Minnesota Hospital Association

Top Issues Facing Health Care Systems

2023 and beyond

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Hospitals in Minnesota

141 hospitals

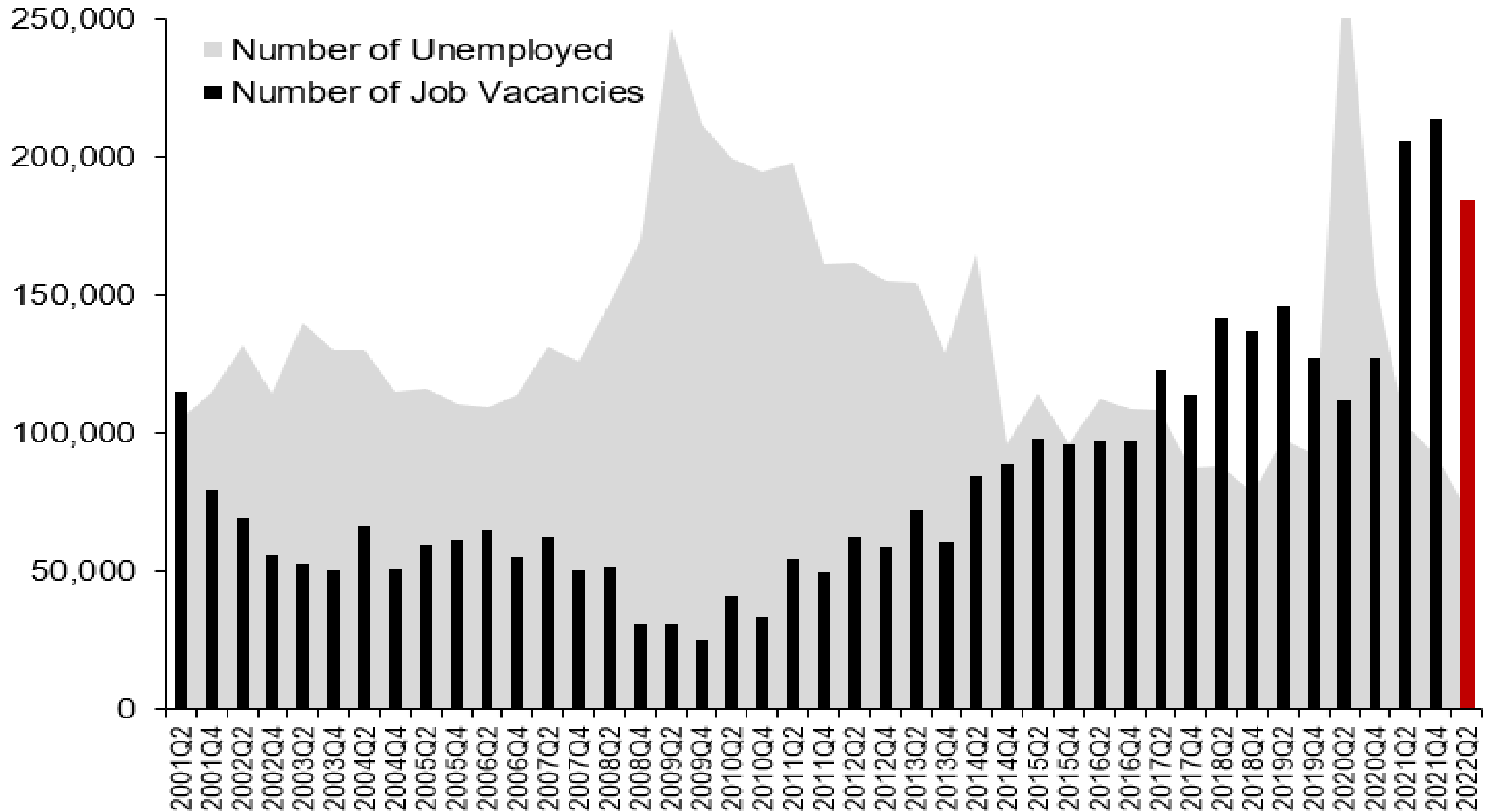
108 are part of a health system

33 are independent

- 28 CAH
- 5 PPS
- 17 District, county or city owned

Job Vacancies and Unemployed, 2001 –2022

EMPLOYMENT AND ECONOMIC DEVELOPMENT



Minnesota Hospital Association

IN THE NEWS

MHA RELEASES NEW FINDINGS THAT QUANTIFY STARTLING FINANCIALS AND A SPIKING STATEWIDE WORKFORCE CRISIS

With nearly 10,000 open positions, Minnesota hospital and health system financials are down significantly

Oct. 24, 2022, Saint Paul, Minn.– The Minnesota Hospital Association (MHA) released new data today that highlight plunging hospital and health system financials that are being exacerbated by the spiking health care staffing crisis. With an almost 250% one-year increase in job vacancy rates, a 172% decline in year over year financials for acute care hospitals, exponentially rising labor and supply costs, and the need to rely on temporary staffing, there is an intense strain on the state's hospitals and health systems.

HEALTH

New report calls health care workforce shortage "alarming"

The Minnesota Hospital Association reports 9,823 open positions in hospitals and health systems.

Minnesota hospital job vacancies triple in one year

Transition to more part-time work is increasing pressure on hospitals to maintain full staffing levels and patient care.

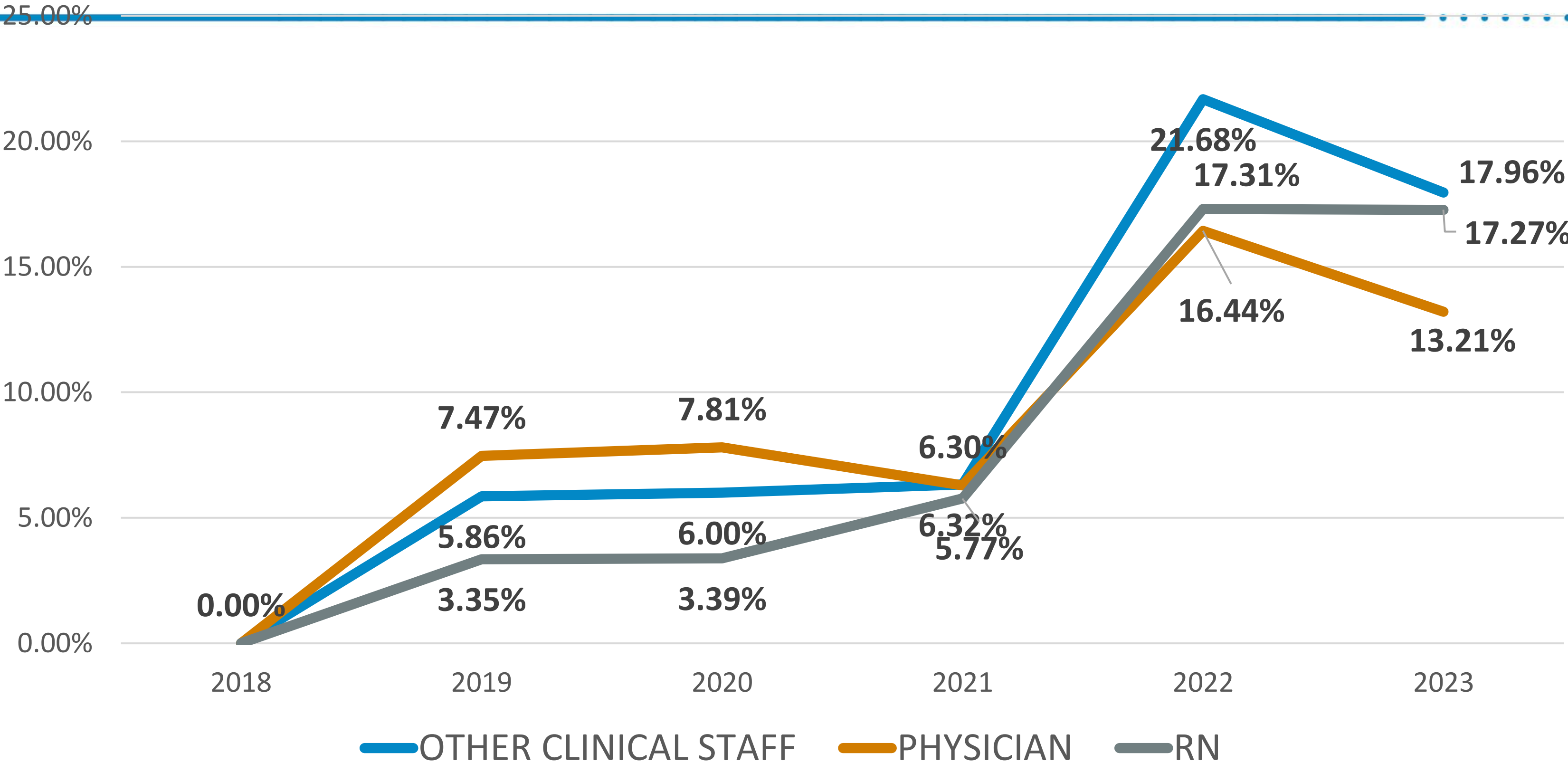
By Jeremy Olson Star Tribune | OCTOBER 25, 2022 — 11:29AM

MPRnews

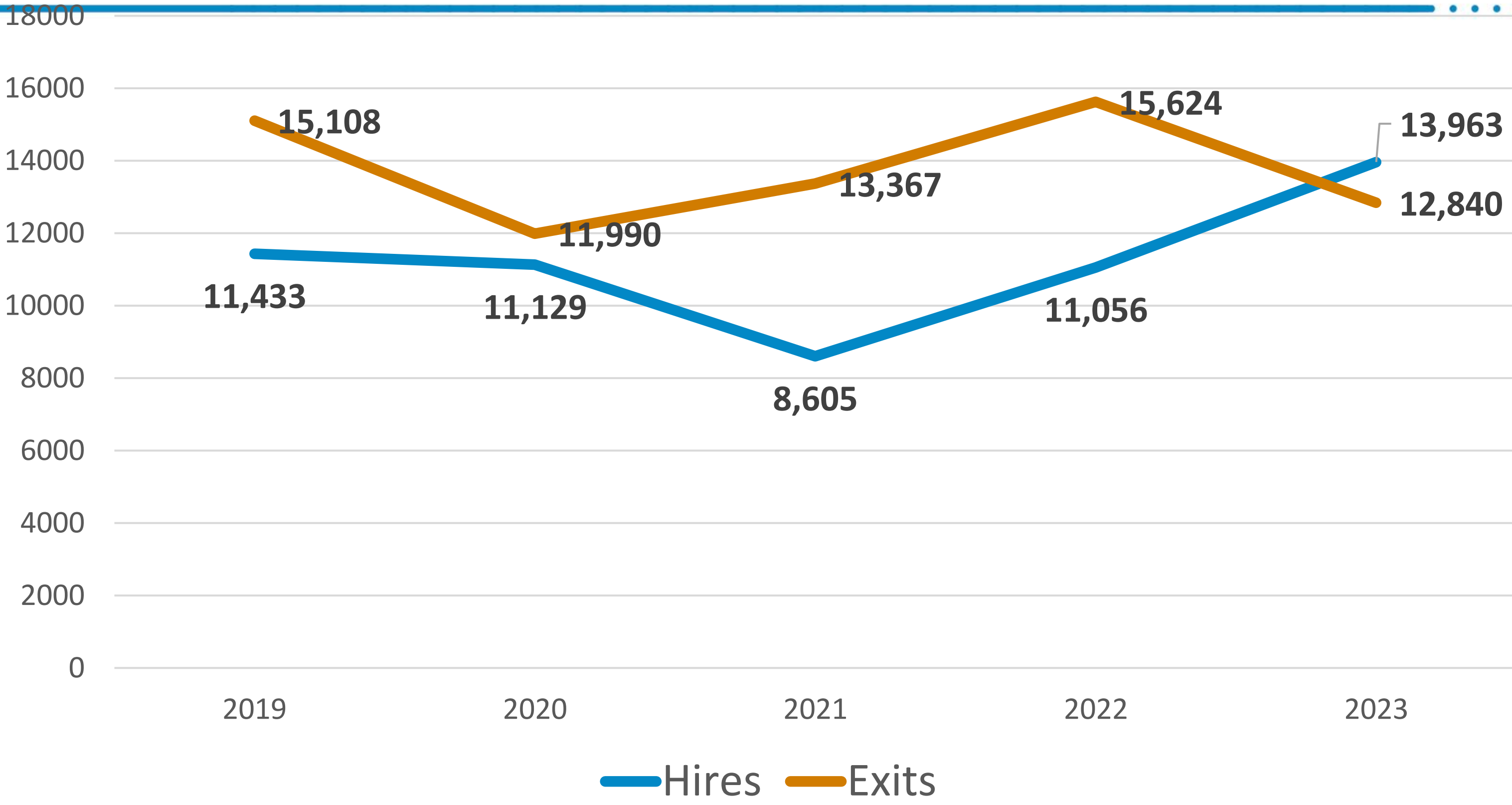
'Alarming': New report highlights staffing concerns in health care facilities

Michelle Wiley October 26, 2022 4:59 PM

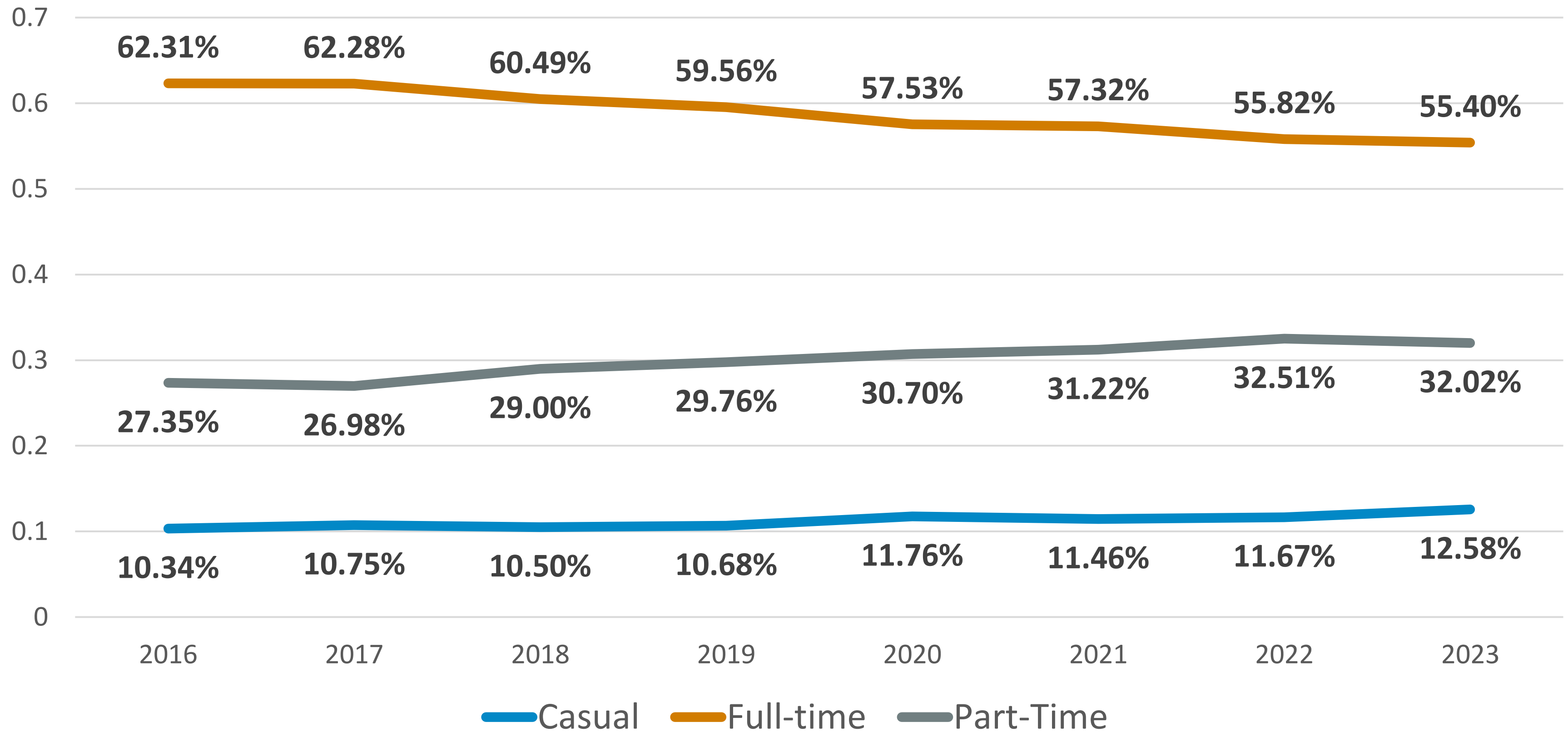
Vacancies



Exits vs. Hires

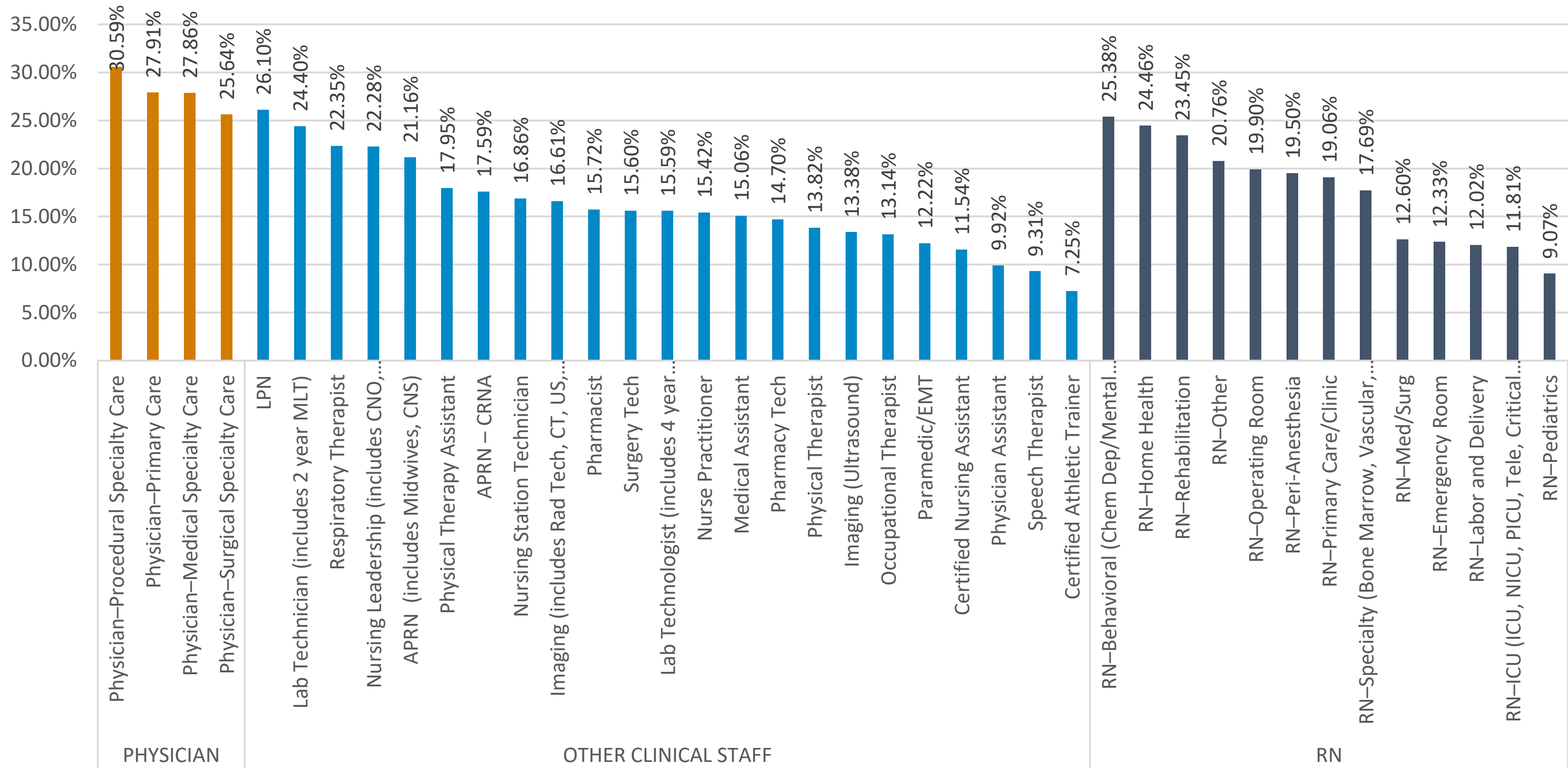


All Clinical classifications Full-Time vs. Part-Time



The profile for RNs is much more stark: Since 2021, the majority of RNs work part-time

Retirement Outlook by Occupation



Lower Wage Healthcare Workers

168K Washington
-31K Oregon
-558K California
-8K Nevada
-19K Idaho
-13K Montana
-8K Wyoming
-24K Utah
-54K Colorado
-93K Arizona
-24K New Mexico
-14K North Dakota
-7K South Dakota
-24K Nebraska
-27K Kansas
-9K Oklahoma
-142K Texas
-105K Minnesota
-36K Iowa
-67K Missouri
-22K Arkansas
-60K Louisiana
-78K Wisconsin
-169K Illinois
-77K Michigan
-63K Indiana
-82K Ohio
-13K Kentucky
-11K Tennessee
-12K Mississippi
-20K Alabama
68K Georgia
-58K Florida
0K South Carolina
-59K North Carolina
-63K Virginia
-29K West Virginia
-278K Pennsylvania
-673K New York
-7K Vermont
-29K Maine
-10K New Hampshire
-201K / Massachusetts
-7K Rhode Island
-44K Connecticut
-36K New Jersey
0K / Delaware
-33K Maryland

Gap to 2026

Top 5 Projected Gap/Surplus States

State	Gap/Surplus
Washington	168,227
Georgia	67,503
South Carolina	27
Tennessee	-11,321
Florida	-57,884

Bottom 5 Projected Gap/Surplus States

State	Gap/Surplus
Illinois	-169,080
Massachusetts	-200,757
Pennsylvania	-277,711
California	-557,535
New York	-673,471

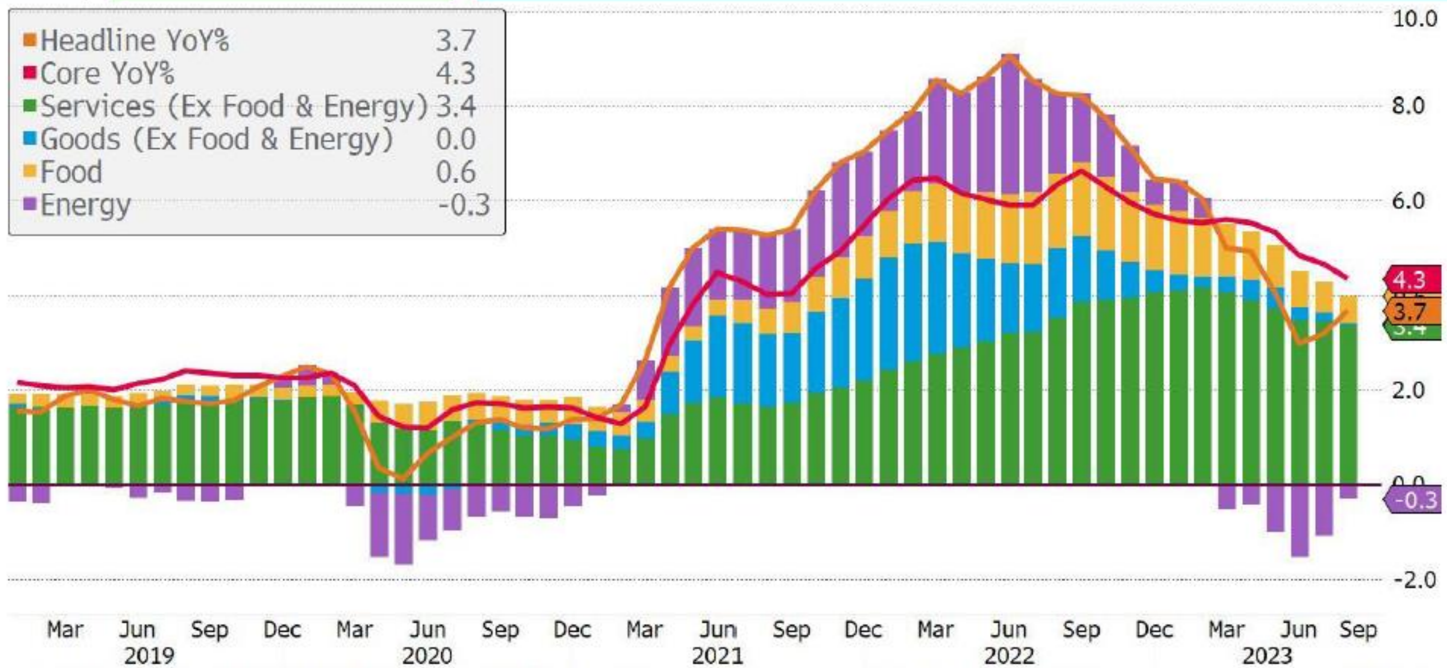
Four major concerns with future workforce

- More workers are preferring to work part-time
- Retirement rates will sharpen as the end of the Baby Boom ages out of the workforce
- Low wage workers provide valuable support roles for hospitals, but are finding alternative work environments more desirable.
- Fewer students are choosing health care careers

Financial State of Hospitals and Health Systems

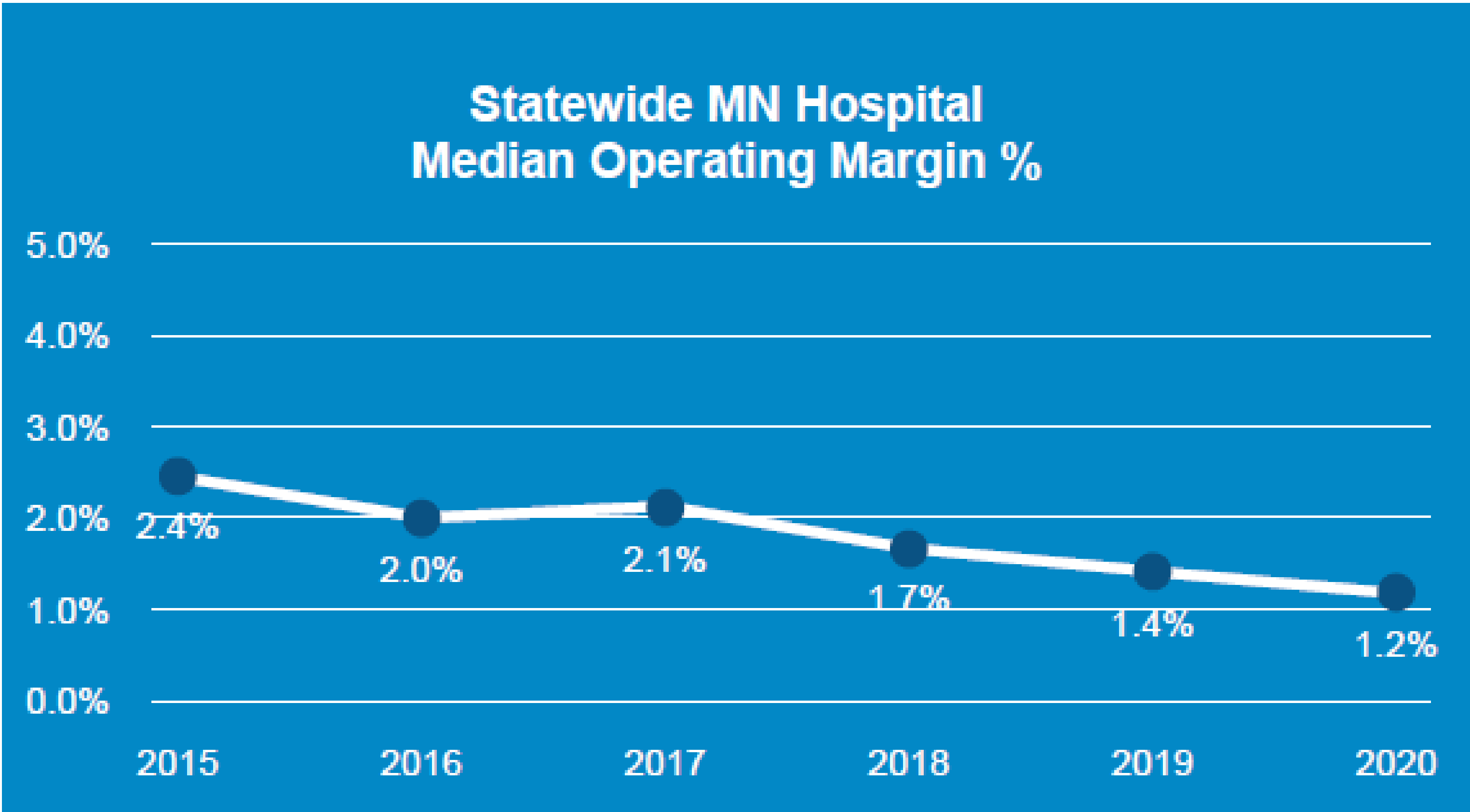
Overall economic trend

Inflation Key Data Point for Fed but Not the Only Data Point

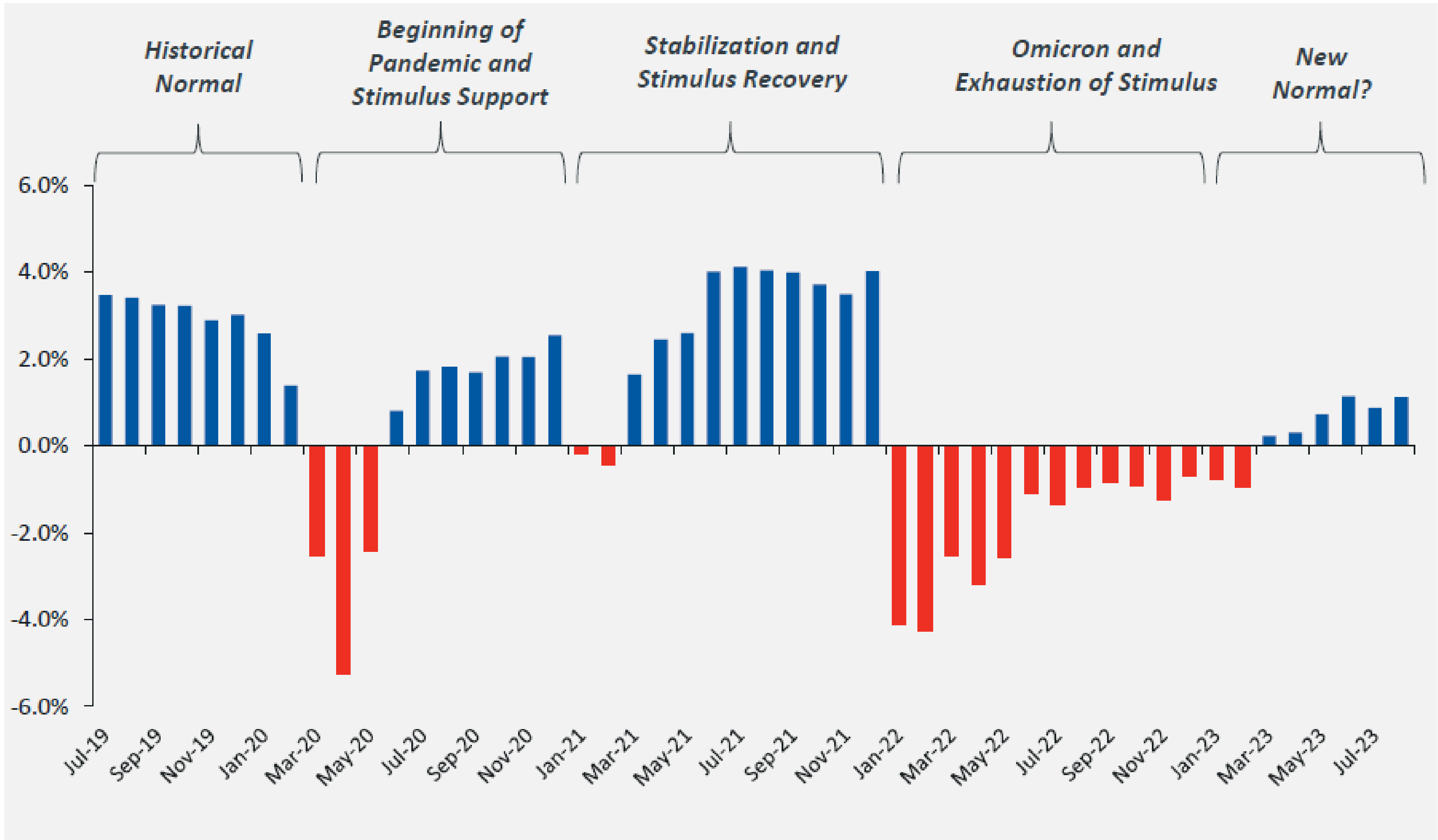


RSM

Statewide Hospital Operating Margin Trend



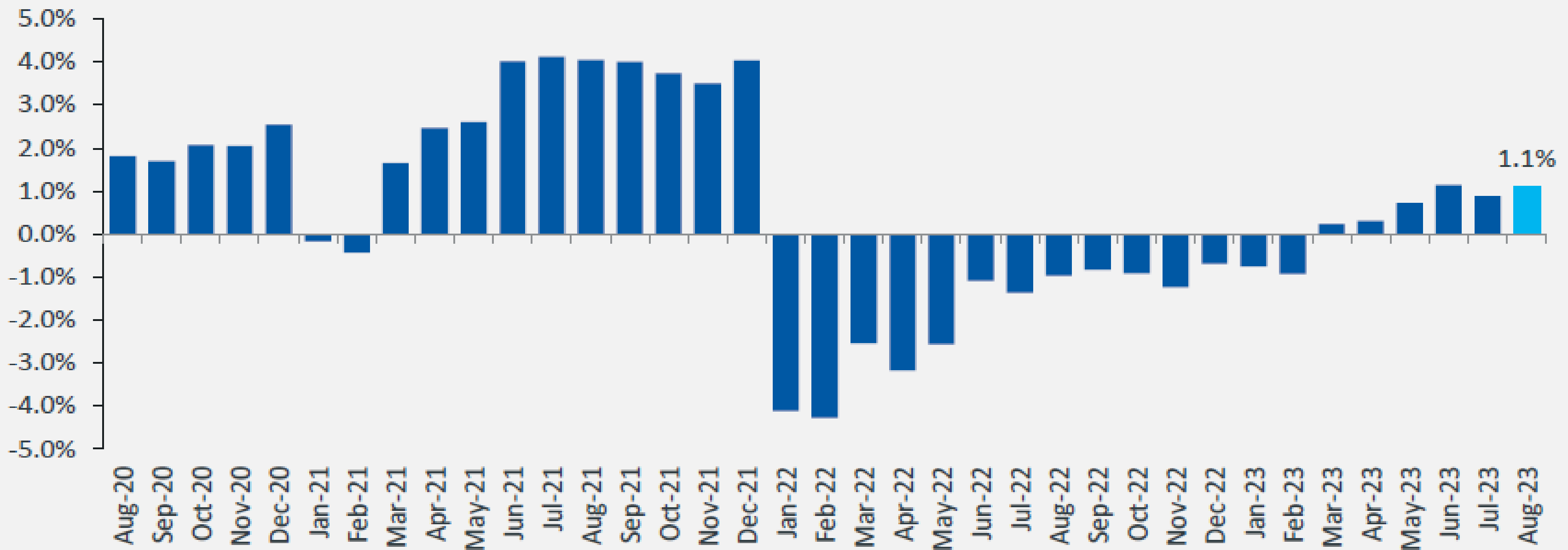
Operating margin recovery has been slow



Source: Data sourced from the September 2023 issue of the Kaufman Hall National Hospital Flash Report

YTD Operating margin index

Kaufman Hall YTD Operating Margin Index



- YTD operating margin reached 1.1% in August 2023
- Overall, operating margins in 2023 has rebounded from levels seen in 2022

Source: Data sourced from the September 2023 issue of the Kaufman Hall National Hospital Flash Report

2023 MN operating margins

Preliminary results

- 2022 median operating margin: -0.6%
- 2023 median operating margin: -2.7%
  - 24 out of 37, 65% of hospitals/health systems had negative operating margins.

Negative margin drivers:

- Medicare/Medicaid mix increased from 62.0% to 64.7%
- 2023 revenues grew 5.3% (median), while labor costs grew 7.0% and supply costs grew 6.1%

Drivers of financial stress

Revenue constraints:

- Medicare & Medicaid reimbursements below cost
- Uncompensated care; discharge barriers
- Pausing procedures/lack of staff
- Low margin services

Expense constraints:

- Workforce costs wage hikes, premium pay, agency staffing costs
- Cost inflation of patient care supplies, pharmaceuticals, PPE, EHR, utilities, high-tech equipment

Hospital discharge delays

1. Adults awaiting nursing home or transitional care units
2. Pediatrics awaiting group homes, foster care and pediatric residential treatment facilities

$18.0m funding secured in ’23 Legislature:

- For 1/1/23 – 5/31/23 94 hospitals reported over 46,000 delayed days eligible for funding at $391/day
- 35,561 discharge delays >7 days
- 10,482 ED boarding days

National volume trends

For the period YTD ‘23 vs YTD ‘20

- Adjusted discharges per day +19%
- ED visits per day +19%
- OR minutes per day +21%
- Obs days as % of patient days -4%

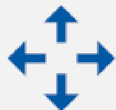
Based on KaufmanHall national survey

Is this the 'new normal'?

Labor and Expense Challenges

YTD August 2023 vs. YTD August 2020

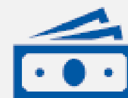
TOTAL EXPENSE	LABOR EXPENSE	FTES PER AOB	NON-LABOR EXPENSE	CONTRACT LABOR UTIL.
↑ 21%	↑ 20%	↓ -18%	↑ 22%	↑ 63%



Care Pattern Changes

YTD August 2023 vs. YTD August 2020

OUTPATIENT SHIFT	ALOS
↑ 10%	→ 3%



Revenue Reality

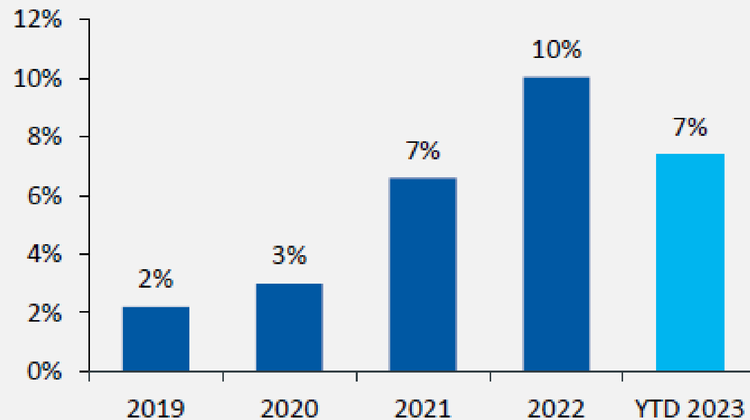
YTD August 2023 vs. YTD August 2020

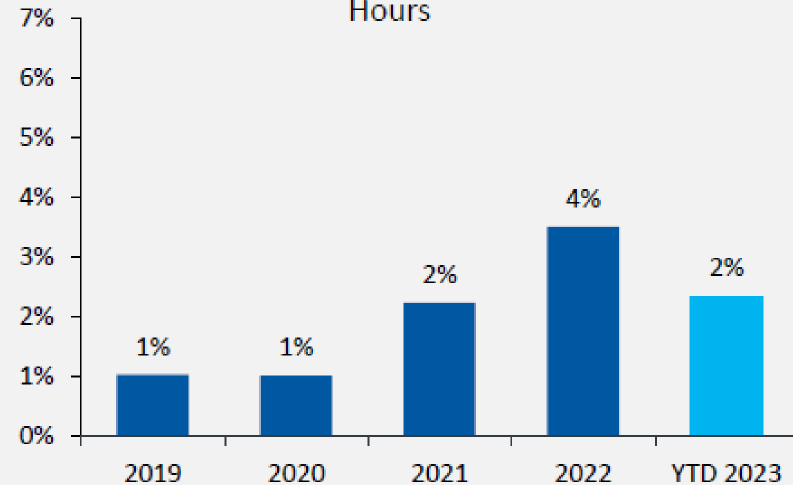
REVENUE GROWTH	BAD DEBT AND CHARITY
↑ 21%	↓ -4%

Source: Data sourced from the September 2023 issue of the Kaufman Hall National Hospital Flash Report

Contract labor still above pre-pandemic levels

National Contract Labor Trends





- Contract labor expense as a percentage of total labor expense peaked in 2022 at 10%
- It remains at 7% in 2023, more than 3x pre-pandemic levels

- Contract labor utilization peaked in 2022 at 10%, but has come down to 2% in 2023
- Utilization of contract labor is still 2x pre-pandemic levels

Source: Data sourced from the September 2023 issue of the Kaufman Hall National Hospital Flash Report

Payer issues becoming more public

Financial Management

Payer-provider contract fights increasingly enter the spotlight

Jakob Emerson - 19 hours ago

Contract negotiations between payers and providers are becoming more public, and the number of communities affected across the country is growing, according to data published Oct. 25 by FTI Consulting.

* 91% increase in media coverage '23 over '22
* Of the 64 disputes in '23, 37 were related to Medicare Advantage

From Becker's CFO Report, 10/25/23

Commercial payer concerns

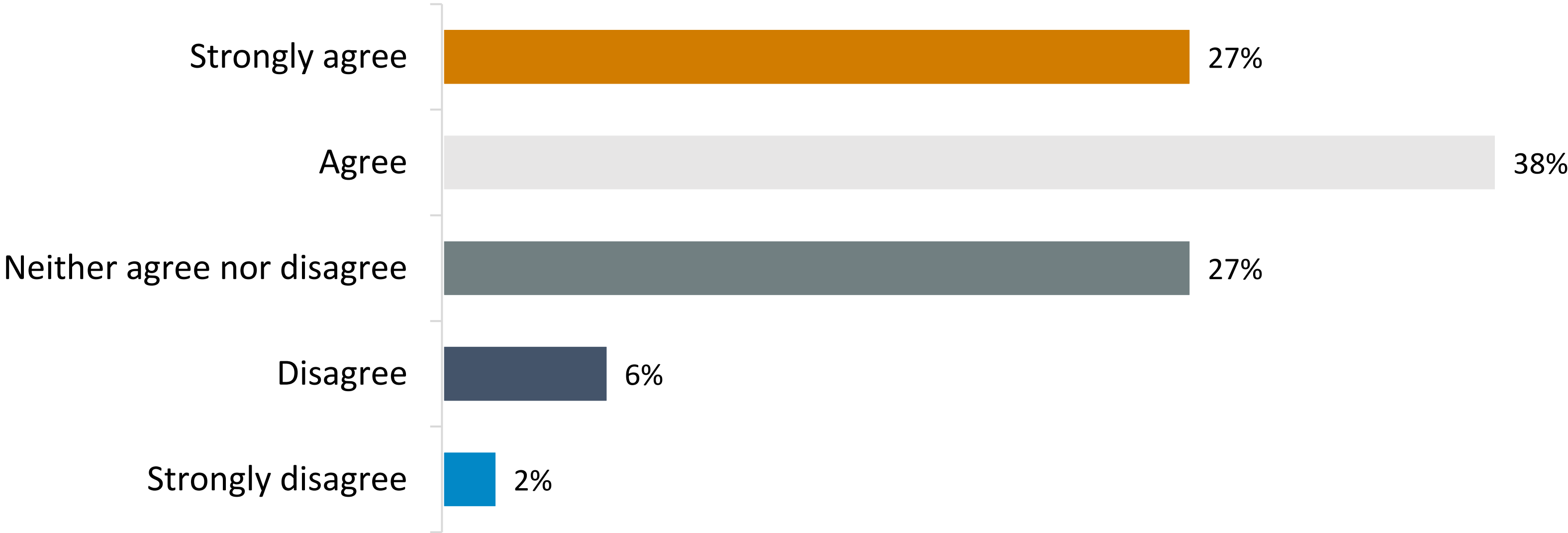
Theme 1: Patients experience delays and additional costs

Theme 2: Hospital providers experience the same

- Contract language that restricts price increases
- Prior authorization processes that are clunky
- Unwarranted denials cause delays in reimbursement and additional administrative burden/cost
- Patient copays and deductibles challenge

65% of consumers agree that trust in healthcare has declined

To what extent do you agree, if any, that trust in healthcare has declined in in the last 2 years?

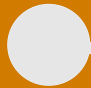


**Nationwide survey with 1200 respondents conducted by Revive on Pollfish*

How we got here

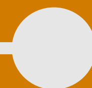
While not a new dynamic, the last few years have seen a significant jump in health systems receiving undue criticism related to cost with little or no discussion of their benefit to the communities they serve, or how other sectors play bigger roles in cost issues.

’18



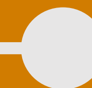
We first identified the trend in 2018: A noticeable jump in scrutiny of hospitals and health systems related to their role in the growing cost of healthcare in the U.S.

’20



The clamor quieted a bit during 2020 when the COVID-19 pandemic first hit, as hospitals were receiving the “thank you heroes” sentiment.

Now

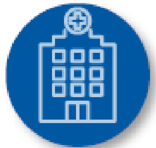


If the focus on hospital costs in 2018 was a rising flood, then today’s health systems are facing a tsunami of negativity. Hospitals are receiving criticism from all sides.

Understand what your community demands

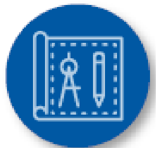
Lower, Consistent, and Transparent Costs

Improved Access and Frictionless Transactions



Organization, Collaboration, and Connectivity Organization-wide

Holistic "Channel" Solutions That Supersede "Episodic" Transactions



Eventually, Attacking Root Causes and Social Determinants of Health

MHA's Five Advocacy Focus Areas FAFA guiding state & federal actions

1. Finance and Reimbursement
2. Developing MN's Workforce
3. Improving Mental Health Services
4. Protecting the 340B program
5. Stopping bad mandates

Finance and Reimbursement

- **Increase hospital Medicaid rates – Update rebasing.**
  - Add inflation update to cost-based hospital Fee-For-Service inpatient rates and rebase all CAHs to 100% of costs.
- **Address discharge delays and ED boarding**
  - Advance a package with avoidable day payments for hospitals and/or discharge premium rates to admitting community providers. Other options: Funding for pediatric residential treatment facilities (PRTFs), foster care drop off policies, guardianship, etc.
  - *NOTE: State Budget Forecast appears to be positive*

Finance and Reimbursement

What changes can be made in the current Public Option law?

- Public Option MinnesotaCare premised on low provider payment rates.
- Can MinnesotaCare be expanded beyond 200% of the federal poverty guidelines?
- Is there a coalition that wants to work on this?

Can we leverage additional federal dollars into Medicaid?

- Doing research now. What are some other states doing?

Workforce

- Increase funding for health care professional loan forgiveness.
- Work to change guidelines in the Dual-Training Pipeline program.
- Expand health care career exposure initiatives such as the Summer Health Care Internship Program.
- Medical Education and Research Costs (MERC) – New statute language may need a legislative fix. Need 18 months of payments into 12 months for 2024. DHS is in agreement.
- Problems remain with the Health Licensing Boards.
- Pursue scholarships for individuals enrolled in Allied Health professional education programs.

Mental Health

- Increase capacity at pediatric residential treatment facilities - PRTFs
- Increase mental health provider reimbursement rates, anything specific for youth adolescent services?
- Influence newly created Task Force on Priority Admissions to State-Operated Treatment Programs, evaluating the impact of the 48-hour rule.
- Work with Direct Care & Treatment as it becomes a new independent state agency. How can we partner to address capacity and smooth transitions?
- Eliminate the sunset on audio-only telehealth services.

Protect 340B program

- Highlight the community activities and patient services that this program allows hospitals to do.

- Assist 340B hospital entities with the new reporting requirements.
  - The reporting date starts April 1, 2024.
  - Can we work with MDH to narrow the interpretation, any language changes to possibly consider in the future?

340B Community Impact profile

340B IN ACTION

University of Utah Health (U of U Health)

Salt Lake City, Utah

The 340B prescription drug program is a vital lifeline for safety-net providers who support critical health services in our communities. The program is narrowly tailored to reach only hospitals that provide a high level of services to low-income individuals or that serve isolated rural communities. Savings from the 340B program help hospitals meet the healthcare needs of underserved patients across the country. Congress should preserve and protect the non-taxpayer funded 340B program as an essential part of our nation's healthcare safety-net.

340B by the Numbers:

$177M
Approximate annual 340B savings

$233M
Community Benefit provided in FY2019

1,600+
Board-certified physicians and more than 12,000 staff

2M
Patient visits per year

18
340B hospitals in Utah

10%
Of the continental United States is encompassed in our service area

Updated March 2021

The 340B Impact in Our Community:

University of Utah Health is the only academic medical center in the Intermountain West, serving patients in Utah and five surrounding states. We are a level 1 trauma center and the only hospital in the area with burn trauma services, a designated Comprehensive Stroke Center, and National Cancer Institute Comprehensive Cancer Center. Our mission is to provide compassionate, high quality, patient-centered care without compromise.

As a Disproportionate Share Hospital (DSH) and safety-net provider, we serve a high number of low-income and uninsured patients. Our participation in the 340B program allows us to provide critical services to patients that would otherwise not have access to care.

We use our 340B savings to:

- Provide uncompensated care through charity care at cost and clinical care to patients who are unable to pay for the services
- Subsidize healthcare services including mental health, substance abuse, psychiatry, crisis intervention, primary care, HIV, air ambulance, and other outpatient specialty services
- Build our community and improve health services through free or discounted clinical services (skin cancer screenings, physical exams, and mental health assessments)
- Ensure patients have access to their medications through a pharmacy patient assistance program that provides medications at a low or no cost and also maintain medication compliance through a transitions of care program
- Reduce opioid misuse, abuse, and overdose by providing disposal bags with each opiate prescription in addition to disposal bins in our community pharmacies so patients can safely dispose of unused narcotics
- Lead the effort to vaccinate our community against COVID-19 by donating clinic staff, space, and supplies

Stopping Bad Mandates

Nurse staffing mandates

- We are working diligently to implement new violence prevention law with direct care employees.
- Difficult financials continue
- These bills do little to get nurses back to the bedside -- need focus on real workforce solutions
- These bills reduce access to care

- Is there legislative appetite to postpone action on the 2023 bill in 2024?
- Preemptively sponsor alternative staffing legislation?

Other mandates will likely be introduced, requiring our vigilance and collective action!

New hospital charity care screening requirements

Background:
High profile cases across the nation, and in Minnesota, where hospitals reportedly pursued collections and legal action against patients that would have otherwise qualified for charity care.

- Legislation first introduced during the 2022 legislative session.
- MHA raised significant concern in 2022 and 2023 about screening process impacting discharge delays and potential conflict with what is already being done within the AG Hospital Agreement.
- New statute and additional mandate not needed.

Screening requirements law MN Stat. 144.587-589

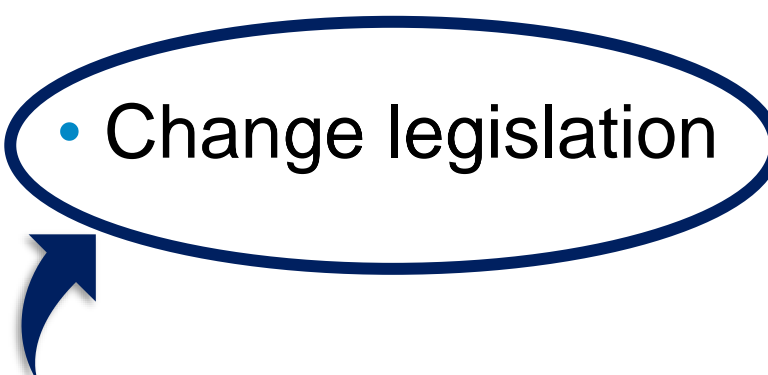
- Effective for services on or after 11/1/23.
- For all uninsured hospital patients
- Establishes requirements for
  - Screening for Coverage or Assistance.
  - Providing notice of charity care policies.
  - Making certifications before sending patients to collection or pursuing collection litigation.
- Creates a new cap on charges to uninsured patients, differs from AG agreement
- Public posting requirements

Price Transparency

- Effective for Jan. 1, 2024 reporting
- Machine-readable file to be posted in the “tall” version .csv format
- A link to the file must be posted on the front page of hospital’s main website
    - CMS allows for it to be in the footer and listed as “Price Transparency”

Prior authorization revisted

- Resolve through collaborative processes
- Seek regulatory action
- Pursue litigation
- Change legislation



Rural Emergency Hospitals

- Law passed by Congress in December 2020 created a new Medicare provider type that would provide no inpatient care, only 24-hour emergency services
- A CAH or small rural hospital with no more than 50 beds can convert and begin providing services in 2023
- Reimbursed at Outpatient Prospective Payment System (OPPS) + 5% and Additional Monthly Facility Payment of $268,294 [$3.2 million annually]
- MHA submitted comments:
  - 2022 OPPS proposed rule request for information
  - August 2022 REH conditions of participation released
  - 2023 OPPS proposed rule – asked CMS to allow REHs to participate in the 340B program, revert to their previous designation if desired, and maintain their number of licensed inpatient beds

Medicare Advantage (MA)

- **February 2023**: MHA submitted comments to CMS proposed rule on MA policies and procedures
- **April 2023:** CMS released final rule
  - Increases oversight
  - Streamlines prior authorization
  - Requires denial reviews by health care professionals with relevant expertise
  - Protects patients from misleading advertising
- **June 2023:** MHA sent letter to MA plan administrators regarding compliance with:
  - Prohibiting coverage denials based on restrictions that are not present in traditional Medicare
  - Adhering to the “Two-Midnight Rule”

Pharmacy residency program funding rejections

- While the statute and CMS' regulation have not changed, MACs are becoming increasingly aggressive in its audits of allied services training programs
- Increasingly disallowing Medicare reimbursement based on training programs not being "provider operated"
  - Hospitals are continuing to operate the programs, but may be within an integrated health system
- MHA is working with other states and the American Society for Health System Pharmacists to advocate to CMS and Congress to pause audits and provide updated guidance

FY2025 Wage Index review

- Contracted with FORVIS to perform the work
- TC Metro market participated in the work
- Focus on FY20 & FY21 cost reports
- Affects FY2025 Medicare Wage Index
  - Occupational Mix work done also
- Data work has been completed
- FORVIS will conduct a webinar with the results of the work

Thank you!

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