2026 County Hospital Tax Medicaid Reserve Fund Spending Plans

Harborview Medical Center

HARBORVIEW MEDICAL CENTER

UW Medicine King County

A message from the Harborview Board of Trustees

Harborview Medical Center and the Board of Trustees are thankful for King County's support and commitment to the mission of Harborview. We are focused on sustaining services and preserving access to care for all patients, including the most vulnerable, in the face of unprecedented federal Medicaid cuts and a challenging state budget environment.

Healthcare access will be heavily impacted by H.R. 1, the federal budget reconciliation bill, as approximately 330,000 Washingtonians are expected to lose Medicaid coverage. This loss of healthcare coverage will significantly increase the number of patients seeking uncompensated care from Harborview.

In addition, this legislation will drastically reduce reimbursement from the Medicaid directed payment program, which allows states to direct supplemental payments to hospitals like Harborview that provide access to Medicaid patients. This will result in a direct loss to Harborview of up to $224 million annually in Medicaid directed payments.

The $31 million in 2026–2027 Medicaid Reserve tax funds allocated by the County Council will be a critical resource as Harborview prepares for and experiences the impact of funding reductions from H.R.1. Many other organizations in the local healthcare marketplace have already responded to the federal policy changes by reducing programs, services, and staff and limiting access for patients covered by Medicaid.

> At Harborview, caring for patients who are uninsured or underinsured is a core component of our mission.

To prepare for the expected full impact of these disruptive changes, we are proactively seeking additional near-term investment to shore up and strengthen our current system and services, enhance resilience, and maintain access for patients in the face of an increasingly challenging fiscal environment.

Within this report we propose 3 investment options for the $31 million in Medicaid Reserve funds for the King County Council's consideration. In accordance with the 2026–2027 Biennial Budget, we share information about Harborview's current and recent past financial performance and the projected impact of Medicaid changes to help inform your decision.

On June 18th, 2026, the Harborview Board of Trustees approved a motion to approve the 2026 County Hospital Tax Medicaid Reserve Spending Plans.

Sincerely,

Dorothy Teeter
President
Harborview Board of Trustees

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Chief Executive Officer
Harborview Medical Center

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Executive Summary

Harborview Medical Center is grateful for King County's longstanding partnership and support of its mission to provide care to all patients, regardless of their ability to pay. As Washington's only Level I adult and pediatric trauma center and a critical safety-net hospital, Harborview plays a vital role in ensuring access to healthcare for Medicaid beneficiaries, uninsured patients, and other vulnerable populations across King County and the region. However, recent federal and state policy changes are expected to significantly reduce insurance coverage and reimbursement, creating substantial financial pressure on safety-net providers such as Harborview.

The federal budget reconciliation legislation (H.R.1) is projected to result in large reductions in Medicaid coverage and reimbursement. The Washington State Office of Financial Management estimates that approximately 330,000 Washington residents could lose Medicaid coverage due to eligibility changes, work requirements, and increased administrative barriers.

Additional changes to the Affordable Care Act marketplace—including the elimination of subsidies and automatic re-enrollment—may cause between 85,000 and 142,000 residents to lose exchange coverage. As coverage declines, more patients are expected to become uninsured and rely on charity care when seeking treatment. These coverage losses are expected to increase demand for charity care at Harborview while simultaneously reducing Medicaid-related revenue.

In addition to coverage losses, federal policy changes will substantially reduce Medicaid directed payment programs beginning in 2028, which currently help close the gap between the cost of caring for Medicaid patients and the reimbursement hospitals receive. Harborview currently receives over $200 million annually through these programs, and reductions could result in losses of up to $224 million per year. At the same time, state policy changes—such as caps on insurance reimbursements for public and school employees—may further reduce Harborview revenue by an estimated $12 million to $21 million annually beginning in 2027. Despite these challenges, Harborview continues to provide extensive financial assistance and uncompensated care to patients across King County.

In Fiscal Year 2025, Harborview generated $1.71 billion in operating revenue and incurred total operating expenses of $1.6 billion, ending the year with an operating margin of 7.7%. A positive margin is important to support essential capital investments, infrastructure needs, and financial stability. However, Fiscal Year 2026 performance through March shows a margin of 1%, which is below budget target of 2.6%, reflecting early shifts in payer mix and financial pressures. Harborview also provides significantly higher levels of charity care relative to many other hospitals in King County, reflecting its role as the region's primary safety-net provider.

Given the anticipated federal Medicaid policy changes and growing numbers of uninsured patients, Harborview expects worsening payer

[1] Please note that Harborview operates on a fiscal year that runs from July 1 to June 30th while King County operates on a fiscal year aligned with the calendar year (January 1 to December 31).

mix shifts and declining reimbursement in fiscal year 2027 and beyond. Without additional support, these changes would create substantial operating deficits. The $31 million in County Hospital Tax Medicaid Reserve funds allocated by the King County Council for the 2026–2027 biennium represents a critical bridge during this period of disruption.

Within this report, Harborview proposes three potential spending approaches for Council consideration. These options focus on maintaining access to essential specialty clinic services, supporting programs that serve medically and socially complex patients—such as medical respite and complex discharge programs—or addressing losses associated with medical workforce education while supporting specialty care access. Each option is designed to stabilize Harborview's finances during a period of rapid policy change while protecting access to critical services for Medicaid patients and vulnerable populations.

Harborview will provide quarterly reporting on the use of these funds, including expenditures, patient volumes, and payer mix trends. Harborview remains committed to adapting to the changing healthcare landscape while continuing to serve as the region's safety-net hospital. Continued partnership with King County will be essential to maintaining access to care for the community during this time of significant federal and state healthcare policy changes.

Medicaid Spending Plan

A key tenet of Harborview's strategy to ensure that patient access to programs and services is maintained despite these challenges, is to proactively seek additional near-term investment to shore up and strengthen our current system and services, enhance resilience, and maintain access for patients in the face of an increasingly challenging federal environment. We anticipate further Medicaid cuts and aim to avoid more disruptive changes when their full impact is realized.

As such, Harborview leadership has been working diligently to forecast the impacts and understand where focused mitigation efforts are needed. In alignment with this proactive approach, Harborview requests that the Medicaid Reserve funds be dispersed in Harborview Fiscal Year 2027, which occurs July 1, 2026 to June 30, 2027.

The Medicaid Reserve funds are critical to the organization's ability to close the budget for Fiscal Year 2027. With the projected impacts and without these funds, the proposed FY27 budget would be negative by tens of millions of dollars.

The funds represent an important bridge during this time of disruption. The organization is committed to continuing to address these changes over time and continue adapting to the new healthcare financial environment.

Proposed Medicaid Spending Plan Options

Medicaid Option 1: Support access to specialty clinic services and address Medicaid reimbursement impacts due to enrollment reductions.

Medicaid Option 2: Support access to respite and difficult-to-discharge programs and address Medicaid reimbursement impacts due to enrollment reductions.

Medicaid Option 3: Address losses related to Medical Workforce Education and support access to specialty clinics.

	Medicaid Spending Option 1	Medicaid Spending Option 2	Medicaid Spending Option 3
Amount Allocated in Budget	**$31 million (in 2026-2027)**	**$31 million (in 2026-2027)**	**$31 million (in 2026-2027)**
Requested Funding Areas	Clinic Losses for Selected Specialty Clinic Services **($25.9 million)** Half of Initial 6 Months Estimated HR1 Medicaid Eligibility Reductions **($10.5 million)**	Respite Losses **($4.4 million)** Half of Initial 6 Months Estimated HR1 Medicaid Eligibility Reductions **($10.5 million)** Alien Emergency Medical (AEM) **($13.8 million)** Complex Discharge/ Difficult to Discharge **($6.0 million)**	Medicaid Required Medical Workforce Education Losses – **($12.7 million)** Additional Clinic Losses for Selected Specialty Clinic Services **($19.6 million)**
Total Losses for Requested Funding Areas	**$36.4 million**	**$34.7 million**	**$32.3 million**

Option 1

Support access to specialty clinic services and address Medicaid reimbursement impacts due to enrollment reductions

Within proposed Option 1, Harborview proposes that $31 million be appropriated to address $25.9 million in specialty clinic losses and $10.5 million in Medicaid reimbursement reductions.

Populations that disproportionately experience health disparities are also overrepresented within the Medicaid patient population. Medicaid patients often have significant coexisting medical and social complexities, requiring access to specialized care. Roughly one third of patients served by specialty care clinics at Harborview are currently covered by Medicaid.

Patients with Medicaid can face barriers accessing specialty care at other healthcare facilities and Harborview is uniquely positioned to serve these patients. Access to specialty services within Harborview allows for seamless patient care and collaboration between a patient's primary care, behavioral health, and specialty providers in a supportive, familiar environment.

UW Medicine estimates that early enrollment reductions resulting from H.R. 1 will lead to $4.5 million-$13.5 million in reduced revenue in the initial 6 months of impact occurring in CY 2027. The FY27 budget for the latter 6-month period assumes an estimate of $21 million. These figures do not account for the additional H.R. 1 reductions to Medicaid Directed Payment Programs that will further reduce Medicaid reimbursement beginning in January 2028.

Proposed Medicaid Option 1

Support access to specialty clinic services and address Medicaid reimbursement impacts due to enrollment reductions.

$31 million

Speciality Clinic Losses

Total loss:
$25.9 million

Medicaid reimbursement reductions

Total loss:
$10.5 million

NUMBERS SNAPSHOT

$4.5 million - $13.5 million
reduced revenue from early enrollment reductions in the initial 6 months as a result of H.R. 1

$21 million
estimated reduced revenue from reimbursment reductions assumed by the FY27 budget

Option 2

Support access to respite and difficult-to-discharge programs and address Medicaid reimbursement impacts due to enrollment reductions

Within proposed Option 2, Harborview proposes that $31 million is appropriated to address $4.4 million in Respite program losses, $13.8 million in Alien Emergency Medical (AEM) losses, $6 million in losses incurred and for Complex Discharge/ Difficult to Discharge patients and $10.5 million in Medicaid reimbursement reductions.

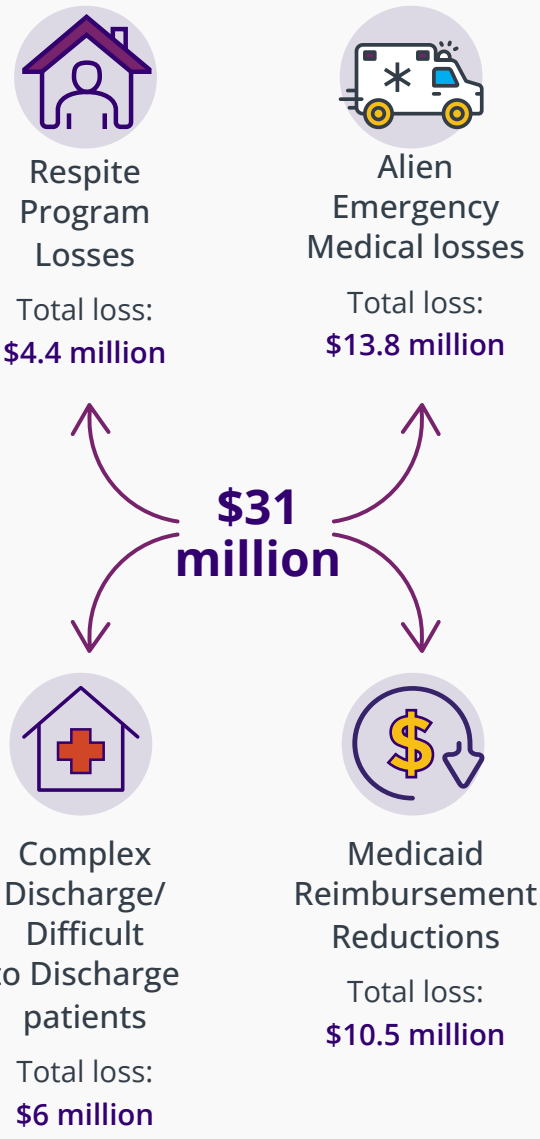
King County's Medical Respite Program, which is run under contract by Harborview, provides recuperative care to people experiencing homelessness who are too sick to return to the shelter or streets, but do not require a hospital level of care. This program serves a high rate of patients with Medicaid or who are uninsured.

Harborview's Bed Readiness Program provides skilled nursing facility placement and care for difficult-to-discharge patients who face barriers to discharging from the hospital, often due to concurrent medical and social complexity. This program also serves a high rate of patients with Medicaid or who are uninsured.

Harborview incurs significant costs to care for patients who receive services through the Alien Emergency Medical (AEM) program. AEM applies to individuals who have a qualifying medical emergency and do not qualify for other Apple Health programs due to citizenship or immigration requirements.

Proposed Medicaid Option 2

Support access to respite and difficult-to-discharge programs and address Medicaid reimbursement impacts due to enrollment reductions.



Option 3

Address losses related to Medical Workforce Education and support access to specialty clinics

Within proposed Option 3, Harborview proposes that $31 million be appropriated to address $19.6 million in additional specialty clinic losses and $12.7 million in Medicaid Required Medical Workforce Education Losses.

Harborview Medical Center plays an important role in educating and training the medical workforce, including training the next generation of doctors, nurses, technicians and other roles. Training is also a required component of Harborview's Level 1 Trauma Center status.

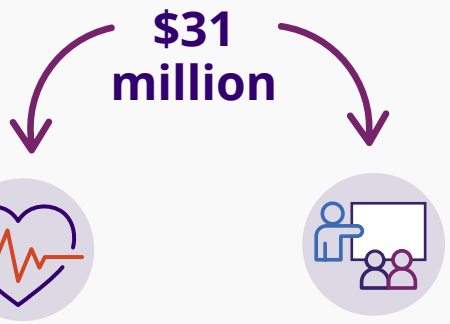
Approximately a third of patients treated by residents and trainees at Harborview are patients with Medicaid insurance and Harborview's trauma patient population is disproportionately Medicaid. Recent legislative changes adversely impact funding for medical education. The $12.7 million in losses requested in this plan reflects the percentage of Medicaid patients that Harborview serves and total losses related to medical education for all patients is much greater.

In addition to serving the organization's educational mission, employees in these roles are frequently paid at a rate that reflects their dual educational and patient care role. Without this key educational part of our mission, Harborview will incur more expensive staffing and the organization's costs to treat Medicaid patients will rise sharply. Despite being under-reimbursed, this care provides a high value to patients.

Investing in medical workforce education and use of the county hospital tax funds to address losses incurred by medical workforce education will promote hospital financial stability and help maintain the workforce pipeline of clinicians who will be caring for our community into the future.

Proposed Medicaid Option 3

Address losses related to Medical Workforce Education and support access to specialty clinics.



Additional Speciality Clinic Losses

Total loss:
$19.6 million

Medicaid Required Medical Workforce Education Losses

Total loss:
$12.7 million

Summary of Federal and State Funding Reductions

Federal Funding Reductions

H.R.1 changes are expected to significantly increase the number of patients seeking uncompensated care from Harborview. Prior to the Affordable Care Act (ACA), Harborview Medical Center's uninsured patient population was approximately 13%. After the implementation of the ACA, Harborview's uninsured population dropped to under 4%.

Even at a rate of only approximately 4% of patients uninsured, Harborview provided nearly $144.5 million in charity care to patients during Fiscal Year 2025. In future years as H.R.1 takes full effect and more patients become uninsured, the need for charity care will grow significantly.

In addition, this legislation will drastically reduce the Medicaid directed payment program with a direct loss to Harborview of up to $224 million in Medicaid directed payments, and additional potential impacts from reimbursement reductions. As Medicaid patients comprise approximately 32% of the hospital's patients as of fiscal year 2025, these changes will have a very substantial impact on Harborview. A synopsis of the major changes is provided below

October 1, 2026

Medicaid eligibility limits based on residency and citizenship status are estimated by Washington State Office of Financial Management to adversely impact 30,000 Washingtonians starting on October 1, 2026.*

Impacts of H.R.1

330,000 Washingtonians are expected to lose Medicaid Coverage

January 1, 2027

On January 1, 2027, all able-bodied adults without dependents will be required to work or complete community engagement activities for at least 80 hours per month to maintain their Medicaid coverage. This is estimated by Washington State to impact 200,000–250,000 enrollees.

In addition, people who lose Medicaid coverage due to not meeting work requirements are barred from purchasing coverage on the healthcare exchange until the next open enrollment period and are likely to become uninsured. Also, H.R. 1 requires twice-yearly eligibility verification, which will increase documentation burden for enrollees, many of whom already face barriers to completing administrative tasks and may lapse in insurance coverage as a result.

January 1, 2027

Currently when a patient who is Medicaid eligible but not yet enrolled seeks care, the state will provide retroactive coverage for the 90 days prior to the patient's application. Starting January 1, 2027, H.R.1 limits the retroactive coverage period to 30 days for expansion populations and 60 days for traditional Medicaid

* https://ofm.wa.gov/budget/resources/h-r-1-impacts-on-washington-state-people-and-budget/#section-health-care-medicaid-enrollee-impacts

applicants. This means hospitals are likely to incur more expenses caring for patients who were potentially eligible for Medicaid but unable to complete the application in time.

In addition, the state estimates that 85,000–142,000 patients formerly covered by ACA exchange plans are likely not to retain coverage due to more difficult enrollment processes starting in January, 2027, elimination of automatic re-enrollment in January, 2027, and the elimination of subsidies causing a significant increase in the patient's premium cost.

These changes are anticipated to cause some patients to forego insurance coverage – which is likely to result in people avoiding seeking care until they are very sick and and relying on charity care when they must seek medical care.

January 1, 2028

Reductions in the Medicaid directed payment program will also come into effect on January 1, 2028 and payments will continue to reduce annually by 10% until the support is essentially eliminated.

State Funding Reductions

These federal changes come at a time when other sources of funding are also at risk. For example, the Washington State Legislature capped insurance reimbursements for the care of public and school employees which is anticipated to reduce funding at Harborview starting in 2027 anywhere between $12 million to as much as $21 million a year.

In addition, the Washington State Healthcare Authority has eliminated its value-based care insurance model for public and school employees. The reduction in reimbursement to Harborview due to this decision is unknown but will result in less reimbursement from the State.

H.R.1 TIMELINE OF MEDICAID CHANGES

October 1, 2026

Eligibility limits based on residency and citizenship status

January 1, 2027

Able-bodied adults without dependents required to work or complete community engagement activities for at least 80 hrs/month to maintain coverage

If loss of coverage is due to not meeting work requirements, applicants are barred from purchasing coverage on the healthcare exchange until the next open enrollment period

Twice yearly eligibility verification required

Retroactive coverage period limited to 30 days for expansion populations and 60 days for traditional applicants

Difficult enrollment processes, elimination of automatic re-enrollment, and elimination of subsidies

January 1, 2028

Directed Payment Program reductions

Payment reduction annually by 10% until support is eliminated

Description of Financial Impacts to Date

Review of FY25 Revenue

In FY25, the organization incurred total operating expenses of $1,596,796,000. These expenses include all the costs of running the hospital, including staffing, equipment, supplies, pharmaceuticals, utilities, the physical plant upkeep and many other costs.

Harborview invests heavily in our staff and our largest expense is labor. As our clinics serve a mix of patients with different insurance coverage throughout a given day and utilize the same labor, supplies and other resources in the care of patients, Harborview is unable to isolate and attribute expenses to the care of Medicaid patients only.

FY25 Medicaid Actual Revenue

FY25 Medicaid Revenue	Amount (in millions)
Medicaid Net Patient Service Revenue (*not including direct payment program*)	$292.6M
Medicaid Directed Payment Program Revenue	$210.5M
Total Medicaid Revenue	**$503.1M**

Typically, the hospital incurs higher expenses in caring for Medicaid patients than for other patient populations. Populations that disproportionately experience health disparities are also overrepresented within the Medicaid patient population and often have significant concurrent medical and social complexities.

NUMBERS SNAPSHOT

$1.597 Billion
Total FY25 operating expenses

$503.1 Million
Total FY25 Medicaid revenue

As a result of the patient's complexity and vulnerability, it is often more difficult for the hospital to secure coverage for appropriate treatment or placement, and the intensity of care needed to support a positive outcome for the patient is much higher.

As a result, hospital length of stay is often extended for these patients and the ambulatory clinic resources needed to care effectively for these patients is higher — including the need to staff the clinics with social workers, peer support specialists, mental health specialists, care managers and other roles. Traditional medical coding also often fails to capture both the social or behavioral complexity of the patients and its interaction with the medical complexity, resulting a relatively low case mix index (CMI) score, and less reimbursement, for these patients than their care warrants.

FY25 Operating Revenue

FY25 Non-Medicaid Revenue	Amount (in millions)
Medicare Net Patient Service Revenue	$290.6M
Non-Medicare Net Patient Service Revenue	$741.2M
Total Net Patient Service Revenue	**$1.535B**
Other Operating Revenue	$177M
Total Non-Medicaid Operating Revenue	**$1.209B**

FY25 Total Operating Revenue

In FY25 total operating revenue is $1,711,888,000. Operating expenses were $1,596,796,000. The organization ended FY25 with an operating income of $115,092,000.

Nonoperating Income

Harborview also had a nonoperating Income of $18,469,000, resulting in a total income of $133,561,000 for Fiscal Year 2025, and a margin of 7.7%. A positive margin is critically important to maintaining the financial health of a hospital. The hospital must be able to pay capital costs to replace expensive equipment, invest in appropriate facilities to provide services within and must grow and develop capabilities over time to keep pace with advancements in medicine. Fiscal year 2026 to date through March, Harborview's margin is 1%, which is below budget.

Harborview's proposed FY27 budget includes a target margin of 2.6%. Without the support of the operating funds provided by the County Hospital Tax, the budget would be negative for FY27.

NUMBERS SNAPSHOT

Operating Revenue

$1.712 Billion

Total FY25 operating revenue

$115.1 Million

Total FY25 operating income

2.6% target margin for FY27*

*only possible with the support of the operating funds provided by the County Hospital Tax

Fiscal Year 2026 YTD Revenue Through March/Fiscal Year Quarter 3

In this section, Fiscal Year 2026 data is provided through March, 2026. Given the time required to bill and receive payment from insurers and update cost accounting data, this report provides data through the third quarter of the fiscal year. Through Harborview's routine annual reporting, full fiscal year information will be available after the fiscal year close.

When evaluating fiscal year-to-date information, it is important to consider the seasonal fluctuations affecting all hospitals, and Harborview in particular, because of our trauma patient population. In the winter months, hospital census often rises with non-trauma medical patients affected by winter season viruses. This may drive a significant number of patient admissions which are generally lower paying due to diagnosis.

During the summer months, Harborview typically again experiences a high census which is driven by trauma patients — people becoming injured during the outdoor-recreation season. Trauma patients usually have a higher medical complexity and often require surgery, so the hospital experiences a higher-paying diagnosis mix at that time.

This fiscal year, Harborview has begun to experience changes in payer mix and funding related to federal changes. However, the majority of the federal funding reductions do not begin until after January 1, 2027. As a result, Harborview expects that Fiscal Year 2027 and beyond will be significantly more financially challenging than Fiscal Year 2026 demonstrates.

FY26 YTD Actuals Medicaid Revenue

In Fiscal Year 2026 through March, 2026, the organization has generated $376,429,000 in Medicaid Revenue. There are multiple types of Medicaid revenue received by the hospital. The patient may be covered by a Medicaid Managed Care Organization (MCO) or may be covered by Medicaid Fee for Service.

When the patient receives care through an MCO, Washington State pays the MCO a set amount per month for the patient's care and the MCO pays for all the healthcare needed by the patient. MCOs usually require or incentivize the patient to choose providers within the plan's provider network to contain costs.

Under the Fee for Service (FFS) model, the hospital bills the State Medicaid program and the State pays the hospital directly for each medical service provided. The hospital is also able to bill hospital facility fees for care provided at the main campus and hospital-based clinic sites.

The directed payment program allows Washington State to access additional federal Medicaid funds and route the funds through the MCOs to provide higher reimbursement for care.

Traditionally, Medicaid reimburses at a significantly lower rate than commercial payers and Medicare and does not fully cover the cost the hospital incurs to deliver the care. As a result, hospitals traditionally lose money when treating Medicaid patients.

Under the directed payment program, the state Medicaid program is able to direct MCOs to provide an enhanced reimbursement rate for Medicaid patients that is closer to commercial rates, which then closes the gap between the cost of care and the reimbursement received. Under this program, the state provides the non-federal share of Medicaid funding and the federal government matches that funding with Federal Medical Assistance Percentage (FMAP) funds, and the combined funds are distributed through the MCO's reimbursement to the hospital for medical services.

Because Medicaid rates are typically well below the cost of care and Harborview serves a large share of Medicaid patients, these directed payments provide substantial financial support to Harborview.

FY26 Through March Medicaid Revenue	Amount (in millions)
Medicaid Net Patient Service Revenue (*not including directed payments*)	$207.6M
Medicaid Directed Payment Program Revenue	$168.8M
Total Medicaid Revenue	**$376.4M**

FY26 YTD Operating Revenue

FY26 Through March Non-Medicaid Revenue	Amount (in millions)
Medicare Net Patient Service Revenue	$254.9M
Non-Medicare Net Patient Service Revenue	$563.8M
Total Net Patient Service Revenue	**$1.195B**
Other Operating Revenue	$117.4M
Total Non-Medicaid Operating Revenue	**$936.2M**

FY26 Operating Expenses and Total Income

Fiscal year 2026 Year-To-Date (YTD) operating expenses through March are $1,274,084,000, which is forecasting lower than the organization's budget of $1,738,432,000.

Total income for Harborview YTD is $13,092,000, which is a margin of 1%.
Harborview was budgeted for a $46,500,000 income year to date in order to achieve a 2.6% margin in FY2026.

While Harborview has been successful in maintaining YTD expenses below budget, year to date, revenue has been less than expected. Overall, the organization is performing below budget. With increased consolidation in the healthcare market, some hospitals that referred surgical cases to Harborview prior to their affiliation with a system are now primarily referring these types of positive-margin cases within the affiliated health system. This has resulted in lower surgical volumes in Fiscal Year 2026 YTD and negatively impacted revenue.

NUMBERS SNAPSHOT

$1.274 Billion

FY26 YTD operating expenses thru March, lower than Harborview's budget of **$1.738 Billion**

$13 Million

FY26 YTD total income, a margin of **1%**

Maintaining a modest margin is important to allow the organization to maintain financial stability and have the resources to effectively operate, to update equipment, and to address capital expenses that are necessary to maintain existing services. Major capital equipment items, such as MRI or CT machines, have an expected lifespan of service and Harborview must be prepared to fund upcoming replacements of aging equipment.

Days Cash on Hand

Hospitals experience significant variability in accounts receivable — the amount of money owed to the hospital by insurers or patients. The amount of time that it takes for an insurer to pay the hospital is variable and insurers may even deny claims, which causes the incoming cashflow to be variable.

Despite the unpredictable cash inflow, the hospital must always be prepared to meet its financial obligations — to its staff, to medical and pharmaceutical supplies, to utilities and to bond holders — and to maintain operations even in the face of large disasters, including natural disasters.

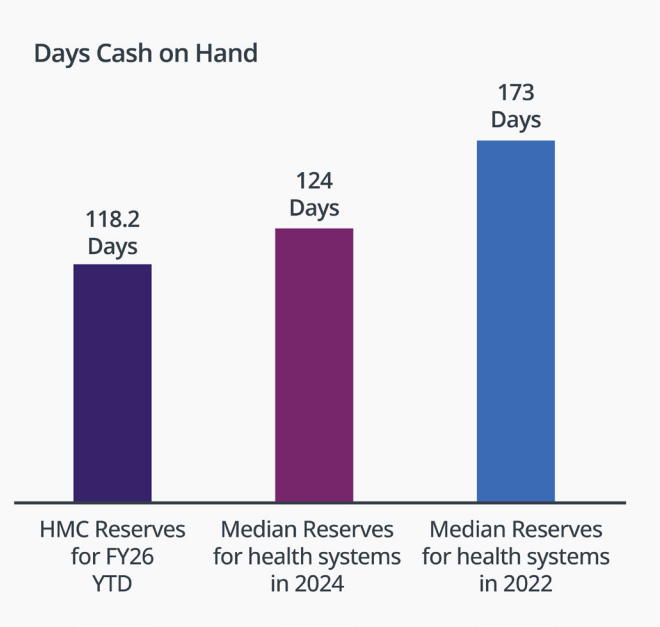
Financial reserves that the hospital maintains in immediately available cash are called Days Cash on Hand. These reserves play a vital role in stabilizing the finances of large healthcare organizations who experience variability in their cash inflow yet have significant obligations.

Harborview's days cash on hand at end of Fiscal year 2025 was 106.6 days. For Fiscal YTD through March 2026, Harborview has 118.2 days cash on hand, which one day's cash equates to $4,510,000.

Harborview maintains less days cash on hand than most hospitals, although a decreasing trend of cash on hand is seen across hospitals nationally. As measured by Syntellis* in partnership with the American Hospital Association, the median cash reserves for a health system in 2024, was 124 days — which is lower than the median of 173 days in 2022.

For Harborview, having sufficient days cash on hand is especially important in this time of change in the healthcare landscape and as the organization undertakes major capital investments to address the needs of the aging physical plant and respond to competitive pressures.

In addition, Harborview's days cash on hand is impacted by a board-directed fund that restricts cash to be set aside for the purpose of paying the Mission Support Payment. From this fund, Harborview pays $28 million annually from 2025-2027 to support clinics operated by the County's Public Health Department.



* https://www.stratadecision.com/sites/default/files/2023-11/aha_q2_2023_v2.pdf

Charity Care Provided at Harborview

Financial Assistance (in millions)	**FY23**	**FY24**	**FY25**	**March FY26 YTD Actuals**
Financial Assistance	$110.1M	$136.9M	$144.5M	$118.1M
Cost-to-Charge ratio	35.9%	35.8%	35.4%	35.4%
Estimated cost of financial assistance	$39.5M	$49M	$51.1M	$41.8M

Uncompensated Care (in millions)		
FY23	**FY24**	**FY25**
$294.5M	$300.7M	$294.3M

Difference Between charity care and uncompensated care

Charity care (also known as financial assistance) occurs when the organization provides discounted services to a patient who meets the organization's financial assistance policy and cannot afford to pay for services. Charity care is provided to uninsured patients and patients who have insurance but cannot afford to pay the portion of their healthcare costs not covered by the insurer.

Uncompensated care is a broader metric which includes all hospital care provided for which no payment was received from either the patient's insurer or the patient. More specifically, this measure combines both the hospital's bad debt and financial assistance. Hospitals incur bad debt when the insurer or patient was billed but payment was not received and the hospital determines that payment is unlikely to be collected. Fiscal Year 2026 uncompensated care is not yet available as uncompensated care is an annual calculation performed after the end of the fiscal year.

Comparison data for Harborview charity care vs other health systems in WA*

	Top 10 Providers of Charity Care (as a % of Patient Revenue) in King County	**Charity Care**	**Charity Care** as a % of Total Patient Service Revenue	**Charity Care** as a % of Adjusted Patient Service Revenue
1	UW Medicine/Harborview Medical Center	$137,551,606	3.68%	9.59%
2	MultiCare/Auburn Regional Medical Center	$23,320,637	2.42%	8.06%
3	VMFH/Saint Anne Hospital	$30,285,656	2.46%	7.55%
4	MultiCare/Covington Medical Center	$11,969,131	2.73%	6.26%
5	VMFH/Saint Francis Community Hospital	$40,888,858	2.14%	6.03%
6	Snoqualmie Valley Hospital	$1,799,663	1.91%	4.59%
7	Kaiser Permanente	$2,254,995	2.22%	4.55%
8	Providence/Swedish-Cherry Hill	$25,820,990	1.13%	3.45%
9	VMFH/Saint Elizabeth Hospital	$4,149,255	1.36%	3.18%
10	Valley Medical Center	$31,991,757	1.08%	2.89%
10	Fred Hutchinson Cancer Center	$32,943,784	1.33%	2.89%
	King County Average		**1.34%**	**3.12%**

*Data obtained from Washington State Department of Health 2024 Charity Care Report https://doh.wa.gov/data-statistical-reports/healthcare-washington/hospital-and-patient-data/hospital-patient-information-and-charity-care/charity-care-washington-hospitals

Analysis of Impact

Harborview is experiencing the impact of federal policy changes that have caused more patients to become uninsured. Harborview is also seeing other health systems changing policies in advance of future changes and those systems' changes further impact Harborview.

Medicaid eligibility and work requirements beginning January, 2027, along with changes to ACA subsidies on exchange products in 2026, are increasing the percentage of patients without insurance. Since the end of healthcare insurance exchange subsidies at the start of calendar year 2026, patients who purchase coverage through the healthcare exchange, who previously were able to qualify for federal subsidies to help lower the cost of their health insurance, must now cover the full cost of their insurance premiums. The unsubsidized premium can be unaffordable for some patients and cause them to become uninsured. When patients lose insurance coverage, they often delay care until they reach a medical crisis, at which time they are much sicker and their care is more costly.

The organization's rate of uninsured patients, for whom the organization provides financial assistance, has increased fiscal YTD through March. Further negative payer mix shift is included in the organization's projected FY27 Budget. When patients move from Medicaid to uninsured it costs the organization approximately $7.1 million per 1% increase.

The hospital experiences a significant financial impact from these changes in payor mix because the hospital receives reduced or no payment for uninsured and underinsured patients and incurs the cost of providing financial assistance to the patient.

UW Medicine estimates that early enrollment reductions resulting from H.R. 1 will lead to $4.5 million-$13.5 million in reduced revenue in the initial six months of impact occurring in CY 2027. The FY27 budget for the latter 6-month period assumes an estimate of $21 million. These figures do not account for the additional H.R. 1 reductions to Medicaid directed payment programs that will further reduce Medicaid reimbursement beginning in January, 2028.

Harborview Medical Center — Gross Patient Service Revenues: Payer Mix

Payer	FY25 Actual	FY26 Budget	FY26 YTD Through March
Medicare	31.8%	31.1%	32.9%
Medicaid	31.9%	31.5%	31.3%
Commercial and Other	30.2%	31.1%	29.6%
Self-pay	3.7%	3.8%	4.0%
Exchange (HIX)	2.3%	2.5%	2.2%

Impact on Staff and Employees

The Medicaid changes affect not only our patients and the hospital finances, but also staff and employees at Harborview. As patients lose insurance coverage, the intensity of support needed to maintain access to healthcare services increases.

Staff are likely to spend more time working to secure financial assistance and access to programs and are more likely to be impacted by moral distress as there are fewer options and resources for patients within the medical landscape.

As reductions take further affect, Harborview may need to adjust staffing levels in certain areas, such as financial clearance, to ensure that there is sufficient staffing to maintain access for patients.

Harborview is committed to finding solutions to ensure that key clinical services are able to continue, including finding new alternative revenue sources that can help to bolster programs and working to optimize and maximize our current resources to the fullest extent possible.

Medicaid Spending Plan
Quarterly Spending Report Proposal

Per Proviso 4, Harborview is requested to provide a recommended timeline and contents of a quarterly financial report on Harborview Medical Center's expenditure of the county hospital tax. Given the time required to receive payments from insurers, update cost-accounting data and implement a new costing system in FY27, Harborview proposes that quarterly reporting begin in January, 2027 for Fiscal Year 2027 Quarter 1 and continue on a quarterly basis for FY27 YTD through 6 months after the end of FY27 (December, 2027).

While Harborview will begin reporting in January, 2027 to provide a timely response on utilization of the tax dollars, Harborview does not consider financial data to be final until 6 months past the end of the fiscal year. Final collection of payment from payers can take many months and then final reconciliation of cost accounting with audited financials must occur. For this reason, the early reporting may contain some level of estimation that will be finalized in subsequent updates and the reporting will continue for an additional 6 months after the end of FY27 in June, 2027.

This approach is proposed to ensure that the Council receives timely initial reporting each quarter for FY27 YTD as well as the final reconciled data for FY27.

This quarterly report is proposed to include the following components:

a. Expenditures towards selected Medicaid Spending Plan option.

b. Patient volumes for selected programs broken down by program

c. Current payer mix

Harborview appreciates the Council's diligence in regards to the Medicaid Reserve funds and your continued engagement in the organization's work to mitigate and counteract the negative impacts of H.R.1 on Harborview patients, staff and programs. We look forward to sharing how the County Hospital Tax funds are implemented and positively affecting the health of patients and the organization.

Appendix

2026–2027 Biennial Budget Ordinance 20023, Section 102 County Hospital Levy, P4

"Of this appropriation, $31,000,000 shall not be expended or encumbered until the executive transmits a report from the Harborview board of trustees detailing actual fiscal year to date reductions in federal Medicaid funding received by Harborview Medical Center and the impact that Medicaid funding reductions and eligibility changes are having on Harborview Medical Center's operations, and a motion acknowledging receipt of the report is passed by the council. The motion should reference the subject matter, the proviso's ordinance, ordinance section, and proviso number in both the title and body of the motion. References to fiscal years in this proviso shall be based on Harborview Medical Center's fiscal years with fiscal year 2025 being the fiscal year ending on June 30, 2025.

A. Fiscal year 2025 revenues from federal and state Medicaid payments received by Harborview Medical Center and fiscal year 2025 net revenue from non-Medicaid sources as described in subsections A. and B. of this proviso;	Pages14-15
B. Fiscal year-to-date actual revenue in the form of federal and state Medicaid payments received by Harborview Medical Center, including, but not limited to, inpatient and outpatient direct payment programs, base payments for services, supplemental payments, and managed care payments, as well as the budgeted amounts of each revenue;	Pages 16-17
C. Fiscal year-to-date net revenue received by Harborview Medical Center from all non-Medicaid sources and net budgeted amounts of each;	Page 18
C. Days' worth of cash on hand;	Page 19

D. Total charity care provided at Harborview for the prior three years, which are 2023, 2024, and 2025, and for 2026 up to the date of the report;	Pages 20-21
E. Analysis of the impact of current and projected reduced Medicaid funding on the operations of Harborview Medical Center, including: 1. The impact on the mission population served by Harborview Medical Center; 2. The impact on staff and employees of Harborview Medical Center; and 3. The impact on ability to provide clinical services provided by Harborview Medical Center at the same levels as before Medicaid reductions;	Page 22 Page 22 Page 23 Page 7
F. A proposed spending plan for the use of county hospital tax Medicaid reserve funds to support continued access to health care for current, in 2025, Medicaid eligible or enrolled members;	Page 8
G. Documentation of the review and approval of the report called for by this proviso in the form of a letter from the Harborview board of trustees; and	Page 3
H. A recommended timeline and contents of a quarterly spending report on Harborview Medical Center's expenditure of the county hospital tax Medicaid reserve be provided to the King County executive and council.	Page 24