

HOSPITALS FACE FINANCIAL CHALLENGES DUE TO COVID-19

Kittitas Valley Healthcare | Ellensburg, Wash.

Kittitas Valley Healthcare in Ellensburg, Wash., in early March was among the first in the country to feel the impact of the COVID-19 surge. The rural delivery system and its critical access hospital had to quickly shift focus by postponing so-called elective surgeries and many other nonessential services.

Orthopedics and general surgery services — the bread and butter of the organization's case mix — were halted. The financial hit was felt almost immediately.

"Our revenues and volumes fell off a cliff" says CEO Julie Petersen. "Our orthopedics programs, our GI [gastrointestinal] programs and cataract surgeries evaporated."

Emergency department (ED) volume plunged 40% as patients began sheltering in place. Volumes at its five rural health clinics likewise were off 40%, where they remain today. Mental health patient volumes, which ordinarily totaled about 20% of ED traffic, surged to 35% or more.

As these volumes declined, the inevitable happened. Labor costs as a percentage of net revenues began rising.

"Our labor costs as a percentage of net revenue, which we try to keep under 60%, popped up to 73% to 75%," Petersen says. Kittitas Valley employees banded together in creative ways to get that number down to about 62% without resorting to layoffs.

Even with these measures, Kittitas Valley's 2020 budget forecast of a 4% operating margin, which was in line with its 2019 performance, has turned into a projected loss that will strain the hospital's finances.

"We are currently off on our original 2020 net revenue projections by \$8.4 million. We live on a small margin as a community hospital that last year generated \$83 million in net revenue. This situation has pushed back a critically needed lab remodel," Petersen says.

And even with nonemergent surgeries and other services resuming on

May 4, Petersen says the organization remains negatively impacted by the threat of a potential COVID-19 surge in the fall.

"We're not able to go full steam ahead and bring back all those surgical volumes. We're only scheduling two weeks out for our surgical volumes, because we have

made the commitment to our staff and community that we will revert to surge mode if needed," Petersen says.

Petersen stresses that the current situation is not sustainable if the hospital is to remain viable and meet the needs of the rural population it serves. So, what does Petersen want from the federal government now?

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