The Valued Voice

Vol. 67, Issue 3 Thursday, January 19, 2023

President's Column: COVID Continues Stress on Health Care

By Eric Borgerding, WHA President and CEO

Nearly three years after COVID-19 upended the health care system, hospitals continue adjusting to what are clearly longer-lasting, if not permanent, impacts of the pandemic. At the same time, Wisconsin hospitals and health systems, 95% of which are nonprofit, continue providing a variety of services and filling social and public health gaps across the state, but ongoing strains on resources, finances, and workforce are posing unprecedented challenges to fulfilling these missions.


Eric Borgerding

Well-documented burnout caused job vacancy rates to increase in 13 of 17 Wisconsin hospital professions in 2021, by double digits in seven of those. Higher vacancies have forced hospitals to increasingly rely on very costly temporary staffing. According to the American Hospital Association, hospitals' use of contract temporary labor increased 132% for full-time and 131% for part-time staff last year.

As reported in our 2022 Workforce Report, citizens over the age of 55 make up 28% of the country's population but account for 57% of health care spending—trends mirrored here. As health care needs increase with the aging population, demand for Wisconsin's health care workforce will also increase while its supply is expected to diminish. An aging population also means more health care is covered by Medicare, which reimburses Wisconsin hospitals at 23% below what it costs to provide care. Medicare now comprises nearly 50% of Wisconsin hospitals' "payer mix" and is growing.

The CDC estimates that 41% of U.S. adults either delayed or avoided non-COVID medical care during the early stages of the pandemic. Patient volumes have rebounded since their COVID-induced plunge in 2020, but many of those patients are sicker, more resource- and cost-intensive with longer, often unreimbursed, lengths of stay.

Hospitals are not immune to the impacts of historic inflation, which has caused sharp spikes in labor, drugs, and medical supplies costs. Wisconsin hospitals have experienced a $580 million annual increase in labor costs and $1.6 billion annual increase in supply costs since 2019. We reported in October that supplies and services remain the largest expenses for Wisconsin hospitals, up 14.7% since 2019. The ability to simply recoup these costs by raising prices has essentially disappeared, yet health insurance premiums continue rising. According to a recant Kaiser analysis, in the past year, the CPI for hospital services rose 3.4%, compared to 7.7% for all goods and services and a whopping 20.6% for health insurance.

Soaring inflation coupled with diminished resources caused drastic declines in Wisconsin hospital and health system operating margins in the first half of 2022, falling to 0.4%. Total margins dropped well into the red at -11.9%.

Despite these new realities, Wisconsin's hospitals remain committed to delivering quality care for everyone, while still subsidizing negative margin services (hospice, home health, behavioral health, long term care, others) that would not otherwise exist in many communities. Responsible stewardship has helped Wisconsin hospitals manage through the pandemic, but its lingering damage is posing serious and ongoing challenges.

This column was originally included in the Wisconsin Bankers Association's annual Wisconsin Economic Report, with columns from state industry leaders. You can access the report here.

Other Articles in this Issue

- President's Column: COVID Continues Stress on Health Care
- WHA-Crafted Training Grant Applications Released
- Join WHA in Washington, D.C., April 24-25 for AHA Annual Meeting
- GUEST COLUMN: The Effects of Secure Act 2.0 on WHA Members