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My Turn

Hospital needs community to weigh in on services, payments

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Holy Cross Hospital is among the majority of rural healthcare facilities in the United States that are struggling financially.

Due to such struggles, more than 80 rural hospitals have closed since 2010, and at least 670 rural hospitals across 42 states are vulnerable to closure. The figures point to Holy Cross's plight: from 2013 through 2015, we lost millions of dollars each year; in 2016, we were $1 million in the black due to a Safety Net Care Pool payment windfall; and in 2017 we lost $202,000. You can learn more about our financial situation at*taoshospital.org.* (SNCP is a government fund that reimburses hospitals for expenses they incur treating patients who have no means of paying for services.) When Holy Cross measures itself against commonly used hospital financial metrics, it falls short on every one. Days' cash on hand should be more than 50 days; we currently have less than 15 days. Average age of plant should be less than 10 years. We currently are at 18 years. Cash flow as a percentage of net operating revenue should be greater than 5 percent. We currently are at 0 percent. Salaries as a percentage of net operating revenue should be less than 50 percent. We currently are at 56 percent.

The primary issue we face is an imbalance between our expenses and our net revenue. We currently provide a broad menu of services, many of which are not only rare in rural communities but also not financially viable.

Moreover, given the overall lower volumes seen in rural healthcare facilities such as Holy Cross, we often do not have the economy-of-scale efficiencies of larger facilities. In spite of the lower volumes, we still need to provide high technology equipment, such as advanced computer systems.

We also need to recruit highly trained professionals, at a time when there are shortages of physicians and advanced practitioners. While salaries and benefits need to be competitive, at or above the midpoint

of the market, recruiting to rural communities is a challenge that often results in reliance on expensive locums (part-time and fill-in) doctors and traveling nurses.

The community must understand that we are being paid less for doing more. For example, our percentage of government payers, such as Medicare and Medicaid, has grown from 58 percent to 75 percent in the last few years.

These payers reimburse us less than our costs to provide services. Traditional Medicare and Medicare Advantage plans are subject to a 2 percent sequestration adjustment (reduced payment). In July 2016, we experienced a reduction of 5 percent in our inpatient Medicaid rates and 3 percent in our outpatient Medicaid rates. Medicaid, which pays the least, currently makes up 30 percent of our business, so these reductions are significant.

When new problems emerge, they can threaten such a fragile financial situation. This past fall, we reported to the board yearto- date losses exceeding $700,000. Days' cash on hand had shrunk from the low 30s to the high 20s. The situation had worsened before Holy Cross became a critical access hospital and went live with a required new electronic medical record system.

The board responded by directing us to develop a financial improvement plan that would assure necessary cash on hand for the rest of the fiscal year and show a positive operating margin to help rebuild our reserves. Working with the board, we decided to cut $500,000 in expenses or find revenue offsetting increases.

Other problems that emerged included Medicare's overpaying Holy Cross $691,000 in 2014, an amount that had to be paid back, and a notice that malpractice rates were rising by 85 percent. This was due to several large claims from 2013-2014. As a result, I presented the board with a plan to implement specific cost-cutting activities, including laying off 16 employees and freezing the hiring for a number of positions, including some in management.

Although we had a small profit of about $15,000 in December, our year-to-date loss from operations stands at slightly more than $3 million. Adjusting for the gain from our investments that were liquidated, our net income still reflects a loss of $2,361.880. To help with our cash position, we cashed out $2 million in investments and obtained a $2 million line of credit from Centinel Bank.

Our collections need to increase to make payroll, our highest financial priority, and to begin getting caught up on our bills. Rep. Ben Ray Lujan has been very helpful in contacting the Medicaid managed care organizations in the state to encourage them to speed up our claims. We have contacted private insurers to do the same. While, at one point, we thought we might request mill levy money as a last resort to make payroll, we do not currently considered it necessary.

We hope that the community understands what it means if Holy Cross closes or significantly reduces the services it provides. Lack of healthcare services results in a decline in the overall health of the community. Patients have to drive hours for needed care, perhaps even in emergency situations. A loss of good-paying jobs affects the overall economic health of the community, from small business losses to declines in real estate values to drops in gross receipts taxes.

Good things are happening in spite of our financial challenges. Last July, Holy Cross had a successful inspection and certification visit from the DNV, the company that provides the required state and federal quality of care survey. In September, Holy Cross was one of five New Mexico hospitals to receive the Health-Insight Quality Award, which recognizes hospitals for their high performance on quality care outcome measures and patient satisfaction. In January, Holy Cross was one of two hospitals in New Mexico to receive a five-star rating from the Department of Health and Human Services' Centers for Medicare and Medicaid Services.

Moving forward, we have an immediate cash crisis requiring us to get caught up on our bills and cut costs. More important, we have an opportunity to talk with our community members about the long-term mix of services that you want and for which you are willing to pay. In short, what do you want Holy Cross to provide and how are you willing to pay for those services?

You can help right away by "voting with your feet." As the Chamber of Commerce encourages folks to keep their business local, I am encouraging you to keep your healthcare local. And the long-term conversation we need to have is whether the community is willing to support our unprofitable services with additional tax support.

We have a dedicated group of employees and a fine medical staff who are committed to continuing Holy Cross's long tradition of providing excellent healthcare services to Taos and the surrounding community. With your help and support, I am confident that we will be able to meet the challenges we face, and, working together, assure the long-term viability of our fine community hospital.

Bill Patten is CEO of Holy Cross Hospital.

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File photo
