US health care system devastated by COVID-19 as the markets clamor to reopen the economy

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The impact of the pandemic in the United States has been nothing short of cataclysmic. Last week more than 36 million American workers filed unemployment claims. According to the Bureau of Labor Statistics (BLS), the official national unemployment rate has reached almost 15 percent—the highest level since the Great Depression—even though the agency acknowledges that the incidence is much higher. The St. Louis Federal Reserve estimates that this could rise to 47 million by the end of the second quarter. An estimated 40 million people are expected to lose health insurance. Over 91,000 people in the United States have died from COVID-19.

Having pumped trillions of dollars into Wall Street, the Trump administration and states are pushing to "reopen" the economy under unsafe conditions. With its pursuit of the policy of "herd immunity" in defiance of all recommendations by scientists, the ruling class is preparing the conditions for a health and social disaster that will even outstrip the devastating impact of the first wave of the pandemic. Workers will not only return to work under conditions that are completely unsafe, those who will fall sick from the virus in the coming months will also be confronted with a health care system that has been pushed to the brink of financial collapse by the pandemic, and which will be even more severely understaffed than in the first months of the pandemic.

Whatever medical expertise and knowledge that has been gained in the first months of the pandemic about how best to treat patients that are ill with COVID-19, threaten to be completely undermined by a class policy that is oriented entirely toward safeguarding the profits of corporations at the expense of the lives of workers.

Reports indicate that health care workers, even though they have been on the frontline of the fight against the coronavirus, are one sector of the workforce that has been hardest hit by the mass layoffs. Just when health care workers are most needed in assisting in measures to contain the outbreaks throughout the country from every conceivable aspect, the system sees them as a drain on their rapidly diminishing revenues due to cancellation of lucrative elective surgeries and declines in emergency room visits and outpatient services.

According to National Data-National Income and Product Accounts, the first quarter of 2020 saw the US Gross Domestic Product shrink 4.8 percent. Health care expenditures have declined an astonishing 18 percent, some of the worst being in rural sectors where the anemic health infrastructure has been placed on standby facing massive revenue shortfalls and insolvency. According to Ryan Kelly, executive director of Mississippi and Alabama Rural Health Associations, "facilities are just bleeding through cash right now. They're just dying on the vine, and it opens up the question of who's going to treat these patients when they close."

The Bureau of Labor Statistics places the number of health care positions lost since January 2020 at 1.436 million, an 8.7 percent decline. Hospitals have shed 121,000 jobs, a drop of 2.3 percent. Ambulatory health care services have shed 1.2 million jobs, 15.4 percent. Offices of dentists have let go of 519,000 jobs, which account for 53.2 percent of their workforce. Physicians' offices have cut 249,000 positions, a 9.2 percent decline. Additional sectors impacted by job losses include nursing homes, mental health institutions and community-based residential care facilities.

There have been several reports of traveling nurses that were terminated after going to centers of the crisis in New York City to help overcome a desperate shortage of staff at the peak of the pandemic.

Becker's Hospital Review states that 256 hospitals and hospital systems around the country have furloughed tens of thousands of employees. In one survey, 21 percent of physicians indicated that they either had been laid off or forced to take cuts in pay and bonuses since the beginning of the pandemic. For doctors, bonuses can amount to up to 50 percent of their total compensation. Emergency department doctors have been reported to be forced to take pay cuts of up to 40 percent.

According to a report in *Medscape* from April, many doctors have been either put on pure production, meaning that they are still technically employed but do not get compensated and do not work. Others have been forced to use their sick time off and graduating residents have been told that the start dates for their new jobs are being delayed. Considering the extremely difficult and stressful working conditions, and the low pay, a growing number of physicians and nurses are considering quitting their jobs.

In a particularly stark manifestation of the fact that the response to the pandemic by the ruling class has been entirely determined by profit interests, closures are also being prepared in New York, which for months was the epicenter of the worldwide pandemic. The very public hospitals in working-class communities that have been most heavily impacted by the COVID-19 pandemic are now under threat of having to close their doors. The social and economic trauma of the massive COVID-19 outbreak threatens the state's 29 non-profit safety-net hospitals that are in minority and low-income neighborhoods, which treat patients regardless of their ability to pay.

Hospitals like Brooklyn Hospital Center and St. Barnabas in the Bronx have just resumed scheduling the much-needed operative cases that had been pushed back for several weeks. Yet, hospital administrators admit that this lost revenue will be impossible to reclaim. Gary Terrinoni, CEO of the Brooklyn Hospital Center, said in an interview with *Politico*, "We're going to need close to $100 million between now and the next three or four months." Otherwise, the hospital might have to close. Around 70 percent of its patients are on Medicaid or Medicare or are uninsured.

The hospital closures of the past decades have already been a significant factor in driving up the death toll of the first wave of the pandemic. Over the past two decades, 16 hospitals were closed in New York City alone, eliminating 22,000 hospital beds which were desperately needed at the peak of the pandemic in New York in March–April.

In rural areas, the situation is particularly dire. According to the University of North Carolina Sheps Center for Health Services Research, at least 130 rural hospitals have closed across the US in the last 10 years. Most closures took place in states where lawmakers countered Medicaid expansion. Texas saw 20 hospitals closed, Tennessee lost 13 hospitals, nine were closed in Oklahoma and seven in the state of Georgia. 2019 had seen the highest list of closures; in the first four months of 2020 there have been 12 hospital closures. A *USA Today* study found that nearly 600 US rural counties without hospitals have at least one reported COVID-19 case. These counties have seen more than 15,000 COVID-related deaths.

Given the crumbling health infrastructure, with governors and local governments pushing to open their communities to economic activities and, all the while, new cases confirmed growing at faster rates in rural and non-metropolitan areas, these make ready conditions for a perfect storm.

Alan Morgan, the CEO of the National Rural Health Association, told the *Ottawa Herald*, "I don't see a path forward that doesn't play out horribly in rural communities."

The rationale for these mass layoffs and impending closures, which are completely irrational from the standpoint of the social and medical needs of the population amidst a pandemic, lies in the subordination of health care to the principles of private profit. With hospitals functioning as quasi companies that are predominately dependent on the profits they derive from lucrative surgeries and procedures to remain solvent, the pandemic pushed many hospitals to the brink of total collapse as they prepared for the surge.

Many hospitals in the US operate on razor-thin margins. A study conducted by the Congressional Budget Office in 2016 found that approximately 23 percent of all hospitals were working with negative margins. They projected that by 2025, if they can achieve the same productivity as the economy, the share of hospitals with negative margins would rise to 40 percent. And if they did not, that could climb to as much as 60 percent.

On March 18, the Centers for Medicare and Medicaid Services (CMS) announced that all elective surgeries, nonessential medical, surgical and dental procedures would be delayed during the COVID-19 outbreak. In the effort to increase personal and public safety while conserving personal protective equipment (PPE), hospitals moved to cancel nonemergency procedures while having foregone treatment with primary care and subspecialty providers.

According to the Kaufman Hall National Hospital Flash Report Summary from April 2020, "Hospitals' median Operating EBITDA Margins fell more than 100 percent in March, dropping a full 13 percentage points relative to last year, bringing the median margin into negative territory." The term EBITDA margin is a measure of a company's operating profit as a percentage of its revenue. The acronym stands for earnings before interest, taxes, depreciation, and amortization. Knowing the EBITDA margin allows for a comparison of one company's performance with others in the same industry.

Hospital-based revenues made by lucrative and profitable procedures such as joint replacements and elective cardiac surgeries tend to balance the losses from many acute care services. One measure of operating room productivity is time, and this was down 20 percent compared to the same period last year.

Hospital occupancy dropped dramatically as hospitals across the country prepared for a surge in coronavirus infections. The median occupancy rate declined from 65 percent to 53 percent, year over year. The number of discharges decreased by 11 percent, and adjusted patient days in the hospital fell by 15 percent. Emergency room visits declined by 15 percent in the same period last year. At the same time, charity care and "bad debt" rose 13 percent year over year, a trend that hospital administrators believe will accelerate in the next few months with skyrocketing unemployment and concomitant loss of health insurance.

Hospital expenses have taken a toll, with total expense per adjusted discharge jumping 18 percent. The smallest hospitals were affected most by these factors, with supply costs jumping 40 percent year over year. Drug expenses jumped 30 percent across all hospitals.

The pandemic has also seen sharp increases in costs for caring for patients with COVID-19. Kaiser Family Foundation has estimated that the cost of treating a patient with COVID-19 will range from $20,000 to close to $90,000 if they need intensive care unit stay and ventilator support. FAIR Health estimated the average cost with commercial coverage at $38,221.

The coming months will only see a further escalation of this dynamic. A recent analysis by the American Hospital Association (AHA) noted that "hospitals and health systems face unprecedented and catastrophic financial pressure due to COVID-19," The AHA found that the number of people employed in US hospitals in 2019 stood at 7.425 million. Health care accounted for 18 percent of the United States' GDP. The estimate of the impact over four months from March to June 2020 from the COVID-19 pandemic is $202.6 billion.

According to the AHA, the net financial impact of COVID-19 on hospitalization over four months, from March to June 2020, for the nation's hospitals and health systems will collectively see a loss of $36.6 billion, including payments for COVID-19 patients. Non-federal hospitals stand to lose $161.4 billion in canceled hospital services, including elective surgeries, outpatient treatments and reduced emergency department services.

The additional costs of purchasing needed PPE in these four months are estimated at $600 million per month. The additional costs of supporting frontline workers in COVID-19 hotspots are expected to be $2.2 billion. These include the cost of childcare, housing, transportation and medical screening.

The AHA study does note that their model certainly is underestimating costs and the real financial impact on the collective health system. The pandemic has led to sharp declines in drug manufacturing, delay caused by fractured supply chains, further complicated by an increase in demands, which has translated to higher costs for hospitals.

Wage and labor costs have risen for hospitals and health care systems facing the brunt of the pandemic. With surge volumes inundating hospitals in severe outbreak zones and health care workers becoming sick, hospitals have implemented bonus pay for frontline workers. Staffing firms have raised their prices to send workers to assist in these efforts. Counter to this, many hospitals in sectors of the country where the outbreak remains small are facing unproductive labor costs due to cutbacks in services, creating a redundant and costly workforce.

Additionally, in preparation hospitals purchased expensive equipment. They have also expanded their treatment capacity or set up additional spaces and ICU beds, which drive capital costs.

Amid all of this of mass death and social devastation, insurance companies have, in fact, profited from the pandemic. Credit agency Moody has noted, "US health insurers will nonetheless remain profitable under the most likely [pandemic] scenarios." They estimate that cancellation of necessary but elective surgeries and the unwillingness of patients to subject themselves to risks of infection have led to 20 to 40

percent in savings on medical costs per month.

In an article published in FierceHealthcare, David Wichmann, CEO of UnitedHealth Group, explained to analysts that cost reductions were surpassing COVID-19 expenses and that revenue is up compared with 2019. The expectation is that the rest of the year's earnings will meet projections. Wendell Potter, a former Cigna executive turned industry critic, tweeted that UnitedHealth had spent $1.7 billion in the first quarter in stock buybacks. Tim Nimmer, the chief global actuary at Aon, explained to Reuters that health care use has declined by about 30 to 40 percent when COVID-19 patients are excluded. "For each month that this goes on, we are expecting about 1.5 to 2 percent in annual costs to be reduced."

These developments underscore the rapacious nature of capitalism that sees in these horrific times opportunities to extract even more profits while the talent and skills of millions of people are squandered for immediate cost-saving measures, which threaten to lead to the preventable death of tens of thousands more people.