

'Hospital purgatory': Confidence in healthcare plunges as criticism grows louder and larger

Payers, pharmacy benefit managers and drug manufacturers are no strangers to heavy criticism from the public and providers alike. Now another sector of the healthcare system has found itself increasingly caught in the crosshairs of constituents looking to point a finger for the rising cost of care: hospitals.

As sharp words against the industry bubble up more often and encompass a wider variety of issues, it marks an important turn in the ethos of American healthcare. Most policymakers have historically wanted hospitals on their side, and health systems are often the largest employer within their communities and in many [states](#).

"In my career, I've never seen things more aligned to the detriment of hospitals than it is now," Paul Keckley, PhD, said. Dr. Keckley is a widely known industry analyst and editor of [The Keckley Report](#), a weekly newsletter discussing healthcare policy and current trends.

Confidence in the medical system as a whole fell from 51 percent in [2020](#) to a [record low](#) of 38 percent in 2022. Though the healthcare system is among all major U.S. institutions facing record-low public confidence, are hospitals ready for an era of widespread distrust?

"We're going into hospital purgatory. It's a period in which old rules may not work in the future," Dr. Keckley said. "The only thing we know for sure is that it's not going to get easier."

State-versus-hospital fights have popped up throughout the U.S. over the past year. Most recently, in Colorado, a [back and forth](#) unfolded between Gov. Jared Polis and the state's hospital association over who is ultimately responsible for high care costs. In a speech Jan. 17, the Democratic governor accused Colorado's hospitals of overcharging patients and sitting on significant cash reserves.

"It's time that we hold them accountable," he said.

The Colorado Hospital Association [says](#) the data supporting those claims does not reflect the several ongoing industry challenges, among them labor shortages, regulatory burdens and inflationary pressures.

"Unfortunately, we continue to hear rhetoric against the hospitals and health systems that have worked diligently on healthcare quality, access and affordability," CHA said in a statement to *Becker's*. "Colorado's hospitals and health systems have been working with the administration on many of these programs, including reinsurance, hospital discounted care, price transparency, out-of-network patient protections, and more."

Some 1,500 miles eastward, another incident of hospital-community conflict grew. In January, Pennsylvania lawmakers [promoted](#) a nonpartisan report that accuses UPMC of building a monopoly in the state through consolidation over the last decade — the Pittsburgh-based system refuted the claims, saying they were based on "flawed data."

To the south, North Carolina officials [accused](#) the state's seven largest health systems in June of using pandemic aid to enrich themselves. Hospitals said the accusations were based on "cherry-picked data" spun in a way that does not reflect their ongoing challenges.

As state- and market-level fights against hospitals intensify and grab national attention, hospitals and health systems may find themselves less familiar in steadying public perception than their payer and pharmaceutical counterparts, who are no strangers to vocal opponents.

"With public opinion shifting a bit amid COVID, and with some anecdotal evidence that hospitals are doing some bad things, state policymakers feel that they are enjoying the political will to make these gestures," Ge Bai,

PhD, said. "It's also a key issue for voters. Even if they don't do anything in reality, the gesture will probably get political capital."

Dr. Bai is a professor of accounting and health policy at Baltimore-based Johns Hopkins University. She believes a key underlying factor driving hospital critiques as of late is the reduced public confidence in medicine by way of the pandemic.

"The hospital industry has moved away from its traditional charitable mission and toward a business orientation that is undeniable," she said. "With the [pandemic] dust settling, I think a lot of people realize the clinicians are the heroes, but hospitals are maybe not as altruistic as they once thought."

In 2021, over 70 percent of Americans [said](#) they trusted physicians and nurses, but only 22 percent said the same about hospital executives, according to a study from the University of Chicago and The Associated Press-NORC Center for Public Affairs Research.

"It's a tough job and a complicated business to run, and everybody in the community has an opinion about it based on anecdotal evidence," Dr. Keckley said. "I think much of the blame too for hospitals taking a lot of hits has been boards that are not prepared to govern."

For both Drs. Keckley and Bai, there are other major issues they each point to as contributing factors to the growing wariness around hospital operations:

- **A lack of compliance with CMS price transparency rules.** Some of the most recent studies estimate hospital compliance rates could range from [16 percent](#) to [55 percent](#), while hospitals say the issue has been mischaracterized. CMS has [penalized](#) very few hospitals for noncompliance since the rule took effect in 2021.
- **The decades-long trend of consolidation hitting a tipping point.** With consolidation, hospitals have long argued the trend would lead to more efficiency, care access, quality of care and lower costs. One of the most comprehensive consolidation studies to date was released Jan. 24 in *JAMA* and [concluded](#) that merged health systems have led to "marginally better care at significantly higher costs."

"Hospitals are doing exactly what they're supposed to do — make money to survive and expand," Dr. Bai said. "Instead of blaming individual players, we have to raise the bar and think about who created the system in the first place that makes competition so difficult — the government."

- **State retirement benefits plans struggling financially.** Though not a new trend, unfunded healthcare benefits promised to retired public employees and their dependents continues to grow around the country, incentivizing state lawmakers to look in new directions to save on costs. Unfunded retiree healthcare liabilities across all states [surpassed](#) \$1 trillion in 2019, according to the American Legislative Exchange Council.
- **Competition from other healthcare sectors.** Competition for patients has arrived from other healthcare sectors, especially from payers. In 2023, UnitedHealth Group's Optum [owns](#) or is affiliated with the most physicians in the country at 60,000, though it's likely higher after several large [acquisitions](#) last year.

"The center of gravity in healthcare has shifted from hospitals that muscled their way into scaling," Dr. Keckley said. "The reality is that providing hospital services in non-hospital settings that are safe, effective and less costly is where the market, and insurers, are going."

Despite the uptick in states and Americans that have gone into fault-finding mode against hospitals and those running them, operating a financially successful hospital or health system in 2023 is a monumental task, perhaps

even close to impossible for many. Last year, approximately half of U.S. hospitals finished the year with a [negative margin](#), making it "the worst financial year" for the industry since the start of the pandemic, according to Kaufman Hall's latest "[National Flash Hospital Report](#)."

"Hospitals aren't going into this with a huge amount of goodwill at their backs, and I think that's what they need to be prepared for," Dr. Keckley said. "You can't just go in and tell the story of 'look at what we do for the community' or 'look at all the people we employ' — that is not going to work anymore."

Subscribe to the following topics: [hospital](#)[health system](#)[trust](#)[confidence](#)[criticism](#)

<https://www.beckershospitalreview.com/>