COVID-19 Alert: U.S. Hospital Finances in Critical Condition

Hospitals across the country are struggling to keep their doors open while preparing for and responding to the surge of COVID-19 cases. The global pandemic, coupled with a sudden economic downturn, has put U.S. hospitals and health care providers in a precarious financial position when Americans need them most. As millions of workers lose their employer-sponsored health insurance, hospitals may be faced with providing unprecedented levels of costly uncompensated care. At the same time, they are treating an influx of COVID-19 patients and witnessing a dramatic decline in the volume of routine care and procedures that keep them afloat. These extraordinary pressures are putting hospitals, particularly in rural areas, at increased risk of closure. Absent swift federal intervention, many of these hospitals may never reopen and communities may lose access to vital services.

Bleak Forecast for U.S. Hospital Finances

Financial experts recognize that hospitals across the country are in dire financial straits that will persist well beyond the current public health crisis, which itself may not end until 2021, and from which some hospitals may never fully recover.

- A recent analysis by JPMorgan found that the $100 billion in stimulus funds for providers included in the *CARES Act* would only be sufficient to cover hospitals' losses for two months – not including additional costs associated with increasing capacity and purchasing supplies to fight the outbreak.[1]
- 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]

Added Burden on Rural Hospitals

The combined challenges of lost revenues, increases in uncompensated care, and the high cost of COVID-19 treatment are increasing the burden on all hospitals, particularly struggling rural hospitals already at risk of closure and could lead to millions of patients losing access to vital care.

- A recent Guidehouse study notes that 25% of rural hospitals face a high risk of closure, exacerbated by the COVID-19 crisis, if their finances don't improve.[3]
- A February Chartis Center for Rural Health report identified 453 rural hospitals at risk of closure even *before* COVID-19.[4]
- The Wyoming County Community Health System reports that canceled elective surgeries alone could have a financial impact of $750,000 to $1 million per month, a significant portion of the health system's $65 million in total revenue.[5]
- The financial implications of COVID-19 are particularly significant in the Rust Belt, where the Ohio Hospital Association expects the state's hospitals to lose $1.2 billion monthly over the course of the public health crisis.[6]
- Appalachian Regional Healthcare, which serves patients in eastern Kentucky and southern West Virginia, has already seen a 30% decrease in business related to lower patient volume and fewer services.[7]

Hospitals Across the Country at Risk

The surge of COVID-19 patients occurring in "hotspots" across the country, and expected elsewhere, is straining hospital capacity and finances as they shift resources to meet the immediate needs of COVID-19 patients in emergency rooms and intensive care units. And hospitals everywhere are experiencing severe supply shortages and dramatic price increases.

- A Strata Decision Technology analysis finds that, even with the boost in Medicare payments for COVID-19 treatment provided in the *CARES Act*, hospitals will lose $2,800 per patient, with some losing as much as $10,000 per case.[8]
- A recent Department of Health and Human Services Office of Inspector General (HHS OIG) report found that hospitals across the country face severe shortages of protective equipment, as well as other necessary supplies.[9]
- The OIG report found that hospitals are experiencing "sharp increases in prices for some equipment." For example, masks that usually cost $.50 are going for $6.00 each and "vendors [are] buying up supplies and selling them to the hospital at a higher cost."[10]

Reduction in So-Called "Elective" Procedures Threatens Access to Essential Care

As "stay at home" and "essential service only" orders are put in place by state and federal leaders across the country, non-emergency care and procedures in both inpatient and outpatient settings have come to a virtual halt, threatening patient access to medically necessary care and leading to a dramatic decline in the hospital revenues desperately needed to sustain operations.

- "Elective" service is a too-often misused and misunderstood term. Hospitals routinely provide a wide range of physician prescribed medical procedures and surgeries, many of which are life-altering and lifesaving, from the removal of early-stage cancer to joint replacement to preventive care to the management of chronic conditions.[11]
- The Centers for Medicare & Medicaid Services (CMS) released guidance aimed at limiting elective procedures.[12]
- Some states have prohibited hospitals and other centers from performing what they characterize as "elective" procedures while many more have recommended limiting or rescheduling such procedures.[13] Beyond the effect on hospital finances, these directives undermine public health by dissuading patients from seeking the care they need even when the hospital is able to provide it.
- There is no guarantee that canceled procedures can be rescheduled promptly once the current prohibitions are lifted due to resource and capacity constraints. Piper Sandler reports that rescheduling elective surgeries will take longer than expected with more than a quarter of the canceled surgeries (28%) likely to be postponed until next year.[14]
- Sarasota Memorial Health Care System in Florida experienced a $16 million reduction in March revenue and expects an even greater financial hit in April and May due to drops in non-emergency procedures and hospital inpatients.[15]
- Beaumont Health and Bon Secours Mercy Health both recently stated they are losing $100 million per month.[16]

Massive Jobs Losses Leading to a Spike in Uncompensated Care

Due to the mass unemployment related to the COVID-19 pandemic, a significant loss of coverage will result in elevated levels of uncompensated care. Many of the policies put forward do not account for projected increases in uncompensated care, nor do they address the long-term consequences of a larger uninsured population.

- The Kaiser Family Foundation (KFF) estimates that the care of uninsured COVID-19 patients could cost as much as $41.8 billion. This would amount to over 40% of the $100 billion in emergency relief funds for all providers under the *CARES Act*. As KFF notes, "it is unclear whether the new fund will be able to cover the costs of the uninsured in addition to other needs, such as the purchase of medical supplies and the construction of temporary facilities."[17]
- A Piper Sandler report estimates an 18% increase in hospital charity care due to expanded charity care, bad debt, and fewer patients able to pay for medical care due to the anticipated recession resulting from the COVID-19 pandemic.[18]
- A recent Economic Policy Institute report estimates that 3.5 million Americans lost employer-sponsored coverage through March.[19] And, using unemployment estimates from the Federal Reserve, a study published in the *Annals of Internal Medicine* predicts that this number could rise to 7.3 million by June, further increasing the uninsured rate.[20]

CITATIONS

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