MPR News | Minnesota Now Hospital leaders say Minnesotans are facing a 'crisis of care' 01M5JB530C8FQRRCCZDXFYS4EF

KELLY GORDON: Hospital leaders say Minnesotans are facing a crisis of care and they expect things to get even worse. That's the top line of a new report from the Minnesota Hospital Association out this week. Backed by data from 2024, it says Minnesotans are having to travel further and wait longer to get care.

It's the result of hospitals facing rising costs that they're struggling to absorb, all while seeing record need. The report warns that the system could reach a breaking point next year. Joining me now to talk more about all of this is Minnesota Hospital Association President and CEO Dr. Rahul Koranne. Welcome.

RAHUL KORANNE: Good afternoon. Thank you for having me.

KELLY GORDON: So walk us through the patterns that we're seeing across the state and how it's affecting Minnesotans.

RAHUL KORANNE: Well, as you said, we're really here to talk about what our patients are feeling. Almost all of the hospitals in Minnesota are nonprofit, and that's very different than many of the other states. So nonprofit community hospitals that are working hard to serve patients. What we are hearing more and more from our patients is that they're having to drive further.

Imagine a mom having to drive an hour to give birth. Imagine a dialysis patient who is on a long road three times a week, or a family having to wait in an emergency department. And as you said, our emergency departments have never been busier. So this is what we're calling a crisis of care that is impacting Minnesotans and our patients right now. And this is before some of the policy changes that are going to hit in 2027 take effect. So we are calling this crisis out, and we are hoping for action right after the election.

KELLY GORDON: So you were talking about long drive times, long wait times. And I know cost-- just the cost is also going up. Can you talk a little bit about how much hospitals are seeing their costs rise?

RAHUL KORANNE: Well, thank you for asking that. And this is the time when Minnesotans are really thinking about affordability. They're thinking about how they're going to continue to receive care. And hospital care is unique. You don't always plan that. You can have a stroke. You can have a car accident, especially here in Minnesota, icy roads. So I want to take your listeners under the hood of the car for just a second.

A nonprofit hospital, 60% of the cost is for our caregivers. And we want to make sure we keep up with the pay for our caregivers. The other piece that hospitals do not control and do not set-- and this is not really talked about a lot-- are prices for drugs. So let me tell you that the drug costs, which are set by trillion-dollar for-profit pharmaceuticals, those have gone up 10%, 20%, 30% year over year.

Now, if you're a patient, you go into the hospital, you're going to get that medication. The hospital must buy that from this large for-profit pharma company. And so that's not a price that the hospital can control or set. The other piece that the hospital has to buy is technology. They have to buy electronic health records. They have to buy other services from vendors.

And those are for-profit vendors, these large for-profit insurers, the large for-profit pharmaceutical companies that have pushed ahead of the line in front of the community hospitals that are making billions of dollars of profit. And that's where the money is going. Where the money is not going is to our caregivers, to our community hospitals. And that is what is causing this crisis of care for Minnesotans.

KELLY GORDON: So you mentioned a couple of things that are part of this broader system. Like you said, that kind of causes us to operate. Can you explain more about the model that has propped up our hospitals and why it's reaching a breaking point now?

RAHUL KORANNE: So we talked a little bit about the cost. Now let's talk about where does the money come in from-- so that's the revenue. About 50% to 60%, and in some cases for our rural hospitals, about 70% of what they get paid is coming from governmental payers. And the main two governmental payers are Medicare for our seniors and Medicaid, which is for low-income families and individuals. So those two payers are governmental payers and pay up to 50%, 60%, in some cases, 70% of what the hospitals get paid.

The hospitals do not get to set those prices. They do not get to set what they get in. That's what they get in. The rest of the patients that the hospitals see across the state are covered by what's called commercial insurance. And that's where I want Minnesotans to understand that every time they open up the paper or listen to one of your shows and they hear about a for-profit health insurance company declaring billions of dollars in profit, that is not their local community hospital.

So the money that hospitals get in is set and going down while their expenses set by the pharmaceutical companies, biotechnology companies, and we want to pay our staff at very good pay scales, those are all going up. That's what I say when I say the math is not working at all. And that is what is causing this crisis too.

KELLY GORDON: So it's a squeeze that you're talking about here. I know that we haven't really even mentioned it yet, but in 2027, there will be big changes coming because of HR 1. Do you want to talk a little bit about that?

RAHUL KORANNE: Yes. So the HR 1 nationally is leading to about $1 trillion in federal health care cuts. We're going to start seeing that in the next couple of months. And that is going to make this crisis into an emergency. So we had a couple of our hospital leaders at the State Capitol day before yesterday, talking about how nonprofit community hospitals in Minnesota are living day by day, looking at every single line of their ledger, controlling their own costs.

And many of them have been forced to curtail services or cut down service line after service line. And that's so heartbreaking because as a physician and having worked in the smallest hospital in the state of Minnesota many years ago, what it is like when a mental health unit has to be shut down, or a labor and delivery unit has to be closed, or a senior service line has to be shut down because the hospital in Minnesota is having to choose between keeping that service open versus blinking out of existence.

Our leaders in Minnesota for these 139 hospitals are day by day by day making difficult decisions in order to stay alive and make sure that they follow their mission, which is serve Minnesotans 24 hours a day, 365 days a year, which is why we need to ask the question of our elected officials-- compare that nonprofit mission of a community hospital to these for-profit middlemen that are taking away these profits. The money is being taken away by people that are really not providing the care 24/7. And we want our elected officials to pay attention to that and do something about it.

KELLY GORDON: We're also seeing several health systems merging. I mean, just this week, CentraCare announced it's acquiring Stellis Health. Last month, HealthPartners and Essentia Health announced their plan to merge. How does this consolidation affect what we're seeing?

RAHUL KORANNE: Yeah, I think this is a all hands on deck action by a nonprofit hospitals and health systems in order to continue to serve Minnesotans. They are seeing that all the stuff that they've been doing over the last couple of years since COVID is just not working. They need help from our state government, our federal government in order to stay alive.

So they know what is coming at them already and what is coming to them in 2027. So they are trying to shore up so that they can exist, because at the end of the day, that is our mission. As a physician, I joined this health care system and this health industry just for one thing-- to take care of patients. That's what nonprofit hospitals do.

KELLY GORDON: This is a really important story. I wish we had more time just to cover it. Obviously, it will be something that we continue to cover here on MPR News as we move throughout this year and into next. Thank you so much for your time today, Dr. Koranne.

RAHUL KORANNE: Thank you for having me.

KELLY GORDON: Dr. Rahul Koranne is the president and CEO of Minnesota's Hospital Association.