



Leading for Better Health

The Fallout of COVID-19 on Hospitals and the Health Care Workforce

During the past year, hospitals and the health care workforce have been at the center of the response to the COVID-19 pandemic. From testing and treating patients, to administering vaccines and providing public health outreach, Pennsylvania health care has remained dedicated to the health of local communities.

The weight of responsibility for the focused medical and public health response in every community around Pennsylvania demanded sacrifice, including significant financial strain on hospitals and immeasurable pressure on hospital staff.

Financial Losses for Pennsylvania Hospitals

- Patient volume plummeted and remained well below pre-pandemic levels during 2020¹
- According to the Pennsylvania Health Care Cost Containment Council (PHC4), Pennsylvania hospital margins experienced a significant decrease during 2020²:
 - 38 percent of hospitals posted negative operative margins
 - Nearly one in five experienced margins below 0 and 4 percent—this is below what is needed to maintain hospital infrastructure and long-term sustainability
 - General acute care hospitals experienced a drop—from 6.63 percent during fiscal year (FY) 2019 to 3.93 percent during FY 2020—in the statewide average of total margins
 - Statewide operating margins decreased from 5.61 percent during FY 2019 to 3.73 percent during FY 2020
 - Uncompensated care increased in FY20
- PHC4 released an additional study which outlined the significant revenue losses (\$4.1 billion) due to the suspension of scheduled services and decrease in patient volume: costs related to COVID-19 testing (\$81 million), increased staffing costs (\$349 million), additional supplies including personal protective equipment (PPE) (\$258 million), costs to set up emergency operation centers (\$21 million), and other costs (\$89 million) including housing for patients in post-acute care³

Damage to the Health Care Workforce

- Many health care workers are in need of mental health support, wellness, and resiliency programs directly related to the pandemic
- In the wake of COVID-19, some health care workers moved up retirement plans or left the workforce
- Health care workers have been unable to work because of illness or exposure to COVID-19
- Additionally, members of the hospital workforce have needed to take leaves of absence out of increased health risk concerns, facing the stress and emotional toll of the pandemic, or because of difficulty securing child care

¹ The Hospital and Healthsystem Association of Pennsylvania. Center for Health Policy Research. [Impact of the COVID-19 Pandemic on Pennsylvania and its Health Care System](#). May 2021.

² Pennsylvania Health Care Cost Containment Council (PHC4). Financial Analysis 2020. [General Acute Care Hospitals Volume 1](#). June 2021.

³ Pennsylvania Health Care Cost Containment Council (PHC4). [COVID-19 Disaster Emergency Report](#). January 2021.



The Fallout of COVID-19 on Hospitals and the Health Care Workforce

Page 2

Federal and State Funding Shortfalls

- From mid-March to July 2020, Pennsylvania hospitals experienced an estimated \$5 billion shortfall in operating margins which represents a 24 percent drop from pre-pandemic levels.⁴ The estimated \$2.8 billion federal relief received fell short in covering the financial loss of Pennsylvania hospitals due to COVID-19
- Hospitals were largely left out of the 2020 disbursement of the state allocation for CARES Act funding
- While the American Rescue Plan Act (ARPA) provided financial relief for rural providers, it did not provide additional funding for the Provider Relief Fund, an extension of relief from Medicare sequester cuts, or loan forgiveness for Medicare accelerated payments for hospitals⁵
- Pennsylvania ranked 47 per capita in COVID-19 pandemic response funding to states from the Centers for Disease Control and Prevention (CDC). Pennsylvania received \$15.6 million from the CDC during FY 2020 for public health programs, ranking 46 in total state funding per capita⁶
- Through the U.S Department of Health and Human Services's Hospital Preparedness Program, hospitals receive one annual source of federal funding intended to assist facilities to prepare for and respond to public health emergencies. However, this critical funding source has been depleted from \$515 million to \$280 million from FY 2003 to FY 2021⁷

HAP strongly supports legislation which addresses the impact of COVID-19 on hospitals, the health care workforce, and patients throughout Pennsylvania.

House Bill 1359 and Senate Bill 642—[The Health Care Heroes and Public Health Preparedness \(PA Heroes\) Act](#)—would allocate \$650 million of Pennsylvania's share of the federal ARPA to support grants for community-based programs to bolster post-pandemic health care in three critical areas:

- Restoring the health care workforce
- Strengthening public health infrastructure
- Addressing behavioral health capacity

Grant Program Proposal Overview

- This legislation would create defined award criteria; the responsibility for distributing grant funding would be delegated to an appropriate administrative agency
- Funds would be distributed based on demonstrated need until depleted
- Funds could not be used to reimburse expenses or losses that have been fully reimbursed from other sources
- Grant recipients would be required to submit applicable reports and maintain documentation and be subject to audit by the state Office of the Auditor General

⁴ Health Management Associates. [Analysis of the Impacts of COVID-10 on Pennsylvania Hospitals](#). September 2020.

⁵ American Hospital Association. [Summary of American Rescue Plan Act of 2021 and Provisions Affecting Hospitals and Health Systems](#). March, 2021.

⁶ Trust for America's Health. [The Impact of Chronic Underfunding on America's Public Health System](#). Trends, Risks, and Recommendations, 2021. May 2021.

⁷ Ibid.