

NEWS RELEASE

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CONTACT:

Erin Stewart

770-249-4513

estewart@gha.org

@GaHospitalAssoc

Georgia Hospitals Face Rising Costs Post-Pandemic

ATLANTA – As Georgia’s hospitals provide essential care each day, they continue to adapt to a post-COVID environment where they face unprecedented pressure on their staff and resources, and the effects are significant. A new Kaufman Hall report, commissioned by the Georgia Hospital Association, highlights the ‘staggering’ financial impact of the pandemic on Georgia’s health care organizations.

Hospital expenses today are considerably higher than they were before the pandemic. **Total 2022 expenses for hospitals were \$7 billion higher (27%) than pre-pandemic levels of 2019, an increase caused by rising expenses for labor, medical supplies, drugs, and purchased services.** In the three years combined following the start of the pandemic, Georgia hospitals’ combined operating expense increased \$13.2 billion.

Labor costs were the largest driver of increases in expenses as hospitals struggled to meet an increased need for staffing to accommodate and care for the influx of patients during COVID. Compared to 2019, salary and benefit expenses paid by hospitals in 2022 increased by \$4.5 billion (33%).¹ Hospitals relied disproportionately more on contract labor during the pandemic as patient volumes increased and worker shortages pervaded. **Median contract labor expense as a percentage of total labor expense tripled by 2022.** COVID fatigue has led to worker burnout, elevated vacancy rates, and hospitals’ continued reliance on significantly more expensive contract labor.

Between 2020 and 2022, hospitals spent almost \$5 billion more on non-labor expenses, such as supplies, drugs, utilities, food, and other purchased services, such as dietary staffing. In 2022, these operating expenses increased by 20% compared to 2019. Like other businesses, hospitals are dealing with inflationary pressures, but are constrained in passing cost increases along to their payers.

“Hospitals are consistently asked to do more with less, and the pandemic exacerbated this issue,” said GHA President and CEO Earl Rogers. “These facilities are doing the best they can, but operating under constant financial pressure while dealing with fewer resources is not sustainable in the long-term.”

The federal Provider Relief Fund (PRF) payments, beginning in 2020, were critical to ensuring hospitals could care for their communities as the country grappled with the virus. However, in 2022 and considering PRF funding, Georgia's hospitals still lost \$125 million, ended the year with an **unprofitable operating margin**, and experienced a median operating margin decline of 3% compared to pre-

¹ Does not include the temporary staffing assistance paid by the state of Georgia to a staffing firm between 2020 and 2022.

pandemic levels of 2019. Days Cash on Hand, an important indicator of financial health, fell from 5.5 months in 2019 to four months in 2022. This decrease was a result of hospitals having to spend reserves to cover operating expenses and higher costs consuming reserves at a faster rate. Ideally, cash reserves should be sufficient to cover between six and nine months of operations.

“With the rapid onset of COVID, hospitals quickly implemented new protocols and stretched scarce supplies and equipment, all while remaining open 24/7 to treat every patient who showed up at their doors, regardless of ability to pay,” said Rogers. “The provider relief funds were a lifeline for many hospitals, especially rural facilities, who, without the extra federal support would almost certainly have faced closure. As we have seen all too often, closed hospitals are devastating for the surrounding communities due to immediate decreased access to care and an eventual potential decrease or loss in growth and industry. We are continuing to collaborate with lawmakers to ensure hospitals have what they need to care for their patients as they operate in a post-covid environment.”

About GHA

Founded in 1929, GHA serves more than 140 hospitals in Georgia and promotes the health and welfare of the public through the development of better hospital care for all Georgia’s citizens. The mission of GHA is to advance the health of individuals and communities by serving as the leading advocate for all Georgia hospitals and health care systems. GHA represents its members before the General Assembly and Congress, as well as state and federal regulatory agencies, and is an allied member of the American Hospital Association. For more information, please call 770-249-4500 or visit gha.org.

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