

# Denver Health & Hospital Authority

## Safety Committee Budget Presentation

October 16, 2024



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# Goals for Today

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**Understand the City MI Payment**

**Understand Purchased Services and Indirect Costs**

**What the 2025 Budget Increase Means for Denver Health Bottom Line?**

**Illustrative Examples**



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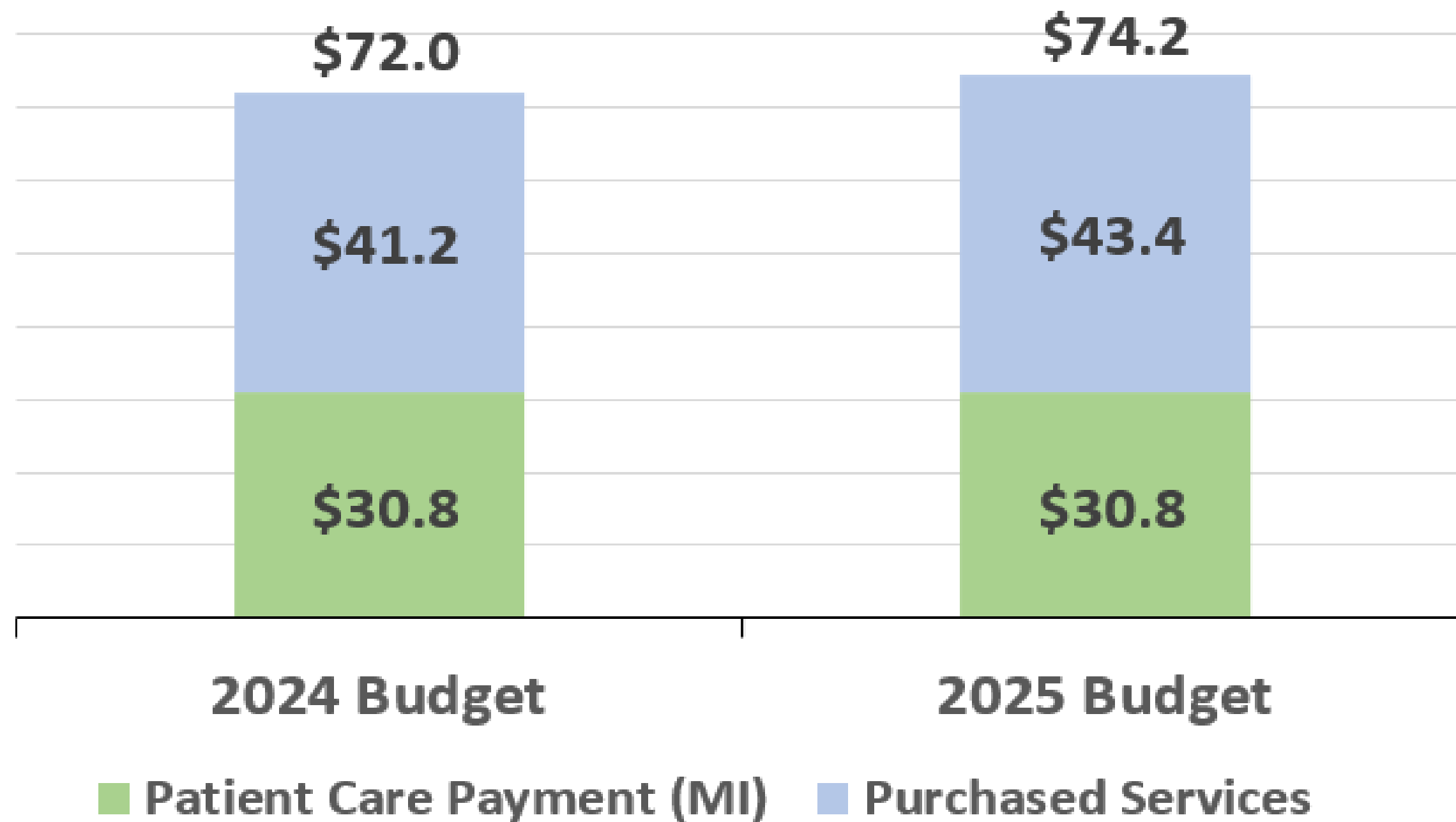
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# Denver Health and City Operating Agreement

The Operating Agreement has two distinct parts: The Patient Care (Medically Indigent) Payment and the Purchased Services provided to the City

2024 and 2025 Budgets (\$ in millions)



## Patient Care Payment (MI)

City funding to reimburse Denver Health for quality care to our vulnerable populations (\$30.8M)

## Purchased Services

Services Denver Health provides to City; includes public health clinics, medical and mental health care in correctional facilities, Denver CARES, EMS at airport, etc (\$43.4M)



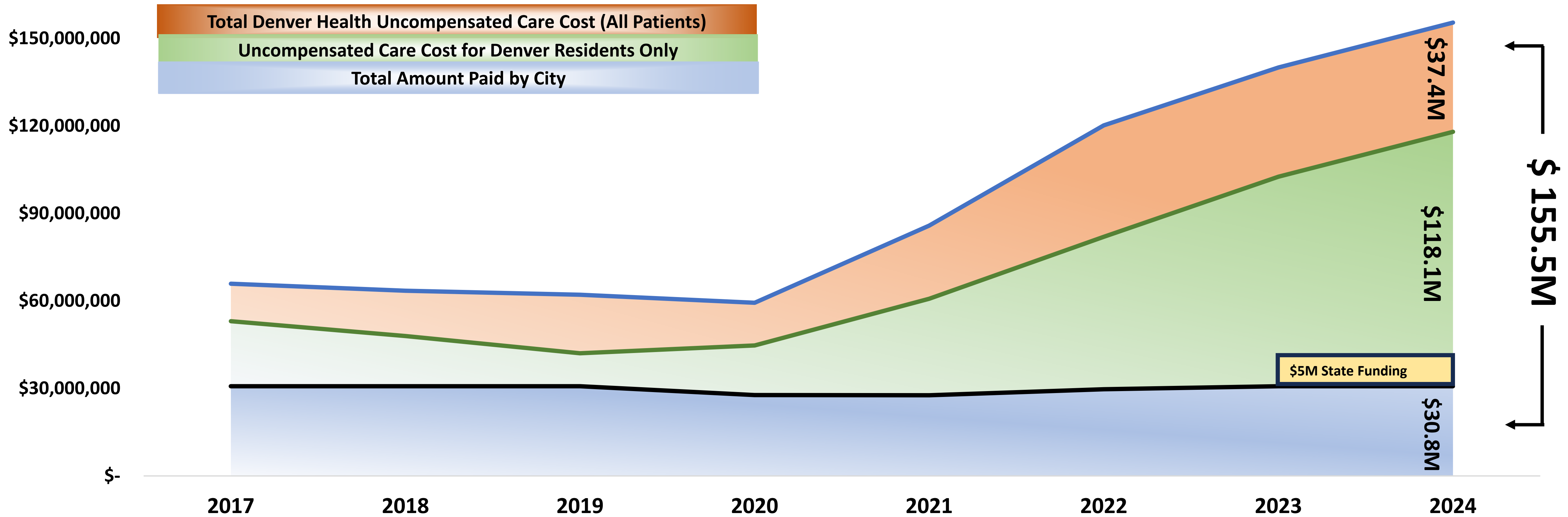
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# Patient Care Services

## Denver Health Medicaid, Medicare and Uninsured Uncompensated Care for Services

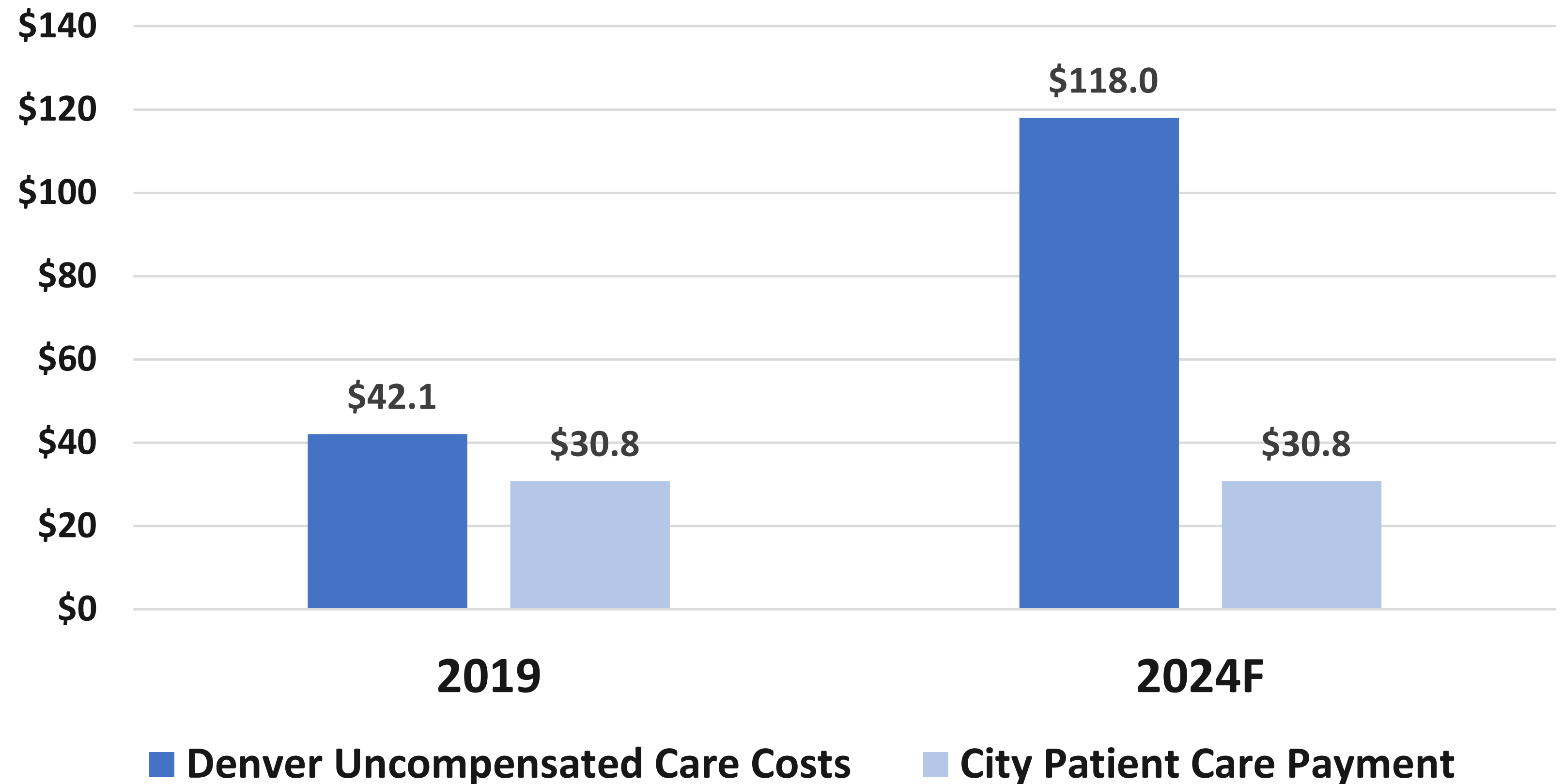


# Uncompensated Care is Growing

### 2019 vs 2024 Forecasted Denver Uncompensated Care Cost & City Patient Care Payment (\$ in millions)

The Patient Care Payment has stayed flat despite increases in uncompensated care

Zero increase to keep up with rising costs



# What is an Indirect Expense?

Indirect expenses are incurred for the overall operation and not for any one unit

## Examples (not all inclusive):

- Information Technology
- Human Resources
- Legal
- Billing and collecting

- Other DHHA/City Contracts outside of the operating agreement have an indirect cost rate
- **For example, the SAFE (Safety, Advocacy and Family Engagement) contract has a 10% indirect rate applied to total expenses**
- If Denver Health did not provide services in the Jails, CARES, public health, etc. on behalf of the City, resources in each of these areas would be reduced to cut costs



# Purchased Services

The Purchased Services portion of the OA has increased as the services Denver Health provides on behalf of the City has increased

However, any budget increase in this portion has no positive effect to Denver Health's bottom line as they are pass-through expenses and indirect costs are not covered

Illustrative Example	
Total Purchased Services	
<b>2024 Budget</b>	<b>2025 Budget</b>
\$41.2M	\$43.4M
<b>However, this does not include indirects, so actual cost is approximately 10%, or \$4.3M, higher</b>	
<b>2025 Budget with Indirects</b>	
\$47.7M	



# Detailed 2023 Uncompensated Care Calculation



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# Final Uncompensated Care Cost

<i>\$ in millions</i>	Denver Residents Only	Out of County Residents	Total All Patients
<b>Total Uninsured, Medicare &amp; Medicaid Cost, Net of Direct Patient-Level Payments</b>	<b>\$224</b>	<b>\$95</b>	<b>\$319</b>
Provider Fee Medicaid UPL Payments	(\$60)	(\$31)	(\$91)
Provider Fee Medicaid DSH Payments	(\$33)	(\$14)	(\$47)
Ambulance Supplemental Payment	(\$1)	(\$1)	(\$2)
Physician Supplemental Payment	(\$5)	(\$3)	(\$8)
Senate Bill 23-138 Supplemental Payment	(\$4)	(\$2)	(\$6)
330 Grant Payment	(\$11)	(\$5)	(\$15)
Primary Care Fund Payment	(\$7)	(\$3)	(\$10)
<b>Total Medicaid DSH and Other Safety Net Revenue</b>	<b>(\$121)</b>	<b>(\$57)</b>	<b>(\$179)</b>
<b>Total Uncompensated Care Cost</b>	<b>\$103</b>	<b>\$37</b>	<b>\$140</b>

- Charges will be then further adjusted downward by deducting Medicaid disproportionate share payments and payments received from any successor reimbursement program to any of such programs that are designed to reimburse the Authority for Patient Care Services to the Population



# Uncompensated Care Costs Offset

- **With \$140M of uncompensated care costs, why are Denver Health's financials close to break-even?**
  - Commercial payers (including the health plan)
  - MI payment
  - Philanthropy
  - Federal and State Grants
  - FEMA
- Break-even is not a long-term strategy in order to grow and fulfill the needs of the community



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# Questions?

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# Appendix

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# Cost Calculation

<i>\$ in millions</i>	Denver Residents Only	Out of County Residents	Total All Patients
Uninsured Charges	\$340	\$150	\$490
Medicaid Charges	\$1,230	\$582	\$1,812
Medicare Charges	\$511	\$147	\$657
<b>Total Uninsured, Medicare &amp; Medicaid Charges</b>	<b>\$2,081</b>	<b>\$879</b>	<b>\$2,959</b>
<b>Cost-to-Charge Ratio</b>	<b>32.11%</b>	<b>32.11%</b>	<b>32.11%</b>
Uninsured Cost	\$109	\$48	\$157
Medicaid Cost	\$395	\$187	\$582
Medicare Cost	\$164	\$47	\$211
<b>Total Uninsured, Medicare &amp; Medicaid Cost</b>	<b>\$668</b>	<b>\$282</b>	<b>\$950</b>

- Gross charges to the Population (“in the State Medical Assistance Program, uninsured patients, and patients identified as having a government payor as their source of reimbursement for their care”)
- Gross charges will then be further adjusted downward to Cost using the Medicare cost to charge ratio, or if this ratio ceases to be in effect or is substantially and materially modified, another similar methodology as agreed upon by the parties
- **Cost-to-charge ratio is calculated using data in Medicare Cost Report for all payers**

# Cost, Net of Direct Patient-Level Payments

<i>\$ in millions</i>	Denver Residents Only	Out of County Residents	Total All Patients
<b>Total Uninsured, Medicare &amp; Medicaid Cost</b>	<b>\$668</b>	<b>\$282</b>	<b>\$950</b>
Uninsured Payments	(\$12)	(\$8)	(\$20)
Medicaid Payments	(\$307)	(\$144)	(\$450)
Medicare Payments	(\$126)	(\$36)	(\$161)
<b>Total Uninsured, Medicare &amp; Medicaid Direct Patient-Level Payments</b>	<b>(\$444)</b>	<b>(\$187)</b>	<b>(\$632)</b>
<b>Total Uninsured, Medicare &amp; Medicaid Cost, Net of Direct Patient-Level Payments</b>	<b>\$224</b>	<b>\$95</b>	<b>\$319</b>

- Gross charges shall be adjusted downward for patient pay collections and third-party payments for payment based on the respective fee schedule for each of the programs described in the definition of Population;



# Public Health Grants Example

- 2023 City funding was lower than budget due to vacancy savings and higher grant revenue than expected – one-time supplemental grants (Monkey Pox, Ukraine refugees)
- 2024 grant revenue expected to be higher than budget due to grants associated with varicella outbreak and vaccinating newcomers
- Current indirect cost calculation is based on 2019 data; latest calculated rate based on cost report is \$1.6M – **still expect to be under 2024 budget if this rate is updated**
- CARES also receives ~\$2.7M grant revenue annually

2023 Public Health Cost	Base Clinic Costs	Indirects (Based on 2019 Data)	Total
Immunization Program	\$ 2,006,283	\$ 323,453	\$ 2,329,736
Infectious Disease/AIDS Services	4,426,732	185,043	4,611,775
STD/HIV Control & Education	3,558,959	42,781	3,601,740
Tuberculosis Program	1,323,087	151,911	1,474,998
<b>Total</b>	<b>\$11,315,061</b>	<b>\$ 703,188</b>	<b>\$12,018,249</b>
<b>Offsets to Cost</b>			
Patient Revenue from Billing			\$5,648,622
Grant Revenue			\$5,696,881
<b>City Funding</b>			<b>\$ 672,746</b>

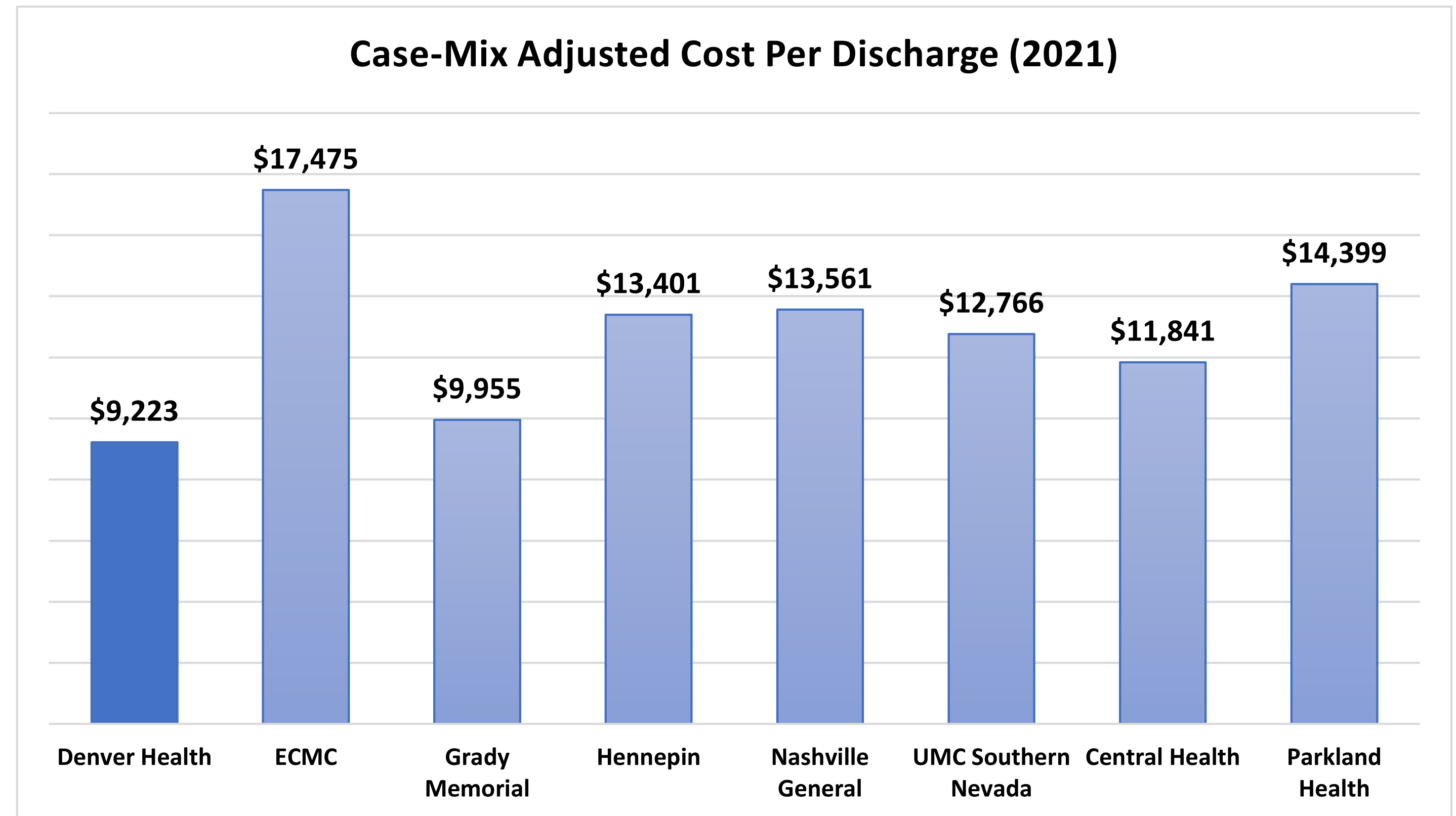


# City / E&Y Report and Cost Efficiency

E&Y report illustrated DHHA costs being lower than its peers

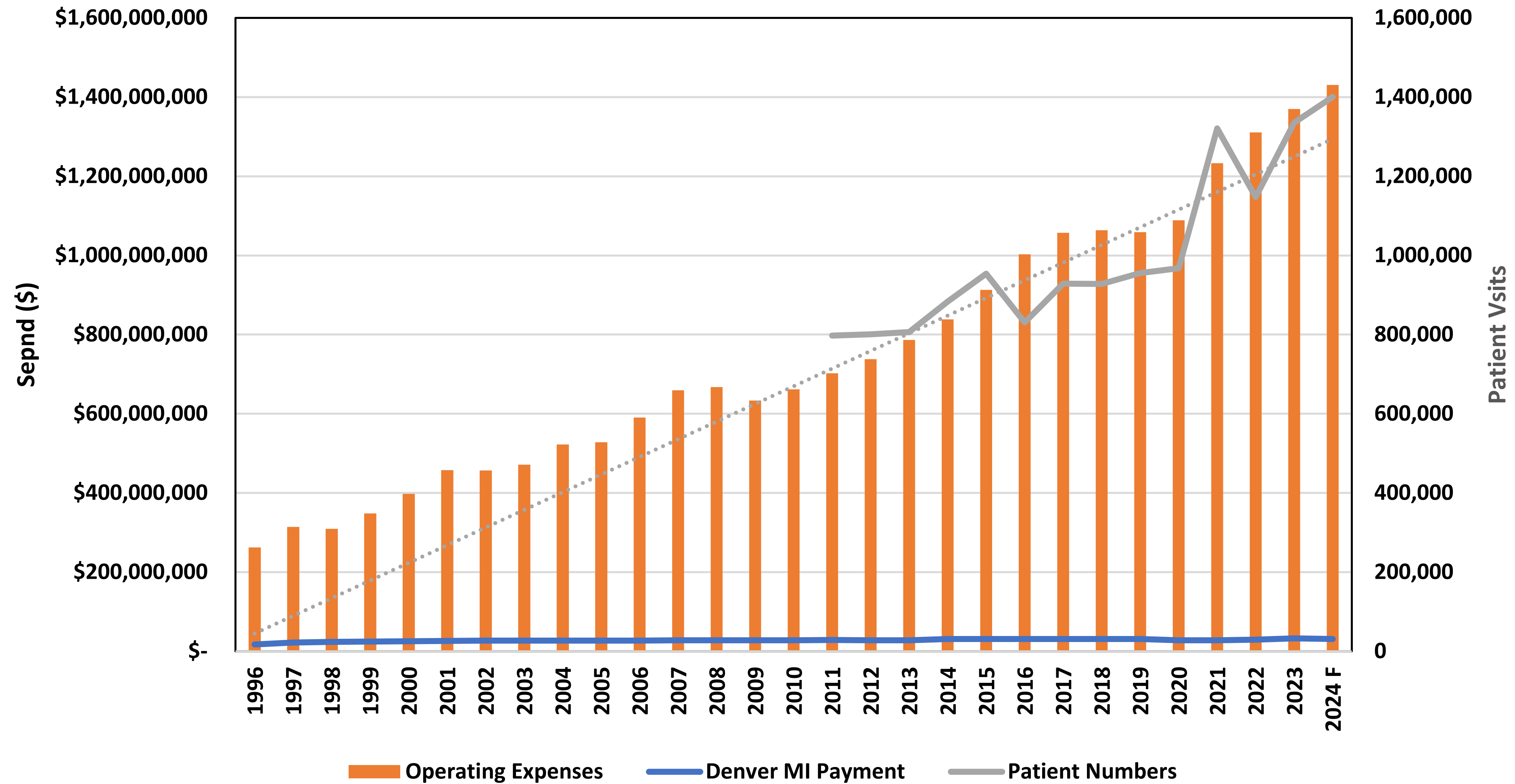
“Despite its financial challenges, DHHA is outperforming most of its peers in terms of overall quality, patient experience, and readmissions”

“DHHA demonstrates strong quality performance for a safety net provider filling a community need; this suggests responsible use of assistance funding and a rationale for continued support”



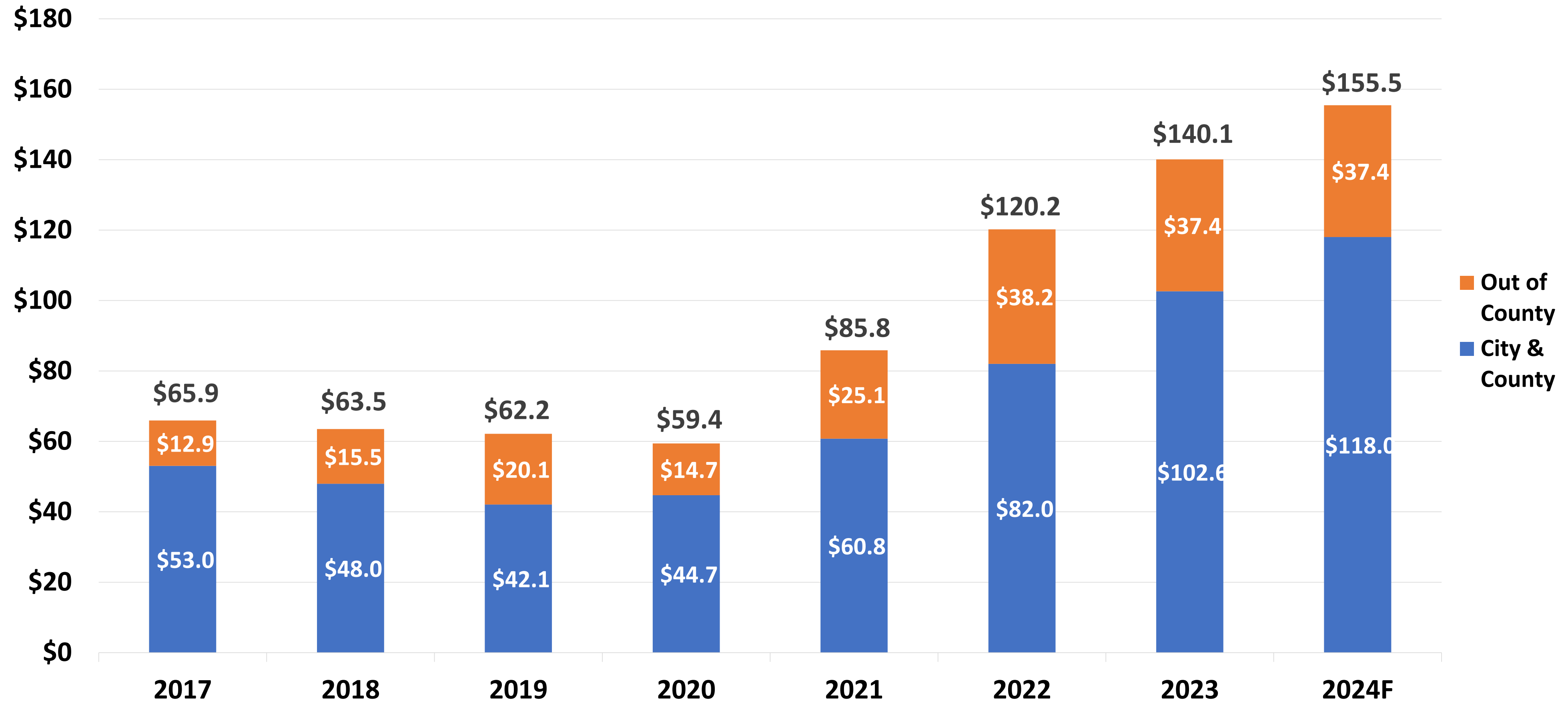


# Operating Expenses and Patient Numbers



# Net Uncompensated Care Costs

### 2017-2024F Uncompensated Care Denver County and Out of County (\$M)



# How are Other Safety-Nets Funded?

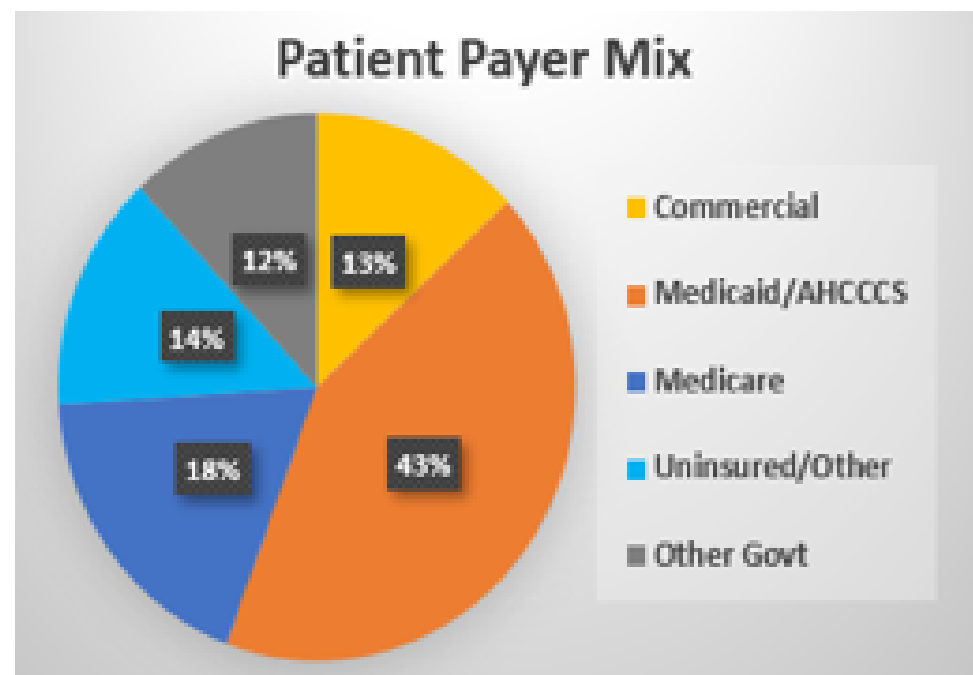
In 2003 the AZ state legislature referred a measure to the voters of Maricopa county to form a health care district to levy a property tax for a period of 20 years. This tax is revenue used for general operating funds for Valleywise;

In 2020, the health care district referred a measure to reauthorize the property tax to fund general operating expenses for Valleywise for another 20 years

Harris Health relies on an ad valorem tax that was established in 1965; this revenue is dedicated as general operating revenue for Harris Health

**Valleywise**  
 Location: Phoenix, AZ  
 Known for: Level I trauma center, burn center, HIV primary care, refugee women's health, children's center, BH centers, 12+ family health centers

Operating Revenue: \$619M  
 Tax revenue: \$145M  
 Tax revenue as % of budget: 23%  
 Patient Visits: 550,000  
 Population size: 4.5M



**Harris Health System**  
 Location: Harris County (Houston), TX  
 Known for: Level I trauma center, comprehensive stroke center, neonatal intensive care services

Operating Revenue: \$1,43 billion  
 Tax revenue: \$815M  
 Tax revenue as % of budget: 57%  
 Total Unique Patients: 261,901  
 Population size: 4.73M

