



# Colorado Hospital Industry Update

2022 Financial and Utilization Results



# Executive Summary

The financial and operational impacts for hospitals since the onset of the COVID-19 pandemic have been staggering. As hospitals, policymakers, and other health care leaders assess the current landscape, key findings regarding the financial state of Colorado hospitals include<sup>1</sup>:

- **Hospitals are facing a serious financial toll, with no further relief in sight.** Hospitals have incurred unprecedented losses relative to pre-pandemic levels, approximately \$1.8 billion through August 2022.
- **Expenses are up and outpacing revenue.** Total expenses in 2022 for Colorado hospitals are 21% higher than pre-pandemic levels, outpacing increases in reimbursements. Rising expenses for staffing – up more than 26% - and medical supplies have contributed to a \$2 billion increase in total expenses.
- **More than half of Colorado hospitals are unable to make ends meet.** For the many hospitals with negative operating margins, reimbursements do not cover the cost of patient care. This increases pressure on local tax resources and jeopardizes access to care and long-term sustainability.
- **Remaining operating margins have been cut in half.** While stimulus support helped keep many hospitals afloat in 2020, 2022 operating margins are 49% below 2019 levels.
- **Hospitals are seeing fewer patients, and these patients are sicker.** While hospital discharges and inpatient surgeries have decreased since 2019, patient days and length of stay are on the rise, indicating that patients have more severe health needs than prior to the pandemic. With labor shortages and closure of post-acute care facilities, hospitals are caring for patients longer, resulting in increased expense.

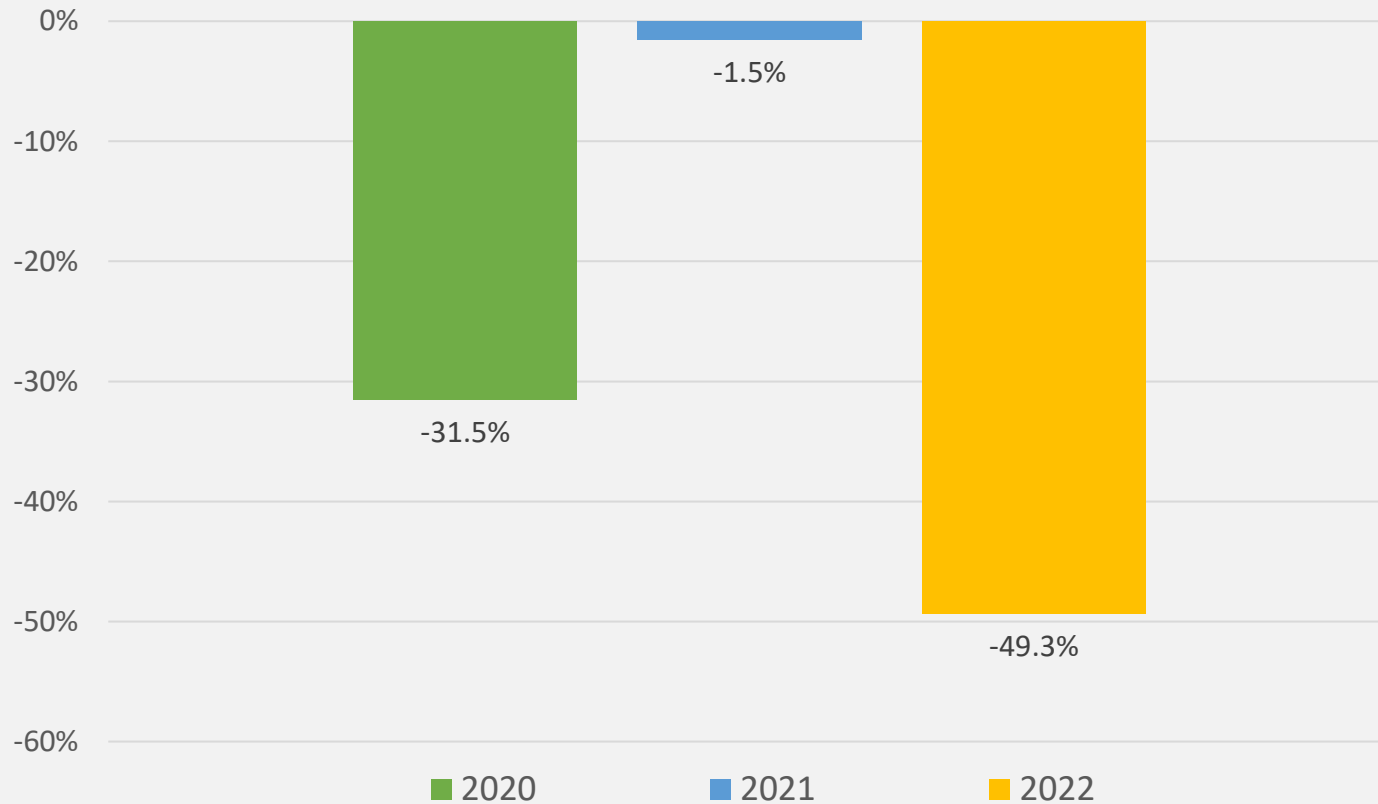
Colorado hospitals are facing financial and operational threats two and a half years into the pandemic including staffing constraints, financial pressures, and increasing regulatory burdens while continuing to provide life-saving and accessible care for their patients and communities.

<sup>1</sup> Data reflects a pre-pandemic 2019 baseline through Aug. 2022 from CHA DATABANK



# Operating Margins are Significantly Lower

Percent Change in Operating Margin Compared to 2019



## Key Takeaways

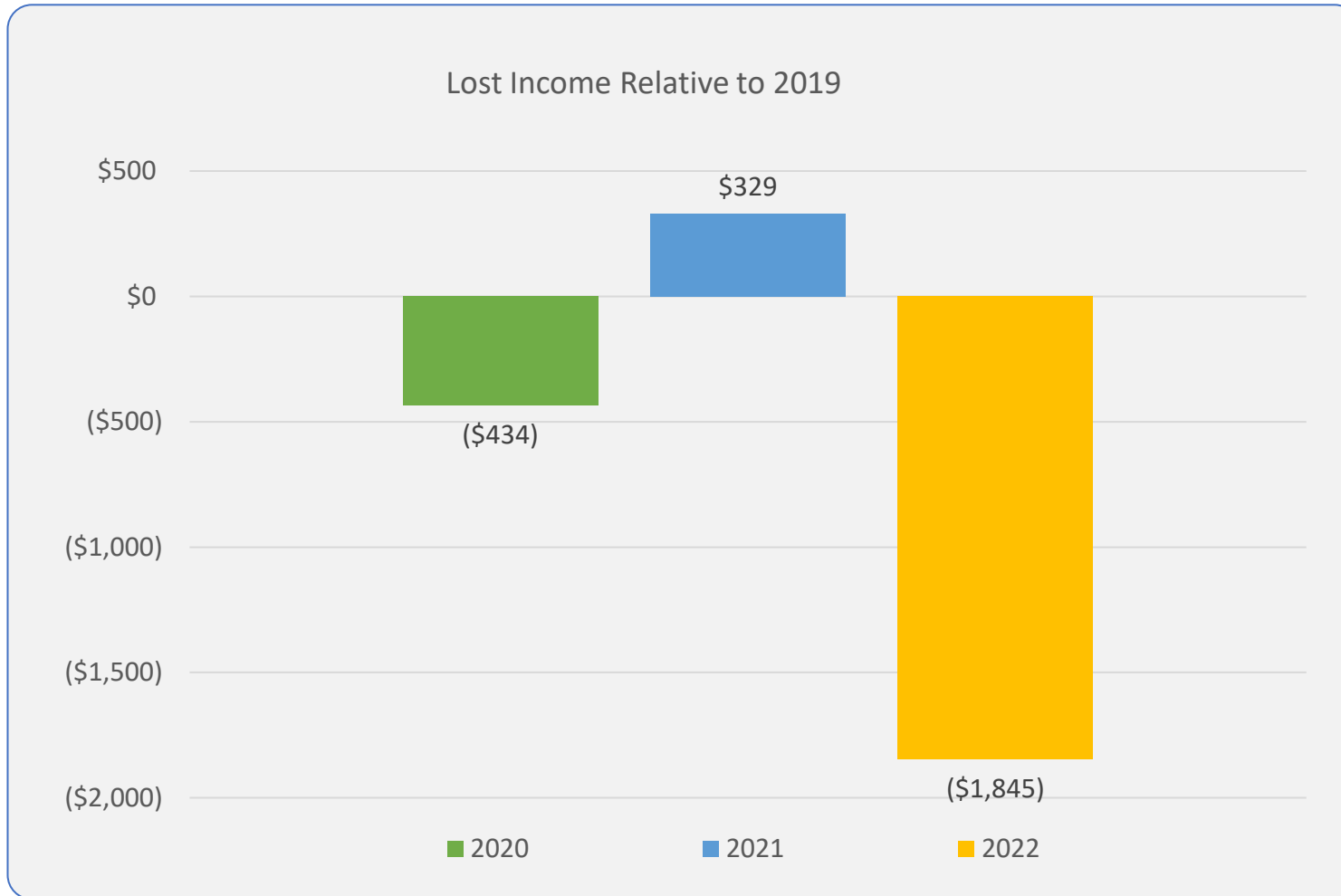
- Since the start of the COVID-19 pandemic, operating margins have been negatively impacted.
- Increased expenses have significantly impacted 2022 operating margins after a slight bounce back in 2021.
- Colorado trends are consistent with national trends through August 2022 \*

Data obtained from CHA Databank reported through August 2022

\*Kaufman Hall releases monthly trends based on 900 hospitals



# Hospital Income is Significantly Lower



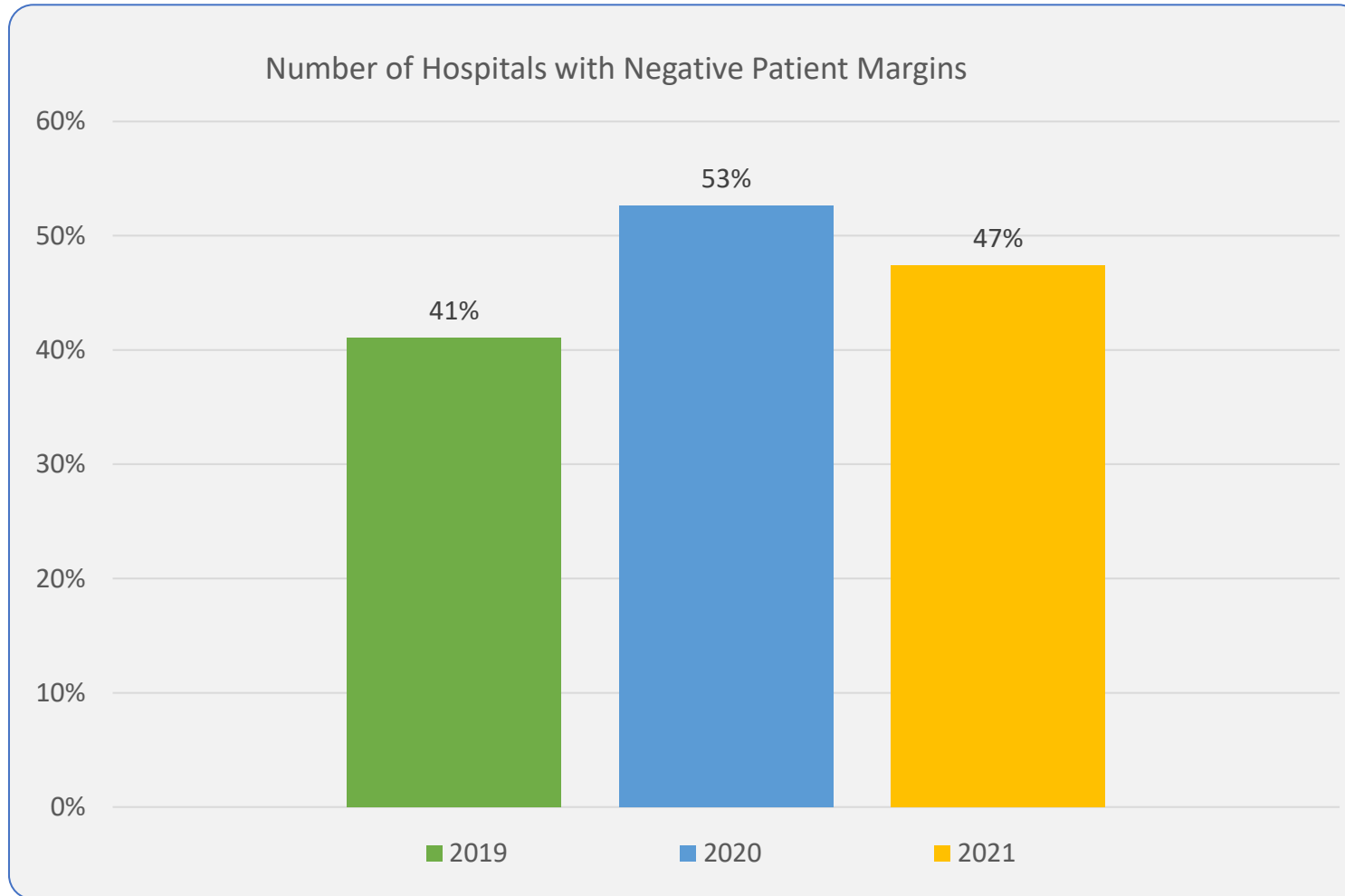
### Key Takeaways

- Losses in 2020 and 2021 were partially offset by Federal COVID dollars and increased volumes helped with a slight bounce back in 2021.
- Investment losses, coupled with increases in operating expenses, have led to a significant decrease in total income compared to pre-pandemic income of **\$1.8 Billion.**

Data obtained from CHA Databank reported through August 2022  
\*Kaufman Hall releases monthly trends based on 900 hospitals



# Hospitals Continue to Operate with Negative Patient Margins



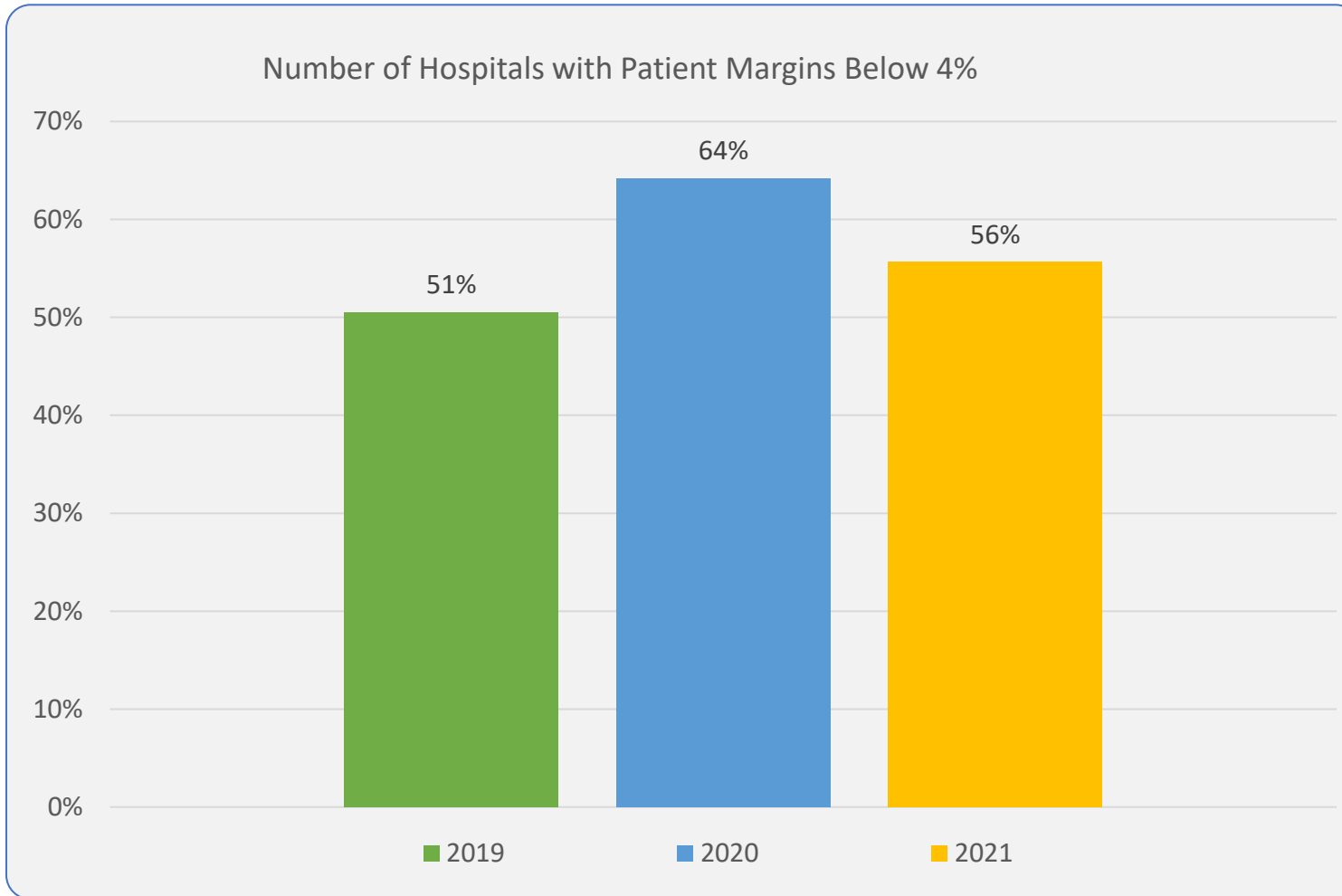
Data obtained from CHA Databank reported through August 2022

## Key Takeaways

- During the 2020 pandemic year, over half Colorado hospital were operating with negative patient margins, while patient margins slightly rebounded in 2021, they are still higher than the pre-pandemic environment.
- Hospitals operating with negative margins increases the pressure for hospitals to find alternative non-patient revenues, including local tax sources.



# Over Half of Colorado Hospitals Have Unsustainable Margins

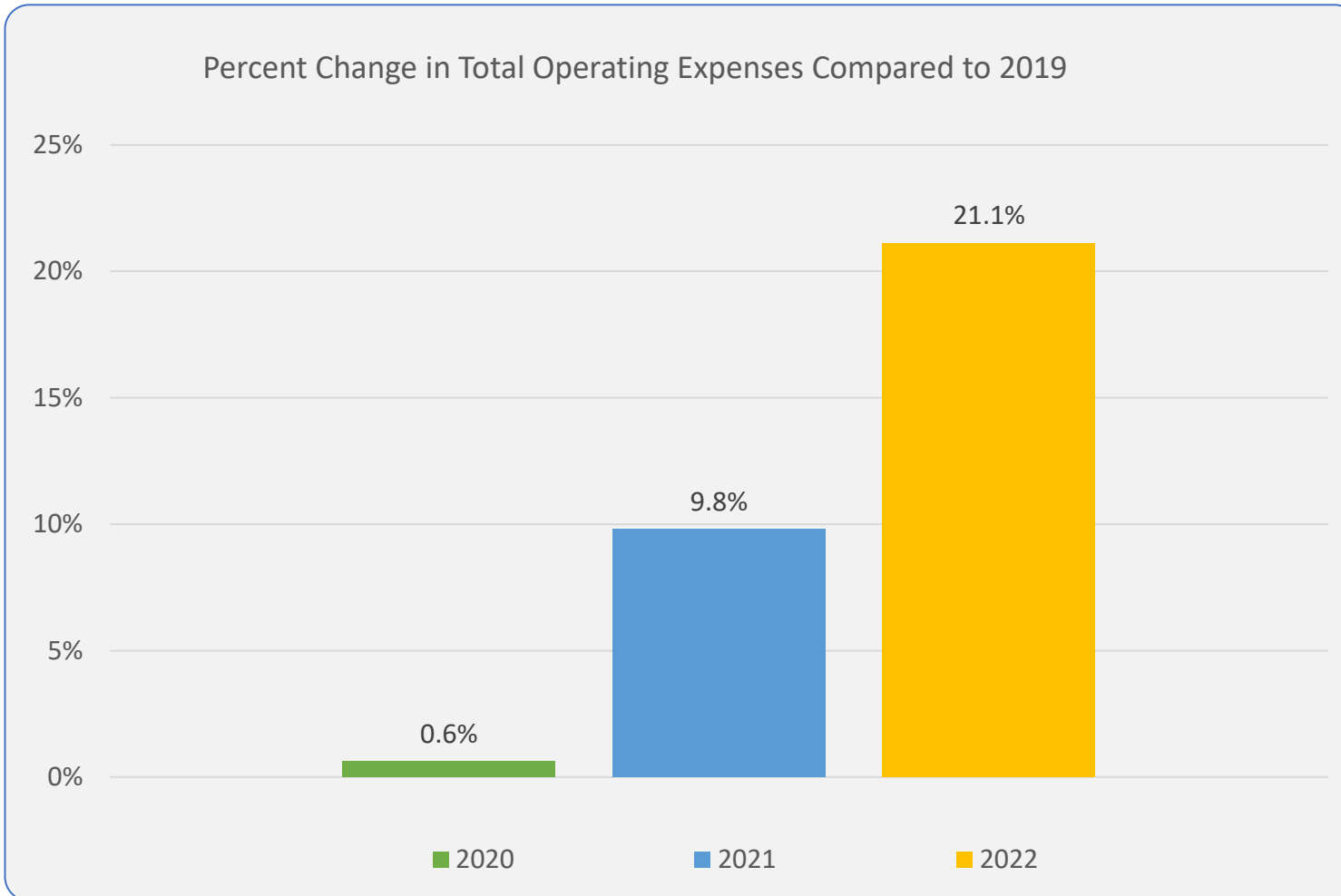


### Key Takeaways

- 4% is considered to be a sustainable margin to allow hospitals to reinvest/replace their facilities and equipment and fund future investment in their communities.
- Over half of Colorado hospitals continue to operate with unsustainable margins.



# Operating Expenses Increase by Double Digits Yearly



### Key Takeaways

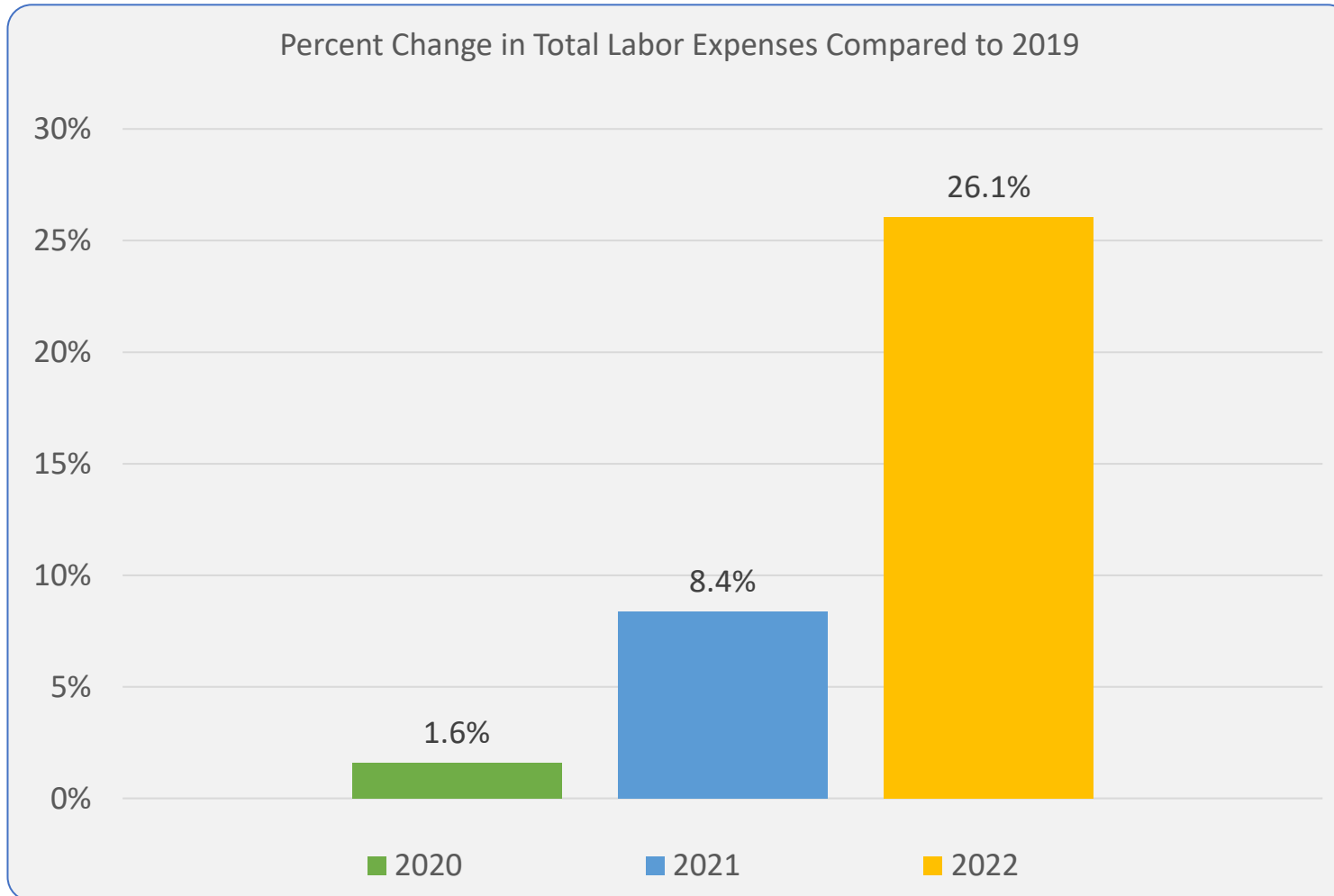
- Expenses continue to rise since 2019 and are 21.1% higher in 2021.
- According to the AHA, nationally, hospital and health system expenses are expected to increase by nearly \$135 billion this year over 2021 levels \*\*
- According to Medicare cost report, from 2015 to 2019, operating expenses increase 7% per year on average.

Data obtained from CHA Databank reported through August 2022

\*\*<https://www.aha.org/press-releases/2022-09-15-new-report-shows-2022-will-be-most-financially-difficult-hospitals-and>



# Labor Expense Continues to Increase



### Key Takeaways

- Labor expenses have significantly increased since 2019, up over 26%.
- Colorado labor expense trends are consistent with national trends since the start of the COVID pandemic\*
- According to Medicare Cost Report, from 2015 to 2019, Labor expenses increase on average 6.6%.

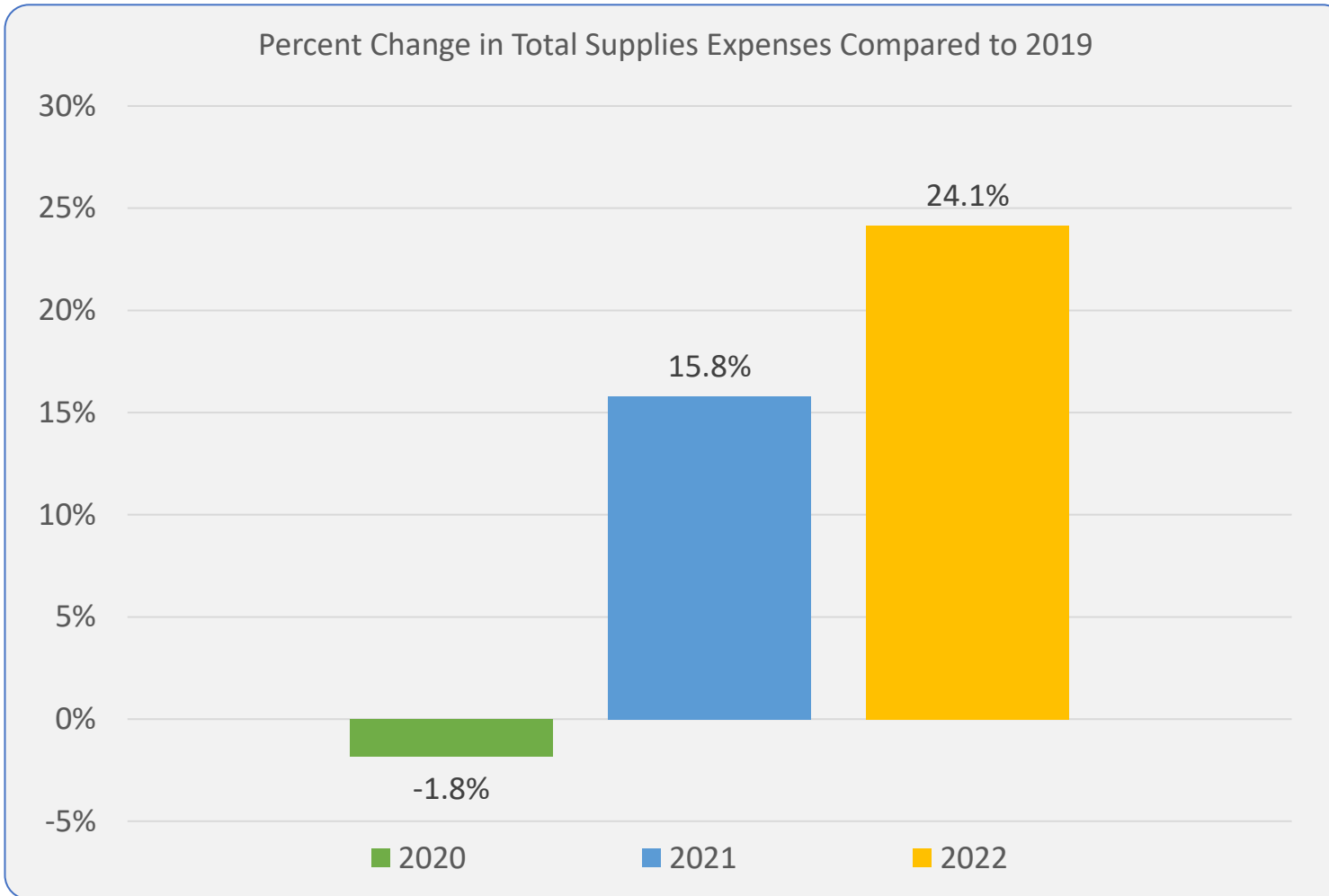
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# Supplies Expenses Increase Significantly



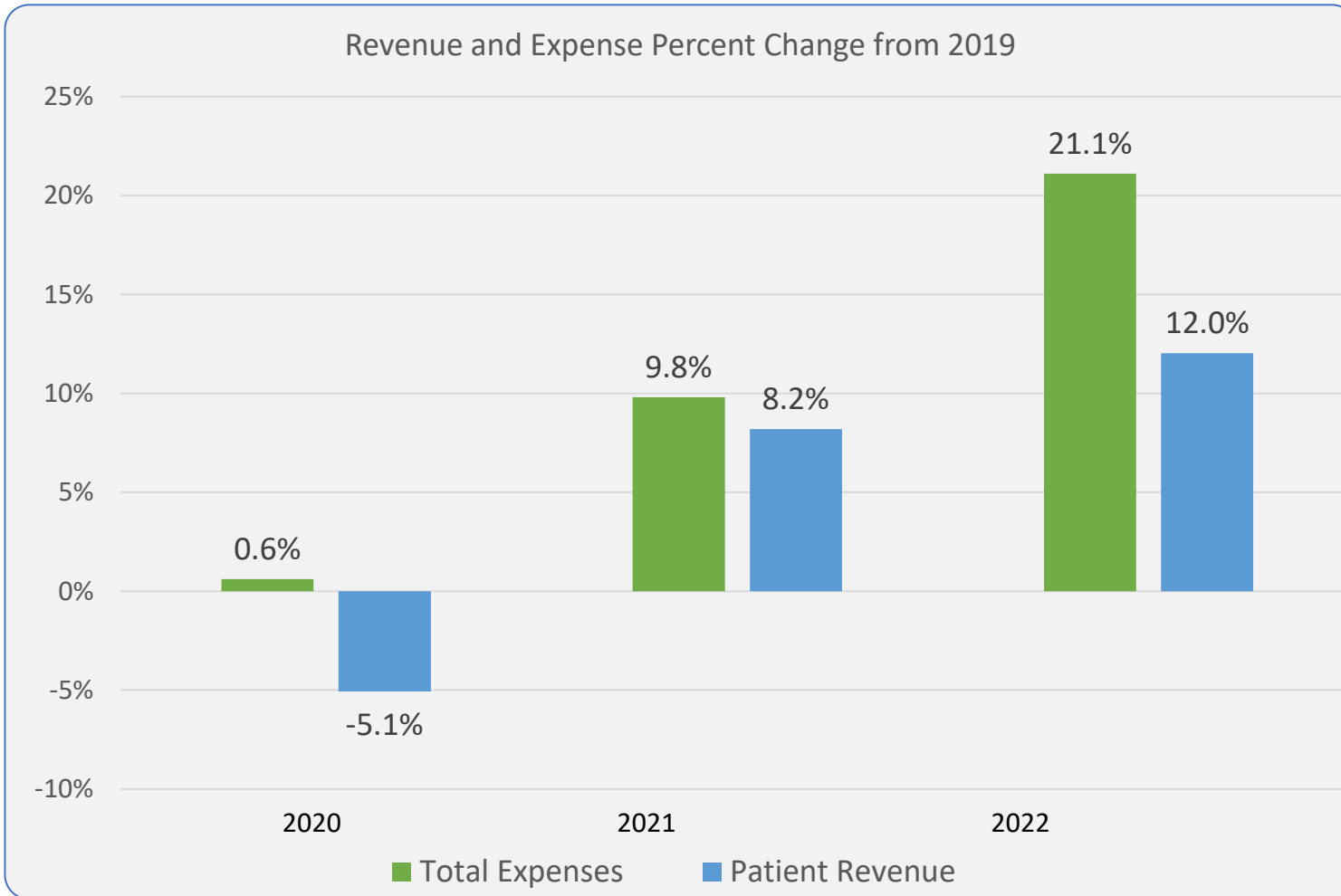
## Key Takeaways

- Supply expenses have increased substantially in both 2021 and 2022 with rising inflation and higher patient days.
- Supply expenses have been up significantly since the start of the COVID pandemic and Colorado trends are consistent with national trends.

Data obtained from CHA Databank reported through August 2022



# Expense Increases Significantly Outpace Revenue Increases

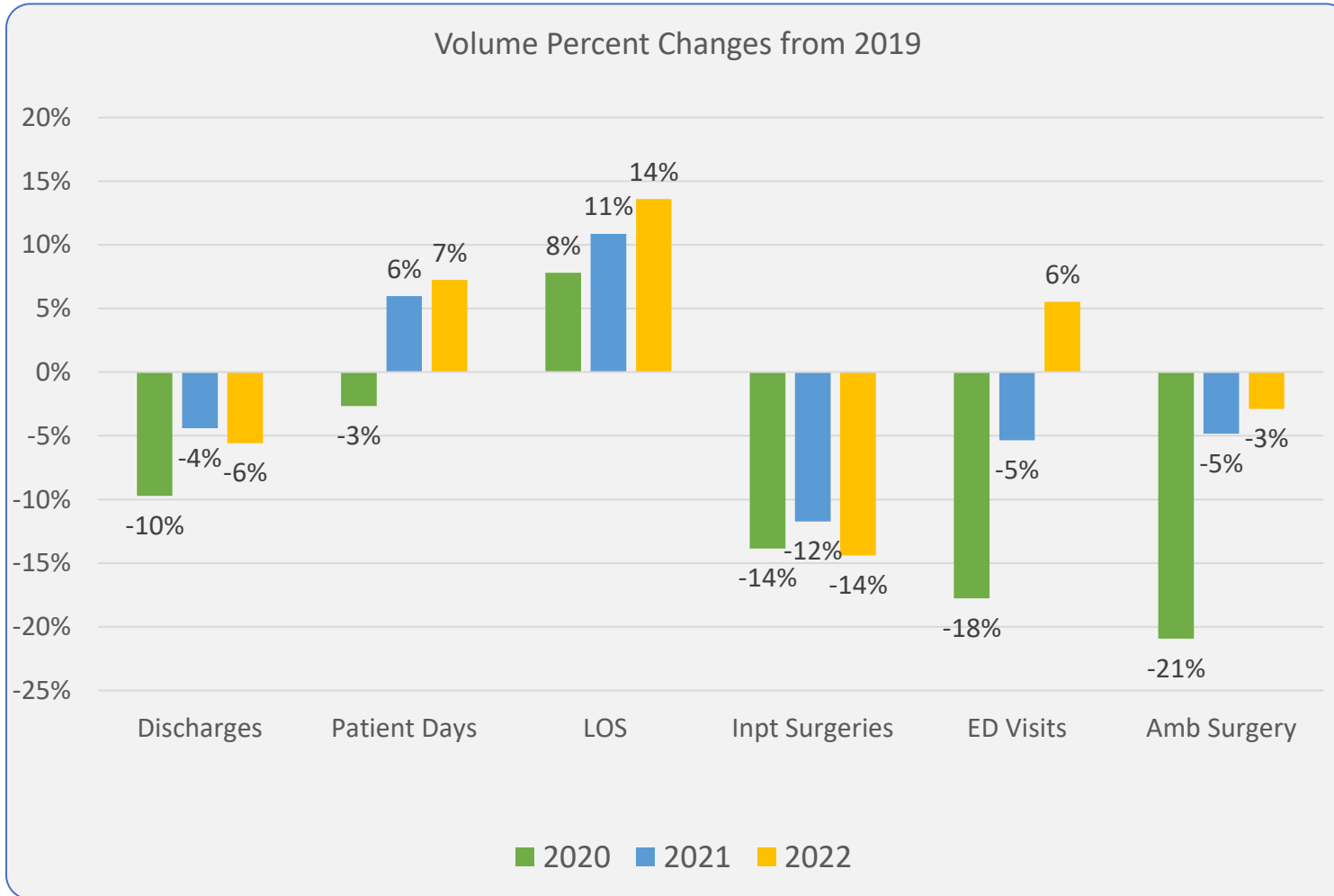


## Key Takeaways

- Total operating expense growth has been higher than revenue growth since 2019
- Expense increases in wages and supply costs are expected to continue to outpace revenue growth for the foreseeable future, creating unsustainable economic conditions



# Utilization Trends Have Shifted Since Pre-Pandemic



## Key Takeaways

- The combined effect of fewer discharges and increased patient days has led to a 14% increase length of stay in 2022.
- Inpatient and ambulatory surgeries continue to lag compared to 2019
- ED Visits have rebounded in 2022 with an 6% increase compared to 2019. Nationally, ED volumes decreased in 2022