“American hospitals are financially challenged and the trends in revenues and expenses will put an even greater burden on the viability of many hospitals and their ability to fund capital projects”
Hospitals and the Economy

Unemployment Rate (Non-farm), 2007-2008

Hospitals and the Economy

Unemployment Rates - Seasonally Adjusted

- California
- United States

Jan 08, Feb 08, Mar 08, Apr 08, May 08, Jun 08, Jul 08, Aug 08, Sep 08, Oct 08, Nov 08, Dec 08, Jan 09, Feb 09, Mar 09, Apr 09, May 09, Jun 09
Hospitals and the Economy

Percent of Population with Employer-sponsored Insurance (ESI) and Medicaid

<table>
<thead>
<tr>
<th>Year</th>
<th>ESI</th>
<th>Medicaid</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>57%</td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>58%</td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>59%</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>61%</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>62%</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>63%</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>64%</td>
<td></td>
</tr>
</tbody>
</table>

Hospitals and the Economy

States with Budget Gaps in FY 2009 or Projected for FY 2010

Hospitals and the Economy

Percent of State Spending by Function

Total Spending $1.46 Trillion

- Medicaid, 21%
- Elementary & Secondary Education, 21%
- Higher Education, 10%
- Transportation, 8%
- All Other, 40%

Hospitals and the Economy

Percent of Gross Revenue by Payer

- Medicaid, 14.8%
- Medicare, 41.0%
- Private, 42.7%
- Other Government, 1.5%

Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2007, for community hospitals.
Hospitals and the Economy

Hospital Payment Shortfall (Nationwide)
Relative to Costs for Medicare and Medicaid, 1997 – 2007

Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2007, for community hospitals.
Hospitals and the Economy

Hospital Payment Shortfall (California)
Relative to Costs for Medicare and Medicaid, 1999 – 2009

Hospital Unfunded Cost of Providing Services
Medicare and Medi-Cal Patients

1999 - 2008

$Billions

Medicare

Medi-Cal

Year

'99  '00  '01  '02  '03  '04  '05  '06  '07  '08

$0

-$0.5

-$1.0

-$1.5

-$2.0

-$2.5

-$3.0

-$3.5

-$4.0

-$4.5

-$5.0

-$5.5

-$6.0

-$6.5

-$7.0

-$7.5

-$8.0
## Hospitals and the Economy

### Percent of Hospitals Reporting Impact of Economic Crisis

<table>
<thead>
<tr>
<th>Impact</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease in patient admissions</td>
<td>51 percent</td>
</tr>
<tr>
<td>Decrease in elective procedures</td>
<td>58 percent</td>
</tr>
<tr>
<td>Increase in bad debt and charity care</td>
<td>60 percent</td>
</tr>
<tr>
<td>Increase in uninsured visits to the ER</td>
<td>57 percent</td>
</tr>
<tr>
<td>Decrease in total margin</td>
<td>50 percent</td>
</tr>
<tr>
<td>Significant decrease in total margin</td>
<td>26 percent</td>
</tr>
</tbody>
</table>
Hospitals and the Economy

Hospitals Play an Important Role in the California Economy

Impact on Wages
- Direct Effect: $30 billion
- Ripple Effect: $29 billion
- Total Contribution: $59 billion

Impact on the Economy
- Direct Effect: $57 billion
- Ripple Effect: $32 billion
- Total Contribution: $89 billion

Hospital Jobs
- Statewide: 470,001
- Total: 582,613

Number of Total Jobs
- Statewide: 1,052,614
Hospitals and the Economy

64% California Hospitals cannot secure capital to fund seismic mandate

37% Report a Negative Margin

California ranks 49th in hospital bed availability for Californians
Percent of Hospitals Reducing Expenditures on Capital Projects because of the Capital Crisis Beginning Early in 2008

- **Reduced Capital Spending**: 77%
- **Scaled Back Projects Planned or Already in Process**: 46%
- **Decided to Not Move Forward with Planned Projects not yet Started**: 54%
- **Stopped Projects that were Already in Process**: 14%


*Includes any hospital reporting that it had scaled back, decided not to move forward with or stopped projects planned or already in process.
Hospitals and the Economy

Percent of Hospitals Reporting a Change in Capital Plans since Capital Crisis Began in Early 2008

- **New Capacity/Renovations**
  - Stopped Projects Already in Process: 8%
  - Scaled Back Projects Already in Process: 25%
  - Decided Not to Move Forward with Projects Planned: 40%

- **Clinical Technology**
  - Stopped Projects Already in Process: 6%
  - Scaled Back Projects Already in Process: 32%
  - Decided Not to Move Forward with Projects Planned: 34%

- **Information Technology**
  - Stopped Projects Already in Process: 6%
  - Scaled Back Projects Already in Process: 28%
  - Decided Not to Move Forward with Projects Planned: 27%

Hospitals and the Economy

AB 1383
Governor Signed
Becomes Law Jan 1, 2010

Hospital Provider Fee
$2 billion (annually) 2009-2010

Legislation expires Dec 31, 2010
Solves half of the Medi-Cal shortfall.

Does not resolve the underlying problem.
Hospitals and the Economy

Where do hospitals go from here?

• Renewal of Medi-Cal waiver
• Federal health care reform
• State budget deficits
• Hospital provider fee
Questions

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