

Hospital Challenges Mount as Costs, Inflation Rise

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For over two years since the outset of the COVID-19 pandemic, West Virginia's hospitals and their physicians, nurses, caregivers, and teams have been on the front lines working tirelessly to care for patients, save lives and protect their communities.

We hope we're rounding the corner, but we're definitely not at the finish line yet. Fluctuations in COVID cases along with hospitalizations continue and it shows just how nimble hospitals must be in their response efforts while also providing the 24/7 care that our communities deserve.

We're all navigating a deeply altered landscape resulting from COVID-19, and West Virginia hospitals are contending with many significant challenges. These include an exhausted workforce, backlogs of care that was deferred, cracks in the supply chain, and a tsunami of financial challenges that are exerting tremendous pressure on their ability to provide care. Incidents of workplace violence and intimidation are also jeopardizing health care delivery.

A recent American Hospital Association (AHA) report highlights the significant increase in costs of labor, drugs, supplies and equipment — all of which come on top of skyrocketing economy-wide inflation that is at a 40-year high. Some key findings of the AHA report show:

- Labor expenses, which generally account for more than 50% of hospitals' total expenses, increased 19% per patient through 2021 compared to 2019.
- Average hospital drug expenses in 2021 were 37% higher per patient compared to 2019.
- Medical supply expenses jumped by 21% per patient through the end of 2021 compared to pre-pandemic levels.

Similar increases are being reported by West Virginia hospitals, with overall operating expenses for some increasing by more than 20 percent since the start of the pandemic. While labor expenses along with medical supply spend have commanded headlines, supply chain issues — *from intravenous (IV) contrast media products for CT imaging to infant formula* - are also striking the hospital community and impacting access to care.

Meanwhile on the payment front in West Virginia, the situation is dire, as 75 percent, *or 3 out of 4 patients* — receive their health insurance through government programs — Medicare, Medicaid, and the Public Employees Insurance Agency (PEIA), the health insurance program for state employees. Each of these programs pay hospitals less than the cost of care and these payment rates are non-negotiable since they are set by the government. The worst of the payors in West Virginia is PEIA, which covers more than 230,000 lives and pays hospitals only 50 percent of Medicare.

The underpayment by Medicare is documented by the Medicare Payment Advisory Commission, an independent Congressional agency. They found hospitals experienced nearly a 10 percent loss on Medicare services and combined underpayments from Medicare and Medicaid of \$100 billion in 2020.

Underpayments, whether by PEIA, Medicare or Medicaid are crippling and result in limited resources for hospitals to recruit and retain health care providers and deliver access to care for all. Underpayment is also threatening the financial viability of West Virginia hospitals while also contributing to the cost-shift to businesses through higher health insurance premiums.

Taken together, these challenges threaten access to care for patients and communities in the short term and are unsustainable for the long term.

To address some of the immediate needs and ensure access to care, we continue to urge policymakers to provide support to hospitals and their caregivers by ensuring that government programs cover the costs of care.

In West Virginia, this means increasing PEIA payments to ensure that hospitals have the resources necessary to provide needed services to the community and attract and retain nurses and doctors.

On the national level, we are urging our Congressional delegation to reverse harmful Medicare cuts; provide additional funding to address increased expenses brought on by COVID-19; extend or make permanent critical waivers that have improved patient care.

Hospitals are the cornerstones of their communities, and patients depend on them for access to care 24 hours a day, seven days a week. We must make sure hospitals have the resources — today, tomorrow and in the future — as we work to advance health in West Virginia.