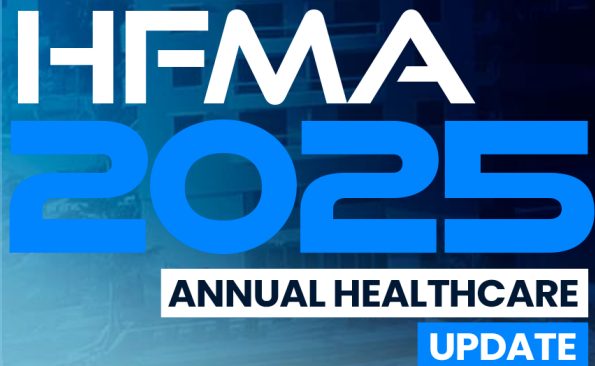


Healthcare Industry Update – Hospitals' Financial Condition



Topics

- **Overview of Puerto Rico Healthcare Economic Data**
- **Comparison of Key Metrics between Puerto Rico and US hospitals**
 - **Acute Hospitals**
 - **Psychiatric Hospitals (Free Standing)**
 - **Rehabilitation Hospitals (Free Standing)**
- **Financial Condition of Puerto Rico Hospitals per type of organization**

Puerto Rico Resources for Healthcare Services



Los hospitales enfrentan la reducción y envejecimiento de la población

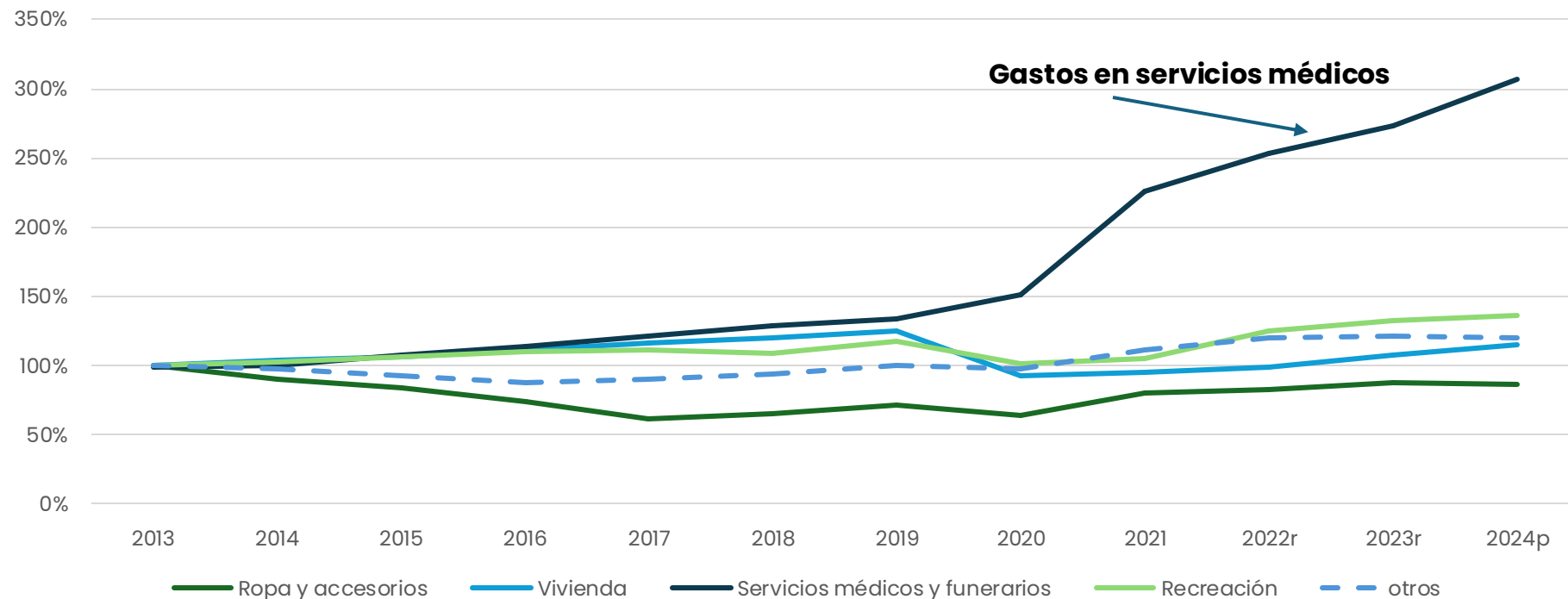
Posición de Puerto Rico entre los 2017 países del mundo

	Dato	Posición en el mundo
Crecimiento de la población (anual, 2000-2024)	-0.2 %	178/217
Porcentaje de la población con menos de 14 años	11.6 %	214/217
Porcentaje de la población con más de 65 años	24.7 %	3/217
Tasa de Dependencia (65+ como % de los trabajadores)	39.0 %	3/217
Muertes por cada 1,000 habitantes (2023)	11	29/217
Nacimientos por cada 1,000 habitantes	6	212/217

- ❑ El envejecimiento de la población afecta el “case mix” de los hospitales hacia casos con costos de manejos más altos y menos rentables.
- ❑ La crisis demográfica de PR es una de las más serias del mundo, comparable incluso a la de Japón y Corea del Sur.

La crisis hospitalaria de Puerto Rico ocurre en un contexto donde ha Incrementado el gasto de consumo en servicios médicos

Gasto de consumo personal por tipo, Años Fiscales (2013=100)



Somos una jurisdicción con un gasto alto en salud relativo al PNB

- ❑ El Gasto en salud de Puerto Rico alcanzó 17,043 millones en salud en el 2024.
- ❑ Representó el 24% del PNB de la Isla.
- ❑ Esta es una de las proporciones más altas del mundo y es similar a la de EE.UU.
- ❑ Esto reduce las opciones económicas para destinar más recursos hacia el financiamiento de la salud.

Países con mayor gasto en Salud como % de PIB

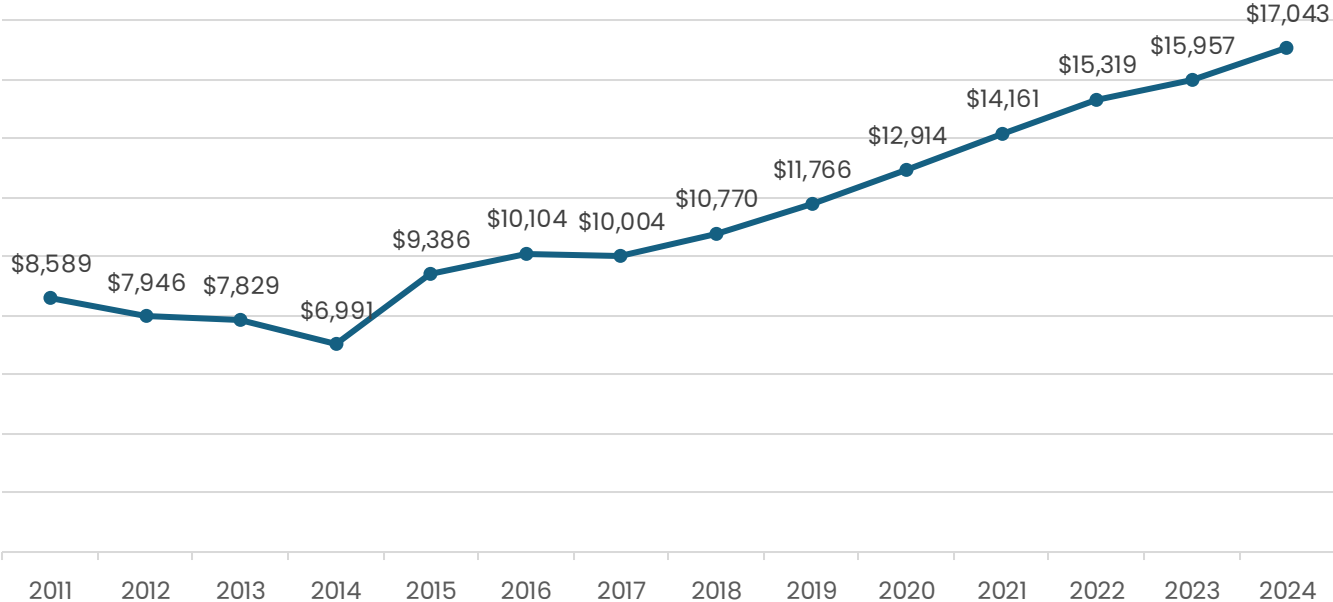
Rank	País	Gasto en Salud (% de PIB)
1	Puerto Rico (1)	24.0%
2	United States	17.6%
3	Germany	11.7%
4	Cuba	11.7%
5	France	11.5%
6	Switzerland	11.4%
7	Canada	11.3%
8	Sweden	11.0%
9	Belgium	10.8%
10	Japan	10.7%
11	Austria	10.6%
12	Norway	10.6%

Fuente: World Bank Development Indicators

Gastos en Salud en PR, según Galíndez, LLC

(1) Para PR se usó en PNB en lugar del PIB

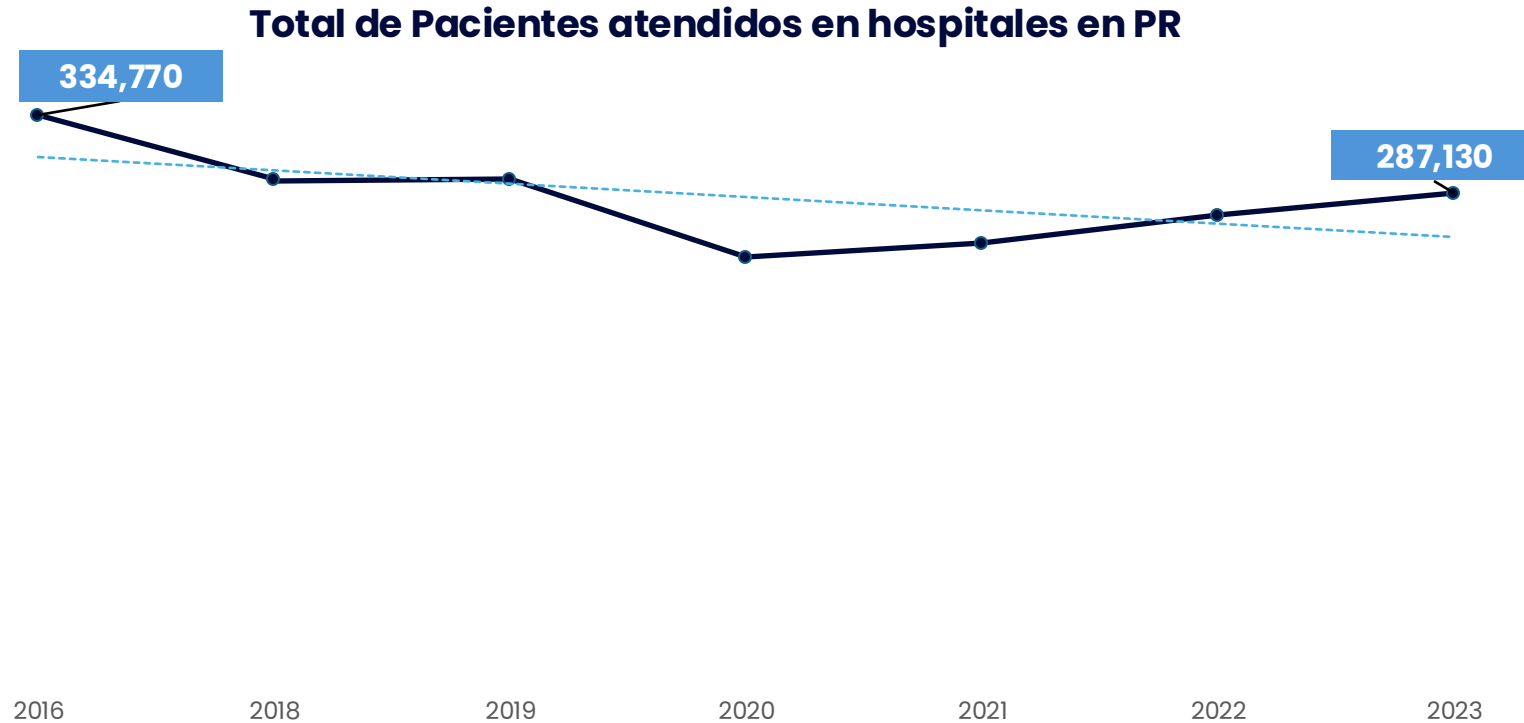
Estimated Puerto Rico Healthcare Resources, in Millions



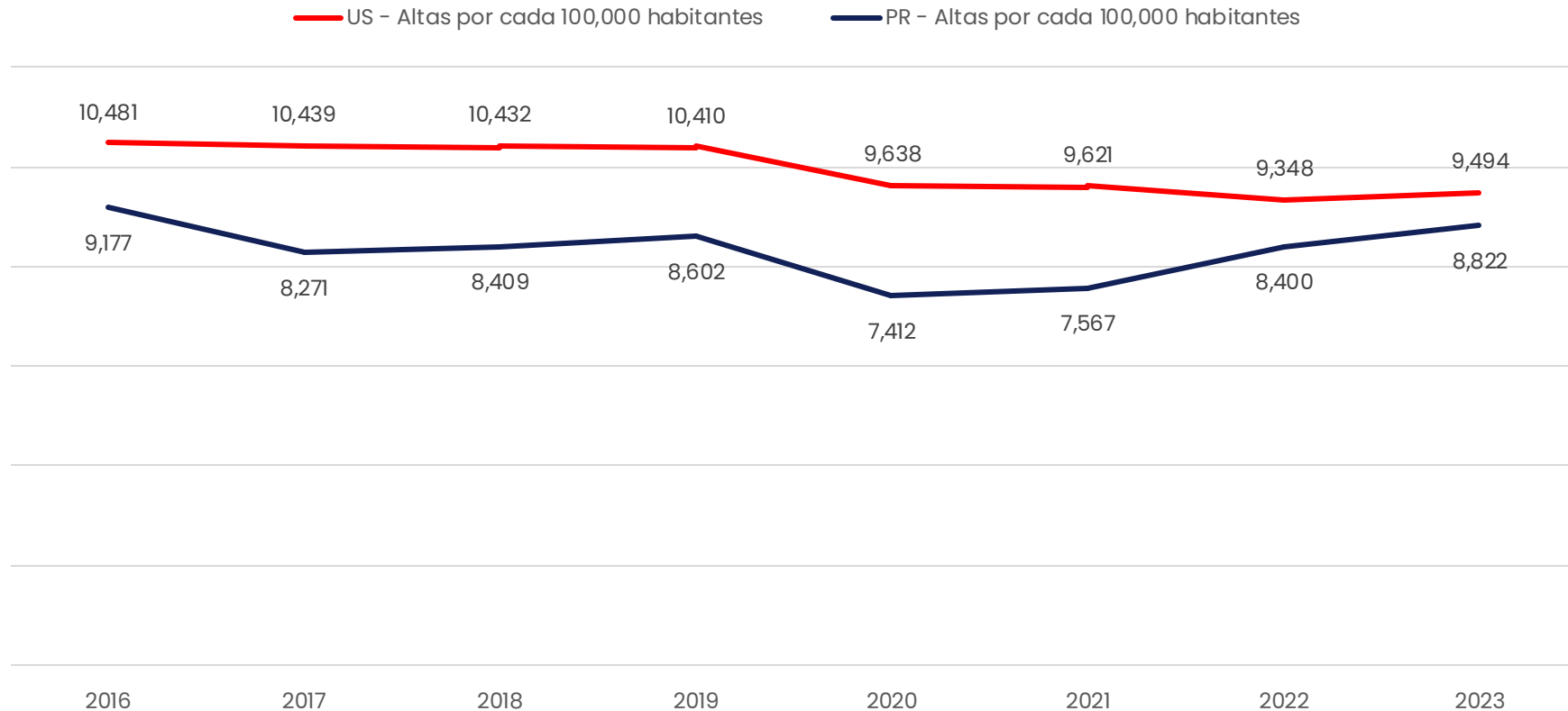
Sector	Population	Total Healthcare Cost	Total Healthcare Resources			
			Federal Government	Puerto Rico Government	Private Sector	Individual
PSG (Programa Vital sin Platino)	1,075,000	\$ 4,800	\$ 3,650	\$ 1,150	\$ -	\$ -
Plan Médico Comercial (Privado)	960,000	\$ 2,750	\$ -	\$ -	\$ 1,730	\$ 1,020
Empleados Públicos (Ley 63/95/158/16/117/171)	195,000	\$ 510	\$ -	\$ 260	\$ -	\$ 250
Medicare Tradicional (Parte A Solamente)	95,000	\$ 275	\$ 190	\$ -	\$ 13	\$ 72
Medicare Tradicional (Partes A&B)	15,000	\$ 80	\$ 60	\$ -	\$ 2	\$ 18
Medicare Advantage (Platino)	305,000	\$ 5,150	\$ 4,857	\$ 293	\$ -	\$ -
Medicare Adcantage (No-Platino)	360,000	\$ 3,750	\$ 3,653	\$ 72	\$ 18	\$ 7
Población sin Seguro Médico	220,000	\$ 250	\$ 75	\$ 13	\$ -	\$ 162
Total Puerto Rico	3,225,000	\$ 17,565	\$ 12,485	\$ 1,788	\$ 1,763	\$ 1,529

Source: Proyectado 2025, Zetina Logixx.

Los hospitales enfrentan una contracción en la demanda por servicios relativo al 2016



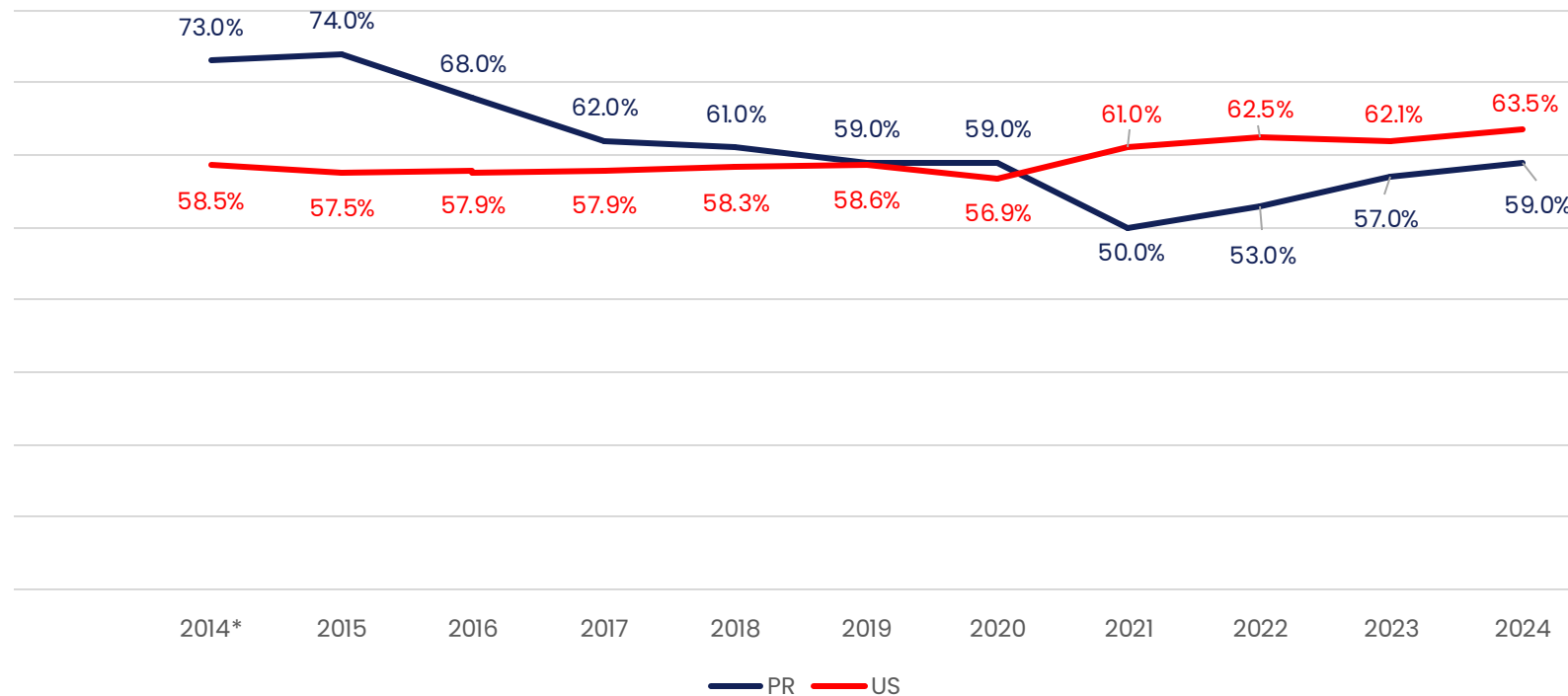
Las altas en proporción a la población mejoraron pero se mantienen por debajo del 2016



La tasa de ocupación se redujo sustancialmente

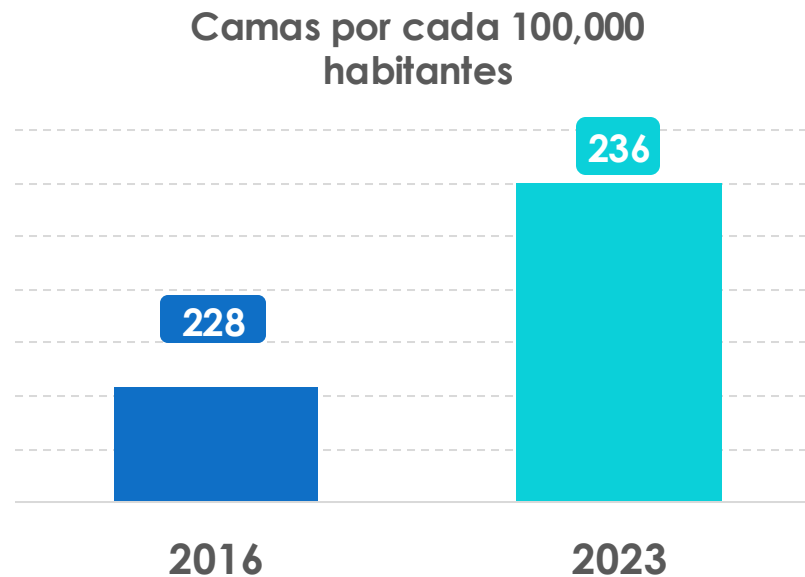
- ☑ En cambio, en EE.UU. se ha mantenido estable, pero con mejoría en los años post-Covid.

Tasa de Ocupación



Los hospitales redujeron sus camas, pero a un ritmo más lento que la población

- ✓ En los Estados Unidos se observa la misma tendencia, aunque en términos relativos, en EE.UU. hay más hospitalizaciones con relación a la población.



	2016	2023	Cambio Anual
Población	3,529,385	3,254,885	-1.15%
Camas	8,060	7,669	-0.71%
Camas x 100,000 habitantes	228	236	0.47%

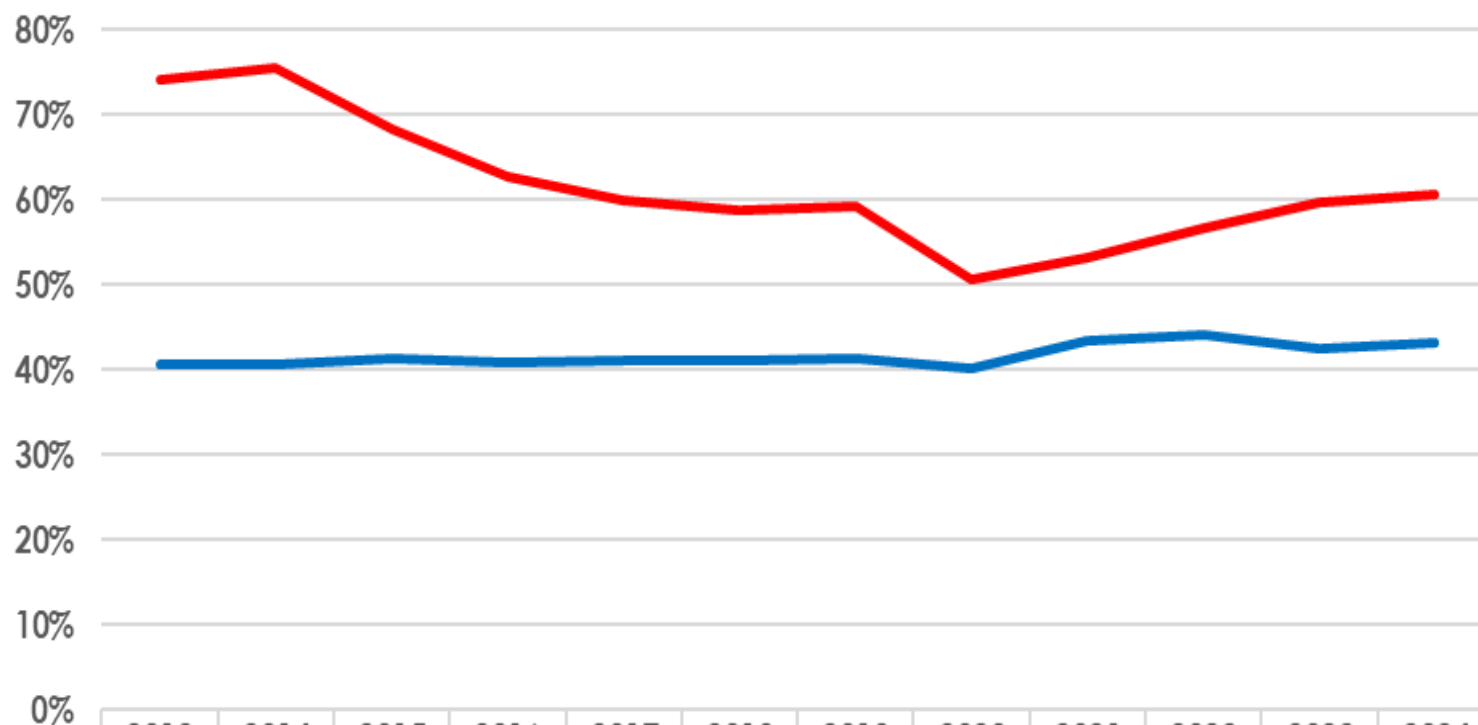
Fuente: American Community Survey, U.S Census (2023)

Comparison of Key Metrics between Puerto Rico and US Hospitals

Acute Hospitals

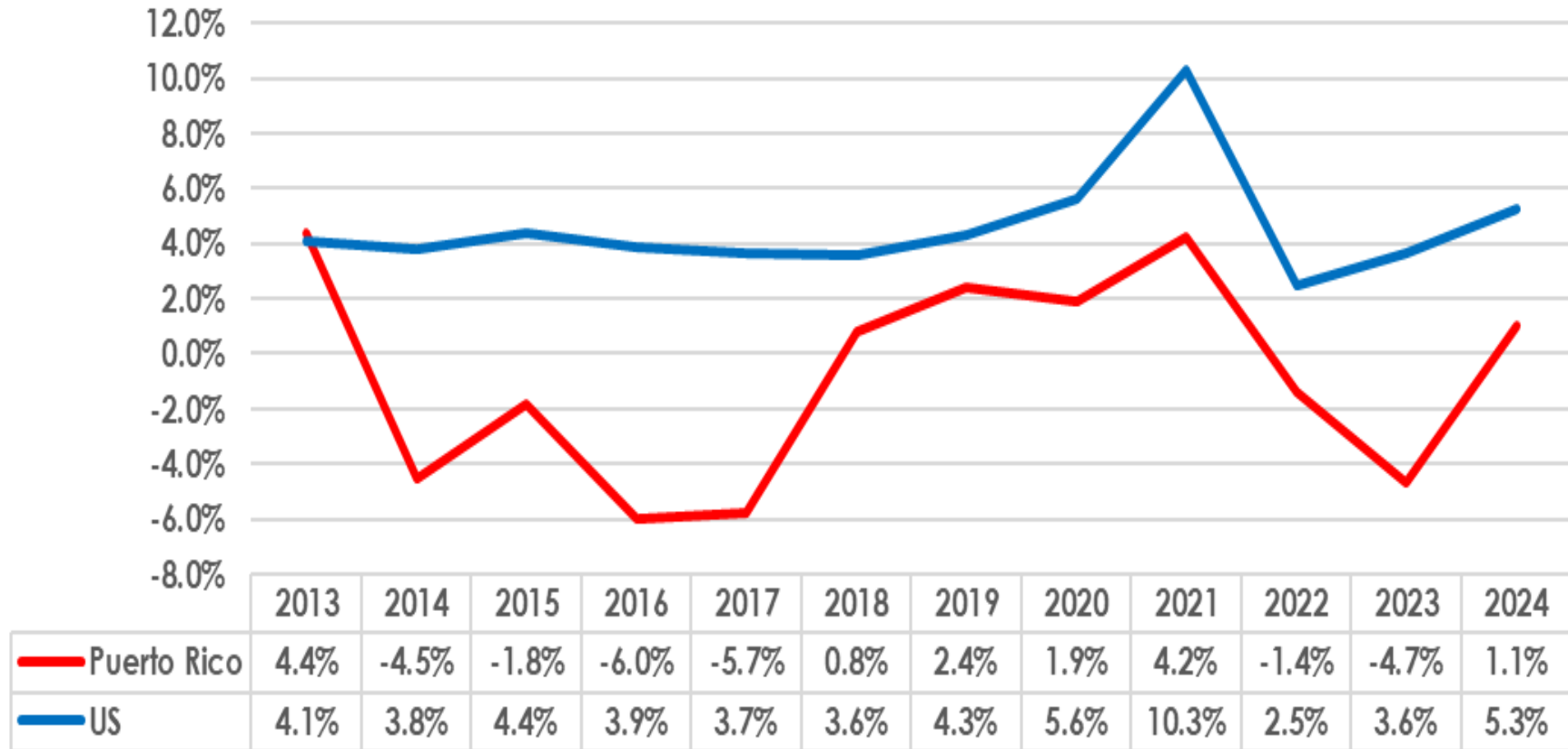
US hospitals of 500 beds or less

% of Occupancy

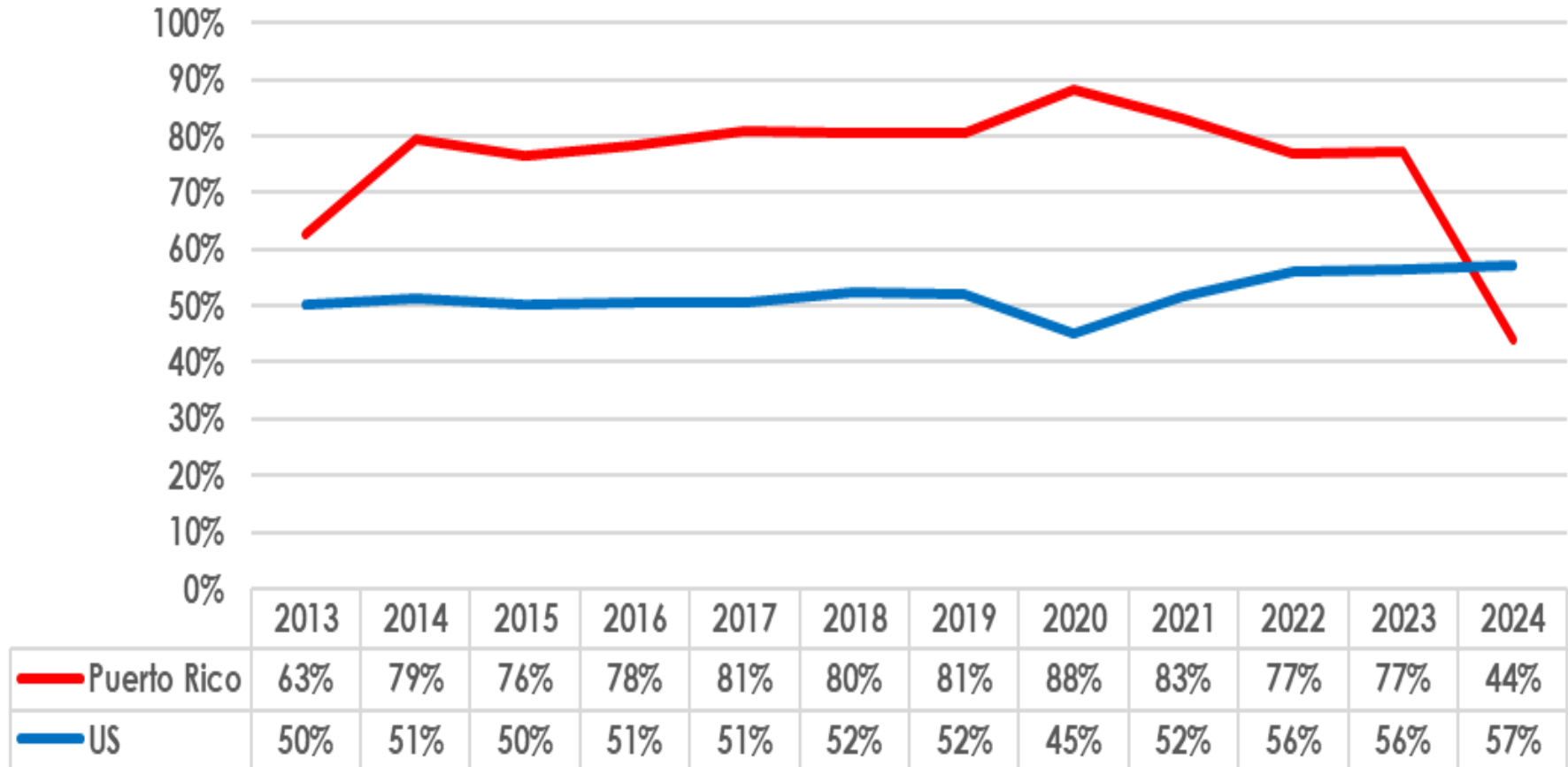


	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
— Puerto Rico	74%	76%	68%	63%	60%	59%	59%	51%	53%	57%	60%	61%
— US	41%	40%	41%	41%	41%	41%	41%	40%	43%	44%	42%	43%

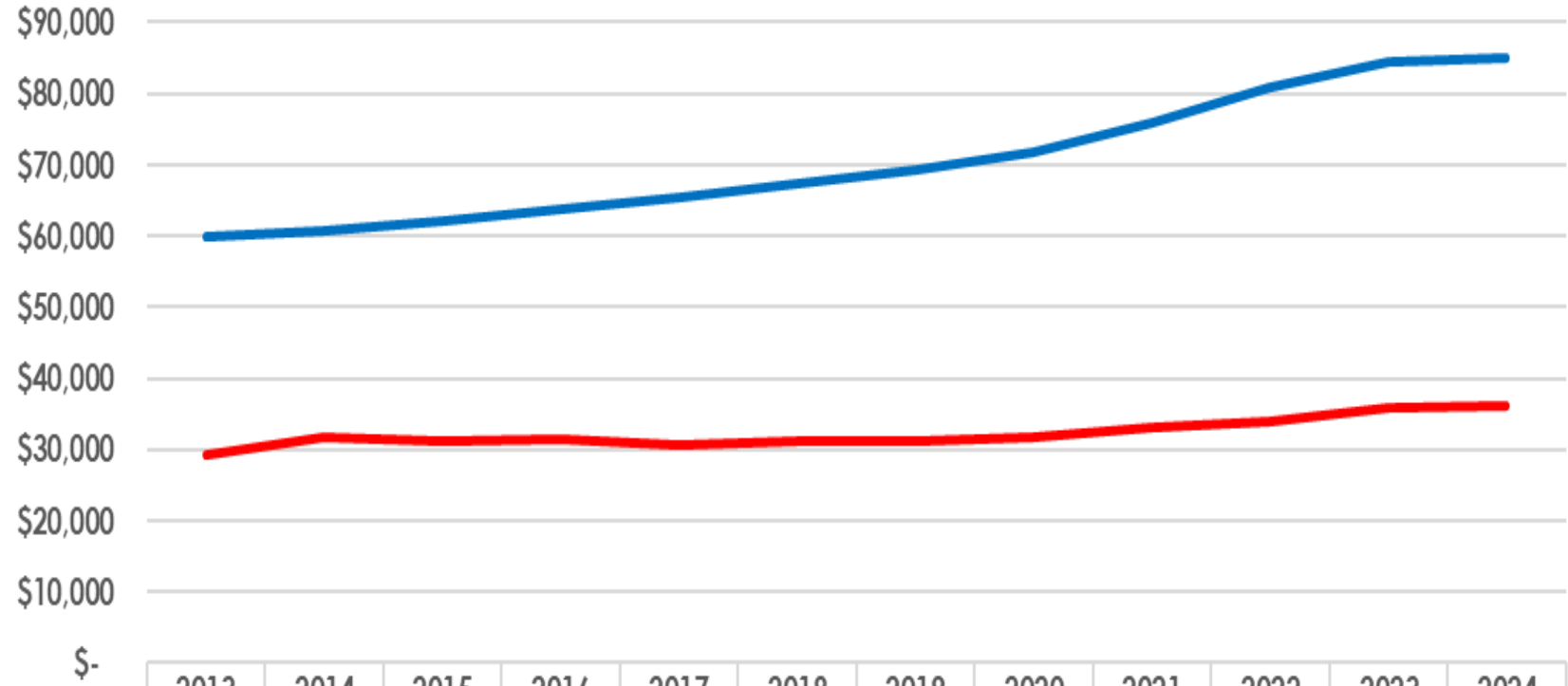
Net Margin



Equity Ratio

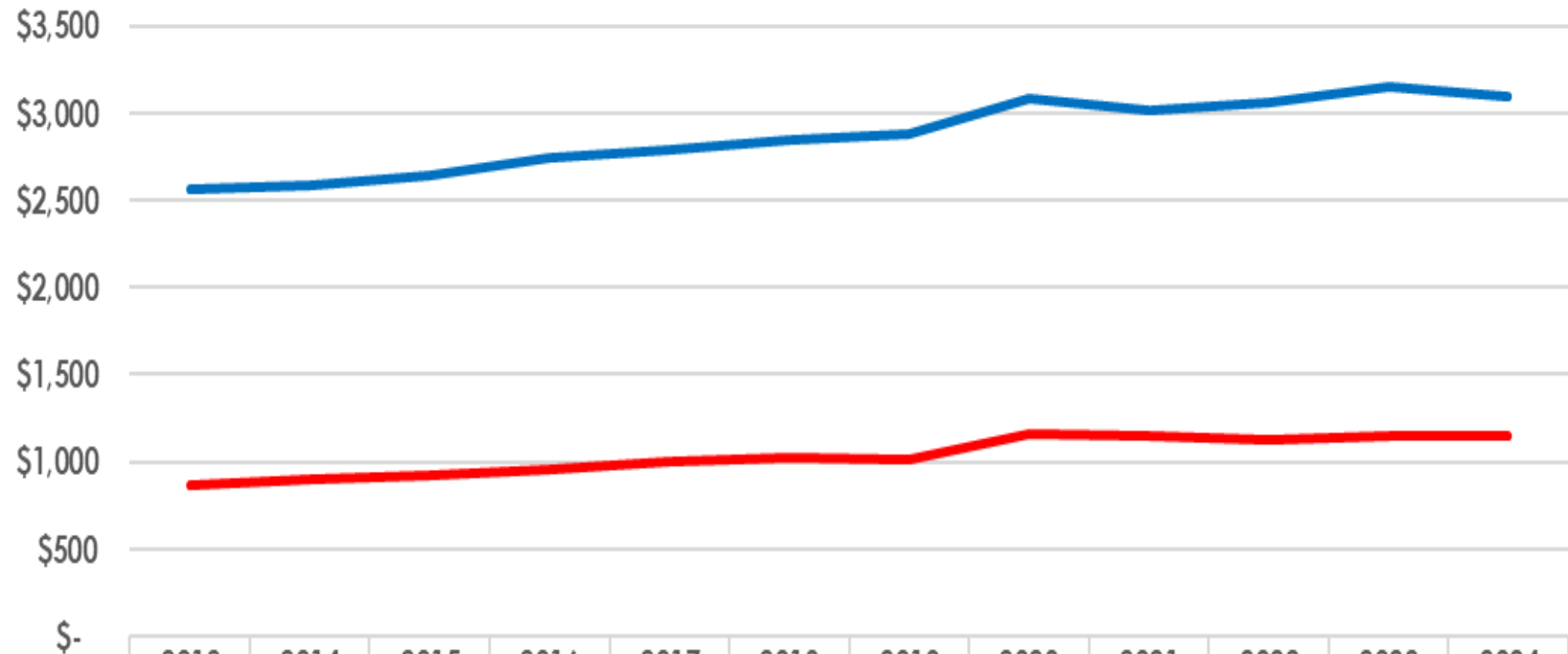


Average Salaries



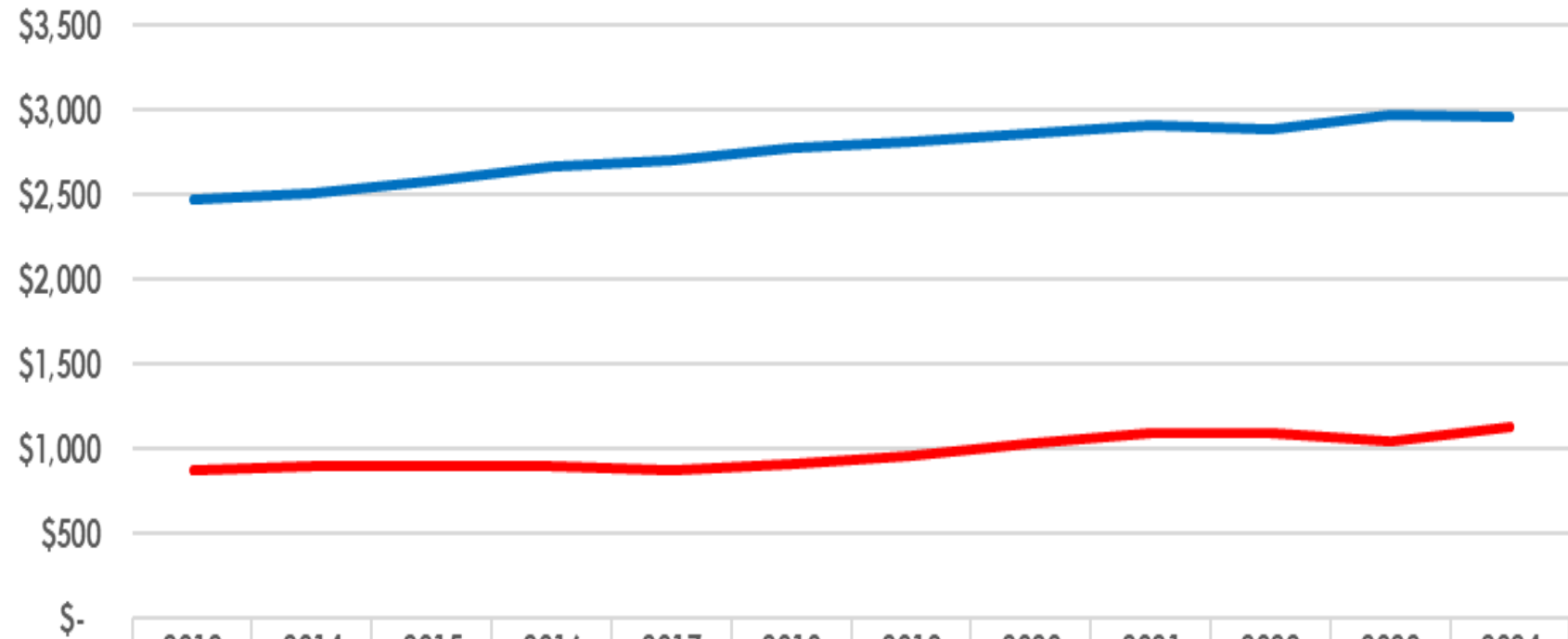
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
— Puerto Rico	\$29,287	\$31,610	\$31,119	\$31,312	\$30,632	\$31,158	\$31,288	\$31,741	\$33,058	\$33,953	\$35,787	\$36,214
— US	\$59,870	\$60,642	\$62,072	\$63,812	\$65,316	\$67,320	\$69,286	\$71,772	\$75,883	\$80,941	\$84,419	\$85,098

Cost per Adjusted Patient Days



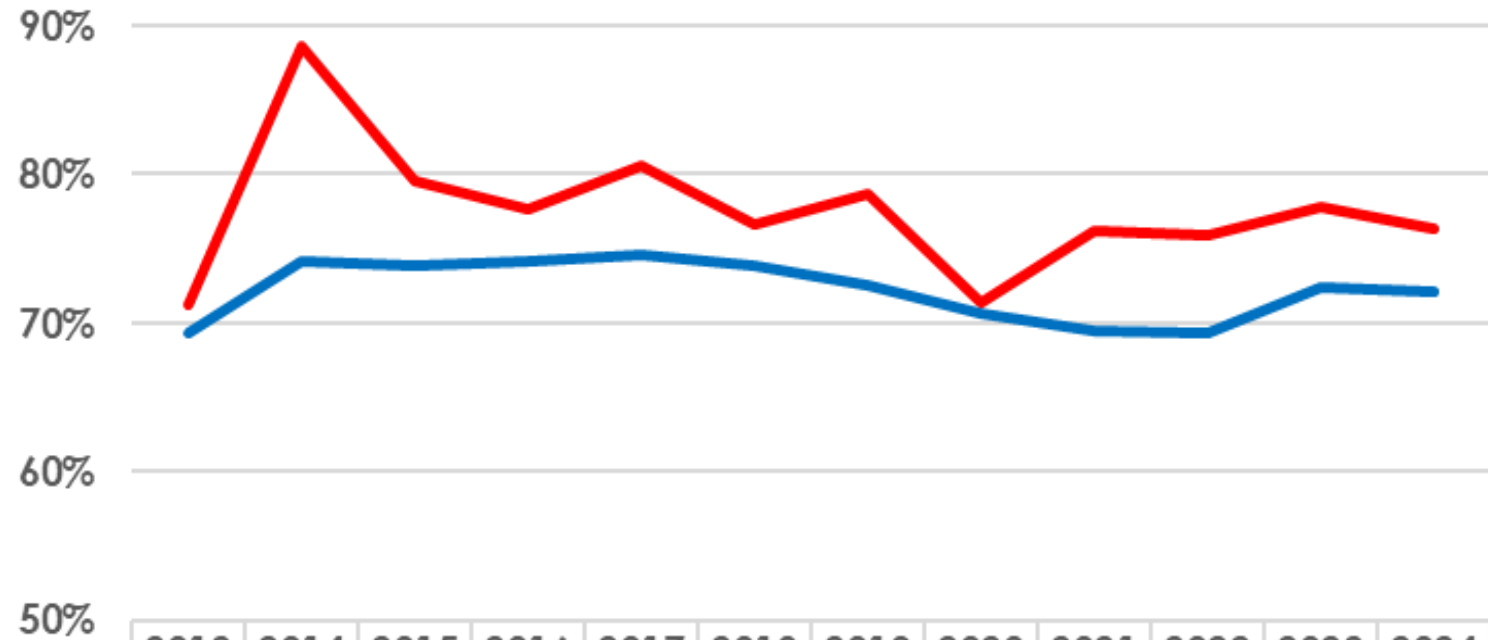
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
— Puerto Rico	\$866	\$898	\$919	\$953	\$1,000	\$1,028	\$1,010	\$1,157	\$1,148	\$1,129	\$1,149	\$1,153
— US	\$2,562	\$2,582	\$2,639	\$2,743	\$2,788	\$2,842	\$2,878	\$3,089	\$3,017	\$3,065	\$3,148	\$3,095

Revenue per Adjusted Patient Days



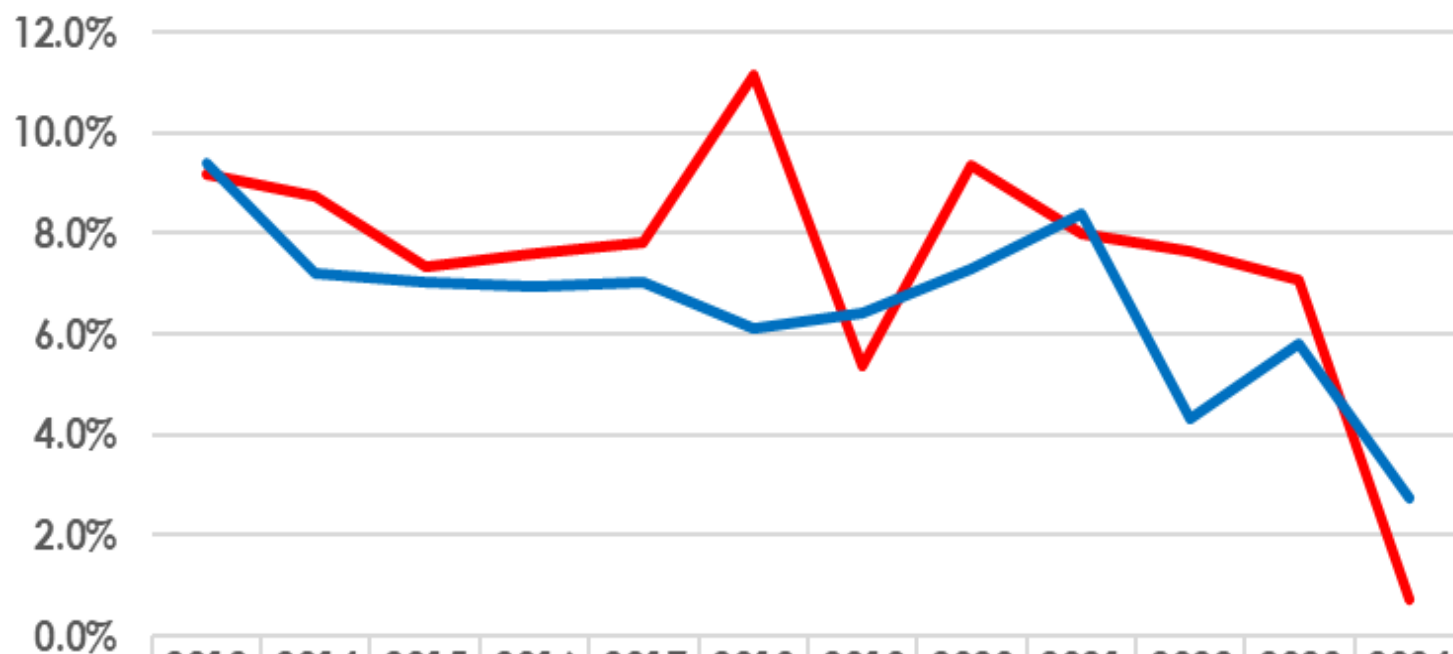
Psychiatric Hospitals

% of Occupancy

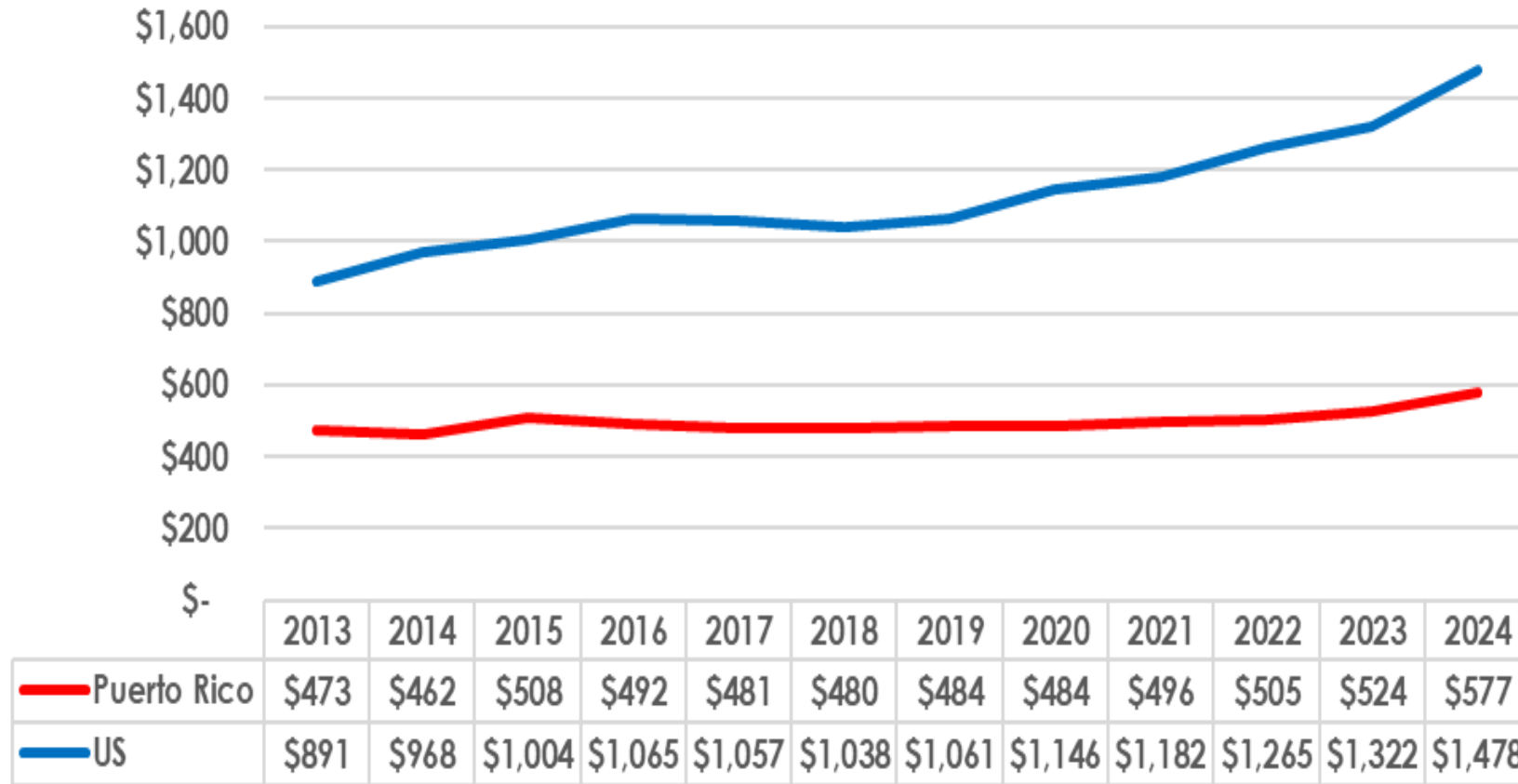


	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Puerto Rico	71%	89%	80%	78%	81%	77%	79%	71%	76%	76%	78%	76%
US	69%	74%	74%	74%	75%	74%	73%	71%	70%	69%	72%	72%

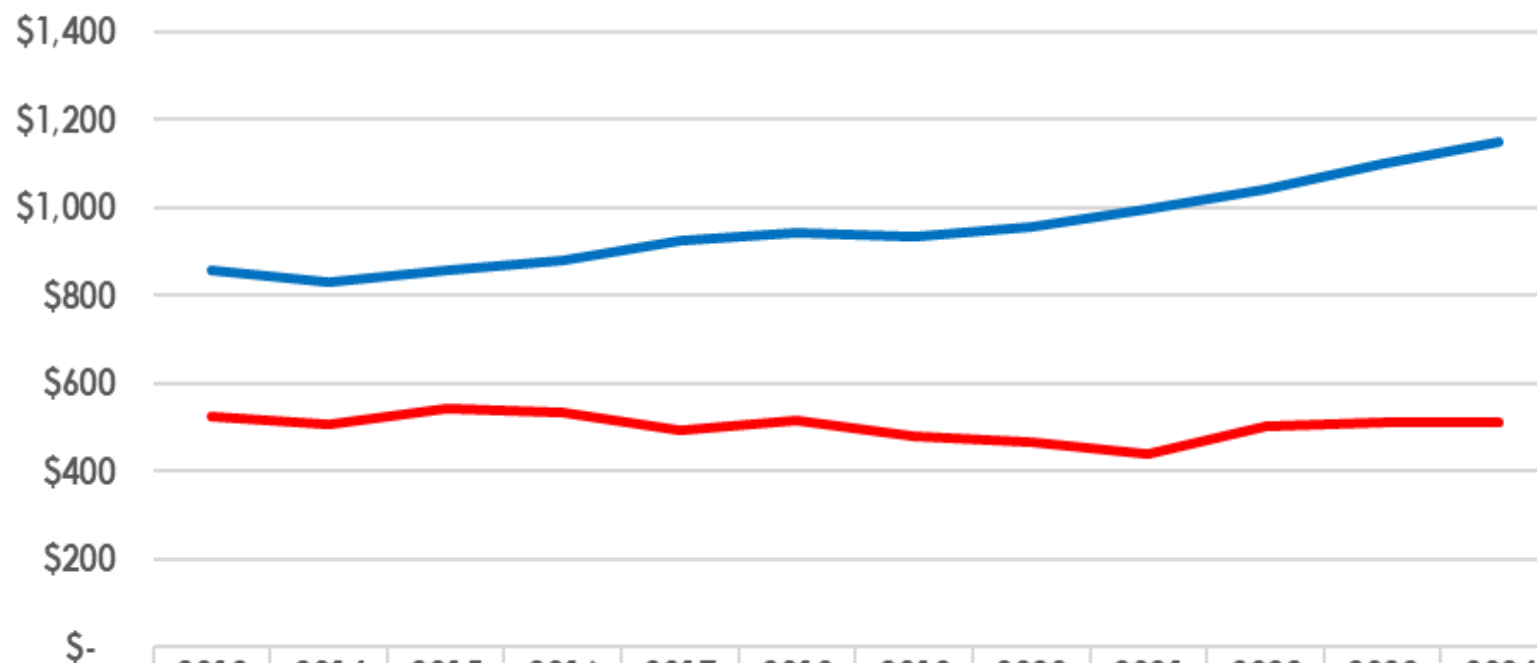
Net Margin



Cost per Adjusted Patient Days



Revenue per Adjusted Patient Days

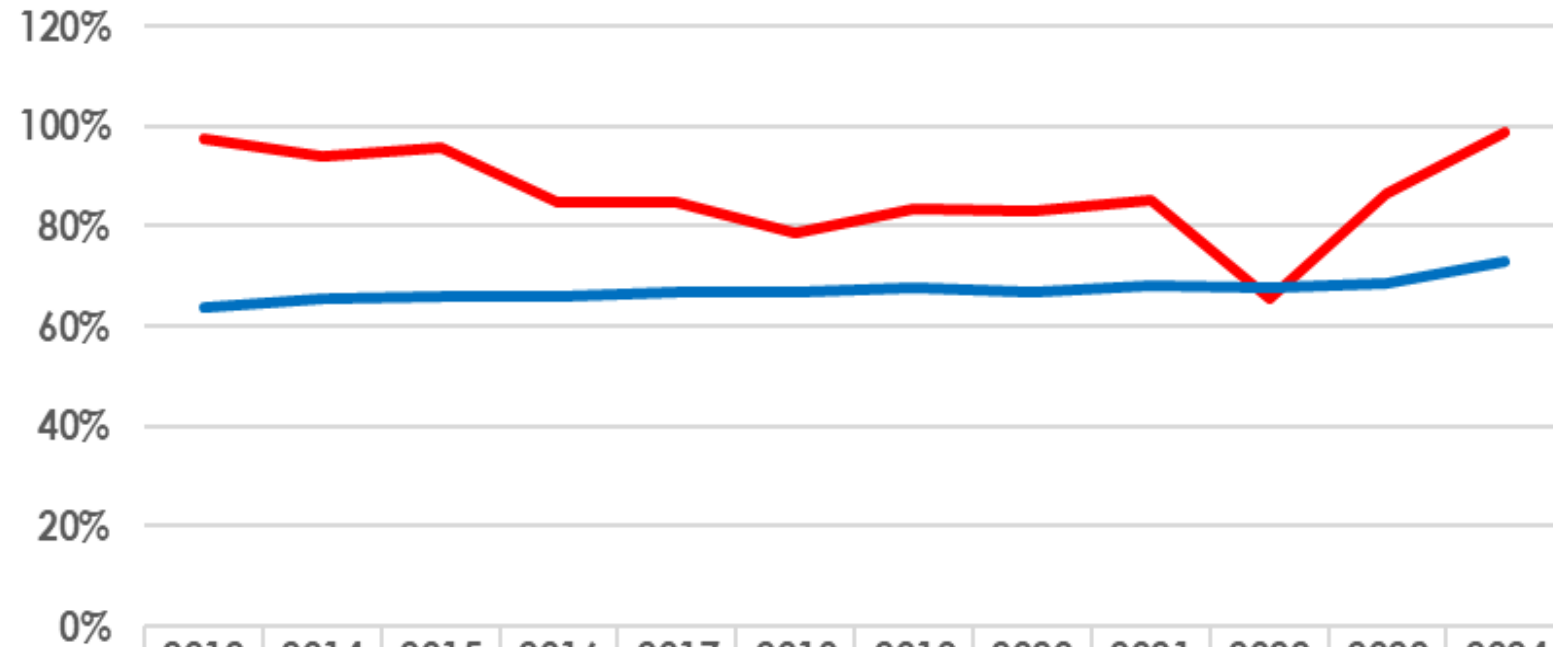


	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
— Puerto Rico	\$526	\$508	\$542	\$533	\$493	\$514	\$480	\$464	\$437	\$500	\$511	\$511
— US	\$856	\$831	\$856	\$878	\$924	\$944	\$936	\$955	\$994	\$1,040	\$1,102	\$1,148

Rehabilitation Hospitals

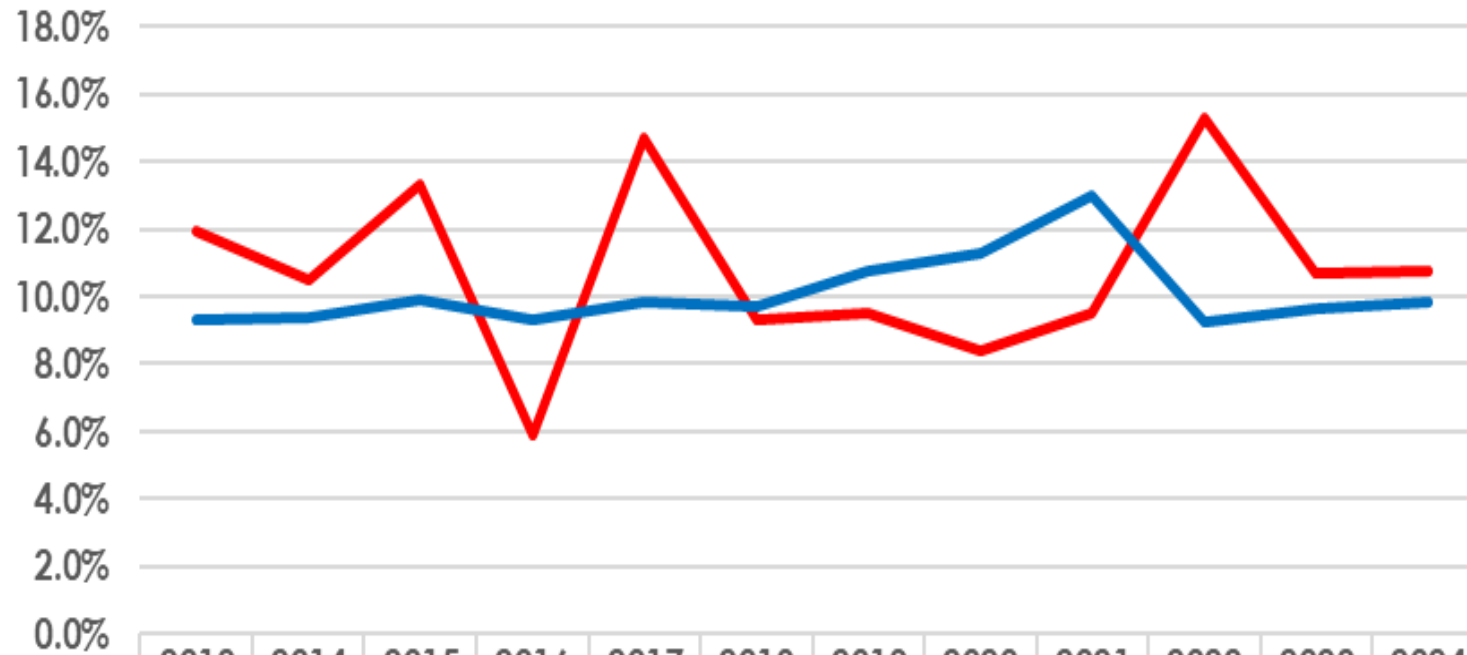


% of Occupancy

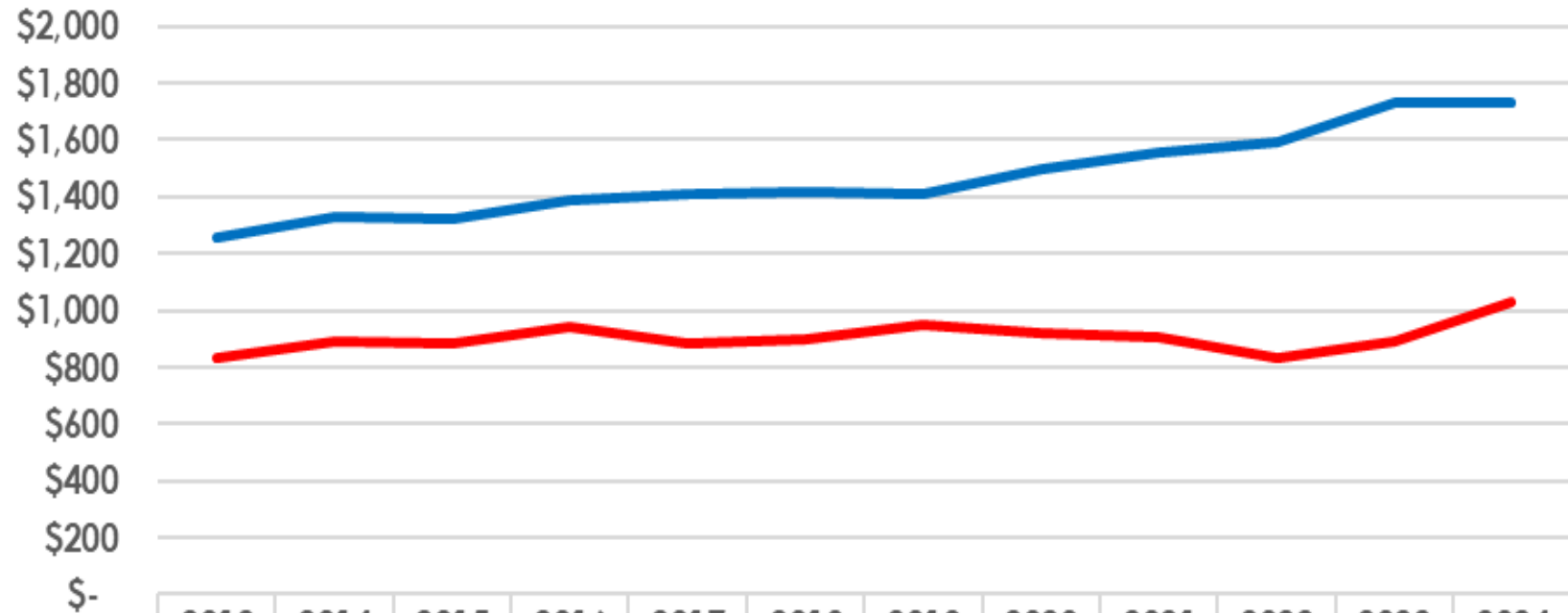


	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
— Puerto Rico	98%	94%	96%	85%	85%	79%	83%	83%	85%	65%	86%	99%
— US	64%	65%	66%	66%	67%	67%	68%	67%	68%	68%	68%	73%

Net Margin

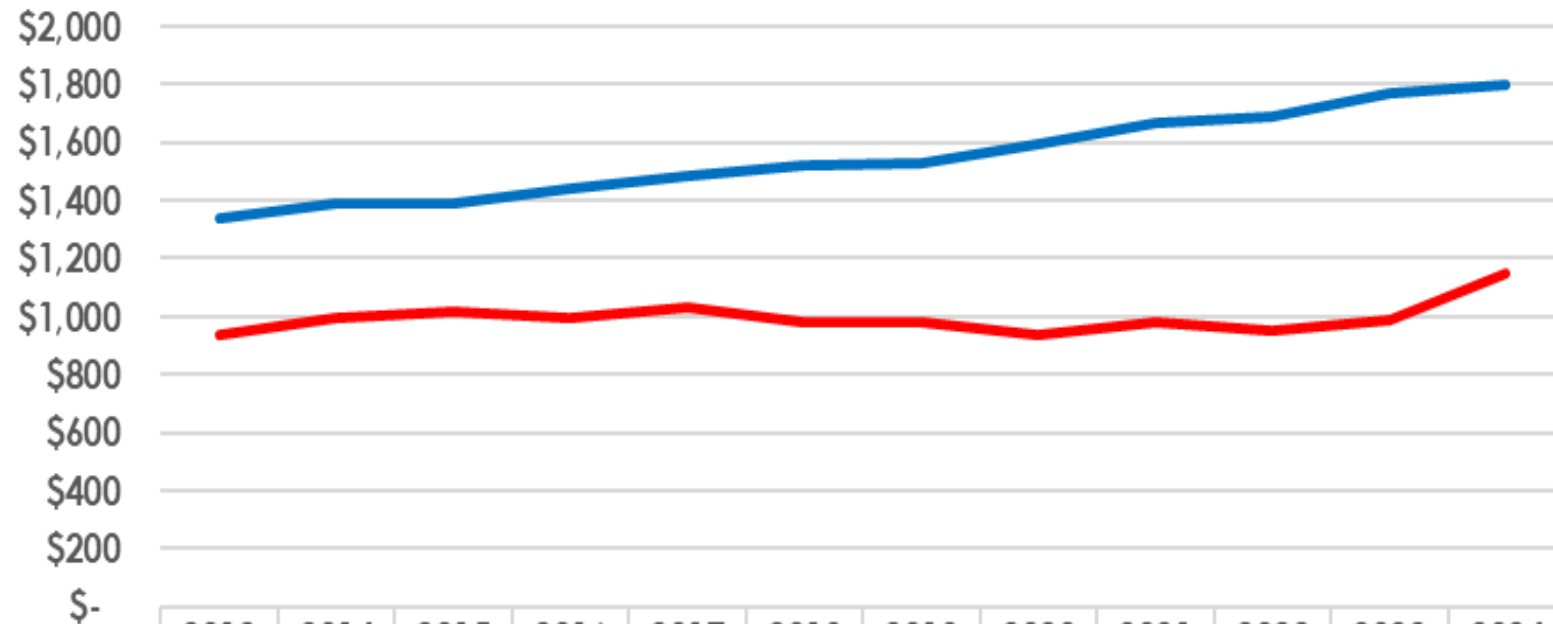


Cost per Adjusted Patient Days



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
— Puerto Rico	\$829	\$889	\$884	\$941	\$880	\$897	\$946	\$920	\$908	\$831	\$888	\$1,031
— US	\$1,256	\$1,331	\$1,321	\$1,390	\$1,408	\$1,420	\$1,411	\$1,497	\$1,555	\$1,590	\$1,727	\$1,729

Revenue per Adjusted Patient Days

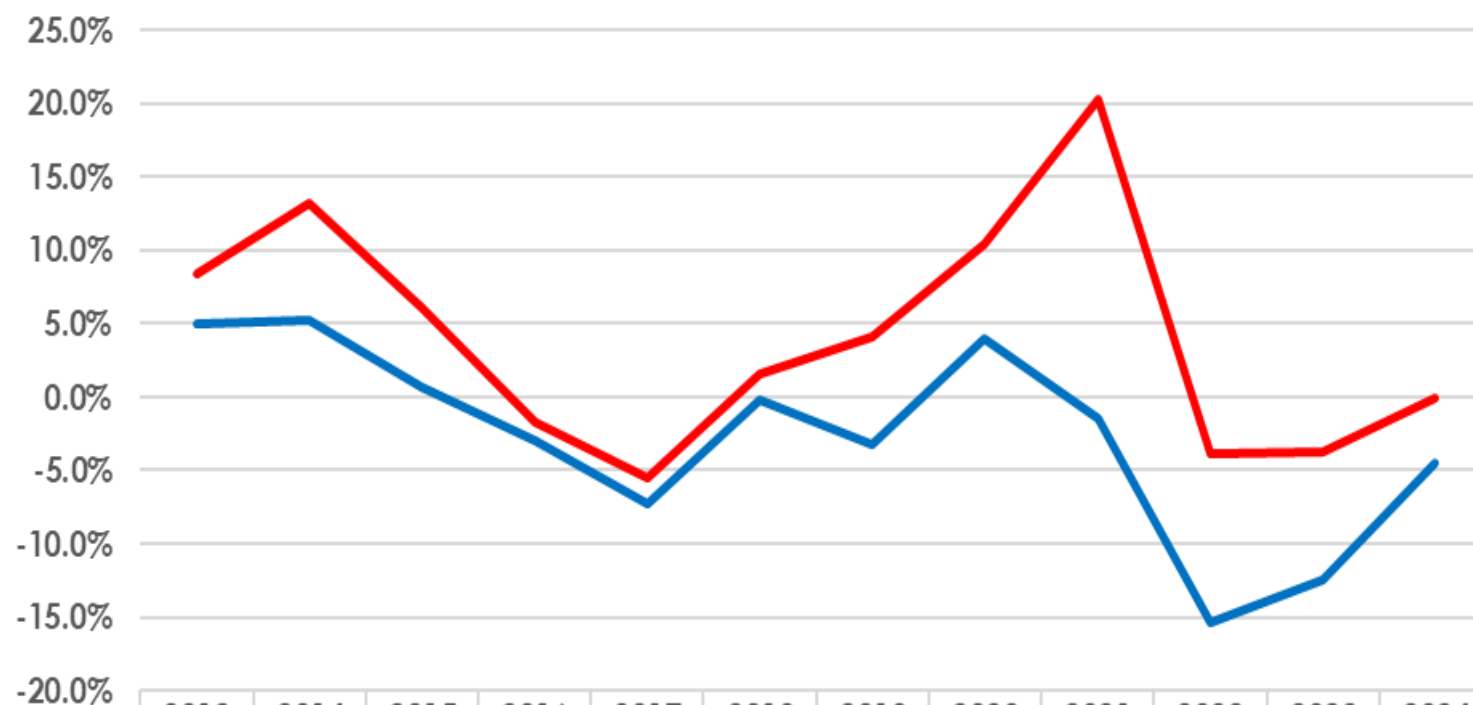


— Puerto Rico

— US

Financial Condition of Puerto Rico Hospitals (Acute) per Type of Organization

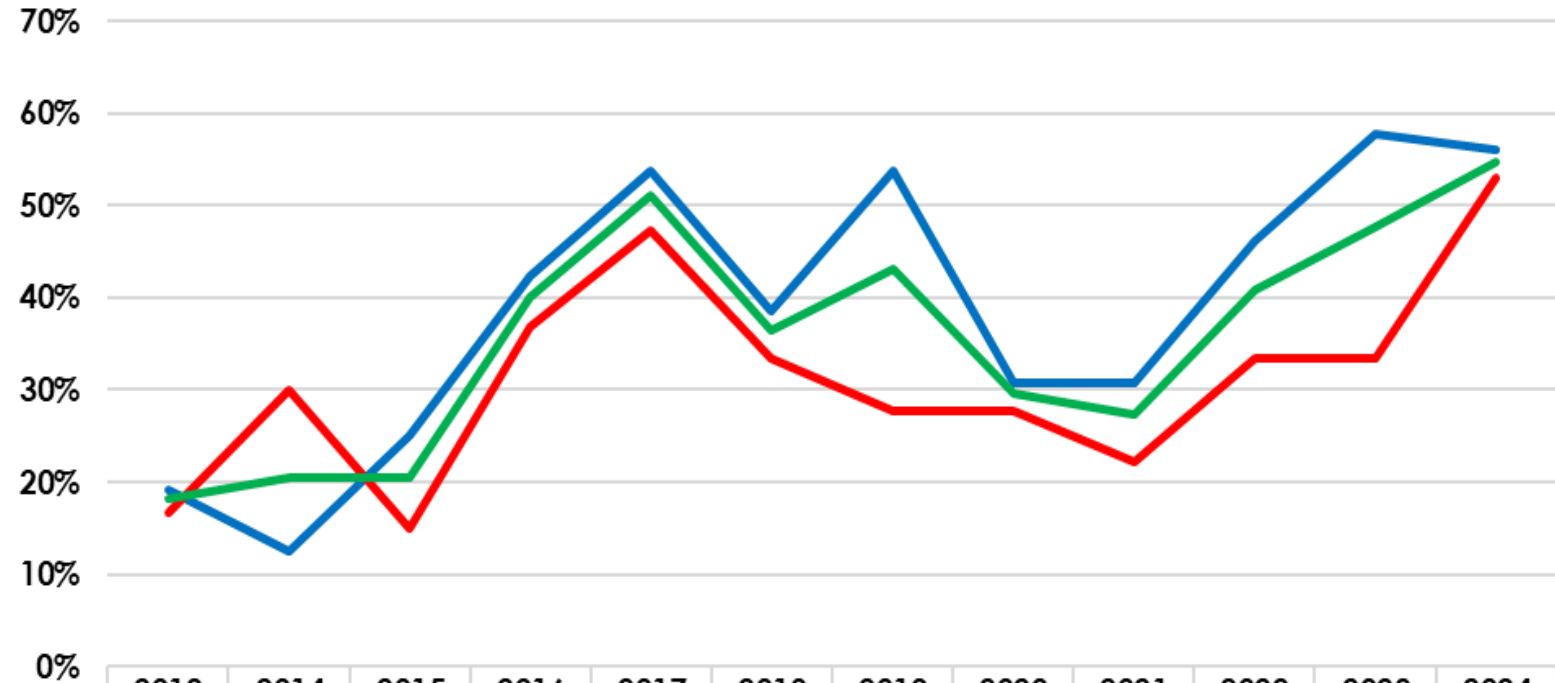
Net Margin



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Non-for-Profit Hospitals	3.4%	7.9%	5.4%	1.3%	1.7%	1.8%	7.3%	6.5%	21.8%	11.5%	8.7%	4.3%
For Profit Hospitals	5.0%	5.3%	0.7%	-3.0%	-7.3%	-0.2%	-3.3%	4.0%	-1.5%	-15.4%	-12.4%	-4.5%

For Profit Hospitals Non-for-Profit Hospitals

Percent (%) of Hospitals with Negative Margins



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
For-Profit	19%	13%	25%	42%	54%	38%	54%	31%	31%	46%	58%	56%
Non-for-Profit	17%	30%	15%	37%	47%	33%	28%	28%	22%	33%	33%	53%
All	18%	20%	20%	40%	51%	36%	43%	30%	27%	41%	48%	55%

Galíndez's Score = Net Margin (NM) - % of Occupancy (%Occ) - Current Ratio (CR) - Equity Ratio (ER)

<u>Hospital Type</u>	<u>NM</u>	<u>%Occ</u>	<u>CR</u>	<u>ER</u>
Hospital 1 - NFP	-3%	46%	0.61	9%
Hospital 2 - FP	1%	40%	1.45	-44%
Hospital 3 - NFP	-3%	44%	1.70	63%
Hospital 4 - FP	-4%	37%	0.66	13%
Hospital 5 - FP	0%	51%	1.42	37%
Hospital 6 - FP	-19%	59%	0.26	-21%
Hospital 7 - FP	-8%	25%	1.65	63%
Hospital 8 - NFP	-5%	37%	0.85	-1%
Hospital 9 - NFP	-16%	26%	0.35	26%

Closing Remarks

- **How may hospitals improve their financial condition?**
 - **Strengthen governance and management and establish educational programs (mandatory) in matters related to the healthcare industry in general, particularly in non-for-profit institutions.**
 - **Target payment methodologies more related to the use of resources (get out from the per-diems), ex. Payment based on diagnosis or clinical condition.**
 - **Establish operational and financial metrics and implement a financial monitoring system to measure them.**
 - **Be able to assume risk managing patient's population .**
 - **Evaluate the reimbursement rates for the outpatient services.**

Closing Remarks (cont.)

- **How may hospitals improve their financial condition? (cont.)**
 - **Emphasize in the use of technology for both, management and clinical operations. Ex. EHR should not be an option for the medical faculty, it should be an obligation tie to medical privileges.**
 - **Educate the medical faculty as to:**
 - **How they are using the hospital's resources.**
 - **How is the profitability of their patients.**
 - **Involve them in the crucial decision and keep them informed as to important matters of the hospital's affairs.**

Closing Remarks (cont.)

- **What the government can do?**
 - **Designate an independent body to study the whole healthcare system (model) to determine how the resources are being used. There have been an increase of 100% in economic resources from 2011 to 2024.**
 - **Establish regulations in the process of credentialization and contracting of providers and take out that processes from the insurance companies.**
 - **Promote the use of investment alternatives, as could be the Law 60 of Investment Funds, to establish a source of capital financing for medical institutions in Puerto Rico.**

Closing Remarks (cont.)

- **What the government can do? (cont.)**
 - **Using the existing mechanisms in the Health Department to regulate the medical facilities, then REGULATE to avoid situation as Maestro or HIMA.**
 - **Temper Regulation 9084 as to the licensing of new medical facilities/services to the actual healthcare industry conditions.**
 - **The Office of the Insurance Commissioner issued some years ago a study establishing a quasi-monopoly situation in the medical insurance market. Do something about it.**
 - **Restructure the public hospitals system in a way that provide it more management and operational capacity tempered to the existing healthcare industry conditions.**



Thank You