

Cash-starved hospitals and doctor groups cut staff amid pandemic

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April 9, 2020



Hospitals across the country have deferred or canceled non-urgent surgeries to free up bed space and equipment for covid-19 patients. But that triage maneuver cut off a main source of income, causing huge losses that have forced some hospitals to let go of health-care workers as they struggle to treat infected patients.

Last week, Bon Secours Mercy Health, which runs 51 hospitals in seven states, announced it would furlough 700 workers. On Wednesday, Ballad Health, which operates 21 hospitals across Tennessee and southwest Virginia, delivered the same bad news to 1,300 employees and said executives would take pay cuts. Employees at Children’s National Hospital in the District were informed this week that they must take off one week, using either vacation time or, if they have none, unpaid leave.

Hospital executives and analysts emphasize that not all the furloughed or fired workers are directly involved in treating covid-19 patients. Others say the furloughs help reduce the number of people in hospitals, slowing the spread of the virus.

But the absences have put a strain on doctors, nurses and other health-care workers treating a surge of patients that has already stretched some health-care systems to the breaking point. Remaining front-line workers face longer hours, and some have seen their pay cut and benefits reduced.

For hospitals already in bad financial shape before the outbreak, the loss of income has raised doubts about their ability to keep treating patients.

“I’m concerned about the [financially] weakest 25 percent of hospitals, because there’s no way the other hospitals can absorb their covid patients,” said John Fox, the CEO of Beaumont Health, Michigan’s largest hospital system.

“If they start going down, that changes the whole algebra for the size of the system to handle the pandemic,” Fox added. He worries that a surge in patients could overwhelm more stable hospitals. “That’s when you’re treating people on the front lawn.”

It has also made it harder for some hospitals to finance the considerable costs of treating covid-19 patients — from efforts to purchase personal protective equipment and ventilators to setting up drive-by testing sites.

A report this week by the [Inspector General](#) for the Health and Human Services Department blamed the cash crunch for millions of layoffs and furloughs.

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“Hospitals reported laying off staff due to financial difficulties, which further exacerbated workforce shortages and the hospitals’ ability to care for covid-19 patients and the routine patient population,” the IG found.

“One administrator stated that it had been ‘an absolute financial nightmare for hospitals.’”

Michigan’s Beaumont is one of the more financially stable hospital systems in the country, Fox said. Under normal conditions, the company earns about \$16 million each month in net operating income. But after postponing elective surgeries, Beaumont is losing about \$100 million a month, he said.

John Starcher, the chief executive of Bon Secours, told employees that system also was hemorrhaging about \$100 million a month.

Across Virginia, hospitals and health-care systems expect to lose a total of \$600 million for the 30 days between late March and late April, said Julian Walker, spokesman for the Virginia Hospital & Healthcare Association.

These experiences reflect the losses across the entire health-care system given the cancellation of nonessential procedures, analysts said. A typical hospital system with 1,000 beds and the ability to perform outpatient surgeries is predicted to lose around \$140 million — half its operating revenue — over a three-month period, the Advisory Board, a consulting firm, reported this week.

Further complicating problems has been the need to finance the purchase of additional equipment to protect staff and prepare for coronavirus patients.

Facilities have spent large sums to create negative air pressure rooms, so infected patients can be effectively isolated from those who have not contracted the virus. Many have also set up drive-through clinics and tent facilities, further depleting their coffers, the IG found.

“Hospitals noted sharp increases in prices for some equipment,” with one administrator reporting that masks that normally cost 50 cents each now sell for \$6. Some hospitals are concerned vendors are buying up supplies to sell them at a higher cost, the IG found.

Fox said he has seen price spikes for both goods and labor. In places where skilled workers are in demand, for instance, agency rates for nursing staff have doubled in the past three weeks, he said.

As part of the stimulus package enacted last month, the federal government has allocated \$100 billion to hospitals and some other health providers to help offset lost income, pay for the construction of temporary facilities and retrofits and to buy equipment and supplies.

But health-care executives and analysts doubt that will be sufficient. That \$100 billion pot is about equal to total hospital industry revenue per month, according to the Advisory Board. Hospitals expect to be treating covid-19 patients for several months to come.

“This is the first wave of this whole effort,” Fox, the CEO of Beaumont, said of the covid-19 aid.

This week, the Trump administration will begin to roll out the first \$30 billion as grants to hospitals, which will come with “no strings attached,” Seema Verma, the administrator of the Centers for Medicare & Medicaid Services, announced on Tuesday. Coupled with other aid, \$64 billion in assistance to hospitals will be dispensed this week, some of it directly deposited into hospital bank accounts, she said.

Fox said he backs a recommendation by the American Hospital Association, a trade group, that health systems in coronavirus “hot spots,” including New York, Detroit, Washington and New Orleans, receive a lump sum of about \$30,000 per bed to offset the money lost from elective procedures.

“That would take care of April,” he said.

Asked how much he thought his hospitals would ultimately need, he replied, “Tell me how long the virus lasts, and I can answer that.”

Verma said hospitals would receive the first tranche of aid based on the volume of services they bill for Medicare patients. “This is not on a first-come, first-serve basis,” she said.

But that could leave hospitals that treat more people on Medicaid, or who have no insurance, without an immediate boost when they are hemorrhaging cash.

The approach “could tilt the playing field against” hospitals that primarily serve low-income and uninsured patients, Bruce Siegel, the president and CEO of America’s Essential Hospitals, said in a statement. “It is especially concerning because their narrow margins and front-line role mean these hospitals are among those in greatest need of funding support.”

Verma said a second tranche of funds would go to providers that do not get large sums from Medicare, including pediatricians and children’s hospitals.

Hospitals are also concerned that the administration’s pledge to cover the cost of covid-19 treatment for uninsured Americans will take a big bite out of the \$100 billion allocated to them. That cost has been estimated at up to \$42 billion by the Kaiser Family Foundation, a nonpartisan research group.

It is not just hospitals feeling the crunch. Family physicians, pediatricians, internists and other doctors who make their money from in-person visits have seen their business dry up because patients are staying home, putting off checkups or putting elective procedures on hold.

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In the days after social distancing guidelines were put in place in Oregon, the Grants Pass Clinic reduced its workforce by about 30 percent, including providers and other staff, said CEO Christi Siedlecki.

The clinic recently laid off a physician Siedlecki hopes will become a partner in the practice one day. “Furloughing him risks our future,” she said.

Siedlecki said the practice is still deciding whether to apply for money from the Paycheck Protection Program, another part of the stimulus that will provide up to \$350 billion in loans to companies that keep employees on their payrolls during the pandemic. (Primary care doctors are not eligible for the \$100 billion set up to help hospitals.)

But she and other primary care executives worry those government loans might not be forgiven. “Even loans without interest, somebody has to pay those loans,” she said.

Still, for many doctors, that may be their only option.

“A lot of these small primary care practices just don’t have weeks to wait for cash to get to them,” said Shawn Martin, a senior vice president of the American Academy of Family Physicians.

David Pawlowski of Highgate Medical Group in Amherst, N.Y., a partner physician in a practice of about 100 employees, said his group has laid off about 40 percent of the workforce. The practice had gone from seeing about 250 patients each day to just five.

Pawlowski said he and his partners felt pressure to see more patients but ultimately made the decision to reduce to a skeleton staff and deliver as much care as possible electronically.

“We knew we couldn’t keep that going because it’s not the right thing to do to bring people in with chronic disease and having them exposed to us and us exposed to them,” he said.

“It’s really changed in a way I never thought medicine could be changed in the last few weeks,” he added. “It’s almost like a bad dream.”

Sondel reported from Buffalo, and Schneider reported from Richmond.



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