

COVID-19 Alert: Dramatic GDP Reduction Reflects Unprecedented Financial Stress on U.S. Hospitals

As hospitals work around the clock to prep for and combat COVID-19, the volume in hospitals of other health care services has plummeted as state and federal officials instruct hospitals to cancel scheduled services and Americans forgo even some essential care due to fears of contracting the virus. Many hospitals across the nation stand almost empty amid this crisis.

According to the U.S. Bureau of Economic Analysis (BEA), this drop in health care spending is a driving force behind the estimated 4.8% decrease in Gross Domestic Product (GDP) in the first quarter of 2020. The decline in hospital revenues during this period represents the most drastic reduction in recorded history – and foreshadows a potentially devastating trend as many of America’s hospitals teeter on the brink of financial collapse.

In March 2020 alone, the component of GDP relating to hospitals dropped 12.1%, coinciding with the declaration of a global COVID-19 pandemic on March 13th.

- A primary reason behind this drop is the slowdown that hospitals experienced in March due to bans on elective procedures imposed across the country.
- By the end of March, 35 states had issued executive orders canceling elective procedures,¹ a factor that will almost certainly compound hospitals’ losses in April.

This decline in hospital-related GDP is unprecedented, representing the most significant reduction in recorded history.

- The 12.1% hit to hospitals in Q1 dwarfs the second-largest decline (3.1%) recorded in March 1970.
- During the Great Recession (2007-2013), the monthly decline in hospital revenues never exceeded one percent.

Many hospitals across the United States may never recover from the financial impact of COVID-19.

- Moody’s adjusted their outlook for hospitals and the health care industry from “stable” to “negative” and expects a national impact on hospital finances in 2020, suggesting long-lasting financial implications of COVID-19.² The BEA data reflects just the first quarter of GDP spending – a preview of what is to come as hospitals continue to bear the financial brunt of the COVID-19 crisis.

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1. [Ambulatory Surgery Center Association: State Guidance on Elective Surgeries](#) (April 20, 2020)
 2. [Moody’s – Outlook for US for-profit hospitals changed to negative on coronavirus outbreak](#) (March 20, 2020)

Methodology: All values come from [National Income and Product Accounts, Table 2.4.5U. Personal Consumption Expenditures by Type of Product](#).

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