risks?

Supply chain shortages are a ubiquitous problem across industries right now, but not all of the issues are within your control. Focus on what is, including assessing your supply chain costs and seeing where you can find the same or similar products for lower prices. Identifying alternative suppliers may end up saving you a lot of frustration, especially if your regular suppliers run into disruptions.

INCREASED COST OF RESOURCES



39% of healthcare CFOs are concerned about **rising material costs** and expect it will pose a significant threat to their supply chain.

How can you alleviate these concerns?

Price increases for the resources you purchase — including medical supplies, drugs, technology and more — could deplete your financial reserves and strain your liquidity, exacerbating your financial difficulties. You may be able to switch from physician-preferred products to other, most cost-effective products for the time being. Switching medical suppliers may even save you money in the long run.

PATIENT VOLUME



39% of healthcare CFOs are making investments to improve the **patient experience**.

How can you satisfy your patient stakeholders?

As hospitals and physician practices get closer to the new normal of care, patients are returning to procedures and check-ins they put off at the height of the pandemic. Patients want a comfortable experience that will keep them coming back, including a safe and clean atmosphere inside offices. They also want access to frictionless telehealth and patient portals for those who don't want to or can't travel to receive care. Make sure your organization meets these requirements. Investments can also go toward improving health equity strategies to ensure everyone across communities is receiving the same level of care.