

Hospital Financial Condition

October, 2024

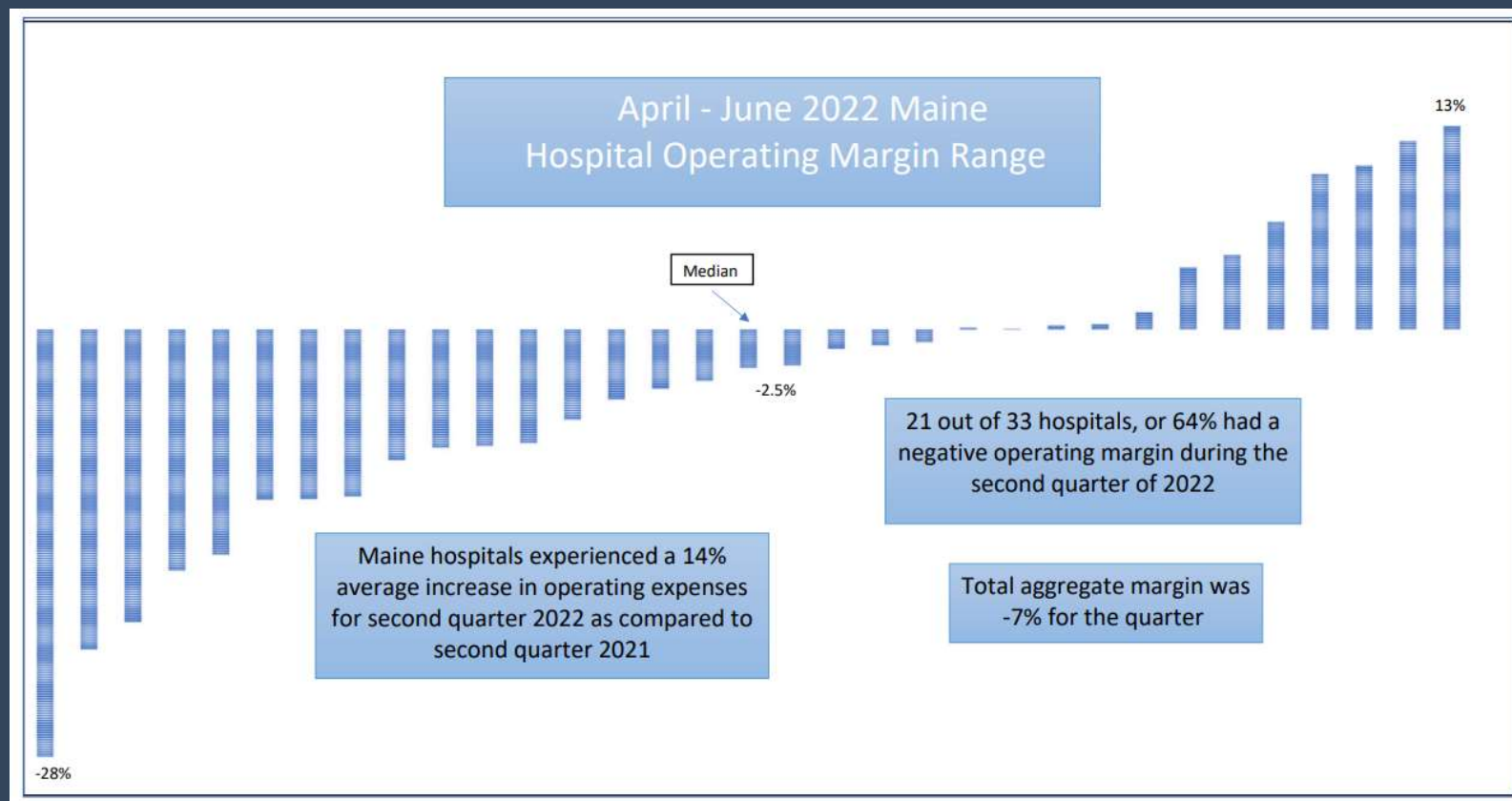


Hospitals are in a rough place financially.

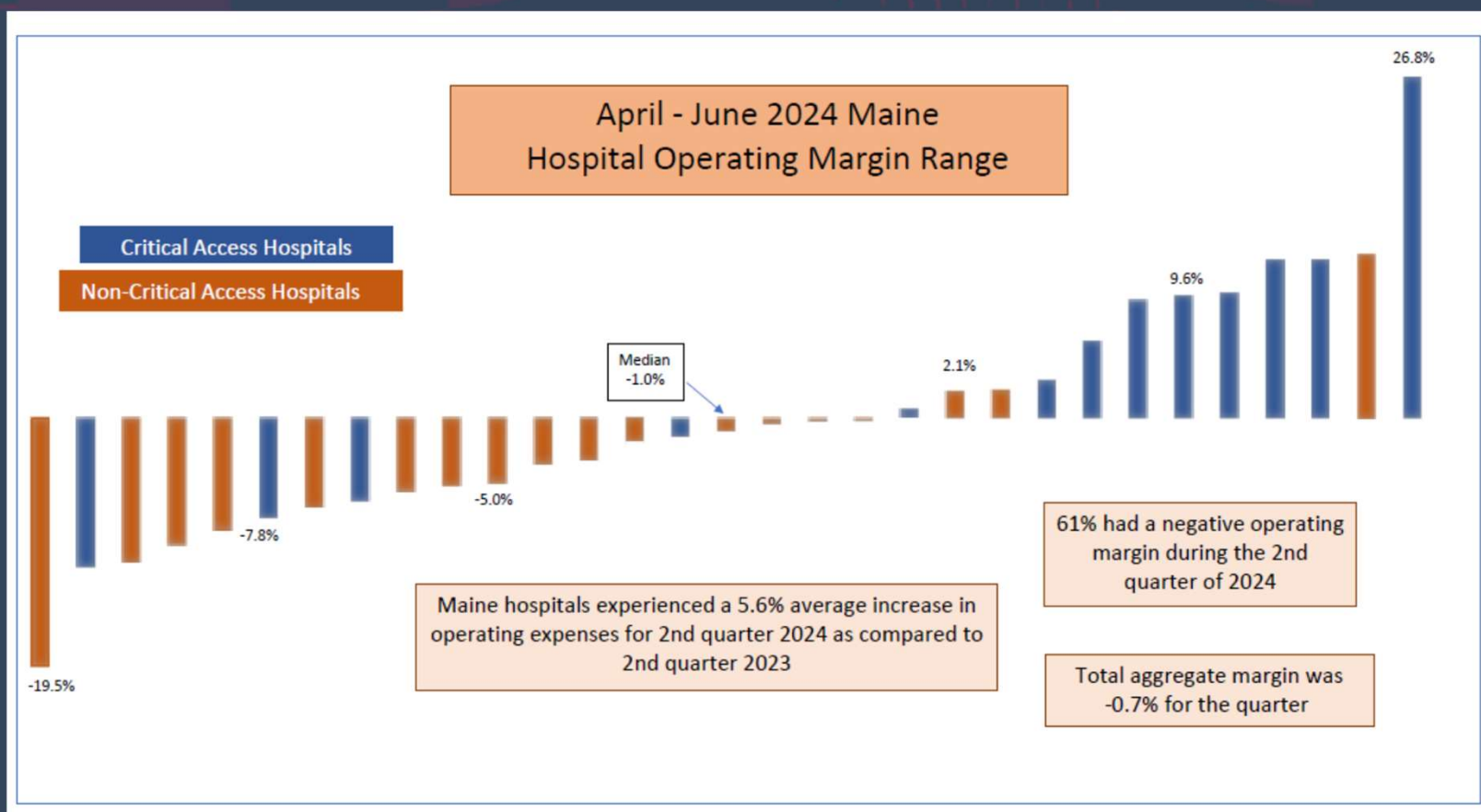
A common theme today will be “*things are not as bad as '22, but...*” four consecutive difficult years are beginning to show strain.

Operating Margins

Operating Margins – 2022 (Q2)



Operating Margins – 2024 (Q2)



Headwinds

Five Major Issues Our Members Face

- 1. Poor Payer Mix**
- 2. Ongoing Labor Shortages and Wage Pressures**
- 3. Attacks on Federal Subsidy Programs**
- 4. Securing Reimbursement Payments from Insurance Companies**
- 5. Ongoing Cost Shifting By Carriers to Patients**

Payer Mix

Payer Mix

The American Hospital Association recently reviewed the financial performance of rural hospitals nationwide.

Among rural hospitals that consistently had POSITIVE operating margins, roughly 50% of their patients were public payers.

Corresponding, those hospitals with public payers at the 60% public payer level LOST money.

Maine is 64%.

Hospitals	Medicare/ Other Federal	Medicaid	Total Public Payors
That consistently make money (nationally):	40%	9%	49%
That consistently lose money (nationally):	51%	9%	61%
Maine:	45%	19%	64%

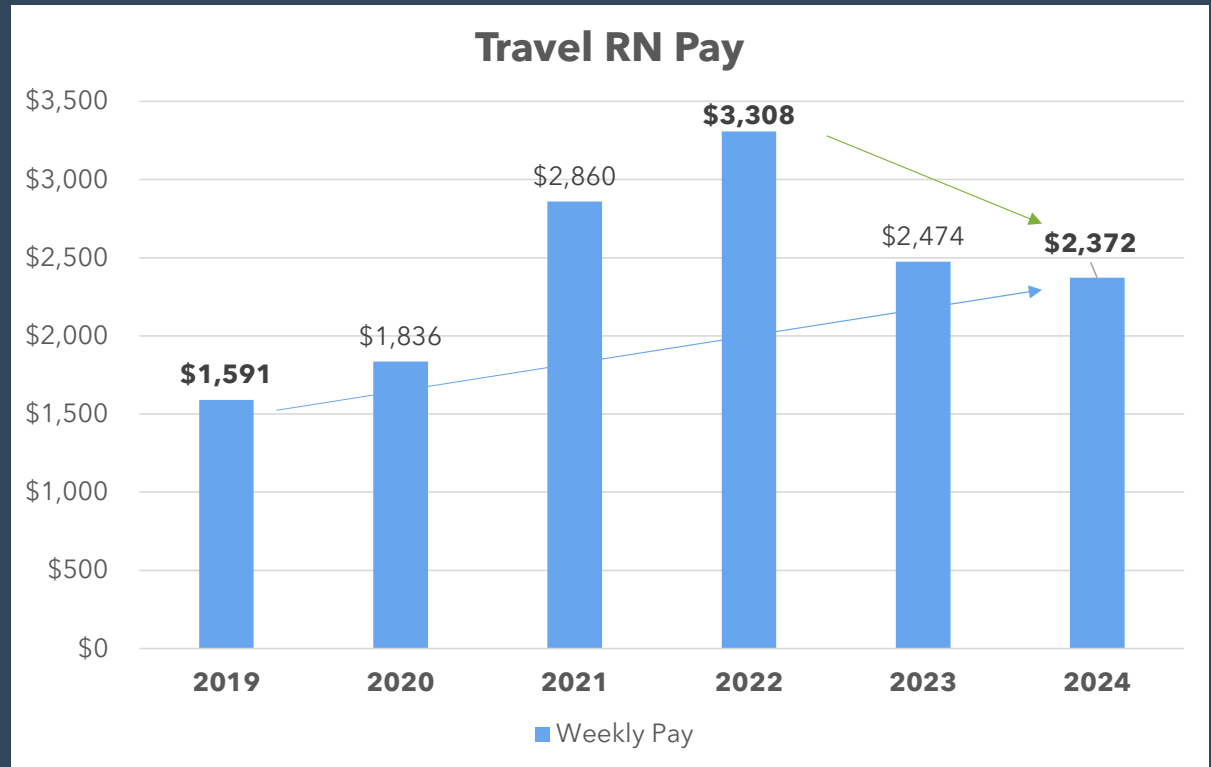
Wages and Workforce

Wage Pressure

The “travel nurse” issue remains a pressure point on labor costs. Utilization of travelers is down, but is still above pre-pandemic levels.

Furthermore, the average travel wage is 50% above what it was in 2019.

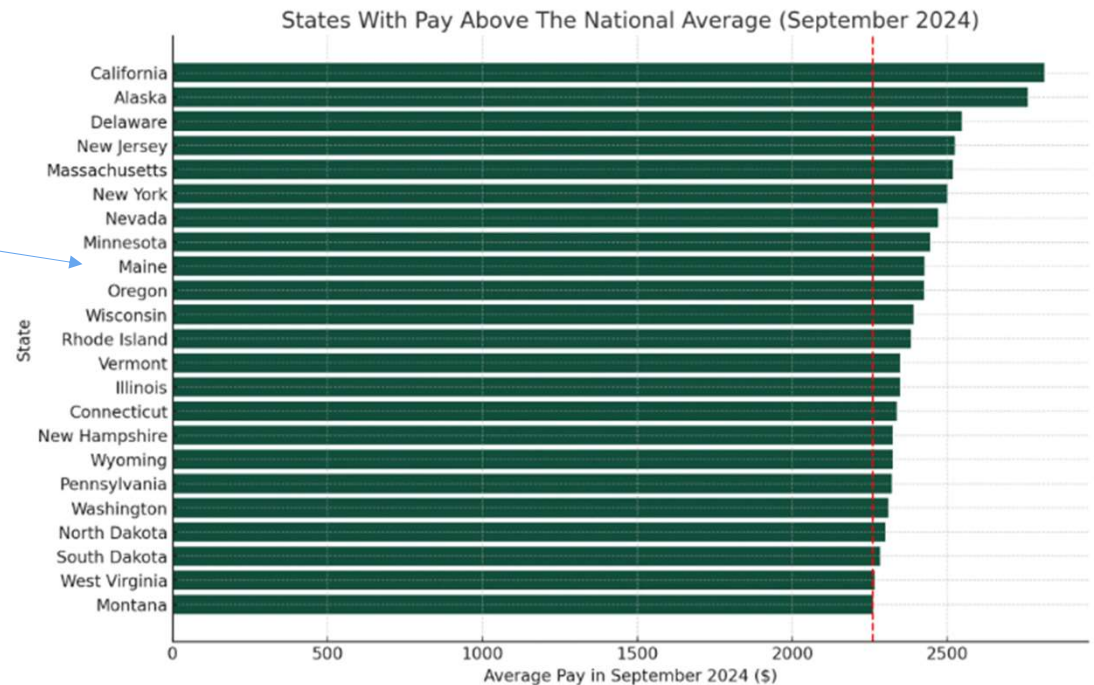
Its better than '22, but...



Wage Pressure

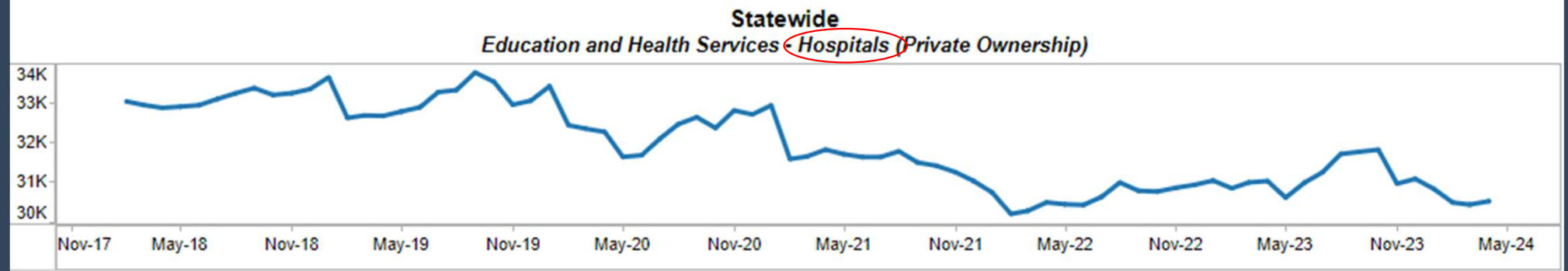
Maine is the 9th highest in the nation in terms of travel nurse pay.

States Where Travel Nurse Salaries Are Highest and Go Furthest



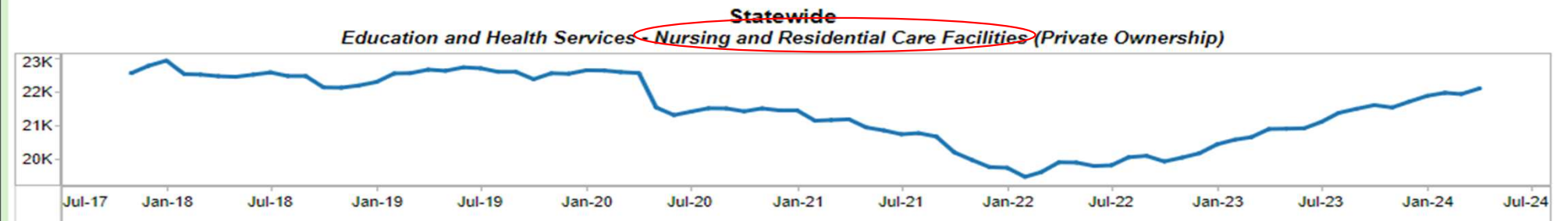
Workforce - Maine

Source: Maine Department of Labor, Center for Workforce Research and Information



Employment was rebounding in 2023 but has since fallen again and is down to its '22 lows.

Source: Maine Department of Labor, Center for Workforce Research and Information



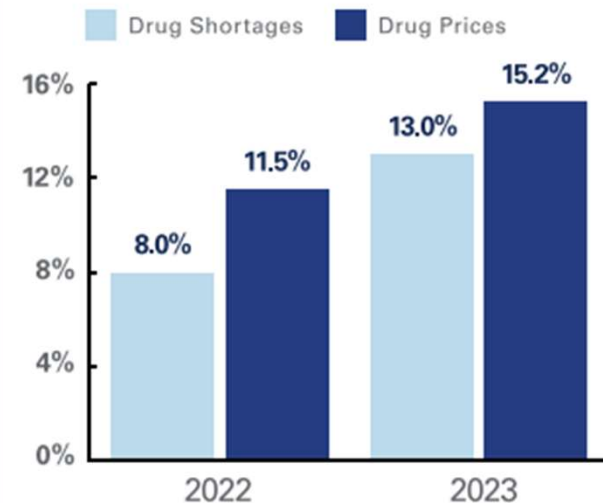
Attacks on Federal Subsidy Programs

Federal Support Programs

Increases in drug prices are quite steep year-to-year and one of the biggest cost pressures on providers like hospitals.

The AHA recently published a report showing the increases in drug prices have been 27% over the past two years.

Figure 8. Increase in drug shortages and drugs prices, 2022-2023



Note: Drug shortage data from Utah Drug Information System; Drug price data from ASPE.

Federal Support Programs

One of the largest federal subsidies for hospitals is the **340B drug discount program**.

In short, it requires prescription drug manufacturers to sell their products at a discount to certain hospitals and other providers for their low-income patients.

As the Supreme Court put it: “*340B hospitals perform valuable services for low-income and rural communities but have to rely on limited federal funding for support.*”

Manufacturers have been undermining the program costing hospitals in Maine tens of millions of dollars.

Commercial Payers

Commercial Payers - Overview

Hospitals face a number of challenges, but they can be summarized as:

Hospitals are not getting paid for care they provide.

Medicare Advantage plans are the current poster child for this issue, but they are not alone.

Medicare Advantage woes pose growing threat to hospitals: S&P

Jakob Emerson - Friday, August 16th, 2024



As Medicare Advantage continues to grow and health insurers prioritize their margins in the segment, hospitals are the most vulnerable healthcare provider to rising administrative and financial MA burdens, according to a new report from S&P Global.

The Aug. 15 report shared with *Becker's* highlights the [major growth](#) Medicare Advantage has seen over the last several years, with 32.8 million people, or 54% of the eligible Medicare population, now enrolled in an MA plan.

"This growth poses challenges to healthcare service providers' credit quality, given growing risks to reimbursement from MA plans relative to traditional Medicare, as well as the payment risk and higher complexity around prior authorization requirements," S&P's analysts wrote. "We also see future risks to providers if at some point CMS addresses the MA program's higher-than-expected spending."

61% in Maine

HEALTH

Medicare

Hospitals, doctors drop private Medicare plans over payment disputes



Ken Alltucker

USA TODAY

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PROVIDERS
Medicare Advantage's growth a bad omen for hospitals, S&P Global warns

By **Dave Muolo** · Aug 20, 2024 5:00pm

[Medicare Advantage](#) [Reimbursement](#) [Prior Authorization](#)

FIRST OPINION

Unnecessary insurance claim denials compromise patient care and provider bottom lines

By Michael J. Alkire May 1, 2024

[Reprints](#)

Average denial rates range from 10% to 20%.

Higher priced claims, like at hospitals, are much higher.

Denials occur even when prior authorization was obtained.

Chasing payment is very expensive for providers.

Hospitals are not getting paid for care they provide.

Payers - Commercial HDHP

Health, Pharma & Medtech > Health System

PREMIUM +

Share of employees enrolled high-deductible health plans (HDHP) in the U.S in 2021, by state



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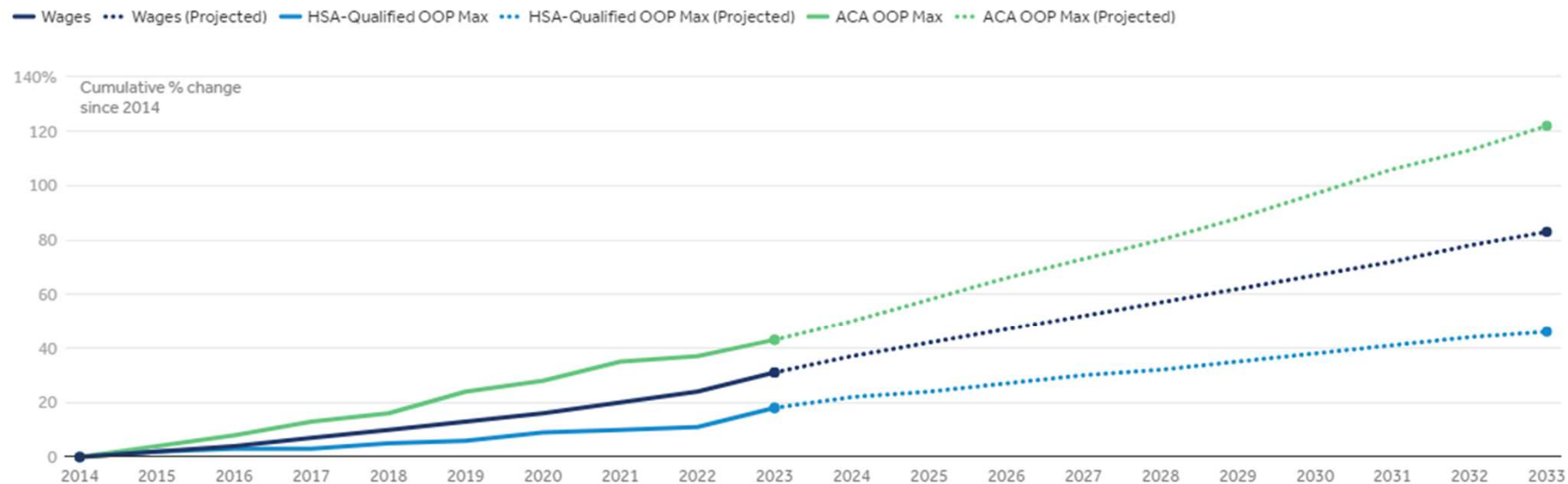
August 2022

Region

United States

The ACA's maximum out-of-pocket limit is growing faster than wages and salaries

Cumulative percent change from 2014 in HSA-qualified maximum OOP limit, ACA maximum OOP limit, and wages



ACA maximum OOP limit applies to other private health plans (grandfathered health plans are excepted). Estimated HSA-qualified maximum OOP limits are based on May 2022 CBO baseline projections and estimated ACA maximum OOP limits are based on 2022 CMS NHEA projections. HSA=health savings account; OOP=out-of-pocket.

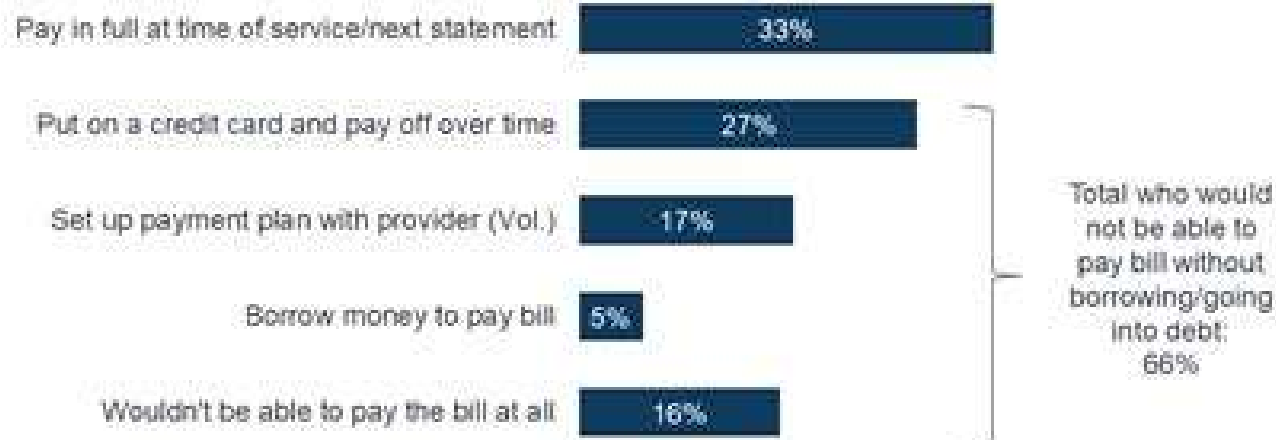
Source: KFF analysis of CBO and CMS NHEA data • [Get the data](#) • [PNG](#)

Payers - Commercial HDHP

Figure 14:

Two-Thirds In Higher Or Highest Deductible Plans Could Not Pay A Bill Equal To Deductible Without Going Into Debt

AMONG THE 41% IN HIGHER OR HIGHEST DEDUCTIBLE PLANS: Suppose you had an unexpected medical bill that was equal to the full amount of your deductible. Based on your current financial situation, how would you pay the bill?



NOTE: Based on those in plans with deductibles of at least \$1,500 for an individual or at least \$3,000 for a family.

SOURCE: KFF/LA Times Survey of Adults with Employer-Sponsored Health Insurance (Sept. 25-Oct. 9, 2018). See topline for full question wording.



Questions?