



## **Healthcare Business Operations: At the Epicenter of Crisis Recovery**

***With the healthcare industry in crisis, organizations with modern, digitally enabled business operations are better positioned to face challenges and stay ahead of evolving regulations and patient needs***

**A**s a result of the COVID-19 pandemic, healthcare organizations (HCOs) across the U.S. saw a decline in patient volumes, a corresponding decrease in vital revenue, a shortage of clinicians, an impacted supply chain, a sudden shift to telehealth services and the immediate need for remote work – all at once. These remarkable business disruptors also highlighted the need for remotely accessible, connected, extensible, robust and real-time responsive business applications. Smriti Khera, Director of Marketing for Healthcare and Life Sciences for Oracle Cloud Applications, said these events have made clear that patient care, organizational strategy, operations and financial management are tightly intertwined.

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According to Michael Topchik and colleagues of the Chartis Center for Rural Health, outpatient services may never return to their pre-pandemic levels and hospitals’ financial struggles may not end with the pandemic. The financial situation is challenging for all providers but even worse for rural hospitals. According to their studies, outpatient services account for up to 76% of total revenue of rural hospitals. With over 47% of rural hospitals operating with negative margins, status quo simply isn’t an option.<sup>1,2</sup>

This unprecedented situation is driving many HCOs to the breaking point, according to industry experts. Provider finance organizations are struggling to ensure there is enough liquidity to keep essential services running while still attempting to plan for the future.



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HR organizations are trying to maintain sufficient staffing capacity, redistribute existing resources and meet targeted recruitment efforts. And, they are doing so while also finding ways to enable and manage remote work for nonclinical staff. This is particularly challenging because 60% of regions defined by federal government as lacking sufficient medical personnel are in rural communities, and, according to recent reports, rural hospitals are simply running out of staff during pandemic surges.<sup>3</sup>

Provider sourcing and inventory management are also under tremendous strain. They are tasked with identifying alternate trusted suppliers, maintaining adequate inventories of essential supplies while also reducing waste. Before the pandemic, studies suggested that HCOs overspend in supply chain by more than \$25 billion annually.<sup>4</sup> With so many changes to operations, due to COVID-19, it is even more critical to know which supplies are needed or if hospital assets are being used appropriately and efficiently.

Even before the pandemic, health systems and hospitals often struggled to manage the complexity of their business operations, which is why the industry remains rife with inefficiencies and waste.<sup>5</sup> Historically, organizations have relied on dozens, if not more, of different platforms to try to manage HR, supply chain, finance and other administrative operations. Taking this sort of niche-approach is limiting, however, especially during a public health crisis. Too often, vital data is siloed in different systems, making it nearly impossible to access in a timely manner. Without modern digital technologies that offer integration of business processes, provide unified access to information and support remote operations, HCOs cannot harness the information they need to inform business decisions.

Hospital closure is a serious issue, particularly in rural locations. Studies conducted by Chartis Health found that, from 2010-2019, more than 130 rural hospitals have already ceased operation and the emergence of COVID-19 threatens to further erode the rural health safety net. In fact, according

to their study, when it comes to hospital closures, financial and operational metrics are useful indicators that can predict hospital closures.<sup>6,7</sup>

## Evolving regulations and the value-based care model

The healthcare business model is evolving. To start, healthcare regulations are still in flux, especially with the arrival of a new administration. New rules regarding price transparency, as well as continued development and implementation of bundled payment models and value-based contracts mean that provider organizations no longer have the luxury of relying on the fee-for-service model of reimbursement. To stay competitive and lower the total cost of healthcare, HCOs need to be able to promote value and, by extension, support value-based models of care and reimbursement.

“Because of the complexity of the U.S. healthcare system – and how healthcare is paid for – it is challenging for HCOs to provide accurate and understandable charge information to consumers,” said Tom McKinlay, Healthcare Sales Consultant, Oracle. Pricing is a complex process for providers that requires



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Tom McKinlay | Healthcare Sales Consultant | Oracle



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individual pricing agreements with every payer for every procedure, according to McKinlay: “And, to provide the most accurate and up-to-date pricing information, providers need to access and integrate data from multiple business systems.”

HCO business leaders are also looking to predict how new regulations, such as Surprise Billing, will be promulgated and how judicial decisions on Affordable Care Act-related issues will affect them.<sup>8</sup> With such big potential changes afoot, hospitals and health systems are taking a closer look at their financial systems and the cost of care delivery to adequately prepare their organizations for the adoption of a true value-based care model, if they are not already there.

“Being able to have visibility into costs by service, by physician and by patient is important to exercise controls on the cost of care delivery,” Khera explained. “Having real-time cost and margin visibility can help determine the most competitive and value-based price for a particular service. But it’s also important to note that new regulations will come with added administrative burden [from compliance, reporting, implementation and operational requirements].” With administrative costs in the U.S. already making up 33% of healthcare expenditure, HCOs are going to need to improve operational efficiencies all around to stay competitive.<sup>9</sup>

## The blueprint for change

HCO business leaders are all too well aware of the administrative obstacles they must overcome; however, they do not always have the tools needed to best address them. Dalila Luna-Moreno, Healthcare Business Architect, Oracle, said many organizations are trying to remain proactive with aging systems that lead to outdated and inaccurate information, limiting their value for informed decision-making. Here are four focus areas that can help HCOs emerge from the present crisis and stay ahead of the change curve:

### 1. Make your organizational data work for you

Connected business operations can help HCOs understand their cost of care delivery, predict future scenarios and inform strategy and next steps. “Healthcare organizations are data rich. Modern technologies like artificial intelligence [AI] and machine learning [ML] can mine the transactions for valuable insights to guide the business both operationally and strategically,” Luna-Moreno said. Without

these, many HCOs find it difficult to gain timely access to disparate information and struggle with manual processes and spreadsheets, which can lead to errors, slow decision making and impede planning.

### 2. Conduct strategic workforce planning and address staff burnout

Complete view of workforce skill sets and gaps, help HR organizations align staffing to HCO strategic priorities and enable redistribution of existing resources to respond to dynamic needs. Additionally, HCOs need to take a long, hard look at their workforce once the pandemic is under control. Many frontline healthcare workers are simply burnt out – and organizations are under pressure to identify retention and wellness benefits that will support and motivate doctors, nurses and other clinical staff to stay on. “Having the ability to identify individual skill sets and support life/work balance can help identify unique benefits above and beyond the salary base to prevent your workforce from going over to the competition,” said Luna-Moreno. “Understanding how those benefits – both hard and soft – translate into dollars will help leaders to attract and retain the right talent.”

### 3. Re-evaluate supply chain to identify quality and cost drivers

HCOs must identify alternate trusted suppliers with a focus on reliability and quality. Improved inventory management systems help track inventories of essential supplies while also reducing waste. Luna-Moreno added that modern business applications also can help procurement organizations use real-time data to implement best practices that not only help control the spend curve, but also shape future contracts better, ensuring effective negotiations and visibility as well as the ability to monitor contract prices versus actual purchases.



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#### 4. Embrace automation and remote operation

Cloud-based technologies can enable remote business operations, provide real-time access to accurate data, automate routine data-entry and other common processes and offer true visibility into the entire enterprise without extensive integrations among different applications. “These kinds of technologies can free up precious staff resources so they can address challenges that always seem to come at a fast pace in healthcare,” said Khera. “They also position HCOs to innovate by adopting the latest advances with a quarterly cadence of innovation delivered without disruption or the need for major system upgrades. This allows HCOs to remain agile, proactive and ready – no matter what may be coming their way.”

### The bottom line

The healthcare business is still a business – and it is ripe for digital improvements. Disparate on-premises business applications and manual processes make it difficult for HCOs to remain agile when change happens.

When HCOs put critical information together, accessing enterprise-wide data in real time, they can use powerful analytics to generate the kind of insights to guide them as they move toward an ever-uncertain future. These actionable insights can help HCOs determine how to better cut costs, manage talent, deal with rising competition or just forecast what could be coming next.

Everyone across the enterprise benefits through digitally enabled business operations that position healthcare organizations for greater agility and resilience to face the industry challenges of tomorrow.

To learn more about the advantages of a modern digital back office to promote true data-driven operational decision-making in real time, check out [Oracle Modern Best Practice for Healthcare](#) or visit [explore.oracle.com/healthcare](https://www.explore.oracle.com/healthcare).

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