



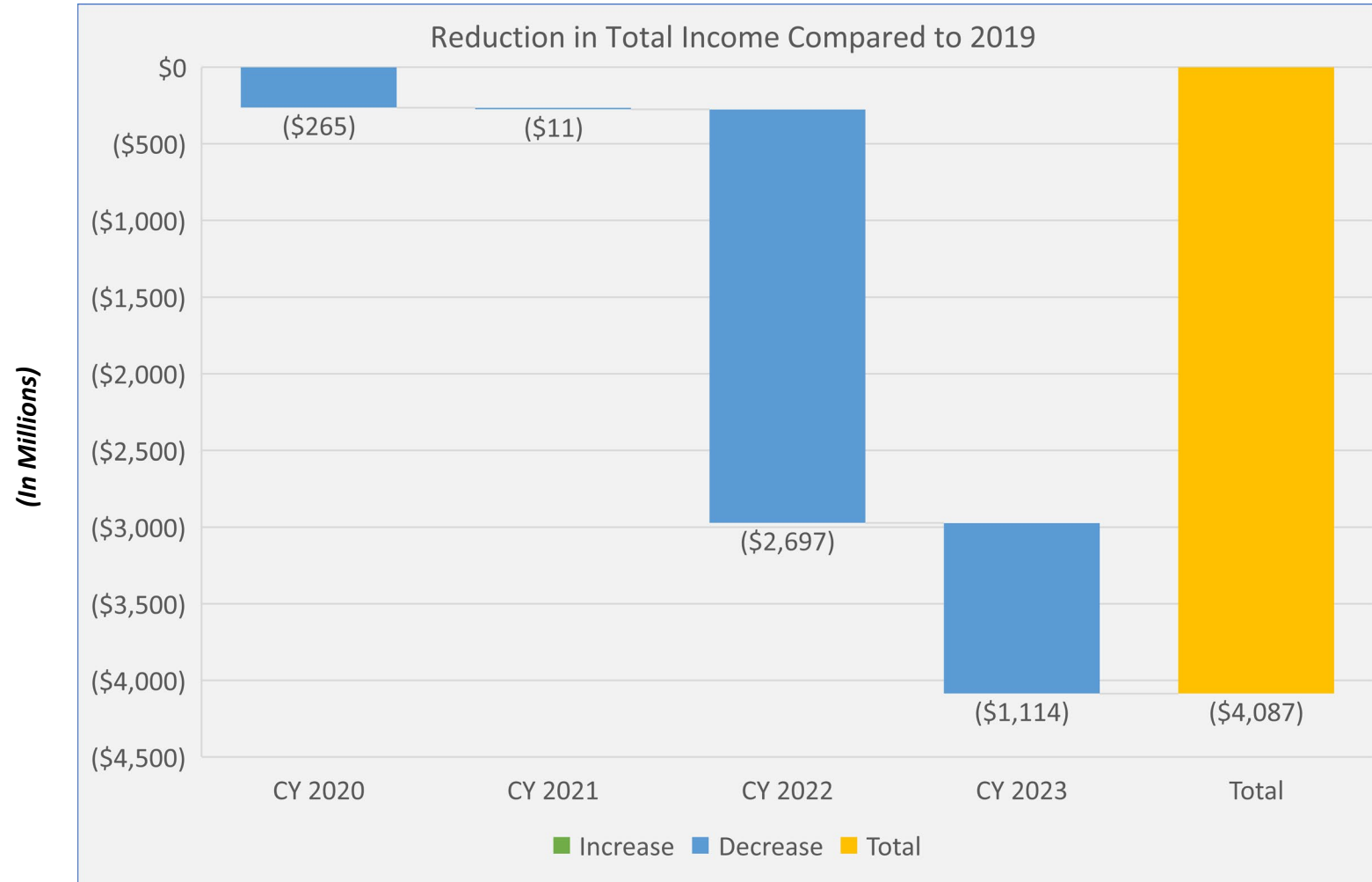
Colorado Hospital Industry Update

2023 Year-End Financial and
Utilization Trends





Total Income Continues to Decline

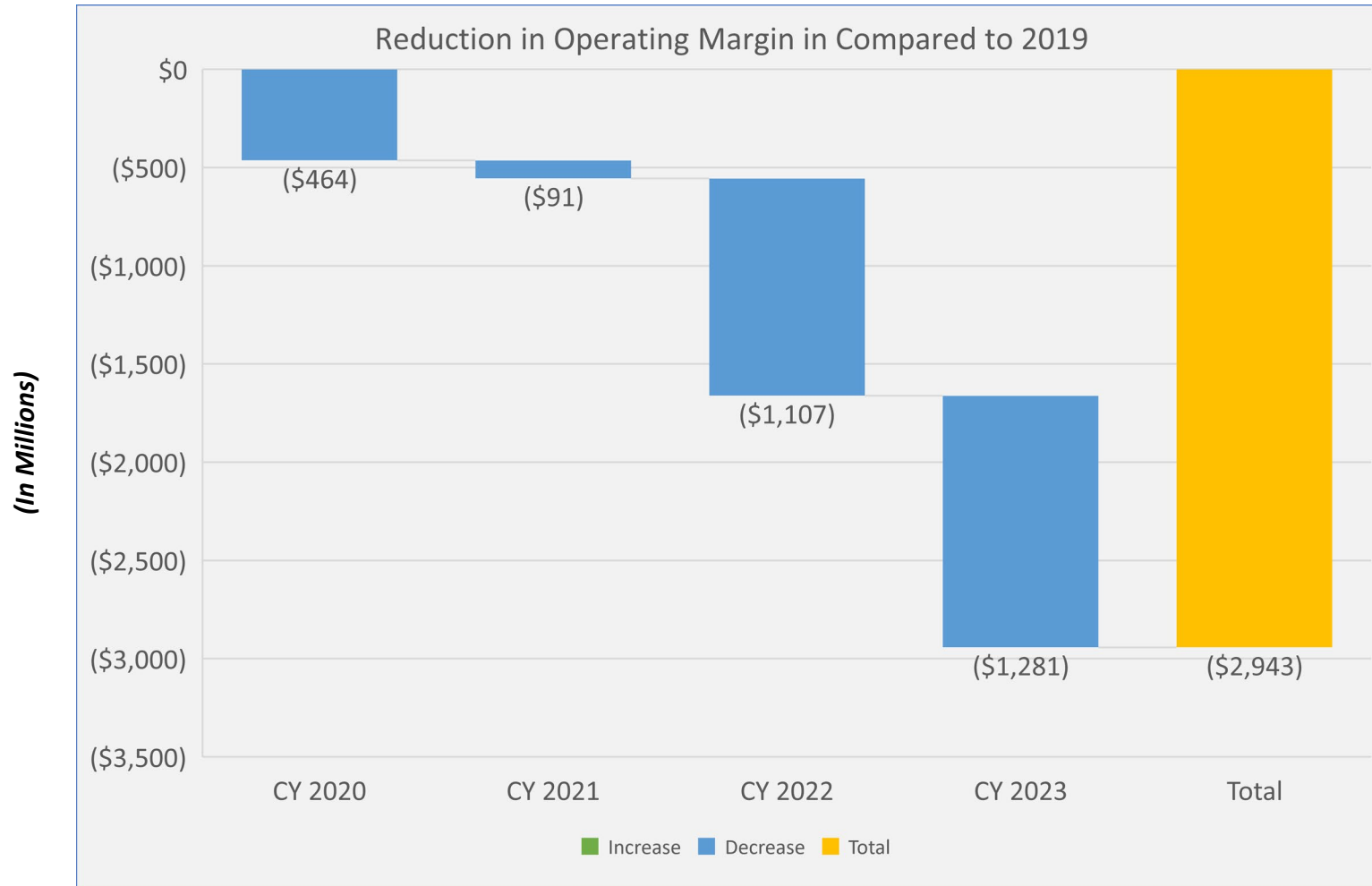


Key Takeaways

- Even as financial markets have recovered in 2023, hospital income levels continue to fall from 2019.
- In total since 2019, Colorado hospitals have seen a \$4 billion dollar reduction in income, constraining future investments and putting more hospitals in vulnerable financial condition.



Operating Margins Continue to Decline

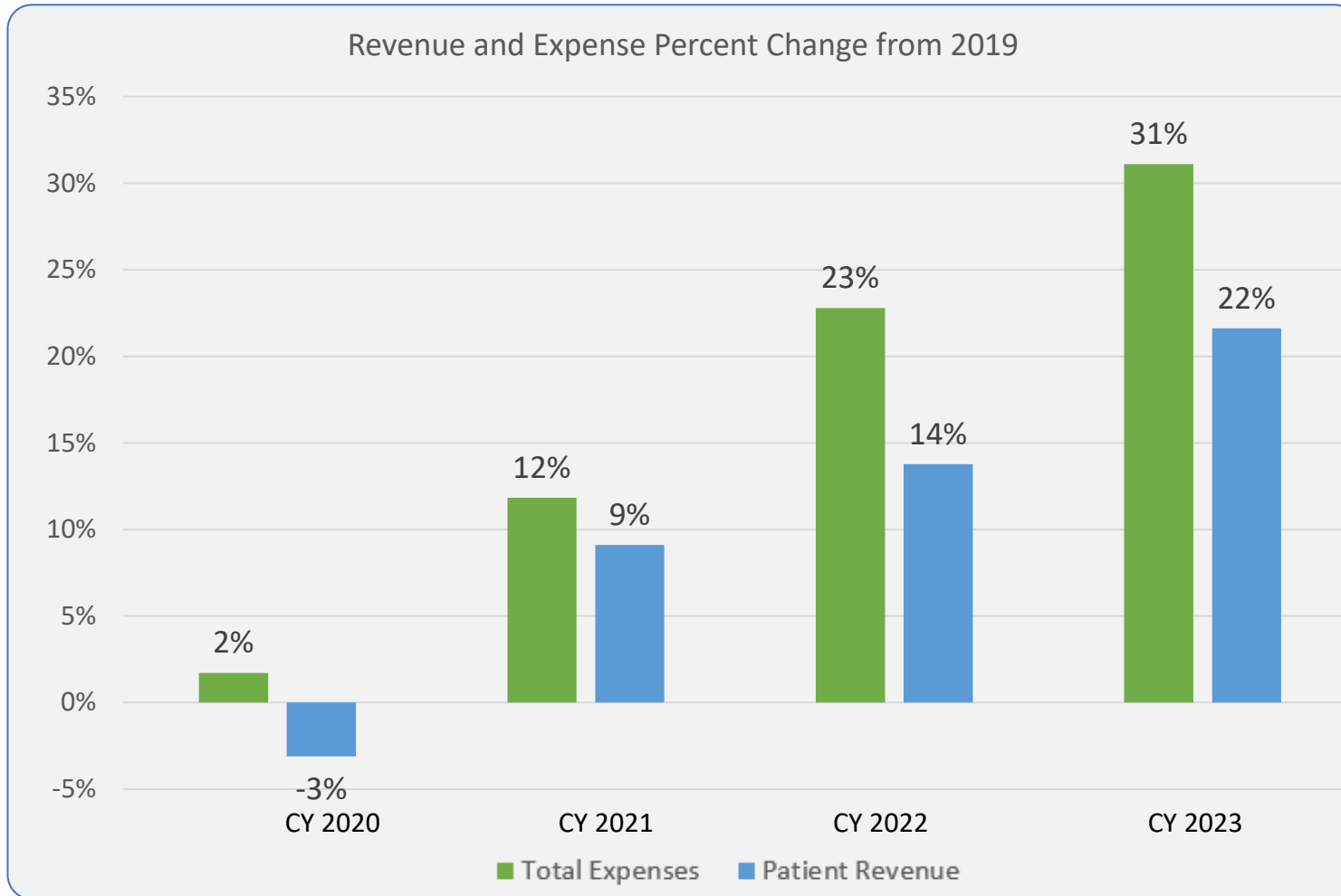


Key Takeaways

- Increases in labor, supply, and other operational expenses continue to outpace revenues, reducing operating margins by almost \$3 billion since 2019.
- Operating margins have decreased by more than \$1.2 billion in 2023, highlighting the continued financial and operational pressures faced by Colorado hospitals.



Expense Increases Outpace Revenue Increases



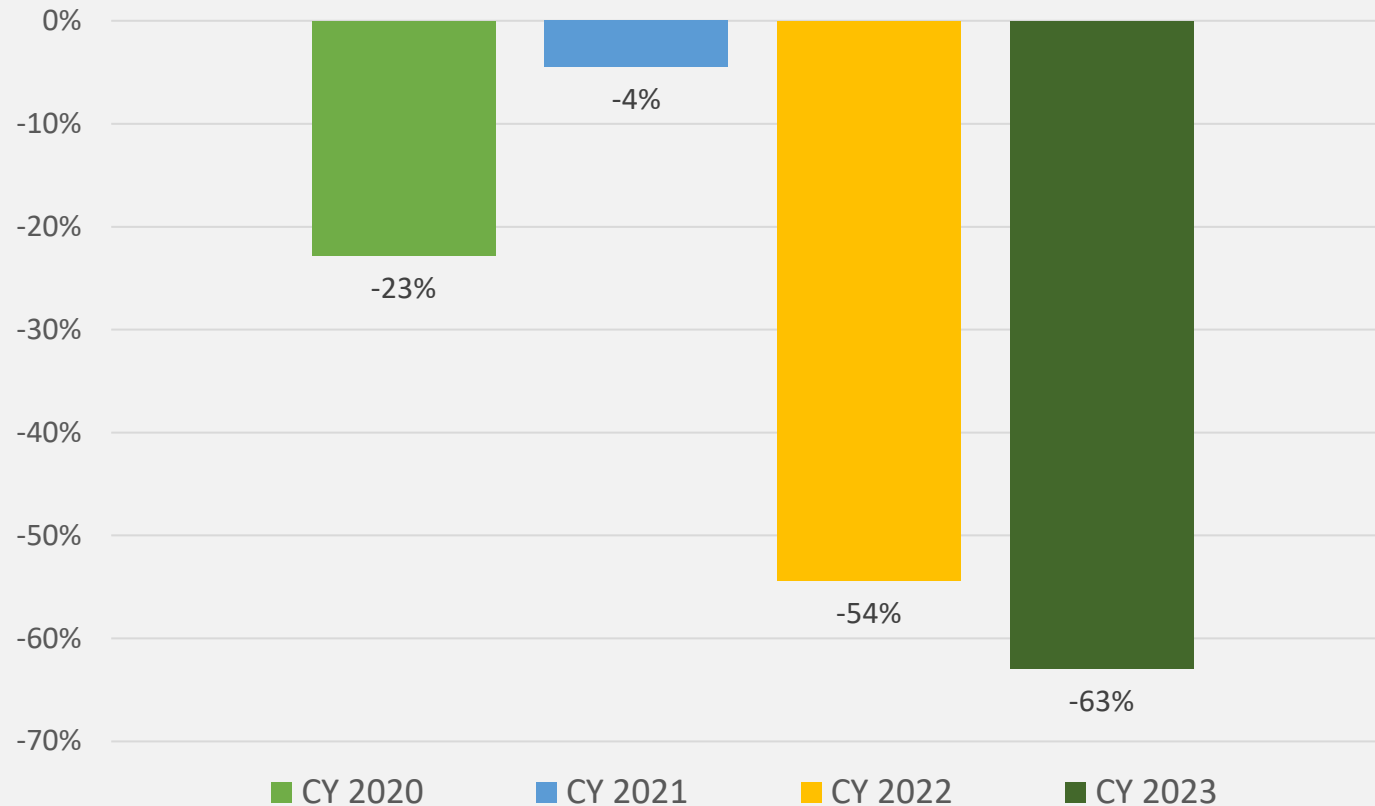
Key Takeaways

- Increases in operating expenses have exceeded revenues since 2019 – a 9% differential in 2022 and 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

Percent Change in Operating Margin Compared to 2019

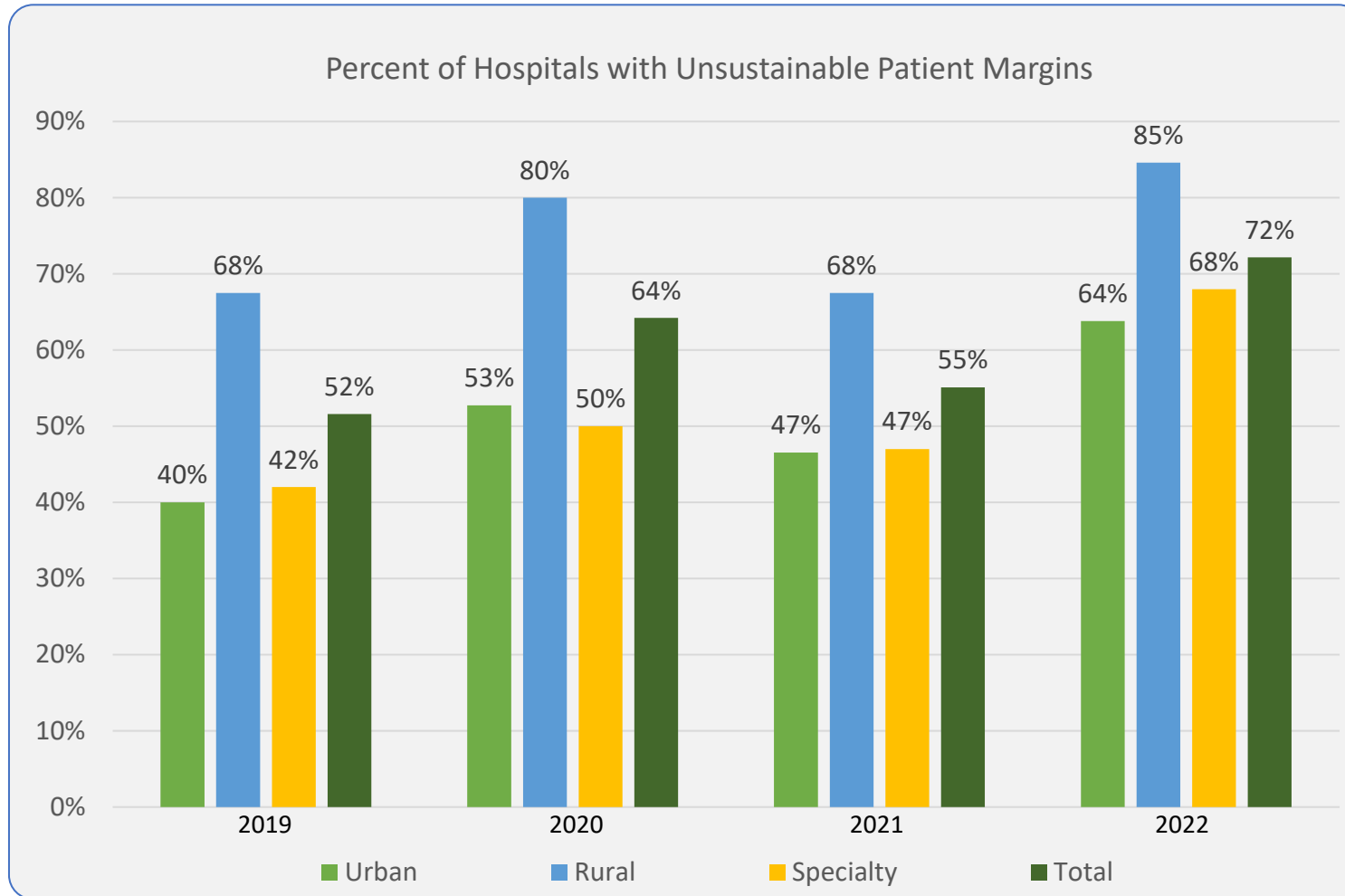


Key Takeaways

- Operating margins have fallen 63% in calendar year (CY) 2023 from CY 2019, a continuing trend each year since the start of the pandemic, nearly 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.



70%+ of Colorado Hospitals Have Unsustainable Margins



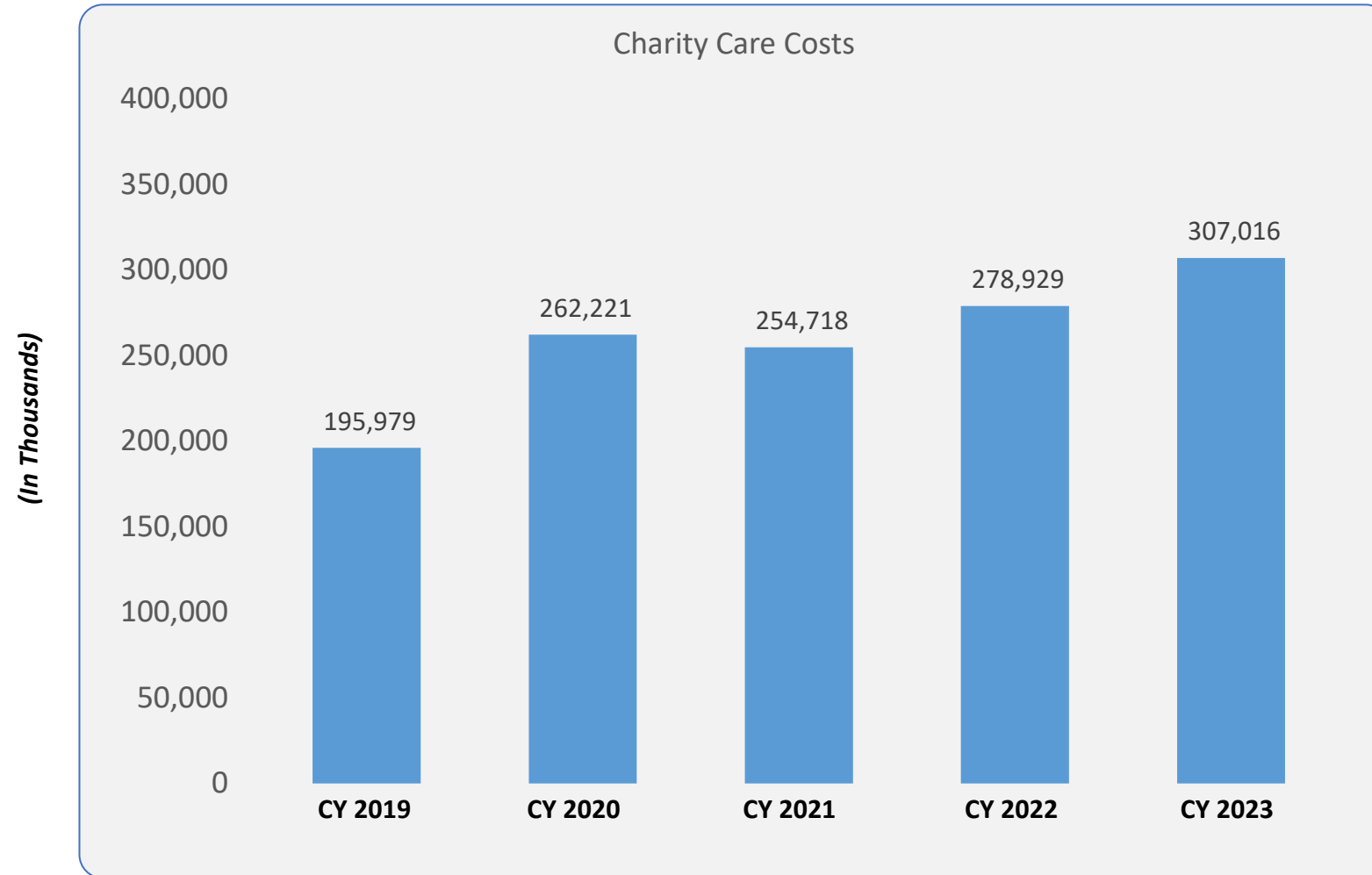
2019 – 2022 data obtained from HCRIS database

Key Takeaways

- Nearly 75% of Colorado hospitals finished 2022 with unsustainable operating margins, up from 55% in 2021, highlighting further deterioration of the industry.
- Data for 2023 will be provided when cost reports become available.



Charity Care Continues to Increase

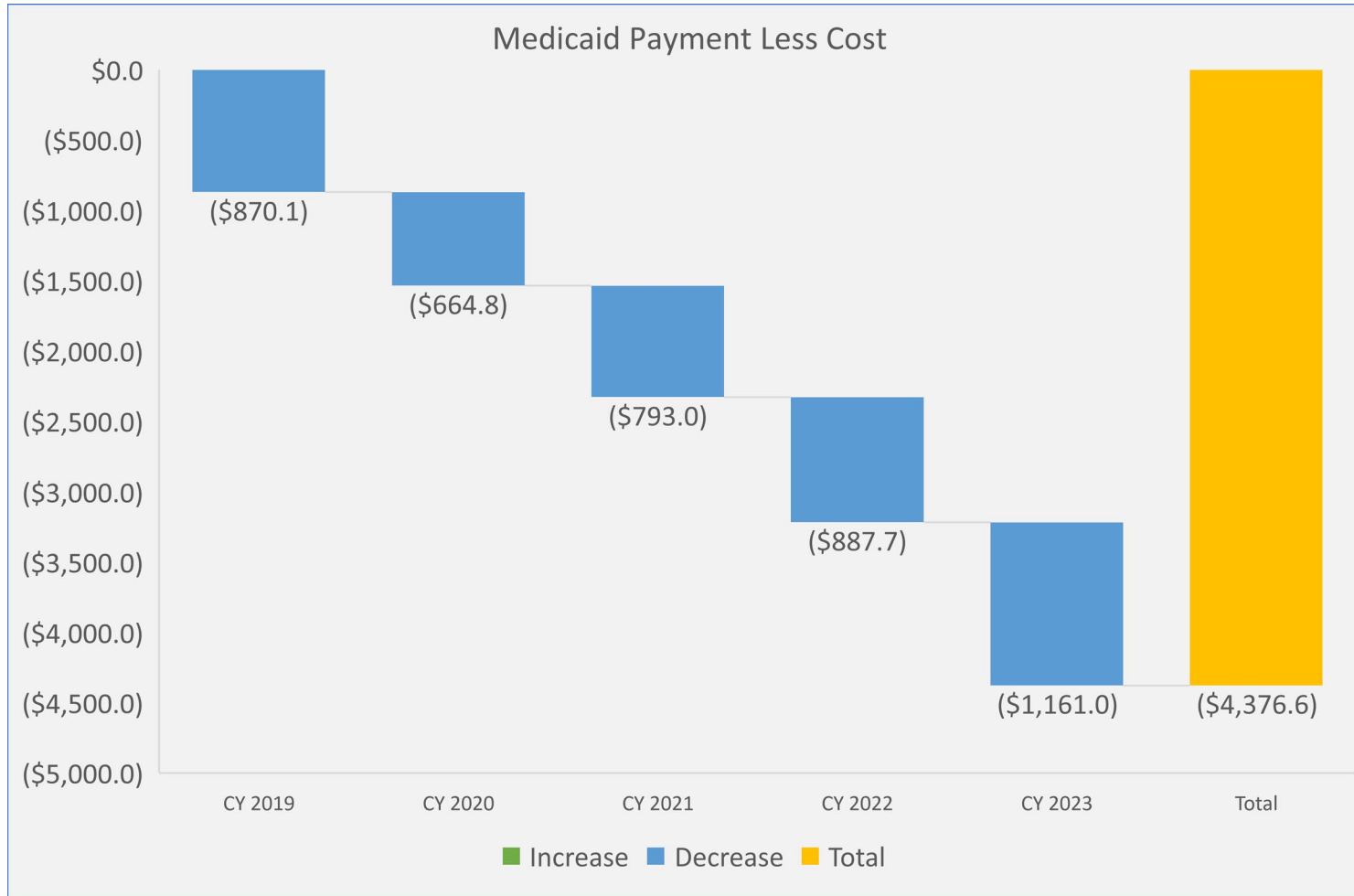


Key Takeaways

- Charity care costs continue to increase, up an additional 10% in 2023 and 57% compared to 2019.
- Charity care costs are expected to continue to increase as the Hospital Discounted Care program continues to develop, increasing patients without insurance due to Medicaid redetermination, and the influx of migrants.



Unreimbursed Medicaid Costs Are Increasing



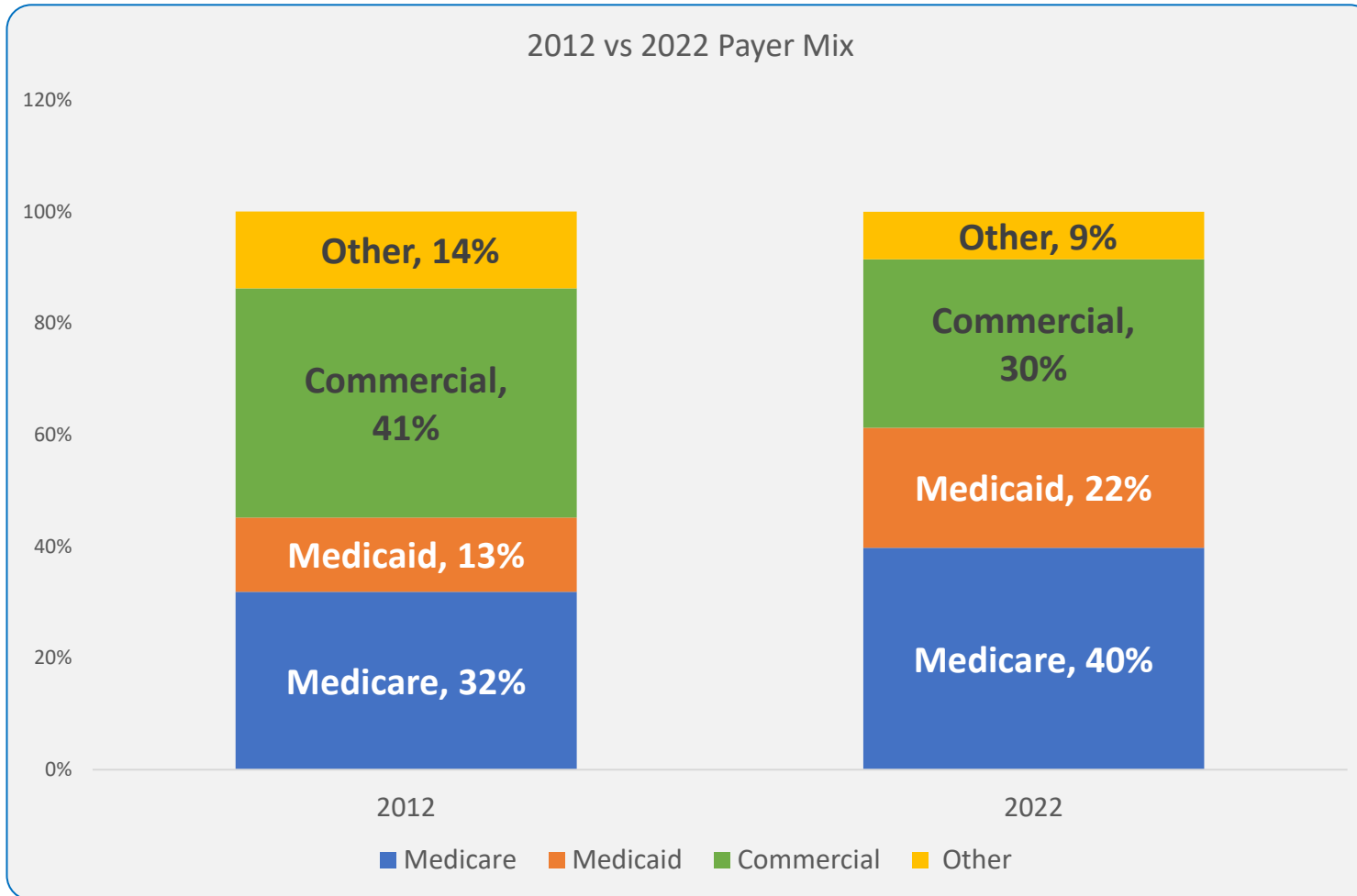
Key Takeaways

- Since 2019, hospitals funded more than \$4 billion of support in unreimbursed care provided to the Medicaid population in Colorado.
- Uncompensated costs related to Medicaid continue to increase, due to increasing enrollment during the Public Health Emergency and low reimbursement increases in the Medicaid program.

Source: 2019 – 2022 amounts from 2023 CHASE Annual Report
2023 Estimates Calculated from CHA DATABANK



Payer Mix Shifting to Government Sources



Key Takeaways

- The government payer mix is now more than 62%, up from 45% 10 years ago.
- This shift in payer mix creates significant impact on hospital finances and operations:
 - Reimbursements are less than cost; and,
 - Patients have higher health care needs and health care costs than commercial enrollees.



Summary

- Recent economic conditions and health care policies are creating an unstable and vulnerable environment for the hospital industry.
- Operating margins continue to fall due to workforce challenges and high inflationary costs in Colorado.
- Most Colorado hospitals have unsustainable margins, putting future investments and sustainability of services throughout Colorado communities at risk.
- Colorado hospitals are providing significantly more charity care, and the shortfall of reimbursement for Medicaid and Medicare patients is escalating rapidly.
- Patients in hospitals are experiencing longer lengths of stays due to higher health care needs and delays in placement to appropriate settings after discharge.