

# Hospital Finance and the HDAA: A New Mexico Story

Robert Whitaker, CEO, Gila Regional Medical Center

Troy Clark, CEO, New Mexico Hospital Association

Sandra Emanuel, CEO, Peak Behavioral Hospital

September 24, 2024





# Today's Focus



- Gila Regional
- Hospital Finance
- HDAA
- Peak Behavioral

# Robert Whitaker, CEO

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Gila Regional Medical Center (GRMC) is a county owned, Critical Access Hospital in Silver City, New Mexico.

- 25 beds (13 Med/surg; 6 ICU; 4 L&D; 2 Level 2 Nursery)
- 475 team members

**The GRMC Mission:**  
To be the best place to receive care, work, and practice medicine.



# The Health of Our Hospital

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Like all our hospitals, Gila Regional faces harsh financial realities. Small hospitals are ready to serve patients 24/7/365, but do not benefit from the high patient volumes and economies of scale that help cover expenses. When rural hospitals run in the red, access to care across our vast state is in jeopardy.

- Nearly **half of NM residents are insured by Medicaid**, where reimbursement does not cover the costs of care.
- **Costs of workforce, supplies, prescription drugs, medical malpractice insurance** and much more are ever-increasing.
- Large hospitals become overwhelmed as they see all patients that small hospitals cannot, further compromising access to care.

# Gila Regional: A New Mexico Hospital Story

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GRMC requires substantial financial support to deliver the highest quality care, guarantee regulatory compliance, and meet the evolving needs of a very diverse population.

- Facility is over 40 years old.
- Conducting a building feasibility study to determine whether to significantly renovate and expand our current building or build new.
- We need to change our structure to meet changes in the way health care is delivered.



# Gila Regional: A New Mexico Hospital Story

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GRMC receives no tax dollars or mill levy to support operations or infrastructure needs. We support all of this through our own operations, state capital outlay, and grant funding. Lack of adequate funding would result in reduction of providers and services, limiting access to care.

- To meet market demand and incentivize employees to choose GRMC, we have increased wages 14% over the last 12 months.
- Not enough people are going into healthcare related programs, and of those that do, most choose to live in more urban areas.
- We have 32 traveler and contract staff of RNs, lab techs, radiology techs, and PTs.
- Medical liability insurance increased 23% this year to \$1.4 million.

# Gila Regional: A New Mexico Hospital Story

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To achieve the hospital's stated mission, GRMC must continue to evolve to meet the needs of patients. We are making plans and tracking successes.

- We have been Tier 1 status every quarter of the NM HVBP program
- Completing strategic plan 2025-2028
- Completing building feasibility study for new facility/campus



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**GILA REGIONAL**

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*Medical Center*

# HDAA and GRMC

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## HDAA funds will help GRMC to:

- Expand EMS services to have units in outlying towns, Mimbres, Cliff, and Bayard.
- Grow our geriatric service to support expanding retiree population.
- Advance technology to grow telehealth specialty clinics.
- Expand non-emergency medical transport operations.
- Partner with local community health center to reestablish rural family medicine residency program.
- Recruit and retain primary care physicians and nurse practitioners in family medicine, pediatrics, and senior care.
- Create a new hospital and clinics without requiring public tax support.

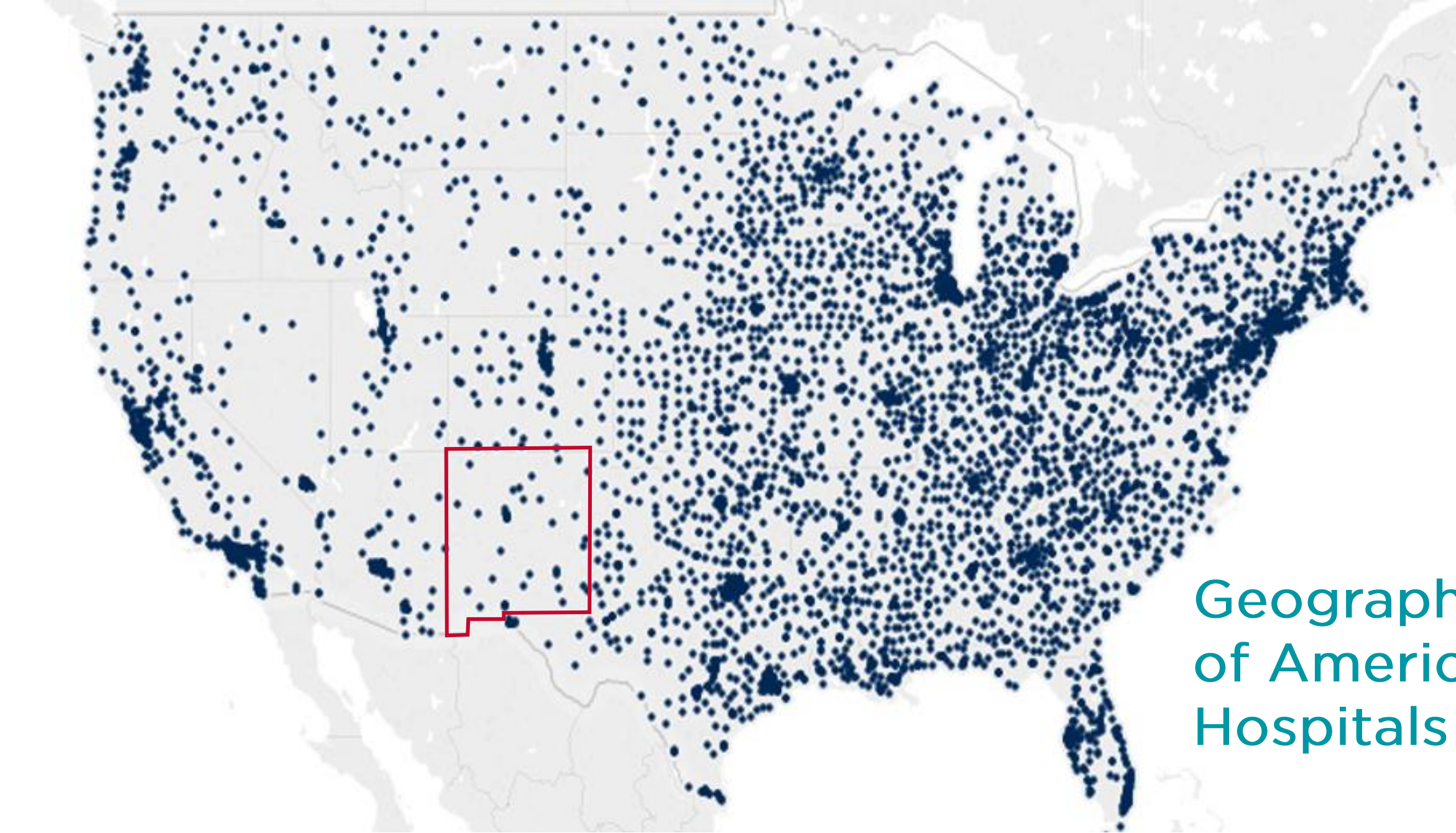


# Troy Clark, President & CEO

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**New Mexico Hospital (NMHA)** advocates for 47 hospitals and the patients and communities they serve—and of hospital healthcare champions in public office. We work with others to advance public policy to create a healthier New Mexico by strengthening access to quality care.





## Geography of America's Hospitals

# Hospitals: A NM Economic Driver

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Hospitals are the largest employer in most communities where they exist, our source of livable wage jobs.

- In rural communities, some hospitals are 12% of county GDP
- Hospitals contribute to increased community homeownership, a marker of economic stability and growth

In 2022, hospitals contributed \$12.04 Billion in total expenditures impact to New Mexico's economy.

- \$7.3 Billion spent by hospitals directly
- \$4.7 Billion in secondary expenditures
- **And \$6.3 Billion in labor income impact, with 67,844 jobs.**  
This is up from \$4.7 Billion just 3 years earlier.

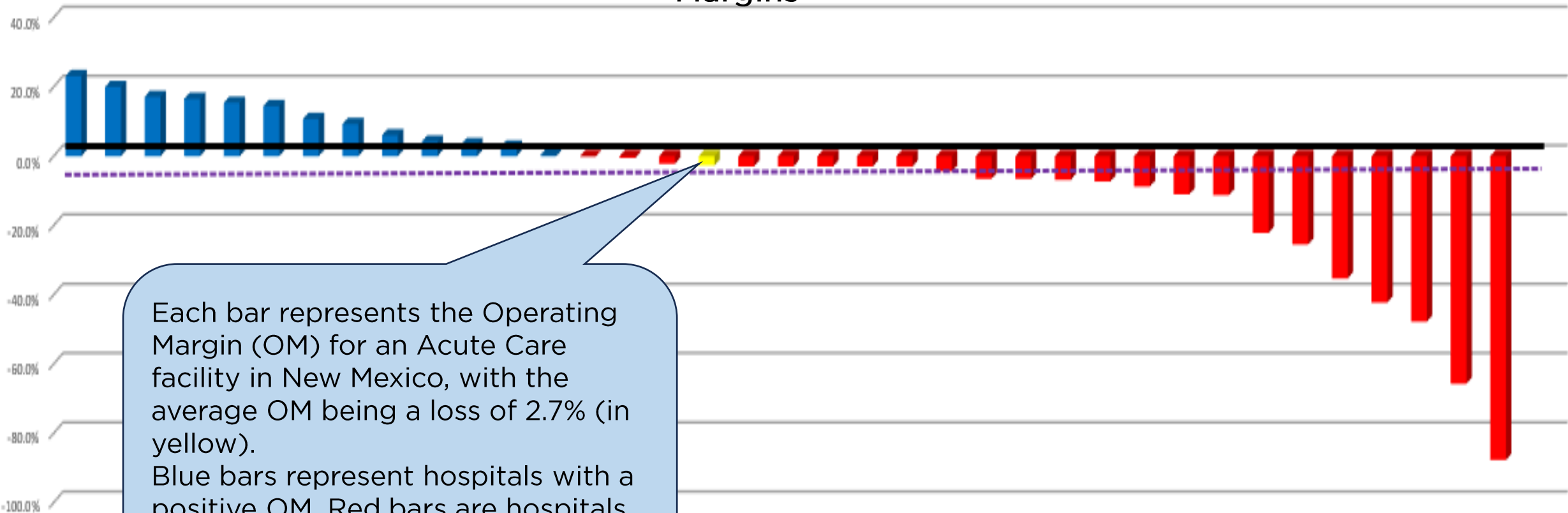


# Statewide Status

## Hard Times for Community Hospitals

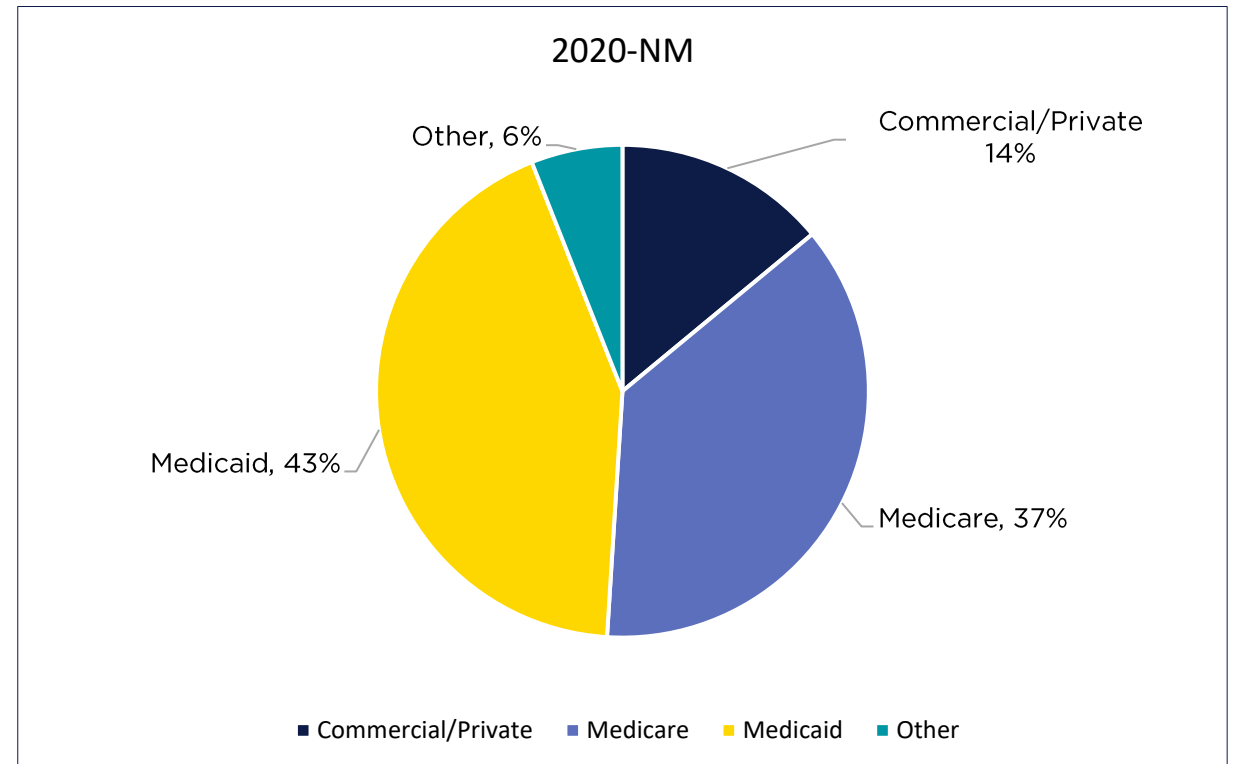
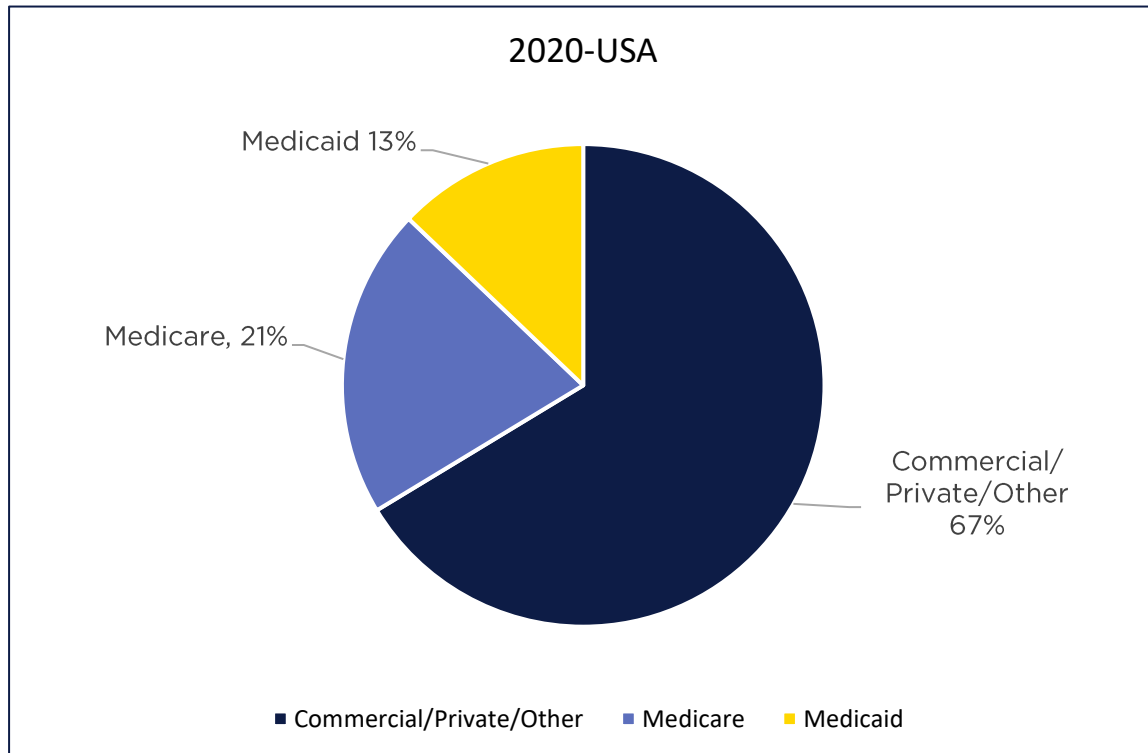
# Financial Stress on Our NIM Hospitals

2022 Hospital Operating Margins



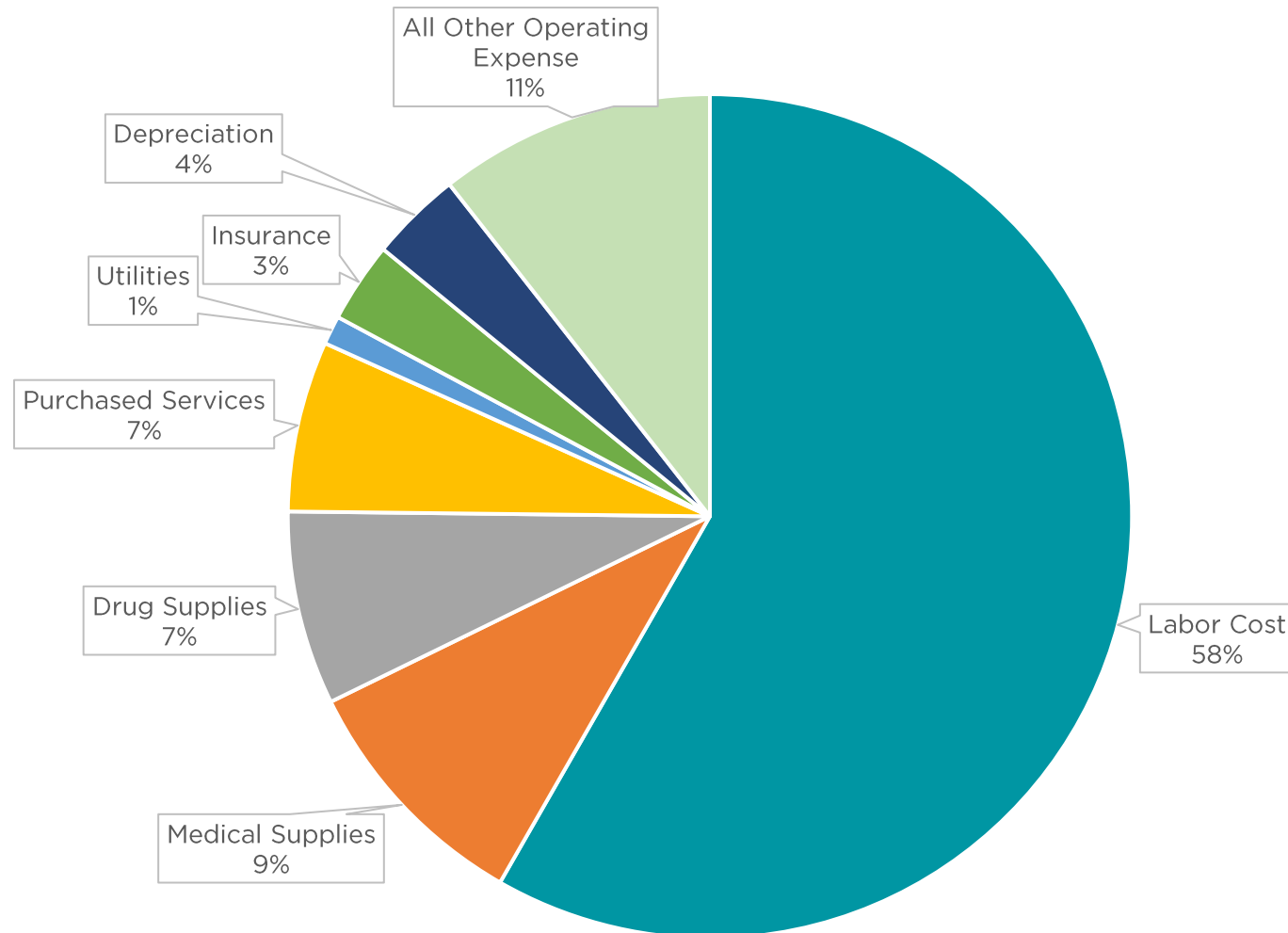
Each bar represents the Operating Margin (OM) for an Acute Care facility in New Mexico, with the average OM being a loss of 2.7% (in yellow). Blue bars represent hospitals with a positive OM. Red bars are hospitals with operating losses.

# Revenues: It's a (Payor) Mix



# Costs: It's a People Business

Average Hospital Expenditure - 2022



Labor costs:  
58%

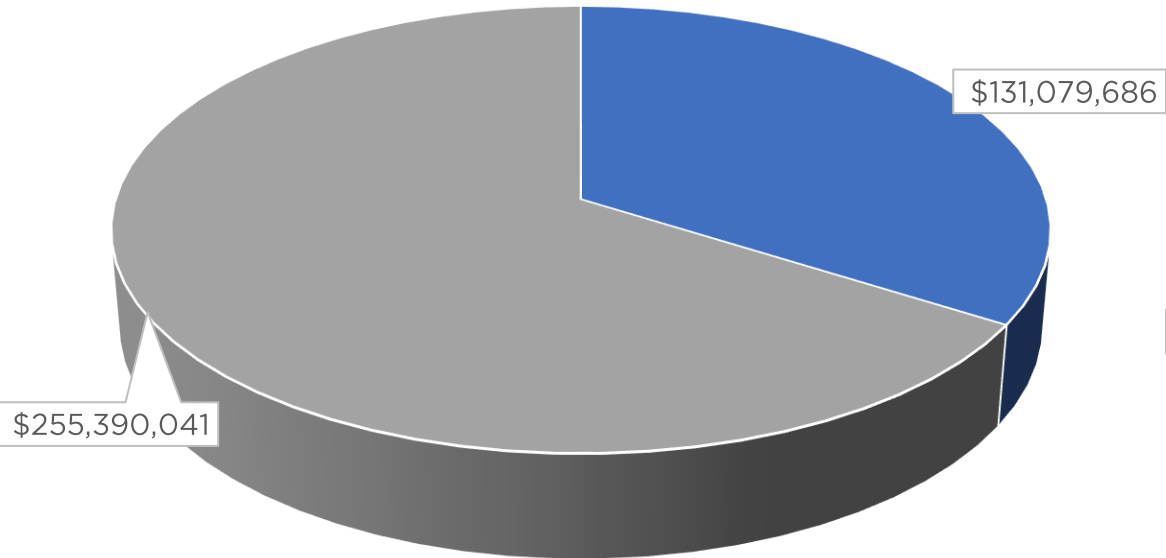
# Workforce Challenges





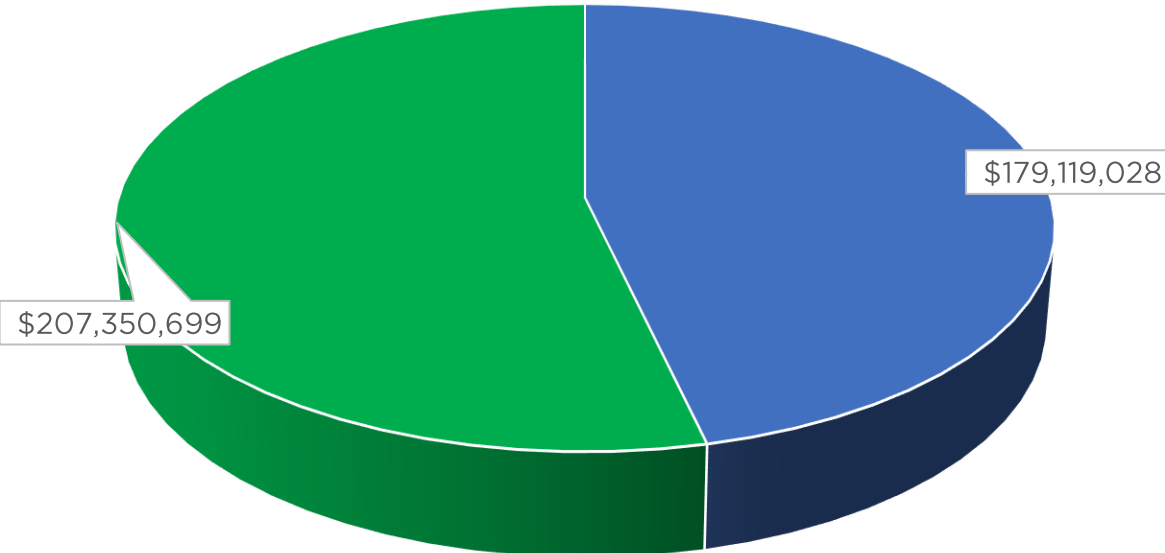
# In Spite of the Challenges...We Continue to Provide Care for Our Communities – Over \$386M in Charity Care Last Year

Charity Care



■ Investor Owned ■ Not for Profit

Charity Care



■ Rural ■ Urban

# The Health of Our Hospitals

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While volumes have returned to normal levels in most of our rural facilities, our urban locations continue to see volumes beyond their capacity.

- More acute/severe conditions requiring longer lengths of stay
- Workforce challenges persist
  - 8,800 nursing positions short in NM (DWS Rpt. 2024)
  - Lovelace, Presbyterian and UNMH employ just over 6,200 nurses
- Inability to move patients to post acute settings, mostly due to delayed approvals/authorizations from insurance companies
- Patient transportation challenges due to high volumes and workforce challenges with EMS as well
- High inflation on medications, supplies and malpractice insurance

# Hospitals' Greatest Challenges Today

## Workforce

- Providers (physicians, nurse practitioners, etc.)
  - Among oldest in country
  - Nearly entire state is Healthcare Professional Shortage Area (HPSA)
- Nursing
- All other positions

## Medical Malpractice

Sustainable Medicaid reimbursement –  
addressed through HDAA

Slide from 2022





# The Healthcare Delivery and Access Act (HDAA)

# HDAA: The Law

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When New Mexico's hospitals called for help, our entire state came together - hospitals statewide, the Governor's Office, the NM Health Care Authority and legislators from both sides of the aisle - to pass the 2024 Health Care Delivery and Access Act (HDAA).

Thank you



# HDAA: The Law

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The state law will assess a tax on hospitals—a larger tax on big hospitals—pool it, leverage those funds for a federal Medicaid match, then bring—about \$1.5 billion in total funding – back to New Mexico to provide sustainable reimbursement to our state’s hospitals.



# HDAA: A Positive Program

- Larger hospitals pay more, redistributing funding for the good of all patients.
- Does not rely on state funds or New Mexico taxpayers.
- To earn full funding, hospitals must demonstrate clinical quality results.
- Hospitals must spend at least 75% of net new HDAA funds in New Mexico.
- With better funded hospitals, we can bring in more doctors and nurses and better support those we have.



Rural hospitals pay only 19% of the assessment and receive over 40% of the new funding.

# HDAA: When Small Hospitals Do Well

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Based on volume measures and great clinical quality performance, hospital's Medicaid funding is set to increase. Examples include:

- Sierra Vista Hospital could receive up to \$11 million after paying only \$923 thousand in tax
- Portales' Roosevelt General Hospital could see \$10.3 million with an assessment tax of only \$1.15 million
- Gallup's Rehoboth McKinley could receive up to \$18 million in disbursements after paying only \$1.9 million in tax



# HDAA: When Small Hospitals Do Well, Part 2

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This new funding does not backfill the amount underpaid for many years, but it does place all our hospitals on surer financial footing in ways that improve access to care.

## Examples of planned HDAA funding uses:

- Recruitment, retention, and fair market wages for employees and professional staff
- Equipment to support community EMS program (essential without public transportation)
- Staff education and training
- Expanded Paid Internship Program

# HDAA: A Brighter Future

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- We hope for a renewal before the statute's current sunset clause date of July 1, 2030
- I ask you, our legislators, to remember:
  - HDAA is critical to the viability of our rural hospitals
  - HDAA increases access to care
  - Funds are invested in NM and not sent out-of-state
  - Taxes are not passed on in higher costs to patients or insurers

# Workforce: The Key to Expenses and Quality Care

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- Hospitals are short personnel in all positions, especially across all clinical roles
- As agency labor costs remain elevated, access to services will be at risk
- “Growing our own” hospital workforce, particularly in rural areas, as well as recruiting will be a must

# Sandra Emanuel, CEO

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Peak Behavioral Health is an acute inpatient psychiatric hospital offering a wide range of services for patients ages 12 and over, in Santa Teresa, New Mexico.

The interdisciplinary team at Peak is dedicated to providing quality care with compassion and dignity, through trauma-informed care and evidence-based practices.

# Peak Behavioral Health

*Where healing begins,  
and hope can thrive.*



# About Peak Behavioral Health

Inpatient psychiatric care

Outpatient psychiatric care

Medical Detox

Partial Hospitalization (Adult & Adolescent)

Adolescent Residential Treatment

Assertive Community Treatment (ACT) Rural and Urban

Substance Abuse Treatment

# Challenges

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Navigating complex state process

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Low rates and high-cost cause operational challenges

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Workforce recruitment of talent

# Navigating the Complex State Process

01

Licensure &  
certification process

02

Medicaid  
credentialing  
process (Conduent)

03

Urban Classification

04

Residential  
Treatment –  
educating students

05

Behavioral Health  
Transportation



# Low Rates and High Operational Costs

- RTC rates
- High Operational Costs:
  - Staffing requirements- Direct care staff matrix is higher than industry standard for residential treatment.
  - Specialized and licensed staff create a labor recruitment issue
  - Educational Requirements- current requirements are costly. Requiring future additional investment in Special Education will compound the expense.
  - Intensive Clinical Services- documentation and staffing requirements are high resulting in staffing challenges

*Negative operating margin resulting from low rates and high operational costs create a challenging and non- sustainable financial picture.*

# Workforce Recruitment

## Rural Recruitment challenges:

- Days to fill an open position is significantly above average at over 90 days
- Shortage of Licensed staff
- Added FTE - Recruiter

## Higher Labor Costs:

- Higher hourly rates in rural vs. urban (+20%)
- Turnover rate higher
- Higher Overtime % in rural due to vacancies (+10%)
- Sign on and retention bonus's \$ impact
- 2020 Salary & Wage: \$22
- 2024 Salary & Wage: \$34

# State-Wide Collaborative Involvement

Sequential Intercept Model  
Taskforce-CBDO sits as Co-Chair

Quarterly 1<sup>st</sup> Responder  
Meetings to discuss the quality of  
collaboration.

Las Cruces LC3 Behavioral Health  
Collaborative-CBDO sits as Board  
Member

Las Cruces Suicide Prevention  
Task Force-Liaison sits on Board

NM Hospital Association-CEO,  
member since 2018

Justice League-Rio Arriba County

NAMI NM-North and South, Lead  
BD Rep sits as NAMI Board  
Member in ABQ

Presentations provided by Peak  
BD Team and Leadership to  
discuss all topics Peak and mental  
health throughout the State of  
NM

CBDO aids in CIT training for  
Dona Ana County Sheriff  
Department's Academy

# Questions?

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# Thank You.



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