American Hospital Association™
Advancing Health in America

# Fact Sheet: Federal Investment Needed to Keep Hospitals' Physical Infrastructure Ready to Meet the Nation's Health Care Needs

## The Issue

To deliver the safe, timely and effective care that Americans depend upon, hospitals, health systems, behavioral health and post-acute care providers continually maintain over 6,000 hospitals, nearly 920,000 hospital beds and thousands more clinics. This physical infrastructure also relies on a vast array of complex and costly mechanical systems, information technology, medical equipment and other supplies. America's hospital infrastructure also must be prepared to function under a daunting array of circumstances. From routine care and medical emergencies to pandemics and natural disasters, hospitals must operate 24 hours per day, 7 days per week. In doing so, they also must meet federally mandated quality and safety standards that continually evolve to keep up with advances in clinical practice.

However, America's hospital infrastructure is at an inflection point. Hospitals are highly vulnerable to rapidly emerging challenges, including aging physical plant, severely deteriorated hospital finances, new quality standards and advances in diagnostic and therapeutic technologies. While hospitals are doing everything within their ability to respond, the scope, scale and urgency of these challenges means they cannot adequately maintain and upgrade the hospital infrastructure Americans need and deserve without federal financial support.

The federal government has a history of providing dedicated funding for the modernization of America's hospital infrastructure. For over 50 years (from 1946-1997), the Hill-Burton Act provided hospitals and other health care facilities with access to grants and loans for facility construction and modernization. Many hospitals need support so they can update their facilities and remain an access point to care in their communities, especially those hospitals serving medically underserved populations. In addition, investments in hospital infrastructure also are investments in the people and communities they serve. Hospitals and health systems often are economic anchors supporting 1-out-of-9 jobs in the U.S., and over $1 trillion in purchases of goods and services from others in their community.

Moreover, COVID-19 has revealed that our health care infrastructure was under-resourced for a pandemic. Many hospitals and health systems were financially challenged headed into the crisis and now are experiencing unprecedented financial losses. Nearly four dozen hospitals have closed or declared bankruptcy in the past year. Furthermore, continual cost pressures have left hospitals with very little excess capacity, which became apparent during surges in COVID-19 that resulted in scarce inpatient and ICU beds. Now is the time to invest in our health care infrastructure to ensure we will be fully equipped for any future public health emergency, whether it be a new virus, a mass shooting or a natural disaster. Finally, given the increase in extreme weather events – including floods, fires and hurricanes – now also is the time to assist hospitals in making modifications to their facilities to ensure they can remain resilient and deliver care to their communities.

## AHA Take

**The AHA urges Congress and the Biden Administration to prioritize funding for America's hospital infrastructure. These investments are critical to ensuring the long-term sustainability and viability of hospitals, and maintaining access to high quality, safe and environmentally sustainable health care.**

## Why?

- **Investment in hospital infrastructure is an investment in American jobs and communities.** Hospitals and health systems are often economic anchors that create jobs and purchase goods and services from others in their community. For example, in 2019 hospitals: employed more than 6 million individuals in full- or part- time positions; purchased more than $1 trillion in goods and services from other businesses; supported almost 18 million, or one out of nine, jobs; and supported roughly $2.30 of additional business activity in the economy for every dollar they spent.



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- **Hospital physical plant is aging, and unprecedented financial losses caused by the COVID-19 pandemic severely jeopardize the ability of hospitals to afford the maintenance and upgrades they need.** The AHA projected that hospital and health system losses were expected to be at least $323.1 billion through 2020. These losses are expected to continue into 2021, as KaufmanHall projects revenue losses to be between $50 and $120 billion in 2021, and the percentage of hospitals with negative operating margins could be higher at the end of 2021 (nearly half, under pessimistic scenarios) than prior to the pandemic. During the pandemic, Americans delayed or postponed care while hospital expenses increased. For example, 2020 prescription drug expenses increased 17% over 2019. Expenses for labor, purchased services and supplies also increased significantly in 2020. Taken together, these impacts have caused many hospitals to pause capital spending, thereby delaying necessary maintenance even further.

- **Financial challenges threaten to dampen many hospitals' ability to borrow the money they need to finance needed infrastructure repairs and upgrades.** Key credit rating agencies Moody's Investor Service and Standards & Poor (S&P) view the hospital and health sector as negative in 2021. Moreover, S&P found that the majority of rating revisions in 2020 were downward, which reflects the historic financial pressure the pandemic exerted on hospitals and health systems. Credit rating agencies are an important indicator of hospitals' and health systems' access to capital as they tell us about hospitals' ability to access capital, and the cost of borrowing. Loss of revenue and increased expenses has caused some hospitals to spend from their reserves, and many lack the financial cushion they had prior to the pandemic. This means less funding available for infrastructure investments.

- **Hospitals that may be in most need of infrastructure upgrades also may have the greatest challenges accessing capital.** For example, nearly one-third of rural hospitals reported an average age of plant of 15 years or older. Rural hospitals already faced enormous financial challenges leading up to and during the pandemic, with 136 rural hospitals having closed since 2010, including a record high of 20 in 2020 alone. Those challenges will only persist in 2021. Kaufman Hall estimates that under even the most optimistic scenarios, rural hospitals are likely to end 2021 with margins 38% lower than pre-pandemic levels.

- **Hospital "slack" capacity to respond to public health emergencies is limited.** Ongoing changes to our health care payment system have placed continual pressures on hospitals to reduce inpatient bed capacity. Indeed, total hospital beds in the U.S. have declined by 33% since 1980. The U.S. also has fewer beds per person than similar countries, and lower hospital density than almost all similar countries. Furthermore, as evidenced by supply chain challenges at the beginning of the COVID-19 pandemic, hospitals have had to make their reserve capacity of important supplies and equipment very lean.

- **Hospitals are uniquely vulnerable to the increasing severity and frequency of extreme weather events.** Extreme weather events like floods, wildfires, tornadoes and hurricanes compromise not only the physical integrity of hospitals, but also that of the broader infrastructure on which they depend, such as the power grid. Hospitals could use federal support for projects like improved onsite backup power generation, enhanced window and roof wind shear ratings and water-tight sealing of lower levels. These could help facilities avoid debilitating damage, both financially and structurally, and allow hospitals to continue to meet the needs of their community during and after catastrophic weather events.

- **Long under-addressed behavioral health needs will be exacerbated due to the COVID-19 crisis; hospitals need to increase capacity and offer specific services and facilities to meet these needs.** One in three adults reported symptoms of an anxiety disorder in 2020, compared with one in 12 in 2019; however, over 100 million Americans live in areas that have a shortage of mental health professionals. Before the pandemic, nearly 60% of adults with behavioral health disorders reported not receiving services for their conditions. While some individuals have been able to access care via telehealth during the pandemic, hospitals will struggle to sustain and expand offerings that meet the large scale and severity of America's behavioral health care needs. Children and adolescents in particular face critical care shortages, especially because of their unique needs. To address behavioral health issues, hospitals need support to provide safe facilities with appropriate equipment and tailored services – which are widely under-reimbursed, and

thus challenging to maintain. This will include procuring appropriate end-user audio-video equipment, building remote clinics, and installing interoperable electronic health records to improve information sharing.

- **Hospitals are interested in improving the environmental sustainability of their own operations but will need support and regulatory modernization.** As essential infrastructure, hospitals consume a significant amount of energy due to factors such as their continual operations, need for high-energy diagnostics, and high ventilations rates for airborne infection prevention. Many hospitals are taking steps to become more energy efficient, including renovating electrical systems, retrofitting more energy efficient technology, installing solar panels, or procuring from more sustainable sources. Many hospitals also are considering new ways to manage the waste they produce, such as improving recycling programs. These steps often come with significant cost, at a time when hospitals are still experiencing financial pressure due to the COVID-19 pandemic. Furthermore, it will be important to modernize regulations to ensure that the hospitals that are ready to implement environmentally friendly changes are not constrained by outdated regulations.

- **Evolving quality and safety standards can benefit patients, but often are impossible to meet without significant and costly changes to hospital physical plant. Key examples include:**

  – *Infection Control Safety.* As the COVID-19 pandemic has highlighted, identifying and isolating infectious disease in a health care setting is critically important. To properly identify cases and limit transmission, investment in infection control infrastructure like isolation units, negative pressure rooms, digital communications platforms and medical surveillance are necessary to ensure hospitals are able to appropriately respond to and meet the health demands that result from the presence of infectious disease.

  – *Pharmacy Upgrades.* As more-advanced medications are developed, full-scale renovations of hospital compounding pharmacies – including with new ventilation, waste disposal systems and negative pressure rooms – often are necessary to ensure the safety of both health care personnel preparing and administering the drug, as well as the patients receiving the treatment.

  – *Ongoing Regulatory Compliance.* Medicare's Conditions of Participation (CoPs) and associated guidance have evolved rapidly, and costly changes abound. For example, behavioral health hospitals and units have had to upgrade doors and beds to adhere to the latest suicide prevention standards. Moreover, hospitals have had to shift entryways and exits in those facilities that are co-located with another entity.