

AHA: Hospitals could lose \$20B a month for rest of 2020 due to COVID-19 impact

by

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Hospitals could lose an additional \$120 billion from July to December of this year as patient volumes aren't likely to recover after major declines due to the COVID-19 pandemic. (Pixabay)

Hospitals and health systems could lose \$120.5 billion from July to December of this year, or roughly \$20 billion a month, due to the COVID-19 pandemic, a new analysis from the American Hospital Association (AHA) found.

The report, released Tuesday, said that coupled with major revenue losses at the onset of the pandemic, hospitals could lose a total of \$323 billion in revenue this year. The report comes as hospitals are inching towards reopening elective procedures amid spikes in COVID-19 in several sunbelt states.

AHA surveyed its member hospitals to get a sense of how the pandemic is affecting patient volume, which has plummeted since the pandemic began in March. Hospitals and health systems are reporting an average decline of nearly 20% in inpatient volume and 34.5% in outpatient volume compared to 2020's baseline patient volume.

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A majority of hospitals, 67%, told AHA that their volume won't return to pre-pandemic levels in 2020. AHA assumes that the return to the baseline will occur in July 2021.

The slow recovery of patient volume coupled with rising COVID-19 infection rates has exacerbated financial losses for hospitals, the report said.

"As patients are hospitalized for COVID-19, hospitals' costs to treat these patients exceed expected reimbursement, which results in further financial losses," AHA said.

While states have largely allowed hospitals to start to resume elective surgical procedures vital to hospitals' bottom line, some restrictions are still in place. These include restrictions on hospital volume to preserve a certain number of vacant beds.

Arizona, for instance, said that health systems and hospitals can't exceed 80% occupancy and another 10 states imposed a similar policy to reserve between 20-30% of licensed or incentive care beds.

Many states are also calling for health systems to maintain a supply of personal protective equipment, which was scarce at the onset of the pandemic. Oregon wants hospitals to keep a 30-day supply of PPE.

Such restrictions could hinder the number of elective procedures that hospitals can perform. Another issue is rising COVID-19 cases in states such as Arizona, Florida and Texas.

The record spikes in the past week have led hospitals in those states to scale down some of their surgeries and in Texas led the governor to restrict procedures in four counties.

The combination of the pandemic and restrictions on hospital capacity has led to massive declines in patient volume. A prior report from the research firm KaufmanHall found a 43% decline in emergency room use since the start of the public health emergency.

To estimate the financial losses, AHA looked at results from the member survey and weighed them against historical inpatient and outpatient revenue. The association relied

on outpatient gross revenues taken by a 2018 survey and increased that revenue to 2020 inflation levels.

It also looked at the increased cost of acquiring PPE, which has spiked in cost due to availability concerns. The study estimates the cost of acquiring to be an additional \$3.8 billion from July through December 2020.

But AHA cautioned that the financial losses could be greater based on a series of unexpected costs.

These include higher costs for certain drugs needed to treat COVID-19 patients such as antibiotics and sedatives, more pay for hospital workers to handle staff shortages and a massive rise in uncompensated care costs due to a rise of uninsured patients.

AHA urged Congress to provide more financial relief for providers to weather the COVID-19 financial crisis. Congress has approved \$175 billion for providers and a \$3 trillion bill that passed the House included another \$100 billion, but that bill has stalled in the Senate.

“These losses put hospitals’ survival at serious risk,” the report said.