

March 23, 2023

The Honorable Vern Buchanan
House Ways and Means Committee,
Health Subcommittee
U.S. House of Representatives
Washington, DC 20515

The Honorable Lloyd Doggett
House Ways and Means Committee,
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Dear Chairman Buchanan and Ranking Member Doggett:

On behalf of our nearly 5,000 member hospitals, health systems and other health care organizations, our clinician partners — including more than 270,000 affiliated physicians, 2 million nurses and other caregivers — and the 43,000 health care leaders who belong to our professional membership groups, the American Hospital Association (AHA) appreciates the opportunity to provide the subcommittee with information for its hearing on “Why Health Care is Unaffordable: The Fallout of Democrats’ Inflation on Patients and Small Businesses.”

FINANCIAL AND INFLATION PRESSURE ON HOSPITALS AND HEALTH SYSTEMS

America’s hospitals and health systems are facing a crisis: a tsunami of financial challenges that are exerting tremendous pressure on their ability to deliver care. Specifically, financial constraints on hospitals impede their ability to recruit and retain the workforce they need to maintain access to care.

Expenses continue to rise across the board, with hospitals facing increasing costs for labor, drugs, purchased services, personal protective equipment and other medical and safety supplies needed to care for patients. An April 2022 report by the AHA highlights the significant cost growth in hospital expenses across labor, drugs and supplies, as well as the impact that rising inflation is having on hospital prices.¹ According to a recent report by Syntellis Performance Solutions and the AHA, hospital labor expenses per adjusted discharge were up by 24.8% by the end of 2022 compared to pre-pandemic

¹ <https://www.aha.org/costsofcarinq>



levels in 2019.² The staggering growth in labor expenses in 2022 alone were projected to increase hospitals' labor costs by \$135 billion according to a report published by Kaufman Hall in September 2022.³

The same report found that more than half of hospitals were projected to close the year with negative operating margins, the highest proportion in recent years. Among other implications, this has resulted in credit rating agency Fitch Ratings to revise its mid-year 2022 outlook to "deteriorating" for the nonprofit hospital sector due to "more severe-than-expected macro headwinds."

Elevated labor costs are affecting the entire continuum of care delivery settings, including in post-acute care. For example, one member reported that from the first quarter of calendar year 2019 to the first quarter of calendar year 2022, salaries across their long-term acute care hospitals (LTCHs) rose by 35% for registered nurses, 46% for nurse aides and 39% for respiratory therapists. Overall, their labor costs during this time period rose by 27%. Another of AHA's LTCH members reported that during the same time period, salaries rose by 56% for registered nurses, 39% for licensed practical nurses and certified nursing assistants, and 31% for respiratory therapists.

TRAVEL NURSES, TEMPORARY LABOR ISSUES

Long building structural changes within the health care workforce, combined with the profound toll of the COVID-19 pandemic, have left hospitals facing often severe short- and long-term staffing challenges. Taken together, these factors have all contributed to rapid and unsustainable rises in labor costs. For example, just within the week of March 9, Department of Health and Human Services data showed that 601 hospitals (or 16.3% of reporting hospitals) anticipated a critical staffing shortage. Longer term, projections from the Bureau of Labor Statistics estimate U.S. health care organizations will have to fill more than 203,000 open nursing positions every year until 2031. There also are significant projected shortages of physicians and allied health and behavioral health care providers, which will likely be felt even more strongly in areas serving structurally marginalized urban and rural communities.

To help offset the critical shortage of workers and maintain appropriate levels of care for patients, nearly every hospital in the country was forced to hire temporary staff at some

² https://www.syntellis.com/sites/default/files/2023-03/AHA_Q2_Feb_2023.pdf

³ <https://www.aha.org/system/files/media/file/2022/09/The-Current-State-of-Hospital-Finances-Fall-2022-Update-KaufmanHall.pdf>

point during the pandemic, including contract or travel nurses.⁴ Hospitals' reliance on travel nurses and the inflated associated costs to employ them has grown significantly since the start of the pandemic. This notably peaked in 2022 during the omicron surge. Data from the Syntellis Performance Solutions/AHA report show that the share of total hours worked that were for contract employees rose 133% from 2019 to 2022. Because the rates that contract staffing firms charge hospitals has grown so fast, total contract labor expense grew 257.9% in that same period.⁵ In addition, the rates these firms charge hospitals grew much faster than the rates the firms actually paid the staff, meaning the firms pocketed more at the time of greatest need.⁶

The use of contract labor for travel nurses specifically continues to remain much higher than pre-pandemic levels, which has led to increased labor expenses overall for hospitals and health systems. The Syntellis Performance Solutions/AHA report shows that travel nurse full time equivalents (FTEs) per patient day rose over 183.4% from 2019 to 2022. Though travel nurses are often the bulk of contract labor, similar trends have affected clinical specialties and departments across hospitals. For example, emergency service contract FTEs per emergency department visit rose 187.2% over the same time period. As a result, contract labor as a share of total labor expenses rose 178.6% from 2019 to 2022. A Kaufman Hall report projected that total contract labor costs were \$29 billion higher in 2022 than 2021.

It is unsustainable for hospitals to continue to make up workforce gaps through staffing agencies in light of the exorbitant costs associated with these short-term workers. The financial burden of relying on travelers reinforces the financial stress that challenges hospitals' ability to recruit a more stable, long-term workforce.

WORKFORCE SHORTAGES AFFECT PATIENT ACCESS TO CARE

The workforce challenges experienced by hospitals are being mirrored throughout the entire health care delivery continuum, creating a cascade of potential access challenges for many different types of care. Most notably, significant workforce shortages in post-acute and behavioral health care facilities have left them unable to accept new patients, and in turn, led to significant delays in discharging patients from acute care hospitals, LTCHs and inpatient rehabilitation facilities (IRFs). As noted in a recent Modern Healthcare article, patients discharged from inpatient hospitalization were turned down

⁴ <https://www.amnhealthcare.com/siteassets/amn-insights/surveys/amn-survey-of-temporary-allied-healthcare-professional-staff-trends-2021.pdf>

⁵ <https://www.syntellis.com/resources/report/hospital-vitals-financial-and-operational-trends-0>

⁶ <https://www.aha.org/costsofcarinq>

from admission to a skilled nursing facility 91% of time in the first quarter of 2022.⁷ Similarly, hospitalized patients were denied admission to home care 71% of the time in the second quarter of 2022. Hospitals experienced similar challenges for patients awaiting placement in behavioral health facilities.⁸

While hospitals and post-acute care facilities continually work to find placement for discharged patients, the delays in placement mean a delay in receiving the care that can optimize both their care outcomes and their quality of life. Moreover, the delays create access challenges for patients needing acute hospital care as patients remain in inpatient beds longer than is medically necessary awaiting a successful discharge. This, in turn, can lead to longer waits for placement in inpatient acute care beds, which in turn can lead to longer wait times and higher volumes to manage in hospital emergency departments. IRFs and LTCHs also report similar patient bottlenecks with difficulties discharging their patients to other post-acute care providers, such as skilled nursing facilities (SNFs).

These delays also put incredible strain on hospitals and health systems as they must bear the costs of caring for patients during those excess days without appropriate reimbursement, and they also add burden on an already thin workforce. In other words, hospitals are incurring more costs to care for sicker patients for longer periods of time while facing reimbursement levels that fall short of these higher costs.

Data from Strata Decision Technology, a health care technology and consulting firm, show that the average length-of-stay (ALOS) in hospitals increased 19.2% across the board for patients in 2022 as compared to 2019 levels. The increase is more pronounced for patients being discharged to post-acute care providers — with an increase in ALOS of nearly 24% from 2019 to 2022. This remains true even after accounting for patients being sicker and requiring more complex and intensive care now as compared to pre-pandemic levels, as measured by the case mix index (CMI). CMI-adjusted ALOS has increased for patients being discharged from acute care hospitals to post-acute care providers, with a 12.6% increase for patients being discharged to home health agencies and a 20.2% increase for patients being discharged to SNFs. Similarly, patients being discharged from acute care hospitals to other hospital settings have also seen increases, such as a 28.9% increase for discharges to psychiatric hospitals.

⁷ <https://www.modernhealthcare.com/post-acute-care/hospitals-battle-bottlenecks-post-acute-staffing-gaps>

⁸ <https://www.modernhealthcare.com/article/20190128/NEWS/190129944/emergency-rooms-fill-up-with-psych-patients-and-then-they-wait>

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CONCLUSION

The AHA appreciates the opportunity to provide information on how inflation has affected labor and other costs for hospitals and health systems, exacerbating workforce shortages and affecting patient access to care. The AHA looks forward to working with the subcommittee to address these challenges. The AHA's 2023 advocacy agenda includes a range of policy ideas for improving hospital financial sustainability and strengthening the health care workforce over the short and long term.⁹ We must work together to solve these issues so our nation's hospitals and health systems, post-acute and behavioral health care providers can continue to care for the patients and communities they serve.

Sincerely,

/s/

Lisa Kidder Hrobsky
Senior Vice President, Advocacy and Political Affairs

⁹ <https://www.aha.org/advocacy-agenda>