

Island Health

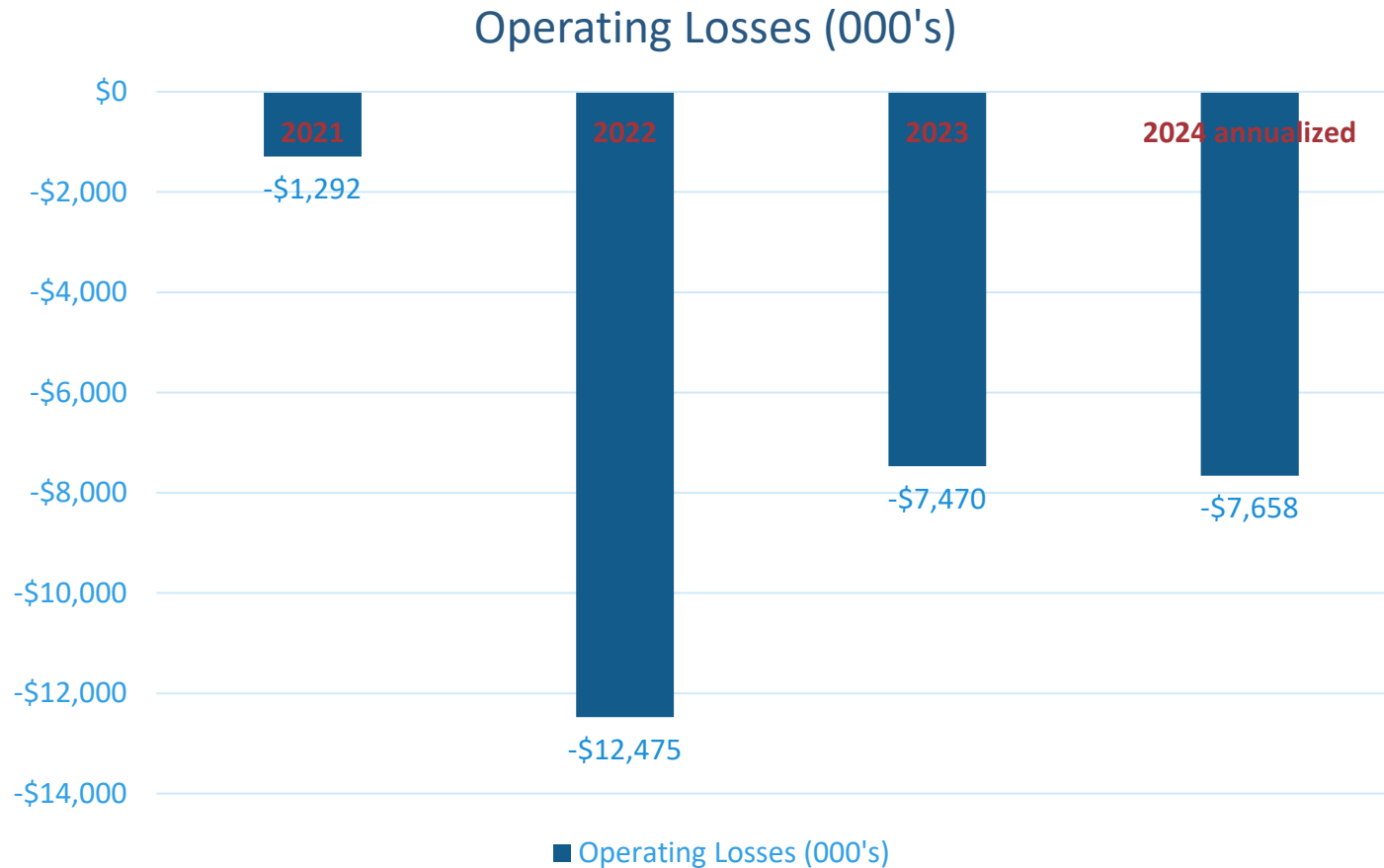
Healthcare Finances

October 2024



AN UNSUSTAINABLE MODEL

FINANCIAL CHALLENGES



MAIN DRIVERS OF FINANCIAL CHALLENGES

- Low reimbursement rates from government payers.
 - Medicaid, Tricare and Medicare reimbursement has not kept up with the cost to deliver care. At Island Health, approximately **75%** of patients are insured by one of these government payors. The payments from government payers do **NOT** cover the cost of care. Impending federal cuts to rural hospitals as well as the reinstatement of the Medicare 2% sequestration have further exacerbated the issue.
 - Island Health does not hold any special status such as a **Critical Access Hospital (CAH)**, Sole Community or Rural Referral Center. As a result, we have **no access to a sustainable cost based reimbursements or the 340B program for reduced drug pricing.**
- Increases in the cost to deliver care. We compete across the region and nationally for staff resulting in dramatic increases in pay year over year of 10%, compounded by the need to have extremely costly temporary staff. IH has also seen significant cost increases due to inflation and supply chain disruptions. All together IH has seen a **cost increase of 11%** over 2021 and a 20% increase when compared to pre-pandemic 2019 with no increase in reimbursement.

WHO WE SERVE: DEMOGRAPHICS BY PAYOR

	2023	2022	2021
Medicare and Medicare Managed Care	55.2 %	54.7 %	52.8 %
Medicaid and Medicaid Managed Care	10.3 %	10.8 %	11.0 %
Other government	9.8 %	11.7 %	10.4 %
Commercial	23.9 %	22.2 %	25.1 %
Self-pay	0.8 %	0.6 %	0.7 %
Totals	100.0 %	100.0 %	100.0 %

- 55% of all patients served were over 65
- 75% of Island Health patients are insured by a government program
- Other government = Tricare (military insurance plan)



This means IH has no ability to negotiate higher payment rates when the cost to deliver care increases. The federal and state government sets IH's payments.

WHO WE SERVE: DEMOGRAPHICS BY PAYOR

Low Payment Levels Threaten Access to Care



Hospitals received payment of only

82 cents for every dollar spent by hospitals caring for Medicare patients in 2022.



67% of hospitals had negative Medicare margins in 2022.



EXPENSES

In 2023, it costs \$326,000 per day to operate Island Health.

This is a **11%** increase over 2021 and a **20%** increase compared to pre-pandemic (2019).



*IH is operating at a **loss** as illustrated below. For every \$1.00 we collect, we are spending **\$1.08-\$1.27** to provide care.

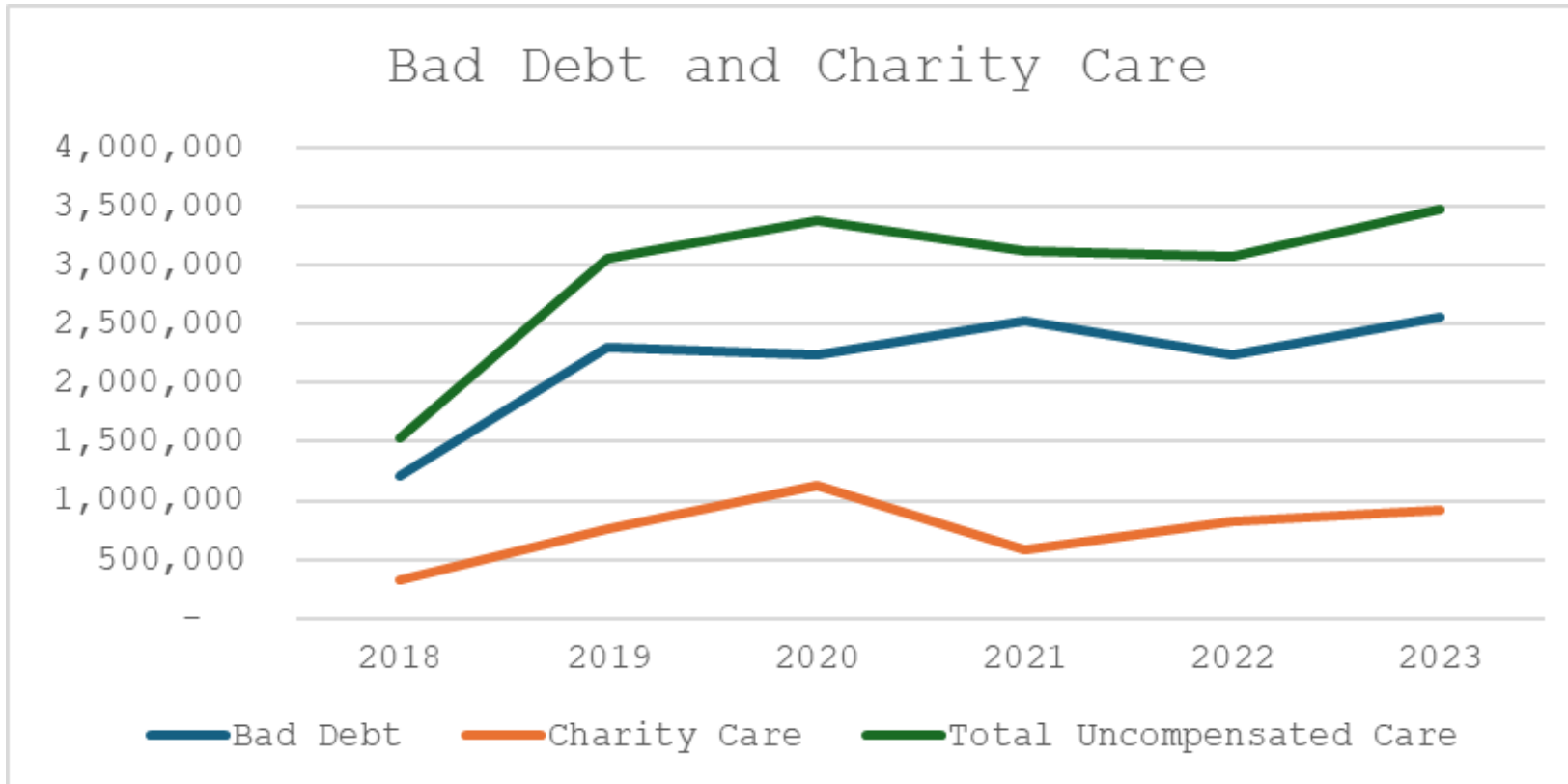


Total expenses:

2018	\$96,618,000
2019	\$98,442,000
2020	\$95,911,000
2021	\$107,289,000
2022	\$120,362,000
2023	\$119,054,000



BAD DEBT & CHARITY CARE 2018-2023



- IH has seen a significant increase in uncompensated care over the past 3 years.
- In 2023, \$3.5M in free care was provided.
- In 2024 we continue to see and increase in uncompensated care and have already provided \$2.2 million in free care through August.

THE ROAD TO SUSTAINABILITY

Multifaceted Approach

- State and Federal advocacy to:
 - support IH's move to a **Critical Access Hospital** with cost-based reimbursement.
 - continue to secure funding for needed capital projects (i.e. helipad & surgical robot).
- **Reduce expenses** where ever possible
- **Gain efficiencies** through process improvement projects
- **Renegotiate** with commercial payers, fight auto denials and authorization challenges
- **Increase access** to care (volumes) in areas that have a positive financial impact
- **Educate our community** on the financial challenges and gain **local support** through a possible levy lift over the allowed 1% (\$30,000) per year



SUPPORTING ISLAND HEALTH

1. Critical Access Status & 340B

- Support IH's efforts to become a Critical Access Hospital (CAH)
 - Department of Health's Office of Rural Health
 - HRSA
 - CMS

2. Cost Based Reimbursement for Medicaid patients:

Make a legislative exception to allow IH, as a new CAH, to access **cost-based reimbursement from Medicaid**. As an "essential provider" of care in Washington State, IH should be treated the same as the other CAHs which provide a full service of care (i.e. emergency care, obstetrics, reproductive health, acute care, ICU, etc.)



**THANK YOU FOR
YOUR SUPPORT!**



ISLAND HEALTH
Care Courageously™