

# Hospitals Face Steep Climb From Financial Pit Created by Pandemic

State and Local Policy Makers Should Support Hospitals, Not Cripple Them

A MESSAGE FROM SOUTHERN CALIFORNIA'S HOSPITALS AND HEALTH SYSTEMS



In the face of extreme adversity, California's hospitals and health care heroes have risen to the challenge time and again as the backbone of health care. Their resilience has been matched only by their unrelenting commitment to care for their communities during the worst public health crisis in generations.

Throughout the pandemic, hospitals answered the call by expanding their capacity to care as COVID-19 attacked our neighbors, our colleagues, and our loved ones. For hospitals, this meant a tsunami of patients in the summer and winter months, flooding emergency departments and intensive care units with critically ill patients.

Southern California was the epicenter of one of the worst surges in the United States. Hospitals completely restructured operations to cope with the pandemic safely and effectively. The pandemic response, along with significant drops in patient volume for other health care services, has created substantial and lasting financial burdens for hospitals.

**According to a 2021 report by the nationally-respected consulting firm Kaufman Hall, California hospitals lost more than \$14 billion in 2020 due to the pandemic.** The financial damage will continue at least through the rest of this year, with California hospitals expected to lose an additional \$600 million to \$2 billion, depending on vaccination rates and the path of the virus. Hospital operating margins are expected to decline between 19% and 65% in 2021.

Despite these challenges, hospitals have continuously stepped up to make sure health care workers have the support they need to care for patients. Health

care workers are indeed heroes, and hospitals have spent hundreds of millions of dollars to provide things like mental health support and counseling, free housing, child care, paid time off, and bonus pay. Now, as hospitals begin the slow process to rebuild, they are faced with even more headwinds. **Rather than support hospitals, state and local policy makers have proposed a number of bills that could cause further financial strain and jeopardize hospitals' ability to maintain services.**

If this last year has taught us anything, it's that we have to constantly plan for the next public health emergency or natural disaster. Rather than pursue costly mandates that strain already depleted hospitals and health care systems, policy makers should work with hospitals to ensure they have adequate resources to deal with future pandemics and infectious diseases, and to prioritize limited hospital resources to make disaster readiness upgrades to the most critical hospital infrastructure like emergency rooms, ICUs and trauma units.

Simply put, this is the wrong time to further burden hospitals with billions in new costs.

**Hospitals and health systems have been there for all of us when we need them most. It's imperative that our elected leaders protect our hospitals as they begin to emerge from financial devastation – by rejecting measures that drain thin and fragile financial resources at a time when hospitals need support to make sure they can always put the needs of ALL Californians first.**



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