



**WHITE PAPER**

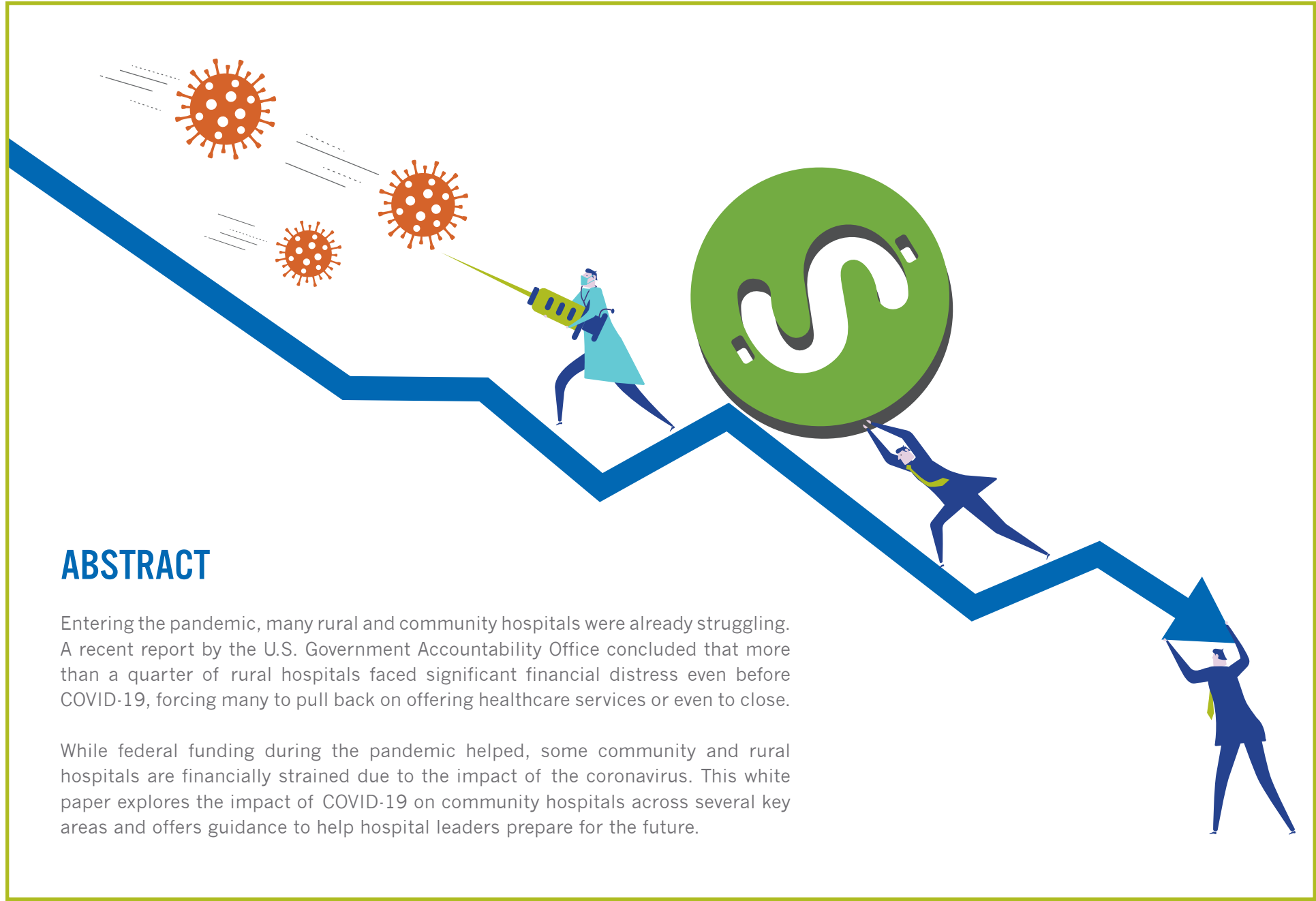
## **Community Hospitals Meet Challenges, Leverage Innovations**

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**Best practices for community  
hospitals at this stage of  
the pandemic**

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**Critical considerations  
for the road ahead**



### ABSTRACT

Entering the pandemic, many rural and community hospitals were already struggling. A recent report by the U.S. Government Accountability Office concluded that more than a quarter of rural hospitals faced significant financial distress even before COVID-19, forcing many to pull back on offering healthcare services or even to close.

While federal funding during the pandemic helped, some community and rural hospitals are financially strained due to the impact of the coronavirus. This white paper explores the impact of COVID-19 on community hospitals across several key areas and offers guidance to help hospital leaders prepare for the future.

### INTRODUCTION

A stark contrast has emerged for rural and community hospitals: the pandemic has caused disruption, while it also underscored just how important access to quality medical care truly is.

As the impact of the pandemic took its toll, federal funding and other pandemic financial aid provided lifelines, but often they weren't enough to stem both financial difficulties and other issues including healthcare staffing and recruitment. Some community and rural hospitals are now in serious financial trouble.

At the same time, many community hospitals provided exceptional patient care during the pandemic. As the virus overwhelmed some large, urban medical centers, community hospitals were literally a lifesaver for many COVID-19 patients.

In addition, expanded and better-reimbursed telehealth offerings meant better access to medical care for many patients served by community hospitals.

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## WHAT CAUSED THE STRAIN?

**The enduring challenges that rural hospitals face have been amplified by the COVID-19 pandemic.**

Hospitals and healthcare systems nationwide were expected to incur losses of at least \$323.1 billion through the end of 2020 due to the pandemic, according to the American Hospital Association. These dramatic losses reflect the astronomical costs of preparing for and treating a surge of COVID-19 patients, losing months of essential hospital revenue due to the combination of a forced shutdown and slowdown of regular operations for non-emergent care, and treating a growing number of uninsured patients.

### Rural hospitals face unique circumstances during normal times:

- Low patient volume
- Challenging payer mix
- Geographic isolation
- Limited access to essential health services
- Aging infrastructure and access to capital
- Healthcare coverage inadequacies
- A challenging patient mix

### Adding to these issues were pandemic-created problems including:

- Suspension of elective surgery and non-urgent care
- Self-imposed delays in patients seeking treatment
- PPE shortages and increased supply costs
- Staffing retention and recruitment, with shortages and increased labor costs

In addition, federal, state and local government organizations have placed more demand on hospitals to provide data presented via electronic health records (EHR), a data utilization requirement that's another source of financial stress for community hospitals.

## REVENUE REDUCTION REALITY

Although there were many innovative bright spots, community hospital leaders faced the reality of reduced revenue throughout the pandemic for several reasons.

### ELECTIVE ERASURE

Suspension of elective surgery and non-urgent care led to an abrupt drop in patient volumes and hospital revenue. That loss, combined with the cost of preparing for COVID-19 protections for patients and employees, forced rural hospitals into deeper distress.

### SUPPLY ISSUES

Hospitals faced dramatically increased supply costs, a trend forecast to continue. Prices in some PPE categories are rising 5 to 10 percent into the foreseeable future; some limited-availability products are seeing increases compared to pre-pandemic pricing as much as 50 percent more.

### STAFFING CHALLENGES

Labor costs and shortages, already an issue for community hospitals, were exacerbated by the pandemic. Higher-than-usual turnover rates due to burnout or staff seeking financial incentives has been evident.

Although government assistance filled some of these losses, hospitals face a situation of uncertainty and unpredictability about reporting and repayment of these funds along with an obscured view of their facility's financial health forward.

## ENERGIZING INNOVATIONS AND CONTINUING STRENGTHS

While community hospitals faced significant challenges, there were several success stories of innovation that emerged during the pandemic:

- **Telehealth and remote patient monitoring** helped community hospitals bring healthcare to their geographically dispersed service areas. Hospitals and physicians responded quickly to implement and expand these services when the government and health insurance plans reduced regulations, increased reimbursement and expanded coverage for services delivered via telemedicine.
- **Temporary drive-through and outdoor clinics** speeded immunizations and provided safe venues for doctor appointments.
- **Hospitals transformed their facilities** to accommodate highly-contagious COVID-19 patients while keeping other patients safe. One example was the transformation of some Long Term Acute Care Hospital (LTACH) patient areas to COVID wards. Because these facilities are already designed to treat critically ill patients who require ventilator support and lengthy hospitalizations, staff were already trained and equipped for the needs of these patients.
- **Group Purchasing Organizations (GPO) worked together with non-medical domestic manufacturers** to bring PPE to community hospitals that were especially short on these critical supplies. Material management professionals quickly learned the true value of their GPO as some organizations directed supplies to larger medical centers while others worked tirelessly with community hospitals to fulfill their local needs. One innovative example in Texas was gourmet chocolatier Sweet Shop USA Chocolate in Mount Pleasant, Texas, that manufactured hospital grade face shields from the clear acetate typically used for packaging chocolates.
- **Nurse shortages** are an ongoing reality for hospitals across the country. Community hospital leaders responded to critical staffing challenges by recruiting recently graduated nurses and fast-tracking on-the-job mentorship programs to bring them up to speed and transition them to patient care roles.
- **New technology provided touch-free services.** Examples of innovative technology abounded during the pandemic. Just a few examples included drone delivery of medical supplies, cloud-based remote CPAP monitoring, virtual reality training programs, and special stethoscopes that use artificial intelligence to detect abnormalities in patients' hearts and lungs.





## WHAT CAN COMMUNITY HOSPITAL LEADERS DO:

Even with an ambiguous future, community and rural hospital executives must take steps to help sustain their future. Gathering and analyzing information that is available and then taking action based on that analysis is the best path to a more secure future.

### 1. Understand Where Your Hospital Stands

Every hospital is emerging from this crisis in a slightly different position, so it's especially important to keep a close eye on key metrics that gauge a hospital's financial health. Collecting and analyzing the following information can help establish a clearer understanding of a hospital's financial position.

**Service area and market trends.** Insights gained through a market assessment help hospital leadership see where the hospital stands and strategies needed to keep pace with market demands. A market assessment includes analysis of:


- Service area demographics
- Patient origin
- Market volume and position, as well as projections

This analysis helps to identify trends and analyze current market position, as well as plan for potential future growth. Evaluating the community's perception of the hospital and its services is also an important part of the process.

**Financial indicators.** Paying attention to the warning signals of financial and operational distress is an important step in recognizing challenges that need to be addressed. These include:

- A bond covenant violation
- Loss of a key executive
- Declining revenue
- Low day's cash on hand
- Loss of market share
- Dip in patient volume
- Severe medical staff dissatisfaction or defection

**Track government funding.** The Coronavirus Aid, Relief and Economic Security Act (CARES Act), signed into law on March 27, 2020, allocated Provider Relief Fund (PRF) money to rural healthcare providers suffering from lost revenue and healthcare related expenses related to COVID-19. The U.S. Department of Health and Human Services (HHS) opened the PRF Reporting Portal on July 1, 2021. Providers that received PRF money from the CARES Act prior to June 30, 2020 are required to report their data into the PRF Reporting Portal by September 30, 2021. It is vital that providers continue tracking government funding and compiling as much documentation as possible to support the information that is reported into the PRF Reporting Portal.



Opened July 1, 2021, the HHS Provider Relief Fund Reporting Portal provides FAQs and other resources for reporting funds: [prfreporting.hrsa.gov/s/](https://prfreporting.hrsa.gov/s/)

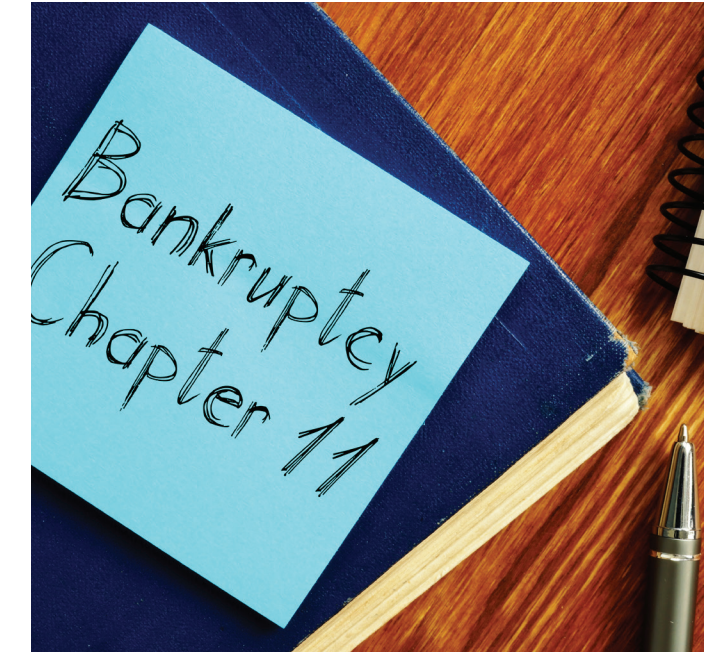
### 2. Take Action

Following analysis, community hospital leaders may find their facility faces a dire situation. These executives have a number of options, but decisive action and difficult decisions are required to turn around a hospital. Proactive alternatives include:

**Bankruptcy.** Many people think that bankruptcy means a business is going away, but most bankruptcies are restructuring opportunities to minimize debt. Through bankruptcy, a portion of debt gets written off, leaving less debt to service.

Bankruptcy can be a good strategy for a viable hospital that simply has too much debt to manage. Bankruptcy can allow a hospital to restructure and survive on a path of sustainability. It's also a way to clean up some past debt while offering a potential investor more certainty about the hospital's future. Along with bankruptcy, hospital leadership must be willing to make significant operational improvements so the facility can emerge from bankruptcy stronger than before.

Look to examples like North Texas Medical Center in Gainesville, Texas. CHC helped NTMC after its parent Gainesville Hospital District filed bankruptcy and restructured its debt, actions that ultimately put NTMC on a path to financial and operational health.



**Mergers and other partnerships.** Financial pressures and other forces are causing community-based hospitals to consider the pros and cons of forming a relationship.

While partnerships can provide economies of scale, hospital leaders need to take stock before seeking out partners. This process involves considering their facility's strengths along with areas where resources and support may be needed. This evaluation will determine which resources are needed to ensure long-term success. It's also important for community hospital leaders to understand their must-haves and potential concession points that may be required to negotiate the best possible partnership.

**Eliminating certain clinical services.** Taking a hard look at the bottom line when it comes to certain clinical services can yield cost reduction. For example, some hospitals are privatizing home-care services or cutting obstetric services while other hospitals are downsizing to become free-standing emergency rooms or retooling to transform into post-acute care facilities. These types of decisions are never taken lightly and are based on a thorough financial review and analysis of market demand.

**Optimize the supply chain.** Today, supply chain leaders still need to control costs, but as COVID-19 made clear, supply chain efficiency and resiliency depend on many other factors. Proactive material management professionals are taking several actions including:

- Optimizing inventory levels
- Building a diversified supplier base
- Including clinicians in decision making
- Re-evaluating their group purchasing organization (GPO) relationship
- Adding technology to clarify supply needs

During the pandemic, many GPOs prioritized the needs of their larger hospital clients. With the benefit of this information, consider the GPO's future ability to address a community hospital's specific challenges. The right provider should help the hospital save money, have clout to leverage manufacturer relationships to meet client hospital needs, mitigate supply chain risk, offer alternative resources for supplies, provide data analysis on savings opportunities and offer opportunities to offset increasing PPE costs by reducing cost in other areas.



...facilities must evaluate resources to ensure long-term success.



**Enhance Staff Productivity.** Increasing labor costs due to high turnover rates, increased contract labor and staff shortages make it more important than ever for hospitals to proactively track and manage staffing levels to maximize productivity. Productivity best practices include:

1. **Keep patient care front and center.** Many times, the most efficient care is also best for the patient.
2. **Gain consensus with communication.** It's key for managers to understand that productivity allows the hospital to staff appropriately based on patient volumes.
3. **Track and review on a timely basis.** Departments and hospitals with the most efficient staffing monitor data the most frequently. A bi-weekly review allows for relatively quick corrections to any emerging issues.
4. **Double check data.** Because productivity reports are only as good as the information they analyze, it's vital to ensure data integrity.
5. **Take advantage of Web-based software.** Productivity tools also give workforce managers greater visibility into what's going on throughout the facility and the flexibility to adjust staffing levels to meet changing needs in real-time.

Using these productivity best practices help managers provide staff with more advance notice about schedules and shift changes, which help hospitals build more trust and promote higher employee engagement, satisfaction, and retention.

**Revenue Cycle.** Rebuilding clinical capacity is a high priority for hospital leaders today. As we wait for patient demand to fully recover, it's important to assess liquidity and re-evaluate investment plans in order to stabilize the revenue cycle. Additionally, generating revenue through telehealth and implementing patient payment plans are helping hospitals improve cash flow. There are some positive signs for the revenue cycle as more than 250,000 Americans took advantage of the Biden Administration's special enrollment period on the ACA exchanges in the first two weeks alone.

### 3. Get Help

Independent community hospitals may not have all the resources and expertise in house to prepare the hospital for long-term viability. It can also be challenging to focus on long-term plans when short-term crises call out for attention. That's why many hospital boards and leaders bring in experts to assist with the task at hand. Getting assistance with an operational assessment and action plan can be a good place to start.



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## A LOOK AHEAD

There are lessons learned during the pandemic that can be applied to improve community hospitals into the future:



**Care models must be flexible.** The pandemic highlighted the benefit of telehealth and remote monitoring. The model helped to fill gaps in transportation and patient mobility while it also helped physicians care for patients while keeping them at a safe distance. Today, the Centers for Medicare & Medicaid Services (CMS) continues to reimburse for telehealth services, offering a much-needed lifeline of revenue to the healthcare industry. Although final decisions haven't been made, there is some consensus that this policy will not go away post-pandemic.



**Technology is vital.** The healthcare industry revealed many blind spots during the pandemic that can be addressed with technology. For example, the industry lacked visibility into the global healthcare supply chain, making it difficult to optimize emergency PPE manufacturing and distribution. Additionally, the move to telehealth was hindered in many rural areas due to a lack of basic Internet access. Moving forward, the role of technology in healthcare will continue to increase. That acceleration will be accompanied by a related and analogous demand for cybersecurity to protect private patient data.



**Adaptable spaces enhance patient care.** Caregivers needed flexible spaces that could be transitioned quickly to improve patient care and workflow management. The experience demonstrated that nimble care delivery and flexible spaces are the future of healthcare. An adaptable facility can help caregivers easily transition spaces as needed to care for patients. Health facilities that are designed to be flexible and responsive to changing trends, improved processes or new technology will improve patient care long term. Additional features such as improved airflow and more isolation or negative-pressure rooms are also on the wish list of hospital leaders across the country.



**Clinical workers must be protected.** As PPE supplies dwindled, hospital leaders and non-traditional suppliers stepped in to ensure their employees' safety. It was immediately clear that nothing was more important than protecting the medical professionals who needed to continue treating the ill and developing creative solutions needed during an emergency.

When schools were dismissed to prevent the spread of COVID-19, a predominantly female healthcare workforce also faced challenges of protecting their own families from illness and accessing child care. Moving forward, hospital leaders are working to ensure they have access to an adequate supply of PPE and the personal support their teams need to stay mentally and physically healthy as they care for others.



Community collaboration is key. Across the country, community organizations and businesses stepped up to support healthcare workers. The pandemic showed that everyone can play a role in improving community health. Additionally, it became clearer that community problems such as gaps in transportation and child care have a trickle-down effect on healthcare and other industries as well.

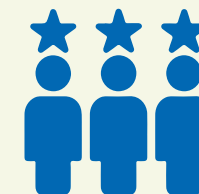
**Optimizing the supply chain is about more than money.** Certain pandemic contingencies will carry over and affect product acquisition and utilization during "normal" times. For example, CHC Supply Trust and its 100+ hospital members are purchasing more reusable vs. single-use gowns. Looking forward, supply chain strategic planning will seek to avoid further shortages by, for example, increasing on-site supply inventory in certain categories and finding more domestic sources for supplies.



**Community and rural hospitals benefit from government support.** The American Rescue Plan, signed into law on March 11, 2021, allocates money to rural health care providers suffering from lost revenue, providing funding for PPE and administrative costs, and allocating grants to support health care providers' mental health. These funds along with programs such as Critical Access Hospital (CAH) designation are critical to the long-term sustainability of smaller hospitals.



**Renewed focus on quality care.** The pandemic underscored the significance of clinical quality, patient safety, as well as adherence to best practices for community hospitals. Although CMS suspended reporting and reduced the financial impact of the Value Based Purchasing (VBP) Program during the pandemic, it did not lessen expectation for hospitals to provide quality care. In fact, the COVID-19 pandemic has created an even greater need to focus on these quality measures in an effort to determine the impact of COVID-19 on patient outcomes. Now it is time to determine what has been effective and what has not worked. We must continue to measure existing quality indicators and identify new quality indicators important to evaluate given the changes in care delivery processes.



**Recruitment and retention.** During the pandemic, community hospitals faced significant worker shortages and developed new and different positions in patient care, management, infection control, quality, environmental safety, and other areas. Now hospitals are creating a post-pandemic task force to evaluate and address necessary changes in hiring and employee retention programs. Some of the issues to tackle include assessing skill gaps, re-engaging furloughed employees, building an agile workforce, enhancing employee safety programs, increasing emphasis on employee retention and intensifying ongoing recruitment.

## SUMMARY

Around the country, community hospital board members and executives continue to face challenges of COVID-19, while they also attempt to place their hospital on a strengthened, sustainable path forward. Even in the face of an uncertain future, leaders must take decisive action today to improve their position.



## We Can Help

CHC works with rural and community hospitals across the country to improve their operational and financial performance. Contact CHC today to gain access to our experience and implement our best practices.

[www.communityhospitalcorp.com](http://www.communityhospitalcorp.com)

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Community Hospital Corporation owns, manages and consults with hospitals through CHC Hospitals, CHC Consulting and CHC ContinueCARE, with the common purpose to guide, support and enhance the mission of community hospitals and healthcare providers. Based in Plano, Texas, CHC provides the resources and experience community hospitals need to improve quality outcomes, patient satisfaction and financial performance.