

Kaiser Health News / Washington Post article: “Some of America’s wealthiest hospital systems ended up even richer, thanks to federal bailouts”

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Background:

Kaiser Health News published an article, which was picked up by the Washington Post, examining the financial statements of a handful of large health systems and the impact that Provider Relief Funds (PRFs) had on them. The article attempts to make the point that some large health systems’ profits have increased from pre-pandemic levels after receiving government funding. It also tries to show how hospitals serving more vulnerable communities got a smaller share of grants and continue to face a more challenging financial future. The article also criticizes the methodology the federal government used to distribute PRFs.

Talking Points:

- The article minimizes the fact that America’s hospitals and health systems have provided essential services to their patients and communities during this pandemic, all while facing their greatest financial crisis.
- Last year, the AHA estimated the hospital field lost over \$320 billion in 2020 due to lost revenue from cancelled procedures and low patient volumes; higher costs of acquiring PPE and staff; and costs associated with treating COVID-19 patients.
- Kaufman Hall has projected that hospitals and health systems will lose an additional \$50 billion to \$120 billion in 2021. They also project that up to 50% of hospitals and health systems could end 2021 with negative operating margins.
 - Respected organizations like Standard & Poor’s and Moody’s have released outlooks that also predict continued financial challenges in 2021.
- Congress recognized the critical role hospitals play as the backbone of our health care system and swiftly took steps to provide support to ensure hospitals would remain strong. The federal government created multiple formulas to allocate funds to all types of hospitals, and appropriately worked to get this critical relief out quickly as we were facing a crisis situation.
- These funds, which providers are held accountable for under law, have allowed hospitals to continue to serve all who need care. In most instances hospitals did not apply for the specific amount of funds they received, and if hospitals received more funds than their COVID-19-related expenses and lost revenue will ultimately show, there will be a reporting and auditing process once the pandemic ends and the excess funding will be returned to the government.

- Each hospital and health system came into the pandemic with their own unique financial situation. Cherry-picking financial data from a few health systems is not reflective of the struggles and challenges facing our field. Moreover, each and every one of them played an integral role in caring for patients and protecting their communities.
 - Many hospitals and health systems took steps to maintain liquidity and cash flow, including taking on more debt, as a financial strategy to weather the storm. This means more revenue could go toward debt service than investments in patient care and infrastructure over the next several years.
- It is difficult to understate the environment of uncertainty and anxiety that hospitals and health systems have had to make clinical, operational, and financial decisions in during the pandemic. Hospitals and health systems, just like other organizations throughout the country, made strategic decisions to minimize financial losses and keep their doors open to patients and communities.
- Congress moved quickly to ensure hospitals would not experience harmful disruptions because of the pandemic. Criticizing hospitals and health systems for not losing money ignores the work that Congress and the hospital field engaged in last year, while not addressing the record profits that insurers reported in 2020 is striking.
 - An AHA analysis of various filings by the Securities and Exchange Commission found that the top five health insurers (in terms of covered lives) reported over \$52 billion in income before taxes during 2020, representing a 21.5% increase over the previous year.
- While vaccines give us great hope for the future, with COVID-19 cases and hospitalizations rising in many parts of the country, it is in everyone's interest to keep hospitals strong and patients healthy.