

Already a Sustainer?

[Click here to increase now](#)



MAY 7, 2025

[contribute now](#)



[In The News](#)

[Public media funding](#)

[OPB events](#)

[Oregon school budgets](#)

[Ethnic grocers in](#)

HEALTH

Oregon hospitals' bleak financials leaves them vulnerable to tariffs, proposed Medicaid cuts



By [Amelia Templeton](#) (OPB)

May 1, 2025 9 a.m. **Updated:** May 1, 2025 11:59 a.m.

A new report from the Hospital Association of Oregon shows half of all hospitals in the state are in the red again, raising the stakes if the U.S. Congress makes cuts to federal benefit programs.

Two weeks ago, Providence CEO Erik Wexler sent an email to the nonprofit health system's staff describing a "perfect storm" threatening the organization's financial stability.

Since posting a loss of \$1.4 billion in 2022, the Northwest health giant had been making strides toward seeing more patients, reducing its costs and becoming profitable again.

THANKS TO OUR SPONSOR:

[Become a Sponsor](#)



STREAMING NOW
Here and Now

Now, according to Wexler's email, Providence is once again in financial jeopardy. Proposed federal cuts to Medicare and Medicaid are threatening more than \$1 billion in reimbursements. At the same time, tariffs could drive up supply costs by tens of millions.

Wexler announced belt-tightening measures. Providence, he said, will not take on new major league sports sponsorships. The organization has cut 46 leadership roles and is pausing non-clinical hiring and non-essential travel.

Providence's situation is not unique.



A sign for Providence Hood River Memorial Hospital, Jan. 10, 2025.

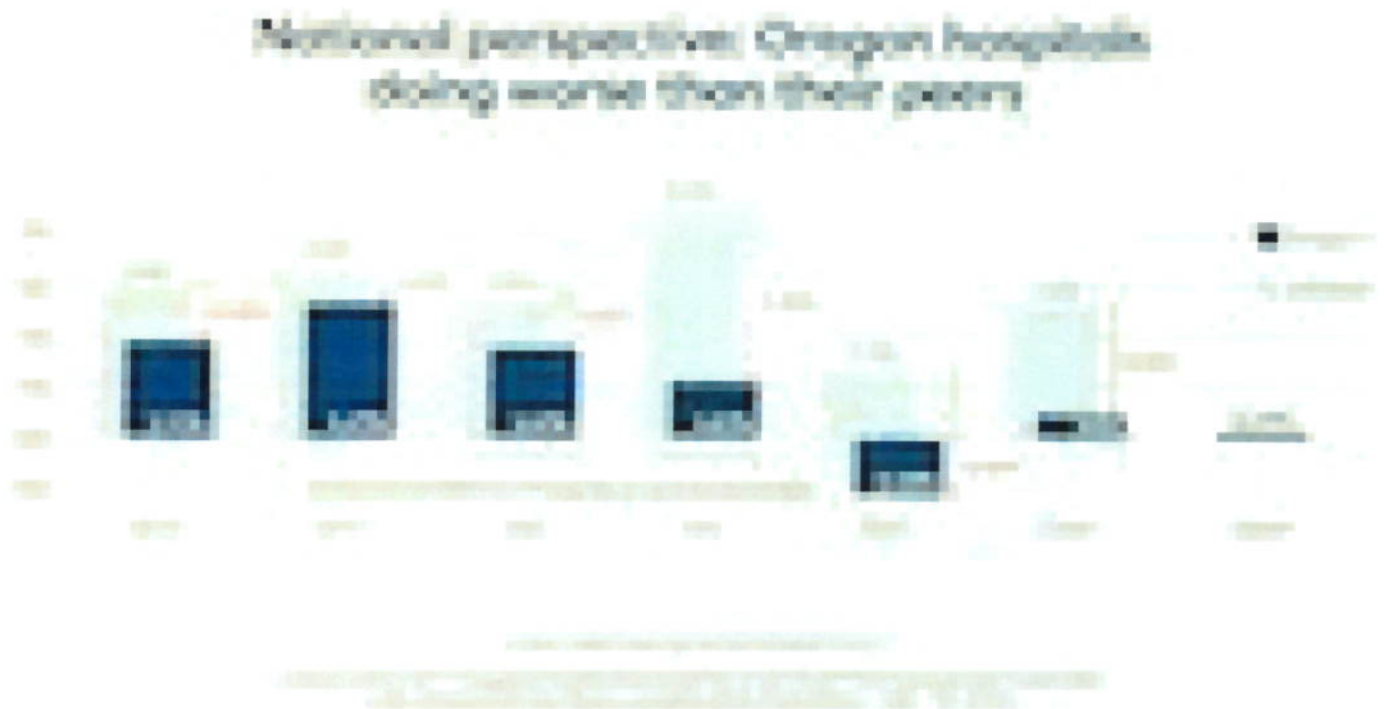
Anna Lueck for OPB

Nearly half of Oregon's hospitals lost money on day-to-day operations last year, according to a new 2024 financial report from the Hospital Association of Oregon.

~~Among the hospitals that made money providing care last year, many had a "negligible"~~

The hospital association is sounding the alarm that as hospitals nationwide show improved financial performance and signs of post-pandemic recovery, hospitals in Oregon are performing considerably worse.

Last year, the operating margin for not-for-profit hospitals nationwide was 1.2%, [according to Fitch Ratings](#). In Oregon, that operating margin was just .3%, according to financial data collected by hospitals [and reported publicly by the Oregon Health Authority](#).



A chart, courtesy of the Hospital Association of Oregon, May 2025. The group says high wages and complex state regulation add to the cost of operating in Oregon.

Hospital Association of Oregon

That weak financial position leaves Oregon hospitals uniquely vulnerable to stressors like tariffs, future pandemics or cuts to Medicaid that Republicans in the U.S. Congress have included in their budget blueprint, multiple hospital executives told OPB.

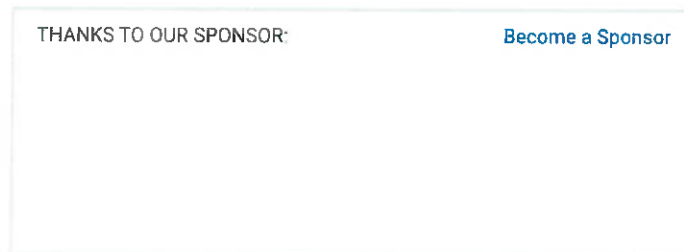
The hospital association is warning that if the current financial trends for hospitals continue, the state could see service reductions, consolidations or even hospital closures.

“Oregon already has the second fewest hospital beds per capita. We can’t afford to lose

A particular challenge is Oregon's high percentage of patients on Medicaid, which has grown to cover one in three Oregonians. That means that lower reimbursement rates for the government program — that hospitals and many other providers in the state say are inadequate — have a significant impact.

Following the pandemic, labor and supply costs have also gone up more quickly than those reimbursement rates.

Oregon's Medicaid program pays hospitals 54 cents per every dollar of care hospitals provide its members, according to the association.



The Oregon Health Authority didn't respond by press time to questions about the state's Medicaid reimbursement rates. State Sen. Katie Lieber, D-Beaverton, who co-chairs the Ways and Means committee that writes the state's biennial budget, also did not respond to a request for comment.

Earlier this year, the Legislature passed a bill that preserved state funding for Medicaid and included better payments for rural hospitals for labor and delivery, a service that is particularly expensive to provide and threatened by closures. Roughly half of all deliveries in the state are paid for by Medicaid.

Changing patient demographics and complex state regulations

Bay Area Hospital, a 172-bed facility in Coos Bay with 24-7 trauma care and a cancer center, is among the hospitals in Oregon that lost money last year. It was the third year in a row the hospital ended with an operating loss. As a result, the hospital has been drawing down its reserves and is officially considered in default on one of its loans.

CEO Brian Moore says as economic fortunes of the town have shifted, retirees have

the hospital's patients now have some form of government insurance: Tricare for veterans, Medicare for retirees, and Medicaid for people in poverty.

Moore says low Medicaid reimbursement rates have created a significant gap between what the hospital has to pay for labor and what it can collect. The only patients Bay Area Hospital treats without losing money are the 15% with commercial insurance.

Adding to the financial challenges, Moore said, is Oregon policymakers' interest in trying out new progressive policies, like a measure that took effect last year requiring hospitals to proactively screen patients to determine if they are eligible for charity care and bill them accordingly. In Oregon, patients with income of up to 400% of the federal poverty level qualify for a discount on their care, based on a sliding scale.

Difficulties in implementing that law have led hospitals to write off bills for people who were fully expecting to pay them, Moore said.

"If Oregon policy leaders want to see small independent community hospitals thrive, the policy decisions they are making are not in line with bringing that about in the real world," he said.

To guarantee its long term stability, Bay Area Hospital is now formally exploring a partnership with a Tennessee health system, Quorum Health, backed by private equity.

Larger metro area health systems — including OHSU and Legacy Health — are also struggling financially.

For Providence, the nonprofit has lost roughly \$100 million on its Oregon operations each of the last four years.

"It just feels like every year we're treading water here in Oregon, not able to make improvements to get to a positive financial performance," said Melissa Damm, chief financial officer of Providence Central Division, which includes Oregon and Eastern Washington.

Complying with state regulation is a major part of why hospitals in Oregon are struggling more with post-pandemic recovery than hospitals in other parts of the country, according to Damm.

Providence has hired an additional 200 full time nurses in Oregon to meet the requirements of the state's nurse staffing law, which mandates minimum nurse-to-

care costs in the second half of 2024, after the state's preemptive charity care law took effect, Damm said.

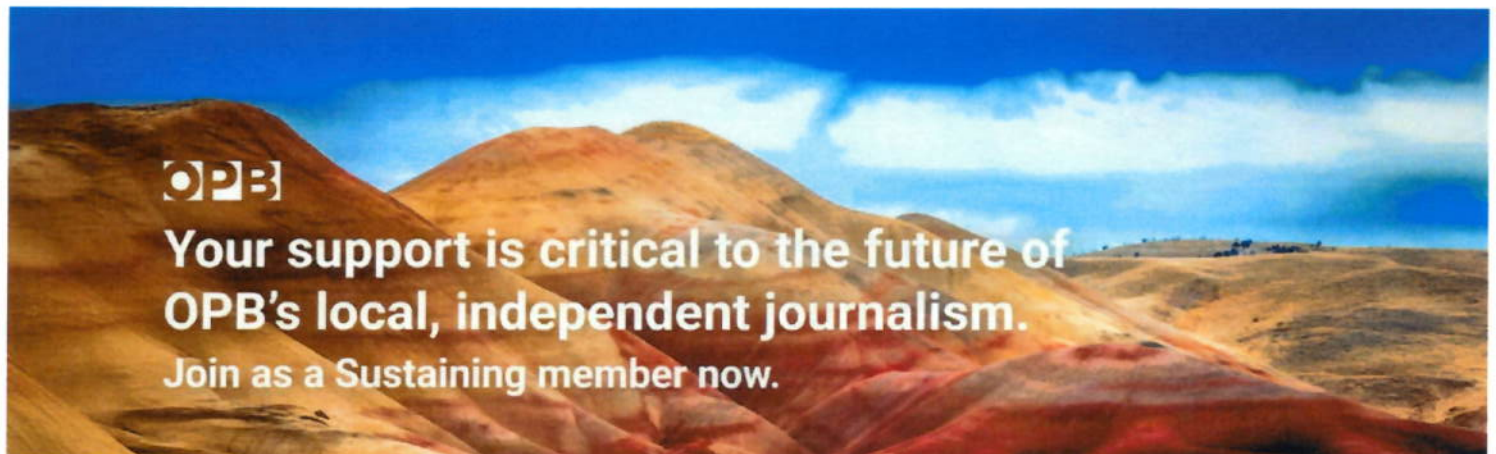
The rise in high-deductible insurance plans is also an issue, Damm said. The plans shift costs from insurers to patients, and in cases where patients cannot pay or qualify for charity care, the deductible ends up being passed on to hospitals as a loss.

The high cost of operating in Oregon, combined with the prospect of cuts at the federal level that could further reduce payments from Medicare and Medicaid will force difficult choices about what services to cut, Damm said.

"We all understand that Medicaid right now, in the current state, is underfunded in the budget," she said. "Frankly, we look at what we are estimating for federal cuts, those are also large dollars. If we see those types of cuts, it's going to be really difficult."

THANKS TO OUR SPONSOR:

[Become a Sponsor](#)



Thanks to our members, public media thrives in the Pacific Northwest.