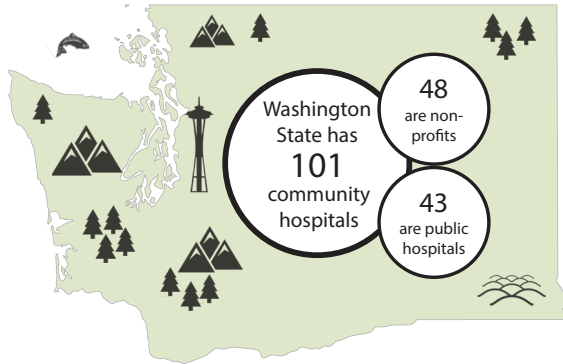


The Cost of Caring for Washington State's Communities

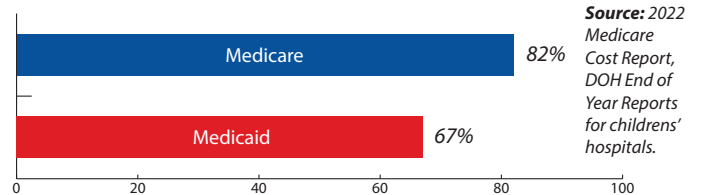


Source: 2022 DOH End of Year Reports. Washington also has eight psychiatric and two acute care for-profit hospitals. Those not included as "community hospitals" include Eastern and Western State, military and VA hospitals.

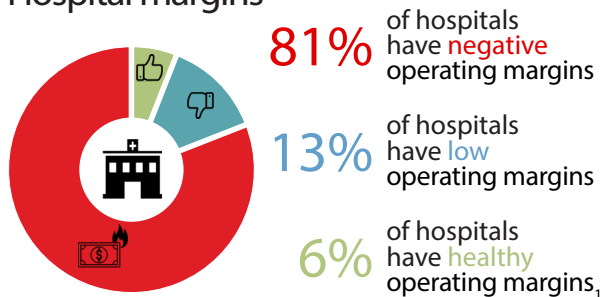
Who pays hospitals



Percent of costs paid for care



Hospital margins



1: A margin is considered healthy when it is greater than 4-5%. Source: WSHA 2023 financial survey. Hospital financial information represents 96 percent of total licensed beds.

Annual payment shortfall/loss & charity care

Government underpayments₁

2019	\$1.83 billion
2020	\$2.05 billion
2021	\$2 billion
2022	\$2.55 billion

In 2022, hospitals provided

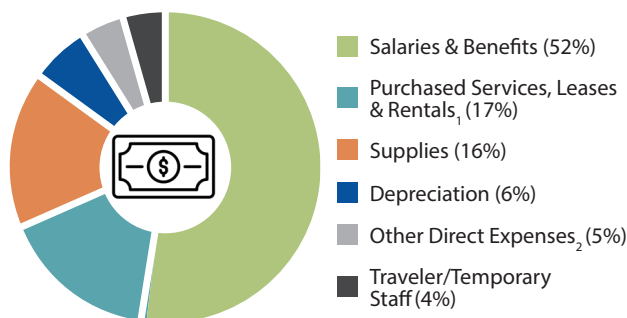
\$478 million

of free medical care (charity care) to low-income individuals, **\$107 million** more than in 2021

1: Medicaid payments will increase under the Safety Net Assessment in 2024. Does not include Medicare Advantage shortfall of at least \$500 million per year. Source: 2022 Medicare Cost Report, DOH End of Year Reports for childrens' hospitals.

What are Washington hospital expenses?

Washington hospitals employ 120,000 workers



1: **Purchased Services, Leases & Rentals includes:** Electricity, fuel, gas, water, disposable service, telephone, purchased medical services contracted for patient care (such as radiology, anesthesia, emergency room, and laboratory), repairs & maintenance, management services, rental & leases, insurance, licenses & taxes, interest.

2: **Other Direct Expenses includes:** Staff recruitment, training cost, dues & subscriptions, travel, amortization of intangible assets, provision for bad debt, blood supplies, information technology - licensing and maintenance, laundry services, internal laboratory services.

Source: WSHA 2023 financial survey, representing 96% of licensed beds. 2022 DOH End of Year Reports indicate depreciation, supplies, purchased services and other expenses accounts for 45-46% of total operating expenses.

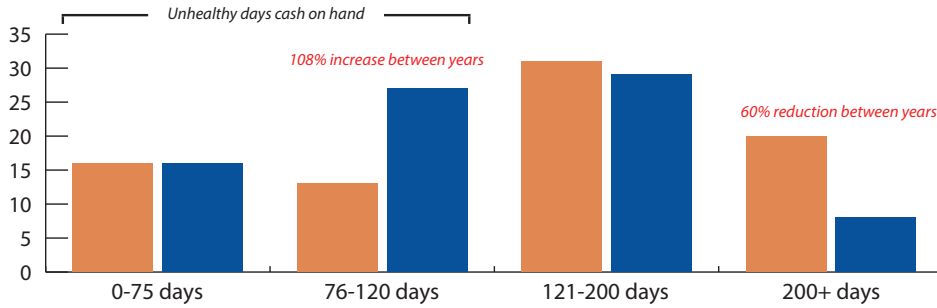
Expense	2021	2023	% Change
Wages & benefits	\$15.3 billion	\$18.6 billion	21%
Supplies	\$5 billion	\$5.6 billion	12%
Travelers	\$0.9 billion	\$1.4 billion	65%
All other expenses	\$8.8 billion	\$9.9 billion	13%

Total operations expenses	\$30 billion	\$35.5 billion	18%
Total operations revenue	\$29.3 billion	\$33.8 billion	15%

Operating shortfall (loss) (\$700 million) (\$1.7 billion)

Washington hospitals' days cash on hand decreasing¹

For a healthy bond rating, hospitals should have at least 200 days cash on hand

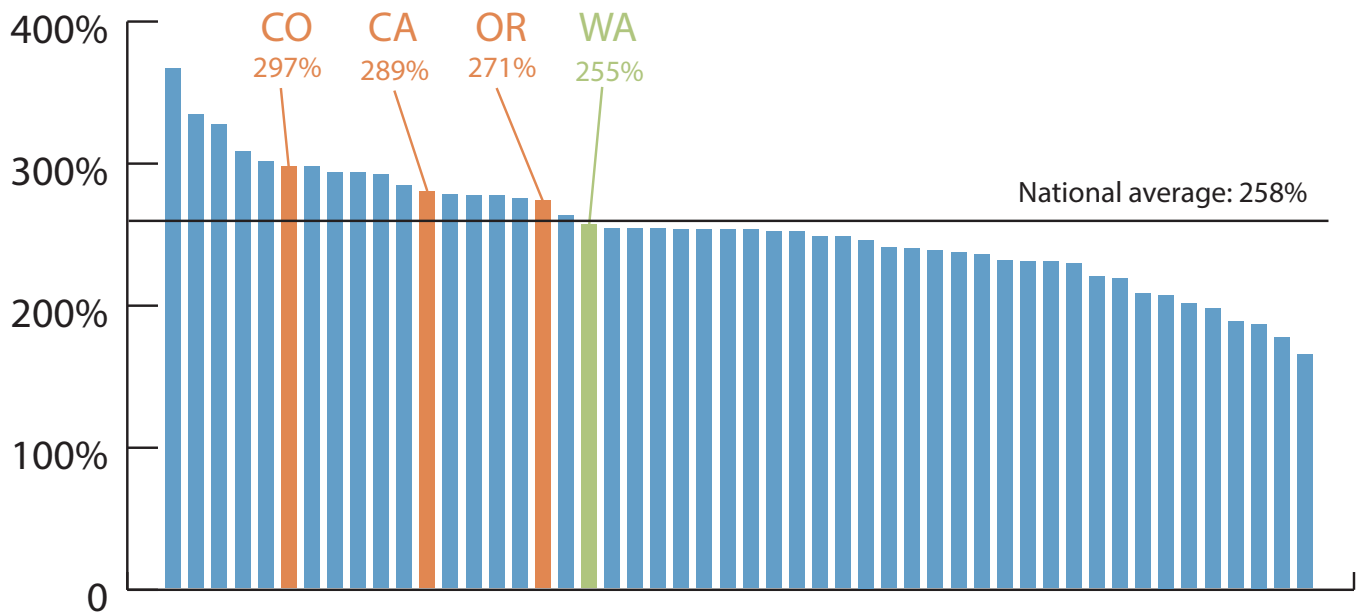


Source: WSHA 2023 financial survey, representing 96% of licensed beds.

¹: Days cash on hand is important, as it measures a hospital's ability to operate in an emergency or economic downturn. Hospitals, just like individuals, need at least 3-6 months of reserves to help ensure operations continue 24/7/365. Lenders require a minimum number of days cash (typically 60) in debt covenants and may require repayment of debt if cash falls below minimums, which can lead to bankruptcy.

Hospital price levels in Washington State are slightly below average

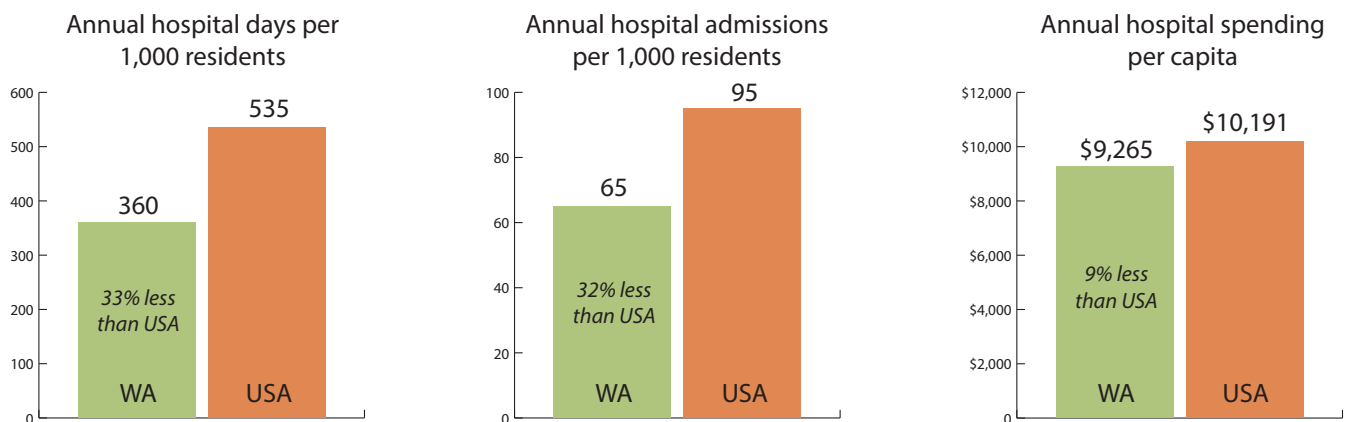
Commercial payment levels vs. Medicare payments



Source: RAND 2024. Non-critical access hospitals inpatient/outpatient revenue, typically ~95% of state hospital revenue

Washington hospitals are more efficient than other states

From the Kaiser Family Foundation



Source: KFF, "Hospital Inpatient Days per 1,000 Population"; KFF "Hospital Admissions per 1,000 Population"; KFF "Health Care Expenditures per Capita. Data from 2020