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Hospital Billing Failures, Weak Collections and $94 Million in Uncompensated Care Loom Over $188 Million Combined Request

JFL carries $45.6 million in obligations and SRMC $57.7 million in accounts payable, while hospital leaders warn billing gaps and weak collections are straining cash flow, delaying vendor payments and threatening access to critical medical supplies now.

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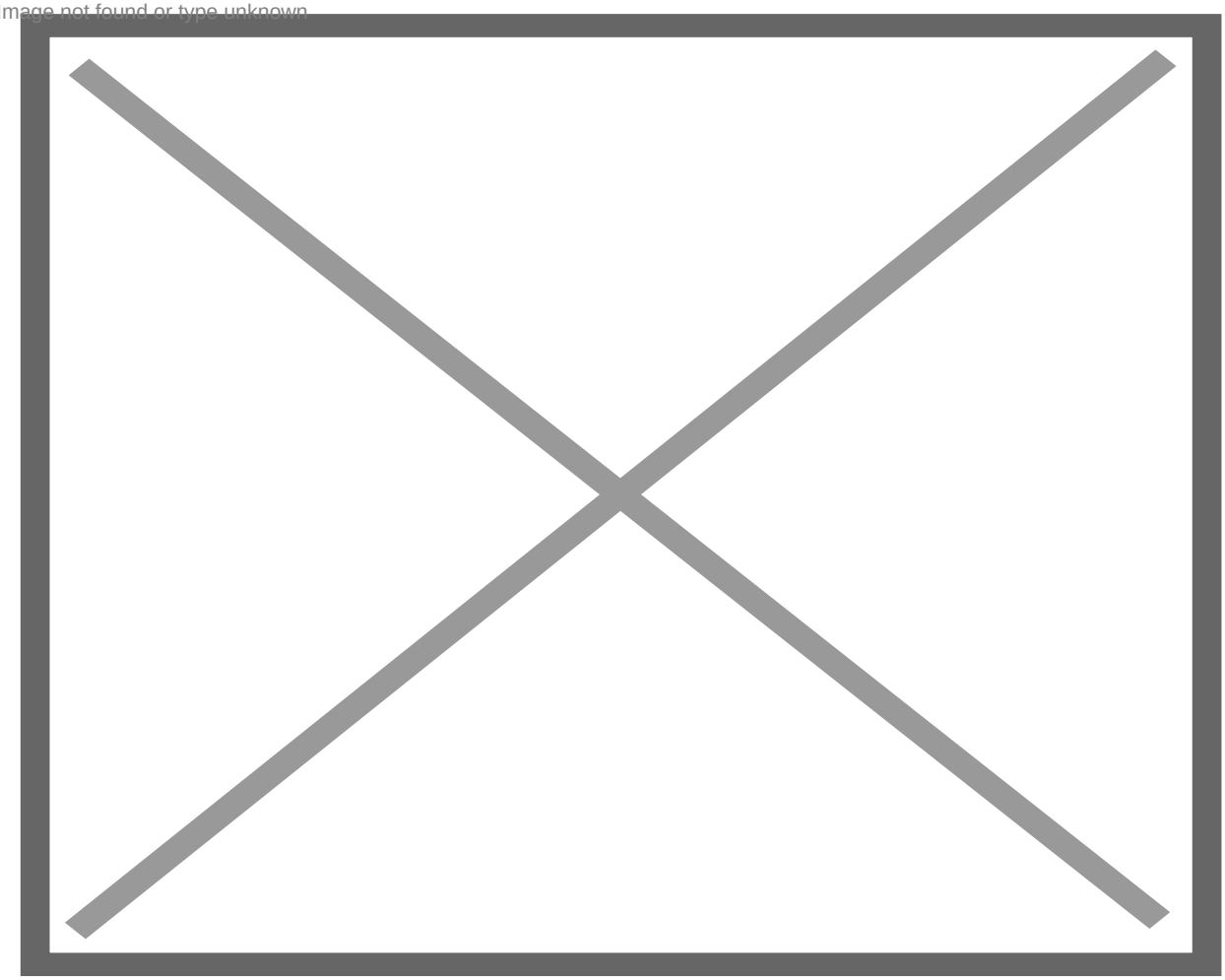

The territory’s two hospitals are carrying tens of millions of dollars in old and current obligations while absorbing nearly $94 million in uncompensated care during fiscal year 2026, leaving hospital leaders and lawmakers focused on debt reduction, billing deficiencies and the risk that unpaid vendors could disrupt access to critical medical supplies.

During a seven-hour hearing before the Committee on Budget, Appropriations and Finance, officials disclosed that Juan F. Luis Hospital has approximately $45.6 million in outstanding obligations, consisting of $22.9 million in accounts payable and $22.7 million in outstanding employee obligations.

Some of those debts are legacy obligations “aged over 300 days, with some balances dating back to 2005,” said Darlene Baptist, chief executive officer of both hospitals.

At Schneider Regional Medical Center, accounts payable total approximately $57.7 million. Of that amount, $17.56 million represents legacy obligations “extending to as early as 2006,” according to the CEO.

Aren Laljie, the new chief financial officer serving both hospitals, said officials are attempting to “validate” some of the older debt because certain creditors have not continued pursuing payment.

The consequences extend beyond the balance sheet. Hospital leaders warned that mounting debt can result in delayed deliveries, reduced credit terms, prepayment demands and supply-chain interruptions.

The CEO said bad debt could undermine the hospitals’ ability to “replenish inventory as quickly as needed.”

JFL needs approximately $7.4 million to address critical obligations involving medical supplies, locum staffing, pharmaceutical services, equipment maintenance and other needs. SRMC requires approximately $10 million for similar priorities.

Nearly $94 Million in Uncompensated Care

At the same time the hospitals are struggling with old debts, new obligations continue accumulating.

JFL has recorded $48.3 million in uncompensated care during FY 2026, including estimated charges associated with the cyberattacks.

SRMC has recorded another $45.3 million.

Costs associated with boarders have also placed significant pressure on hospital finances. JFL spent $7 million caring for boarders in FY 2025, while SRMC absorbed $9.2 million in uncompensated boarder costs.

Government agencies themselves owe substantial sums to the hospitals.

JFL is awaiting a combined $3.2 million from government entities, while SRMC is owed another $2.1 million.

The CEO said those outstanding government balances are contributing to “cash-flow pressures.”

Collections Improve, but Billing Problems Persist

Hospital leadership outlined a “financial recovery strategy” aimed at strengthening cash flow, controlling costs and improving operational efficiency.

Part of that strategy involves improving billing and collections through Firstsource, a revenue cycle management partner.

At JFL, average cash collections have “increased to approximately $2.7 million,” while the hospital continues working through a backlog of bills that have yet to be issued.

SRMC has also recorded significant improvement in collections.

Through June 2026, SRMC collected $41.69 million, compared with $31.15 million during the same period of the previous fiscal year.

Leadership is also pursuing greater sharing of resources and reductions in duplicated roles across the two hospitals.

Lawmakers, however, repeatedly pressed officials for a clear plan both to eliminate outstanding accounts payable and to ensure the hospitals collect money they are already owed.

CFO Suggests Bond Financing for Older Debt

Laljie told Sen. Hubert Frederick that numerous ideas have been discussed for stabilizing hospital finances, but he suggested that the territory consider “bond financing and finance the old debt. Get that off the backs of these hospitals, and let's move forward,”

He argued that eliminating legacy obligations must be paired with correction of the hospitals’ underlying financial structure.

“We have to fix the structural gap…The old debt, it’s continuing to weigh the institution down. It's affecting the supply payments across the board…Unless we find a competent strategy and plan to get rid of that debt, they're going to continue to struggle,” Mr. Laljie warned.

Hospital officials have attempted to negotiate discounts on outstanding balances, but their limited cash position restricts how aggressively they can settle those debts.

“We're prioritizing cash based on making sure our employees are paid, and all of the essential supplies,” Mr. Laljie told lawmakers.

Sen. Kurt Vialet questioned whether simply clearing the old debt would provide a lasting solution.

He recalled previous occasions when government eliminated certain debts only for balances to accumulate again.

“We're going to pay it off, and in one year you're going to be the same,” he accused.

Vialet Points to Billing Inefficiencies

Vialet focused heavily on the hospitals’ revenue cycle, arguing that serious weaknesses in billing are contributing to their financial problems.

He pointed to Frederiksted Health Center, which operates for limited hours, and said it collected more revenue than the hospitals.

“That alone tells me that that's total inefficiency, that everything needs to change,” he stated.

Sen. Angel Bolques Jr. similarly cautioned against relying on increasingly large government appropriations without addressing the conditions creating the deficits.

“Support cannot mean just writing a larger cheque every year without fixing the underlying problems,” Senator Angel Bolques Jr. said.

Bolques also expressed concern that the hospitals were effectively pushing their obligations further into the future instead of resolving them.

Lawmakers warned that persistent vendor debt could eventually limit the hospitals’ access to necessary supplies. At least one vendor is still waiting for payment dating back to 2013.

Physician Documentation Affecting Billing

The hospitals’ ability to collect revenue begins with issuing accurate and timely bills, but lawmakers learned that this process is being affected by several problems.

Those include inadequate documentation by physicians and unfamiliarity with proper billing codes.

SRMC officials said employees continue receiving training to address those issues.

Vialet stressed that billing employees must understand how directly their work affects patient care and hospital operations.

“If they don't perform their job the way that they're supposed to…we're going to continue to lack supplies, medication,” he said.

Another problem arises when physicians do not enter charges promptly.

“The charges that are being entered are being entered directly from the individuals who are giving care at the point of care. And when those charges are not entered, or they're not entered on time, or there is a delay,” Ms. Angol clarified.

She said she does not believe that “100% of charges are being entered.”

Hospital leadership told lawmakers that employees are being educated and other corrective measures are underway.

The overlapping challenges leave the hospitals attempting to pay old obligations, remain current with employees and essential vendors, improve billing, collect outstanding revenue and maintain a reliable supply of medication and medical equipment at the same time.

Hospitals Seek Nearly $188 Million in Combined Budgets

For fiscal year 2027, JFL is requesting approval of an $81.47 million budget to continue providing hospital services on St. Croix.

SRMC is seeking $106.36 million.

The larger SRMC request also includes funding for the Myrah Keating Smith Community Health Clinic and the Charlotte Kimelman Cancer Institute.

Hospital officials told lawmakers that resolving the financial crisis will ultimately require both a strategy for addressing accumulated debt and improvements to the billing and collection systems generating current revenue. Without those changes, vendor obligations will continue growing while money owed to employees and suppliers remains at risk.