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EDITORIAL

Vital signs poor at Minnesota hospitals

Winona Health provides medical care for Minnesotans living in the state's southeast corner and the college students who go there for an education. Unfortunately, the medical center's finances are grim enough that Rachelle Schultz, its president and CEO, is feeling the impact on her own health.

In 2022, even with some federal pandemic aid still available, the nonprofit system posted a negative operating margin of 3%. The 2023 fiscal year began in October, and the losses are projected to continue, even accelerate.

The workforce shortage remains a reality, limiting care capacity. Costs for labor, drugs and supplies continue to rise, and reimbursements, particularly from government programs, aren't keeping pace. Patients who could be discharged are "stuck" because nursing home and other transitional facilities' capacity is strained — a big problem because hospitals' reimbursement for these extended stays is limited at best and, more often, nonexistent.

That negative operating margin could be 6% or even 8% at Winona Health when it's time to close 2023's books. Schultz, an industry veteran, said the nonprofit system has good years and bad, but this is sobering new territory. "I've never even seen something like this. It gives me chest pain," she said in an interview with an editorial writer on Thursday.

Hospital executives in Minnesota and nationwide are likely feeling the same palpitations. The economic forces plaguing Winona Health are undermining the financial health of medical centers large and small, and in urban and rural settings. Congress and state lawmakers in St. Paul urgently need to recognize and ameliorate the cost pressures.

According to the Minnesota Hospital Association (MHA), "41% of hospitals and health systems reported a negative operating margin in 2021. That number increased significantly with 56% of hospitals and health systems reporting negative operating margins in 2022."

Vital signs for medical centers outside of Minnesota are alarming as well. A report released last fall by the Kaufman Hall consulting group projected "billions of dollars in losses" for 2022 as hospitals contend with the COVID-19 pandemic's aftermath. Headwinds include supply chain disruptions, inflation, the ebbing of government pandemic aid and staff burnout after the intense fight against the coronavirus.

Well-known systems that posted eyebrow-raising losses in late 2022 included Mass General Brigham, a Boston-based academic health center and Harvard Medical School's principal teaching affiliate. It lost $432 million and recorded a negative 2.6% operating margin.

The factors driving these losses have no quick or easy solutions. While they may ease in 2023, expecting a swift let-up is unrealistic. Nor is it acceptable to leave hospitals to grapple with this alone. While they have financial reserves, those resources often have been tapped three years into a pandemic that upended business as usual.

Relying on savings also isn't a sustainable business model, said North Memorial Health's CEO Dr. Kevin Croston in an interview with an editorial writer. Croston's Twin Cities-based health system is facing the same bottom-line pressures as Winona Health. In 2022, it posted a negative 2.1% operating margin.

Despite these alarming results, this issue has not yet received the legislative attention so clearly required. While lawmakers have a crowded agenda, this serious matter deserves a spotlight at the Minnesota Capitol. Congressional attention is urgent as well.

Longer-term solutions include increasing government reimbursements and funding incentives to entice more people into health care professions. It's also critical to ease pressure on providers with short-term fixes while implementing these broader remedies.

The Star Tribune Editorial Board strongly recommends a targeted, temporary $50 million state grant program to offset hospital costs from delayed discharges. This bottleneck occurs when patients don't need hospitalization but still require additional care when no beds are available at nursing homes or other facilities.

Delayed-discharge patients represent 22% of the patients hospitalized in Minnesota during a given week, according to the MHA. It's not hard to see why state aid is needed, given that the nation's byzantine health care payment policy generally leaves hospitals to shoulder the financial responsibility for these extended stays.

The health of the state's hospitals is important for the economy and Minnesotans' well-being. Federal and state lawmakers quickly aided these institutions with loans and grants when the pandemic began. Continued assistance is critical in the wind-down of this historic public health emergency.

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