



Maryland
Hospital Association

November 12, 2021

Adam Kane
Chairman, Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, MD 21215

Dear Chairman Kane:

On behalf of the Maryland Hospital Association's 60 member hospitals and health systems, we write to comment on the presentation at the Nov. 10 meeting, "Inflation Pressure on Financial Position of Hospitals."

We appreciate HSCRC's attempting to delve more deeply into the effects on hospitals' financial conditions of nearly two years' worth of disruptions plus newly emerging cost inflation. However, the figures HSCRC staff presented were rear facing and do not capture hospitals' real and significant pandemic-related financial challenges or recent operating results. Moreover, they did not distinguish between the financial flows of regular hospital operations and infusions of funding that HSCRC and the federal government gave to keep hospitals afloat during the darkest days of the crisis. Our stable 2021 operating margins reflect extraordinary one-time federal dollars *that will not continue into 2022*.

As the COVID-19 pandemic begins to recede—we hope, for good—hospitals face immense cost pressure, particularly related to workforce recruitment and retention. Temporary contract labor costs exploded since August and are now running more than \$50 million per month—*triple* pre-pandemic levels. In addition, hospitals must permanently boost salaries and wages, above normal cost of living adjustments, in amounts expected to exceed \$100 million by the end of 2022. This is a national concern, as IHS Markit's Health Care Cost Review is now 3.22% for 2022, 25% higher than July 1.

With rising outlays from resurgent volumes, with patients at higher acuity due to delayed care, and with higher unit costs, hospital margins will degrade dramatically. Several hospitals already see operating losses for September and October. Many face grim forecasts and are revising budgets accordingly.

We all agree fresher data is needed to understand the full impact. MHA is compiling information and we will share that with the Commission soon.

I ask that you please include this letter in the post-meeting materials. Please call me with any questions.

Sincerely,

Bob Atlas
President & CEO

cc: Katie Wunderlich, Executive Director
Joseph Antos, PhD
Maulik Joshi, DrPH
Sam Malhotra

Victoria W. Bayless
James Elliott, M.D.
Stacia Cohen, RN, MBA