

Navigating Economic Headwinds:

Strategies for Managing Interest Rates, Operational Challenges & Increasing Patient Responsibility

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Today

- Healthcare Complexity
- Interest Rate Trends
- Operational Challenges
- Patient Responsibility
- Strategic Response



Healthcare Complexity



Mergers & Acquisitions



Evolving Models for Reimbursement



Complex and Non-standard Payers



Multiple Electronic Systems



Fees Incurred with Payments

Organizations are looking for Automation

Challenges result in manual, costly, fragmented and inefficient processes, such as:



Management of payment receipt, posting, and reconciliation



Payer complexity, PLBs, etc.



Payer credit card processing fees upwards of 3-4%



How to make images intelligent?

US NFP Healthcare: Macro Trends

Cash Flow & Margin Recovery	<ul style="list-style-type: none">• Demand remains healthy, but rates, payer mix changes, and service line shifts (e.g. inpatient to outpatient) will influence margin improvement• Expanding non-clinical revenue streams and partnership opportunities• Taking a holistic approach to margin improvement across organizations
Inflation & Operating Expenses	<ul style="list-style-type: none">• While improving, labor-related expenses likely will remain heightened and contribute to operating pressures• Importance of taking a holistic approach to margin improvement
Balance Sheet Flexibility	<ul style="list-style-type: none">• Balance sheets remain sound, though down from highs in 2021, but weaker cash flow and restart of strategic capital spend could limit flexibility• Strategic capital planning – capital spending cannot be delayed any longer without risk to overall operations
Resilience	<ul style="list-style-type: none">• Understand best-and-worst-case scenarios for your bottom line• Being agile to better respond to disasters and emergencies• Contingency plans to mitigate impact across organizations
Government Funding & Policy	<ul style="list-style-type: none">• Stimulus funding has ended, but Medicaid enhancements in certain states could support financials• Increased scrutiny on M&A activities• Continued focus on Health Equity

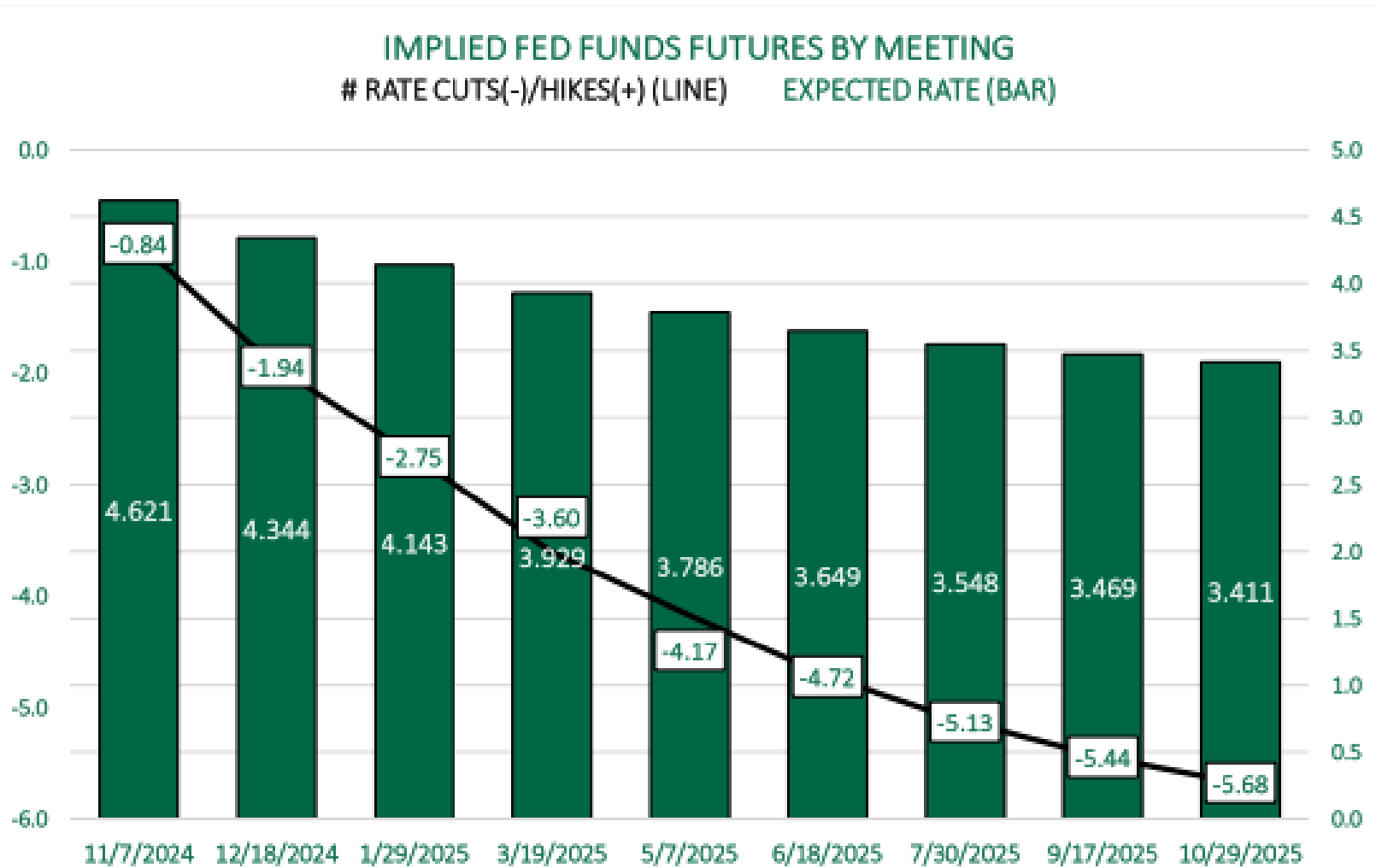
Interest Rate Trends



Fed Rate Changes 2022 thru 2023

FOMC Meeting Date	Rate Change (bps)	Federal Funds Rate
September 18, 2024	- 50	4.75% to 5.00%
July 26, 2023	+25	5.25% to 5.50%
May 3, 2023	+25	5.00% to 5.25%
March 22, 2023	+25	4.75% to 5.00%
February 1, 2023	+25	4.50% to 4.75%
December 14, 2022	+50	4.25% to 4.50%
November 2, 2022	+75	3.75% to 4.00%
September 21, 2022	+75	3.00% to 3.25%
July 27, 2022	+75	2.25% to 2.50%
June 16, 2022	+75	1.50% to 1.75%

Looking ahead: Fed Funds Futures through 2025



Rate Predictions for 2024 – 2025



CBS News

<https://www.cbsnews.com> › MoneyWatch

The Fed cut rates for the first time in 4 years. What does ...

Sep 19, 2024 – The Federal Reserve just lowered its benchmark rate by **0.50 percentage points**. Here's how the move could impact your finances.



Reuters

Fed is predicted to deliver three quarter-point rate cuts this year: Reuters poll

The U.S. Federal Reserve will cut interest rates by 25 basis points at each of the remaining three meetings of 2024, one more reduction than...

1 month ago



Reuters

Fed's Musalem argues for more rate cuts, says data to drive easings

Federal Reserve Bank of St. Louis President Alberto Musalem said on Monday he supports more interest rate cuts as the economy moves forward...

2 hours ago



Liquidity Topics to Consider



Target Days Cash
on Hand &
Investment Policy



Capital Planning
Strategy



Impact of rates on
borrowing &
investing



Contingency
Planning

Operational Challenges



Industry Trends



Technology Acceleration, Automation, AI, Digital

Accelerating the utilization of technology & digital solutions:

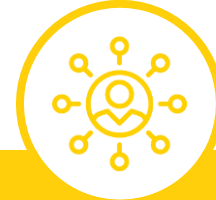
- Partnerships with disruptor organizations
- Innovation
- Cyber
- Patient-centered/consumer-oriented solutions
- Power in data – KPI identification and management



Health (Care) Equity

Assisting providers better support patients & outcomes:

- Digital solutions
- Self-service consumer solutions
- Ease of access/ease of usage
- Value based care
- Medicare Advantage



Workforce Strategy Management

Solutions that support workforce scalability:

- Working with less labor – “thin models” & hybrid models
- Control bad debt
- Third party costs
- Earned wage access

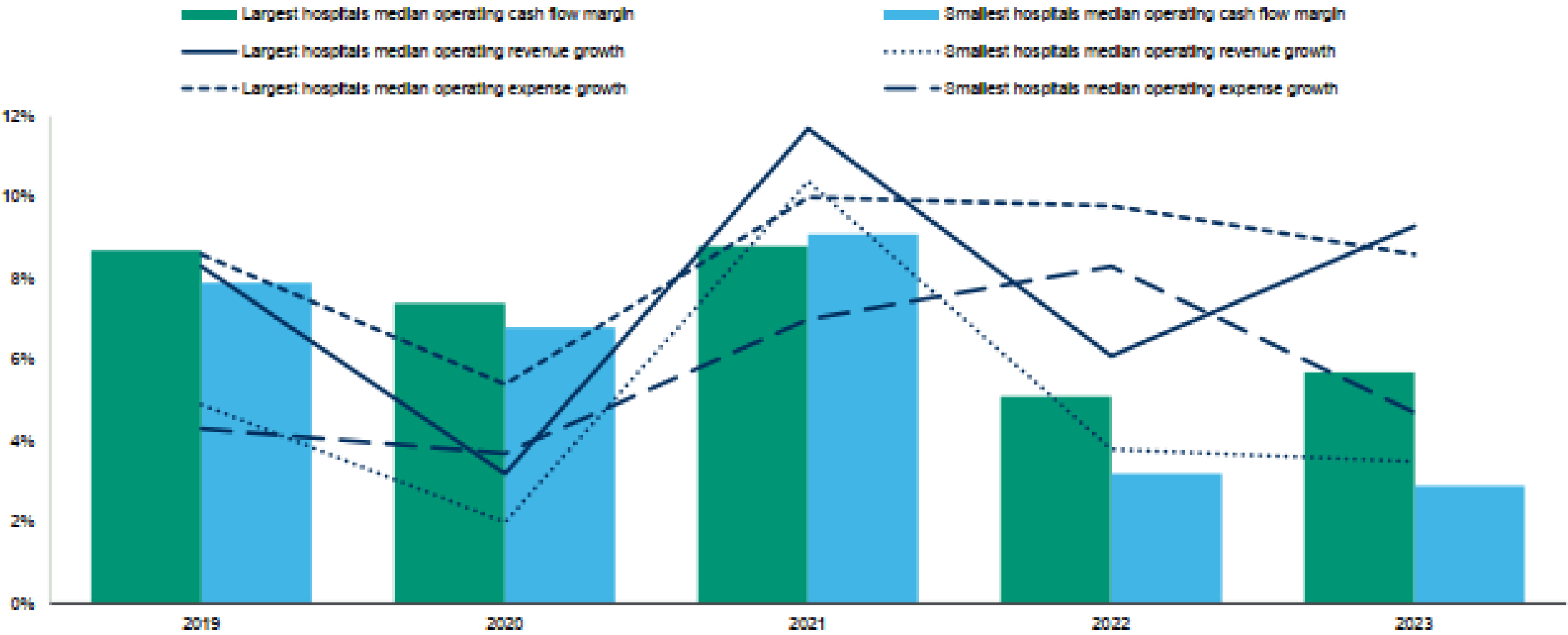


Creating Strategic Partnerships

Driven by:

- Strategic vision, operational alignment & collaboration
- Consumer centered approach, impactful to community focus
- Automation
- Shared responsibility
- Scalability
- Affordability
- Transparency
- Seamless integration

Moody's briefing: Smaller Hospitals feel the squeeze



2025: Defining the Future

Thriving

- Investing in strategic capital plans
- Accelerating revenue growth through outpatient services or new strategic partnerships
- Focusing on operating margins
- Stabilized workforce including employed nurses
- Leveraging balance sheet strength to utilize resources and access to capital to facilitate growth

Surviving

- Staying the course is no longer sustainable
- Limited reserves for capital or technology investments
- Balance sheet declines = increased cost of capital
- Challenge to maintain essential health services for communities, especially in rural areas

2024 AFP Fraud Survey | Key Insights¹

Payments Fraud Activity on the Rise



BEC continues to be the **primary source** for **attempted or actual payments fraud** at



¹ 2024 AFP® Payments Fraud and Control Survey Report

Cybersecurity Will Consume Major Leadership Attention

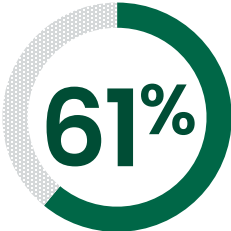
Ransomware



67% of healthcare organizations impacted
33% more than once

\$21 BILLION
Downtime cost to industry

Payment Fraud



of fraud attacks target **Accounts Payable**
13% target **Treasury**

Business email compromise **is the root cause**

Healthcare Vulnerabilities



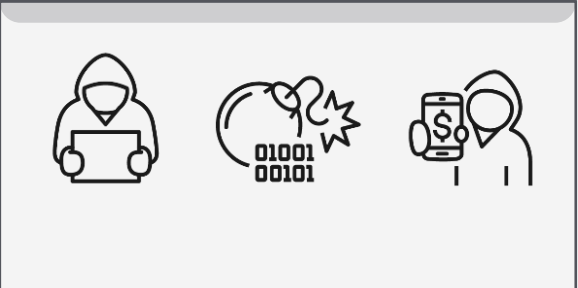
Phishing, outdated software patches, unsupported software, poorly configured Internet access

Growing problem with attacks through third-party apps and APIs to central systems

Leadership Confidence



61% of leadership lacks confidence in organizational ability to combat **ransomware**



Patient Responsibility

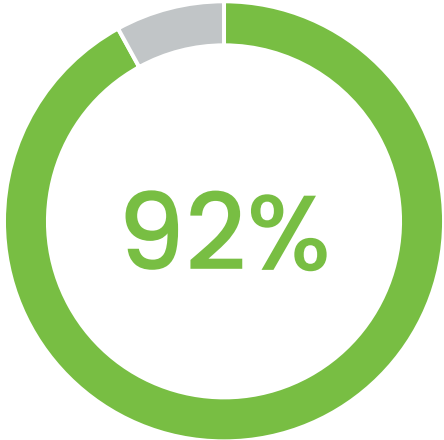


Consumers Want More Options

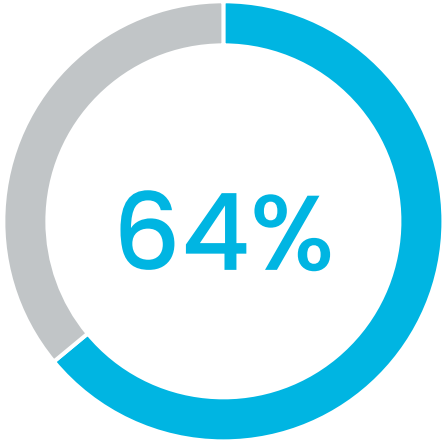
➤ Best Practice: **Initiate Discounts, Payment Plans, at ALL Patient Touchpoints**



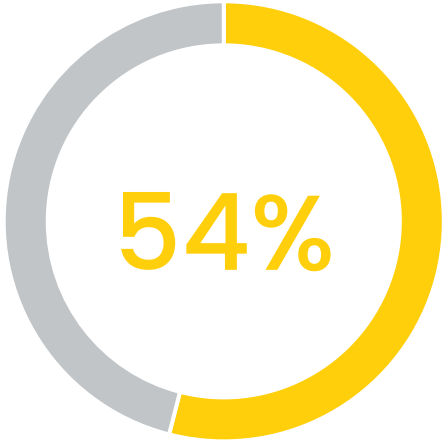
Providers see up to 90% boosts in payments when offering patients discounts at POS.



92% of patients would return to a healthcare facility that offers a loan program.



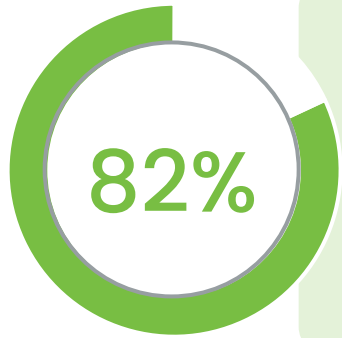
64% of patients want flexible payments.



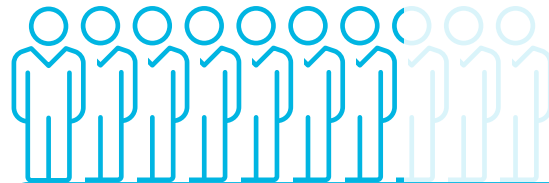
Providers see 54% more electronic payments when patients have the option to pay by phone or text.



Pain Points | By The Numbers



Of **patient refunds** are still made by **check**



72%

of patients say **refund speed** is highly important

95%

of surveyed patients say digital payments would **improve satisfaction**



\$\$ avg cost to issue a **paper check**



6% of total disbursed amount going to operational cost of checks



25%

reduction of disbursement related support calls with **digital payment implementation**

Major Advancement Opportunity for RCM/Finance Automation



Substantial Savings Potential




21% attributed to the “financial transaction ecosystem” [McKinsey]

 Can save over **\$13 billion** if healthcare implemented full electronic transactions [CAQH]

Three financial automation drivers:

 Staffing issues

 Growing data need for analytics

 Widening gap between cost of automated & manual transactions

For providers whose payment or invoice processes were not automated, average DSO jumped 17% during the pandemic

Patient Refund Challenges | A Provider's Voice



Reduce manual work associated with refunds, enhance efficiencies



Reduce the staffing needs necessary to process refunds including both accounts receivable and accounts payable teams



Reduce cost to process refunds including check stock, printing and postage fees, equipment and FTE expenses

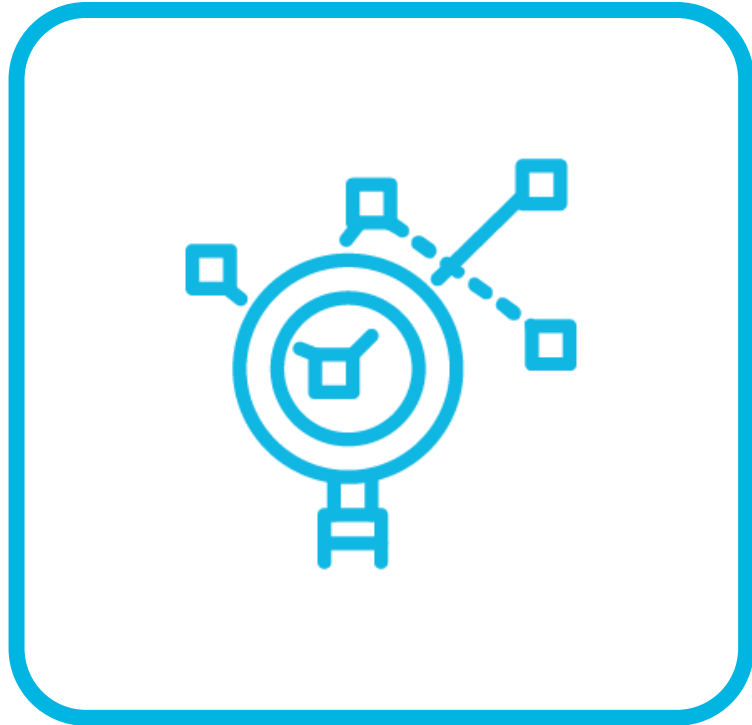


Eliminate the management of escheatment of unclaimed funds. Most organizations do not know the true cost associated with issuing paper refund checks

Strategic Response



Eight Key Trends 2024 -2026



1. AI – Healthcare
2. Health – Personalized
3. Wearables Go Mainstream
4. Virtual Healthcare
5. Social Determinants of Health
6. Mental Health
7. Corporate Healthcare Goes Direct
8. Healthcare is Unbundled



QUESTIONS?

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We are CommerceHealthcare®

➤ We don't just serve the healthcare industry. **It's our specialty.**



Partner to 3,000+ healthcare providers & 500+ hospitals in all 48 contiguous States



100+ entities & over \$42 Million in patient transactions annually



\$1B+ in commercial loans outstanding & over \$2B in healthcare credit commitments



\$10.4 Billion Commercial Card volume*

Patient Engagement Solutions

- Patient Financing
- Online Bill Pay
- Patient Refunds

Receivables Management Solutions

- Receivables Optimization
- Reconciliation Automation
- Healthcare Lockbox

Accounts Payable Solutions

- Virtual Card Revenue Share Program
- Supplemental Card Program

Investment Solutions

- Days Cash Investment
- Institutional Trust Services

PEER REVIEWED
— by HFMA* —

- HEALTH SERVICES FINANCING (HSF®) PATIENT LENDING
- REMITCONNECT®
- AP VIRTUAL CARD

HFMA staff and volunteers determined that these healthcare business solutions have met specific criteria developed under HFMA Peer Review process. HFMA does not endorse or guarantee the use of these healthcare business solutions or that any results will be obtained.

Katie Hammons

Senior Vice President, Healthcare Division Leader

Katie serves as Healthcare Division Leader at CommerceHealthcare, she leads a talented team of Portfolio Managers overseeing a \$2 billion portfolio driving innovative financial solutions for healthcare institutions nationwide supporting the Bank's Healthcare Relationship teams enhance client engagement and process optimization. With over 25 years of banking experience, Katie is recognized for her leadership, client partnerships, and creative problem-solving. A Certified Sales Trainer, she mentors teams in value-driven client engagement.



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Senior Vice President, Treasury Market Manager

Samantha serves as Treasury Market Manager for the Kansas City, Central Missouri, Colorado, Iowa and Southwest Missouri markets. In this role, she helps set working capital strategy for large commercial, healthcare & insurance clients to automate their cash flow processes. Additionally, she leads a team dedicated to supporting our treasury healthcare efforts nationwide. For all her teams, she serves as coach and mentor, helping them identify operational process challenges, the right solutions to improve efficiencies and removing roadblocks in their way. Samantha has held the Accredited ACH Professional (AAP) certification since 2000 and the Certified Treasury Professional (CTP) certification since 2004.

