

Strategic Outlook for Hospitals Post-COVID

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Strategic planning for healthcare operations after COVID requires a couple of key components: 1) understanding the constants; and 2) adapting to the changes. The challenge is identifying what falls into each category. As you consider your hospital's plans for a post-COVID world, think about the following questions:

1. Are there opportunistic new collaborations or alliances that have resulted from changing market dynamics during the pandemic?
2. How have your service volumes been impacted, and do you expect them to rebound (by site and service line)?
3. How can you optimize your revenues in light of continuing site of service shifts?
4. How might your real estate needs change as a result of a dispersed, partially remote workforce?

We explore some of these high-level considerations below.

Understanding the Constants in Healthcare

Volume-based care is still a significant part of the mix. High-quality fee-for-service clinical activities will continue to grow along with our population. Most health systems across the country saw sharp declines in hospital, ambulatory, and ancillary care during the height of the COVID-19 crisis. Much of that volume has rebounded and is now growing. We continue to base much of our forward planning for our hospital clients on the historical 2019 numbers

instead of the suppressed 2020 numbers to estimate future utilization. However, it is important to review 2020 and early 2021 volumes as you develop projections in order to recognize the irregularities caused by the pandemic.

Market share gains and losses among providers will continue as hospitals jockey for increased patient and provider loyalty through new programs, access points, and strategic relationships. If a hospital was well-performing throughout 2019 leading into COVID, that hospital has likely seen volumes rebound across the care continuum. However, if a hospital experienced poor volumes, poor quality, and/or



poor expense management before COVID, those problems were amplified by the pandemic. It is critical for such hospitals to make corrections quickly in those areas to shore up weaknesses and be a viable contender in the marketplace.

The tension between payer and provider is and will remain a constant. Hospitals should continually work to optimize managed care contracts and performance against those contracts as volumes shift from inpatient to outpatient and as an increasing number of procedures are reimbursed on an outpatient basis. Medicare payment decreases across many specialties at the start of 2021 have caused even more pressure on physicians to keep their revenues up. Further, new pricing transparency laws effectuated at the beginning of 2021 have added pressure to hospitals with additional reporting requirements and potential for public scrutiny.

M&A activity, private equity rollups, insurance company acquisitions, and other consolidation activities in healthcare are also a constant. The pandemic slowed M&A activity for about half of 2020 but started to rebound late in the year as market players sought out opportunistic and strategic deals, in some cases looking for targets that might be in a weakened financial position as a result of the pandemic.

Data is another constant. The use of healthcare analytics is more important now than ever in order to monitor performance and predict future healthcare utilization and operations. We have access to a plethora of data in healthcare but rarely use it to its full potential to support our objectives. We have recently been working with our clients to marry the two – identify clear objectives and utilize the available data to improve and predict healthcare operations.

Adapting to Lasting Changes in Healthcare

The coronavirus pandemic has caused changes which are likely here to stay. Added **personal safety precautions** such as touchless entrance and payment, telehealth, and remote work will remain for at least the foreseeable future. Most

predict mask-wearing will not be a permanent fixture; however, many of the personal protection enhancements in healthcare will remain and should therefore be a consideration in any future building planning efforts.

Telehealth visits benefit patients by providing convenient access to providers and can make providers more efficient when utilized effectively. Legislation has been introduced to expand access to telehealth services covered by Medicare beyond the public health emergency. Given how quickly the general public has adapted to the use of telehealth services, there will likely be a push to adopt these services on a more permanent basis. Predicting telehealth volumes and revising operations to optimize the use of telehealth will be necessary.

Remote work has proven to be highly effective and personally satisfying to many non-bedside healthcare workers. The question that remains is how this will impact future real estate usage by healthcare systems owning or leasing space. A recent Wall Street Journal article noted the number of individuals opting for “hybrid” work in which solo focused work is performed remotely while team meetings, brainstorming sessions, and other group-based activities are performed in person.ⁱ This can be an opportunity for hospitals to either repurpose administrative space towards revenue-generating clinical space or dispose of unneeded space as a cost-saving measure.

Shifts to ambulatory care settings from inpatient care have only escalated due to the pandemic for patient convenience. Many projects that half of the total joint replacements will be completed in ambulatory surgery centers soon²ⁱⁱ. This shift alone will have a lasting financial impact on inpatient operations.

The **digital transformation** of our society is another lasting change. The pandemic caused us to escalate towards digital platforms across the spectrum for video conferencing, appointment scheduling, and reporting of results. The digital interface between providers and patients has rapidly escalated due to the pandemic. Patients will expect these conveniences going forward, so providers need to take this into consideration as they plan for future technology needs.



Conclusion

Strategic planning has become even more complex due to both the constants and the changes in the healthcare arena as a result of the pandemic. As you plan to operate in a post-COVID healthcare environment, we suggest developing forecasts using 2019 as a foundation year while considering the unique changes that have occurred in your market, such as shifts in certain services to telehealth visits rather than face-to-face. You will also need to incorporate how specific restrictions within your state might continue to restrict access to care, and when each state will allow patients full access to your services. Capital planning decisions need to account for expected real estate shifts due to remote work or the need for more ambulatory and clinic space closer to where patients reside, as well as technology considerations. Convenience and close proximity to care have become more important for lower acuity, ambulatory, and ancillary services.

While there are significant changes occurring in the industry, one constant is that there will always be a need for healthcare services. With diligent planning and a keen eye on performance metrics using a solid foundation of data analytics as you move through the next few months, you can ensure that your hospital adapts to the new healthcare environment and makes prudent financial decisions.

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www.beckershospitalreview.com/strategy/strategic-outlook-for-hospitals-post-covid.html.

ⁱ Samuel, Alexandra. *How to Manage the New Hybrid Workplace*. Wall Street Journal, March 21, 2021.

ⁱⁱ DeCook Charles. *Outpatient Joint Arthroplasty: Transitioning to the Ambulatory Surgery Center*. National Library of Medicine, July 2019.