

Costs in Context. Costs to Come.



DELAYED CARE IS MORE EXPENSIVE CARE

Patients seek non-COVID-19 care and present to hospitals with more emergent health needs that require lengthier, more costly treatment, including post hospitalization recovery.

SAME SERVICES, LESS REIMBURSEMENT

Rising unemployment and the resulting losses in private insurance coverage means hospitals will be paid for services at much lower Medicaid rates — or not paid at all — when patients seek non-COVID care.

When COVID-19 hit, our hospitals sprang into action to respond to this deadly pandemic.

- Creating testing facilities and COVID units
- Expanding ICU capacity
- Suspending services and elective procedures
- Hiring specialized staff
- Procuring PPE and medical equipment
- Purchasing drugs
- Disinfecting, decontaminating, buying additional and new cleaning supplies
- Implementing new training for environmental services and all staff
- Refurbishing infrastructure to comply with social distancing
- Providing childcare and housing for staff

Prior to COVID-19, 53% of Nebraska's Critical Access Hospitals were facing financial stress.

The bottom line — All sectors are hurting and healthcare delivery is on the ropes. Hospitals are facing not only a financial crisis, but also a public health crisis. As we work toward the safe reopening of our economy, we must first secure hospitals' ability to serve, so we have the safety net needed to rebuild. Without aid, this financial crisis will force hospitals to make hard decisions about how to continue to provide care to their communities.

Nebraska hospitals inject billions into state and local economies. According to the 2016 AHA survey, Nebraska hospitals were directly responsible for nearly **\$5.9 billion** in hospital expenditures and nearly **\$2.9 billion** in salaries and wages.

As the country faces the challenges of COVID-19 head-on, Americans cannot afford the cost of closed hospitals and restricted access to life saving treatment — action is needed urgently to support our nation's hospitals and health systems and the heroes that work there.

“

The thing to know is that in rural healthcare it's not business as usual. We are only up to about 80% of what would be considered normal patient volume and revenue. May 2020 was about 60% and April 2020 was only about 30%. With the new normal of screening, testing prior to surgery, social distancing for outpatient appointments, masking, spreading out appointments and procedures, we simply cannot logistically see our normal load of patients, nor is the demand there yet because many people are still staying away from healthcare.”

- Rural Hospital CEO

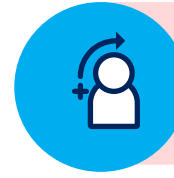
This response was unprecedented — and it came at a high cost.



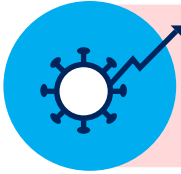
Delayed capital projects



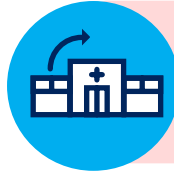
Net Patient Revenue (Collected Charges)
– Inpatient down 30%



Outpatient surgeries down nearly 70%



Ongoing COVID-19 expenditures



Net Patient Revenue (Collected Charges)
– Outpatient down over 40%



Inpatient surgeries down nearly 27%



ED visits down 45%



Operating margins down 33.8%



Expenses per discharge up



Emergency loans

Non-PPE Medical Supplies and Equipment Costs.

Hospitals have experienced increased costs for non-PPE medical supplies and equipment. For example, many hospitals acquired ventilators in anticipation of a surge of COVID-19 patients. There is limited data available to understand the additional burden hospitals face as they acquire non-PPE medical supplies and equipment in preparation for COVID-19 patients.

Capital Costs.

As the demand for hospital services has increased due to the pandemic, many hospitals and health systems around the country have worked to expand their treatment capacity by incurring costs to set up additional space for COVID-19 testing tents, ICU beds, and other treatment beds.

Drug Shortage Costs.

Every year, hospitals expend financial resources to cope with ongoing drug shortages, with one estimate putting this cost at nearly \$400 million per year. Due to the pandemic, lower than normal drug supply due to fractured pharmaceutical supply chains has been met with increasing demand for certain drugs necessary to treat the surge of patients with COVID-19 infections. This situation has created a perfect storm in drug shortages with many vital drugs resulting in higher costs for hospitals.

Wage and Labor Costs.

Salary and wage costs have risen during the COVID-19 pandemic. Many hospitals are experiencing increased overtime costs as experience a surge in patients or front-line workers become sick. Some hospitals have implemented bonus pay for front-line workers. Some have turned to staffing firms to address health care worker shortages or meet surge demand, and staffing firms have increased their prices due to an increase in demand for health care workers. The effect of the virus on hospital wages and labor costs is clear. However, it is not evenly distributed across the country and there is no reliable data that can be analyzed to understand the magnitude of the effect.



3255 Salt Creek Circle, Suite 100 | Lincoln, NE 68504-4778

Ph: 402-742-8140 | Fax: 402-742-8191

Laura J. Redoutey, FACHE, President

nebraskahospitals.org