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President's Column: Addressing Financial Strain, Workforce Shortages and Administrative Complexity in Health Care

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As we look ahead to 2025, hospitals across Wisconsin are under unprecedented financial pressure. Rising inflation, labor costs and flat reimbursement are severely impacting hospital margins and access to care.

In the last two years, supply costs have grown by 17% and labor costs 11%. Despite these mounting expenses, hospitals are reimbursed at rates that do not reflect the true cost of care, particularly in light of rising patient volumes and increasingly complex cases. As a result, in 2023 one-third of Wisconsin's hospitals, nearly all of which are non-profit and treat all patients who come through their doors, operated in the red.

In early 2024, two hospitals in Chippewa Valley closed. The vast majority of patients served by those hospitals were covered by Medicare and Medicaid, government programs that reimburse hospitals well below the cost of providing care and patients from which many for-profit hospitals and surgery centers refuse to care for. In fact, the two hospitals that closed in 2024 lost \$56 million in the two years leading up to their closure. Service lines, such as labor and delivery care, are also shrinking in parts of the state. At least 14 hospitals have had to stop delivering babies since 2014.

Hospitals are also burdened with growing bureaucracy and the cost of health care "middlemen"—insurance companies, third-party administrators and many others that occupy the space between patients and health care providers. They introduce unnecessary layers of bureaucracy that drive up administrative expenses without improving, and sometimes harming, patient care. Insurance denials, delayed authorizations and complex claims processes create inefficiencies that hospitals must absorb, further adding to the cost of care and exacerbating workforce challenges.

Looking ahead, the demand for health care services is expected to intensify, driven by Wisconsin's aging population. By 2030, one in four Wisconsinites will be over the age of 65, further heightening the demand for health care. Meanwhile, hospitals will continue grappling with workforce shortages, making it even harder to meet the growing demand for care. Administrative burden will only exacerbate this situation, as hospitals are required to spend valuable staff and resources navigating increasingly complex, care-denying insurance systems and regulatory requirements.

We can begin addressing—and even reversing—some of these challenges by enacting public policies that enhance reimbursement from Medicare and Medicaid services, investing in the health care workforce, and increasing transparency around the role of "middlemen" in health care and the resources they drain from the system.

By tackling these issues head-on, we can help ensure that Wisconsin's hospitals remain financially viable and able to continue delivering essential care to our communities. The health care landscape is evolving, but with the right policies in place, we can navigate these changes and ensure a healthier future for all Wisconsinites.

This column was originally included in the Wisconsin Bankers Association's annual Wisconsin Economic Report, with columns from state industry leaders. You can access the report [here](#).



Eric Borgerding

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