

# Mitigating Financial Uncertainty In Healthcare

## WHY THINKING LIKE A STARTUP CAN HELP ORGANIZATIONS WITHSTAND ECONOMIC DOWNTURN

Businesses across sectors are bracing for tighter financial conditions as price instability continues and growth slows. Healthcare is no exception as providers combat a wave of unfavorable economic conditions that include stagnating or shrinking revenue, higher costs, and persistent workforce challenges.

In the months ahead, leaders can expect shifts in their payor mix, declines in volume and demand, and less investment income — all of which reduce cash flow and weaken the overall financial position of healthcare organizations.

Leaders can prepare for disruption by thinking differently about how they operate to brace for financial uncertainty.

### Think Like a Startup

Startups often find a way to thrive amid disruption. They know the value of their product or service yet are agile enough to adjust how things are done internally and in the market when change is needed. At the same time, growth, relationships, and customer engagement are a core focus. In a financial crisis, an organization can benefit from acting like a startup by focusing relentlessly on its costs, liquidity, and access to capital.

### Keep Your Story at the Forefront

Like startups, organizations will be operating with limited capital in an economic downturn. To maintain access to sources that can support their growth, organizations should be having proactive discussions with all stakeholders, including customers, suppliers, equity sponsors, and banks, about their vision for stability now and success long term.

Cutting through the noise is paramount. Banks and lenders are inundated with communication from their clients, many of whom will report negative financial outlooks.

Banks are interested in preserving their healthy accounts and looking for clients' loyalty. Make it easier for banks to make decisions about supporting your growth. Help them understand your business by telling your story in the terms that matter to them so that they can advocate for you. Understand your cash and liquidity position and be able to articulate it along with stabilization plans that include a vision for growth.

This is a time to market yourself to ensure people understand what your goals are as an organization and why supporting you benefits them.

### Forecast Multiple Scenarios

Consumer demand and [healthcare consumption behaviors](#) will continue to shift as the economic conditions change. Amid the uncertainty, organizations cannot get fixated on financial models that are based on past trends.

An organization's next four weeks of cash flow can be modeled with certainty. Beyond that, multiple scenarios should be run and regularly updated to give leaders a view of the strategies and initiatives that could support stability and growth.

## Stay Lean and Agile

Think differently about capital and growth plans in the days ahead by considering the following recommendations:

#### Take a long-term view on staff reductions:

Organizations will be tempted to cut staff to conserve cash. While this may work in the short term, it can be detrimental to growth and drive negative fallout in patient safety, consumer experience, culture, and employee engagement. Avoid broad generalizations on banning new hires. The furloughing of certain positions may still be necessary, but maintain hiring for select activities that [keep the right talent in place](#) to innovate and drive demand.

Build a weekly cadence for the review of financials, including tracking volume and modeling cash. Traditional monthly reviews of financial performance are not sufficient. Teams must adopt a daily or at least weekly cadence to monitor performance and react in real time to the changing business conditions.

#### Lock down your procurement processes:

Future market demand is uncertain. To avoid ending up with excess supplies and unnecessary costs, procurement processes should be closely monitored. By bringing together data from enterprise resource planning (ERP) and electronic health record (EHR) systems, organizations can prepare for anticipated changes in volume and make data-driven decisions about supplies, resources, and facilities.

**Reevaluate strategic plans:** Consumer preferences and behaviors are evolving quickly. Global supply chains are vulnerable, and markets are shifting, all of which changes how companies compete.

Breakthrough innovation often emerges in crisis. Don't overemphasize recapturing lost value at the risk of inhibiting innovative thinking that could lead to more efficiency, increased demand, and greater market share in new business landscapes. Now is the time to reconsider long-term plans so that investments can quickly shift to areas that will support sustainable growth.



[huronconsultinggroup.com](https://huronconsultinggroup.com)

© 2022 Huron Consulting Group Inc. and affiliates. Huron is a global consultancy and not a CPA firm, and does not provide attest services, audits, or other engagements in accordance with standards established by the AICPA or auditing standards promulgated by the Public Company Accounting Oversight Board ("PCAOB"). Huron is not a law firm; it does not offer, and is not authorized to provide, legal advice or counseling in any jurisdiction. 22-5160