Weekly Checkup

The Impact of COVID-19 on Hospital Finances

CHRISTOPHER HOLT | JULY 17, 2020

Last Friday, the Department of Health and Human Services (HHS) announced that roughly $4 billion in relief funds were being made available to safety-net hospitals and rural providers. Odds are these won't be the last funds that hospitals will receive from the government, either. The American Hospital Association estimates that the COVID-19 pandemic has resulted in $202.6 billion in losses for hospitals and health systems between March 1 and June 30, 2020, the bulk of which ($161.4 billion) are from cancelled surgeries and other services, and 29 hospitals have filed for bankruptcy in the first half of 2020, compared to 22 in all of 2019. **It would be easy to conclude that Congress needs to act to further shore up health care providers—and perhaps they do. But a few other factors should be considered, not least of which is the long-term financial health of the health care system.**

First, the $4 billion in funding is part of the $175 billion in COVID-19 related relief for health care providers that Congress authorized as part of previous pandemic response legislation, but **the Department of Health and Human Services (HHS) has yet to distribute all of those funds allotted for provider relief**. Estimates vary, but somewhere between $100 billion and $115 billion has been allocated by HHS (though not even all of that has been paid out), leaving at least $60 billion in relief funds that haven't even been designated for a particular purpose yet. Hospitals may need more relief, but Congress would do well to start by ascertaining whether previously appropriated funds have been effectively targeted or even used months after being authorized.

Second, it's important to recognize that the current situation could shift quickly. **When the pandemic ends, hospitals will fully reopen, and demand for care is expected to rebound. To the degree hospital finances are being harmed by COVID-19, the situation is temporary**. The bigger threat is that the system won't be able to cope with increased post-pandemic demand if too many providers fold in the meantime, and that's certainly something Congress will need to consider.

But third, **policymakers should look holistically at the hospital model. Ben Teasdale and Kevin Schulman argue this month in *The New England Journal of Medicine* that hospitals are threatened not just by fear-fueled reductions in nonessential care amid a pandemic, but also because they are more susceptible to economic downturns than in the past.** They argue the increasing prevalence of high-deductible health plans among employer-sponsored health insurance means patients' economic footing increasingly factors into health care decisions. They also point to the increasing reliance of hospitals on cost-shifting to private insurance from public coverage. As the current economic downturn causes people to shift from private coverage to public health programs, hospitals face substantial loss of revenue. **Teasdale and Schulman find that separate from the impact of delayed care during the pandemic, hospitals face $95 billion in annual losses due to a shift from private to public insurance and $33 billion due to patients' increasing exposure to health care costs. Ultimately, they conclude by questioning if bailing out "organizations that adopted anticompetitive strategies that put hospitals in this financial situation in the first place" is in the public interest.**

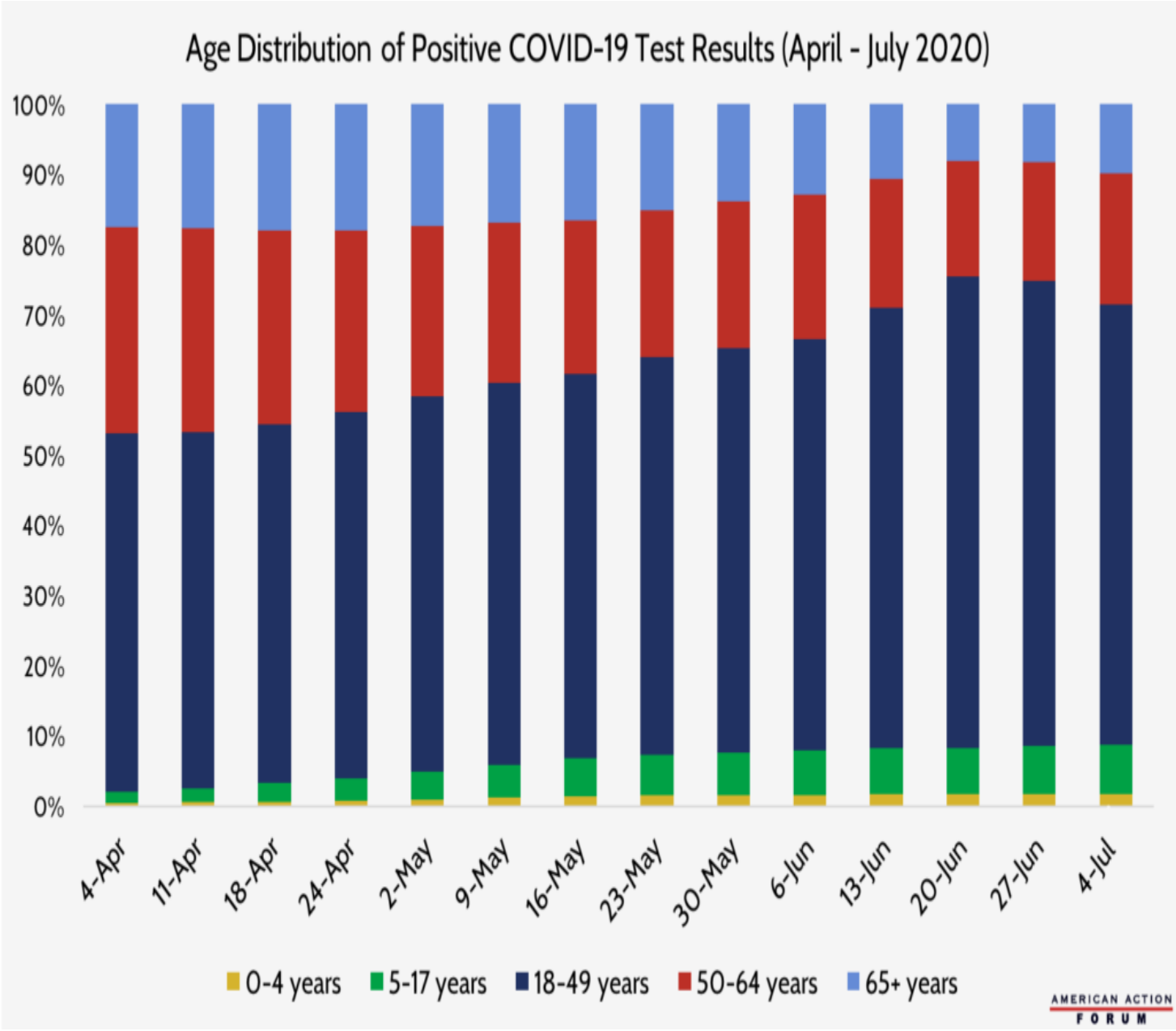
Hospitals are an essential part of the health care system and always will be, but increasingly policymakers have

recognized their central role in driving up the cost of care as well. **There is no question that hospitals systems and providers broadly are facing harsh financial realities during the pandemic, but as policymakers consider how best to respond to the short-term need, they would do well to keep the long-term health of the system in mind as well.**

CHART REVIEW: COVID-19 PATIENTS ARE GETTING YOUNGER

Margaret Barnhorst, Human Welfare Policy Intern

According to recent data published by the Centers for Disease Control and Prevention (CDC), the distribution of those affected by COVID-19 has shifted toward younger populations. In early April of this year, people aged 65 and older made up nearly 17 percent of all COVID-19 cases in the United States, and those aged 18-49 made up 48 percent. As of the first week of July, however, people aged 65 and older made up only 7 percent of all cases, while those aged 18-49 made up over 60 percent of cases. In addition, people ages 50-64 made up 28 percent of total U.S. cases in early April but made up only 14 percent of all positive tests in the first week of July. This age shift is likely contributing to the lower COVID-19 death rate in the United States, as younger people are less likely than the elderly to be hospitalized from COVID-19. Hospitalization rates for those aged 65 and older is nearly 317 per 100,000 in the United States, compared to hospitalization rates of 4.4, 66.7, and 161.7 per 100,000 for those aged 5-17, 18-49, and 50-64, respectively. Although experts warn of a steady increase in COVID-19 death rates in the weeks to come, following the sharp increases in COVID-19 cases in many states, these death rates will likely remain below the most severe death rates of over 2,000 deaths in a single day in April as a result of this shift toward younger populations.



Data published by the CDC (collected from over 16,000,000 total specimens in commercial laboratories)

THE LATEST FROM AAF

COVID-19: Impact and Response

This dashboard contains AAF experts' up-to-date analysis of the government's proposals and actions on the pandemic.

WORTH A LOOK

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Axios: Doctors have gotten better at treating coronavirus patients