

Safeguarding Care



Strategies for Economic and Climate Resilience

Event Host



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Safeguarding Care

Financial Resiliency

December 8th, 2023 | Sarasota, FL

Agenda: Financial Resiliency



		Time
	▪ Introductions	5 Minutes
	▪ The Maco Landscape	10 Minutes
	▪ Navigating the Landscape: Opportunities	15 Minutes
	▪ Interactive Polling	15 Minutes



Whitecap Introductions

- The Whitecap Team brings nearly 40 years of combined healthcare planning experience, having worked at over four dozen health systems across the country over the course of their careers



Matt Cox | Partner

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- Based in Atlanta, GA
- 15 Years of Healthcare Advisory experience
- Significant focus on health care strategy and service line planning
- Has served as VP over the Northside Hospital Cancer Institute in Atlanta
- Facilitated dozens of service line development plans across the U.S.



Jared Averbuch | Partner

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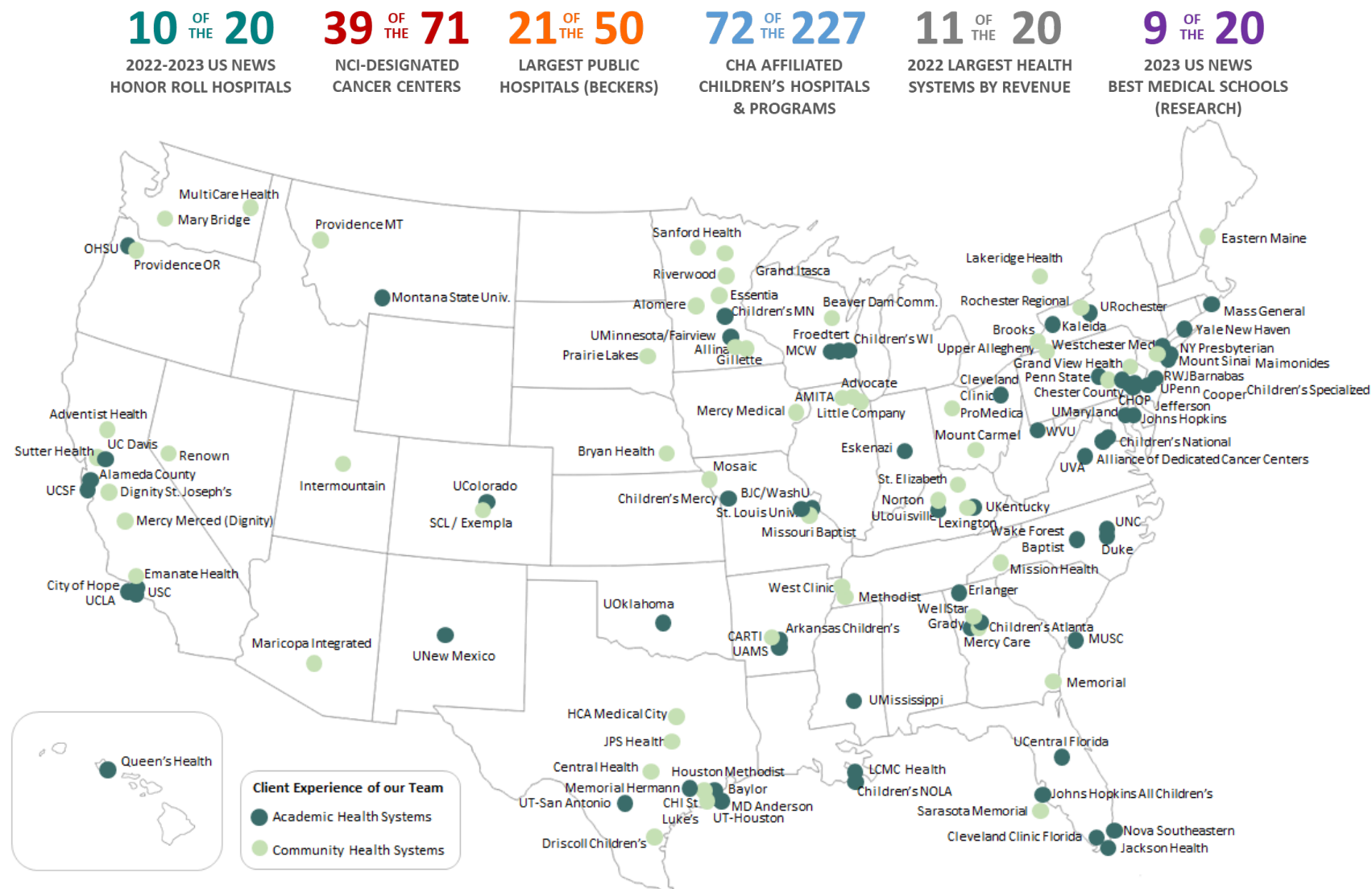
- Based in Nashville, TN
- 17 Years of Healthcare Advisory experience
- Specializes in capital asset planning, partnerships, financial analysis
- Has been involved in dozens of facilities related projects
- Significant focus on network/service distribution strategy

Process Overview



Whitecap Corporate Overview

- Whitecap Health Advisors is a national management consulting firm focused exclusively on the healthcare delivery system
- We specialize in strategic advisory work for academic and community health systems, both public and private, and have a deep understanding of the strategic challenges and emerging 21st century realities these institutions face within their respective markets



Introductions



Whitecap Health Advisors Areas of Focus

SECTOR FOCUS

FUNCTIONAL EXPERTISE

	Academic Health Systems	Community Health Systems	Children's Hospitals	Cancer Programs	Public Hospitals	Rural Hospitals
Corporate Strategy						
Network Development						
Partnerships & Affiliations						
Organizational Design & Funds Flow						
Capital Asset Planning						
Service Line Planning						












The Macro Landscape



The Macro Landscape

Volume shifts continue

- Volumes continue to shift to the outpatient environment – especially in select, traditionally profitable services such as orthopedics, heart, cancer, etc.

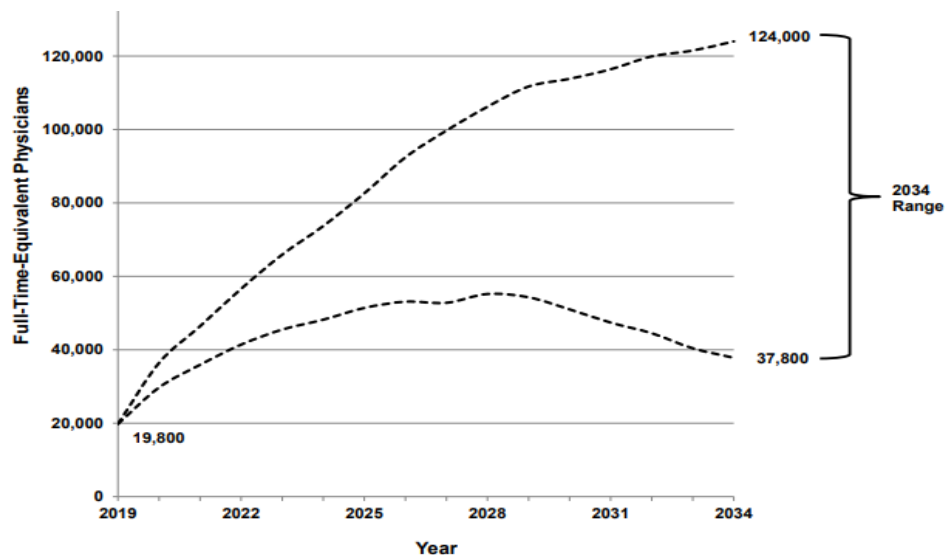
Volume category	2022 vs. 2021		2022 vs. 2019	
Inpatient admissions	(4.5 – 0.7)%		(1.5 – 19)%	
Emergency department visits	(4.8) - 6%		(2 –19)%	
Inpatient surgeries	(4.8) - 0%		(7 - 25)%	
Outpatient surgeries	1.5%		(1- 15)%	
Outpatient visits	3 – 6%		(19)% – +1%	



The Macro Landscape

Labor

- Professional discontent among staff, physicians, and other providers is skyrocketing, causing disengagement, turnover and labor shortages
- Labor and supply costs are absorbing any previous operating margin gains and price sensitivity among consumers/employers is escalating

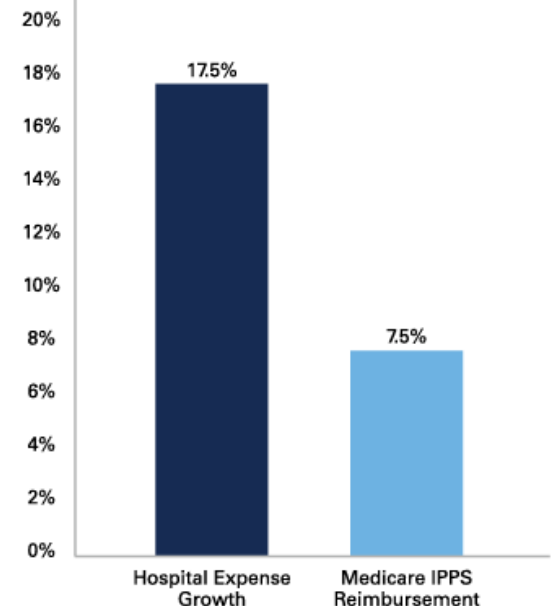


Registered Nurse Shortages by State, Projected

Difference between supply and demand expected by 2030

Most					Least				
Rank	State	Demand (2030)	Supply (2030)	Difference	Rank	State	Demand (2030)	Supply (2030)	Difference
1	California	387,900	343,400	-44,500	1	Florida	240,000	293,700	53,700
2	Texas	269,300	253,400	-15,900	2	Ohio	132,800	181,900	49,100
3	New Jersey	102,200	90,800	-11,400	3	Virginia	86,500	109,200	22,700
4	South Carolina	62,500	52,100	-10,400	4	New York	195,200	213,400	18,200
5	Alaska	23,800	18,400	-5,400	5	Missouri	73,200	89,900	16,700
6	Georgia	101,000	98,800	-2,200	6	North Carolina	118,600	135,100	16,500
7	South Dakota	13,600	11,700	-1,900	7	Indiana	75,300	89,300	14,000
8	Montana	12,100	12,300	200	8	Kansas	34,900	47,500	12,600
9	North Dakota	9,200	9,900	700	9	Maryland	73,900	86,000	12,100
10	New Hampshire	20,200	21,300	1,100	10	Kentucky	53,700	64,200	10,500
11	Delaware	12,800	14,000	1,200	11	Iowa	35,300	45,400	10,100
12	Arizona	98,700	99,900	1,200	12	Arkansas	32,300	42,100	9,800
13	Massachusetts	89,300	91,300	2,000	13	New Mexico	21,600	31,300	9,700
14	Louisiana	49,700	52,000	2,300	14	Colorado	63,200	72,500	9,300
15	Vermont	6,800	9,300	2,500	15	Tennessee	82,200	90,600	8,400

Bureau of Health Workforce



Source: FY 2020-2022 IPPS Final Rule

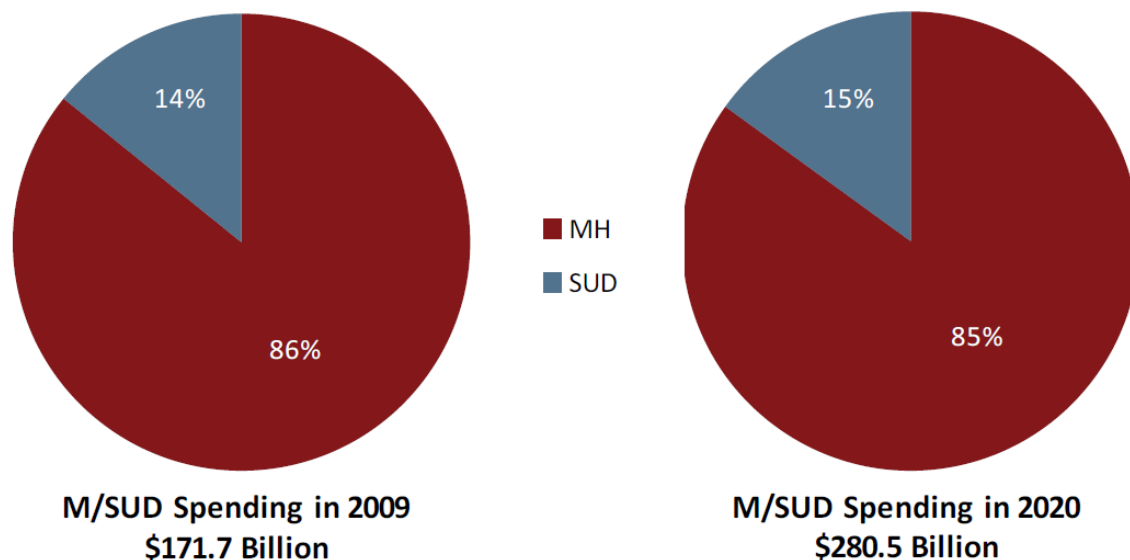
The Macro Landscape



Mission based services

- Continuing to support the community with mission-based services (i.e., behavioral health) is becoming more difficult as demand soars and resources dwindle

MH and SUD Share of M/SUD Spending, 2009 and 2020



- Nearly **50M or 19.8%** of American experienced a mental health illness
- 24.7% of adults** with a mental health illness **report an unmet need for treatment**. This number **has not declined** since 2011
- Over 60% of the youth** with depression do not receive any mental health treatment



The Macro Landscape

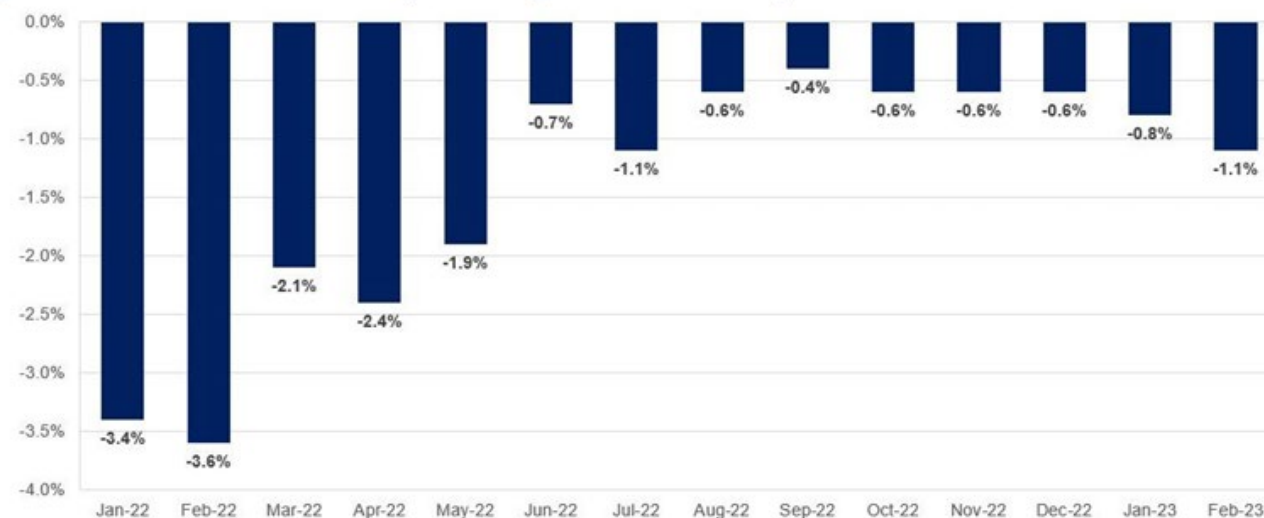
Financial performance

- Overall health system financial performance has suffered, limiting available capital
- Additional inflationary pressures have impacted borrowing rates and capital availability

Financial performance in FY 2022

System	Net Income	Operating Income
Ascension	(\$1.8 B)	(\$0.9 B)
Cleveland Clinic	(\$1.2 B)	(\$0.2 B)
CommonSpirit	(\$1.9 B)	(\$1.3 B)
Kaiser	(\$4.5 B)	(\$1.3 B)
Mass General	(\$2.3 B)	(\$0.4 B)
Providence	(\$6.1 B)	(\$1.7 B)
Trinity	(\$1.4 B)	(\$0.2 B)
UPMC	(\$0.9 B)	\$0.2 B

Figure 2. Kaufman Hall Operating Index YTD by Month



Adapted from the March 2023 Kaufman Hall National Flash Report



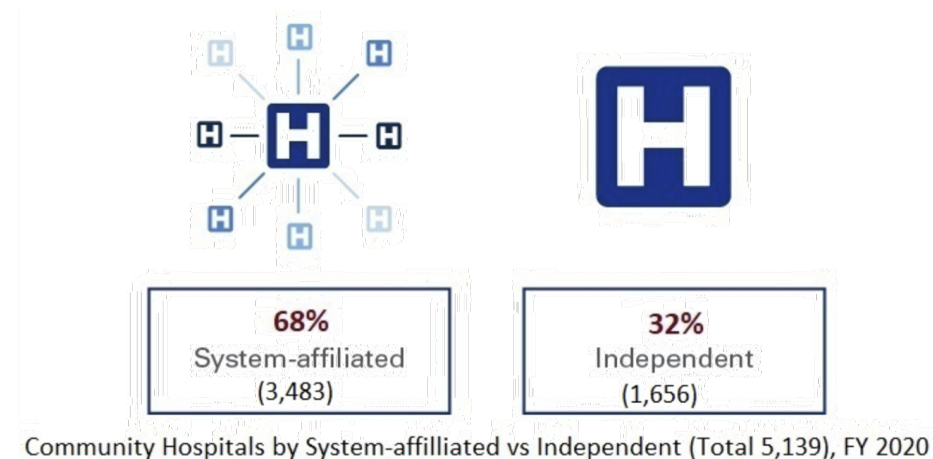
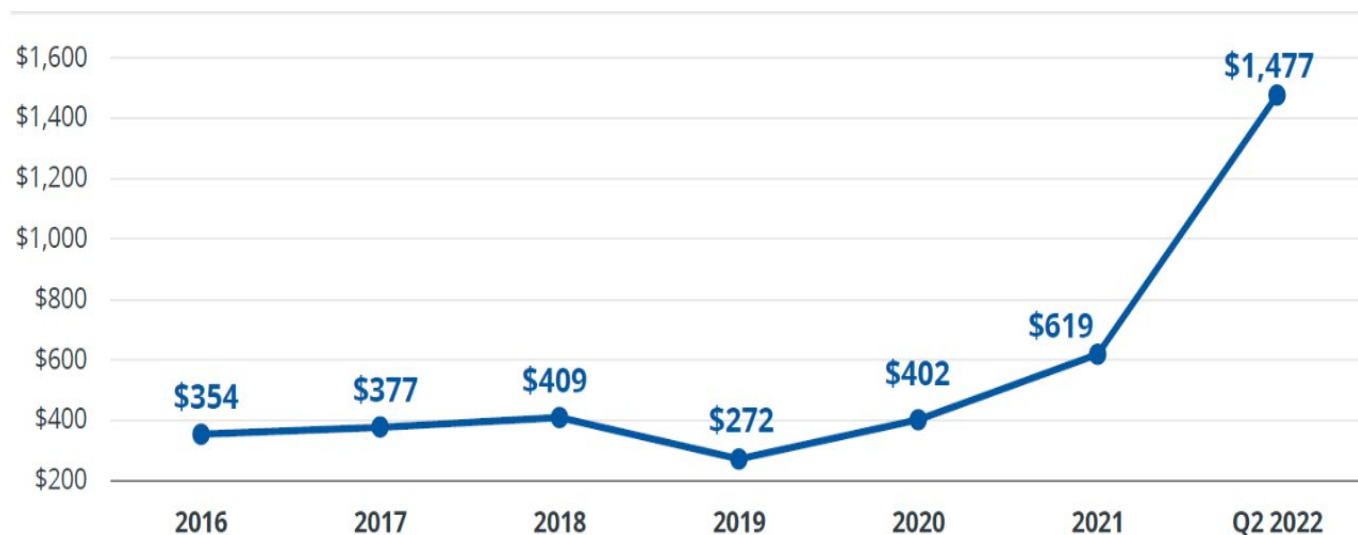
Strategic Opportunities

Strategic Opportunities



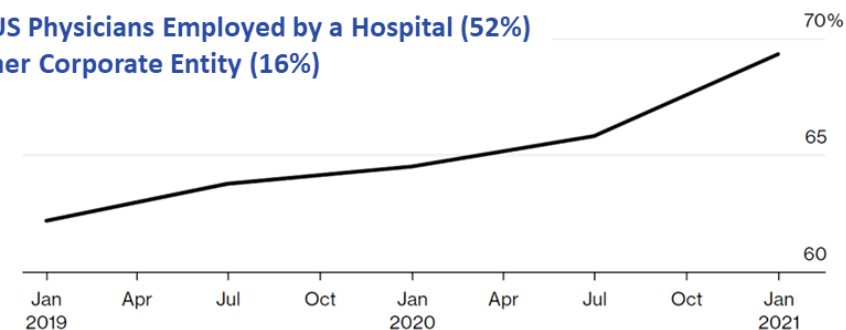
Growth and Scale are King

- Health systems have realized that incremental operational improvement is not enough to ensure long-term financial sustainability – instead, the imperative is to find ways to grow and increase scale
- Healthcare provider consolidation – both at the hospital and physician group level – continues unabated, even though the FTC is starting to crack down on “in-market” mergers



PHYSICIANS

% of US Physicians Employed by a Hospital (52%)
or Other Corporate Entity (16%)

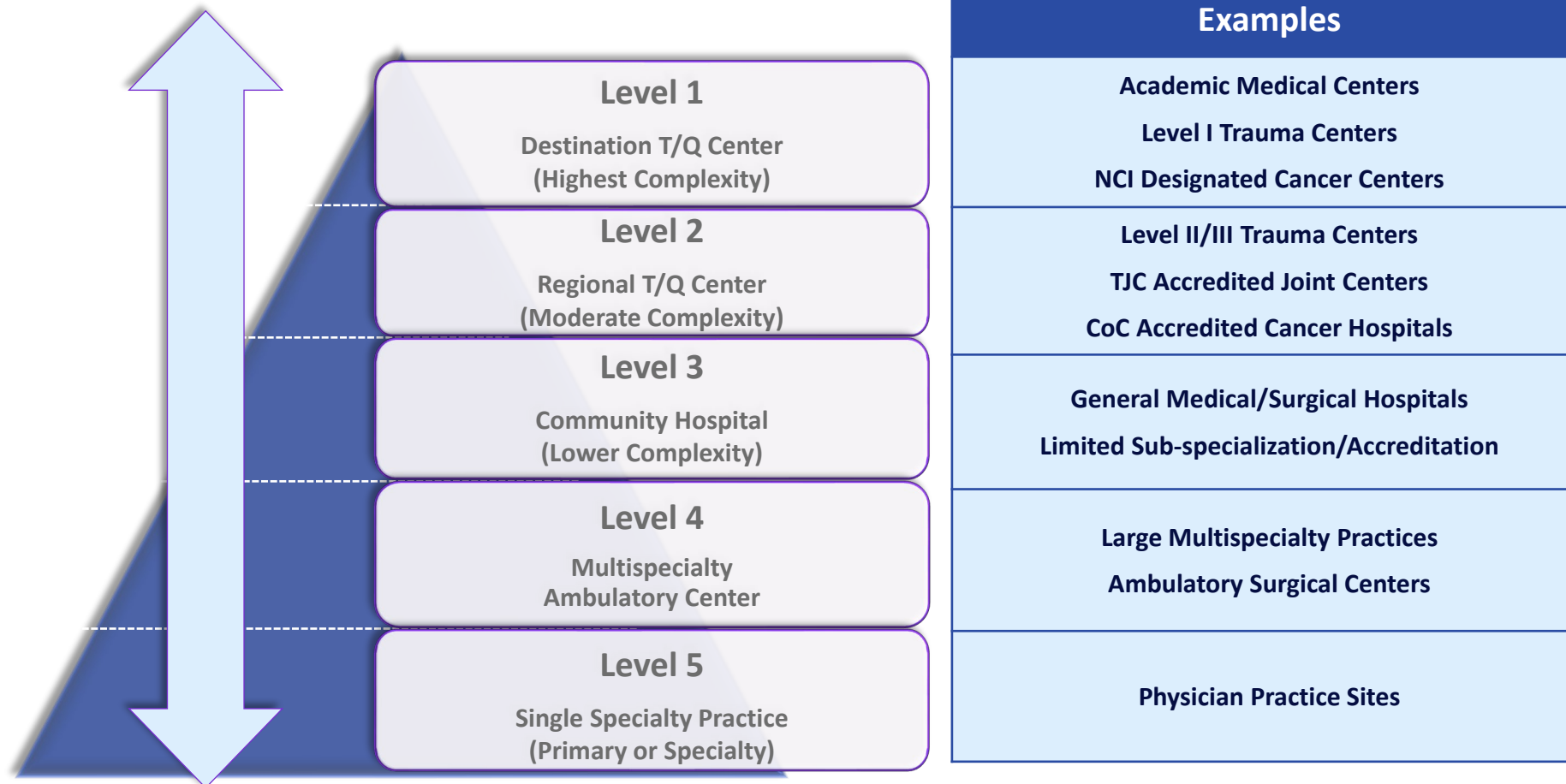




Strategic Opportunities

Service Distribution and Network Development

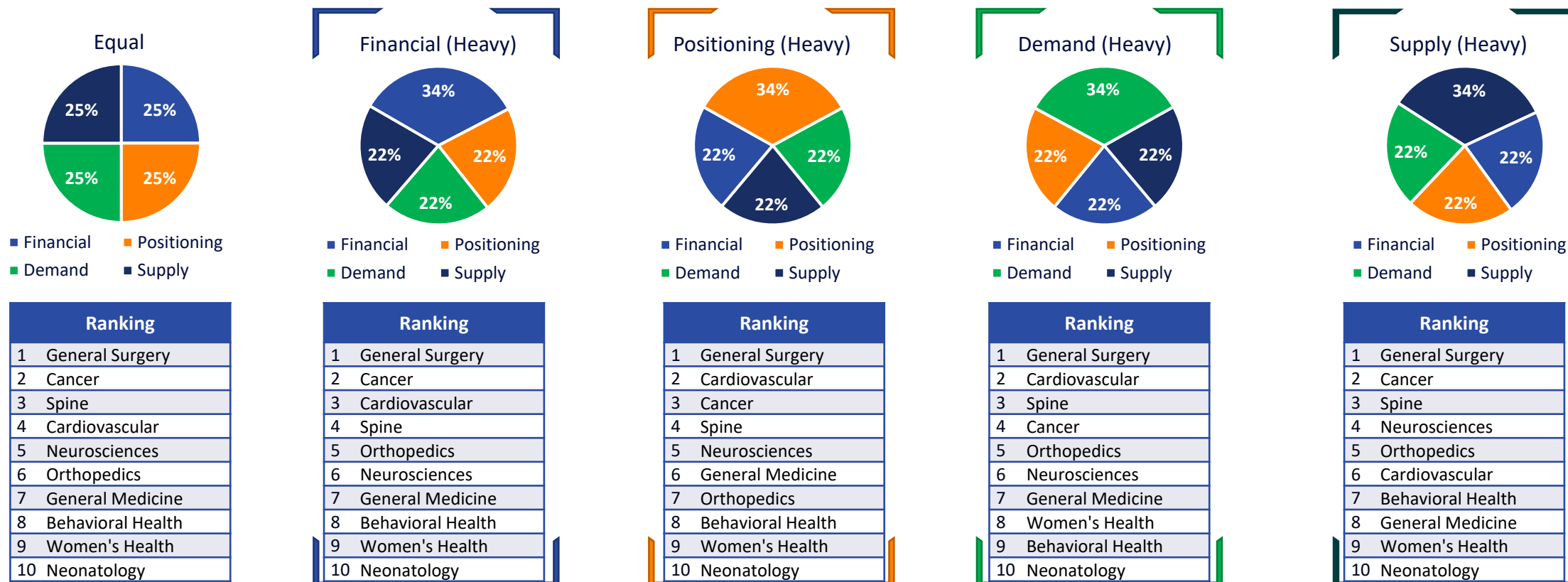
- As health systems have aggregated, the focus has been on how best to distribute services across a large network of assets to enable growth, and lower the cost of care





Service Line Prioritization

- Service line prioritization has become increasingly urgent for health systems as they attempt to stretch limited resources across competing priorities – and identifying high margin clinical services (e.g., cancer) to subsidize financially challenged service lines (e.g., Behavioral Health)

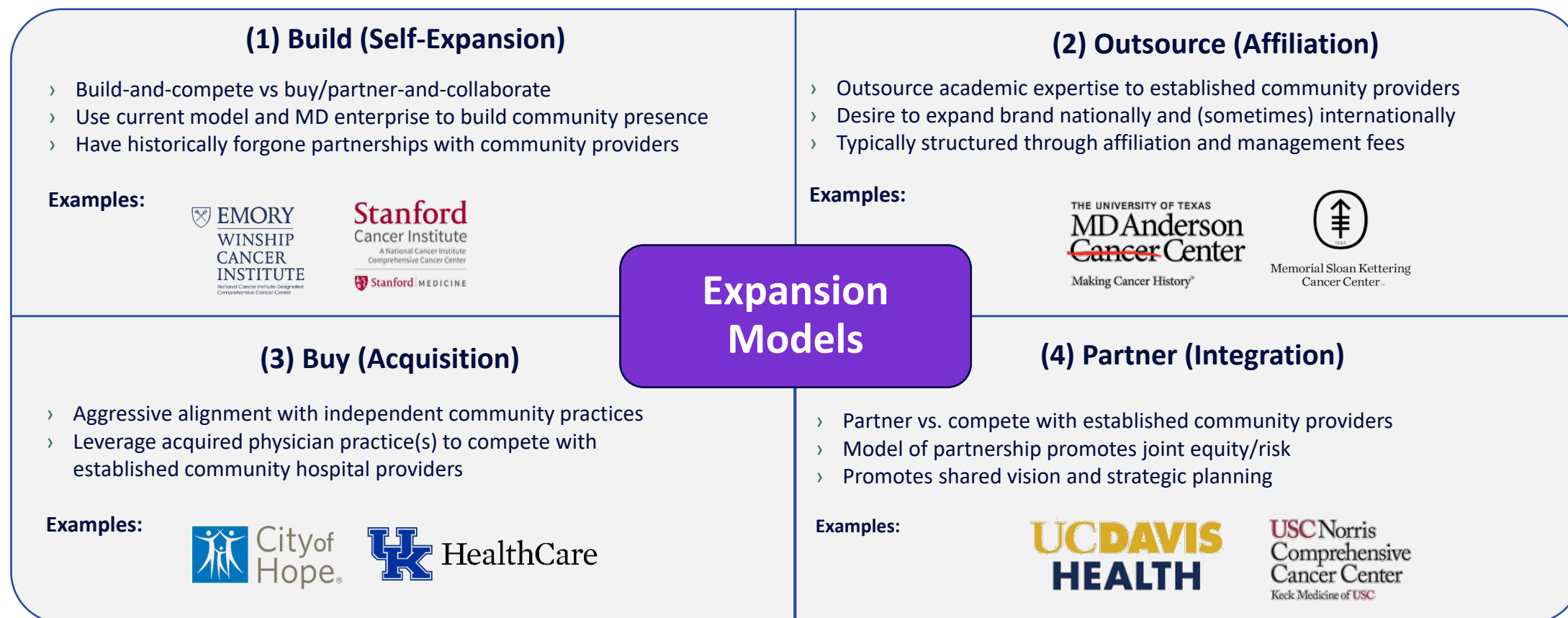




Strategic Opportunities

Build/Buy/Partner Considerations

- › Health systems of all shapes and sizes are pursuing network expansion to drive growth and financial sustainability, often through a blend of build/buy/partner models





Patrick Marchman

KM Sustainability

Intro to Adaptation



Floodwaters bursting through Norwood Hospital in Massachusetts.

Norwood Hospital via Storyful



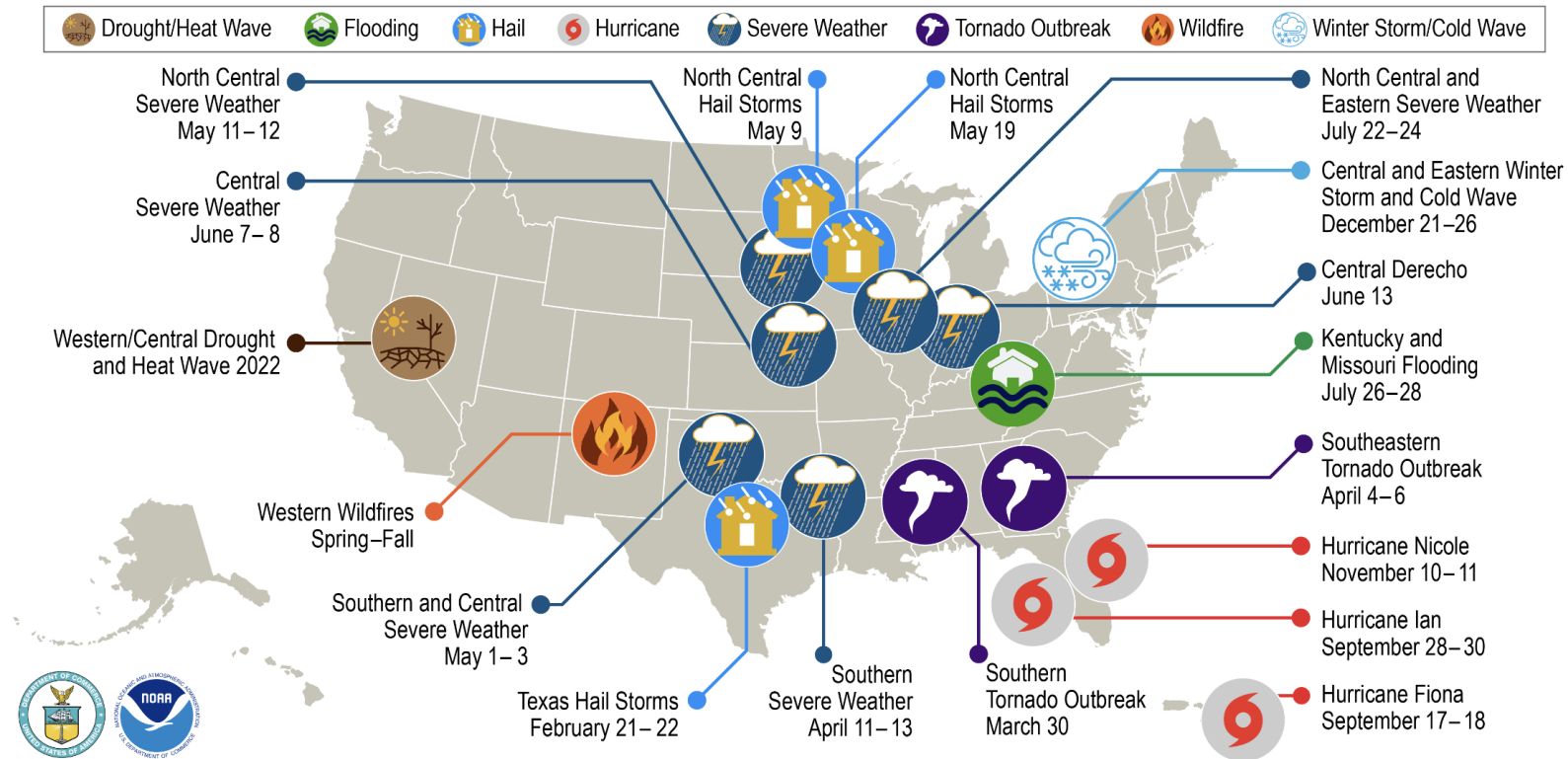
Setting the Stage

- Climate change – what is it?
 - Shorthand for anthropogenic (human-caused) changes in global climate.
 - One of a set of interlocking crises
 - Climate change can be thought of as a force multiplier – “loading the dice”
 - Cumulatively increasing stresses and amplifying hazards
 - Discontinuity – the end of predictability
- 1.5 degree Celsius “safe limit” – established in 2015 (political determination, not scientific)
- As of 2022, we are at 1.15 degrees above preindustrial temperatures
- Could breach 1.5 degrees by 2030 (James Hansen, 2023).



Billion-Dollar Disasters in 2022

U.S. 2022 Billion-Dollar Weather and Climate Disasters



This map denotes the approximate location for each of the 18 separate billion-dollar weather and climate disasters that impacted the United States in 2022.

- In 2022, the United States experienced 18 separate weather or climate disasters that each resulted in at least \$1 billion in damages.



Setting the Stage – What's Changed?

- Good news and bad news
 - Ultimate temperature rise by 2100 more likely to be 3-4 degrees, rather than 5-6 as expected several years ago. This is a very good thing. But...
 - We are seeing impacts that we'd expected to see in by 2040 or 2050 at lower temperatures.
- Overall
 - The speed of change is accelerating.
 - IPCC projections and science's cultural conservatism.
 - Potential Antarctic and Greenlandic glacier melt is likely to drive sea level rise beyond IPCC projections.
 - Black swans (Nassim Taleb) - events that come out of nowhere.
 - Our built infrastructure was built for a world that no longer exists.



Climate Adaptation

- Climate adaptation is adapting to the conditions of the new world we find ourselves in.
- Closely related to terms such as resilience, disaster risk reduction, and hazard mitigation.
 - Hazard mitigation historically has been backward-looking; new guidance (2022) requires climate
- Climate-intensified systems and hazards include
 - Water cycle, intensified precipitation events, and greater extremes
 - Wildfire and drought
 - Storms – Hurricane Otis (Acapulco) and its surprise intensification to Category 5
- Adaptation is not only about buildings but about the systems they are a part of and the systems they support – human and otherwise.
- Climate-intensified events usually have disproportionate impacts to underserved and disadvantaged populations – redlining, reservations, and the like.



Adaptation In the U.S. Today

- Adaptation is a multi-disciplinary endeavor – engineers, scientists, landscape architects...
- Planners have a unique role to play
- Types of planning
 - Climate adaptation planning
 - Sometimes paired with climate action; promoted in states such as California
 - Hazard mitigation planning
 - Promoted by FEMA under Stafford Act (2000); upwards of 15-16,000 plans in the U.S.
 - Municipalities, counties, states, other entities – potential access to FEMA funding.
 - Comprehensive planning
 - Integrating adaptation and resilience into local zoning and planning



How to Do Adaptation Planning

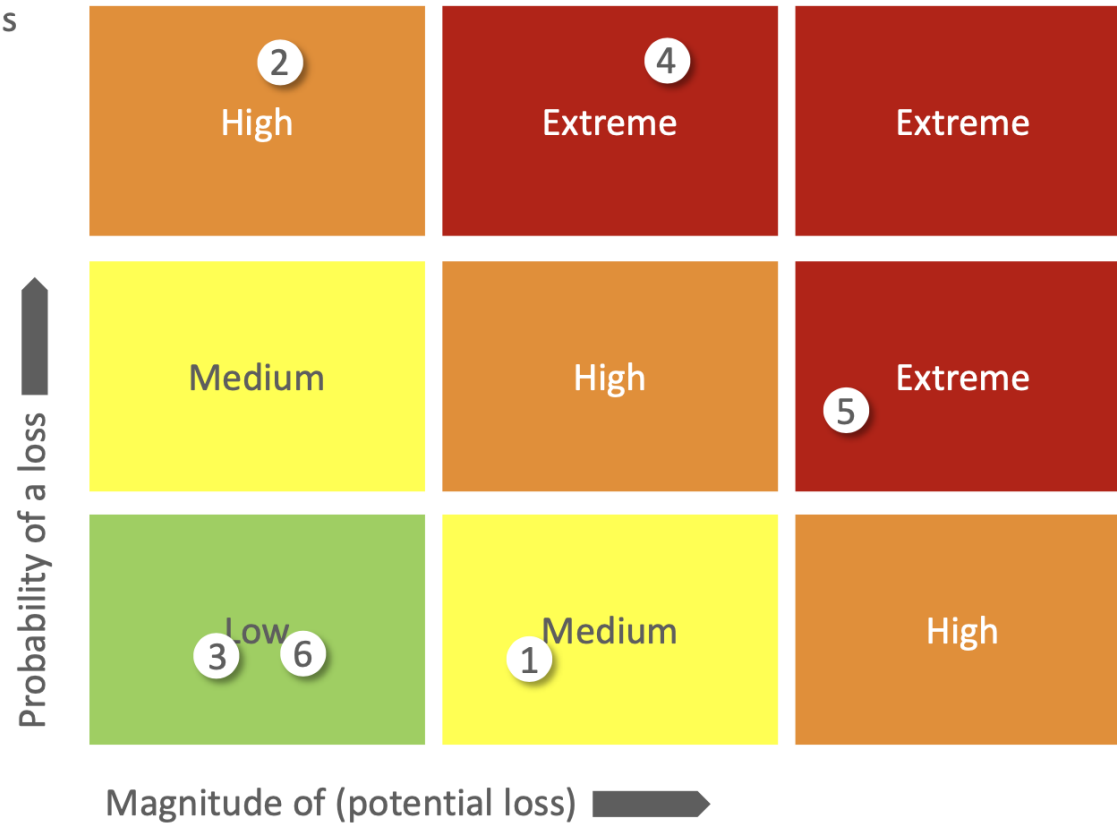
- Adaptation and hazard mitigation planning have same three basic components:
 - What could go wrong? - what hazards could affect the study area
 - What will be impacted? - what assets/systems will be impacted
 - What can we do about it? - what actions can be taken to reduce negative impacts
- What could go wrong? Generally termed “hazards”, which can include:
 - Flooding– from severe rainfall, storm surge (Hurricane Sandy) or sea-level rise
 - Wildfire – intensified by drier vegetation (Maui); proximity to towns/cities (Boulder, Paradise)
 - Drought – long-term stress that can impact water supply, vegetation, etc.
 - Extreme Heat – longer heat waves or other dangerous heat events
 - Epidemic – expanded range of disease-carrying organisms
 - Power outages – increased strain during extreme weather events can be dangerous.



Sample Climate Risk Matrix

Sample Hospital Building In Floodplain Near Hills

- 
 1. Drought
- 
 4. Flooding
- 
 2. Extreme Storms
- 
 5. Wildfire
- 
 3. High Wind
- 
 6. Sea Level Rise



Actions to Reduce Negative Impacts

- Building and engineering
 - Sea walls, more resilient materials
- Infrastructure resilience
 - Renewables, microgrids, burying power lines, larger water pipes
- Policy and planning
 - Resilience zoning overlays, incentives (Community Rating System)
- Other systems
 - Community outreach, developing relationships, building capacity
- Nature-based solutions
 - “Sponge City” concepts, constructed wetlands

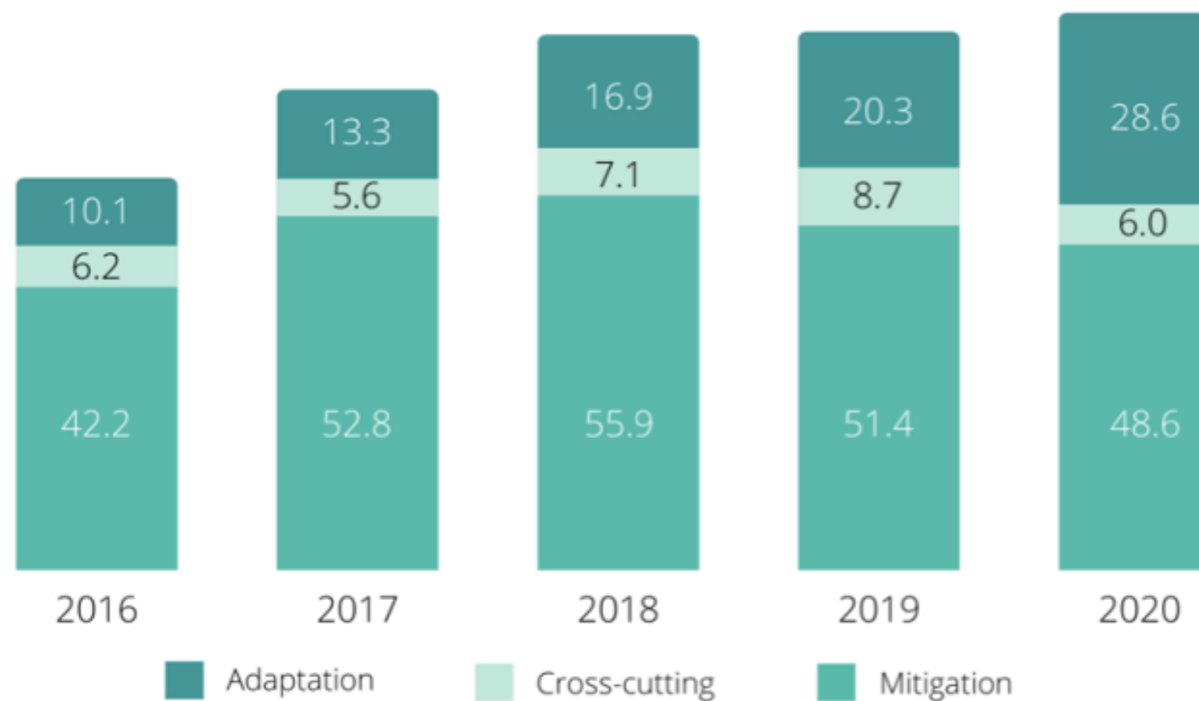


Funding Adaptation - Globally

- Finance for adaptation increased by 53% reaching USD 46 billion in 2019/2020 compared to USD 30 billion in 2017/2018. Despite this positive trend, total adaptation finance remains far below the scale necessary to respond to existing and future climate change. UNEP's Adaptation Gap Report (UNEP, 2021) estimates that annual adaptation costs in developing economies will be in the range of USD 155 to USD 330 billion by 2030.
- November 2023 UNEP report estimates that up to \$14 billion can be saved for every \$1 billion spent on adaptation – immediate damage, insurance costs, etc.
- The public sector continues to provide almost all adaptation financing, with adaptation increasingly being prioritized in development finance climate portfolios, yet adaptation finance represented just 14% of total public finance.
- Moreover, data on adaptation finance from the private sector is still largely missing.

Funding for Adaptation

Thematic split of climate finance provided and mobilised (USD billion)



Climate finance amounts provided and mobilised by developed countries in developing countries. Image: OECD



Funding Adaptation – U.S.

- 2022 Budget – over \$18 billion for adaptation & resilience
 - \$3.5 billion for Department of Homeland Security (DHS) climate resilience programs, including \$1 billion for the Building Resilient Infrastructure and Communities grant program
 - \$3 billion for the Department of Defense (DOD) to support installation resilience
 - \$1 billion to support Army Corps of Engineers (Corps) climate resilience efforts
 - \$376 million for the National Oceanic and Atmospheric Administration’s (NOAA) climate resilience activities
- HHS
 - \$3 million for HHS’s recently established Office of Climate Change and Health Equity, which, under the leadership of the Assistant Secretary of Health, serves as a department-wide hub for convening, coordination, and oversight of climate change related efforts.





Return on Investment

- Estimates vary by entity, but all agree that investment now saves money later
 - World Bank: average benefit cost ratio of 4:1.
 - World Resources Institute: Across five sectors, every \$1 invested in adaptation generates a return between \$2 and \$10.
 - November 2023 UNEP report estimates that up to \$14 billion can be saved for every \$1 billion spent on adaptation – immediate damage, insurance costs, etc.

Cost Savings from Hazard

Mitigation /Adaptation (FEMA, 2018)

National Benefit-Cost Ratio (BCR) Per Peril <i>*BCR numbers in this study have been rounded</i>		Beyond Code Requirements	Federally Funded
Overall Hazard Benefit-Cost Ratio		\$4:1	\$6:1
	Riverine Flood	\$5:1	\$7:1
	Hurricane Surge	\$7:1	Too few grants
	Wind	\$5:1	\$5:1
	Earthquake	\$4:1	\$3:1
	Wildland-Urban Interface Fire	\$4:1	\$3:1



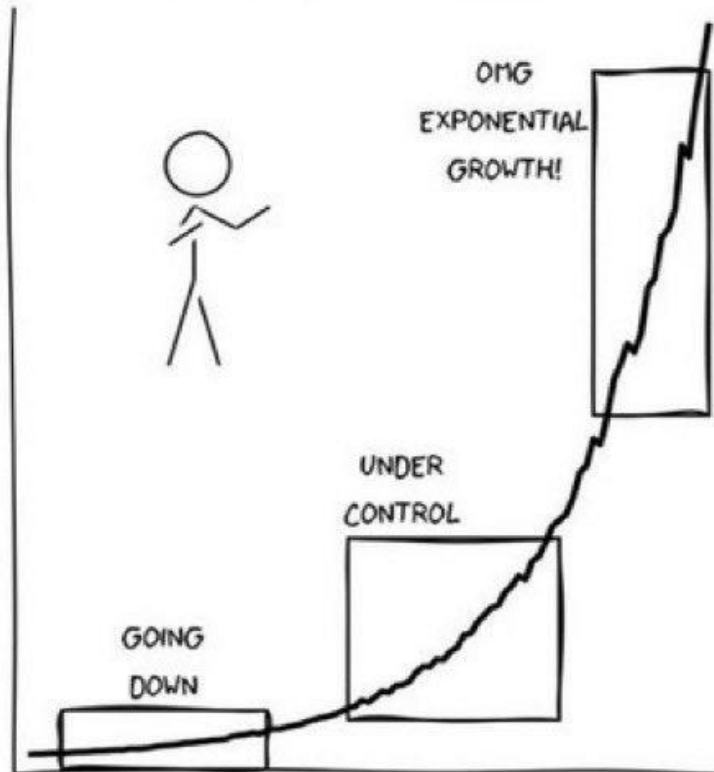
Takeaways

- Climate change is not as bad as it could have been but is a lot worse than we'd like and will hit a lot faster than we expected.
- Our infrastructure and systems are designed for a world that no longer exists.
- We have to adapt to this new world, and every discipline has a part to play
- Planning offers a particularly powerful framework and vision
- The money is out there
- Every study says that the money you invest in adaptation today will pay off significantly
- “It takes a village” – build relationships with your surrounding communities to further adaptation.
- Adaptation is possible, and the sooner we start, the better

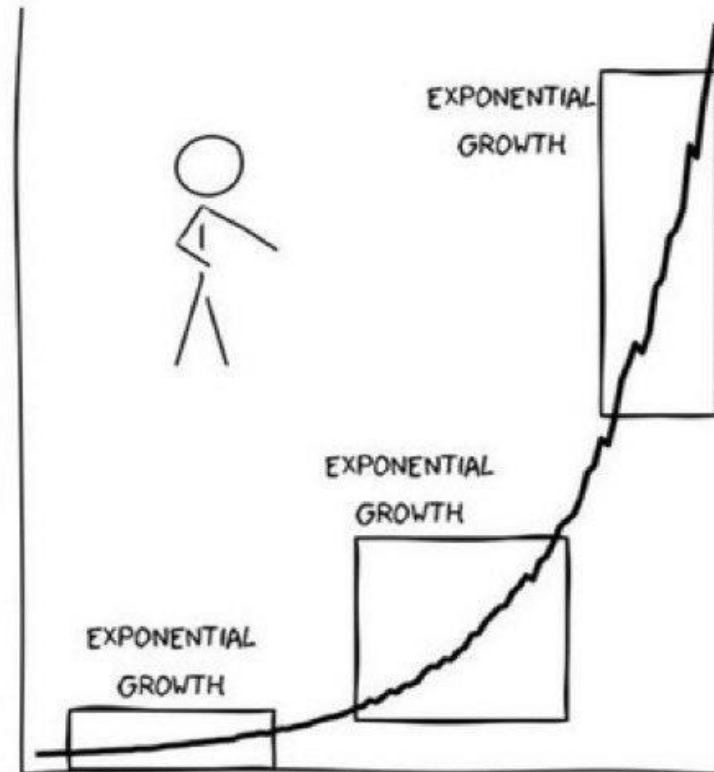


How We View Risk

POLITICIANS



SCIENTISTS



Thank you for your time!

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Panel Discussion



David Barto

Penn State Health



Dave Kistel

Lee Health



Mike McKay

UW Health



Brad Pollitt

Moffitt Cancer Center



Darryl Smalls

Government Hospitals and
Health Facilities Corporation



Robin Thomas

Duke Health

Thank you.

Flad