

White Paper

# OPPORTUNITIES IN POST-PANDEMIC HEALTHCARE MARKETING

Stricker Communications, LLC



# Current State and Urgent Market Difficulties

Providing healthcare costs more than it ever has.

Not only do supplies come with higher price tags for hospitals, but massive staffing shortages have pushed up premium pay with unsustainable contract labor and overtime costs.

In Fall 2022, Kauffman Hall predicted in a [report](#) for the American Hospital Association, “Expenses are projected to increase throughout the rest of 2022, leading to an **increase of nearly \$135 billion** over 2021 levels. Labor expenses are projected to increase by \$86 billion, while non-labor expenses are projected to increase by \$49 billion.”

According to the report, the most optimistic projections showed that profit margins in U.S. hospitals would “be down 37% relative to pre-pandemic levels” by the end of 2022. “Projections for the remainder of the year demonstrate an increase in hospitals with negative margins relative to pre-pandemic levels to 53%.”

These projections proved accurate, and the situation **continues to worsen**.

Data from the [National Hospital Flash Report](#) indicates that operating margins were down further in January 2023 compared to December 2022.

In 2021, 25 U.S. hospitals declared [bankruptcy](#). This number nearly doubled in 2022.

Ronald Winters, principal at Gibbins Advisors, explained in a press release, “The hospital sector was particularly insulated from financial distress during the pandemic; however, those protections have ended, and we are now seeing a lot of struggling hospitals, particularly rural and community hospitals.”

With so much tied up in assets that can not be readily liquidated, hospitals face a strain on cash flow. “Such constraints are typically the reason behind companies filing Chapter 11 bankruptcy,” says Winters.

According to Gibbins Advisors, healthcare bankruptcy rates will likely continue to rise through 2023.

[Becker’s Hospital Review](#) cites **14 hospitals** closing critical patient services in the past year.

## Among the most shocking:

- University Hospitals Lake Health in Madison, OH, was forced to close its freestanding emergency department
- Crozer Health in Springfield, PA, suspended its emergency department, pathology, lab, and medical imaging services
- Holy Cross Health in Fort Lauderdale, FL, temporarily closed its labor and delivery unit
- Henry Ford Health System in Detroit closed 97 beds

- Geary Community Hospital in Junction City, KA, permanently closed its intensive care unit.

With a situation that has been tenuous for an extended period and shows few signs of improvement, healthcare institutions everywhere are adapting to weather the storm.

In this era of uncertainty, is it wise or even possible to continue marketing to healthcare leaders? Marketing teams may wonder how they can offer anything to people without time to hear the message and with less capital to invest than ever.

These questions represent valid concerns, but as a marketer, it is key to remember that your offerings exist to address needs. **If anyone needs help and has problems to solve, it is hospital executives and leaders.**

# Make Your Services a Necessity: 7 Critical Needs

Adaptations mean change. Even as some opportunities close, new opportunities are opening in many areas.

Health system executives nationwide are actively searching for opportunities to decrease costs and avoid closing hospital doors, even if it means discontinuing services they once thought necessary.

Paradoxically, **even as they make ruthless cuts**, healthcare systems **must either grow** or fall behind the fierce competitive curve and eventually **cease to exist**. They need tools that help them stay ahead of the competition while increasing efficiency. Ways to increase referrals, enhance patient satisfaction, and build a competitive edge remain in demand. You can be the one to meet these needs.

In developing products, **look for opportunities to create and offer innovative solutions**. When evaluating your service offerings, take a second look at the value you provide. Raise your value level to make your product a necessity rather than a luxury.

## #1: Efficiency

Can your service save time in a short-staffed landscape? Layoffs and turnover in healthcare are widespread from the executive offices to the housekeeping personnel, resulting in most teams running short.

An electronic health record that requires fewer clicks to record necessary information could help frontline nurses get more done quickly and reduce frustration.

**Virtually every system a hospital uses could be replaced** by a system that accomplishes a task with fewer steps or eliminates redundancies.

Efficiency methodologies and consultation services have untapped potential, especially on the clinical side. A [systematic literature review](#) examining the implementation of Lean and Six Sigma

processes in healthcare found there was significantly **less focus on improving medical processes** than managerial processes in healthcare.

## Product Potential

- Supply chain optimization.
- EHR improvements
- A.I. for repetitive tasks
- Quality improvement programs

### #2: Accuracy

According to the 2022 Revenue Cycle Denials Index from Change Healthcare, **82% of insurance denials are preventable**. These denials come from registration errors, failures in insurance coverage verification, missing documentation, and prior authorization errors. In addition to creating massive amounts of re-work for staff, **up to 1 in 5 denials are not recoverable**.

These are written off, representing enormous revenue losses. According to the Index, 41% of denials are due to front-end registration issues, pointing to significant product opportunities to help manage this part of the patient encounter.

Medical errors are another astronomical cost burden. According to a recent study review, medical errors lead to 400,000 preventable injuries and **100,000 preventable deaths annually**, costing hospitals approximately **\$ 20 billion per year**.

## Product Potential

- Pre-registration systems
- Registration
- Prior-authorization assistance
- Documentation guides
- Safeguards for medication administration

### #3: Recruitment

With contract labor costs soaring in the face of widespread staffing crises, even organizations in the middle of a hiring freeze need to recruit. A contract labor position replaced with a filled FTE can **save**

tens to hundreds of thousands of dollars.

Syntellis and the American Hospital Association in [Hospital Vitals: Financial and Operational Trends](#) report that total hospital contract labor expenses **increased by 257.9%** from 2019 to the end of 2022.

## Product Potential

- Recruiting software
- Job application process enhancement
- Referral systems that engage current employees in recruitment efforts
- Persona-based marketing to draw attention to job postings
- Marketing to communicate culture and benefits to job seekers
- Attractive benefit offerings

### #4: Retention

Can your product improve an organization's culture, reduce burnout, or improve morale? Improved culture retains valuable staff and can help attract the right people to join an organization.

Even though concerted effort has gone into reducing caregiver [burnout](#), employee benefits and subscriptions to wellness apps or similar services are low-hanging fruit when it comes to cuts. Wellness products may be easy to pare back, but the quick save could lead to considerable expense in the long run.

Post-pandemic burnout has accelerated the nursing shortage at an alarming rate. Dr. David Auerbach and colleagues reported in a [nursing workforce analysis for Health Affairs](#) that the number of Registered Nurses in the workforce decreased by more than 100,000 from 2020 to 2021 alone. This represents **the largest drop in the last 40 years**.

If you market an employee retention product, focus on communicating the impact of burnout on staffing to make your product a necessity.

## Product Potential

- Employee mental health support
- Recognition programs
- Wellness programs

### #5: Volumes

Healthcare institutions can only maintain an edge if they stay ahead of the competition with market share and patient volumes. Most patient referrals are doctor-to-doctor. These come in various ways, through time-consuming phone messages, fax, or electronically.

The [Journal of Internal Medicine reports](#) that out of 40,487 faxed referrals studied, **46% did not result in a scheduled appointment.**

Institutions invest a considerable amount of capital in attracting referrals. However, no matter what they spend, they will not reach their market share goals if nearly half of those potential patients are lost.

## Product Potential

- Electronic referral platforms
- Scheduling support
- Patient preparation and activation
- Digital patient engagement tools
- Online review platforms
- Marketing support

## #6: Quality

Achieving and maintaining credentialing with quality governance organizations is vital for healthcare organizations.

Not only does high quality and higher patient satisfaction imply that more patients will choose a hospital's services, **quality scores directly impact reimbursement and market share.**

The Centers for Medicare and Medicaid give higher reimbursement levels to organizations that meet specific quality standards. Private insurers choose providers to participate in preferred provider relationships because they meet specific criteria and certain quality metrics.

Blue Cross Blue Shield offers [Blue Distinction](#) status to providers who meet quality criteria. These criteria cover patient outcomes, staff training standards, emergency drill implementation and protocols, the use of recognized safety bundles, and facility accessibility. The Blue Distinction criteria also reward hospitals that track data on self-identified race, ethnicity, and primary language and review and analyze this data to identify and prevent potential disparities.

# Product Potential

- Staff training programs
- Data collection and analysis
- Patient education materials
- Safe medication administration solutions
- Communication solutions

## #7: Patient Experience

Improving a patient's experience in a healthcare setting helps the patient and reduces the stress of the difficult life situation they are facing.

It is also a good thing for hospital finances.

Research from [Accenture](#) reported, "U.S. hospitals that deliver superior customer experience **achieve net margins that are 50 percent higher**, on average, than those of hospitals providing 'average' customer experience."

Tools for patient engagement and online scheduling that give patients power over appointment times, their health records, and medication refills can help.

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"More than 60 percent of consumers expect to be able to change or schedule a healthcare appointment, check medical records and test results, and renew a medication online."

McKinsey

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Another way hospitals are working to improve patient experience is by adopting patient-centric models of care, bringing together multidisciplinary teams and solutions to meet the needs of the whole person.

According to a report from McKinsey, "Recent surveys show that satisfied patients who use patient-centric models are **28 percent less likely than those who don't to switch providers** and are five to six times more likely to use other services from that provider."

## Product Potential

- Patient engagement systems
- Patient experience toolkits
- Service recovery options
- Care experience surveys
- Multidisciplinary team communication

## New Opportunities

If you are facing cancelations of patient-facing products after clinical closures, you must look to new avenues.

Patients are still there. Providers who want to help them are still there. The shape of care is changing across the country after closures and coverage shifts. The key to finding new markets is **awareness of where market shifts are going.**

## Strategic Growth

How does a healthcare system push forward and reinvest to stay ahead under the constraints of limited resources?

Cutting back while maintaining growth is complex and requires a careful balance of resource allocation. For growth, it is crucial to bring referrals in the door and to find ways to stand out against competitors. Sometimes this means opening new services, while some programs may be cut back or closed.

As organizations strive to keep a competitive edge, **look for new services opening in existing health systems.**

## Mergers

Although hospital mergers and acquisitions reached a [decade low](#) in 2022, as more institutions look to find solid ground amid financial struggles, this trend will likely reverse.

Integration and scale can help bring struggling institutions back to financial viability.



Merger plans are showing up in the news. Billings Clinic in Billings, Montana, and Logan Health in Kalispell, Montana, recently signed a [letter of intent](#) to discuss merging. Both organizations are struggling in the current climate, especially with competition coming into the state from Intermountain Healthcare as they [merged](#) with SCL Health to create a 33-hospital health system.

Des Moines, Iowa-based UnityPoint Health and Albuquerque, New Mexico-based Presbyterian Healthcare Services also plan [to merge](#), forming a 40- hospital health system spanning four states.

Advocate Aurora Health in the Midwest and Atrium Health in the South also recently completed a [merger](#) to create the fifth highest-revenue health system in the nation.

With mergers come many opportunities for new products and innovations to get a foot into previously closed doors. Health systems looking to combine will have to reevaluate their tools as they build uniform compatibility and operational efficiency.

Current systems in use could be up for a changeover, including the electronic health record (EHR/EMR), learning management system, data and analytics software, and potentially every software in place. If your offering is better than what either party already uses, **there has never been a better time to present that case.**

## Acquisitions

While acquisitions may not create as many new opportunities for new vendors as mergers, they represent potential volume spikes for vendors already established with the acquiring company. Additionally, there is a definite trend for new players who have not previously been in direct healthcare to enter the scene, either through acquisitions or startups. **These companies are hungry for innovation.**

Some examples:

- UnitedHealth Group made six major acquisition [deals](#) in 2022.
- CVS acquired OakStreet Health and announced plans to buy home health giant Signify Health.
- Amazon entered the health market by acquiring One Medical, a primary care company.
- Microsoft acquired Nuance, a conversational healthcare AI leader.
- Oracle acquired EHR company Cerner.
- Optum acquired Change Healthcare, a tech company focused on healthcare insights.
- Hellman & Friedman and Bain Capital acquired AthenaHealth.
- Walgreens purchased a majority stake in primary care company VillageMD.

## Direct Primary Care and Out-Of-Hospital Service Shifts

Medicaid redetermination began on April 1, 2023, with far-reaching results. Research from the [Urban Institute](#) estimates that around 15-18 million people could no longer qualify for Medicaid after redetermination. Out of those, **3.8 million will be without health insurance.**

For hospitals, this will initially lead to a drop in patient numbers. People may put off necessary medical care until their symptoms worsen, leading to complicated health conditions and an increased length of stay later on. Without insurance, hospitals and providers will see more bad debt from these stays, furthering the strain.

As consumers lose health insurance coverage, and up to **18 million people drop off Medicaid** in the coming months, it is reasonable to project that options like Direct Primary Care will grow.

New practices and offerings by hospital competitors will pop up, including cash pay or membership models. As large healthcare organizations discontinue service lines, gaps will open where competitors can pick up the pieces and fill the need of those patients.

Shifts toward virtual care will continue as well. Virtual visit numbers were 38 times higher at the pandemic's start than in 2019 and are still **five times higher than in 2019 currently**.

[Mckinsey](#) predicts, "Around 20 percent of all Medicare, Medicaid, and commercial outpatient, emergency department, and home health spending could be virtually enabled." The type of care this could expand into ranges from simple virtual visits to virtual specialty care, tele-ICU, remote patient monitoring, and hospital-at-home models.

These new services will need many of the same services and vendors that traditional hospitals use.

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"(By 2025) Medicare beneficiaries could see three to four times more care in their homes... representing up to \$265 billion dollars."

Mckinsey

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## The Takeaway

In light of the shifting healthcare landscape, consider conducting a comprehensive review of your offerings and strategy.

Have a hard look at whether your current offerings are sufficient to meet the increasingly stringent demands of your target market. Evaluate your flexibility to take advantage of shifting trends and capitalize on hidden opportunities.



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