This report aims to provide a quarterly analysis of the utilization and financial data submitted by Oregon's hospitals to the DATABANK and INFOH programs and a forward look into current trends.

As of December 3, 2021; subject to changes as data is updated.

Oregon Hospital Utilization & Financial Analysis

Q3 2021 & Current Trends

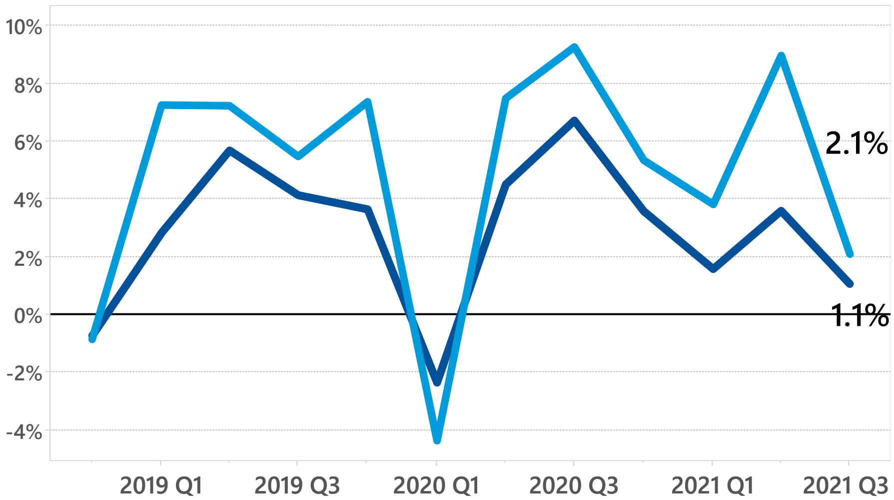
Key Insights

- Q3 2021 brought the highest levels of hospitalization we have seen in Oregon in the course of the pandemic thus far, with almost 1,200 patients in the hospital on September 1, more than 100% of the previous peak in November 2020.
- During the last week of November, 536 people were awaiting discharge: 381 patients in the hospitals facing discharge delays and another 155 patients were boarding in emergency departments.
- Capacity issues, driven by staff shortage, high-acuity patients and escalating expenses continue to stress Oregon hospitals.
- As hospitals face sustained labor increases and uncertainties around the emergent Omicron variant, performance may continue to decline.

Operating and Total Margins drop from previous quarters

- Q3 2021 Median Operating Margin and Median Total Margin have declined from Q2. 45% of hospitals had negative Operating Margins in Q3, and both types of margins are lower than nine of the previous ten quarters.

Median Operating Margin vs Median Total Margin



- In Q3 2021, DRG hospitals were again less profitable than rural hospitals, with Median Operating Margins at -2.3% and 4.4%, respectively.
- Median Total Margin, which includes investment income, hovers at a mere 2.1%, a decrease of 6.9 percentage points compared to Q2 2021.
- The inadequate community placement for patients after hospital treatment, as well as longer than expected lengths of stay due to higher acuity, greatly affect hospital finances. Insurance companies, as well as Medicare and Medicaid, often stop reimbursing hospitals for care since payments are usually based on diagnoses, not on how long the patient remains in the hospital.

Key Definitions

Operating Margin Percent
Measure of profitability from the reporting entity's operations

Total Margin Percent
Measure of profitability from all sources of the reporting entity's income

Net Patient Revenue
The revenue the reporting entity generates from patient care

Total Operating Expense
All expenses incurred from the reporting entity's operations

Total Payroll Expense
All salaries and wages paid and accrued internally to employees

Benefits Expense
The healthcare enterprise's share of benefit programs for all hospital employees

Emergency Room Visits
The total number of patients seen in the emergency department who are not later admitted as inpatients

Inpatient Visits
The total number of inpatient discharges during the reporting period

Total Outpatient Visits
The total number of outpatient visits during the reporting period

-The numbers and figures in this report are based on a DATABANK download from November 15, 2021

-Bay Area and Lower Umpqua have been excluded due to unavailable data.

-Shriners Hospital for Children is automatically excluded from this report because of their unique status, and wildly fluctuating payer mixes that make comparisons difficult with other community hospitals.

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As of September 23, 2021; subject to changes as data is updated.

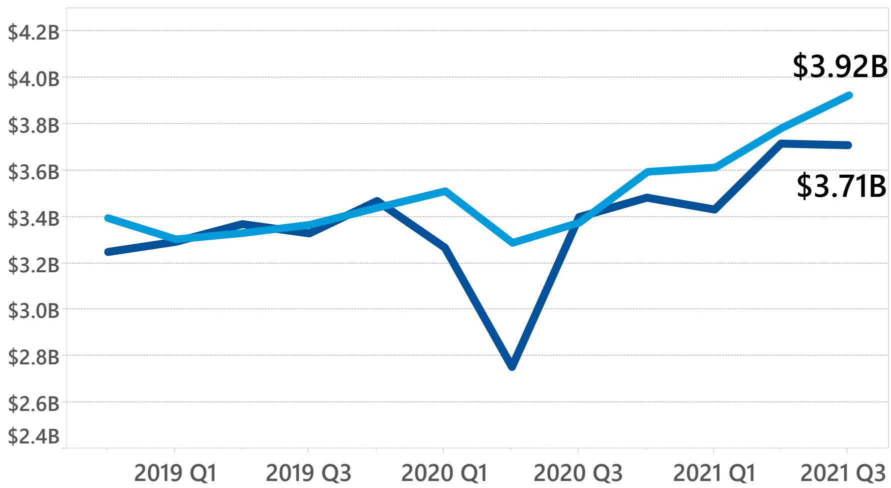
Oregon Hospital Utilization & Financial Analysis

Q3 2021 & Current Trends

Net Patient Revenue continues to lag behind Total Operating Expenses

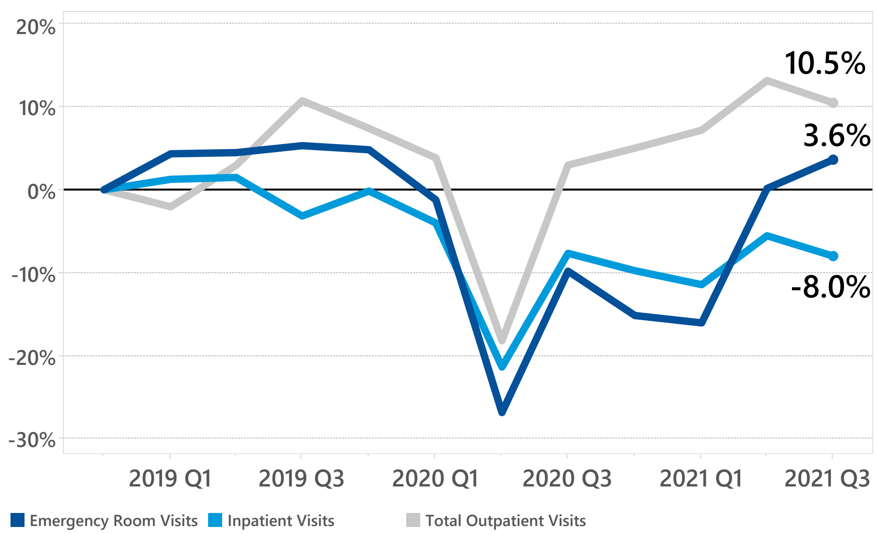
- The gap between Net Patient Revenue (NPR) and Total Operating Expense (TOE) widens again in Q3 2021. Statewide NPR remains fairly static from Q2 2021, while TOE increased by almost 4%. This is a fifth consecutive quarterly increase for TOE.
- The high cost of labor continues to be a major contributor to the large increases in Total Operating Expense. For Q3 2021, statewide Payroll and Employee Benefits is 52% of TOE, and has increased roughly 19% over the past three years.
- Furthermore, part of the labor cost such as purchased services for housekeeping staff, facility management staff, and other operational services staff (professional services, IT, etc.) are often billed to Other Expense (not Payroll), making it difficult to get a complete picture. In Q3 2021, Other Expenses is 30% of TOE, and has increased 18% over the past three years.

Net Patient Revenue vs Total Operating Expense



Capacity challenges

Hospital Utilization (Percent Change since Q4 2018)



- Statewide Inpatient discharges in Q3 2021 dropped modestly from Q2 (-2.6%). However, it continues to remain below pre-pandemic level (-8.0%) due to staff shortage, reduced elective procedures, high average lengths of stay (LOS) and discharge problems.
- The rolling 3-month average LOS is now 5.5 days compared to 5.0 for 2020 and 4.7 for 2019.
- Emergency Room visits show a modest improvement in Q3 2021, showing a 3.5% increase compared to Q2, but still have too many patients waiting for transfers to other settings.
- Only Outpatient visits remains strongly positive. While there is a small decline in Q3 2021 compared to Q2 (-2.4%) , it is still a 10.5% increase compared to pre-pandemic level.

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