

Firings, furloughs, and pay cuts occur in advance of COVID-19 surge

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DOCTORS AT A BOSTON-AREA hospital learned via video conferencing that they would be receiving a 20% pay cut – a slap in the face at the precise moment that those on the front lines of the COVID-19 pandemic need a pat on the back (and more N95 respirators).

But Steward Health Care System, which runs the hospital and dozens of others around the country, did the math and decided that the pay cuts were necessary to survive what they called “a seismic shock to our system.” They also announced furloughs for a large number of their nonclinical staff.

Spirits sank after the announcement. “It was devastating,” said one Boston doctor who works for Steward and asked not to be identified for fear of retribution. “I didn’t say much during the call because I was so panicked, and I didn’t want to be crying on the call.”

Someone else did speak up, a senior colleague who warned that such a cut would kill morale at a time when physicians were already feeling vulnerable because of other shortages, including personal protective equipment. (Requests for interviews with Steward Health Care System executives were declined.)

Furloughs, layoffs, and even firings are happening elsewhere too. Hospitals in virus hotspots have already come up short on beds and face masks. Now a shortage of cash is prompting many to fire some of their health care workers, furlough them temporarily, or – like Steward Health Care System – slash their pay checks.

Despite almost \$200 billion earmarked for hospital systems in the recently passed federal stimulus

package, many hospitals are still in dire financial straits. Most make the majority of their money through so-called elective procedures, such as knee replacements and cataract surgeries, almost all of which have been postponed in order to conserve personal protective equipment and minimize spread of the virus. Those cancellations translate to a significant financial hit.

On top of that, hospitals will lose an average of \$1,800 on every COVID-19 case, according to projections by Strata Decision Technology, a health care financial planning and analytic company. Some, they estimate, may lose much more, between \$6,000 and \$8,000 per patient. And hospitals were already hurting. According to a report from Bloomberg, at least 30 hospitals entered bankruptcy in 2019.

“This pressure on institutions to control costs has been around for several years,” said Steve Lefar, executive director of the data science division of Strata Decision Technology and lead author of the study. “This is just making it incredibly acute for them.”

Many hospital executives are bracing for months of hardship, leading to wrenching decisions to furlough or lay off staff, suspend bonuses, or cut pay – even as some short-staffed hospitals in COVID-19 hotspots are issuing pleas for doctors to come out of retirement.

While most furloughs and layoffs so far have affected people who don’t work directly with patients, many on the front lines have been hit with pay cuts or withheld bonuses or retirement contributions. In Massachusetts, the state’s medical society has asked Governor Charlie Baker for financial relief for health care workers in the form of grants, no-interest or forgivable small-business loans for physician practices, and deferment of medical student loan payments.

At St. Alexius Hospital in St. Louis, Sonny Sagggar, MD, was fired as CEO after he clashed with a bankruptcy trustee. Dr. Sagggar had proposed offering open beds to other hospital systems during the pandemic – an idea that, he said, was turned down out of concern for the bottom line.

“This is one of those times where we need to put down our search for profit and money and just look after people’s lives. We’re supposed to have that calling in health care,” said Dr. Sagggar, who has since been reinstated as chief strategy officer and director of the COVID task force and ED. He noted that he and the trustee have resolved differences over funding.

At St. Claire HealthCare in Morehead, Ky, 300 employees who were not involved in direct patient care – a quarter of the hospital’s staff – have been furloughed, something Donald Lloyd II, St. Claire HealthCare’s CEO as of May 1, described as forward thinking.

To prepare for the influx of COVID-19 patients, the hospital shut down elective procedures early.

Other hospitals are making similar moves, although many are not doing so publicly. Mr. Lloyd decided to put out a press release because he found it offensive that the federal government was “bailing out airlines and cruise lines before our front-line men and women caring for patients.”

Massachusetts-based Atrius Health, for instance, placed many staffers on a 1-month furlough, while simultaneously withholding a percentage of working physicians’ paychecks, saying that they plan to pay them back at a later date.

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