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Crowe RCA Benchmarking Analysis

Hospital volumes hit unprecedented lows

$1.4B daily revenue losses mean long recovery ahead

May 2020

Hospital volumes have dropped so dramatically and quickly since the end of February that many health system financial executives are scrambling for sources of cash.

With the exception of those in New York City and San Francisco, health systems across the United States experienced an average decline in patient volume of 56% between March 1, 2020, and April 15, 2020. This equates to an estimated $1.44 billion of net revenue decline per day nationally for the grouping of all hospitals with more than 100 beds. And this does not include the equally dramatic decline in physician visits.

Any possible surges that might have been expected due to COVID-19 patient volume appear to be offset by a significant decline in volume in all other areas. In San Francisco, outpatient volume increased 35% over a two-week period, and inpatient volume increased 21% during the same period (versus historical volumes) – and then dramatically decreased, similar to what was happening in the rest of the country.

Average patient volume **DECLINED**

↓56%

between March 1 & April 15

An estimated national net revenue decline of

$1.44 billion

PER DAY

nationally for hospitals with more than 100 beds

Hospital volumes hit unprecedented lows

To further study this topic, Crowe utilized its proprietary Crowe Revenue Cycle Analytics (RCA) solution, which captures every patient transaction for nearly 1,500 hospitals and more than 100,000 physicians nationally for purposes of automating hindsight, accounts receivable valuation, and net revenue analyses. Within its benchmarking database, Crowe analyzed a portfolio including 45 states and comprising 707 hospitals within Medicaid-expansion states and 445 hospitals in nonexpansion states, as of 2019. Crowe combines financial transaction information with 835/837 account-level data to produce comparative metrics.

The service mix impact is particularly remarkable. Currently, inpatient admissions are running more than 30% below norms (compared to January 2020). Emergency room visits are down 40%. Observation services are down 47%. Outpatient ancillary services are down 62%. And outpatient surgery volume is down 71%.

These effects are national in scope but have some variation. For example, although California has seen some hot spots of COVID-19 activity, overall patient volume is down 50%. Florida has seen overall patient volume drops of 47%. Texas has seen overall patient volume drops of 56%. And in Illinois, which has not yet seen the predicted surges of COVID-19 hospital care, overall patient volume is 59% below norms – driven by a 76% reduction in outpatient surgeries.

Here's what this means for an average 350-bed hospital in Illinois: A run rate of decreases in net revenue of $695,000 per day represents lost revenues of $23.6 million through April 25. Medicare relief and advance payments do not cover this loss, as the revenues include managed care and commercial payers. In addition, self-pay payer mix has increased 4.9% in Illinois (and 8.4% nationally) over previous levels, likely reflecting the increase in unemployment and furloughs. As such, it is anticipated that bad debt and charity also will rise.

Inpatient admissions

↓ 30%

Emergency room visits

↓ 40%

Observation services

↓ 47%

Outpatient ancillary services

↓ 62%

Outpatient surgery volume

↓ 71%

National **INCREASE** in self-pay payer mix of

↑ 8.4%

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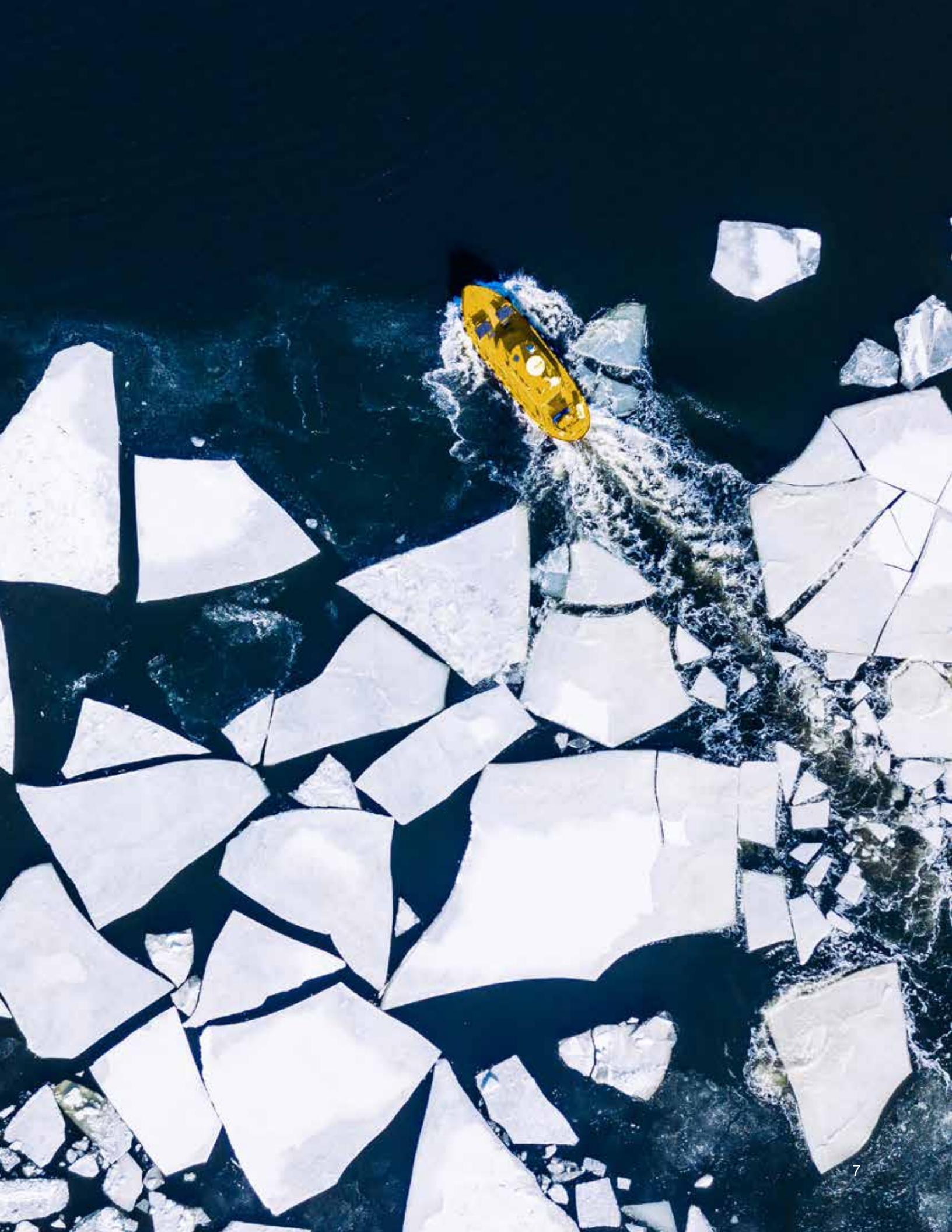
Each hospital's revenue recovery program likely will be unique, but all will need to address the following operational and clinical challenges:

- The average hospital will need to run at 110% of previous capacity for six months straight to recover this lost volume.
- Pent-up demand for elective surgeries will require prioritization to make determinations such as whether clinically critical or highest-efficiency procedures should come first and which specialties will retain operating room block time.
- Furloughed employees might not all return or all return at once, despite the need for higher throughput.
- Several revenue cycle processes have changed due to temporarily relieved requirements for authorizations, copay forgiveness, and new rules regarding charge capture and telehealth.
- Many patients will be hesitant to return to clinical settings unless reassured that the environment is free from contagious elements.

In many ways, America's hospitals are ground zero for the COVID-19 crisis. And despite government monetary relief and supply assistance, the economic effects of March and April 2020 will affect the operations of our healthcare system long after the curve flattens or dissipates.



Learn more

For more information on the Crowe RCA benchmarking program, please visit crowe.com/benchmarking or contact:

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