

Rebooting Hospitals

Turning Crisis into Opportunity

26th June, 2020: FICCI National Workshop:

***Cash flow planning, Working capital & CAPEX
Management***

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New Delhi | Mumbai: The ongoing [Covid-19 outbreak](#) has impacted healthcare companies, which claim declining footfalls as well as rising consumables and staff costs have put their very survival at stake. "The cost of running a Covid hospital is very high and 50% of that are fixed costs," says Devi Shetty, chairman, [Narayana Hrudayalaya](#)

NSE -0.91%

Amid Allegations Of Profiteering, Delhi Private Hospitals Explain Why Covid Care Is Expensive

Covid-19 may affect free cash flows of health sector: Ind-Ra

By: FE Bureau | Published: April 10, 2020 2:10 AM

The Covid-19 outbreak has severely impacted the revenue generation of hospitals across the country; this is likely to continue till 1HFY21.

Centre panel wants Delhi private hospital rates cut by two-third

From Rs 24,000-25,000 for isolation beds, the rates have been reduced to Rs 8,000-10,000. For ICU beds without ventilator, the rates have been reduced from Rs 34,000-43,000 to Rs 13,000-15,000. ICU beds with ventilators, which earlier cost Rs 44,000-54,000 a bed a day, have been recommended to be charged at Rs 15,000-18,000 a bed a day.

COVID19: A near death experience for Private Hospitals

₹20,000 minimum wage for nurses: What it means for corporate hospitals?

India enters 37-year period of demographic dividend

Studies show such periods are often marked by rapid economic growth. The bulge in the working age population is going to last till 2055.

Healthcare inflation is increasing at double the rate of overall inflation

India's healthcare inflation has been rising steadily and more alarmingly, it is increasing at double the rate of overall retail inflation.

Health and wellness will be a top priority for consumers in a post-COVID world

■ MARY HANBURY | JUN 12, 2020, 20:47 IST



Telemedicine set to transform healthcare in a post-Covid-19 world

COLUMNS Updated: May 10, 2020 04:40 IST

Unlocking opportunity in a disruptive environment

BUSINESS LEVERS – IMPACT ON P&L

P&L
Operating Revenue
Net Revenue
Direct Expenses
International Referral Fees
Gross Contribution
Doctors Share
Personnel Cost
Power & Fuel
Repairs & Maintenance
Hospital Services
General Admin Expenses
Marketing Expenses
Prov Doubtful debts
Allocations
EBITDA

EBITDA



Business Levers

1. FOOTFALLS

2. CONVERSION

3. PRICING/ CLINICAL MIX/ALOS

4. CHANNEL/PAYOR MIX

5. Central & Smart Buying

6. UTILISATION OF CONSUMABLES

7. KMP ENGAGEMENT MODELS

8. OTHER PERSONNEL COSTS

9. POWER & FUEL COSTS

10. ACPOB (REMAINING COSTS)

BUSINESS LEVERS: IMPACT ON CASH

CASH FLOW
EBITDA
CHANGE IN WORKING CAPITAL
Inventory
Receivables
Payables
CASH FLOW FROM OPERATIONS
Routine CAPEX
Growth CAPEX
FREE CASH POST CAPEX
Tax pay-out including TDS
Tax refunds
Finance Costs
Finance Income
Other income
CASH GENERATED/UTILIZED

CASH

Cash Levers

1. EBITDA EXPANSION
2. INVENTORY DAYS/AGE
3. RECEIVABLES DAYS/AGE
4. PAYABLES DAYS/AGE
5. ASSET UTILIZATION
- 5.1 OT, CATHLAB, RADIOLOGY ETC.
6. EFFECTIVE TAX RATE
7. COST OF DEBT (%)
8. INTEREST COVERAGE RATIO
9. DEBT/EQUITY RATIO
10. ROE/ROIC (%)

Key transformational shifts are imminent

- Get a cross enterprise handle on reserves and future cash flows:
 - Assess assets and investments and monetize if needed
- Re-configure offerings towards mass consumer needs
 - Ride the health & wellness consumer wave
 - Address chronic patient base needs
 - Seize the Digital Health, Prevention, screening & early detection opportunity
- Reduce cost of healthcare delivery
 - Build and leverage your cost advantage
 - Pool purchasing power
 - Drastically reduce fixed and indirect costs
- Re-configure reduced cost base
 - Higher outcome based variable component with significant upside potential
 - Leverage technology: connected & out of hospital care, increase efficiency & utilization
- Income generation
 - Leverage assets and infrastructure to subsidize cost of healthcare delivery
 - Monetize clinical research and data
- Resource to win
 - Invest in Leaders who can bounce from crisis: ability to systematically manage volatility, uncertainty, complexity & ambiguity and build & sustain trust.
 - Manage employee upskilling and reskilling as well as recruiting pipeline
 - Share transformational capabilities: Actively seek help for executing to plan

1

**Define projects and
assign resources**

2

**Map historical financial
performance**

3

**Re-cast baseline to new
normal**

4

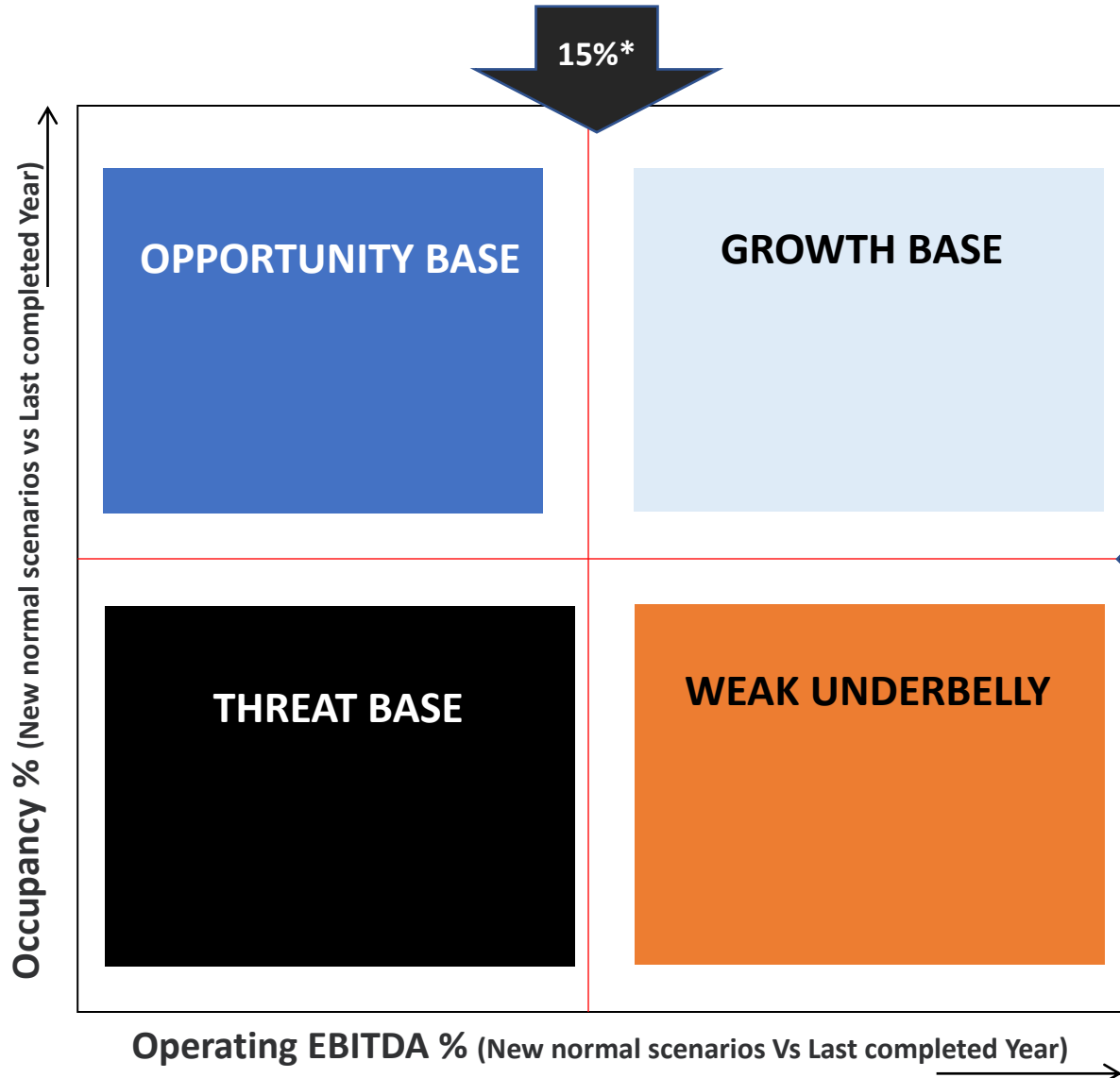
**Scenario planning for
stress & stretch test**

YOUR HOSPITAL HEALTH CHECK

DATA POINTS

- 1 Last completed year EBITDA and Occupancy
- 2 Re-cast baseline
- 3 Stretch case
- 4 Stress case

*Threshold % to be adapted as per requirements



BUSINESS LEVERS

OPPORTUNITY BASE

- MARGIN EXPANSION
- CAPACITY UTILISATION/ EFFICIENCY
- MIX UPGRADE: PAYOR & COMPLEXITY

GROWTH BASE

- ARPOB increase, ALOS decrease
- MIX UPGRADE: PAYOR & COMPLEXITY
- CAPACITY UTILIZATION/ EFFICIENCY
- BROWN FIELD EXPANSION

THREAT BASE

- AT RISK: TRANSFORM 360
- ALL LEVERS TO FIRE

WEAK UNDERBELLY

- TRANSFORM & DRIVE VOLUME
- LEVERAGE STRENGTH: COST EFFICIENCY

Plan to win and Execute to plan

- Re prioritize cash allocation:
 - Regulatory, safety, hygiene and business critical needs
 - Revenue enhancing spend, CAPEX and investments
- Working capital management
 - Strengthen collections and fraud detection
 - Re-negotiate payment terms and pay on time: monitor overdue payables, specially for critical supplies
 - Optimize inventory
- CAPEX spend supported by business cases
 - Owned vs leased vs financed
- Rigorous cash management rhythm
 - Daily cash monitoring vs plan
 - Weekly and Quarterly rolling forecast
- Managing short/excess cash
 - Securing adequate credit lines
 - Managing and servicing debt
 - Maximizing return on free cash

1

Daily cash reviews vs rolling forecasts & plan

2

Cash and P&L Control towers realize planned gains

3

Bottleneck resolution mechanism

4

Seek professional help: pool transformational resources

Q & A

HEALTHCARE BUSINESS TRANSFORMATION PRACTICE BGS*fin*HEALTH

Management Services | Strategy | Mergers & Acquisition | Execution | Finance & Treasury Services | Procurement | Healthcare Advisory

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Detecting cancer before it forms