



South Dakota hospitals are seeing operating expenses surpass operating revenue. Hospitals received extra financial support during the Covid-19 pandemic that offset the accelerated expenses to deliver care. Those dollars are discontinued now; however, the accelerated expenses remain and continue to rise.

Through the first 3 quarters of 2022, each of South Dakota's health systems had an operating margin of less than 1%.

A shortage of available nursing home beds causes patients to utilize hospital beds while waiting to be transferred. Hospitals to lose out on potential revenues for procedures those beds could be used for, as well as causing potential delays for patients.

To be a non-profit hospital in SD, our hospitals must use surplus funds to improve facilities, equipment, education, research, etc. This leads to better care in South Dakota communities.

INFLATIONARY CHALLENGES

Unprecedented increased expenses from supply chain disruptions, workforce shortages, and labor / drugs costs. Labor costs - including recruitment, retention, benefits, incentives, and training - accounted for more than 50% of hospitals' total expenses. By the end of 2021, hospital labor expenses per patient were 19.1% higher than pre-pandemic levels. Today those numbers are growing considerably faster than revenues.

South Dakota's Hospital's pre-pandemic experienced an average of 2-3% inflation in purchased services, equipment, supplies and other materials. Today they are dealing with as much as 25%-40% inflation in pricing for everything from paper products to common medical supplies and food to software technology.

Health systems are not like most businesses. As inflation continues to rise, they cannot adjust their prices to cover the increased costs because the majority of reimbursement is set in contracts—many of which are not renegotiable for years. This includes insurance company contracts.

IMPACT SNAPSHOT

\$181M

Uncompensated care provided by SD Hospitals in 2020

40

Average daily number of people in the state are in hospital beds waiting to be transferred to long term care facilities