

President's Column: Hospitals' Biggest Hurdles for 2024: Workforce and Inflation

By Eric Borgerding, WHA President and CEO (Published in the Wisconsin Banker's Association's Wisconsin Economic Impact Report on Jan. 12)

Like many other businesses over the past few years Wisconsin hospitals have encountered substantial challenges, including a shifting and shrinking workforce and inflation unseen in years. These two factors, along with essentially flat reimbursement for services, are combining to place historic pressure on operations for 24/7/365 hospitals. Despite these challenges, our hospitals and health systems—94% of which are non-profit—deliver essential services throughout the state, while maintaining their status as some of the [best quality health care](#) in the nation.

Wisconsin hospitals are striving to expand, recruit, retain, and support the health care workforce required to uphold the high-quality health care that Wisconsin citizens both expect and deserve. However, despite these concerted efforts, it is improbable that the health care workforce can expand rapidly enough to meet the escalating health care demands of Wisconsin's inordinately aging population.

By 2030, one in five Americans will be at retirement age. In Wisconsin, it's closer to one in four. Wisconsin is currently among the nation's 15 oldest states, with a population 65 and older near or at 20%, as compared to younger states with only 12 to 15% of their population over the age of 65. The rise in retirements is a powerful demographic trend impacting various industries. However, the health care sector faces a unique challenge because of the increasing demand as individuals grow older, coupled with a shrinking workforce.

Although those aged 65 and above represent only 20% of the population, they contribute to more than 40% of health care utilization. In contrast, individuals under the age of 35 comprise more than 40% of the population, yet their health care demand constitutes less than 20%. By 2032, the final members of the Baby Boom generation will reach 65 years old, and by 2040 Wisconsin's population 65 and older is projected to swell to 24%, almost one-quarter of the state's population. While retirements may decline in other sectors, we predict the enduring influence of the ["Silver Tsunami"](#) on health care demand and the health care workforce will span decades.

Wisconsin hospitals and health systems anticipate additional fiscal challenges for the foreseeable future, primarily caused by operational costs, reimbursement and patients resuming their pre-pandemic care. Higher costs for labor, medical supplies and overhead have a larger impact on businesses relied upon to deliver on-demand, around-the-clock access to care. Since 2019, the cost of supplies and services skyrocketed by almost 27%. Meanwhile, labor costs surged by nearly 14% and capital costs increased by 6%. As a result, profit margins have suffered significantly (even non-profits must operate in the black).

These pressures are exacerbated by shrinking reimbursement for services from commercial and government insurance while competition grows from for-profit, often venture capital-backed surgery centers that refuse to care for the uninsured or Medicaid patients and only the least complex (thus more profitable) Medicare patients. In December, the US Senate Budget committee, having "become increasingly concerned about the associated negative outcomes for patients." announced a bipartisan investigation into the private equity ownership of hospitals.



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Recently released, state-mandated hospital fiscal data illustrates these dynamics. In 2022, of the hospitals required to submit data, 139 (86%) experienced decreasing margins, with 65 hospitals (40%) actually operating in the red, including 10 of our rural hospitals running at a loss. These are the worst numbers we've seen in decades, including 2020, the incredibly difficult first year of the pandemic.

Thankfully, Wisconsin has not had a hospital close in over a decade, but we are seeing troubling signs, as potentially foreshadowed in the data above. Over the past 18 months several labor and delivery programs have closed leaving communities and families with longer drives to deliver babies. Other critical service lines such as inpatient behavioral health and substance abuse care, which typically operate in the red and would not be available at all if not for the local hospital, have downsized, closed or shelved plans for expansion. We expect more to come in 2024.

Even in the face of these new challenges, Wisconsin's hospitals continue their unwavering dedication to providing exceptional care for all individuals. They persist in supporting critical services such as hospice, home health, behavioral health, long-term care and more, which are vital in many communities where if not for the hospital, the services simply would not exist. Despite these and other political challenges, responsible stewardship has and will remain at the forefront of their mission.

This column was originally included in the Wisconsin Bankers Association's annual Wisconsin Economic Report, with columns from state industry leaders. You can access the report [here](#).

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