Healthcare Systems & Services Practice

From “wartime” to “peacetime”: Five stages for healthcare institutions in the battle against COVID-19

Healthcare has found itself tested by the pandemic. The frontlines are delivering heroically, but the next normal for healthcare will look nothing like the normal we leave behind.

by Shubham Singhal; Prashanth Reddy; Penelope Dash, MD; and Kyle Weber
Many leaders now are beginning to recognize the importance of planning for the complicated return stage. Return from the lockdowns will not be easy—particularly as we remain vigilant against virus resurgence in the absence of a vaccine or treatment.

For some leaders, it has been difficult to dedicate much time to reimagination and reform. The pandemic is likely to result in a series of discontinuous changes that will fundamentally reshape healthcare. These changes include:

— The expectations and needs of individuals as citizens, consumers, patients, and employees

In “Beyond Coronavirus: The Path to the Next Normal,”¹ we outlined five stages that leaders must plan for: Resolve, Resilience, Return, Reimagination, and Reform. Healthcare leaders face a multifaceted challenge: combating the healthcare crisis on the frontlines while also tackling similar issues as other industries, such as employee safety and economic challenges.

Most healthcare leaders have already assembled high-functioning teams to respond to the immediate crisis resolving to manage the immediate need to care for the surge of COVID-19 patients. They also have demonstrated the resilience required to deal with fast-moving liquidity, solvency, and economic sustainability challenges.

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Moreover, healthcare reform often has followed major economic shocks. While there are an extensive set of issues for healthcare leaders to consider across each stage, below are some critical items to consider.

- The combination of resilience and productivity demanded by the funders of healthcare expenditure
- The need to be able to flex up and down care capacity and shift care across modalities, including virtual health platforms
- An opportunity to unlock the promise of exponential improvements through technology and medical science

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PHASE 1: RESOLVE

Overview of responsibilities for the minimum viable nerve center.

Based on discussions with health and risk professionals
PHASE 1: RESOLVE cont.

A. Integrated operations

<table>
<thead>
<tr>
<th>Issue map &amp; management</th>
<th>Single source of truth for issue resolution and tapping surge resources where needed</th>
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<tr>
<td>Portfolio of actions</td>
<td>Trigger-based portfolio of actions</td>
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<td>Leadership alignment</td>
<td>Align leaders on scenarios</td>
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B. Workforce protection and productivity

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<th>Policy &amp; management</th>
<th>Policies</th>
<th>Portfolio of actions including prevention</th>
<th>Escalation criteria and process</th>
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<td>Two-way communication</td>
<td>Multichannel communications</td>
<td>Confidential reporting mechanisms</td>
<td>Source of truth</td>
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<td>Personnel &amp; contractors</td>
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<td>Facility &amp; onsite norms</td>
<td>Staggering work shifts/times</td>
<td>Prevention (eg, physical distancing)</td>
<td>Closures</td>
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<td>Health &amp; govt engagement</td>
<td>Local and federal regulators and public health officials</td>
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C. Supply chain stabilization

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<th>Cross-tier risk transparency</th>
<th>Supplier restart</th>
<th>Order management</th>
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<td>Inventory management</td>
<td>Critical part identification</td>
<td>Parts rationing</td>
<td>Location optimization</td>
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<td>Production &amp; operations</td>
<td>Operational impact assessment</td>
<td>Production capacity optimization</td>
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<td>Demand management</td>
<td>S&amp;OP SKU-level demand signal estimates by macro scenario</td>
<td>Production and sourcing plans</td>
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<td>Logistics</td>
<td>Ports</td>
<td>Logistics capacity pre-booking</td>
<td>Route optimization</td>
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D. Customer transparency and support

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<thead>
<tr>
<th>B2B transparency</th>
<th>Comms to B2B customers (eg, microsite)</th>
<th>Scenario-based risk comms</th>
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<tr>
<td>Customer protection</td>
<td>Prevention interventions across customer journey</td>
<td>Customer team training</td>
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<tr>
<td>Customer outreach</td>
<td>Customer comms re: COVID-practices</td>
<td>Fact-based reports on issues</td>
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E. Cash & financial stabilization

<table>
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<th>Scenario definition</th>
<th>Relevant scenarios based on latest epidemiological and economic outlooks</th>
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<tr>
<td>Financial stress tests</td>
<td>Financials in different scenarios, especially working capital requirements</td>
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F. Stakeholder strategy and engagement

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<thead>
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<th>Member protection</th>
<th>Protective interventions across member journey</th>
<th>Execution monitoring</th>
<th>Access to care/testing</th>
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<td>Demand responsiveness</td>
<td>Reaction to member’s demand signals</td>
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<td>Comms re: COVID-practices</td>
<td>Fact-based reports on issues</td>
<td>Situation comms</td>
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PHASE 2: RESILIENCE

Long-term impact of COVID on a typical health system's operating margin.

Financial performance over time (provider example)

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<th></th>
<th>Higher</th>
<th>Financial performance</th>
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Length of time

**Keys to resilience**

**Maintain liquidity**

- Providers face immediate threats to their cash position, being harmed from multiple, compounding angles
- Payers face a distinct but similarly challenging position to their liquidity
- Services firms will face a variety of competing forces that impact cash position

**Address solvency**

- Businesses will need to take aggressive action to remain solvent—must be careful not to over-index on debt covenants tied to liquidity, missing those tied to solvency
- For payers it is not difficult to imagine a sequence of events leading to insolvency
- Other types of healthcare organizations may face a similar set of solvency issues that result from a combination of declining asset values and increasing expenses and liabilities

**Grow for sustainability**

Organizations that survive the liquidity and solvency issues will have an opportunity to reshape the healthcare system. While strategies vary, themes emerge:

- Acquiring strategic assets, partnering to create/fortify ecosystem, responding to coverage shifts, capitalizing on moves toward digital therapies and care delivery, tightening relationships with public-sector agencies, embedding advanced analytics in operations (In the United States, government assistance has focused on boosting providers' resiliency)
PHASE 3: RETURN
Providers and payers can take steps across their organization to reactivate non-COVID capacity.

<table>
<thead>
<tr>
<th>Provider</th>
<th>Payer</th>
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| **Talent** | • Establish proactive program for caregiver healing  
| | • Understand gaps in readiness to scale non-COVID capacity  
| | • Reestablish the health system as a safe place for patients  
| | • Learn patients’ preferences on new forms of healthcare  
| | • Design operations to allow for flexible transition from/to COVID operations  
| | • Sequence return of non-COVID clinical volume  
| | • Engage in broad workforce renewal  
| | • Supplement talent in areas of emerging importance to next normal  
| | • Engage at-risk members  
| | • Promote a differentiated telehealth program  
| **Customers** | • Ensure appropriate payment for services offered during crisis  
| | • Double down on member communications, care/utilization management, and care navigation  
| **Operations** | • Engage regulators to maintain crisis-driven changes in rules where patient care was improved  
| | • Coordinate on widespread testing and tracking initiatives  
| | • Engage regulators to clarify and/or codify rules established in crisis  
| | • Shape the narrative on how next normal may be regulated  
| **Regulations** | • Begin proactively utilizing new capabilities  
| | • Appropriately generate reserves  
| **Finance** | • Allocate capital to developing new capabilities  
| | • Ensure appropriate reserves  

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PHASE 4: REIMAGINE

How can we fundamentally reinvent health services in a different way?

- Distilling and securing the beneficial behaviors practiced
  - Challenging traditional role definitions
  - Shift to remote and at-home care delivery

- Extending learned themes into reimagination at a grand scale
  - Community/patient-centered model of healthcare
  - Flexible walls
  - Digitally integrated patient journeys

- Address core issues unearthed, within healthcare and societally
  - Radically more effective supply chain
  - Focus on social and behavioral drivers of health
PHASE 5: REFORM

How will the relationship between government, businesses, and individuals change?

There are several actions many governments may pursue to be prepared for a future crisis:

- Acceptance of new monitoring techniques
- Data interoperability as a renewed priority
- Strategic reserve of supplies and agile manufacturing
- Emergency medical force
- Multilayer coordination in response efforts
- Standardization of currently fragmented medical systems
- Heightened expectations of financial protection

A handful of reforms have already been enacted that may result in longer-term structural changes to the industry:

- Allowing the permanent, direct hire of National Disaster Medical System healthcare
- Limiting out-of-pocket cost-sharing for COVID testing
- Adjusting CMS regulations to permit use of telehealth
Actions now
This is the time when boards and CEOs will likely have the greatest opportunity in their careers to positively impact their organizations and the communities they serve. This opportunity should not be squandered. Boards and CEOs should prioritize creating an environment where decisions are made calmly and based on facts. Second, given the high degree of continuing uncertainty, leaders should ensure they are actively tuned into the real-time information from all levels in their organization, plus outside forces, to inform decisions. Finally, the ability to act, innovate, and execute at scale at previously unheard-of speeds likely will be critical. We have observed many examples of organizations that have accelerated projects scheduled to take months and years to a timeline of a few days and weeks.

An important aspect will be for CEOs to organize their management team to act against each of the five stages. Each organization will need to make this decision individually, but we see three guidelines for selecting accountable leaders. First, CEOs must be able to trust the accountable leader’s judgment within the role’s decision-making context, particularly in this speedy and uncertain climate. Second, the accountable leader should directly report to the CEO. This reporting relationship does not need to have been a preestablished one and can be created ad hoc during this crisis. Third, CEOs must ensure that accountable leaders are motivated by a deeper resolve, whether it be to address the humanitarian crisis, or to protect the team and workers within the organization.

As we consider the scale of change that the coronavirus has engendered—and will continue to create in the weeks and months ahead—we feel compelled to reflect not just on a health crisis of immense proportion but also on an imminent restructuring of the healthcare industry in the future. The five stages described here offer healthcare leaders a path to begin navigating to the next normal—a normal that looks unlike any in the years preceding COVID-19, the pandemic that changed everything.