



Mason Health

Mason General Hospital • Mason Clinic

To: Board of Hospital Commissioners
 From: Eric Moll
 Date: July 26, 2022
 Subject: Consent Agenda

Consent agenda for Tuesday, July 26, 2022

Approval of the Bills:

General Fund	2230100 – 2230580; 242873 – 242885	\$4,230,809.86
Employee Medical	20073 – 20074	\$ 516,339.07

Miscellaneous

COO

We will be experiencing some Provider transition over the next few months. As mentioned previously, Therese Pizanti our Pediatric Nurse Practitioner will be retiring from Mason Health on July 29. Therese has served two different stints at Mason Health, the most recent one being since 2008. We have also received resignation notices from Nicole Giron, our Pediatric Mental Health Social Worker and Katrina Stringer, a Family Nurse Practitioner in Mason Clinic Primary Care. Nicole joined Mason in 2017 and will begin a private practice focused more specifically on play therapy, while providing her more time with her family. Katrina joined Mason in 2018 and is looking to provide more specific episodic care, having expressed that chronic patient care management has really begun to wear her out. On the flip side, we should be making an offer within a couple weeks to the Shelton-based Family Nurse Practitioner mentioned in previous board meetings, and also look forward to Dr. David Soha arriving in Primary Care in October. We are actively recruiting replacements for Therese and Nicole. Otherwise, the expectation is we will see what occurs with patient volumes and wait times until year end to see what other adjustments may be necessary.

CNO

Current combined turnover rates in the Nursing Departments (Jan-June 30th) is 5.31%. We have had 4 nurses depart this year, of those, 1 was due to illness, 2 were in disciplinary actions, and 1 did not give a reason. We've had two CNA's depart, with both in disciplinary action. The following are open positions as of 7/18/22: ICU: CNA/MT per diem, MSP: CNA/US nights 0.6FTE, CNA/US 0.9FTE (now filled), RN: ED- 0.3 nocs, ICU- 0.9FTE nights, Surgery- 0.8FTE variable, BC-0.6FTE nights. RT- 0.6 variable

Total FTE openings: RN- 1.5, CNA- 1.5, Surg Tech- 0.8. Recruitment activities continue with sign on bonuses, advertisement, participation in 'career fair' events. Our first PassPort USA candidate arrived on 6/19. She is currently getting her paperwork, testing, and licensure in order. Expected start date 9/1. She will work on MSP.

No updates on the Health Sciences Academy. I have agreed to sit on the South Sound Council for CTE programs. This is a coalition of Thurston/Mason County school districts. They have resources that may be useful for our workforce planning and programs. They are also connecting with Community Colleges throughout the sound, including the Tacoma area.

I volunteered at Allyn Days on Saturday. Kudos to Jen for our 'bean bag toss' game. We generated more interest to our booth than previous years when I was involved. Dr. Kwon also volunteered for several hours and did several blood pressures J.

Patrick, Rick and I met to discuss an 'active shooter drill'. We've decided to conduct a small-scale tabletop exercise with a few key internal staff representing the hospital and clinic. Patrick is confident with his experience that we can have a very thoughtful and meaningful exercise (likely September).

WSHA Financial Survey of Washington Hospitals:

On July 21st, WSHA publicly shared a sobering message regarding the negative overall financial condition of Washington hospitals. While Mason Health continues to operate close to our financial budget that is not the situation for most other Washington hospitals. Mason Health will need to continue to navigate many of these same challenges (e.g., Medicaid rates below true cost of care, difficult-to-discharge patients, staffing availability, staffing cost escalation). WSHA is advocating for the State to take specific actions to alleviate some of these challenges as outlined in the statement below.

First Quarter – 2022 Financial Survey Talking Points

WSHA surveyed all acute care hospitals in Washington on their quarterly financial results as of March 31, 2022 and 2021. The survey included all operations of their health system along with details on their COVID Relief, employee wages/benefits, and temporary labor expenses.

This survey represents all hospital systems and almost 13,000 (97%) hospital beds across the state and the employment of over 112,000 people by hospitals. Hospitals and health systems also employ thousands of physicians, many through medical groups.

Key Findings & Topline Messages:

- **Hospitals are critical community infrastructure.** Washingtonians rely on hospitals to be there to care for heart attacks, strokes, trauma, appendicitis, cancer, and other emergency and acute needs. Access to this specialized care is threatened by unsustainable financial losses.
- **Hospitals and health systems across Washington state lost nearly \$1 billion in the first quarter of 2022**, and these losses continued in the 2nd quarter. We expect hospitals will face continued losses through the rest of the year.

- **These losses are not sustainable and are impacting hospital and health systems capacity and could have long-term impacts on availability of services to patients.**
- **There are several factors contributing to hospital financial losses**, including:
 - Low Medicaid reimbursement as urban hospitals have not received a rate increase in more than 20 years,
 - High inflation and labor shortages have resulted in labor, drug and supply costs increasing faster than payment rates,
 - More complex patients whose care costs are much higher than reimbursement,
 - A large and increasing number of patients ready for discharge who are not able to secure placement in nursing homes or other post-acute care facilities. This situation is extremely costly to hospitals and threatens patient access to needed inpatient services.
 - Federal funding used to keep hospitals operating in 2020 and 2021 has run out for urban hospitals.
- **Since the start of the pandemic, hospitals and health systems have worked to maintain access to health care services, however on-going losses cannot be sustained forever.** Hospitals and health systems need positive margins to:
 - Increase wages to recruit and retain staff
 - Reinvest in equipment, facilities, or new services needed by the community
 - Maintain critical community health services that do not generate revenue and are not core to the acute hospital care mission. Some examples include dental and outpatient clinic services, among others.
- **On-going large financial losses will result in less access to health care for patients** as some hospitals are forced to close inpatient units or limit availability of certain services. Ultimately continuation of these losses threatens hospitals with bankruptcy/closure
- **Hospitals are asking the state to address some of the factors driving these losses.** Specifically, issues around long-length of stay patients, increasing support for post-acute and behavioral health services, and increasing hospital Medicaid rates.

Detailed talking points

- ***Concerning and unsustainable trend:*** In aggregate for hospitals across the state, the net loss for was approximately negative \$929 million for the first three months of 2022 which represents a negative 13% total margin.
- ***This means hospitals and health systems across Washington State have experienced negative margins and cash flow for the first six months of 2022 and anticipate massive losses to continue through the rest of the year.*** This trend is unsustainable at a time when the cost of labor and supplies are increasing due to high inflation.
- These losses are inclusive of government COVID relief funds. Federal relief payments have ended, and hospitals are no longer receiving additional funds.
- The causes for of these unsustainable losses include:
 - Hospital reimbursement growing much slower than inflation.
 - Hospitals cannot increase their prices to cover increasing costs of labor and supplies. Hospital reimbursement for services is locked into fixed government fee schedules and contracts with insurance companies.
 - Between 60% and 80% of hospital patients are on government programs – Medicare and Medicaid. These programs significantly underpay hospitals compared to what it cost to provide services.

- Medicaid paid 63% of the cost of care in 2020. Due to cost increases, some hospitals were paid as low 42% of costs in the 1st quarter of 2022. Most urban hospitals have not had a Medicaid rate increase in more than 20 years. Our state Medicaid payments are among the lowest in the country.
- Medicare only increases reimbursement between 1% and 3% percent each year.
- Costs to operate hospitals have increased significantly due to general inflation, labor shortages, drug costs, and supply chain disruptions.
 - Labor shortages are massive, which is increasing costs significantly and making operations unstable. Hospitals have had to increase their workforce spending.
 - To recruit and retain staff, hospitals increased employee compensation by an average of 10% per employee in the first quarter of 2022 compared to the prior year.
 - To meet high patient care needs, hospitals have increased their use of temporary labor by 84%. Hourly rates for these temporary workers increased an astonishing 63%, an increase of \$292 million in temporary labor costs when comparing 2022 to 2021.
 - Inflation of needed supplies, drugs, purchased services and other costs has been significant over the last two years.
- The last COVID relief dollars were delivered to Washington hospitals/health systems in December of 2021 with almost all funding used for COVID related employee and supply expenses and lost revenues incurring in 2021 or earlier.
- Hospitals also had significant nonoperating investment losses in the first quarter of 2022.
- Most of these losses are from are large urban hospitals. Combined, large hospital systems lost \$797 million or 86% percent of the losses statewide.
- All 52 urban hospitals/health systems had negative margins totaling \$929 million in losses.
- Independent rural hospitals fared a little better with 18 out of 32 experiencing negative margins.
- These financial challenges are happening at a national level, but Washington state's hospitals losses are larger due to low Medicaid rates, more patients being ready for discharge with no place for them to go, challenges with our behavioral health treatment system, and several other factors.
- Hospitals in Washington state were also the first to be hit with the COVID-19 pandemic and are continuing to treat patients with this illness, often at a loss.
- Hospitals are experiencing an elevated level of extremely sick patients across our state and the costs of treating these patients far exceeds reimbursement amounts. Therefore, the higher number of patients is resulting in larger losses.
 - One hospital shared with WSHA examples of claims for Medicaid patients that received inpatient care for Covid. The sample included 12 patients with lengths of stay ranging from 11 to 63 days. For these cases, the combined actual cost of care was about \$900,000, though Medicaid paid only \$430,000 with the remaining cost of over a half million dollars borne by the hospital. Since there is yet no specific payment category for Covid, Medicare and Medicaid are currently paying 120% of the normal payment for respiratory admissions such as pneumonia, far

short of the increased complexity, length of stay, and cost of care for these patients.

- A children's hospital shared examples of a range of inpatient and outpatient claims including both very complex cases such as heart surgery and more routine cases such as diabetes care. In most cases, the Medicaid payment was less than half the hospital's actual cost to provide the service. In one example involving surgery for a child with complications of autism and obesity, Medicaid only paid 12 percent of the hospital's actual cost to provide the care.
- Negative margins and a lack of reserves is creating capacity challenges and threatens the ability to sustain health care services. Without a small positive margin and/or reserves, hospitals and health systems struggle to:
 - Increase wages to recruit and retain staff
 - Pay principle on debt
 - Reinvest in equipment, facilities, or new services needed by the community. Maintain critical community health services that do not generate revenue and are not core to the acute hospital care mission. Some examples include dental and behavioral health services, among others.
 - On-going large financial losses will result in less access to health care for patients as some hospitals will be forced to close inpatient units or limit availability of certain services. Ultimately continuation of this threatens hospitals with bankruptcy/closure.

There are actions the state can take to address the current financial crisis.

- The most immediate request from Washington's hospitals is to help address the difficult to discharge problem.
 - Between 10 and 20 percent of hospital patients statewide do not have a need for hospital-level care but are stuck in the hospital. Many of these patients are in the state's care.
 - These patients are not getting the support they need and occupy tremendous amount of valuable hospital space. A patient in the hospital for 60 days displaces 20 normal-stay patients.
 - Caring for these with little or no payment is stressful to staff, financially devastating, and impacts other patients. Specifically, in the short-term we are asking the state to:
 - Fix the guardianship interpretation when a patient lacks capacity and needs long-term care in the Medicaid program. Not allowing family to consent to long-term care placement is an equity issue.
 - Fund "bed-readiness" programs that hospital pay for placement in long-term care. Hospitals cannot and should not be using precious resources for lifesaving and critical care for patients who would be better served in long-term care.
 - Fund rapid response teams in long-term care to ensure they have adequate staffing to take patients who need to be discharged from acute care hospitals; and
 - Fund respite care for all patients who have a developmental disability who are living in hospitals.
- During the 2023 legislative session, our priorities will include:
 - An increase to Medicaid rates for hospitals.

- New funding to support post-acute care providers to ensure the state's health care system flows as it should and provides people with access to care that they need in an appropriate setting – rather than becoming stuck in hospitals without the need for specialized care provided by hospitals.
- Support for behavioral health patients in crisis to allow intervention prior to an emergency department visit.

First Quarter – 2022 Financial Survey Results Summary

Washington State Acute Care Hospitals Financial Survey - Final First Quarter 2022			
Description	January - March 2022	January - March 2021	% Change Prior Year
Revenue			
Total Operating Revenues	\$ 7,161,776,806	\$ 6,837,662,041	5%
Expenses			
Employee Wages/Benefits	\$ 3,865,184,648	\$ 3,513,243,582	10%
Temporary Labor Costs	\$ 437,582,901	\$ 145,695,543	200%
Other Expenses	\$ 3,551,795,522	\$ 3,413,063,963	4%
Total Operating Expenses	\$ 7,854,563,071	\$ 7,072,003,088	11%
Operating Loss			
Net Operating Loss	\$ (692,786,264)	\$ (234,341,047)	-196%
Operating Loss Percentage	-10%	-3.4%	
Non-Operating Loss			
Net Non-Operating Loss	\$ (292,866,113)	\$ 300,753,005	
Federal COVID Relief			
COVID Relief Funds	\$ 56,478,581	\$ 116,115,042	-51%
Net Loss			
Net Loss	\$ (929,173,796)	\$ 182,527,000	
Net loss Percentage	-13%	2.7%	
Full-time Equivalent (FTEs) and Employee and Temporary Costs per FTE			
Temporary Labor FTE's	6,308	3,425	84%
Employed FTE's	112,795	112,748	0%
Temporary Labor Cost per FTE	\$ 277,495	\$ 170,164	63%
Employee Wages and Benefits per FTE	\$ 137,069	\$ 124,640	10%
Standard and Poor's: For a healthy bond-rating, hospitals' operating margins should be 4-5%. For an excellent bond rating, a margin of at least 6% is recommended.			
Data aggregated from the Financial Survey distributed in May 2022. Acute care hospitals representing 97% of beds and admissions responded to the survey.			