



Colorado Hospital Industry Update

Q3 2024 Financial and
Utilization Trends

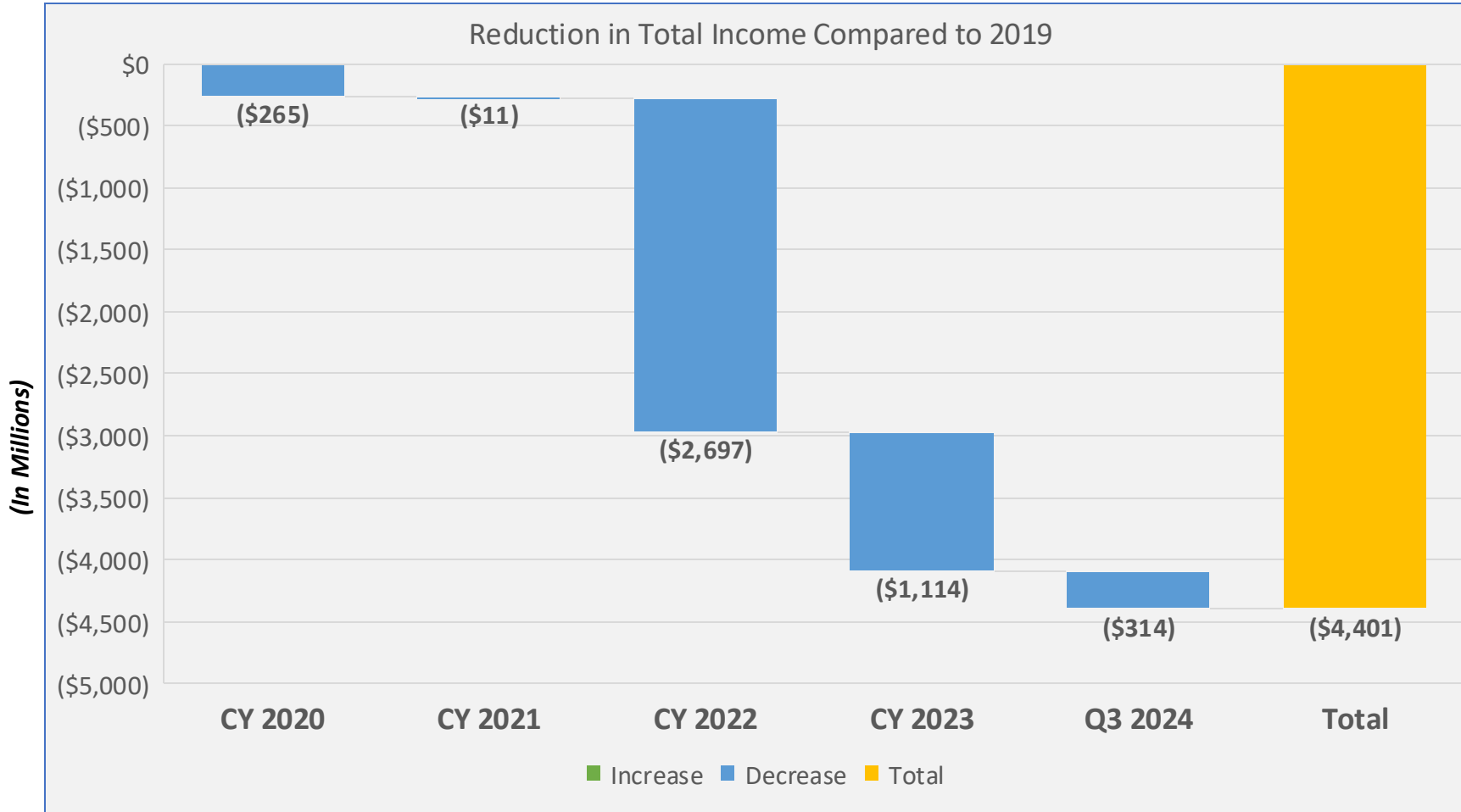
Executive Summary



The financial and operational impacts for Colorado hospitals over the last several years are unprecedented and threaten long-term sustainability and investment in patient care for many hospitals. As hospitals, policymakers, and other health care leaders assess the current landscape, key findings about the financial state of Colorado hospitals from the beginning of the pandemic through the third quarter of 2024 include:

- **Margins have fallen significantly compared to pre-pandemic levels.** Operating margins, while slightly improved overall, are 47% lower in 2024 than pre-pandemic levels, following a 61% decrease in 2023.
- **More than 70% of Colorado hospitals have operating margins that do not provide for long-term sustainability, up from 50% before the pandemic.** For most 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 have moderated slightly after near double-digit rates during the past two years.** Total expenses in 2024 are 40% higher than pre-pandemic levels, up over 8% per year, driven by increases in staffing, medical supplies, pharmaceutical costs, and growing administrative costs to support regulatory requirements.
- **Colorado hospitals are providing increased support of uncompensated costs for charity care and undercompensated care for Medicaid and Medicare patients.** Colorado hospitals are committed to providing free and subsidized care for patients in need in their communities, and at increasing amounts. Charity care support has increased a staggering 51% over last year and 140% since before the pandemic. Hospitals have provided more than \$13 billion in support of undercompensated care for Medicare and Medicaid over the last five years.
- **Hospital service volumes have been impacted throughout the pandemic.** After significant decreases in services at the beginning of the pandemic, volumes have rebounded back to near pre-pandemic levels. Patient length of stay remains higher than pre-pandemic, impacted by difficulty in discharging patients to available post-acute settings and higher care needs of sicker patients.
- **Hospitals have faced a serious financial operational toll, with no further relief in sight.** Hospitals have incurred unprecedented losses relative to pre-pandemic levels, approximately \$4.4 billion in 2024, creating financial instability for the industry and constraining future investments to support Colorado's growth.

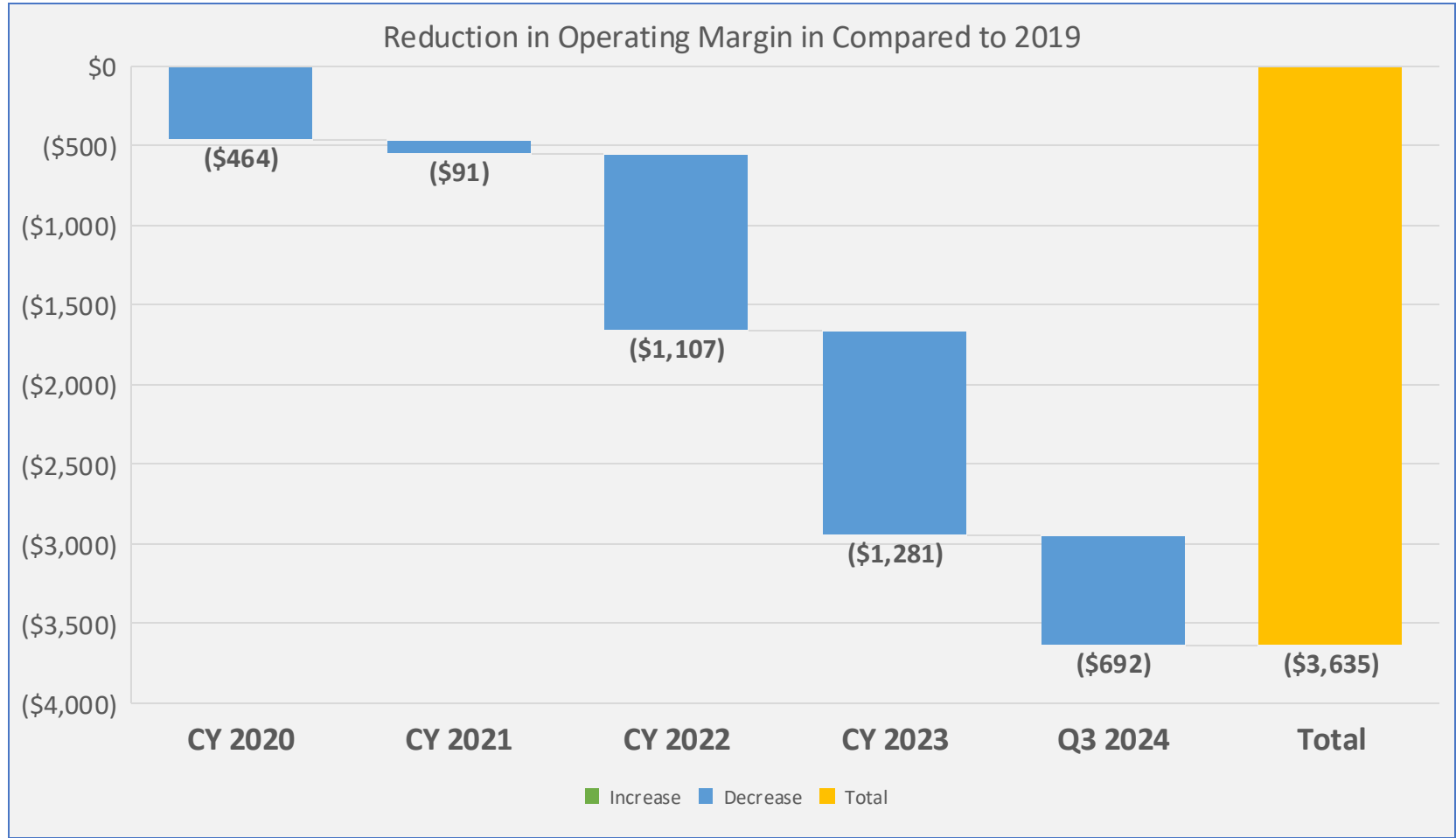
Total Income Continues to Fall Short of Pre-Pandemic



Key Takeaways

- Total income levels have improved from prior years due to gains in financial markets, one-time 340B adjustments, and improvement in operating margins, but continue to fall short of pre-pandemic levels.
- In total since 2019, Colorado hospitals have seen reduction in income over \$4.4 billion, constraining future investments and putting more hospitals in vulnerable financial condition.

Operating Margin Continues to Fall Short of Pre-Pandemic



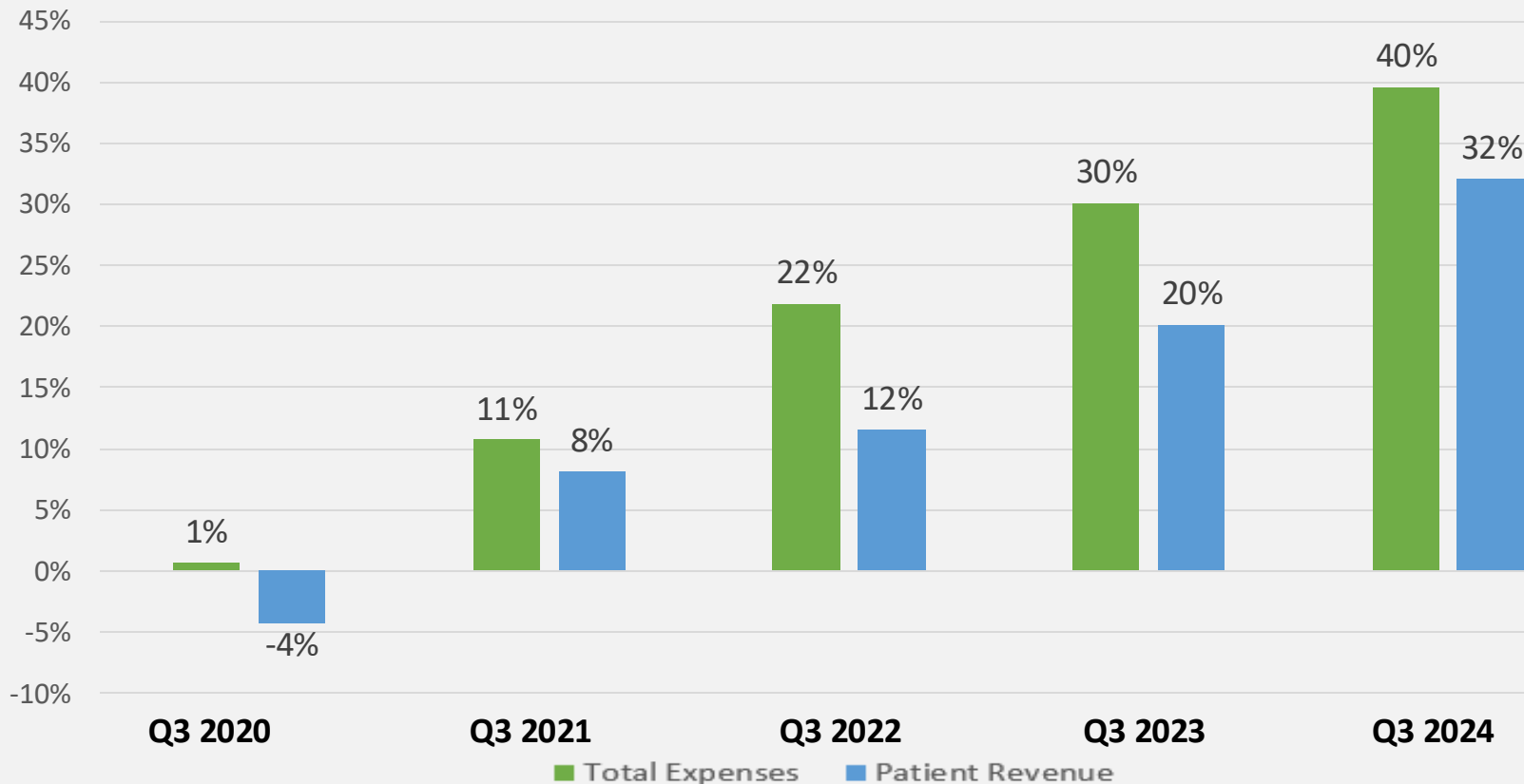
Key Takeaways

- Operating margins have improved in 2024 due primarily to a rebound in patient revenues resulting from increase in services, higher patient acuity, and rate increases.
- The continued financial and operational pressures faced by Colorado hospitals during and after the pandemic have been significant and totaling over \$3.6 billion.

Expense Trends Remain Higher than Revenue Increases



Revenue and Expense Percent Change from 2019



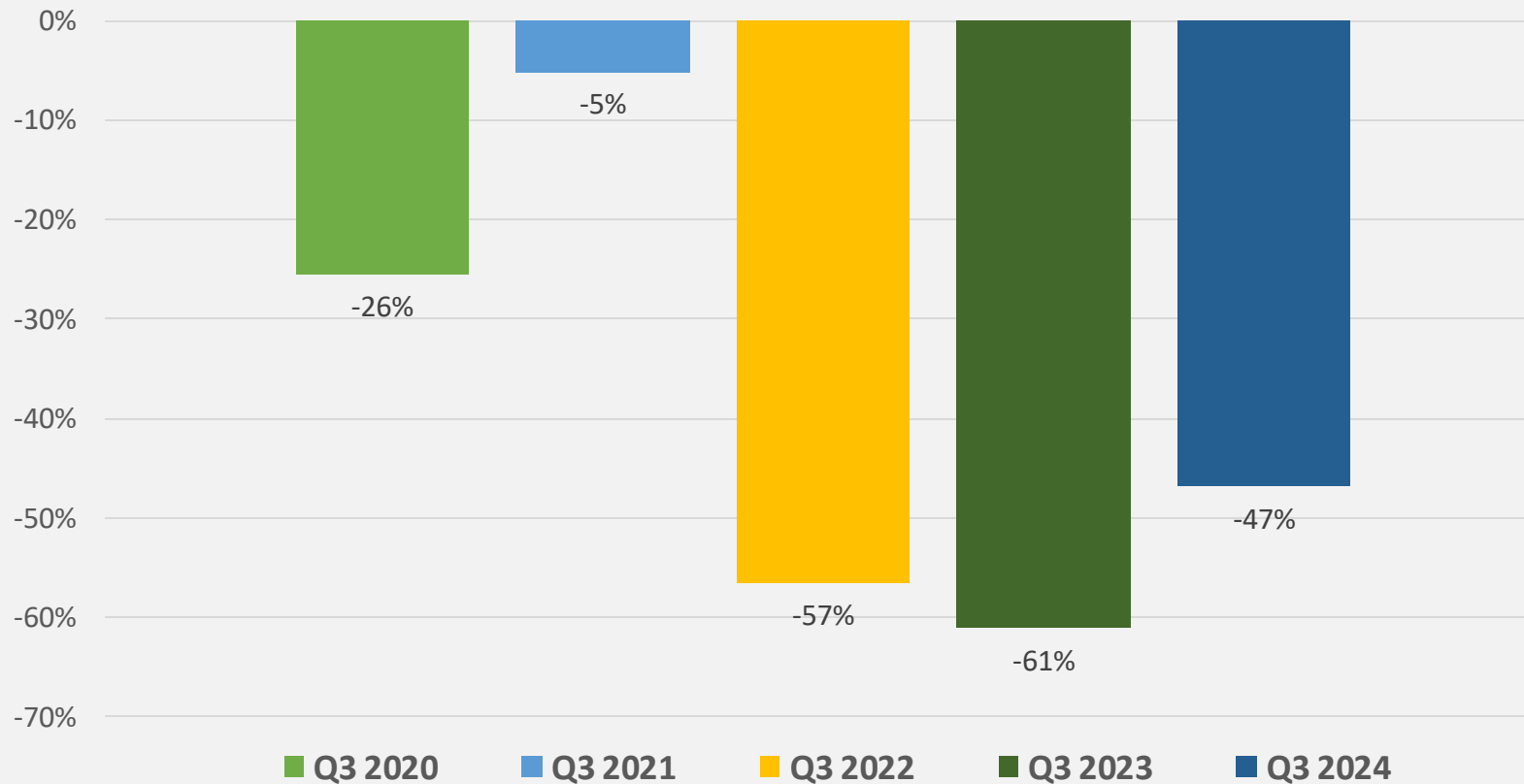
Key Takeaways

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



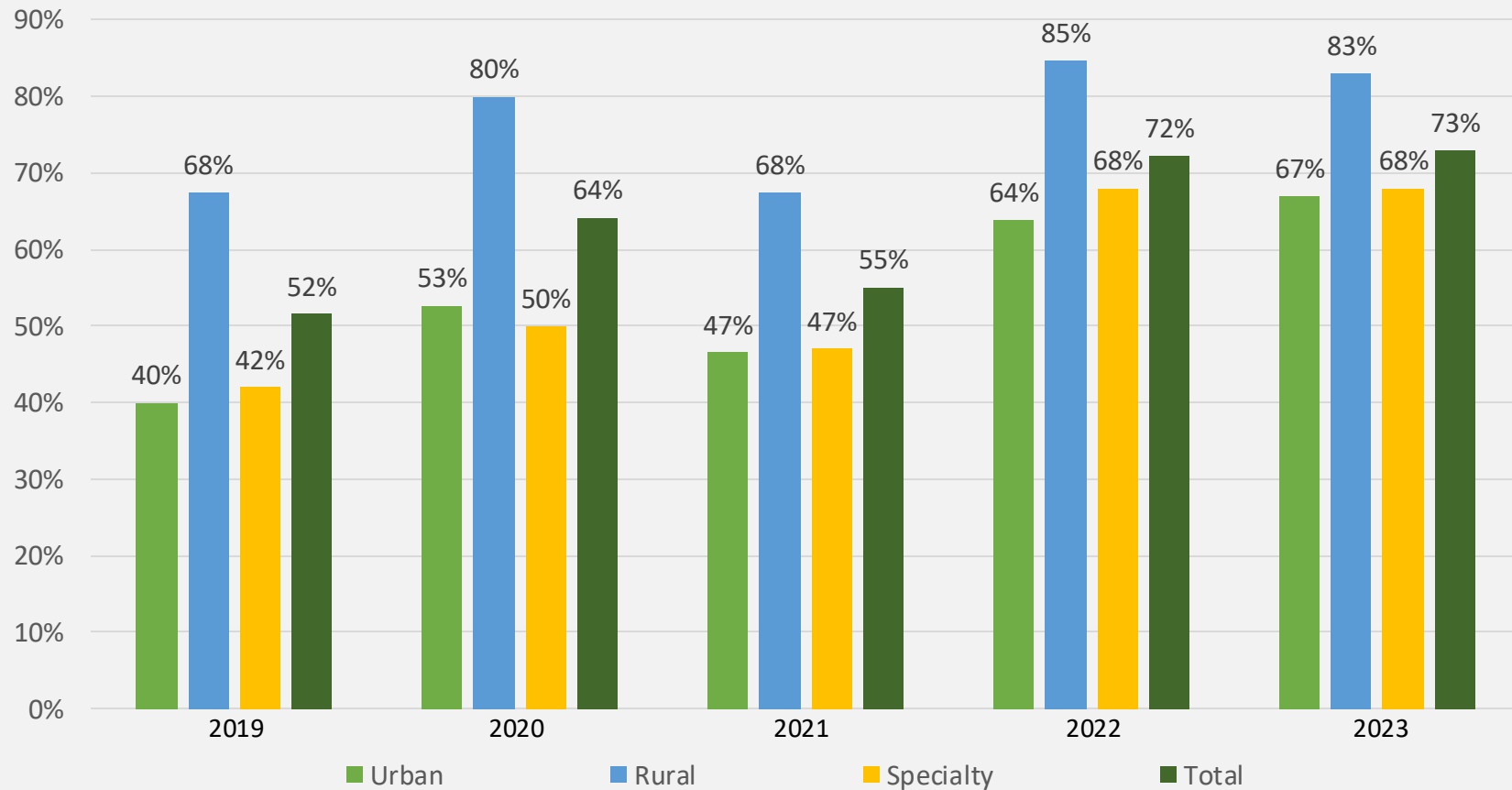
Key Takeaways

- Operating margins remain 47% lower in Q3 2024 compared to Q3 2019, a continuing trend each year since the start of the pandemic, nearly 40% 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.

Nearly 75% of Colorado Hospitals Have Unsustainable Margins



Percent of Hospitals with Unsustainable Patient Margins



Key Takeaways

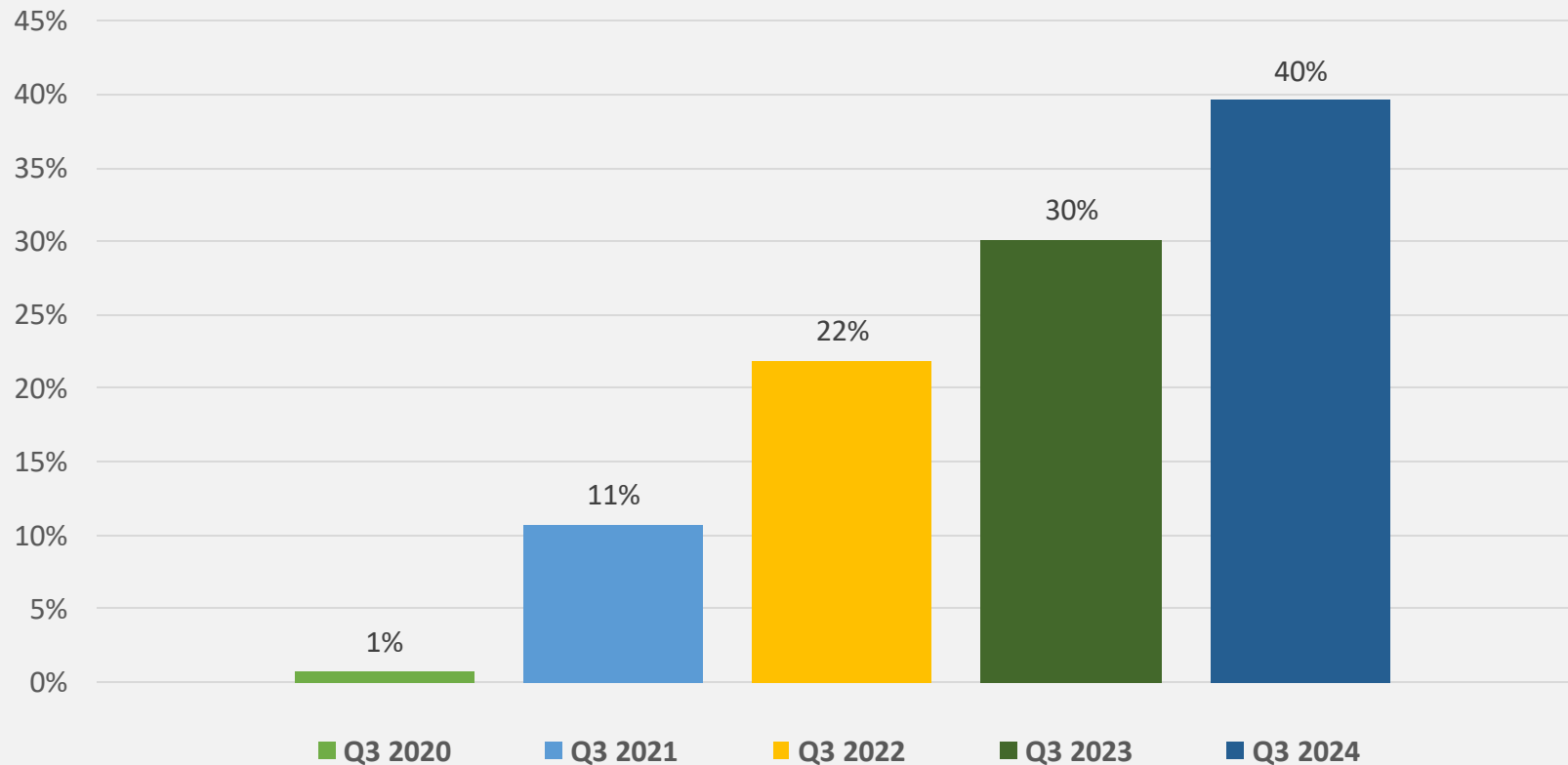
- Nearly 75% of Colorado hospitals finished 2023 with margins that do not provide for long term sustainability and investment in patient care.
- Since 2019, sustainable margins have significantly diminished for all types of hospitals including rural, urban, and specialty

2019 – 2023 data obtained from HCRIS database

Operating Expenses Continue to Rise



Percent Change in Total Operating Expenses Compared to 2019

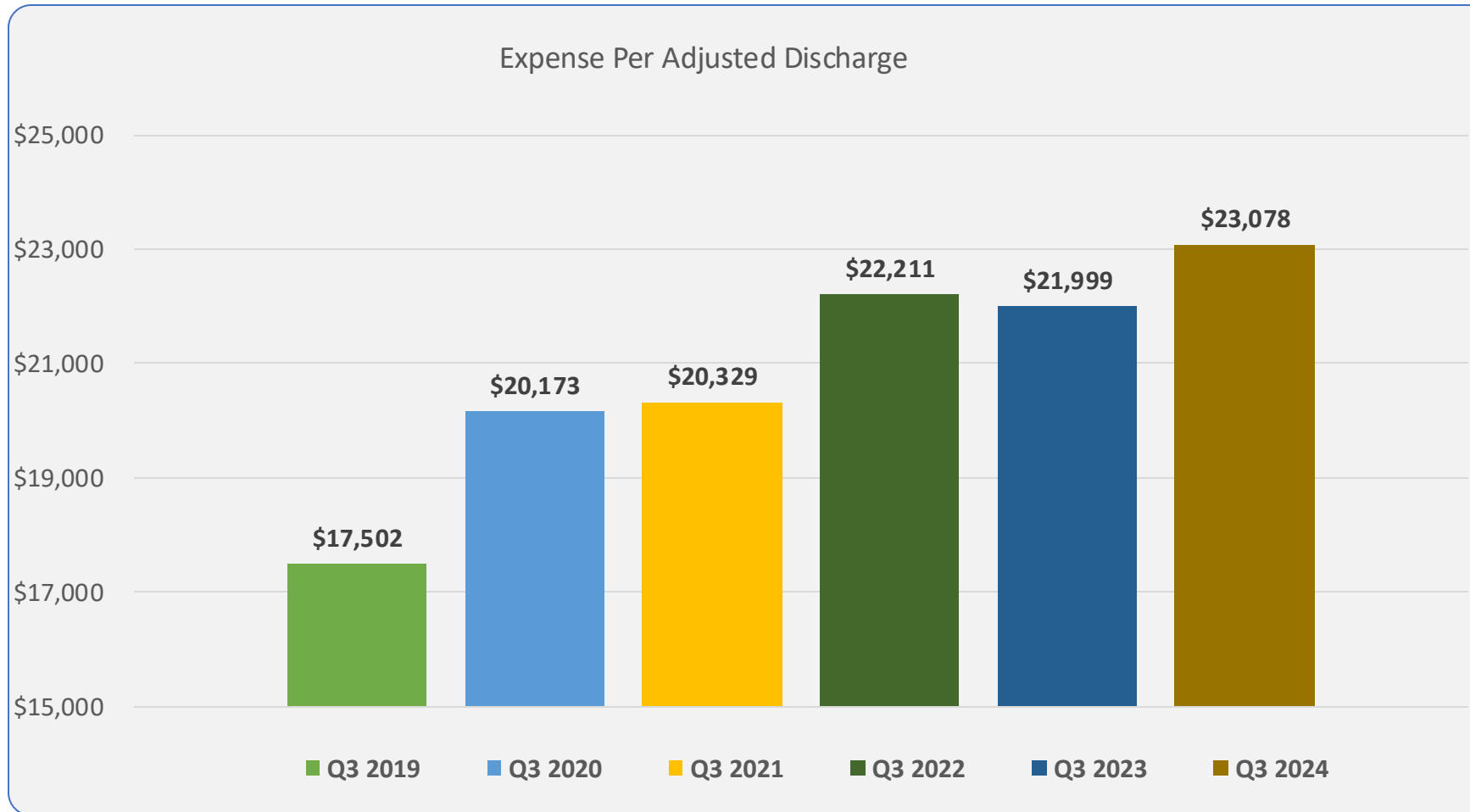


Key Takeaways

- Expenses for Colorado hospitals continue to rise at near double-digits, up 40% since 2019.
- Colorado has experienced higher inflation and overall cost of living than most places in the country, which puts additional pressure on hospital expenses.

Data obtained from CHA Databank reported through September 2024

Operating Expense Per Adjusted Discharge



Key Takeaways

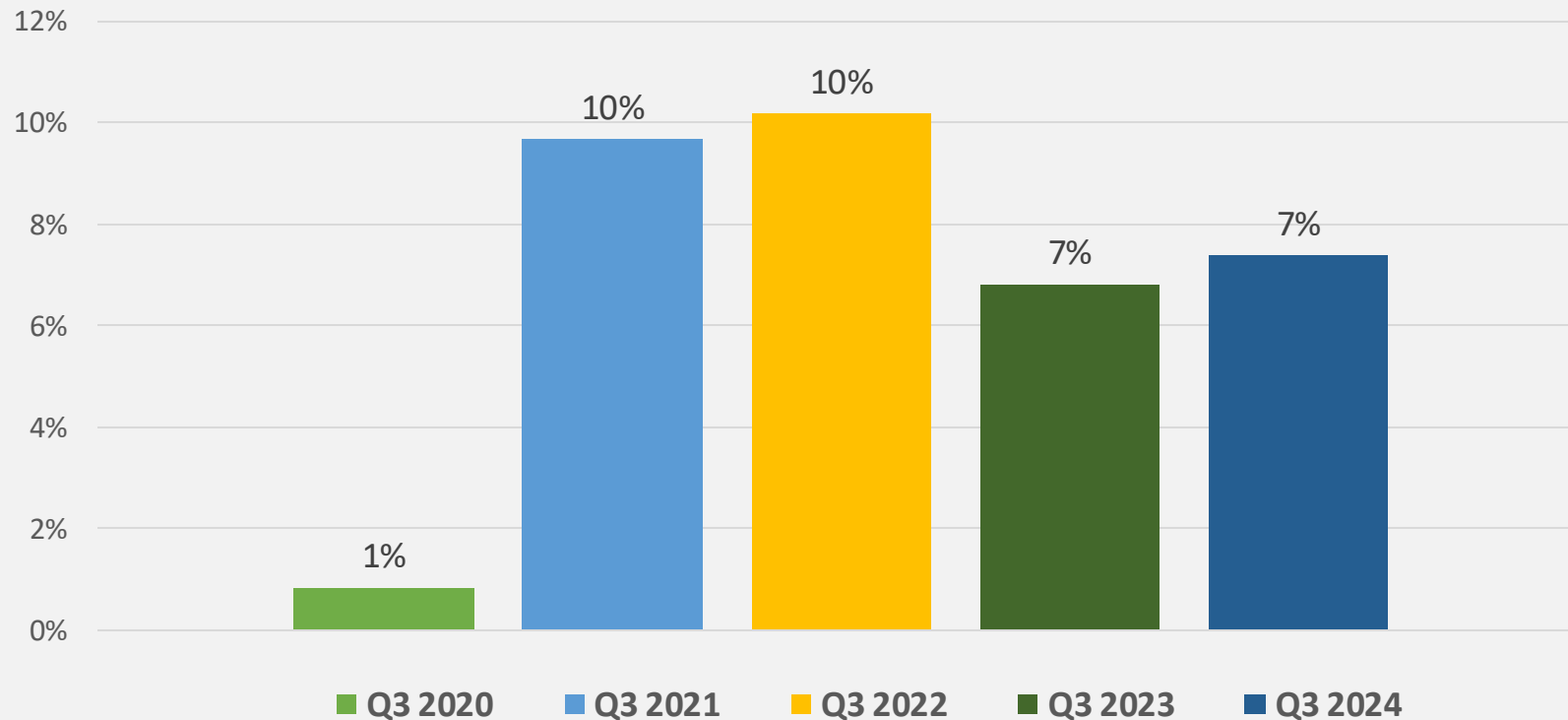
- Operating expense per discharge increased 4.9% Q3 2024, driven by 7.4% expense increase and 2.4% increase in adjusted discharges .
- Since 2019 operating expense per adjusted discharge has increased 31.8% due to high inflation and cost trends exceeding patient service volumes.

Data obtained from CHA Databank reported through September 2024

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 Q3 2024, driven by increases in labor, supply, and high inflation pressures.
- Although inflation in Denver has dipped below the US average in 2024¹, but overall cost of living remains higher than most states.²

Data obtained from CHA Databank reported through September 2024

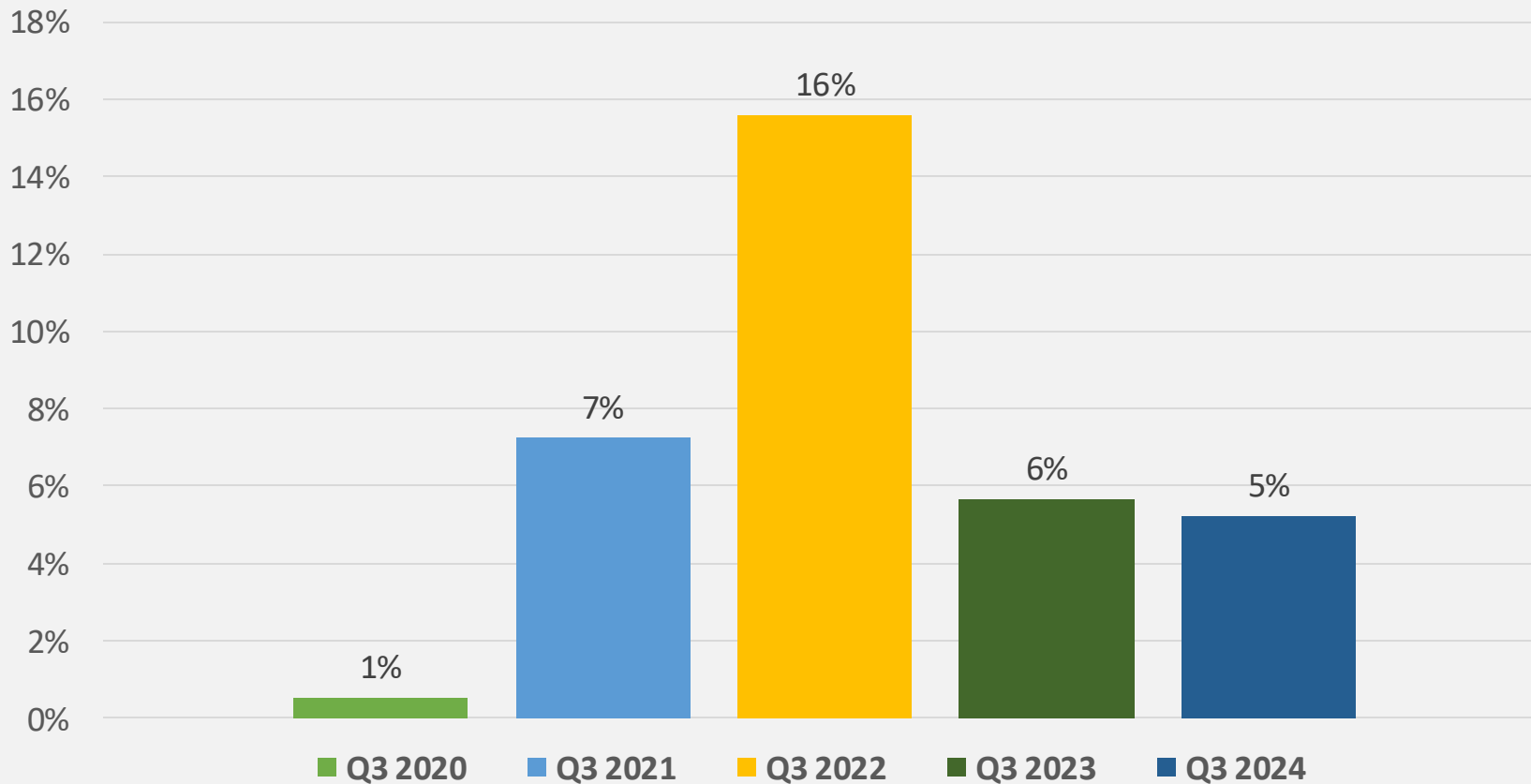
¹ [As Reported by the Denver Post](#)

² [meric cost-living-data-series](#)

Labor Expense Trends by Year



Year-Over-Year Percent Change in Total Labor Expenses



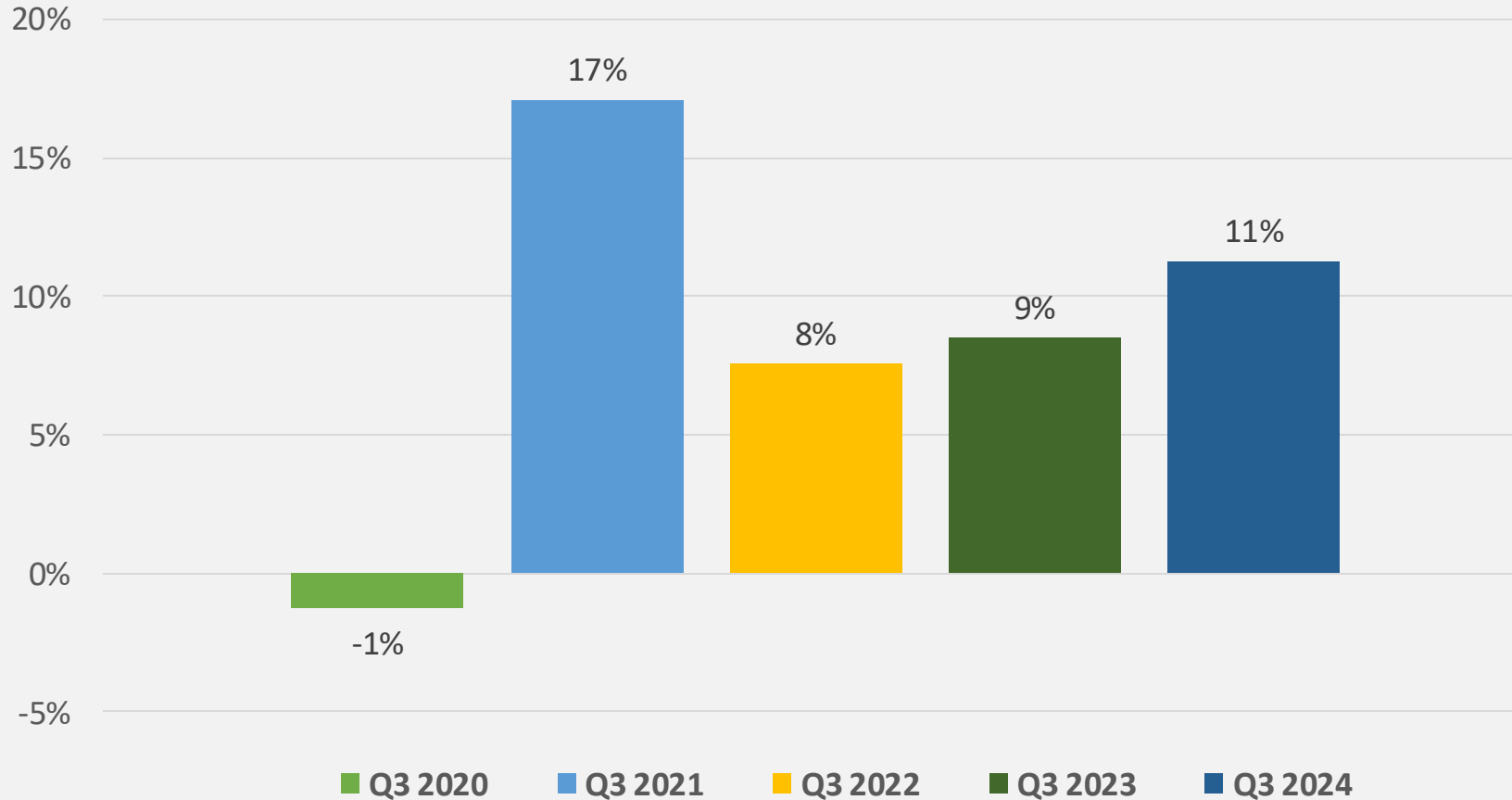
Key Takeaways

- After significant increases in 2022 and 2023, labor costs have moderated slightly in Q3 2024 but continue to run higher than historical levels.
- Although outsourced and contracted labor costs have begun to ease in 2023 and 2024, investments in staffing retention and recruitment continue to be a top priority.

Supply Expense Trends by Year



Year-over- Year Percent Change in Total Supplies Expenses

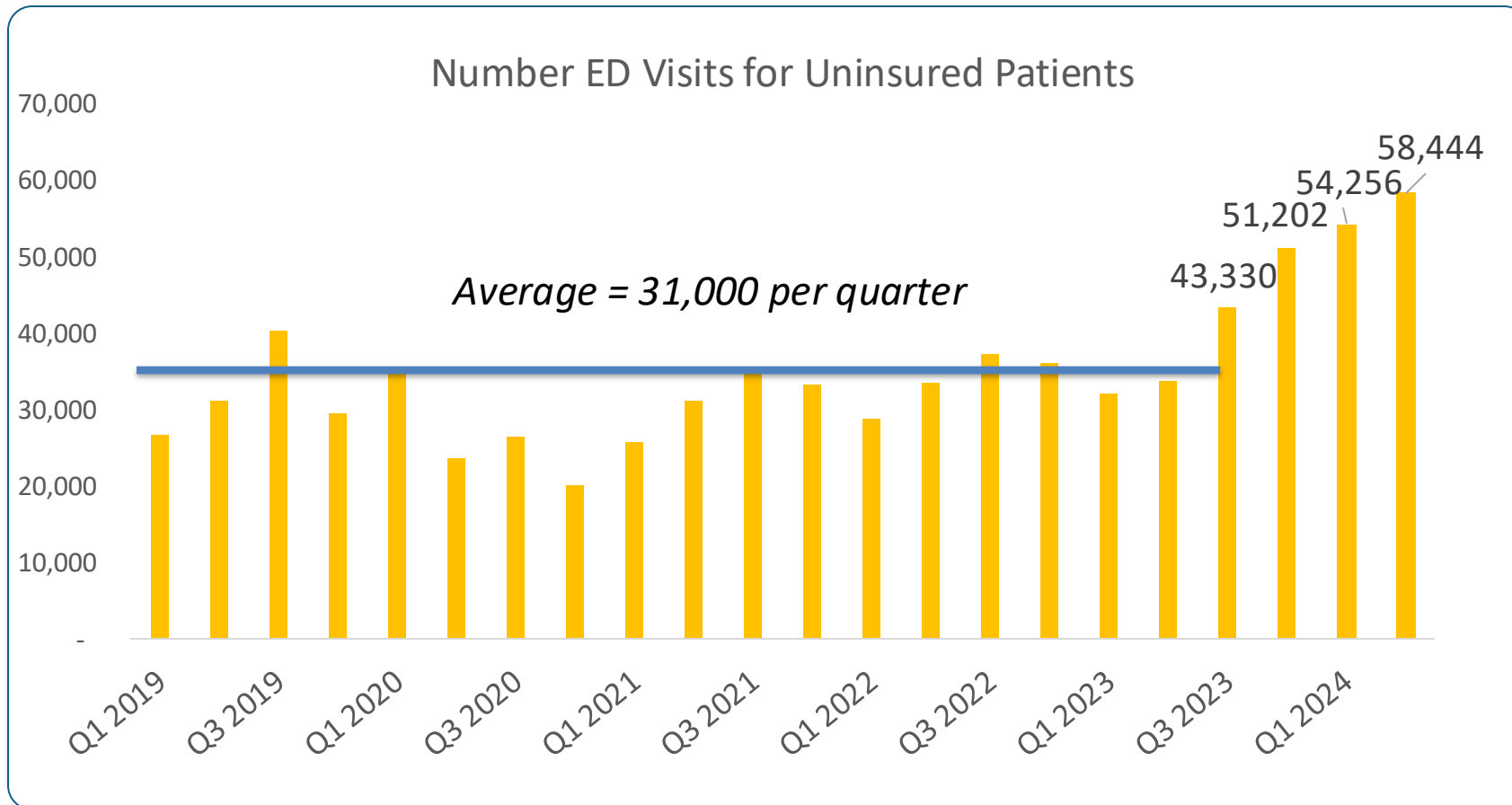


Key Takeaways

- Supply expense trends continue to remain above double digits 2024
- Supply expenses are driven by the high cost of pharmaceuticals, high inflation in Colorado, and caring for patients staying longer in hospital facilities.

Data obtained from CHA Databank reported through September 2024

ED Utilization Trends for Uninsured Patients

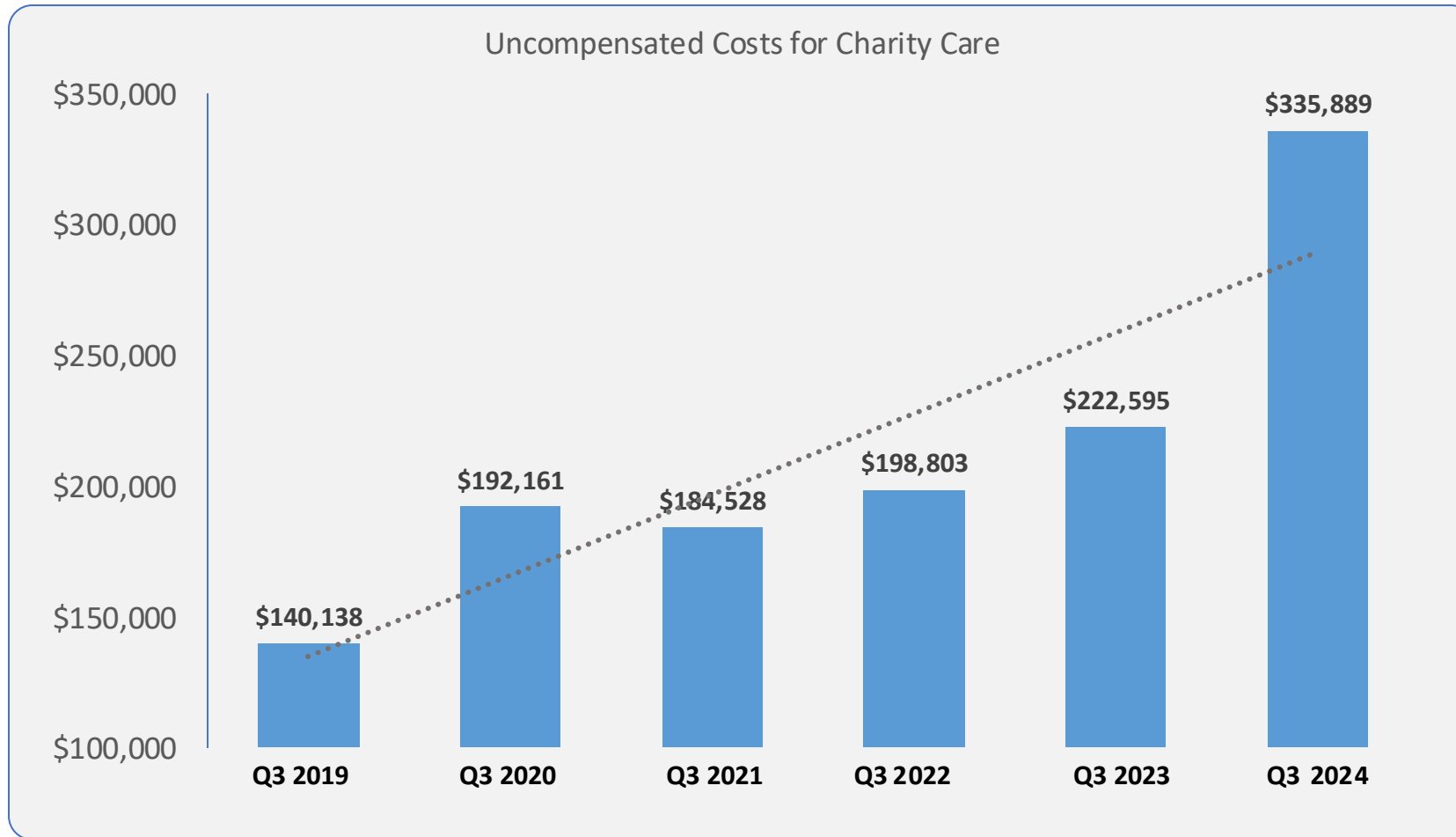


Key Takeaways

- Increasing uncompensated care costs are due in large part to increases in uninsured patients
- Visits to the ED have increased over 80% from the average during 2019-mid 2023, before the start of Medicaid redetermination
- The rate of uninsured patients to total patients in the ED has increased to over 10%

Data obtained from CHA Claims database reported through May 2024

Charity Care Continues to Increase



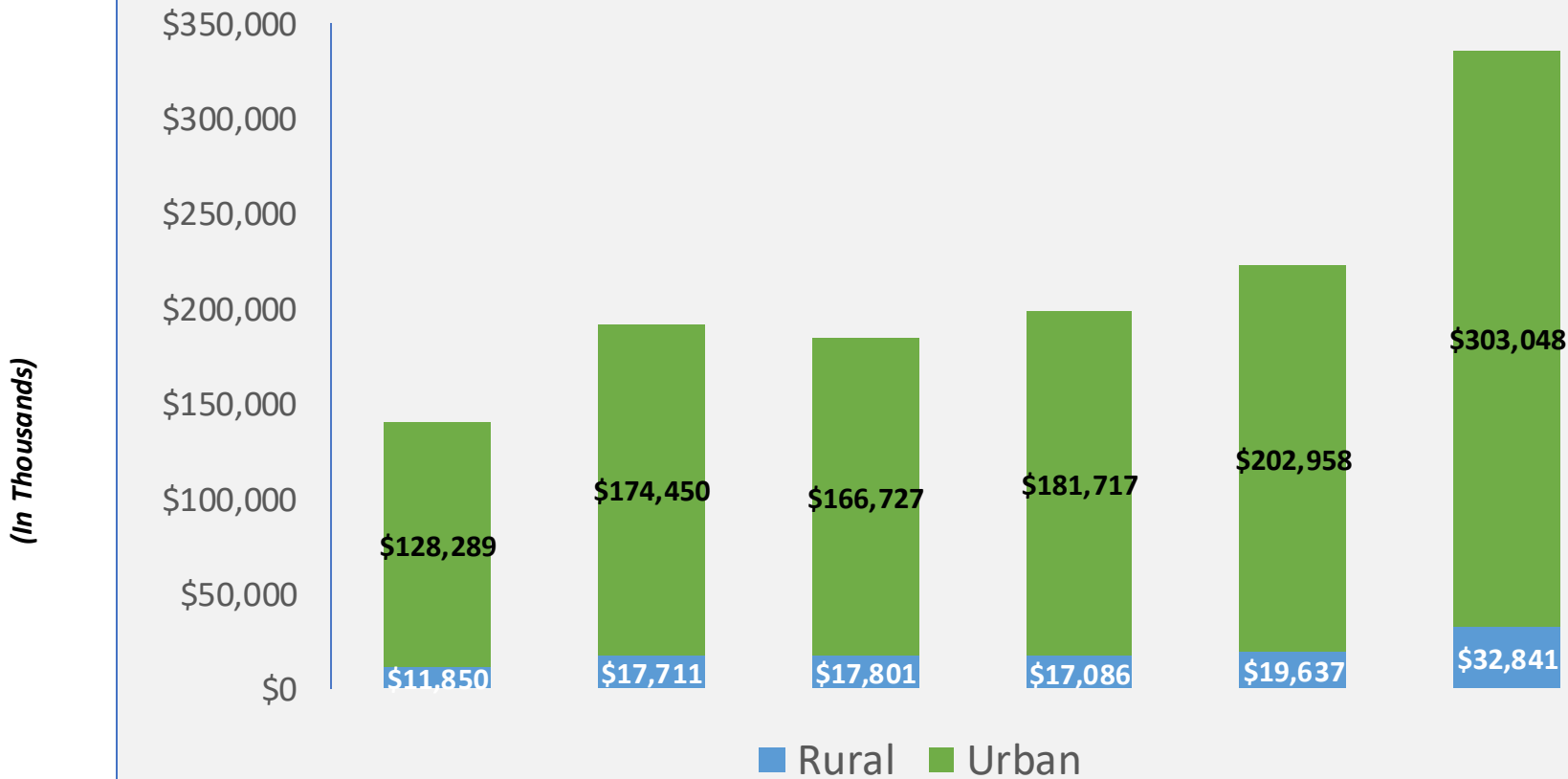
Key Takeaways

- Charity care costs are escalating rapidly, up 51% from 2023 and 140% compared to 2019.
- The increase in uncompensated charity care costs are related to the rise in uninsured patients and continued growth of Hospital Discounted Care.

Charity Care Continues to Increase



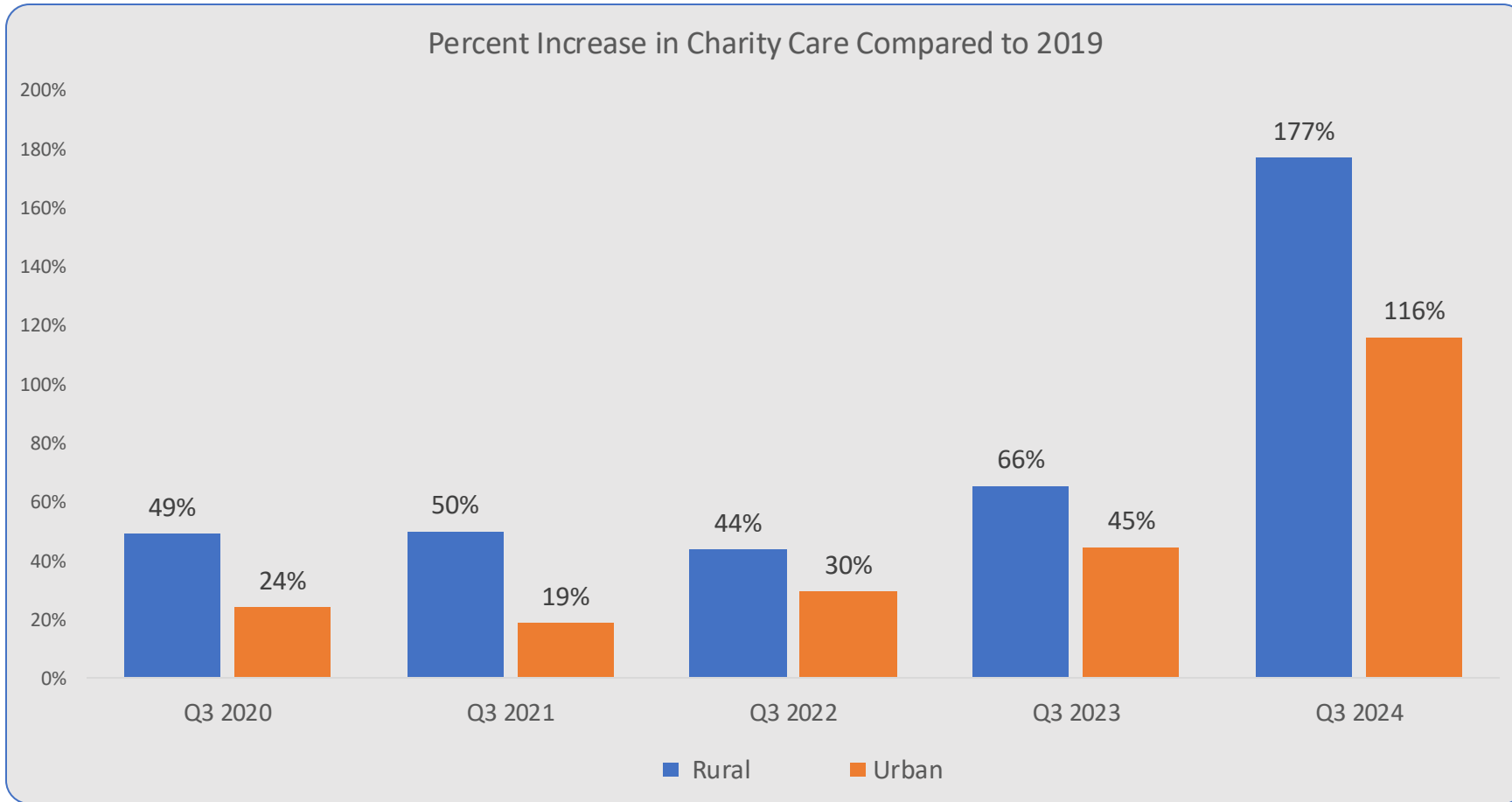
Uncompensated Costs for Charity Care



Key Takeaways

- Charity care costs are escalating rapidly, up 51% from 2023 and 140% compared to 2019.
- The increase in uncompensated charity care costs are related to the rise in uninsured patients and continued growth of Hospital Discounted Care.

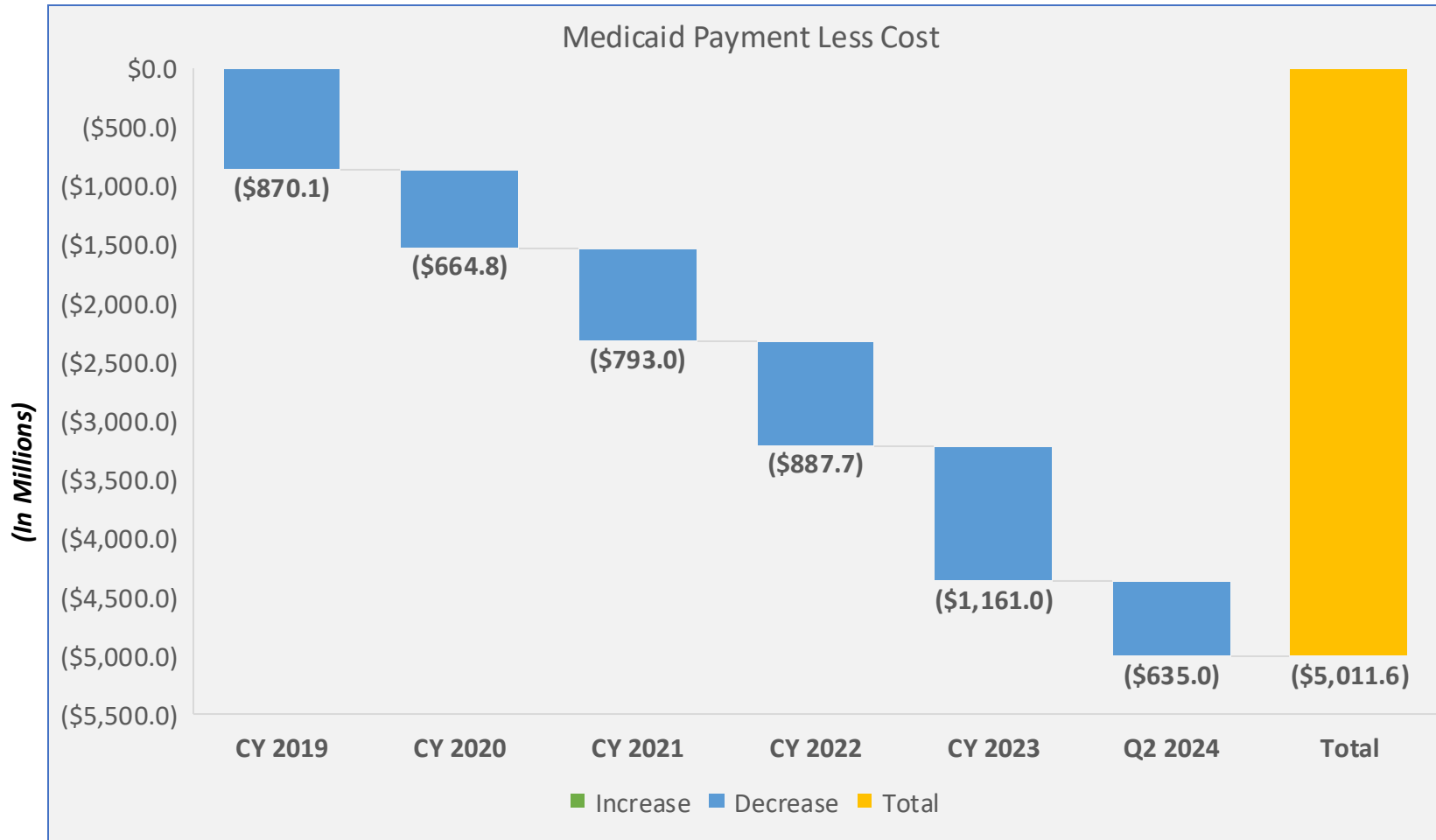
Charity Care Costs Increase Significantly



Key Takeaways

- All hospital groups are experiencing significant increases in uncompensated charity care costs with rural hospitals at a higher 177% increase than urban hospitals at 116%
- These trends are likely to continue with rising uninsured patients and expanded use of the Hospital Discounted Care program

Unreimbursed Medicaid Costs Continue to Escalate

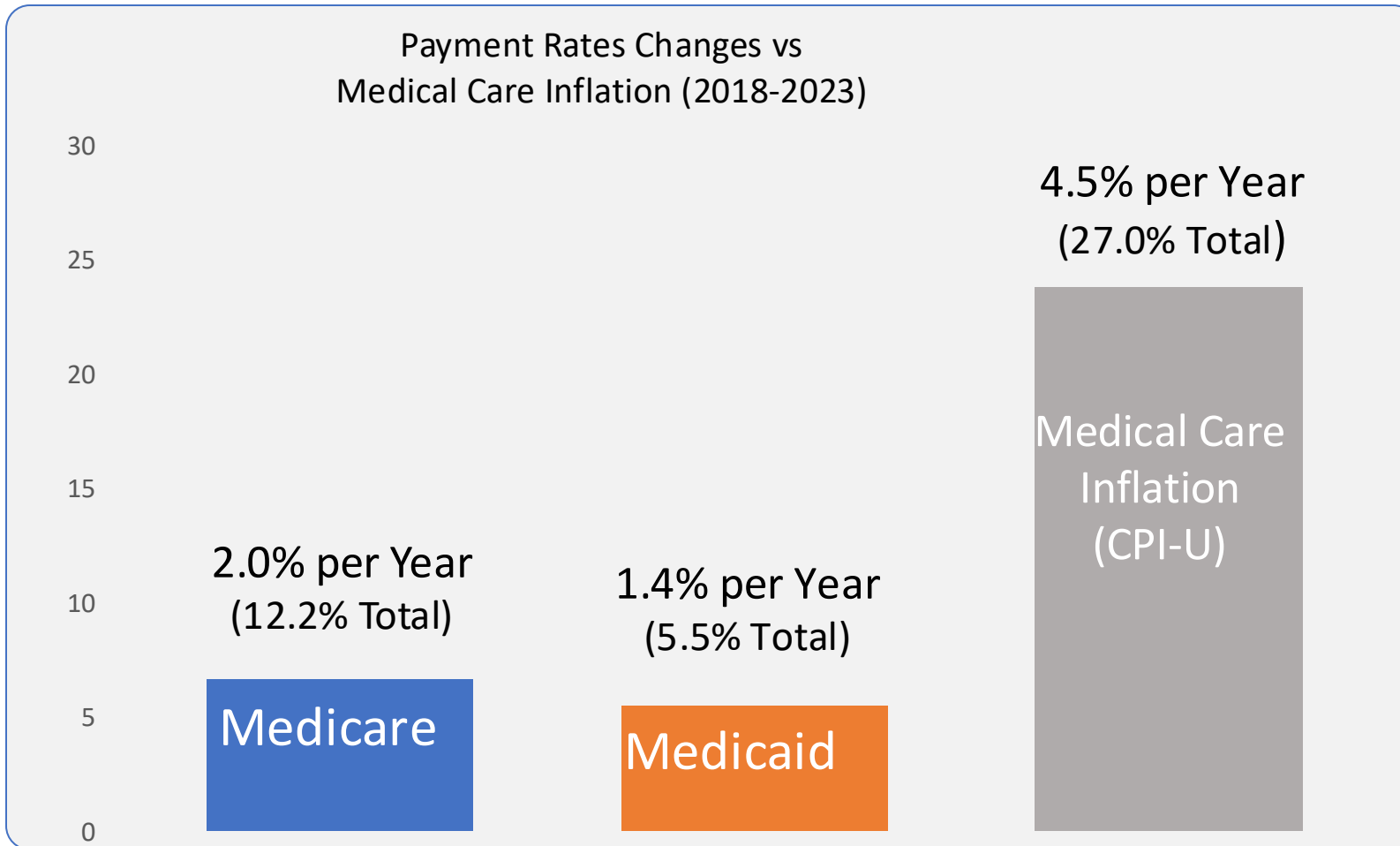


Key Takeaways

- Since 2019, hospitals funded over \$5 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

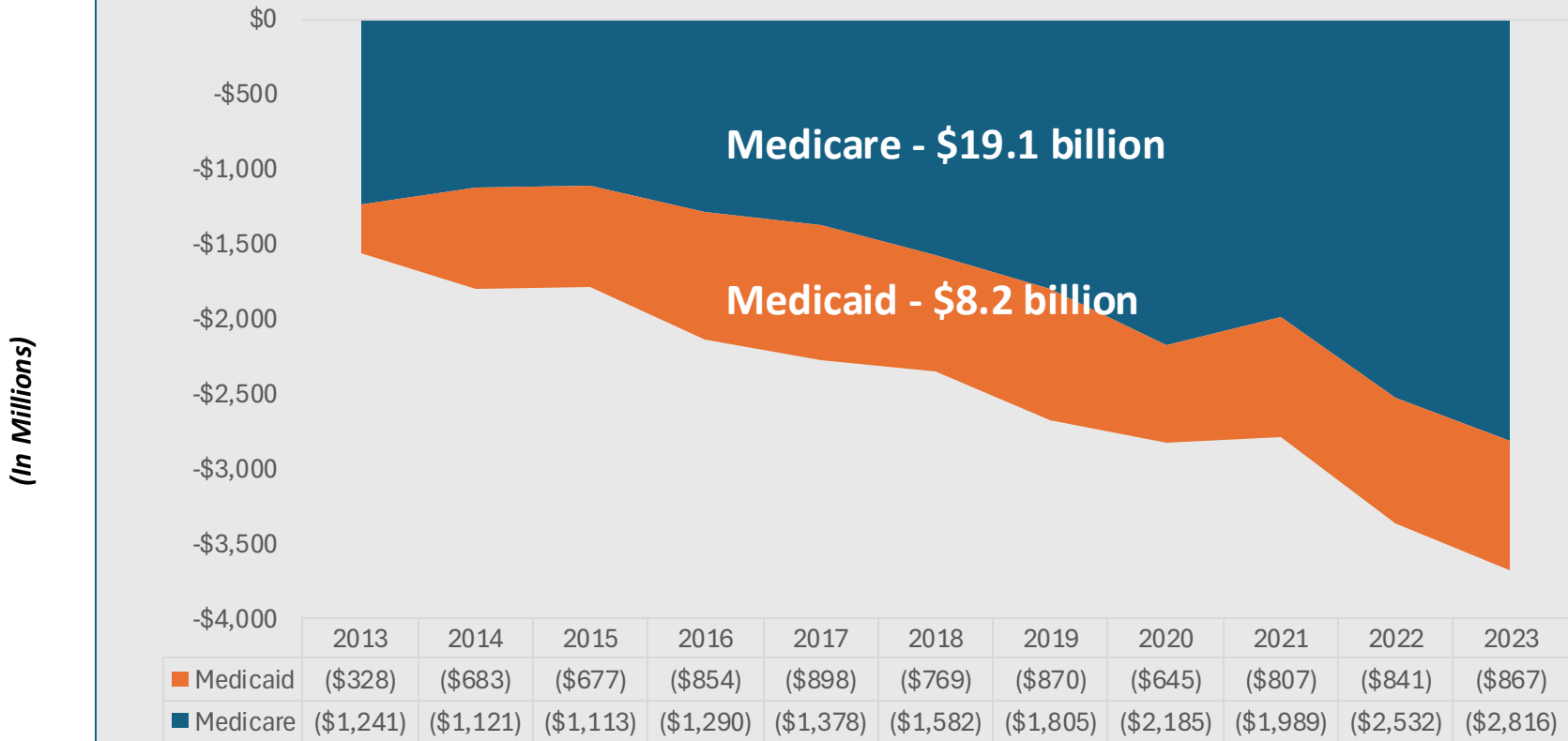
- Medicare and Medicaid payment rates have historically have not kept up with inflation resulting in reimbursement falling short of costs
- Over the last six years, shortfalls have been 2.5% to 3% per year.

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

Growing Shortfall in Government Payer Reimbursement



Under Reimbursement of Medicare and Medicaid

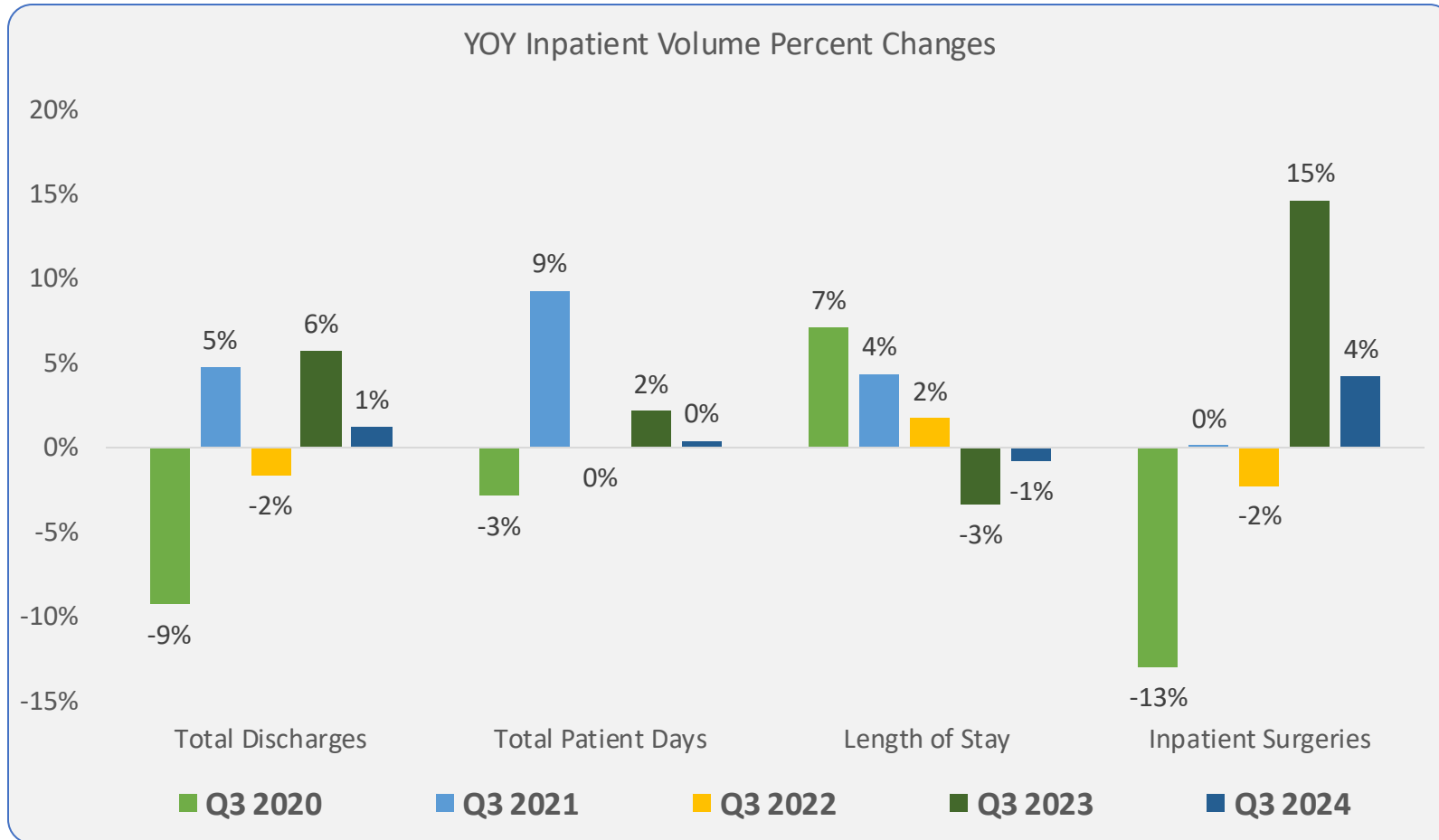


Key Takeaways

- At an escalating rate, Medicare and Medicaid reimbursement falls short of the cost of caring for patients.
- In 2023, the amount totaled near \$3.7 billion, a \$442 million increase over the prior year.
- Over the past 11 years, the shortfall amount totaled more than \$27 billion and has increased 135% during that time.

2013-2020 Data obtained from 2024 CHASE Annual report
 2021-2023 Data obtained from 2025 Draft CHASE Annual report

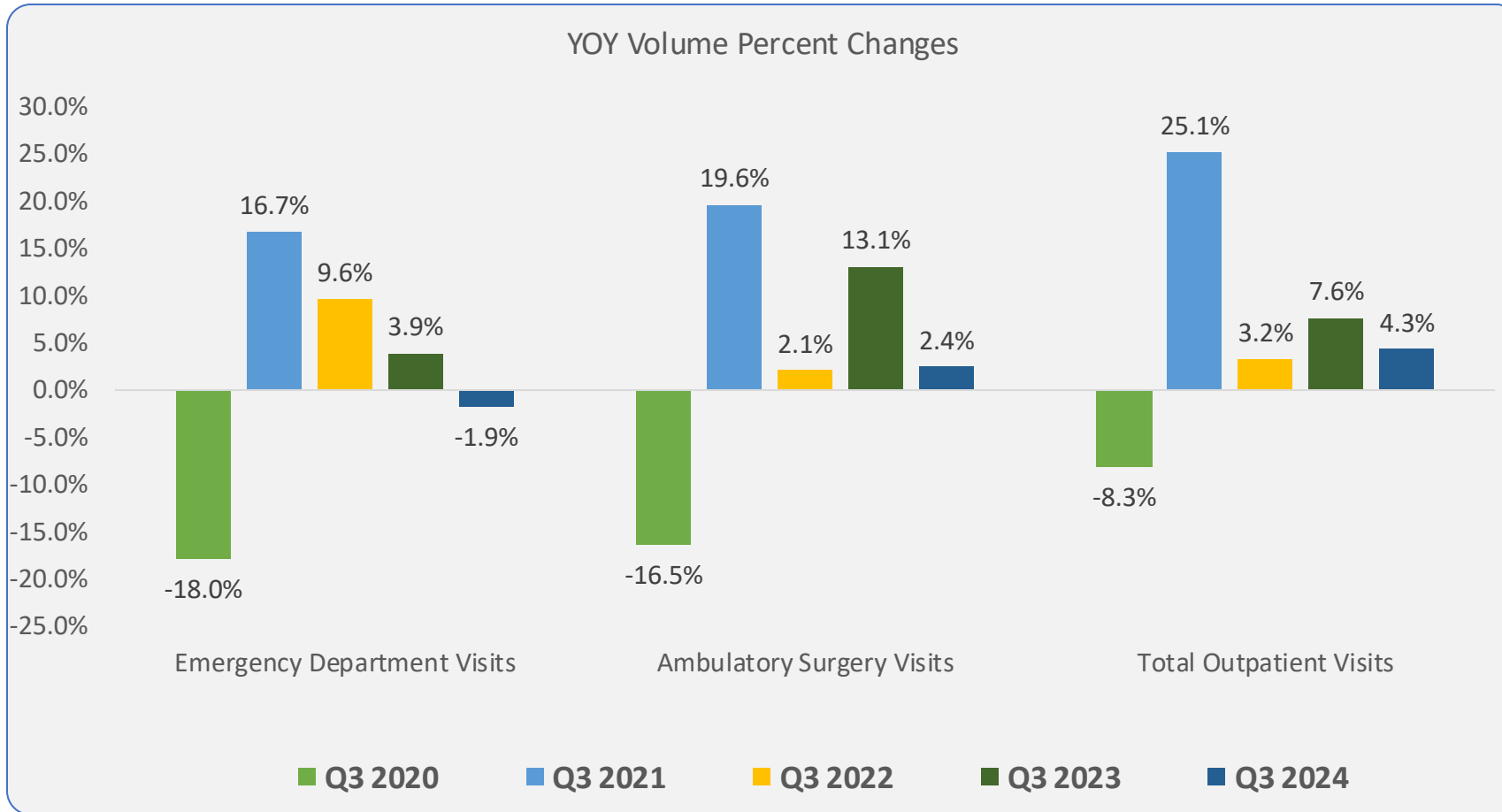
Inpatient Volume Trends



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 discharges and services have remained relatively flat in 2024.

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 experienced a decline from 2023, but uninsured patient volumes continue to increase.
- Overall outpatient service volumes have moderated slightly in 2024, up 4% from 2023

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 high labor and supply costs and escalating costs for uncompensated charity care costs.
- 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 service volumes have stabilized.