



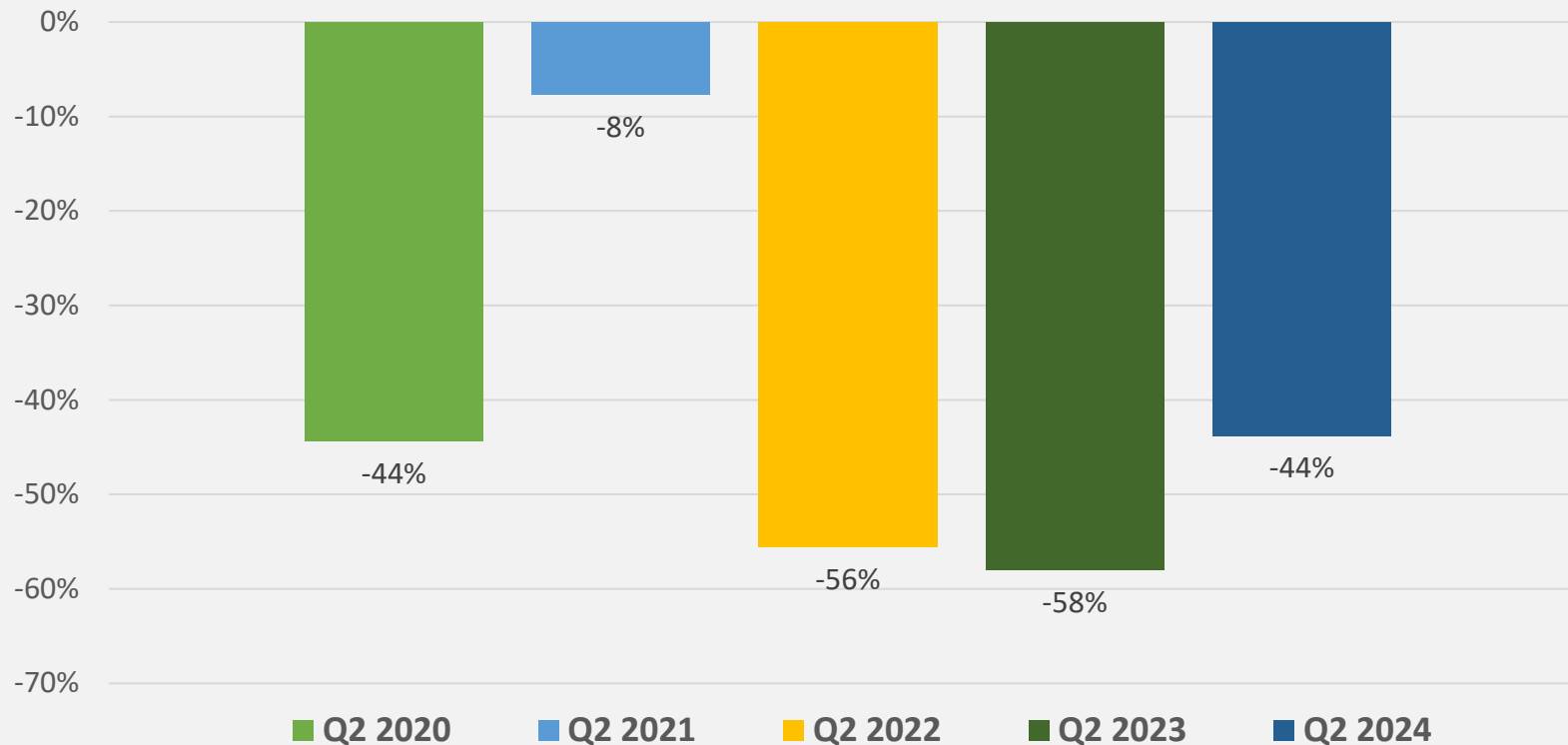
Colorado Hospital Industry Update

Q2 2024 Financial and
Utilization Trends

Operating Margins Significantly Below Pre-Pandemic



Percent Change in Operating Margin Compared to 2019



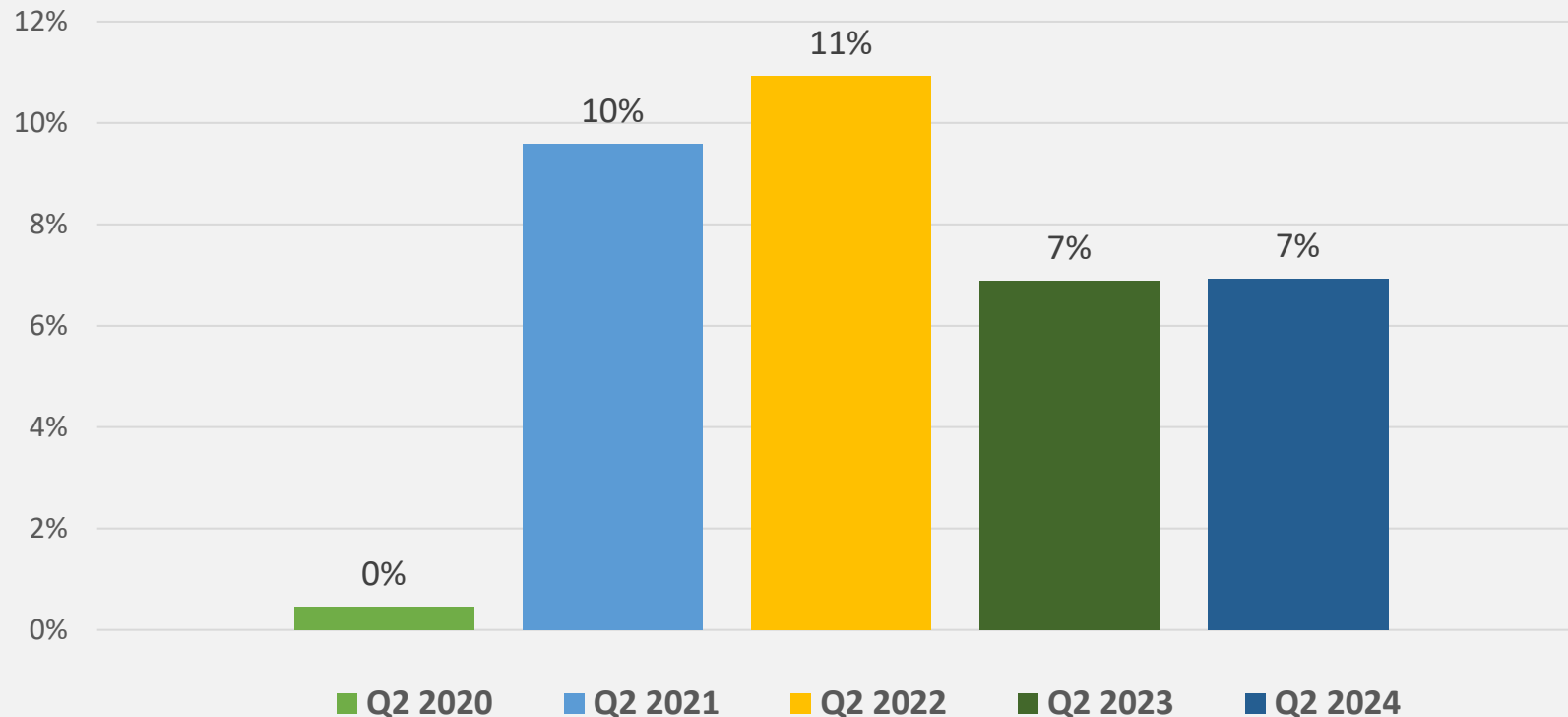
Key Takeaways

- Operating margins remain 44% lower in Q2 2024 compared to Q2 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 Expense Trends by Year



Year-Over-Year Percent Change in Total Operating Expenses



Key Takeaways

- Operating expense trends continue to remain higher than historical levels, at 7% in Q2 2024, driven by increases in labor, supply, and high inflation pressures.
- While for the first time in many years inflation in metro Denver dipped below the U.S. average in early 2024¹, it was driven primarily by a drop in gasoline prices. Colorado continues to rank higher than most U.S. states for cost of living.²

Data obtained from CHA Databank reported through June 2024

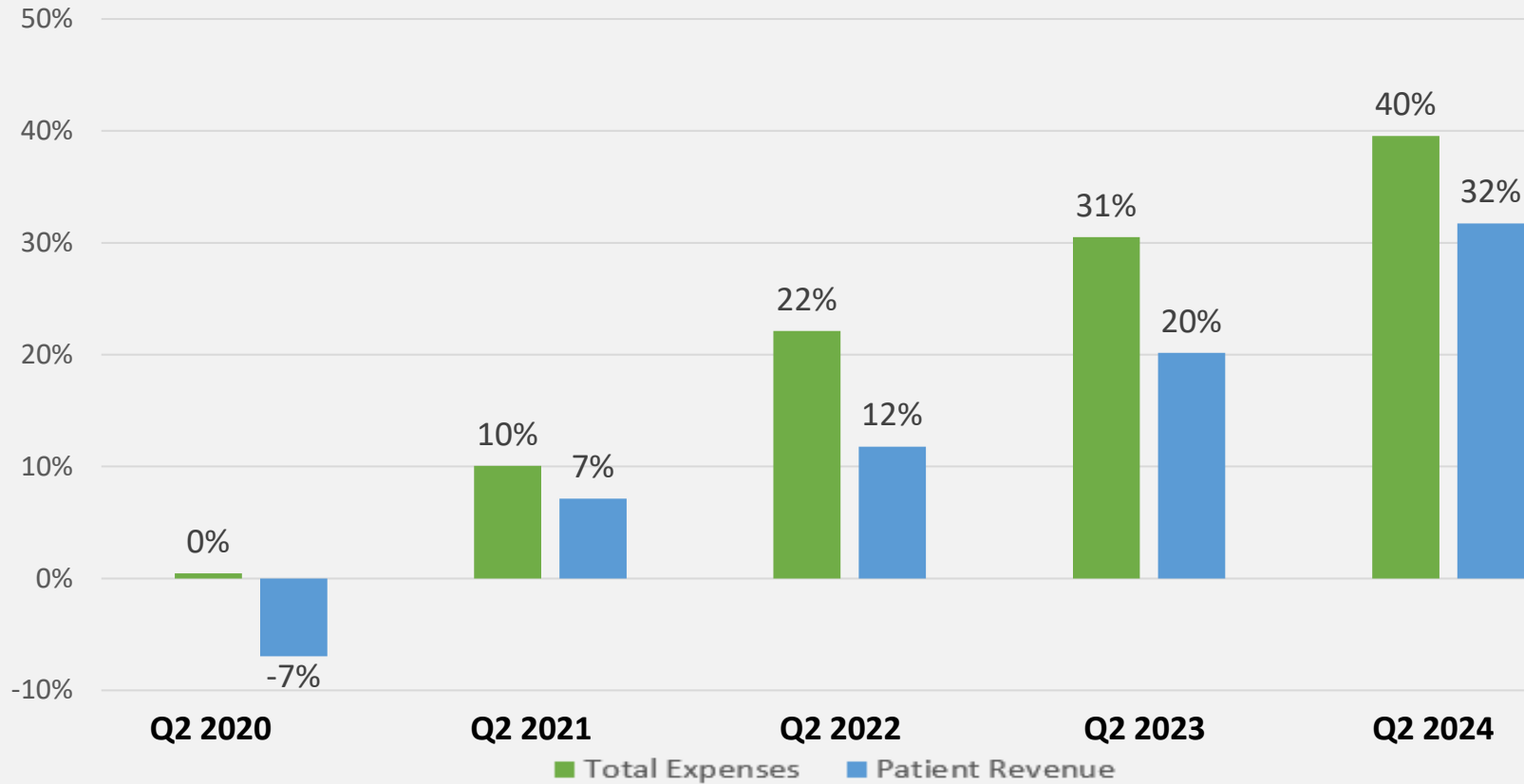
¹ [As reported by the Denver Post](#)

² [meric cost-living-data-series](#)

Expense Trends Remain Higher than Revenue Trends



Revenue and Expense Percent Change from 2019



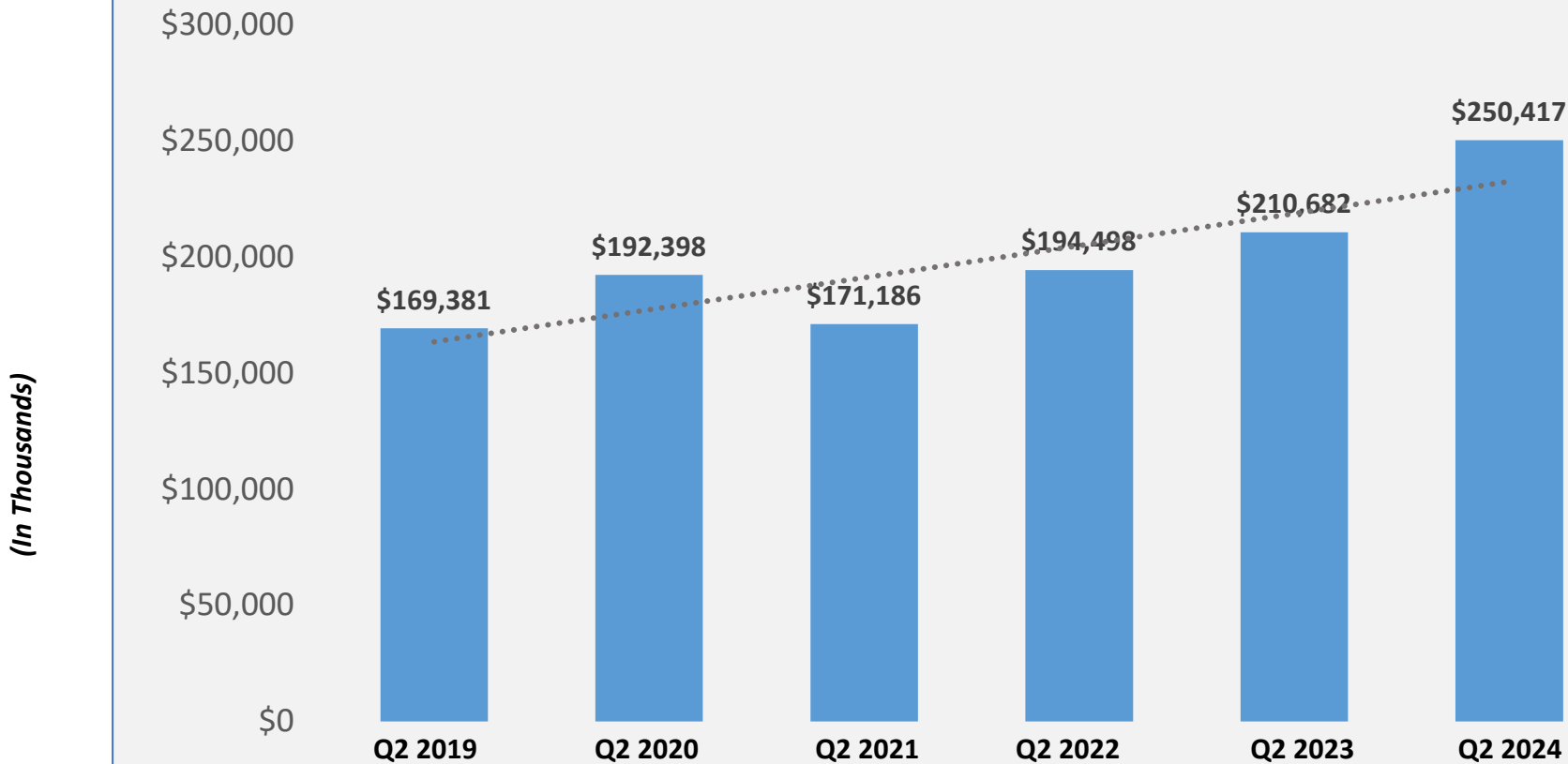
Key Takeaways

- Increases in operating expenses have exceeded revenues since 2019 – a cumulative 8% differential as of 2024, slightly improved from 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.

Bad Debt and Charity Care Continues to Increase



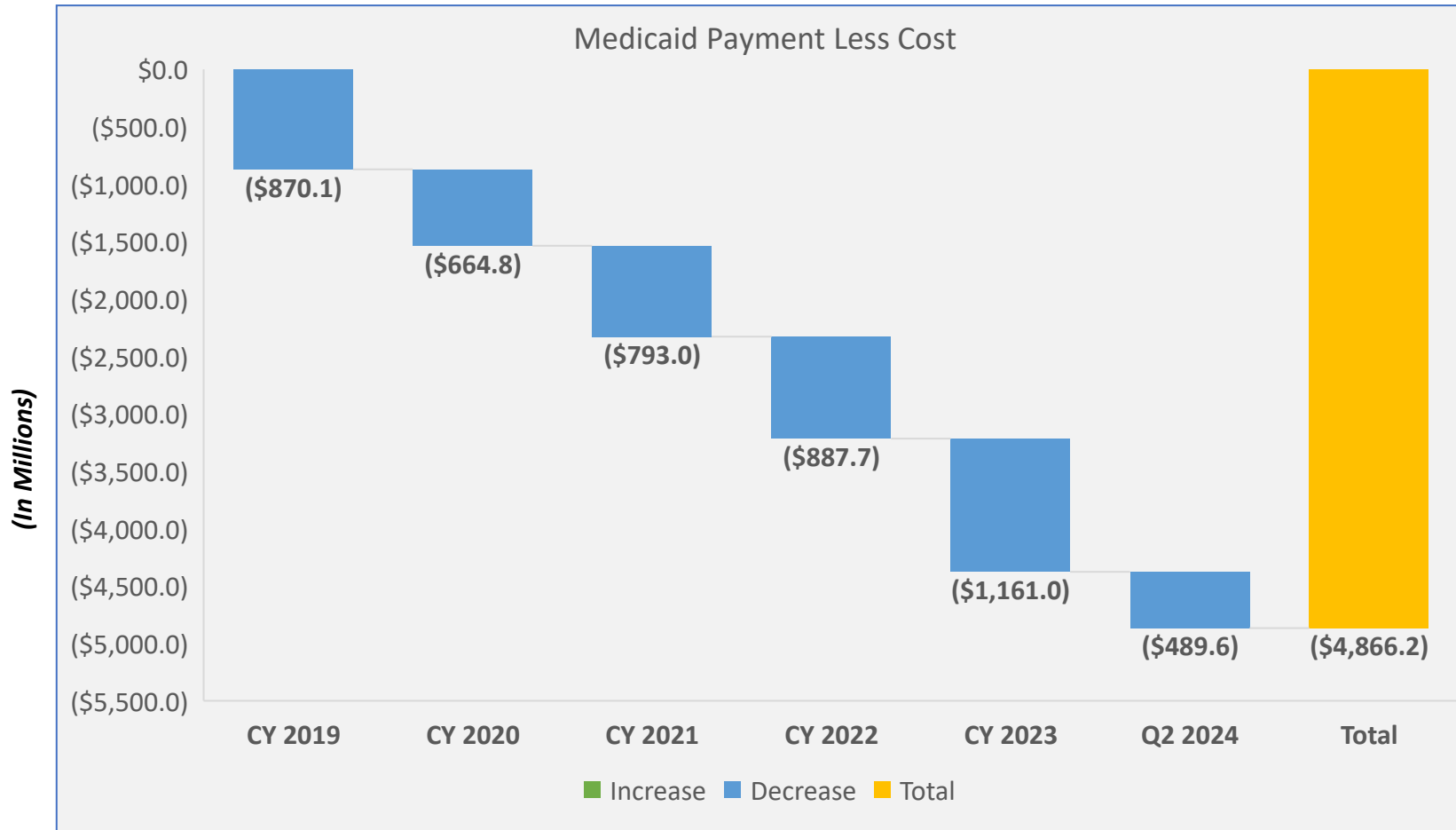
Bad Debts and Charity Care Costs



Key Takeaways

- Bad debt and charity care costs continue to increase, up 19% in 2024, driven by increases in charity care costs, up 60% in 2024, and 152% 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 Continue to Escalate

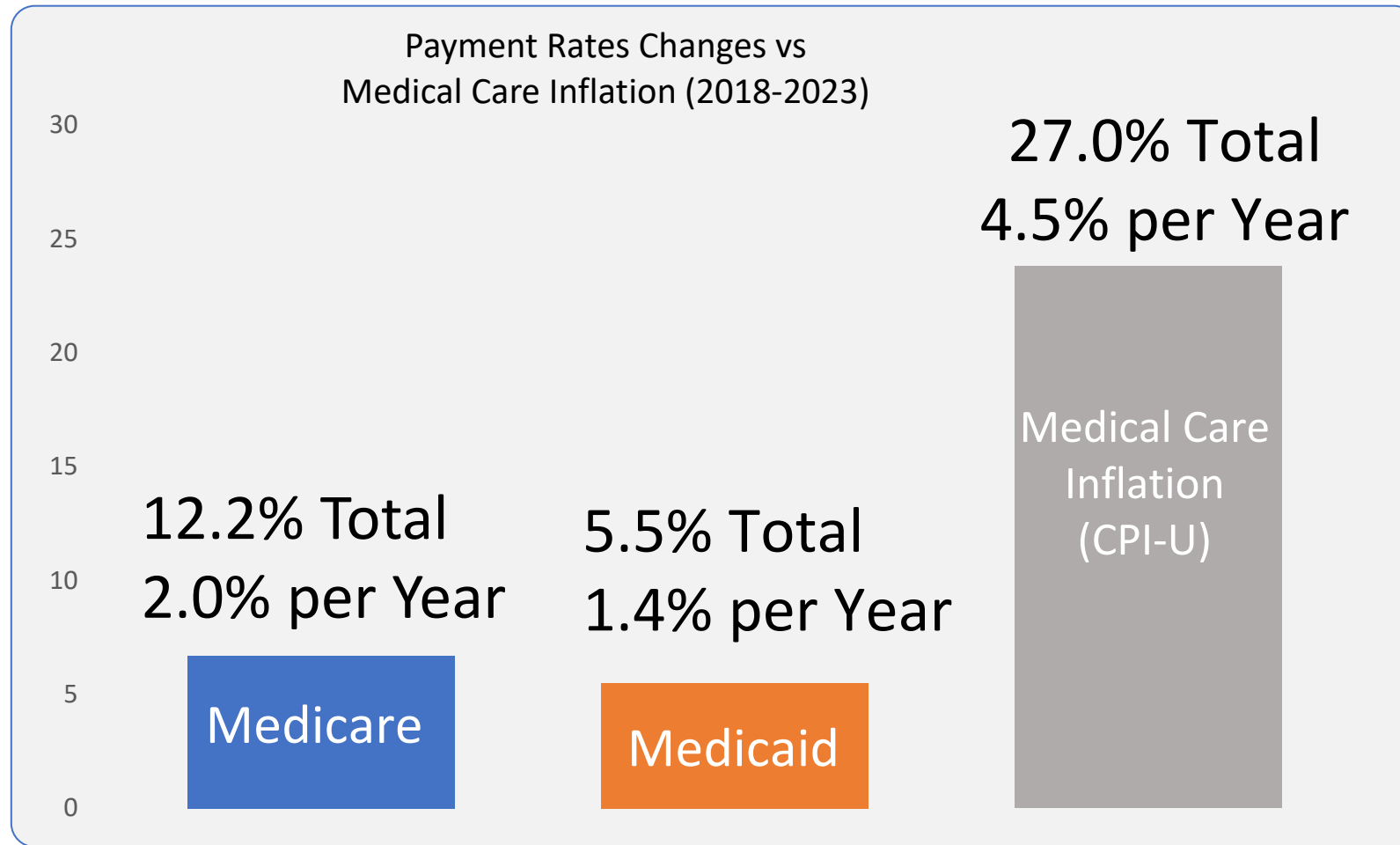


Key Takeaways

- Since 2019, hospitals funded almost \$4.9 billion of support in unreimbursed care provided to the Medicaid population in Colorado.
- Uncompensated costs related to Medicaid continue to increase, due to low reimbursement rates in the Medicaid program consistently exceeding the cost of care.

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

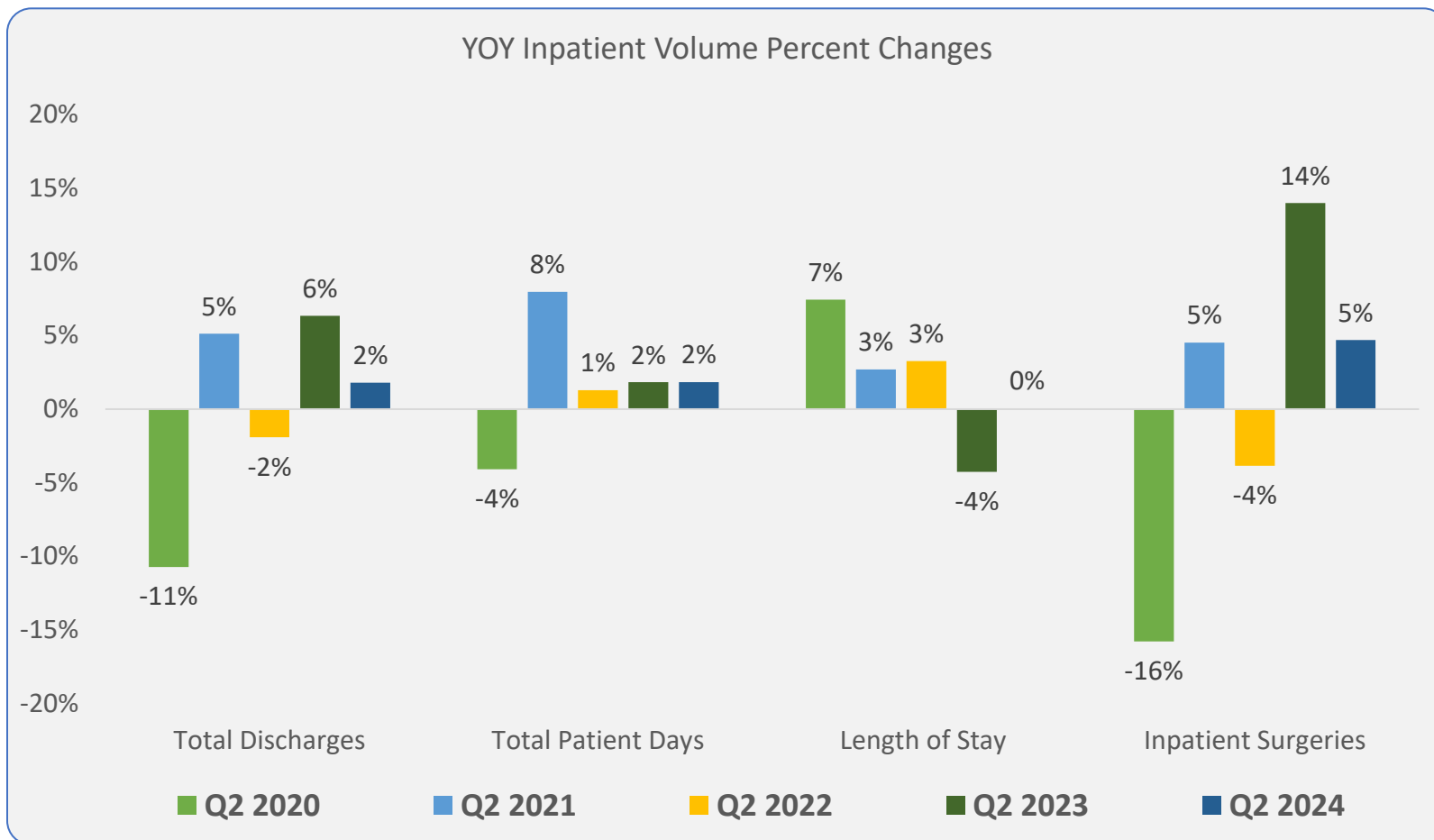


Key Takeaways

- Medicare and Medicaid payment rates have historically have not kept up with inflation resulting in reimbursement falling short of costs
- Over the last six years, shortfalls have been 2.5% to 3% per year.

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

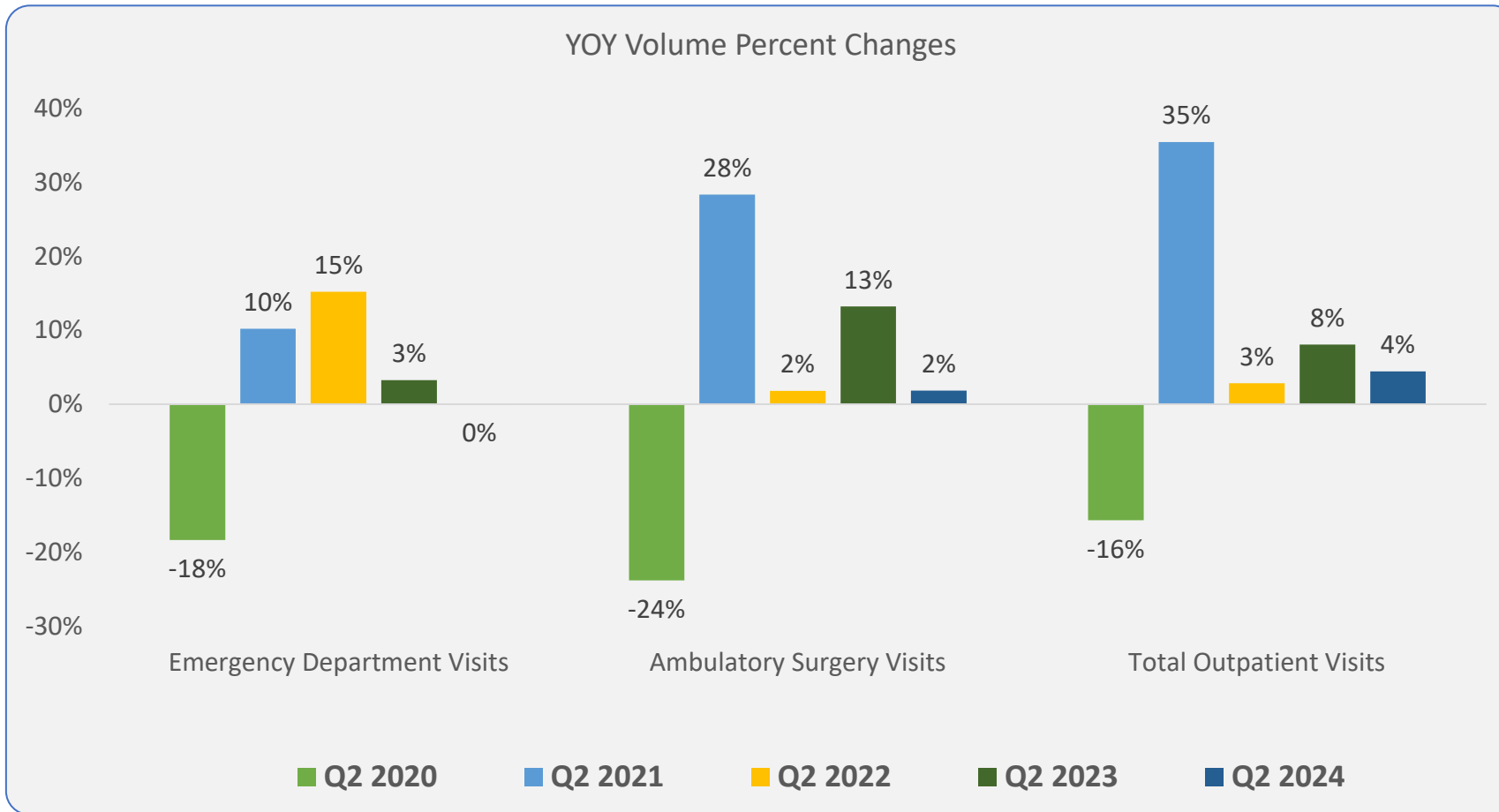
Inpatient Volume Trends



Key Takeaways

- Length of stay has flattened in 2024 and remains higher than 2019 levels due to higher acuity of patients and barriers to discharge.
- Inpatient surgeries have rebounded in 2024, a likely impact of delayed and deferred care throughout the pandemic.

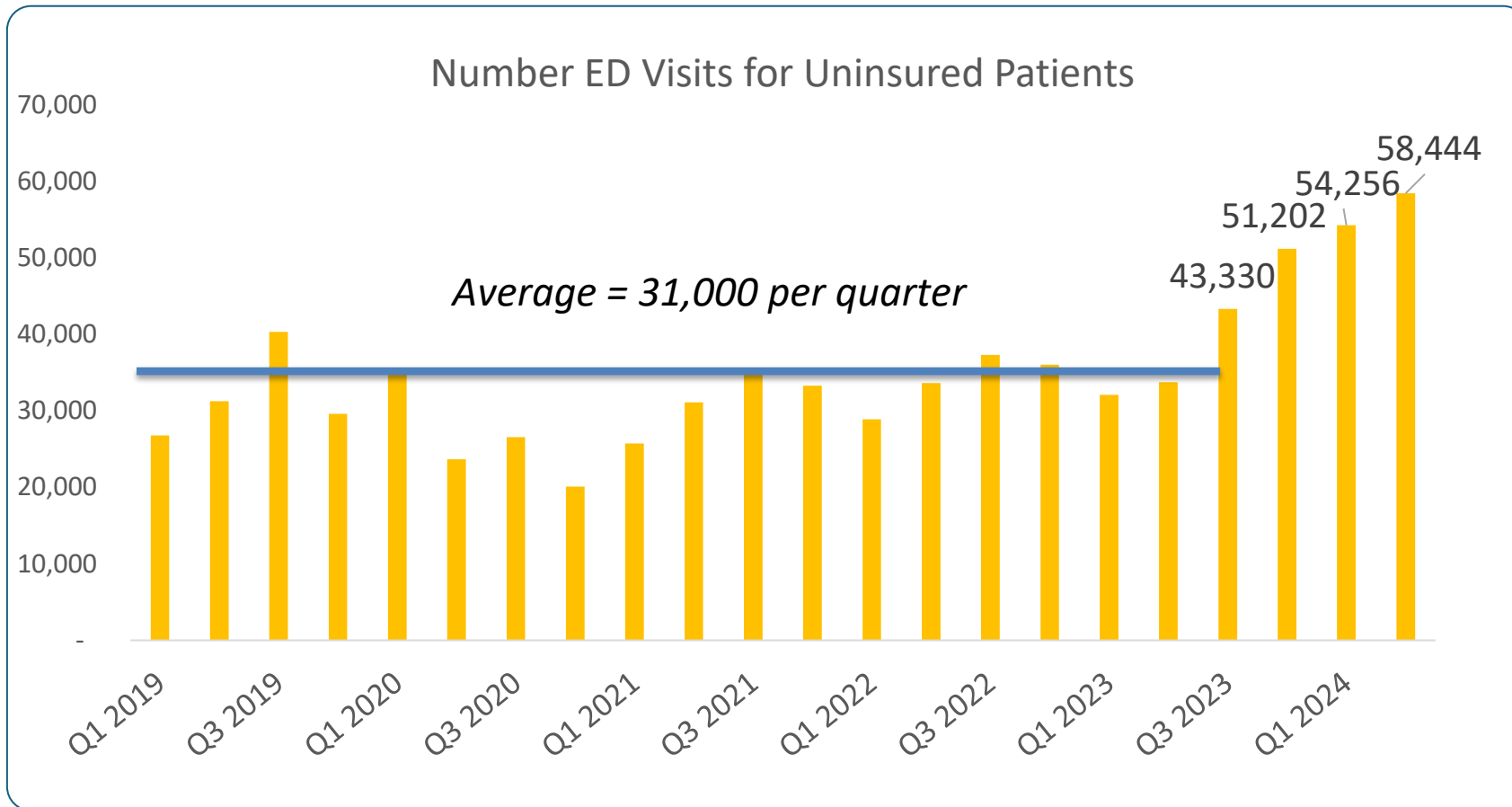
Outpatient Volume Trends



Key Takeaways

- The impact of the pandemic resulted in significant fluctuations in outpatient services from 2020-24.
- Total ED visit volume has flattened from 2023, but uninsured patient volumes continue to increase (see next slide).
- Overall outpatient service volumes have moderated slightly in 2024, up 4% from 2023.

ED Utilization Trends for Uninsured Patients

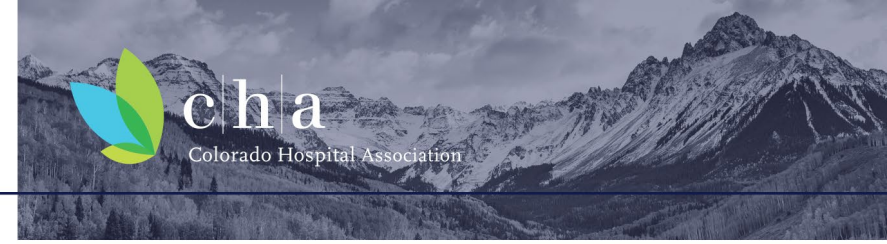


Key Takeaways

- Uninsured visits to the ED have increased by over 23,000 per quarter, or nearly 8,000 per month.
- The rate of uninsured patients to total patients in the ED has increased to more than 10%.
- Hospitals are seeing increasing number of patients without insurance due to Medicaid redetermination.

Data obtained from CHA Claims database reported through May 2024

Summary



- 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.