

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

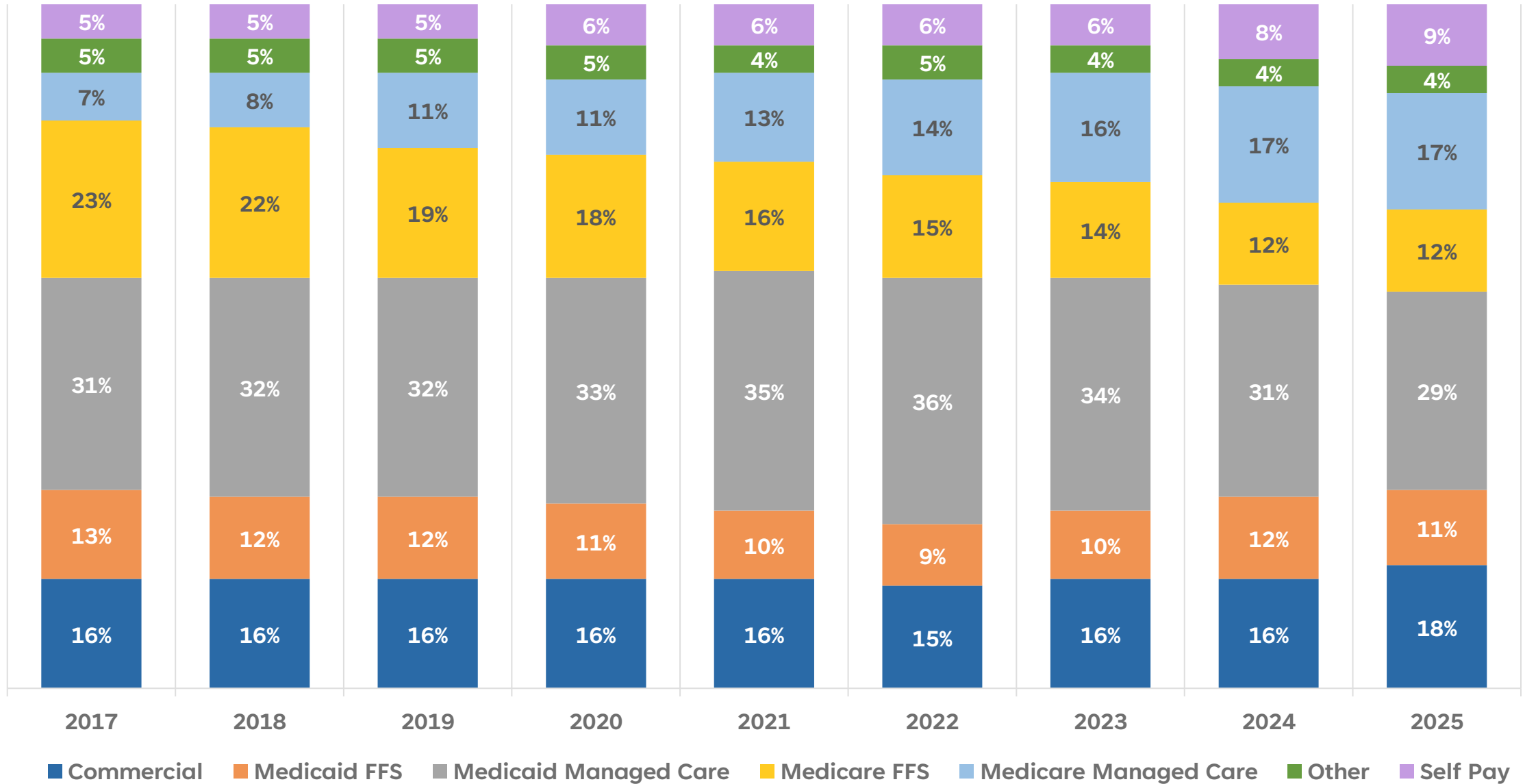
<b>HHS Medicaid %</b>	<b>1.3X</b> Safety Net Average	<b>2.4x</b> Metro Average
<b>HHS Cash</b>	<b>6%</b> of Safety Net Average	<b>6%</b> Of Metro Average

Also Indicates Susceptibility to HR1 MA Impacts

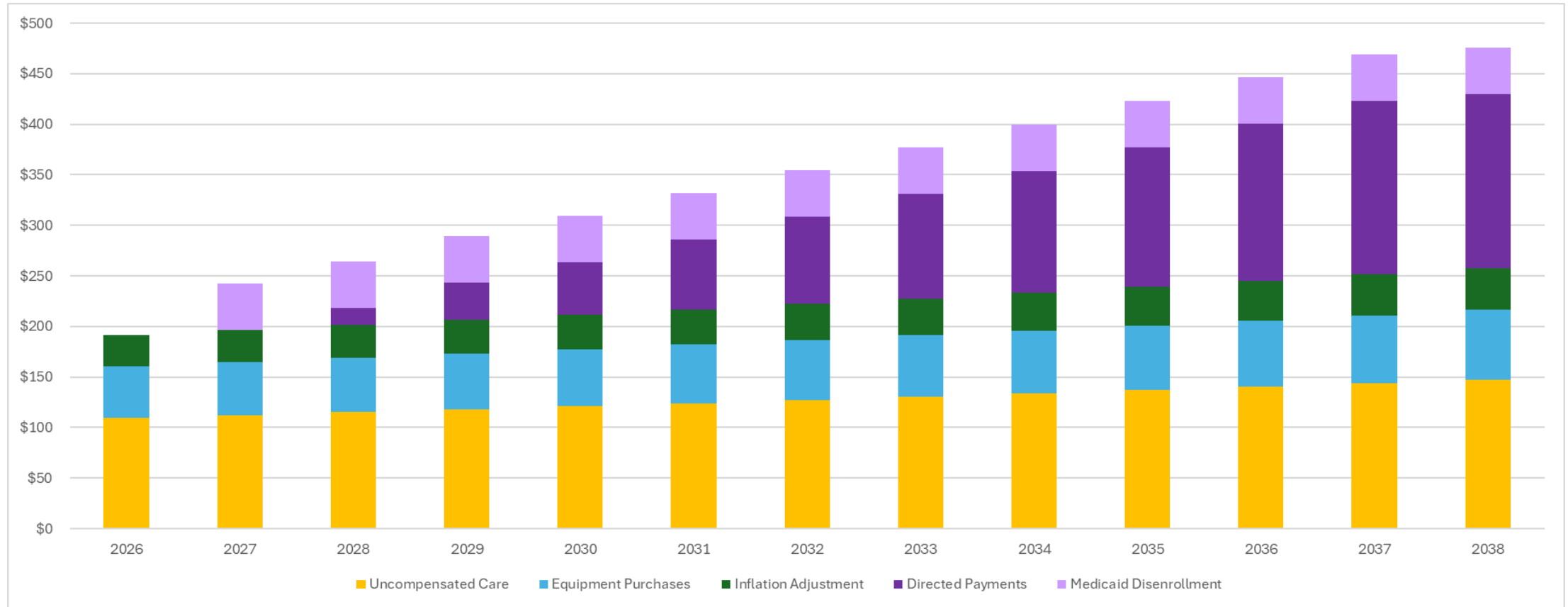
<b>Safety Nets</b>	<ul style="list-style-type: none"> <li>✓ Temple University Health System (Philadelphia, PA)</li> <li>✓ Westchester County Health Care (Valhalla, NY)</li> <li>✓ Grady Memorial Hospital (Atlanta, GA)</li> <li>✓ North Broward Hospital (Fort Lauderdale, FL)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Boston Medial Center (Boston, MA)</li> <li>✓ Denver Health &amp; Hospital Authority (Denver, CO)</li> <li>✓ Cook County Health &amp; Hospitals (Chicago, IL)</li> </ul>
<b>Metro Average</b>	<ul style="list-style-type: none"> <li>✓ Fairview</li> <li>✓ Allina</li> </ul>	<ul style="list-style-type: none"> <li>✓ HealthPartners</li> <li>✓ North Memorial</li> </ul>

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

# Hennepin Healthcare Payor Mix Trend



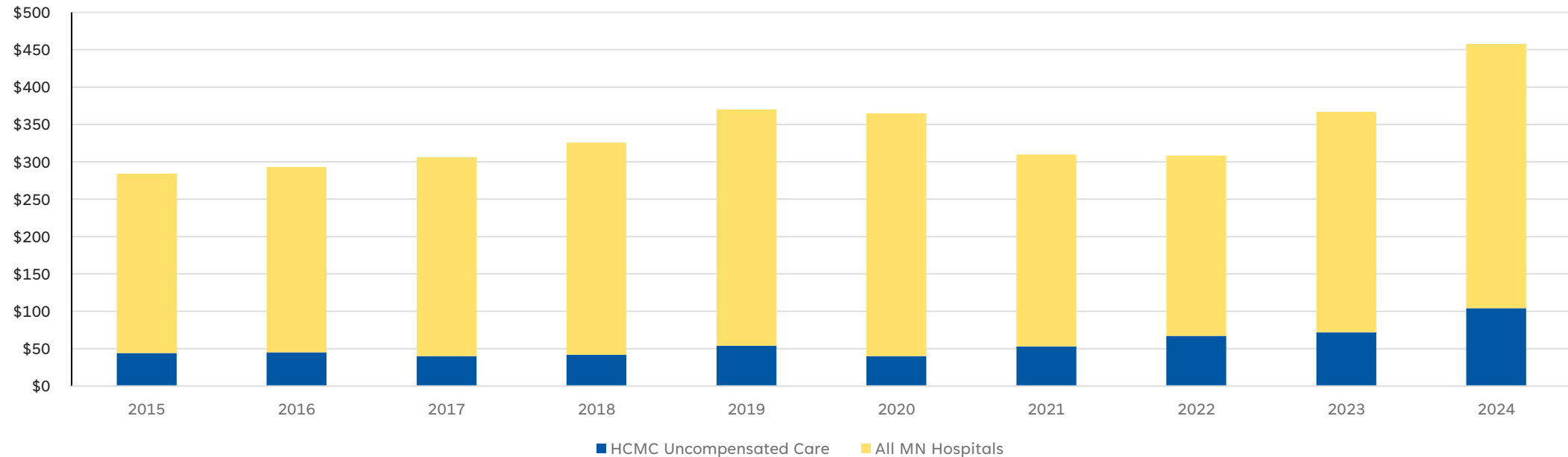
# Increasing Expenses and Decreasing Revenue (in millions)



## 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 estimated to have reduced revenues by roughly \$70M 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

# Uncompensated Care Trend (in millions)



Uncompensated care at HCMC, on average, is 20% of the total of All MN Hospitals Uncompensated Care.

National trend: Not unique to HCMC, but HCMC is more acute as a safety net

Healthcare Financial Management Association, (May 2025): Bad debt, charity up 32% since 2022; total bad debt and charity care as a percent of gross revenue increased 2% over the period.

# Stabilization Initiatives and Actions Taken

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

Note: initiatives can overlap categories

# Downtown Campus

## Current state

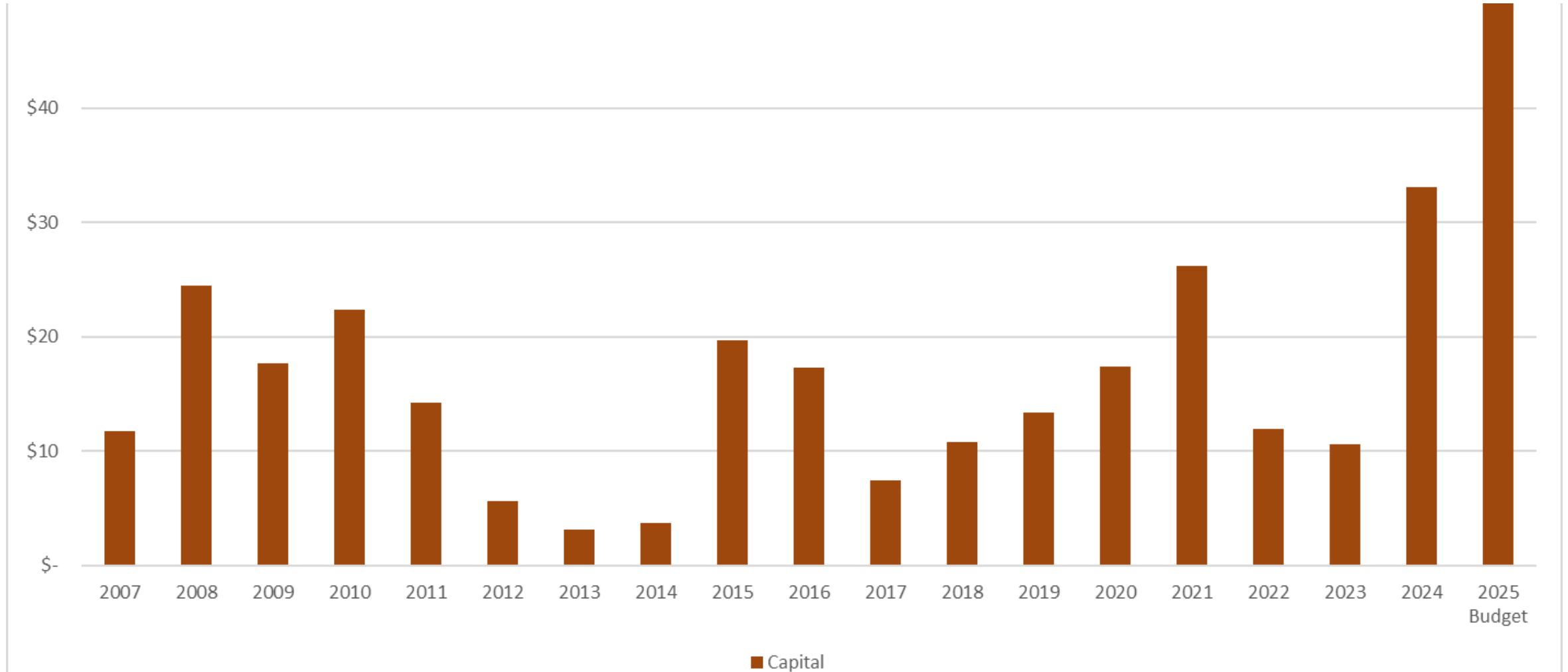
- 8 city blocks, 4 million square feet
- County owns property, leased to HHS for \$1.
- Buildings range from 1898 (Shapiro) to 2018 (CSC)

## Challenges

- Inefficient sprawling campus
- Failing and varied infrastructure
- Spaces don't meet code for modern healthcare
- Need to purchase capital medical equipment; large and expensive items like MRI machines that have long life cycles



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



# Strained Infrastructure

- 80 catastrophic events (flooding, HVAC failure, etc.) required outside contractors in the last 16 months
- \$310-375M in infrastructure needs over the next five years, including:
  - Infrastructure and asset preservation (\$25-30M)
  - Replacement parking ramp (\$125M)
  - Space modifications to accommodate modern healthcare (\$10-15M)
  - Emergency repairs (\$2-3M)

# Drivers for Future Space Needs

Department		Existing DGSF <sup>4</sup>	DGSF <sup>4</sup> / KPU <sup>5</sup>	Existing spaces are significantly <b>undersized</b> and <b>inefficient</b> compared to industry benchmarks and best practices DGSF <sup>4</sup> Benchmark (HHS Score)
Emergency Department	Emergency Department (ED)	31,532	553	750 – 850 (Poor)
	APS <sup>1</sup>	12,461	890	750 – 850 (Good)
Procedural Platform	Operating Rooms	56,750	3,338	4,250 – 5,000 (Poor)
	Cath Lab + EP <sup>2</sup>	4,372	1,457	3,000 – 3,500 (Poor)
	Interventional Radiology	8,202	2,050	3,000 – 3,500 (Poor)
Imaging	HOPD <sup>3</sup> Imaging	19,795 + 10,550	2,023	1,750 – 2,000 (Good) <sup>6</sup>
	ED Embedded Imaging	4,770	1,192	1,350 – 1,500 (Poor)
Beds	Inpatient and Observation	239,762	493	750 – 900 (Poor)

Note: <sup>1</sup> Acute Psychiatry Services. <sup>2</sup> Electrophysiology. <sup>3</sup> Hospital Outpatient Department. <sup>4</sup> Department Gross Square Footage. <sup>5</sup> Key Planning Unit. <sup>6</sup> Assessment for Imaging is complicated since a lot of modalities are not used, or the space/room is now vacant. Hence the denominator for existing functional modalities is lot less than the functional space available for the department.

# Estimated Costs for Future Projects

<i>(Dollars in Millions)</i>	Estimated Project Cost (in 2028 \$)	Escalation/Year
New Hospital Building	\$1,267	\$48
Emergency Department Renovation	\$16	\$1
OR / Prep and Recovery Renovation	\$22	\$1
Mental Health Outpatient	\$61	\$2
Red/Purple/Orange Enabling Projects	\$64	\$2
Mental Health Inpatient	\$85	\$3
Red/Purple Imaging Programs	\$34	\$1
Other Elements	\$49	\$2
<b>Estimated Total</b>	<b>\$1,598</b>	<b>\$60</b>

# 2025 Impact to Greater Minnesota

**130 facilities** statewide transferred patients to HCMC

- 109 were outside of Hennepin County

**2,100+ patients** were transferred to HCMC

- 1,583 patients for core services: **Trauma, Burn, Hyperbaric, Renal, ECMO, stroke, pediatrics**
- 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