

This report aims to provide a quarterly analysis of the utilization and financial data submitted by Oregon's hospitals to the DATABANK and INFOH programs and a forward look into current trends.

As of June 7, 2022; subject to changes as data is updated.

Oregon Hospital Utilization & Financial Analysis

Q1 2022 & Current Trends

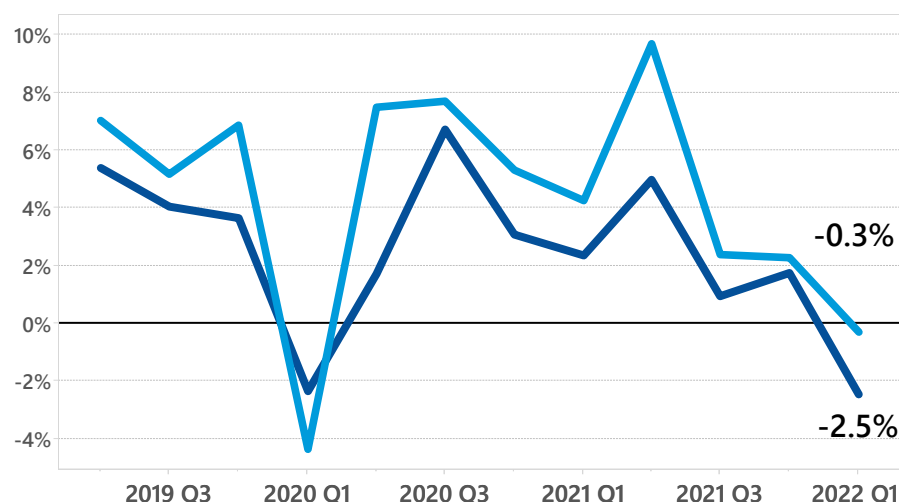
Key Insights

- The aftermath of the Omicron surge further degraded hospitals financially with its continued affect on labor difficulties and capacity issues in the first quarter of 2022.
- As a whole, Oregon hospitals lost roughly \$103.5M from operations in Q1 2022 alone as expenses continued to move higher as patient revenues declined.
- Hospitalizations from the Omicron surge in Q1 peaked on January 28th, with 1,134 COVID-19 positive patients. By the end of the quarter, this number was down to 104 on March 31st.
- Overall economic forces have also negatively impacted hospital finances as inflation, investment uncertainty, and rising interest rates that started in 2021 have persisted into Q1 2022.

Operating and Total Margins drop from previous quarters

- Q1 2022 Median Operating Margin and Median Total Margin both saw a sharp decline into the negatives. 58% of hospitals had negative Operating Margins in Q1. Median Operating Margin for Q1 2022 has dropped below the staggering lows seen at the beginning of the pandemic.

Median Operating Margin vs Median Total Margin



- In Q1 2022, DRG hospitals were again less profitable than rural hospitals, with Median Operating Margins at -4.5% and 0.4%, respectively.
- Median Total Margin, which includes investment income, dropped to -0.3%, a decrease of 2.6 percentage points compared to Q4 2021. The fact that Total Margin is also in the negative means that their non-operating revenue sources can not cover the losses hospitals are sustaining treating patients.

- With most hospitals seeing a negative Operating Margin in Q1, there are many in this group that saw major losses, with 15 hospitals having double-digit negative margins. Of the 25 hospitals that did manage a positive margin, there were still about one-third with margins between 0%-3%, which is generally considered not sustainable. This leaves only 16 hospitals that are considered to be keeping their heads above water in this measure.

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

-The numbers and figures in this report are based on a DATABANK download from June 7, 2022

-Shriners Hospital for Children is automatically excluded from this report because of their unique status, and wildly fluctuating payer mixes that make comparisons difficult with other community hospitals.

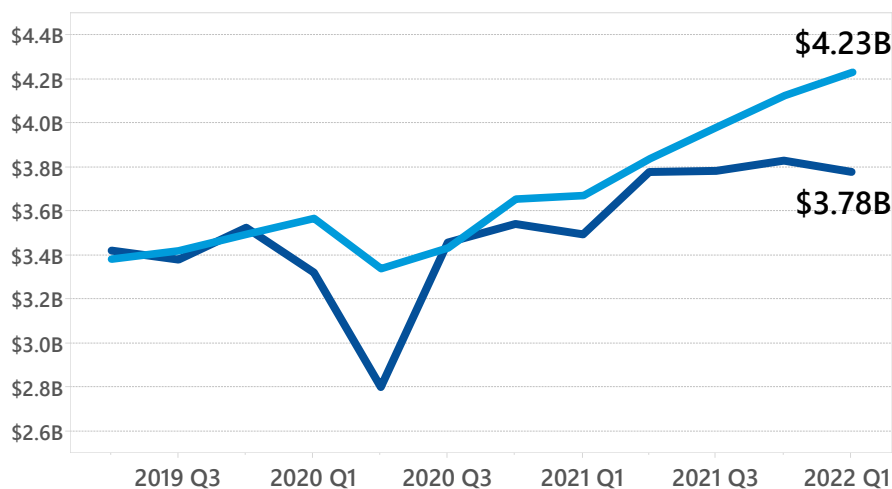
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Net Patient Revenue continues to lag behind Total Operating Expenses

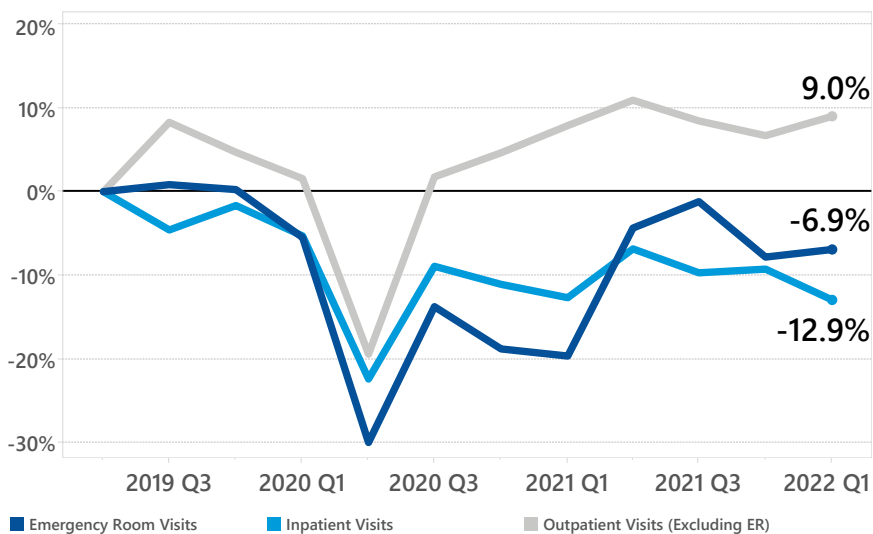
- The gap between Net Patient Revenue (NPR) and Total Operating Expense (TOE) widens again in Q1 2022. Statewide NPR fell by 1.3% from Q4 2021, while TOE increased by over 2.5%. This is a seventh consecutive quarterly increase for TOE while NPR is not rebounding to compensate for the increase in costs.
- Over the last four quarters, NPR has been flat while over that same time expenses have gone up by 10.2%. This has increased the overall gap between expenses and revenue from -\$6 million to -\$39 million. The last time NPR was actually above TOE was Q3 2020, a span of 6 consecutive quarters.
- Non-physician hospital salaries and benefits have risen 19.9% over the last four quarters as hospitals are raising wages to remain competitive in retaining workers. In addition, interest expense has risen 14.7% as hospitals are feeling the impact of higher interest rates as they are paying off their debt obligations.

Net Patient Revenue vs Total Operating Expense



Capacity challenges

Hospital Utilization (Percent Change since Q2 2019)



- Statewide Inpatient discharges in Q1 2022 dropped modestly from Q4 2021 (-4.0%). Inpatient discharges remain far below pre-pandemic level (-12.9%) due to staff shortage, reduced elective procedures, high Average Lengths of Stay (ALOS) and discharge problems.
- The rolling 3-month ALOS for Q1 2022 is now 5.8 days compared to 4.9 for Q1 2020 and 4.8 for Q1 2019.
- Emergency Room visits show only a slight improvement in Q1 2022, showing a 0.9% increase compared to Q4 2021.
- Only Outpatient visits (Excluding ER) remains strongly positive at 9% above pre-pandemic levels. Increased utilization of telehealth has been the main driver of this increase.