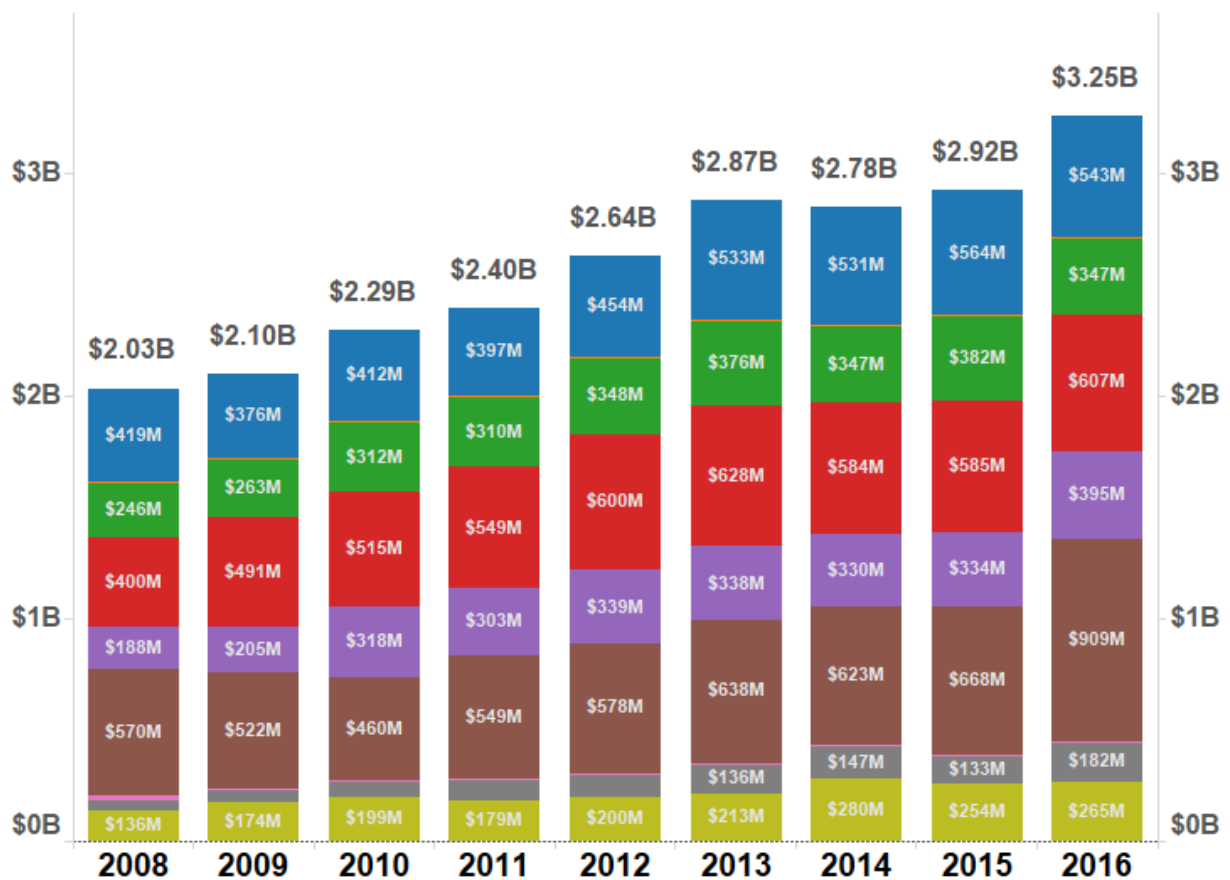




Financial Realities Facing Virginia Hospitals and Health Systems - The Context for
Consideration of Medicaid Supplemental Payment Initiatives

House Appropriations HHR Subcommittee Jan. 30, 2018

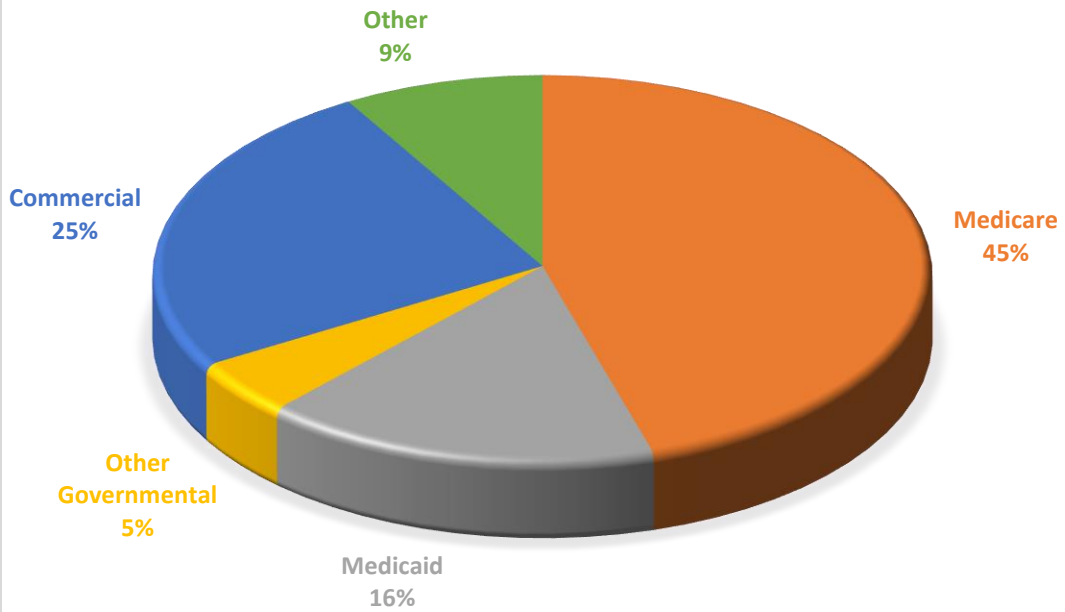
Virginia Hospital Community Benefit (FY2008-FY2016)



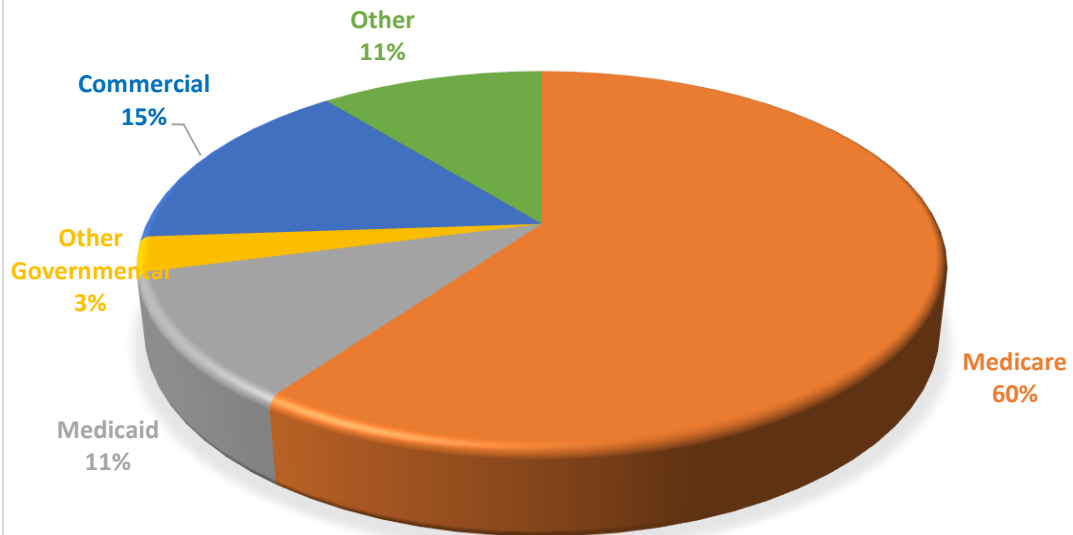
Measure

- Bad Debt Expense
- Community Building
- Community Programs and Services
- Financial Assistance/Charity Care
- Medicaid Shortfall
- Medicare Shortfall
- Other Means-Tested Government Prog.
- Subsidized Health Services
- Taxes Paid

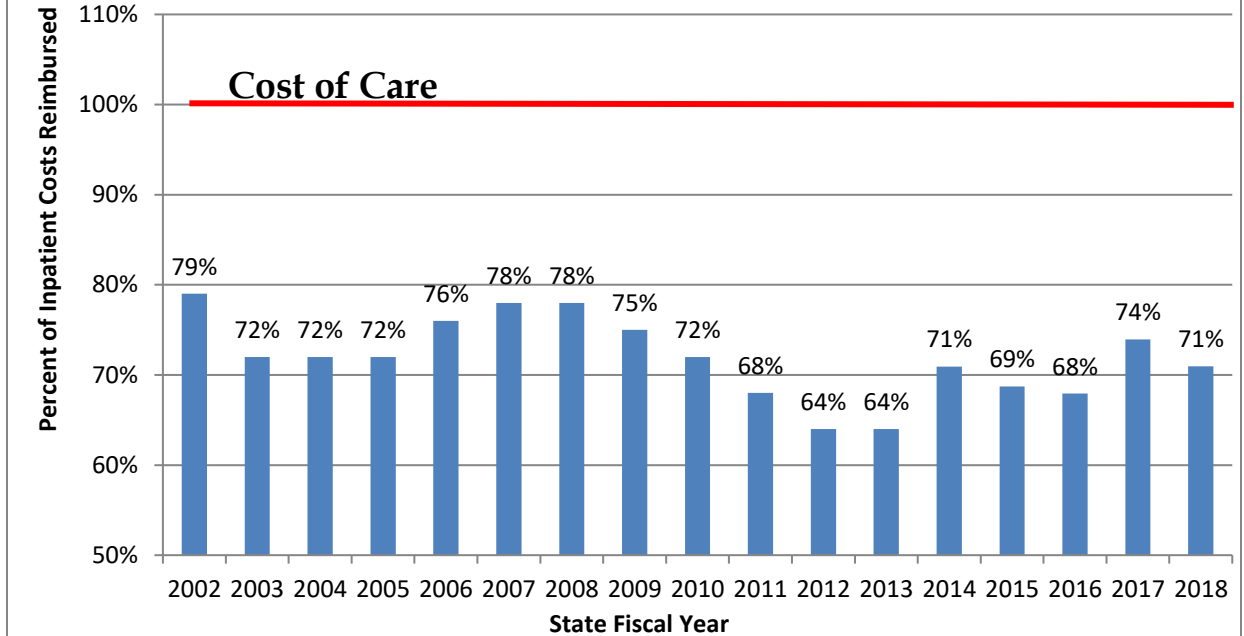
FY 2016 PAYER MIX BASED ON DAYS - ALL HOSPITALS



FY 2016 PAYER MIX BASED ON DAYS - RURAL HOSPITALS



Medicaid Cost to Payment Ratio



- The average hospital Medicare margin is negative 11% (source: MedPAC).
- Virginia hospitals have borne \$1.2 billion in Medicare cuts between 2010-17, from ACA market basket reductions tied to the ACA and Sequestration cuts.
- Virginia Medicaid hospital payment shortfall is growing and state adherence to the minimal state plan requirement to maintain 78% of costs has been the exception, rather than the rule.
- Uncompensated care is increasing – both charity care and bad debt.
- Given these realities, it is not surprising that more systems are pursuing Medicaid supplemental payment enhancements, especially those that rely on inter-governmental transfer or other non-GF sources of state support.

More detail on hospital community benefits is available at <http://www.vhha.com/research/community-benefit/>.