

Hennepin County

Hennepin Healthcare Financial Status




How we got here

- **Increasing uncompensated care**
 - \$40M in 2020, \$104M in 2024
 - \$24M of uncompensated care in 2024 was provided to patients who live outside Hennepin County
- **Rising costs exceed revenue inflation**
 - Labor
 - Supplies and equipment
- **End of public health emergency**
 - Reduced Medicaid enrollments led to revenue loss
 - Medicaid is biggest payor for HHS
- **Change Healthcare cybersecurity incident / UCare**
- **Property tax alone cannot address these financial challenges**

BENCHMARKING COMPARATIVES OF KEY METRICS

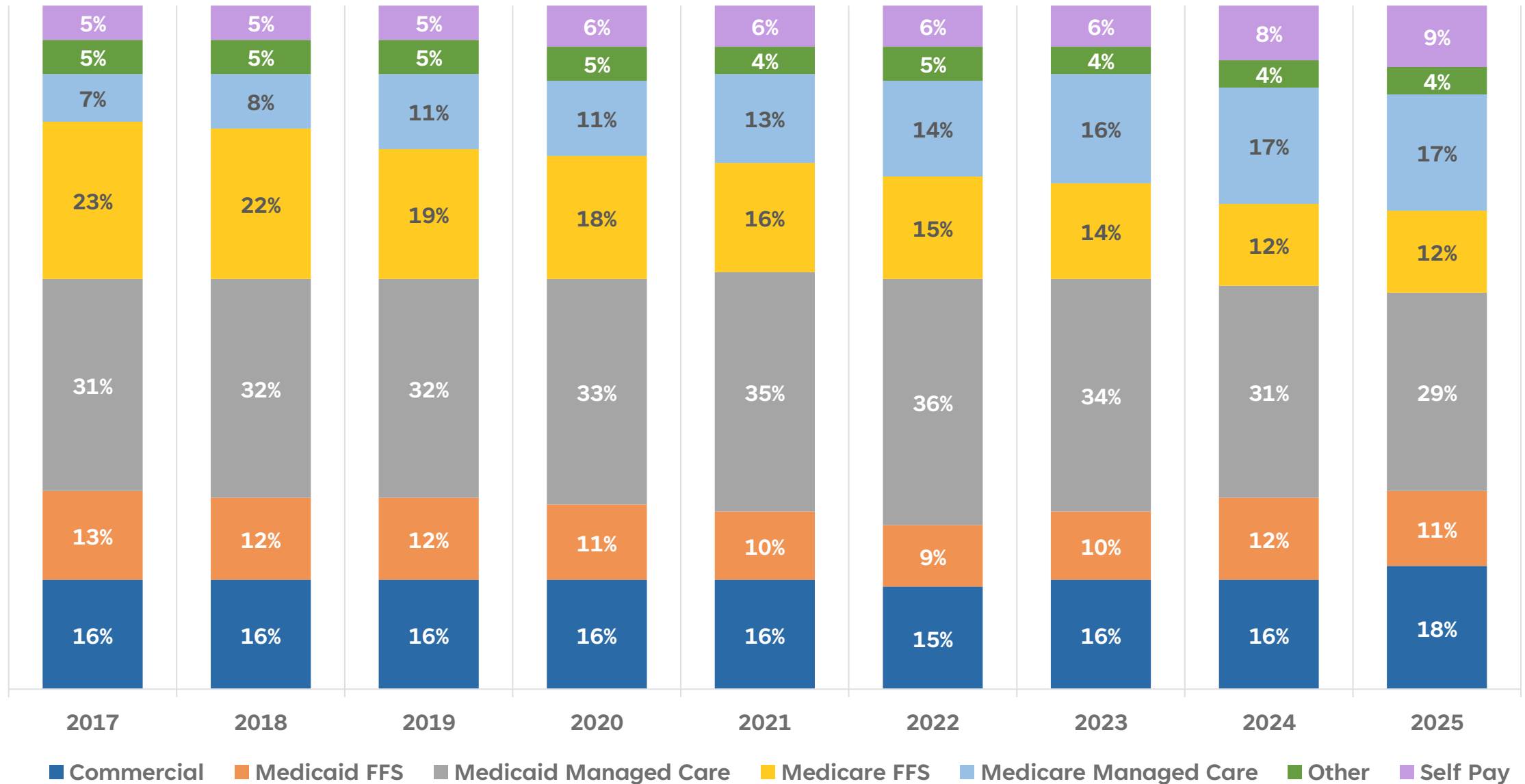
2024

	Patient Revenues	Salary, Wages, Benefits % of Pt. Revenues	Operating Margin	Cash Margin	Medicaid	Days Cash on Hand
HHS	\$ 1,338	74%	-4.2%	-0.3%	43.0%	7.7
Safety Net Average	\$ 1,708	60%	2.7%	7.5%	32.1%	119.4
Metro Average	\$ 4,498	60%	-0.1%	3.2%	17.9%	131.3

HHS Medicaid %	1.3X Safety Net Average	2.4x Metro Average	 <div data-bbox="2142 668 2410 843" style="border: 1px solid black; padding: 5px; background-color: #4a7ebb; color: white;"> Also Indicates Susceptibility to HR1 MA Impacts </div>
HHS Cash	6% of Safety Net Average	6% Of Metro Average	
Safety Nets	<ul style="list-style-type: none"> ✓ Temple University Health System (Philadelphia, PA) ✓ Westchester County Health Care (Valhalla, NY) ✓ Grady Memorial Hospital (Atlanta, GA) ✓ North Broward Hospital (Fort Lauderdale, FL) 	<ul style="list-style-type: none"> ✓ Boston Medial Center (Boston, MA) ✓ Denver Health & Hospital Authority (Denver, CO) ✓ Cook County Health & Hospitals (Chicago, IL) 	
Metro Average	<ul style="list-style-type: none"> ✓ Fairview ✓ Allina 	<ul style="list-style-type: none"> ✓ HealthPartners ✓ North Memorial 	

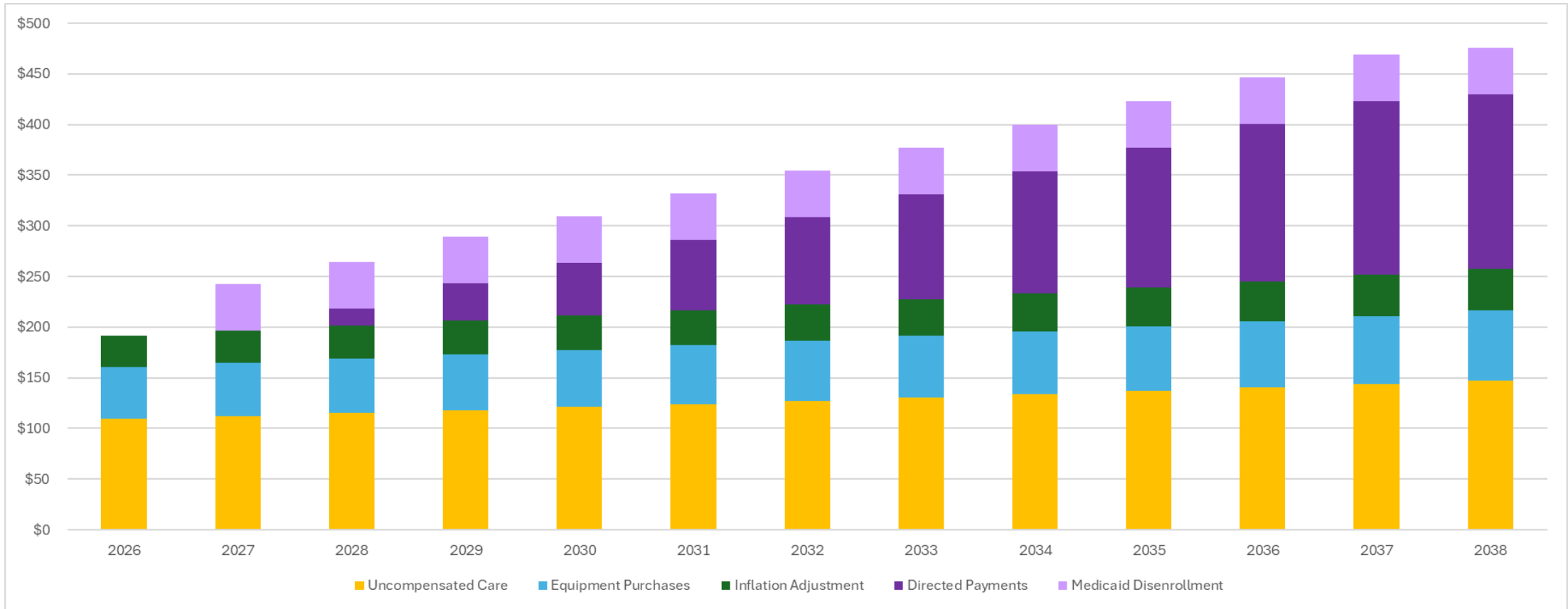
• Metro hospitals individually listed per report on largest providers of uncompensated care

Hennepin Healthcare Payor Mix Trend



HENNEPIN HEALTHCARE SYSTEM OPERATING BUDGET INCREASING EXPENSES AND DECREASING REVENUE

In Millions



NOTES & ASSUMPTIONS

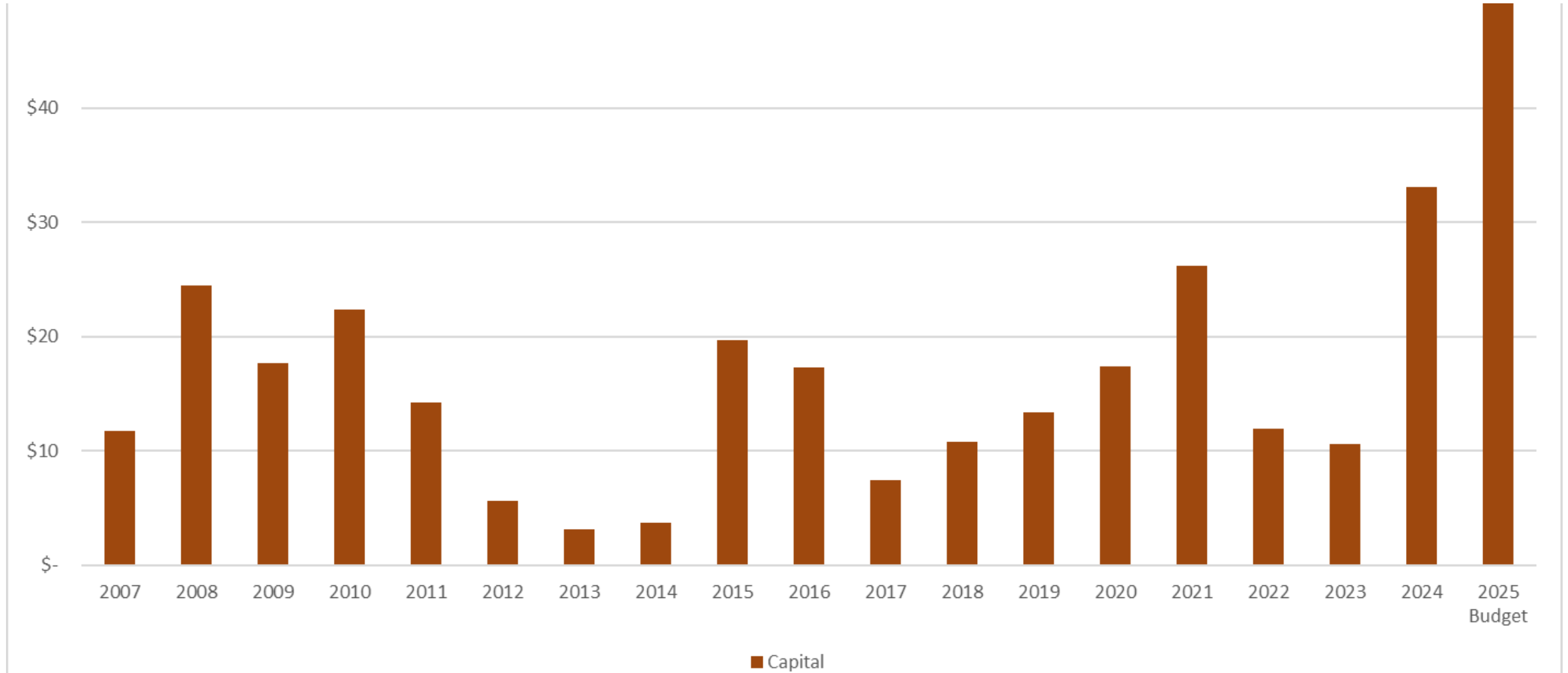
- Uncompensated Care: Payor mix reflects trend experience of shifts from managed care post public health emergency and additional self pay
- Change in Payor Mix post public health emergency is estimated to have reduced revenues by roughly \$70 million annually, which has contributed to the increase in uncompensated care.
- Inflation adjustment impact represents typical growth in costs of drugs, supplies, etc in excess of revenue growth
- Equipment purchases include medical and IT equipment, but exclude capital for building infrastructure and asset preservation
- Medicaid directed payments reduced 10% per year beginning in 2028, MA eligibility impacts in 2027, both exclude inflationary impacts

HENNEPIN HEALTHCARE ACTIONS & INITIATIVES TAKEN

APRIL 2026

TEMPORARY CASH MITIGATION	REVENUE ENHANCEMENT	ACCOUNTS RECEIVABLE ACCELERATION	COST CONTAINMENT
<ul style="list-style-type: none"> ✓ Suspend Pay Increases ✓ Suspend Hiring ✓ Reduce discretionary spending ✓ Reduce and/or cancel vendor contracts where able ✓ Retrain on patient responsibility upfront collections ✓ Cease PTO for Fitness benefit program ✓ Enhance patient payment options; via text, Google or Apple pay, etc. ✓ Delay equipment and IT infrastructure purchases 	<ul style="list-style-type: none"> ✓ Refocus on and update patient registration resources, efficiencies & accuracy ✓ Refocus on patient scheduling and appointment completion percentage ✓ Refocus of matching capacity with demand across specialties ✓ Advocate for additional funding from governmental, payor and other sources ✓ Improved quality outcomes related to pressure injuries, fall reductions, etc. ✓ Reduction of payor denials, such as for prior authorization 	<ul style="list-style-type: none"> ✓ Improve documentation and coding capture and review time ✓ Align resources to patient billing process step needs to reduce bottlenecks ✓ Increase automation around insurance coverage capture 	<ul style="list-style-type: none"> ✓ Review drug and supply costs for potential savings ✓ Enhanced Length of Stay (LOS) initiatives, through patient placement and process standardization improvements ✓ Capping bed capacity, resulting in predictable staffing and reducing overtime & contracted labor coverage costs ✓ Enhanced over time monitoring and oversight for improved compliance ✓ Org structure review and update ✓ Service line ongoing assessment

County Capital Funding Since HHS Legal Distinction in 2007 (*in millions*)



HHS annual capital uses of sales tax

HHS Capital - \$80 to \$160 million for debt service

- \$2 billion investment with 20 years of debt service would cost \$160M/year
- HHS campus has eight buildings that occupy over 4 million square feet. Current older infrastructure is more expensive to maintain.
- A modern building would be less expensive to maintain at current industry standards with current technology infrastructure needs
- Also need to purchase capital medical equipment; large and expensive items like MRI machines that have long life cycles

CSC Debt Service - \$12.5 million annually

- Debt service on the existing Clinic and Specialty Center currently paid by HHS Ops would cost \$12.5 million in property tax if they cannot continue making payments.

Impact to greater Minnesota in 2025

- 130 facilities statewide transferred patients to HCMC, 109 were outside of Hennepin County
- Over 2,100 patients were transferred to HCMC, 1,583 patients for ***Trauma, Burn, Hyperbaric, Renal, ECMO, stroke, pediatric (CORE services).***
- 40% of all transferred trauma and burn patients and almost 30% of all patients treated reside ***outside*** Hennepin County.

Workforce impact

- Accreditation
- Recruitment
- Retention



Questions