

## HOSPITALS FACE FINANCIAL CHALLENGES DUE TO COVID-19

AdventHealth Central Florida Division | Orlando, Fla.

The recent surge of COVID-19 cases in Central Florida affects the residents in seven Florida counties: Orange, Seminole, Osceola, Polk, Volusia, Flagler and Lake. The counties are central to AdventHealth's Central Florida Division, which includes 21 hospitals and more than 30 urgent care centers, as well as hundreds of physicians, ranging from primary care to a full spectrum of specialties.

"Florida is in the middle of the crisis," said Todd Goodman, division chief financial officer of AdventHealth's, 20 acute care and emergency facilities. "Our current COVID numbers are four times higher than the peak that we had back in April. We are bringing in higher-priced nurses and staff from other parts of the nation, because of a rapid increase in inpatient census. We are in a different place today than we were even six weeks ago."

Initially, AdventHealth believed the COVID-19 spike would arrive in late April or early May. In making preparations for COVID-19, senior leaders realized that maintaining workforce levels throughout the health care crisis would be key. AdventHealth made a commitment to their staff that even as volumes fell, people would not be laid off.

"That took significant resources as much of our elective volume had disappeared throughout that period of time," Goodman said.

The impact [on AdventHealth] of declining elective procedures is staggering.

"In our Orlando facilities we were short on revenue by \$51 million for the last two weeks of March," says Doug Hilliard, CFO of eight AdventHealth hospitals in the tri-county area and two hospitals in Polk County.

"We had a \$172 million shortfall for the month of April. In total, the losses are close to \$263 million to date."

Personal protective equipment (PPE) was hard to find. AdventHealth purchased masks and gowns and other PPE from a variety of sources and needed to procure extra warehouse space as the orders came in and outpaced the organization's usual storage area. AdventHealth partnered with the Orlando Magic and the city of Orlando to transform the Amway Center into a hub for health care equipment and supplies that the hospital system used to distribute materials to individual hospitals.

"I personally spent six weeks during the surge at our Corporate office with our chief supply chain officer working to broker deals in this market, because most of our supply sources were not able to get us what we needed," Hilliard said. "We paid anywhere from three to ten times more what a normal price would be for some of these PPE components."

"As we sourced PPE and had to pay the higher prices, we spent \$254 million sourcing PPE across our AdventHealth national platform during the pandemic," Goodman said, while noting that the investment was necessary.

In addition to focusing on how the hospital system adjusted to meet Central Florida's surge of COVID-19 cases, AdventHealth is offering leading-edge treatment using plasma from recovered COVID-19 patients, which shows promise in helping the sickest patients.

On July 17th, AdventHealth's COVID-19 hospitalizations were at a peak of 788 patients, five times higher than the previous peak that occurred a few months ago. These hospitals need additional funds

to withstand the pandemic while also providing much-needed care to other patients suffering from heart attacks, heart failure, strokes and chronic conditions. There is a backlog in delivering medical services, even from April, as the hospitals struggle to expand space and staffing to meet the needs of their communities.

The first and second rounds of payments the system received from the Coronavirus Aid, Relief, and Economic Security (CARES) helped AdventHealth in its initial response to the crisis, but much higher staffing costs continue with the second spike in COVID-19 cases.

Hilliard and Goodman agree that while they are grateful for the CARES Act funding, there is still a gap between revenue and expenses due to the volume reductions that they experienced and the additional costs the system has incurred.

“We’re going to need an additional tranche of dollars to deal with the pathology that we’re seeing today,” said Goodman.”