



“2022 was the worst year financially for Connecticut hospitals since the pandemic began.”

– Kaufman Hall, *The Financial Impact of The Pandemic on Connecticut Hospitals*

MARCH 2023

THE **PANDEMIC'S IMPACT**

ON THE FINANCIAL HEALTH OF CONNECTICUT'S HOSPITALS



SINCE THE SPRING OF 2020, HOSPITALS HAVE SEEN CHALLENGE AFTER CHALLENGE

Hospitals responded exceptionally to the COVID-19 pandemic, and they are now meeting new challenges. They are treating sicker patients than they saw before the pandemic, supporting a workforce that is exemplary but exhausted, and as this report will show, *experiencing significant financial hardship brought on by the pandemic, its effects on care, and record costs tied to record inflation.*

COVID-19'S STAGGERING FINANCIAL IMPACT ON HOSPITALS



Hospitals are facing a profound financial toll

- Hospitals have incurred serious losses relative to pre-pandemic levels—including approximately **\$164 MILLION IN LOSSES** in fiscal year 2022
- Without the benefit of federal relief funds, hospitals would have lost close to **\$1 BILLION** more over the last three years



Expenses are \$3.5 billion higher than pre-pandemic levels

- Rising expenses for labor, drugs, and medical supplies are major drivers of this increase—and total expenses are cumulatively well above pre-pandemic levels



Hospitals are treating sicker patients

- Hospitals are caring for patients with more severe health needs, resulting in longer lengths of stay, increased expenses, and a reduction in revenue
- Labor shortages in post-acute settings are preventing timely discharge of patients from the hospitals, leading to increased expenses without a commensurate increase in revenues

"Source of Data: Data used in this report was sourced from Kaufman Hall, The Financial Impact of the Pandemic on Connecticut Hospitals and from the Connecticut Hospital Association"

SKYROCKETING EXPENSES AND DEPRESSED INCOME

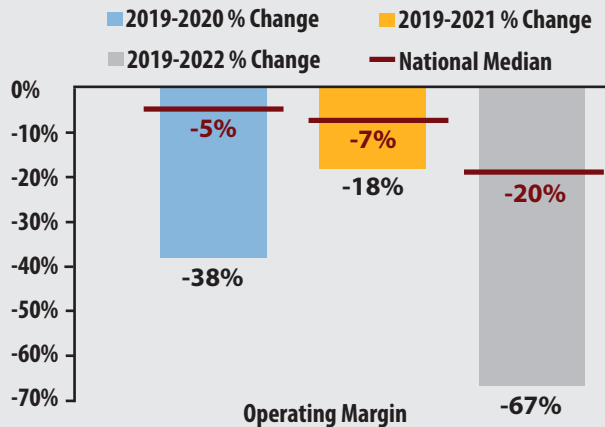
The relative financial health of Connecticut’s hospitals heading into the pandemic was essential to supporting the state’s successful response. Hospitals jumped in, taking on staggering expenses, not only to support care for COVID-19 patients but also to provide over a million vaccine doses and millions of COVID-19 tests. Unfortunately, the pandemic and its aftermath have undermined that financial health.

Total hospital operating margin for Connecticut hospitals was negative 1.0% in fiscal year 2022.

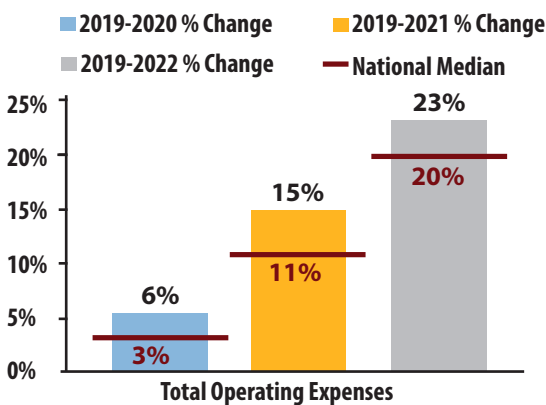
Without federal relief funds, total hospital operating margin would have been **negative 5.9% in fiscal year 2020.**

The decrease in operating margin for Connecticut hospitals has been much more dramatic than in other states.

MEDIAN PERCENT CHANGE RELATIVE TO FY 2019 IN HOSPITAL OPERATING MARGIN



MEDIAN PERCENT CHANGE RELATIVE TO FY 2019 IN HOSPITAL OPERATING EXPENSE



Growth in operating expenses in Connecticut have outpaced growing hospital expenses nationally over the last three years.

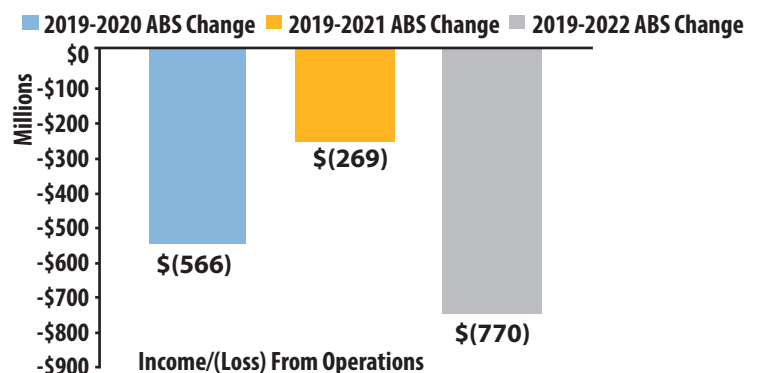
Operating expenses increased 23%

compared to pre-pandemic levels.

In the three years combined following the start of the pandemic,

Connecticut hospitals’ income was a collective \$1.6 billion lower than pre-pandemic levels.

ABSOLUTE CHANGE RELATIVE TO FY 2019 IN CT HOSPITAL OPERATING INCOME/LOSS



THE FINANCIAL CONSEQUENCES OF WORKFORCE SHORTAGES

The healthcare workforce is at the center of care and has shown incredible resolve during the last three years – providing exceptional care to patients. Just like in other industries, hospitals have seen a significant number of workers depart the field and have struggled to recruit replacements. Hospitals have made significant investments in recruitment and retention, but have also had to turn to costly temporary, contract labor.



Salaries and wages are up 20%

compared to pre-pandemic levels – increasing \$1 billion



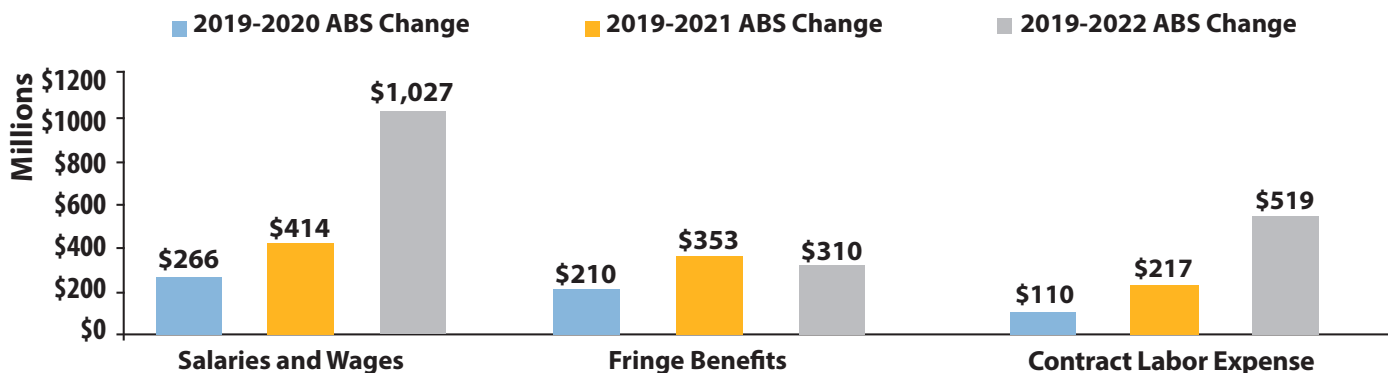
Hospital contract labor costs have increased 61%

compared to pre-pandemic levels



Connecticut hospitals have had to use contract labor as a greater part of total labor expense than their national counterparts, **increasing \$519 million** compared to pre-pandemic levels

ABSOLUTE CHANGE RELATIVE TO FY 2019 IN HOSPITAL LABOR EXPENSE CATEGORIES



INFLATION’S IMPACT ON PHARMACEUTICAL, MEDICAL EQUIPMENT AND SUPPLIES, AND INFRASTRUCTURE COSTS

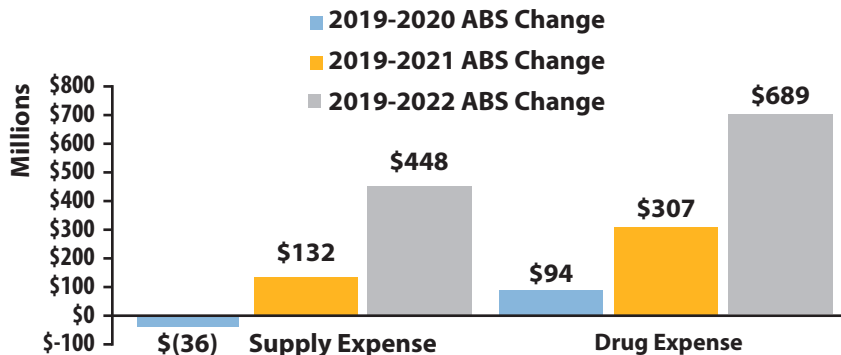
Hospitals have faced significant increases in the acquisition costs of drugs, medical equipment and supplies, as well as infrastructure and energy. The significant inflationary pressure experienced nationally has been the primary driver of these costs.

Supplies and drug expenses increased the most, rising 28% since 2019 or \$1.1 billion

Drug costs rose \$689 million

Supply expenses rose \$448 million

ABSOLUTE CHANGE RELATIVE TO FY 2019 IN HOSPITAL SUPPLY AND DRUG EXPENSE

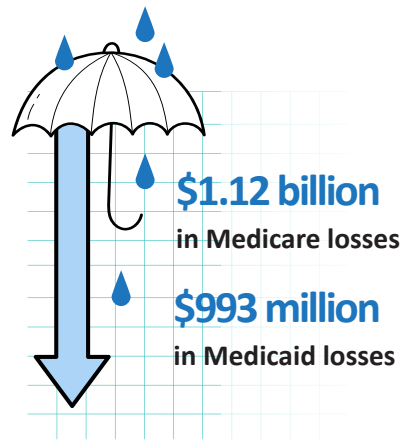


PAYMENTS HAVE NOT KEPT PACE

While expenses have risen dramatically, payments for the ballooning cost of care have not kept pace.

In 2021, Connecticut hospitals incurred **\$1.12 BILLION IN MEDICARE LOSSES, AND \$993 MILLION IN MEDICAID LOSSES**. Medicaid continues to pay significantly less than the cost of care – only paying about 68 cents on the dollar.

Medicare and Medicaid payment updates have not kept pace with inflation. Commercial contracts, which are not negotiated on an annual basis, will take years to catch up with the dramatic increase in expenses experienced over the last three years.



Medicaid payments average **68 cents on the dollar**



Financial Assistance to Hospitals and Health Systems to Meet Workforce Need

The state legislature should provide direct funding to hospitals and health systems for recruitment, retention, and training for healthcare workers and for relief from the increased cost of contract labor and crucial staffing premium pay.

- **Healthcare recruitment, retention, and training** programming should include, but not be limited to, cash recruitment bonuses, student loan payment assistance, cash retention bonuses, tuition assistance, workplace violence prevention, and other forms of training programming
- Funds should be available to defray the increased costs of contract labor and crucial staffing premium pay

Protect Patient Access and the Financial Health of Hospitals

Oppose legislation that:

- Gives leverage to national health insurance companies over Connecticut hospitals and reduces, by billions, vital funding to hospitals by capping commercial reimbursement for hospital services (SB 983, Section 3)
- Restricts access to healthcare services in the community and reduces hospital funding by more than \$420 million (HB 6669, Section 11)
- Makes it harder for nurses to do their jobs and will result in delayed patient care by imposing staffing ratios during a healthcare worker shortage (SB 1067)

