

It has been over one year since a [national public health emergency](#) was declared as America began grappling with the COVID-19 pandemic and the first patients with the novel coronavirus arrived at our nation's hospitals and health systems. Since then, the U.S. has seen nearly [30 million cases](#) of the virus, approximately [1.5 million people hospitalized](#), and more than [530,000 deaths](#) – the latter of which has driven a [15% increase](#) in the death rate making 2020 the deadliest year in U.S. history. These statistics are a grim reminder of the pandemic's human toll and highlight the need for a strong infrastructure to support health care services for Americans, starting with our nation's hospitals and health systems.

Hospitals have been on the front lines since the start of the pandemic and have endured historic financial challenges due to revenue losses from forced shutdowns and a slow resurgence of non-emergent care as well as increased costs associated with preparing for the pandemic and treating COVID-19 patients. In 2020, hospitals were projected to lose an estimated [\\$323 billion](#), leaving nearly half of America's hospitals and health systems with [negative operating margins](#) by the end of 2020.

Despite the advent of multiple COVID-19 vaccines and a growing number of Americans who have been [vaccinated](#), the pandemic continues to take its toll. Kaufman Hall recently projected that hospitals and health systems could [lose an additional \\$53 to \\$122 billion in revenue in 2021](#).

Though vaccinations and other safety measures have helped curb the spread of the virus, as of mid-March 2021 the data show that the COVID-19 pandemic is far from over.

- Nearly [57,000 new cases](#) of COVID-19 are being reported daily on a seven-day average, which is about the same level as [mid-October 2020](#).
- About [1,500 COVID-19 deaths](#) per day occurred on a seven-day average, which is almost the same level as the beginning of December 2020 before the last surge.
- COVID-19 test positivity rates remain between [4-5%](#), similar to levels experienced in October 2020.
- More than [72,000 total COVID-19 hospital admissions](#) occurred over a seven day period, with a seven-day average of approximately [39,000 hospital inpatients](#) receiving care for COVID-19, of which an average of [10,000 are receiving care in the ICU](#).
- Hospital ICU bed occupancy remains high, with a national average of approximately [67% of ICU beds being occupied](#). Three states – Texas, Delaware and Alabama – as well as the District of Columbia have 80% or more of their ICU beds currently occupied.
- Experts warn that the pandemic could worsen over the next several months with the arrival of [additional coronavirus variants](#) and as [social distancing policies](#) are relaxed.

As the pandemic persists and patients continue to avoid critical care, hospitals face a long road to recovery in 2021 and beyond.

- Hospital operating margins [decreased nearly 27%](#) between December 2020 and January 2021, and 46% compared with the same time period last year.
- While hospital revenues have improved from historic lows during the height of the pandemic, they remain well below pre-pandemic levels. In fact, in January 2021 [gross hospital revenues declined by 4.8%](#) from the same time

period last year. Hospital outpatient revenues – down 10.4% from the same time last year – have been especially hit hard as patients continue to avoid non-emergent care.

- Hospital finances also have taken a hit as volumes have declined, while patient lengths of stay have increased. As of January 2021, discharges and adjusted discharges were down 12.7% and 17.6% from the same time last year, while the average length of stay for a patient has increased 12.6%.
- As of January 2021, emergency department visits also experienced a nearly 25% decline from the same time last year, as many Americans remain skeptical of going to the hospital for critical care, such as heart attacks and strokes.

Revenue losses and sluggish recovery of patient volumes have been met with increased expenses creating the perfect financial storm for hospitals and health systems.

- While revenue has decreased, in January 2021 total hospital expenses have increased by 4.5% from the same time last year and on a per adjusted discharge basis hospital expenses have increased by 25.4%.
- Hospitals and health systems across the country have reported shortages of doctors and nurses needed to treat COVID-19 patients. These shortages have forced hospitals to rely on staffing firms where increased demand for health care personnel has driven a steep rise in prices. Moreover, many of these personnel are only temporary solutions to a more pervasive staffing problem. As a result, in January 2021 hospitals experienced a 30% increase in labor expenses per adjusted discharge from the same time last year.
- An analysis by Moody’s found that hospitals will incur higher costs for personal protective equipment (PPE) and other supplies as well as infrastructure projects. These higher supply costs have manifested in a nearly 20% year-over-year increase in supply expenses per adjusted discharge as of January 2021.
- Hospitals also have experienced significant increases in drug expenses since the pandemic. Drug expenses per adjusted discharge have increased 36% year-over-year as of January 2021. A recent analysis by Vizient forecasted that drug prices would continue to increase into 2022.
- Credit rating agencies Fitch and Moody’s both cautioned that increased costs threaten the financial outlook for the hospital sector and that 2021 will remain a challenging financial environment for hospitals and health systems.

As the nation has learned to cope with the effects of this pandemic over the last year, so have hospitals and health systems. These organizations – small and large, urban and rural – have worked tirelessly to mobilize a comprehensive response while overcoming daunting financial and operational challenges. Hospitals have cut costs where possible to maintain financial solvency, invested resources in constructing mobile units for testing and treatment, developed creative strategies to acquire PPE and supplies in shortage, and most recently, played a central role in vaccinating the communities they serve.

While patient volumes and hospital finances have experienced modest improvement since the height of the pandemic, they remain far from pre-pandemic levels. **Government support and resources to date have proven invaluable to hospitals, but the data clearly show that this pandemic is far from over. More government support, including additional sequester relief to avoid new Medicare cuts, is desperately needed.** We must work together to safeguard the financial health and well-being of America’s hospitals and health systems so that they may continue to provide care and advance the health of patients and the communities they serve.