



**Kansas Hospital
ASSOCIATION**

To: Special Committee on Economic Recovery
From: Audrey Dunkel, Vice President of Financial Advocacy
Re: Impact of COVID-19 on Hospitals
Date: August 13, 2020

Thank you for the opportunity to speak with you today on behalf of our 123 community hospital members. We appreciate the opportunity to comment on the ways COVID-19 has impacted hospitals.

Kansas hospitals, like so many other sectors, have been impacted financially by COVID-19. There are two reasons for this. First, hospitals have experienced declining patient revenues due to the cancellation of appointments and elective procedures caused by COVID-19. Hospitals limited providing elective and most outpatient procedures to protect patients and hospital workers from infection, conserve critical supplies of personal protective equipment, and make beds available to deal with the expected surge of COVID-19 patients. Second, as revenues were declining, hospitals were spending more on supplies and staffing to prepare for COVID-19 cases.

Early estimates of the impact on hospital revenues for Kansas showed an average drop of 45 percent in net patient revenues. The additional financial resources provided at both the state and federal level have helped to ease some of this burden and are appreciated by all of our members.

Many have said that we must treat this pandemic like a marathon, not a sprint. Hospitals have been forced to make tough choices regarding staffing as they look at the revenue shortfalls they are experiencing. With many services delayed, hospitals had to re-task staff. If that could not be done, furloughs, lay-offs and pay cuts were implemented in an attempt to steady finances.

What is happening in Kansas reflects what is happening across the country. The most recent study completed by the American Hospital Association in July provides an overall picture for hospitals nationwide. The study predicts continued negative margins through the end of the calendar year, with the most optimistic estimates showing median margins at -1% and the least optimistic estimates showing margins of -11% by the end of the year. Half of U.S. hospitals are expected to have negative margins at the end of 2020.

It is not possible to predict when hospitals will get back to the pre-COVID-19 levels. Hospitals have begun to provide more elective procedures and re-opening outpatient services with appropriate safety measures in place and have seen their volumes increase. However, they have not reached pre-COVID-19 levels due to a variety of factors that include balancing PPE needs for potential COVID cases and non-COVID cases, lingering concerns by the public of infection and loss of insurance or a job to pay for services.

Because health care has been considered an essential service throughout the pandemic, Kansas hospitals have found actions by both the state and the federal government to be helpful in providing care to patients. Telemedicine offers an excellent example of policy changes that have helped patients and providers. Expanding the rules regarding the use of telemedicine, and providing payment for telemedicine services in new ways, allowed patients to access the care they would have otherwise missed under the stay at home order. Continuation of these telemedicine flexibilities is one way policy changes can not only assist patients but can assist hospitals in recovering from the effects of the pandemic.

Thank you for the opportunity to speak with you today.