

# FINANCIAL MANAGEMENT

## ISSUES TO CONSIDER DURING REOPENING PHASES

### COVID-19 VOLUME RAMP-DOWN

- **Debt servicing:** Are we at risk of failing to meet debt service payments and/or triggering debt covenants?
- **Alternative financing:** Do new sources of funding need to be explored to cover shortfalls or anticipated gaps, considering any federal or state requirements or limitations on the use and repayment of such funds?
- **Cost of financing in a crisis:** Revolver debt demand for gap planning may be needed to fund immediate medical and working capital, which may increase cost of financing.

### POST-COVID-19 RECOVERY

- **Recovery planning:** How do we prioritize and ramp up non-emergent surgeries, outpatient procedures and clinic visits? Refer to the clinical guide issued by the AHA, in partnership with the ACoS, ASA and AORN. Complement with a financial analysis of revenue/margin models under various case-mix scenarios.
- **Post-COVID-19 marketplace:** Assess organizations and community needs to determine whether there are opportunities for short- or long-term collaboration or other arrangements to provide or bolster financial stability and organizational integrity, with due consideration for state and federal antitrust laws and policies.
- **Capex deployment:** Prioritize strategic initiatives and maintenance projects in light of cash pressures.

## TOOLS TO MINIMIZE SHORT-TERM DOWNTURNS

- **Scenario Planning and Financial Modeling:** Undertake scenario planning to better understand how the COVID-19 crisis will affect financials in the short term and how operations may rebound with proper management intervention. Model future state scenarios to understand potential funding gaps.
- **Cash Forecasting and Liquidity Management:** Employ rolling receipt and disbursement forecasting to help manage liquidity in the short term – cash forecasting and modeling provides decision-makers with a tactical tool to manage short-term liquidity, and provides insight into the sources and uses of cash including working capital movements.
- **Performance Improvement and Operating Model Transformation:** Activate high priority and other levers to adjust the operating model to a new norm and to carve the path back to financial stability. Adopt a phased approach to maximize the degree and the pace of impact.
- **Financing and Capital Structure Alternatives:** Actively engage with your financing partners to ensure your lines of credit remain available, and to explore new or additional options, should you require them.
- **Use of Philanthropy:** Actively engage with your development office to determine:
  - Can existing endowed funds be utilized to supplement other sources of cash? This may require initiating discussions with individual donors for repurposing original conditions of the gift.

– Can a community capital campaign be initiated or, if there is a campaign currently underway, can it be modified, to address COVID-19 impact on the hospital or health system?

- **Tax Planning:** Implement tax planning to identify tax refunds, credits and grants that can provide cash flow benefits as well as identify tax processes that can be outsourced to reduce costs by utilizing technology.

## FINANCIAL IMPACT CALCULATORS AND MODELING

[Advisory Board, Covid-19 Elective Surgery Cancellation Impact Estimator](#): Consider using this estimator to model the revenue your organization may lose from postponing or canceling non-emergent surgeries during COVID-19. Incorporating several customizable inputs, the tool provides a way to assess potential non-emergent surgery revenue loss across varying timeframes, crisis acuity levels, and hospital capacity scenarios based on past facility volumes and capacity.

## OTHER RELEVANT RESOURCES

- **AHA Fact Sheet:** [Financial Challenges Facing Hospitals and Health Systems as a Result of COVID-19](#)