

A GOOD STEWARD OF COMMUNITY RESOURCES

As a nonprofit organization, we operate on extremely thin margins. We must balance fair compensation, continued investment in services, and maintaining the highest standard of patient care, all while keeping healthcare affordable for our community. Significant increases in compensation could result in the need to scale back our services or increase the cost of care for patients.

Nonprofit Hospitals Operate on Thin Margins

For every dollar paid to St. Luke's, 62% goes to labor, 36% goes to medical supplies, pharmaceuticals and other expenses, and the remaining 2% is reinvested in tools and services we need to continue to provide high-quality care, like imaging equipment and hospital infrastructure. Of note, the 62% that St. Luke's dedicates to labor is well above the healthcare industry standard. In addition to staff nurses, St. Luke's employs nearly 2,300 other individuals who also deserve and receive market competitive salaries and benefits.

Managing Rising Costs in Order to Keep Care Affordable

Since the start of the pandemic, hospital costs have increased sharply across the board, particularly costs associated with pharmaceuticals, supplies and labor. At the same time, our reimbursement from Medicare, Medicaid and commercial payors has remained flat.

To mitigate rising costs, we are always working to improve efficiencies in how care is provided by streamlining testing and treatment protocols, realizing efficiencies in supply chain costs, and leveraging technology to lower costs of care delivery.

Innovating to Support the Community's Future Needs

We reinvest any profits in our facilities and services to improve the health of our community. In partnership with the community, we've grown from Duluth's first hospital in an old blacksmith shop to a comprehensive healthcare system.

Our community and patient reach includes two hospitals, primary and specialty care clinics, a Level II Regional Trauma Center, a nationally recognized heart and vascular center, as well as a cancer center accredited by the American College of Surgeons Commission on Cancer.

We are currently investing to expand and renovate our hospital to provide all single-occupancy rooms and state-of-the-art equipment, with expanded critical care capability. To do this in a cost-effective way, we are adding on to and remodeling existing infrastructure instead of creating new buildings.