

Issue Brief: Why Additional Hospital Relief is Needed

The Omicron surge has been especially difficult given higher numbers of patients, longer lengths of stay, and fewer staff. The toll of responding to the pandemic 24 hours a day, 7 days a week for two years has strained hospitals' staff and finances in unprecedented ways.

Although federal funding provided to date has been a lifeline, it is inadequate to cover the enormity of losses and expenses hospitals have incurred; **and no federal financial relief has been provided to assist with the Delta and Omicron surges.** According to an [American Hospital Association report](#) issued prior to the Omicron surge, U.S. hospitals faced estimated losses of \$54 billion in 2021—even after accounting for federal relief funding provided in 2020.

“Healthcare staffing agencies increased their prices by 200% to 300%. No hospital or health system can sustain these costs and hope to offer a full slate of services to their community.”

**–Rex Budde, President & CEO
Southern Illinois Healthcare**

Most recently, increased workforce costs exacerbated by the Delta and Omicron surges have deepened these losses and are especially concerning for Illinois hospitals, given that more than 40% operated at negative or very slim margins (2% or less) prior to the pandemic.

Illinois Hospital Examples

- **In November 2021, one Chicago-area post-acute care hospital spent more than \$2 million in one month on agency staff alone.** The hospital has a waiting list of patients and could open additional beds if it had staff and the resources to pay them.
- **A children’s hospital in the Chicago area, which primarily serves Medicaid patients,** has increased hourly wages, created incentives of \$400-\$500 extra per shift for covering staff shortages, and is offering between \$5,000 and \$10,000 retention and sign on bonuses for nurses and respiratory therapists. Yet the hospital still has more than 10% of budgeted positions vacant.
- **A Chicago safety net hospital is spending \$2 million per month on increased labor costs,** which is 300% more than the hospital budgeted for the previous six months and 377% greater than the same time period for last fiscal year.

Illinoisans in need will continue to come to hospitals for medical care. Hospitals cannot send patients home because healthcare workers are out sick or fewer beds are available. The current financial strain and workforce shortages are not sustainable, and without additional relief could result in erosion of important healthcare services and even hospital closure. Simply put, the money has to come from somewhere. While the reasons for hospital closures are many and complex, financial strain is the primary reason. Between 2018 and 2022, nine hospitals in Illinois closed and over the past two years, six small and rural hospitals discontinued Labor and Delivery services because the costs were simply too high.

To ensure Illinois hospitals can continue to provide essential care and emerge from the pandemic equipped to tackle tomorrow's challenges, IHA requests Congress to take the following actions:

- **Add \$25 billion in new funding to the Provider Relief Fund (PRF)** to assist with the Delta and Omicron variants, and extend the deadline for the use of PRF distributions;
- **Extend Medicare sequester relief** until the end of the COVID-19 public health emergency or Dec. 31, 2022, whichever is later;
- **Suspend repayments of Medicare Accelerated and Advance Payment program loans** for six months and reduce the recoupment rate following the suspension to 25% of Medicare claims payments for the following 12 months; and
- **Protect eligibility in the 340B Program** for hospitals that experienced changes to their Medicare disproportionate share hospital adjustment percentage during the pandemic.

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