

COVID-19 Financial Impact on Florida Hospitals

Manatt Health for the Florida Hospital Association (FHA) estimated the gap between Florida hospitals' financial losses associated with the COVID-19 pandemic and federal relief received to date. Financial losses include lost revenue due to delayed or cancelled outpatient, emergency department and elective surgeries, and increased operational costs and community investments related to the pandemic (e.g. personal protective equipment, surge planning, community testing sites, etc.). Losses were estimated using survey data from Florida hospitals based on the following timeframes:

- March-June 2020 (actuals)
- July-August 2020 (projected)

Florida hospitals are estimated to lose approximately \$7.4 billion from reduced revenues and increased unreimbursed costs related to COVID-19, even after accounting for federal relief. Florida's recent surge in COVID-19 hospitalizations is adding financial pressure on an already strained system.

Total Estimated¹ Florida Hospital Losses Due to COVID-19 After Accounting for Federal Relief

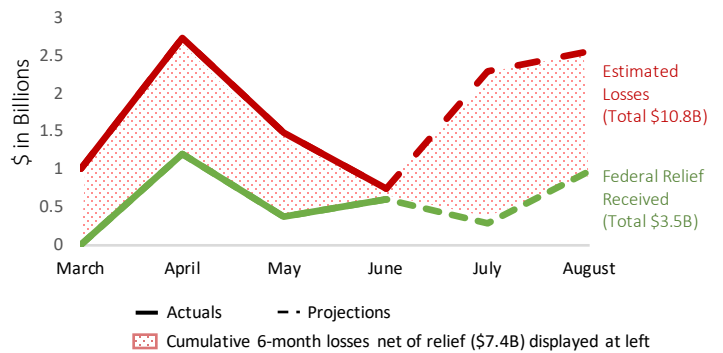
\$3.8B | **\$7.4B**

4 Months
(March-June)

6 Months²
(March-August)

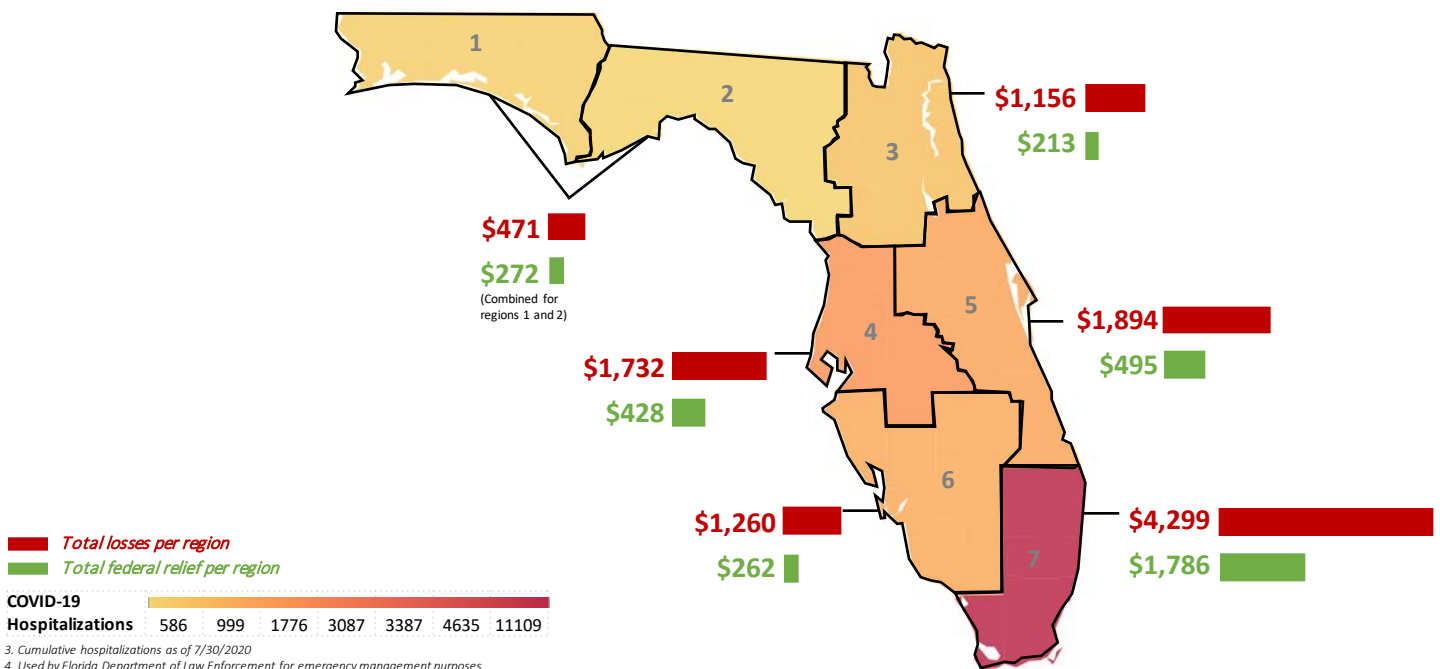
1. Based on survey data, extrapolations to non-reporting hospitals and projections to subsequent months. Estimates are rounded to nearest billion. See page 2 for methodological details.
2. Projections are based on an uncertain and rapidly changing situation. Actual 6 month losses could be above or below estimate displayed above.

Estimated Losses and Federal Relief Received by Month



Lost revenue and unreimbursed costs associated with COVID-19 have impacted hospitals across the State. Federal relief is insufficient and not aligned with losses.

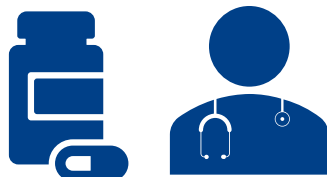
Estimated 6-Month Hospital Losses and Federal Relief³ by Florida Domestic Security Region⁴ (in millions)



Dramatic increases in COVID-19 hospitalizations, new treatment costs and community investments are compounding the revenue loss challenges Florida hospitals experienced earlier on in the pandemic.



COVID hospitalizations have increased by an average of 132% between June 1-July 30 for the three regions with the highest number of hospitalizations (shown above).



Hospitals are incurring new, unreimbursed costs to treat COVID patients, including the purchase of Remdesivir—one of the only COVID-19 treatments to receive emergency use authorization from the FDA. Hospitals are also hiring additional clinical staff, often at higher than average costs, to care for the thousands of patients with acute COVID illness.



Hospitals have sustained additional costs protecting the vulnerable and slowing the spread of COVID-19 in their communities, including donating PPE to nursing homes and establishing community testing sites.

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FHA has surveyed Florida hospitals on a monthly basis since March 2020 to obtain information on lost revenues and increased costs related to COVID-19. Manatt Health developed 4-month and 6-month impact estimates based on the survey data, using the following methodology:

- 1 For hospitals responding to FHA survey between March-June, identify reported losses from:**
 - *Lost revenue* due to delayed or foregone outpatient services, emergency department visits and inpatient elective services, net of avoided costs;
 - *Increased, unreimbursed costs related to COVID-19*, including procurement of personal protective equipment (PPE), new staffing costs, surge planning, etc.⁵
- 2 Project net losses for survey respondents for July-August, accounting for recent surge in cases and hospitalizations.** Projections are based on:
 - Average projected number of hospitalizations through August based on eight models compiled by the Centers for Disease Control and Prevention (see sources below), and;
 - Assumptions related to new *local* voluntary cancellations of elective services (and resulting lost revenue) in hotspot regions; based on hospital announcements of elective service delays or cancellations through July 31.
- 3 Extrapolate losses to hospitals not responding to survey by:**
 - Identifying per-bed losses for specific regions of the state based on survey data;
 - Assuming non-responding hospitals experienced similar per-bed losses as responding hospitals in the same region.
- 4 Add payments from federal Provider Relief Fund distributions includes:**
 - Estimated payments from General, Rural, and Safety Net Distribution based on methodologies announced by HHS.
 - Two High Impact Distributions based on HHS-reported data plus potential third High Impact Distribution not announced by CMS but that could be distributed based on a similar methodology as those announced to date.
- 5 Identify total projected Florida hospital losses between March – August 2020 after accounting for federal relief.**

5. Model makes conservative assumption that reimbursement for COVID treatment is equal to cost of delivering patient care; discussion with FHA member hospitals indicate reimbursement likely does not cover such costs. As a result, losses may be understated.

Sources

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