

Navigating the unimaginable: A COVID-19 panel discussion with senior financial executives

Hospitals and health systems have seen transformative change since the start of the COVID-19 public health crisis.

The pandemic's impact on operational priorities and strategic directions for three health systems was talked about by their respective CFOs during a panel discussion moderated by **Stephen Thome, principal, Grant Thornton**. The following is an excerpt.

Thome: From a leadership perspective, what were the biggest challenges you faced in responding to COVID-19 initially?

Fred Hargett: As a member of our health system's senior leadership team, it was important to project optimism in the face of the tremendous uncertainty and unknowns. Early on, we made a conscious effort to provide hope and inspiration to our team members, recognizing that they had to come to work and feel supported and cared for, despite all that was going on. We have continued to focus on the positive and strive to maintain balance, which involves taking a long-term perspective and avoiding knee-jerk reactions.

Matt Cox: A crisis of this scope and scale is something that none of us have gone through before. Although we could draw from previous experiences, we have had to make unique decisions. And some of those included spending large amounts of money on things like ventilators and personal protective equipment (PPE). Personally, I had to be generous about opening up operating

and capital budgets — probably more than I would be comfortable doing in normal circumstances. I had to trust my colleagues and believe that we were doing the right thing, even though the right thing would ultimately end up putting us in a loss position. I also had to find ways to collaborate with, support, educate and influence other leadership team members remotely. I couldn't just stop by someone's office and have a conversation. I had to be able to communicate over virtual platforms and meaningfully connect through a computer screen.

Keith Kasper: In this type of situation, people are watching you as a senior leader. If you appear agitated, it affects everyone in the organization. Projecting a level of confidence is essential but hard. Being honest and over-communicating across the enterprise has been critical. It takes guts to go on a Zoom call with 700 to 1,000 employees and answer questions, but you have to do it. It gives people a sense of comfort that we might not have all the answers, but we're doing our best, and we will get through whatever is going to come.

Thome: Are there changes your organizations have made that will continue? Going forward, how do you see your organization being different competitively and operationally?

Kasper: We've accelerated our technology adoption by about five to seven years. Although we had elements in place before

the start of the pandemic in terms of new electronic health record (EHR) functionalities and telemedicine, we saw limited patient and provider uptake. That all changed in March. For example, we went from 1,000 virtual visits a week to 35,000, and we've settled in at about 30% of the latter number, which I think we'll continue.

Cox: We have seen benefits in having a little more than 50% of our revenue come through our internal health plan. Our organization is probably unusual in that we are on track to beat our operating margin targets for the year, where most integrated delivery systems probably aren't going to do that. As we've seen the value in having our own plan and continue to refine our ability to manage patient populations, I think we are accelerating our movement along the risk continuum.

Thome: Are there specific strategic initiatives that you can focus on now while still in the COVID-19 environment?

Cox: About a year ago, we rolled out robots in our largest facilities to help move supplies, meal trays and the like. And we have benefited from having these during the pandemic as we dealt with labor shortages. As a result, we have been working from a strategic standpoint to ramp up automation and process improvements that will help us ultimately lower costs and reduce our reliance on labor. We've also continued our work around transparency and meeting the pending January 1 deadlines related to

transparency, personalization and digitization. We did consolidate some of our other strategic priorities. Before COVID, we were tracking 25 initiatives, and we narrowed that list down to six, increasing our focus on those critical areas for six months. And we met our goals. Two days ago, we had a virtual planning retreat and picked new initiatives for the next six months.

Hargett: We did something similar, concentrating on four initiatives. Revisiting our capital plan was necessary to realign priorities. For example, before COVID, we were focused on building brick-and-mortar hospitals and bed towers because people were moving to our communities and suburbs, and we needed to remain competitive. But we paused a lot of that building and redirected spending to digital consumer engagement and activation strategies to make sure our communities knew we were open and safe and how to access care. We're now spending capital on expanding telehealth, patient activation and consumer engagement capabilities. Although we're starting to revisit some of the brick-and-mortar spending, we're rethinking the size of facilities, the footprint, the location and what we will actually need.

Kasper: The gap between struggling providers and those that are doing better continues to widen, and the public health crisis has only made that gap larger. While I don't know if we'll see more mergers and acquisitions over the long term, the pandemic is definitely increasing the pressure on struggling providers to divest some of their service offerings.

For us, this creates an opportunity. We have a lot of fiercely independent hospitals around here, and they're not as fiercely independent today as they were a year ago. We've taken the opportunity to help them, such as by offering PPE and other administrative or programmatic assistance, because we think those efforts will pay dividends in the future.

Thome: Where do you think the industry's workforce strategies are headed over the next five years?

Hargett: In March, we sent 7,000 back-office employees home to work with laptops in about two weeks. And we're still remote to this day. We've announced corporately that team members who can work from home should continue doing so through June 2021. At the same time, we are implementing a plan to reduce our back-office facility space by 35% to 40% over a three-year period.

When we first went remote, I worried about data security and privacy, as well as staff productivity off-site. But, so far, our metrics indicate that team productivity and engagement is higher than it was pre-pandemic. This crisis has fundamentally changed U.S. business culture, forcing us to realize that we all don't have to go into the office to get things done. Especially for younger professionals who don't seem to care as much about those traditional ways of doing business, the remote work trend is here to stay.

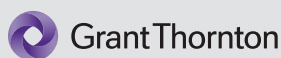
Kasper: We are also much more successful at remote work than we imagined we would

be. I don't expect we will ever return to where we were, and we need to make sure this new model is sustainable. At the same time, we have to have enough latitude to accommodate those who do want to work in an office because people's home situations are different. The fact that we're pushing things out to next summer gives us the time to understand the dynamics better and ensure employees have what they need to be effective, regardless of their work location.

Cox: One thing we're starting to work through is how we maintain our culture with people working from home. I've told my staff to intentionally touch base with people, and I'm doing this myself, with prescheduled meetings to check in and maintain relationships. I've also encouraged my staff to take a few minutes before the start of team meetings to talk to people about non-work things to recreate the time around the water cooler. This focus on collaboration and relationship-building is crucial because the biggest risk we have around the work-from-home shift is whether we can maintain our compassionate, productive culture. ■

Matt Cox is CFO for Spectrum Health System in Grand Rapids, Michigan; **Fred Hargett** is executive vice-president of Novant Health in Charlotte, North Carolina; and **Keith Kasper** is CFO of PennMedicine in Philadelphia.

This article captures a portion of the CFO panel at the Large Systems Controller Council Virtual Fall Meeting, of which Grant Thornton is a sponsor.



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