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Healthcare 2023 and beyond

A financial outlook for revenue leaders

February 20, 2023

Your presenters

BECKER'S HOSPITAL REVIEW

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Poll Question #1

What is the most important objective for you in 2023?

A. Increase revenue

B. Reduce costs

C. Manage staffing shortages

D. Improve the patient experience

E. Improve payer-provider collaboration

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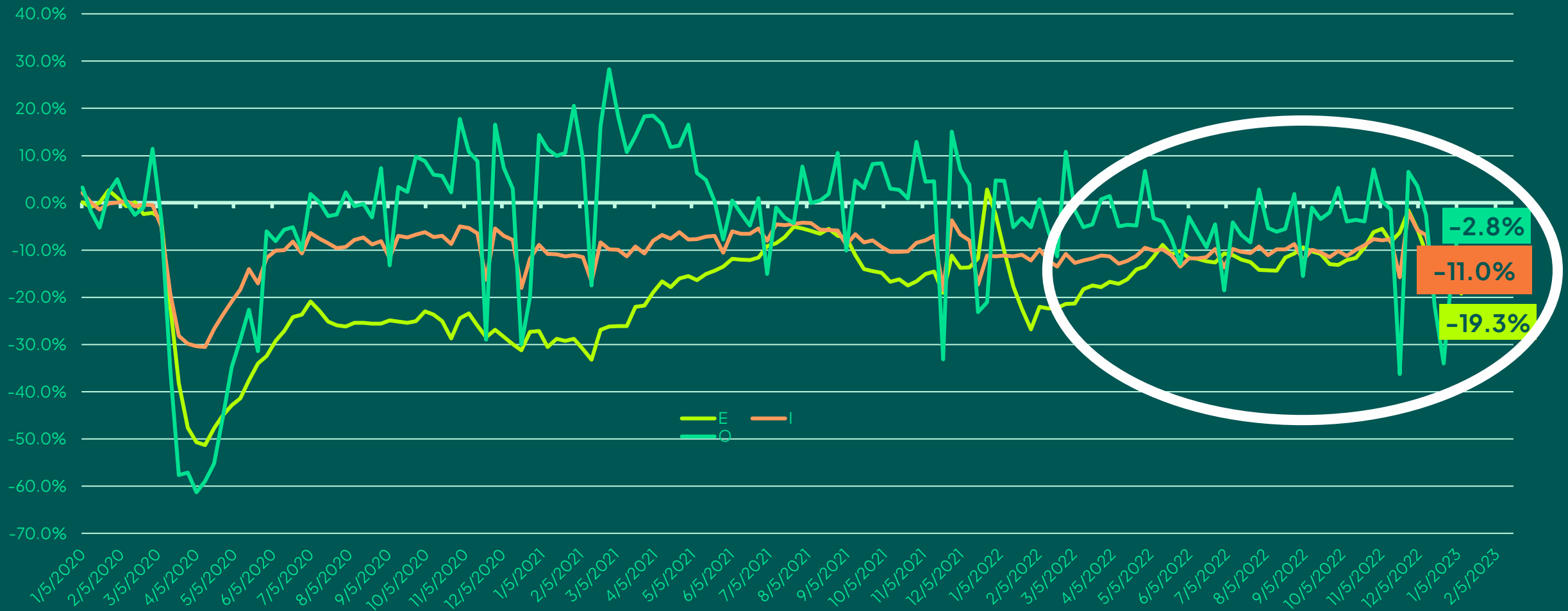
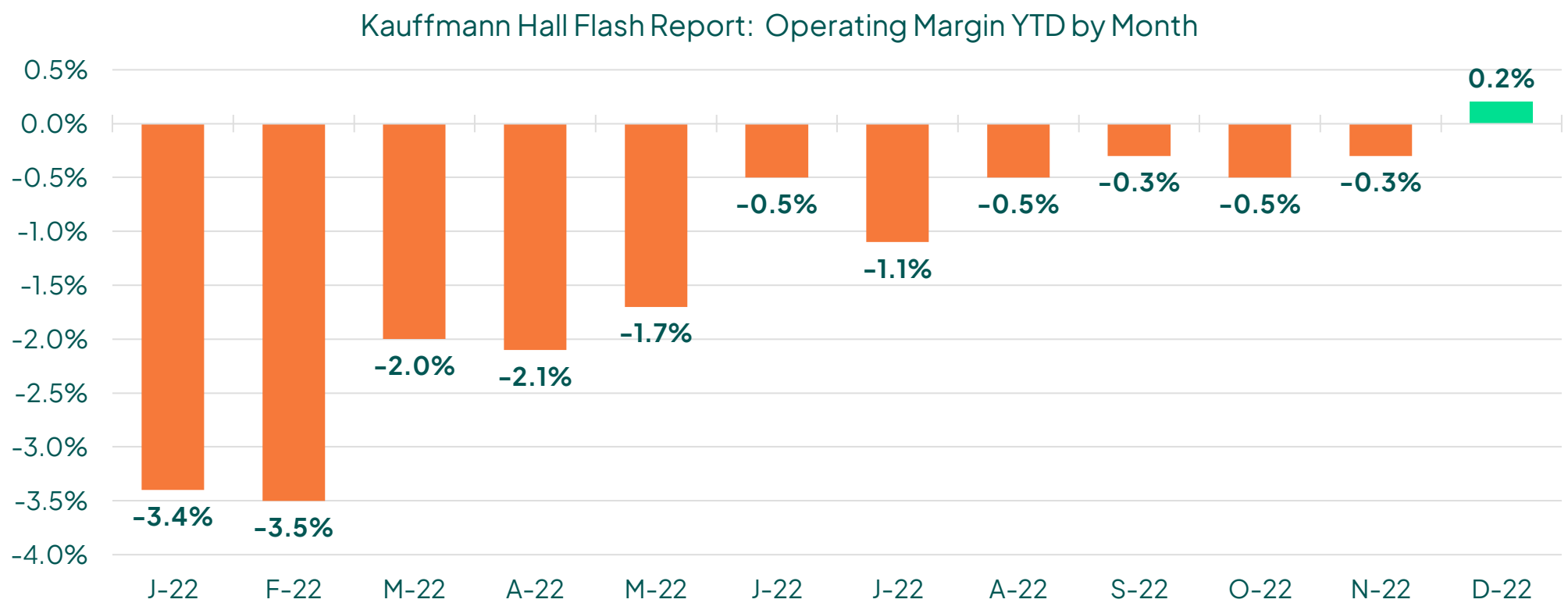
Hospital Market Headwinds

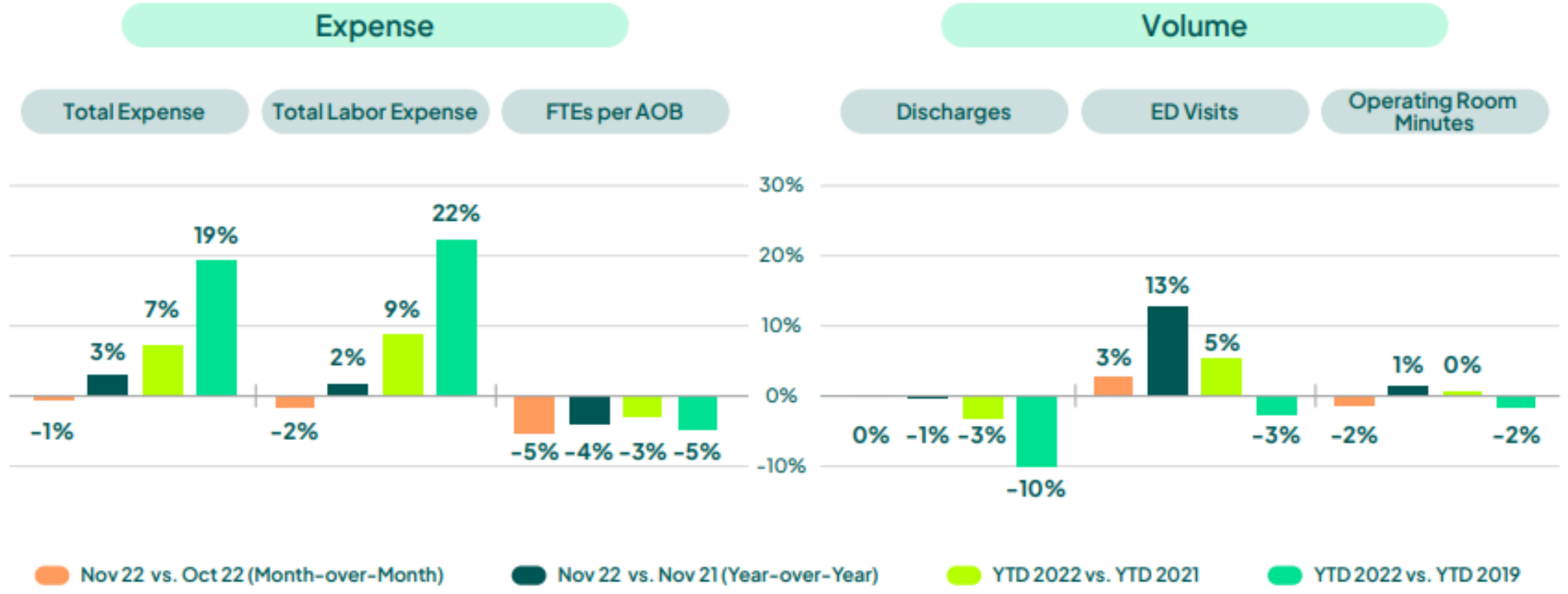
Hospital visit volumes remained below pre-pandemic levels during 2022



Hospitals had a challenging 2022 – majority of year in red … but recovering



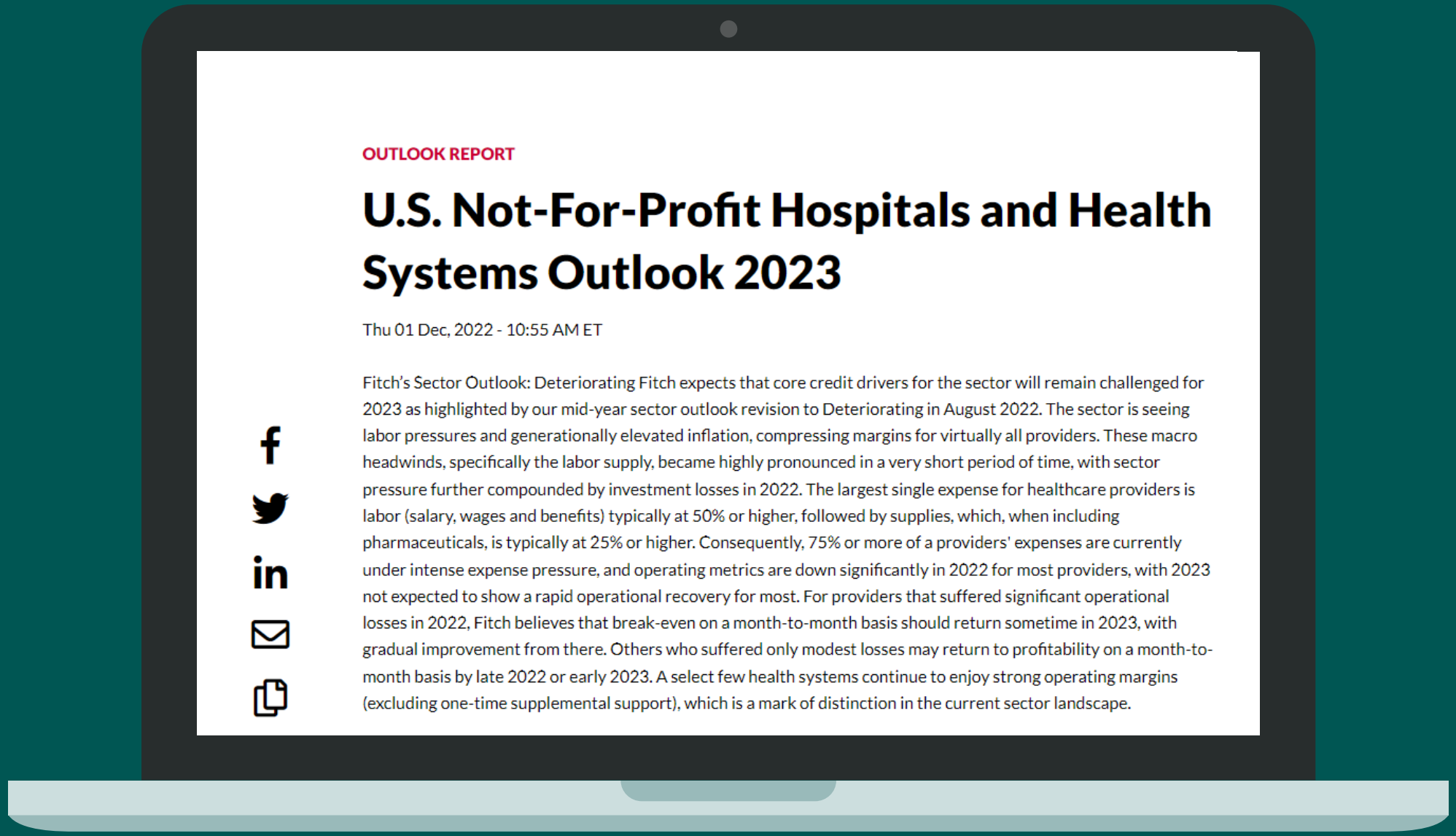
Expenses and Volumes



Source: Kaufman Hall December 2022 National Hospital Flash Report

FITCH:

Reaffirming deteriorating rating to NFP sector



OUTLOOK REPORT

U.S. Not-For-Profit Hospitals and Health Systems Outlook 2023

Thu 01 Dec, 2022 - 10:55 AM ET

Fitch's Sector Outlook: Deteriorating Fitch expects that core credit drivers for the sector will remain challenged for 2023 as highlighted by our mid-year sector outlook revision to Deteriorating in August 2022. The sector is seeing labor pressures and generationally elevated inflation, compressing margins for virtually all providers. These macro headwinds, specifically the labor supply, became highly pronounced in a very short period of time, with sector pressure further compounded by investment losses in 2022. The largest single expense for healthcare providers is labor (salary, wages and benefits) typically at 50% or higher, followed by supplies, which, when including pharmaceuticals, is typically at 25% or higher. Consequently, 75% or more of a providers' expenses are currently under intense expense pressure, and operating metrics are down significantly in 2022 for most providers, with 2023 not expected to show a rapid operational recovery for most. For providers that suffered significant operational losses in 2022, Fitch believes that break-even on a month-to-month basis should return sometime in 2023, with gradual improvement from there. Others who suffered only modest losses may return to profitability on a month-to-month basis by late 2022 or early 2023. A select few health systems continue to enjoy strong operating margins (excluding one-time supplemental support), which is a mark of distinction in the current sector landscape.

https://www.fitchratings.com/research/us-public-finance/fitch-ratings-revises-us-nfp-hospitals-sector-outlook-to-deteriorating-16-08-2022

Fitch – 2023 recovery; slow and "good performance" the exception, not the rule

1. "… **labor pressures** and generationally elevated **inflation**, **compressing margins** for virtually all providers
2. …became **highly pronounced in a very short period of time**
3. …compounded **by investment losses**
4. **…2023 not expected to show a rapid operational recovery**
5. **…A select few health systems** continue to enjoy **strong operating margins**, which is a **mark of distinction** in the current sector landscape…"

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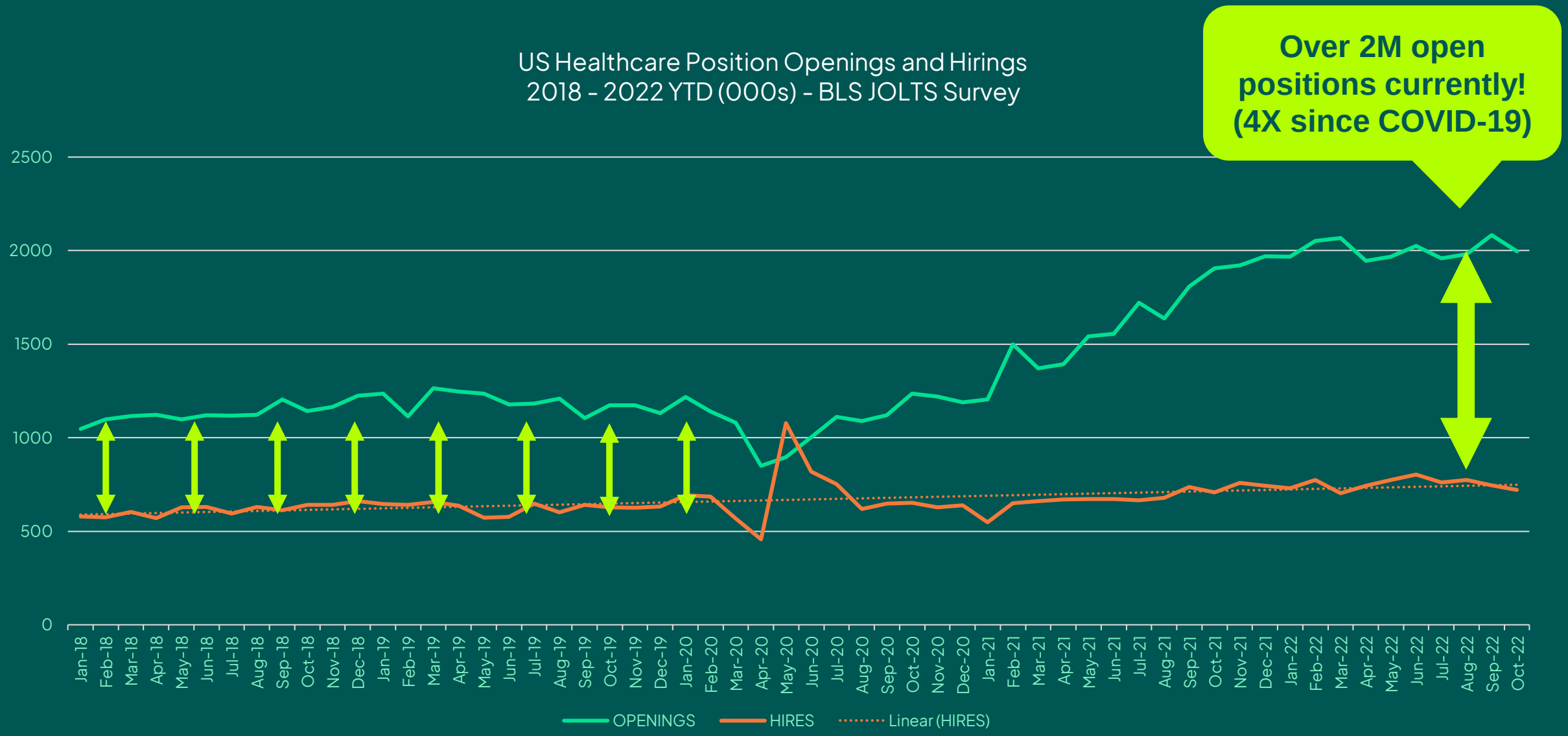
US Healthcare Position Openings and Hirings 2018 - 2022 YTD (000s) - BLS JOLTS Survey



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SOURCE: BLS. https://www.bls.gov/jlt/data.htm

Shortage of RCM Labor Dramatically Impacts Revenue

48% **patient billing errors**

45% **long hold times** for scheduling and customer service calls

44% **cancellations and rescheduling** due to staff shortages

29% **issues with price transparency compliance**

20% **operational deficiencies** due to the labor shortage

https://www.hcinnovationgroup.com/finance-revenue-cycle/revenue-cycle-management/news/21272867/survey-cfos-rcm-vps-facing-severe-cost-staffingshortage-challenges

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Letter from 25 State Governors to end the PHE

December 19, 2022

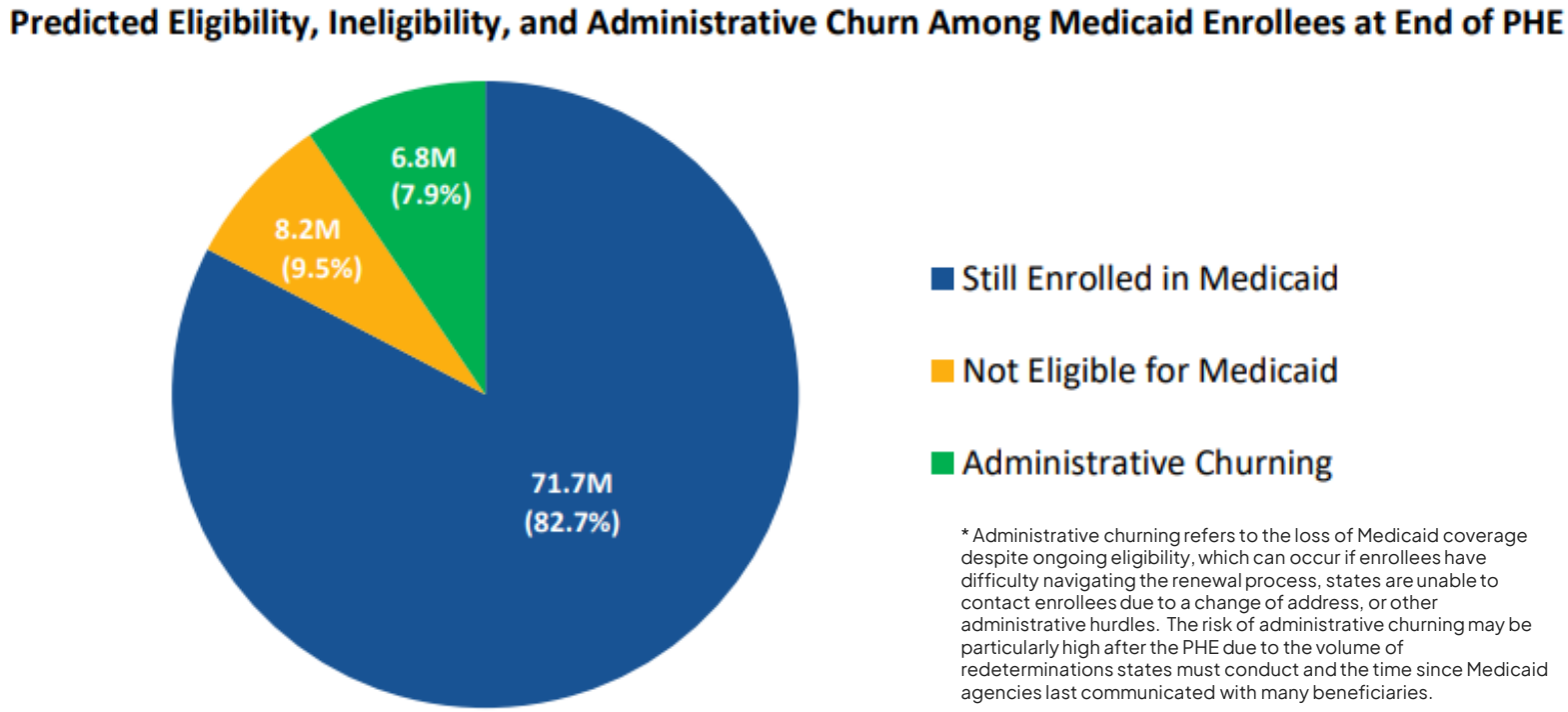
President Joseph R. Biden, Jr.
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear President Biden,

It has been nearly three years since the federal government has declared a national emergency in response to the COVID-19 pandemic. While the virus will be with us for some time, the emergency phase of the pandemic is behind us. We have come so far since the beginning of the pandemic – we now have the tools and information necessary to help protect our communities from COVID-19. You recognized this yourself in a 60 Minutes interview in September when you said, "The pandemic is over." Additionally, the United States Senate passed a bipartisan resolution, 61-37, to terminate the national emergency on November 15, 2022. We agree with both your statement and the Senate's resolution – it is time we move on from the pandemic and get back to life as normal.

https://www.governor.nh.gov/sites/g/files/ehbemt336/files/inline-documents/sonh/20221219-biden-letter-public-health-emergency.pdf

15M Medicaid enrollees lose coverage with PHE expiration

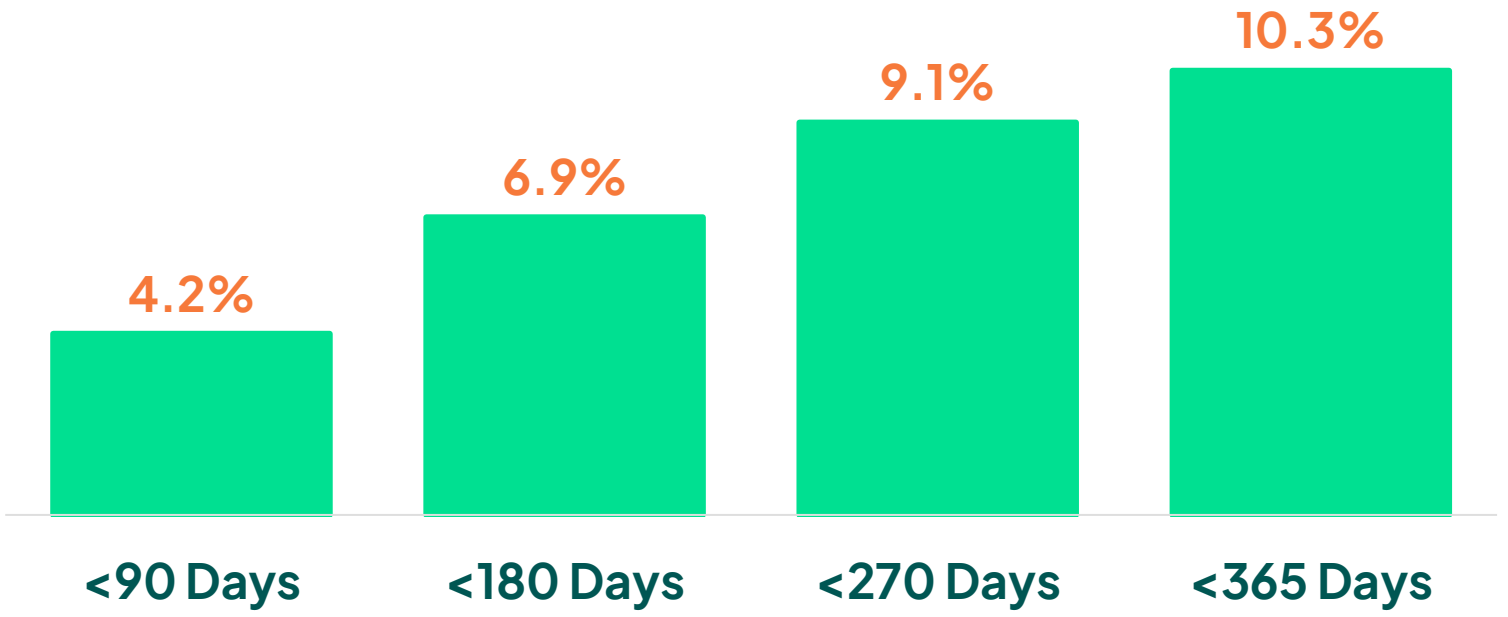


* Administrative churning refers to the loss of Medicaid coverage despite ongoing eligibility, which can occur if enrollees have difficulty navigating the renewal process, states are unable to contact enrollees due to a change of address, or other administrative hurdles. The risk of administrative churning may be particularly high after the PHE due to the volume of redeterminations states must conduct and the time since Medicaid agencies last communicated with many beneficiaries.

https://aspe.hhs.gov/sites/default/files/documents/404a7572048090ec1259d216f3fd617e/aspe-end-mcaid-continuous-coverage_IB.pdf

“Churn” has real implications in 2023-2024

Share of Medicaid Enrollees Who Disenrolled Then Re-Enrolled In Less Than One Year



NOTE: Based on 41 states; FL, KY, ME, MS, NE, IN, OK, OR, UT, and WY were excluded due to missing or inconsistent data.
SOURCE: KFF analysis of the Transformed Medicaid Statistical Information System (T-MSIS) Analytic Files (TAF) Research Identifiable Files (RIF).

KFF

Medicaid redeterminations and the PHE

Pre-Covid-19

State agencies and providers redetermine Medicaid eligibility **month-to-month**

Covid-19 / Public Health Emergency (PHE) / Family First Coronavirus Response Act (FFCRA)

H.R. 6201, FAMILIES FIRST CORONAVIRUS RESPONSE ACT

Title-By-Title Summary

The legislation guarantees free coronavirus testing, establishes paid leave, enhances Unemployment Insurance, expands food security initiatives, and increases federal Medicaid funding.

Section 6008. Emergency FMAP Increase. This section provides a temporary increase to states' federal medical assistance percentage for the duration of the public health emergency for COVID-19. It requires states to maintain eligibility standards that are no less restrictive than the date of enactment.

Section 6009. Increase in Medicaid Allotments for Territories. This section provides an increase to the territories' Medicaid allotments for 2020 and 2021. It will ensure that territories that receive an FMAP increase under the previous section will have the necessary additional federal funds for their Medicaid programs.

"States must apply Medicaid eligibility standards, methodologies, and procedures that are **no more restrictive** than those in effect on January 1, 2020….and must provide **continuous eligibility through the end of the month in which the PHE ends**"

April 1, 2023 – April 2024

State agencies and providers perform **redeterminations month-to-month with cascading FMAP**

Medicaid enrollment and disenrollment (based on income)

Continuous enrollment requirement (CER) in place during PHE. States ease enrollment MOEs. **Medicaid grows** and **redeterminations frozen** with additional funding (FMAP)

Phased Medicaid enrollment and disenrollment (based on income)

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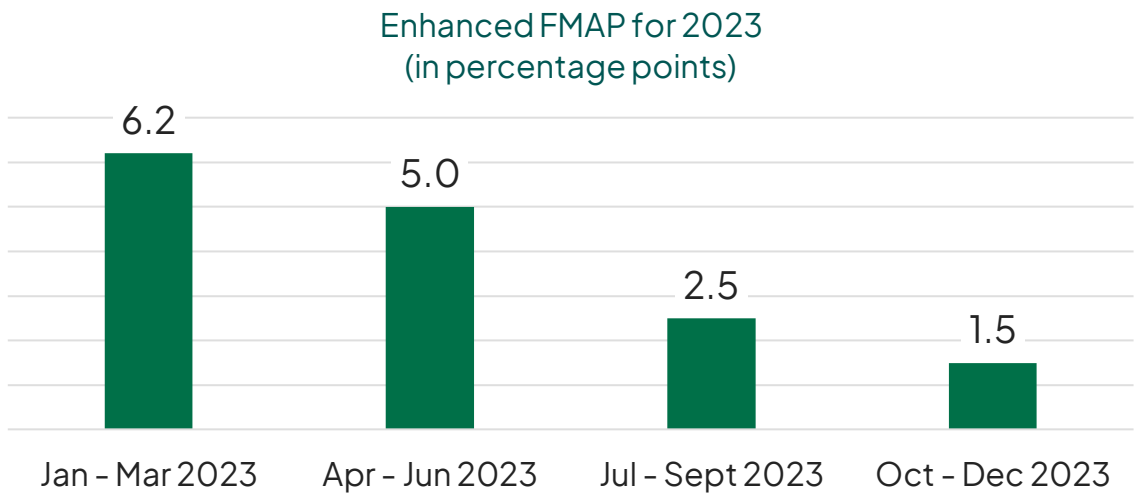
New Framework For End of Continuous Coverage

Continuous Coverage De-Linked from PHE

- Beginning April 1, 2023, states may begin disenrolling Medicaid enrollees who are no longer eligible after conducting a fresh and complete renewal
- Current maintenance of eligibility (MOE) requirements continue to apply through March ‘23
- New MOE requirements starting April 1, 2023

Enhanced FMAP Phases Down

- States that comply with applicable MOE requirements will receive:



https://ccf.georgetown.edu/2021/08/02/webinar-series-unwinding-the-covid-19-medicaid-continuous-eligibility-provision/

Poll Question #2

What level of preparedness exists for the PHE wind down at your organization?

A. <10% ready, not prepared

B. 11-25% ready, somewhat prepared

C. 26-50% ready, moderately prepared

D. 51-75% ready, adequately prepared

E. >75% ready, feel are well prepared

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Memorial Hermann Approach

About Memorial Hermann

Charting a better future. A future that's built upon the HEALTH of our community. This is the driving force for Memorial Hermann, redefining health care for the individuals and many diverse populations we serve.

Our 6,700 affiliated physicians and 29,000 employees practice the highest standards of safe, evidence-based, quality care to provide a personalized and outcome-oriented experience across our more than 260 care delivery sites.

As one of the largest not-for-profit health systems in Southeast Texas, Memorial Hermann has an award-winning and nationally acclaimed Accountable Care Organization, 17 hospitals – including one of the nation's busiest Level I trauma centers – and numerous specialty programs and services conveniently located throughout the Greater Houston area.

For more than 115 years, our focus has been the best interest of our community, contributing more than $474 million annually through school-based health centers and other community benefit programs.

Now and for generations to come, the health of our community will be at the center of what we do – charting a better future for all.

Advancing Health. *Personalizing Care.*

MEMORIAL HERMANN

OUR MISSION

We are a nonprofit, values-driven, community-owned health system dedicated to improving health.

OUR VISION

To create healthier communities, now and for generations to come.

OUR VALUES

Community
Compassion
Credibility
Courage

MEMORIAL HERMANN

Nationally-recognized services

Heart & Vascular

Children’s

Orthopedics

Oncology

Neuroscience

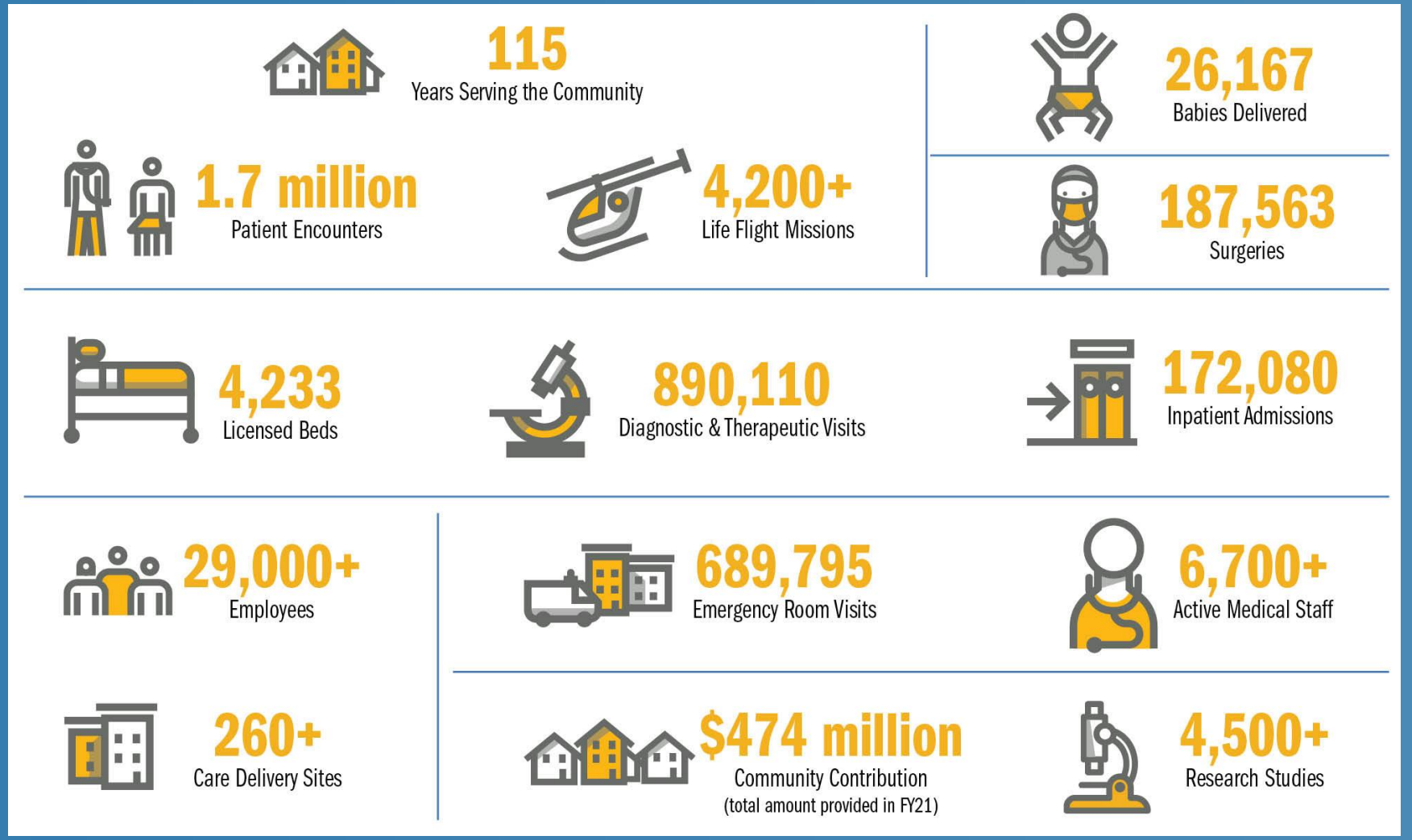
Trauma

Women’s

Primary Care

FY22 By the Numbers

Data: July 1, 2021 through June 30, 2022



MHHS priorities for revenue management

- CA$H (duh!)
- Operations
- Implementing a new EHR (2024)

Intake/financial clearance

1. **Financial clearance**
2. **Verification** – confirm active coverage, benefits, premium paid
3. **Authorization** – accurate date of service, location, physician, code(s)/service, Pre-D, referral
4. **Create estimate**
5. **Contact patient**
6. **Document** account / applicable documents sent to Document Imaging System
7. **Central Pricing Office** – inbound requests (call, email, online request)
8. **Status changes**

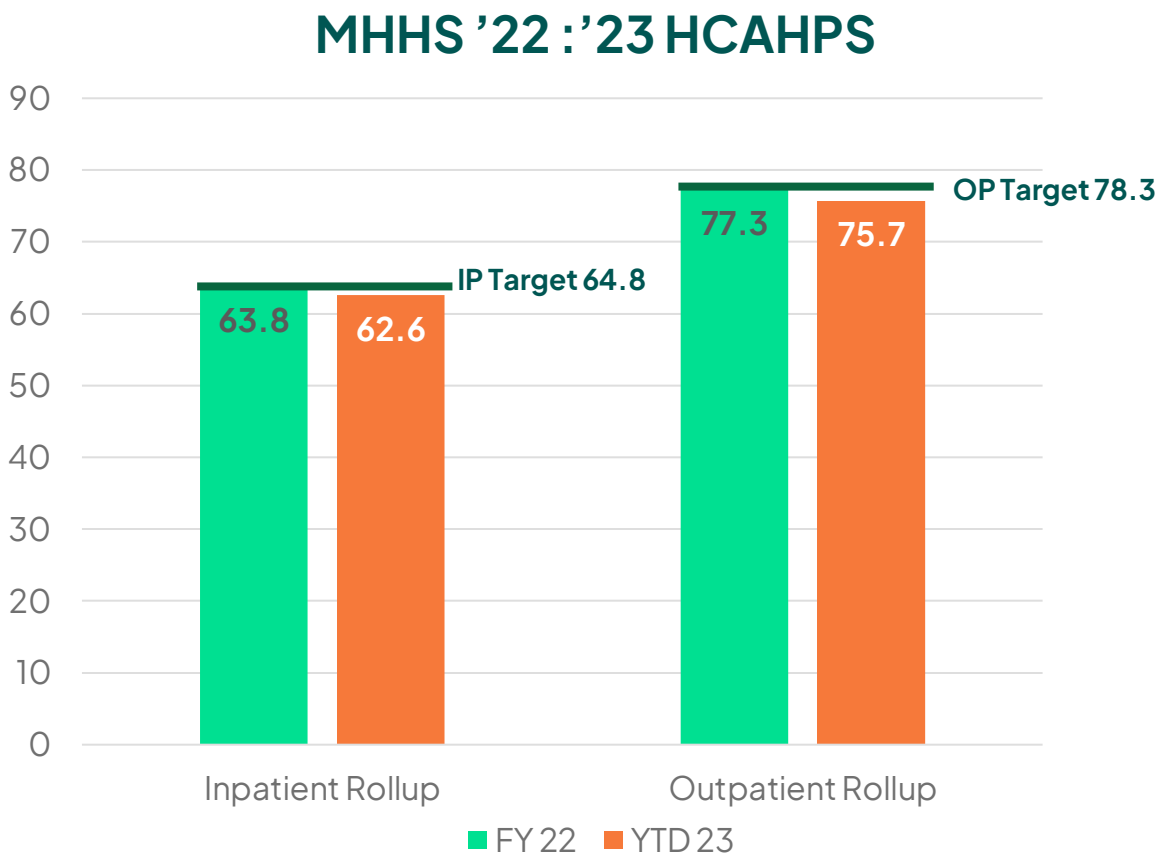
Approach to frictionless payment

- Online
- Mobile-enabled
- Self-service payment plans
- Financing

Results

Inpatient and Outpatient HCAPS YOY Improvement

- Sustaining high HCAPHS scores is important
- Measured and distributed monthly
- Roll up detail to every service line

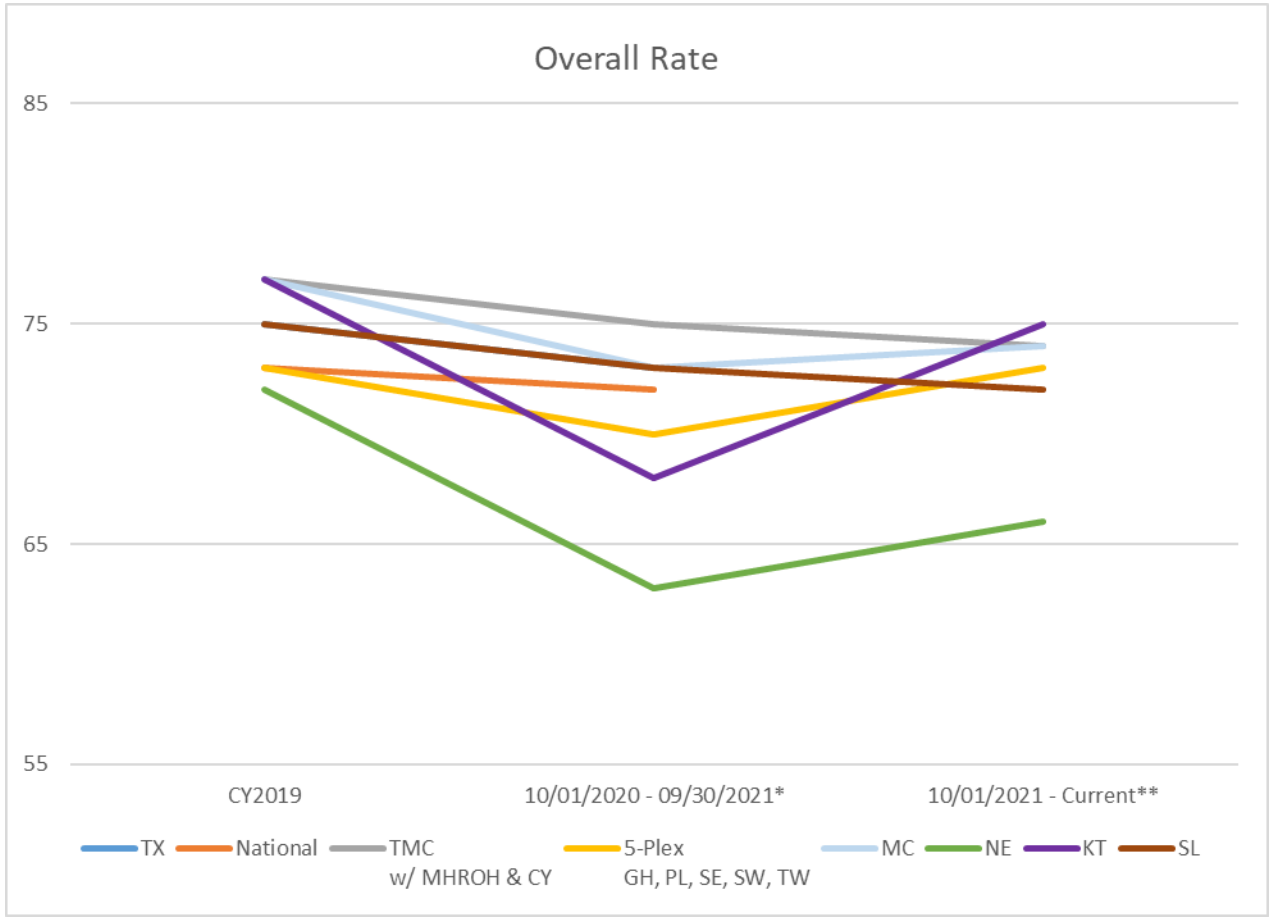


Results

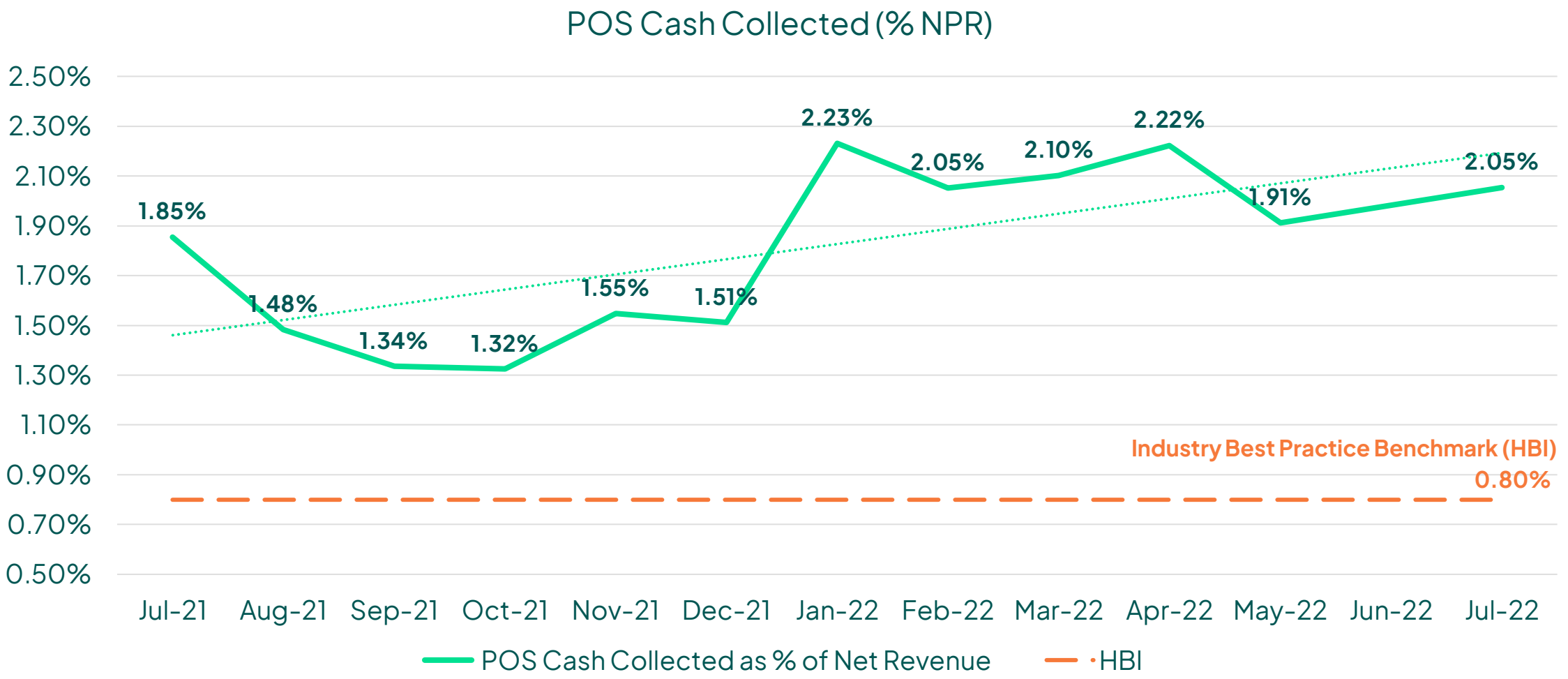
MHHS Patient Experience – HCAHPS

- 2020 saw HCAHPS drop from 2019
- 2021 has seen significant improvement in scores in certain markets
- Overall, it's difficult to sustain consistently high HCAHPS scores with the financial and operational headwinds
- This reinforces the importance of patient friendly billing, and ensuring the financial experience is a delighter not a detractor
- At MHHS we strive to ensure patients know their coverage and benefits, their out of pocket, and understand all their payment / assistance options

Patients that know what is happening *financially* are more satisfied



Results
Point-of-service cash



Lessons learned

- It’s harder than you think and takes longer than you anticipate
- Selecting the right vendor-partner / software is critical
  - RPA
- Re-group to assess options if outcomes are not as expected
  - Fail quickly and move forward

Poll Question #3

Which area of RCM is a focus for you?

A. Patient payments

B. Patient intake/scheduling

C. Patient financial clearance

D. Regulatory – NSA / Transparency

E. Improve payer-provider collaboration

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Summary

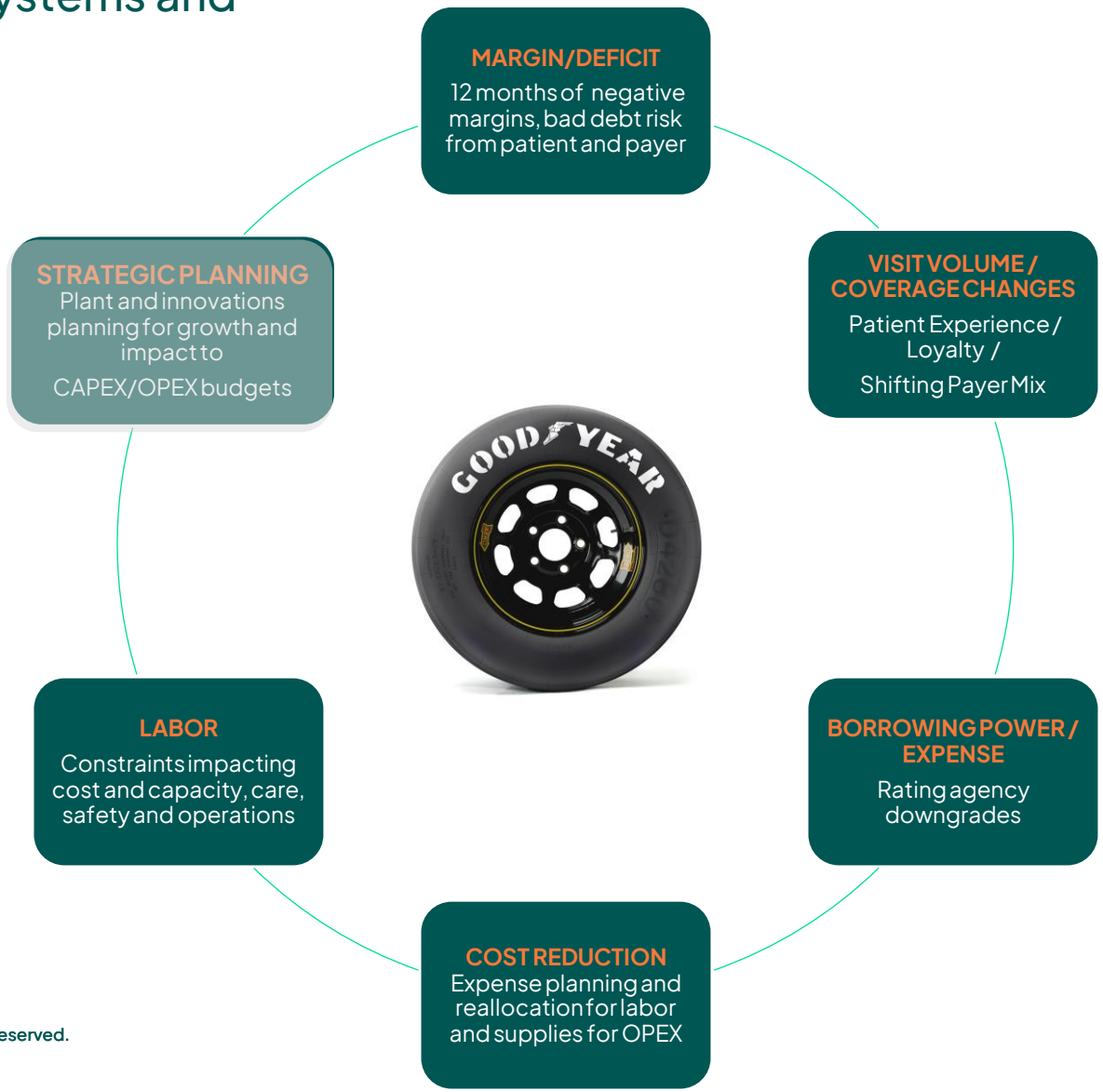
“This is like changing a tire on a race car going around the track;

near-term versus long-term …things are moving very fast…”

Lisa Goldstein, senior vice president at Kaufman Hall

https://www.fiercehealthcare.com/providers/2023-forecast-7-immediate-and-long-term-priorities-hospital-leaders

Pressure and priorities – will 2023 be a “good year” for health systems and hospitals?



Summary

1. Market headwinds forecast of year of recovery for hospitals
2. Cash is “king” from patient and payers
3. Optimizing people, process, and technology can automate your revenue management to offset labor constraints
4. Having a foundational revenue management strategy leads to best-in-class performance

Questions?

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Thank you!

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