

The Financial Impact of COVID-19 on Georgia Hospitals – A New Normal

APRIL 2023



Since the onset of the COVID-19 pandemic in March 2020, Georgia hospitals and health systems have taken significant steps to care for their communities amid unprecedented pressure on staff and resources. The financial impact of the pandemic has been staggering.

As hospital executives, policymakers, and other health care leaders assess the current landscape, this summary highlights key findings about the financial state of Georgia hospitals from the beginning of the pandemic through December 2022.

EXPENSES



Expenses are significantly elevated from pre-pandemic levels

- **Total expenses in 2022 for Georgia hospitals were \$7 billion higher** than pre-pandemic levels, outpacing increases in revenue. Rising expenses for labor, medical supplies, drugs, and purchased services have contributed to the increase.
- In the last three years combined, **salary expense increased approximately \$7.6 billion, while benefit expense increased \$757 million**. In addition to the costs incurred by hospitals, the state of Georgia directly paid the staffing firm Healthcare Workforce Logistics (HWL) \$521 million for temporary staffing in 2020 and 2021.
- Median contract labor expense as a percent of **total labor expense increased to 21% in 2022, while median contract labor hours as a percent of total hours only increased to 6%**.
- In the last three years combined, **Georgia hospitals have collectively spent \$1.2 billion more on purchased services**—or services contracted to outside vendors that include items like revenue cycle services, software, and laundry.

KEY TAKEAWAY

Hospitals are dealing with the same inflationary pressures as other businesses without the same capability to pass along cost increases to payers.

KEY TAKEAWAY

Hospitals operate 24 hours a day, 7 days a week without interruption. The worker shortage is causing burnout of existing staff and increased premium wage expenses.

2020-2022 Cumulative Change in Expense vs. Pre-Pandemic

Salaries	
Benefits	
Medical Supplies	
Non-Medical Supplies	
Drugs	
Purchased services	
Utilities	

- Changes in expenses incurred directly by Georgia hospitals and health systems.
- Expenses paid directly by the state of Georgia to HWL for temporary staffing in 2020 and 2021.

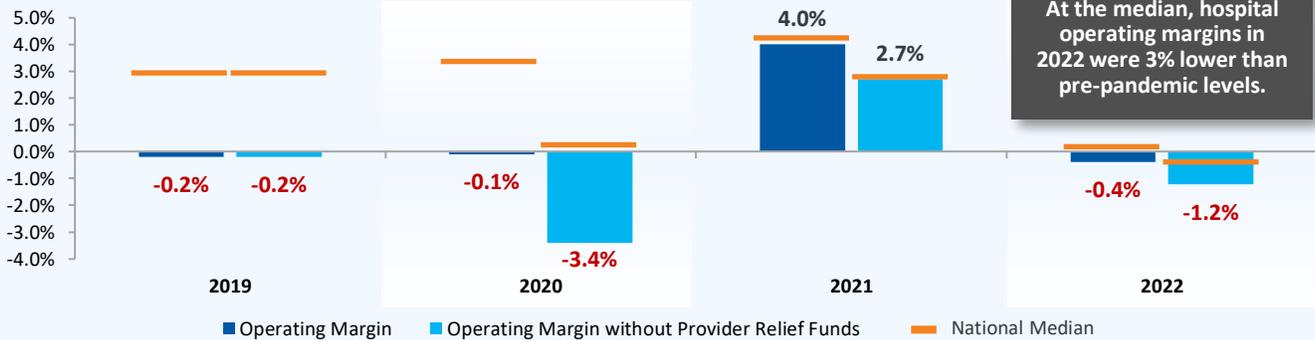
Sources: Kaufman Hall analysis using data sourced from Syntellis' Axiom Comparative Analytics and Definitive Health; and information provided by the Georgia Hospital Association on the state of Georgia's engagement with HWL for temporary staffing in 2020 and 2021.

OPERATING MARGINS



Hospital operating margins in 2022 were below pre-pandemic levels

Total Georgia Hospital Operating Margin



Source(s): 1) Georgia hospital operating margins were produced by Kaufman Hall using data sourced from Syntellis' Axiom Comparative Analytics and Definitive Health.

- In 2022, Georgia hospitals lost \$125 million and \$404 million without Federal provider relief fund (PRF) payments.
- Compared to 2020 and 2021, Georgia hospitals received less funding from the PRF in 2022, resulting in negative hospital operating income for the state.

KEY TAKEAWAY

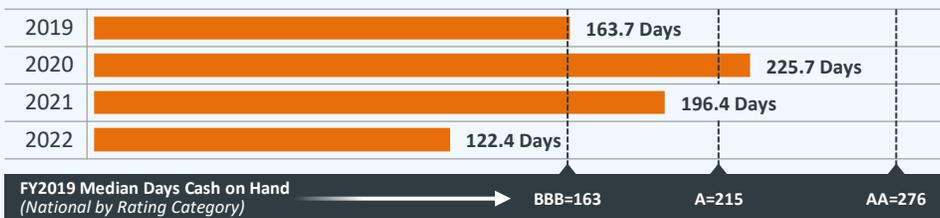
Hospitals continue to face increasing financial pressures as they adapt to a “new normal.”

DAYS CASH ON HAND



Cash Reserves have declined sharply since 2020

Median Days Cash on Hand for Georgia Hospitals, 2019-2022



Source(s): 1) Median percent change in health system days cash on hand was produced by Kaufman Hall using data sourced from Syntellis' Axiom Comparative Analytics
 2) Moody's Investors Service FY2019 Medians (Note: Moody's rating system uses Aa instead of AA and Baa instead of BBB).

Hospitals issue bonds to finance capital improvements. Rating agencies assess the financial health of the hospital for investors. Investment-grade ratings in not-for-profit health care range from AA (highest) to BBB (lowest).

Higher rated hospitals can issue bonds with a lower interest rate, making access to capital more affordable. Days Cash on Hand is an important metric for assessing financial health.

KEY TAKEAWAY

The median number of Days Cash on Hand available to Georgia hospitals declined as cash was used to cover operating losses and the average operating cost per day increased.

About the Report This report was prepared by Kaufman Hall at the request of the Georgia Hospital Association. Georgia hospitals were sampled from data provided by Syntellis Performance Solutions.