

Performance Strategies



Help Address the Economic Downturn with Financial Clearance Tools

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Making Do with Less in the Current Economy



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Taking the Pulse of the Healthcare Economy

Turmoil in the financial markets and a deepening recession have affected all sectors of the U.S. economy. Although healthcare has been described as a “recession proof” industry, the events of recent months have refuted that notion. Based on HFMA survey findings, there are several reasons this recession is different from those of the past when it comes to healthcare.

Turmoil in the financial markets. This turmoil has resulted in tightly constrained credit markets, which makes it difficult for hospitals and health systems of all sizes to access capital. In addition, declining investment portfolios are pulling down non-operational revenue from both investment income and philanthropic donations.

Lower patient volumes. Fifty-five percent of hospitals responding to our survey noted lower inpatient volumes, with 27% of these hospitals reporting declines of 2% or more.

Increasing bad debt and charity care expenses. More than 60% of our survey respondents noted that changes in bad debt and charity care expenses have had a negative impact on financial performance, with almost one in six indicating that this negative impact has been extreme.

HFMA will continue to provide information about the scope and nature of healthcare’s economic health, along with specific steps healthcare organizations can take to support their missions and their competitive positions. More information on the survey is available on the HFMA Web site at www.hfma.org.

Strategies to Survive the Current Environment

Hospitals can take several steps to meet these challenges to their economic health.

1. Hospital leaders must communicate the seriousness of this downturn and its actual and potential impact on the services provided by the hospital. This message should be shared with hospital staff, board members and the surrounding community.
2. Hospitals must focus on being low-cost providers. They should focus on rooting out and eliminating inefficiencies and waste while improving the quality of patient care. This will require an organization-wide commitment to redesign care and service processes to achieve sustainable improvements that reduce cost and improve quality.
3. Hospitals must preserve cash to get them through difficult economic times. They should redouble their efforts to reduce denied claims, reassess their risk tolerance, and scrutinize capital investment plans in terms of return on investment and impact on patient care.

Front-line staff also must be educated and equipped to discuss financial obligations with patients as early as possible in the process. Ideally, hospitals should manage expectations about the patient’s financial responsibility for nonemergency services before the patient arrives at the hospital.

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Making Do with Less in the Current Economy (Cont.)

Everyone's in the Same Boat — Patient and Provider

As hospitals are called upon to make do with less, they must remember that many of their patients are in the same position. Factors that contribute to rising bad debt and charity care expenses include:

- Increasing copayments and deductibles for many patients fortunate enough to have employer-provided health insurance.
- Increasing numbers of the uninsured and unemployed. Not-for-profit hospitals must be especially sensitive to the needs of these patients.

Making do with less requires careful strategic planning and clear communication. It also requires a consistent focus on mission. Healthcare has gone through difficult times before and has proved to be a resilient industry. By acting wisely today, hospitals can ensure that they will survive and be able to provide even greater value and service to their communities in the future.

Dr. Richard Clarke has served as President and CEO of HFMA since June 1986. He has held executive positions at major healthcare systems in Colorado and Florida. Dr. Clarke has also served as the former chairman of the Accrediting Commission on Education in Health Administration (ACEHSA), and AHA Financial Solutions, Inc. (a wholly owned subsidiary of the American Hospital Association). He holds an adjunct faculty position in the Department of Health Systems Management at Rush University in Chicago. Dr. Clarke has been named to Modern Healthcare magazine's list of the 100 Most Powerful People each year since the list's inception.

County Finds that Uninsured Didn't Realize They Were Eligible for Coverage

A November 28, 2008, article in the *Washington Post* reported that an initiative in Virginia's Howard County, which was established to help secure care for the needy, uncovered a surprising fact. Once the county started to enroll the residents, they discovered the residents were already eligible for assistance from federal, state or nonprofit programs.

The article reports that a study by the National Institute for Health Care Management found that nationally about 12 million of the non-elderly uninsured (1 in 4) were eligible for programs, but were not enrolled. The study by the non-profit group, which is partly underwritten by insurers, found there are several reasons the eligible may not be taking advantage of coverage. In addition to not being aware they are eligible (often not realizing they are at or below the poverty line), they are discouraged by the complexity of the paperwork or are embarrassed to apply for assistance.

Read [the article](#) on the *Washington Post* Web site.

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