

# TriHealth COVID-19 Financial Recovery Plan |

## FAQs

### **1. Why does TriHealth need to make these cost reductions if we received the CARES Act payment from the government?**

- a. TriHealth received a one-time payment of \$34M, far less than the approx. \$100M in lost revenues during the months of March, April, and May alone. With such a wide gap between lost revenue and CARES Act funding – and projected continued losses over the next several months – it was essential that we took additional cost-cutting measures to both close the gap and ensure we maintain financial stability through the uncertain times ahead.

### **2. How much are budgets being reduced in general?**

- a. TriHealth is now operating at between 90% and 95% of pre-pandemic levels of clinical volume, representing a \$100M to \$150M revenue shortfall. In order to overcome, we need to reduce expenses – just as any of us would do with our own household finances if confronted with a loss in income. So we'll be reducing budgets to close the shortfall, but in a targeted way to minimize the impact on our people and to avoid any adverse effect on the quality and safety of care we deliver. As shared, we're doing this through cost reductions in all aspects of operations, in addition to the salary expenses related to eliminated positions.

### **3. Are other health systems eliminating positions or is this just happening at TriHealth?**

- a. Other health systems in the region and nation are addressing their revenue reductions in a variety of ways, including most of the actions we have already taken. All systems will need to make cost adjustments at some point in the coming months, whether in budgets, positions, locations, or programs. The following are just a few examples of hospitals and health systems that have announced layoffs since May 1:
  - i. [Cleveland Clinic](#) announced this week it is taking cost-reduction measures, including eliminating raises and delaying some capital projects, in reaction to more than \$500 million in revenue shortfalls and increased expenses caused by the coronavirus pandemic.
  - ii. Dallas-based [Baylor Scott & White Health](#) announced in late May that it was laying off about 1,200 employees, nearly three percent of its workforce. The Dallas-based health system spent \$85 million to prepare for and respond to the pandemic, and it also saw patient volume declines between 50 percent and 90 percent, depending on the site of care.
  - iii. Duluth, Minn.-based [Essentia Health](#) laid off 900 employees, about six percent of its workforce, to help offset severe financial damage caused by the pandemic. As of late May, the health system was facing \$100 million in losses due to declines in patient volume since the beginning of March.

- iv. [Bluefield \(W.Va.\) Regional Medical Center](#) is ending services by July 30 and laying off 340 employees. Officials said the decision to shut down the hospital was based on several factors, including declining patient volume and reimbursement rates and significant financial damage tied to the COVID-19 pandemic.
  - v. Pittsburgh-based [Allegheny Health Network](#) announced May 21 that it would lay off 250 of its more than 21,000 employees. The affected jobs are primarily in corporate and administrative functions but include some clinical staff at physician practices. The layoffs were partially due to lower patient volume and fewer elective surgeries due to the pandemic.
- 4. St. Elizabeth's just announced they will not be laying off any employees and will be giving all employees a 2% raise to recognize their contributions during the COVID-19 crisis. How are they able to do this when TriHealth and other health systems have to reduce costs?**
- a. We can't speak to the financial positions and operating decisions of other organizations. We know that experts unanimously agree that it is unlikely we will return to pre-pandemic volumes any time soon. And this is what TriHealth and most other U.S. health systems are currently experiencing, now eight weeks into reopening. We chose to make the tough, but necessary, decisions and act now so we could quickly close the revenue shortfall created by the COVID-19 crisis, and ensure our ability to continue to provide exceptional patient care to those who need it through the uncertain times ahead – which will likely include a second surge in the fall, based on expert predictions. In short, this is probably more about timing than the ability of other health systems to avoid making cost adjustments altogether.
- 5. Will some team members continue to work remotely? If so, will we be closing some office space to save money?**
- a. Yes, remote work will continue for some team members indefinitely, where feasible. We are actively working to revise our Telecommuting policy to enable additional interested team members to work remotely based on the type of work they perform and whether they can work from home as productively as on site. Based on these changes, we will have the opportunity to reduce our office space and associated costs where we can, and will adjust our lease agreements based on lower square footage to achieve cost savings.
- 6. What locations are being consolidated?**
- a. The plans to consolidate locations are based on several variables, most notably, meeting the access needs of our patients and being able to continue to provide the right care in the right environment. The clinical site consolidations will be very similar to site consolidations that have occurred over the past five years at Kenwood, Liberty, Western Ridge, etc. In most cases, these consolidations will result in an improved care experience for patients and local availability of an expanded range of services typically only available at our larger facilities.

- b. In addition to evaluating consolidation of patient care facilities, we are also exploring opportunities to reduce square footage in leased corporate shared services facilities, where telecommuting is an option for team members. Again, once impacted stakeholders are notified, we will share the list of all facility consolidations.

**7. Can people volunteer to be laid off?**

- a. No. As a healthcare organization, most of our services and roles are mission critical to caring for our patients. The positions eliminated were carefully mapped out by an internal cross-functional team and outside experts using data and clinical projections to ensure that service, quality, and clinical care would not be negatively impacted. At this time, they are the only positions that need to be eliminated. Allowing for “voluntary layoffs” would likely result in position vacancies that we would have to replace.

**8. Is this the only round of position eliminations, or will there be more cuts in the future?**

- a. What makes this financial crisis unique and especially challenging is that it happened without notice, it has been dramatic (\$100M loss over last three months with continued losses projected in coming months) – AND there is no clear end in sight, given ongoing consumer fears about returning for care and the possibility of a second surge. These factors have required us to take immediate and decisive action, and prepare the system for a period of continued economic uncertainty. We believe the actions we have taken through the “COVID-19 Financial Recovery Plan” have enabled us to achieve these objectives. So we do not expect to have to make similar large reductions in such a short period of time as we move forward. That said, we will continue to monitor our patient volumes and flex our staffing resources to meet the community’s patient care needs. There is always a possibility we may need to adjust staffing based on continued changes in external conditions, but we hope to be able to do so in a more gradual way through normal attrition, as we have done in the past during more predictable times.

**9. Will team members who are currently on reduced work schedules continue to do so after these job eliminations are completed?**

- a. We anticipate returning team members who are on reduced work schedules back to the regular work schedules in July after the position elimination process is completed. The goal is that all team members who were NOT impacted by position eliminations can return to their regular work schedules during the month of July. Specific dates will be communicated in the coming weeks.

**10. Will physicians also be impacted by these position eliminations?**

- a. Physicians have different employment agreements and contracts than team members, and those agreements will be evaluated on an ongoing basis. Unlike most team members, physician compensation is tied to clinical production, so as volumes increase or decrease, so too will their compensation.

**11. We already have vacancies in several clinical areas – are we losing nurses at the bedside?**

- a. No. We are already staffed to volume in most, if not all, clinical areas to ensure we always have the necessary and appropriate levels of staffing. This flexible staffing model aligns with the cost efficiencies required during these uncertain economic times, allowing us to avoid eliminating bedside nursing positions. Instead, we will continue to flex schedules and work locations, as needed, to provide the right level of clinical care based on patient volume and demand.

**12. What if the demand models are wrong and our volume returns to normal in August or September... will you hire back the impacted team members before posting the jobs for external candidates?**

- a. We hope the projections are wrong and volumes bounce back more quickly, but based on current experience since “reopening,” we do not anticipate this to be the case. However, if an eliminated position is found to be necessary within the next six months, the displaced team member will absolutely receive priority placement consideration over other candidates.

**13. Should team members expect performance reviews and associated merit increases in the new fiscal year?**

- a. TriHealth is built on excellence and high performance, and is committed to remaining highly competitive with wages and benefits. Each of us must continue to operate at the top of our capabilities, especially through these difficult times – and we will continue to recognize exceptional performance through our compensation program. Therefore, we do not foresee any changes to our annual performance review and merit increase processes.

**14. Will TriHealth continue the 401k match or other compensation funding programs?**

- a. 401k matching and all other benefits will continue as usual. We believe the Total Rewards program we’ve built over the past three years creates an attractive environment for all current and prospective team members. The 2019 401k contributions will be made by December 2020. All team members will receive a total compensation statement in July, with projected contributions to be made this year.

**15. Will PTO balances used to cover furloughed hours be replenished?**

- a. No, PTO hours used during the furlough will not be reinstated. If a team member is experiencing financial hardship due to partial or complete furlough, please reach out to the Team Member Resource Center for assistance.