

Avoid post-pandemic pitfalls: Getting health systems back to growth

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At the height of the pandemic, people across industries anticipated the day when the pandemic would be over. However, the pandemic and other global changes have made an indelible impact on healthcare. In this new phase, hospital and health system leaders face critical challenges.

Based on our experience in working with hospitals of every size and type across the nation, we estimate that about 60-70% of the health systems continue to face disruptive labor challenges, daunting costs and a surge in indigent, uninsured and underinsured care, all while struggling with budget deficits in the aftermath of the pandemic.¹

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The price tag for being too cost-focused

To quickly address these deficits, we find that many hospital administrators today are single-mindedly focused on cost strategies. What is the first place that many look for cost savings? Staffing has always been an easy target.

We've seen too many hospitals unable to fill open positions because of attrition and inability to meet market salary adjustments, yet this approach comes with a price on the toll it takes on existing staff — from burnout of overstretched teams to pharmacists spending valuable time on technician-level duties. This strategy's damaging effects end up costing more in the long run: overtime salary expenses and temporary and travel staffing costs are obvious impacts. The hidden effects include quality and cost impacts; for example, hiring inexperienced pharmacy staff may result in inconsistent drug inventory practices that exacerbate drug shortages and costly repercussions due to non-adherence to contracts.

Health leaders today must protect their labor. So where should health leaders start when prioritizing improvements?

Stop the leakage

Health leaders should first focus on the initiatives that have the greatest impact with minimal effort to make immediate, tangible improvements. Where to start? Concentrate on preventing dollars from leaking out of your health system.

- **Make your dollars count** by taking a deep dive into your purchasing practices. The first step is to make sure you are realizing the full value from existing savings opportunities, like your purchasing contracts and practices. Are you buying the right medications? Are you compliant with your contracts? Once that foundation is in place, review your facility's clinical programs to further optimize drug costs and improve outcomes and how your results compare with similar facilities.
- **Prevent unnecessary financial leaks** such as reducing bad debt write-off. One-third of hospitals have more than \$10 million in bad debt.² More troubling still is that one in five lack a bad debt recovery process.² Do you know how much bad debt you're writing off and what is causing it? Do you have a strategy to fix that?

- **Stabilize staffing** and remember the importance of culture to a high-performing organization. With the savings and reclaimed revenue from the first two initiatives, invest those dollars into retaining and protecting your top talent. Consider alternative staffing models, such as remote teams, which became more widely adopted during the pandemic and are proven to increase productivity and job satisfaction.

A patient-centric strategy

With this groundwork in place, health systems are poised for a return to growth. The most effective savings opportunities are those that are, unsurprisingly, not as easy to achieve. Despite the difficulty and investment in time and resources, the prize is worth the effort. For example, we find that the pharmacy can realize up to a 15% reduction of annual operating expenses.³

How? By returning to a best-practice approach to clinical care that puts the patient at the center of your strategy.

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- **The importance of drug management:** Ensure the right drugs are available for your patient population using a right-sized inventory for today's unpredictable environment. Just-in-time inventory models simply won't work in the future. It's about focusing on evidence-based drug management, such as having the right drugs available for your patients and using them in the most cost effective way.
- **Follow the patient (and the medications):** Outpatient service lines are an essential driver of long-term growth, revenue and improved outcomes. Optimizing and expanding care into non-acute care service lines, including infusion centers, specialty pharmacies, home health and more, will strengthen your organization's resiliency and extend your mission of care further in the community you serve.
- **Watch out for the siloes:** As you expand care into non-acute care settings, coordinated transitions of care become critical to your retail strategy. For example, ensuring discharged patients are compliant with medications to prevent needless readmissions and ensuring optimal authorizations that don't delay care or interrupt care. Your pharmacy, nurses, doctors and remittance teams need to be aligned and tightly coordinated; an intentional strategy for optimizing workflows among these departments is often overlooked and both revenue and care suffer as a result.

Remember, there is a finite amount of cost that you can drive out of a health system before impacting quality, safety and care — as well as your ability to retain top talent. Health leaders today who do not focus on incremental growth and revenue sources with a return to patient-focused clinical care may face irrelevance in the future.

Brown is responsible for inpatient and outpatient drug management for hundreds of hospitals and health systems across the nation. His more than 30-year career includes helping health systems meet strategic priorities by leveraging the pharmacy as a change enabler for acute care and retail networks.

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Reference: 1. Based on Cardinal Health-sourced account data estimates 2. "Your Revenue Cycle: Denial Rate," American Academy of Family Physicians, March 2019
3. Individual results may vary. Terms and conditions apply for Cardinal Health-managed accounts

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