



RURAL HOSPITAL LEADERSHIP CONFERENCE



Washington State
Hospital Association



ASSOCIATION of
WASHINGTON
PUBLIC HOSPITAL DISTRICTS

Hospital Financial Stress: What Should Boards Pay Attention To?

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Hospitals Are Already Stressed Financially



LOCAL

Around 200 employee jobs impacted as Virginia Mason ‘transitions and realigns’

WA Hospital Association predicts more cuts as local medical center shutter 5 clinics

Health care forum in Stevens County addresses impact of proposed Medicaid cuts in rural communities

Providence makes systemwide cuts, hitting 170 workers in Western Washington

PeaceHealth cuts 1 percent of its 16,000 employees, freezes hiring through 2025

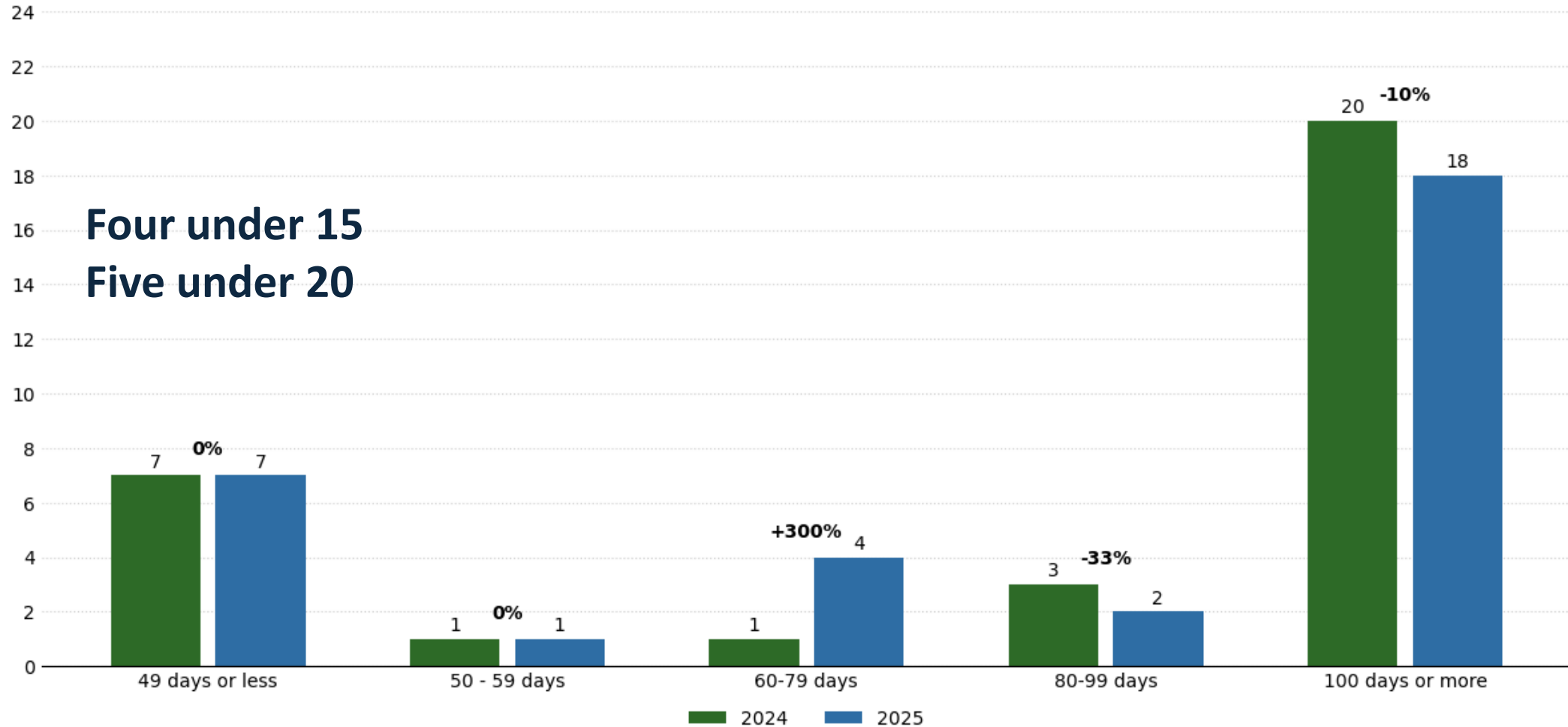
Washington State's Rural Hospital Income Statement

Twelve Months Ending December 31 – Calendar Year: 2025 & 2024

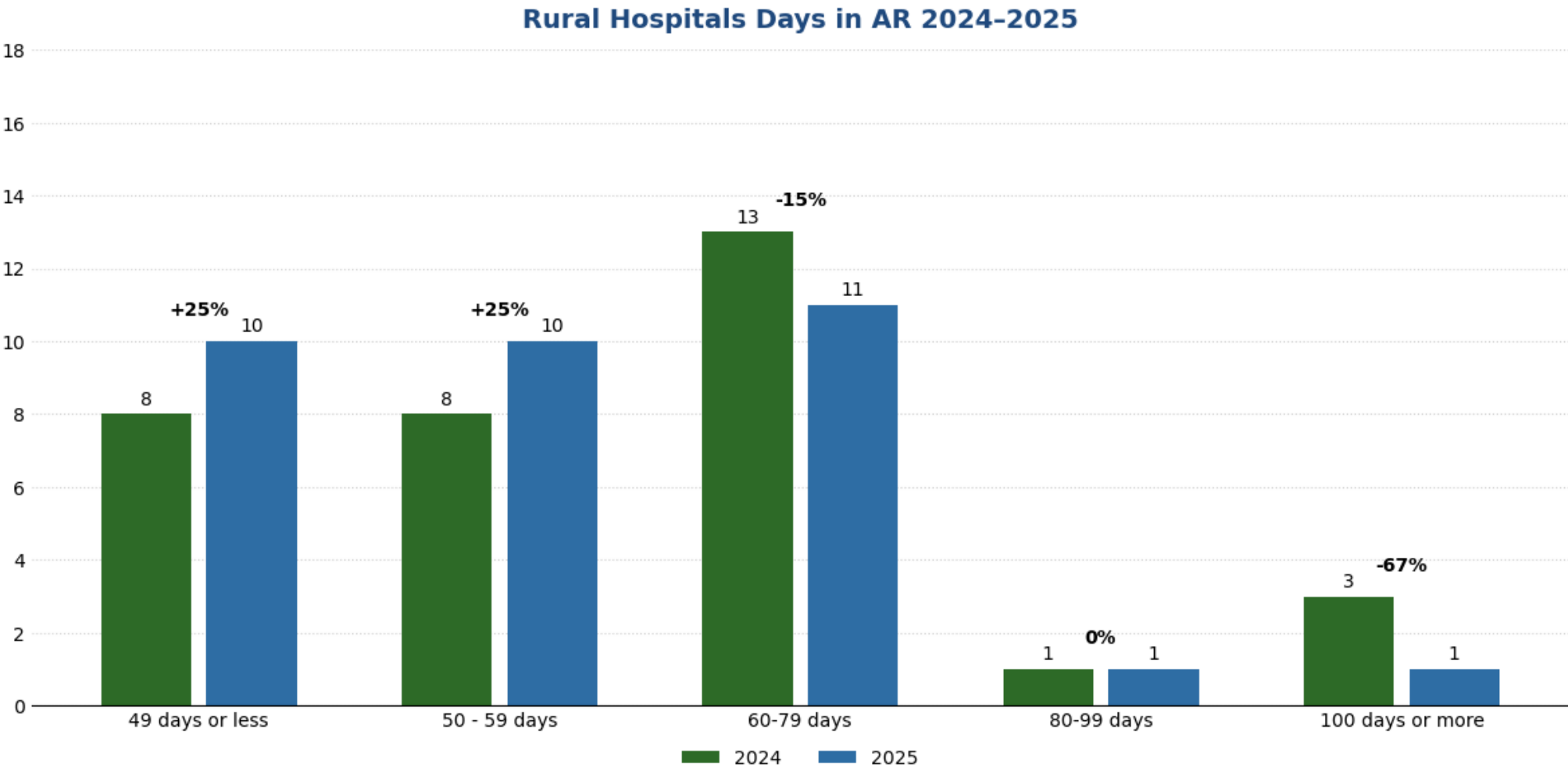
Description	Q1 2025 to Q4 2025	Q1 2024 to Q4 2024	% Change Prior Period
Revenue			
Total Operating Revenue	\$3,199,652,008	\$2,968,777,693	+7.8%
Expenses			
Total Salary & Benefits	\$1,529,530,363	\$1,419,886,302	+7.7%
Other Operating Expense	\$1,183,295,443	\$1,081,166,978	+9.4%
Total Operating Expense	\$3,227,012,505	\$2,982,367,341	+8.2%
Operating Income (Loss) & Margin			
Operating Margin	(\$27,360,494)	(\$13,589,650)	-101.3%
Operating Margin %	-0.9%	-0.5%	-0.4pt
Non-Operating Revenue (Loss)			
Net Non-Operating Gain (Loss)	\$49,814,763	\$58,418,135	-14.7%
Tax Revenue	\$43,521,415	\$45,052,404	-3.4%
Net Income (Loss)			
Total Margin	\$65,975,684	\$89,880,895	-26.6%
Total Margin %	2.1%	3.0%	-1.0pt

Days Cash on Hand – WA Rural Hospitals

Rural Hospitals Days Cash on Hand 2024-2025



Rural Hospitals Net Days in Accounts Receivable



HR 1 Major Impacts Are Coming Soon

Cuts more than \$1 Trillion from health care, slashing funding to our health system, with devastating impacts to health coverage, cost, and care

- Results in 17 million Americans losing health coverage
- Increases charity care
- Forces cuts to hospitals and the health care system on which we all rely
- Major impacts begin January 2027

Estimated Annual Fiscal Impact of Cuts and Taxes to Hospitals

	2026	2027	2028	2029	2030
Washington State Cuts & Taxes					
<i>PEBB/SEBB Cut (SB 5083)*</i>	\$ -	\$ (175,600,000)	\$ (180,900,000)	\$ (186,300,000)	\$ (191,130,000)
<i>B&O 0.5% Surcharge (HB 2081)*</i>	\$ (60,000,000)	\$ (62,000,000)	\$ (64,100,000)	\$ (66,200,000)	\$ -
<i>Medicaid Hospital Cut (1% MCO cut/SB 5167)*</i>	\$ (40,000,000)	\$ (40,000,000)	\$ (40,000,000)	\$ (40,000,000)	\$ (40,000,000)
<i>B&O Tax Rate Increase on Providers (HB 2081)</i>	\$ -	\$ (17,000,000)	\$ (17,600,000)	\$ (18,200,000)	\$ (18,800,000)
<i>Sales Tax Increase (SB 5814)</i>	\$ (15,000,000)	\$ (15,500,000)	\$ (16,000,000)	\$ (16,500,000)	\$ (17,100,000)
<i>Complex Discharge Ancillary Services (HB 2051)</i>	\$ (5,000,000)	\$ (5,000,000)	\$ (5,000,000)	\$ (5,000,000)	\$ (5,000,000)
Total Washington State Impact	\$ (120,000,000)	\$ (315,100,000)	\$ (323,600,000)	\$ (332,200,000)	\$ (272,030,000)
Federal Cuts					
<i>Medicaid Directed Payment Program/Safety Net Assessment Cuts in H.R. 1**</i>	\$ -	\$ (280,000,000)	\$ (384,000,000)	\$ (520,000,000)	\$ (656,000,000)
<i>Increase in Charity Care & Bad Debt due to H.R. 1 Effects of Decreasing Medicaid Enrollment***</i>	\$ (2,000,000)	\$ (199,500,000)	\$ (267,600,000)	\$ (276,300,000)	\$ (285,300,000)
Total Federal Impact	\$ (2,000,000)	\$ (479,500,000)	\$ (651,600,000)	\$ (796,300,000)	\$ (941,300,000)
Combined State & Federal Impact	\$ (122,000,000)	\$ (794,600,000)	\$ (975,200,000)	\$ (1,128,500,000)	\$ (1,213,330,000)

What Do Boards Need to Know?

Important Financial Reports

- **Year End Audited Financial Statements - Annually**
 - Ensure audits are completed timely
 - Review and discuss with External Auditors – YoY results, Internals, Management's engagement
- **Medicare Cost Reports – Annually**
 - Ensure cost reports are completed timely
 - Review and discuss with management and preparers – what changed?
- **Regular Financial Reports**
 - Review and discuss balance sheet and income statement trends and variances
 - Comparisons to budget and prior periods

Benchmarks to Keep an Eye On

- **Days Cash On Hand (DCOH)**
 - Measures how many days a hospital could continue to operate its daily business using only its unrestricted cash and investments. It gives a quick look at an organization's financial cushion, flexibility, and overall health.
 - *Target:* Ratings agencies like S&P Global generally view hospital liquidity using these guidelines:
 - ⑩ Strong / Very Strong: 150 to 220+ days.
 - ⑩ Adequate: 100 to 150 days.
 - ⑩ Vulnerable: Less than 100 days.

Benchmarks to Keep an Eye On

- **Net Days in Accounts Receivable (A/R)**
 - Measures the average time it takes a hospital to collect payment after a service is provided. Net A/R days is determined by dividing outstanding patient accounts receivable by the average daily net revenue.
 - *Target:*
 - ⑩ Strong performer < 35-40 days
 - ⑩ Average Hospital = 40-50 days
 - ⑩ Concerning > 50 days
 - ⑩ Poor/High risk > 60 Days

Benchmarks to Keep an Eye On

- **Days in Accounts Payable (A/P) or Payable Outstanding**

- Measures the average time a facility takes to pay its vendors and suppliers for goods or services. Tracking this metric reveals cash flow efficiency: a high DPO preserves cash, while a low DPO may mean an organization misses out on credit terms.
- *Target:* Late payments can damage vendor trust but paying *too* early hurts short-term liquidity. Optimizing AP helps balance cash outflows with patient revenue and cash collections. Cash paid out faster than it is collected may reduce Days Cash On Hand.
 - Best practice 30-40 days
 - Average hospital 40-55 days
 - Stretched payables 55-70 days
 - Potential supplier relationship concerns > 70 days
- Is cash going out faster than coming in? Compare Days in A/R to Days in A/P
- What vendors are not being paid?

Some Case Studies

Question 1

How do you assess your hospital's financial position?

Question 2

How have the financial pressures of healthcare today changed your day-to-day job and interactions with your board?

Question 3

What difficult decisions has your board had to consider (or make) because of financial pressures?

Question 4

What are some lessons learned from your experience that you would like board members to look for or do?

Question 5

What can board members do to maintain strong communication and alignment with the CEO on financial issues?

Some Concluding Thoughts

How Will Your Hospital Management and Board Assess HR 1 Preparation?

Some examples:

- Educate patients
- Help patients complete work and reverification requirements
- Understand who qualifies for “medical frailty” exemption and help them
- Partner with community organizations
- More quickly begin Medicaid enrollment for seriously ill or injured patients
- Through it all: Navigate strong political feelings
- Boards could ask for HR 1 implementation updates

Working with the State

- State is a regulator – and also a partner
- State has funds and leverage
- WSHA can help connect
- We and the state need lead time
- Annual AWPHD Discussion with State Auditor and staff

Other Things to Keep an Eye On

Connecting with Policy Makers

- Is your administrative team engaging with lawmakers?
- Speak with one voice in coordination with the hospital administration
- Engagement with WSHA

Keep Talking About Financial Impacts! You Will Not Be Alone.

‘Charity care’ patients from Idaho straining Eastern WA hospitals

Seattle-area hospital to close 5 clinics, and some inpatient care

State and federal cuts have forced the reductions, a challenge confronting nearly every hospital in Washington, Valley Medical Center says.

Legacy Health to close Clark County clinics due to increased costs, reduced revenue

PeaceHealth to lay off 94 employees statewide, including 46 in Clark County

Overlake Medical Center plans to cut 55 jobs and close its Lake Hills urgent care clinic due to financial pressures.

Patients mourn Virginia Mason Seattle birth center closure

Hospitals’ financial outlook improves, but local health care industry still operating in the red

Seattle Children’s to cut 150 jobs, citing loss of federal funds

The hospital says 154 employees will be laid off and 350 open positions eliminated in November.

St. Michael clinic closure leaves few options, Kitsap parents say

Washington’s rural maternity wards are struggling to stay afloat

Thank You!

Questions? Comments?

