

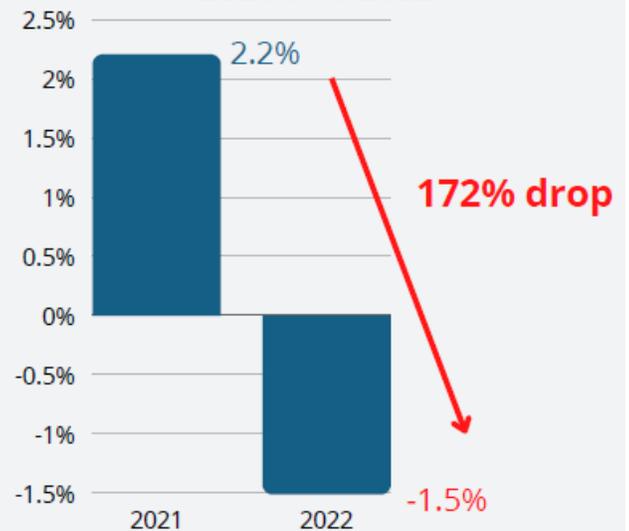
HOSPITAL AND HEALTH SYSTEM FINANCES

Minnesota's hospitals and health systems continue to struggle with the long-term financial repercussions of the COVID-19 pandemic and an exponential rise in labor and supply costs. This equates to our hospitals and health system losing millions of dollars each day. Hospitals and health systems need financial support to continue to serve our communities 24 hours a day, 7 days a week, 365 days a year.

Over half of the MHA hospitals and health systems reported negative margins in 2022.

- The pandemic and its lasting effects heightened and accelerated financial stressors for hospitals and health systems.
 - 41% of hospitals and health systems reported a negative operating margin in 2021. That number increased significantly with 56% of hospitals and health systems reporting negative operating margins in 2022.
- Government payers severely underpay hospitals and health systems for the services that are delivered.
 - Medicare reimburses hospitals 20%, on average, below the cost of care, while Medicaid reimburses at 27% below cost.
- Labor expenses grew by 7.4% and non-labor costs grew by an average of 9.5%.

Median hospital and health system operating margin for Q1 and Q2 in 2021 and 2022



MHA urges the legislature to:

- **Increase Medicaid reimbursement to better support patient care.** The number of patients on government insurance programs continues to grow, now amounting to 61% of the average hospital's payer mix. MHA urges the legislature to increase Medicaid reimbursement rates to accurately reflect the current cost of care.
- **Alleviate the care capacity crisis across the health care system.** There are a significant number of patients with discharge delays from acute care hospitals. Hospitals and health systems are not reimbursed for the ongoing "boarding" of patients and cannot use those beds for new patients in need of acute care. MHA supports additional resources and incentives for hospital decompression sites.

Contact Mary Krinkie (mkrinkie@mnhospitals.org) or Danny Ackert (dackert@mnhospitals.org) for more information.

These data are based on a survey conducted by MHA. We received 32 survey responses accounting for 67 hospitals which represents about 53% of the 127 community acute care hospitals statewide.



Minnesota Hospital Association