

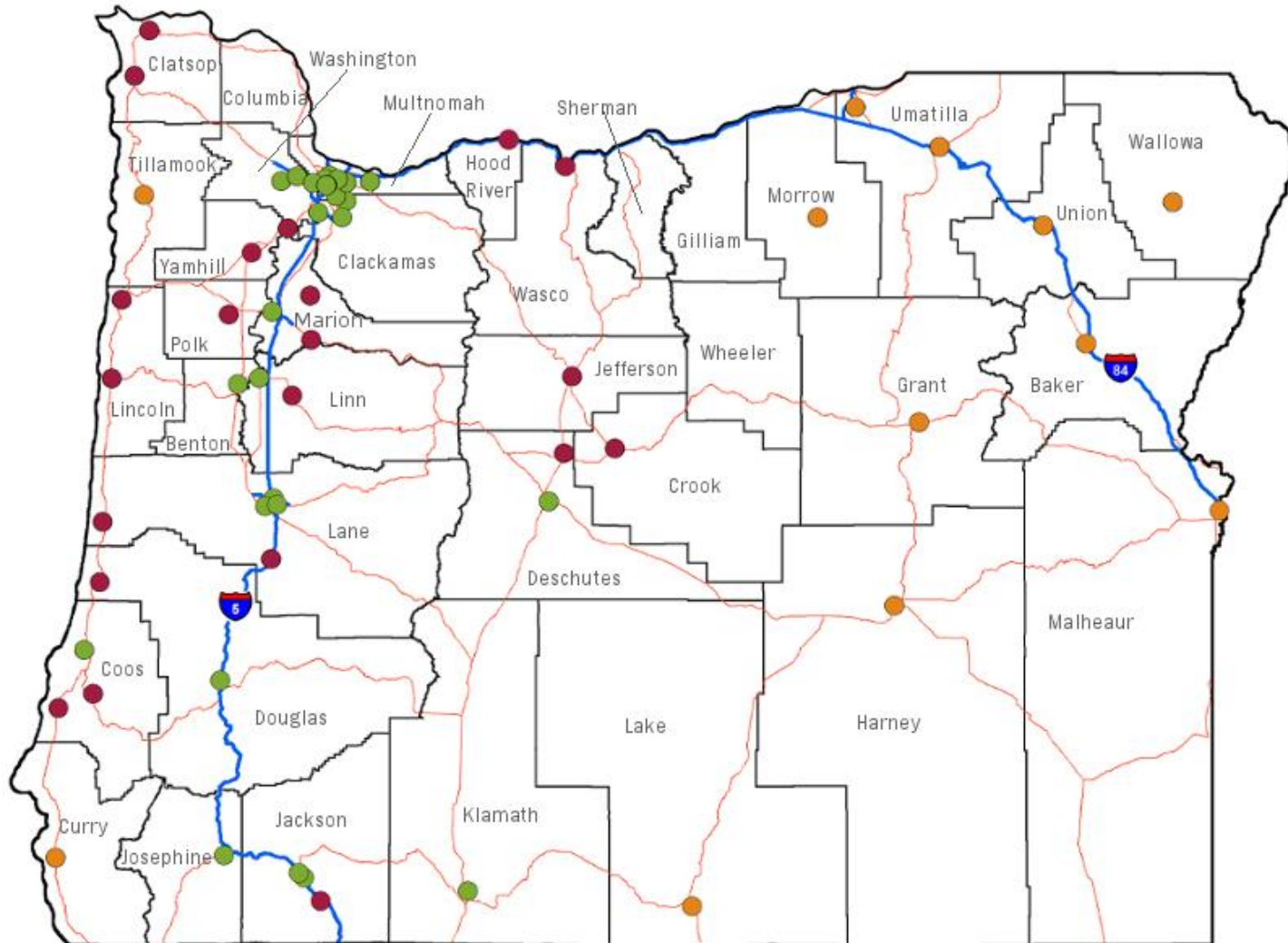
---

# Hospital Financial Overview

Dave Baden, CFO, Oregon Health Authority  
Senate Health Care Committee  
Dec. 8, 2022



# OHA's Hospital Reporting Program



Program reports on 60  
general acute care hospitals

27 **Urban (DRG) hospitals**  
12 **Rural (Type A) hospitals**  
21 **Rural (Type B) hospitals**

Find more data on our website

<https://www.oregon.gov/oha/hpa/analytics/pages/hospital-reporting.aspx>

# Key Financial Terms

## Net Patient Revenue (NPR)

Amount of money a hospital received providing health care services to patients.

## Total Operating Revenue

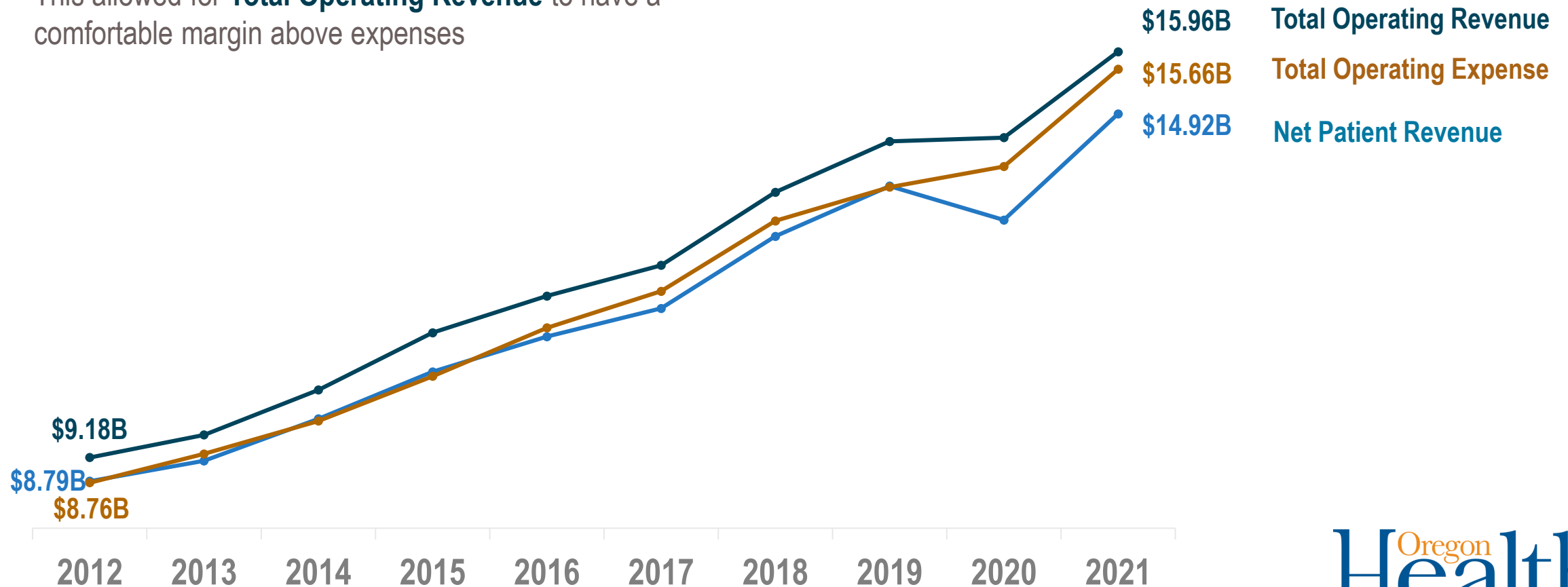
All the money a hospital received from operating the hospital, including both patient health care services and other revenue like the gift shop, cafeteria, or parking fees.

## Total Operating Expenses

All expenses related to running the facility, including wages, supplies, rent, and utilities.

Until recently, **Net Patient Revenue** trended with **Total Operating Expenses**, allowing most hospitals to make money or break even on patient services alone.

This allowed for **Total Operating Revenue** to have a comfortable margin above expenses



# Key Financial Terms

## Operating Margin

Amount of money a hospital earns after expenses from sources related to operating the hospital

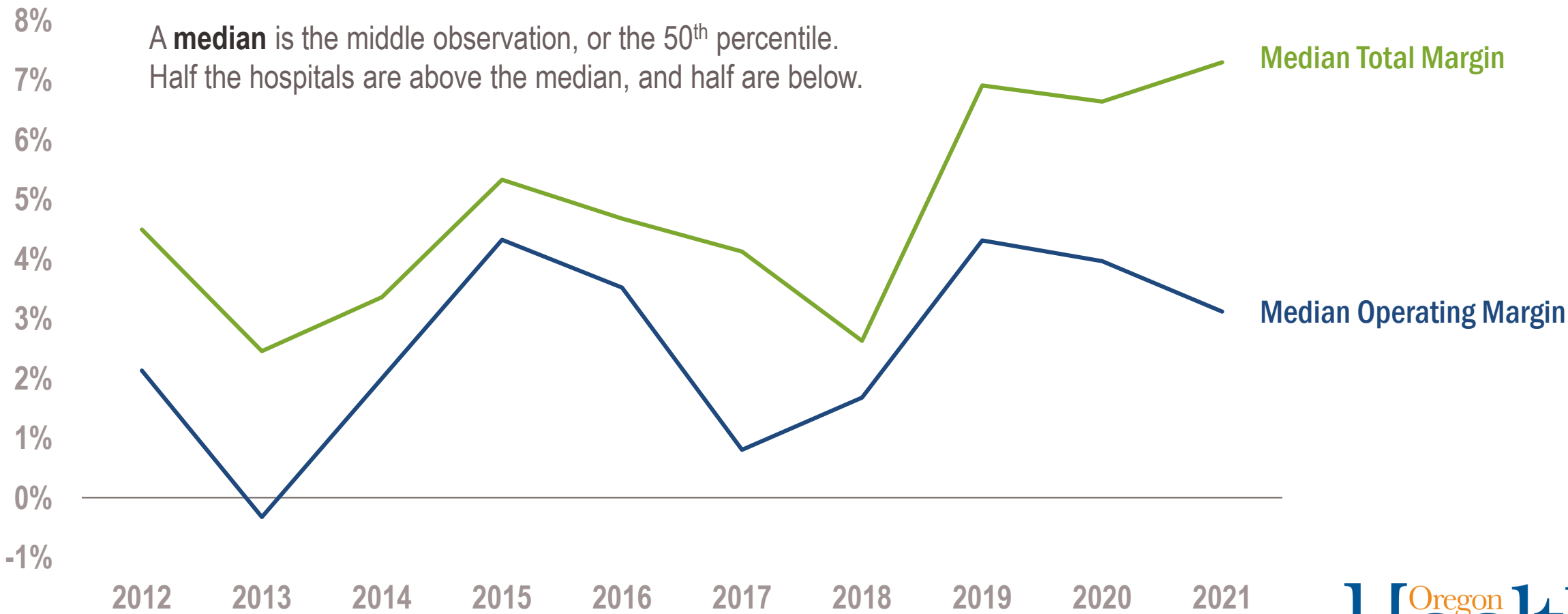
## Total Margin

Amount of money a hospital earns after expenses including revenue (or loss) from investments and tax subsidies

## Median

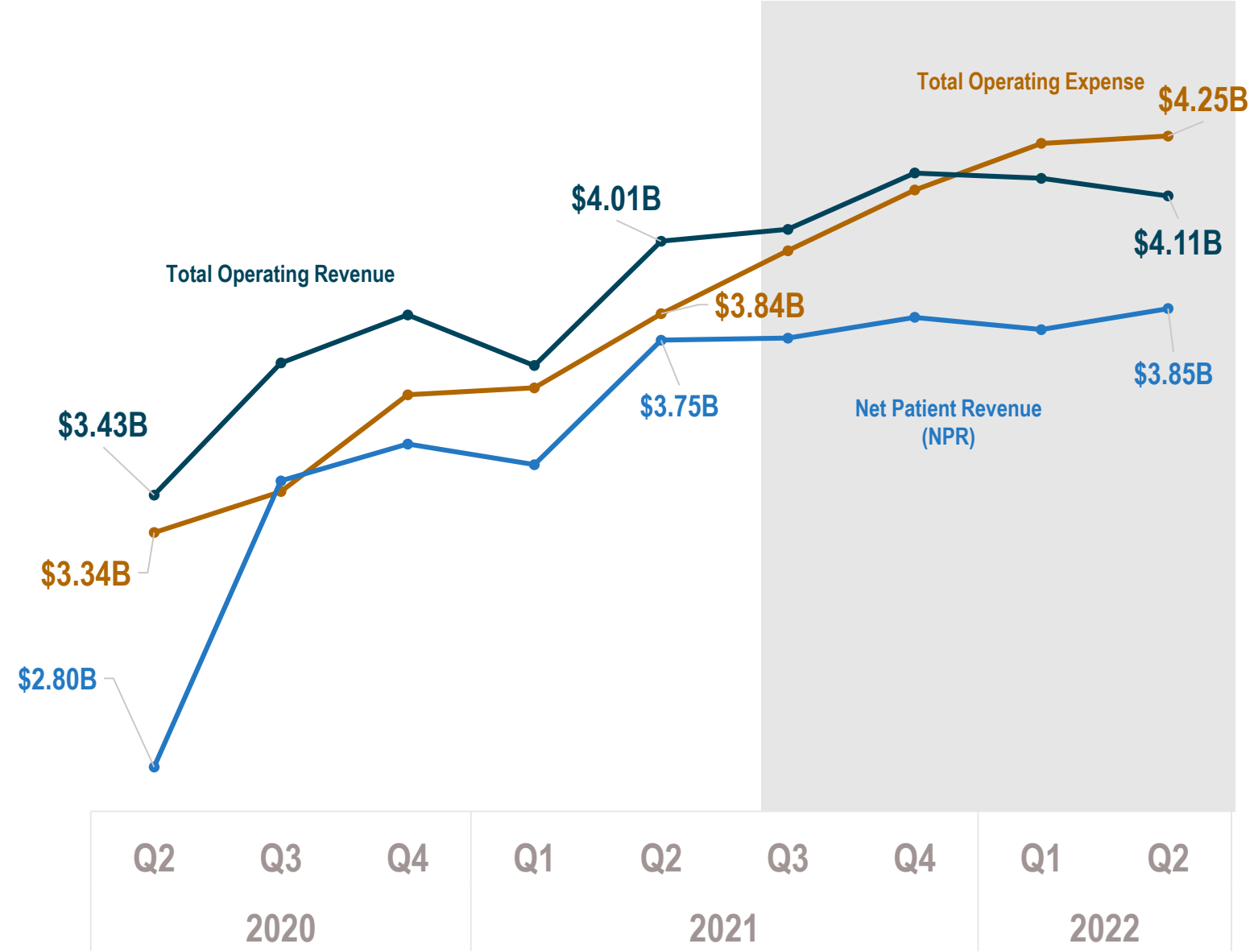
The 50<sup>th</sup> percentile, or middle observation. Half are above this number and half are below.

Historically, the **Median Operating Margin** and **Median Total Margin** have been healthy for Oregon hospitals in most years.



# Net Patient Revenue

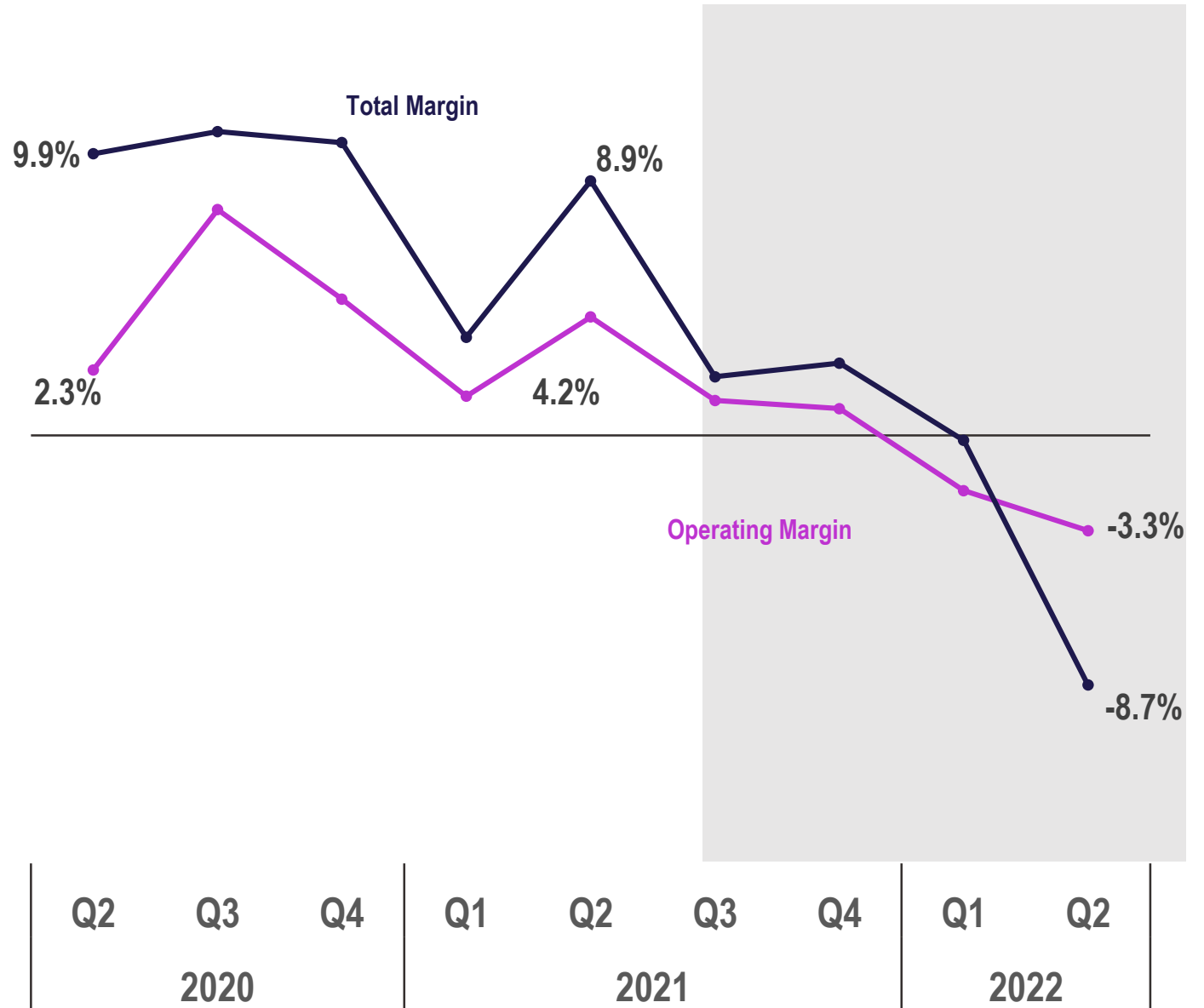
growth has been flat over the past four quarters, while **Operating Expenses** continued to grow.



This has driven down  
**Operating Margin.**

Poor investment  
returns have further  
impacted **Total  
Margin.**

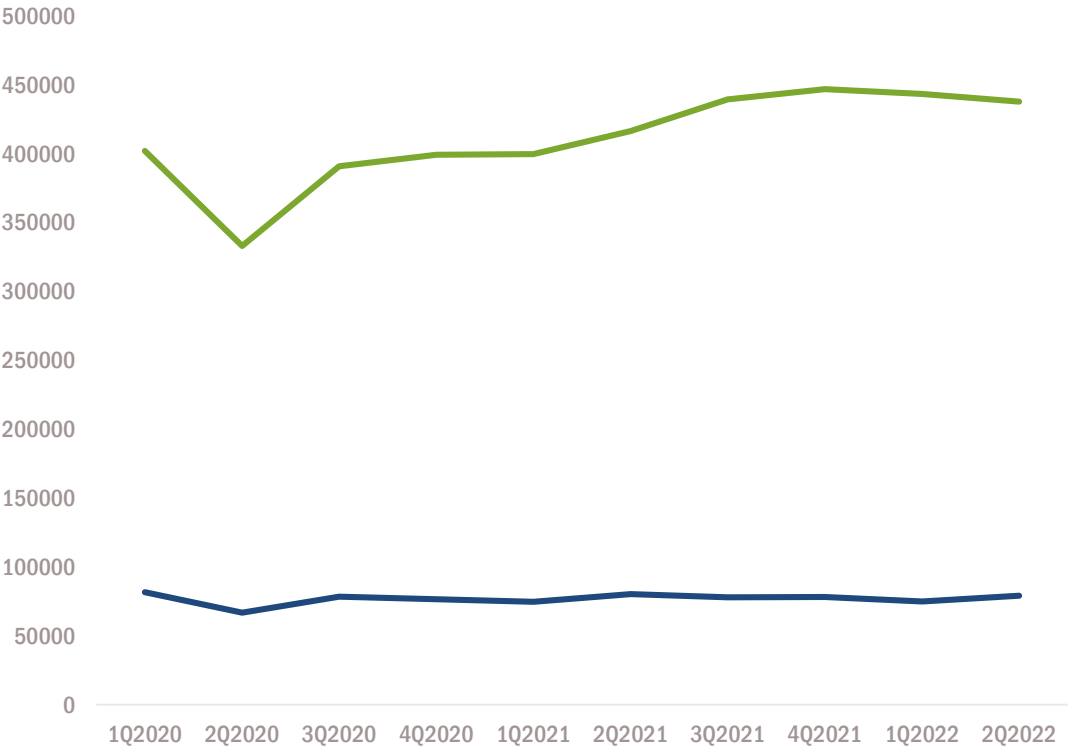
Investment returns  
average \$250 million  
statewide and make  
up 3% to 5% of a  
hospital's total  
revenue.



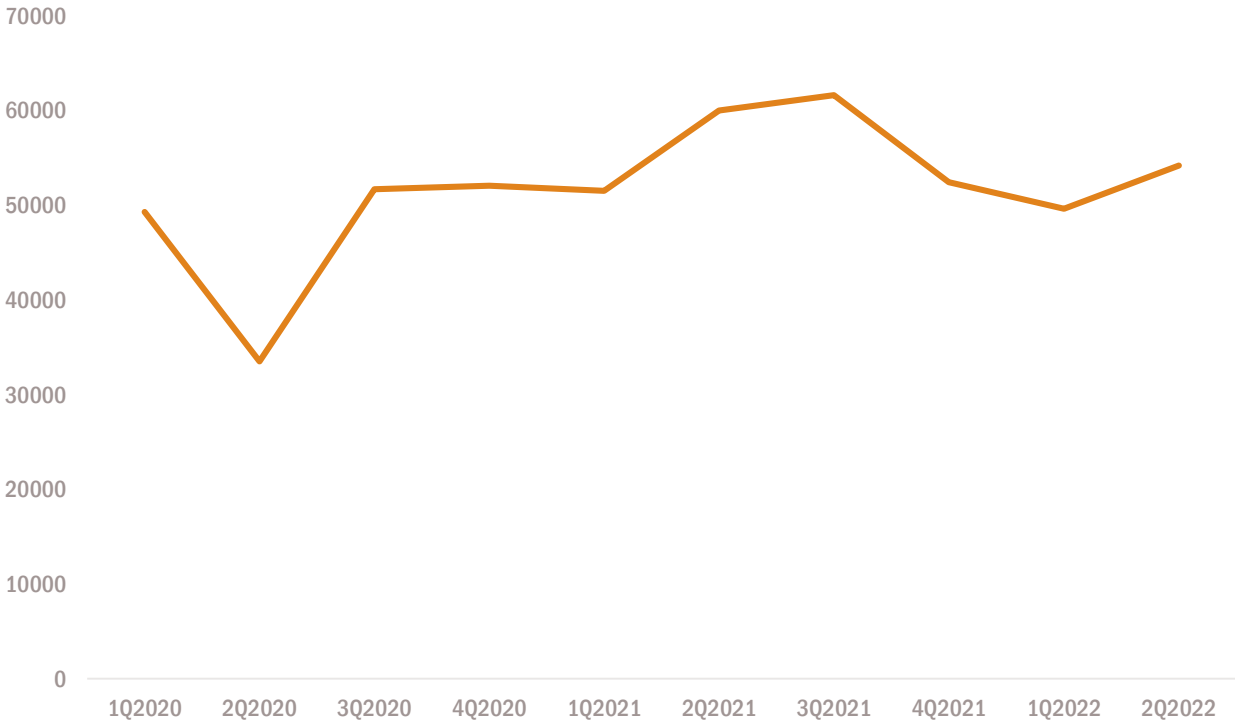


# COVID impacted hospital utilization, and ultimately revenue

**Patient days** (amount of time in the hospital) has grown while **Patient visits** (number of people in the hospital) has slightly decreased, meaning fewer people are staying longer in the hospital

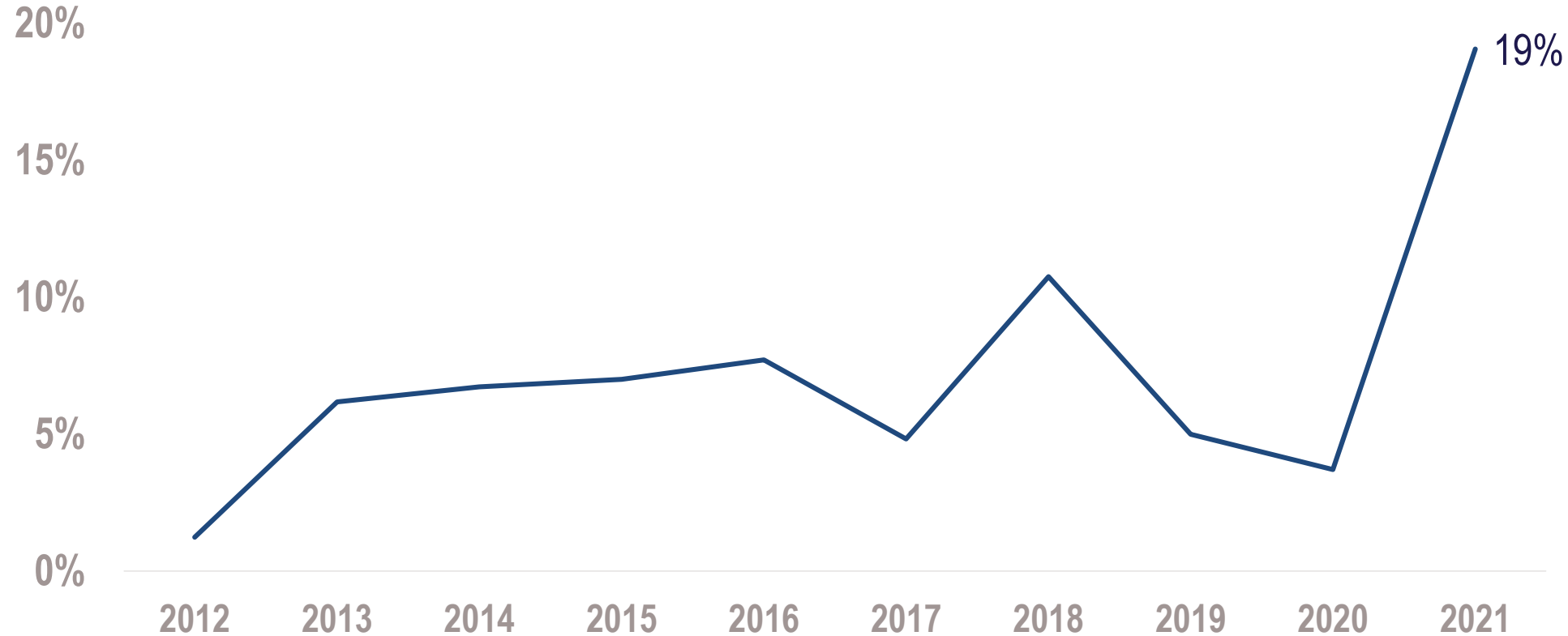


**Outpatient surgeries** (a leading source of revenue for many hospitals) have been volatile due to pandemic-related closures, precautions and staffing shortages



# Payroll growth is driving expenses.

25% **Annual payroll growth** historically averaged about 6% to 7% year over year prior to the pandemic. In 2021 it increased nearly 20% from the prior year



# High health care costs lead to many negative impacts for people in Oregon.



Delaying  
care



Difficulty  
paying  
medical bills



Using up  
savings to pay  
medical bills



Bankruptcy

# OHA Actions

# OHA is distributing resources to hospitals



14 hospitals and health systems



\$9.2 million in funds

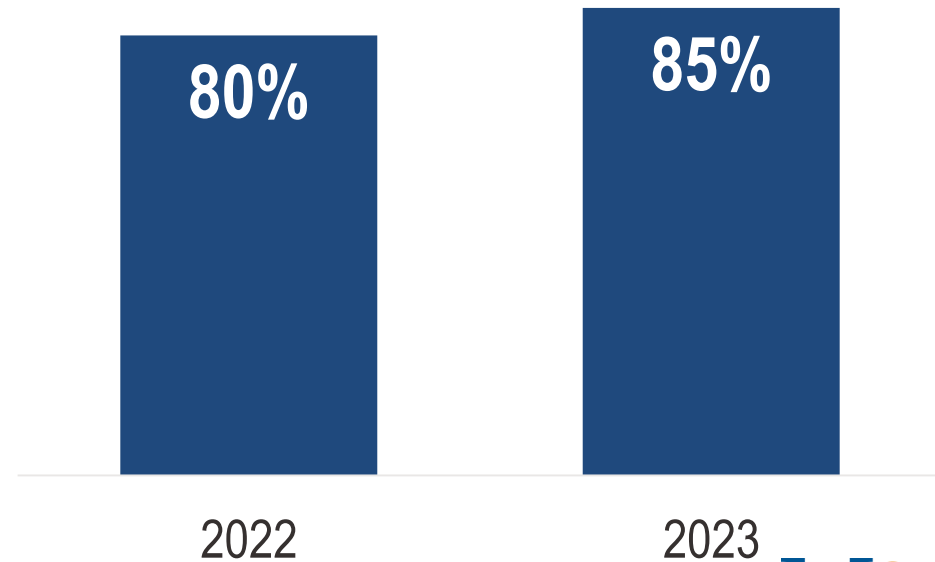


Over 138 positions supported

# OHA is **increasing** urban (DRG) hospital reimbursement level for 2023

- Base Medicaid reimbursement for DRG hospitals will increase starting January 1, 2023
- This policy option allows OHA to put available CCO budget to work for members and providers (~\$84m total funds)

Hospital Reimbursement as Percent of Medicare incorporated in CCO rates



# OHA's Next Steps



- Continue to monitor hospital financials, utilization, and risk on a quarterly basis.
- Continue to implement the Cost Growth Target program, including reporting provider organization performance (Q2 2023) and supporting cost containment strategies.
- Continue to monitor health care costs and impacts on people in Oregon.