

**KaufmanHall**

NOVEMBER 2021

# National Hospital Flash Report

**Real Data. Real Insight. Real Time.**

*Based on October Data from Over 900 Hospitals*

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# Key Observations

# Summary

## Overall performance

Hospitals and health systems nationwide were hit with another month of margin declines in October as rising labor expenses continue to weigh down overall hospital performance, even as pressures from high levels of high acuity cases showed signs of waning. Actual hospital operating margins held relatively steady for a fourth consecutive month as a result. The median Kaufman Hall Operating Margin Index was 3.2% in October, not including federal CARES Act funding. With the aid, it was 4.1%.

## Margins

Not including CARES, the median change in Operating Margin was down 12.1% from September to October, marking a second consecutive month of month-over-month margin declines. Looking at year-over-year (YOY) results, the median change in Operating Margin dropped 31.5% compared to pre-pandemic levels in October 2019. Hospitals in regions hard hit by the recent COVID-19 Delta surge were most affected, with the West, South, and Midwest all experiencing YOY margin declines for the month.

## Volumes

Hospitals continued to see a softening of inpatient volumes in October following steep increases from the recent COVID-19 surge. Patient Days decreased 0.5% compared to September while Average Length of Stay (LOS) declined 1.5% following three months of increases. Even so, Patient Days and Average LOS remained elevated compared to 2020 and 2019 levels. Meanwhile, Operating Room Minutes rose 6.8% from September.

## Revenues

The decline in inpatient volumes led to a 0.9% month-over-month decrease in Inpatient Revenue, which in turn brought Gross Operating Revenue (not including CARES) down slightly at 0.1%. Year-to-date and year-over-year, however, Gross Operating Revenue and both Inpatient and Outpatient revenues continued to increase compared to 2019 and 2020 for an eighth consecutive month. Outpatient Revenue was up across all measures, rising 1.2% from September and 8.6% compared to October 2020. This suggests that recent pandemic trends have not significantly deterred healthcare consumers from seeking outpatient care.

## Expenses

Expenses remained on the rise across most metrics and most benchmark measures, but non-labor expenses declined month-over-month for supplies, drugs, and purchased services. Labor expenses remained stubbornly high. Total Labor Expense rose 2.7% from September to October, 12.6% compared to October 2020, and 14.8% compared to October 2019. At the same time, Full-Time Equivalents per Adjusted Occupied Bed decreased 4.5% YOY versus 2020 and 4.1% YOY versus 2019, suggesting higher salaries prompted by nationwide labor shortages are driving up labor expenses rather than increased staffing levels.

## Non-operating expenses

Inflation rose sharply in October, hitting a three-decade high up 6.2% YOY, as global supply shortages and sustained strength in consumer demand continued to push prices up. Unemployment edged down to 4.6%, its lowest rate since the start of the pandemic. U.S. employers added 531,000 jobs to the economy in October, marking the biggest jump in non-farm payrolls since July. In line with market expectations, the Federal Reserve announced that it will begin tapering asset purchases in mid-November, with the goal of no new net purchases by mid-2022.

# Key Takeaways

## 1. Margins, other hospital performance indicators remain below pre-pandemic levels.

Hospital margins declined month-over-month in October. Overall, hospital expenses remain high, while volumes remain low, relative to pre-pandemic levels. Performance could continue to suffer in the coming months as hospitals face sustained labor increases and the uncertainties of the emerging Omicron variant.

## 2. Patient acuity metrics show signs of improvement.

Patient days and average length of stay declined in October for the first time in months, which is likely correlated with decreased hospitalization rates.

## 3. A mixed outlook emerges for expenses.

Overall Non-Labor expenses, including drug expenses, declined in October after months of upward movement, while Labor expenses continued to increase. Overall expenses remain highly elevated relative to pre-pandemic levels.

## 4. Consumer interest in elective procedures may be growing.

Operating Room minutes increased month-over-month in October, suggesting a return for elective procedures.

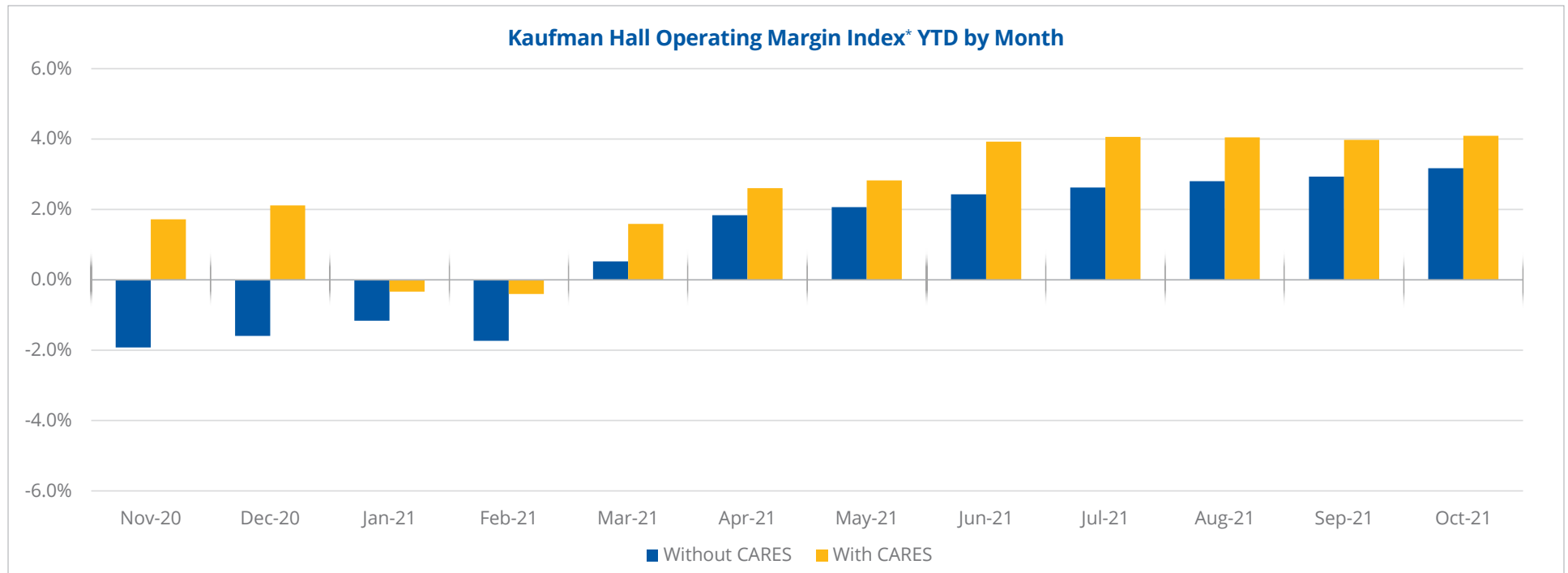
# Margins

## National Margin Results

MARGIN % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-to-Date	Year-to-Date 2019
Operating EBITDA Margin Less CARES	-11.1%	-9.7%	-16.8%	34.2%	-6.1%
Operating Margin Less CARES	-12.9%	-12.1%	-15.0%	59.9%	-6.1%

Unless noted, figures are actuals and medians are expressed as percentage change

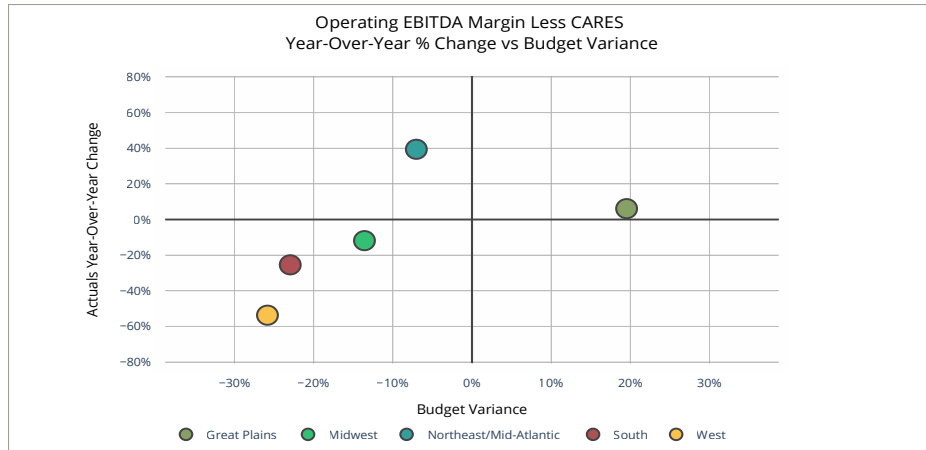
MARGIN ABSOLUTE CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-to-Date	Year-to-Date 2019
Operating EBITDA Margin Less CARES	-141.3	-143.7	-152.5	323.2	-89.0
Operating Margin Less CARES	-115.5	-135.4	-140.4	384.6	-39.3



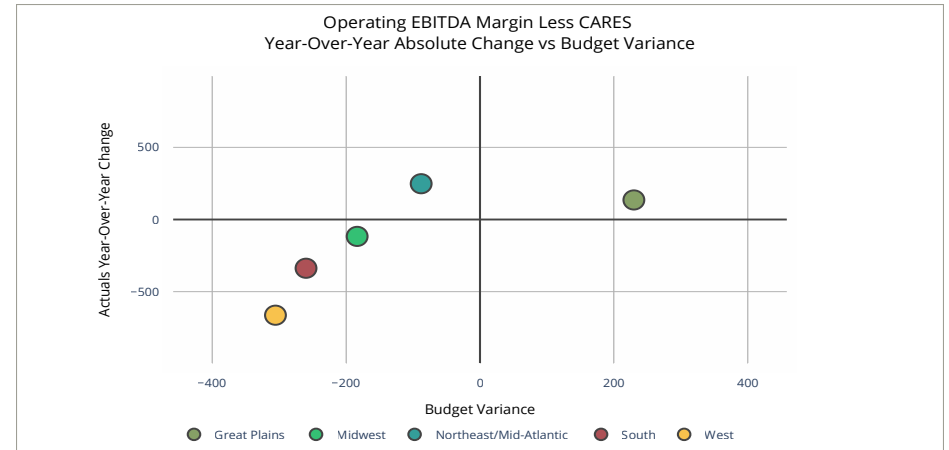
Source: National Hospital Flash Report (November 2021)

\* Note: The Kaufman Hall Hospital Operating Margin and Operating EBITDA Margin Indices are comprised of the national median of our dataset adjusted for allocations to hospitals from corporate, physician, and other entities.

## EBITDA Margin by Region



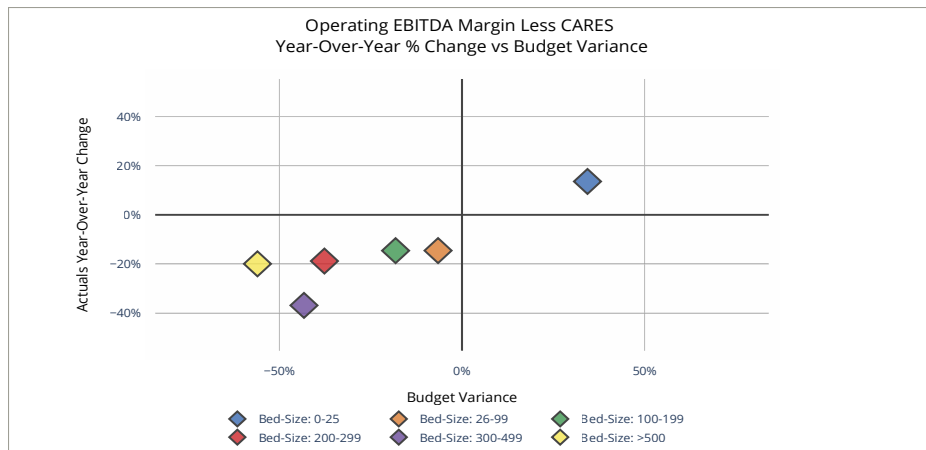
Source: Kaufman Hall National Hospital Flash Report, November 2021



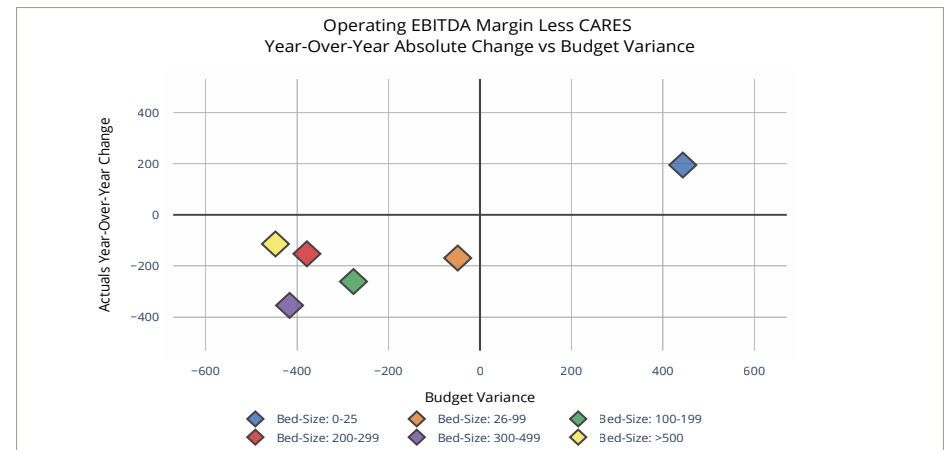
Source: Kaufman Hall National Hospital Flash Report, November 2021

Hospitals in the West, South, and Midwest—all regions significantly affected by the recent COVID-19 surge—saw the median change in Operating EBITDA Margin (without CARES) decrease year-over-year (YOY) and below budget in October. The West had the biggest declines at 54% YOY and 26% to budget.

## EBITDA Margin by Bed Size



Source: Kaufman Hall National Hospital Flash Report, November 2021



Source: Kaufman Hall National Hospital Flash Report, November 2021

Not including CARES, the median change in Operating EBITDA Margin decreased YOY and below budget for five of six bed-size cohorts. Hospitals with 300-499 beds had the biggest YOY drop at 37%. The smallest hospitals with 0-25 beds were the exception, rising 14% YOY and 34% above budget.

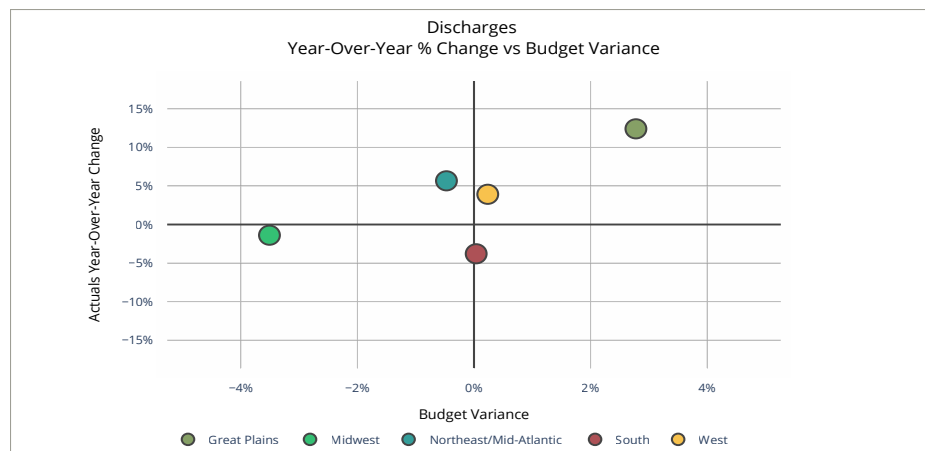
# Volumes

## National Volume Results

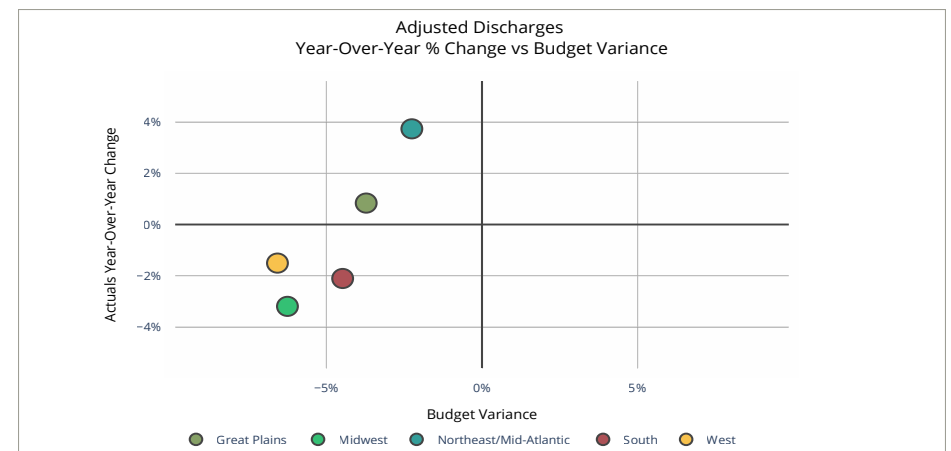
VOLUMES % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-to-Date	2019 Year-to-Date
Discharges	-0.6%	1.1%	1.8%	3.3%	-5.5%
Adjusted Discharges	-5.0%	2.6%	0%	7.6%	-3.9%
Patient Days	5.9%	-0.5%	6.0%	9.7%	0.4%
Adjusted Patient Days	3.9%	1.5%	4.9%	12.2%	2.4%
Average Length of Stay	8.2%	-1.5%	4.8%	3.7%	7.1%
ED Visits	3.8%	-3.3%	12.5%	9.7%	-9.4%
Operating Room Minutes	-9.8%	6.8%	-6.1%	9.2%	-4.3%

Unless noted, figures are actuals and medians are expressed as percentage change

## Volume by Region



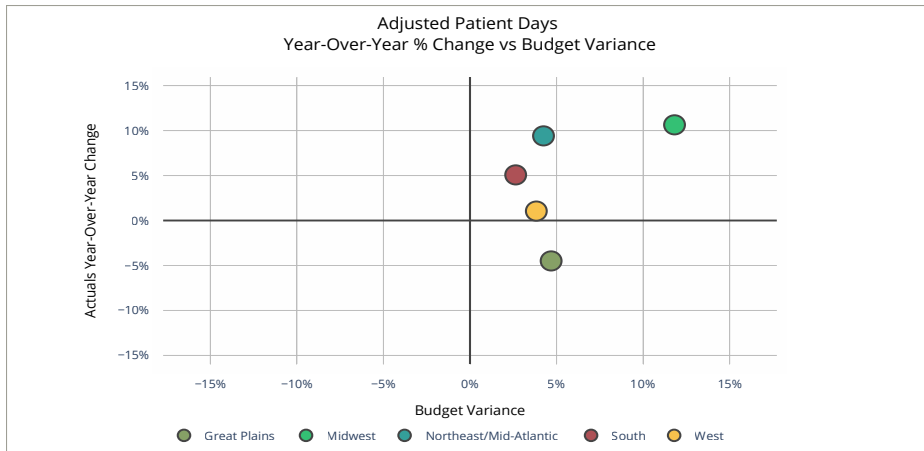
Source: Kaufman Hall National Hospital Flash Report, November 2021



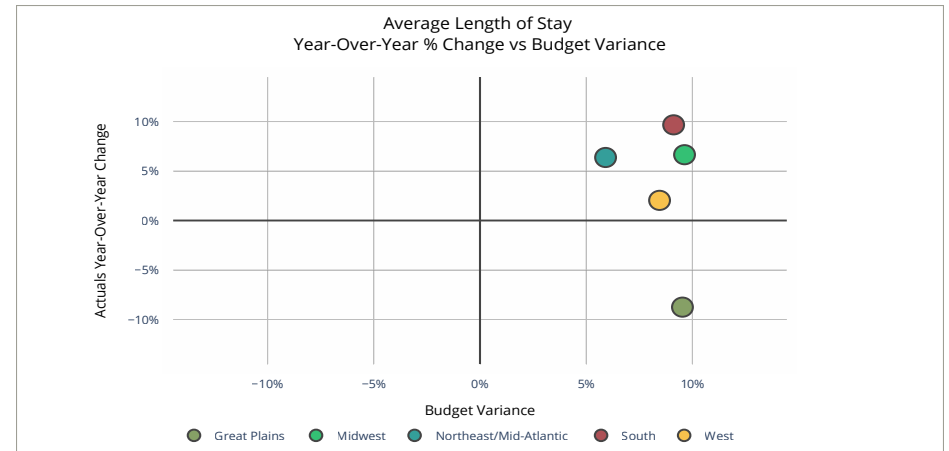
Source: Kaufman Hall National Hospital Flash Report, November 2021

Discharges rose YOY for three regions and declined YOY in two. The Great Plains had the biggest increases, rising 12.4% YOY and 2.8% above budget. Adjusted Discharges were below budget across all regions, and three decreased YOY while the Great Plains and Northeast/Mid-Atlantic rose YOY.

Volume by Region (continued)

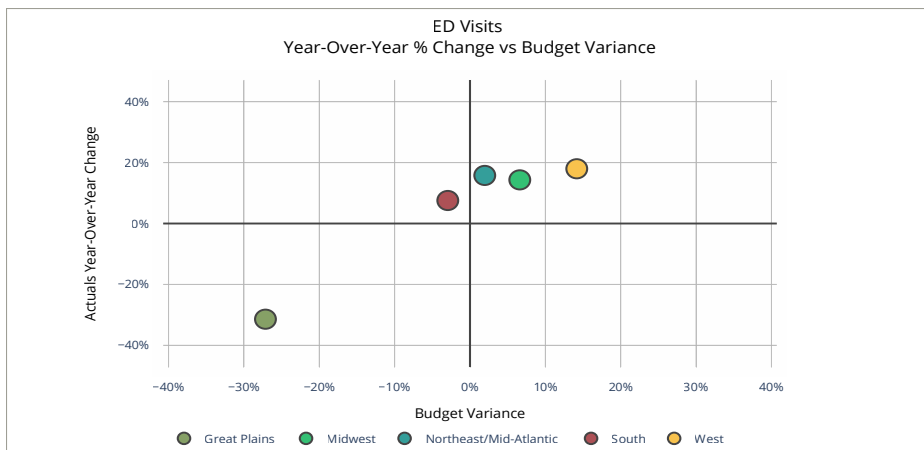


Source: Kaufman Hall National Hospital Flash Report, November 2021

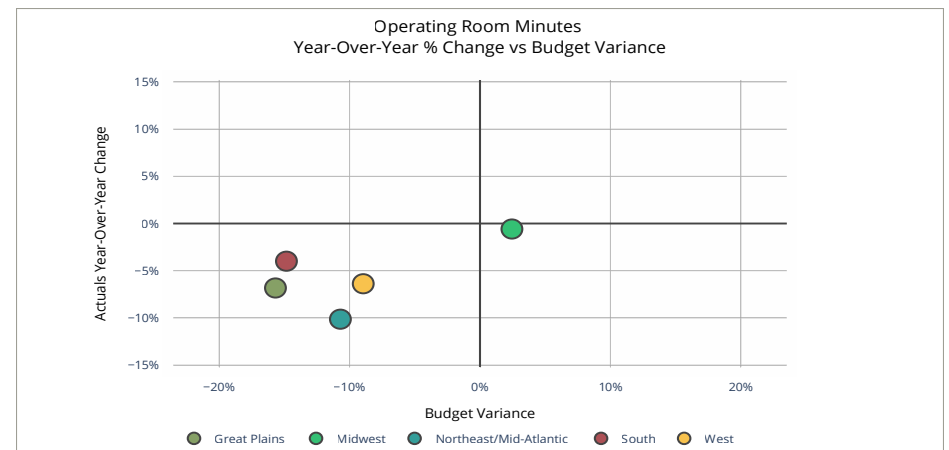


Source: Kaufman Hall National Hospital Flash Report, November 2021

Adjusted Patient Days and Average Length of Stay (LOS) both rose YOY and above budget for four of five regions, and were above budget but down YOY in the Great Plains. The region saw Adjusted Patient Days drop 4.5% YOY and Average LOS drop 8.8% YOY.



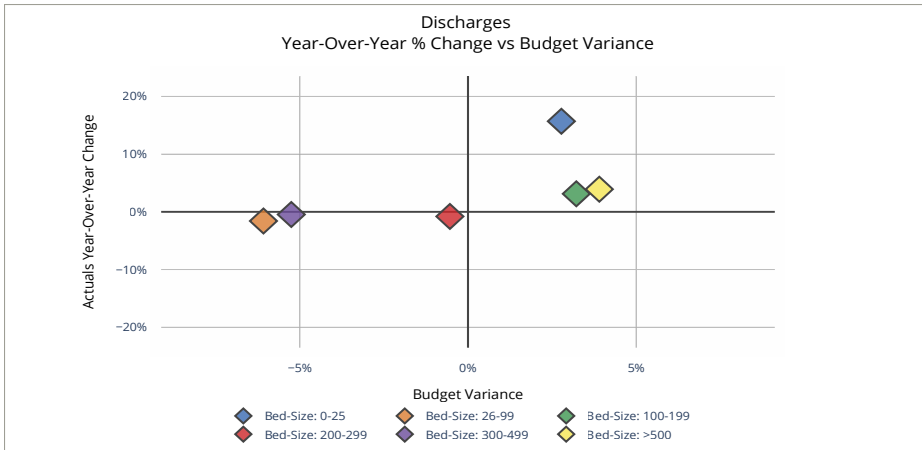
Source: Kaufman Hall National Hospital Flash Report, November 2021



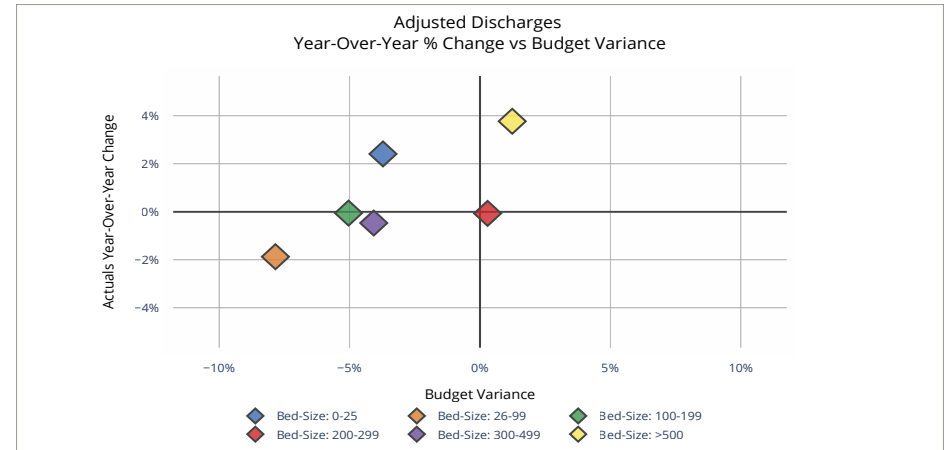
Source: Kaufman Hall National Hospital Flash Report, November 2021

Emergency Department (ED) Visits rose between 7.6% and 18% YOY for hospitals in four regions. The Great Plains was an outlier, decreasing 31.4% YOY and 27.1% to budget. Operating Room Minutes declined YOY and below budget in four regions, and were above budget but down just 0.6% YOY in the Midwest.

## Volume by Bed Size

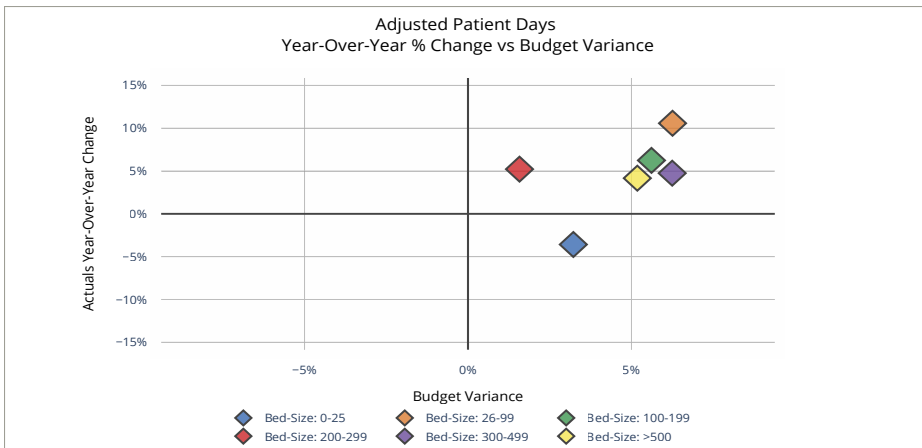


Source: Kaufman Hall National Hospital Flash Report, November 2021

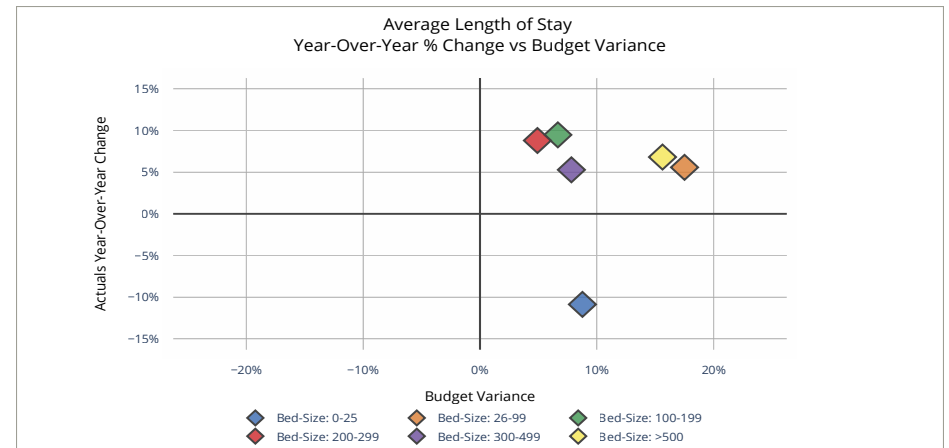


Source: Kaufman Hall National Hospital Flash Report, November 2021

Discharges rose YOY and above budget for three bed-size cohorts, and dropped YOY and below budget for three. Hospitals with 0-25 beds had the biggest YOY jump at 15.7%. Adjusted Discharges declined YOY for two bed-size cohorts, rose YOY for two, and were essentially flat YOY for two.



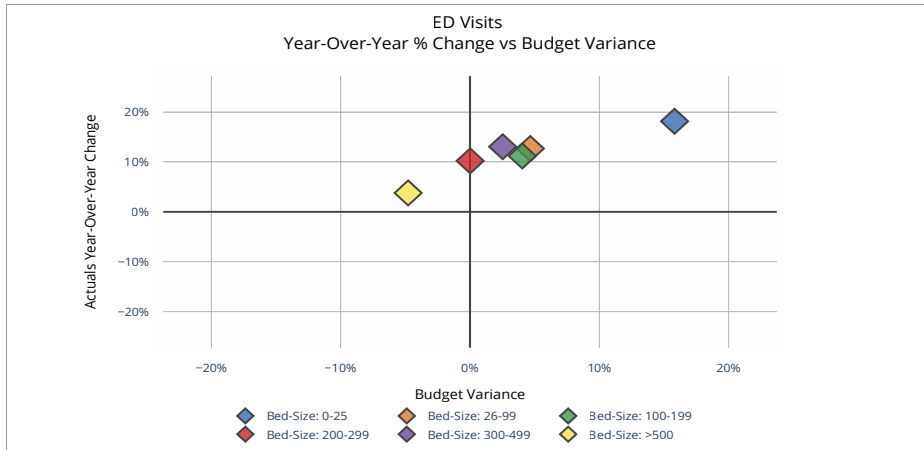
Source: Kaufman Hall National Hospital Flash Report, November 2021



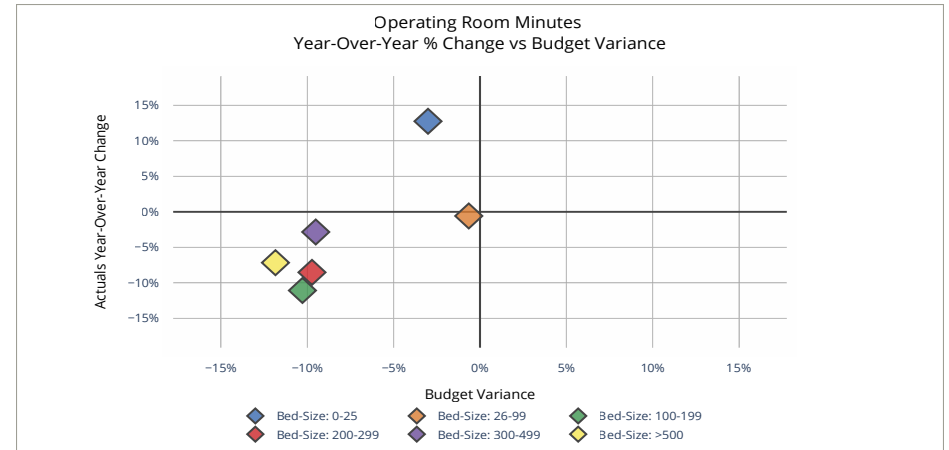
Source: Kaufman Hall National Hospital Flash Report, November 2021

Adjusted Patient Days and Average LOS both rose YOY and above budget for five cohorts. Hospitals with 26-99 beds had the biggest increases for Adjusted Patient Days at 10.6% YOY and 6.3% above budget. Hospitals with 0-25 beds were the outlier, performing above budget but down YOY for both metrics.

Volume by Bed Size (continued)



Source: Kaufman Hall National Hospital Flash Report, November 2021



Source: Kaufman Hall National Hospital Flash Report, November 2021

ED Visits were up YOY for hospitals of all sizes, and above budget for four cohorts. Hospitals with 0-25 beds had the biggest increases at 18.1% YOY and 15.8% above budget. Operating Room Minutes were below budget for all hospitals and only 0-25 bed hospitals were up YOY at 12.8%.

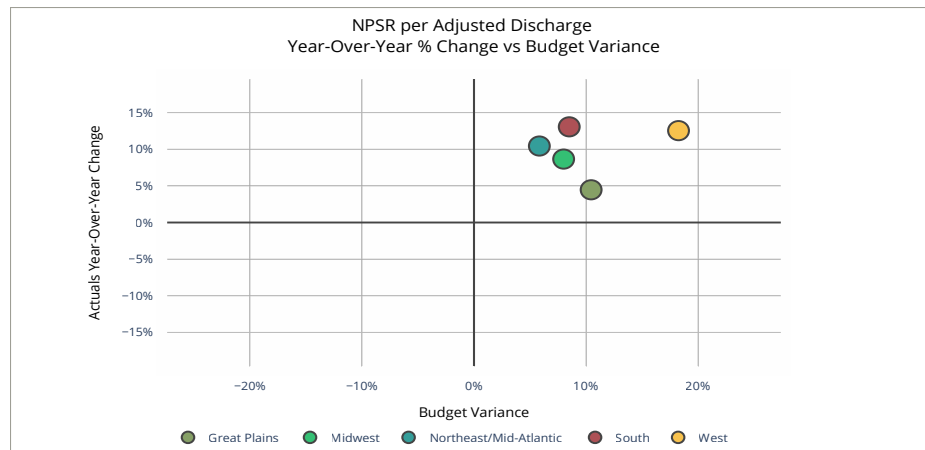
# Revenues

## National Revenue Results

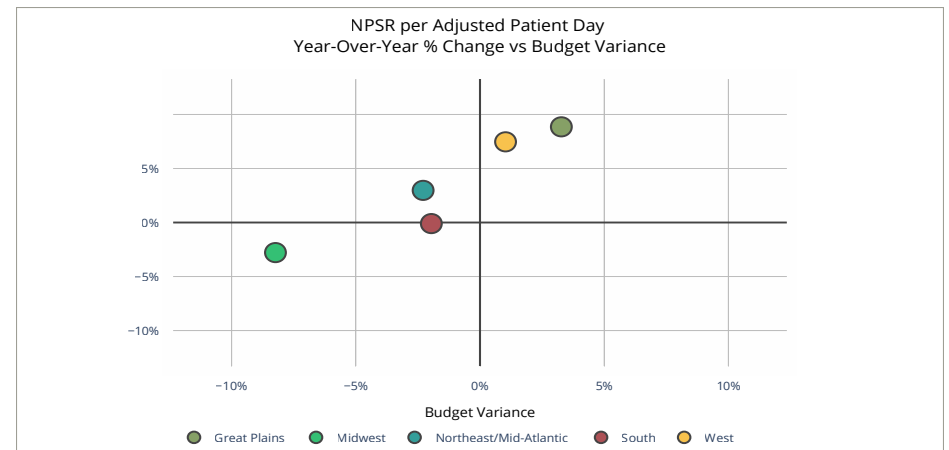
REVENUE % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-to-Date	2019 Year-to-Date
Gross Operating Revenue Less CARES	2.0%	-0.1%	9.3%	16.0%	11.0%
IP Revenue	3.9%	-0.9%	10.2%	12.0%	7.6%
OP Revenue	1.8%	1.2%	8.6%	18.8%	11.1%
Bad Debt and Charity	-7.5%	10.5%	8.9%	0.4%	-6.9%
NPSR per Adjusted Discharge	9.0%	-3.0%	10.4%	7.6%	13.8%
NPSR per Adjusted Patient Day	-2.1%	-1.3%	2.1%	2.5%	8.3%
IP/OP Adjustment Factor	-1.5%	1.5%	-0.6%	2.3%	-0.6%
Bad Debt and Charity as a % of Gross	-11.3%	8.7%	-0.7%	-13.8%	-18.3%

Unless noted, figures are actuals and medians are expressed as percentage change

## Revenue by Region



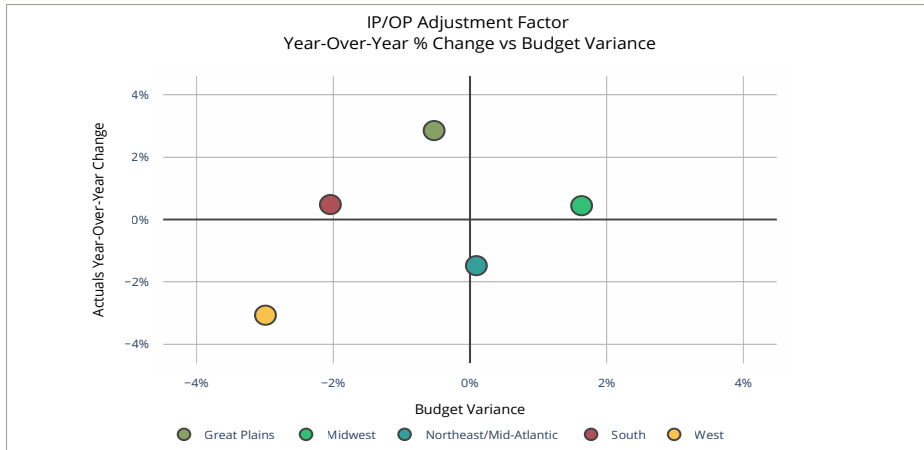
Source: Kaufman Hall National Hospital Flash Report, November 2021



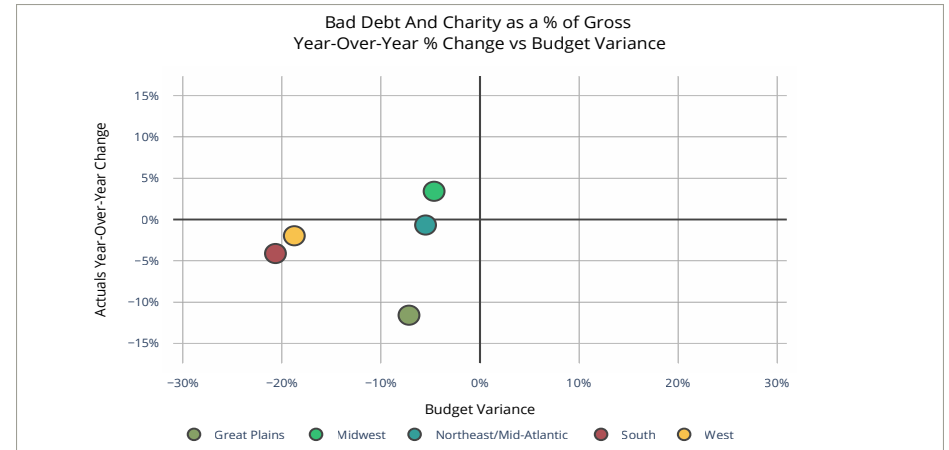
Source: Kaufman Hall National Hospital Flash Report, November 2021

For a third consecutive month, Net Patient Service Revenue (NPSR) per Adjusted Discharge rose YOY and above budget for all regions. The South and West had the biggest YOY increases at 13.1%. NPSR per Adjusted Patient Day was up YOY in three regions, flat YOY in the South, and down YOY in the Midwest.

Revenue by Region (continued)



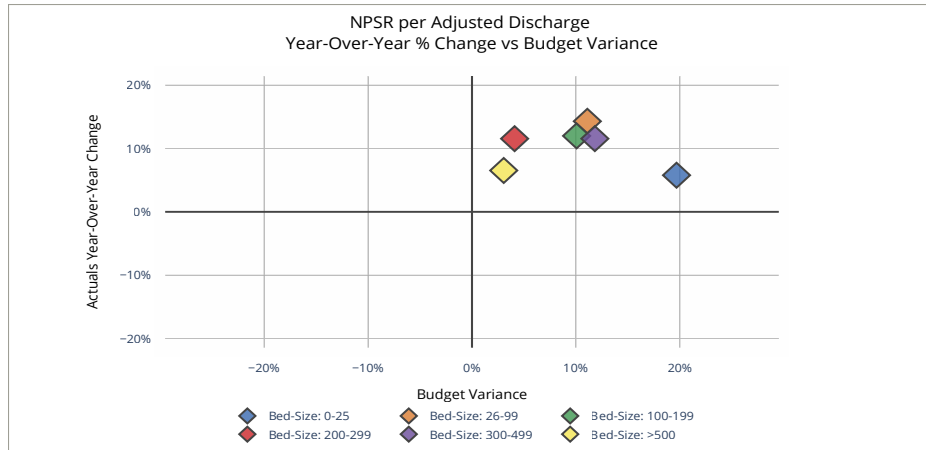
Source: Kaufman Hall National Hospital Flash Report, November 2021



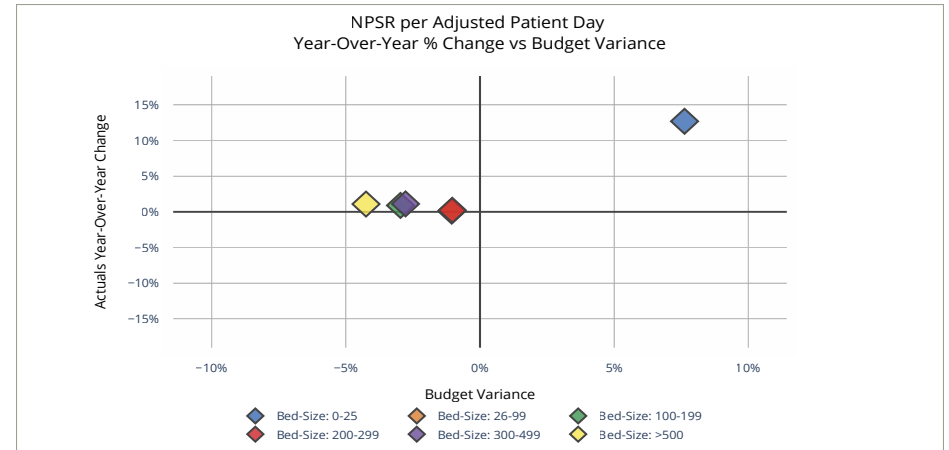
Source: Kaufman Hall National Hospital Flash Report, November 2021

The Inpatient/Outpatient (IP/OP) Adjustment Factor results were mixed. Three regions rose YOY while the West and Northeast/Mid-Atlantic declined YOY. The West was down 3% both YOY and below budget. Bad Debt and Charity as a Percent of Gross declined YOY and to budget in four of five regions.

## Revenue by Bed Size

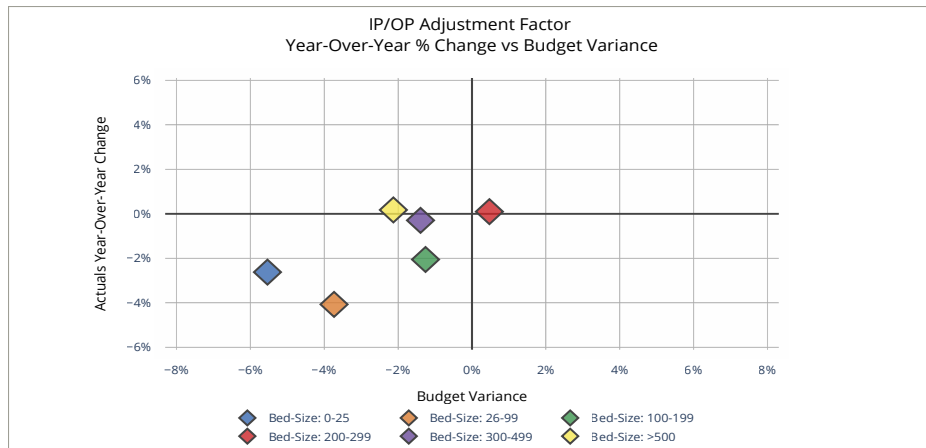


Source: Kaufman Hall National Hospital Flash Report, November 2021

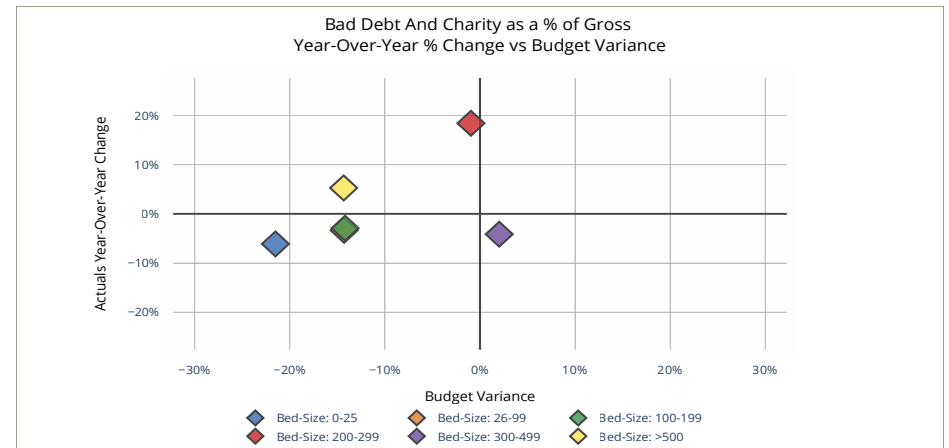


Source: Kaufman Hall National Hospital Flash Report, November 2021

NPSR per Adjusted Discharge rose YOY and to budget for all cohorts for a third consecutive month, and 26-99 bed hospitals again had the biggest YOY jump. NPSR per Adjusted Patient Day was below budget and up 1% or less YOY for five cohorts, while 0-25 bed hospitals rose 12.7% YOY and 7.6% above budget.



Source: Kaufman Hall National Hospital Flash Report, November 2021



Source: Kaufman Hall National Hospital Flash Report, November 2021

The IP/OP Adjustment Factor declined YOY and to budget for four cohorts, and rose less than 0.2% YOY for 200-299 and 500+ bed hospitals. Bad Debt and Charity as a Percent of Gross was below budget for five cohorts. Hospitals with 300-499 beds were the only cohort to perform above budget at 2%.

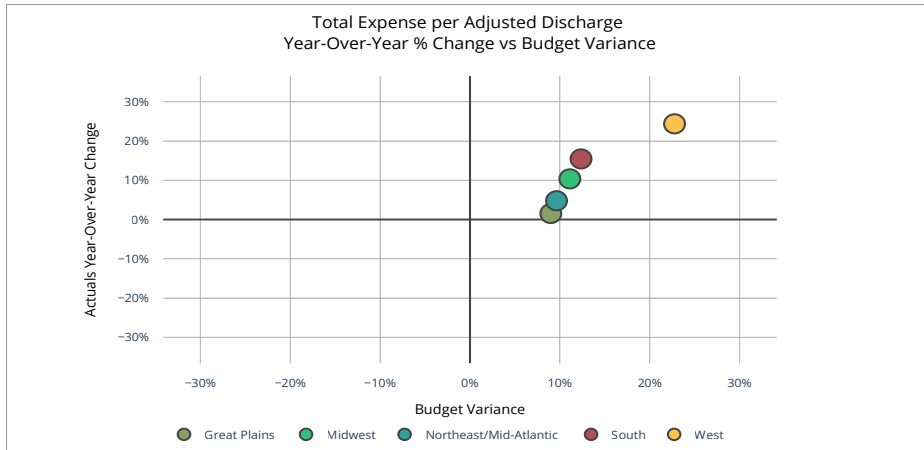
# Expenses

## National Expense Results

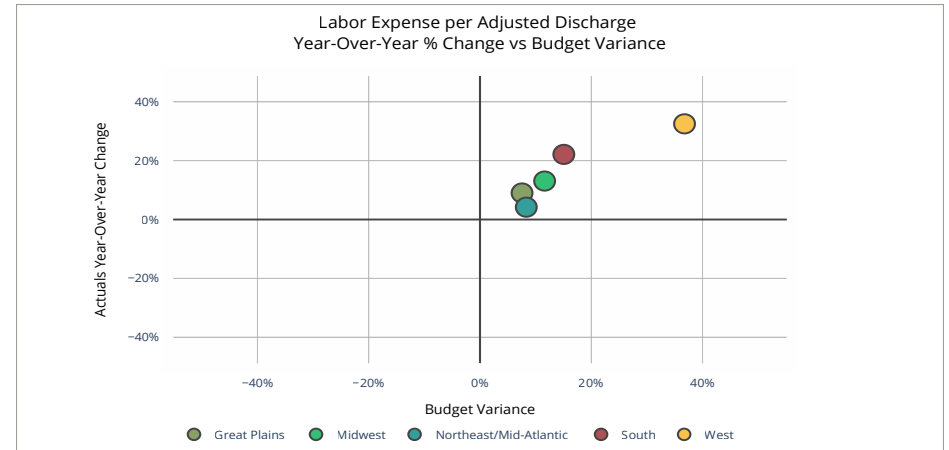
EXPENSES % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-to-Date	Year-to-Date 2019
Total Expense	4.4%	0.9%	9.1%	8.9%	10.3%
Total Labor Expense	6.7%	2.7%	12.6%	9.3%	11.0%
Total Non-Labor Expense	1.9%	-1.1%	5.4%	8.2%	9.8%
Supply Expense	4.7%	-3.1%	5.2%	13.8%	14.4%
Drugs Expense	6.2%	-12.6%	10.1%	20.1%	25.4%
Purchased Service Expense	1.1%	-0.9%	4.6%	10.5%	15.3%
Total Expense per Adjusted Discharge	12.1%	-2.7%	11.6%	2.8%	15.1%
Labor Expense per Adjusted Discharge	14.7%	-0.5%	16.3%	2.5%	15.2%
FTEs per AOB	-5.0%	0.9%	-4.5%	-9.8%	-3.9%
Non-Labor Expense per Adjusted Discharge	8.2%	-4.4%	6.8%	1.9%	17.2%
Supply Expense per Adjusted Discharge	9.4%	-7.2%	7.3%	4.2%	17.8%
Drug Expense per Adjusted Discharge	16.3%	-11.0%	13.2%	8.9%	31.9%
Purchased Service Expense per Adjusted Discharge	5.5%	-6.4%	4.6%	4.9%	18.6%

Unless noted, figures are actuals and medians are expressed as percentage change

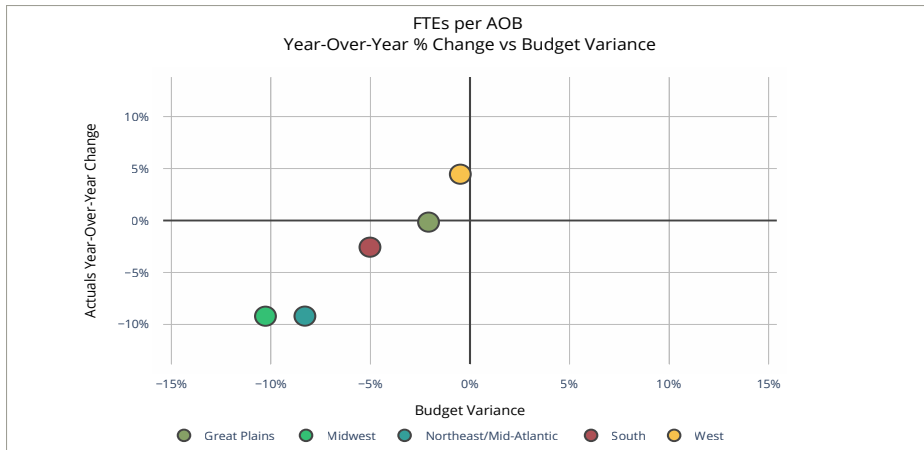
## Expense by Region



Source: Kaufman Hall National Hospital Flash Report, November 2021



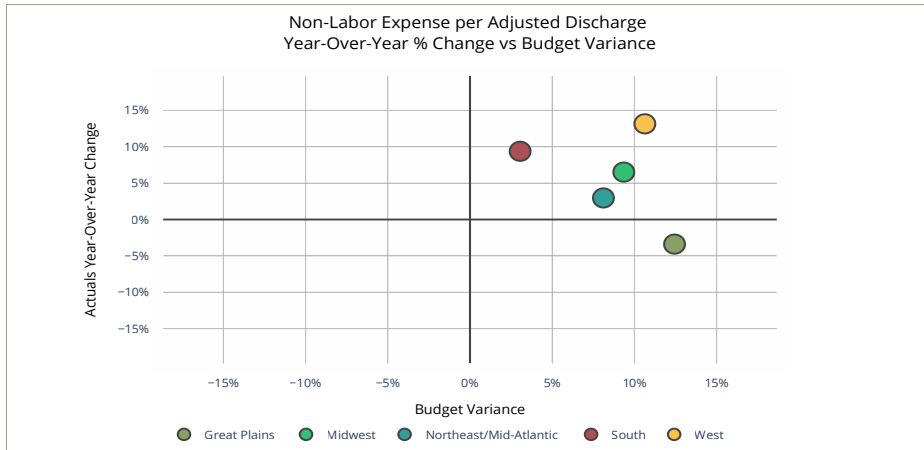
Source: Kaufman Hall National Hospital Flash Report, November 2021



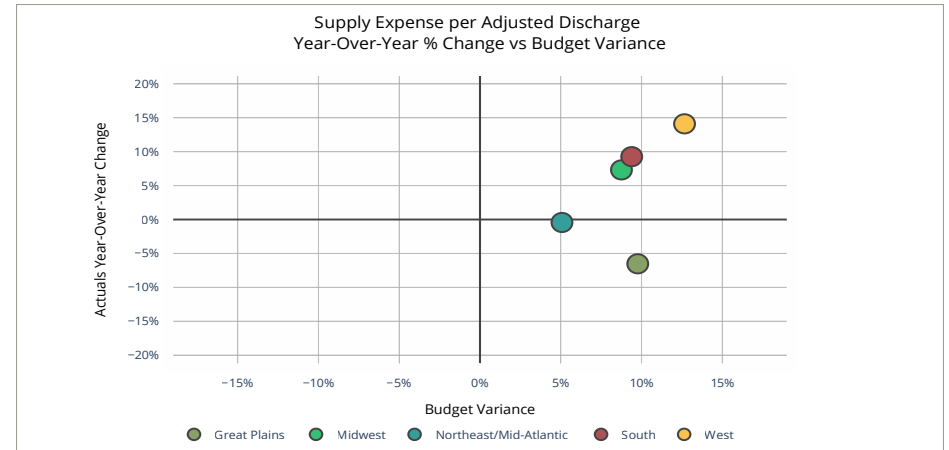
Source: Kaufman Hall National Hospital Flash Report, November 2021

Total Expense and Labor Expense per Adjusted Discharge rose YOY and above budget across all regions for a second consecutive month. The West had the biggest YOY increases, up 24.4% and 32.5%, respectively. Full-Time Equivalents (FTEs) per Adjusted Occupied Bed (AOB) were below budget for all regions.

Expense by Region (continued)

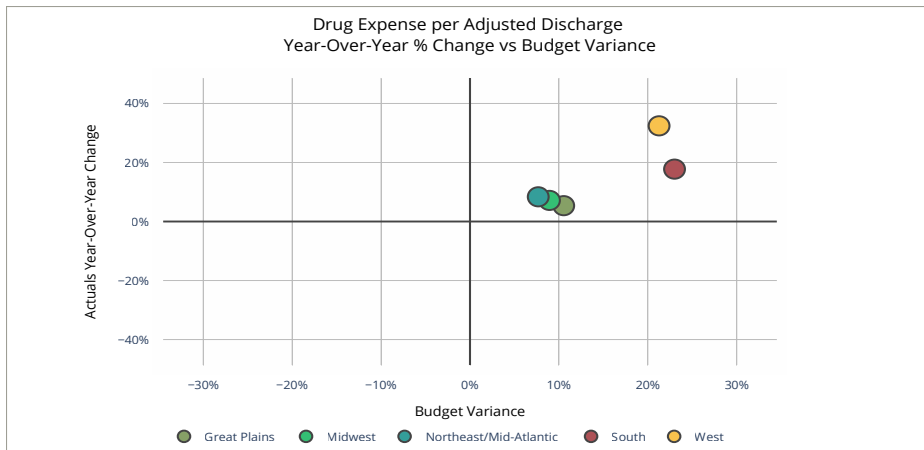


Source: Kaufman Hall National Hospital Flash Report, November 2021

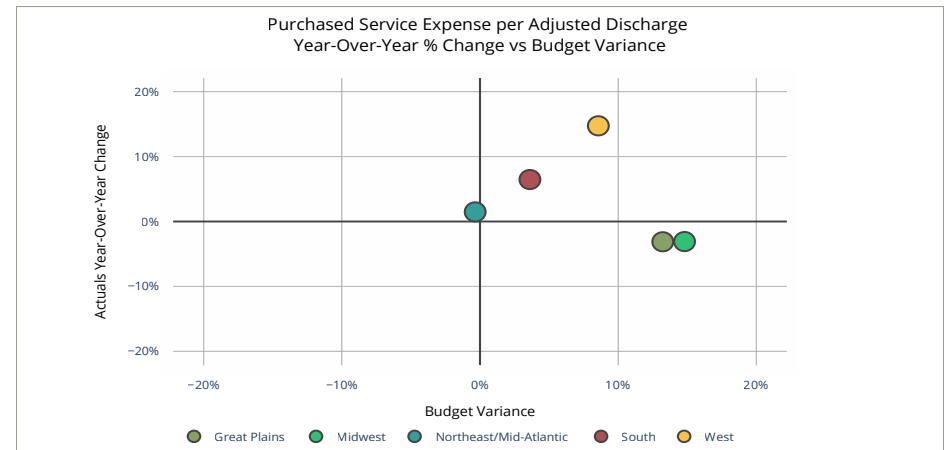


Source: Kaufman Hall National Hospital Flash Report, November 2021

Non-Labor Expense per Adjusted Discharge rose YOY and to budget for four regions but was down 3.4% YOY in the Great Plains. Supply Expense per Adjusted Discharge was above budget for all regions and up YOY in three. The West saw the biggest YOY increases for both metrics, up 13.2% and 14.1%, respectively.



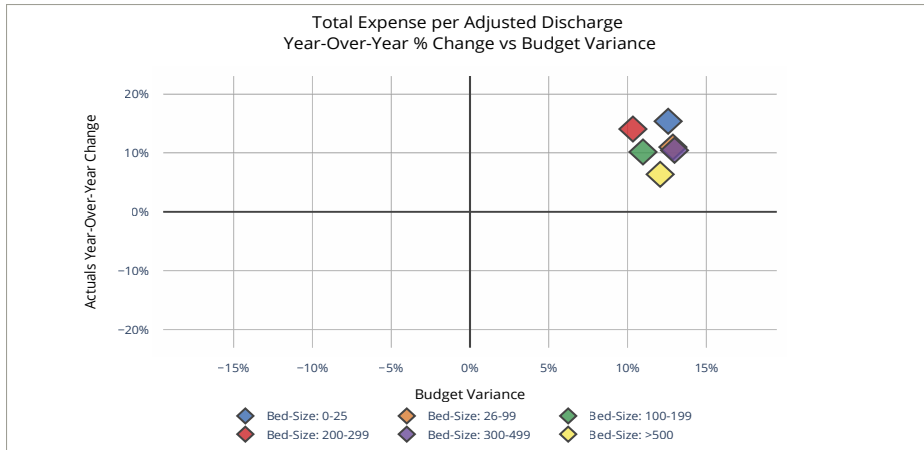
Source: Kaufman Hall National Hospital Flash Report, November 2021



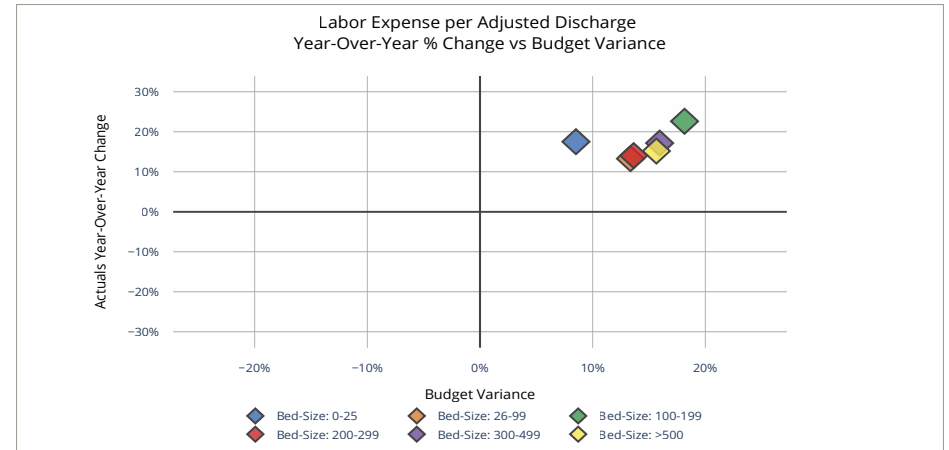
Source: Kaufman Hall National Hospital Flash Report, November 2021

Drug Expense per Adjusted Discharge rose YOY and above budget for all regions, with the West having the biggest YOY jump at 32.4%. Purchased Service Expense per Adjusted Discharge rose YOY for three regions, and was above budget but down 3.1% YOY in both the Great Plains and Midwest.

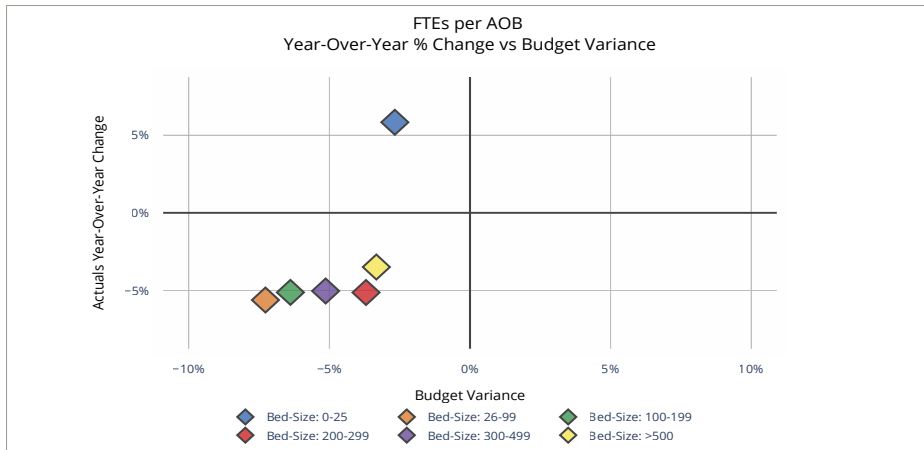
## Expense by Bed Size



Source: Kaufman Hall National Hospital Flash Report, November 2021



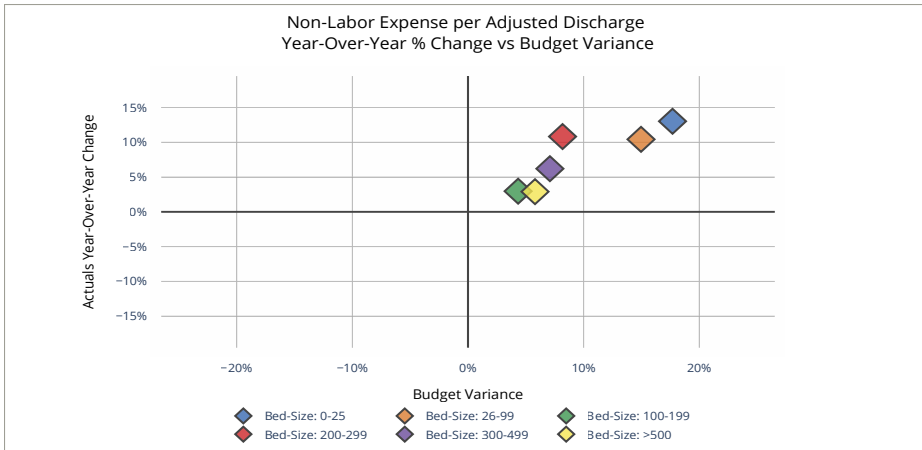
Source: Kaufman Hall National Hospital Flash Report, November 2021



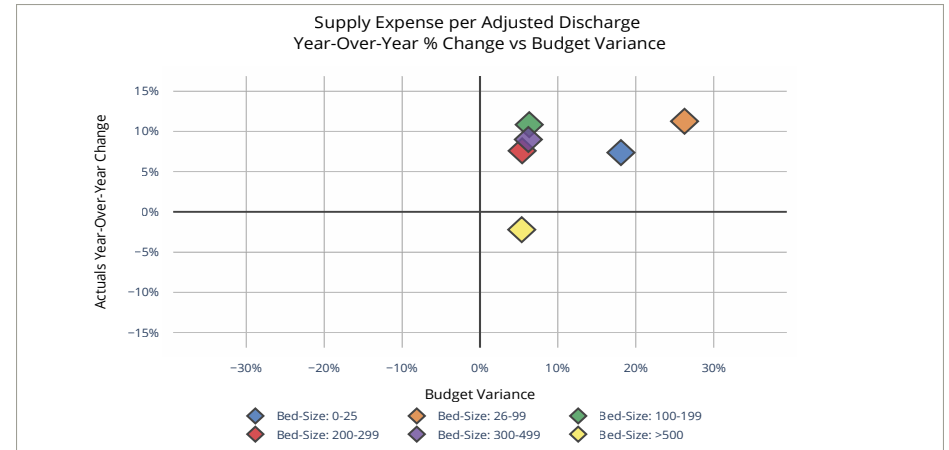
Source: Kaufman Hall National Hospital Flash Report, November 2021

Total Expense and Labor Expense per Adjusted Discharge both rose YOY and to budget for hospitals of all sizes for the second month in a row. Hospitals with 0-25 beds had the biggest YOY increase for Total Expense at 15.4%. FTEs per AOB dropped YOY and below budget for five of six bed-size cohorts.

Expense by Bed Size (continued)

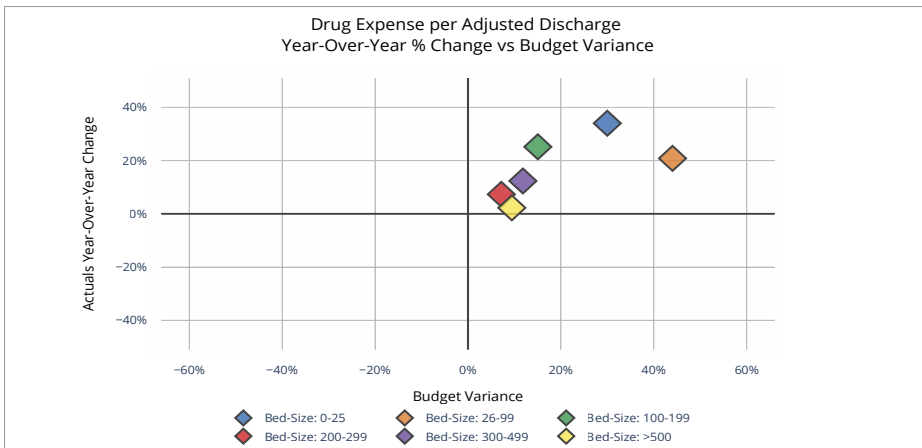


Source: Kaufman Hall National Hospital Flash Report, November 2021

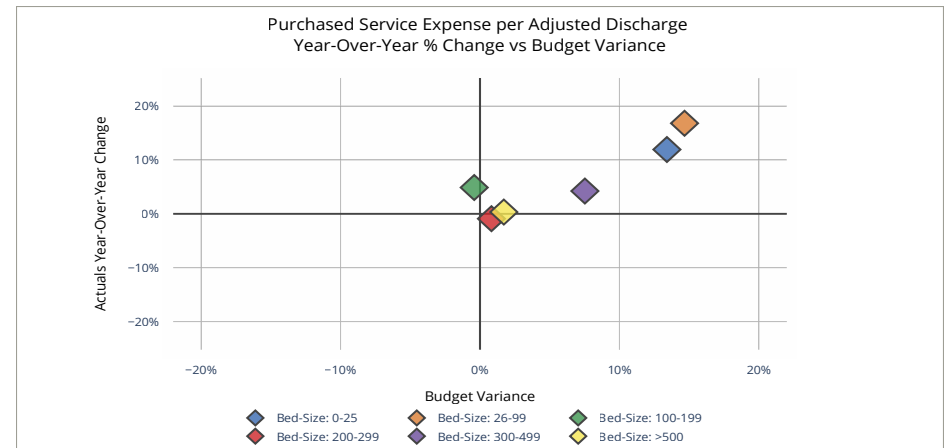


Source: Kaufman Hall National Hospital Flash Report, November 2021

Non-Labor Expense per Adjusted Discharge rose YOY and above budget for all cohorts for a third consecutive month. Hospitals with 0-25 beds had the biggest increases at 13% YOY and 17.7% above budget. Supply Expense per Adjusted Discharge increased YOY and to budget for five cohorts.



Source: Kaufman Hall National Hospital Flash Report, November 2021



Source: Kaufman Hall National Hospital Flash Report, November 2021

Drug Expense per Adjusted Discharge rose YOY and to budget for all cohorts for a third consecutive month. Hospitals with 0-25 beds had the biggest YOY increase at 34%. Purchased Service Expense per Adjusted Discharge rose YOY for five cohorts but was down 0.9% YOY for 200-299 bed hospitals.

# Non-Operating

## National Non-Operating Results

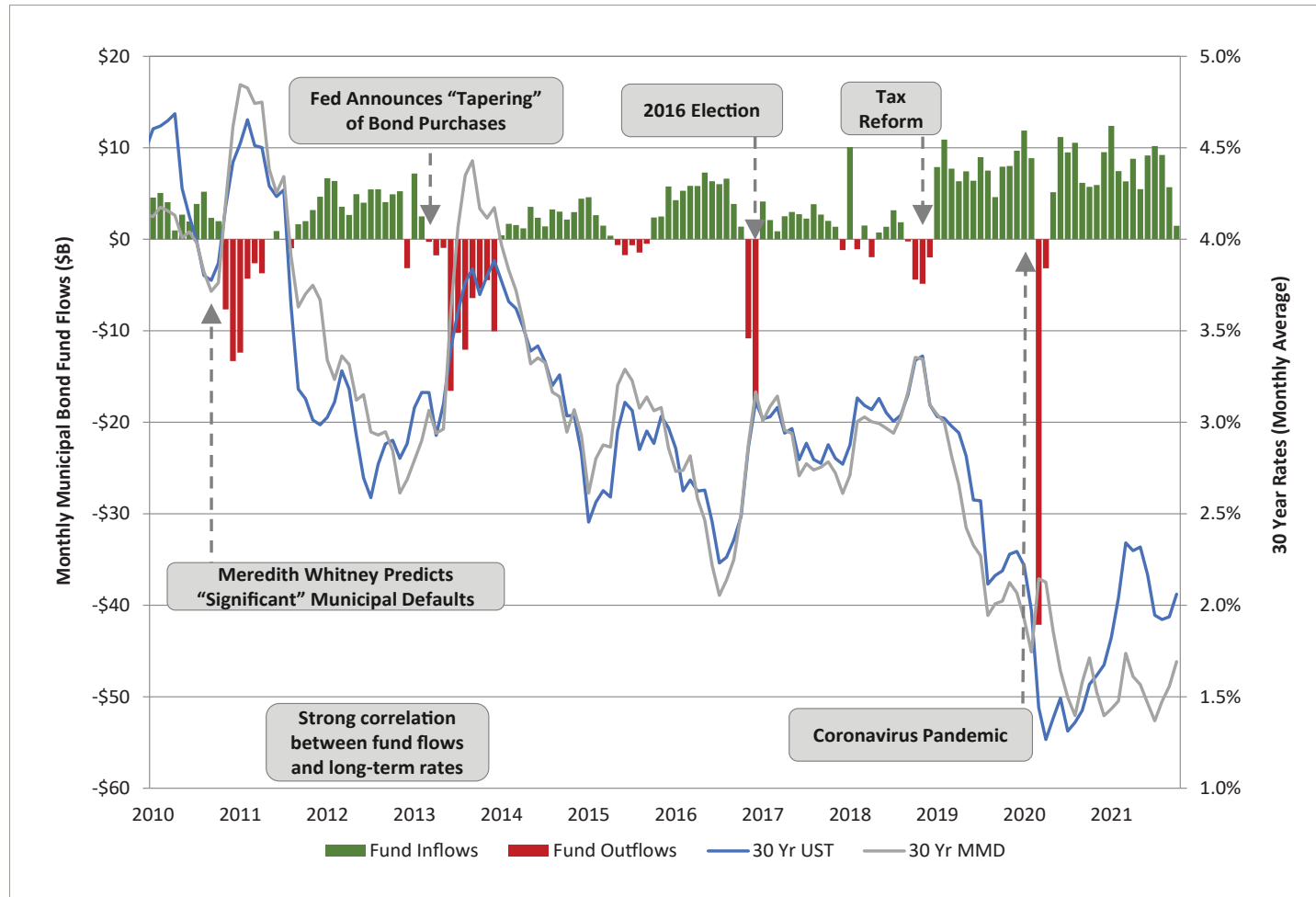
	October 2021	Month-Over-Month	Year-Over-Year
<b>General</b>			
GDP Growth†	2.0%	n/a	n/a
Unemployment Rate	4.6%	-0.2%	-2.3%
Personal Consumption Expenditures (YoY)	3.6%	n/c	+2.12%
<b>Liabilities</b>			
1m LIBOR	0.09%	+1 bps	-5 bps
SIFMA	0.05%	n/c	-7 bps
30yr MMD	1.69%	+2 bps	-2 bps
30yr Treasury	1.93%	-11 bps	+27 bps
<b>Assets</b>			
60/40 Asset Allocation*	n/a	+3.3%	+20.1%

† U.S. Bureau of Economic Analysis, Q3 2021 "Advance Estimate"

\* 60/40 Asset Allocation assumes 30% S&P 500 Index, 20% MSCI World Index, 10% MSCI Emerging Markets Index, 40% Barclays U.S. Aggregate Bond Index

## Non-Operating Liabilities

### Long Term – Monthly Municipal Bond Fund Flows with 30-Year U.S. Treasury and 30-Year MMD



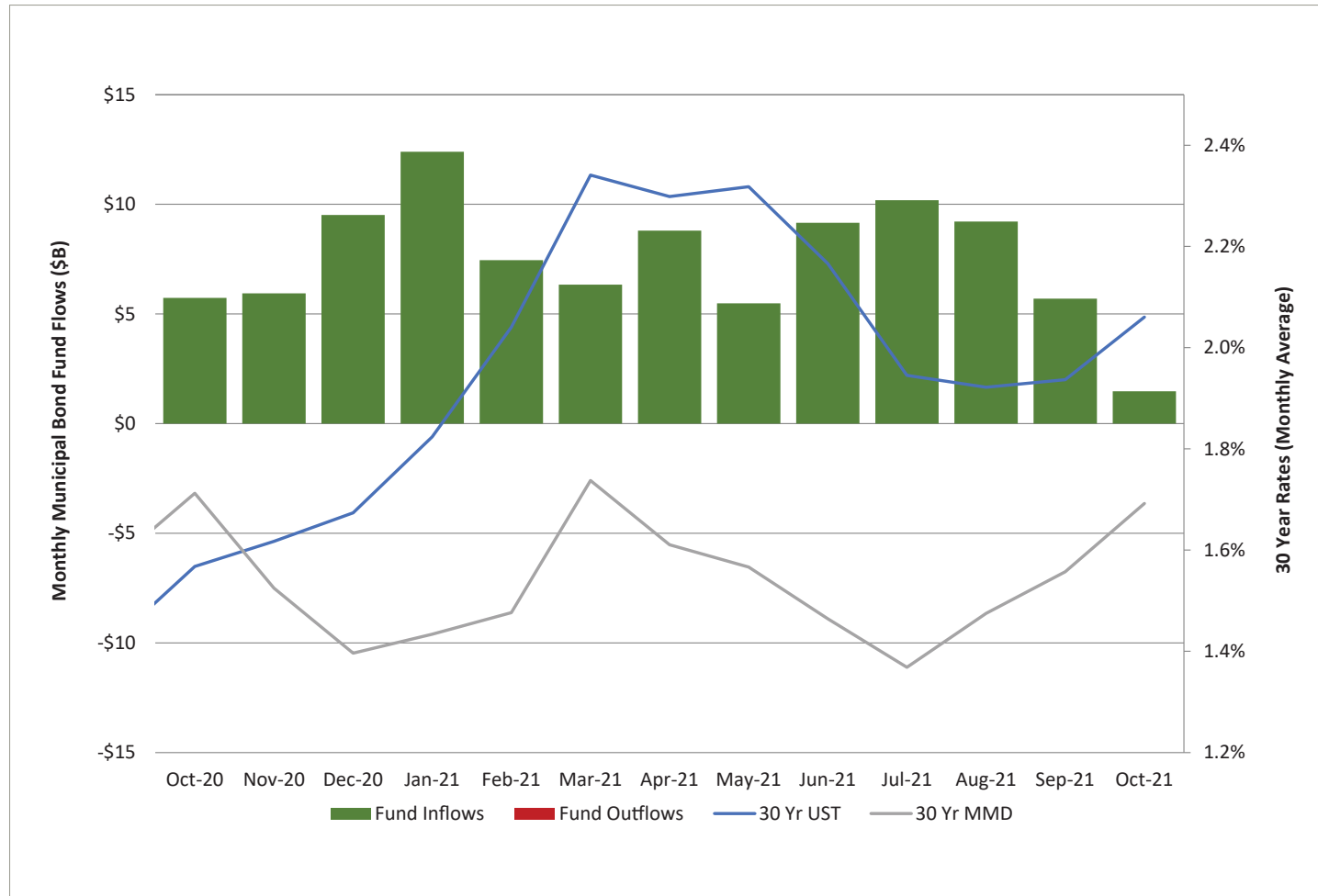
Source: Kaufman Hall National Hospital Flash Report, November 2021

Yields on the tax-exempt benchmark 30-year MMD rate rose 0.02% in October up to 1.69%. Comparatively, 30-year Treasury yields trended down 0.11% to 1.93%. While subdued compared to recent months, demand remains positive as municipal bond funds saw \$1.5 billion of inflows in October for a 17th consecutive month of positive fund flows.

NOTE: Taxable and tax-exempt debt capital markets, as approximated here by the "30-year U.S. Treasury" and "30-year MMD Index," are dependent upon macroeconomic conditions, including inflation expectations, GDP growth, and investment opportunities elsewhere in the market. A key measure to track is bond fund flows, particularly in the more supply and demand sensitive tax-exempt market. Fund flows are monies moving into bond funds from new investments and principal and interest payments on existing and maturing holdings. Strong fund flows generally signal that investors have more cash to put to work, a boon to demand. Fund inflows generally are moderate and consistent over time, while fund outflows typically are large and sudden as external events affect investor sentiment, resulting in quick position liquidation which can drive yields up considerably in a short amount of time.

Non-Operating Liabilities (continued)

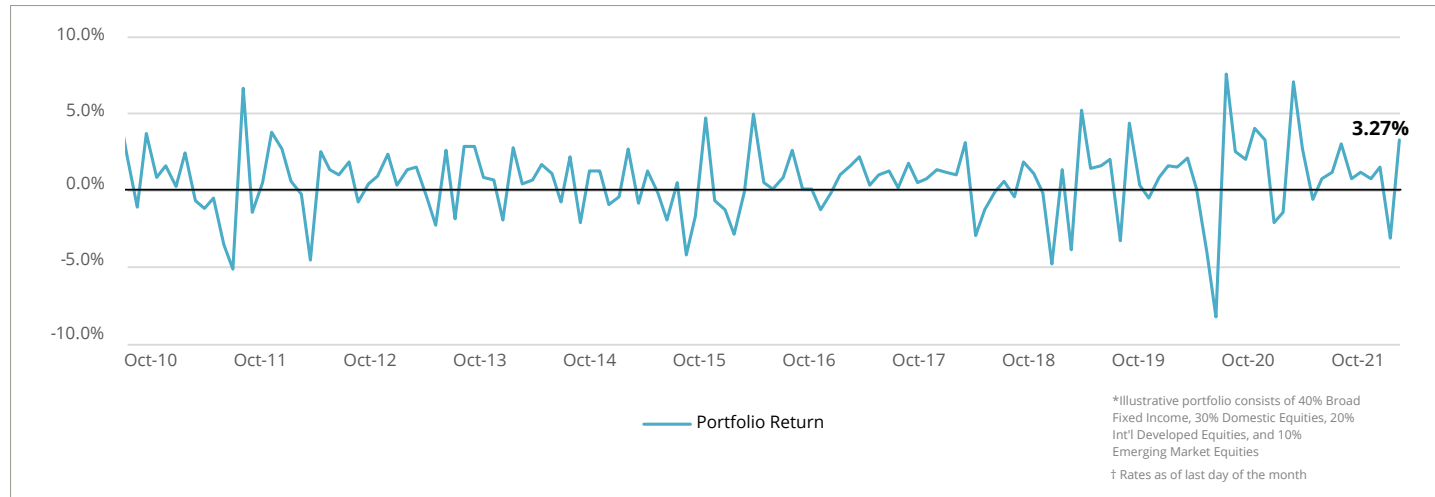
Last Twelve Months – Monthly Municipal Bond Fund Flows with 30-Year U.S. Treasury and 30-Year MMD



Source: Kaufman Hall National Hospital Flash Report, November 2021

## Non-Operating Assets

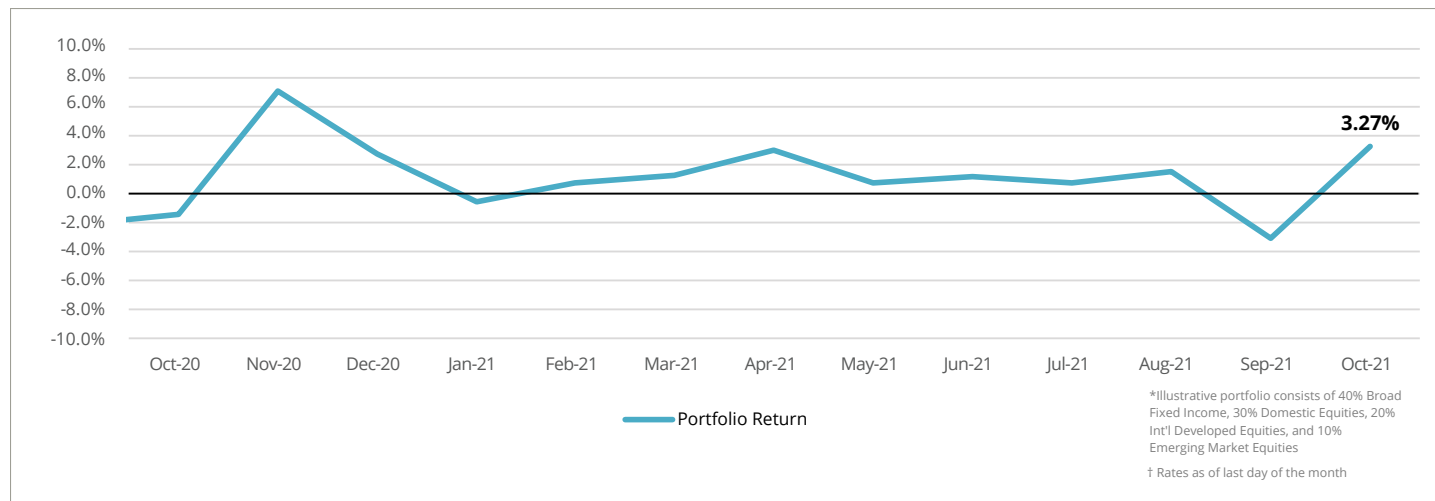
### Long Term – Illustrative Investment Portfolio Returns, Month-Over-Month Change



Source: Kaufman Hall National Hospital Flash Report, November 2021

The 60/40 blended asset portfolio ended October up 3.3%. The S&P 500 finished up 6.9% for the month, bouncing back after September's drop. The MSCI World Index finished up 5.6%. The MSCI Emerging Markets Index finished the month up 0.93%, with the Barclays Aggregate Index down 0.03%. The 60/40 portfolio was up 20.1% YOY.

### Last Twelve Months – Illustrative Investment Portfolio Returns, Month-Over-Month Change



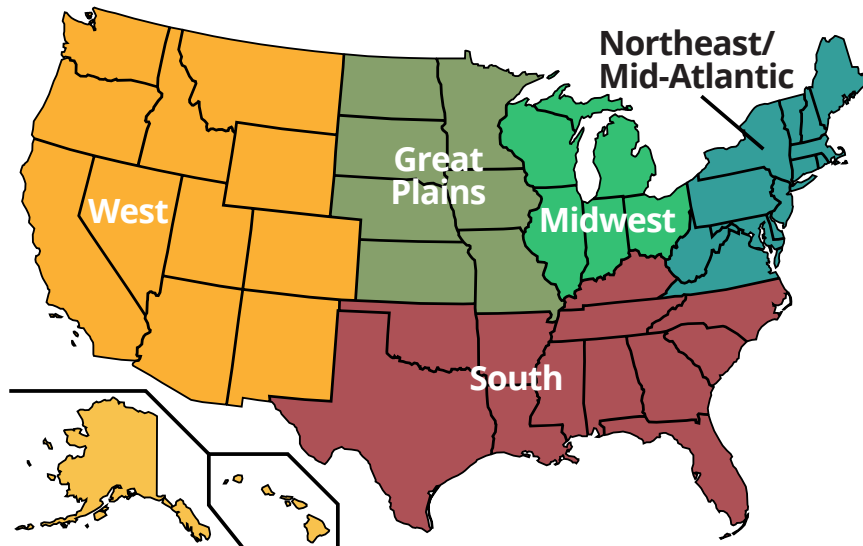
Source: Kaufman Hall National Hospital Flash Report, November 2021

# About the Data

The *National Hospital Flash Report* uses both actual and budget data over the last three years, sampled from over 900 hospitals on a recurring monthly basis from Syntellis Performance Solutions. The sample of hospitals for this report is representative of all hospitals in the United States both geographically and by bed size. Additionally, hospitals of all types are represented, from large academic to small critical access. Advanced statistical techniques are used to standardize data,

identify and handle outliers, and ensure statistical soundness prior to inclusion in the report. While this report presents data in the aggregate, Syntellis Performance Solutions also has real-time data down to individual department, jobcode, paytype, and account levels, which can be customized into peer groups for unparalleled comparisons to drive operational decisions and performance improvement initiatives.

## Map of Regions



## General Statistical Terms

- **Range:** The difference in value between the maximum and minimum values of a dataset
- **Average (Mean):** The average value of an entire dataset
- **Median:** The value that divides the dataset in half, the middle value
- **1st Quartile:** The value halfway between the smallest number and the median
- **3rd Quartile:** The value halfway between the median and the largest number

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## Talk to us

Have a comment on the Kaufman Hall *National Hospital Flash Report*?

We want to hear from you. Please direct all questions or comments to

[flashreports@kaufmanhall.com](mailto:flashreports@kaufmanhall.com)