

# Oregon Hospital Utilization & Financial Analysis

## Q2 2021 & Current Trends

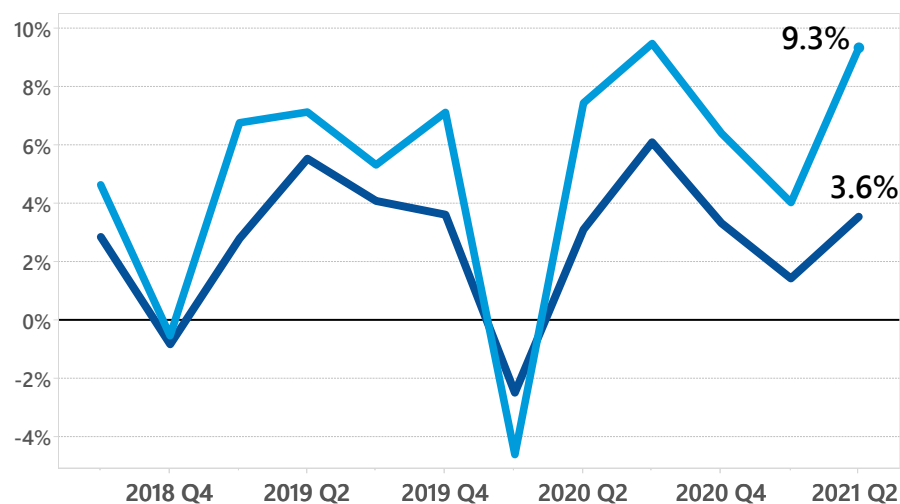
### Key Insights

- Q2 2021 utilization and financials show modest improvements overall, but the steep increases in COVID-19 cases and hospitalizations spurred by rapid spread of the highly contagious Delta variant, starting around mid-July in Oregon, spell further setbacks for hospitals' recovery.
- The hospital capacity concerns highlighted in the last quarter's report have now grown to a crisis level. Hospitals continue to report staffing and bed shortages, cancellation and deferral of elective (non-urgent but needed) procedures, and limited community placements after hospitalization, leading to delayed care.

### Operating and Total Margins improve from previous quarters

- Q2 2021 Median Operating margin and Median Total Margin have improved after a decline for two consecutive quarters. This reflects 5 consecutive quarters where Operating and Total Margin are in positive territories.

#### Median Operating Margin vs Median Total Margin



- In this quarter, Q2 2021, DRG hospitals were less profitable than Rural Hospitals, with Median Operating Margins at 3.5% and 6.3%, respectively.
- Median Total Margin, which includes investment income, rose to 9.3% (\$2.6 million, median), a 5.3 percentage points increase compared to Q1 2021.
- While mainly disbursed prior to 2021, other operating revenue, which includes grants and the federal CARES Act funding, continues to appear on hospitals' balance sheet. As they use the funds and reconcile with reporting requirements, it may push down currently reported statewide hospital total margin levels.

### Key Definitions

#### Operating Margin Percent

Measure of profitability from the reporting entity's operations

#### Total Margin Percent

Measure of profitability from all sources of the reporting entity's income

#### Net Patient Revenue

The revenue the reporting entity generates from patient care

#### Total Operating Expense

All expenses incurred from the reporting entity's operations

#### Total Payroll Expense

All salaries and wages paid and accrued internally to employees

#### Benefits Expense

The healthcare enterprise's share of benefit programs for all hospital employees

#### Emergency Room Visits

The total number of patients seen in the emergency department who are not later admitted as inpatients

#### Inpatient Visits

The total number of inpatient discharges during the reporting period

#### Total Outpatient Visits

The total number of outpatient visits during the reporting period

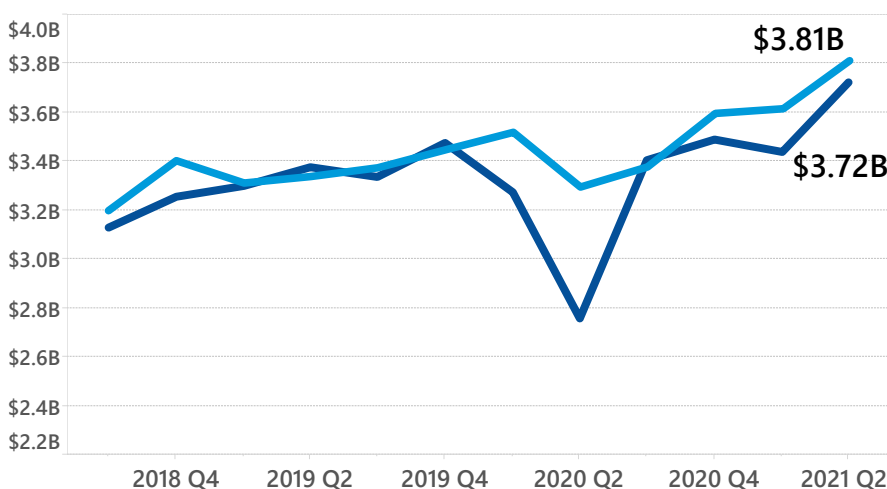
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### Net Patient Revenue continues to lag behind Total Operating Expenses

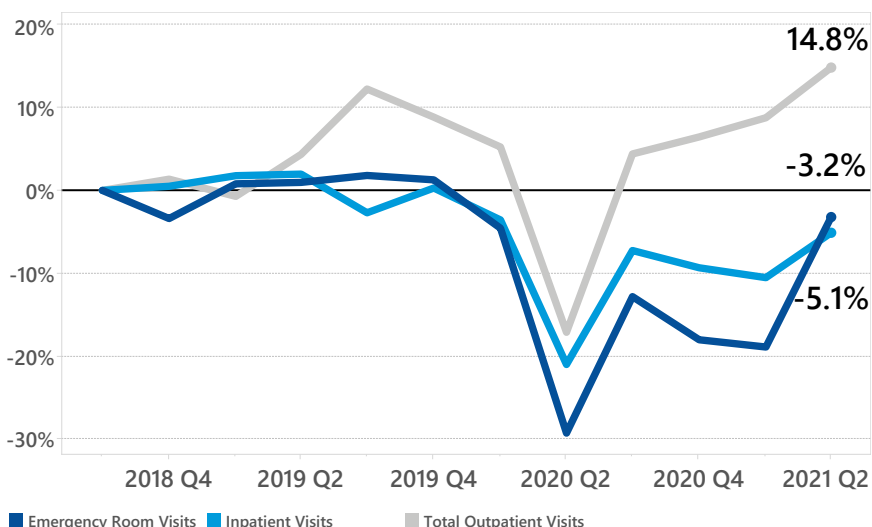
- The gap between Net Patient Revenue and Total Operating Expense narrowed somewhat in Q2 2021. Statewide Net Patient Revenue increased by 8.3% from Q1 2021, while Total Operating Expense increased by 5.4%. This is a fourth consecutive quarter increase for Total Operating Expense.
- High cost of labor continues to be a major contributor to the large increases in Total Operating Expense. In the past three years, statewide Total Payroll Expense has increased approximately 20%, while Benefit Expense has increased roughly 17%.
- Hospitals continued to report significant staff shortages with staff leaving or needing to take time off due to sickness, exhaustion, and burnouts. Hospitals are having limited success in recruiting/retaining staff despite offers of high pay rates, incentives, and sign-on bonuses. Total Operating Expenses would be even higher otherwise.

Net Patient Revenue vs Total Operating Expense



### Capacity challenges

Hospital Utilization (Percent Change since Q3 2018)



- Statewide Inpatient, Outpatient, and Emergency Room Visits all showed strong increases in Q2 2021 compared to Q1. ER Visits posts a 19% increase, while Inpatient and Outpatient Visits both saw about a 6% increase.
- Hospitals are seeing more high acuity, inpatient cases - including COVID-19 patients - requiring longer lengths of stay. Average LOS increased from 4.7 days in 2019 to 5.2 days in the first six months of 2021.
- Emergency Room Boarding (stays of more than 6 hours) increased another 5% between Q1 and Q2 2021, or 15% overall between December 2020 and June 2021.