

Pandemic is hitting hospitals hard, including their bottom line

February 26 2021, by Dennis Thompson

U.S. hospitals are expected to lose billions again in 2021, leaving them in dire financial shape as the COVID-19 pandemic guts the industry for a second year.

Hospitals could lose \$53 billion to \$122 billion in revenue in 2021, between 4% and 10% of their total revenue, according to an analysis prepared by consulting firm Kaufman Hall & Associates for the American Hospital Association.

These revenue declines would come on top of \$320 billion in lost revenue in 2020, said Rick Pollack, the hospital association's president and CEO.

The reasons? Hospitals are spending more to treat COVID-19 patients as well as maintain regular operations during the pandemic, Pollack said.

At the same time, drug expenses increased by 17% in 2020; labor by 14%; and supplies by 13%, the Kaufman Hall report says.

"All those expenses keep going up, and at least four dozen hospitals entered bankruptcy in 2020 according to data compiled by Bloomberg," Pollack said.

"This is of particular concern for rural hospitals," he added. "Nineteen rural hospitals closed in 2020, and 135 have closed since 2010. In many of these rural areas, residents lack other options for dependable care."

Labor costs have increased because hospitals have had to hire part-time contract workers to cover for employees exposed to COVID-19, said David Ramsey, president and CEO of the Charleston Area Medical Center and Health System in West Virginia.

"At one point, we had 250 employees who were either out with COVID, being tested for COVID or quarantined by the health department," Ramsey said.

Hospital employees, particularly nurses, are also burning out at alarming rates, said Judy Rich, president and CEO of the Tucson Medical Center in Arizona.

Nurse turnover has nearly doubled at Rich's hospital, rising to 17% in 2020 compared with 9% the year before.

"We have seen our staff, especially nursing costs, go up three times what they typically would cost us," she said. "A nurse who typically made \$48 an hour, we are now having to pay \$150 an hour to get enough nursing hours."

Rich said her hospital has invested in other innovative measures to improve the staff's quality of life and keep them at work.

"We started a school here, because our schools are not open yet. We are funding a school for [grades] K to 6 so our staff can come to work," she said. "We are trying everything we can to keep them encouraged, to give them the kinds of benefits that they need."

Hospitals have also taken a financial hit because people worried about contracting COVID-19 won't come in for needed care or elective procedures, Ramsey and Rich said.

"We typically see about 98,000 patients a year in our emergency department [ED]," Rich said. "Last year that was cut by 30%, but the people who are coming to the ED, rather than 20% being admitted to the hospital, we're now admitting 30% because they're sicker when they get here. Our length of stay in the hospital, typically about 4 days for each patient, is now closer to 5 to 5.2 days."

Ramsey noted that many patients remain uneasy about spending time in a health care setting.

"A lot of our patients are not comfortable coming back into the health care and ambulatory environment yet," he said. "They're concerned about: Does COVID still linger in the hospital environment, and can they perhaps contract it there?"

The nation's COVID-19 vaccination program is expected to help hospitals by reducing the number of severe cases and helping people feel safe to return to the [hospital](#) for other medical care, Kaufman Hall's report said.

Hospitals could also benefit from expanding the federal fund that has supported medical centers, clinics and other health professionals during the pandemic, Pollack said.

The American Hospital Association has asked Congress and the Biden administration to beef up the Provider Relief Fund by another \$35 billion, he said. That money is not included in the \$1.9 trillion relief bill advanced by President Joe Biden and up for a vote in the U.S. House of Representatives.

"It's red alert time for the Provider Relief Fund, which has kept so many hospitals and other providers afloat during this past year," Pollack said. "If Congress doesn't act soon, hospitals just aren't going to have the tools

or resources to continue serving their patients in the midst of the pandemic."

More information: Read about the pandemic's effect on hospital revenues in the [Kaufman Hall report](#).

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