Catholic Health Kenmore Mercy Hospital
Catholic Health Mercy Hospital of Buffalo
Catholic Health Sisters of Charity Hospital St. Joseph Campus

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Negotiations UPDATE

A Closer Look at Catholic Health's Finances – Past, Present & Future

Last week, CH Chief Financial Officer, Dave Macholz, discussed the system's finances with CWA's bargaining team. During the presentation, Dave talked about the healthcare trends and market forces negatively affecting all area providers. He also presented an overview on our finances from the past two years; our current balance sheet and future projections; and our continued focus on fiscal responsibility and job retention.

Like most healthcare providers, it's no secret COVID-19 has had a severe impact on our bottom line, but our financial challenges began well before the pandemic. The continued shift from inpatient to outpatient care for medical and surgical cases, coupled with expense costs rising faster than payer rate increases, resulted in a negative impact on our revenue in 2019.

The drop in volume in 2020 as a result of the COVID pandemic only worsened our financial challenges. Several issues compounded our already weak financial position for 2020 and 2021: increased competition for fewer patients; rising costs of goods and services outpacing payer rate increases; people's fear of accessing healthcare services during the first COVID-19 wave, and the prolonged suspension of elective surgery.

A question was raised during Dave's presentation about our relationship with Trinity Health, not to be confused with Trinity Medical WNY, our affiliated physician practice network. Trinity Health is a national Catholic health system in Michigan and a co-member of Catholic Health along with the Diocese of Buffalo.

Our relationship with Trinity Health and the Diocese of Buffalo involves governance in the form of religious sponsorship. **Catholic Health is not owned by Trinity Health or the Diocese and does not obtain any financial support from their sponsorship.** We do participate in a few Trinity Health programs, such as their insurance offerings, and achieve significant cost savings given Trinity Health's scale and purchasing power.

Because of continued challenges related to COVID-19, ongoing market pressures, and the increasing shift from inpatient to outpatient care, Catholic Health's finances are under significant pressure in 2021. However, we are confident our new Strategic Plan and strategic investments like Epic will help us achieve quality, patient safety, and operational improvements. Focusing on market growth, efforts like our new Lockport Hospital will also strengthen our network of services and financial position.

The strength of CH's cash reserves has helped us weather this financial storm at a time when countless hospitals across the country with weak balance sheets have been forced to close or file for bankruptcy. Through our focus on fiscal responsibility, we will continue to provide the highest quality care to our community and retain healthcare jobs, while slowly reducing our losses and improving our financial outlook in the years ahead.

Because it's important to have the facts regarding contract negotiations, we will share regular *Negotiation Updates* with you. You may visit www.chsbuffalo.org/negotiations at any time for the latest news and information related to bargaining and to review copies of these updates and other FAQs.

Catholic Health Financial Fast Facts

- CH's inpatient volume in Erie Country decreased by 13% from 2013-2020
- This shift from inpatient to outpatient care, supporting our community during the COVID crisis, and other factors have resulted in significant losses for CH over the past two+ years:
  - 2019 - $56 million loss
  - 2020 - $74 million loss
  - 2021 Q1 - $47 million loss
- Despite receiving more than $96 million in CARES ACT Relief Funding due to the COVID pandemic, CH still sustained unprecedented losses in 2020 and Q1 2021
- COVID-related expenses topped more than $25 million in 2020, including:
  - $9 million in premium pay
  - $10 million in increased PPE
  - $5 million in other supplies and equipment
- CH saved $7 million in 2020 through furloughs and leadership pay reductions
- Our Cash Reserves, which help us withstand operating losses, have decreased by $120 million over the past three+ years:
  - 2018 - $480 million
  - 2019 - $450 million
  - 2020 - $389 million
  - Q1 2021 - $360 million
- Our Days Cash on Hand, which should be 175-250 days for a system our size, have decreased by more than 50 days over the past three+ years:
  - 2018 - 157 days
  - 2019 - 142 days
  - 2020 - 119 days
  - Q1 2021 - 106 days
- To improve our financial performance, CH eliminated 240 administrative positions in 2019 and implemented $63 million in growth and cost-cutting initiatives focused on dollars paid to outside organizations in 2021
- During the first quarter of 2021, CH lost $30 million of revenue due to the resurgence of COVID in WNY while incurring $15 million in expenses responding to the pandemic