

Legacy Health: Our Financial Crisis

Our Mission



Good health for our people, our patients, our communities and our world. Above all, we will do the right thing.

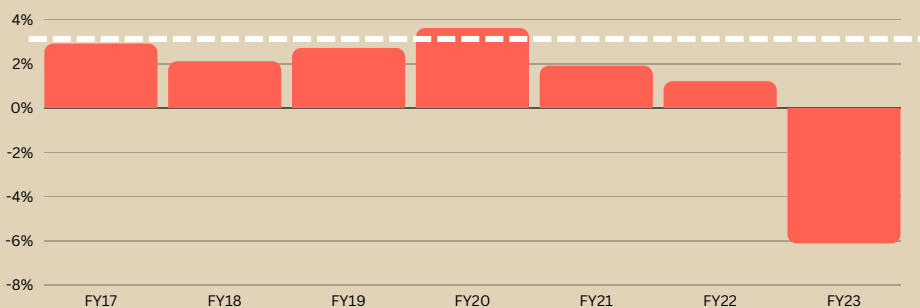
Our Reality



Rising costs, longer stays and other factors have created a financial crisis for hospitals. This threatens our ability to deliver on our mission.

Operating Margin

(3% annual goal)



Legacy has fallen short of our goal of achieving a 3% operating margin in all but one of the past seven years.

Unprecedented Inflation



Supplies & Pharmaceutical Costs FY20-FY23

Increased Labor Costs



FY20-FY23

Includes temporary pay incentives and contract staffing.

Who We Serve



Medicare

Medicaid

Commercial & Self-Pay

70%

of Legacy patients are insured through government sponsored plans, representing the highest share in the region.

Minimal Reimbursement Increases



Medicare Inpatient	+0.2%
Medicare Outpatient	+3.0%
Medicaid	+3.0%

Government reimbursement increases lag surging costs to provide care.

Significant Increase in Average Length of Stay



+25%

FY20-FY23 ALOS

Driven by inability to discharge patients to other care options due to industrywide staffing challenges.

Legacy Carries Financial Burden of Unreimbursed Care

Reimbursable Stay

Unreimbursed Stay

Legacy is paid a case rate, based off diagnosis or condition, and is not reimbursed for additional days of stay beyond what is medically necessary.

Frequently asked questions

Legacy Health's plan to address our financial crisis — "Securing Our Legacy: The Path Financial Health" — is [outlined in a video presentation](#) from Anna Loomis, chief financial officer, and Jonathan Avery, chief operating officer.

Legacy is a nonprofit hospital system. Why do you care about making money?

As a nonprofit, we do not generate profits that benefit shareholders. Still, we need a small annual margin, or profit, to re-invest in our hospitals, clinics and equipment to serve our patients and fulfill our mission. Right now, to be sustainable, we need to hit the standard industry benchmark operating margin of 3%. But we aren't.

Legacy has always been strong financially. What about your financial reserves?

Legacy's solid financial foundation before the pandemic helped us weather our significant losses over the last three years. While our reserve position is stable, we are still tapping into those funds to pay for operations and fund capital due to increased costs of wages, supplies and longer unreimbursed patient stays.

What happened to the federal COVID-19 relief funds that you received?

While we received \$171 million in relief funding, that didn't fully cover the more than \$200 million negative impact during the COVID-19 pandemic. The federal funding ended in 2022, and we continue to report operating losses.

Given your financial situation, are you considering a merger or layoffs?

We are doing everything possible to avoid large layoffs. But we have and will continue to make targeted reductions. We will also evolve our strategies and organizational structures to ensure we fulfill our mission of good health for all.

Will you cut services to those who need your care the most?

Our priority is to always deliver care to those who need it the most. We remain committed to exhausting different ways of achieving that goal without compromising that level of care.

Your hospitals are full of patients. How are you losing so much money?

Since 2020, we have seen fewer patients but for longer stays in hospitals. These longer stays are partly due to the inability to discharge patients to other care options who are also suffering staffing shortages.

We are providing longer stays beyond what the insurers cover. Cases have a pre-determined reimbursement rate based on services provided, not the length of stay by a patient.

Legacy proudly serves more low-income and elderly patients than any other health system in our region—roughly 70% of our 500,000 patients annually. But this ratio of patients means we do not control a key source of revenue. States and the federal government set rates for programs that support these patients, and the cost of care is increasing, but payments are not keeping up at the same rate.

Legacy Health Quick Facts



14,000
employees

3,000
providers

1,626
licensed beds