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Top 5 Things to Know in 2023, from a CPA's Perspective

Jean M. Nyberg & Kristen M. Hankins, FORVIS / April 27, 2023

A little about Jean...



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A little about Kristen...

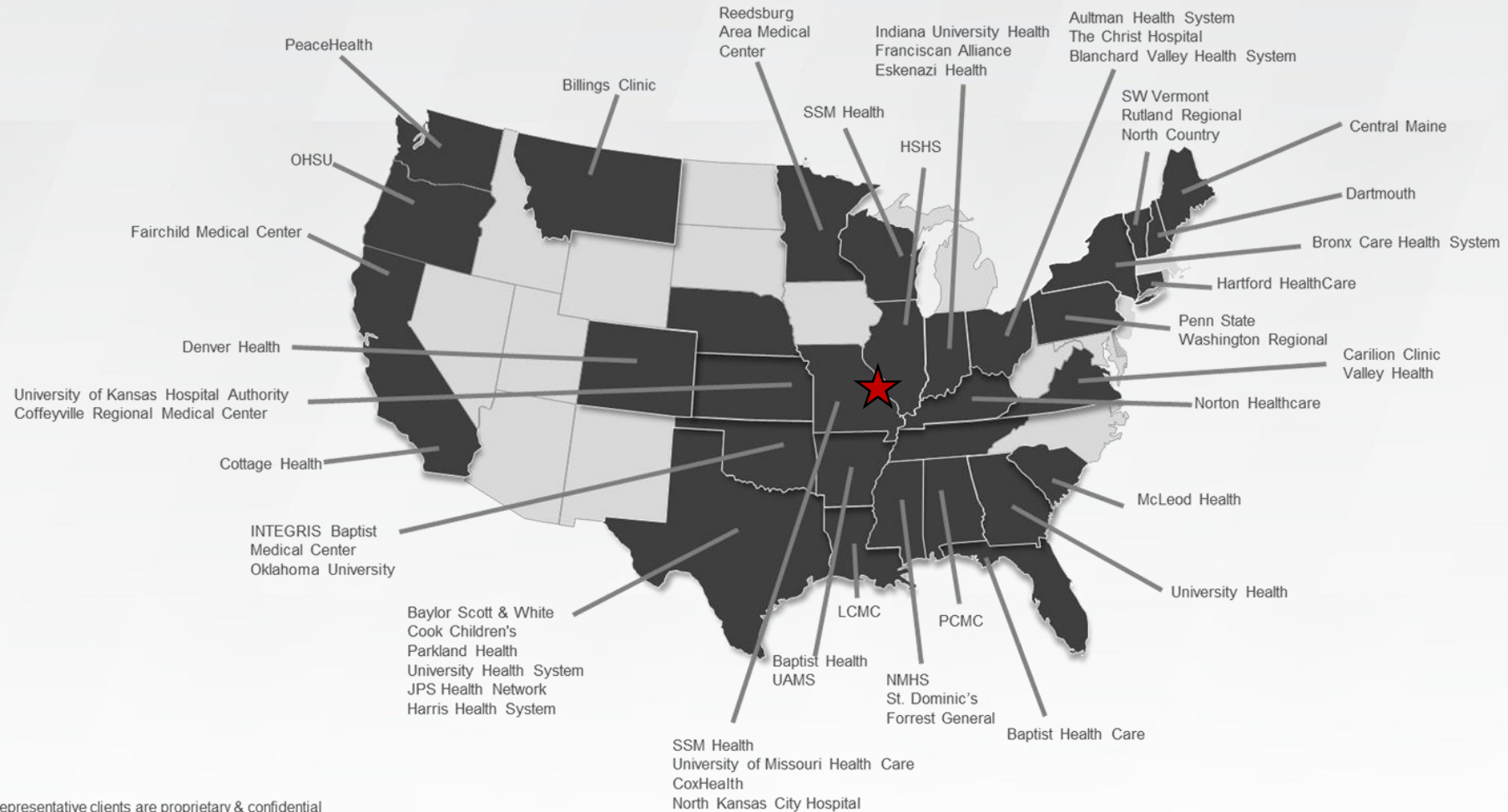


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A National Perspective Through a Local Lens

FORVIS' Health Care Portfolio

- 1,150 Hospitals and Health Systems
- 1,030 LTC & Senior Living
- 290 Physician Groups
- 325 CHCs
- 300 Home Care & Hospice
- 250 IDD & BH



All representative clients are proprietary & confidential

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Healthcare Environment: 30,000 Foot View

Financial Stress

Work force

Supply Chain

Consumerism

Stock market &
investment
income volatility

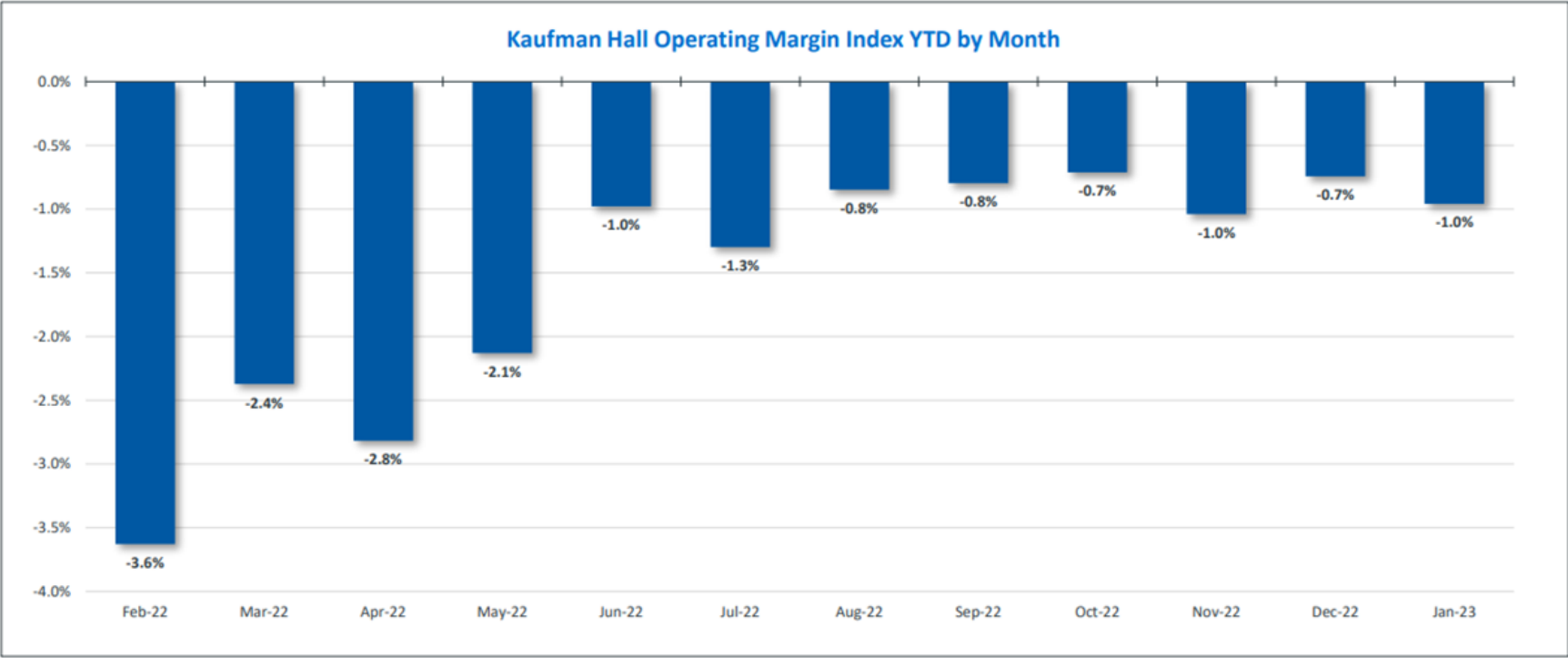
Inflationary
pressures,
including higher
interest rates

Health Equity

Environmental,
Social &
Governance

Financial Stress

Operating Margin



Kaufman Hall, National Hospital Flash Report (February 2023)

* Note: The Kaufman Hall Hospital Operating Margin and Operating EBITDA Margin Indices are comprised of the national median of our dataset adjusted for allocations to hospitals from corporate, physician, and other entities.

Financial Stress

Patient volumes are not back at pre-pandemic levels

69% of health system strategic planners reported operating margins below pre-pandemic performance

10% increase in median proposed premium increase for individual market plans across 72 insurers

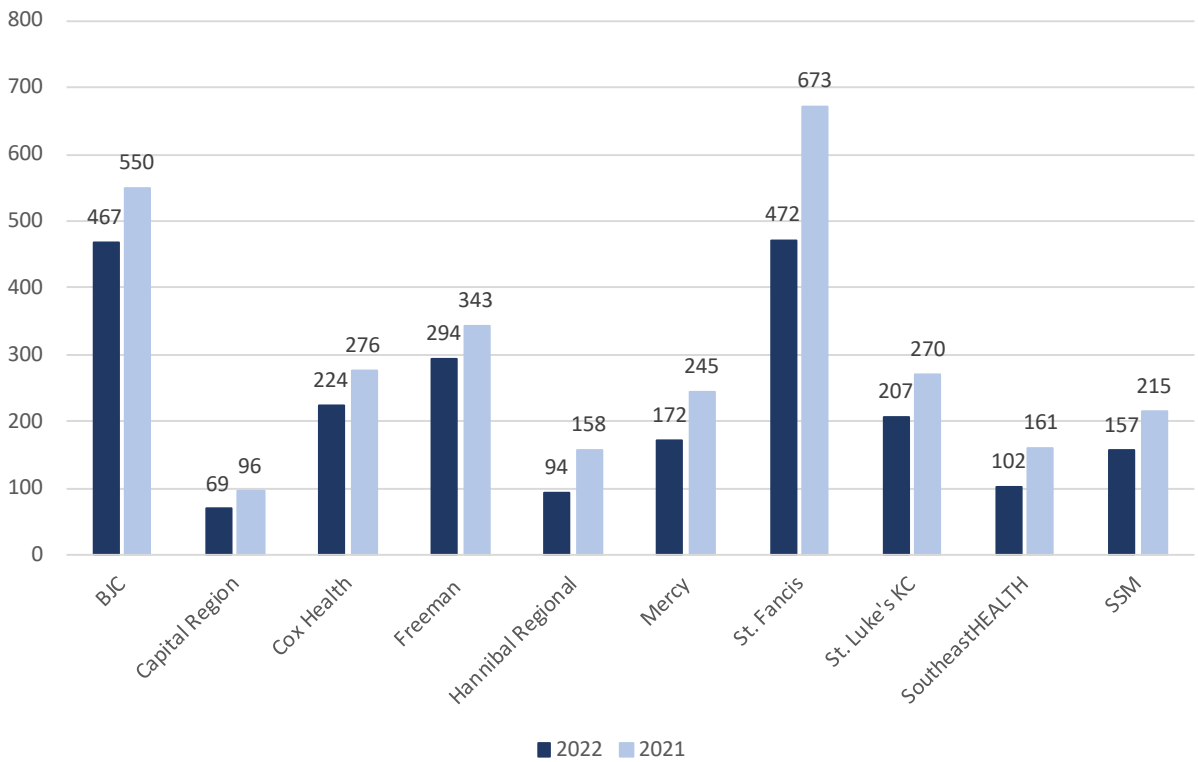
Providers can not depend on Federal COVID-19 relief funding

Medicare reimbursement rates are not increasing at substantial levels

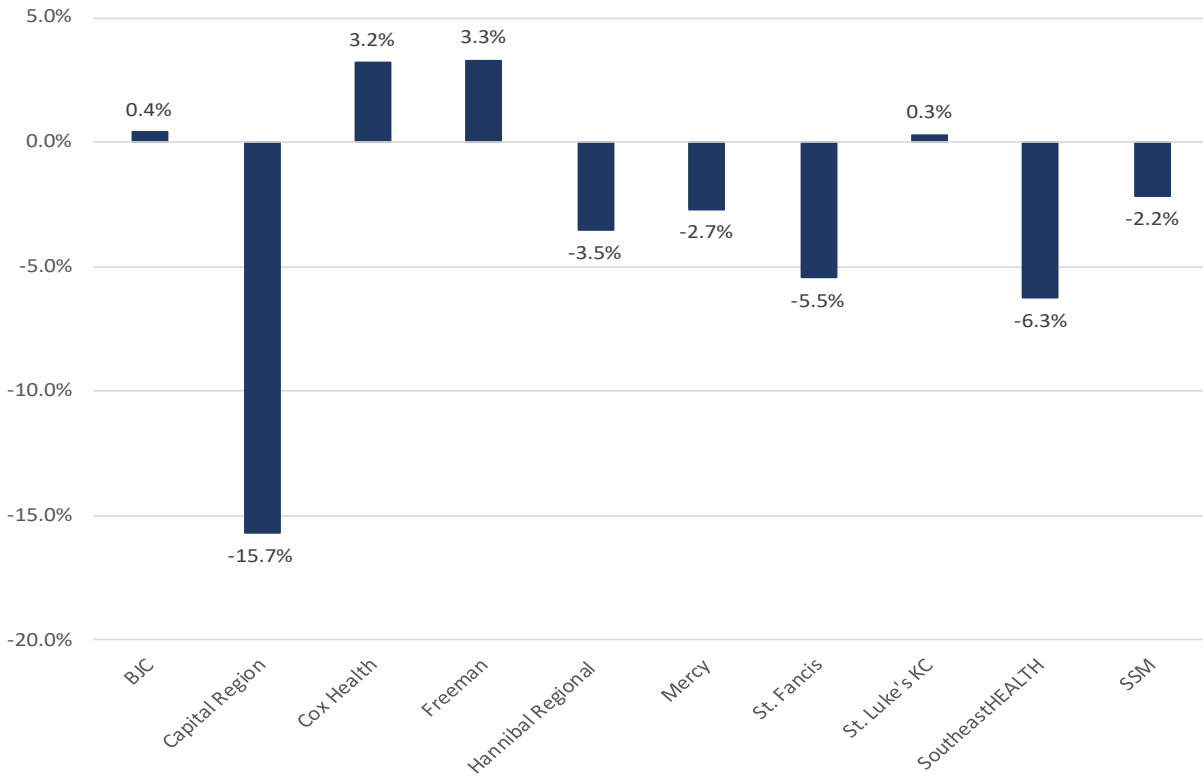
Patient care continues to shift to outpatient care which will negatively impact hospital profit margins

Financial Strength from a Local Lens

Days Cash on Hand

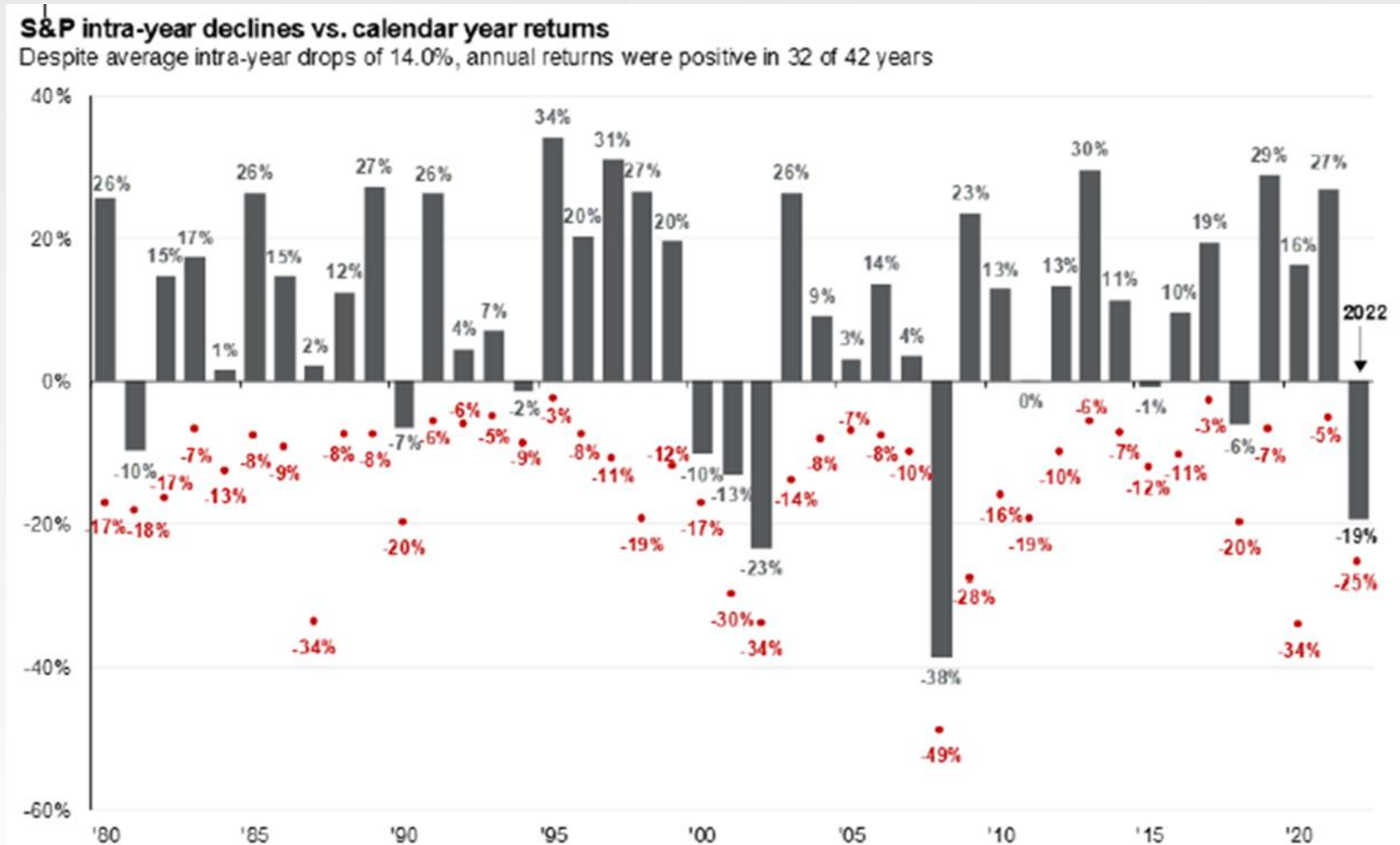


Rolling 12 Months Operating Margin as of 12/31/2022



Note: For comparisons utilized December 31, 2022 and 2021, information annualized for each Health System using public bond filings from www.emma.msrb.org

Annual Returns and Intra-Year Declines



The economic future is not set in stone

Scenario 1: Stabilization avoids a painful recession

Guided intervention and market self-corrections alleviate economic crises indefinitely

Federal interest rate hikes appropriately stem demand and curb consumer prices

Unemployment overall remains low and health care workforce challenges persist

Labor costs overall remain high, including for the health care workforce

Supply chain challenges improve, bringing down input costs

Indicators to watch

FEDERAL INTEREST RATE

▲ 2.25% point June 2022 YOY¹

UNEMPLOYMENT RATE

▲ 3.7% August 2022

EMPLOYMENT COST INDEX

▲ 5.1% June 2022 YOY

PRODUCER PRICE INDEX

▲ 9.8% July 2022 YOY

Scenario 2: Mitigation now triggers a recession later

Intervention now improves economic indicators in the near term, but triggers a recession in reaction

Federal interest rate hikes are too aggressive, so businesses struggle to borrow and invest capital

Unemployment overall spikes, but with limited potential to ease health care labor shortages in time

Labor costs overall decline, but remain high for much of the health care workforce

Supply chain challenges and costs improve for some sectors, but remain high for others

1. Year-over-year Source: "Employment Cost Index Summary," BLS, July 2022; "Federal Funds Target Range," Federal Reserve Economic Data; "Civilian unemployment rate," BLS, August 2022; "Producer Price Index News Release Summary," BLS, August 2022.

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Next Big Job Cuts Will Be in Finance and Health Care, Data Show

Companies with declining revenue per employee and slumping stock prices seem most likely to reduce head count.

Financial Management

35 hospitals, health systems cutting jobs

Kelly Gooch - Updated 22 hours ago

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A number of hospitals and health systems are trimming their workforces or jobs due to financial and operational challenges.

Below are workforce reduction efforts or job eliminations that were announced within the past seven months and/or take effect later this year.

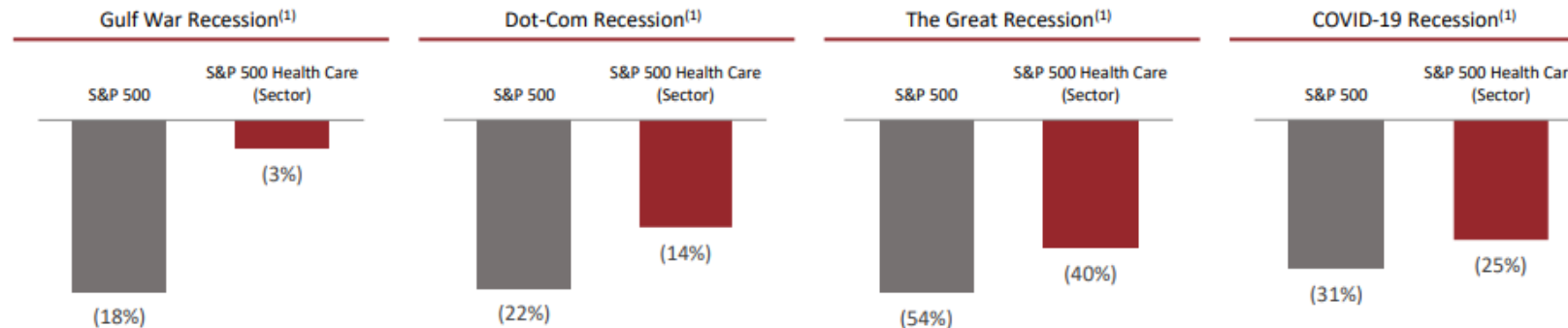
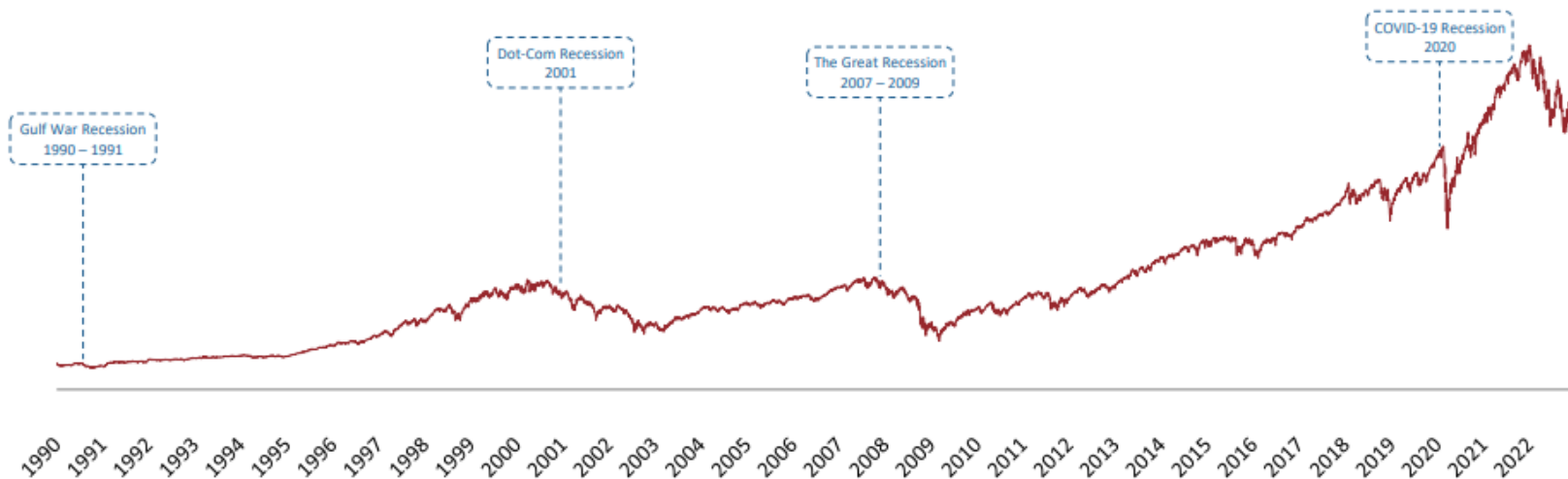
Editor's Note: This webpage was updated April 4 and will continue to be updated.

1. Danbury, Conn.-based Nuvance Health will **close** a 100-bed rehabilitation facility in Rhinebeck, N.Y., resulting in 102 layoffs. The layoffs are effective April 12, according to the *Daily Freeman*.
2. Charleston, S.C.-based MUSC Health University Medical Center **laid off** an unspecified number of employees from its Midlands hospitals in the Columbia, S.C. area. Division President Terry Gunn also resigned after the facilities missed budget expectations by \$40 million in the first six months of the fiscal year, *The Post and Courier* reported March 30.
3. Winston-Salem, N.C.-based Novant Health **laid off** about 50 workers, including C-level executives, the health system confirmed to *Becker's* March 29. The layoffs affected Jesse Cureton, the health system's executive vice president and chief consumer officer since 2013; Angela Yochem, its executive vice president and chief transformation and digital officer since 2020; and Paula Dean Kranz, vice president of innovation enablement and executive director of the Novant Health Innovation Labs.
4. Penn Medicine Lancaster (Pa.) General Health **eliminated** fewer than 65 jobs, or less than 1 percent of its workforce of about 9,700, the health system confirmed to *Becker's* March 30. The layoffs include support, administrative and executive roles, and COVID-19-related support staff, spokesperson John Lines said, according to *lancasteronline.com*. Mr. Lines did not provide a specific number of affected workers.
5. McLaren St. Luke's Hospital in Maumee, Ohio, will **lay off** 743 workers, including 239 registered nurses, when it permanently closes this spring. Other affected roles include physical therapists, radiology technicians, respiratory therapists, pharmacists and pharmacy support staff, and nursing assistants. The hospital's COO is also affected, and a spokesperson for McLaren Health Care told *Becker's* other senior leadership roles are also affected.
6. Bellevue, Wash.-based Overlake Medical Center and Clinics **laid off** administrative staff, the health system confirmed to the *Puget Sound Business Journal*. The layoffs, which occurred earlier this year, included 60 workers across Overlake's human resources, information

Healthcare is such a large % of GDP, can we afford for it to fail?

Healthcare has historically been more resilient than other industries and has proven to be a growth driver of the economy, with healthcare as a percentage of U.S. GDP rising from 13% in 2000 to 20% in 2022.

S&P 500: 1990 – 2022⁽¹⁾

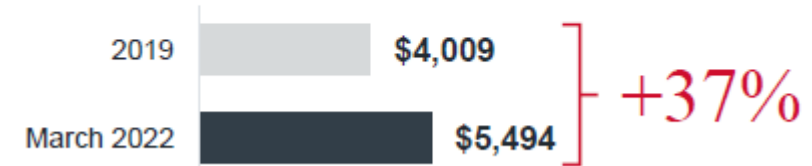


Workforce

- Unsustainable wage growth is not going away
- Contract labor rates are still elevated from pre-pandemic levels
- Median labor expense per adjusted discharge in 2022 was 37% higher than in 2019 per the Advisory Board. This trend is continuing into 2023
- Stress, burnout and trauma are severely impacting the health care workforce. It is estimated that a third of frontline workers have considered leaving the field entirely

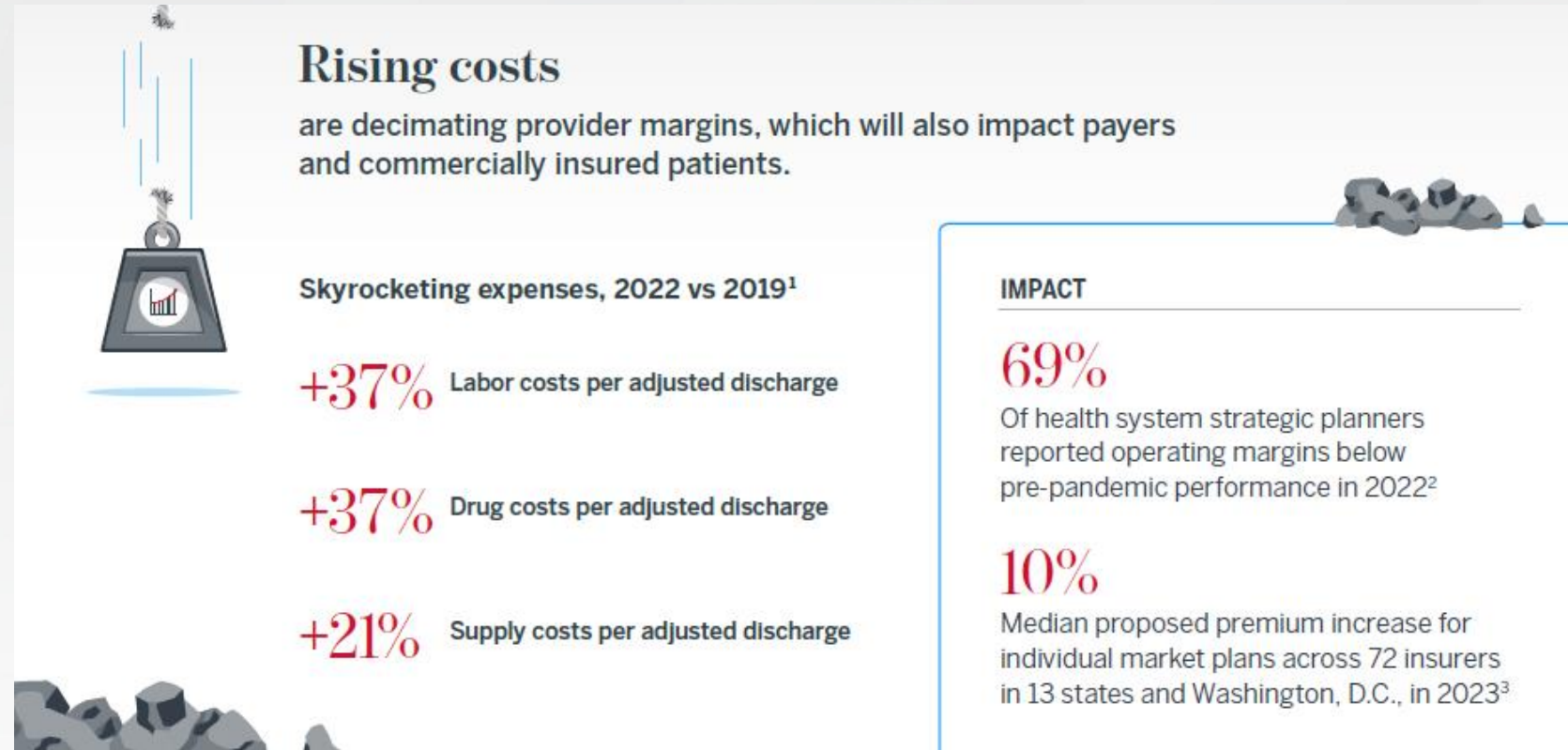
EXPENSE SPOTLIGHT

Median labor expense per adjusted discharge



**#1 –ALL my clients
have significant cost
cutting and operational
improvement initiatives
in place**

Rising Costs



Source: "Staffing and Workforce Pressures", Advisory Board; 2022 & National Hospital Flash Report," KaufmanHall, 2022.

Workforce Top Concern of CEOs for 1st Time Since 2004

Personnel Shortages Top Issue Confronting Hospitals in 2021

Results by ACHE's Executive Office, Research.

"...clearly understand that shortages and financial challenges go hand in hand as labor costs rise and solutions seem elusive...." – Deborah Bowen, President/CEO ACHE









Financial challenges (n = 310)

Increasing costs for staff, supplies, etc.	87%
Reducing operating costs	53%
Medicaid reimbursement (including adequacy and timeliness of payment, etc.)	52%
Managed care and other commercial insurance payments	44%
Bad debt (including uncollectable Emergency Department and other charges)	39%
Competition from other providers (of any type—inpatient, outpatient, ambulatory care, diagnostic, retail, etc.)	39%
Government funding cuts (other than reduced reimbursement for Medicaid or Medicare)	39%
Medicare reimbursement (including adequacy and timeliness of payment, etc.)	39%
Transition from volume to value	39%
Inadequate funding for capital improvements	35%
Revenue cycle management (converting charges to cash)	32%
Pricing and price transparency	27%
Emergency Department overuse	26%
Moving away from fee-for-service	25%
Other	n = 11

The average rank given to each issue was used to place the issue in order of how pressing it is to hospital CEOs, with the lowest numbers indicating the highest concerns

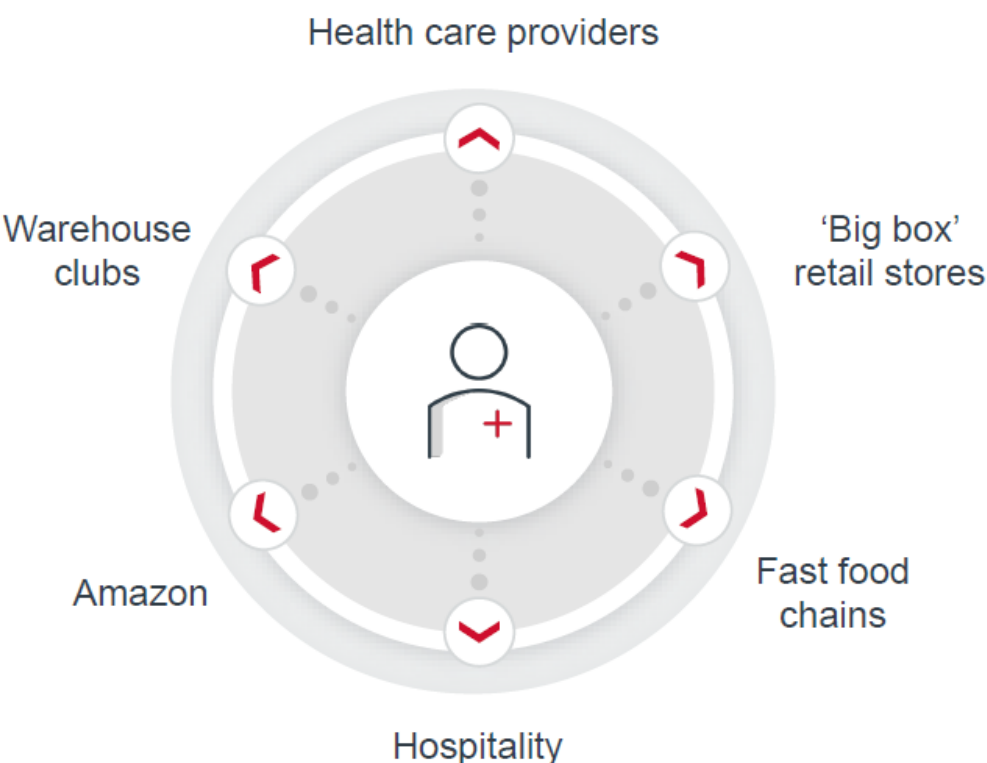
Source: "Healthcare Management", April/March Issue, Page 62, ACHE *2020 CEO Survey not conducted

Staffing Stretched with Turnover Across Key Roles

ROLE	TURNOVER NUMBERS	PIPELINE STATUS
 Registered nurses	18% turned over in 2021	Weakening ; qualified applicants being turned away due to academic capacity
 Licensed practical nurses	20% left the workforce, Apr 2020 to Jun 2021 compared to pre-pandemic	Weak ; lack of schools available, historical reduction in hiring hinders interest
 Nursing aides	35% turned over in 2021	Weak ; lack of training programs available, difficulty enticing interest in role
 Physicians	7% median turnover in 2020	Moderate ; varies by specialty; length of training delays new physician availability
 Pharmacy technicians	21% turned over in 2021	Weakening ; scope of role changing as techs take on more patient-centric work
 Medical assistants	21% plan to seek training and/or employment in an occupation outside health care in the next 5 years	Weak ; lack of training programs available, difficulty enticing interest in role
 Pharmacists	10% turned over in 2021	Weak ; lengthy training program delays new pharmacist availability
 Nurse practitioners	15% turned over in 2021	Strong ; predicted surplus of NPs over the next decade

Healthcare Competing for Assistive Staff

Source of competition



DATA SPOTLIGHT

Minimum wage of major entry-level workforce competitors

\$15

Amazon starting wage for all US employees

\$16

Costco starting wage for all US employees

\$15

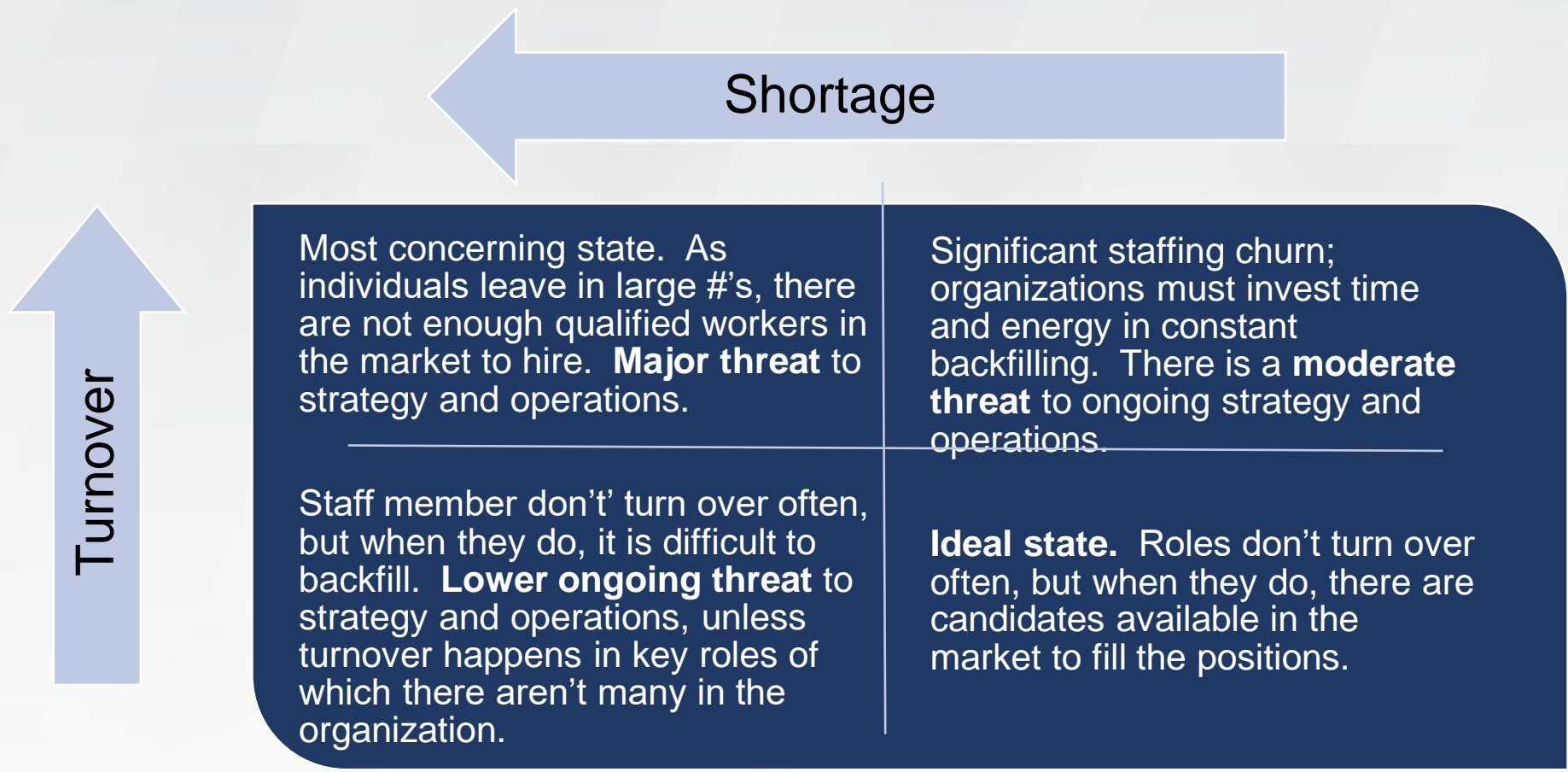
Starbucks starting wage for all US employees by 2023

\$15

Target starting wage for all US employees

Source: "Costco, Amazon, and 16 Other companies That Raised Their Minimum Wage to \$15 (or more)," Go Banking Rates, August 2021.

Turnover and Shortage are **NOT** the Same Thing



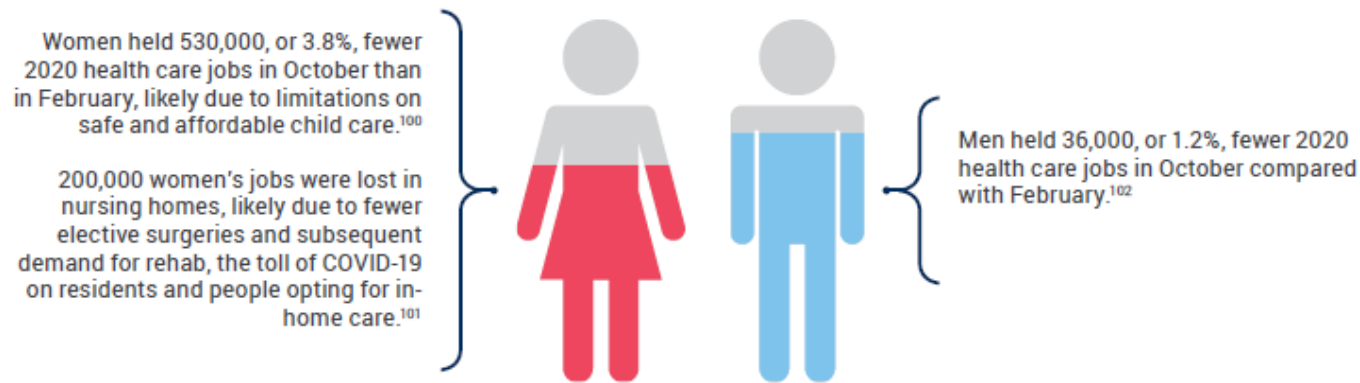
Cost of Turnover

Estimating Cost Associated with Turnover



Expense Components of Staff Turnover

- Reduced Capacity – effecting downstream revenue
- Recruitment Costs – including marketing, sign-on, moving allowance, training
- Contract labor – fill staffing position during the recruitment process
- Cultural Implications – stress, burn-out creating potential for additional turnover
- Financial Impact
 - \$40,038 average turnover for RN, and each percentage change will either cost or save \$270,800 per year



Recruitment Re-envision Rather than Simply Rebuild

Diversify and strengthen diversity recruiting

Review and expand your talent sources to ensure that you're tapping into diverse school populations, networks and events that reach diverse candidate pools:

- Leverage social media as part of your recruiting channel mix.
- Make sure you get the word out about your DEI commitment by publicizing the right content to the right audiences.
- Encourage diverse leaders in your organization to share their stories.
- Walk in the shoes of a diverse job seeker and take an honest inventory of your candidate's experience to weed out racial, gender and other conscious or unconscious bias.

Things we know about the labor/staffing trends

- Labor rates are often not “market” in many hospital departments within nursing, but also impacts many other non-clinical areas
- Remote work should be a consideration for your organization
- Many staffing ratios have increased even though volume may not be trending higher
- Can automation be a strategy for your organization?

Methodology: Compression De-Compression & Market Salary Ranges

- **Compression Formula:** Calculated the percent change from current base to current lowest paid staff member in that job class and applied that percentage to each staff member who has tenure ≥ 1 year

Percent Change from Current Base to Current Lowest Paid:

- Job Code 1= i.e., 28%
- Job Code 2= i.e., 5%

- **Salary Range - Market Formula:**

All effected Job Codes:

- Base Rate Formula: New Base + Inflationary Factor
- Ceiling Rate Formula: New Ceiling + Inflationary Factor

Annual Salary Program and Experience Credit

- Annual Merit Program
- Develop a methodology for co-workers who reach ceiling, options:
 - Lump Sum Merit Increase
 - Longevity Bonus
 - Additional PTO Accrual
- Develop a standard experience credit table that can be used across for experienced hires

Experience Credit Table Example

Experience Credit Up To:		3%		
Prior Years of Service	Job Code 1	Job Code 2	Job Code 3	Job Code 4
0	\$15.00	\$24.00	\$36.09	\$42.00
1	\$15.45	\$24.72	\$37.17	\$43.26
2	\$15.91	\$25.46	\$38.29	\$44.56
3	\$16.39	\$26.23	\$39.44	\$45.89
4	\$16.88	\$27.01	\$40.62	\$47.27
5	\$17.39	\$27.82	\$41.84	\$48.69
6	\$17.91	\$28.66	\$43.09	\$50.15
7	\$18.45	\$29.52	\$44.39	\$51.65
8	\$19.00	\$30.40	\$45.72	\$53.20
9	\$19.57	\$31.31	\$47.09	\$54.80
10	\$20.16	\$32.25	\$48.50	\$56.44

Base	\$15.00	\$24.00	\$36.09	\$42.00
Midpoint	\$18.82	\$30.11	\$46.22	\$52.69
Ceiling	\$22.64	\$36.22	\$56.35	\$63.39

ERI Data ¹		
Supervisor	Manager	Director

\$37.45	\$43.35	\$52.26
\$42.65	\$50.10	\$64.71
\$47.84	\$56.84	\$77.16

Rate of Inflation ² 6.29%		
FORVIS Recommended		
Supervisor	Manager	Director

\$39.81	\$46.08	\$55.55
\$45.33	\$53.25	\$68.78
\$50.85	\$60.42	\$82.01

1 ERI Median Market Salary Analysis for City, Specialty Health Location database as of 7/1/2022
2 Inflation Calculator (2021 = 4.70% and YTD June 2022 7.87%)

Internal Staffing Agency

Opportunity to reduce contract labor expense through implementing staffing agency focused on both internal and international nursing team members

- Internal Concepts
 - One Location Strategy
 - Multiple Location Strategy (Internal Agency)
- Short/Long Term Foreign Trained Strategy

Internal Float Pool Strategy

- Staffing Matrix to support each unit to include all job codes
 - Well defined roles and responsibilities
- Optimization of Scheduling Platform
- Schedules filled using current process
- Open shifts are filled by using internal float pool
 - Tiers with different competencies and pay categories

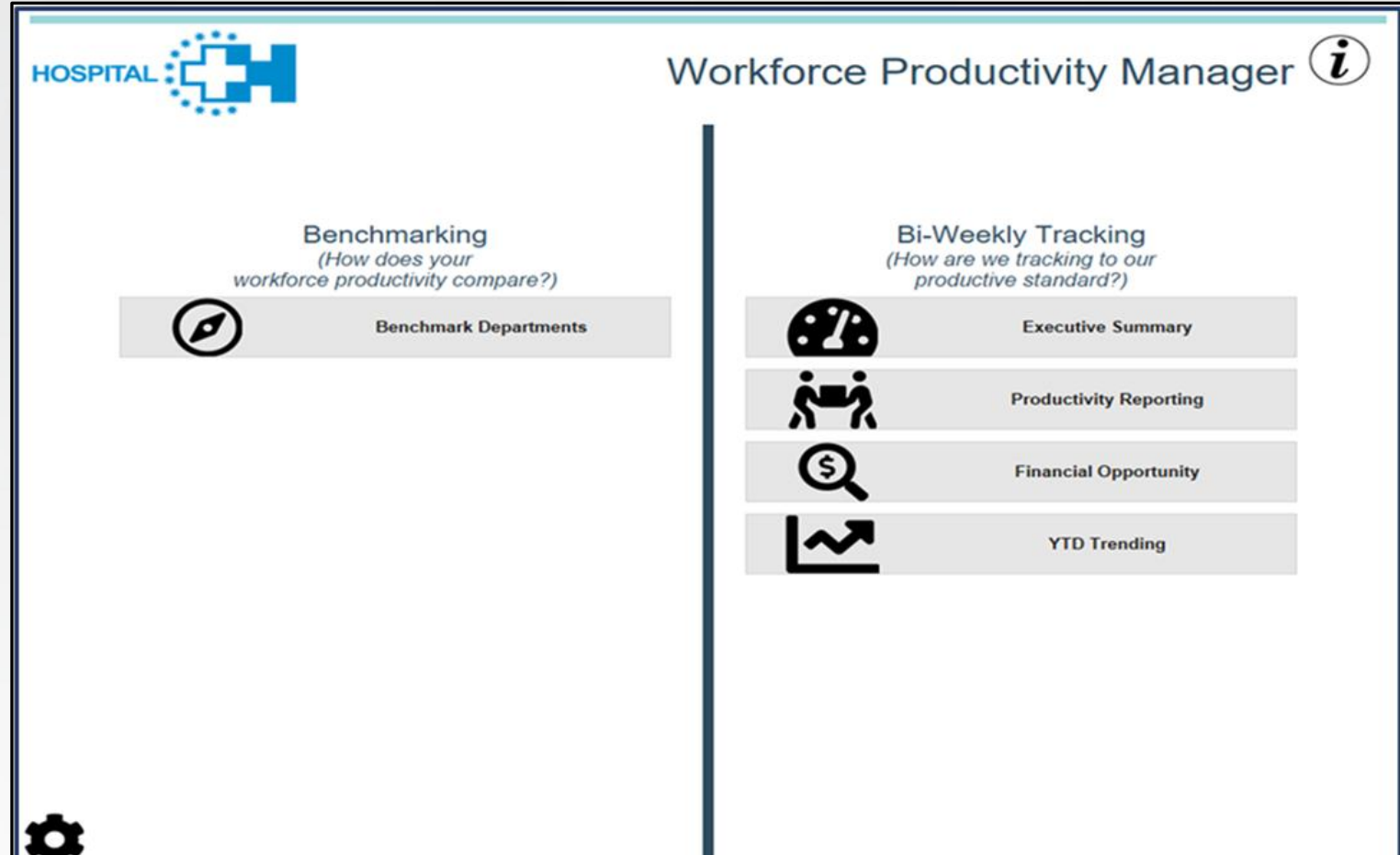
Foreign Trained Nursing Strategy

- Candidate signs 3-year contract (considered permanent staff)
- Competencies: Med/Surg or ICU nurses
- Benefits are the same as staff plus short-term living assistance
- Longer term strategy
 - Approximately 18 months from interview to on-site & working; immigration process is parallel to this process

Workforce Insights – Productivity Culture

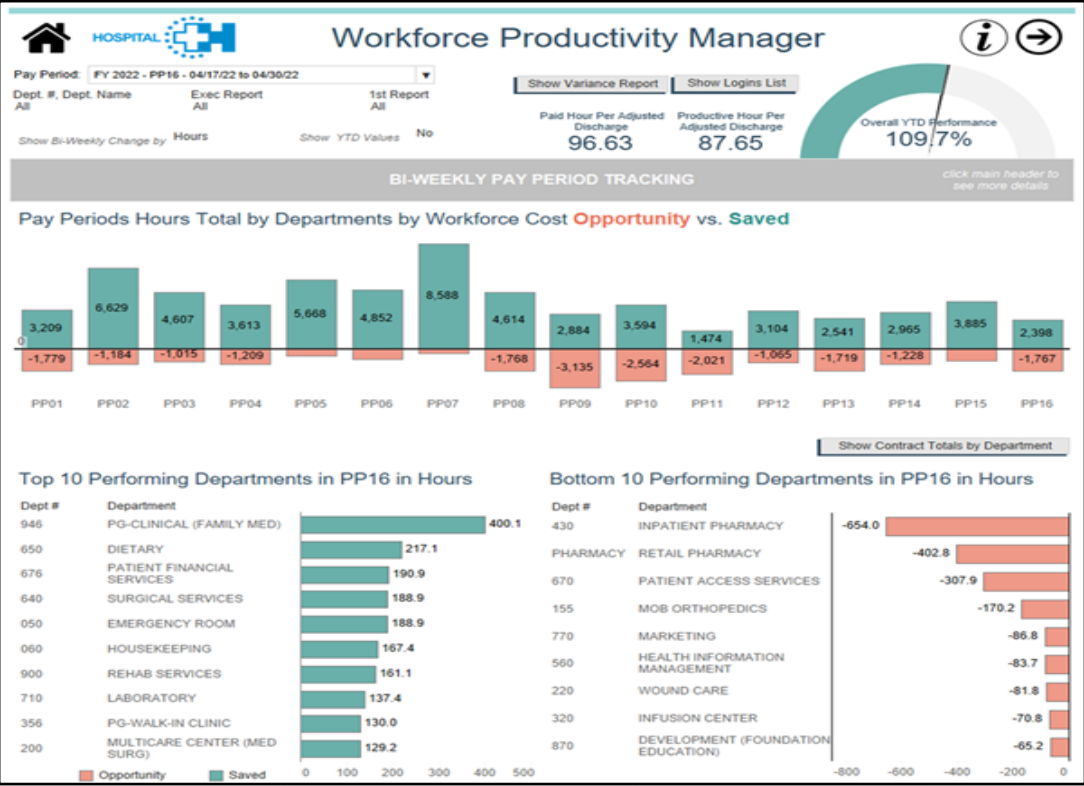
- Identify improvement opportunities for workforce or production; based on leading practice comparative benchmarks & established departmental productivity standards (productive hour/unit of service)
- Every hour saved equals dollars straight to the bottom line

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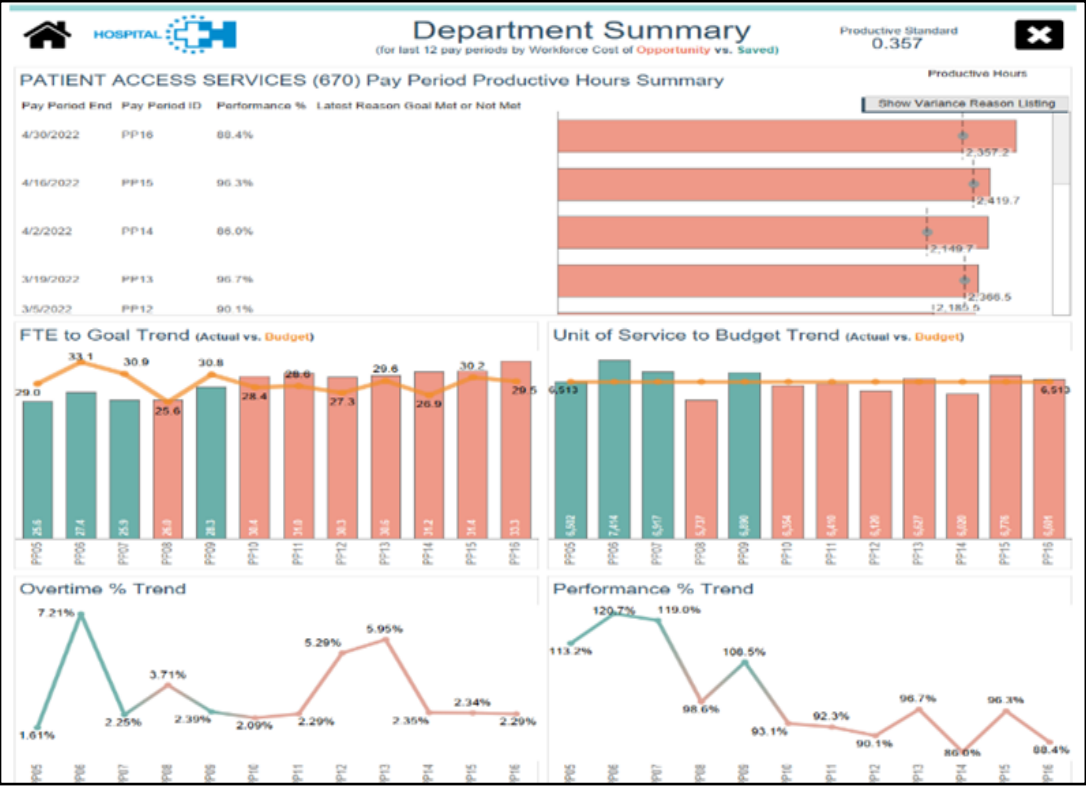


Workforce Insights

- Trends for C-Suite leaders over time, as well as top performing departments & those departments that need coaching to improve



- Department Managers need bi-weekly performance trends, volume trends, hour(FTE) trends, overtime trends in one location to allow variance reporting



Additional Benefits with Productivity Tracking

- Tracking and Trending for:
 - Contract & Travel Hours & Spend Tracking
 - Premium Pay Tracking & Trending
- Variance Reporting by Pay period
- Developing of Manager “Productivity Culture”
 - Expanding Business Acumen of Clinical Leaders/Managers

What Should Shape Your Workforce Strategy

- 1 Stabilization isn't enough; aim for workforce sustainability
- 2 Physician turnover isn't high, but intent to leave is red flag
- 3 Nurse realignment is common, but there are pockets of resignation
- 4 Assistive personnel are the backbone of staffing but are at the apex of turnover
- 5 Technology must be seen as a critical member of the care team

Technology Can Assist Sustainability Achievement

CLINICAL INVESTMENTS



Decision support

- Patient triage
- Predictive patient diagnostics and suggestions



Virtual care

- Remote patient monitoring
- Medication reconciliation

ADMINISTRATIVE INVESTMENTS



Documentation and transcription

- Voice-to-text transcribing
- Patient information auto-population



Clerical task automation

- Staff scheduling
- Automated data collection and entry

Source: Advisory Board interviews and analysis

Putting It All Together



/ Do you have an integrated strategic plan?



/ Do you have a recruitment and retention plan that drives cultural and cost results?



/ Have you considered integrated tools to support your strategic plans?

Other pockets of operating expense cost savings

- Lease contracts
- Property taxes
- Supplies
- Pharmacy
- Third party services, brokers, etc.
- Others?

Brokers, Benefits and Bids

- HR leaders overwhelmed last 2 years. Does your broker have your best interests in mind? Will they be a fiduciary?
- Benchmark broker fees
 - Medical: \$2 - \$3 PMPM + PBM: \$2 - \$2.50 PMPM
 - Ancillaries: Commission or flat fee
- Stop loss thresholds
 - Most are \$350K individual limit (versus overall)
 - Key is collaboration with carrier
 - Typical opportunity is 10% - 35% savings
- Short term disability
 - Consider premium-based, voluntary program (through carrier) rather than hospital funded benefit. Can create PTO misalignment and abuse incentives
- Employee Assistance Programs: Pharmacy and Medical charitable services/foundations

PBM Narcos

- What are the rebates...and where are they going?
- Gamesmanship Levers
 - Defining specialty drugs
 - Rebates per specialty drug
- Brand vs Specialty Drugs
- Specialty Rx is ~ 2% - 3% of total Rx count and should have avg of \$2,600 - \$3,800 rebate per Rx
- Spread pricing
- Step therapy
- Typical PBM savings 15% - 20%

Category	Rebate per Rx
Retail Brand	\$200 - \$220
R90 Brand	\$300 - \$700
Mail Brand	\$600 - \$900
Specialty Brand	\$2,600 - \$3,800

Combating 340B Eroding Margins

- 22 Manufacturers have implemented restrictions for contract pharmacy arrangements
 - 3 Court Cases
 - 1 ruling in favor of manufacturers
 - 2 cases – waiting for ruling – expected by July 2023
 - Supreme Court
 - Congress Regulation
 - Supreme Court Rulings
 - Patient definition – in favor of hospitals
 - OPPS reimbursement – in favor of hospitals
 - 340B ESP
 - Submit claims data
 - Designate single pharmacy
 - Other strategies
- Entity-owned pharmacy
- Expansion of hospital outpatient departments (provider-based clinics)

Top line improvements are likely sizable for most...

What is your organization most focused on?

- Pre-authorization and medical necessity
- Coding
- Denials
- Staffing & Workforce productivity
- Timely billing follow up
- Contracting and verification of payment rates
- Automation/ AI

Insurance Denials Are Not Slowing Down

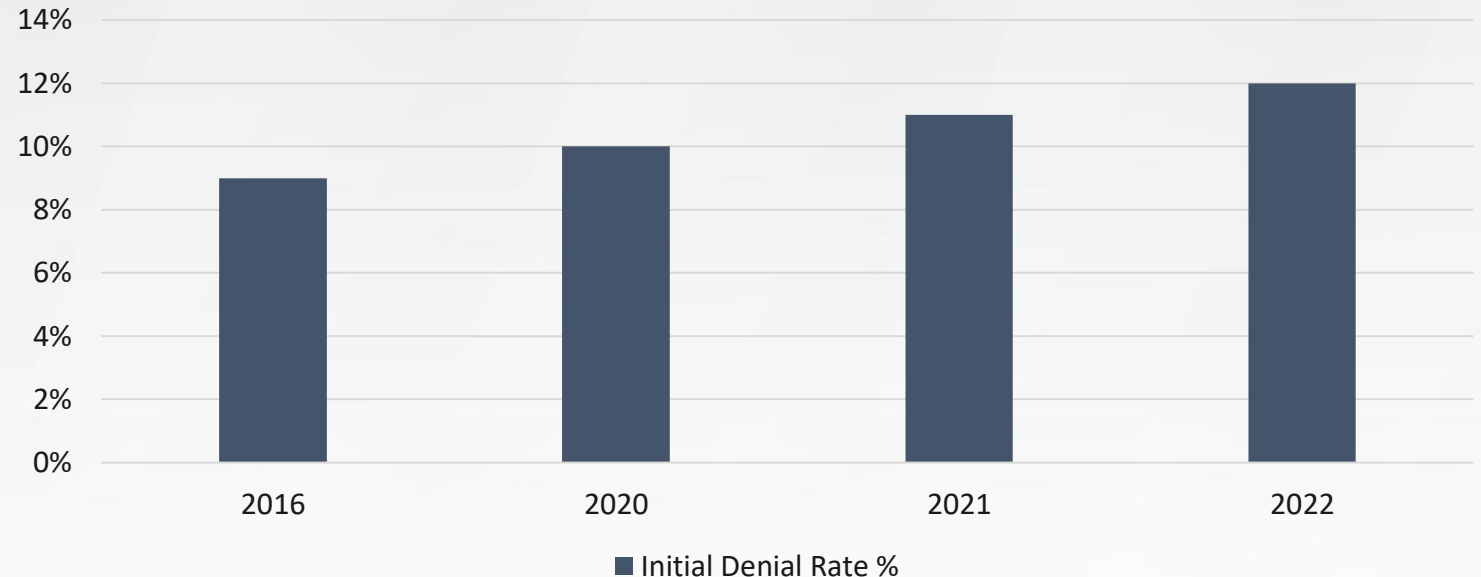
Insurance Denials and US Healthcare Complexity Continue To Rise Year over Year

Increase in National Average Insurance Denial Rate from 2016 to 2022¹

100,000 Estimated payor policy changes between 2020-2022²

12% of all provider claims submitted partially or completely denied¹

National Average Claim Denial Rate Trends
2016-2022¹



Denial Reduction is a Top Priority for Providers

Recent survey identified denial reduction as a top priority for healthcare professionals and key challenges to address

According to a Recent 2022 Survey of healthcare professionals:

- **75%** of survey responses indicated reducing denials is their highest priority and 70% said it is more important than prior to the pandemic
- **Survey indicated Top 3 reasons** healthcare professionals believe are responsible for increase in claims denials:
 - Insufficient Data Analytics (62%)
 - Lack of Automation in claims/denials process (61%)
 - Lack of Thorough Training (46%)

Provider Challenges Addressing Denials

Our clients and healthcare providers at large continue to struggle reducing insurance denials and revenue loss from preventable operational issues

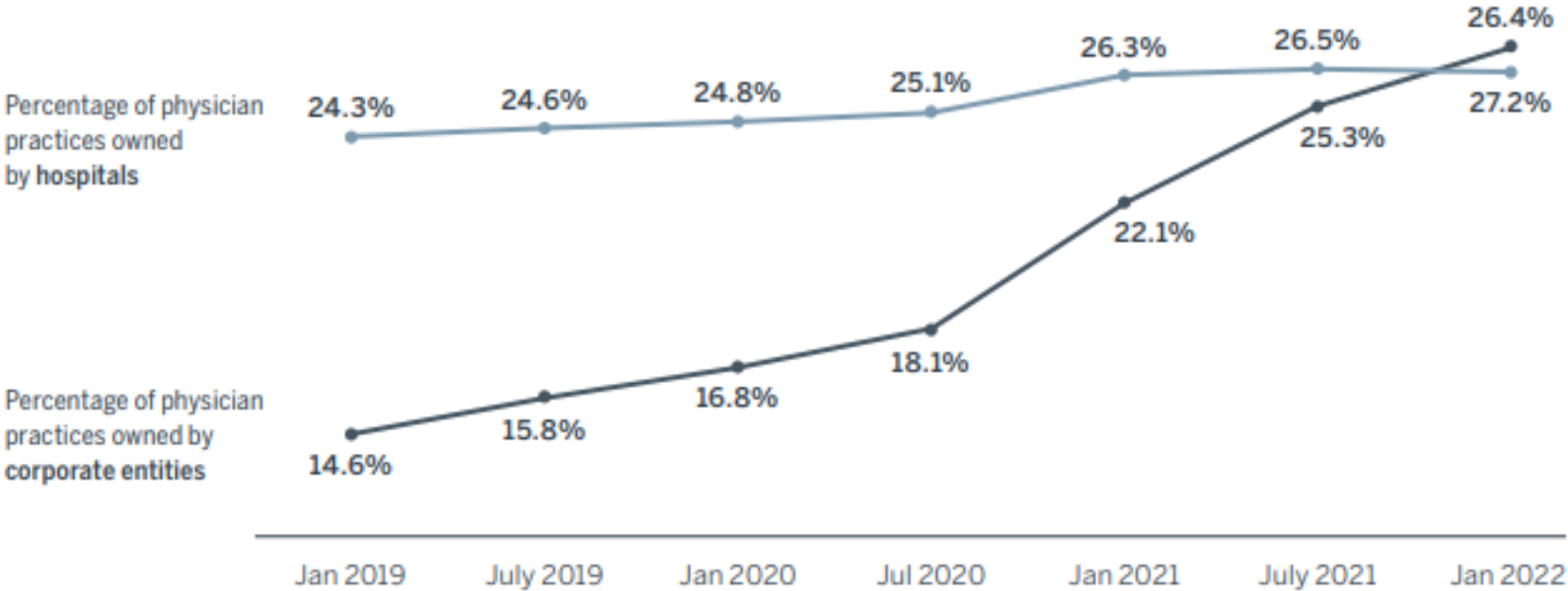
- 1 Revenue Cycle Staffing-** Staffing and turnover challenges in revenue cycle have limited organizations abilities to take a pro-active approach including prevention initiatives and staff education
- 2 Denial Visibility and Reporting-** System and reporting limitations and complexity have limited providers ability to prevent denials and monitor appeal success
- 3 Regulatory and Payor Complexity-** Providers continue to have difficulties adhering to constantly evolving regulatory requirements and successfully defending post payment audits

**#2 – Disruption in the
home based and the
ambulatory market is
real, when will it
impact you?**

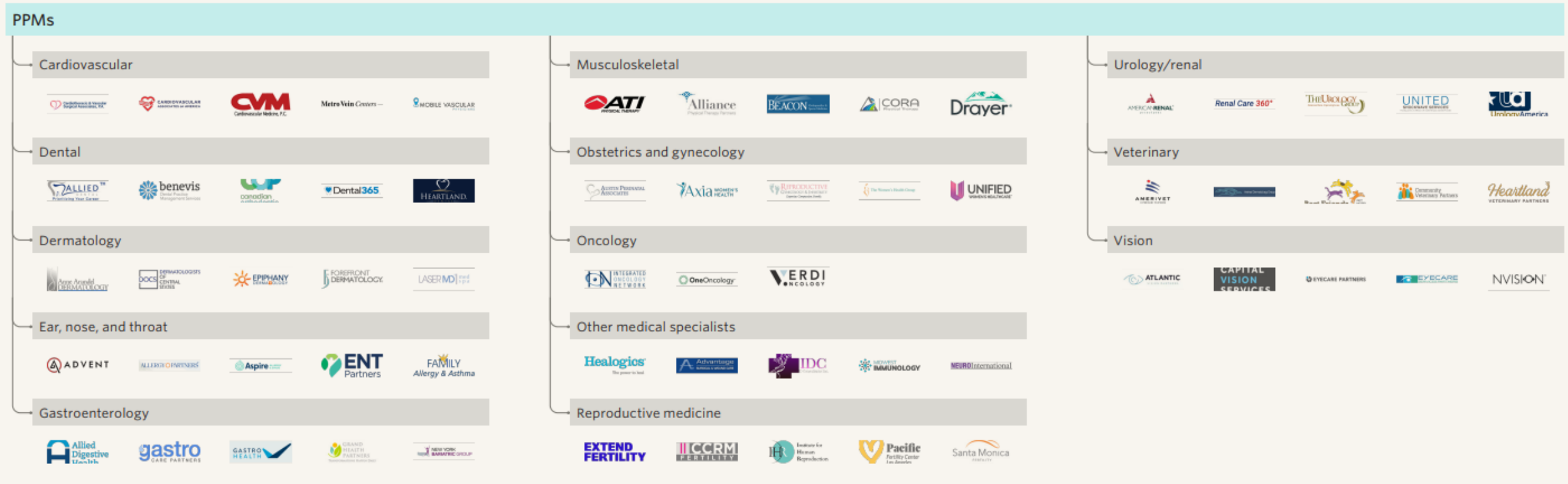
Physician and Dental Practices Remain Key Targets for PE

FIGURE 7.1: PHYSICIAN PRACTICE OWNERSHIP TRENDS

n=248,000 primary practice locations of physicians with NPIs in the IQVIA OneKey database



Some Recent PE Deals in 2023 focus on expanding to specialty physician groups



Robust M&A Activity in Pharmacy and Infusion Services...

- Strategic buyers and private equity firms have completed over 50 investments of scale in the pharmacy industry since 2017, attracted by the underlying thesis of large and highly fragmented market opportunity with few fully integrated independent pharmacies of scale / size

 / LINDEN

Company Description:

- Provider of infusion therapy services that offer an alternative to extended hospital care – administered at home or other sites of care

Key Statistics¹:

Investment Date: October 2020
Headquarters: Meridian, MS
Sub-Sector: Infusion Services
of Locations: 50+
of Employees: 150+

Geographic Coverage:



Focus Areas:

- ✓ Infusion Services
- ✓ Home Infusion

**#3 – With the PHE
ending on May 11th,
what other funding
sources can prop up
my bottom line in
2023?**

Grant Funding & Legislative Advocacy

FEMA

USDA

SAMHSA

ARPA

MHA

Others

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Phelps Health Receives \$4 Million From Missouri for Emergency Medical Services Base



The Phelps Health Emergency Medical Services (EMS) base project is proposed to begin in early- to mid-2023.

Published on July 20, 2022

Read Time: Two Minutes

Phelps Health will receive \$4 million in funding from the state of Missouri to build a new Emergency Medical Services (EMS) base and helipad. The new facility is projected to cost a total of \$5.4 million.

The Missouri General Assembly and Governor Mike Parson approved the funding through House Bill 3020, an appropriations bill for the state's American Rescue Plan Act (ARPA) funds. Missouri received approximately \$2.7 billion in State Fiscal Recovery Funds under the act.

USDA Invests over \$1.25 Million to Improve Health Care for People Living in Missouri

USDA Invests over \$1.25 Million to Improve Health Care for People Living in Missouri

Investments to Help Socially Vulnerable Communities

COLUMBIA, MO, Aug. 11, 2022 – U.S. Department of Agriculture (USDA)

Rural Development Missouri State Director Kyle Wilkens today announced that USDA is awarding over \$1.25 million in grants to improve health care facilities in two rural towns in Missouri. These grants will help rural health care organizations expand critical services for people in their areas.

"USDA Rural Development is determined to make high-quality and reliable health care services like urgent care, primary care, and dental care available to rural communities," Wilkens said. "The Emergency Rural Health Care Grants will build, renovate and equip health care facilities like the hospitals in these two rural areas."

The Biden-Harris Administration made these funds available in the [Emergency Rural Health Care Grants Program](#) through its historic legislative package, the American Rescue Plan Act. The Act and this program are examples of the government's ability to respond quickly to ensure every person and family has access to high-quality health care no matter their zip code.

USDA Rural Development promotes a healthy community and environment through the Emergency Rural Health Care Grants to make sure people, kids and families have access to the health care they need. The grants support the ability of rural communities to provide health care to the people and places in our country that often lack access.

The investments will help rural hospitals and health care providers implement telehealth and nutrition assistance programs, increase staffing to administer COVID-19 vaccines and testing, build or renovate facilities, and purchase medical supplies. They also will help regional partnerships, public bodies, and non-profits solve regional rural health care problems and build a stronger, more sustainable rural health care system in response to the pandemic. For example:

- **Washington County Memorial Hospital** will use over \$250,000 to assist with increased expenses due to the on-going COVID-19 pandemic. Funds will be used to increase capacity and provide medical supplies in correlation with the pandemic, support immediate healthcare needs by increasing telehealth capabilities and to prepare for and assist in future pandemic events.
- **Golden Valley Memorial Hospital District** will use \$1,000,000 to purchase and install a new air handler and make associated ductwork repairs. During the COVID-19 pandemic the hospital increased exhaust to facilitate more rooms having negative air pressure, added exhaust fans to room windows to expel air outdoors, and purchased 17 portable HEPA filtration systems to dilute air contaminants in patient rooms. These additions have maxed out the hospital's current air handler. Currently, the system provides only one and one-half air changes per hour, and the current standards require six air changes per hour.


USDA will announce additional awardees for Emergency Rural Health Care Grants in the coming weeks and months.

Name: Antonia Varner
Email: Antonia.Varner@USDA.gov
Phone: 573-876-9308
City: Columbia
Release Date: Aug 11, 2022

Capital Financing Options

- Publicly traded debt and bank loans rates are less desirable
- New Market Tax Credit Opportunities
 - <https://ded.mo.gov/content/opportunity-zones>
 - <https://www.cdfifund.gov/programs-training/programs/new-markets-tax-credit>
 - <https://www.forvis.com/nmtc>
- USDA
 - <https://www.rd.usda.gov/>

FORV/S



United States Department of Agriculture

Rural Development
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News Release

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USDA Rural Development Announces \$47 Million Community Facilities Loan to Fund New Hospital in Harrison County

COLUMBIA, MO., February 8, 2022 – U.S. Department of Agriculture (USDA) Rural Development Missouri State Director Kyle Wilkens today announced that the Department is awarding a \$47 million loan through [Community Facilities Loan & Grant Program](#) to Harrison County Community Hospital District in Bethany, Missouri. “Here at Rural Development, we utilize Community Facilities Loan and Grant Program to ensure rural communities in Missouri can offer dependable healthcare. Access to local quality healthcare is vital to Rural Missouri communities.” Director Wilkens stated, “We strive to assist rural Missouri whether it is healthcare, food pantry, or a new fire truck. The CF Loan and Grant Program is available to develop essential community facilities in rural areas.”

Recent Bond Financings

Select Transactions									
Obligor	State	Underlying Rating (M/S&P/F)	Sale Date	Tax Status	Total Par Amount	Final Maturity	Final Mat. Coupon/Yield	Final Mat. Spread (bps) ⁶	Lead Underwriter
Texas Children's Hospital (2015-2) ³	TX	Aa2/AA/NR	03/14/23	TE	\$50M	2045	Var.	Var.	TD Securities
Texas Children's Hospital (2015-3) ⁴	TX	Aa2/AA/NR	03/14/23	TE	\$110M	2045	Var.	Var.	TD Securities
Moffitt Cancer Center (2023A) ⁵	FL	A1/A/NR	03/08/23	TE	\$326M	2054	5.75% / 4.65%	+107 bps	BofA
Covenant Health (2023)	MA	NR/BBB-/BBB	03/07/23	TE	\$90M	2037	4.00% / 4.92%	+178 bps	RBC

Recent USDA Rates

Current interest rates for the 2nd Quarter of Fiscal Year 2023, effective January 1, 2023 – March 31, 2023:

Poverty: 4.500%*

Intermediate: 4.125%*

Market: 3.750%*

For this quarter, all loans may be obligated at the lower market rate.

**#4 – With healthcare
continuing to utilize a
remote workforce,
what do I need to be
thinking about?**

State Tax Considerations - Individuals



- Boles v. City of St. Louis
 - Non-resident employee work done, or services performed outside of city limits are not subject to the STL Earnings Tax
- Convenience-of-the-employer states
 - Allow employers to withhold in the employer's state
 - May result in employee wages being taxed twice
 - Delaware, Nebraska, New York, Pennsylvania
 - Arkansas (repealed in 2021)

State Tax Considerations - Employers

- Expanded filing requirements
- Income/franchise taxes, gross receipts taxes, sales/personal property taxes, business and SOS filings
- Can you require employees to only live in certain states and keep jobs filled?



How much is too much?

State	Filing Threshold
Illinois	\$2,425*
Iowa	\$1,000
Missouri	\$600

**Prorated over income everywhere*

State	Withholding Threshold
Illinois	31 days
Iowa	0 days
Missouri	0 days

#5 – Tax Credits: Can my organization benefit?

Inflation Reduction Act – Energy Credits

- Section 48 Investment Tax Credits
 - Must begin construction prior to January 1, 2025
 - ITC claimed in the year the project is placed in service
 - 30% credit **if**:
 - + Project began construction prior to January 29, 2023, or
 - + Was placed in service in 2022
 - Otherwise, 6% base credit, up to 30% credit available if prevailing wage and apprenticeship standards are met

Sec. 48 Investment Tax Credits – What Qualifies?



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Inflation Reduction Act – Energy Credits

- Section 45 Production Tax Credits
 - Must begin construction prior to January 1, 2025
 - Credit applies to a 10-year period beginning when project is placed in service
 - Credit earned based on amount of energy produced
 - Includes wind, geothermal, qualified hydropower, and more



Inflation Reduction Act – Energy Credits

- Alternative fuel vehicle refueling property / EV charging stations
 - If not-for-profit, property must be in low-income or non-urban area
- Prevailing wage and apprenticeship standards
 - Can increase credit from 6% to 30%
- Not-for-profit entities can access “direct pay” option to receive credit as cash payment

Update: Employee Retention Credit

- Top concerns:
 - Using false information, incorrect claims or methods of calculating credit
 - PII phishing schemes
 - Contingent fees without standing behind credit claim
 - IRS Dirty Dozen list
- Must be an eligible employer and have qualifying wages



A Few Final Thoughts

FIGURE 12.2: THREE STRATEGIES EVERY HEALTH CARE ORGANIZATION CAN—AND SHOULD—TAKE ON



Healthcare is changing quickly and in unexpected ways. HFMA's "Healthcare 2030" four-part series unpacks the challenges and opportunities for CFOs and other healthcare leaders created by the evolving industry, looking ahead to 2030.

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HFMA 2030



Questions?

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Thank you!

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