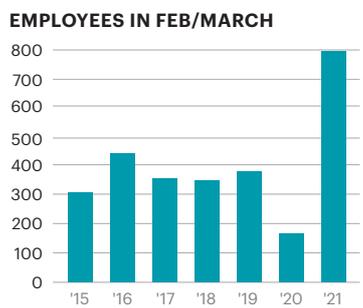
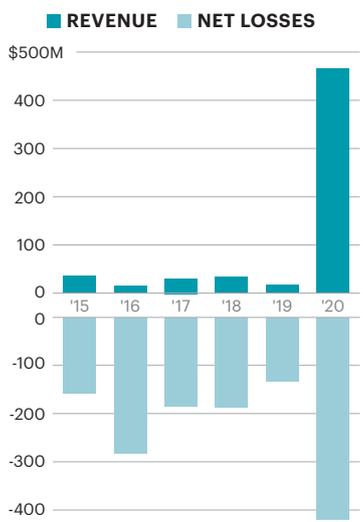


AN UNEXPECTED

BOOST

THE TRANSFORMATION

Since its phase 3 trials failed in September 2016 and February 2019 for other vaccine candidates for patients with respiratory syncytial virus, Novavax has been cutting back and watching its stock price bear the brunt. It wasn't until its progress with its Covid vaccine in mid-2020 that its fortunes started notably reversing — and it started hiring and rebuilding again.



A ROCKY JOURNEY

The pillars of Novavax's work five years ago were its RSV vaccines and seasonal flu vaccine, NanoFlu. But clinical roadblocks, a pandemic and heaps of public funding spurred the biotech's pivot to a new Covid vaccine.

► 2015

September: Novavax receives \$89 million grant from Bill and Melinda Gates Foundation for RSV work.

► 2016

September: Its RSV candidate for older adults fails in phase 3; shares plummet 86%.
November: Lays off 30% of workforce

► 2019

January: Reports positive phase 2 results for flu vaccine candidate
February: ResVax, another RSV vaccine candidate for infants via maternal immunization, fails in phase 3; shares tank 69%.

April: Faces delisting threat from Nasdaq

June: Sells manufacturing business to Catalent Inc. subsidiary Paragon Bioservices Inc.; cuts workforce again

October: Starts late-stage trial for seasonal flu vaccine candidate NanoFlu

A POTENTIAL COVID VACCINE BROUGHT NEW LIFE TO AN EMBATTLED NOVAVAX

BY SARA GILGORE
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Gregory Glenn began 2020 prepared to turn around the fortunes of his beleaguered Gaithersburg biotech.

And yet he couldn't take his eyes off of a province in southeastern China.

A cluster of pneumonia cases had emerged in January in a little-known city there. Well before its genetic code was made public, Glenn suspected a diagnosis that had yet to enter the world's perpetual lexicon: coronavirus.

He also knew a vaccine would take it down. So he drafted an unexpected proposal. Toss out his company's carefully laid plans for its top priority, a late-stage seasonal flu vaccine, NanoFlu, in favor of a new – but potentially world-changing – gamble: a coronavirus vaccine.

"The next day, we said, 'We've got to make it,'" he recalled.

Not everyone wanted to roll that dice.

Glenn's company, Novavax Inc., had spent the prior years honing its vaccine products to attack other viral enemies, but with radically mixed results. It

had slimmed down to "a skeleton crew" and "bet the farm" on its phase 3 trial for NanoFlu, said Glenn, the company's head of research and development. That, the team said, was Novavax's best chance to restore confidence in its science and keep the business intact after two other vaccine candidates for respiratory syncytial virus had failed back-to-back late-stage studies.

Until the coronavirus.

Glenn did, indeed, help put Novavax – the little biotech engine that couldn't – on a new track to develop a vaccine to protect the world from Covid-19. And that ultimate pivot has already transformed the company before it's even scored federal approval for the product.

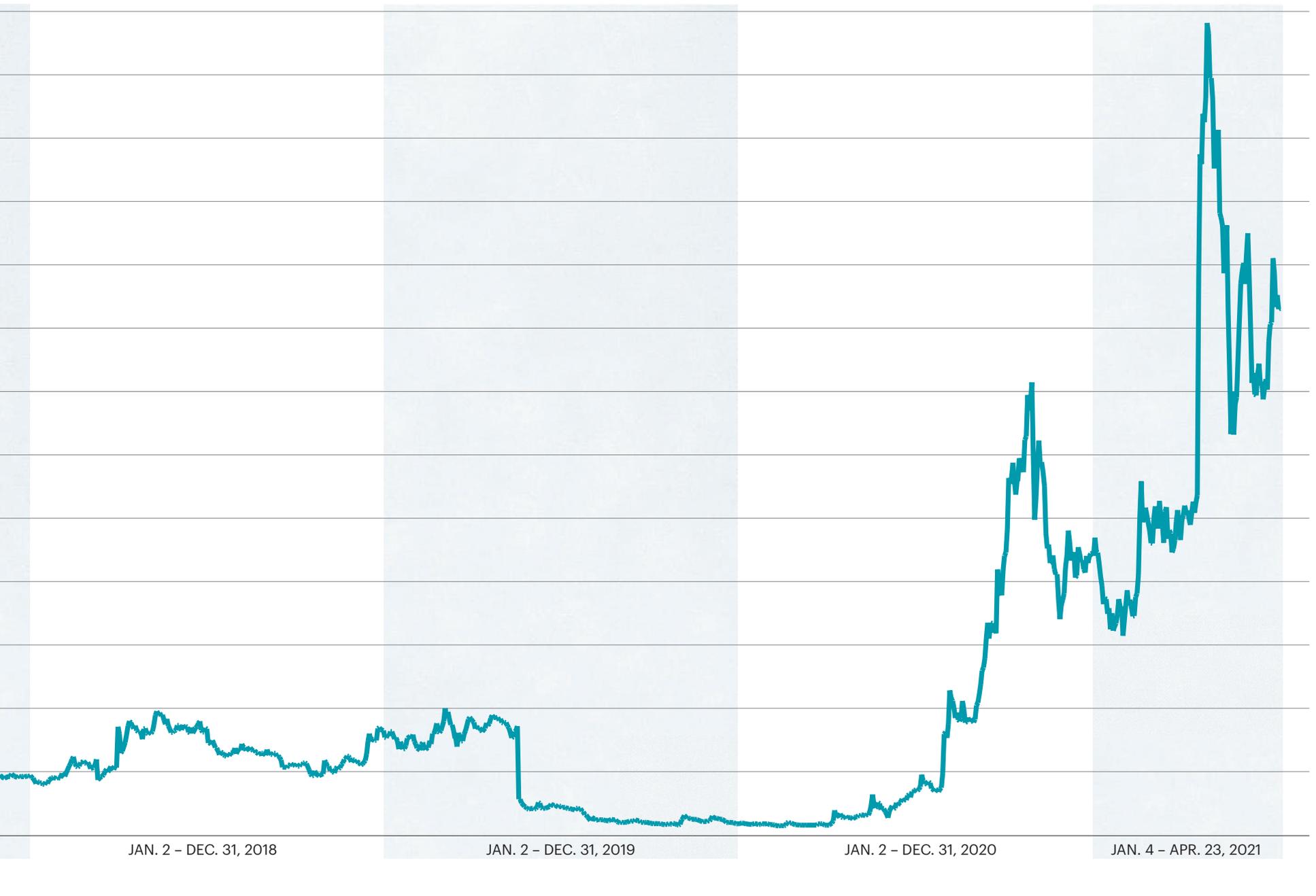
Since entering the Covid vaccine race, Novavax went from a six-month cash runway, a major downsizing to 150 people, zero production bandwidth and a delisting threat to, now, more than \$1 billion in revenue, nearly 800 employees, manufacturing capacity in 10 countries, a stock price peak of \$331 and a \$19 billion mar-

ket cap. And, most importantly, preliminary data that appears to prove its vaccine effective against one of the modern era's deadliest viruses.

The company – now clumped alongside household names like Pfizer, Moderna and Johnson & Johnson – still needs to win the Food and Drug Administration's coveted emergency use authorization for its product. And to be sure, either negative final trial results or a rejection from federal regulators could still derail its astonishing progress. But experts agree that Novavax's Covid vaccine candidate stands out enough to hold tremendous promise, scientifically and financially – as much as billions in potential revenue in the next year alone.

"I think this kind of takes them from on the fringe to a serious player in the vaccine space," said Andrew Ward, a professor in the Department of Integrative Structural and Computational Biology at Scripps Research.

CONTINUED ON PAGE 20



► 2020

January: Announces plans to develop Covid vaccine candidate, NVX-CoV2373
March: Strikes deal with Emergent BioSolutions to produce Covid vaccine materials for early-stage testing; secures \$4 million from CEPI; reports positive results for late-stage trial of NanoFlu

May: Begins human testing for Covid vaccine candidate; buys Czech manufacturing plant; secures another \$384 million from CEPI
July: Wins \$1.6 billion contact from Operation Warp Speed for Covid program

August: Reports positive phase 1 trial data for NVX-CoV2373
November: CEPI agreement amended to up to \$400 million; secures fast-track status for Covid candidate from FDA
December: Starts phase 3 trial for Covid vaccine

► 2021

January: Reports interim U.K. trial data
February: Enters rolling review process with regulators; completes enrollment in U.S. clinical trial

March: Reports vaccine proves effective in U.K. study, performs well against variants
April: Pushes back production timeline due to supply shortages

CONTINUED FROM PAGE 19

And just like that, what was a hunch for Glenn could finally yield what's eluded Novavax for all too many years: commercial success.

"The table is set for us," Glenn said. "I think about where we were last year, and where will we be a year from now, and they're both equally unrecognizable."

The ante goes up

The pivot wasn't without painful conversations.

As the coronavirus spread at the start of 2020, Glenn knew Novavax had the tools, technology and talent to deliver a viable vaccine. So the trained pediatrician started lobbying a reluctant team to put the once-predominant NanoFlu on the dreaded backburner. "It was a heated debate," Glenn said.

"I was able to go in there with conviction because I'd seen enough preclinical data and I had enough experience, I knew it was going to work," he said. Still, "you could see people's thought bubbles: 'Hopefully it was the right thing.'"

He persuaded them. Novavax told the world Jan. 23, 2020, that it would develop a vaccine for the novel coronavirus that was starting to spread beyond China.

The effort, however, was less novel for Novavax. This was the company's third coronavirus vaccine after it had ventured down similar paths for the Middle East Respiratory Syndrome (MERS) and Severe Acute Respiratory Syndrome (SARS) – not to mention for Zika, Ebola and several other pandemic flu strains. None of those candidates ever made it far in clinical trials if at all, let alone to patients.

Company officials say that's partly because the level of money behind Covid wasn't there for the others. "We'd never run into something where there turned out to be a market for it," said Stanley Erck, Novavax president and CEO.

Ultimately, those vaccine programs brought no return on investment, but they offered a priceless starting point and considerable practice, Glenn said. "Immunologically, you could see they would work very well."

By early March 2020, the Coalition for Epidemic Preparedness Innovations (CEPI) – a global partnership founded in Davos, Switzerland, that's funded by public and private entities to develop vaccines for infectious diseases – signed a \$4 million check for Novavax's Covid-19 vaccine program. With that endorsement, Glenn said, "everybody got their shoulder behind the Covid effort."

Beginnings of a transformation

Now the company needed more help.

After its failed RSV vaccine trial, Novavax had to severely cut expenses in 2019, selling off its manufacturing assets that June for \$18 million to Baltimore gene therapy provider Paragon Bioservices Inc., part of New Jersey's Catalent Inc. That move alone slashed its workforce in half. So, when Covid dawned, the business needed to beef up its infrastructure once again. And fast.

By last May, Novavax bought Praha Vaccines, inheriting its Czech Republic manu-



▲ Novavax CEO Stanley Erck, left, and Dr. Gregory Glenn, president of research and development, decided in January 2020 to pursue a Covid vaccine.

facturing facility and 150 workers, for \$167 million and enabling production of more than 1 billion vaccine doses per year. It set out to assemble its own dream team to take its vaccine candidate to the clinic, first inking a manufacturing deal with Montgomery County neighbor Emergent BioSolutions Inc. to get through early-stage trials, a short-term relationship that didn't solidify into marriage. But soon, Novavax had more partners on board, including AGC

Biologics, SK Group vaccine business subsidiary SK Bioscience, Takeda Pharmaceutical Co., Fujifilm Corp.-owned Fujifilm Diosynth Biotechnologies, Polypeptide Group and Serum Institute of India to back production outside of the U.S.

And it rounded up funding. Lots of it. Novavax raised \$1.35 billion in proceeds from a slew of stock sales starting in 2020. That's even as it secured another potential \$400 million from CEPI; up to \$70 million



EMAN MOHAMMED / WBJ

from the Defense Department's Defense Health Program and \$1.6 billion from the federal pandemic response program previously called Operation Warp Speed – dollars “that will surely carry us through the pandemic and beyond,” Erck said.

The attention and progress allowed Novavax to boost its recruiting. It quintupled its team, where now half of its senior management comprises new faces, and tapped pharmaceutical executives and

industry titans as new board members. That included Gregg Alton, who had led Gilead Sciences's commercial operations in Europe, Asia, Latin America and Africa before rising to its interim CEO; David Mott, former president and CEO of MedImmune and former head of New Enterprise Associates's health care investment practice; and Margaret McGlynn, former president and CEO of International AIDS Vaccine Initiative and a two-decade alum of Merck, who



“I think about where we were last year, and where we will be a year from now, and they're both equally unrecognizable.”

GREGORY GLENN,
president of R&D,
Novavax



“Novavax's commitment, and the fact that their product is ideally suited for the world's poorest countries — cold chain, high-capacity manufacturing makes it feasible.”

MARGARET MCGLYNN,
Novavax board member and former president and CEO of International AIDS Vaccine Initiative

joined Novavax's board in December.

“I have a real passion for the developing world and making sure that there's equal access, [that] no one is disadvantaged because of geography. And Novavax's commitment, and the fact that their product is ideally suited for the world's poorest countries – cold chain, high-capacity manufacturing makes it feasible,” she said. “It was easy, I didn't even look at another board opportunity because it was just so compelling.”

Still, the Novavax team watched nervously as other Covid vaccine attempts failed, including from seasoned vaccine makers like Merck. And it sped up to an unprecedented timeline for the industry, all as an unequivocal underdog and with the whole world watching.

“I tire sometimes at headlines that say, ‘It's a company that's never developed a vaccine’ – it's OK, it's true, but that doesn't mean we won't or can't develop a vaccine,” Erck said.

In the end, Novavax's Covid vaccine candidate has undergone clinical trials at about 200 sites across seven countries, with nearly 50,000 enrollees worldwide. The company expects to get final results from those trials any day now, hoping to score global licensure of a vaccine within months after that. The company is already shoulder-deep in large-scale manufacturing, distribution and pricing logistics, so it's ready to ship out a product upon approval. And it's expanding its physical presence in Gaithersburg, where it inked a 15-year, 170,000-square-foot lease in August and plans to add 400 jobs in four years. It bought yet another 9.7-acre parcel in October for \$14.5 million – “we need to build our own homegrown manufacturing capability,” Glenn said.

It's an abrupt industrialization that Mott said requires “an incredible level of complexity.” But it's also risky and expensive for a drug developer still awaiting an FDA blessing. Case in point: Supply shortages have already plagued, and delayed, Novavax's production and clinical testing timeline.

“They're having to think about things much more broadly than any biotech company's ever had to,” said Charles Duncan, managing director and senior research analyst for New York-based Cantor Fitzgerald.

Trials of their own

In late January, Erck gathered his leadership team and went to a house he built in South Carolina, a quiet haven away from crowds, he said.

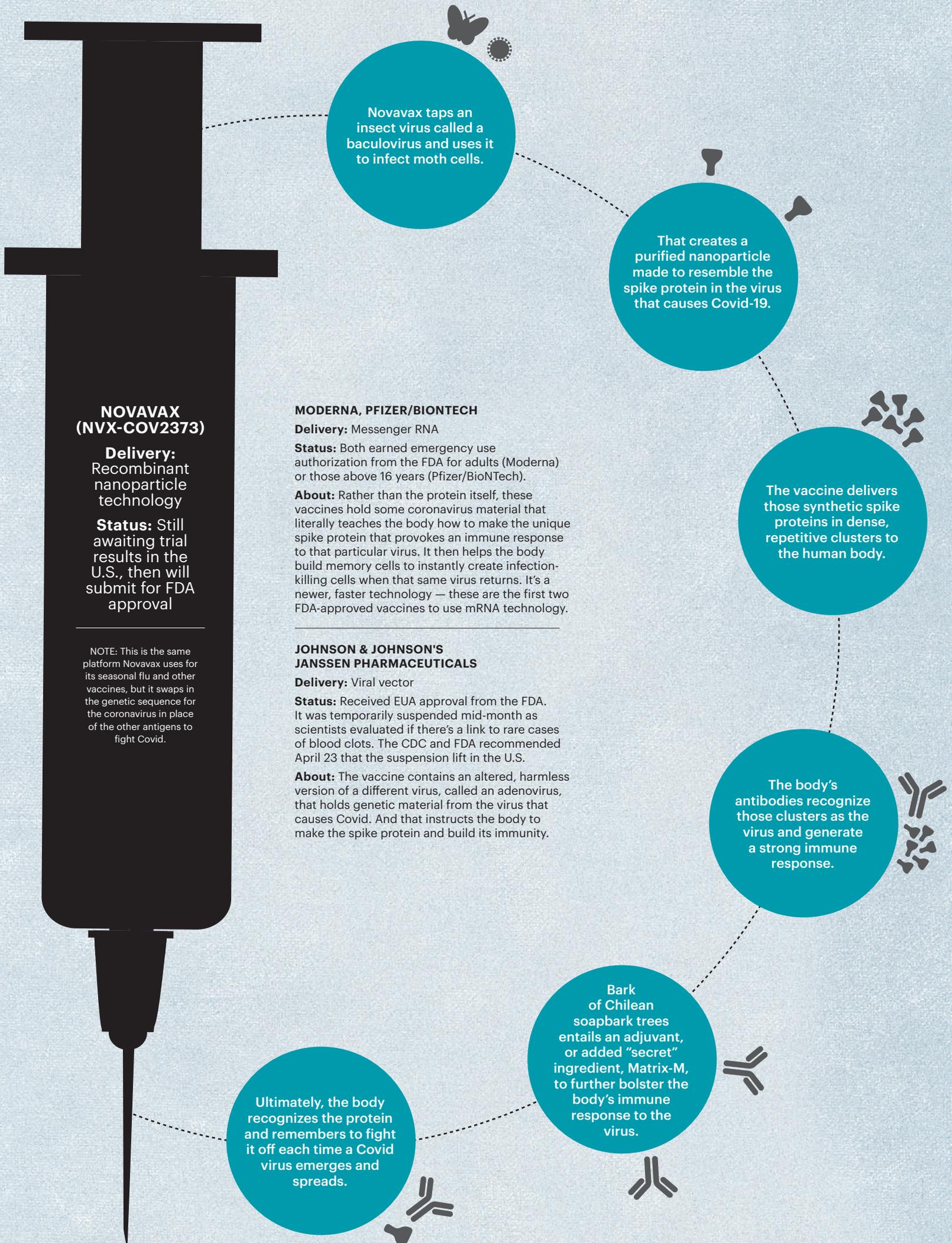
That's where they chose to await and digest interim data from Novavax's Covid-19 vaccine trials in the U.K. and South Africa, to weather the anxiety. They knew those results could dictate the company's fate – and they didn't want employees strolling down the hallway of the Gaithersburg office “trying to gauge the smile or frown on our face,” Erck said.

That may have been for the best. The first findings to come down were from South Africa, where the vaccine saw only 60% efficacy. “To be honest, I was pretty glum,” Glenn said.

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HOW THE VACCINE WORKS

The body becomes infected when germs attack it. Its white blood cells engage in the war to fight off infection and help the body recover. The immune system remembers that battle and creates antibodies, like biological soldiers, to protect it the next time, should the same germs return for another duel. Vaccines can have the same effect — by arming the body with antibodies to defend itself against a virus it's never encountered. They do this in different ways, though all using what's called a spike protein, which is a protein that sits atop the virus' surface. As soon as an immune system detects that spike protein, it starts generating its antibody soldiers to fight off infection.



NOTE: This is the same platform Novavax uses for its seasonal flu and other vaccines, but it swaps in the genetic sequence for the coronavirus in place of the other antigens to fight Covid.

CONTINUED FROM PAGE 21

Until the next day.

That's when they learned virtually all of those infections came from the South African variant, not the original strain on which Novavax's vaccine was based. Two edgy days later, they learned the vaccine showed 89% efficacy in its U.K. trial – and yet another day to discover it demonstrated 96% efficacy against the original strain.

"We were ecstatic, I can't tell you," Erck said. "We were riding high."

It was a taste of redemption after weeks of Novavax's international trials lagging behind other front-runners and rival vaccines winning that sacred federal approval to reach patients' arms. Though, there were perks in the pain. Those delays also meant Novavax's trials – which registered a jaw-dropping 30,000 participants within six weeks in the U.S., many of them high risk – are the only ones with efficacy data against the Covid variants.

"There's nothing like it," Glenn said of hearing the results. "All this work, all this suffering, and that's the moment where you find out that you met the standards. It couldn't have been better."

Novavax gets to savor that moment after a 34-year history peppered with some serious disappointments.

In the last five years, the company logged two failed RSV vaccine programs, one as recently as 2019. That product didn't meet its primary endpoint in the clinic – to prevent RSV in newborns at a high-enough rate through maternal immunizations – but "really demonstrated that the technology worked," said Rachel King, co-founder and CEO of Rockville's GlycoMimetics and a Novavax board director since November 2018.

Still, the trial's results drove the stock down to penny status, and to the brink of a Nasdaq delisting. It was distressing déjà vu, shaking investor confidence in the company just three years after a different RSV vaccine candidate for older adults had fallen short of its targets in a phase 3 study. That episode had tanked Novavax's stock by 86% within 18 hours and its workforce by 30% within weeks. RSV, a leading cause



"We're going to go back to the real world, where the companies are going to have to make strategic decisions. They're not going to have infinite amounts of money and infinite market ... to actively target."

ANDREW WARD, professor in the Department of Integrative Structural and Computational Biology, Scripps Research

of hospitalization for infants and elderly patients, represented a multibillion-dollar market with massive opportunity – one that Novavax still has yet to penetrate.

Now, Glenn said success in the Covid vaccine field could bleed into those other programs, providing the proof of concept Novavax has been craving all these years. Being able to translate that Covid work to other product lines will be key to the company's commercial success well after the current viral threat fades in the rearview mirror, experts say.

"We're going to go back to the real world, where the companies are going to have to make strategic decisions. They're not going to have infinite amounts of money and infinite market – the whole planet – to actively target," said Ward, whose Scripps Research lab collaborated with Novavax to evaluate its protein-based vaccine. "That's where it's really going to be up to the scientists and the leadership to do the market research and say, 'This is what makes the most sense for us.'"

For Novavax, that could translate to new Covid boosters for the original or mutant strains. It could involve working to fix what Glenn calls the malaria "puzzle," close to his heart as an Army veteran. Or it could mean exploring emerging or existing diseases, such as cancer.

Still today, many experts say, seasonal influenza remains perhaps the most obvious next step for Novavax, given its experimental NanoFlu vaccine yielded successful late-stage data. Indeed, NanoFlu shares the Covid vaccine's methodology, opening the door to a potential combination vaccine for more than one respiratory virus or flu season – Covid and flu in a single shot, for instance.

"They could potentially work on those aspects over the next five years to differentiate themselves," Ward said, "more than just being able to do it more robustly and quicker than the seasonal [flu vaccines] that are out now."

A firmer fate, finally?

Either way, Novavax has already distinguished itself, in part by its use of an adjuvant dubbed Matrix-M.

It's a "volume knob" of sorts that turns up the body's immune response and "can be potentially commoditized and combined with other people's vaccines," Ward said. "There's not many adjuvants on the market. So, for that reason alone, they could be an acquisition target for a Merck or Pfizer or any of those companies."

Though, that's not Novavax's Plan A, Erck said. He hopes to serve more as "an acquirer as opposed to an acquiree."

"We actually can do something that hasn't been done in decades, which is become a large independent vaccine company," Erck said. "If you look at Sanofi, GSK and Merck, their sales in their vaccines divisions are between \$5 [billion] and \$10 billion, and they've been in business for decades, 50 years – and we could be that in a year. We simply can be."

But what about a feared hat trick, if Novavax's Covid vaccine fails in its phase 3 trial? Experts suggest an outright failure is improbable given the promising U.K. data, but it could run the risk of failing to show decisive superiority to the existing vaccines – if it showed only 70% efficacy, for instance. Given that the company was "on pretty fragile ground before this," Ward said, such a sizable, public failure could make recovery difficult.

Company leadership insists that's unlikely as well.

"We know the vaccine works – that's not on my plate anymore. I don't have to worry about that," Erck said. "It is not going to be whether we can do it. It's how fast we can do it."

If its vaccine wins approval, Novavax would commence global distribution to developed and developing nations. At full capacity, that means 2 billion doses a year. That kind of scale could further widen Novavax's losses, but at least one analyst views a Covid vaccine as a long-awaited door, at long last, to "a stable revenue stream."

"I'm not worried at all anymore that these guys will not have a very strong financial situation to basically make choices," said Mayank Mamtani, managing director and senior biotech research analyst for L.A.-based B. Riley Securities Inc. "They control their destiny now." ❧

A BROADER LOOK

MOCO TO SEE POSITIVE SIDE EFFECTS OF VACCINE BOOM

The coronavirus changed the public's perception of scientific research and development – and Montgomery County's burgeoning life sciences and biotech ecosystem is reaping the benefits.

Proximity to companies like Novavax, which is gaining a global brand and larger headcount, has become a handy recruiting tool, for one.

Novavax "will continue to draw quality scientific talent into this market and just help to strengthen the overall market," said Matt Brady, principal and senior vice president with Rockville life sciences real estate firm Scheer Partners.

Even Novavax's past failures hold a silver lining for the local landscape, said Rich Bendis, founder, president and CEO of

BioHealth Innovation Inc., a local industry trade group. "It shows if you do quality research, regardless of whether your trials are successful or even fail, you generally have built potentially a foundation," he said, not to mention "a platform that can take that science or technology in a different direction."

The global health crisis has overturned the previously negative perception of pharmaceutical and biotechnology companies as overpricing their products, Bendis said. "They become the saviors for addressing the pandemic. And if they didn't have the research and scientific capabilities that they did have, we would've never gotten to the solutions that we have today."

That greater appreciation has translated into serious dollars

flooding this region, including from the Biomedical Advanced Research and Development Authority. In 2020 alone, Montgomery County's biotech players collected nearly \$8 billion in total funding from government, private sector investors and nonprofit organizations, per the Montgomery County Economic Development Corp.

And the National Institutes of Health and Food and Drug Administration, industry anchors nestled in the county's backyard, don't hurt, either.

"There's probably not a stronger ecosystem that has all of these assets concentrated in one location," Bendis said, "and that's another thing that's benefited Novavax." – Sara Gilgore



Bendis

A DOCTOR WHO KN



Kurt Newman had been working toward this moment for 597 days.

He walked to the Children's National Hospital auditorium stage, stopping to greet each and every one of the staffers peppering the sea of seats. Muffled lyrics from The Kinks' 1965 single "Tired of Waiting for You" blasted through the speakers: "I'm so tired. Tired of waiting. Tired of waiting for you."

They were apt words for the pediatric nonprofit's weekly Covid-19 Town Hall, which always starts with a song. On this rainy November afternoon, the tune emitted notes of familiar patience and fresh antici-

pation. And as Newman started talking, he set the rhythm like a metronome.

"Those lyrics kind of say it, don't they?" he asked the crowd. "We're tired of waiting. ... And today, I think, we may not be waiting any longer for the vaccine."

Hours later, the Centers for Disease Control and Prevention voted to recommend the Pfizer-BioNTech Covid vaccine for kids aged 5 to 11. It was a pivotal step for a front-line health leader who's fought for more than a year to get kids immunized against the deadly coronavirus, after playing a key role in the clinical trial that made this milestone possible. Within 24 hours of that town hall, Newman's team began administer-

ing its first Covid vaccination shots to the region's latest, and youngest, eligible group.

"It was a celebratory moment," Newman says later. "We can see the future for our kids. They were going to be kept safe. ... There was almost a sense of jubilation."

There haven't been many jubilant moments in the past 20 months for the hospital's president and CEO, who kept the 150-year-old nonprofit running strong even as the coronavirus crisis persisted indefinitely, undercutting its finances, pushing its employees to the brink of burnout – and threatening the well-being of one of Greater Washington's most vulnerable populations.

Dr. Kurt Newman started his career at Children's National Hospital in 1984 as a surgical fellow. He never left – or looked back.

OWS BEST

CEO OF THE YEAR

Kurt Newman worked to safeguard children through a health crisis and grew his hospital's footprint despite a financial crisis.

BY SARA GILGORE | sgilgore@bizjournals.com | [@WBJSara](https://twitter.com/WBJSara)



EMAN MOHAMMED / WBJ

He navigated this ship through the most intense, uncertain, unbearable health care waters in recent history while furthering its own massive expansion with a brand new D.C. campus, Silver Spring rehab center and plans for crucial pediatric services east of the Anacostia River. After a decade as its leader, Newman had laid the groundwork to make Children's National what he hopes will be the center of pediatric innovation and research for the world.

"I really truly believe that can be done," Newman says. "I think the progress we've made in the last 10 years shows that we can be successful in that, and that we can have the courage to take those kinds of shots."

Becoming Flash

Newman was a third-year medical student when a tumor appeared under his throat.

He was conducting research with Dr. Robert Lefkowitz, a cardiologist and Nobel Prize-winning professor in the Duke University School of Medicine. Lefkowitz was the one who had initially inspired the 26-year-old to pursue cardiology, who nicknamed him "Needle" – and who first suspected his thyroid cancer.

"I was really nervous and worried," Newman says. But an operation cured him. "It really made an impact on me about what surgery could do and what a surgeon

DR. KURT NEWMAN

Title: President and CEO, Children's National Hospital

Age: 70

Residence: Bethesda

Education: Bachelor's in political science, University of North Carolina at Chapel Hill; M.D., Duke University School of Medicine; residency in general surgery, Brigham and Women's Hospital and Harvard University; fellowship in pediatric surgery, Children's National Hospital

Family: Wife, Alison, sons Robert and Jack, Champ the cat

Hometown: Raleigh, North Carolina

First job: Selling soft drinks at NC State football games

could do. I never really considered it before as a direction."

After that, he did. It was late in the game to shift to surgery for Newman, now with a clean bill of health. After all, before landing a post-college summer gig as an orderly, the political science major's exposure to health care mostly came from watching "Dr. Kildare" and "Ben Casey" on TV. But he caught up and packed his bags for Boston, embarking on a residency at Brigham and Women's Hospital, a rotation at Boston Children's Hospital and a fellowship at Harvard Medical School.

During that time, he earned his second nickname, "Flash," a playful nod to his slow Southern tempo, from talking to walking to, yes, operating. He embraced the joke, sporting a lightning bolt on his lapel, but learned to pick up the pace. He also became enamored with pediatric surgery, he says. "I just felt this sense of confidence, of being able to do something that was going to have a great impact on this family and this child."

Newman came to Children's National in 1984 as a surgical fellow, drawn to the late Dr. Judson Randolph, its charismatic chief surgeon whom Newman first saw in a televised operation on PBS. He aspired to follow in Randolph's footsteps to one day lead a surgical department in his native North Carolina.

But Newman never left D.C.

He's the unlikely doctor who spent the next few decades growing up at Children's. It's where he met Alison, a new nurse in the hospital's neonatal intensive care unit who became a longtime nurse practitioner in Holy Cross Hospital's NICU – and, today, Newman's wife of nearly 30 years.

It's where, when he got rejected for chief of the division of general pediatric surgery – "he sort of said, 'I'll figure out other ways to contribute and make the institution better,'" says Dr. Stephen Evans, executive vice president for medical affairs and chief medical officer of MedStar Health, and Newman's close friend since their Boston residency. It's where he was promoted to surgeon-in-chief of the Joseph E. Robert Jr. Center for Surgical Care in 2003, helping mold what in 2010 would become the Sheikh Zayed Institute for Pediatric Surgical Innovation, a concept most people doubted could ever happen.

That institute, funded with \$150 million from the Abu Dhabi government, became one of the foundational blocks in building a preeminent pediatric surgical program, says Dr. Anthony Sandler, senior vice president and surgeon-in-chief at Children's National, whom Newman recruited to the hospital in 2006. "It was a totally new vision. It was completely thinking out of the box. It was thinking big and thinking different, and it was thinking like you had enough money to do whatever you wanted to do."

It positioned Newman well for the hospi-

CONTINUED ON PAGE 26

CEO OF THE YEAR

CONTINUED FROM PAGE 25

tal's top slot, though he says he was far from a "slam dunk." "But I did know the hospital, I knew how it worked and I knew our community – and I had a sense that if we could channel the energy of the doctors and nurses and our community, and really tighten those bonds, that the sky was the limit.

"But it wasn't going to be the usual way," he adds. "We were going to have to change the rules."

Clear eyes

Newman, however, wasn't afraid to play by his own rules.

Just ask prominent political adviser Bobbie Kilberg, who in July 1989 rushed her 10-year-old daughter to Children's National with excruciating abdominal pain, following five futile visits to her pediatrician and local hospital.

"Walking down the corridor as we raced in, before we even went to the ER, was this very nice-looking man with a white coat, and he took one look and said, 'What's wrong?'" says Kilberg, past president and CEO of the Northern Virginia Technology Council.

Newman, fresh off a long shift, then took Gillian out of her mother's arms, carried her away and quickly identified a growth on her ovary "the size of a grapefruit" that required emergency surgery, Kilberg says. "He literally saved her life."

"Put it this way: I didn't break any rules that mattered," Newman says about expediting the hospital's check-in procedures that day. "There's times where you have to really think about the situation and move quickly, while respecting some of the rules are in place to protect patients. But there's times where you have to move with all deliberate speed."

Flash took that to heart as he became CEO in 2011, when Children's National's fate as an independent, locally governed hospital sat in question. He didn't want the pediatric mission to get submerged in an adult health system like many of its counterparts across the country. And he sensed that with fortitude, teamwork, transparency and guts, the organization could continue to stand on its own.

Still, Children's "wasn't necessarily thought of as one of the top children's hospitals" and "certainly didn't have national aspirations," Newman says. The world needed to see it as a scrappy contender, yes, but one that was capable of more.

So he pulled together a transition team to highlight its potential. He got an executive coach to reframe his image as more than a surgeon. He didn't take the big corner office on the fifth floor, instead moving into a space in the hospital's nucleus. He walked the talk.

"We wanted to set it up so that the business objectives of the hospital served our mission and the patients and families, instead of the other way around," he says.

Top: Kurt Newman takes a quick break to hang with young patients, and therapy dogs, in the hospital's lobby.

Bottom left: Newman meets Jia-Ray Yu, an assistant professor at Virginia Tech and an adjunct with Children's National, in the Blacksburg university's recently opened Center for Cancer Research on the hospital's new research campus at Walter Reed.

Bottom right: Newman, known to be a hugger and a hand-shaker, greets a hospital staffer in the cafeteria.





PHOTOS BY EMAN MOHAMMED / WBJ



ON NEWMAN'S LEADERSHIP

"His expectations are pretty high, and it sort of drives that intensity to really succeed and really do things at the highest level. Yet, he does it with a very fine and soft touch."

DR. ANTHONY SANDLER, senior vice president and surgeon-in-chief of Joseph E. Robert Jr. Center for Surgical Care, Children's National Hospital

ON NEWMAN'S DEDICATION TO CHILDREN'S

"He's deeply emotionally invested in the institution and its success, and people feel that. People recognize his talents and his thought and his intellect, and all of the pieces that make up what is a really good physician. He has no ego, zero ego — he is an egoless individual."

DR. STEPHEN EVANS, executive vice president and chief medical officer, MedStar Health

ON NEWMAN'S COLLABORATION

"It's no secret that the journey towards getting approval and memorializing this public-private partnership to build a new hospital on the East End was challenging and took several years, and Kurt was always a sounding board or an individual that I could call upon to say, 'What are your thoughts on this; am I missing something?' And having someone like that is extremely valuable when you're going through a rather large, transformative negotiation."

KIMBERLY RUSSO, CEO, George Washington University Hospital

ON NEWMAN'S PHILOSOPHY

"He is a good listener. I think his intuitions are good about situations. He's really incredibly scrupulous about being transparent. He reports any tiny little conflict — he's just scrupulous and honest, almost to a fault sometimes, but hey, that's part of the job."

ALISON NEWMAN, Kurt Newman's wife and a nurse practitioner at Holy Cross Hospital

Then he built his team. He recruited former colleague Kathleen Gorman back to the hospital as chief operating officer. He restructured the human resources department to make talent a top focus. He appointed two people for what's traditionally one position: Dr. David Wessel as the conventional chief medical officer and Dr. Denice Cora-Bramble, charged with growing the primary care enterprise and creating a system of care for kids in the District's underserved neighborhoods. He struck partnerships with other Greater Washington health systems. He rebranded the hospital from "medical center" to "health system" in 2013, and again to "hospital" in 2019 when the first attempt didn't resonate, he acknowledges. He leaned on his team the same way he had in the operating room, trusting the people around him to bring as much intention, empathy, attention to detail, humility and passion as he did to the work.

"All of those things started paying off," Newman says. Quality and safety measures went up, serious negative events dropped, the hospital's national rank climbed, "then our reputation started building."

But he never forgot the reason for that

CEO OF THE YEAR

CONTINUED FROM PAGE 27

work, says Dr. Wayne Frederick, president of Howard University and Newman's long-time friend.

Newman, who'd trained Frederick as a surgery resident years prior, was already CEO at Children's when his D.C. colleague called from a trip in Hawaii: Frederick's goddaughter in Trinidad and Tobago had a brain tumor, and she needed help. Newman's team mobilized resources to get the 5-year-old and her family on a plane to Washington fast, for a successful operation. Today, she's 13 and thriving.

"He did every single thing, and had his team do every single thing, to make sure that she got the care she needed – and that was just one patient," Frederick says. "He came to the room to visit with her. He did everything you could ever ask for but, at the same time, is unreasonable to ask of a CEO."

The Covid disruption

"We have our first patient."

Those were Gorman's words during a phone call with Newman on March 15, 2020. "And I thought, 'This is real,'" Newman says. "It's not just people on cruise ships or the West Coast. It's here."

That news had only worsened Newman's already growing anxiety – he worried that the early reports that the virus largely



EMAN MOHAMMED / WBJ

To this day, Newman, shown here with Michael Adeyanju, senior executive communications specialist, still conducts rounds of the hospital's medical units.

spared children would prove wrong. Unfortunately, he was right.

The hospital's drive-up and walk-through testing site, one of the first to open, soon showed that infection rates in children were higher than people understood, and even higher among diverse and underserved populations. Then Newman got another call, this one from Wessel, about a serious pediatric condition in Europe later found to be multi-system inflammatory syndrome in children

(MIS-C). "And he realized that we had seen a couple of patients like that," Newman says.

So Newman says he spearheaded an uphill battle to get the word out that Covid "affects children a lot more than people thought, or still think." He also dove into the bigger pandemic response.

Under his leadership, Children's convinced the District to raise its age limit so

CONTINUED ON PAGE 30

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CEO OF THE YEAR

CONTINUED FROM PAGE 28

its 323-bed facility could accommodate older teenagers to free up beds in other hospitals' overburdened units. It shared its extra heart-lung machines as demand climbed. It required staff to get vaccinated and gave shots to kids in the community. And it did so while balancing the non-Covid needs of its other patients, from seasonal flu and respiratory syncytial virus to cancer and heart disease to mental health.

The Delta variant made things worse for the kids, as well as Newman, who struggled with seeing it play out. "The numbers were so high, it was filling up the ICUs in the hospital," he says. "The kids were really sick. Fortunately, almost all of them recovered."

At times, Newman would briefly escape to his office, close the door and meditate. When he needed a bigger break, he'd spend time with Alison and his sons at a house they bought in Annapolis. The shift to virtual work gave him some refuge and more time with family. It "balanced out the intensity" early on, Alison says. Newman also looked to his staff in the tough moments, he says. "The way the teams just came together and stayed focused was just awe-inspiring. I tried to take that in."

Meanwhile, Children's National forged ahead with its expansion plans. It opened a new sports medicine center in downtown

Silver Spring, in Discovery's former headquarters now rebranded as Inventa Towers, in March. It debuted the first phase of its \$215 million research and innovation campus at the former Walter Reed Army Medical Center in April, welcoming Johnson & Johnson Innovation's J Labs incubator and Virginia Tech's Center for Cancer Research to the property. It moved behavioral health services from the hospital's basement to the renovated Takoma Theatre in June. It opened a 60,000-square-foot specialty clinic in Prince George's County in July. It inked a letter of intent in September to provide care to kids at a \$375 million hospital planned for the St. Elizabeths East campus in Southeast D.C., slated to be run by George Washington University Hospital's majority owner, Universal Health Services Inc.

GWU Hospital CEO Kimberly Russo approached Newman about that project, "and the conversation took off from there," she says. "It was a natural fit because they're already such a good partner for us, and we want to partner with the best. His leadership has really brought Children's nationally to a recognized level of performance."

Children's National didn't see the same hospitalization and death rates from Covid as the adult hospitals did. But behind the scenes, the nonprofit was "staring right into the abyss financially" as expenses skyrocketed, Newman says. At the pandem-

ON NEWMAN'S ACADEMIC ACHIEVEMENTS

"The thing about Kurt is he doesn't overwhelm you with his brilliance, with his drive, with his anything. He seems outwardly easygoing, affable — but wow! He's the first author of a paper in the Journal of Clinical Investigation, which is the premier journal for clinical investigation in the world. People would cut off their arm to get a publication in this journal, and here's this third-year medical student who's got only 10 months in the laboratory, and he's the first author of this paper in this remarkably prestigious journal."

DR. ROBERT LEFKOWITZ, professor of medicine and professor of biochemistry and chemistry, Duke University Medical Center

ic's height, the hospital paused nonurgent procedures and canceled appointments, losing \$1 million a day and ultimately contributing to a \$186 million combined revenue shortfall for fiscal years 2020 and 2021, which ended June 30. At the same time, it shouldered \$17 million worth of pandemic expenses for the past two years, including personal protective equipment. To compensate, the hospital stopped hiring in nonclinical areas, eliminated travel and consulting expenses, and refinanced its bonds, successfully avoiding layoffs.

It also lobbied the federal and local governments for recovery funds, securing \$2 million from the District and a total of \$81 million in CARES Act funding for the 2020 and 2021 fiscal years. That softened the blow for fiscal 2021, when its income statement improved, but still took a \$92 million hit.

The system also found other routes to capital, including multiple grants this year: \$40 million from the National Institutes of Health to study the long-term effects of Covid and MIS-C, another \$6.7 million from the NIH to fund new research areas at the campus and \$3.4 million from the United Health Foundation to bring mobile medical services to students in D.C.'s wards 7 and 8. Then in October,

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“I’ve always loved a good party, but never more than now.”

- Susan Lacz, CEO

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CEO OF THE YEAR



EMAN MOHAMMED / WBJ

CONTINUED FROM PAGE 30

Children’s announced a new fundraising campaign, targeting \$500 million by 2023.

“You could easily be distracted in the midst of all of this – the biggest health care crisis of your lifetime is around you,” says Evans, CMO of MedStar. “Kurt was not distracted. He was eyes on the prize. He

looked straight ahead, knew what his strategic plan was and moved forward.”

A global vision

Newman, now 70, walks through the hospital like a hometown sports hero celebrating with fans after a buzzer-beater.

He high-fives and hugs and handshakes and secret handshakes and fist bumps and

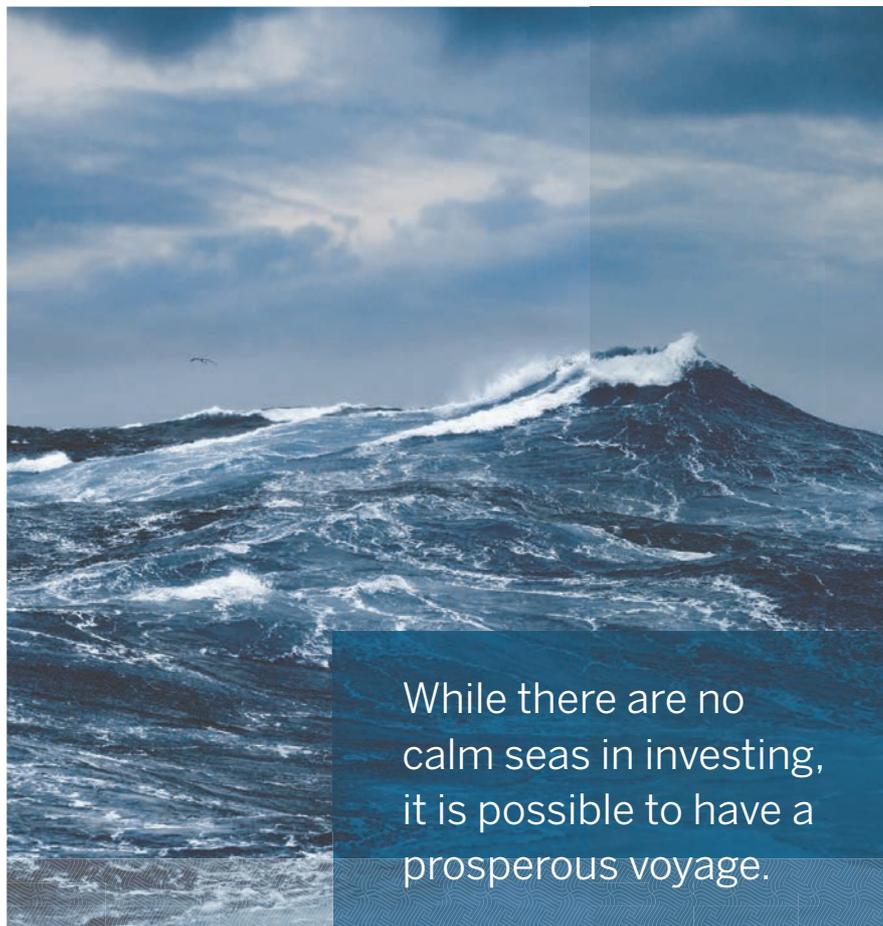
Newman tours the 32,000-square-foot J Labs incubator, a home for private sector research, with its leader, Sally Allain.

elbow bangs and waves and points and laughs. He greets everyone – colleague, patient, nurse, stranger, toddler, therapy dog – with compassion, humor, interest and a big smile, evident even through his mask. He even stops as people swirl around him to bend down and pick up a small piece of trash. He might be a few minutes late to his next meeting, but he’ll catch up. He’s Flash, after all.

He’s also not ready to retire.

Instead, he’s looking to the future, starting with a spring celebration – belated, thanks to Covid – of the hospital’s 150th birthday. His plan involves improving access to health care in the community, expanding mental health services and striking more partnerships. It’s about drawing more companies and academic partners to build an ambitious global ecosystem at the Children’s National Research and Innovation Campus. And it requires “not being too big and forgetting why you’re here and who helped you get started,” Newman says, pulling from his earliest days in the operating room.

“You want to be conservative and safe, but there’s times where you’ve just got to go for it,” he says. “I think that’s been borne out in the pandemic, because we’ve taken some shots and tried to be out front in a time of a lot of uncertainty. But it’s paid off.”



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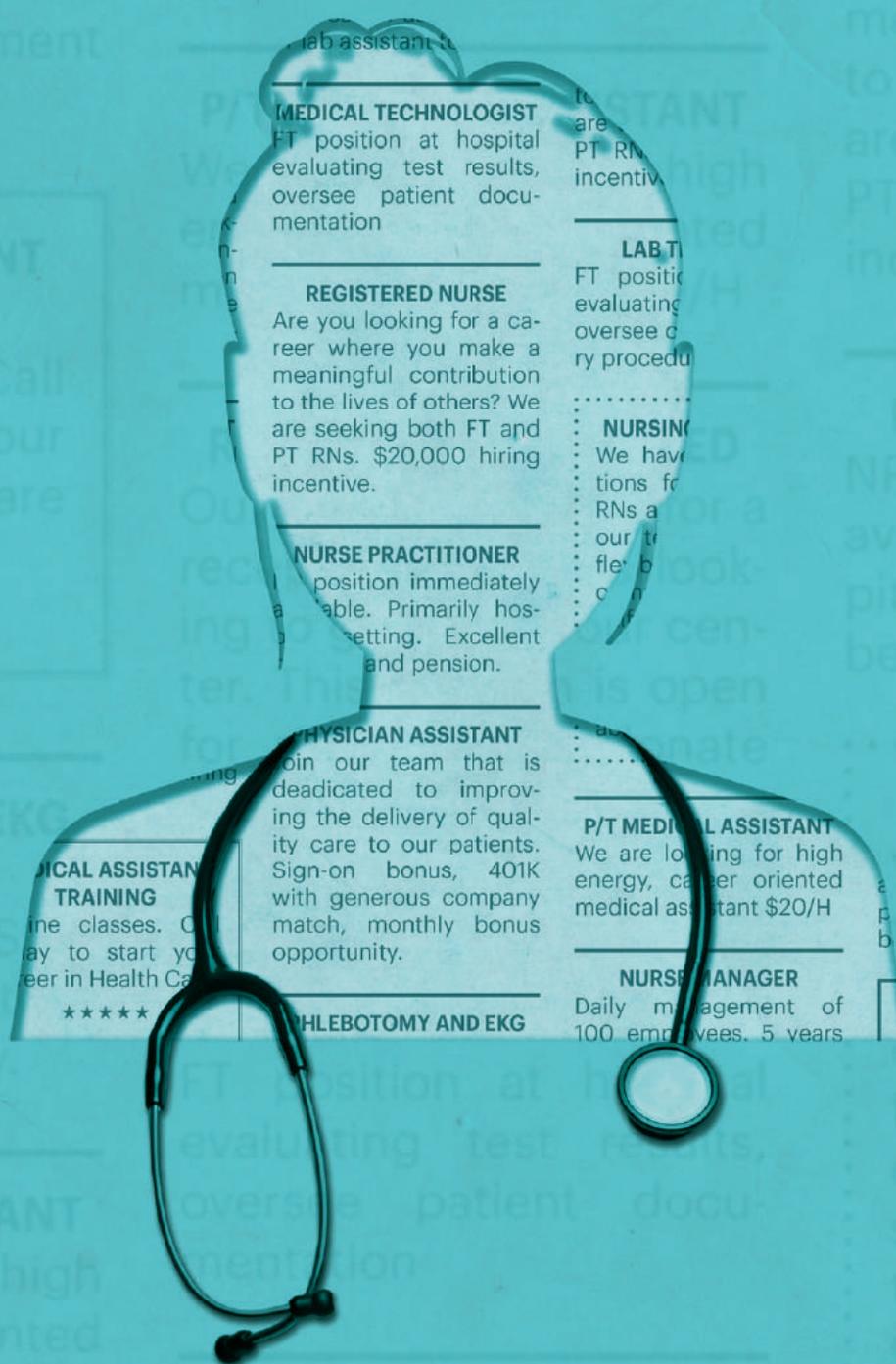
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COVER STORY



A TIME OF PERSONNEL CRISIS

Hospitals have been battling through a health emergency for months. And that's turned a tough worker shortage into an agonizing ordeal.

BY SARA GILGORE | SGILGORE@BIZJOURNALS.COM

Julia Truelove has seen too many of her colleagues quit.

The 28-year-old burn and trauma nurse in MedStar Washington Hospital Center's intensive care unit says nurses across the board have been overworked, underpaid and overwhelmed in a taxing environment only worsened through the coronavirus crisis.

They've inherited more patients while remaining shorthanded. They've been pulled from the bedside to fill nonclinical gaps, from taking out the trash to delivering dietary trays. Add the pandemic's crushing emotional and psychological toll, and nurses are flocking to the exit doors. They're going back to school, relocating, taking procedural jobs, accepting travel contracts for higher pay or leaving health care altogether.

"It's a perpetuating cycle," said Truelove, who previously worked on a Covid-19 unit at the Northwest D.C. hospital. "If you're understaffed, then you're going to continue to be understaffed and burnt out ... and suffering that moral distress of going to work every day knowing that you're going to be run really ragged."

The American Association of Critical-Care Nurses reported last fall that 92% of surveyed nurses said they will have shorter careers than planned, and 66% considered leaving the profession, because of pandemic-induced fatigue. Beyond nursing posts, an April survey by the Kaiser Family Foundation and The Washington Post found 62% of frontline health care workers suffered negative mental health effects throughout Covid, and eight out of 10 felt stress over exposing family members to the virus.

It's made the Great Resignation that much more ominous for the health care sector. Hospitals, community clinics and private practices all pursue the same candidates to fill persistent vacancies in countless areas, from respiratory therapy to radiology. They're turning to short-term treatments: tapping new recruiting pools, rethinking pay and benefits, shifting their approaches to care. And still, there's no long-term cure in sight for one of the region's most crucial fields.

"There's not a single one of my counterparts that I talk to, CEOs across the country, who would say anything other than their greatest challenge right now is exactly this, even those who are in Covid surge areas," said Dr. Stephen Jones, president and CEO of Inova Health System. "It's still about having adequate staffing, and staffing that's not exhausted and, candidly, frequently burned out because of all that health care's endured over the last 18 months."

Helps starts at home

With lives on the line, health providers must answer a key question each day: Do they have sufficient staff to safely operate at all? The answer isn't always yes.

That's why Falls Church-based Inova temporarily closed three urgent care centers in early October, a "deeply disappointing" decision due "purely to staffing," Jones said. That's as the system's emergency departments are also "largely overwhelmed," he said.

Many health systems are getting aggressive with policies and perks to ensure their current staffers stick around. But even then, many must still plug holes with travel nurses – workers who pop in for temporary stints at double or even triple the pay rate of full-time nurses in the same units.

"We've warned about this for years," said Gerard Brogan, director of nursing practice for union group National Nurses United. "If you don't treat your staff right, they're going to leave and they're going to go to a travel agency. Then you're going to be paying inordinate amounts of money per hour for that nurse to come back under the travel agency."

That prospect is even less realistic for smaller physician groups and community clinics. Community of Hope, which runs three federally funded health centers in D.C., "just can't compete with the salaries that we're seeing people can get at hospitals, and that has just gotten harder," particularly when trying to keep pay equitable, said Kelly Sweeney McShane, its president and CEO. "If we're going to change the ranges, we change them for everybody."

Community of Hope is indeed considering base wage increases, bracing for the financial risk to keep enough staff to function, then figuring out the long-term math later, McShane said. The nonprofit has also grown its employee referral bonuses for new hires tenfold this year, from \$50 to \$500, tapping unrestricted donations to do so.

In October, Luminis Health announced a \$29 million employee benefits program



ALYSSA SCHUKAR FOR NATIONAL NURSES UNITED

THE BIG PICTURE

ECONOMICS

A March 2021 study commissioned by the American Hospital Association found that hospital margins nationally by the end of 2021 could sit between **10%** and **80%** below their levels pre-pandemic. It also found that by that time, half of U.S. hospitals could have negative margins worse than pre-Covid. That means median operating margins will dip lower, and more hospitals will be operating with negative margins.

Source: Kaufman, Hall & Associates LLC

EMPLOYMENT

Total employment in health care increased by **37,000** jobs in October, with **16,000** of those jobs in home health care services and another **12,000** in nursing care facilities. But despite the increase, employment in health care as of early November was down by **460,000** jobs since February 2020.

Source: Bureau of Labor Statistics

▶ Dr. Stephen Jones



for its 6,700 employees, including at its Luminis Health Doctors Community Medical Center (LHDCMC) in Lanham. That includes upfront tuition assistance, up to \$30,000 and three years of college loan repayment for full-time bedside registered nurses, bonuses for nurses with more than 20 years of experience and more flexible weekend shifts. It also carries a pay raise, bumping up the hospital's hourly minimum wage to \$17, dangling new bonuses and hiking starting salaries for recent nursing graduates or those filling high-demand, high-vacancy support positions.

Luminis is also doubling down on culture with new wellness perks, including a cart that travels the halls with food items, adult coloring books, hand massagers and mindfulness activities, said Deneen Richmond, president of LHDCMC. MedStar Health, a health system based in Columbia, Maryland, said it upped its programs for its staff's emotional and mental well-being, acknowledging that, yes, health care workers get to see babies being born, but they're also around when people are dying.

"And everybody knew this in health care going into it," said Dr. Stephen Evans, executive vice president for medical affairs and chief medical officer for MedStar Health. "But it takes a toll."

Some feared new Covid vaccination requirements might jeopardize their prized culture and drive valuable workers away. Community of Hope, for example, has seen about 25 of its 400 people leave due to its staff vaccine mandate, McShane said. But for others, it's been a boon for overall retention.

"I hope that other business leaders see that requiring their employees to be vaccinated is not only good for our health care

▲ Julia Truelove, a nurse at MedStar Washington Hospital Center, participates in a May 12 rally by National Nurses United to honor more than 400 registered nurses who died from Covid-19.

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COVER STORY

CONTINUED FROM PAGE 19

workers, but it's good for their employees," Jones said. "It's good for their businesses because their folks will be able to work at a time where every industry is faced with not having enough people."

A tournament for talent

The pandemic has forced health care leaders to reconsider where to look for new hires.

For years, they've all used the same hiring agencies, attended the same job fairs, targeted the same schools. But even those well-worn routes don't help in the Covid era, and fostering new talent takes time.

"You can only produce the pool so fast," said Dr. Hugh Mighty, senior vice president of health affairs for Howard University. "Everyone still has to go through the process of training."

To speed up its intake, Suburban Hospital in Bethesda started hosting live recruiting fairs virtually on the Indeed jobs site and using LinkedIn, Facebook and other social media to post video interviews with its leadership team and nursing staff, said President Jessica Melton – after all, she said, "those that work here who are happy here are our biggest selling points."

Community of Hope's HR team hosts "hiring blitzes" to schedule as many interviews as possible in a day while expediting reference checks to trim the hiring process down to within two months. It's hosting events on Eventbrite, publishing ads on Idealist.org and buying targeted Facebook ads. At Inova, leaders have opened up interviews to walk-in candidates to draw more qualified people to its doors.

Luminis Health's Lanham hospital has reached out to the region's universities and colleges, including Prince George's Community College, whose surgical tech training program Richmond said has been a good funnel. LHDCMC is also launching internships and student tours of its facilities, while making inroads with local high schools, and even middle schools, to expose the younger generation to less obvious opportunities.

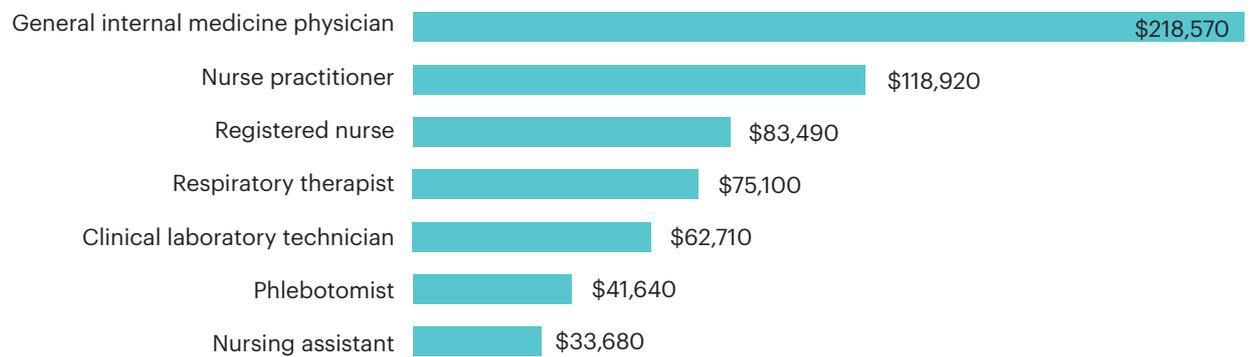
"People hear about doctors and nurses, but they don't know that we also need respiratory therapists and ultrasound technicians," Richmond said. "Even if you don't want to be in a health care career, guess what? We employ a lot of environmental services and dietary and security. We're running big businesses."

Virginia Hospital Center has laid a pathway for some without a license or degree to start off as patient sitters, then shift to administering IVs or drawing blood and, eventually, pursuing more formal nursing training. Inova, meanwhile, is partnering with D.C. youth workforce nonprofit Urban Alliance to introduce high school students from largely underserved neighborhoods to its careers.

Hospitals tied to universities are bolstering their own pipelines, including Howard University Hospital, which launched a new nursing residency program during the pandemic. That said, another thorny chal-

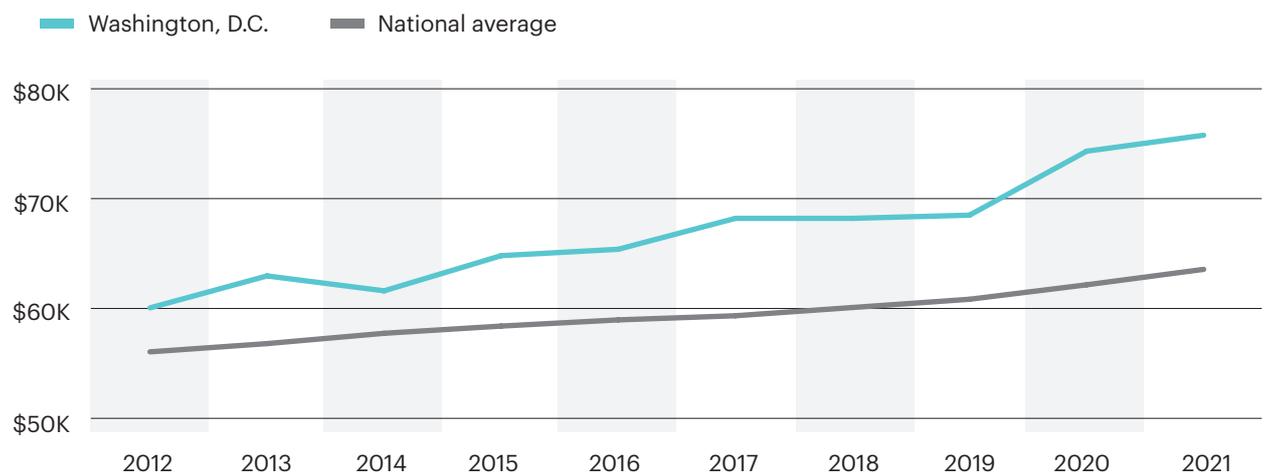
BY THE NUMBERS

AVERAGE ANNUAL SALARIES FOR JOBS IN THE MEDICAL INDUSTRY, WASHINGTON REGION



Source: Bureau of Labor Statistics, as of May 2020

AVERAGE PAY FOR A REGISTERED NURSE, 2012-2021



Source: Zippia

While 22% of surveyed nurses told consulting firm McKinsey & Co. that they may leave their current positions due to Covid, many talked about what has kept them at their health care employers.

>10%

Said they received family or domestic support such as help with child care

~25%

Said they received mental health or well-being resources or support

What they ask of employers to improve their well-being:

66%

Increased availability of other support resources

64%

Embedding more breaks in operating model

67%

Open lines of communication

62%

Active monitoring of nurse distress and proactive outreach

68%

More appropriate and sufficient recognition

Source: McKinsey & Co.

"We've been through these cycles where hospitals have trouble getting nurses, we go into bonus systems, you get enough nurses, the pipeline picks up, the market stabilizes, the price drops and then we start all over again."

Dr. Hugh Mighty,

chief medical officer of Howard University Hospital, on the long-standing nursing shortage



lenge lies in the pace of retirement-ready faculty at nursing schools, which some have pegged at similarly crisis levels.

More than just a number

The struggle today isn't just filling slots – it's filling them with quality, experienced employees.

"It's not so much, 'Do you have enough bodies in the hospitals?' It's, 'Have you retained enough knowledgeable bodies?'" Mighty said. "And I think that's one of the challenges that all of the hospitals are facing."

Professional development helps address some of that. At Virginia Hospital Center in Arlington, an arm of its foundation funds nursing scholarships and conference registrations, among other training opportu-

COVER STORY

nities, said Melody Dickerson, senior vice president and chief nursing officer. “The literature’s very clear,” she said. “If a nurse feels like they’re growing where they are, and that they’re able to do more than just work that shift, they’re going to be more satisfied, more engaged and stay on longer – and we definitely see that here.”

Diversity and equity also dominate the hiring priority list for providers. Inova has formed resource groups to target job fairs that attract key demographics, from veterans to Latino Americans. The health system, which employs 20,000 but still has several hundred nursing vacancies alone, partnered with a firm to focus on international recruiting for nurses, while Jones said it’s homing in on new graduates in hopes of doubling that pipeline.

Community of Hope has posted job openings “in specific Facebook groups and localities to catch the attention of candidates in various professions and locations,” McShane said.

“We can’t fight our way out of this, just one institution at a time and competing with one another for the same resources,” said Dr. Kurt Newman, president and CEO of Children’s National Hospital, at a recent Washington Business Journal panel discussion. “It’s really got to be not only a top-down, but a bottoms-up approach where we all come together and say: This is the workforce we need and this is how we’re going to get there, and just put the resources into it.”

Tech and tweaks, stat!

To be sure, Covid didn’t write this narrative – a nursing shortage has been on the books for years. But the pandemic deepened the drama.

That’s made health providers rethink how they deliver care and maximize every position, particularly if they know their staffing numbers fall short of demand. “And that’s a reality that some organizations are starting to face,” said Lisa O’Connor, senior managing director of D.C.-based FTI Consulting’s health solutions practice.

Think of that as employing hospital sitters to supervise patients, freeing up nurses for duties only they can do. Temporary Covid-era tweaks at LHDCMC, where physical therapists started helping with patient mobility and licensed practical nurses provided basic nursing care, could turn permanent, Richmond said.

Then there’s a reliance on more technology. No, robots won’t be performing exams or issuing diagnoses anytime soon, but they could be dispensing medications, delivering linens and cleaning rooms, and O’Connor said that’s just the start – there’s room for robotics to grow in local health care. A hospital may have smart infusion pumps, which are high-tech drug dispensers designed to reduce dosage errors, but may not have connected them to a patient’s electronic medical record. “Those types of opportunities need to be optimized immediately because those ease the burden for the care providers,” she said.

As Covid dug in, more and more providers ushered in telemedicine, where few specialties are off limits, even obstet-



◀
Jessica
Melton



▶
Deneen
Richmond

ric care. Advantia Health, a women’s health care network, bought the Pacify platform in 2019 to quickly connect doctors with pregnant patients virtually and is now expanding its use. Virginia Hospital Center’s remote obstetrics patient monitoring app, OB Connect, ships equipment to the homes of expectant mothers to check and report their own vitals, from a mom’s blood pressure to the baby’s heart rate.

Staffing and health tech startups help fill some of the remaining gaps. There’s Fort Belvoir-based Kinometrix Inc.’s software, which automatically analyzes predictors for a patient’s fall, again unfettering that patient’s nurse. Another is McLean’s ShiftMed LLC, whose workforce management platform has helped some 700 health systems connect with available workers, from nurses to therapists to in-home caregivers.

“Working on every area where there is potential inefficiency, so that you’re utilizing every resource as highly as possible, is the work in front of health care executives right now,” O’Connor said. “And it can’t be delayed for even one second.”

Slowly but surely, Truelove is seeing these dilemmas play out in her own life. In addition to a one-time \$750 bonus late last month for all employees, MedStar Washington Hospital Center management announced a pay raise, yet to be disclosed, for all nurses at year’s end. Truelove, a member of the National Nurses United, has also inked professional development opportunities into her contract.

Despite the toll the pandemic has taken on her mental health – she sought out therapy for the first time during the crisis – she said she’s not going anywhere. She said she feels both safe and supported in her work environment, where “staffing is generally good.”

“I feel like it’s still the right choice for me, rather than taking a travel contract,” she said. “But every nurse has at least looked at the pay rates.” ❧

THE FINANCIALS

BUDGETS CAN BE THE BIGGEST PAIN POINTS

The price health providers must pay for good people can become a financial albatross, dragging down bottom lines that have already been burdened by higher pandemic expenses, lower procedural revenue and federal relief funding that carries a shelf life.

Licensed personnel is a necessary, but premium, expense, said Lisa O’Connor, senior managing director of FTI Consulting’s health solutions practice. “For certain, they will have to recoup that cost somewhere,” she said.

These dynamics are putting tremendous financial strain on hospitals, clinics and practices. A September study, conducted by Kaufman, Hall & Associates LLC at the behest of the American Hospital Association, estimated that hospitals nationwide are on track to lose roughly \$54 billion in total net income in 2021 – after taking CARES Act funding into account. It anticipated 35% of hospitals will see negative operating margins through year’s end, with median margins at about 11% below pre-pandemic levels. Rating agency Moody’s Investors Service suggests that margin pain will continue into 2022 and, likely, beyond.

Locally, two of the region’s biggest systems saw revenue inch back up in 2021 as elective surgeries returned, but margins remained agonizingly thin. For the first half of 2021, MedStar Health reported \$6.73 billion in operating revenue, but \$6.47 billion in operating expenses. Inova Health System, for the first nine months of 2021, saw expenses rise faster than revenue to \$3.2 billion and \$3.3 billion, respectively. Inova said its salaries and benefits costs increased by \$304.5 million, or 21%, in that time, citing market-based and merit-related pay hikes, as well as higher staffing costs, including payments to agencies.

For Virginia Hospital Center, the answer has been to funnel its operating budget dollars toward recruiting efforts and its philanthropic dollars toward education and professional development. And many local providers have taken to overtime or bonus pay for extra shifts to meet demand. But that latter option comes with its own costs, including potential staff burnout, only leading to more turnover.

“This is a challenge across the region and nation, especially in geographic markets with higher rates of compensation like ours,” said Carolyn Carpenter, president of the Johns Hopkins Health System’s national capital region, which includes Suburban Hospital and Sibley Memorial Hospital.

The system has been working with Maryland and D.C. hospital associations and regional health groups to come up with better funding plans for rising labor costs. “We are working to balance the fiscal realities with our commitment to retaining and attracting top talent,” Carpenter said.

Ultimately, providers must reduce their costs of delivering care, from supplies to vendor contracts, O’Connor said. And it means negotiating with payers to optimize revenue, she said, while deploying “exactly the right number of team members to the volume.”

THE BIG PICTURE

NURSING GAP

The U.S. counts more than 3 million registered nurses. In the next five years, demand for those jobs is expected to grow by at least 5% – as more than 900,000 leave their jobs or retire. With that, more than 1.1 million nurses will need to be hired nationally by 2026. Maryland’s gap over the next five years is about 5,000 RNs; the District’s is about 2,000; and Virginia’s is zero.

Source: Mercer

▶
Carolyn
Carpenter

