



The impact of the “COVID-19 Hospital Relief Act”: How should hospitals react?

Short-term response

Secure hospital operations

It is vital for hospitals to ensure that day-to-day operations and material supply are running smoothly. Urgent first steps are as follows:

- Establish a Task Force to assess and manage the situation on an ongoing basis.
- Design and consistently implement an active stakeholder communication strategy (staff, patients, banks, political leaders, suppliers, partners, physicians in practice).
- Identify critical human resources and critical infrastructure (ER and ICU) needed to maintain operations in an emergency. This will help to create transparency about future intensive care needs and occupancy rates.
- Detect vulnerabilities in the supply chain (particularly in medical supplies) and introduce appropriate countermeasures, e.g., source alternative suppliers and jumpstart supply.
- Select and roll out suitable technological solutions as a priority, ranging from remote access for staff to applications for COVID-19 patient triage.

Secure necessary funding

Plummeting sales and rising expenses to expand essential hospital capacity are already having a significant impact on the cashflow of many hospitals. To receive benefits (financial compensation) under the “COVID-19 Hospital Relief Act”, hospitals need to:

- Forecast cashflow requirements based on different scenarios in terms of the risks and mechanisms of the “COVID-19 Hospital Relief Act”. Companies must provide evidence that any liquidity gaps associated with COVID-19 are a direct result of the current crisis (e.g., through separate accounting).
- Model trends in case numbers (ER, COVID-19, elective) to ensure liquidity and financial forecasts are well-founded in these uncertain times.
- Automate processes in the short term to simplify documentation, coding and billing (accounts receivable management) workflows and secure short-term cashflow (e.g., reduce payment period to 5 days for health insurance providers and simplify invoice approval process for healthcare providers).

- Establish transparency regarding the impact any funding gaps may have on contractual obligations by reviewing existing loan agreements for flexibility and risks.
- Coordinate with lenders where appropriate to agree on possible short-term measures to secure cashflow (e.g., defer or reduce loan payments, extend loan maturities, suspend payments, increase current account credit line).
- Apply for relief benefits, e.g., through KfW schemes introduced by federal and local governments, or avail of subsidies and guarantees.
- Evaluate to what extent new insolvency regulations and subsidies are tied to operability. ➔

Medium-term response

The impact of the current crisis is already severely restricting hospital operations today.

Although it is impossible to predict when the crisis will reach its peak, hospitals need to take action now to prepare for the post-crisis period.

Optimize processes, occupancy rates and dismissal procedures

Firstly, hospitals need to plan now for the period when patient inflows resume (particularly for elective procedures). They must provide structured and timely information to referring physicians, the local population, other hospitals, physicians in private practice, nursing homes, rehab clinics, etc. about their plans to resume elective admissions. One major challenge will be changing procedures from crisis mode into normal operations. Admissions staff will need to contact elective patients separately and reschedule their procedures. As a result, it will be all the more important to make occupancy and discharge management as efficient as possible and optimize operating room procedures.

Creating treatment strategies and future-proof organizations (Future Hospital)

When this crisis passes, we can expect systems and reimbursement mechanisms in the German healthcare system to change with lasting effect. Efficiency and strategic stockpiling will take on a different meaning due to the shift in the importance of patient safety. At the same time, it will be essential to move forward with rigorous implementation of the policy measures introduced before the crisis designed to improve the quality and economic efficiency of the healthcare system.

Hospitals should therefore:

- Reassess the sector after recent changes and adapt their (treatment) strategies and structures accordingly (portfolio, locations, human resources, infrastructure).

- (Re)define their role as a "Future Hospital" within a changed system.
- Leverage digitalization to reposition as future-proof, innovative healthcare providers.
- Reorganize or adapt business continuity plans and crisis management plans with emergency services/fire departments/government agencies on the basis of established best practices.
- Adapt organizational and workforce structures as well as key procedures where necessary to meet new requirements.

Secure necessary funding

Hospitals will need to reevaluate the cash-flow they need to sustain operations over the long term and then implement suitable measures to secure funding:

- Compile integrated business forecasts based on an updated treatment strategy in order to determine medium and long-term funding requirements.
- Take the repayment of any state aid, guarantees, etc. into account in these forecasts.
- Then secure funding from available sources (banks, state aid agencies, shareholders, investors, etc.). Potential solutions through internal working capital management may also play a role in this strategy.

For further information

www.rki.de
www.bundesgesundheitsministerium.de
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