# Colorado Hospital Industry Update

## 2nd Quarter 2023 Financial and Utilization Trends

c|h|a
Colorado Hospital Association

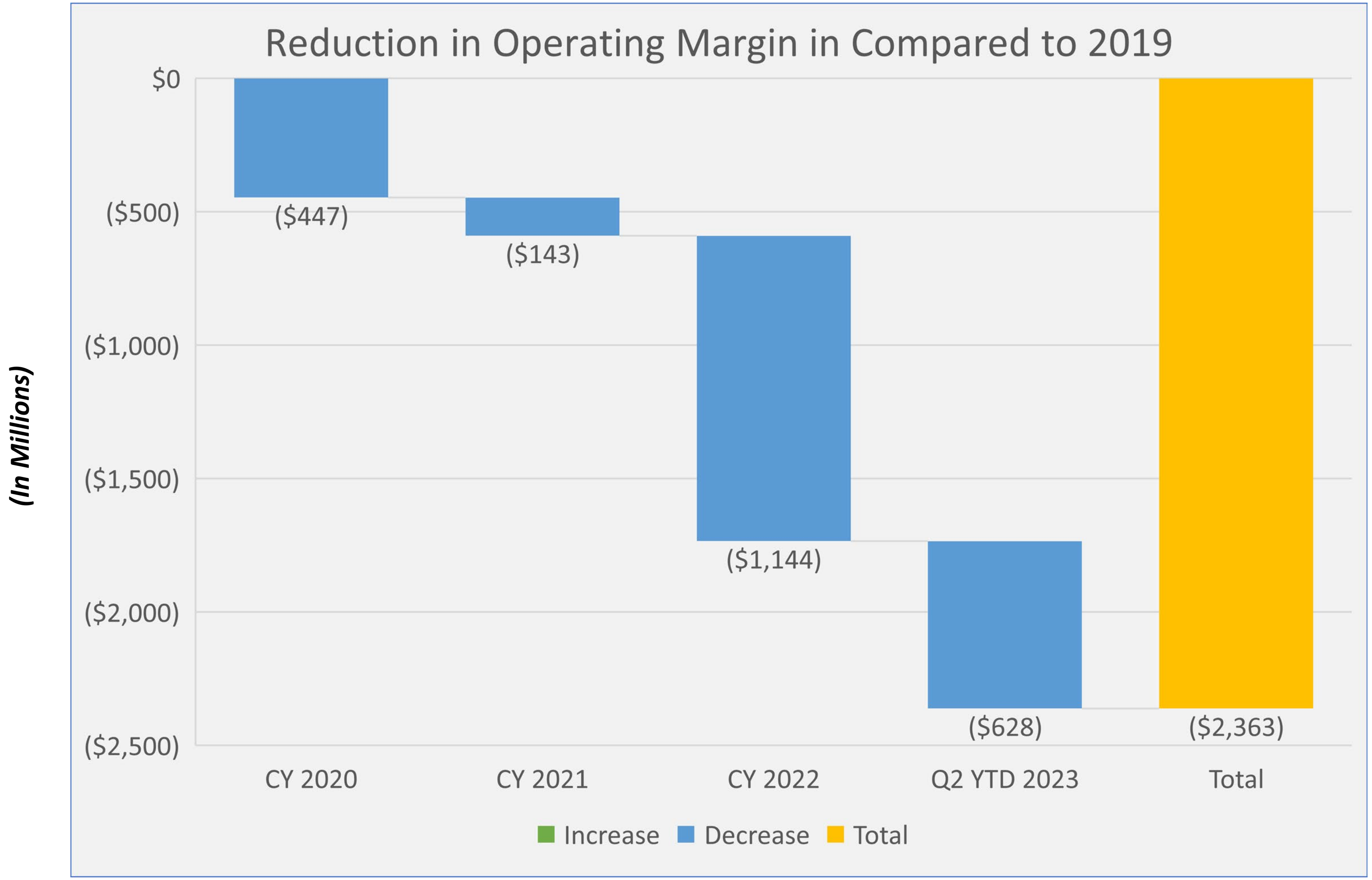
# Overall Summary

The financial and operational impacts for hospitals since the start of the pandemic have been staggering and continue to grow. Policymakers and other health care stakeholders need to be aware of the current financial state of Colorado hospitals from the beginning of the pandemic through June 2023, including:

- **Margins have fallen significantly compared to pre-pandemic levels.** Operating margins in 2023 are 57% lower than pre-pandemic levels, following a 50% decrease in 2022, as increasing expenses continue to outpace revenues.
- **Nearly half of all Colorado hospitals have negative operating margins**. For many hospitals, patient revenue is not covering the cost of patient care, requiring additional means of support, including local tax resources, and jeopardizing the ability to provide services for their communities in the future.
- **Expenses trends for Colorado hospitals continue to rise at near double-digit rates and higher than other states.** Total expenses so far in 2023 are 31% higher than pre-pandemic levels, nearly 8% per year, driven by increases in staffing, medical supplies, pharmaceutical costs, and growing administrative costs to support regulatory requirements.
- **Colorado hospitals are providing increasing support for Medicaid and Medicare patients with reimbursement that does not cover the cost of care.** Colorado hospitals are committed to providing services for Medicare and Medicaid patients, but increasingly at reimbursement that does not cover costs, totaling over $21 billion during the last 10-year period.
- **Hospital utilization and volumes have shifted throughout the pandemic and into 2023.** Hospital discharges and inpatient surgeries at Colorado hospitals are significantly lower than pre-pandemic levels. Patient days and length of stay are on the rise, indicating that patients have more severe health needs and are experiencing delays in discharge.
- **Hospitals have faced a serious financial toll, with no further relief in sight.** Hospitals have incurred unprecedented losses relative to pre-pandemic levels, approximately $3.5 billion to date in 2023 with no end in sight, creating financial instability for the industry and constraining future investments to support Colorado's growth.

These findings underscore the continuing financial and operational threats Colorado hospitals continue to experience since the start of the pandemic. Colorado hospitals focus resources on providing life-saving care and support for their communities while grappling with troubling and uncertain financial and economic challenges.

# Operating Margins Continue to Decrease

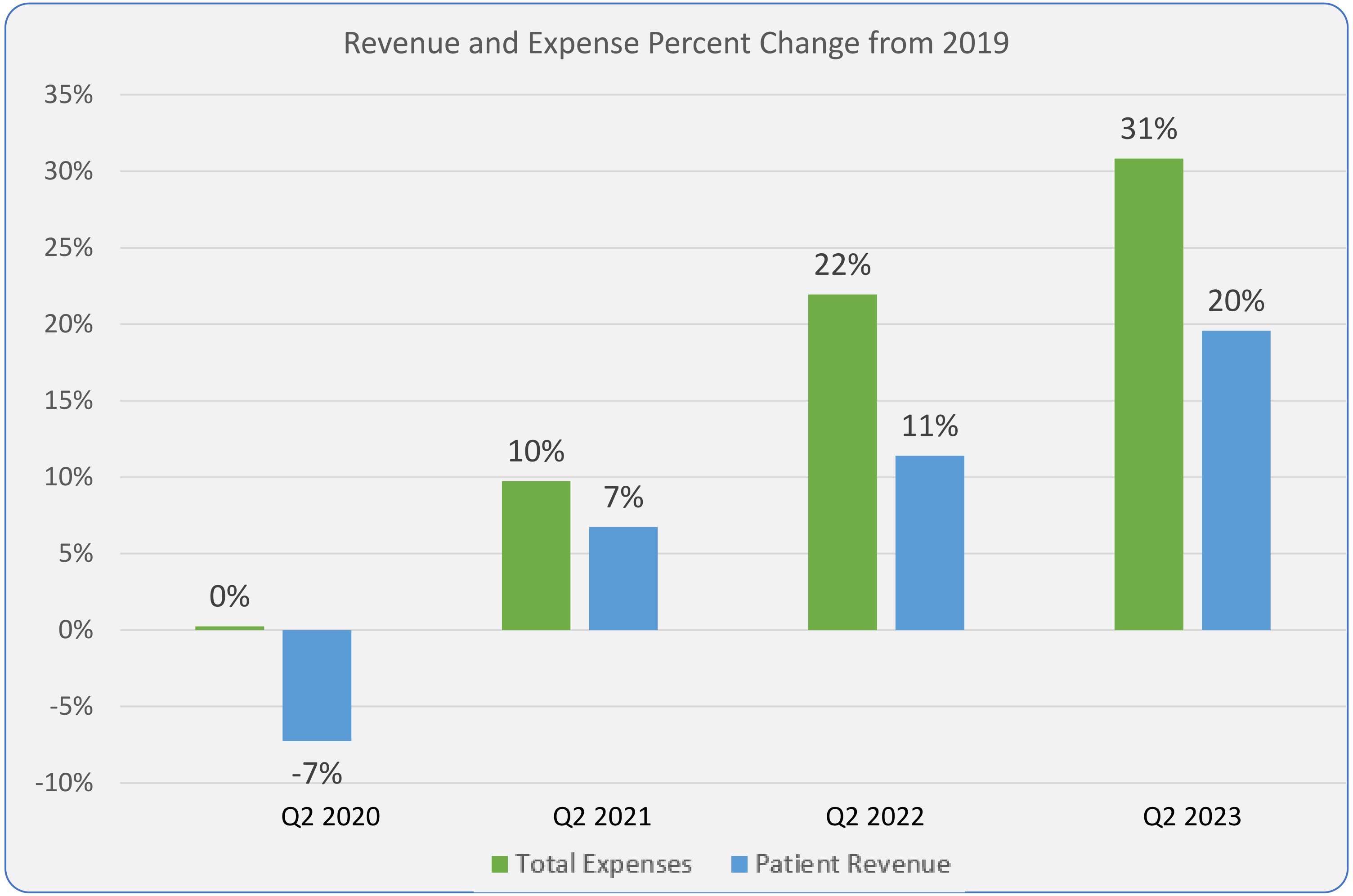



## Key Takeaways

- Increases in labor, supply, and other operational expenses continue to outpace revenues, reducing operating margins by over $2 billion since 2019.
- Operating margins have decreased by over $600 million in the first half of 2023, highlighting the continued financial and operational pressures faced by Colorado hospitals.

Data obtained from CHA Databank reported through June 2023

# Expense Increases Outpace Revenue Increases

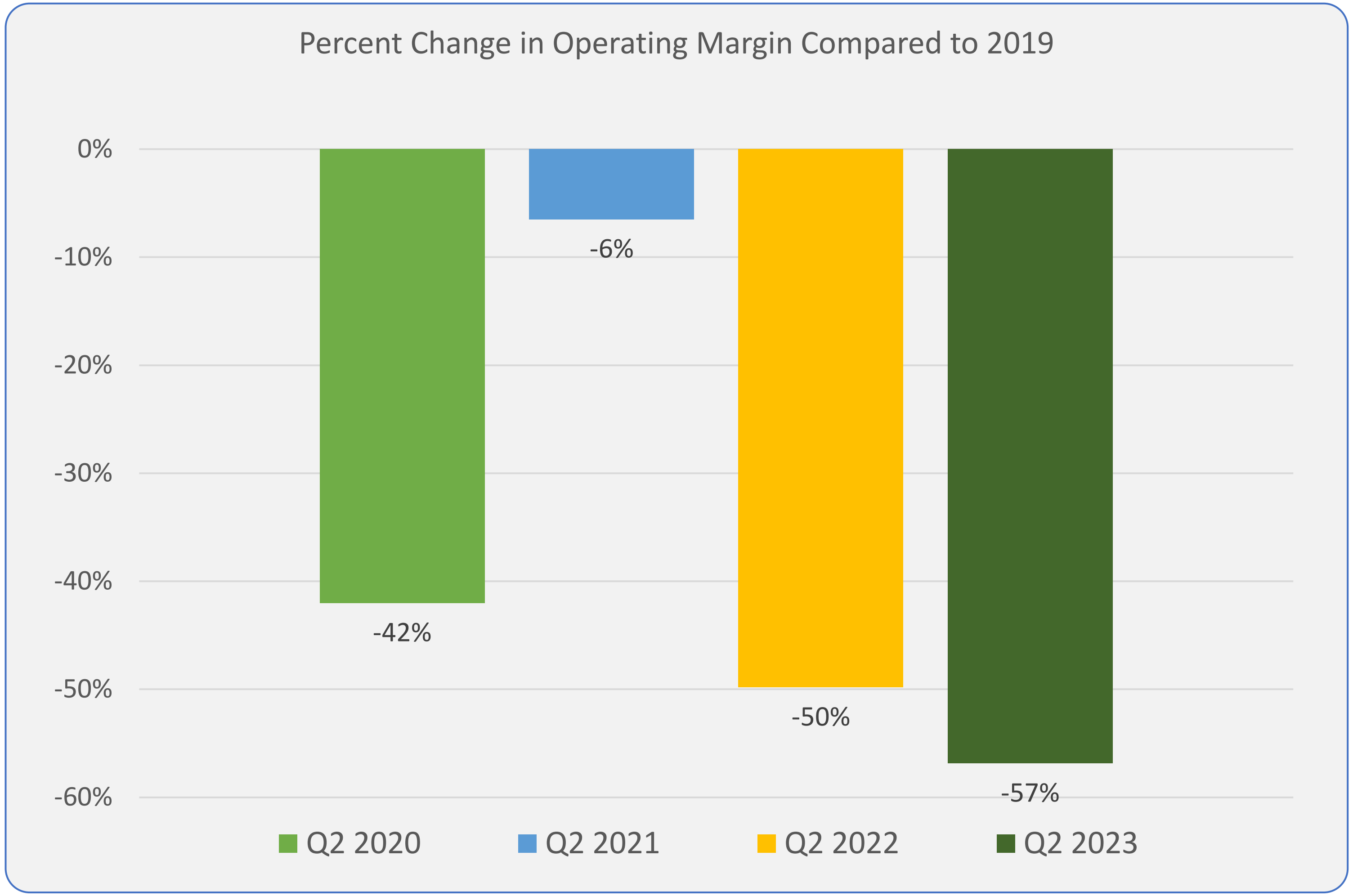



Data obtained from CHA Databank reported year-to-date through June 2023

## Key Takeaways

- Increases in operating expenses have been exceeding revenues since 2019, growing to 11% difference in Q2 2023.
- The significant decline in operating margins constrains future investments, increases the need for alternative payment sources, such as local tax revenues, and creates more hospitals vulnerable for closure or reduction in services.

# Operating Margins Are Significantly Below Pre-Pandemic

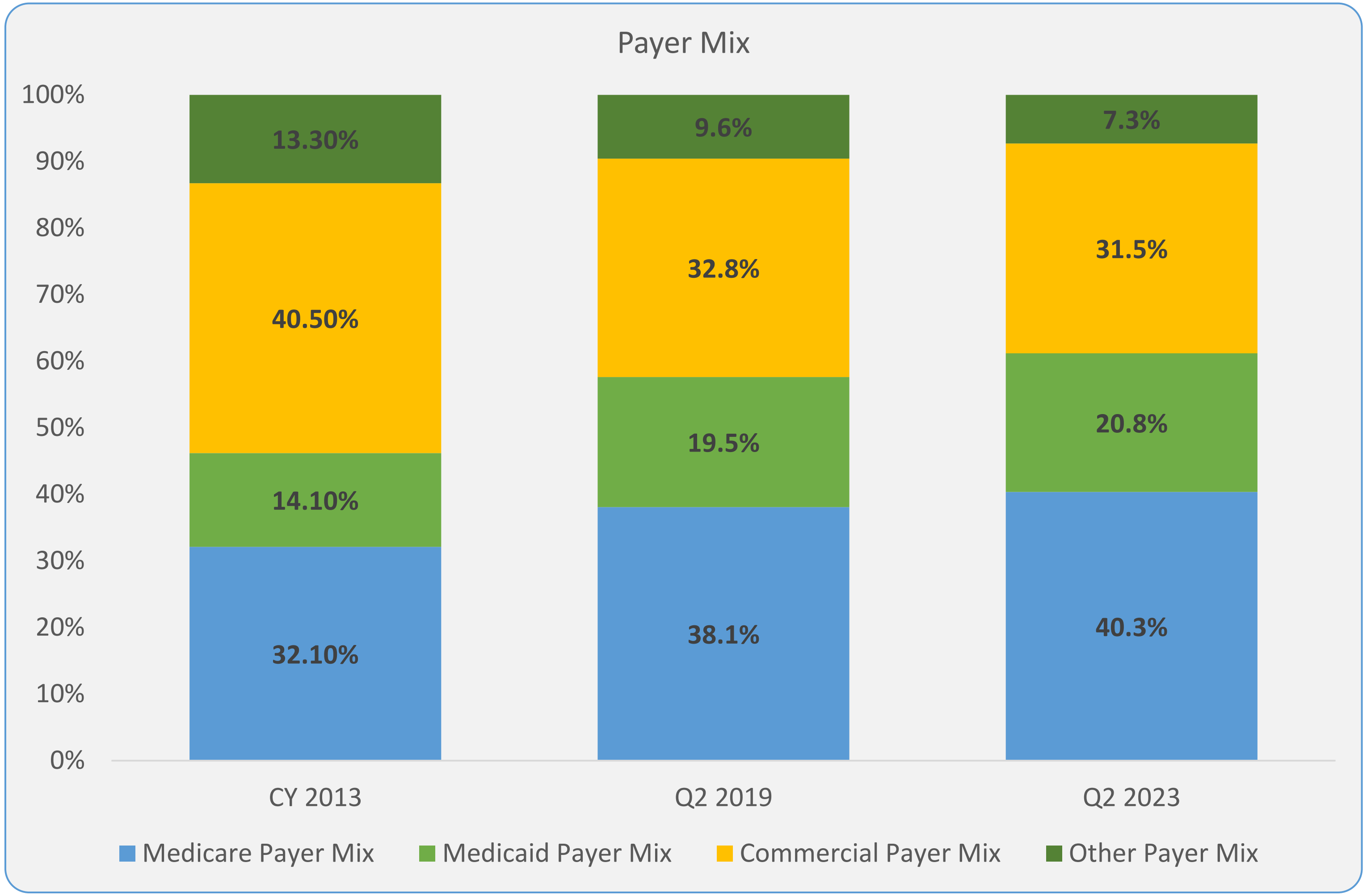



## Key Takeaways

- Operating margins in 2023 have fallen 57% from the same time in 2019, a continuing trend each year since the start of the pandemic, near 50% on average.
- The significant decline in operating margins constrains future investments, increases the need for alternative payment sources, such as local tax revenues, and creates more hospitals vulnerable for closure or reduction in services.

Data obtained from CHA Databank reported year-to-date through June 2023

# Shift to Governmental Payers

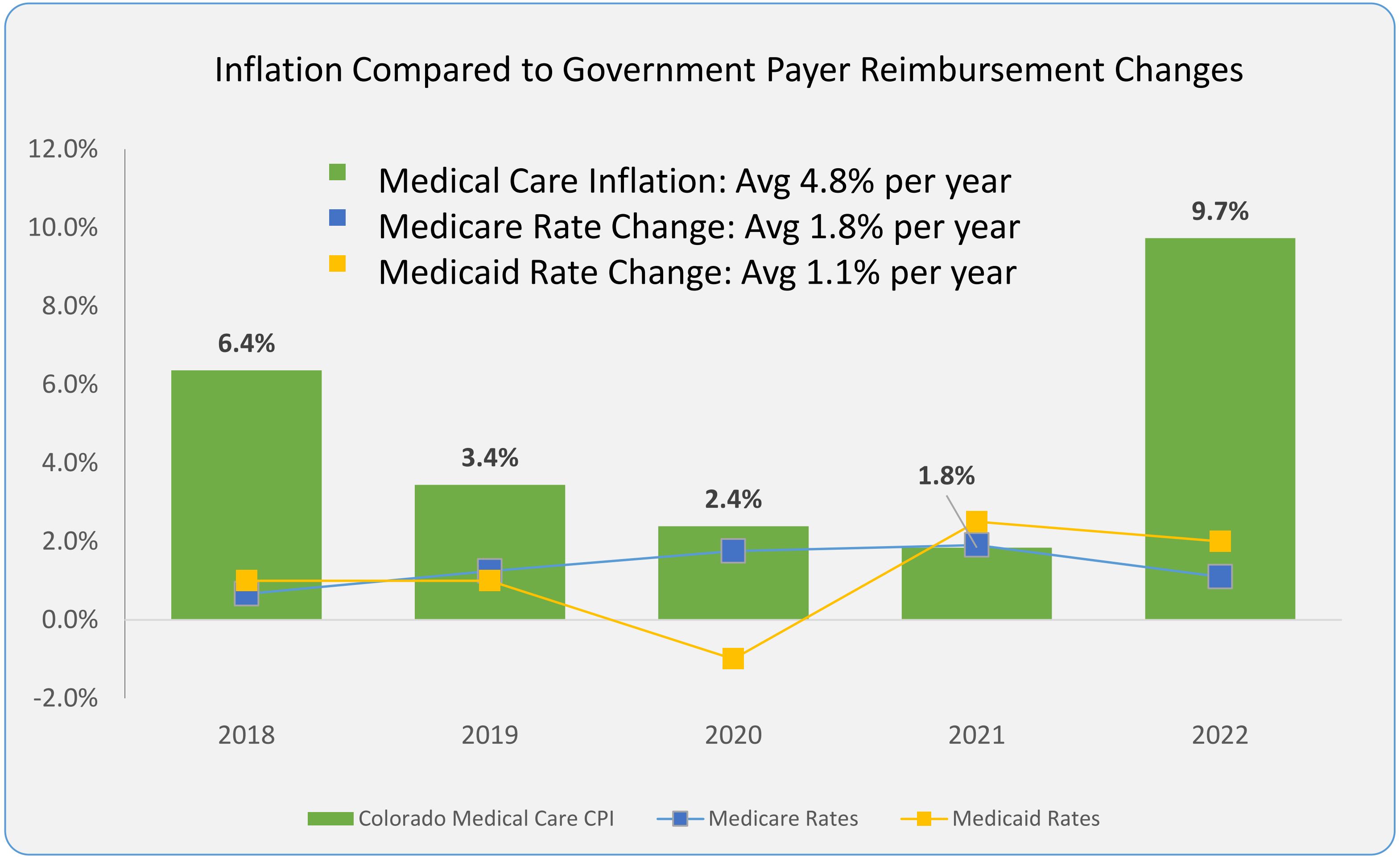



2013 data from CHASE Annual Report
Q2 Data obtained from CHA Databank reported year-to-date through June 2023

## Key Takeaways

- Medicare and Medicaid services, now at over 60%, continue to grow significantly due to both increases in Medicare and Medicaid enrollees and in patient utilization.

# Government Payer Rate Changes vs. Inflation

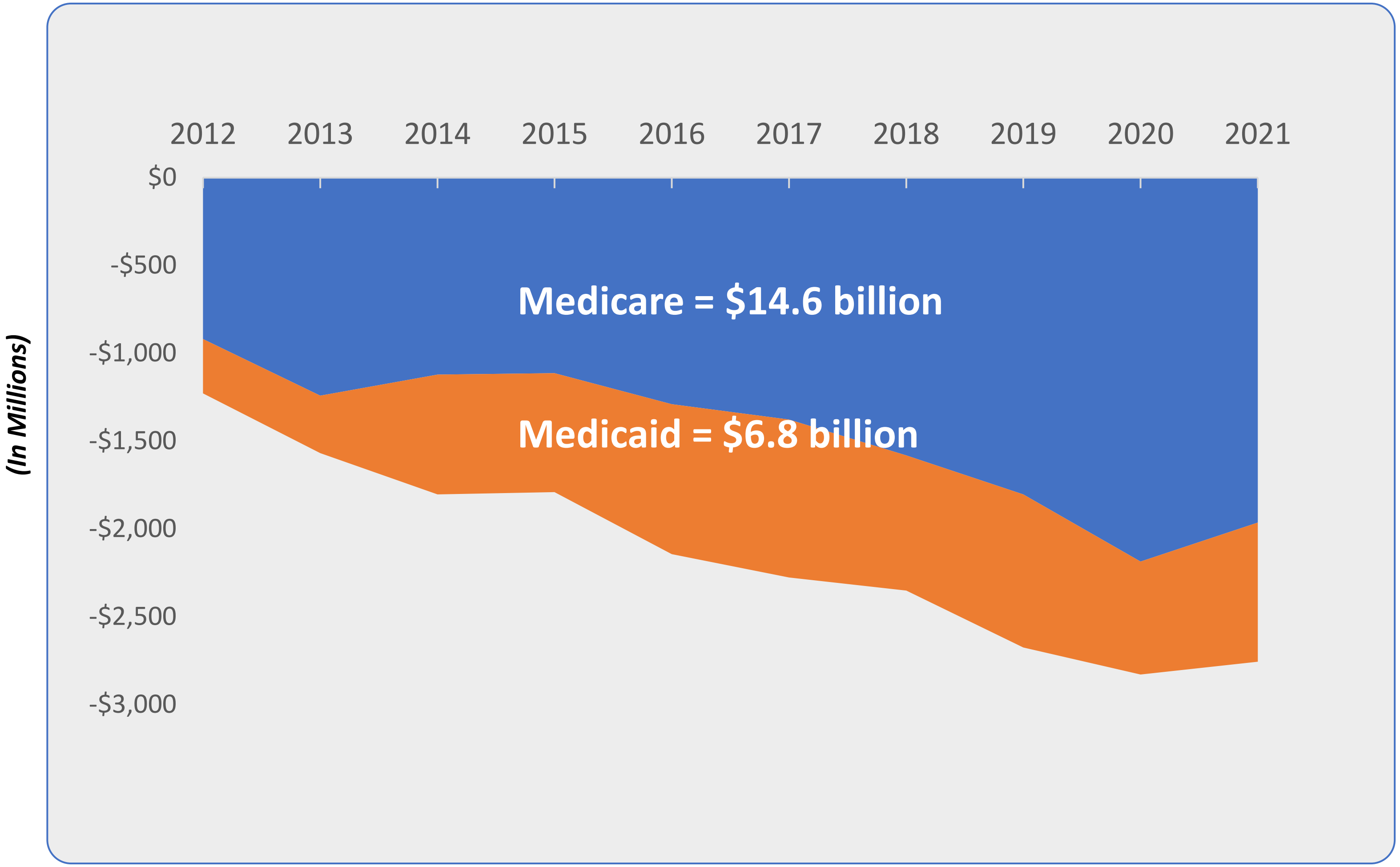



## Key Takeaways

- Medicare and Medicaid payment rates have not kept up with inflation during the last five years, exacerbating overall payment shortfalls compared to costs.

Inflation data from BLS Medical Care (CPI-U) Denver/Lakewood MSA; Medicare rates from CHA Datagen; Medicaid rates from State Budget

# Shortfall in Government Payer Reimbursement

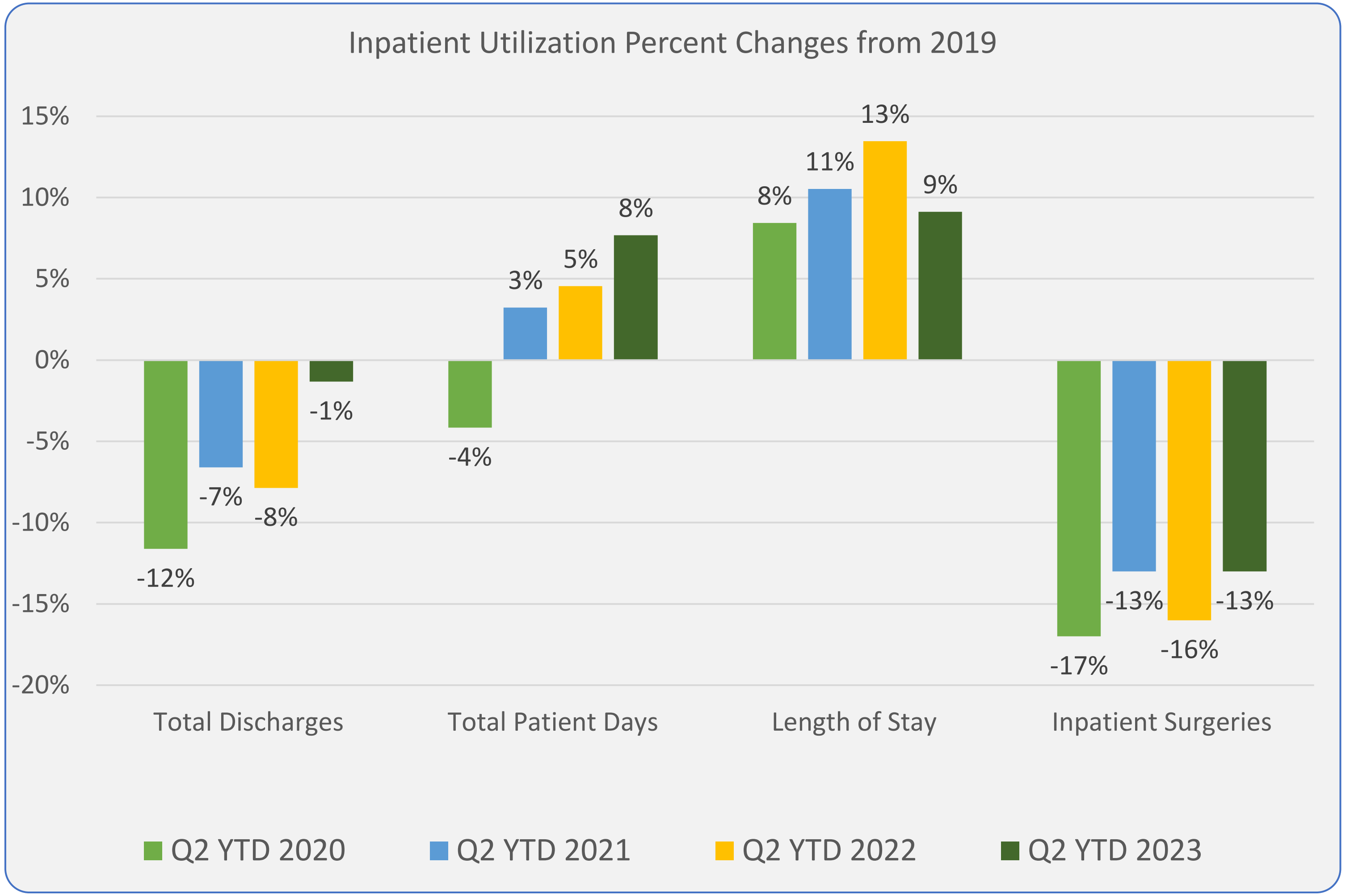



Data obtained from 2023 CHASE Annual report

## Key Takeaways

- Medicare and Medicaid reimbursement does not cover the cost of caring for patients, requiring commercial payers to cover the shortfall.
- In 2021, the amount totaled over $2.8 billion.
- Over the past 10 years, the amount totaled over $21 billion.

# Inpatient Services Continue to be Impacted Since COVID

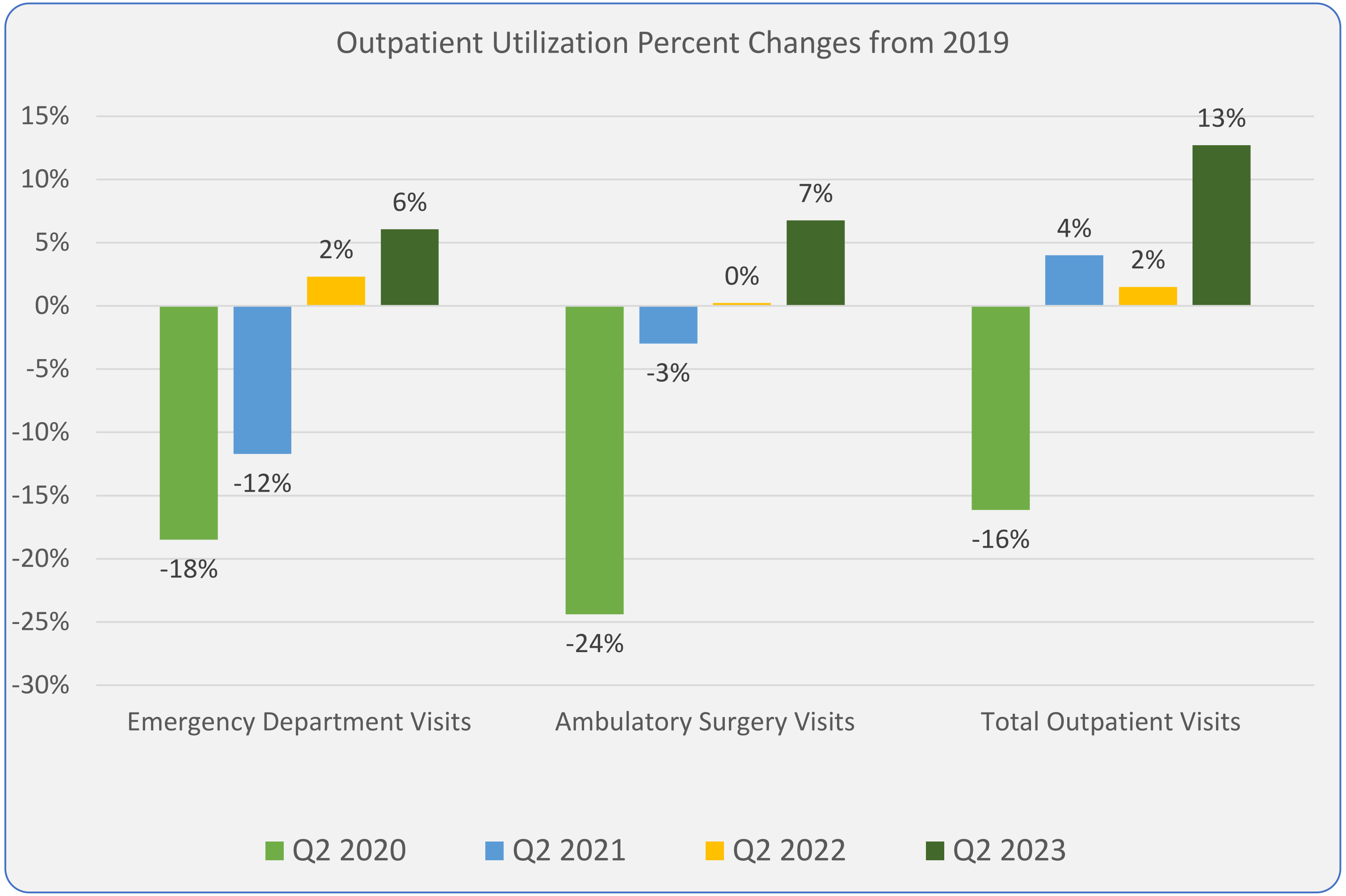



## Key Takeaways

- Length of stay continues to remain above 2019 levels due the combined effect of increased patient days and fewer discharges.
- Length of stay is impacted by increasing delays in discharge over the past year and higher patient acuity, a possible outcome of delayed and deferred care throughout the pandemic.

Data obtained from CHA Databank reported year-to-date through June 2023

# Outpatient Services are Rebounding




## Key Takeaways

- ED visits and ambulatory surgery visits have rebounded through the second quarter of 2023 due to impact of deferred and delayed care over the last several years and continued shift from inpatient to outpatient services
- The cumulative amount of outpatient services, excluding vaccinations, over the last four years remains negative, resulting in impact on patient acuity and length of stay for inpatient care.

Quarterly comparison Data obtained from CHA Databank reported through June 2023