



Healthcare blog

Focus areas for physician practice leadership

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The COVID-19 situation has shut down businesses, schools, and events and forced the majority of the country to shelter at home. Very few businesses have managed to remain open, offering limited services to mitigate losses. The healthcare services industry has been no exception. Health systems, stand-alone hospitals, and physician practice groups have been significantly impacted financially after having to cancel elective procedures to minimize the risk of COVID-19 exposure to patients and staff. Although parts of the country have started to open, topline revenue has been almost nonexistent and healthcare leaders have had the challenge of making difficult decisions to sustain operations while ensuring patient safety.

Below are key business areas to which we believe physician practice leaders have shifted their focus in efforts to navigate through this uncertain environment. In the coming weeks, KPMG Corporate Finance LLC (KPMG CF) will follow up with posts that dive deep into these subject areas based on the latest updates from healthcare organizations and industry groups.

Cash flow, liquidity, and financing

Healthcare organizations reacted quickly as federal and state mandates required almost immediate business closures, forcing leadership teams to manage liquidity. As funds became available under the CARES Act, businesses rushed to collect necessary information to submit applications and secure funds (via initiatives like the Paycheck Protection Program and Public Health and Social Service Emergency Fund). While funds obtained through stimulus programs offer short-term relief, businesses will begin to shift their focus to longer-term strategies that will include liquidity enhancement, additional financing sources, cost reduction, and revenue maintenance levers.

Technology and investments

Routine clinical check-ups and screenings were initially put on hold or deferred. However, the recent loosening of regulatory restrictions and more generous payment rates encouraged many primary care and specialist groups to quickly transition to virtual care platforms, often called "telehealth." New users include individuals with questions about COVID-19 or anxiety about potential symptoms as well as patients with chronic conditions who are fearful of scheduling in-person

appointments or delaying treatment. As certain parts of the country begin to open, healthcare organizations are evaluating how to leverage the acceleration toward virtual care technology to sustain patient treatment practices in this new environment. There are opportunities to use emerging technologies to significantly improve the quality of virtual care, including direct integration between telehealth services and consumer wearables to monitor patients, augmented reality and computer vision to enhance telehealth services, and chat bots to offer services beyond simple tasks like prescreening patients.

Revenue cycle

The nature of the current public health emergency has opened the door to under-utilized methods of care that are as effective and efficient as traditional, in-office patient care. In addition, payer guidelines and government regulations have been modified to facilitate easier access to treatment and reimbursement of COVID-19-related care. Healthcare organizations are monitoring a number of areas (like billing policies, instructions to limit denials, and financial counseling policies) to streamline their efforts and limit the impact to their operations and finances. As organizations navigate through this environment, a focus across the revenue cycle continuum can help to not only alleviate the impact of COVID-19, but also build a strong foundation for the business going forward.

Coding

This unprecedented time required an unprecedented exception to the code set updating process established by the Health Insurance Portability and Accountability Act (HIPAA). Effective April 1, 2020, the Centers for Disease Control (CDC) announced a specific COVID-19 diagnosis code (U07.1) that would allow for the capture of cases on claims and surveillance data to monitor the outbreak. Going forward, accurate coding and billing for COVID-19 can help providers weather the storm and prepare for future outbreaks. The healthcare industry is adjusting to operate in a COVID-19-positive world and creating new codes and documentation guidelines to tackle the virus. Rules and regulations are changing almost daily and providers will need to be diligent with following billing and coding guidelines that are provided by organizations such as the CDC, Centers for Medicare and Medicaid Services (CMS) and American Medical Association.

Supply chain

Managing and treating patients with COVID-19 is compounded by critical shortages and lack of management of supplies, causing healthcare organizations to rethink their supply chain. The current public health emergency has highlighted deficiencies in supply chain management that must be addressed now and reconsidered going forward. The pandemic is expected to last for the near term, and suppliers will likely be unable to meet the full demand. As such, management teams will need to leverage strategies to manage vendor expectations, monitor demand/supply discrepancies to assist in resource balancing and securing capacity and stockpiling critical equipment. As cases of COVID-19 begin to subside, organizations can look back on how they managed the influx of patients and may consider exploring technologies that will help manage future supply chain challenges.

Human resources

Regularly monitoring expenses has become more critical than ever for management teams. Options such as furloughing employees or temporarily reducing work hours have been implemented by many practices to help manage cash flow. As the country endeavors to restart the economy, providers will need to prepare for a new reality by adjusting staffing to accommodate patient needs. Healthcare organizations will need to train clinical staff to assume new COVID-19 related roles while also training nonclinical employees to perform clinical support roles. Management teams will need to implement processes and policies to support new work arrangements and staffing needs. It is anticipated that organizations will update workforce plans based on supply/demand and redesign HR programs to fit the new normal (attracting, and retaining the right talent at the right cost).

Providing care in a COVID-19 world

In many states, elective procedures have been postponed. For healthcare organizations that have kept their doors open, operating in a COVID-19 environment has brought many changes and requirements to provide the same standard of care. New clinical guidelines on how to practice in this environment continue to be published by healthcare organizations and associations to ensure the safety and protection of providers, patients, and staff. As states begin to open and limits on elective procedures are lifted, it will be important for practices and providers to be diligent when adopting new guidelines and procedures. Some guidelines may include COVID-19 testing of employees and patients

alike, the use of additional and more frequent changing of personal protective equipment, and implementing adequate social distancing measures within facilities. As organizations begin to open, leading practices will be shared and adopted nationwide.

Ancillary services

Practices that have diversified their revenue streams through ancillary services have likely experienced benefits, as these services have allowed them to adapt to the challenges in the market brought on by COVID-19. As healthcare practices shore up their balance sheets, opportunities may exist for proactive healthcare organizations to offer relevant ancillary services to build a practice that is prepared for future volatility.

Payers

The current environment has sparked a rapid shift in patient care through telemedicine services. CMS has temporarily changed reimbursement policies to cover virtual visits at rates similar to those charged for in-person visits during the outbreak. Payers have been looking to further support healthcare organizations by relaxing certain billing requirements, like prior authorization requests and eliminating patient cost sharing for COVID-19 diagnostic testing and treatment (no copays or coinsurance required).

Strategic partnerships

The emergence of COVID-19 has forced a liquidity crisis among many healthcare organizations, especially physician practices, struggling to treat patients while remaining financially viable. Although many entities were able to access funds through the CARES Act or other sources, discussions around long-term planning are happening among shareholders and senior management. Among the various considerations is the pursuit of a strategic partnership with a larger healthcare organization or financial sponsor. A strategic partnership could not only help an organization realize cost savings and gain financial strength, but also enhance the business by expanding service offerings, increasing negotiating power with payers and moving into new geographies.

New information related to the pandemic and its impact on businesses within healthcare is released daily and healthcare organizations remain nimble in an effort to effectively and safely treat patients. KPMG CF LLC will continue to monitor the issues businesses face and provide updates with strategies and expectations as the situation evolves.

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