**Talking Points**
**COVID-19 and Financial Strain on the Health Care System**
**April 16, 2020**

**Key Messages**

- Hospitals across Oregon are experiencing massive financial impacts from COVID. Early estimates show Oregon hospitals are experiencing an operating loss of almost $200M in March with additional expenses related to COVID-19 estimated to be over $120M in March alone.

- The hits on Oregon hospitals are especially hard as our hospitals are some of the most efficient in the country, receiving lower reimbursements from the state and federal government compared to others across the country.

- A prime generator of cash flow for hospitals is commercially insured patients getting non-urgent, but medically necessary procedures – for example, joint replacements, colonoscopies, hysterectomies, hernia repairs, mammograms to detect cancer, cardiovascular testing and some cardiac surgeries.

- Hospitals supported the cancellation of non-urgent procedures to preserve critical personal protective equipment resources for health care teams and beds needed for critically ill patients.

- As a result, a significant portion of hospital revenue has dried up.

- Social distancing measures, which we also supported, are impacting providers as routine care has been delayed and patients stay home. This includes primary and other important specialty care. Some care is being delivered through telemedicine or phone visits, but the declines have been drastic.

- Hospitals across the state are reporting they have 40-60 percent of their normal revenues.

- At the same time, many hospitals are experiencing large increases in their normal costs. Several factors are contributing to these increased costs, including:
  - Converting space to care for COVID-19 patients
  - Standing up alternative care clinics and triage sites
  - Bringing in more staff and paying more overtime
  - Increased supply needs and cost

- Right now, hospitals and health systems are depending on reserves (cash on hand) to make up the shortfall.

- As the crisis continues and its effect on the economy continues, this financial picture is not sustainable.
• OAHHS and its hospital and health system members are seeking financial relief from state officials and Congress. Federal resources such as the CARES Act disadvantage Oregon’s hospitals compared to the rest of the country since the funding formula is based on Medicare A and B programs. For example, Oregon received half as much as Oklahoma in one CARES Act distribution despite Oklahoma’s smaller population. Oregon is a loser in this model, penalized for its relatively high enrollment in Medicare Advantage plans compared to Oklahoma’s mostly fee for service Medicare population.

• This financial crunch is not expected to be short lived. Layoffs in the community will lead to more people moving from commercial insurance, which pays more than costs, to Medicaid, which pays far less than costs, further straining hospital finances.

• With labor as hospitals’ biggest expense, and with many staff idle due to the shutdown of non-urgent procedures, cutting labor costs may be necessary for the survival of many hospitals.
  o Hospitals are implementing plans for attrition, not renewing contracts and restructuring hires.
  o Hospitals are being creative in looking for ways to retain staff, such as cross-training and redeploying those who are willing to work in other areas of the hospital.
  o Some hospitals are asking their staff for voluntary reductions in time, requiring use of vacation time or cutting pay. Some are creating access to an extended illness bank.
  o Some hospitals have already announced furloughs, and more are expected to follow suit.
  o Some of the furloughs are voluntary; others are being directed by the hospital.
  o As a last resort, hospitals may have to make the difficult decision to lay off some employees.

• When a hospital’s financials are at risk and work is just not available, the loss of a practitioner, nurse or other health care worker could mean the loss of a service that the hospital can no longer provide. It could also mean that a community will take even longer to recover from COVID as it tries to recruit and hire for these services once the economy re-opens.

• If hospitals’ financial picture does not change, many more staff will be furloughed.

Near-Term Impacts

• Oregon hospitals and health systems are collectively losing $13 million in revenue per day in April as a result of COVID-19.

• Of this amount, about $9 million per day is specifically due to the cancellation of elective procedures and lower outpatient volume.

• This revenue loss due to COVID-19 represents a 41% reduction of patient revenue, on average.

• Smaller, independent A/B rural hospitals are more affected, reporting 73% in revenue reduction.
• By the end of April, it is estimated that 4 hospitals would have less than 30 days cash on hand, 6 hospitals with less than 60 days cash on hand and 13 hospitals with less than 90 days cash on hand.

• OAHHS members anticipate spending at least $24 million on supplies costs such as lab testing/screening, personal protective equipment (PPE), pharmacy, ventilators and associated freight shipping due to COVID-19 in March and April combined.

• The estimated FTE reduction reported by the end of April is 1,094, which is about 2.6% of Total Full-Time Hospital Unit Personnel Count (based on 2018 AHA survey).

**Urgent Solutions**

OAHHS is advocating with state and federal lawmakers on behalf of members to limit the long-term impact on the statewide health care system and its ability to provide access to services. Some of the suggested options include:

• **Hospital COVID-19 Stabilization Fund - $200 Million**
  - Immediately allocate new state funding to hospitals with flexibility to address urgent local needs directly so they can continue providing services.
  - A portion of these funds should be specifically dedicated to Oregon’s small and rural hospitals to stave off health care workforce reductions made necessary by service declines resulting from compliance with national or essential statewide policy.
  - It is vital that rural communities maintain their health care workforce and that local community hospitals remain viable during this time.

• **Invest the Federal Increase on FMAP Rates for Health Care.**
  - The federal government increased Medicaid FMAP rates by 6.2%. These dollars should go to Medicaid and hospitals first before funding additional health care needs.

• **Enhanced Reimbursements for Facilities**
  - Enhance reimbursements for: nursing facilities to ensure hospital access and capacity; treatment of patients affected with COVID-19; hospital and provider services for uninsured, underinsured and unhoused as we develop and deploy capacity across the entire healthcare system.

• **Encouraging the state to aggressively acquire PPE and add back some non-urgent procedures.**
  - If hospitals had access to adequate and consistent personal protective equipment, some non-urgent procedures could begin to be offered.
  - This would be beneficial for patients who have had care delayed. It would also provide work for staff who have been idle since cancellation.
  - Initially, this should include shorter-stay procedures where a safe discharge to home is planned.