

3 DYNAMICS IMPACTING CHILDREN'S HOSPITALS IN 2021

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Children's hospitals are no exception to the heightened internal and external pressures brought on by operating in the midst of the coronavirus pandemic. Leaders can expect the following three dynamics to present challenges as well as opportunities for children's hospitals to transform their organizations in 2021 and beyond.

1. New financial pressures will test organizational stability.

Historically, children's hospitals have felt less impact from the effects of market disruption compared with adult healthcare organizations. However, the coronavirus pandemic has created significant financial strain for children's hospitals as volumes decrease, reimbursement models become less favorable and investment strategies no longer serve the business as they once did.

As a result of the pandemic, volumes have decreased since the previous year, falling by 10%-20% for inpatient care with even greater losses for emergency departments. Possible cuts to Medicaid funding pose a substantial risk to the reimbursement structures that have sustained children's hospitals in the past. While fundraising and institutional development streams are unlikely to dissipate entirely, organizations may find themselves depending on them more to counter

reductions in Medicaid reimbursement. Additionally, performance improvement, greater operational efficiency, and culture will play a larger role in how organizations build and sustain growth and brand loyalty in the future.

The coming months will bring a heightened focus on financial stability amid these new challenges. Children's hospitals will look to improve the bottom line by better managing supply chain and fixed labor costs, but ultimately, the path forward will be determined by each organization's unique economic situation.

Respond to new financial pressures by:

- Ensuring all opportunities for revenue are well optimized. Find opportunities to recover and maximize revenue. Utilize data analytics and reporting systems to eliminate waste across the organization and optimize revenue from areas such as denials and the charge master. Take a keen eye to managed care contracts to revisit unfavorable language, new payment trends, and strategic pricing opportunities.
- Monitoring trends in case mix index (CMI). Implement or revisit clinical documentation improvement programs to ensure the organization receives maximum value from reimbursement. Revisit training with physicians and coders to drive new revenue for services provided.
- Exploring or optimizing a 340B drug pricing program. With federally funded financial assistance, this program enables eligible

organizations to manage increasing prescription drug prices, helping the organization reach more patients within vulnerable communities while improving the bottom line.

- Establishing new partnerships for referrals. Ensure community-based physicians are able to easily refer patients into the system as well as look for new partnerships within the community to drive brand awareness.

2. Improving the care experience for parents will be a key differentiator in the market.

The coronavirus pandemic has created new anxieties for healthcare consumers, especially for the parents of sick children. In addition to worrying about their child's condition, parents are also burdened with keeping their families safe and healthy. There is no better time for children's hospitals to differentiate their organization's experience by prioritizing and centering the brand on the care experience.

The pandemic also exposed unnecessary and often serious communication barriers. For example, many call centers for children's hospitals are overwhelmed by the dramatic spike in calls from concerned parents. As a result, families are frustrated by increased hold times, deferred appointments and procedures, and the lack of access to the child's physician.

Make the care experience easier for parents by:

- Optimizing call centers. Whether standing up new or improving current processes, call center optimization will be a top priority for leaders across healthcare, especially those focused on children's care. Implement intuitive phone menus and standardization across practices for faster call resolution. Create a seamless and consistent scheduling experience so parents are connected to the appropriate staff member or department within reasonable time frames.
- Investing in customer relationship management (CRM) systems. Drive consumer loyalty and growth by elevating the patient experience using data-driven insights that support more meaningful, personalized interactions with families.
- Building upon the telehealth and other [virtual care](#) options that COVID-19 forced organizations to ramp up, and treat this as a complement to, not a substitute for, certain specialties. Efficient telehealth programs for nonsurgical care will create convenience and allow greater access across geographical boundaries.
- Leveraging electronic health record (EHR) data to proactively communicate with and plan for preventative care for high-risk pediatric populations, e.g., children with chronic conditions that need preventative immunizations and regular checkups. Data analytics can drive strategies for effective outreach to ensure parents are proactively made aware of future visit needs to better manage and reduce complexities for patients with chronic conditions.

3. Volume shifts may not return to pre-2020 levels and will require a more comprehensive evaluation of costs and deeper operational and clinical optimization.

Given lower volumes driven by deferred services and patient concerns, efficiency and cost containment need to be prioritized and handled with urgency. Leaders will need a more comprehensive and deeper understanding of all their costs. Investments will need to show a true financial return. This scrutiny should include areas such as workforce or medical group effectiveness that may not have been prioritized in the past.

Incremental cost improvement initiatives will need to be initiated or enhanced, leveraging technology and data to drive decisions; however, while the urgency exists to think differently, leaders should develop or advance strategies aimed at a broader restructuring of cost and care. Overall, children's hospitals may need to revisit their three-to-five-year plans to evaluate if previous investment priorities still make sense given the current state, and to focus on developing strategies for care delivery, cost containment and talent.

Adapt to volume shifts and cost pressures by:

- Assessing opportunities for cost improvement while simultaneously developing an understanding of how to reposition entire areas of the organization for long-term success.
- Preparing for shifts in volumes. Review models for work relative value units (wRVU) compensation and staffing by demand to align current paid capacity with market demand.
- Leveraging technology for highly repetitive tasks throughout the organization. Robotic process automation (RPA) can enable the repurposing of certain functions to lower costs, improve outcomes and build stronger relationships with patients.
- Evaluating opportunities to optimize labor expenses through enhanced processes, scheduling and workflow. Consider modifications to benefit plans, paid-time-off policies, overtime, on-call hours, merit increases, bonus programs and retirement plan contributions. Develop a plan to lift hiring freezes and reverse furloughs as needs and volumes increase.
- Evolving metrics for key performance indicators. New work environments require appropriate tools and benchmarks to gauge productivity, retention, throughput and backlogs. Continually evaluate the virtual work model's effects on productivity, staff engagement and consumer needs.

Key Takeaways

Children's hospitals must take action to succeed in delivering exceptional care amid a rapidly changing and uncertain healthcare landscape. To do so, they must:

Think differently.

Re-imagine the care and patient/family experience to provide greater convenience for parents and position the organization as a safe, supportive environment for patients and their families.

Plan differently.

Use data analytics and digital technologies to recover costs and maximize the value of reimbursement and business functions.

Act differently.

Operationalize the plan. Reposition or redesign areas of the organization to create a more affordable health experience.



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