



The Hospital Crisis that Could Crumble Our Care

*By Jim Kaufman, President and CEO, West Virginia Hospital Association
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West Virginia hospitals are at a tipping point. After a year of a global pandemic that has stretched our medical and healthcare infrastructure to the limit—a pandemic that continues still—we must take action so that these hospitals can continue to provide lifesaving care.

Simply put, too many West Virginia hospitals are not able to meet their budgetary demands, much less grow and recruit top doctors. Costs are outweighing revenue, and that's not sustainable.

More and more hospitals are having to make difficult decisions – that threaten non-clinical staff and health programs to save money. While these problems have been building long before COVID-19, the pandemic has pushed them to a critical level. Increased costs and lost revenue due to the pandemic is projected to top \$400 million from March 2020 to March 2021. And already we've seen a handful of hospitals have to close in the past two years, leaving communities including Fairmont, Bluefield and Williamson vulnerable.

And closures aren't the only risk. Vital programs are at risk of being cut or curtailed. If a hospital cannot afford to continue services like stroke care, labs and specialty tests, or certain surgeries, West Virginians can end up hours away from the care they need.

The problem comes from chronic underpayment by government programs such as Medicare, Medicaid, and the Public Employees Insurance Agency (PEIA). While commercial insurers negotiate rates with hospitals, government programs do not. Government programs tell healthcare providers how much they will pay. But that amount is not covering the cost of care.

Medicare frequently doesn't pay enough to fully compensate hospitals for their services—and Medicaid and PEIA pay even less. In fact, PEIA only pays 50% of Medicare which threatens access to care for all West Virginians.

To put it in the simplest terms, if it costs a hospital \$1,000 to perform a procedure, government programs might only pay \$750 or \$500—leaving the hospital to shift costs to a shrinking number of commercially insured patients.

These government programs also account for a staggering 75% of hospital utilization in West Virginia. That means that 3 out of every 4 patients in hospitals are covered by programs that are paying less than their services cost. Any business operating like this would be forced to re-examine its services. If this trend continues, our hospitals will not be able to continue providing access to quality healthcare to all West Virginians and more hospitals could close.

To solve our hospital funding crisis, we will need a multifaceted approach. While hospitals must do their part to seek cost savings wherever possible, the state must address structural issues that contribute to chronic underpayment. State lawmakers have the opportunity this session to help provide some stability and predictability to hospitals. One important step forward is addressing chronic underpayment by PEIA to allow it to continue serving state employees while ensuring payments cover the cost of care.

Our hospitals are the backbone of many communities. Beyond providing fundamental healthcare, they employ nearly 49,000 people statewide and contribute nearly \$11.6 billion in economic activity to our state's economy.

Now, they are helping to vaccinate all West Virginians as fast as possible to re-energize our economy and attract more people to our great state. But the future of our hospitals is threatened. Ironically, the pandemic has shown us how much we need our hospitals while at the same time compounding their financial predicament.

Without financially viable hospitals, we do not have a strong West Virginia. Hospitals need stability and payments from programs like PEIA to cover the cost of care. Working together with lawmakers we want to ensure all West Virginians have access to care, not only today, but in the future.