

**SUBJECT:** HealthPartners Research Summary: Finances and Media Research

**DATE:** Dec. 1, 2021

**FROM:** Kyle Friend

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# HealthPartners saw income grow amid COVID-19 in 2020

HealthPartners saw lower clinic revenue but higher health insurance earnings.

By [Christopher Snowbeck](#) Star Tribune MAY 6, 2021 — 1:13PM

COVID-19 cut patient-care revenue but drove a rebound in income from insurance coverage last year at Bloomington-based HealthPartners, with the crosscurrents netting out to stronger earnings overall.

Clinics operated by the Bloomington-based nonprofit group saw a significant revenue decline last year as well as losses stemming from "the government shut down of our medical and clinic operations due to COVID-19," according to a regulatory filing. Hospitals and clinics were subject to a government order designed to preserve resources last spring for an expected surge in COVID-19 patients.

Yet the shutdown also meant the nonprofit group's HMO had to pay fewer claims than expected for medical expenses.

**The federal CARES Act, which provided financial grants to help health systems deal with the economic consequences of the pandemic, provided \$129.8 million in funding last year at HealthPartners. The health system also cut expenses by lowering salaries and closing clinics.**

"Our 2020 financial performance was largely impacted by many one-time items and unexpected changes to patterns of care as a result of the COVID-19 pandemic," the health system said in a statement. "Without the grant funding and even with flexing of staff due to lower volumes, the health care operations would have posted a loss for 2020."

HealthPartners operates one of the state's largest health insurance companies and runs eight hospitals, including Regions Hospital in St. Paul and Methodist Hospital in St. Louis Park. With more than 26,000 employees, the nonprofit includes dozens of clinics through divisions called HealthPartners Medical Group and Park Nicollet Health Services.

In 2020, HealthPartners saw revenue of \$7.03 billion and expenses of about \$6.94 billion, resulting in operating income of \$96 million, according to a financial statement disclosed last month to bondholders. Back in 2019, expenses exceeded revenue as the nonprofit group posted an operating loss of about \$38 million.

After factoring investments in both years, net income jumped from \$181.9 million in 2019 to \$266.6 million last year, an increase of 47%.

As a group, health insurers in Minnesota [fared well financially](#) during the pandemic, although reduced medical expenses weren't the only factor. HealthPartners, like other carriers in Minnesota, benefited from a financial settlement with the federal government related to losses during early years of the federal Affordable Care Act.

Overall medical expenses for health insurers were lower last year, even though they faced new costs for medical services used by pandemic patients. HealthPartners invested in lab equipment that helped the health system process some 400,000 diagnostic tests for COVID-19, said Penny Cermak, the chief financial officer, during the nonprofit group's annual meeting in April.

Operating income last year was 1.4% of revenue, Cermak said, which is lower than the margin goal of between 2% and 3%.

"As a nonprofit organization, it's really important that we have positive financial results so that we can reinvest to improve the health of our members, patients and community," she said at the meeting, which was held online.

Membership and premiums were up for the nonprofit's HMO for people in the state Medicaid program, which covers those with lower incomes. Across the country, Medicaid programs during the pandemic stopped eligibility reviews that might otherwise have forced people off coverage.

HealthPartners has seen growing membership in its joint venture health plan with UnityPoint, a health system based in Iowa. The venture sells coverage in Iowa and Illinois for those in the federal Medicare program as well as large employer health plans.

In its primary health insurance business, however, HealthPartners during 2020 saw a second consecutive year of declining enrollment in employer health plans.

"The commercial employer group ... is down from 2018-2020 as a result of marketplace dynamics that include an overall shrinkage in the employer group market, compounded by the decline in the overall number of employees due to the economic downturn created by the pandemic," officials said in a statement.

Compared with health insurers, the pandemic has created more financial challenges for hospitals and clinics. Minneapolis-based Fairview Health Services reported last month that its [financial losses](#) grew significantly during 2020.

The state's largest nonprofit group, Mayo Clinic, saw net income grow to \$2.47 billion last year due in large part to investment income. But operating income from providing patient care at Mayo was down compared with 2019, although the results were much better than clinic officials expected early in the pandemic.

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## CURRENT ASSETS (cash, investments, etc.)<sup>1</sup>

- **2019:** \$2.46 billion (\$5.55 billion including fixed assets)
  - **Cash or cash equivalents in 2019:** \$842.2 million<sup>2</sup>
- **2018:** \$2.43 billion (\$5.03 billion including fixed assets)
  - **Cash or cash equivalents in 2018:** \$1.0 billion
- **2017:** \$2.14 billion<sup>3</sup>
  - **Cash of cash equivalents in 2017:** \$762.9 million

## REVENUES<sup>4</sup>

- **2019:** \$7.25 billion
  - **Revenue from premiums:** \$3.5 billion (accounting for roughly 48% of revenues)
  - **Revenue from health services:** \$3.2 billion
- **2018:** \$7.11 billion
  - **Revenue from premiums:** \$3.7 billion
  - **Revenue from health services:** \$3.1 billion
- **2017:** \$6.64 billion<sup>5</sup>
  - **Revenue from premiums:** \$3.4 billion
  - **Revenue from health services:** \$2.83 billion

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<sup>1</sup> Page 5 of consolidated financial statements (December 31, 2019 and 2018). For reference, fixed assets include investments whose use is limited, other investments, properties, equipment, right of use assets, deferred compensation, etc.

<sup>2</sup> "HP considers investments with an original maturity of three months or less to be cash and cash equivalents and are carried at cost, which approximates fair value. Cash and cash equivalents held for long-term or restricted as to use are classified as investments and are excluded from cash and cash equivalents."

<sup>3</sup> Page 3 of consolidated financial statements (December 31, 2018 and 2017).

<sup>4</sup> Page 6 of consolidated financial statements (December 31, 2019 and 2018).

<sup>5</sup> Page 4 of consolidated financial statements (December 31, 2018 and 2017).

## EXECUTIVE PAY as of 2019 (accounting for ~\$35 million total)<sup>6</sup>

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) JEFF MENDELOFF MD ..... DIRECTOR	1.00 ..... 72.00	X						0	1,017,848	73,952
(2) RAE ANN WILLIAMS MD ..... DIRECTOR	1.00 ..... 39.00	X						0	345,167	108,640
(3) BRAD WOZNEY MD ..... DIRECTOR	3.00 ..... 0.00	X						0	30,000	0
(4) RUTH MICKELSEN ..... DIRECTOR	3.70 ..... 0.00	X						0	33,000	0
(5) JAMES MALECHA ..... DIRECTOR & CHAIR	5.10 ..... 0.00	X		X				0	50,000	0
(6) THOMAS BRINSKO ..... DIRECTOR	3.50 ..... 0.00	X						0	33,000	0
(7) LUZ MARIA FRIAS ..... DIRECTOR	2.80 ..... 0.00	X		X				0	30,000	0
(8) SUSAN HOYT ..... DIRECTOR	3.10 ..... 0.00	X						0	33,000	0
(9) MORRIS GOODWIN ..... DIRECTOR	3.40 ..... 0.00	X						0	33,000	0

<sup>6</sup> Please note this article which notes changes in executive compensation: [HealthPartners to furlough 2,600 workers in virus fallout - StarTribune.com](https://www.startribune.com/healthpartners-to-furlough-2-600-workers-in-virus-fallout/)

DIRECTOR	0.00	X							0	33,000	0
(10) DEBORAH HOPP	3.50										
DIRECTOR	0.00	X							0	33,000	0
(11) LAURA OBERST	3.40										
DIRECTOR & VICE CHAIR	0.00	X							0	33,000	0
(12) AMY LANGER	4.50										
DIRECTOR	0.00	X							0	33,000	0
(13) PHILIP DONALDSON	2.90										
DIRECTOR & TREASURER	0.00	X							0	33,000	0
(14) SONDRASAMUELS	2.60										
DIRECTOR	0.00	X							0	30,000	0
(15) BRIAN H RANK MD	3.20										
DIRECTOR & MEDICAL DIRECTO	61.80	X		X					0	1,023,330	128,165
(16) ANDREA M WALSH	14.70										
CEO	40.30	X		X					0	1,912,669	531,759
(17) CHARLES J ABRAHAMSON	9.80										
VP-NETWORK MGMT & PROVIDER	30.20			X					0	332,504	43,115

Form 990 (2019)









# CASH FLOW BREAKDOWN

## HEALTHPARTNERS, INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2019 and 2018

(In thousands)

	<u>2019</u>	<u>2018</u>
Cash flows provided by operating activities:		
Increase in net assets	\$ 278,619	143,261
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Inherent contribution received from Hutchinson Health	—	(34,427)
Change in net unrealized gains and losses on investments	15,464	(959)
Change in pension and postretirement funded status	(51,580)	41,569
(Gain) loss on sale of property, plant and equipment	(73)	1,307
Depreciation	180,413	176,448
Amortization	7,624	—
Cumulative effect of accounting change for leases	(4,799)	—
Decrease (increase) in:		
Accounts receivable	(71,101)	(36,308)
Other current assets	(52,075)	39,541
Deferred compensation	(20,864)	757
Other assets	(23,182)	(4,072)
(Decrease) increase in:		
Unpaid medical claims	(2,551)	6,000
Accounts payable	89,572	(28,748)
Provider payable	1,260	14,596
Accrued expenses	20,957	7,881
Deferred revenue	(68,314)	(2,773)
Deferred employee benefits	69,115	(44,937)
Other liabilities	4,668	9,186
Net cash provided by operating activities	<u>373,153</u>	<u>288,322</u>
Cash flows used in investing activities:		
Contribution of cash from Hutchinson Health	—	29,440
Purchases of investments	(417,337)	(329,435)
Sales, maturities, and repayments of investments	329,835	310,630
Purchases of other investments	(398,305)	(294,176)
Sales, maturities, and repayments of other investments	239,052	395,487
Purchases of property, plant, and equipment	(241,683)	(188,594)
Purchases of investments whose use is limited	(379,716)	(204,691)
Sales, maturities, and repayments of investments whose use is limited	382,294	205,987
Net cash used in investing activities	<u>(485,860)</u>	<u>(75,352)</u>
Cash flows used in financing activities:		
Proceeds from issuance of long-term debt	—	100,000
Payments on long-term debt	(49,001)	(71,920)
Net cash (used in) provided by financing activities	<u>(49,001)</u>	<u>28,080</u>
(Decrease) increase in cash and cash equivalents	(161,708)	241,050
Cash and cash equivalents – beginning of year	<u>1,003,945</u>	<u>762,895</u>
Cash and cash equivalents – end of year	<u>\$ 842,237</u>	<u>1,003,945</u>
Supplemental cash flow information:		
Cash paid for interest	\$ 27,314	27,842
Supplemental disclosure of noncash investing activities:		
Additions of property, plant, and equipment funded through accounts payable	\$ 9,646	13,219

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## HP IN THE MEDIA

- [Surging COVID-19 cases force hospitals to take drastic measures to address capacity levels | kare11.com](#)
- [Minnesota hospitals taking new steps due to capacity concerns | KSTP.com](#)
- [HealthPartners to furlough 2,600 workers in virus fallout - StarTribune.com](#)