

Address “Sacred Cows” to Get Past COVID-19 Shock

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Every organization has sacred cows. The financial challenge from COVID-19 calls for large scale improvements. This has emboldened our clients to address sacred cows, making tough changes that were unthinkable a few months ago. The time to act is now!

Sacred cows to consider include:

- **Underperforming Assets**: Every organization has some assets that perform significantly worse than average. These assets may have survived past scrutiny because they are sacred in some way. In better financial times, they may be marginally viable, even if they are starved of needed capital improvements. Now may be the time to tackle some of these tough issues. Consider selling or closing those assets.
- **Employed Physician Enterprise**: Often the source of significant losses, employed physician networks are frequently viewed as critical to securing market share. Consider options for restructuring the enterprise potentially spinning it off with outside partners (watch for an upcoming blog on this topic). At a minimum, consider redesigning compensation and **fixing operations to reduce losses**;
- **Independence**: Many hospitals have merged into health systems. Those that remain independent often have a strong culture and bias toward independence that has survived many challenges over many years. However, the financial hit and organizational challenges of responding to COVID-19 may make independence no longer viable. Independent hospitals (as well as some systems) need to take a hard look at their viability and what is best for their community. Some will reasonably decide to remain independent, while others will decide the best path is to merge. Now is the time for a **rapid, clear-eyed analysis**.



- **Rationalizing Services Across a System:** As health systems grew through acquisition, hospital CEOs have had a strong incentive to retain those services that enable them to meet profitability targets and avoid conflict with medical staff members reluctant to relocate. As a result, a whole herd of clinical service sacred cows were protected. It is a good time to rethink what services should be available at which locations, ensuring access for consumers, while concentrating complex programs in centers of excellence. [These decisions must be considered by service line](#), engaging clinical leaders in the redesign process.

Leadership teams should seize the opportunity to address sacred cows by taking the following four steps:

1. Define the scale of the financial challenge from COVID-19 and identify the initiatives that are large enough to address this challenge. These initiatives (like the four listed above) will inevitably include several sacred cows.
2. Evaluate the options among a tight senior leadership and board team. Communicate more broadly that times are very challenging and leadership is taking a fresh look at every option to address the gap.
3. Build the business case for each option, and rank them on objective criteria including impact, mission, and feasibility.
4. Gain agreement among the senior leadership and board team, then build support among key constituents. Sacred cows are sacred for a reason. Any healthcare leader that has closed an underperforming hospital, or even a pediatric or obstetrics program, understands the potential for resistance among staff and the community. Clear communication, including listening, backed by clear thinking, is critical.

To secure a strong future, empower key leaders to take on sacred cows. ●