

Hospital Finances During the COVID-19 Pandemic

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

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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)

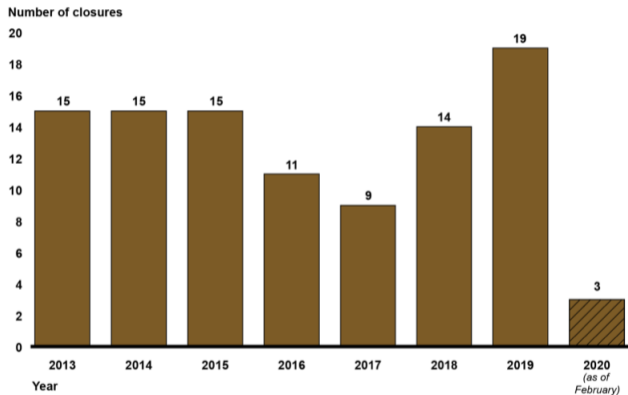
- **Operating margin:** ranged **-21.7%** (5th percentile) to **22.3%** (95th percentile)
- **Days cash on hand:** ranged **0.0** (5th percentile) to **429.9** (95th percentile)
- **Outpatient share of revenue:** ranged **34.1%** (5th pctl.) to **88.4%** (95th pctl.)

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

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

Source: Khullar, Bond, and Schpero. *JAMA*. 2020.

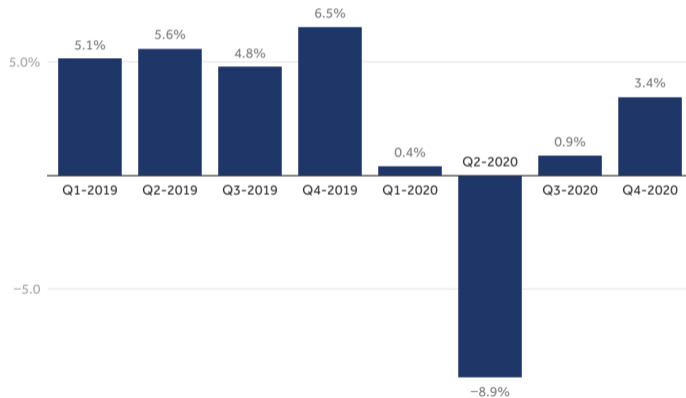
Rural hospital closures, 2013-2020



Source: GAO. 2021.

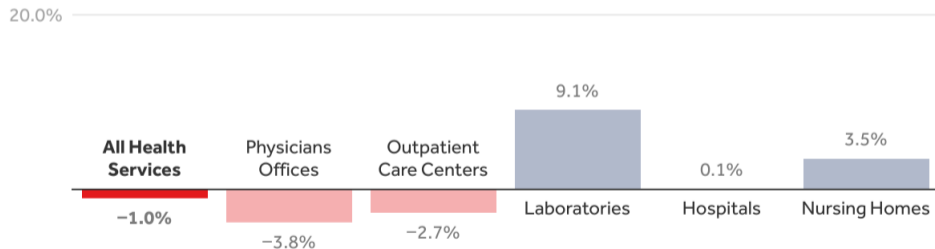
Effects

Health services revenue was 1% lower in 2020 compared to 2019



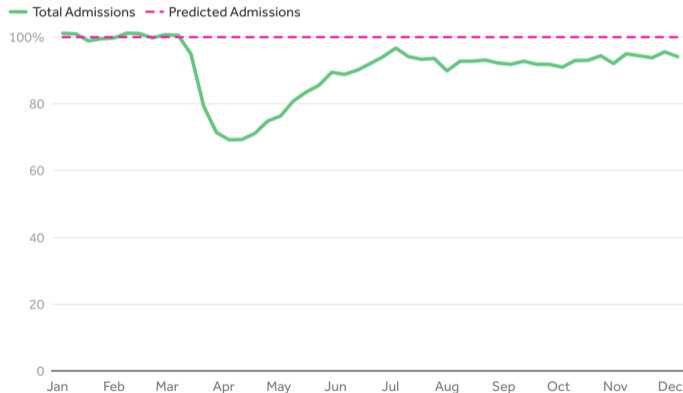
Source: KFF (analysis of Quarterly Services Survey). 2021.

Percent change 2019-2020 in health services spending



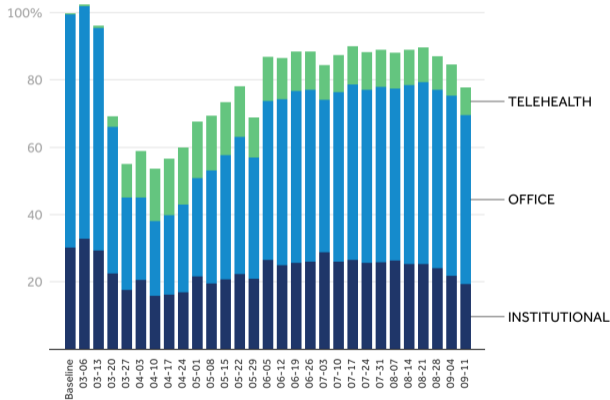
Source: KFF (analysis of Quarterly Services Survey). 2021.

Hospital admissions were back to about 94% of baseline by December 2020



Source: KFF (analysis of Epic Health Record System data). 2021.

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



Source: KFF (analysis of IQVIA Medical Claims Data). 2021.

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

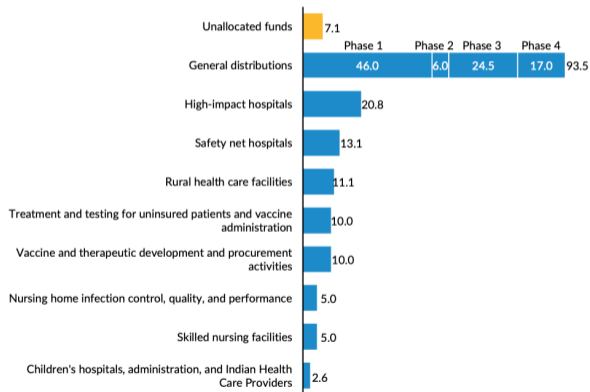
Policy

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.

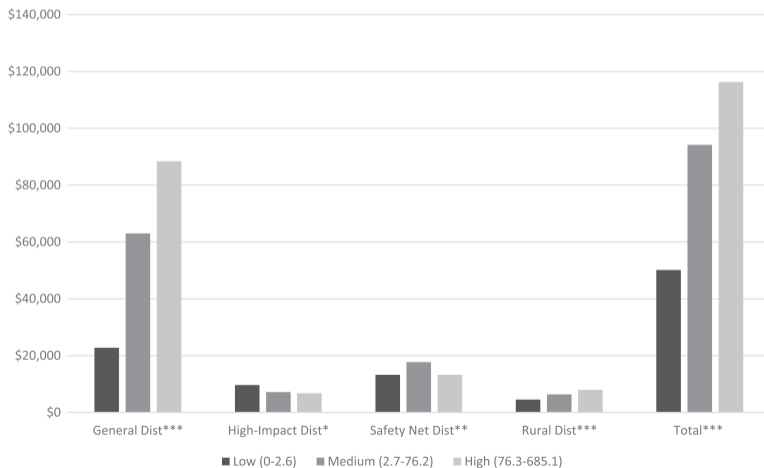
Allocation of Provider Relief Fund grants, October 2021

Billions of dollars



Source: [Urban Institute](#) (analysis of GAO Data). 2021.

Average Provider Relief Fund payment per bed by days of cash on hand



Source: Grogan et al. *Journal of Health Politics, Policy and Law*. 2021.

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

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

Source: Kakani et al. *JAMA*. 2020.

Implications

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.