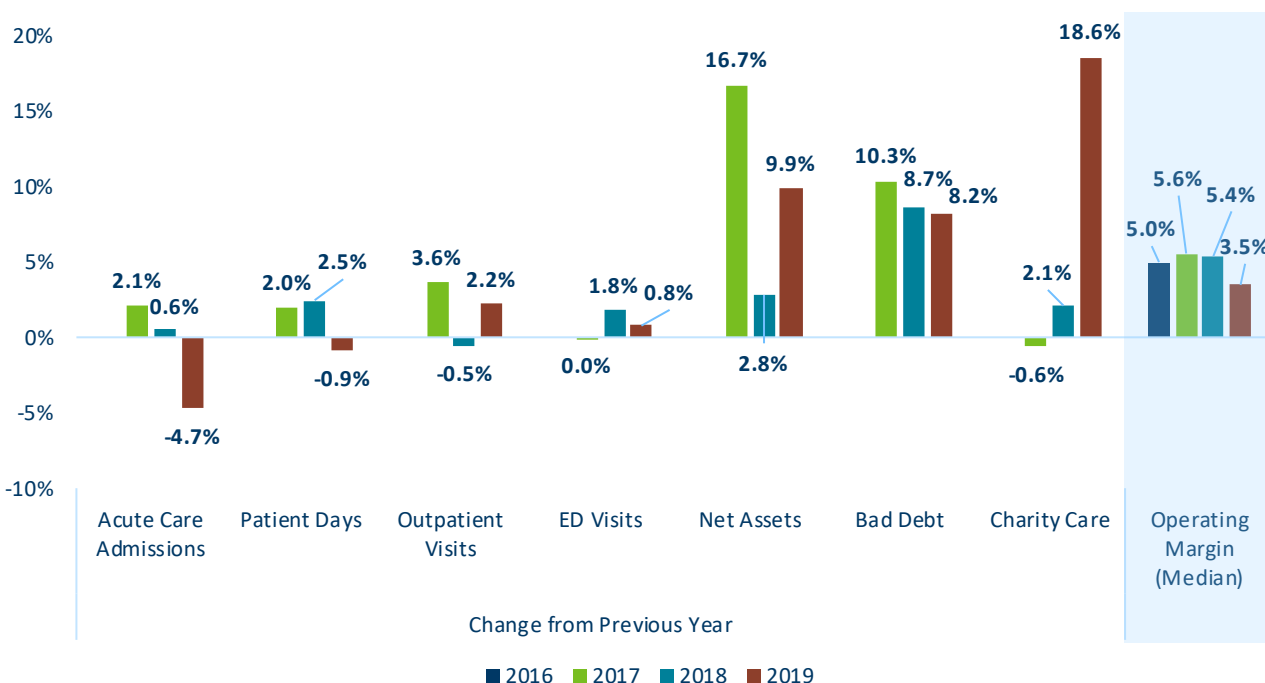


Trends at Minnesota Community Hospitals, 2016 to 2019

AUGUST | 2021

The COVID-19 pandemic has greatly affected life and industry across the state of Minnesota, especially its health care system. As we begin to assess the changes from the past year and a half, and whether they are temporary disruptions or have become permanent transformations, it is important to have a baseline understanding of the hospital industry prior to the pandemic. As we do periodically, in this brief we describe trends in utilization and finances at Minnesota’s community hospitals.

Figure 1: Trends at Minnesota Community Hospitals, 2016 to 2019



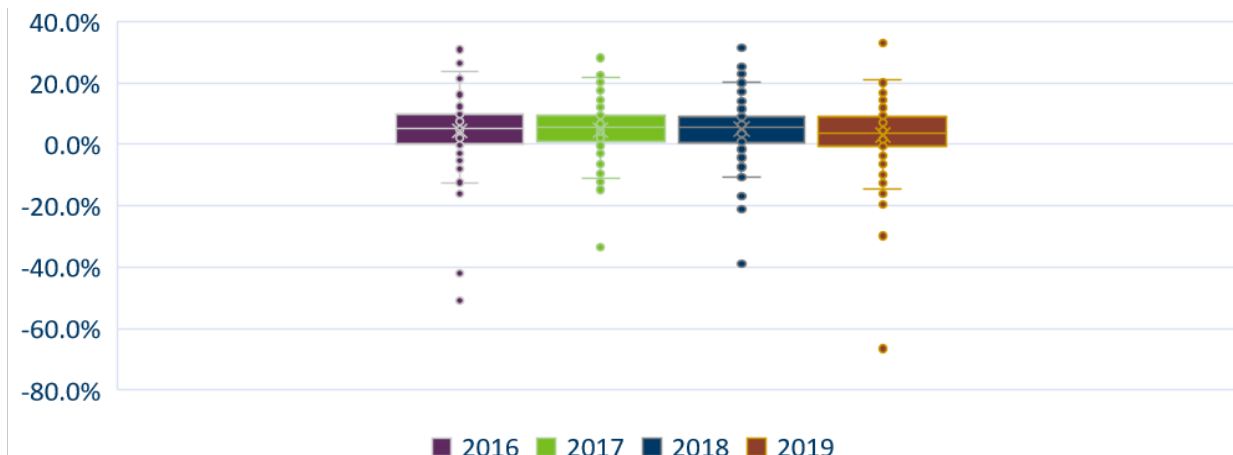
Source: Minnesota Department of Health, Health Economics Program (HEP) analysis of Hospital Annual Reports.
 Notes: Operating Margin is median of all hospitals for each year, ED is Emergency Department.

Utilization of hospital services remained stable year-over-year from 2016 and 2018 (Figure 1); in 2019, inpatient admissions for acute services fell nearly 5 percent. The decline was more striking for Minnesota’s community hospitals that are not affiliated with a health care system and are not a Critical Access Hospital (CAH)¹. These hospitals² saw larger decreases in utilization measures, with cumulative declines of 55 to 77 percent from 2016 to 2019 (Appendix Table 1).

Financially, hospitals saw robust increases in net assets – the difference between assets and liabilities – though net assets for urban hospitals generally increased at a higher rate than for rural hospitals across the four-year period (36 percent and 16 percent, respectively). Unaffiliated, non-CAHs were the only category of facilities to see declines in net assets, especially between 2017 and 2019 (Appendix Table 2).

Uncompensated care, care for which no payment was received, comprises bad debt and charity care.³ From 2016 and 2019, bad debt increased and accounted for 57 to 61 percent of uncompensated care. In contrast, charity care saw a sharp increase between 2018 and 2019, driving the large increase in overall uncompensated care (12.2 percent). This increase in charity care was driven by trends in non-CAHs.

Figure 2: Operating Margins at Minnesota Community Hospitals, 2016 to 2019



Source: Minnesota Department of Health, Health Economics Program (HEP) analysis of Hospital Annual Reports.

The operating margin of a hospital is another key indicator of financial stability.⁴ After remaining relatively steady from 2016 to 2018 the median operating margin skewed downward by almost two percentage points in 2019. There is considerable variation across facilities, as shown in Figure 2, as well as across types of facilities. Hospitals with more than 100 beds—generally in metro areas—had a median margin higher than the statewide median, with several per year able to generate margins in excess of 20 percent. As with the other financial indicators, unaffiliated, non-CAH hospitals, as a group, had the lowest operating margins of all Minnesota community hospitals. However, each year a CAH was the hospital with the lowest margin.

Overall, the state of Minnesota hospitals from 2016 to 2019 appeared stable, while hospitals affiliated with a health care system or with a CAH reimbursement structure fared better than those without those features. With that in mind, the financial health of some institutions with repeated negative margins bears watching.

Endnotes

¹A Critical Access Hospital (CAH) is a federal designation for a rural hospital that meets certain criteria.

² Unaffiliated, non-CAH hospitals are both urban and rural, and range in size from 37 beds to 444 beds.

³ Charity care is care for which hospitals never expect to be reimbursed. Bad debt is incurred when hospitals cannot obtain reimbursement for care provided to patients who appear not eligible for free or discounted care.

⁴ Operating margin is the difference between operating revenue and costs as a proportion of operating revenue. A full assessment of financial stability should also include measures of profitability, in addition to the ability to service debt and make needed investments.

Appendix: Key Indicators from Minnesota Community Hospitals by Affiliation and Critical Access Hospital Status, 2016 to 2019

Table 1: Hospital Utilization Indicators, 2016 to 2019

	2016	2017	2018	2019	2016-2017 Growth	2017-2018 Growth	2018-2019 Growth
Acute Care Admissions							
Affiliated CAH	183,658	195,777	196,814	194,318	6.6%	0.5%	-1.3%
Affiliated Non-CAH	270,821	269,066	283,236	266,092	-0.6%	5.3%	-6.1%
Unaffiliated CAH	50,321	50,780	48,767	45,652	0.9%	-4.0%	-6.4%
Unaffiliated Non-CAH	16,440	16,356	6,219	3,833	-0.5%	-62.0%	-38.4%
All Hospitals	521,240	531,979	535,036	509,895	2.1%	0.6%	-4.7%
Patient Days							
Affiliated CAH	788,020	829,655	871,076	867,673	5.3%	5.0%	-0.4%
Affiliated Non-CAH	1,351,255	1,360,658	1,422,490	1,415,437	0.7%	4.5%	-0.5%
Unaffiliated CAH	222,269	220,381	212,160	207,220	-0.8%	-3.7%	-2.3%
Unaffiliated Non-CAH	57,207	55,636	21,225	14,110	-2.7%	-61.9%	-33.5%
All Hospitals	2,418,751	2,466,330	2,526,951	2,504,440	2.0%	2.5%	-0.9%
Outpatient Visits							
Affiliated CAH	3,421,387	3,473,567	3,532,692	3,512,682	1.5%	1.7%	-0.6%
Affiliated Non-CAH	5,346,519	5,449,130	5,781,434	6,079,477	1.9%	6.1%	5.2%
Unaffiliated CAH	2,765,675	3,032,203	2,945,806	2,985,931	9.6%	-2.8%	1.4%
Unaffiliated Non-CAH	718,816	739,983	369,311	327,027	2.9%	-50.1%	-11.4%
All Hospitals	12,252,397	12,694,883	12,629,243	12,905,117	3.6%	-0.5%	2.2%
ED* Visits							
Affiliated CAH	592,422	627,018	641,541	656,176	5.8%	2.3%	2.3%
Affiliated Non-CAH	955,514	914,890	992,006	1,009,695	-4.3%	8.4%	1.8%
Unaffiliated CAH	276,974	280,578	272,046	271,515	1.3%	-3.0%	-0.2%
Unaffiliated Non-CAH	93,125	95,072	46,216	29,464	2.1%	-51.4%	-36.2%
All Hospitals	1,918,035	1,917,558	1,951,809	1,966,850	0.0%	1.8%	0.8%

Source: Minnesota Department of Health, Health Economics Program (HEP) analysis of Hospital Annual Reports.

Notes: A Critical Access Hospital (CAH) is a federal designation for a rural hospital that meets certain criteria. Affiliated refers to a hospital that is part of a larger medical care system of more than one hospital, as opposed to an independent hospital.

*Emergency Department

Hospital-specific statistics are available online: <https://www.health.state.mn.us/data/economics/chartbook/index.html>

Table 2: Hospital Financial Indicators, 2016 to 2019

	2016	2017	2018	2019	2016-2017 Growth	2017-2018 Growth	2018-2019 Growth
Net Assets (\$ millions)							
Affiliated CAH	\$3,654	\$5,047	\$5,082	\$5,506	38.1%	0.7%	8.3%
Affiliated Non-CAH	\$6,427	\$6,982	\$7,357	\$8,475	8.6%	5.4%	15.2%
Unaffiliated CAH	\$2,399	\$2,589	\$2,658	\$2,857	8.0%	2.6%	7.5%
Unaffiliated Non-CAH	\$483	\$514	\$461	\$215	6.5%	-10.4%	-53.3%
All Hospitals	\$12,963	\$15,133	\$15,557	\$17,092	16.7%	2.8%	9.9%
Bad Debt (\$ millions)							
Affiliated CAH	\$14	\$16	\$17	\$18	14.5%	6.9%	3.1%
Affiliated Non-CAH	\$114	\$116	\$130	\$146	2.0%	12.1%	12.0%
Unaffiliated CAH	\$11	\$15	\$16	\$15	35.4%	8.1%	-4.2%
Unaffiliated Non-CAH	\$20	\$29	\$28	\$28	40.7%	-3.7%	1.1%
All Hospitals	\$159	\$176	\$191	\$207	10.3%	8.7%	8.2%
Charity Care (\$ millions)							
Affiliated CAH	\$8	\$10	\$11	\$12	16.8%	15.1%	9.2%
Affiliated Non-CAH	\$82	\$87	\$89	\$106	6.1%	1.9%	19.0%
Unaffiliated CAH	\$4	\$4	\$5	\$5	1.5%	20.5%	10.3%
Unaffiliated Non-CAH	\$24	\$17	\$15	\$19	-29.9%	-8.3%	25.4%
All Hospitals	\$118	\$117	\$120	\$142	-0.6%	2.1%	18.6%
Operating Margin (median)							
Affiliated CAH	5.0%	6.2%	5.3%	4.0%	**	**	**
Affiliated Non-CAH	5.6%	7.0%	7.3%	4.8%	**	**	**
Unaffiliated CAH	4.5%	3.3%	4.1%	2.2%	**	**	**
Unaffiliated Non-CAH	2.8%	-1.6%	2.6%	0.8%	**	**	**
All Hospitals	5.0%	5.6%	5.4%	3.5%	**	**	**

Source: Minnesota Department of Health, Health Economics Program (HEP) analysis of Hospital Annual Reports.

Notes: A Critical Access Hospital (CAH) is a federal designation for a rural hospital that meets certain criteria. Affiliated refers to a hospital that is part of a larger medical care system of more than one hospital as opposed to an independent hospital.

**MDH did not calculate rates of growth; percentage point increases can be observed from the absolute margins.

Hospital-specific statistics are available online: <https://www.health.state.mn.us/data/economics/chartbook/index.html>



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