

NEARLY ONE OUT OF EVERY 10 TEXAS HOSPITALS IS AT SERIOUS RISK OF CLOSURE.



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Extreme financial pressure on a life-saving industry creates risk for patients and the state's overall health. The financial strain on Texas hospitals throughout the pandemic has been profound. While state and federal COVID-19 relief was a lifeline for many health care providers, **the pressures outpaced the relief**, and many Texas hospitals are struggling to survive.

An eye-opening report issued in November 2022 by Kaufman Hall offers critical data on Texas hospital instability and closure risks. **The report underscores the pandemic's dramatic toll on hospitals as they face mounting strain from workforce shortages and soaring supply costs.**

AN EXISTENTIAL THREAT

The report's findings "underscore the existential financial and operational threats Texas hospitals continue to face two and a half years after the beginning of the pandemic." A snapshot of the findings:

OPERATING IN THE RED



- Nearly one out of every 10 Texas hospitals is **at risk of closure**, twice as many as before the pandemic.



- Nearly half of all Texas hospitals in 2022 had **negative operating margins**, up from one-third in 2019.



- Texas hospitals have incurred serious losses relative to pre-pandemic levels – including approximately **\$3.2 billion in 2022** – with no further relief in sight. **This represents a 30% reduction in total income across Texas.**

EXPENSES OUTPACE GROWTH



- Hospital labor expenses are **20.9% higher** than pre-pandemic levels. This is **\$18.1 billion higher** than 2019, due to both higher staffing and contract labor expenses.



- Medical supply expenses are **8.5% higher** than pre-pandemic levels. **This is a \$1.3 billion increase.**



- Drug expenses have amounted to **\$2.8 billion more** than pre-pandemic levels.



- Hospital revenues have grown since the pandemic, but the rate of growth has significantly lagged behind expense growth, **resulting in negative margins** for nearly half of Texas hospitals in 2022.

POTENTIAL IMPACT ON PATIENTS



- Hospital closures



- Discharge backlogs



- Reduced access to care



- Increased costs



- Reduced service lines



- Further distance to care

HOW WE GOT HERE

With all sectors of the state's health care infrastructure in full-blown response mode during the pandemic, hospitals were ground zero for life-saving care.

Massive Response: Hospitals moved fast to set up temporary care sites, purchase necessary personal protective equipment, temporarily postpone certain procedures to conserve resources, and roll out a massive vaccination effort to protect the frontlines and all Texans in their communities. More than 500,000 COVID-19 patients were admitted to Texas hospitals during the pandemic, bringing the system to the brink; millions more were tested, treated or vaccinated in hospital outpatient settings.

Uninsured Care: During this time, Texas hospitals and other health care providers delivered \$3.16 billion in COVID-19 care for the uninsured and navigated rates that failed to cover the extensive wrap-around care required by a COVID-19-positive patient. As required by state and federal law, hospitals care for all patients with emergency conditions, regardless of their ability to pay.

Labor Costs: The growth in Texas hospital expenses has outpaced any revenue and relief. To help combat surges, the State of Texas and FEMA provided more than 26,000 staffed positions to health care facilities during the pandemic – a major help to struggling facilities. Still, hospitals scrambled to recruit and pay for thousands more in-house and additional contract nurses with premium price tags. Today, Texas hospitals face 20% nurse vacancy rates and ongoing record-setting labor expenses as they struggle to fill positions at higher rates. In fact, labor expenses for Texas hospitals for 2022 are \$18.1 billion higher than 2019, due to both higher staffing and contract labor expenses.

WHAT'S NEEDED

Texas hospitals fought a relentless pandemic and protect the public's health. Today, many are operating in the red and some are struggling to stay open. Texas hospitals are asking for assistance in the following areas:



- Financial stability



- Behavioral health resources



- Workforce growth to fill critical open jobs



- Access to care and coverage

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