

# Financial Pressures Continue for Minnesota's Hospitals

## Overview:

Hospital and health system finances are failing in Minnesota and across the country. When hospitals struggle financially, Minnesotans might find it harder to get the care they need, where and when they need it. Similar pressures have led to hospital closures and loss of services across the country, and nearly 30% of U.S. rural hospitals are facing closure. Addressing this issue swiftly is crucial to maintaining the quality and accessibility of health care across the state.

## Minnesota Impact:

Minnesota hospitals are still recovering from 2023, when nearly half had negative operating margins, with a median margin of 1.7%. Simply put, government payments are not covering the costs of providing care, with yearly losses exceeding \$2.3 billion.



**The costs of labor grew by 6%, and supply and service costs grew by 6%.**

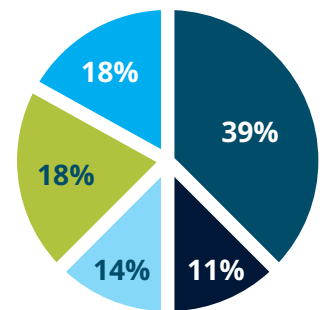


**Nearly a quarter of member hospitals and health systems reported labor costs rising by double digit percentage points, and a third of hospitals said supply and service costs had risen by more than 10% over 2022.**

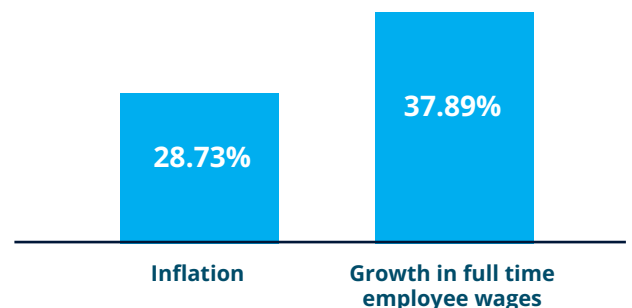
## Minnesota Hospital Expenses

Salaries, wages, and employee benefits made up 50% of expenses in 2023

- **Salaries and Wages**
- **Purchased Services,**  
e.g.: cybersecurity,  
legal services
- **Employee Benefits**
- **Supplies**
- **Other**



## Hospital wage growth significantly outpaced inflation (2014-2023)





**Hospitals are underpaid for the care they give by billions of dollars annually.** That includes more than \$1 billion in shortfalls from Medicare, another \$837 million shortfall from Medicaid, and an estimated \$487 million in care for patients waiting in hospital rooms or emergency departments for discharge to other care settings.

**Medicaid reimburses hospitals 73 cents for every dollar spent, while Medicare reimburses 82 cents for every dollar spent.**



**73%**  
MEDICAID  
REIMBURSEMENTS



**82%**  
MEDICARE  
REIMBURSEMENTS

Source: 2023 Minnesota Hospital Annual Reports

## Policy solutions:



**Increasing the Medical Assistance (MA) reimbursements** to hospitals and health systems to better cover the cost of services provided to Minnesota's low-income and underserved populations.



**Providing temporary financial support for hospitals and health systems** to offset the high costs of patients boarding in hospital beds and emergency rooms.



**Providing funding for recruiting and retention efforts** such as health care scholarship programs and health professional loan forgiveness.

## Contact us

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