



Atlanta Medical Center Performance

Overview

Financing of the United States healthcare system is broken. Hospital systems all over the country are facing intense financial pressures, including skyrocketing costs of supplies and labor. These financial and inflationary pressures are felt by healthcare providers because our ability to adjust prices to take higher costs into account is severely limited. As payors, including Medicare and Medicaid, continue to pay unsustainable reimbursement rates for healthcare services, health systems nationwide are in jeopardy. These trends magnified other costly challenges we were facing at AMC, requiring us to make the incredibly difficult decision to close the hospital in 2022.

This was never the decision we wanted to make.

Wellstar had every intention of keeping Atlanta Medical Center (AMC) open when it initially took over in 2016. In fact, in the years since, Wellstar invested more than \$350 million in capital improvements and to support sustained operating losses, more than three times the annual investment in capital improvements at AMC compared to historical averages.



Unfortunately, the challenges we faced at AMC were more complex, including:

- **The age and maintenance needs of the physical building**

Some of AMC's facilities are more than 100 years old with mechanical, plumbing and electrical systems at the end of their useful life. Beyond the necessary maintenance, the current facilities are not equipped to handle the latest care technologies required for today's complex inpatient and emergency care without being demolished and rebuilt, at an estimated cost of \$650 million to \$1 billion.

- **Low utilization**

Given the age and maintenance needs of AMC, many of the beds were unable to be fully utilized. Despite investments in people, technology and facilities, AMC was never profitable during the time that Wellstar operated the facility.

- **Lack of financial support**

At AMC, the majority of patients seen were Medicare and Medicaid patients. Reimbursement from Medicare and Medicaid patients is significantly lower than the cost for Wellstar to provide care. Furthermore, many of those with commercial insurance who visited AMC had high deductible plans. As a result, many patients who received care at AMC were unable to afford their portion of the deductible, leading to reduced reimbursement rates for AMC when the patient was unable to fulfil their financial obligations. As a result, AMC's financial performance suffered.

Audited financial statements show that the facility lost nearly \$8 million in 2018, more than \$15 million in 2018, nearly \$17 million in 2019, over \$75 million in 2020, nearly \$41 million in 2021 and nearly \$115 million in 2022.

These losses grew significantly in the final three years of operation as the COVID-19 pandemic, coupled with additional financial challenges for AMC slowed elective care at AMC and supply and staffing expenses rose significantly. The cost to provide care increased by nearly \$40 million at AMC in FY2022, while reimbursement went down.

Our financial performance is audited annually and our financial statements are available on our [website](#).

Despite these financial challenges, AMC was the lone safety net hospital in Atlanta that did not receive and local funding to support it, and local philanthropy chose to support other causes.

Search for a Solution

Recognizing the need for additional investment and support to truly transform care for the community, in February 2020 Wellstar publicly announced a formal search for a partner or buyer to preserve access to inpatient care at AMC. This announcement highlighted that "its current investments in AMC are not enough to fulfill critical community needs...and that a solution will require a substantial, additional investment that Wellstar cannot fund alone."



Wellstar invited organizations to submit proposals for a long term-solution. Through that multi-year exhaustive search with a national consulting firm, Wellstar connected with healthcare organizations locally, regionally and across the country. Many potential partners expressed interest, but ultimately, after learning more details about the hospital's condition and finances, none were interested in a temporary or permanent partnership.

Wellstar also discussed the future of AMC with government officials and community leaders in search of additional funding to keep AMC open, but no funding was offered or made available to Wellstar, so Wellstar was left without other options but to close the facility.

Reduced Commercial Insurance Mix

Given the losses incurred because of below-cost reimbursement for Medicare and Medicaid patients, health systems like Wellstar rely on commercial insurance to fill the gap. Increasingly, insurance companies are unconcerned with the sustainability of an individual care facility when evaluating commercial rates, which has resulted in challenging financial environments for many not-for-profit health systems, like Wellstar, and particularly at safety net facilities like AMC.

In the case of AMC, few of the patients who received care at AMC had commercial insurance and over the last year of operations, that volume dropped significantly.

Uncompensated Care

Wellstar provides more uncompensated and charity care than any other health system in Georgia, totaling more than \$1.2 billion during FY22 alone. Wellstar also ranks in the top 10 nationally of hospital systems in the amount of uncompensated and charity care provided to the patients that it serves. An independent study found that Wellstar's community benefit far exceeds the value of its tax-exempt status. Continuing to support AMC would have limited our ability to use those resources more effectively to help vulnerable communities across the region.

Reserves

Wellstar relies on its reserves to invest in facilities, equipment, and information systems technologies to provide the lifesaving care that our communities expect from us. Wellstar uses reserves and bonds to fund these investments, and holds \$1 of debt for every \$1 of reserves – lower than the industry average. This means that Wellstar makes more investments in its care settings and capital needs than most health systems nationally.

