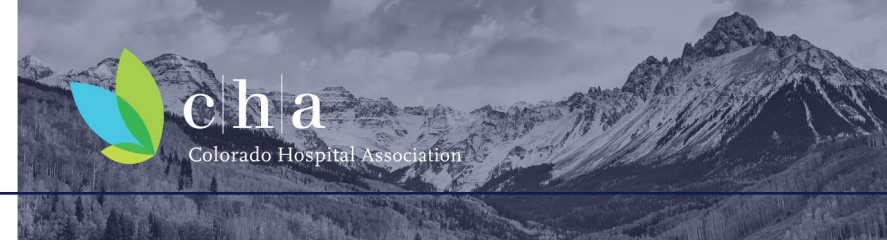




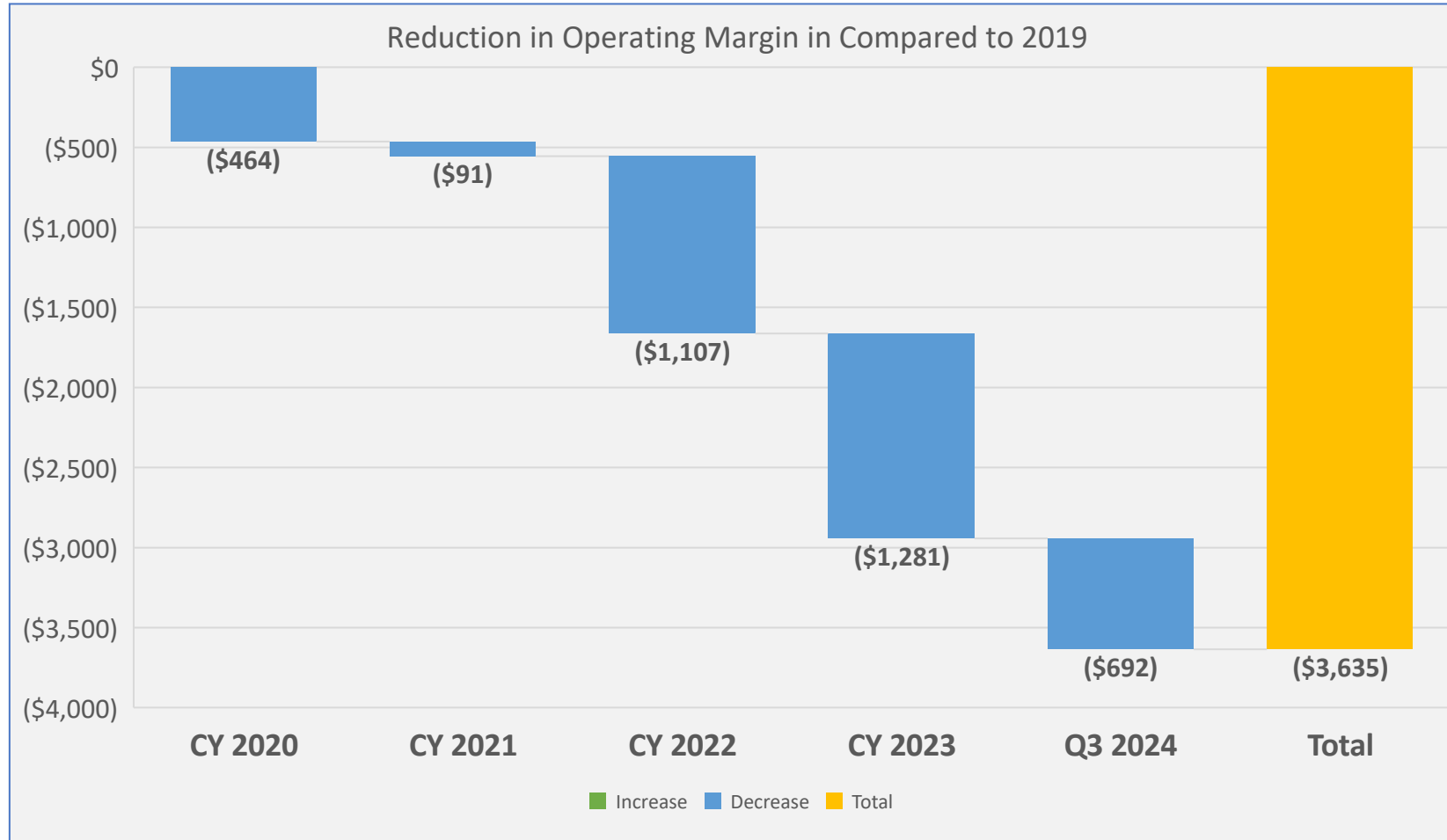
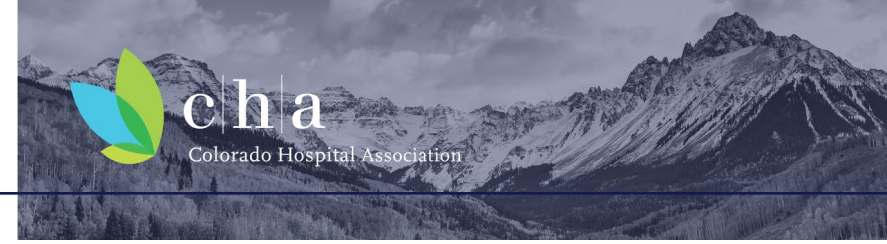
Colorado Hospital Industry Update

Q3 2024 Financial and
Utilization Trends



- **Margins are shrinking:** Over 70% of Colorado hospitals lack sustainable margins, up from 50% pre-pandemic.
 - Operating margins in 2024 are 47% lower than pre-pandemic levels, following a 61% drop in 2023.
- **Costs are surging:** Total expenses are 40% higher than pre-pandemic levels, rising over 8% annually.
- **Uncompensated care is rapidly increasing:** Charity care costs have surged in the past year and 140% since 2019.
 - Hospitals have provided over \$13 billion in undercompensated care for Medicare and Medicaid patients over the last five years.
- **No relief in sight:** Colorado hospitals face \$4.4 billion in losses in 2024, threatening financial stability and future investment in patient care for Coloradans.

Operating Margin Continues to Fall Short of Pre-Pandemic



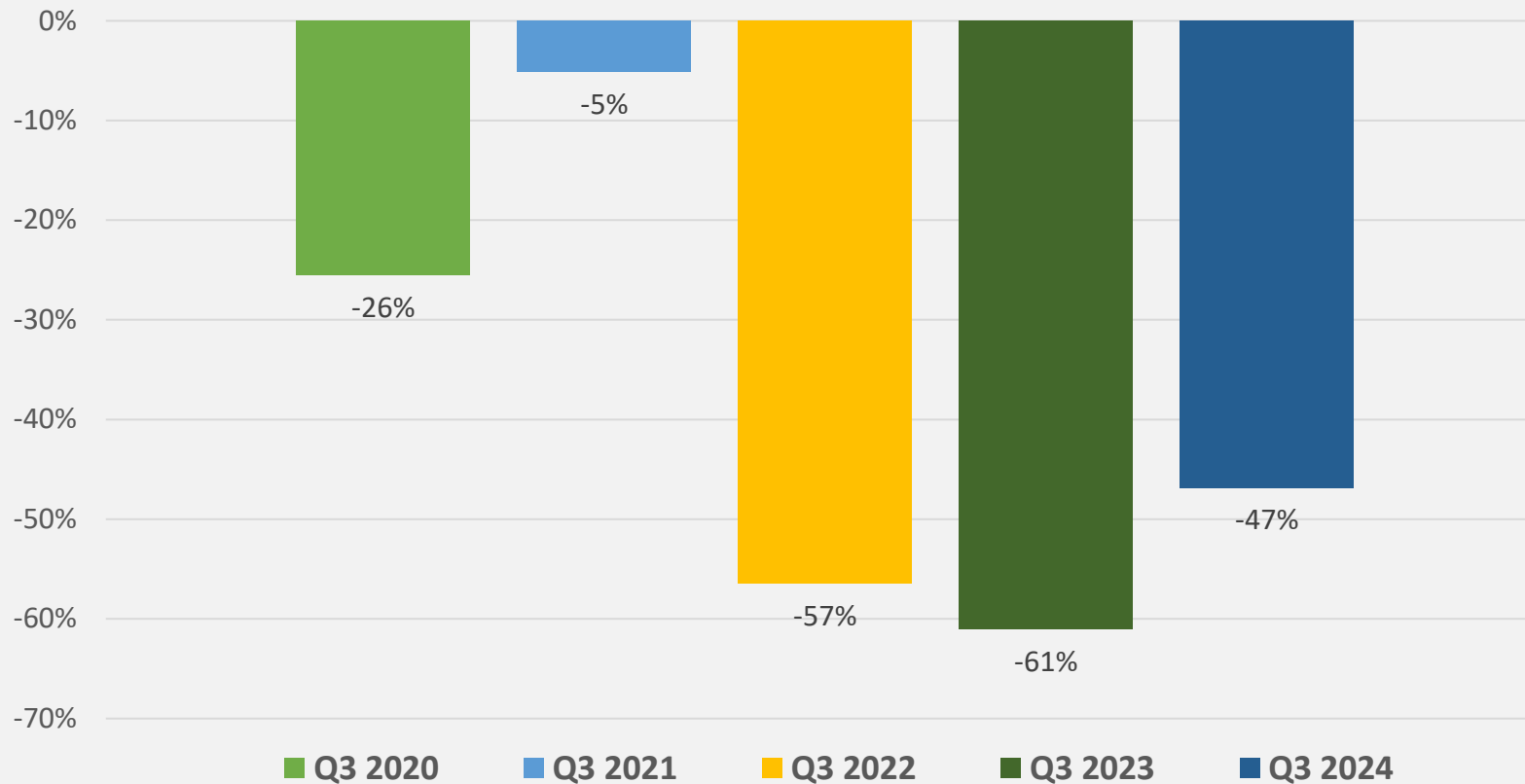
Key Takeaways

- 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.

Operating Margins Significantly Below Pre-Pandemic



Percent Change in Operating Margin Compared to 2019



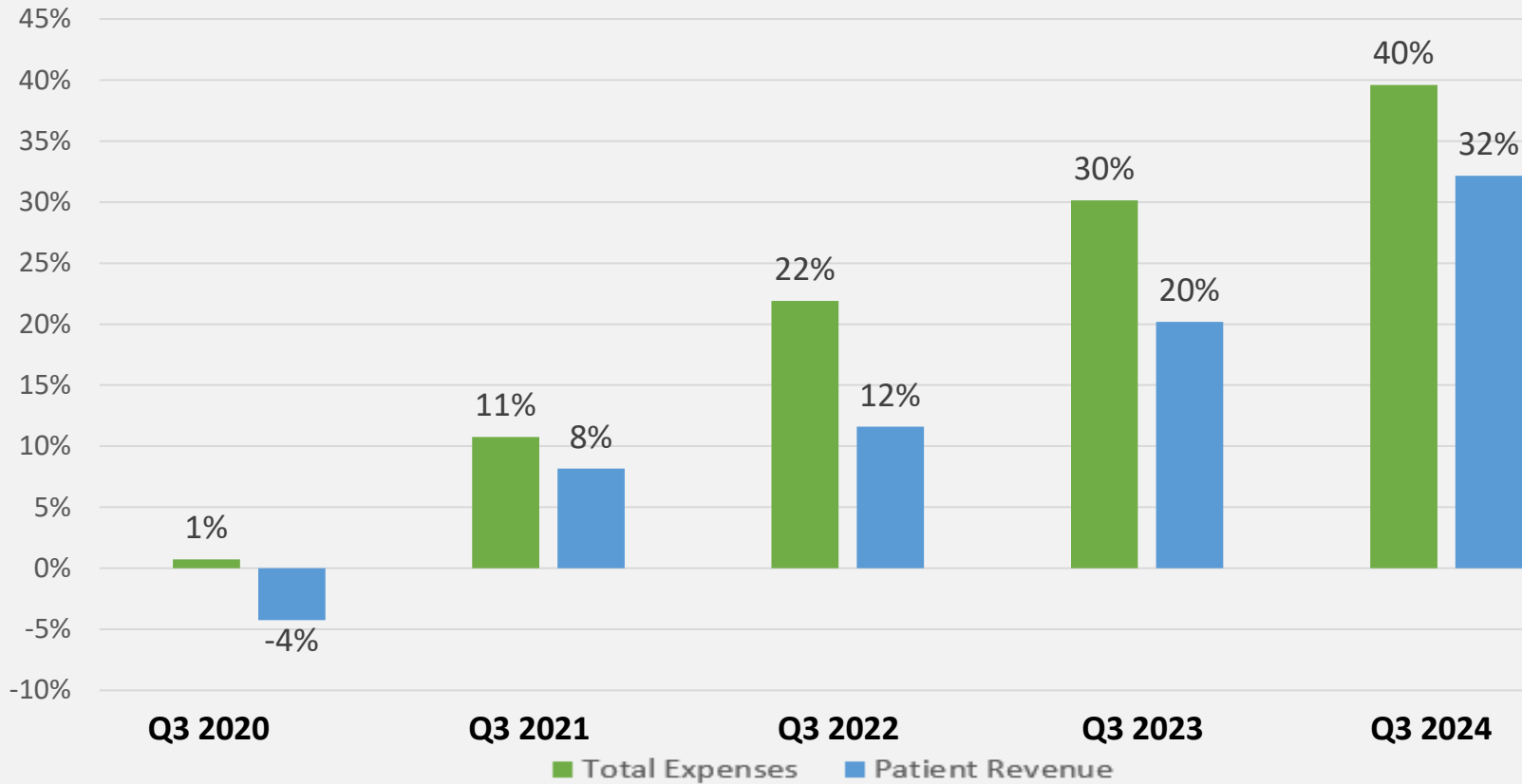
Key Takeaways

- 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.

Expense Trends Remain Higher than Revenue Increases



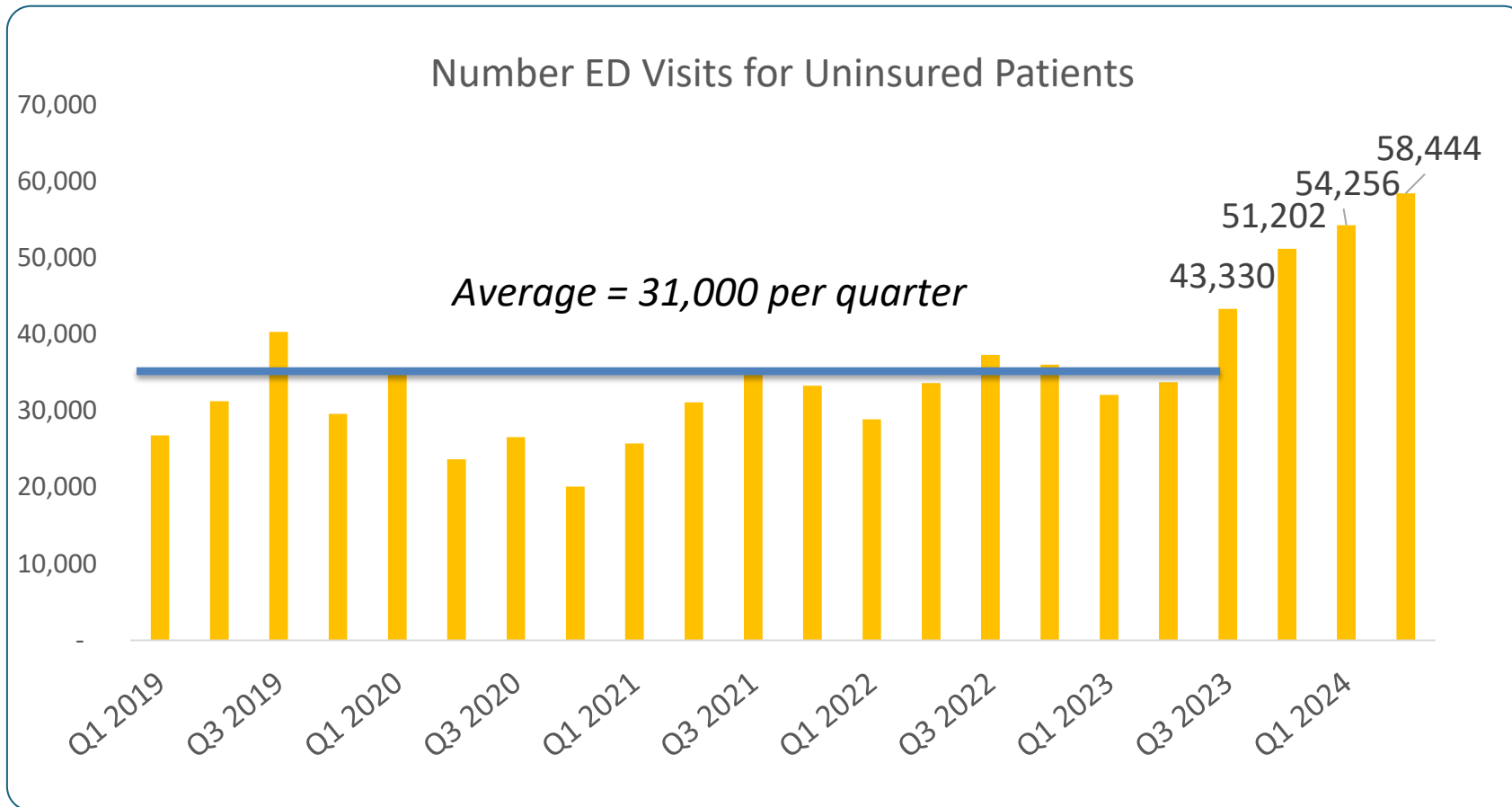
Revenue and Expense Percent Change from 2019



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.

ED Utilization Trends for Uninsured Patients

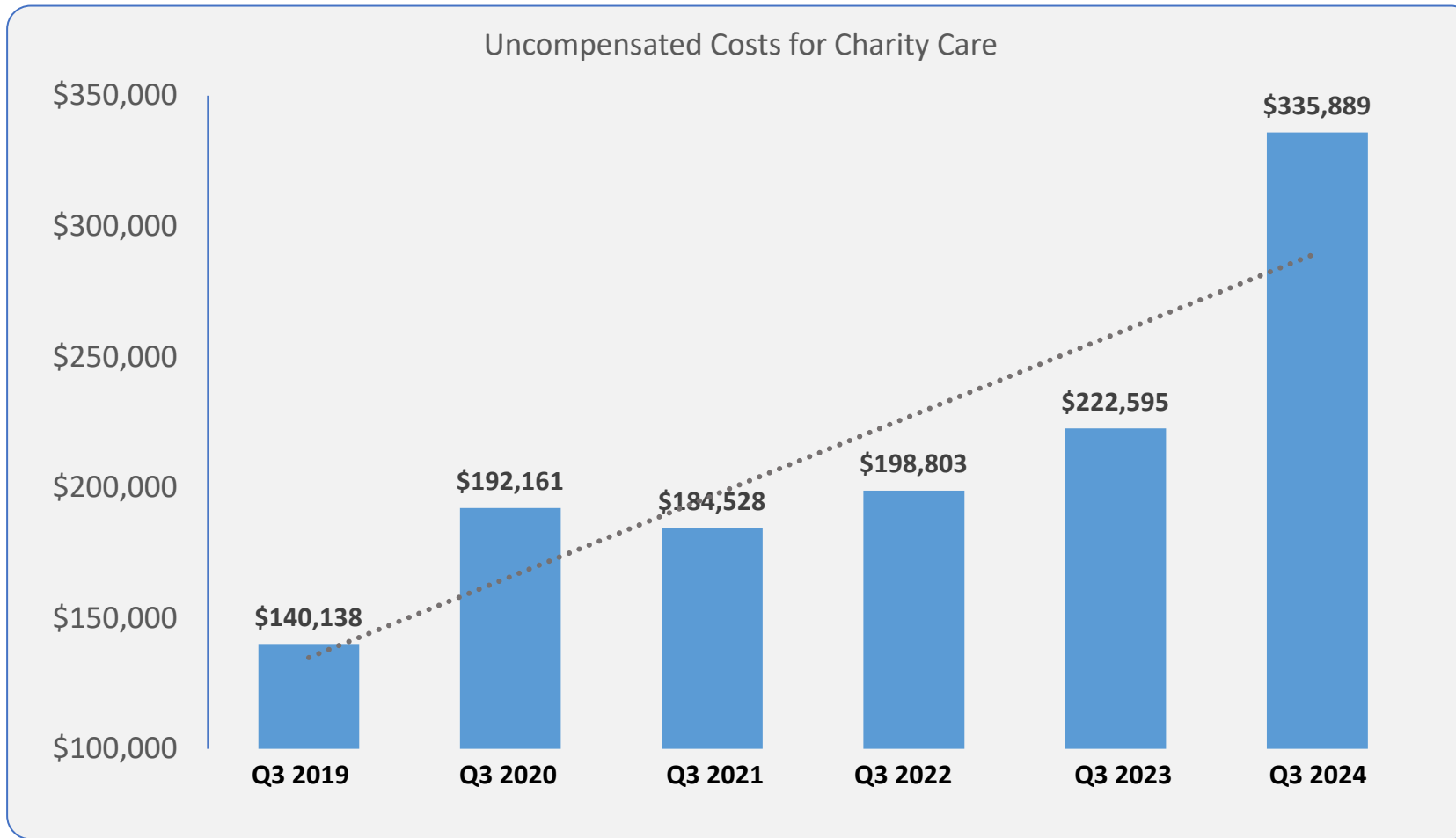


Key Takeaways

- 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

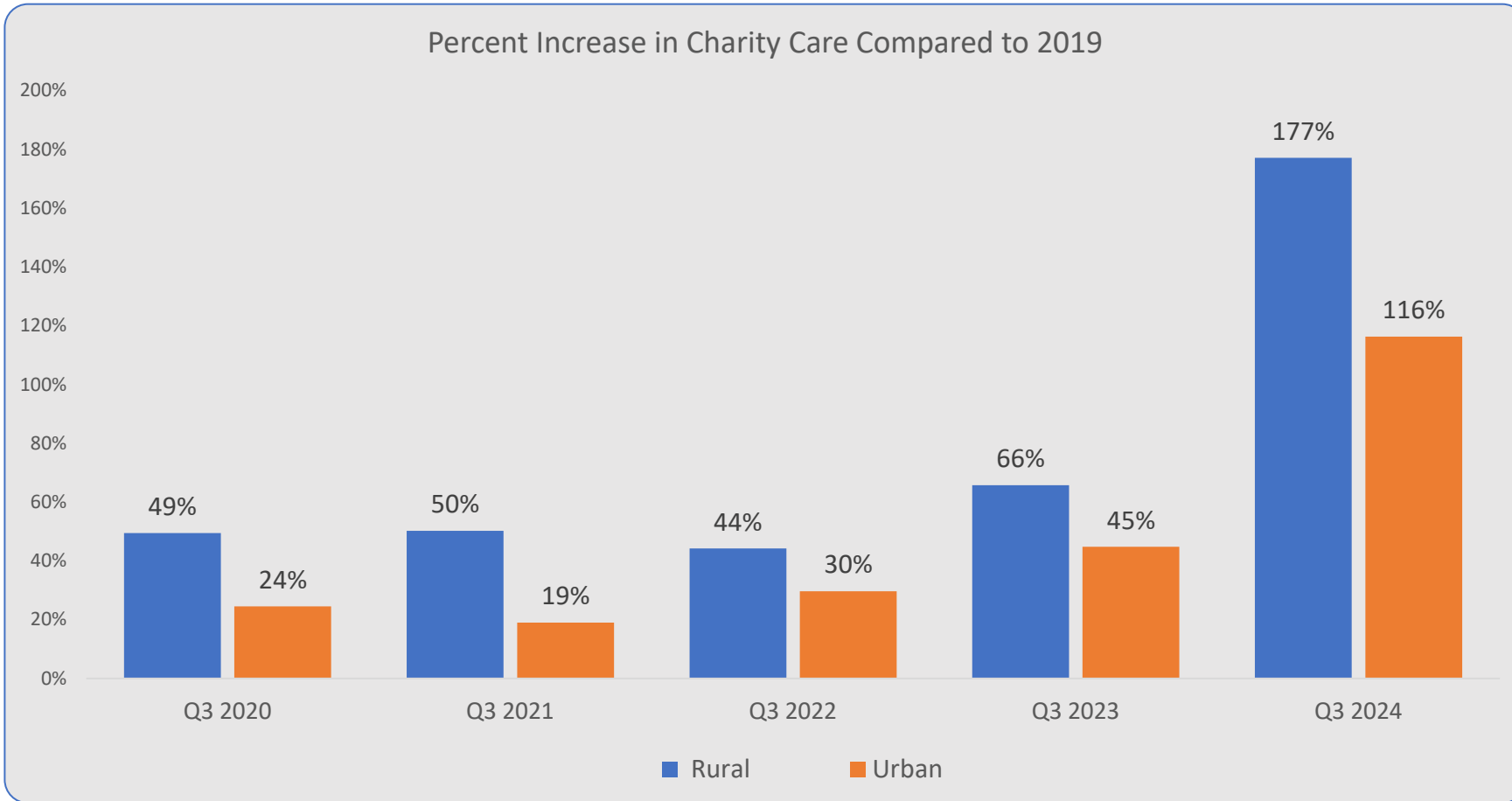


Key Takeaways

- 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.

Data obtained from CHA Databank reported through June 2024

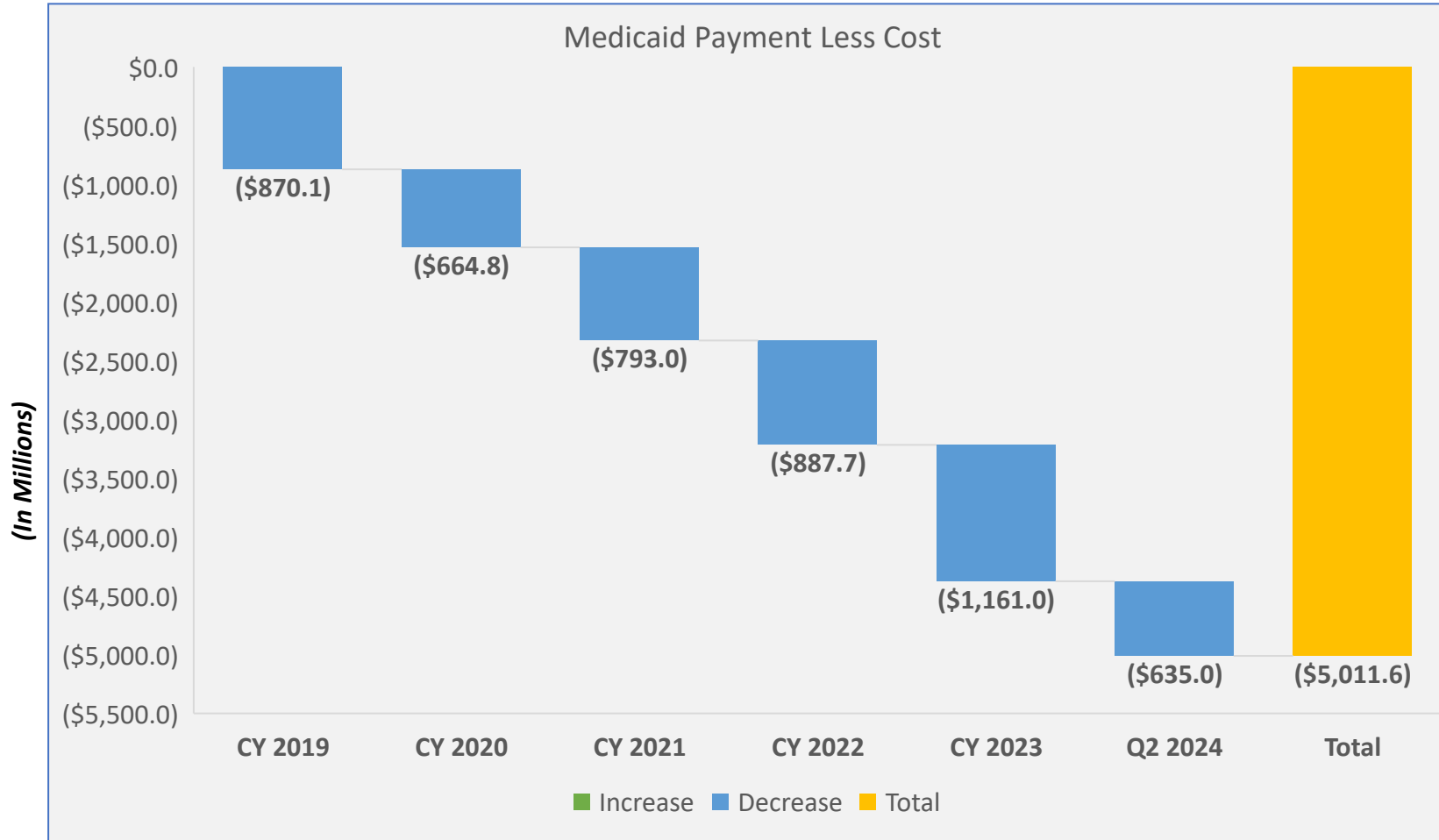
Charity Care Costs Increase Significantly



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

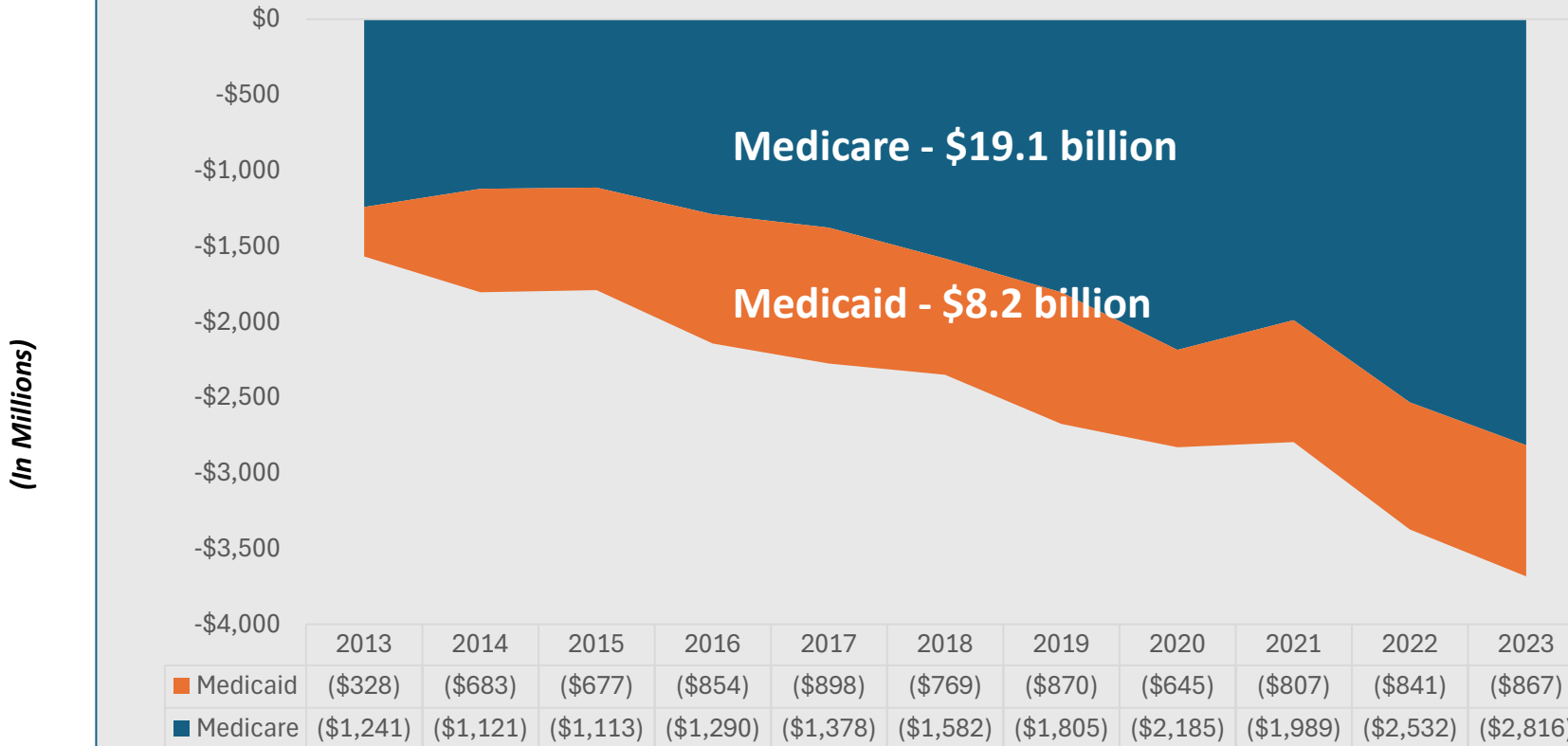
- Since 2019, hospitals funded over \$5 billion of support in unreimbursed care provided to the Medicaid population in Colorado.
- Uncompensated costs related to Medicaid continue to increase, due to low reimbursement rates in the Medicaid program consistently exceeding the cost of care.

Source: 2019 – 2022 amounts from 2023 CHASE Annual Report
 2023 and 2024 Estimates Calculated from CHA DATABANK

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