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President's Column: Hospitals See Modest Gains in Latest Fiscal Data, But Cautious on Road Ahead

By Kyle O'Brien, WHA President and CEO

According to the Wisconsin Hospital Association's most recent fiscal survey, the state's hospitals and health systems experienced a modest improvement in finances compared to the last two years, reporting a 2.2% average health system operating margin in 2024. This is the first time that the average health system margin has been in the black in the last three years.

While this is good news, it must be viewed with caution. Uncompensated care (charity care and bad debt) increased by nearly 30% between 2023 and 2024; labor and supply costs continue to increase at a rate that outpaces Medicare and commercial insurance rate increases; insurance companies are making it more difficult for providers to get reimbursed for care; and patients are waiting longer to be seen.

Nearly half of patients receiving care in a Wisconsin hospital depend on Medicare for their coverage, while patients covered with commercial insurance now make up less than one-third of the patients hospitals see. In other words, more hospital business involves services that reimburse below what it costs to provide that care. Since 2016, Wisconsin hospitals reported a six-point increase in the number of Medicare patients they've seen, with a commensurate decrease in commercial pay patients.

What does this all mean? Every one-point shift in payer mix from commercial to Medicare means a roughly \$200 million loss in revenue to Wisconsin hospitals, not including physician and provider services. Since 2016, this has resulted in a staggering \$1.2 billion reduction in revenue for Wisconsin hospitals, all because patients are retiring onto Medicare and coming off commercial insurance. This is all happening while the input costs for a hospital to deliver care (i.e. salaries, supplies and pharmaceuticals) keep rising.

While hospital finances have improved overall in 2024, 41—nearly one-third of all Wisconsin hospitals—operated with a deficit. These hospitals are largely in areas dependent on government payment sources, like Medicare and Medicaid. At the same time, access to care in some communities has suffered, with local hospitals struggling or even closing, as was the case in the Chippewa Valley.

In the last state budget, Governor Evers and legislative leaders from both parties came together to enact a Medicaid rate increase through an enhanced state-directed payment program for hospitals that would align Wisconsin's program with other states. While the program awaits federal approval, this could provide substantial resources targeted at hospitals serving Medicaid patients and offset at least some of their losses.

Wisconsin's business community and hospitals need each other. Hospitals need a thriving local economy to provide the commercial patient base necessary to operate a hospital. The non-health care economy needs high quality health care to attract and retain a productive, healthy workforce and support local businesses.

In our 2024 WHA Community Benefits Report, retired President & CEO of Menasha Corporation and Froedtert ThedaCare board member Jim Kotek said their local hospital and health system is there for, "more than just medical care; they're an anchor institution that supports other local businesses, from service providers to suppliers, helping to create a stronger, more resilient local economy."

I couldn't have said it better myself.

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](#).



Kyle O'Brien

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