

## **STATEMENT PROVIDED BY MATT MORGAN**

### **Vice President/Chief Financial Officer**

#### **Montage Health**

Montage Health is committed to caring for every single member of our community, to the fullest extent, without hesitation, regardless of condition or insurance coverage. Since 1934, we have cared for people from birth to the end of life. Patients can expect the best care available, inside Community Hospital or at any of our outpatient settings.

We welcome the opportunity to discuss the cost of healthcare and drivers for hospital pricing, specifically questions raised by a recent [U.C. Berkeley Labor Center report](#).

#### **Fulfilling our obligation to our community**

Seventy percent of hospitals in California are operating at a loss or with unsustainable margins. As a result, many hospitals are cutting services, laying off staff and, in extreme cases, being forced to close. In the tri-county area alone, patients have been profoundly impacted by the distressed operations of Hazel Hawkins Memorial Hospital in Hollister and Watsonville Community Hospital.

The patients served by Monterey County's hospitals expect and deserve the stability that comes from a well-run, economically sustainable, modern, full-service hospital. Our patients and our community deserve a world-class healthcare system that provides the full spectrum of services, free of labor shortages and service closures. Patients throughout many California communities have experienced curtailed services and increasing difficulty accessing care as their local hospitals have operated at a loss. Montage Health is committed to not letting that happen in Monterey County.

Discounting our rates to a level that does not sustain the long-term viability of our local hospital would be irresponsible. Buckling to rates that could result in large-scale layoffs or cutting vital services would be management malpractice.

#### **Government versus commercial reimbursement: the facts**

The report asserts that the proportion of government-reimbursement insurance — Medicare, Medi-Cal, and Tricare (described in the report as “payer mix”) — does not, or should not, impact prices charged to commercial payers. This is objectively false. Take the example of Madera Community Hospital, where a high Medi-Cal payer mix could not be offset by adequate rates from commercial payers, resulting in the closure of this critical hospital on January 1, 2023.

Community Hospital has one of the highest combined government payer mixes in Northern California at 78 percent; only 21 percent of patients treated at Community Hospital have commercial insurance. By comparison, California hospitals have an average of 41 percent of their patients covered by commercial insurance. As government insurers never meet the hard costs of providing care, there is no doubt that this places pressure on commercial pricing.

The report makes comparisons between different types of hospitals and does not take into account their ownership structure (nonprofit vs. for profit), demographics, size and scale, and areas of specialization. Not all hospitals take ownership of the health of their entire community as comprehensively and passionately as we do. The report further alludes to the possibility that market concentration contributes to higher costs. Because we are the only hospital on the Monterey

Peninsula, we have the responsibility to provide services to everyone, even if we do so at a loss, and we exercise that responsibility with pride.

As a nonprofit community hospital, we gratefully accept the obligation to care for all those that need our care. Unlike certain “closed plan” healthcare systems, Community Hospital does not limit the number of uninsured, Medi-Cal, or Tricare patients we see, ensuring wide access to programs and services. Community Hospital has had, throughout its history, a very generous Sponsored Care program. We offer *free* care to all who apply, who are at or below 300% of the Federal Poverty Level; we offer *greatly discounted* care to all who apply, who are at or below 400% of the Federal Poverty Level and will work with them to create very reasonable payment options. Thus, we have *always* taken it as a point of moral obligation and pride to provide the finest level of care to anyone in our community who comes to us in need.

### **Reinvesting in our community's health**

Some healthcare systems seek to be as large as they can possibly be; this leads to taking profits earned in California and spending them to acquire hospital assets in different time zones. Our mission is much more focused — to improve the lives of those we serve throughout Monterey County. Any proceeds we realize do not leave the county but, rather, are reinvested here. In 2022, Community Hospital provided *Monterey County communities with \$182,980,928 in Community Benefit dollars*.

In addition to reinvestment in our community, we have a longstanding track record of supporting highly competitive salaries and benefits for our dedicated and stable workforce. Community Hospital has a decades-long policy of paying better wages than 75 percent of our Northern California peer group in every single position, including nurses. We promote economic prosperity and stability for our workers—in one of the most expensive real estate markets in the country--while, in contrast, some of the largest integrated delivery systems in California are experiencing disruptive labor actions. We provide these fair and competitive wages despite a 22 percent increase in salary expenses in 2022 compared to 2019 for California hospitals.

We provide many healthcare services to the community at a loss so that our residents have access to the critical and regular care that they need. The following are some examples:

### **Addressing the doctor and clinician shortage**

There is a growing shortage of doctors and clinicians in our community and nationwide. As such, we have worked hard to recruit fourteen physicians and four advanced practice providers into the area in the past year alone, including six primary care doctors and two primary care advanced practice providers. We will continue to aggressively recruit primary care and specialty doctors in this extremely competitive market with a high cost of living, and we are investing in our local communities to support future, homegrown medical professionals. Montage Medical Group, our physician practice group, anticipates having 106 providers by the end of 2024. This group is critical to our community's health, as it will provide almost 200,000 patient visits in 2023 at a *hard cost loss of \$36 million*, as again we have no limitations on the numbers of patients we serve with no or limited healthcare insurance.

Additionally, we invest heavily in the recruitment of local young students and professionals into health care careers. We support the operational costs of the Maurine Church Coburn School of Nursing, at Monterey Peninsula College, in excess of \$1million per year. Additionally, the Montage Health

Foundation funds over \$600,000 annually in scholarships to area students looking to work in health care, and provides internships to that end as well.

### **Access to affordable insurance and local healthcare providers**

Aspire Health, co-owned by Montage Health and Salinas Valley Health, parent companies of Community Hospital and Salinas Valley Memorial Hospital, has added two new lower-cost insurance products to cut premium costs and lower co-pays. Aspire Health has contracted with Blue Shield of California for their **Trio HMO, the lowest-cost health insurance product available in Monterey County under Covered California**. Aspire Health is also offering a new Medicare **Protect plan starting 2024 that has \$0 premiums** and access to doctors and services at local healthcare facilities. These programs operate at a net loss each year.

### **Reducing our costs**

We recognize that there is more work to be done in addressing healthcare costs, and we are actively engaged with policymakers, insurance providers, and community organizations to find solutions that will benefit our patients. We are always working to identify cost-efficiencies in the delivery of care without sacrificing quality, access to advanced procedures, and our unwavering commitment to positive patient experiences. Additionally, our frustration when engaged in this work has been as follows: while our overall charges have gone up less than 5% each year of the past five, neither our patients nor our corporate partners have seen any reduction in their insurance premiums, which have on average grown by at least 10% annually in our service area. Thus even when we do exercise our fiduciary responsibilities, our insurers' fees continue to climb.

We appreciate your interest in this critical issue and welcome the opportunity to provide further information and insights on how we are working to make world-class healthcare more affordable and accessible for everyone in Monterey County. We are proud of our efforts. We are proud of the impact of our programs in our communities. We are proud of our major, annual investments into the wellbeing of everyone who lives in our area.