Minnesota Hospital Association

A Closer Look at Minnesota's Hospitals and Health Systems

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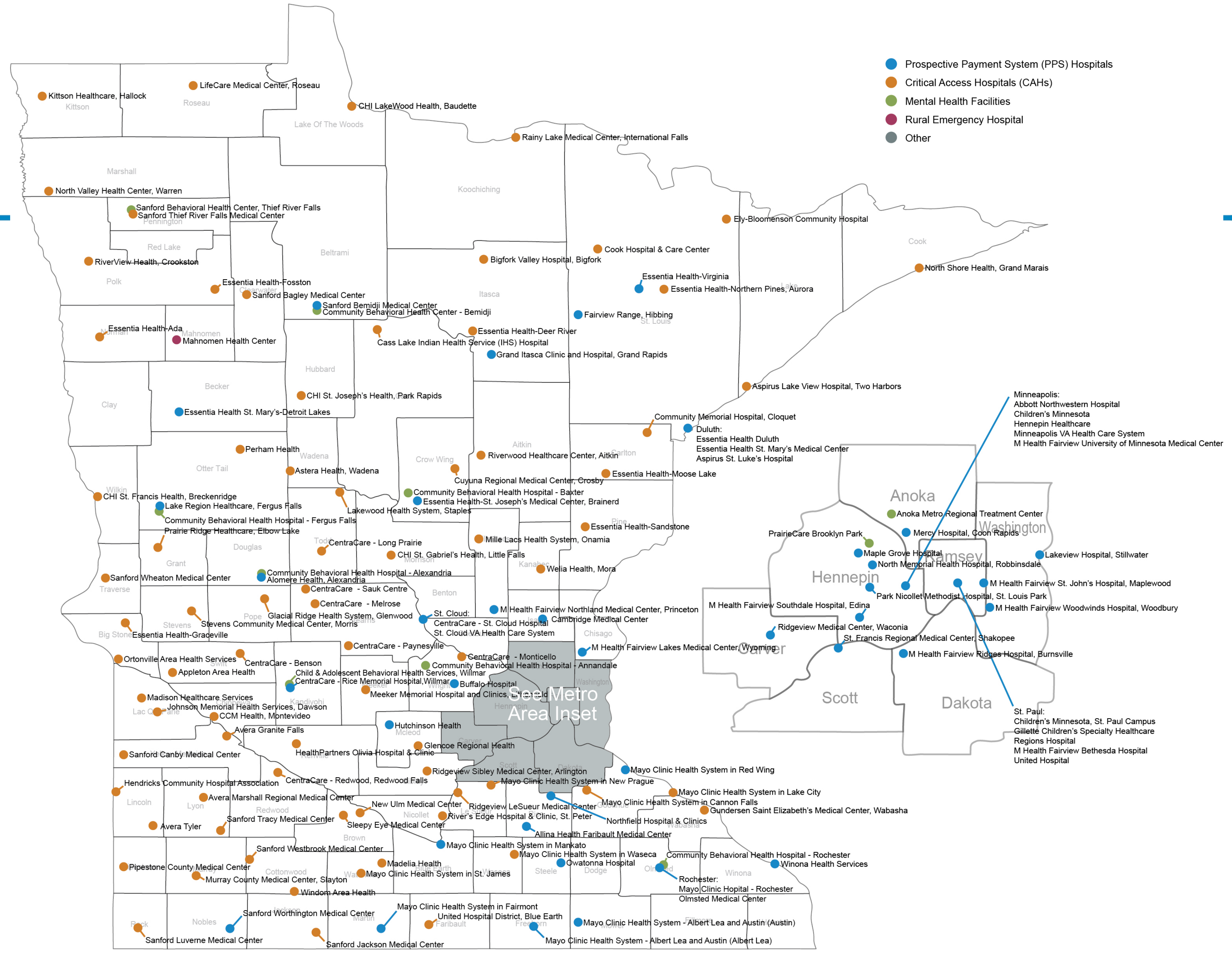
Vice President, Government Relations

Minnesota Hospital Association


Prospective Payment System (PPS) Hospitals
Critical Access Hospitals (CAHs)
Mental Health Facilities
Rural Emergency Hospital
Other
Kittson Healthcare, Hallock
LifeCare Medical Center, Roseau
CHI LakeWood Health, Baudette
Rainy Lake Medical Center, International Falls
North Valley Health Center, Warren
Sanford Behavioral Health Center, Thief River Falls
Sanford Thief River Falls Medical Center
Ely-Bloomenson Community Hospital
Cook Hospital & Care Center
Bigfork Valley Hospital, Bigfork
RiverView Health, Crookston
North Shore Health, Grand Marais
Essentia Health-Virginia
Essentia Health-Northern Pines, Aurora
Essentia Health-Fosston
Sanford Bagley Medical Center
Sanford Bemidji Medical Center
Community Behavioral Health Center - Bemidji
Fairview Range, Hibbing
Essentia Health-Ada
Mahnomen Health Center
Essentia Health-Deer River
Cass Lake Indian Health Service (IHS) Hospital
Grand Itasca Clinic and Hospital, Grand Rapids
Aspirus Lake View Hospital, Two Harbors
CHI St. Joseph's Health, Park Rapids
Essentia Health St. Mary's-Detroit Lakes
Community Memorial Hospital, Cloquet
Duluth:
Essentia Health Duluth
Essentia Health St. Mary's Medical Center
Aspirus St. Luke's Hospital
Minneapolis:
Abbott Northwestern Hospital
Children's Minnesota
Hennepin Healthcare
Minneapolis VA Health Care System
M Health Fairview University of Minnesota Medical Center
Perham Health
Astera Health, Wadena
Riverwood Healthcare Center, Aitkin
Essentia Health-Moose Lake
Cuyuna Regional Medical Center, Crosby
CHI St. Francis Health, Breckenridge
Lake Region Healthcare, Fergus Falls
Community Behavioral Health Hospital - Fergus Falls
Prairie Ridge Healthcare, Elbow Lake
Lakewood Health System, Staples
Community Behavioral Health Hospital - Baxter
Essentia Health-St. Joseph's Medical Center, Brainerd
Essentia Health-Sandstone
Mille Lacs Health System, Onamia
CentraCare - Long Prairie
CHI St. Gabriel's Health, Little Falls
Welia Health, Mora
Sanford Wheaton Medical Center
Community Behavioral Health Hospital - Alexandria
Alomere Health, Alexandria
CentraCare - Sauk Centre
CentraCare - Melrose
Glacial Ridge Health System, Glenwood
Stevens Community Medical Center, Morris
Essentia Health-Graceville
St. Cloud:
CentraCare - St. Cloud Hospital
St. Cloud VA Health Care System
M Health Fairview Northland Medical Center, Princeton
Cambridge Medical Center
CentraCare - Paynesville
CentraCare - Monticello
Community Behavioral Health Hospital - Annandale
M Health Fairview Lakes Medical Center, Wyoming
Ortonville Area Health Services
CentraCare - Benson
Appleton Area Health
Child & Adolescent Behavioral Health Services, Willmar
CentraCare - Rice Memorial Hospital, Willmar
Buffalo Hospital
Meeker Memorial Hospital and Clinics
See Metro Area Inset
Madison Healthcare Services
Johnson Memorial Health Services, Dawson
CCM Health, Montevideo
Hutchinson Health
Avera Granite Falls
Glencoe Regional Health
Sanford Canby Medical Center
HealthPartners Olivia Hospital & Clinic
Ridgeview Sibley Medical Center, Arlington
Mayo Clinic Health System in Red Wing
Mayo Clinic Health System in New Prague
Hendricks Community Hospital Association
CentraCare - Redwood, Redwood Falls
Avera Marshall Regional Medical Center
Mayo Clinic Health System in Lake City
Mayo Clinic Health System in Cannon Falls
New Ulm Medical Center
Ridgeview LeSueur Medical Center
River's Edge Hospital & Clinic, St. Peter
Northfield Hospital & Clinics
Gundersen Saint Elizabeth's Medical Center, Wabasha
Sanford Tracy Medical Center
Avera Tyler
Sleepy Eye Medical Center
Allina Health Faribault Medical Center
Mayo Clinic Health System in Mankato
Mayo Clinic Health System in Waseca
Owatonna Hospital
Community Behavioral Health Hospital - Rochester
Winona Health Services
Sanford Westbrook Medical Center
Madelia Health
Pipestone County Medical Center
Murray County Medical Center, Slayton
Mayo Clinic Health System in St. James
Rochester:
Mayo Clinic Hopital - Rochester
Olmsted Medical Center
Windom Area Health
Mayo Clinic Health System in Fairmont
United Hospital District, Blue Earth
Sanford Worthington Medical Center
Mayo Clinic Health System - Albert Lea and Austin (Austin)
Sanford Luverne Medical Center
Sanford Jackson Medical Center
Mayo Clinic Health System - Albert Lea and Austin (Albert Lea)
Anoka
Anoka Metro Regional Treatment Center
PrairieCare Brooklyn Park
Mercy Hospital, Coon Rapids
Washington
Maple Grove Hospital
Ramsey
Lakeview Hospital, Stillwater
North Memorial Health Hospital, Robbinsdale
Hennepin
M Health Fairview St. John's Hospital, Maplewood
Park Nicollet Methodist Hospital, St. Louis Park
M Health Fairview Southdale Hospital, Edina
M Health Fairview Woodwinds Hospital, Woodbury
Ridgeview Medical Center, Waconia
St. Francis Regional Medical Center, Shakopee
Carver
M Health Fairview Ridges Hospital, Burnsville
Scott
Dakota
St. Paul:
Children's Minnesota, St. Paul Campus
Gillette Children's Specialty Healthcare
Regions Hospital
M Health Fairview Bethesda Hospital
United Hospital

Hospitals in Minnesota
History of government & non-profit entities

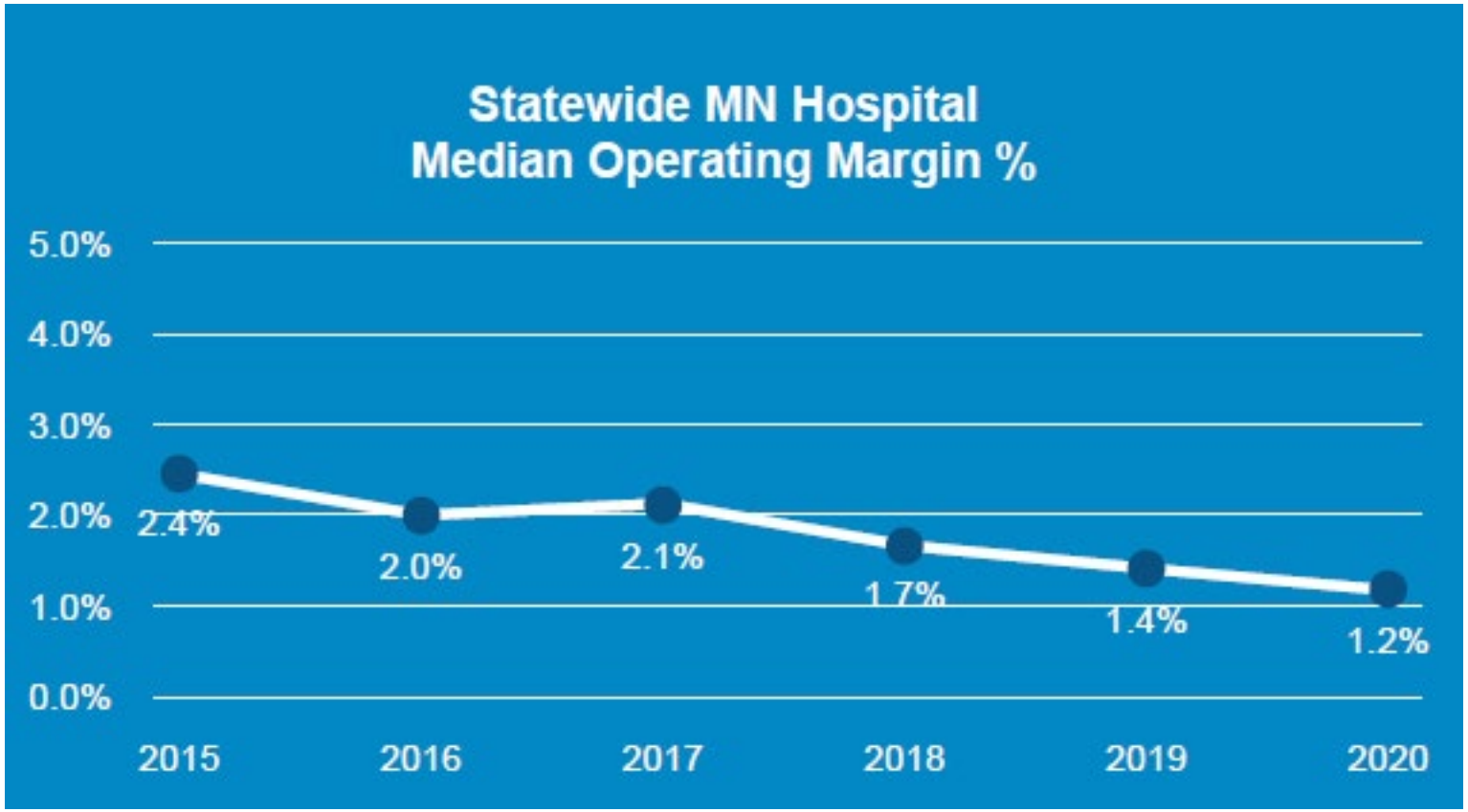
- MHA represents 140 hospitals
- 77 are rural Critical Access Hospitals (less than 25 beds)
- 54 PPS hospitals (Prospective Payment System)
- 7 state operated hospitals (Anoka Metro Regional Treatment Center & 6 Community Behavioral Health Hospitals)
- 2 Veterans Hospitals
- 34 are independent hospitals (28 CAHs & 6 PPS Hospitals)
- 19 District, County or City owned – government affiliated
- 109 (78%) hospitals are classified as rural

Minnesota's Nonprofit Hospitals: Providing Health and an Economic Engine

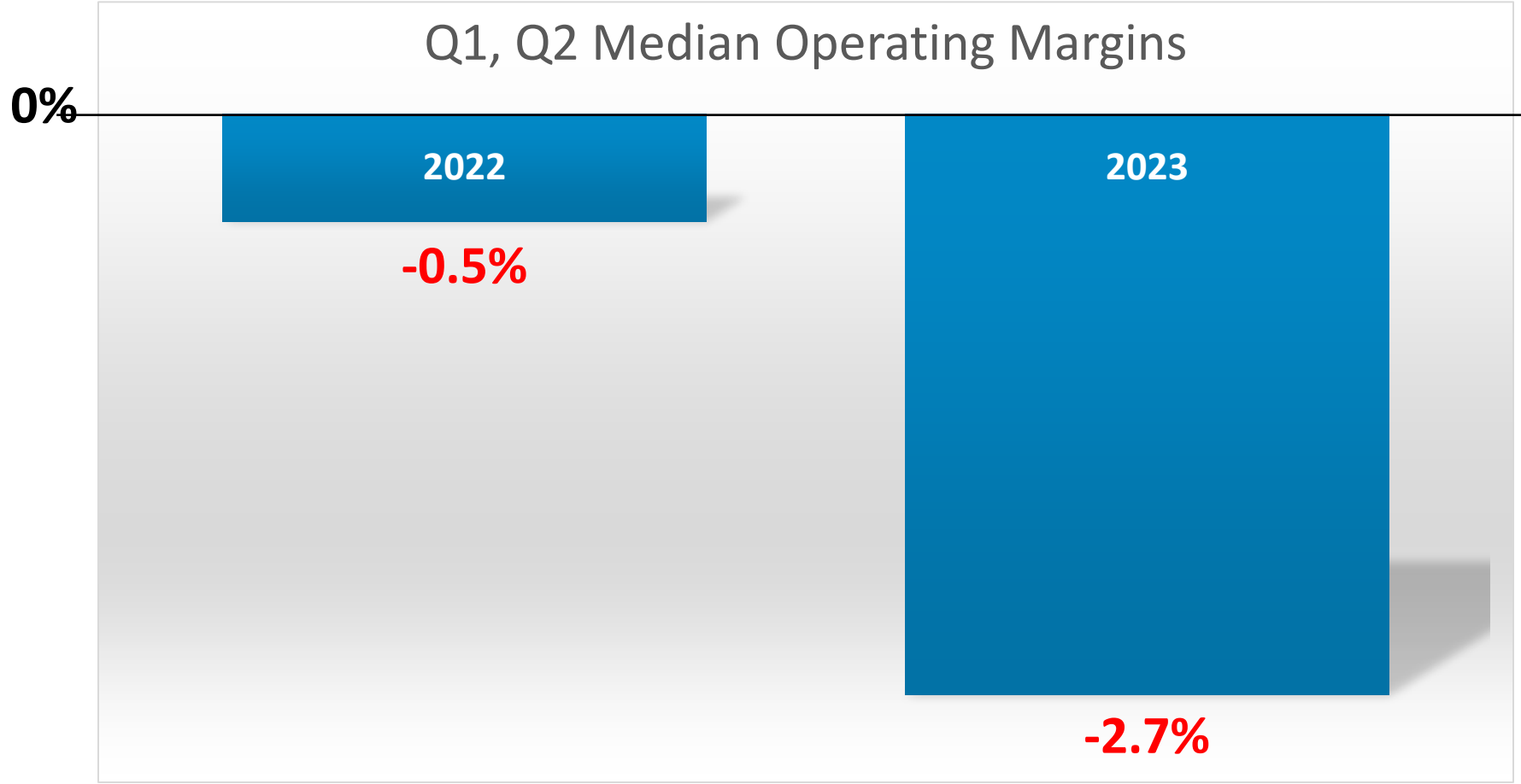
- **$67.6 Billion in Economic Output**: Nonprofit hospitals and health systems generate a massive economic impact statewide.
- **$39.3 Billion Added to Minnesota's GDP**: A significant contribution to the state's economic stability and growth.
- **$31 Billion in Labor Income**: Providing stable, well-paying jobs that sustain families and local economies.

- **388,741 Jobs Supported**: Directly employing 186,144 workers and supporting 202,597 additional jobs through related industries.

Historical look at statewide Hospital Operating Margin Trend



2023 vs 2022 margins



Negative margin drivers

1. Gov’t payer mix for hospitals increased to 64%.
   - Medicare (est. 20% below cost)
   - Medicaid (est. 27% below cost)
   - Inpatient FFS 68% of 2019 costs
2. Math problem: 2023 revenues grew 5.3%. But… employee costs grew 6.0% & supply costs grew 6.1%.
3. Uncompensated discharge delays & ED boarding

Hospitals in financial distress

Revenue constraints:

- Medicare & Medicaid reimbursements below cost
- Uncompensated care; discharge barriers
- Services whose reimbursement is below cost

Expense realities:

- Workforce costs: Wage hikes, premium pay, agency staffing costs
- Cost inflation of patient care supplies, pharmaceuticals, EHR, utilities, high-tech equipment, technology, etc.
- Emergency Departments: EMTALA, costs of 24-hour readiness, demand peaks – like now with seasonal flu, COVID, RSV, Norovirus, etc.

Underlying principles of hospital financing

Cost Shifting: Hospitals shift costs to commercial payers to compensate for underpayments from government payers. The problem is the pool of patients with commercial insurance is shrinking. (36%)

- How much is still possible? Percent amount over costs?

Cross Subsidization: Hospitals use positive margin services to support hospital service lines that lose money. This too is shrinking.

- Growth in free standing services. Traditionally, the margin generating services for hospitals.

Example: Surgical services offered in many locations

- Not bad for patients – but, has impacted hospitals.
- Frequently located in more affluent and younger communities.

Hospital discharge delays

Problem #1

- Hospitalized patients who have had their acute care needs met, are stuck in hospital beds awaiting discharge to alternative sites of care.

Problem #2

- Individuals stuck (or boarding) in a hospital emergency department. Frequently do not meet the inpatient criteria. No place else to go.
- Some are children who have been “dropped” of at an Emergency Departments -- due to lack of staffing, complexity of patient, costs. Some are from foster care and group homes.

Not an insignificant problem
And it's on-going

- Data from 2023
- 170,160 inpatient delayed days
- 24,739 ED boarding days

Total = 194,899 DC delayed days

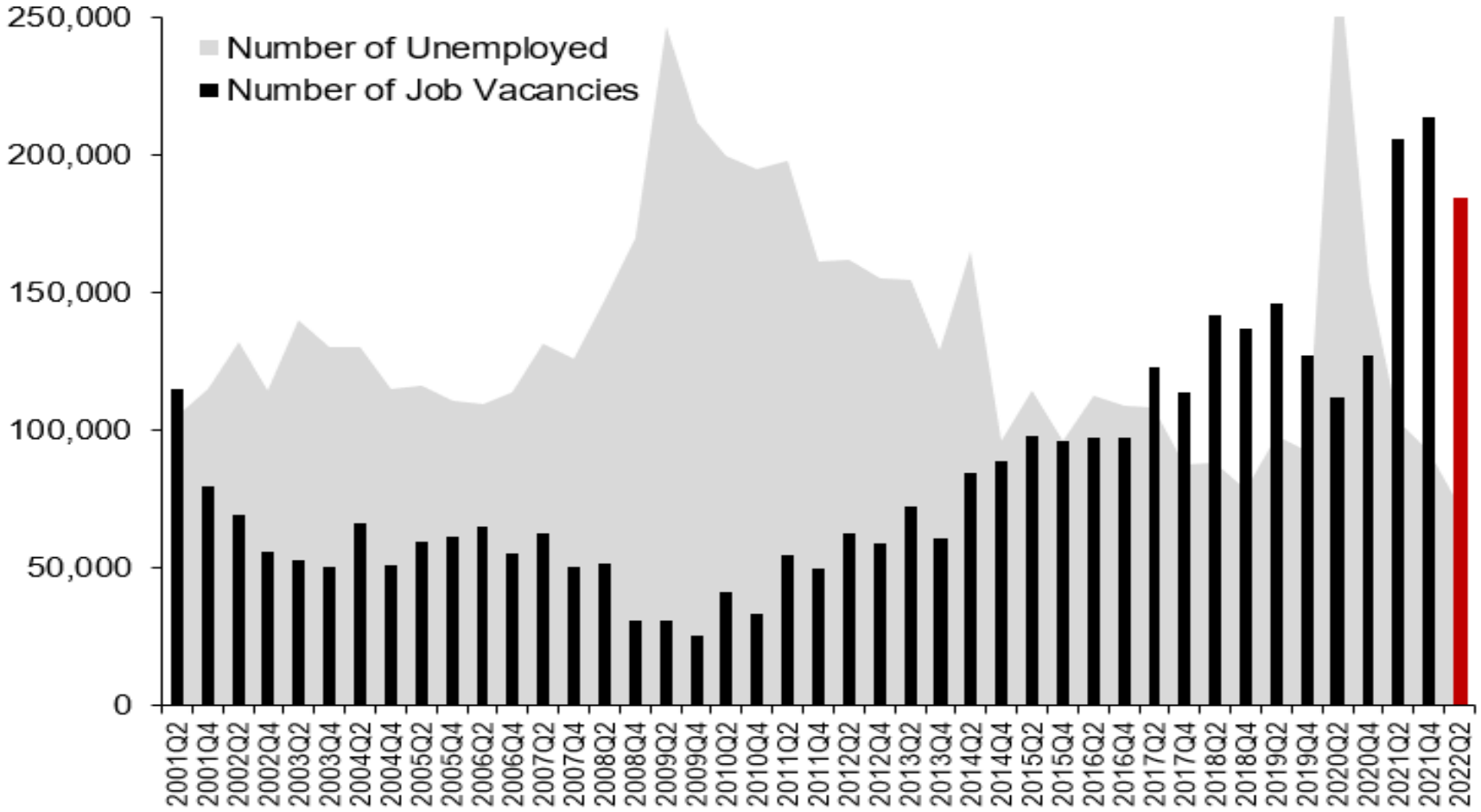
Statewide estimated uncompensated cost:

$487 million

Job Vacancies and Unemployed, 2001 –2022

EMPLOYMENT AND ECONOMIC DEVELOPMENT

Figure 1. Minnesota Job Vacancies and Unemployed, Second Quarter 2001 to Second Quarter 2022



Four major concerns with future workforce

- More workers are preferring to work part-time
- Retirement rates will rise as the Baby Boomers age out of the workforce
- When the economy is soft, care givers find hospital jobs desirable. When the economy is strong, hospitals are in competition with many other food and environmental service employers.
- There are fewer students – which reduces the pool of individuals choosing health care careers.

Hospital community benefit reporting (Passed in the 2024 Session)

- OLA report coming out soon on hospital community benefit.
- Community Health Needs Assessments due to MDH by Jan. 15, 2026.
  - Subsequent updates within 15 days
  - Include description of the community and health needs (separately if not included in CHNA)
- Addendum requirement: Annually submit information about community health improvement services with costs > $5,000
- Community Benefits implementation strategy
  - Due 1-year after CHNA
  - Identify top 3 health priorities

Hospital Community Contributions
(2024 report with 2023 data)

$6,208,669,213
Community Contributions

$1,021,009,159
Uncompensated Care*

$1,438,324,359
Medicaid Underfunding

$1,666,807,323
Medicare Underfunding

*Uncompensated care is the combination of charity care and bad debt.

Pending worries

- The importance of the federal 340B outpatient prescription drug program for all qualifying hospitals.
  - Hospitals are dependent on being able to purchase drugs at a discounted price.
  - Congress intended hospitals to use the money to stretch limited resources.
  - Pharmaceutical companies are trying to turn state and federal lawmakers against the program.
- What changes in the Medicaid program could be forth coming from the federal government?
  - Context: Minnesota receives about $12.1 billion a year from the federal government for the state's Medicaid program. *(Our percentage of federal dollars in support of our MA program is lower than most states.)*