KPMG Healthcare CFO roundtable: 4th edition

Trends and insights from industry leaders

January 2022

CFO agenda

As the healthcare industry continues to adjust to the ebb and flow of the pandemic, many CFOs are turning their attention to how to return to a longer-term sense of normalcy. Federal stimulus funds allotted to the healthcare industry have already been spent, and the future of healthcare pricing largely depends on whether the Biden administration is able to push through its healthcare agenda. Telehealth waivers that were put in place to allow patients to see their physicians during lockdown are now being replaced by more permanent regulations that put tighter parameters on virtual care.

Hospitals facing volume-driven shortages of personal protection equipment and other supplies are now dealing with what could be a multiyear disruption to the supply chain. And the flexible work arrangements that allowed doctors and nurses to "float" between healthcare institutions to meet the needs of COVID-19 patients are now giving way to staff shortages due to both normal attrition and pandemic-associated burnout.

In this CFO Roundtable recap, we cover two issues that will have a significant impact on healthcare organizations' economic prospects in the near term: (1) the federal healthcare agenda and its prospects for success, and (2) cost management in the face of both inflation and staff shortages.

Current industry trends

The Federal Healthcare agenda
The KPMG deputy tax leader for healthcare, Lori Robbins, shared her perspective on prospects of the healthcare provisions in the Build Back Better Act. (Although, since the time of this roundtable, it has become increasingly unlikely that the act will pass in the Senate, many of the measures may be included in the budget reconciliation bill or picked up by a federal healthcare agency.)

Healthcare-related measures are generally focused on incentives to shift more toward value-based care, expansion of Medicare and Medicaid, and lower prices for insulin and other prescription drugs.

More specifically, measures that are more likely to make it through to another bill include those geared toward:

- **Lowering health insurance premiums** to build upon the temporary insurance premium tax credits for those above a certain income threshold provided through the American Rescue Plan Act.
- **Expanding Medicare** to include hearing benefits, possibly through one-time vouchers.
- **Allowing Medicare to negotiate prescription drug costs** and cap out-of-pocket costs.
- **Increasing coverage for home care and community-based services** to address the aging of the population.

One roundtable participant expressed concern that the current divide in Congress and the excessive price tag would mean that no healthcare measures make it through. In the view of several participants, the strategy of using a "billionaire well tax" to pay for these programs is fraught with issues. One said, "I'm worried about the impact on macroeconomics and how we all operate."

According to Robbins, measures that might be eliminated or shifted to a federal healthcare agency, include:

- **Closing the Medicaid gap** by offering financial incentives to the dozen or so states that haven't expanded Medicaid will likely be eliminated.
- **Mandatory value-based payment models** meant to foster meaningful accountability for quality and total cost of care will likely fall to Center for Medicare and Medicaid Innovation (CMMI).

In response to the latter, one roundtable participant expects that Liz Fowler of CMMI will remain committed to instituting more value-based care models and minimizing episodic care, except for certain specialties, such as orthopedics. While participation has lagged for some previous value-based care programs, such as the Medicare Shared Savings Program, Robbins said that new models are expected to be piloted in the coming year.

Cost-management strategies to counter inflation and staff shortages

Healthcare organizations are struggling with staff attrition due to burnout during the past 18 months of the pandemic, and even now, as some regions deal with a "third surge." The biggest shortages seem to be in nursing, pulmonology, and respiratory therapy.

Many roundtable participants shared their perspectives:

One CFO expressed surprise at the level of attrition his organization is facing: "We first thought COVID-19 was an event with a beginning and an end. But the surges just kept coming. One thing we didn't prepare for is the sea change in labor staffing and the difficulty in finding new hires. We need some measures to help us through, as we are not sure how long this is going to be with us. Continuing to pay for travelling nurses, for example, is unsustainable from a cost point of view."

Another said: "We didn't lay anyone off or furlough anybody. We came out of the first crunch pretty well. What worries me is that nurses are so tired they're ready to drop, but they are still taking extra shifts."

Jamie Sanchez-Anderson, managing director in the KPMG Advisory practice, provided a perspective on how healthcare organizations can better utilize staff through transformative workforce management and care redesign solutions.

Workforce management solutions: To better manage in spite of the industry's current staffing challenges, organizations are transforming workforce management to better align current resources with demand. Digitalization and centralization of scheduling will streamline the care experience and help reduce labor costs by prioritizing scheduling of nonpremium and nonovertime employees first.

The approach she presented is geared toward (1) understanding patient demand, (2) assessing available staff skill sets, (3) predicting demand through proactive forecasting, and (4) instituting a technological scheduling solution.

> The best workforce management solutions combine predictive modeling and historic productivity metrics in the name of aligning staffing schedules with desired economic outcomes.
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> **—Jamie Sanchez-Anderson, KPMG**

As healthcare organizations shift from COVID-19 care back to more traditional care, they are seeing an influx of sick patients who lost immunity to illnesses like pneumonia, influenza, and RSV while in quarantine. "And yet," says Sanchez-Anderson, "some organizations are still not using time and attendance systems. Many are still using paper." Instead, she advocates for one of a spectrum of workforce management solutions. "If your organization isn't that mature, you may want cloud or off-prem systems. However, if you are ready for true transformation, you will want to look at solutions like UKG and Kronos that include predictive modeling and predictive control."

An important outcome of an effective workforce-management solution is balancing shifts assigned to full-time employees with those assigned to part-time employees and travelers. "There's so much to consider within workforce management," says Sanchez-Anderson. "Policies, holidays, weekends, rotation requirements, ADTs, volume at different times of day, staffing at night and on weekends." She recommends tying this all back to position control so that overtime can be minimized.

Care redesign: More and more, organizations need to figure out how to leverage resources not only within an individual facility but also across a region. Through care redesign, health systems can determine if patients need to be seen in person or if telehealth or tele-triage should be used for screening.

"Organizations want to lighten the workload in the emergency department and in-patient settings," said Sanchez-Anderson. "Historically, no one has pushed back on, for example, length of stay. In the current economic climate, this has become critical."

More and more, payers are scrutinizing site of care when deciding whether to reimburse or issue a denial. Sanchez-Anderson recommends implementing a clinical decision unit (CDU) to deal with these issues. By offloading patients to CDUs manned by nurse practitioners with remote ED physicians, health systems can maintain a higher staff-to-patient ratio than is possible in the inpatient setting. This leads to fewer denials and rework on the back end.

One participant shared that his organization is increasing its use of the "hospital at home" model. "We are focused on people who don't need an ICU or critical care but need some monitoring," he said. "And payers have been reimbursing as if it's an in-patient stay."

Topics for future sessions

The CFOs in attendance at the roundtable expressed interest in the following topics for future sessions:

- **Deeper dive into the labor market:** Look at trends and demand forecasting to determine whether current staffing needs are transitory or permanent.
- **Medicare Advantage (MA) versus Medicare:** Analyze demographic groups using MA and health systems with MA plans, as well as how the balance between traditional Medicare and MA may be impacted by upcoming regulatory changes.
- **Potential staff leakage to retail health:** Discuss how to counter staff attrition to retail health settings that are offering higher rates of pay.

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