



VERALON®

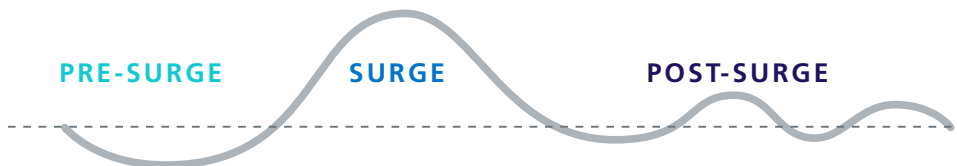
TRANSFORMATIVE HEALTHCARE CONSULTING

Financial Impact from COVID-19

The recovery from COVID-19 and the successive waves that are anticipated to follow is to encompass 18 to 24 months with longer term financial recovery and return to “normal” taking, perhaps 3 years or more.

- How long will it take for the revenue cycle to recover, and how will secondary surges affect this?
- Will supplemental revenue streams from the CARES Act materialize? When and to what degree?
- Will pent-up demand for “elective” cases, physician and specialist business offset the negative impact of the two prior phases?
- When will physician productivity return to normal and how will this affect practice patterns (e.g. telehealth)?
- How will the loss of employment and the emerging recession impact patient insurance coverage and patient volume demand?
- How will short-term capital support measures (e.g. bridge financing) influence longer-term expenses and debt capacity?

While some of the recovery factors are out of hospital control, utilization and financial projections and sensitivity analyses based on those factors will be essential in shaping the way forward.



Key Issues:

- Supplemental funding dollars and timing
- Timing and numbers of returning displaced patient volume
- Financial recessionary influence on patient volumes and revenue
- Number and magnitude of secondary surges
- Re-establishment of revenue cycle performance
- Impact of service line specific adjustments
- Bridge financing and other short term financial mechanisms’ impacts

Sum Total Key Impact Elements

- Long-term Income Producing Capacity
- Cash Balances
- Bond (and other debt) Covenant Relationships
- Debt Capacity

WHY VERALON?

Veralon does meticulous financially-based planning on all our consulting projects. We have performed hundreds of healthcare financial feasibility and modeling assignments, including feasibility of new and replacement facilities. In addition, we have:

- A deep knowledge of the dynamics of healthcare markets, born from more 30 years of experience in strategic planning
- Extensive experience in modeling the financial impacts of mergers and acquisitions, service line development and consolidation, physician practice revenues and expenses, and many others
- A track record of findings that hold up to the scrutiny of bankers and other third parties—as well as the many internal and external constituencies.

COVID-19 Volume Estimates

Veralon can assist you in predicting your COVID-19 volume. We understand each model's methodology. The key assumptions that drive them determines their reliability for your hospital. We will advise you on the use of these models and setting appropriate assumptions for meaningful estimates.

Veralon is supporting our health system partners and offering this assistance at no cost. We maintain the confidentiality of each organization's information, while helping each learn from the insights gained by others.

Preliminary Financial Projections

What does the COVID-19 pandemic mean for our financial position in the short term? This high level quantification of COVID-19 impact to a hospital or system will focus on the pre-surge and surge impacts. The key elements will include net income and cash flow impacts associated with patient volume losses during the surge, higher costs associated with COVID-19 patients, payer mix adjustments, among others.

Detailed Financial Projections

These financial projections will quantify not only the immediate impact of the COVID-19 patient volume pre-surge and surge, but also account for the post-surge environment and related return to "normalcy" at each provider. These projections will reflect the overall COVID-19 impact to a hospital and/or system throughout the entire course of the COVID-19 impact period from pre-surge through the post-surge time periods and related impacts to net income producing capacity, cash flow, bond covenants and overall debt capacity. Such an analysis will be augmented by sensitivities to measure the potential impact(s) of supplemental funding including:

- CARES;
- impact of a potential second surge or waves;
- metrics from your employed physician network;
- service line adjustments;
- among others.