

Limited Access to Care: A New Mexico Story

SJRMHC Board Retreat-Strategic Planning
Troy Clark, CEO, New Mexico Hospital Association
November 2, 2024





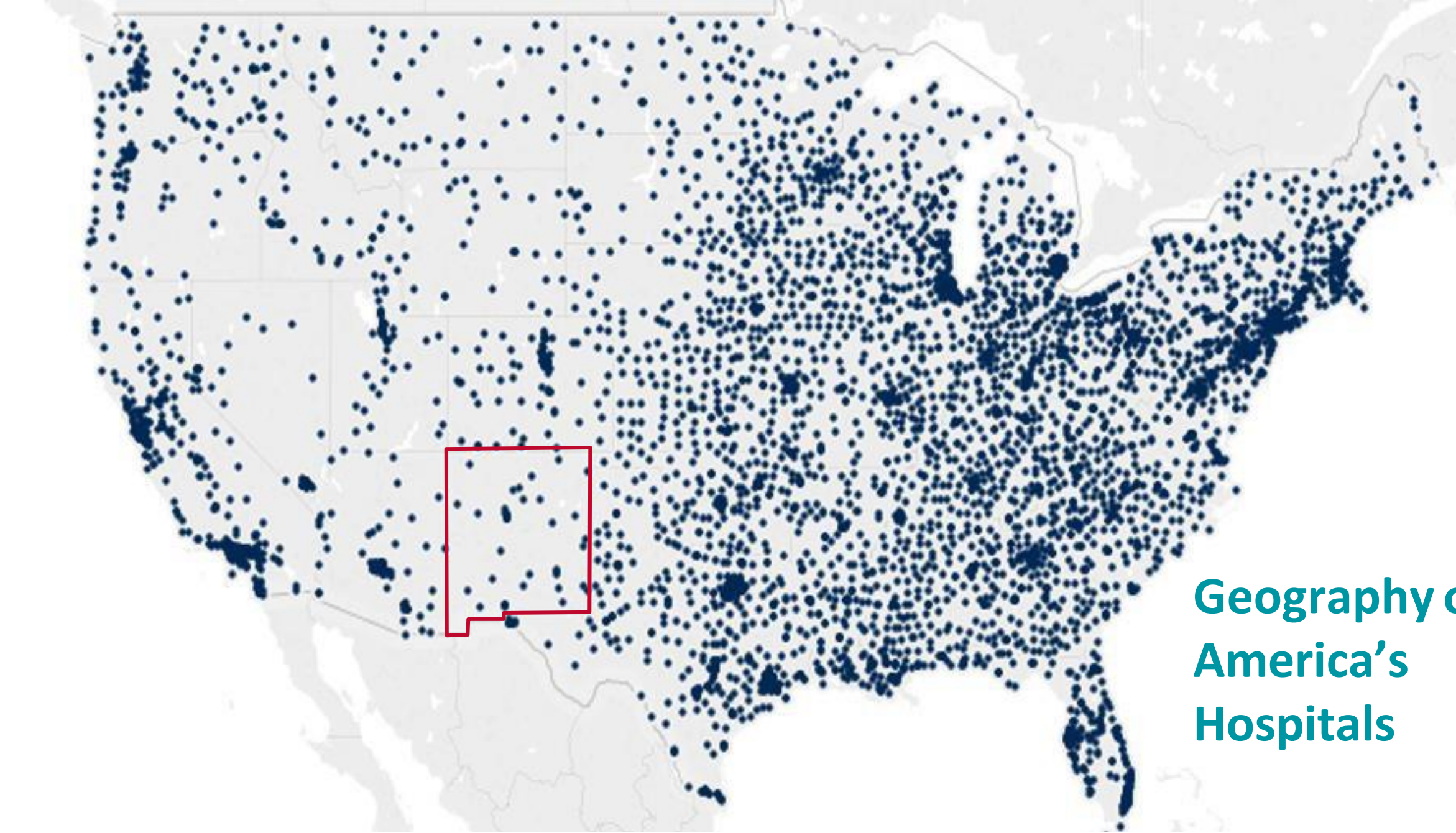
Today's Focus

- Hospital Industry Status
- HDAA

New Mexico Hospital Association (NMHA)

NMHA advocates for 47 hospitals and the patients and communities they serve—and of hospital healthcare champions in public office. We work with others to advance public policy to create a healthier New Mexico by strengthening access to quality care.





Geography of America's Hospitals

Hospitals: A NM Economic Driver

Hospitals are the largest employer in most communities where they exist, our source of livable wage jobs.

- In rural communities, some hospitals are 12% of county GDP
- Hospitals contribute to increased community homeownership, a marker of economic stability and growth

In 2022, hospitals contributed **\$12.04 Billion** in total expenditures impact to New Mexico's economy.

- \$7.3 Billion spent by hospitals directly
- \$4.7 Billion in secondary expenditures
- **And \$6.3 Billion in labor income impact, with 67,844 jobs.** This is up from \$4.7 Billion just 3 years earlier.

The Health of Our Hospitals

All of our hospitals face harsh financial realities. Small hospitals are ready to serve patients 24/7/365, but do not benefit from the high patient volumes and economies of scale that help cover expenses. When rural hospitals run in the red, access to care across our vast state is in jeopardy.

- Nearly **half of NM residents are insured by Medicaid**, where reimbursement does not cover the costs of care.
- **Costs of workforce, supplies, prescription drugs, medical malpractice insurance** and much more are ever-increasing.
- Large hospitals become overwhelmed as they see all patients that small hospitals cannot, further compromising access to care.

The Health of Our Hospitals

While volumes have mostly returned to normal levels in most of our rural facilities, our urban locations continue to see volumes beyond their capacity.

- **More acute/severe conditions requiring longer lengths of stay**
- **Workforce challenges persist**
 - **8,800 nursing positions short in NM**
 - **Lovelace, Presbyterian and UNM employ just over 6,200 nurses**
- **Inability to move patients to post acute settings, mostly due to delayed approvals/authorizations from insurance companies**
- **Patient transportation challenges due to high volumes and workforce challenges with EMS as well**
- **High inflation on medications, supplies and malpractice insurance**

Hospitals' Greatest Challenges Today

Workforce

- Providers (physicians, nurse practitioners, etc.)
 - Among oldest in country
 - Nearly entire state is Healthcare Professional Shortage Area (HPSA)
- Nursing
- All other positions

Medical Malpractice

Sustainable Medicaid reimbursement





Statewide Status

Access to Care is our Number One Issue

What is driving our access issues

Workforce shortages

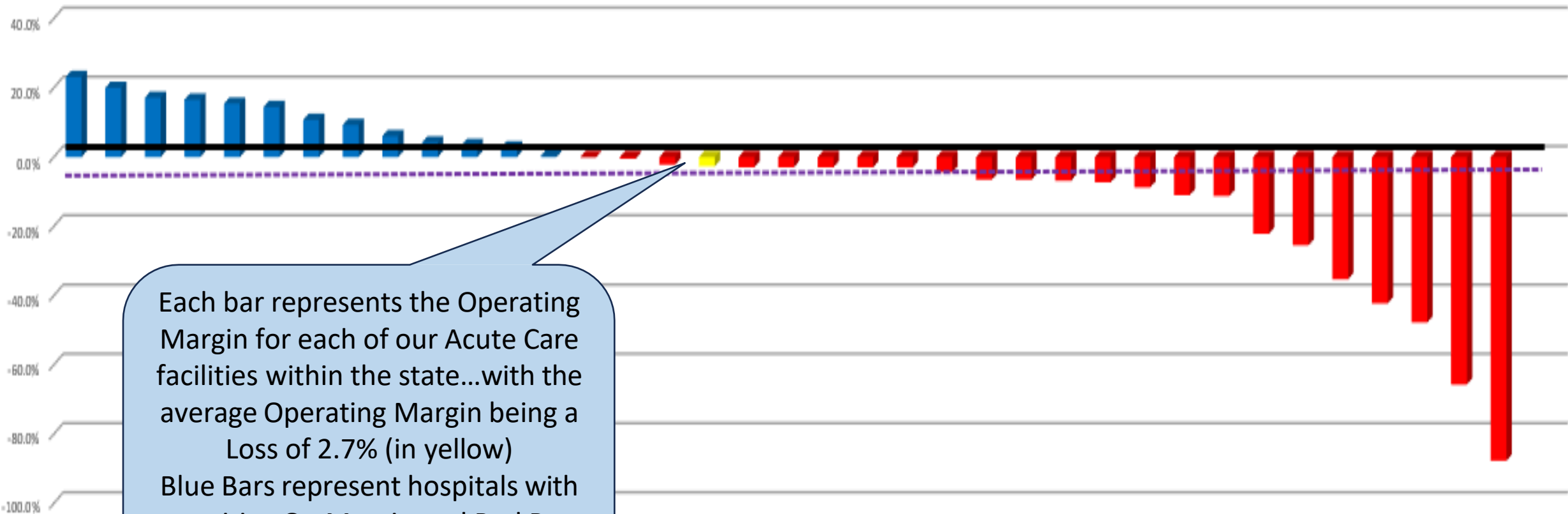
- **Physician**
 - **Medical Malpractice**
 - **High Medicaid enrollment with low reimbursement**
 - **Taxing/loan forgiveness policies**
- **Nursing**
- **All other clinical and nonclinical positions**

High Demand

- **Rural areas cannot keep higher acuity patients**
- **Baby Boomer Generation now in high healthcare utilization years of their lives**

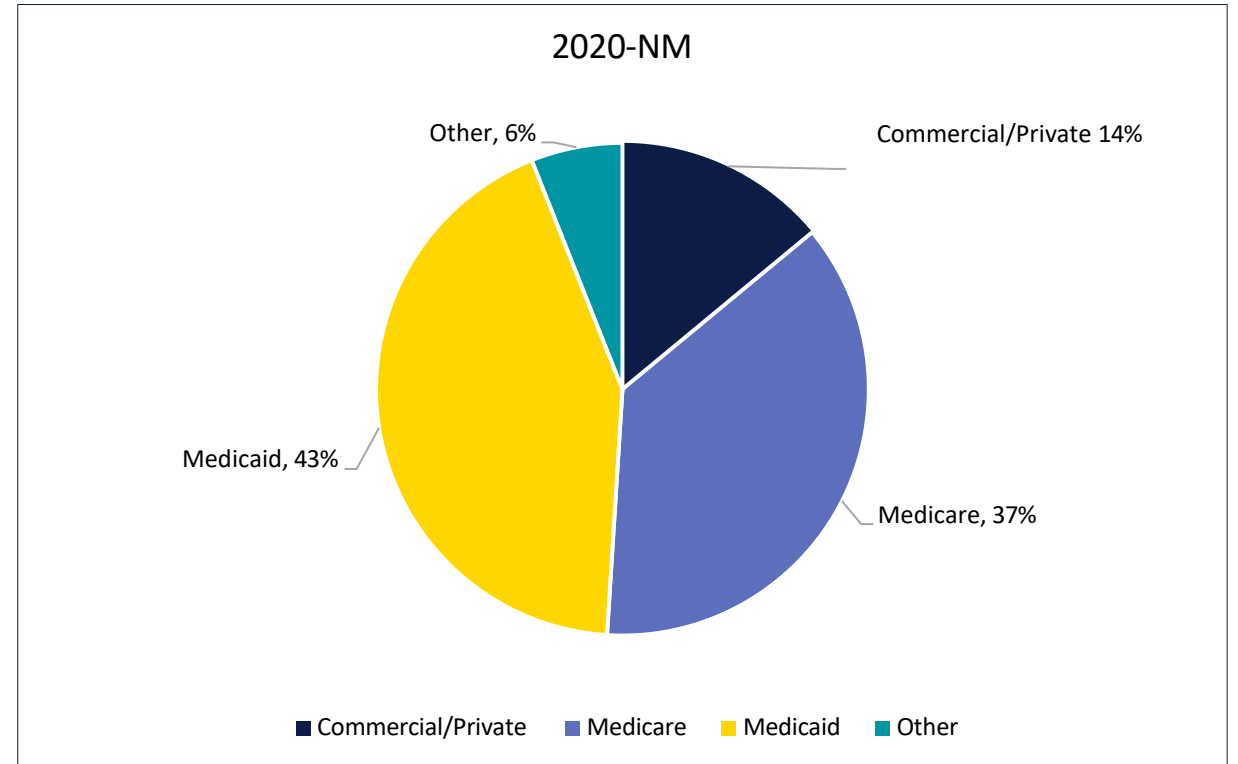
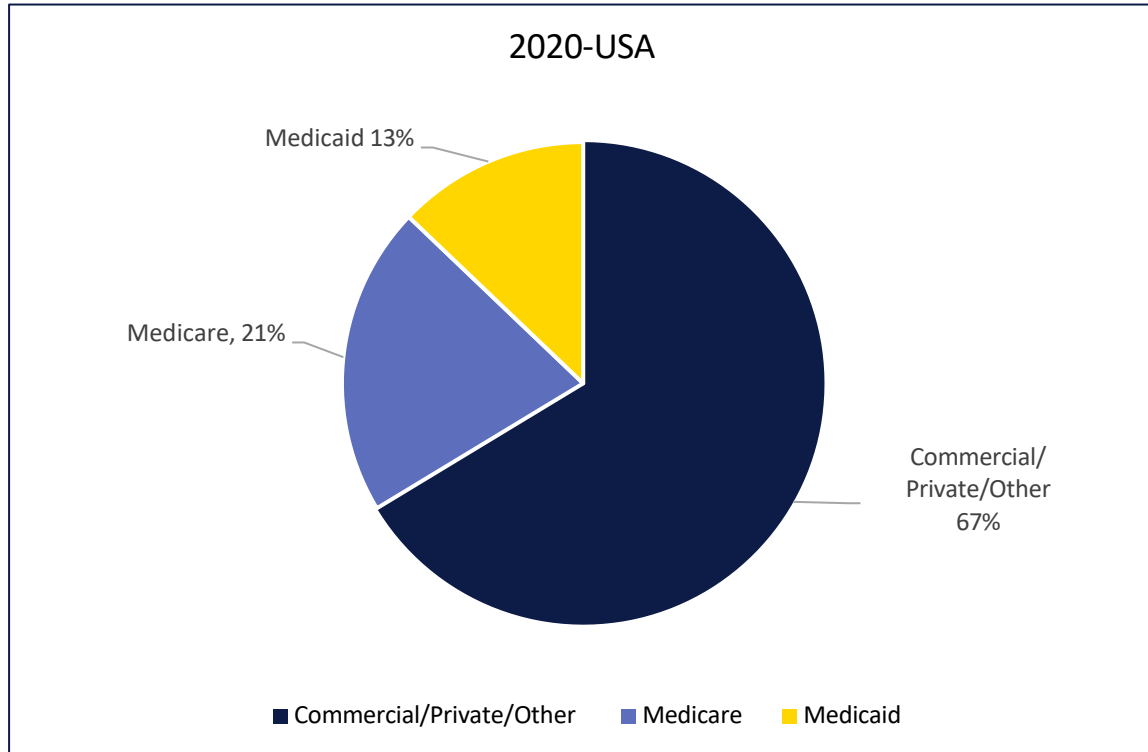
Financial Stress on our NM Hospitals

2022 Hospital Operating Margins



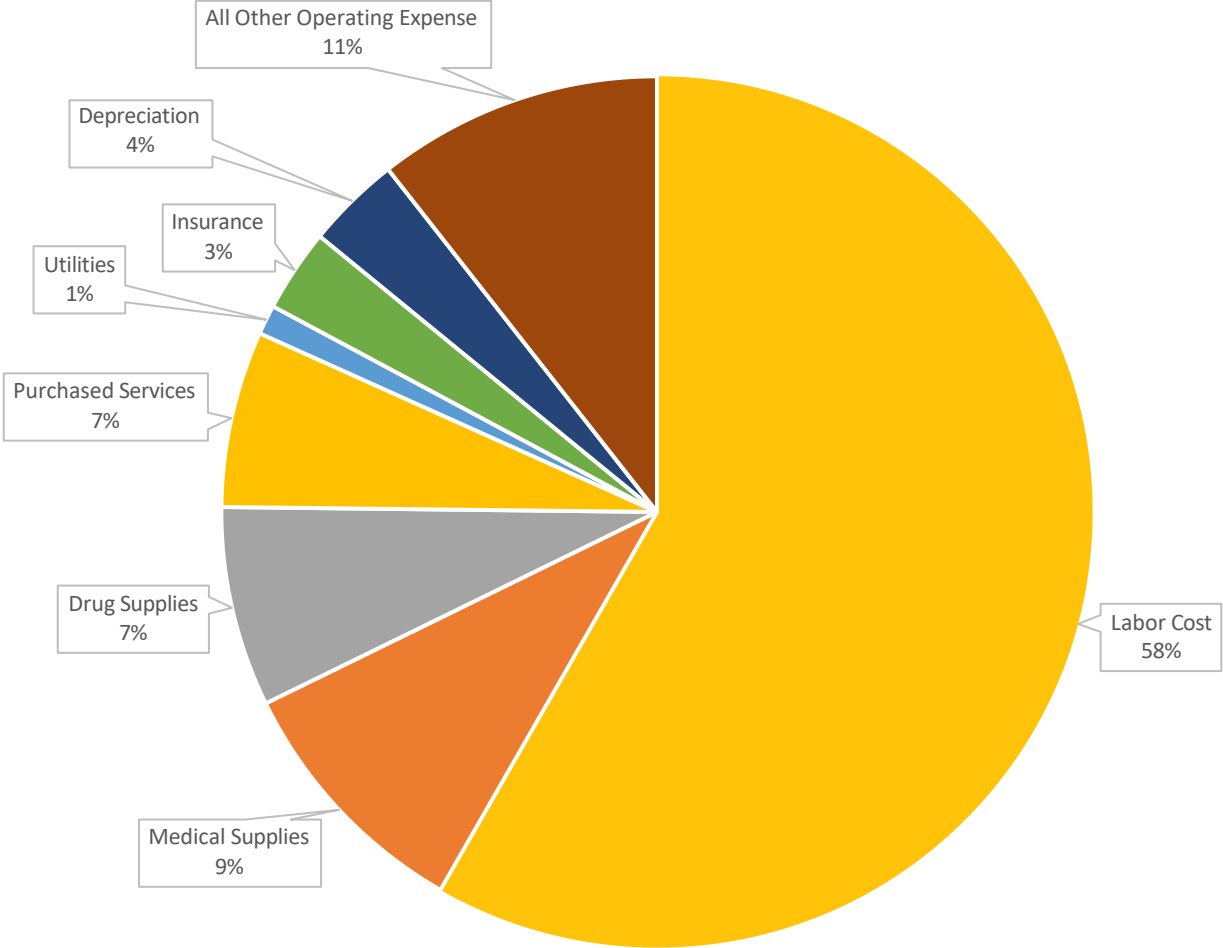
Each bar represents the Operating Margin for each of our Acute Care facilities within the state...with the average Operating Margin being a Loss of 2.7% (in yellow)
Blue Bars represent hospitals with a positive Op Margin and Red Bars are hospitals with Op Losses

Revenues: It's a (Payor) Mix

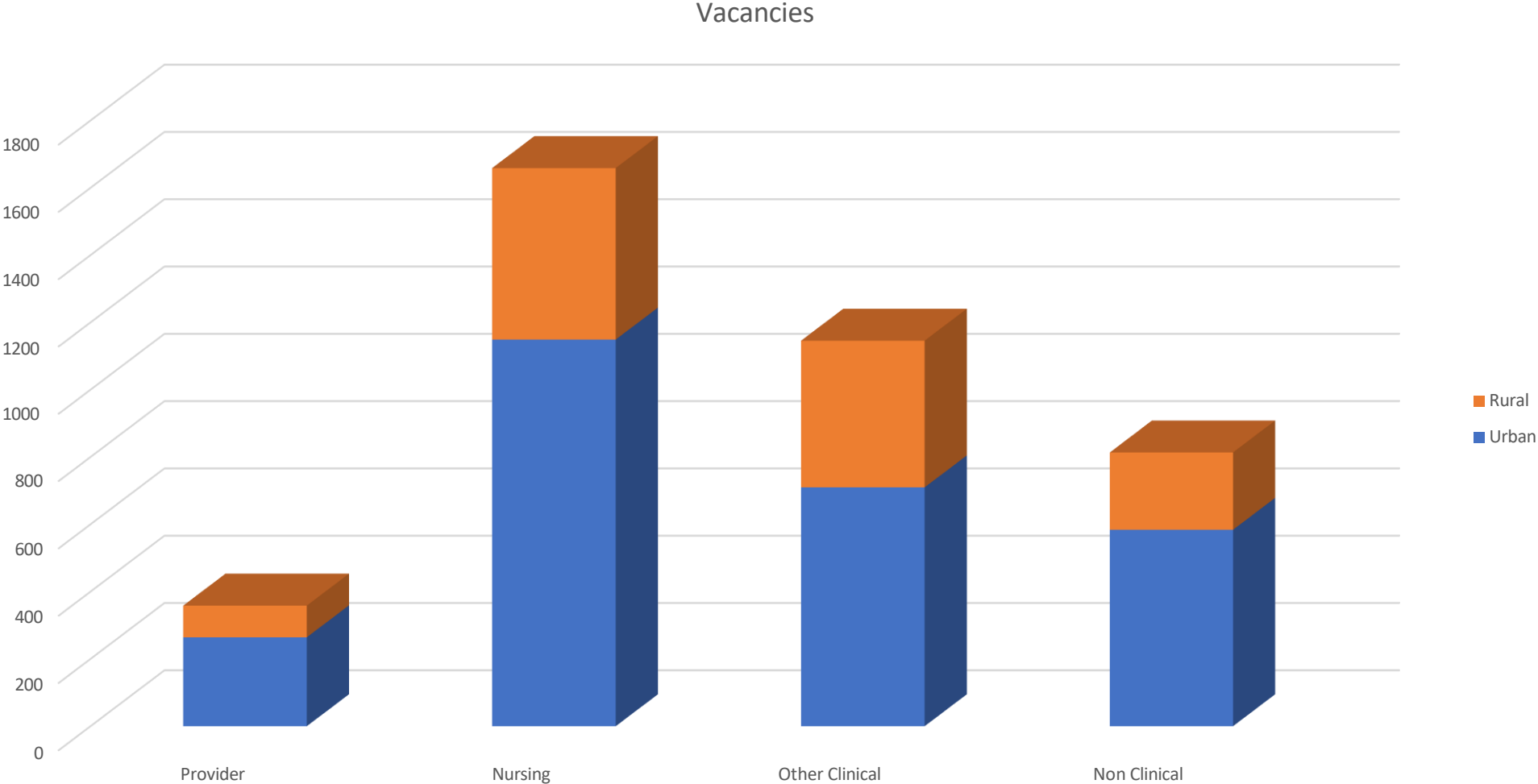


Costs: It's a People Business

Average Hospital Expenditure - 2022



Workforce Challenges



What is being done to address these issues

Retain Access

1. HDAA passed last year to provide financial sustainability to all non-federal hospitals across the state
2. Development of Workforce Dashboard
3. Avoid legislation that would further diminish access to care:
 - Healthcare Mergers & Acquisition Oversight
 - Mandated Nurse to Patient Staffing Ratios
 - Attacks on Private Equity owned healthcare entities
 - Elimination of Outpatient Facility Fees

Improve Access

4. Rural Healthcare Delivery Fund
5. HDAA funding for Hospitals to invest in growth
6. Seeking to have some form of Tort reform for Medical Malpractice



The Healthcare Delivery and Access Act (HDAA)

HDAA: The Law

When New Mexico's hospitals called for help, our entire state came together – hospitals statewide, the Governor's Office, the NM Health Care Authority and legislators from both sides of the aisle - to pass the 2024 Health Care Delivery and Access Act (HDAA).

Thank you



HDAA: The Law

The state law will assess a tax on hospitals—a larger tax on big hospitals—pool it, leverage those funds for a federal Medicaid match, then bring— about \$1.5 billion in total funding – back to New Mexico to provide sustainable reimbursement to our state’s hospitals.



HDAA: A Positive Program

- Larger hospitals pay more, redistributing funding for the good of all patients.
- Does not rely on state funds or New Mexico taxpayers.
- To earn full funding, hospitals must demonstrate clinical quality results.
- Hospitals must spend at least 75% of net new HDAA funds in New Mexico.
- With better funded hospitals, we can bring in more doctors and nurses and better support those we have.



Rural hospitals pay only 19% of the assessment and receive over 40% of the new funding.

HDAA: When Small Hospitals Do Well

Based on volume measures and great clinical quality performance, hospital's Medicaid funding is set to increase. Examples include:

- Sierra Vista Hospital could receive up to \$11 million after paying only \$923 thousand in tax
- Portales' Roosevelt General Hospital could see \$10.3 million with an assessment tax of only \$1.15 million
- Gallup's Rehoboth McKinley could receive up to \$18 million in disbursements after paying only \$1.9 million in tax

HDAA: When Small Hospitals Do Well, Part 2

This new funding does not backfill the amount underpaid for many years, but it does place all our hospitals on surer financial footing in ways that improve access to care.

Examples of planned HDAA funding uses:

- Recruitment, retention, and fair market wages for employees and professional staff
- Equipment to support community EMS program (essential without public transportation)
- Staff education and training
- Expanded Paid Internship Program

Workforce: The Key to Expenses and Quality Care



- Hospitals are short personnel in all positions, especially across all clinical roles
- As agency labor costs remain elevated, access to services will be at risk
- “Growing our own” hospital workforce, particularly in rural areas, as well as recruiting will be a must

Questions?





Thank You.



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Celebrate Life.



SAN JUAN REGIONAL
MEDICAL CENTER

lifebetterhere.com

**This corner of the world is our corner.
Here we have chosen to live, work and play.**

The caregivers of San Juan Regional Medical Center are working together in a common vision to deliver world-class care making life better for the communities we are privileged to serve.

Our Purpose: Who we are



San Juan Regional Medical Center is a non-profit acute care hospital and Level III Trauma Center in the ***Four Corners Region***.

As a ***sole community provider*** in San Juan County, we deliver a remarkable range of highly personalized and specialized healthcare services not only to the citizens of San Juan County, but to the people of the entire region.

San Juan Regional Medical Center is accredited by ***Det Norske Veritas*** (DNV). Our organization is evaluated in hospital quality innovation and continued performance improvement.



Our Passion: What we do

Our dedicated inpatient departments include:

- ▶ Emergency
- ▶ Medical
- ▶ Surgical
- ▶ Nephrology and dialysis
- ▶ Childbirth center
- ▶ Cardiology
- ▶ Intensive care unit
- ▶ A post-ICU step-down unit
- ▶ Pediatrics



Additional inpatient services include:

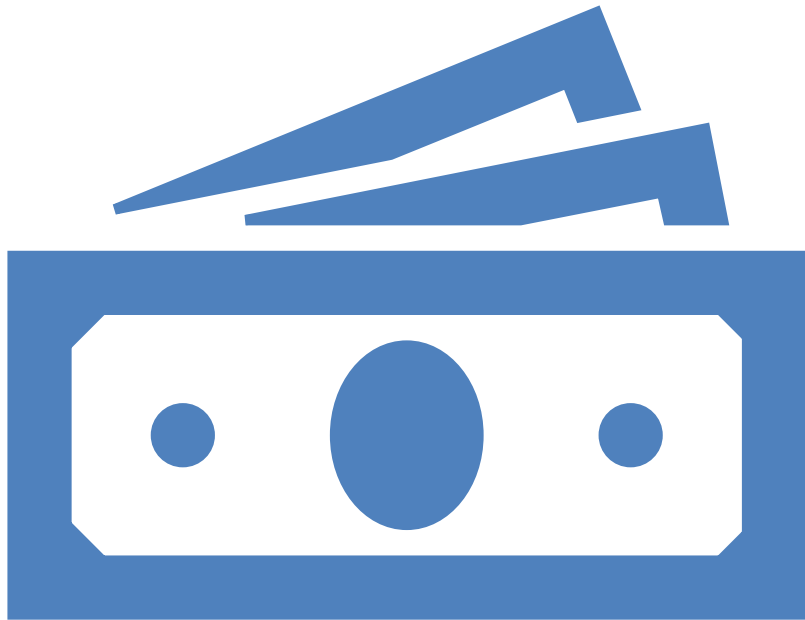
surgery, radiology, laboratory, cardiac catheterization, cardiac and pulmonary rehabilitation, respiratory therapy, total joint care, spine care, physical and occupational therapy, dietary and nutrition support and a hospital owned AirCare air ambulance service.

Our Structure: Local Governance

- San Juan Regional Medical Center has a unique structure; it is governed by a corporation that consists representatives from any non-profit organization in San Juan County.
- Members of the hospital's corporation are elected to serve on the hospital's Board of Directors. Board members work directly with the CEO and senior leadership on strategic direction for the hospital and serve on several sub-committees.
- Executive Leaders oversee all hospital operations.

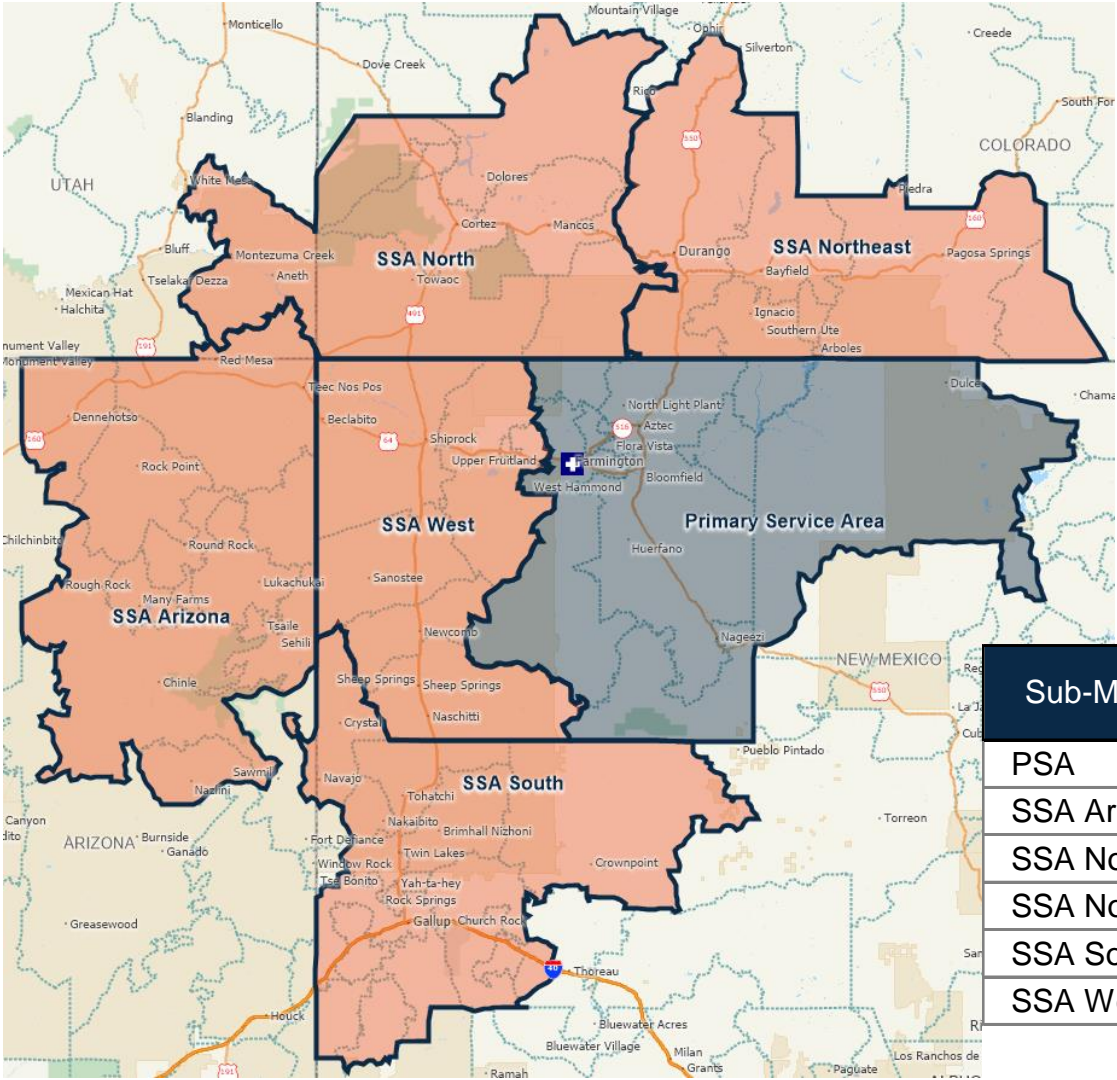
- **Private not-for-profit health system**
- **198-bed**
- **23 ICU Beds**
- **Level III Trauma Center**
- **128 Active Medical Staff**
 - **210 employed providers**
 - **18 Clinics**
 - **3 cities**
 - **2 states**
- **1,700 total employees**
(top 30 largest in NM)





Economic Influence

SJRMC Service Area



The Service Area ("Market") was defined by 3Dhealth and San Juan Regional Medical Center, and currently includes 307,150 residents across six sub-markets.

Sub-Markets	Population		3 Year % Change
	2023	2026	
PSA	99,408	98,286	(1.1%)
SSA Arizona	25,172	24,705	(1.9%)
SSA North	32,247	32,534	0.9%
SSA Northeast	68,379	70,052	2.4%
SSA South	57,932	57,708	(0.4%)
SSA West	24,012	23,478	(2.2%)
Total	307,150	306,763	(0.1%)



Market Share: PSA

- ▶ SJRMC typically captures between 84 to 87% of the market share for both inpatient and outpatient service lines dating back to 2020 for our primary service area.
- ▶ Outmigration of the 12 -15% encapsulates service lines we do not have like inpatient pediatric behavioral health, CABG...

Financial Overview

- San Juan Regional Medical Center is a **Standard and Poor's BBB+ Stable Credit** as of May 2024.
- Our **Audit Opinions** earn the highest level of assurance...Unmodified = Credibility.
- SJRMC employs 1,700 caregivers - Largest private employer in SJC!
- We are liquid, stable and NOT for sale!!

FY 2024 and 2023 Statement of Operations

(Unmodified Opinion)

	<u>2024</u>	<u>2023</u>
Revenues, Gains and Other Support Without Donor Restrictions		
Patient service revenue	\$ 368,191,237	\$ 355,094,745
Investment return, net	22,576,621	15,025,928
Gain on investment in equity investees	293,606	2,358,671
Other	<u>5,010,375</u>	<u>5,937,970</u>
Total revenues, gains and other support without donor restrictions	<u>396,071,839</u>	<u>378,417,314</u>
Expenses and Losses		
Salaries and wages	162,011,870	146,660,106
Employee benefits	31,304,678	30,342,856
Supplies, services and other	79,965,536	73,069,139
Purchased services	86,253,666	95,262,151
Depreciation and amortization	13,000,425	12,816,662
Rent and leases	3,347,547	3,805,178
Interest	<u>1,569,694</u>	<u>1,309,973</u>
Total expenses and losses	<u>377,453,416</u>	<u>363,266,065</u>
Excess of Revenues Over Expenses	<u>18,618,423</u>	<u>15,151,249</u>
Increase in Net Assets Without Donor Restrictions and Change in Net Assets	<u>18,618,423</u>	<u>15,151,249</u>
Net Assets, Beginning of Year	<u>343,799,654</u>	<u>328,648,405</u>
Net Assets, End of Year	<u>\$ 362,418,077</u>	<u>\$ 343,799,654</u>

FY 2025 Budget

The fiscal year 2025 plan is forecasted to deliver the following financial results:

- Total operating revenue of \$414.4 million.
- Total operating expenses of \$399.4 million.
- Total operating income of \$15.0 million.
- Total EBITDA (Free Cash Flows) of \$30.3 million.
- Total non-operating profit/loss of \$24.8 million.
- Total net profit/loss of \$39.9 million.

NOTE: SB17 is not included in the FY2025 budget due to GAAP Revenue Recognition rules.

The expected impact for FY2025 is \$20.0M in EBITDA incremental to the \$30.3M forecasted.



Current Strategic Plan Overview

Community Needs Assessment

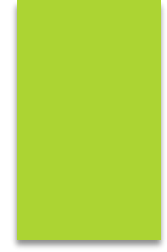
- ▶ Access to Care
 - ▶ Recruitment to key areas
 - ▶ Process improvement initiatives
 - ▶ Mental Health (support crisis center)
 - ▶ Other programs (reflect on changing consumer needs)
- ▶ Diabetes
 - ▶ SJR Kidney Care
 - ▶ Metabolic and Bariatric Program
- ▶ Oncology
 - ▶ Pharmacy focus
 - ▶ Recruitment

Recruitment Target Summary



San Juan Regional Medical Center

Human Resources Scorecard – September 2024



Measure	Definition	Status	Change From Previous Month	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Target
Overall Caregiver Turnover	Caregiver Turnover, Rolling 12 mos, Full & Half Time	Meeting Target	<--->	24.55%	24.08%	24.42%	23.75%	22.72%	23.25%	23.78%	23.99%	24.06%	23.46%	23.59%	23.13%	25.90%
Overall Open Positions	Total number of Caregiver Openings, Full & Half Time		↑	188	187	183	182	213	232	227	243	234	259	247	224	
Overall New Hires	Total number of Caregivers Hired, Full and Half Time		↑	25	25	17	29	36	37	33	38	49	75	46	75	
Voluntary Bedside RN Turnover	Voluntary Turnover Rate, RN, Bedside & Procedural Areas	Meeting Target	↑	24.84%	24.48%	24.58%	21.22%	21.36%	19.47%	17.00%	16.39%	14.65%	16.59%	15.65%	14.14%	22.50%
Open RN Positions	Number of RN openings; Bedside and Procedural Areas		↑	88	85	79	79	95	87	108	106	96	97	92	77	
RN Vacancy Rate	% of Open RN roles/Volume-adjusted Budgeted RN roles		↓	35.54%	35.34%	38.05%	33.26%	35.10%	33.63%	32.01%	33.65%	32.26%	34.40%	33.65%	34.11%	
Days to Fill RN	Average # Days to fill RN role, Bedside & Procedural Areas	Above Target	↑	42	53	49	46	63	48	54	50	87	69	126	101	45
RN New Hires	Number of RN new hires, Bedside & Procedural Areas		↑	2	6	2	9	3	2	3	2	10	8	5	15	
Voluntary RN Departures	Number of RNs that leave, Bedside & Procedural Areas		<--->	2	3	4	2	0	1	3	1	1	1	0	0	
Travelers - All	Total Number of Travel Staff on Hand		↓	65	83	87	90	92	94	89	64	64	56	61	70	
Travelers - RN	Number of Travel RNs		↓				61	68	73	65	40	40	37	42	49	
Travelers - Other Clinical	Number of non-RN Travel Clinical Staff		↓				29	24	21	24	24	24	19	19	21	

Teaching

40

- ▶ Nurses
- ▶ Advanced Practice Providers (APPs)
- ▶ Medical Students
- ▶ Residents

Teaching

41

- ▶ Nurses – approximately
 - ▶ 100 nursing students do clinical rotations at SJRMC per year
 - ▶ Nurse residency program
- ▶ Close partnership with San Juan College

Medical Students

- ▶ Close partner with Burrell College of Osteopathic Medicine
- ▶ Medical Students in their 3rd and 4th year of medical school
- ▶ Total of 24 medical students (12 per class)
- ▶ Regional Assistant Dean is a member of our medical staff



Internal Medicine Residency

43

- ▶ Awarded grant from the State of New Mexico to develop an Internal Medicine Residency program
- ▶ 3-year adult primary care post graduate clinical program
- ▶ Actively developing the curriculum and clinical rotations
- ▶ 6 to 8 residents per year at maturity
- ▶ First residents will start July 2026
- ▶ Promotes recruitment of quality physicians
- ▶ “You learn best that which you must teach.”

Sum Up

- ▶ HDAA Impact (accelerate)
- ▶ Must haves
 - ▶ Workforce
 - ▶ Infrastructure
 - ▶ Growth
- ▶ Invest wisely – generational impact
- ▶ Recession Resistant and Foundation for Economic Diversification

Questions?

