



Interview with Terry Akin, CEO of Cone Health

Interview Conducted by Carsten Beith

Hello, I am Carsten Beith, Managing Director and Co-Head of Health Systems M&A at Cain Brothers. Today I'm speaking with Terry Akin, President and CEO of Cone Health, a \$2 billion health system based in Greensboro, North Carolina, and one of the nation's leading-edge value-based healthcare systems.

Where does Cone stand today in responding to COVID-19 and the healthcare crisis?

The level of intensity for our organization has been very high over the past few weeks. We are helping our local, state and federal elected officials remain as fact- and science-based as possible in the decisions that they're making, many of which have a direct bearing on the spread of and containment of this virus - flattening of the curve as most would say. Simultaneously, preparing for all kinds of operational needs and challenges are imperative as we care for infected COVID-19 patients and prepare for the expected surge or a peak that's likely to come later for our state and region.

Everything from basic issues you've heard about, such as shortages of masks and PPE, testing supplies, testing turnaround time, to how to address concerns from the community and communicate how they can help us has been a major undertaking.

We've got a great culture within Cone Health. While we work carefully to coordinate and communicate, we don't have a lot of leaders who walk around asking for permission. We empower people to act, and I think that has served us well because there are so many issues and factors that need to be dealt with immediately.

North Carolina, and Greensboro particularly, have not yet been hit as hard as other parts of the country and it sounds like you're expecting that surge. Can you describe some of your operational challenges?

We're very careful with respect to use of PPE and supplies, which are limited, and we are accessing every possible resource we can find. As CEO of the health system, I have had to become a creative supply chain sourcing expert and that has been an adventure unto itself.

I have tried to balance our short-term, practical and science-based needs to protect our people and attend to their psychological and emotional sense of safety. I have been mindful of the fact that people really want to feel secure and want a universal masking protocol - we've been able to move to that. However, I am also conscious of the fact that every mask or supply used won't be available if and when the surge hits. I think that really describes probably the biggest operational dilemma that most health systems around the country are facing right now.

How have payers and other providers, in both the state and local government, reacted in North Carolina?

There's been a fair amount of forbearance from payers. Frankly, a lot of us were not as prepared proactively as in retrospect. I wish we could have been, but I think that there's a widespread ethos across all the entities that you named that we really need to put our communities first. We need to put our patients first. We'll sort out the payer and the financially-related issues later.

You've been very passionate about the steps the State needs to take to reduce the impact of COVID-19. Can you describe those efforts and what you've accomplished so far in North Carolina?

I've been very vocal about the need to pay attention to the scientists and the clinicians and heed their advice, which is born out of experience and observation, both nationally and internationally. Infectious disease physicians and epidemiologists are people who study pandemics for a living. Early on, they advised us that our best chance to slow the spread of infection was to implement stay at home orders to limit fatalities and prevent the overwhelming our hospitals and health systems.

It has not been without its challenges and I certainly understand those challenges. It has a tremendous impact economically. I feel for businesses, and particularly smaller businesses, that are struggling. I believe strongly and passionately that we really must take the advice of the scientists from the federal level on down, to stay at home and limit social interaction to reduce an exponential level of spread of this virus. Those are mission critical steps. While we are enduring the pain from a business and economic standpoint, it's hard to keep your eye on the ball. However, I do think we need to address the economic impact and balance that against what the scientists are telling us about the need to stem the spread of this highly contagious virus.

How many COVID-19 patients have you had? Has there been a significant impact on your employees and have your employees tested positive?

I don't know what the total number of in-hospital patients we've had over the course of the pandemic, but today, I believe we have more than 30 patients in our hospitals that are COVID-19 confirmed, with just over half in our intensive care units (ICUs). Most patients in our ICUs are on ventilators. We have had 11 COVID-19 related deaths and nearly all have been over the age of 70 and vulnerable.

While we are managing COVID-19 patients we are also trying to equip ourselves for a greater surge of patients. Our best projections are probably in the May to June timeframe. We are screening our employees every day. Although we have had some employees confirmed, others have not even been tested due a shortage of tests. Those employees were sent home to quarantine and treat symptoms. I'm only aware of one employee who is critically ill as a result of COVID-19 and is being cared for in our hospital today.

Tell me about the demand for COVID-19 testing and your ability to fulfill that demand?

I think the number of confirmed cases dramatically understates the prevalence and the existence of the virus in our communities because our testing capabilities and turnaround time for tests are very limited. There have been some

exceptions. Some larger health systems, academic centers and others have had the right testing platforms, supplies and equipment already on hand. We've really had to wait for manufacturers to catch up and that has resulted in a high degree of variability in testing across the state.

In keeping with CDC guidelines, organizations like Cone, have only tested people who were deemed to need hospitalization. Others who were symptomatic but identified through their physician e-visit or another type of screening are generally not tested but sent home and told to quarantine and treat their symptoms. As a result, we believe the confirmed tested cases are dramatically understated.

This creates some confusion in the public. For example, in the Triangle, we have some academic centers that have been able to test at a much higher rate. As expected, they have a much higher number of confirmed cases. What I'm trying to emphasize is that confirmed cases shouldn't be the comparative denominator because of the variability in testing. The real comparative data are numbers of deaths, patients hospitalized, and numbers of patients on ventilators. If you look at that on a per capita basis, Guilford County is unfortunately leading the state.

We're trying to help our public officials and the public interpret the data, given the testing limitations. We are increasing our testing capabilities, and hope to have more rapid turnaround testing coming online. We are consulting with and collaborating with the State and the County as we look to broaden COVID-19 testing in our communities so we can be more proactive in identifying the virus in less acute forms to have targeted containment. Hopefully we can slow the spread that way.

What additional resources are you trying to secure to address the expected surge in patients in the coming weeks?

We're trying to secure personal protective equipment, and in particular N95 masks, which are very hard to come by. We've learned the hard way several times, to be extremely careful with our money and expectations because there are a lot of scams. There are a lot of sellers, resellers and agents across the country and abroad. For example, we confirmed an order for a large quantity of N95 masks that were then sold out from under us to a higher bidder.

It's a very important and critical core challenge. Other necessities, such as lower level masks, gowns, and face shields, are mission critical and in short supply. We're creative in sourcing supplies, including leveraging local manufacturers. Our communities have really stepped up. We've had several manufacturing facilities retool to help us with masks, face shields and even ventilators. It's another area where, depending upon the degree of the surge, we could outstrip our ventilator capacity.

We're focused on working with local manufacturers to come up with more ventilators, and even find ways to treat multiple patients on a single ventilator. Additionally, testing supplies as basic as the sampling swabs and the transport media used to move the samples have been in insufficient and challenging to source.

The fastest turnaround we were getting on our tests through outside referral laboratories is five, seven, even nine days. The problem with that is that as those patients are in the hospital awaiting results, we're burning through masks

and PPE caring for them, not knowing if they're infected or not. We are starting to make some headway with respect to testing and rapid turn-around availability. We're also getting support from the State.

Can you elaborate on what the State is doing?

They have a stash of supplies that we're able to access - although it is very limited - the mythical stockpile does not really exist to any large degree. The State is also helping us with coordinated data collection to understand where the hot spots are across the State and where we need to prioritize help and support. Finally, the State is working with our counties to support us and understand the degree of the spread of the virus and how to contain it.

How are things financially and operationally? What's happening to your volumes? How are you managing through this crisis on that front?

The impact is enormous and unprecedented. When you cancel all elective surgeries and procedures, you're taking away the revenue stream under the current healthcare model which keeps the boat floating.

While I can't exactly quantify the financial impact, the magnitude is such that we've never had to encounter or deal with before. The federal government, through its stimulus package, has provided some help and support. We're carefully tracking our revenue deficits and expense increases in anticipation of getting additional support. We're rigorous around countermeasures that we can take to reduce expenses and to match resources to volume.

We have implemented a rigorous productivity system that has allowed us to match our staffing and resources to volume and acuity. When you take a 30 to 40 percent volume drop in revenue overnight by canceling elective discretionary cases, it is difficult to recalibrate. We have identified every possible financial counter measure we can while knowing that we need our people and we're calling upon them to work as hard as they ever have. We need to ensure that we have adequate staff, including on the bench and in the pipeline, if and when more of our staff become infected with COVID-19 and is quarantined.

It's a Herculean undertaking when it comes to trying to manage and moderate the financial impact. But I can tell you it is big and it's at an order of magnitude on a monthly basis that we've never even gotten close to before.

Do you have a view of how this crisis will impact the hospital industry generally? Will it result in more changes?

We largely have a fee-for-service health care system in this the country, and the pain and challenges I've described has occurred across the nation. For those who are less value-based than Cone Health, the pain is probably even greater, and the impact is probably even more severe.

If there's a silver lining inside this dark cloud, it's that it may force us even more toward value-based approaches to care. We've become unconstrained for the most part with respect to providing virtual care, e-visits, and assessments, which everyone knows is more cost effective and more efficient than creating infrastructure of offices and physical facilities that people must visit. I believe we will move more in that direction.