

# CHA News Release

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## For Immediate Release

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## Independent Report Finds CA Hospital Losses From COVID-19 Could Lead to Long-Term Changes, Service Reductions

*Immediate economic relief is needed for financially challenged hospitals*

**SACRAMENTO (June 5, 2020)** – A new [report from Kaufman Hall](#), a nationally renowned independent consulting firm with extensive health care finance expertise, has found that the COVID-19 pandemic is likely to lead to long-term changes to financial stability and care delivery in California hospitals, many of which were already operating with negative margins. This report, which was commissioned by the California Hospital Association, comes on the heels of [one released on Wednesday by the independent California Health Care Foundation](#), which also foretells long-term economic damage on California hospitals.

“Since the outset of the pandemic, California hospitals have rightfully focused their efforts on caring for COVID-19 patients, protecting their workers, and preserving the safety of their communities,” said Ken Kaufman, chair of Kaufman Hall. “Our research shows that these vital efforts have come at an extremely high cost. When coupled with an already challenging financial environment prior to COVID-19, California hospitals are now facing a very difficult path forward.”

While the immediate impacts of this crisis have already been felt at many hospitals, the Kaufman Hall report found that long-term fallout could include:

- **Permanent reductions in patient care volume.** According to a recent national survey, 1 in 10 individuals do not plan to reschedule an elective procedure that was delayed by COVID-19, while 24% said they would wait a year or more before rescheduling. *Five percent of respondents said they would “never again” reschedule an elective procedure in a hospital.*
- **Workforce reductions.** Given the reduction in the number of people seeking hospital care, hospitals will have no choice but to make significant reductions in expenses. This includes reducing the workforce to adjust to new volume and revenue levels.

— more —

- **Risk of additional hospital closures.** The closure of hospitals has already raised concerns about the capacity to deal with a potential surge of COVID-19 patients or a second wave in the fall. Prior to COVID-19, nearly 40% of California’s hospitals operated in the red and another 11% were barely above break-even; many may not be able to survive this pandemic.
- **Difficult financial decisions.** Many hospitals have been forced to make difficult decisions with long-term financial implications, including tripping bond covenants, selling investments during a challenging market, and borrowing money at increased interest rates.

“California’s hospitals are facing an unprecedented fiscal crisis,” said Carmela Coyle, President & CEO of the California Hospital Association. “Without financial relief from the state, they run the risk of workforce reductions, pay cuts, and more. This is a time when hospitals desperately need state support so they can remain open, staffed, and ready – not only for a possible second wave of COVID-19, but also for all other health care needs, especially as we head into the 2020 flu season.”

To flatten the curve and prepare for a potential COVID-19 surge, hospitals canceled non-emergency surgeries and elective procedures, bought large quantities of personal protective equipment, and in some cases retrofitted facilities. All this preparation came at great expense. At the same time, many non-COVID patients were avoiding the hospitals, leading to a 35% decline in discharge volumes and 62% decline in emergency room visits in April 2020, according to Kaufman Hall data.

This has resulted in a financial shock like no other and could have ramifications for hospitals and the communities they serve for years to come, the report suggests. California hospitals are now facing a likely \$14.6 billion net loss in revenues through the end of 2020, according to the Kaufman Hall report. The losses are only expected to grow larger, with an additional \$2.1 billion lost by April 2021.

Even more concerning is Kaufman Hall’s suggestion that the number of uninsured patients and Medi-Cal beneficiaries is expected to grow because of the pandemic, at the same time California is considering drastic cuts to Medi-Cal. This will put additional pressure on hospital revenues. *Even if California hospitals were to get state and federal assistance, they would still be projected to face \$11.2 billion in losses by the end of 2020, according to Kaufman Hall.*

California’s hospitals are the health care hub of many communities — employing nearly 500,000 people and driving nearly \$280 billion in state economic activity. For the state to recover from the economic challenges and prepare for future threats ahead of us, Californians must be assured that hospitals are ready to care for them when needed.

“Hospitals need an immediate lifeline in order to continue caring for all Californians in all ways,” Coyle said. “Schools and businesses cannot reopen, governments cannot serve, people cannot return to work – unless hospitals can function. California’s confidence in daily life can’t be restored unless hospitals are funded, stable, staffed, and operational.”

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