Hospital Finances During the COVID-19 Pandemic

SciLine Media Briefing: The Pandemic’s Impacts on U.S. Hospitals

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Today

Agenda

- **Background**: Hospital finances before the pandemic
- **Effects**: Evidence on financial impact
- **Policy**: Targeting of the response
- **Implications**: For policy (and reporting)
Background
Variation in financial performance across hospitals (2018)

- **Operating margin**: ranged -21.7% (5th percentile) to 22.3% (95th percentile)
- **Days cash on hand**: ranged 0.0 (5th percentile) to 429.9 (95th percentile)
- **Outpatient share of revenue**: ranged 34.1% (5th pctl.) to 88.4% (95th pctl.)

What hospitals seem to be most at risk? (2018)

- Smaller hospitals (≤ 50 beds)
- Critical access hospitals
- Hospitals in rural areas

Background

Rural hospital closures, 2013-2020

Source: GAO. 2021.
Effects
Health services revenue was 1% lower in 2020 compared to 2019

Percent change 2019-2020 in health services spending

**Source:** KFF (analysis of Quarterly Services Survey). 2021.
Hospital admissions were back to about 94% of baseline by December 2020

Total visit claims by service type (March - Sept. 2020 by week)

Financial effects of the pandemic will vary across hospitals

- **Outpatient**
  - Decreased volume due to practice closures
  - Varying reliance on outpatient services
  - Varying ability to pivot to telehealth

- **Inpatient**
  - Decreased volume for **both** non-emergent and non-COVID emergent care
  - Increased volume (in some cases) for COVID-related care
Policy
Provider Relief Fund ($178 billion)

- **Established** under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (and replenished through subsequent legislation)

- **Two distributions**
  - **General**: primarily allocated on basis of historic net patient revenue in Medicare
  - **Targeted**: allocated to high-impact and rural areas, safety-net hospitals, etc.
Allocation of Provider Relief Fund grants, October 2021

**Billions of dollars**

- **Unallocated funds**: 7.1
- **General distributions**: 46.0
- **High-impact hospitals**: 20.8
- **Safety net hospitals**: 13.1
- **Rural health care facilities**: 11.1
- **Treatment and testing for uninsured patients and vaccine administration**: 10.0
- **Vaccine and therapeutic development and procurement activities**: 10.0
- **Nursing home infection control, quality, and performance**: 5.0
- **Skilled nursing facilities**: 5.0
- **Children's hospitals, administration, and Indian Health Care Providers**: 2.6

**Source:** Urban Institute (analysis of GAO Data). 2021.
Average Provider Relief Fund payment per bed by days of cash on hand

Differences in county health and financial needs by race, holding relief funding constant

<table>
<thead>
<tr>
<th>Measures of health and financial need</th>
<th>No.</th>
<th>Overall mean across counties</th>
<th>Excess in top-quartile Black counties, holding funding constant (95% CI)</th>
<th>P value</th>
</tr>
</thead>
<tbody>
<tr>
<td>COVID-19</td>
<td></td>
<td></td>
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<tr>
<td>Burden (mean z score)</td>
<td>3124</td>
<td>0</td>
<td>0.50 (0.44 to 0.55)</td>
<td>&lt;.001</td>
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<tr>
<td>Cases per 100 000</td>
<td>3124</td>
<td>484.7</td>
<td>404.0 (346.6 to 461.4)</td>
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<tr>
<td>Deaths per 100 000</td>
<td>3124</td>
<td>16.9</td>
<td>17.6 (15.3 to 20.0)</td>
<td>&lt;.001</td>
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<tr>
<td>Non-COVID-19 deaths per 100 000</td>
<td>629</td>
<td>385.3</td>
<td>33.3 (9.22 to 57.4)</td>
<td>.007</td>
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<tr>
<td>SARS-CoV-2 case-to-test ratio, %</td>
<td>1504</td>
<td>6.45</td>
<td>3.14 (2.26 to 4.02)</td>
<td>.02</td>
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<tr>
<td>Comorbidity burden (mean z score)</td>
<td>3124</td>
<td>0</td>
<td>0.73 (0.68 to 0.79)</td>
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<tr>
<td>Prevalence, %</td>
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<td></td>
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<tr>
<td>End-stage kidney disease</td>
<td>2679</td>
<td>0.22</td>
<td>0.10 (0.09 to 0.11)</td>
<td>&lt;.001</td>
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<tr>
<td>Diabetes</td>
<td>3124</td>
<td>12.1</td>
<td>2.25 (1.93 to 2.57)</td>
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<td>Hypertension</td>
<td>3123</td>
<td>39.4</td>
<td>4.63 (4.40 to 4.86)</td>
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<tr>
<td>Obesity</td>
<td>3124</td>
<td>32.8</td>
<td>2.91 (2.48 to 3.34)</td>
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<tr>
<td>Smoking</td>
<td>3123</td>
<td>17.9</td>
<td>1.19 (0.91 to 1.47)</td>
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<tr>
<td>Hospital financial health (mean z score)</td>
<td>3124</td>
<td>0</td>
<td>−0.12 (−0.18 to −0.06)</td>
<td>&lt;.001</td>
</tr>
<tr>
<td>Operating margin, %</td>
<td>3124</td>
<td>4.97</td>
<td>−0.90 (−1.64 to −0.15)</td>
<td>.02</td>
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<tr>
<td>Cash on hand, d</td>
<td>3124</td>
<td>133.3</td>
<td>−15.2 (−23.9 to −6.41)</td>
<td>.001</td>
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</tbody>
</table>

Implications
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Policy and Reporting

- **Targeting** of future relief funds (and safety-net subsidies more broadly)
- Potential for **closure** and compromised access to care in rural areas
- Need for greater **antitrust** enforcement and surveillance

N.b. —

- Mean changes in performance do not reflect the entire distribution — we should worry about outliers
- Hospital financial data released at a lag — we will know a lot more soon.