

Scott Borgemenke
Senior Vice President, Advocacy
Ohio Hospital Association
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Chairwoman Carruthers, Ranking Member Liston and members of the House Finance Subcommittee on Health and Human Services, thank you for the opportunity to testify today. My name is Scott Borgemenke and I serve as the Senior Vice President of Advocacy for the Ohio Hospital Association.

On behalf of OHA's 247 hospitals and 15 health systems, I am here as a proponent of the As Introduced version of House Bill 33, the FY 2024-2025 state operating budget.

Established in 1915, OHA is the nation's first state-level hospital association and it exists to collaborate with member hospitals and health systems to ensure a healthy Ohio. The association is governed by a 20-member Board of Trustees with representation from small and large hospitals, teaching facilities and health care systems.

In addition to advocacy, OHA's staff leads statewide health care initiatives and serves members through our expertise in population health, economic modeling, health care finance, data analytics and health policy.

Hospitals are the epicenter of their communities. In Ohio, they provide care for nearly 37 million patient encounters, deliver more than 124,000 babies, and directly employ 432,000 Ohioans while indirectly supporting another 272,000 jobs. Hospitals are critical drivers of the health and well-being of not only the state's residents, but of its economy as well.

The state continues to be a conservative steward of state General Revenue Fund expenditures, while also providing stability and predictability for Ohio's hospitals. Given the significant uncertainty hospitals face with respect to many elements of their operations, from workforce challenges to inflationary pressures, we are grateful to Governor DeWine and the General Assembly for proposing state budget stability and consistency for hospitals. This budget provides Ohio hospitals with continued and predictable financials to plan effectively for providing care and services to their patients.

Last year, 63% of OHA's members lost money from an operating margin perspective. On top of that, another 9% of OHA members had between a 0 and 2% margin.

Hospitals continue to experience the same challenges that made 2022 the worst financial year since the start of the COVID-19 pandemic. Notably, labor costs are up 21% and drug and supply expenses have increased 12% compared to January 2020. Fitch ratings last week summed up the state of hospital finances, “there is no easy road ahead despite some easing pressure...margins are not expected to return to pre-pandemic levels for quite some time.”

The precarious state of hospital finances and the significant cost increases for labor, pharmaceuticals and virtually every other input that goes into hospital operations are further intensified by the substantial investment losses suffered by hospitals last year. In past years, investment gains helped to offset operational losses for many hospitals. That was not the case last year when the investment market suffered heavy losses.

Health care is a labor-intensive field, requiring 24-hour-per-day/seven-days-per-week staffing to achieve quality outcomes. Like every business sector in Ohio, OHA members continue to contend with workforce challenges across their organizations—challenges that have been accelerated by the pandemic. Caregiver shortages, competition for staff and staff burnout have all contributed to the health care workforce crisis.

Staffing shortages are affecting hospitals throughout the state and nationwide. The shortage is driven by many factors, including an increased need for health care around the country. As America’s largest generation — the baby-boom generation — gets older, there will be an unprecedented demand on the health care system requiring additional caregivers and health care workers.

One contributing factor to this shortage is the insufficient workforce pipeline. The health care pipeline was a problem pre-pandemic, but the pandemic has made the problem worse. Shortages of faculty, classroom space and clinical training sites have further exacerbated the issue.

In Ohio, 17% of inpatient beds (4,720 beds) have been taken offline. Providers across the care continuum are experiencing similar struggles, resulting in bottlenecks at all points. Patients are being boarded in emergency departments because of lack of staff, and significant delays in transferring patients to post-acute providers results in hospitals caring for patients who should be cared for in more appropriate settings.

Additionally, the rise of workplace violence, costs of clinical education, job readiness of new graduate and difficulty reimagining care delivery models, among other barriers, have created a very tenuous environment for hospital staffing.

For a field that has experienced such unprecedented trials, including forced closures and service line discontinuations in many service areas statewide, it is of utmost importance to have stable and predictable funding models going into the next biennium.

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Governor DeWine's proposed budget does this by providing hospitals with financial stability that will allow our members to continue to provide high quality care for our patients and your constituents.

Chairwoman Carruthers, Ranking Member Liston, and members of the subcommittee, thank you for your time today. I look forward to continuing our work on this budget and other important issues and welcome any questions you may have.