Reaching Beyond COVID

Jeff Goldsmith
President, Health Futures, Inc.

WASHINGTON STATE HOSPITAL ASSOCIATION
QUALITY AND SAFETY FORUM
WEBCAST
14 MAY, 2020
What Are We Going to Talk About?

- COVID- An Asteroid Strike on US Society
- COVID’s Impact on the Economy
- COVID’s Impact on Care System
- Restarting the Health System
- The Future: Beyond COVID
COVID: A Bolt from the Blue
Chicago: State Street
Beverly Hills:  Rodeo Drive
New York City: Brooklyn Bridge
Seattle: I 5-I 90 Junction
Pacific Northwest Prevalence May 11

Washington
18,300+

Oregon
3,200+

Idaho
2,200+
Some Observations

- COVID is Basically Everywhere
- Evidence Suggests It’s Been Here Since December
- Actual US Diagnosed Cases May be 10-20% of the Actual Footprint of the Virus
- Lack of Testing is Reason for Uncertainty
- 400 Thousand Travelers Entered the US from China in January before Travel Ban, and 40k Americans Afterwards
- Several Countries Have Eliminated the Virus-notably New Zealand and Taiwan, with Vietnam not Far Behind
- What Worked: Screening, Testing, Contact Tracing and Isolation
Excess Deaths Conundrum

Excess deaths are deaths above what is historically expected for this period.

Sources: Overall death data and covid-19 death counts come from the National Center for Health Statistics, and estimates for expected deaths come from Yale School of Public Health’s Modeling Unit.
Geography of COVID Not Random

- First Hot Spots: Kirkland WA and NYC
- (NY and New Jersey Still Half the Deaths)
- Then Big Urban Areas, notably Detroit, New Orleans, Chicago
- Most Rapid Growth now is MidAtlantic (Maryland, Virginia) and Midwest (Iowa, Wisconsin, Kansas, Nebraska, Minnesota, Missouri, Tennessee and Kentucky)
Future COVID Risk Also Not Randomly Distributed

Gist Healthcare COVID-19 Risk Index

About the Index

Each county is assigned a score from 0 to 100 based on three categories of risk factors: chronic disease prevalence, demographics, and acute care access. A total of seven metrics are used across those categories and are weighted equally:

- Chronic Disease Prevalence
  - Hypertension
  - Diabetes
  - Obesity
- Demographics
  - Poverty rate
  - Age 65 and older
- Acute Care Access
  - Hospital beds per 10,000
  - Intensive care unit beds per 10,000
Deaths in MidLife: A Rising Tide

Figure 1.9 All-cause mortality, white non-Hispanics, ages 45-54
Vulnerability Isn’t Just Age Related

- Mortality Rate for Folks in 70’s and 80’s probably 10%
- Obvious Vulnerability in Eldercare Facilities
- BUT...Prisons, Jails, Factories, Food Processing Plants, Distribution Center, Grocery Stores AND Health Facilities Expose Younger People to Risk
- Tough Decisions Ahead for Colleges and Universities
- Exposure Rates and Fatalities Also Income Related, Mainly Due to Crowded Housing
- Minorities Are Markedly Overrepresented in Death Statistics
- Even Children Not Completely Immune
COVID Not Over
And New Case Growth Shifting Away from Early Hotspots

Texas appeared to be improving...

... but the decline was restricted to Houston
Economic Impact of COVID
Energy Price Collapse Will Hurt Center of US
Oil and Gas Production a Major Contributor to the US Economic Boom

Oil and Natural Gas Production in the United States
(Derived from Mast, et al, 1998)
Unemployment: A Flash Depression

Monthly change in jobs

-20,500,000

Jobs lost in April 2020

Source: Department of Labor
April Unemployment Rate Highest in 80 Years

Unemployment rate

Source: Department of Labor
Small Enterprises Hurt Worst

- 60% of Employees in Firms Smaller than 10 Employees Lost their Jobs
- (Small Business Assistance Expires at End of May (!))
- Pattern Holds in Healthcare
- Dentists Offices were Largest April Health Job Loss (500k)
- Physicians Offices were Next (250k)
- Hospitals were less than 10% of Healthcare Jobs Lost (135k)!
- Expect May/June Pattern to Change as Hospitals Assess Economic Damage
GDP Plummet
Healthcare: 18% of GDP but 47% of COVID drop!

Table 2. Contributions to Percent Change in Real Gross Domestic Product

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gross domestic product</td>
<td>2.4</td>
<td>2.9</td>
<td>2.3</td>
<td>1.9</td>
<td>2.2</td>
<td>2.0</td>
<td>2.2</td>
<td>2.3</td>
<td>3.5</td>
</tr>
<tr>
<td>2</td>
<td>Personal consumption expenditures</td>
<td>1.78</td>
<td>2.05</td>
<td>1.76</td>
<td>1.95</td>
<td>1.74</td>
<td>1.70</td>
<td>1.63</td>
<td>1.63</td>
<td>1.61</td>
</tr>
<tr>
<td>3</td>
<td>Goods</td>
<td>0.83</td>
<td>0.86</td>
<td>0.78</td>
<td>0.94</td>
<td>0.84</td>
<td>0.41</td>
<td>0.68</td>
<td>1.14</td>
<td>0.85</td>
</tr>
<tr>
<td>4</td>
<td>Durable goods</td>
<td>0.49</td>
<td>0.44</td>
<td>0.34</td>
<td>0.49</td>
<td>0.79</td>
<td>0.41</td>
<td>0.24</td>
<td>0.54</td>
<td>0.55</td>
</tr>
<tr>
<td>5</td>
<td>Motor vehicles and parts</td>
<td>0.13</td>
<td>0.11</td>
<td>0.05</td>
<td>0.14</td>
<td>0.34</td>
<td>0.16</td>
<td>-0.12</td>
<td>0.11</td>
<td>0.23</td>
</tr>
<tr>
<td>6</td>
<td>Furnishings and durable</td>
<td>0.13</td>
<td>0.10</td>
<td>0.05</td>
<td>0.11</td>
<td>0.14</td>
<td>0.06</td>
<td>0.15</td>
<td>0.13</td>
<td>0.15</td>
</tr>
<tr>
<td>7</td>
<td>Recreational goods and vehicles</td>
<td>0.19</td>
<td>0.16</td>
<td>0.19</td>
<td>0.26</td>
<td>0.22</td>
<td>0.15</td>
<td>0.21</td>
<td>0.25</td>
<td>0.05</td>
</tr>
<tr>
<td>8</td>
<td>Other durable goods</td>
<td>0.03</td>
<td>0.08</td>
<td>0.05</td>
<td>-0.02</td>
<td>0.05</td>
<td>0.01</td>
<td>0.00</td>
<td>0.04</td>
<td>0.12</td>
</tr>
<tr>
<td>9</td>
<td>Nondurable goods</td>
<td>0.35</td>
<td>0.42</td>
<td>0.45</td>
<td>0.45</td>
<td>0.09</td>
<td>0.00</td>
<td>0.44</td>
<td>0.60</td>
<td>0.31</td>
</tr>
<tr>
<td>10</td>
<td>Food and beverages purchased</td>
<td>0.16</td>
<td>0.16</td>
<td>0.09</td>
<td>0.30</td>
<td>0.12</td>
<td>0.17</td>
<td>0.15</td>
<td>0.09</td>
<td>0.19</td>
</tr>
<tr>
<td>11</td>
<td>for off-premises consumption</td>
<td>0.02</td>
<td>0.07</td>
<td>0.06</td>
<td>0.02</td>
<td>0.05</td>
<td>-0.09</td>
<td>0.12</td>
<td>0.12</td>
<td>0.09</td>
</tr>
<tr>
<td>12</td>
<td>Gasoline and other energy goods</td>
<td>-0.01</td>
<td>0.00</td>
<td>0.00</td>
<td>-0.05</td>
<td>-0.03</td>
<td>-0.05</td>
<td>-0.04</td>
<td>0.10</td>
<td>-0.04</td>
</tr>
<tr>
<td>13</td>
<td>Other nondurable goods</td>
<td>0.18</td>
<td>0.19</td>
<td>0.29</td>
<td>0.18</td>
<td>-0.05</td>
<td>-0.02</td>
<td>0.33</td>
<td>0.29</td>
<td>0.15</td>
</tr>
<tr>
<td>14</td>
<td>Services</td>
<td>0.94</td>
<td>1.18</td>
<td>0.98</td>
<td>1.01</td>
<td>0.90</td>
<td>1.29</td>
<td>0.95</td>
<td>0.49</td>
<td>0.76</td>
</tr>
<tr>
<td>15</td>
<td>Household consumption</td>
<td>0.94</td>
<td>1.08</td>
<td>1.01</td>
<td>1.07</td>
<td>0.57</td>
<td>1.30</td>
<td>0.94</td>
<td>0.61</td>
<td>0.81</td>
</tr>
<tr>
<td>16</td>
<td>expenditures for services</td>
<td>0.10</td>
<td>0.17</td>
<td>0.12</td>
<td>0.10</td>
<td>0.27</td>
<td>-0.12</td>
<td>-0.13</td>
<td>0.37</td>
<td>0.04</td>
</tr>
<tr>
<td>17</td>
<td>Health care</td>
<td>0.27</td>
<td>0.34</td>
<td>0.35</td>
<td>0.84</td>
<td>-0.40</td>
<td>0.80</td>
<td>0.09</td>
<td>-0.03</td>
<td>0.56</td>
</tr>
<tr>
<td>18</td>
<td>Transportation services</td>
<td>0.08</td>
<td>0.07</td>
<td>0.04</td>
<td>0.02</td>
<td>0.15</td>
<td>0.11</td>
<td>-0.04</td>
<td>0.12</td>
<td>0.13</td>
</tr>
<tr>
<td>19</td>
<td>Recreation services</td>
<td>0.03</td>
<td>0.06</td>
<td>0.07</td>
<td>-0.06</td>
<td>0.12</td>
<td>0.13</td>
<td>0.07</td>
<td>-0.05</td>
<td>0.05</td>
</tr>
<tr>
<td>20</td>
<td>Food services and accommodations</td>
<td>0.12</td>
<td>0.19</td>
<td>0.09</td>
<td>0.04</td>
<td>0.05</td>
<td>0.07</td>
<td>0.33</td>
<td>-0.06</td>
<td>0.11</td>
</tr>
<tr>
<td>21</td>
<td>Financial services and insurance</td>
<td>0.10</td>
<td>0.06</td>
<td>0.10</td>
<td>-0.21</td>
<td>0.10</td>
<td>-0.03</td>
<td>0.33</td>
<td>-0.01</td>
<td>0.11</td>
</tr>
<tr>
<td>22</td>
<td>Other services</td>
<td>0.24</td>
<td>0.19</td>
<td>0.26</td>
<td>0.11</td>
<td>0.26</td>
<td>0.33</td>
<td>0.29</td>
<td>0.28</td>
<td>0.09</td>
</tr>
</tbody>
</table>

Table notes:
- Seasonally adjusted at annual rates.

April 29, 2020
COVID Did Not Bring Us Together!
COVID-19 IS A LIE

CNN says, "We have massively overestimated the severity of COVID-19."

They also report, "Fewer than 40,000 US deaths will occur from COVID-19 this year. That's less than the flu.

According to the CDC, the flu caused 40,000-50,000 deaths in the US. We don't have that many deaths this year from COVID-19. No, COVID-19 is a hoax. Posts like this are unhelpful and dangerous. COVID-19 is real. People are dying because they're not taking it seriously. This is a public health emergency. We need to be cautious and follow guidelines to protect ourselves and others. Together, we can stop the spread and save lives."
GIVE ME
liberty
or give me
COVID
And Not Entirely Explicable
A “Charlottesville Moment” in Nashville, Tennessee
Note to Survivalists: Average COVID Victim Lost Eleven Years of Life!
But Political Pressures Are Almost Irresistible in a Lot of Places
What is the Path Out of the Economic Problem?
Key Question: What is Extent of Structural Damage to the Economy?
What is Meant by Structural Damage?
Federal Reserve to the Rescue
And Congress As Well
How Much Will All those $$$ Matter to:

- J Crew
- JC Penny
- Airbnb
- United Airlines
- Disney World
- Major League Baseball
- Carnival Cruise Lines
Wall Street’s Presumed Economic Recovery

Z-Shaped Recovery

Pre-Corona baseline
Could Be a Different Shape
Or
Something
Less
Pleasant
Or Still
Less
Pleasant
(e.g. Second Wave of COVID)
Great Recession Trajectory
What Will Determine the Shape of the Economic Recovery?

- Degree of Control over COVID
- Pace of Resurgence of Consumer Demand
- Degree of Financial Strength of Households, Small Businesses and Corporate Balance Sheets
- Shape Will Differ from Region to Region (Oil e.g.)
- Do we End Up with a “90% Economy”?
What about the Hospital’s Pathway Back?
COVID: What Hospitals Expected
What Most People Got Instead...
Nobody Said: “Don’t Come to the ER”
Main Factors that Will Determine Hospitals’ Recovery Trajectory

- How Long the COVID Siege Lasts
- Whether there is a Second COVID Wave
- How Long It Takes for Deferred Care to Surge Back
- How Much Deferred Care is No Longer Needed
- How Confident The Community is of the Safety of the Hospital ER (source of 60-70% of hospital admissions)
- How Able Patients are to Afford their Share of the Cost
Problem: Patient Reticence
Solution: Widen the Circle of Trust
Ingredients Required to Widen the Circle of Trust

- PPE that Meets or Exceeds Demand
- Aggressive Testing BOTH of Staff and Patients/Visitors
- Redesigned Use of Public Spaces
- A Culture of “No Blame”
- Aggressive Use of Virtual Care Options as Alternatives to In Person Visits
- Word of Mouth from the Care Team
Collaboration with Physicians
Anticipate Patient/Family Financial Problems

- Lots of the 20 Million Newly Unemployed ALSO Lost their Health Coverage (Could be as high as 10 million!)
- Household Budgets are Strained!
- Out of Pocket Cost Risk will Be a Major Factor in Determining If People Use the Care System
- How We Adjust Revenue Cycle Processes to Lighten the Economic Burden on Patients?
- Can We Connect with Local Employers and Insurers about Suspending the Patient Cost Sharing Burden?
- Can We Eliminate Some of the Bureaucratic Processes (PreAuth, Denials) that Raise Costs and Reduce Access?
Future State: We Will Probably Not Return to the Pre-COVID World
Biggest Health Industry Risk is a Sustained Recession!
What Recessions Do to Health Financing

- They Increase the Number of Uninsured
- They Increase Medicaid Enrollment
- At the Same Time They Shrink State and Federal Revenues
- They Reduce the Scope and Generosity of Private Health Coverage
- They Encourage both Government and Private Payers to Change How Healthcare is Paid For
Federal Deficit Will Weigh on Recovery

Federal Deficit Will Reach Record Levels

Source: CRFB Calculations
Republicans Came within One Vote (McCain) in 2017 of Eliminating a TRILLION in funding for the Poor and Working Poor

Trump Administration Pressing Ahead with Support for Attorneys’ General Suit against ACA

Democratic ”Fallbacks” to M4A- Medicare Buy-In) Badly Damage Hospital Operating Margins by Reducing Commercial Insurance Enrollment
State Budgets Also Plunging into Red

- State Governments Lost $152 billion in Revenues in 2Q20 (April-June)
- Total Expected FY 20 Spending: $900 Billion
- Fund Balances including Rainy Day Funds: $90 Billion
- California Alone Expects a $52 billion Deficit in FY20
Baseline (3Q19): 1.8 Million Enrolled (818k CHIP)

- Low End: +256k additional enrollment
- Med: +395k additional enrollment
- High End: 546k additional enrollment

- Med Range growth in Uninsured: +58k

Families First Coronavirus Response Act Temporarily Increased Medicaid FMAP by 6.2% thru FY20

- Expected $9-10 billion a quarter federal increase
Payer Mix Ambush
Expect:

- Downshift in Unit Revenues due to More Medicare and Medicaid
- Contentious Rate Negotiations with Managed Medicaid MCOs
- Rising Bad Debt Pressure from Insured Patients due to Family Financial Problems
- Resurgence of Denials, Downcoding/Reclassifications and Delays from Commercial Insurers
What Did I Hear at Hospital Meetings in 2012-2017?

- Achieve Mass and Scale
- Dominate Your Market
- Fortress Balance Sheet
- Leverage the Payers
- Eliminate Competitive Threats
- GROW GROW GROW
The Post ACA Catastrophe

Source: Moody's Investors Service
Causes of FY16-17 Earnings Drop

- Lots More Government Patients
- Flat Surgical Volumes
- Speculative “Risk Based” Contracts Bought with Big Front End Discounts, then no Bonuses
- Surge in Denials (War of the Robots)
- Explosion of Corporate Overhead
- Physician Practice Losses
Scale Didn’t Help!
IN FY18, Scale Actually Hurt Financial Performance!
What Have We Learned in the Past Three Months?
Prepare for a Fall Resurgence

- Stockpile Adequate PPE
- Continuously Test Staff (both PCR and antibody)
- Push Testing Out into Likely Hotspots:
  - Eldercare Facilities, Jails and Prisons, Factories and Food Processing Facilities, Grocery Stores, Schools (?)
- Reconfigure Patient Flows to Protect Continuing Business in ER/ICU
- Actively Engage Community to Keep Them Informed
Systemic Changes?

- New Deal with Local Employers/Payers re: Cost Sharing
- Dynamic Budgeting to Protect Against Payer Mix Changes and Deteriorating Collections
- Non-Incremental Reductions in Fixed Expense by Attacking Admin Overhead and Contract Relations
- Reframing Physician Enterprise
- Leverage Virtual Care
- More Aggressive Approach to Substance Abuse and Mental Health Treatment
COVID Was the Hospital Worker’s 9/11
Hospitals are about HELPING PEOPLE!
for Business