

A Closer Look: Emanate Health

Before the Pandemic

- Emanate Health is the largest nonprofit health care provider in the East San Gabriel Valley, serving more than 1 million people at three hospitals: Inter-Community Hospital (ICH), Queen of the Valley Hospital (QVH), and Foothill Presbyterian Hospital (FPH), with ICH celebrating its centennial this year.
- The majority of people in the health system's care are underinsured or uninsured (80% have Medi-Cal or Medicare)
- The system has 621 inpatient beds within its three hospitals and provides a range of critical and specialty care including: cancer treatment, neonatal intensive services, comprehensive cardiac services, a comprehensive stroke center and neurology services, orthopedic services, behavioral health services, rehabilitation services, wound care services, and a full complement of maternity services among its women's health service.
- Despite the challenges facing the community and the heavy reliance on government-funded health coverage, Emanate Health has been financially stable for a decade, employing thousands of health care workers.

“Nearly 58% percent of our community is Hispanic; we have people with multiple complex health needs and we provide a significant amount of charity care every year. For instance, last year, we provided \$15.5 million in charity care. We are the backbone of this community when it comes to people's health and well-being.”

– Roger Sharma, President and CEO, Emanate Health, East San Gabriel Valley

COVID Takes Its Toll

- The pandemic has dealt Emanate Health devastating financial blows, bringing a once stable system into the deep red; the system sustained an operating loss of \$30M in FY 2020 and the first two months of 2022 saw an operating loss of \$16.6 million lost through February.
- This was driven not only by deep revenue hits (Emanate Health dropped by 12%, or \$42 million), but also skyrocketing expenses; in the first two months of 2022, the workforce shortage has meant reliance on traveling nurses at a rate of up to \$375 per hour including overtime. Total registry costs for this period was \$11.4 million.
- Other expenses are also way up; the system is spending \$350,000 a month on testing supplies, and pharmaceuticals are costing \$1.6 million more this year than in past years.
- To stay afloat, Emanate Health has had to take drastic action:
 - All executives – personnel at the director level and above – have taken 20% pay cuts in the past year by using one day of paid time off per week.
 - The system suspended pension plan contributions from mid-2020 to mid-2021 and reinstated 50% of the pension plan matching from mid-2021 to mid-2022.
 - Making payroll and paying utility bills has only been possible by dipping deep into dwindling reserve funds for programmatic expansion.

“In the last decade, we have never been in the red before. We were previously a stable safety net hospital, and now we've been thrown into the fire. Staff are tired...staff are exhausted. The pandemic might have clinically ended, but the economic disaster is continuing and even more severely today. If the current economic burden continues, we are worried about running out of funds to keep the hospital operational and expanding much needed services for our community. We will have to reevaluate programs – especially those that are not sustainable, like behavioral health and post-acute care services. We are the last available resource for our community when it comes to health care needs.”

– Roger Sharma, President and CEO, Emanate Health, East San Gabriel Valley

What Now?

- Plans to expand care, such as an outpatient behavioral health unit, primary care clinics, neurosurgery, urology, dermatology, and a pain management center, have been suspended with no date for consideration to resume.
- Emanate will continue to spend down reserve funds for expansion to keep the hospital operational; when those are exhausted, services – especially those that are not sustainable, like behavioral health and post-acute care services – will have to be re-evaluated.
- Emanate estimates that Medi-Cal reimburses about 66 cents on the dollar for the cost of care, a formula that – given the effects of COVID-19 – means the system is now creating plans not for expansion, but rather for truncating services the community relies on, a grim prospect as neighboring hospitals have already closed some service lines.

“What will happen is we will keep dipping into our savings and run out of funds for expansion in order to keep the hospital operational. We are at the point of no return; if this continues any further, safety net hospitals like ours will have to keep truncating services or shut down. There has been an irreversible impact on our balance sheet and – I don't know if legislators know this – we have to subsidize 34% of the cost of care for most of our Medi-Cal patients. That ability is gone. Restoring institutions like ours that care for the most helpless populations is of the highest urgency. We are praying.”

– Roger Sharma, President and CEO, Emanate Health, East San Gabriel Valley