

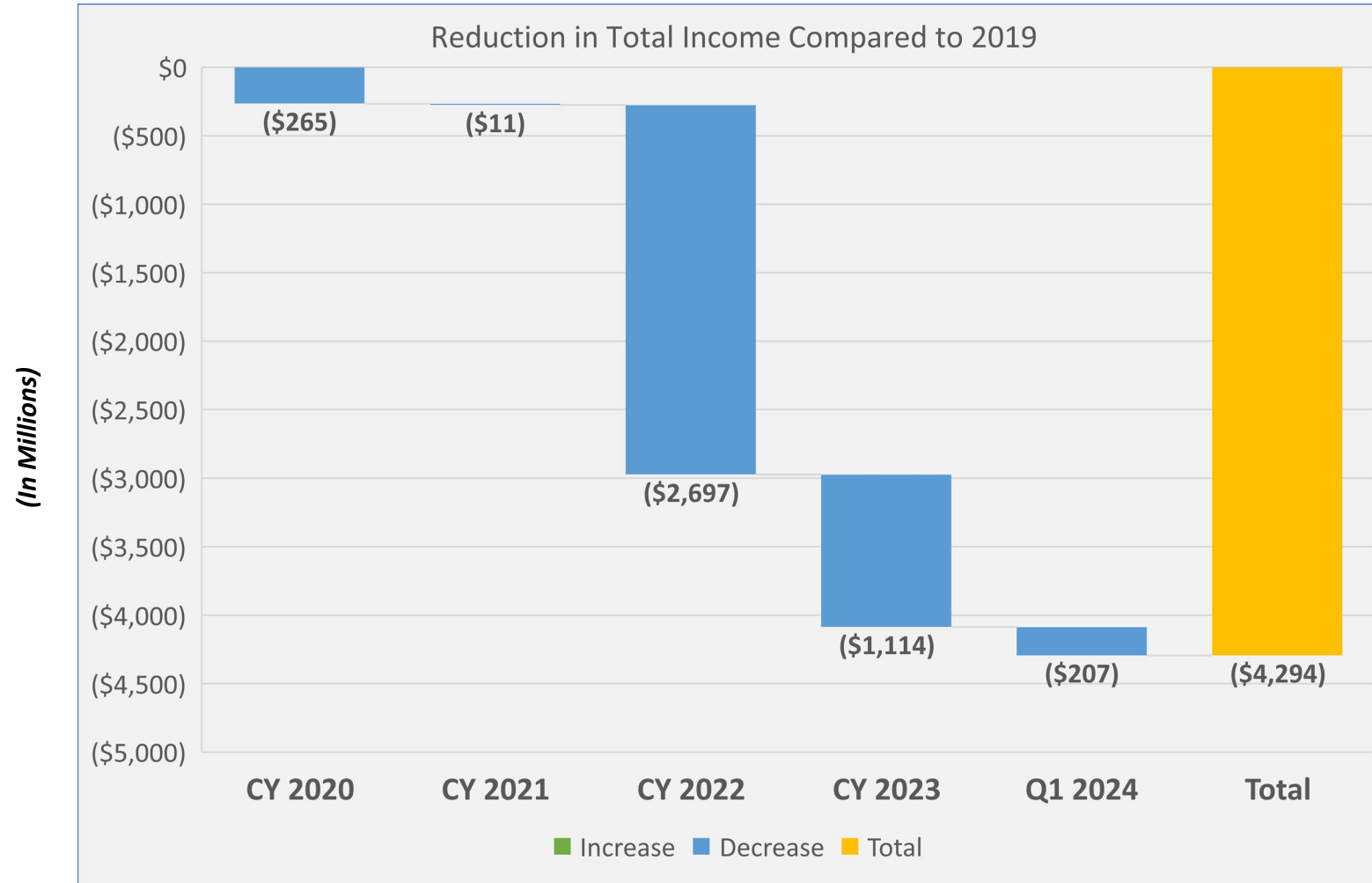


Colorado Hospital Industry Update

Q1 2024 Financial and
Utilization Trends



Total Income Continues to Decline

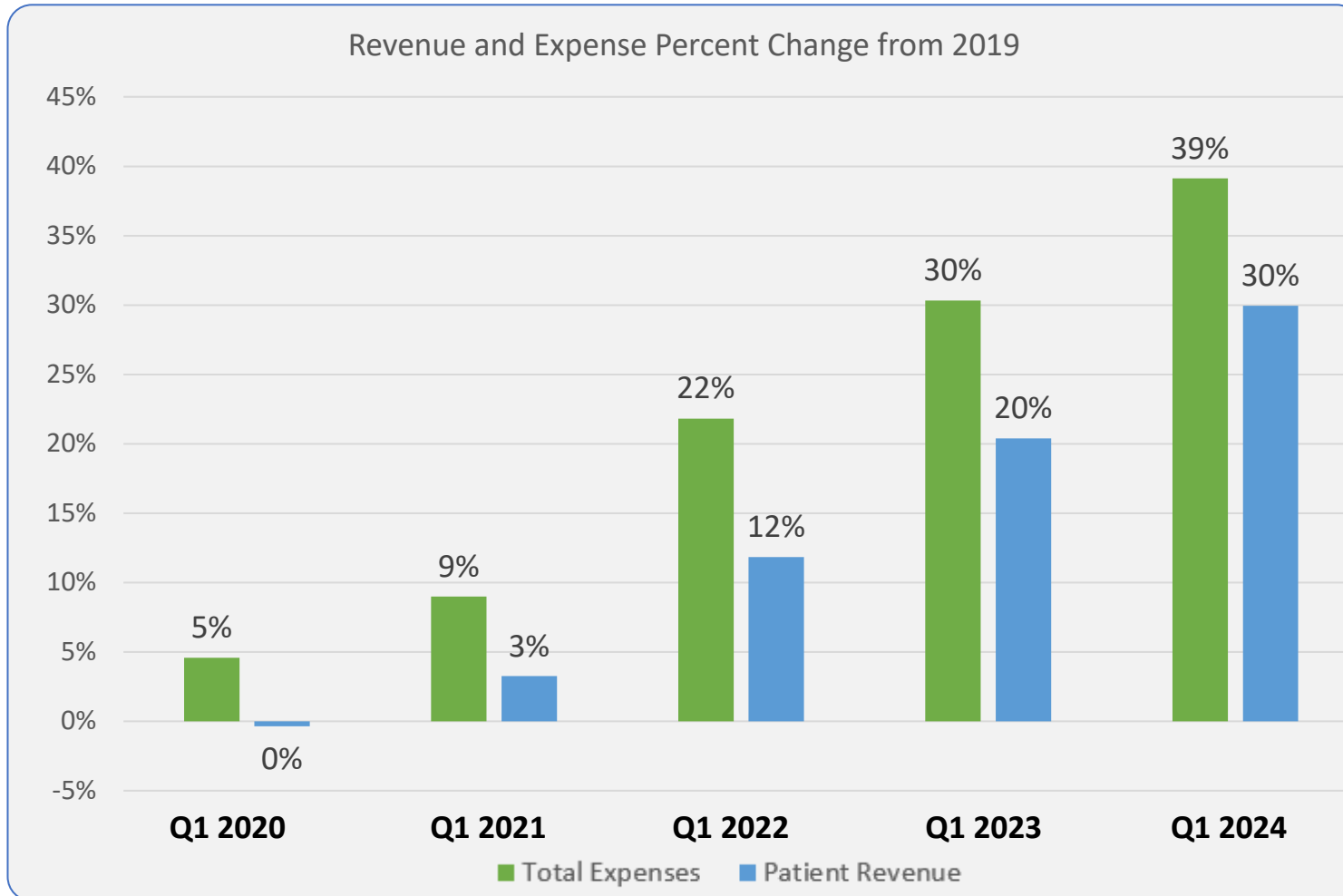


Key Takeaways

- With the recovery in financial markets in 2024, total income levels have improved from prior years, but continue to fall short of pre-pandemic levels.
- In total since 2019, Colorado hospitals have seen an almost \$4.3 billion reduction in income, constraining future investments and putting more hospitals in vulnerable financial condition.



Expense Increases Outpace Revenue Increases



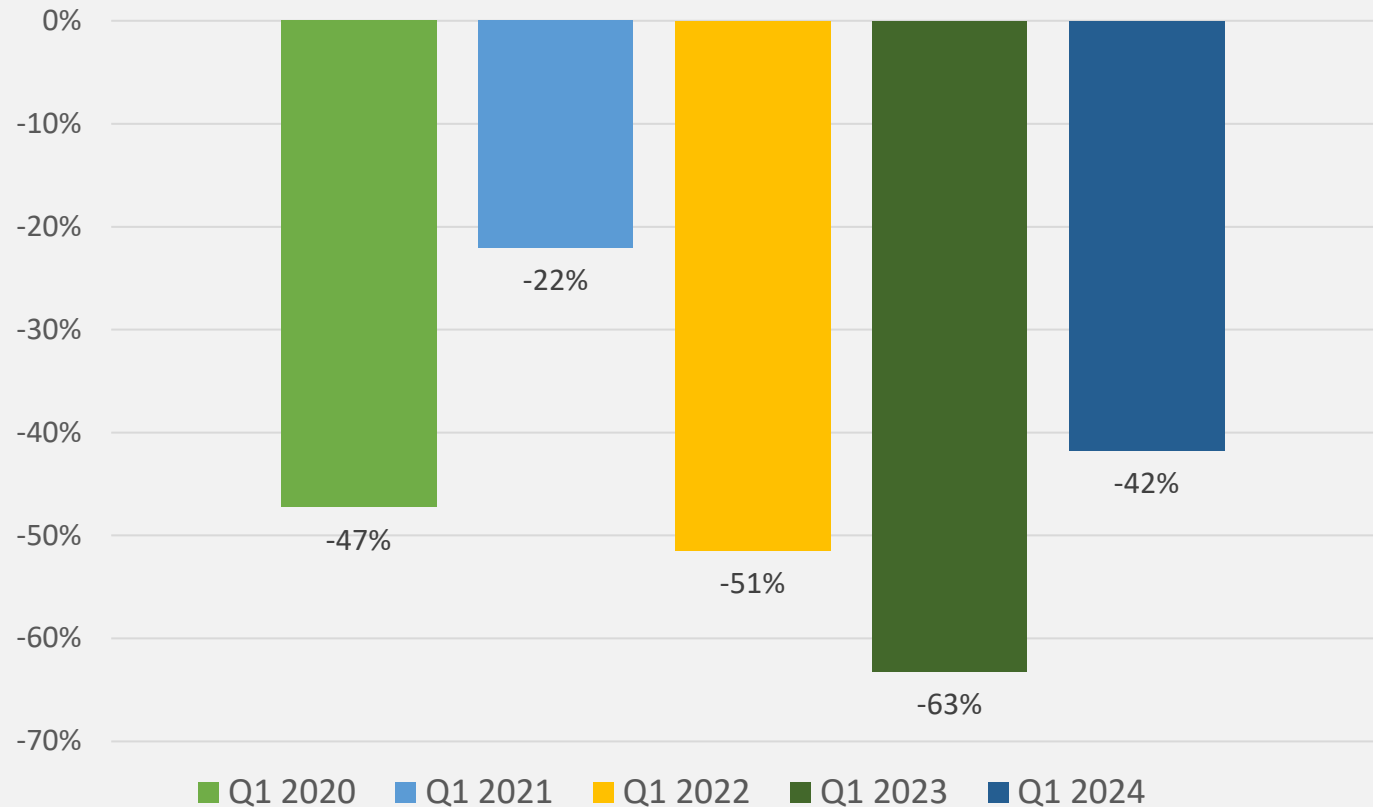
Key Takeaways

- Increases in operating expenses have exceeded revenues since 2019 – a 9% differential in 2023 and 2024.
- 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 Significantly Below Pre-Pandemic

Percent Change in Operating Margin Compared to 2019



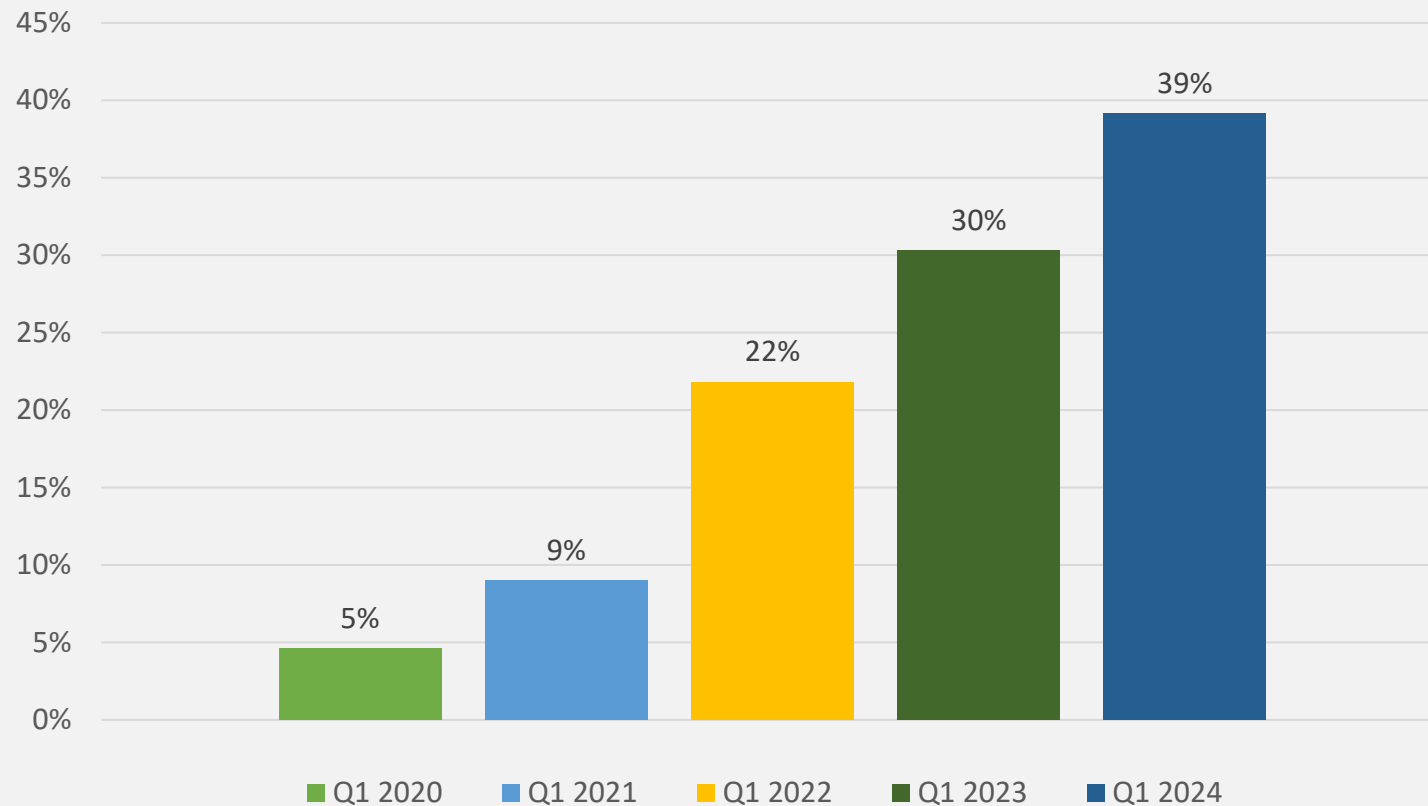
Key Takeaways

- Operating margins have fallen 42% in calendar year Q1 2024 from Q1 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.



Operating Expenses Continue to Rise

Percent Change in Total Operating Expenses Compared to 2019



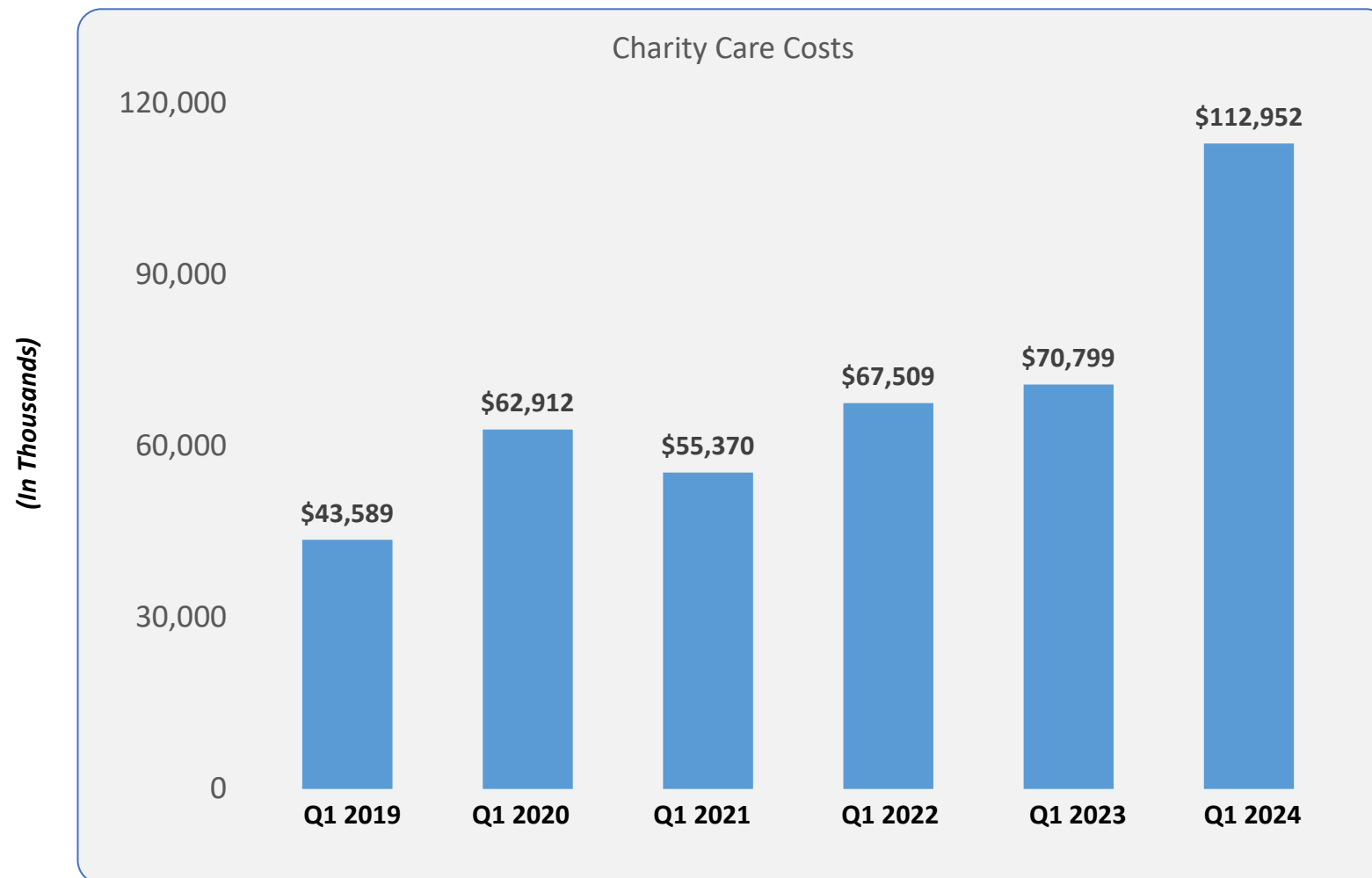
Data obtained from CHA Databank reported through March 2024

Key Takeaways

- Expenses for Colorado hospitals continue to rise at near double-digits, up 39% since 2019.
- Colorado is experiencing higher expense trends and an overall higher cost of living than most places in the country, which puts additional pressure on hospital expenses.



Charity Care Continues to Increase

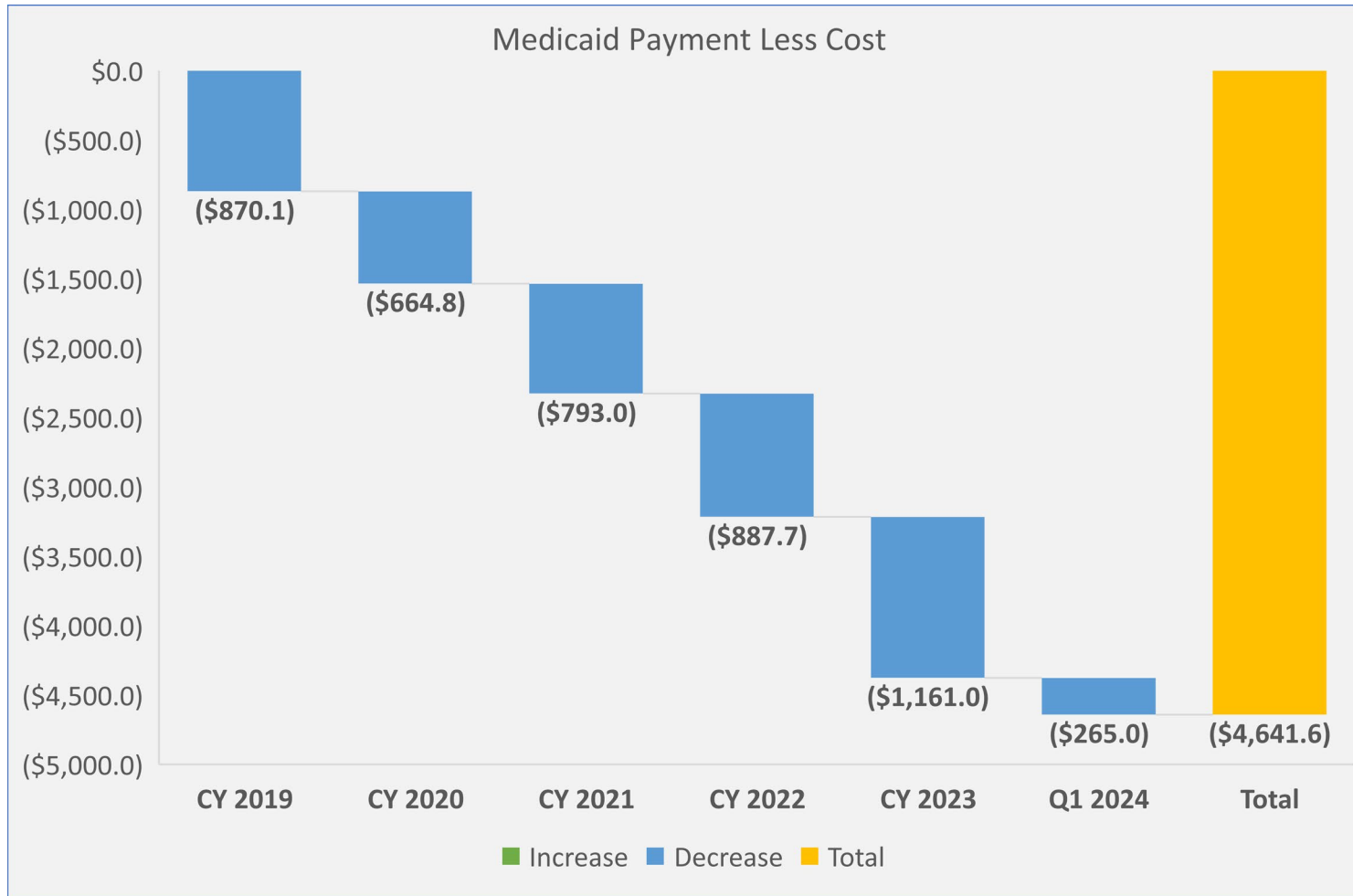


Key Takeaways

- Charity care costs continue to increase, up an additional 60% in 2024, and 159% compared to 2019.
- Charity care costs are expected to continue to increase as the Hospital Discounted Care program continues to develop and the increasing number of patients without insurance due to Medicaid redetermination.



Unreimbursed Medicaid Costs Are Increasing



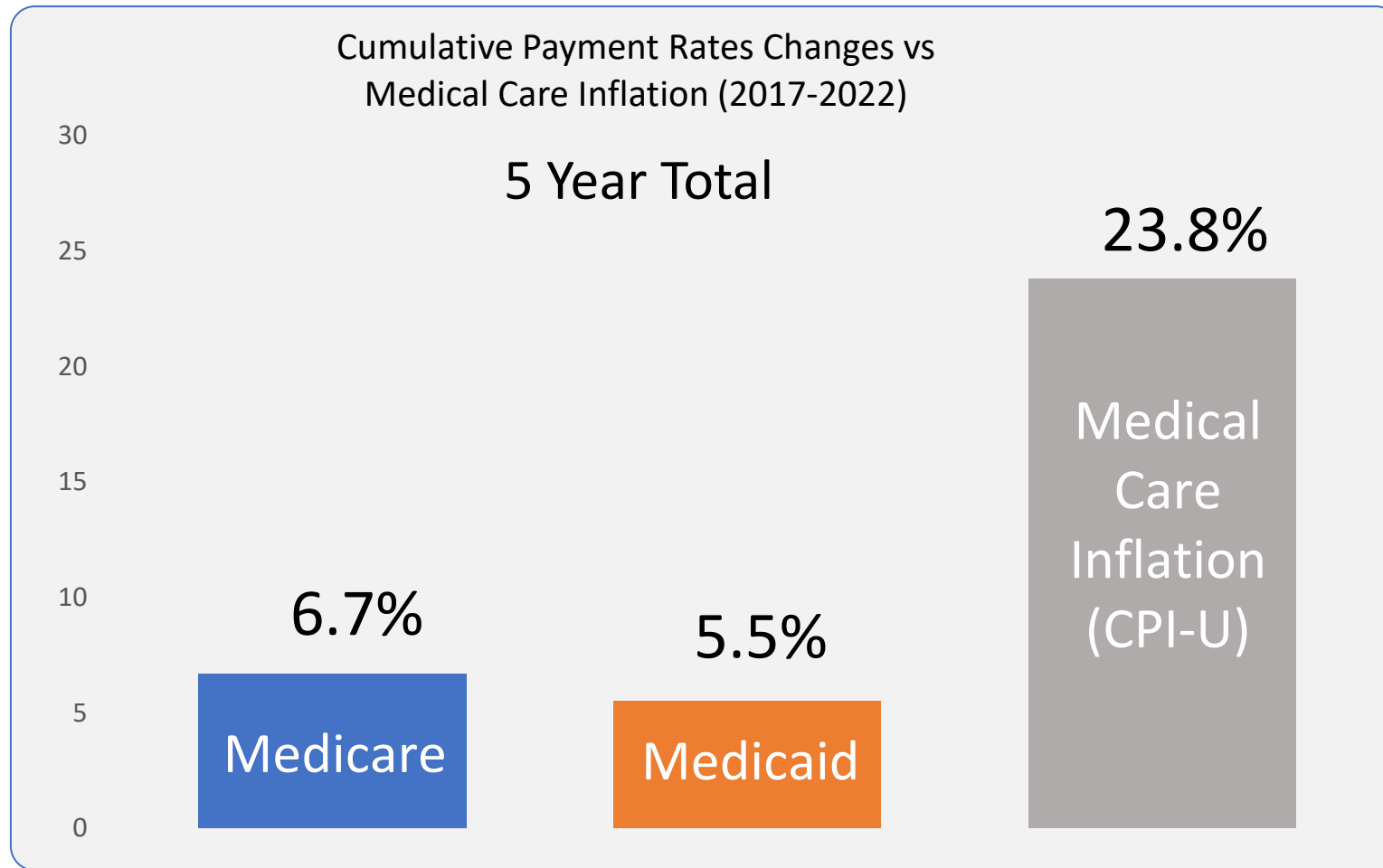
Key Takeaways

- Since 2019, hospitals funded more than \$4.6 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 and 2024 Estimates Calculated from CHA DATABANK



Government Payer Rate Changes Fall Short of 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.
- In 2022, payment rate increases for Medicare and Medicaid were near/ lower than 2% compared to almost 10% inflation for medical care.

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



Summary

- Total income in Q1 2024 was up, due to improved financial markets, increased patient utilization and some level of stabilized (yet high) expense costs.
- Continuing economic conditions and health care policies are creating an unstable and vulnerable environment for the hospital industry.
- Operating margins continue to be impacted by workforce challenges and high inflationary costs in Colorado.
- Most Colorado hospitals have unsustainable operating 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.