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Hospitals furlough staff, reduce physician salaries waiting for CARES Act funds

AHA urges Trump Administration for release of $100 billion to hospitals as soon as possible.

As the American Hospital Association again asks the federal government to get $100 billion in federal stimulus money to providers as quickly as possible, hospitals are having to cut staff, salaries and benefits due to the lack of funding. “Because hospitals and health systems, and our dedicated caregivers, are on the front lines of this pandemic, we continue to urge the release of the CARES Act emergency relief funds as soon as possible,” AHA President and CEO Rick Pollack said.

The Advisory Board on Friday said no organization or region has been immune to margin impacts. Some health systems have furloughed non-COVID-19 staff, including Prisma Health, Boston Medical Center, Bon Secours Mercy Health and Baptist Health, according to Advisory Board data. Others, such as Mercy Health, Intermountain Health and UBMD Internal Medicine, have cut physician salaries. And Beth Israel Deaconess Medical Center, Alteon Health and Tenet Health have pared back on employee benefits.

Beyond the $100 billion fund in the Coronavirus Aid, Relief and Economic Security Act, health systems may qualify for the $500 billion corporate relief fund available for organizations that have incurred losses that jeopardize their businesses, the Advisory Board said. However, this access requires executive pay limits.

On the Record

“The emergency relief fund in the CARES Act was intended to provide hospitals with an infusion of emergency relief as providers incur substantial expenses in preparing and dealing with fighting this battle against COVID-19. At the same time, given that virtually all regular operations have come to a halt – such as elective or scheduled procedures – there are limited revenues coming in, causing major cash flow concerns that threaten the viability of hospitals. This is also creating a historic financial crisis, threatening the ability to keep our doors open for both the insured and uninsured alike,” AHA President and CEO Rick Pollack said.
WHY THIS MATTERS
Hospitals are losing revenue because of the cancellation of elective surgeries and procedures. Some have said that without an immediate influx of cash, they would not be able to make payroll. Health systems are losing more than half of their revenue, 51%, according to the Advisory Board. For a 1,000-bed health system with two ambulatory surgical centers and $1.2 billion in annual patient revenue, the cancellation of all elective procedures over three months, along with a reduction by half of its outpatient revenue, would realize a $145.3 million reduction in quarterly revenue, according to Advisory Board statistics.

COVID-19 revenue could make up some of the losses, but the impact will not be felt immediately.
That same 1,000-bed hospital system that treats 10,000 hospitalized COVID-19 cases over three months, with a peak of about 2,200 cases in Week 8, will have average revenue per coronavirus case of $15,664. This totals more than $156 million in COVID-19 revenue. However, the COVID-19 caseload needed to make up for lost revenue from elective procedures is well beyond system capacity and requires large surge expenditures, the report said.

The Advisory Board said there are steps hospitals can take to minimize the losses, such as setting up alternate sites of care, establishing credit and coding, and documenting as well as possible. Providers must also have an after-crisis plan for recapturing cancelled cases and for provider wellbeing when pent-up demand will again tax an exhausted workforce.

Two hospital systems in West Virginia – Mountain Health Network and Thomas Health System – have furloughed hundreds of employees and have reduced hours for staff at four hospitals, according to MetroNews.

THE LARGER TREND: OTHER PROVIDERS IMPACTED
Quorum, which operates 24 hospitals in 14 states, is preparing for bankruptcy due to the pressure of Covid-19. The health system was not in good financial shape before the virus, according to Bloomberg. For-profit Tenet has opted not to put out 2020 guidance because of the impact of COVID-19, specifically the substantial number of rescheduled elective procedures.

- HCA Healthcare has closed clinics and outpatient facilities and cut employees’ hours, according to The Wall Street Journal.
- Shore Medical Center in New Jersey is asking for voluntary layoffs, according to 10Philadelphia.
- St. Luke’s in Minnesota has issued layoffs and cut hours, according to Fox21.
- Columbia Memorial said it has temporarily reduced staff, according to the Astorian.
- Williamson County Medical Center in Franklin, Tennessee laid off 200 employees, according to WMOT.
- Floyd County Medical Center in Iowa has asked for temporary layoffs during the pandemic, according to KIMT3.