

EMERGENCY OPERATIONAL AND CASH MANAGEMENT STRATEGIES

OPERATIONAL STRATEGIES: *These strategies focus on internal operational supports that you can put into place to manage your limited cash resources, ensure you can make your payroll, income tax and other critical obligations and plan for immediate cash needs. Note: once the process is established, an accounts payable coordinator should be able to maintain these reporting procedures:*

- 1) **Daily bank reconciliations to including outstanding debits/credits (i.e. checks not posted).** This should be completed as one of the first morning tasks and combined with #2 below:
- 2) **Daily cashflow report generated to management.** This should include yesterday's ending balance, today's starting balance, net deposits, net outstanding debits all totaling a net cash for the day
- 3) **Weekly vendor payables report with a rolling eight-week pay list.** This is a list that with all of your vendors including payroll, taxes, rent, utilities and every single other vendor on it and total amount due to each vendor. Then, plot out by week which vendors will be paid for the next eight weeks. Make sure you account for every payroll and tax payment, insurance payments, rents and utilities. Then add in vendors, knowing that you may not have enough cash to pay timely. This allows you to identify which vendors you may need to reach out to and determine if you can delay payment.
- 4) **Weekly cash projections.** Take a rolling 52-week cash report and use that to project cash expectations for the week, adjusting for any seasonality and any known current existing conditions. This will allow you to project cash on hand by week and identify any high points/low points.
- 5) **Weekly provider productivity reports.** Develop a weekly provider productivity report that allows you to see by provider actual charges billed. It should total at the bottom. You can apply your collection ratio to that amount to create a general cashflow projection in 30 days.
- 6) **Strong purchase order approval system.** Rest authority within the c-suite for purchasing, as necessary but particularly for "luxury items" such as CME stipends, office accoutrements, etc.

CASH MANAGEMENT STRATEGIES: *These strategies focus on reviewing individual revenue and expense line items and developing discreet, sometimes "one-time-only" solutions to immediate cash needs.*

REVENUES:

- 1) **Access telehealth to restore visits.** Take advantage of CMS waivers and relaxed Medicaid rules to quickly adopt telehealth to reestablish care to your existing patients.
- 2) **Consider creating "well sites" or safety messages which highlight how safe your facility is.** If you have multiple sites and/or multiple entrances, consider creating a well person foot traffic pattern that allows a person who is well to enter the facility, get care from unexposed individuals and in a designated area that allows only for well visits. (This is for providers who have integrated primary care.) For providers who do not have integrated primary care,

emphasize site safety in your messaging, including the ability to social distance, cleaning protocols, etc. This allows clients who are not ill to feel confident resuming regular care.

- 3) **Restructure or renegotiate debt:** utilizing the no-interest loans available, consider looping in vendor debt or long-term debt into the loan agreement. Many of these loans have a six-month deferment. Even if they don't (because you're rolling in existing debt), the resulting monthly payment could be less than what you're laying out now to multiple different payers (your lender and your vendors). When you do this, ensure you will have four months' cash on hand with existing revenues, new HRSA CARES money and the new debt.
- 4) **Work with grantors** to see if they will either increase awards, help you become eligible for new awards and/or, if multiple-year grantors, see if they will advance next year's money. As you work with grantors and open up new lines of business, consider repurposing staff who would otherwise be furloughed to take these roles. Examples: receptionists can become outreach workers.
- 5) **Convert to PMPM model:** If you have commercial payers, consider if they will convert you to a PMPM model which would keep you whole for 2020 based on 2019's reimbursement. This can turn the taps back on now. If not, would they increase your rates by 50% for a four-month period and settle up with you at the end of the year if their 2020 spend is greater than their 2019 spend.
- 6) **Utilize ACO savings:** If you are in an ACO, we are seeing some savings of people avoiding the emergency rooms. Does this free up some of their revenues to invest in ACO partner infrastructure? If so, make it clear that while it is to pay for improvements – such as adoption of telehealth – it also needs to pay for some recurring expenses.
- 7) **Work with local municipalities, state agencies and foundations to identify programs** that you could take over and redeploy staff, such as taking over some social service programs such as school testing/screenings, housing support, etc.
- 8) **Outreach to vulnerable communities** who may not have access to care (group homes, I/DD providers, etc.) and offer to do telehealth to expand visits.
- 9) Work within your ACO and your commercial payers to identify **pay-for-performance activities** you can do remotely to improve care for an incentive payment.

EXPENSES:

- 1) **Payroll management:** Primarily, health center expenses are centered around payroll. Look at your state's unemployment benefits coupled with the federal program of \$600 per week. There is a chance you can keep some staff whole. For example, in many states an individual is eligible for up to 50% of his/her salary to an amount of approximately \$500/week. So, an individual making \$50,000 a year, would be making \$962 per week and eligible for \$481 in unemployment. However, they are also eligible for an additional \$600 per week for four months from the federal government until July 31st. Thus, the person is kept largely whole, if one considers that they'll likely need to pay for health insurance benefits. However, this takes the sting out of furloughing staff and allows employers to keep as much money as possible in each of their pockets.
- 2) **Reduced workdays:** You can also ask higher earning staff to go to a reduced workday of .80 FTE from 1.0 FTE. That gives them an extra day off per week, which with summer coming up isn't a bad thing, and helps save labor costs. Consider forgoing a voluntary contribution to their 403B plans that year in exchange for assisting them with keeping health insurance costs the same.

Other ways to cut expenses by line items:

- 3) **Housekeeping:** consider extending hours but reducing days. That means you can stay open four days a week (if you need to) and be open 40 hours instead of five days per week. You can save 20% on housekeeping costs.
- 4) **Rent/Maintenance costs:** reach out to your landlord to see if they will offer some rent forbearance. This could be anything such as a month's worth of free rent or negotiating three months' forbearance in exchange for you paying that three months' rent in the next rolling 12 months at a quarter-payment each month. Consider what maintenance services the landlord is currently providing. Can you take over those costs at reduced rent cost? Also, see if you are willing to extend the lease by a few years in exchange for a few months' worth of free rent.
- 5) **Renegotiate long-term debt to lower interest rates and ask for a three-month's forbearance.**
- 6) **Look at your aging vendor debt.** See if any of those vendors would settle that debt at 50% of the amount due. This is typically negotiable because you've already paid enough interest on the debt and/or the vendor has already written enough off that they're willing to do this.
- 7) **Cancel/eliminate or cut unnecessary expenses.** There are a lot of examples of this:
 - a. If you have a rug vendor, it's April/May. Go to Sam's Club, Costco or a home improvement supply store and buy entryway rugs with the no-slip rubber backing for about \$75 a rug. Have your rug vendor come take their rugs and put yours down. They should last through the remainder of the year.
 - b. Review your existing supply chains, such as office supplies, etc., and make sure orders are reduced by your experienced reduction in visits.
 - c. If you can cut out days of the week, you should also save on utility costs. Additionally, consider buying LED lighting where possible.
 - d. Consider closing parts of your buildings which are "nice to have" the space but unnecessary to save utility costs. Also consider which staff can work permanently from home or have a blend of work from home/in-office work schedules to create shared or reduced space needs.
 - e. Enact a strict purchase order policy to give someone in the C-suite complete control over managing expenses
- 8) **Benefit reductions:** Finally, work with staff on nice-to-have benefits and consider which ones you can cut, such as conference attendance, contributions to dental or eye insurance, etc.



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