



‘There’s pain everywhere.’ Hospitals stand to lose \$1.5 billion amid COVID-19 crisis

St. Francis Hospital main entrance on Woodland Street in Hartford. | photo by: Cloe Poisson :: CTMirror.org

COVID-19, COVID-19 RESOURCES PAGE, HEALTH :: by JENNA CARLESSO | MAY 11, 2020

Connecticut hospitals, stung by the widespread cancellation of elective procedures, a steep drop in emergency room visits and the need for additional staffing and protective gear to navigate the COVID-19 crisis, stand to lose \$1.5 billion this fiscal year.

The hospitals are weathering an unprecedented financial crisis. Along with the cessation of elective surgeries and most outpatient procedures, trips to physician offices have dipped and radiology services have ebbed. Many people are avoiding medical care – preventative or urgent – so they don’t risk exposure to the virus.

At the same time, hospitals have spent more money on protective equipment such as masks, gowns, gloves and face shields, and on certain types of staffing to deal with a surge in coronavirus patients.

“Across the board, there’s been diminished utilization,” said Mark Schaefer, vice president of system innovation and financing for the Connecticut Hospital Association. “People spontaneously avoided congregate settings generally and health care settings in particular in an effort to social distance and avoid the possibility of contracting the virus.”

“*This pandemic really hit our hospitals and health care systems hard. When this thing shakes out ... there are definitely going to be some changes in the landscape.*”

— Kurt Barwis, President and CEO, Bristol Hospital

The state’s hospital industry so far has received about \$260 million in federal stimulus money to help offset some of the losses, which vary widely by facility. Another \$290 million is expected in the coming days. But for many hospitals, the funding isn’t nearly enough to make up for revenue that has vanished since the pandemic began.

Some have resorted to furloughing employees, cutting pay for executives or requiring staff to work reduced hours. Others have looked into options for deferring employee pension contributions and payroll taxes, or getting advanced Medicare payments – maneuvers that help them stay afloat during the immediate financial squeeze.

“There’s still a big gulf between what hospitals have received and the amount that’s remaining,” Schaefer said. “That is potentially going to be a loss that weakens Connecticut’s hospitals tremendously if we don’t figure out a way to address it.”

‘There’s pain everywhere’

Even as the coronavirus pandemic attracts widespread attention and resources to hospitals, facilities across the country are suffering a major collapse in business.



The banner features three headshots of speakers on the left. The main text reads: **‘What Just Happened?’ 2020 Election Recap**. Below this, it says **Virtual Event • Nov. 10 • 7 p.m.** and **Click Here To Register**. Logos for **theAmirror** and **LWV LEAGUE OF WOMEN VOTERS OF CONNECTICUT** are also present.

The American Hospital Association estimated that between March 1 and June 30, hospitals and health systems would lose a combined \$202.6 billion, or an average of \$50.7 billion per month.

Data from the U.S. Bureau of Labor Statistics show that even with so many in health care working tirelessly to combat COVID-19, job losses in the industry are second only to the leisure and hospitality sector.

With the exceptions of New York and San Francisco, almost every other U.S. hospital has experienced unforeseen declines in patient volume. From March 1 to April 15, health systems in the U.S. saw an average drop in emergency visits and in-hospital stays of about 30% to 50%.

Concerns about the financial health of hospitals go beyond patient care. The health systems are a main driver of the economy, and in Connecticut, the state’s hospital association puts their total economic impact – including jobs, health care spending and capital improvements – at \$28.9 billion. Hospitals are some of the largest employers in their

communities and spend hundreds of millions on buildings and equipment.

Fears about their vitality are growing in Connecticut.

Griffin Hospital, an independent facility in Derby, has lost \$6 million a month since the coronavirus pandemic began. By the end of the fiscal year - Sept. 30 - officials there expect to have lost about \$30 million.



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Patrick A. Charmel is President and CEO of Griffin Health.

Griffin has furloughed 105 employees - about 10% of its workforce - in areas that are no longer operating or have seen reduced demand. That includes patient access and registration, radiology, physician office practices and the digestive disorder center.

Management has also taken pay cuts. Hospital President and CEO Patrick Charmel took a 20% cut, vice presidents took 15% cuts and managers under them took 10%.

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While that has provided some savings, the hospital has added hours for direct care staff amid the crisis. To prepare for a surge in COVID-19 patients, Griffin also spent additional money on facility improvements, supplies and equipment.

In March, emergency department visits plunged by 60%. Non-coronavirus admissions are down, as is demand for physical therapy and rehabilitation services. Even oncology visits have dwindled.

So far, Griffin has only received about \$3.5 million in federal stimulus funds and is unsure how much more it will get.

“Looking at our formula, if the revenue decline continued at this level, we would run out of cash this fiscal year,” Charmel said in an interview. “We’re making expenditures and increasing operating costs at a time when revenue has decreased significantly.”

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— Patrick Charmel, President and CEO, Griffin Hospital

Bristol Hospital, another independent facility, saw revenue decline by \$5.4 million in March. Leaders there also spent an additional \$1.1 million to get the hospital ready for an influx of COVID-19 patients.

By September, officials expect Bristol to have lost \$15 million to \$18 million.

The hospital has furloughed 103 employees – about 6% of its workforce – and reduced the hours for about 200 more staff members. Its executive team went from six employees to four through a combination of retirements and departures. The contract for an interim finance chief was not renewed, and President and CEO Kurt Barwis said he is now doing that job and his own.

Officials are also negotiating discounts with vendors and deferring capital expenditures.



Bristol so far has received \$3.8 million in federal stimulus money. Barwis is hoping for another \$10 million this year. The hospital was also helped by a \$13 million loan from Medicare, but that money must be paid back.

“There’s pain everywhere,” said Barwis, who contracted COVID-19 while on the job and has since recovered. “This pandemic really hit our hospitals and health care systems hard. When this thing shakes out ... there are definitely going to be some changes in the landscape.”

Some of Connecticut’s smaller, independent hospitals had already been struggling financially, and observers say the pandemic could hobble those vulnerable institutions.

Patients have increasingly sought routine care at large academic medical centers or teaching hospitals, drawn by perceptions of quality or referred by doctors who are now affiliated with the larger hospitals.



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Kurt A. Barwis is President and CEO of Bristol Health. He is pictured in front of Bristol Hospital.

With fewer patients, the community hospitals lose bargaining leverage with insurers when negotiating payment rates. And with fewer patients and lower payment rates, the hospitals struggle to invest in programs, staff, marketing or the infrastructure needed to adapt to the changing health care system.

That’s something Charmel has been thinking about since the pandemic hit. Along with Griffin and Bristol, Day Kimball in Putnam, another independent hospital, said it was furloughing workers due to a drop in services.

“Larger systems, say Hartford Healthcare or the Yale New Haven Health system, they are seeing the same kind of revenue decline and probably the same kind of expense increase. But if you look at the financial strength of those organizations and their capacity to weather a storm like this, it’s greater,” Charmel said. “It takes a smaller number to do damage here than it does there.”

“Everybody is going to be hurt by this,” he said. “But I think the viability of those independent hospitals is going to be more challenged, without a doubt.”

Frustrated by the issue, Rep. Rosa DeLauro sent a letter to Health and Human Services Secretary Alex Azar recently urging him to direct additional funding to small and mid-size hospitals in Connecticut. Many of those smaller institutions were excluded from the latest round of funding – \$290 million – because they didn’t meet the criteria.

“If our small- and medium-sized hospitals do not get additional support, we fear that these health providers will have no choice but to scale back their COVID-19 response, despite the critical need in our state,” DeLauro wrote. “To be very clear, that scaling back will likely include laying off health care staff.”

She has asked for a response by May 18.

Larger hospital systems are also struggling to cope with the revenue decline.

“*We came into this in a relative position of strength. Clearly, it’s eroding our financials.*”

— Jeffrey Flaks, President and CEO, Hartford HealthCare

Trinity Health of New England, which operates Saint Francis Hospital and Medical Center in Hartford, Johnson Memorial Hospital in Stafford Springs, Saint Mary’s Hospital in Waterbury and Sinai Rehabilitation Hospital in Hartford, has furloughed some employees – primarily in non-clinical roles – and reduced hours for others.

In Connecticut, the system has lost \$30 million to \$40 million per month since the start of the pandemic. By the end of June, it expects to be short as much as \$125 million.

Trinity Health has received \$28 million in federal stimulus money and expects more in the coming days under a new round of funding that will provide aid to hospitals in coronavirus “hot spots.”

Like other hospitals and health systems, Trinity expects patients to return slowly for elective surgeries, outpatient procedures and other services.



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Dr. John F. Rodis is the president of Saint Francis Hospital and Medical Center.

“It’s going to take a long time, I think, to gain the confidence of the community and for folks to come back into the hospitals,” said Jennifer Schneider, senior vice president and chief financial officer for Trinity Health of New England. “We are doing everything we can to make it safe for our patients and our colleagues. But it’s just going to take time for those services to come back.”

Jeffrey Flaks, president and CEO of Hartford HealthCare, which operates seven hospitals in Connecticut, including Hartford Hospital, said his system expects to lose up to \$200 million by September – about 4% of its budget.

The \$62 million it received so far in federal stimulus funds won’t bridge that gap. Flaks said he is unsure how much more the system will get. As revenue has declined, he said, officials there have spent tens of millions of dollars more on protective equipment for employees.

Hartford HealthCare has not yet furloughed any workers or cut pay. Being part of a larger system has its benefits – resources may be shared among the facilities and patients can be moved to different hospitals within the network so that none becomes overwhelmed.

But the crisis has still taken a toll.

“We came into this in a relative position of strength,” Flaks said. “Clearly, it’s eroding our financials.”

Planning for recovery

Hospitals are expecting to see some services resume before the end of their fiscal year, but it's hard to say how robust any recovery might be. Complicating that is the possibility of a second wave of COVID-19 patients this fall.

"They're looking at how best to stand up the services they had been providing before the pandemic in a way that reassures people it's safe to seek care and important to seek care," said Schaefer, the Connecticut Hospital Association executive.

While some people have avoided hospitals for fear of contracting the disease, others have stayed away because they've lost a job – and in turn, their health insurance. Some are postponing screenings and routine appointments until the fall or winter. Those factors also make a recovery hard to predict.



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Jeffrey Flaks, President and CEO of Hartford HealthCare, addresses the media at a press conference earlier this month at The Open Hearth homeless shelter.

Even before the COVID-19 crisis, Connecticut's hospitals were weathering financial ups and downs. Hospitals were losing money for much of the past decade through a provider tax enacted under former Gov. Dannel P. Malloy. The tax, which prompted an industry lawsuit, drained \$1.7 billion from the facilities between 2012 and 2019 – more than \$240 million per year on average.

The tax had an impact. For years, investments in equipment, buildings and programs were delayed, and those deferrals are now likely to continue.

To cope with the losses, many health systems have launched telehealth visits to bring in some revenue. Schaefer said hospital leaders are also in talks with the state about how to address the under-reimbursement of certain services, such as those provided through Medicaid.

As businesses throughout Connecticut prepare to reopen, hospitals are pondering how to reassure the public that it's safe to come back.

"We're working with our congressional delegation and the governor's office to ensure they continue to take steps to keep the hospital industry strong," Schaefer said. "Whatever shape COVID-19 takes down the road, or whatever other public health threat there is, it's important not to leave the hospitals weakened."

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