



Financial Outlook of Puerto Rico's Healthcare Industry

HFMA Annual Healthcare Update 2023

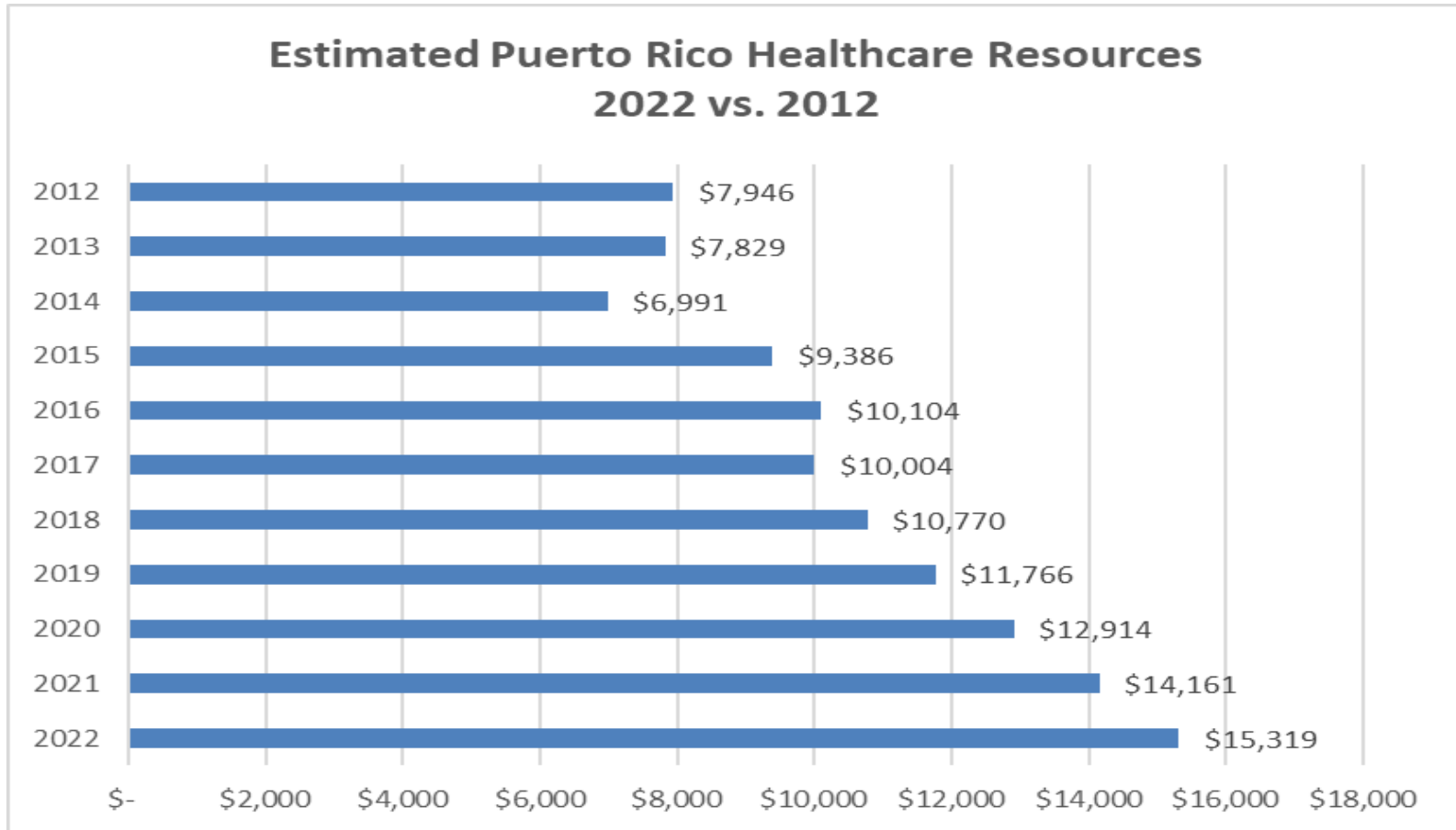
Presented by:
Henry Flores, CPA
September 15, 2023

Flow of Healthcare Financial Resources

Healthcare Funding

Healthcare Funding in Puerto Rico			
Sources of Funds			
Description	Amount	Funding	Source Document
Premium 6 principal insurance co., approximately 97% of total premium	\$ 12,362,743,060	Medicare, Vital and Commercial insurances	Office of Insurance Commissioner
Total estimated premium revenue	<u>\$ 12,745,095,938</u>	Total	
PR Governmental Funds:			
Department of Health	400,000,000	PR Tax Assessments	PR 2023 Budget
ASEM	61,000,000	PR Tax Assessments	PR 2023 Budget
ASMCA	107,000,000	PR Tax Assessments	PR 2023 Budget
CCCUPR	20,000,000	PR Tax Assessments	PR 2023 Budget
ACAA	90,000,000	Premiums	PR 2023 Budget
State Insurance Fund	550,000,000	Premiums	PR 2023 Budget
	<u>1,228,000,000</u>		
sub-total	<u>13,973,095,938</u>		
Add: Other Sources as:			
Medicare Traditional Program, VA Administration and people out-of-pocket	<u>1,026,904,062</u>		Galindez LLC estimate
Total estimated funding	<u><u>\$ 15,000,000,000</u></u>		

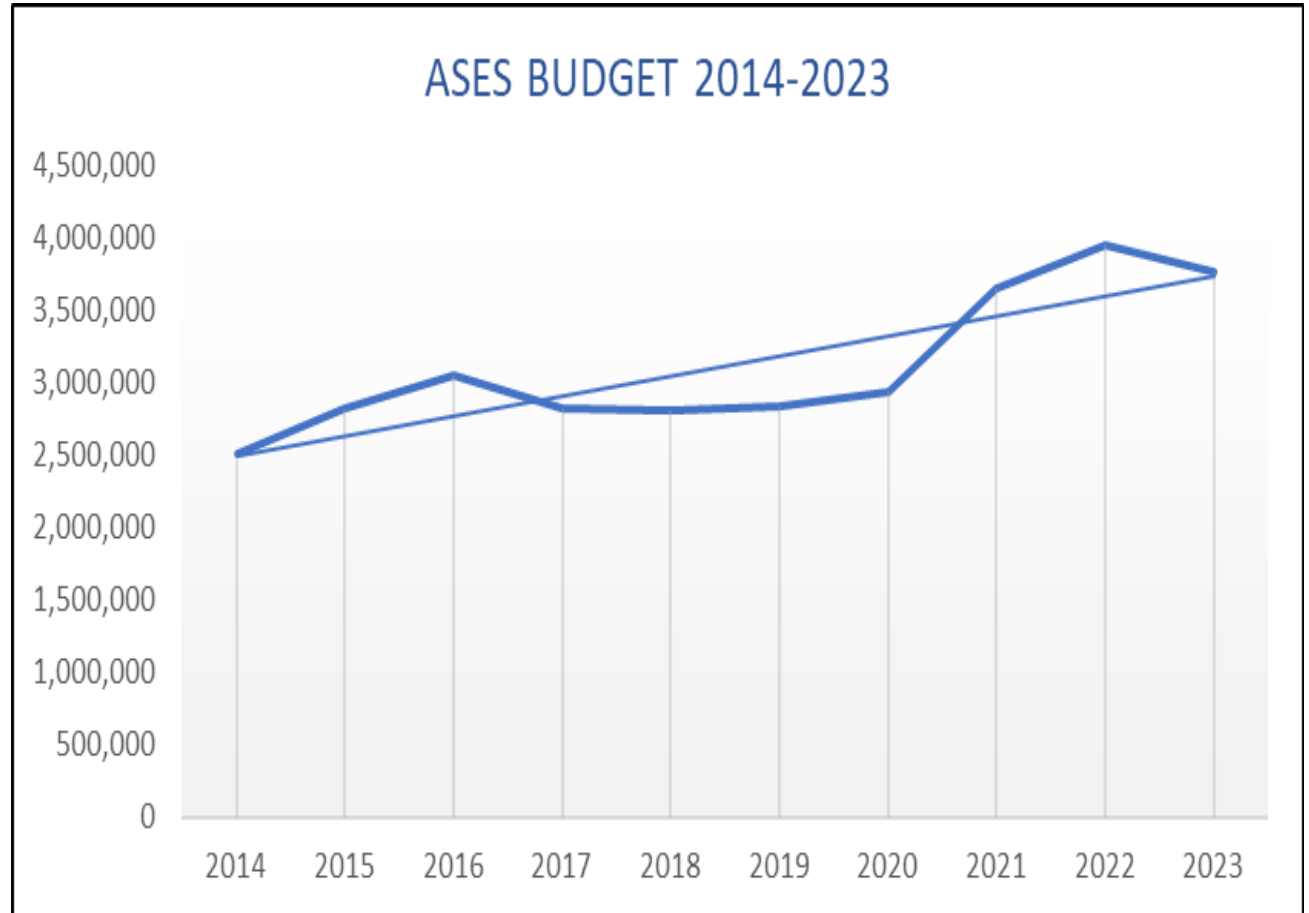
Healthcare Funding



In thousands

Healthcare Funding

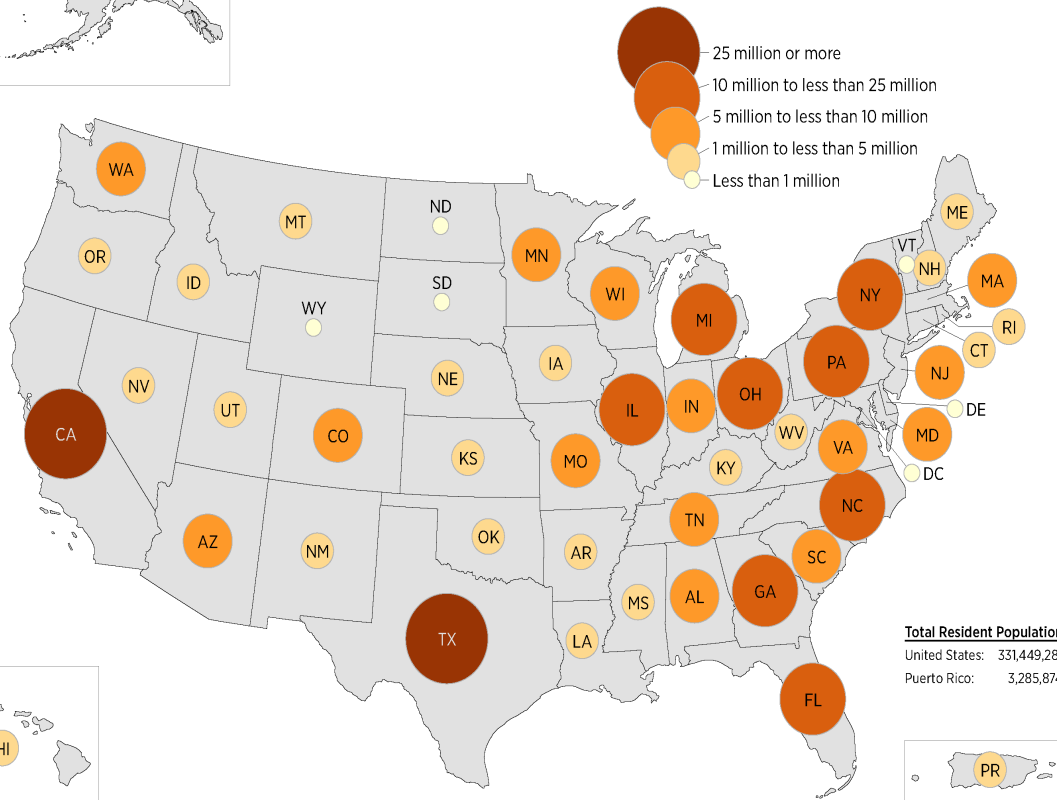
FY	Amount
2014	2,511,000
2015	2,828,000
2016	3,044,000
2017	2,823,000
2018	2,801,000
2019	2,843,000
2020	2,930,000
2021	3,647,000
2022	3,953,000
2023	3,768,000



Change in PR Population



2020 Resident Population for the 50 States, the District of Columbia, and Puerto Rico



Total Resident Population
 United States: 331,449,281
 Puerto Rico: 3,285,874



Total Resident Population

United States: 331,449,281
 Puerto Rico: 3,285,874



Change in PR Population

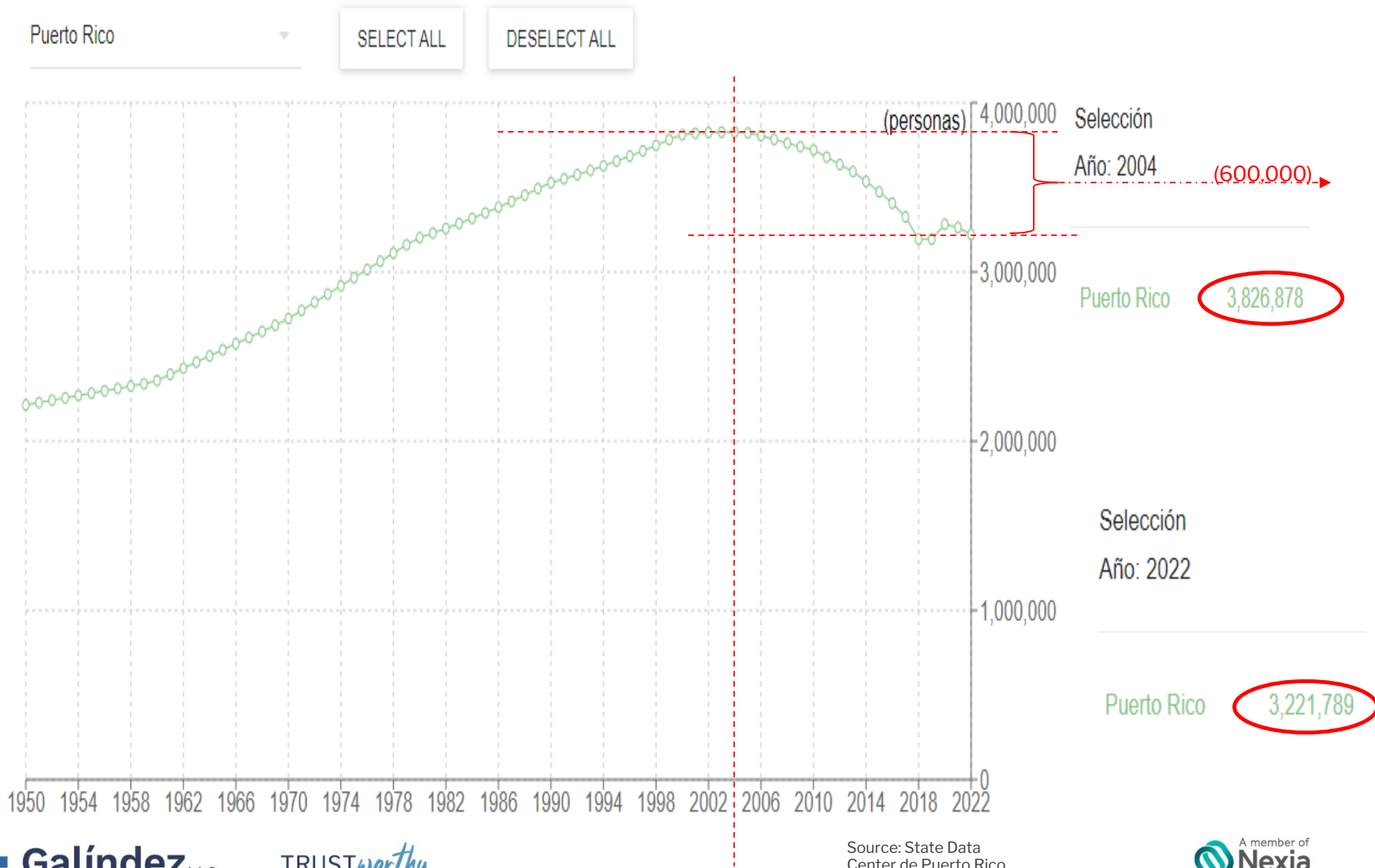
Resident Population

- The Resident Population includes all people who were living in the United States (or Puerto Rico) as of Census Day.
- For the 2020 Census, U.S. military and civilian personnel who were deployed overseas were included in the resident population for the first time (using administrative data provided by the Department of Defense).

Area	2020 Census	2010 Census	Numeric Change	Percent Change
United States (50 states & DC)	331,449,281	308,745,538	22,703,743	7.4
Puerto Rico	3,285,874	3,725,789	-439,915	-11.8
United States and Puerto Rico	334,735,155	312,471,327	22,263,828	7.1

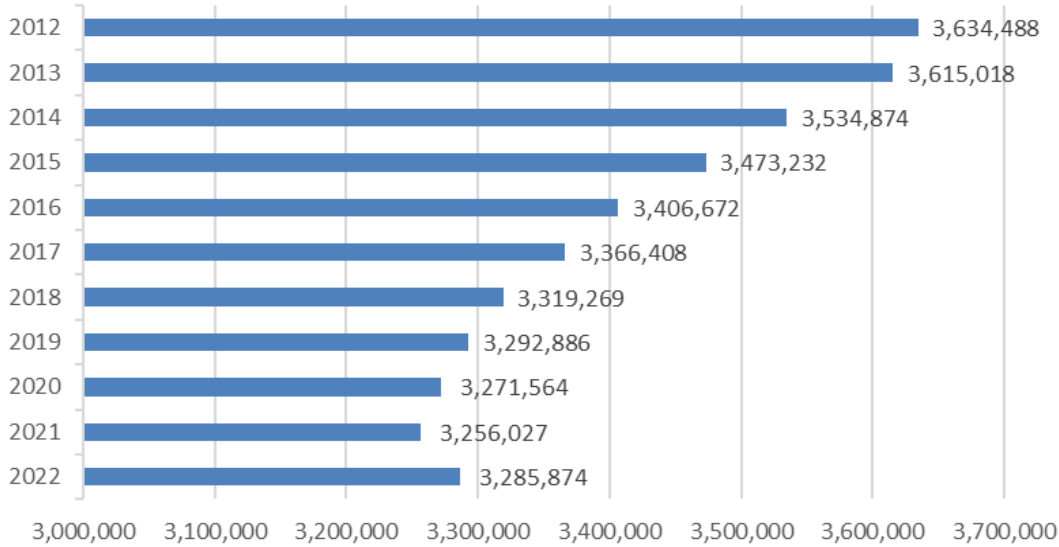
United States[®]
Census
Bureau

Change in PR Population

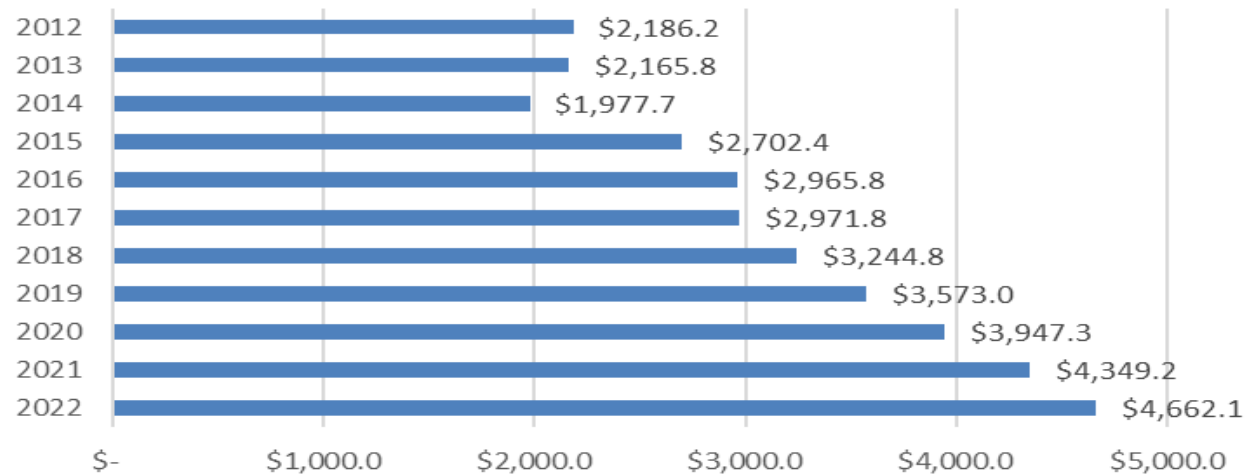


Change in PR Population

Change of 349,000 in Puerto Rico Population at 2022 from 2012



Estimated Healthcare Resources Per Capita 2022 - 2012



Healthcare Consumer Price Index

**Table 1. Consumer Price Index and Purchasing Power
for all Families in Puerto Rico for July 2023 and other selected dates**

	Índices – Indexes			Porcentaje de cambio hasta Julio de 2023 desde:		
	Diciembre 2006=100 December 2006=100			Percent change to July 2023 from:		
	Julio July 2023	Junio June 2023	Julio July 2022	Junio June 2023	Julio July 2022	All Items
Todos los Grupos	133.743	130.220	130.692	0.4	2.3	
Diciembre 2006=\$1.00						
Poder adquisitivo del dólar del consumidor	julio July 2023	Junio June 2023	Julio July 2022	Cambio Total Total Change		Purchasing power of the consumer dollar
	\$0.75	\$0.75	\$0.77	\$0.00	-\$0.02	

Estadísticas.PR

PR Healthcare Industry Recent News

lunes, 4 de septiembre de 2023 - 11:40 p.m.

Por José Orlando Delgado Rivera



Decisión del San Jorge Children's Hospital eleva a seis el total de hospitales a la venta

Anticipan que la ola de fusiones y quiebras continuará como parte de un "reajuste" del ecosistema de salud del país

EMPRESAS Y COMERCIOS

Aseguradoras adeudan \$300 millones en pagos tardíos

Proveedores de salud reclaman al Comisionado y a las compañías de seguros el dinero por los servicios brindados a los pacientes

jueves, 8 de junio de 2023 - 11:40 p.m.

Por Marian Díaz



LEGISLATURA

Aseguradoras de salud mantienen deudas millonarias con tres de los principales hospitales públicos

Representantes de las instituciones expresan, durante una vista en el Senado, que les preocupa que se afecte su operación y servicios a la ciudadanía

jueves, 7 de septiembre de 2023 - 12:34 p.m.

Por Leysa Caro González



NEGOCIOS

"En modo de supervivencia" los hospitales de Puerto Rico

Expertos vaticinan más consolidaciones y cierres de hospitales en la isla ante la dramática reducción en la tasa de ocupación y pérdidas multimillonarias por la pandemia



NEGOCIOS

En picada el sector de la salud ante el posible cierre de hospitales y la pérdida del Plan Vital para miles de personas

En un foro del Colegio de Contadores Públicos Autorizados, trascendió también que en casi todo Puerto Rico no hay servicios médicos según los estándares requeridos



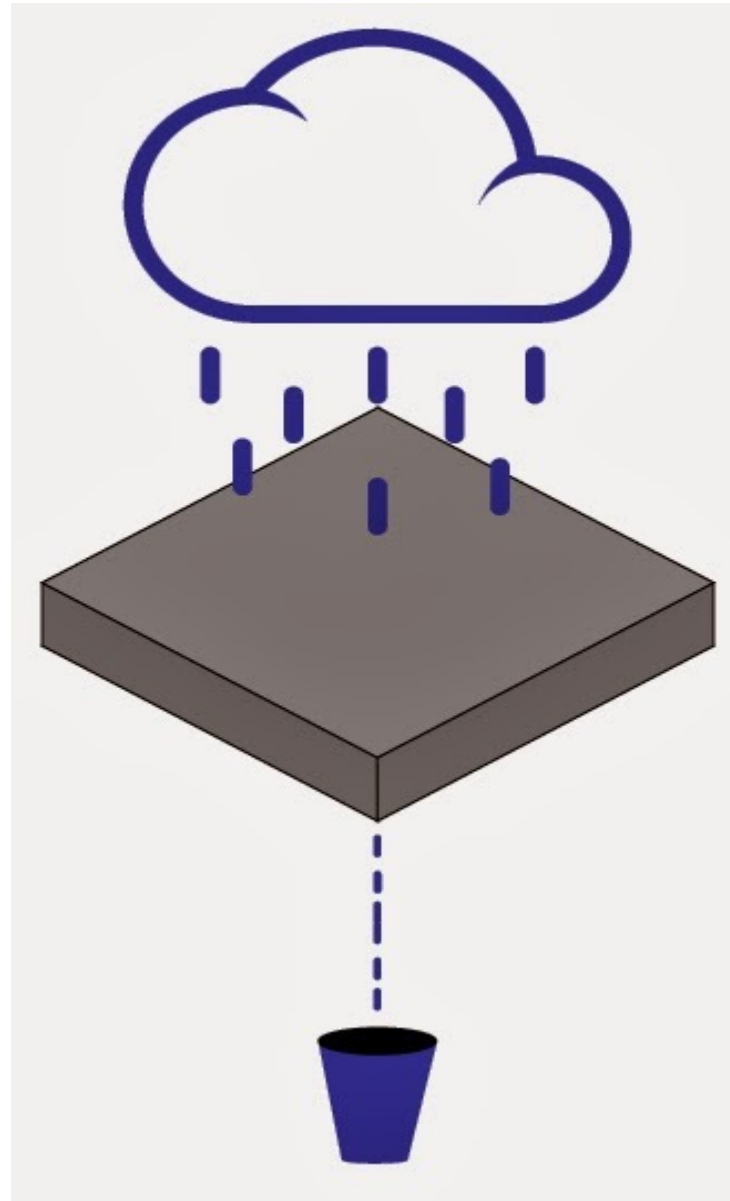
NEGOCIOS

Incierto el panorama para pacientes y proveedores si se concreta el recorte en Medicare Advantage

Entrevistados aseguran que el ajuste de unos \$800 millones que impulsa el Centro de Servicios para Medicaid y Medicare racionará los servicios de salud en la isla

Relevant Aspects Affecting the PR Hospital Industry

*Healthcare
Issues in
Puerto Rico*



Financial
Resources

Providers

Relevant Aspects Affecting the PR Healthcare Industry

Healthcare Issues in Puerto Rico

- **Providers**
 - Low or stuck reimbursement rates
 - Difficulties finding adequate contracting negotiations
 - Exposure to a highly litigation environment
 - Preferred networks environment
 - Physicians in retirement age
- **New Healthcare Models**
 - Telemedicine at primary healthcare services
 - Medical care at home
 - Medical insurers multi-services facilities
- **Other Economics**
 - Inflationary economy
 - Increase in operational costs (Minimum Salary, Utilities, Insurance, Supplies)
 - Drugs costs
 - Poor economic conditions in the country
 - Erosion of the tax base of the General Fund

Relevant Aspects Affecting the PR Hospital Industry

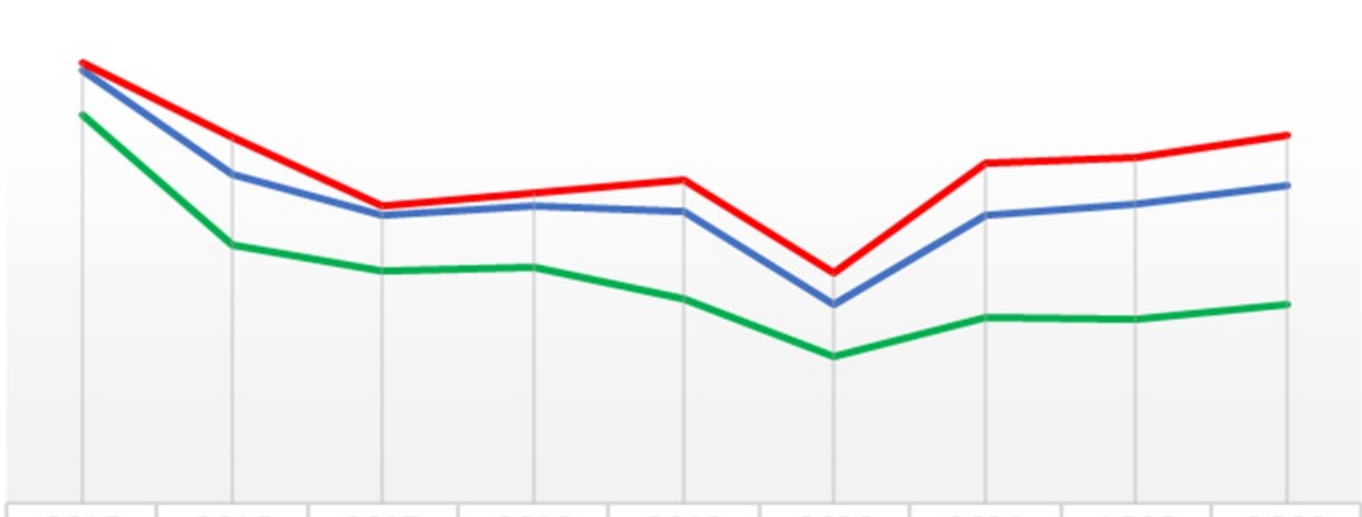
Healthcare Issues in Puerto Rico

- **Membership**
 - High participation of citizens in the government health program
 - Lack of empowerment by the population of its health condition
 - More elderly people with chronic diseases
 - Increase in the High-Cost-High-Need medical conditions (Chronic Disease Prevalence)
 - Challenges in the recertification process (Medicaid 4/30/24). Continuous enrollment vs. end of PHE.
- **Financing & Funding**
 - Lack of parity in Medicare Reimbursement Rates
 - Proposed MA rate changes for 2024
 - High interest rates
 - Financing limited access to fund providers' replacement programs and new facilities
- **Absence of Public Policy as to the Healthcare Model**
 - Actual model driven by economic incentives

PR Hospitals' Historical Data - % of Occupancy

**Occupancy Rates
Puerto Rico Acute Private Hospitals
2015 up to 2Q 2022**

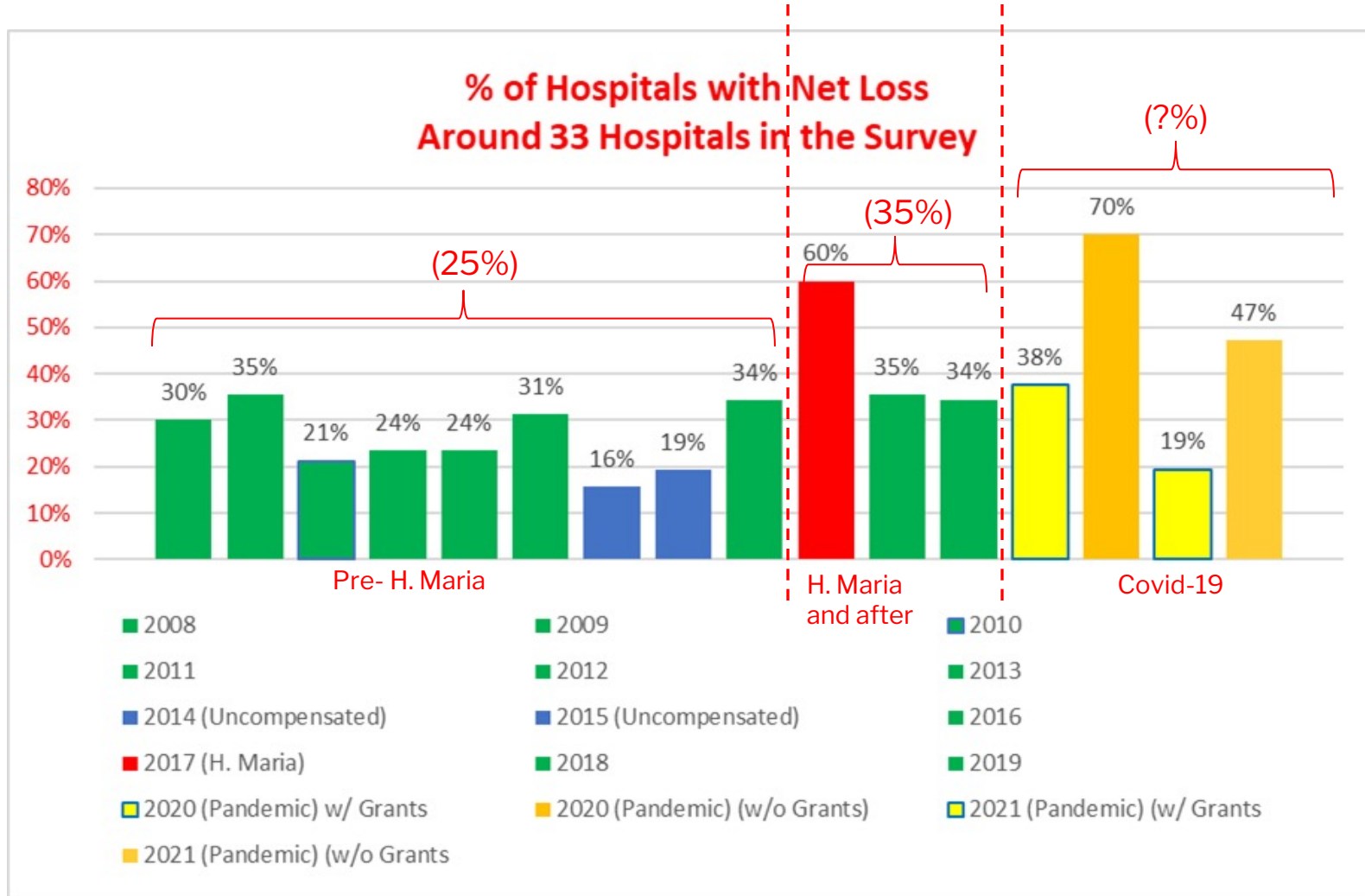
70.00%
65.00%
60.00%
55.00%
50.00%
45.00%
40.00%



	2015	2016	2017	2018	2019	2020	2021	1Q22	2Q22
All Hospitals	67.10%	60.65%	58.02%	58.61%	58.27%	52.45%	58.11%	58.78%	59.91%
For Profit	67.60%	62.90%	58.60%	59.50%	60.30%	54.41%	61.35%	61.73%	63.03%
Non-for-Profit	64.40%	56.20%	54.60%	54.80%	52.80%	49.16%	51.63%	51.51%	52.44%

— All Hospitals — For Profit — Non-for-Profit

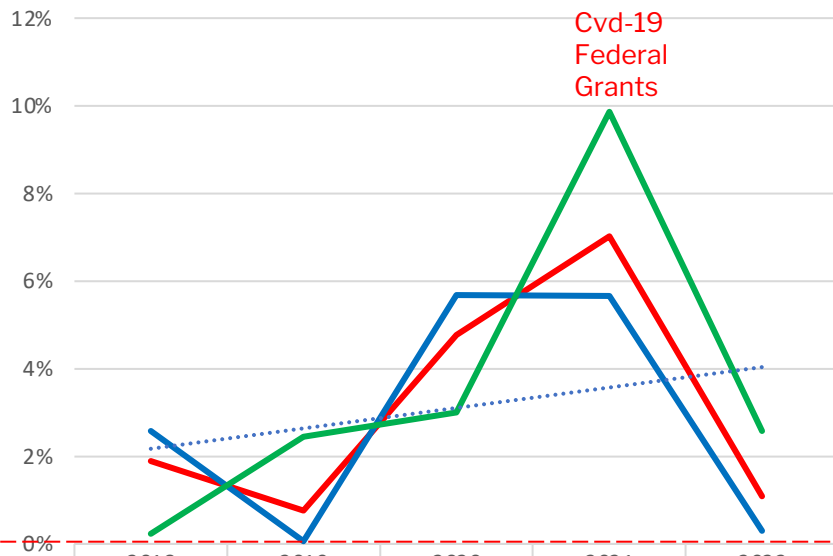
Hospitals' Historical Net Results



FY2022 with 35% of hospitals in loss position (13 out of 37 hospitals)

Hospitals' 5yrs. Net Margin

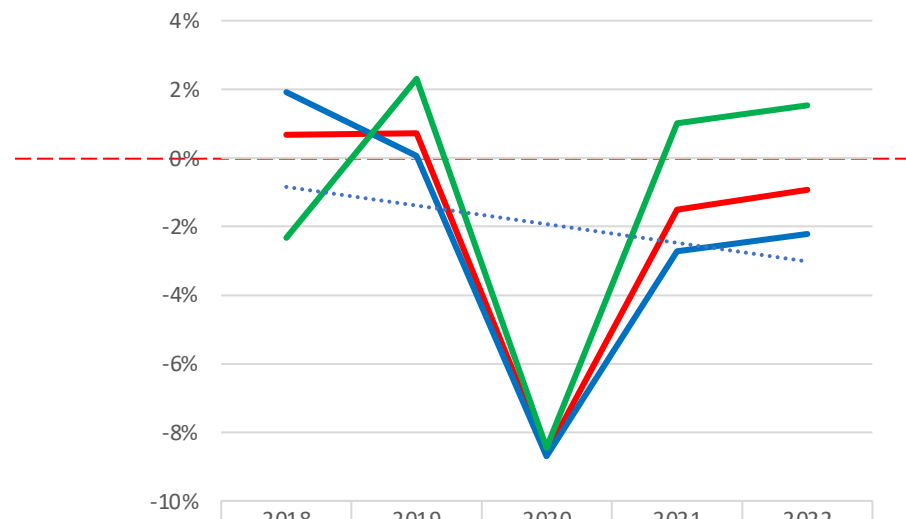
Net Margin



All Hospitals	2%	1%	5%	7%	1%
For Profit	3%	0%	6%	6%	0%
Non-for-Profit	0%	2%	3%	10%	3%



Net Margin: Without Grants or Insurance Proceeds



All Hospitals	1%	1%	-9%	-2%	-1%
For Profit	2%	0%	-9%	-3%	-2%
Non-for-Profit	-2%	2%	-8%	1%	2%



Relevant Aspects Affecting the PR Healthcare Industry

Healthcare Issues in Puerto Rico

– **Summary:**

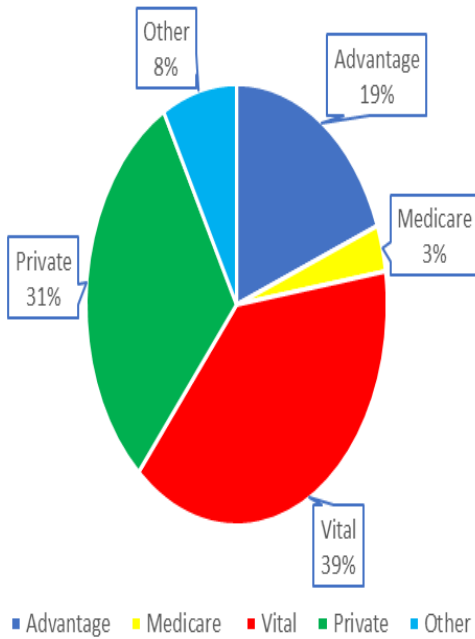
- Very complicated situation
- Players are not equally leveled
- Economic vs. patient-care driver
- Solving matters won't be easy and will take time
- Meanwhile... additional players will not prevail

– **Solution???**

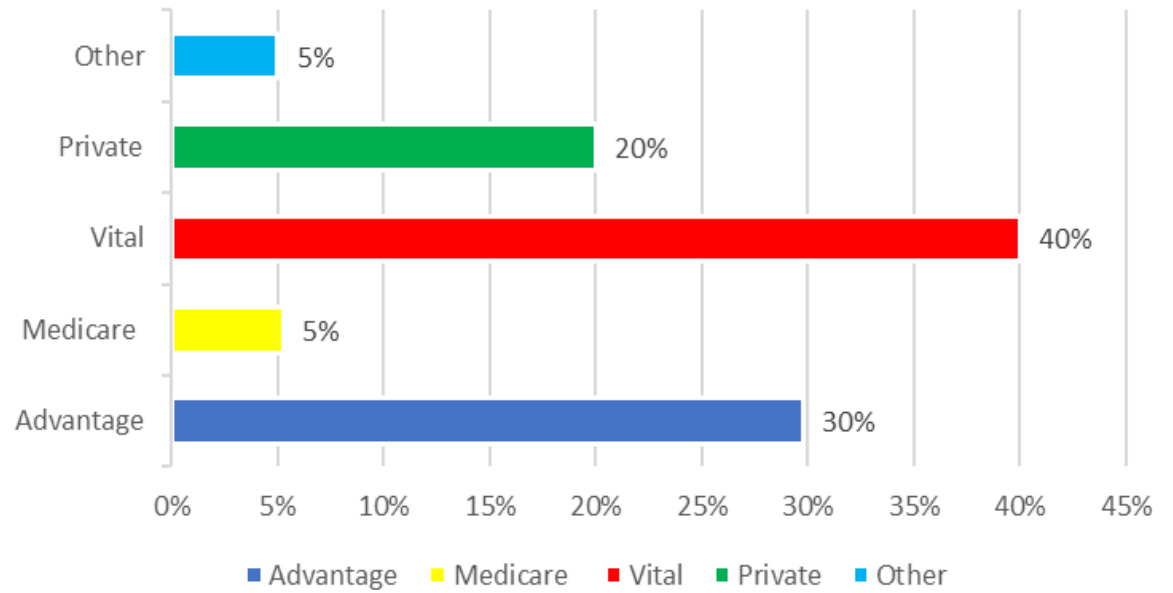
- Does anyone – individually – has it?
- Create inter-disciplinary and multi-sector groups:
 - Where are we?
 - Which healthcare model fits better?
 - Short and mid-term measures
 - Strategic plan
- ACTIVE government participation is required
 - Setting policies and rules of participation
 - Enforcing them
 - Rates setting/fair compensation for all components
 - Provider contracting rules
- Sharing benefits and risks

Population and Patient Mix

Population Mix

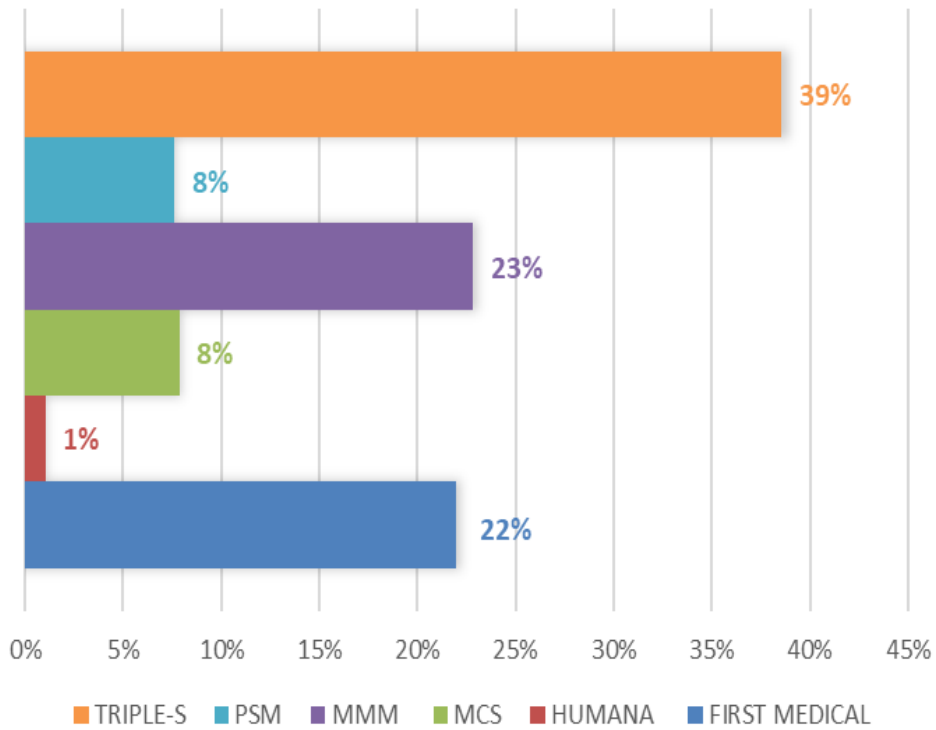


Patient Mix

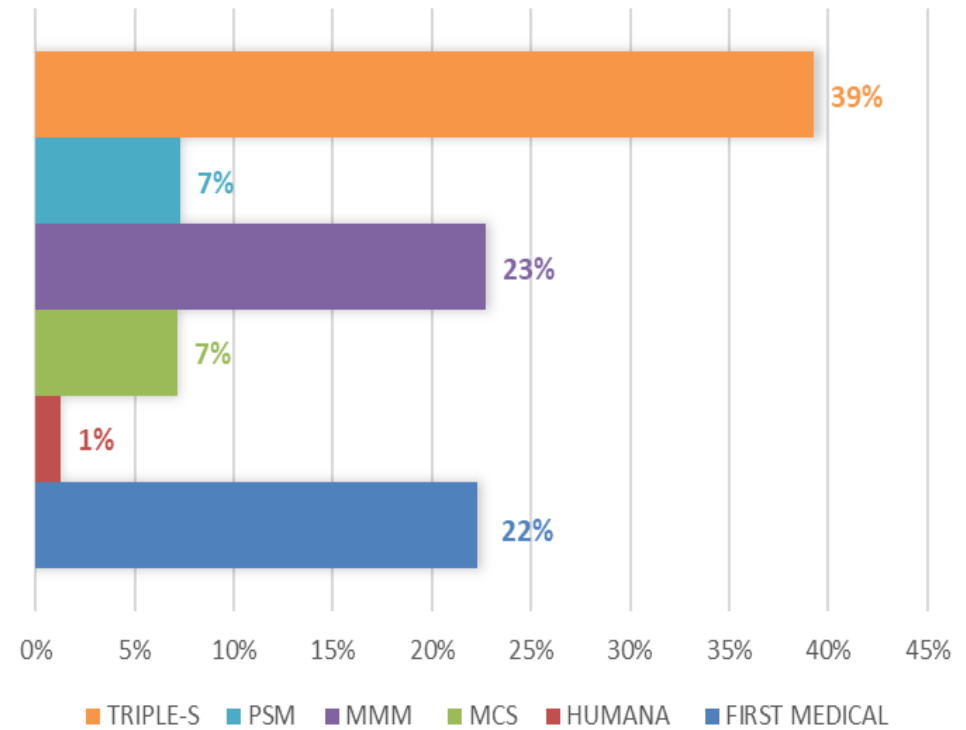


Market Share based on Membership

2022 MARKET SHARE BASED ON MEMBERSHIP OF 2.6 MILLION

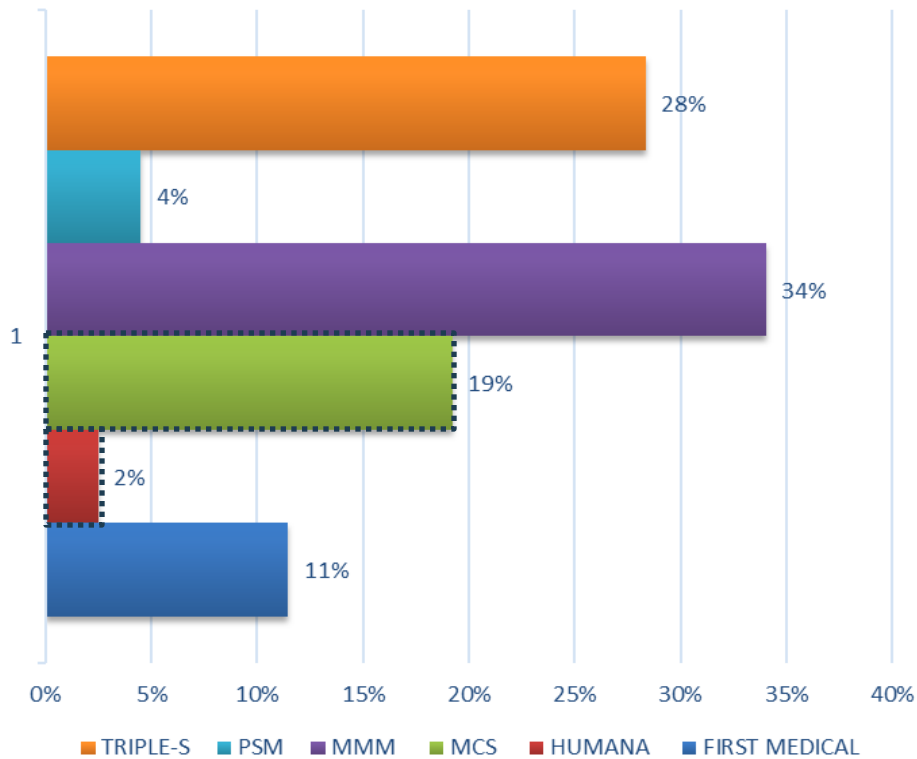


2021 MARKET SHARE BASED ON MEMBERSHIP OF 2.6 MILLION

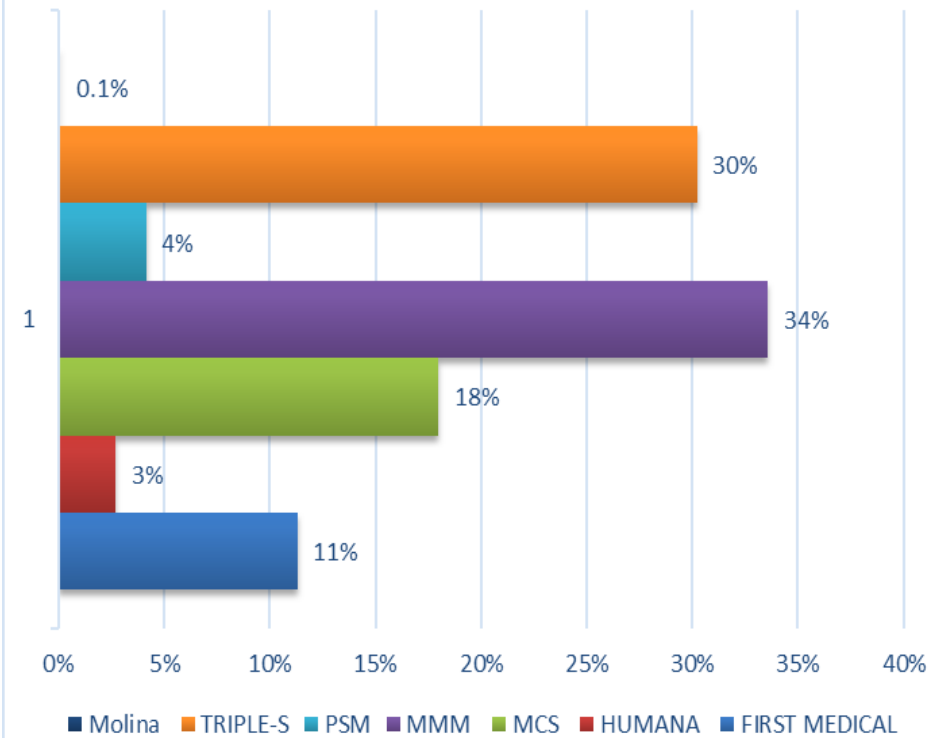


Market Share based on Premium Revenue

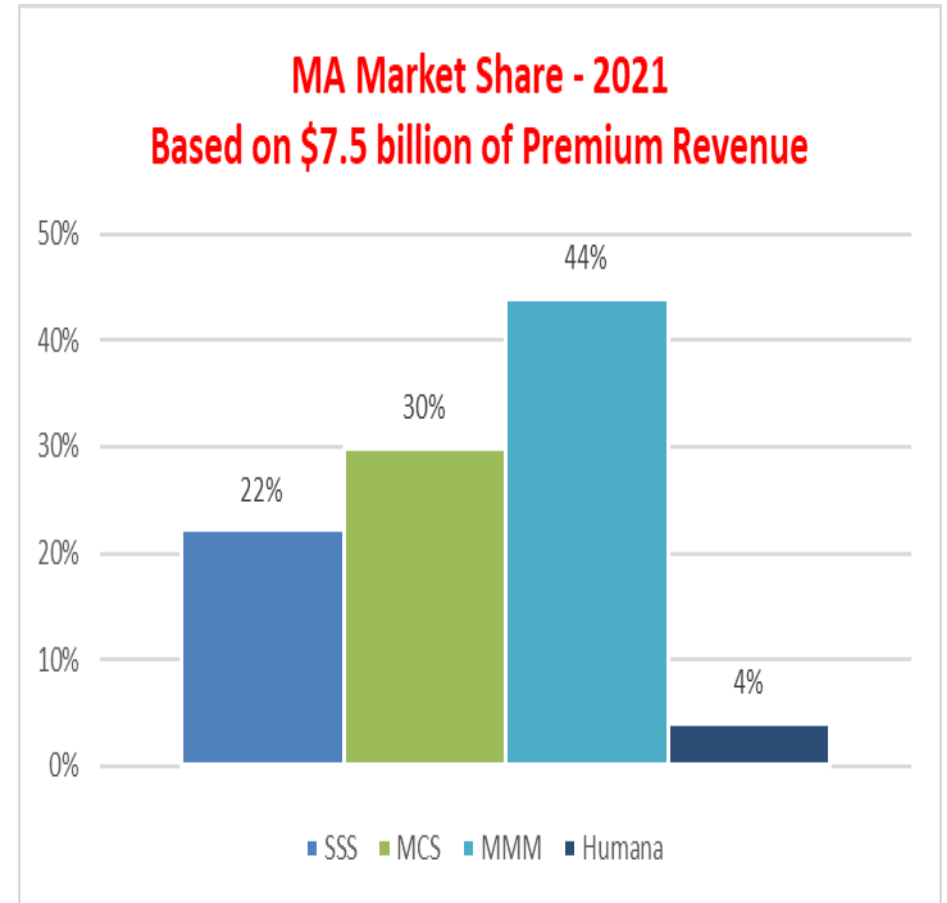
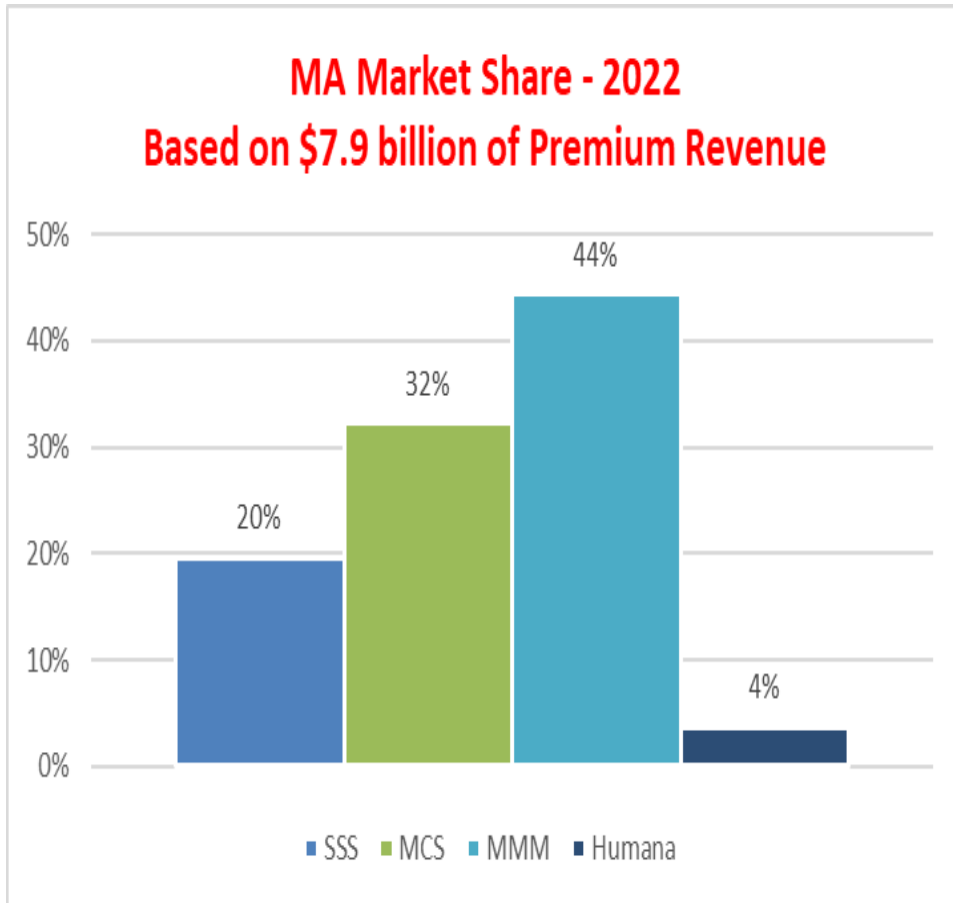
2022 Market Share based on Premium Revenue on \$13.4 Billion



2021 Market Share based on Premium Revenue on \$12.4 Billion

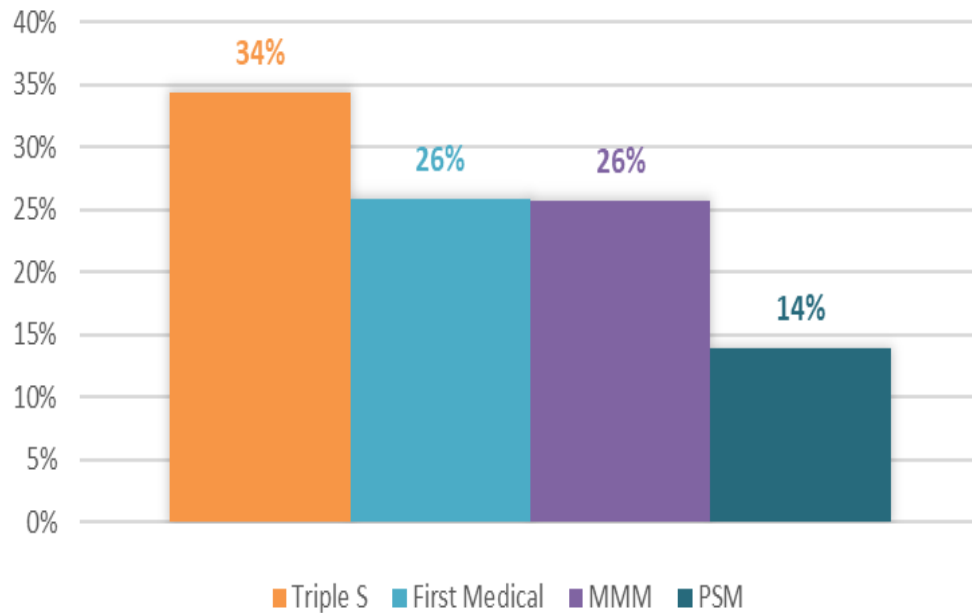


Medicare Advantage (MA) Market Share

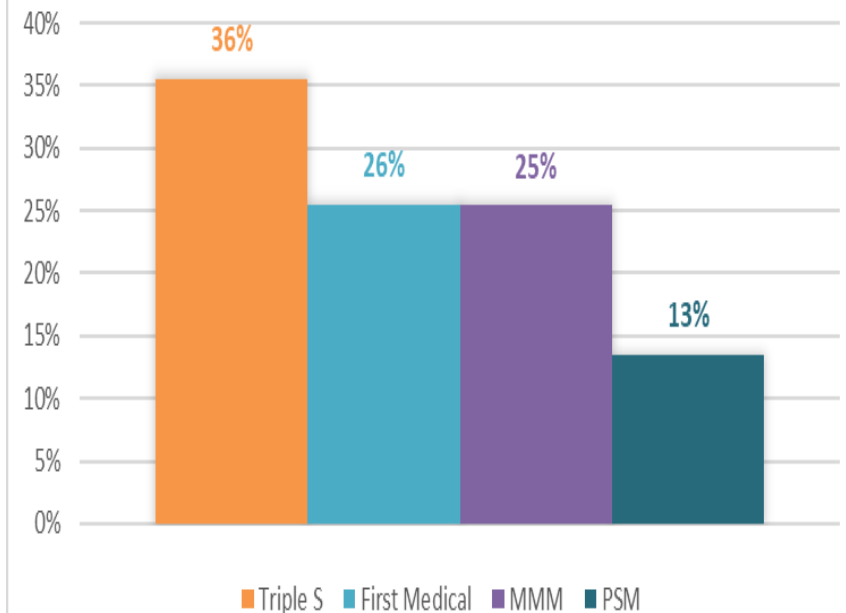


Plan Vital's Market Share

2022 VITAL MARKET SHARE BASED ON PREMIUM REVENUE OF \$3.9 BILLION



2021 VITAL MARKET SHARE BASED ON PREMIUM REVENUE OF \$3.5 BILLION

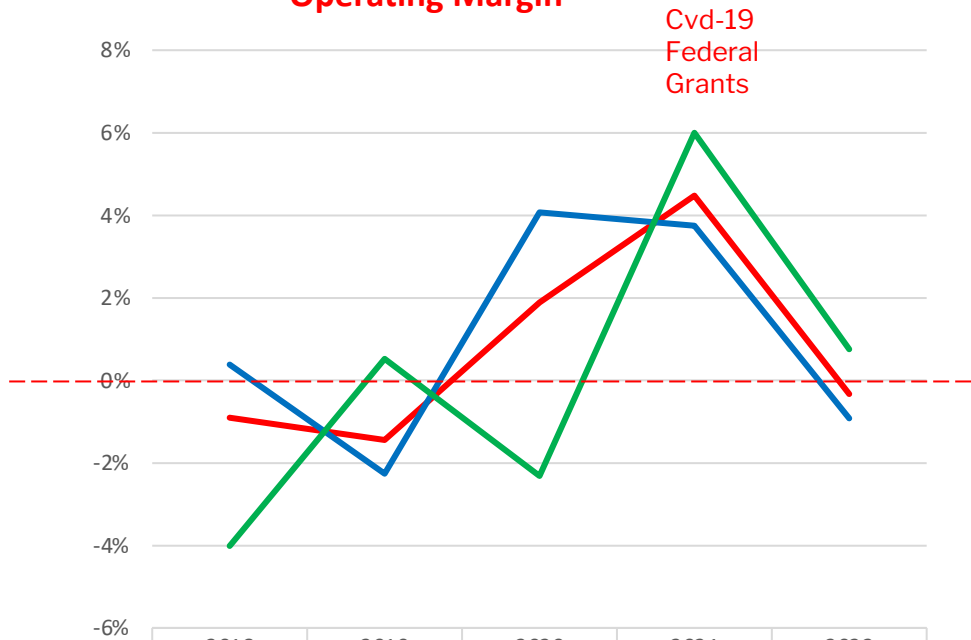


Other Hospitals' Financial Outlook



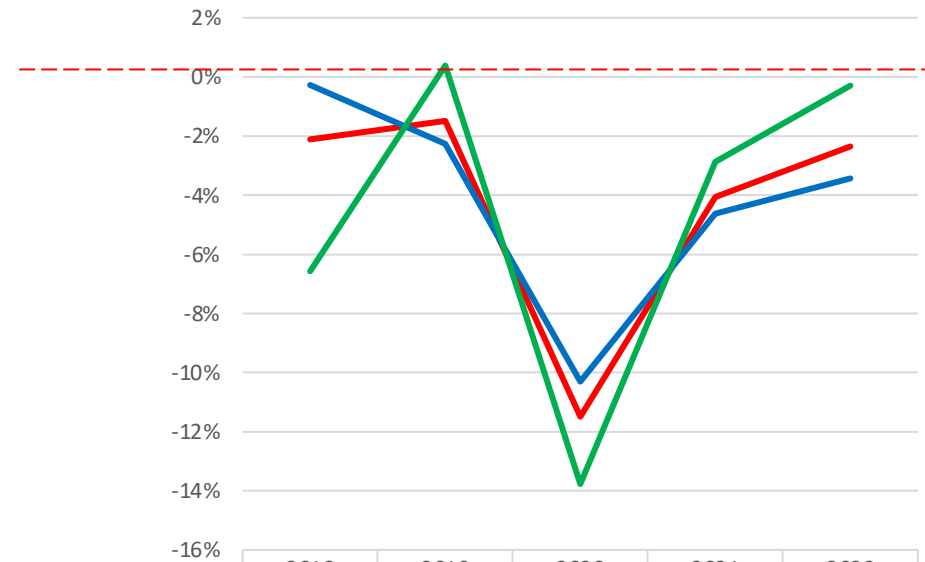
Operating Margin

Operating Margin



	2018	2019	2020	2021	2022
All Hospitals	-1%	-1%	2%	4%	0%
For-Profit	0%	-2%	4%	4%	-1%
Non-for-Profit	-4%	1%	-2%	6%	1%

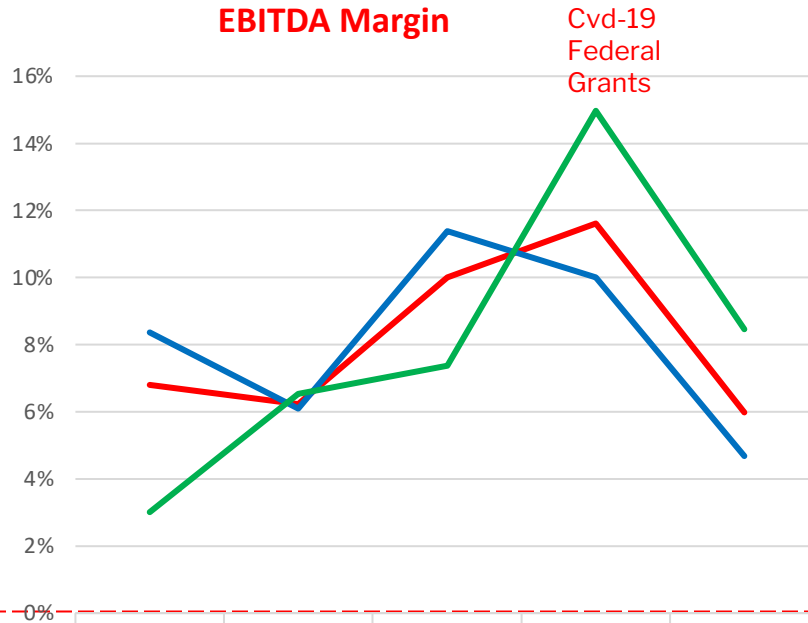
Operating Margin: Without Grants or Insurance Proceeds



	2018	2019	2020	2021	2022
All Hospitals	-2%	-1%	-11%	-4%	-2%
For Profit	0%	-2%	-10%	-5%	-3%
Non-for-Profit	-7%	0%	-14%	-3%	0%

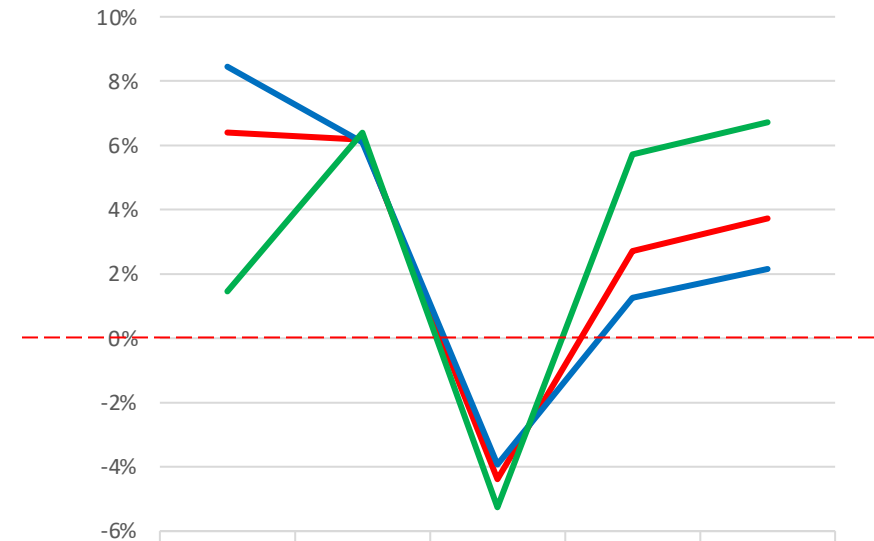
EBITDA Margin

EBITDA Margin



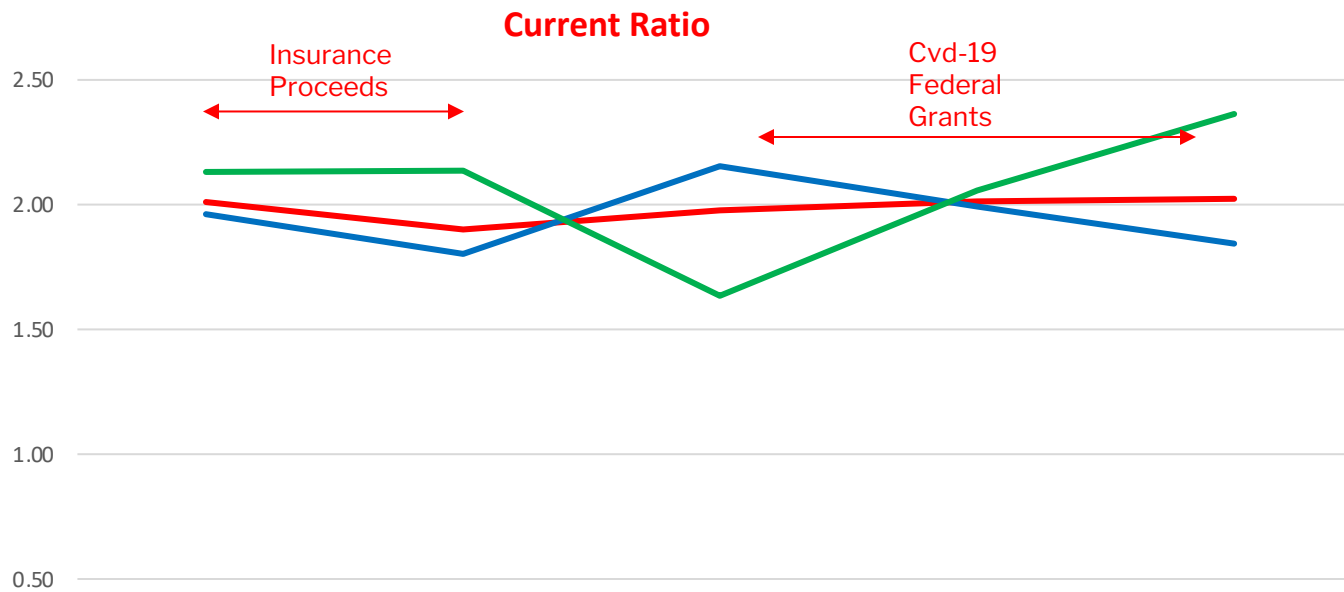
	2018	2019	2020	2021	2022
All Hospitals	7%	6%	10%	12%	6%
For Profit	8%	6%	11%	10%	5%
Non-for-Profit	3%	7%	7%	15%	8%

EBITDA Margin: Without Grants



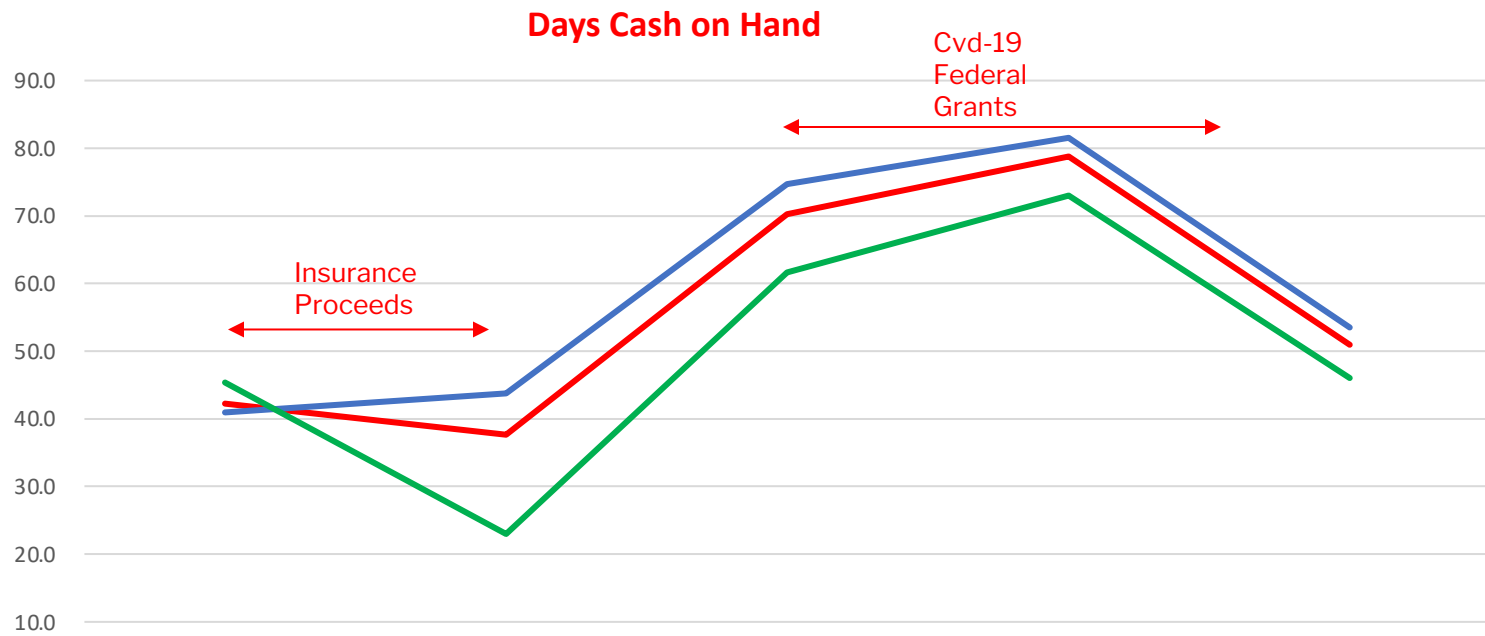
	2018	2019	2020	2021	2022
All Hospitals	6%	6%	-4%	3%	4%
For Profit	8%	6%	-4%	1%	2%
Non-for-Profit	1%	6%	-5%	6%	7%

Current Ratio



	2018	2019	2020	2021	2022
All Hospitals	2.01	1.90	1.98	2.01	2.02
For Profit	1.96	1.80	2.15	1.99	1.84
Non-for-Profit	2.13	2.14	1.64	2.06	2.36

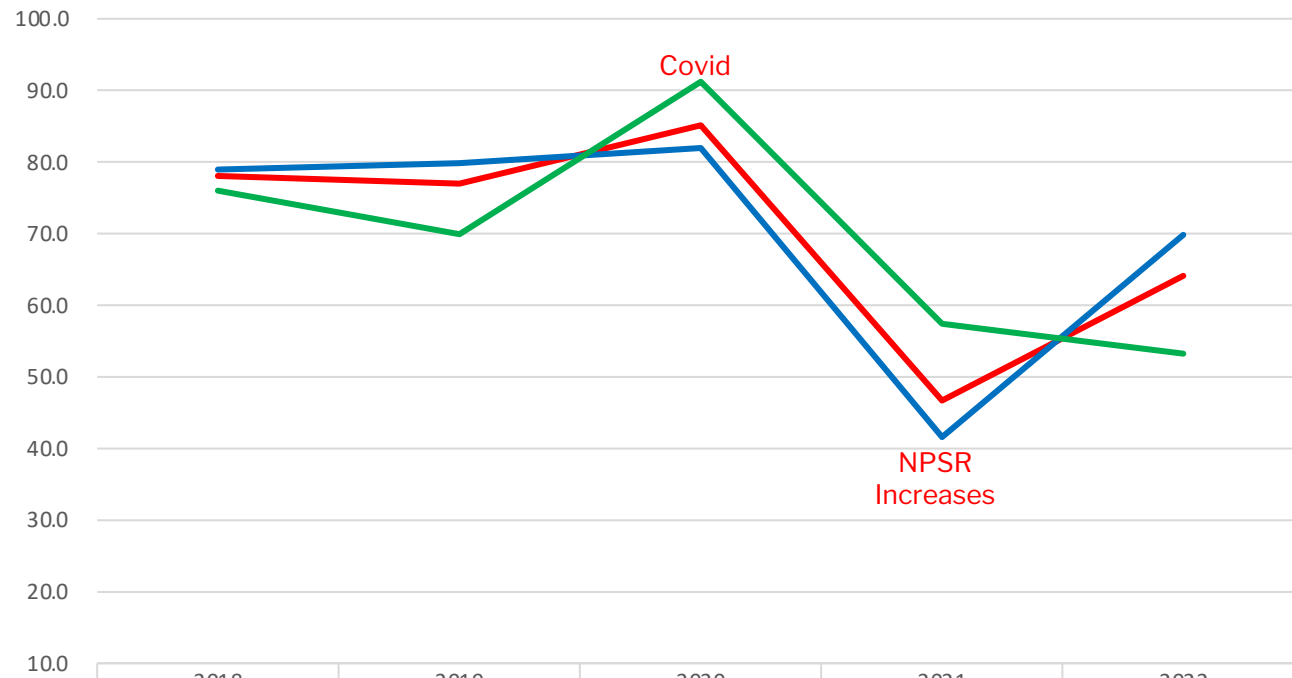
Days Cash on Hand



	2018	2019	2020	2021	2022
All Hospitals	42.3	37.7	70.2	78.8	50.92
For Profit	40.9	43.7	74.7	81.5	53.47
Non-for-Profit	45.4	23.0	61.7	73.0	46.08

Net Accounts Receivable Days

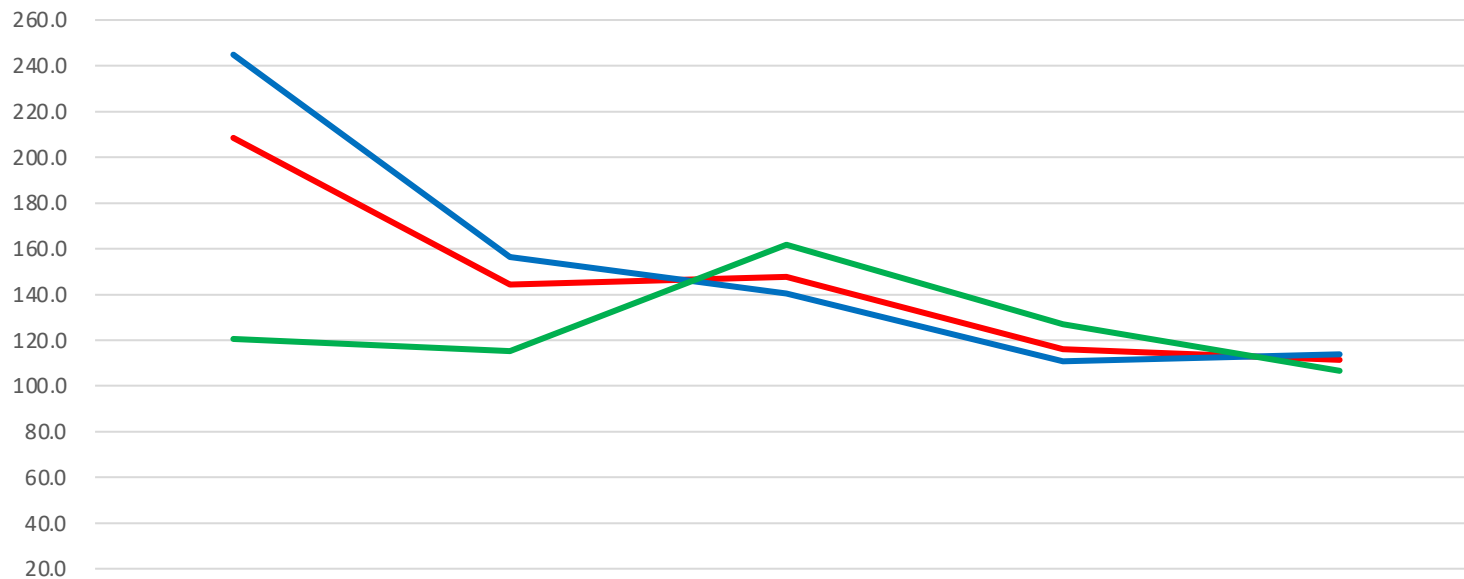
Net Accounts Receivable Days



	2018	2019	2020	2021	2022
All Hospitals	78.1	76.9	85.1	46.7	64.10
For Profit	78.9	79.9	82.0	41.6	69.81
Non-for-Profit	76.0	69.9	91.2	57.4	53.24

Payment Period

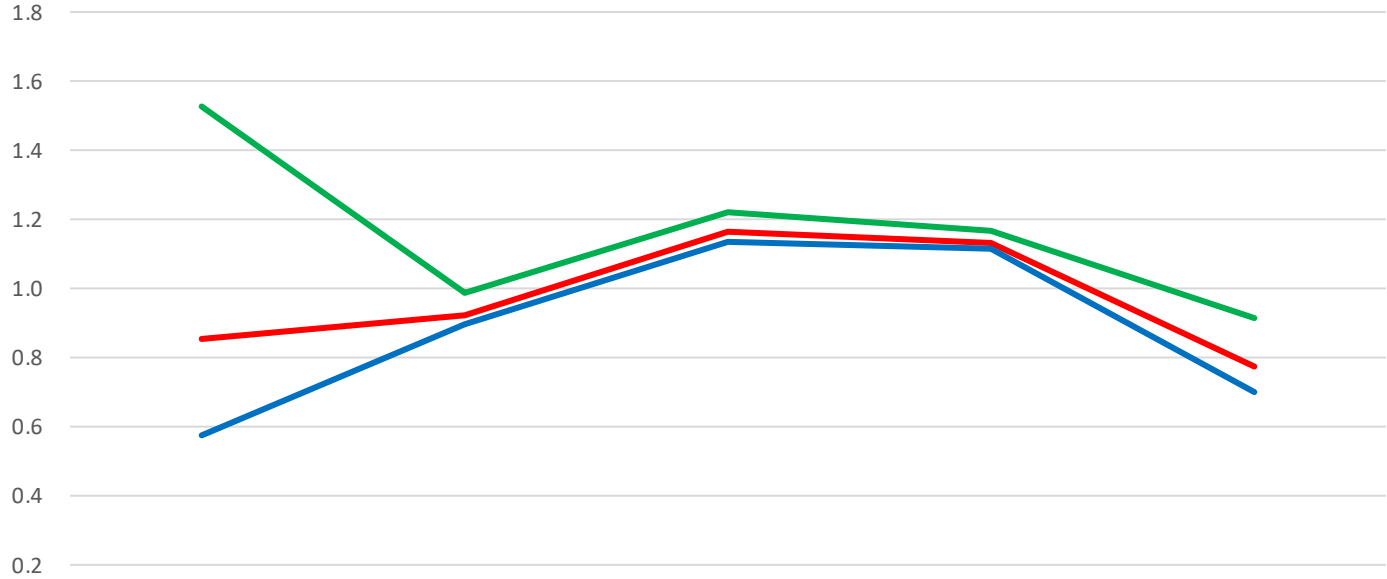
Payment Period



	2018	2019	2020	2021	2022
All Hospitals	208.5	144.3	147.7	116.0	111.41
For Profit	244.8	156.3	140.4	110.8	113.93
Non-for-Profit	120.5	115.1	161.8	127.0	106.63

Capital Assets Replacement

Capital Expenditures/Depreciation & Amortization



	2018	2019	2020	2021	2022
All Hospitals	0.9	0.9	1.2	1.1	0.77
For Profit	0.6	0.9	1.1	1.1	0.70
Non-for-Profit	1.5	1.0	1.2	1.2	0.91

Thanks!

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