

**KaufmanHall**

SEPTEMBER 2022

# National Hospital Flash Report

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

*Based on August Data from More Than 900 Hospitals*

# Table of Contents

<b>Key Observations</b> .....	3
<i>Summary</i> .....	4
<i>Takeaways at a Glance</i> .....	5
<b>Margins</b> .....	6
<i>National Margin Results</i> .....	7
<i>EBITDA Margin by Region</i> .....	8
<i>EBITDA Margin by Bed Size</i> .....	8
<b>Volumes</b> .....	9
<i>National Volume Results</i> .....	10
<i>Volume by Region</i> .....	10
<i>Volume by Bed Size</i> .....	12
<b>Revenues</b> .....	14
<i>National Revenue Results</i> .....	15
<i>Revenue by Region</i> .....	15
<i>Revenue by Bed Size</i> .....	17
<b>Expenses</b> .....	18
<i>National Expense Results</i> .....	19
<i>Expense by Region</i> .....	20
<i>Expense by Bed Size</i> .....	22
<b>Non-Operating</b> .....	24
<i>National Non-Operating Results</i> .....	25
<i>Non-Operating Liabilities</i> .....	26
<i>Non-Operating Assets</i> .....	28
<b>About the Data</b> .....	29
<b>Contacts</b> .....	30

# Key Observations

# Summary

## Summary

Nine months into an extremely challenging year characterized by dramatic fluctuations in margin, U.S. hospitals and health systems are still operating substantially below pre-pandemic levels. Most metrics improved month-over-month in August as revenues increased and expenses slowed their climb compared to July. However, organizations are still in poor shape, with a negative median operating margin.

## Margins

The median Kaufman Hall Year-To-Date (YTD) Operating Margin Index reflecting actual margins was -0.3% through August, unfortunately highlighting the continued losses hospitals have experienced this year, although demonstrating signs of improvement. Operating margin improved by a median of 4.2 percentage points from the depths of last month but remain down by a median of 2.1 percentage points from last year. Operating EBITDA margin also demonstrated monthly improvements with a median increase of 3.7 percentage points, and remain down by 2 percentage points from last year.

## Volumes

Outpatient volumes rose, as more patients likely returned to the hospital for elective procedures following a backlog created by the summer Covid surge. Operating Room Minutes rose 13.6% from July and were up 5.5% year-over-

year (YOY). Length of Stay (LOS) dropped 2.1% from July and decreased 2.7% compared to August 2021. Patient Days rose 0.7% from July and dropped 7.9% from August 2021 levels. Adjusted Discharges jumped 7% month-over-month and were up 5.4% compared to August 2021. Emergency Department (ED) Visits rose 1.1% from July but were down 2.4% YOY.

## Revenues

Volume increases, largely from outpatient activity, contributed to improved revenue performance in August. Gross Operating Revenue was up 9.1% from July and 5.5% YOY. It is also up 5.5% YTD. Outpatient (OP) Revenue jumped 10.9% from July levels and is up 10.6% YOY. It is up 7.8% YTD. Inpatient (IP) Revenue also rose 4.9% from the previous month but is down 3.5% from August 2021. It is up 2.3% YTD.

## Expenses

Total Expenses rose 3.3% from July to August and jumped 6% from August 2021, likely driven by supplies and drug costs. Total Expenses are up 8.9% YTD, although Total Labor Expense is up just 1.3% MOM, as compared to 10.6% YTD. Labor Expense per Adjusted Discharge dropped 5.3% from July, indicating that contract labor utilization and rates are gradually cooling. However, this metric is up 9.9% YTD. Full-Time Employees Per Adjusted Occupied Bed (FTEs per AOB) is down 3.3% from July, indicating that the labor shortage is still very much in effect.

# Takeaways at a Glance

**1. Volumes were higher in August than in July, boosting revenue.**

However, costs still climbed slightly month-over-month as hospitals and health systems continue to shoulder heightened expense loads.

**2. Expenses rose, but not as much as revenue.**

Supplies and expensive drugs contributed to this uptick more than labor costs, which remain elevated.

**3. Outpatient revenue slightly drove up margin.**

This metric is substantially higher than it was in August of 2021. It demonstrated the most growth month-over-month as patients scheduled more elective procedures.

**4. Hospitals are still facing extreme difficulty.**

Nine months into a challenging year, margins have fluctuated wildly. Although most metrics improved from July to August, organizations are still operating with negative margins and well below pre-pandemic levels.

**5. New market entrants present strategic challenges.**

As disruptors chip away at outpatient volume, hospitals should reimagine how to deliver care in non-hospital settings as part of their long-term planning.



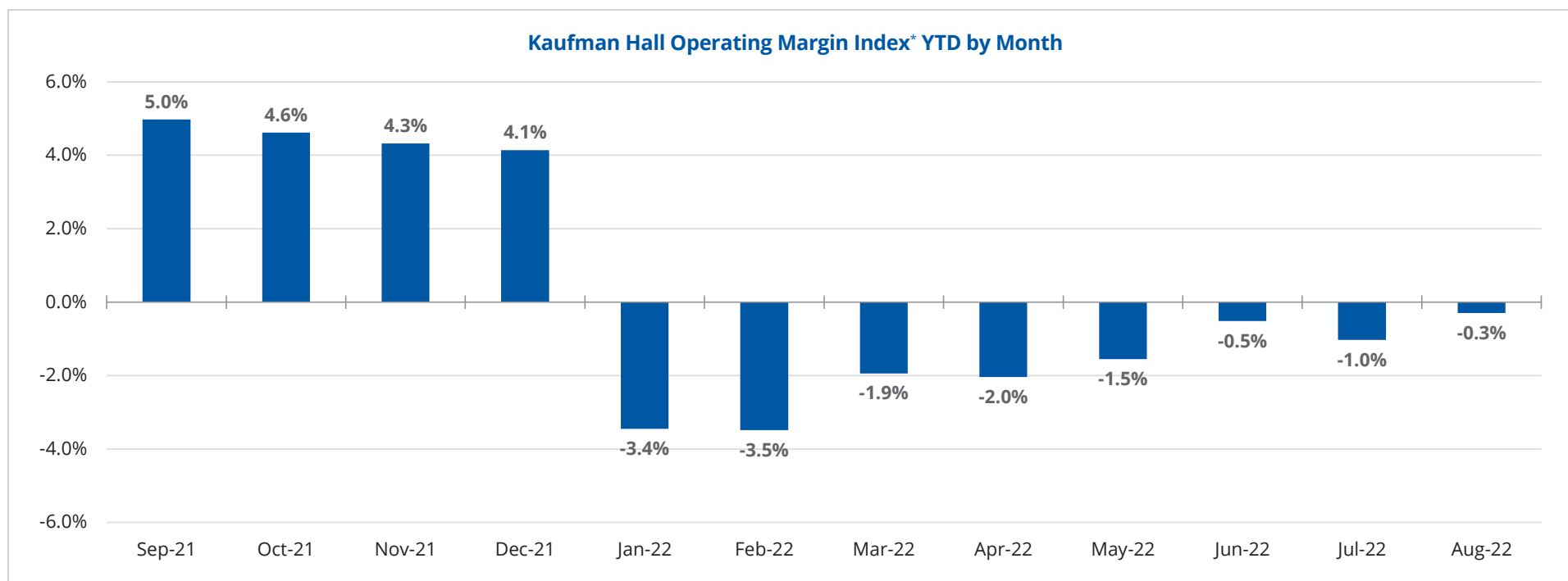
# Margins

## National Margin Results

MARGIN CHANGE BY PERCENTAGE	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Operating EBITDA Margin	38.9%	-14.3%	-20.9%
Operating Margin	53.2%	-24.0%	-28.0%

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

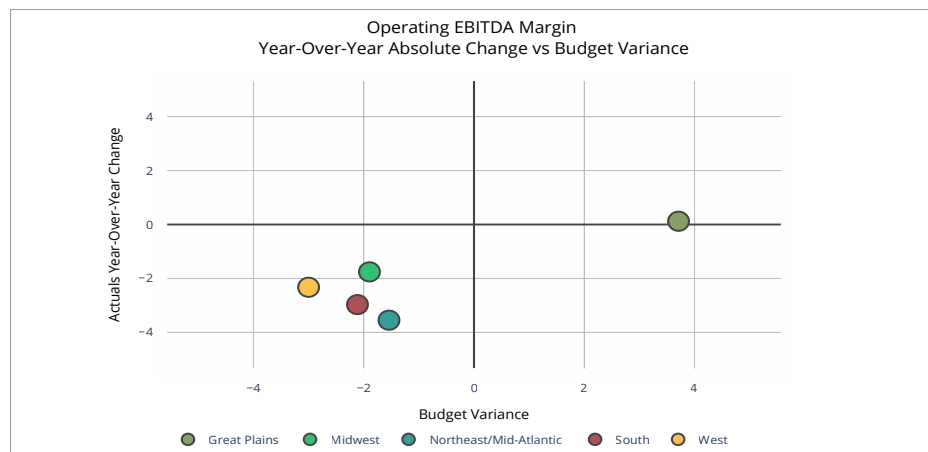
MARGIN CHANGE BY PERCENTAGE POINTS	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Operating EBITDA Margin	3.7	2.0	-2.7
Operating Margin	4.2	2.1	-2.5



Source: National Hospital Flash Report (September 2022)

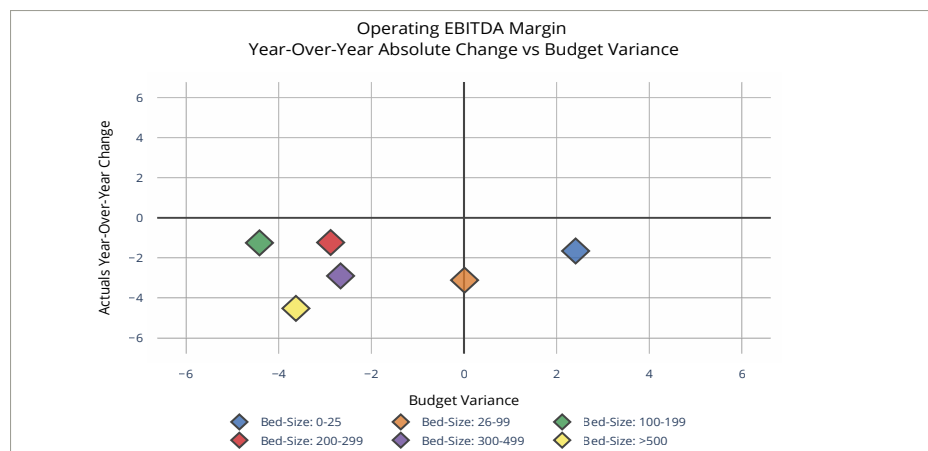
\* Note: The Kaufman Hall Hospital Operating Margin and Operating EBITDA Margin Indices are comprised of the national median of our dataset adjusted for allocations to hospitals from corporate, physician, and other entities.

## EBITDA Margin by Region



The median change in Operating EBITDA Margin dropped year-over-year (YOY) for hospitals across all regions in August, except for the Great Plains region which stayed relatively flat. Hospitals in the Northeast/Mid-Atlantic had the biggest decrease at -31.43% YOY.

## EBITDA Margin by Bed Size



The median change in Operating EBITDA Margin was down YOY in August for hospitals of all sizes. Hospitals with more than 500 beds had the biggest decline at -39.26% YOY. Hospitals with 25 or fewer beds had the smallest decline at -8.38% YOY.



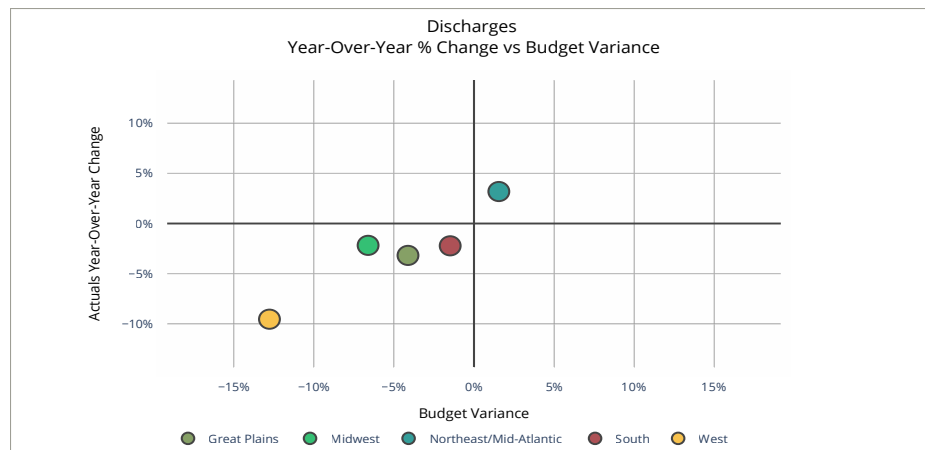
# Volumes

## National Volume Results

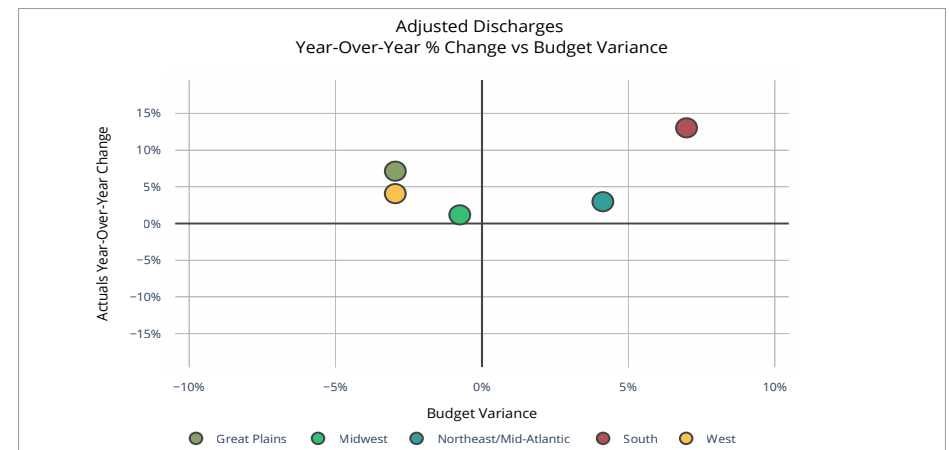
VOLUMES % CHANGE	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Discharges	3.7%	-1.7%	3.3%
Adjusted Discharges	7.0%	5.4%	15.7%
Patient Days	0.7%	-7.9%	2.4%
Observation Patient Days as a Percent of Patient Day	2.4%	11.7%	10.6%
Adjusted Patient Days	3.9%	1.2%	14.7%
Average Length of Stay	-2.1%	-2.7%	1.5%
ED Visits	1.1%	-2.4%	19.3%
Operating Room Minutes	13.6%	5.5%	6.8%

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

## Volume by Region



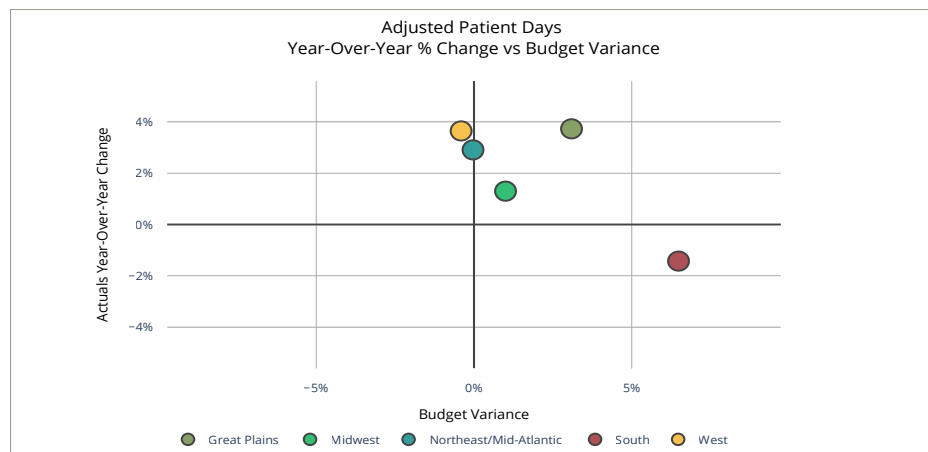
Source: Kaufman Hall National Hospital Flash Report, September 2022



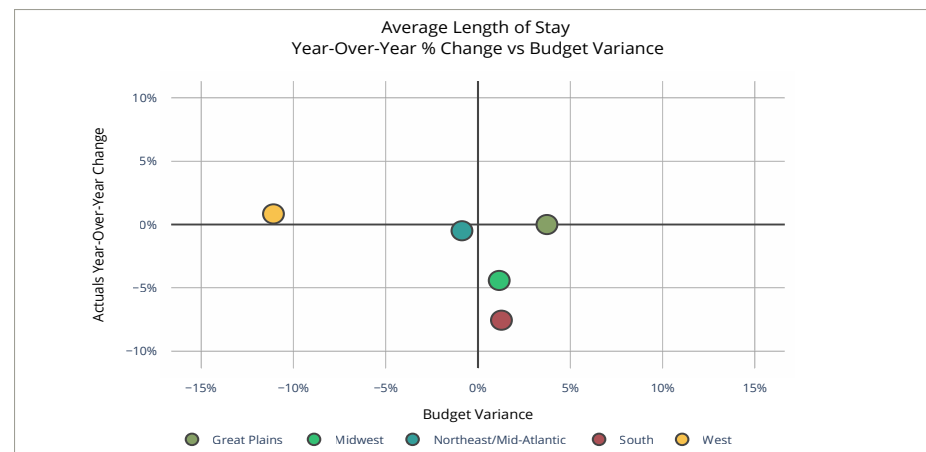
Source: Kaufman Hall National Hospital Flash Report, September 2022

Discharges declined YOY across most regions, with the West decreasing the most at -9.52%, and the South decreasing the least at -1.96% YOY. The Northeast/Mid-Atlantic had the only increase in Discharges, at 3.18%. The Adjusted Discharges increased YOY across all regions. The Midwest had the smallest increase at 1.18%, and the South had the largest increase at 13.03%.

## Volume by Region (continued)

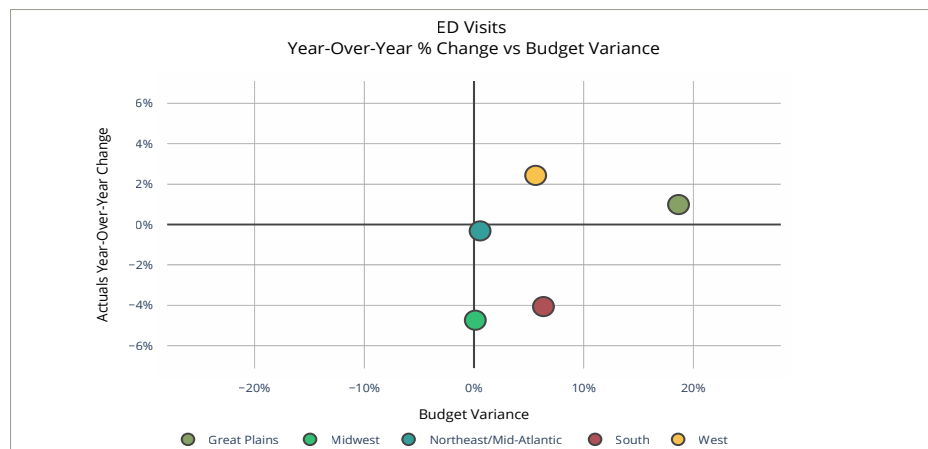


Source: Kaufman Hall National Hospital Flash Report, September 2022

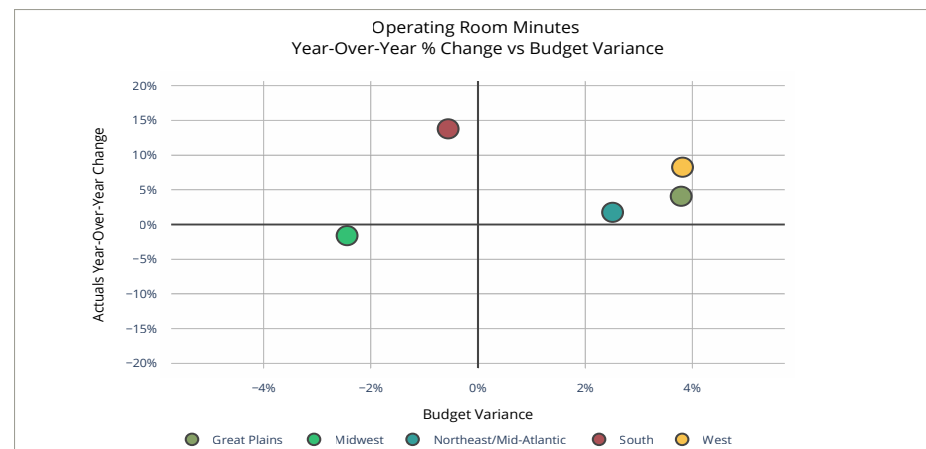


Source: Kaufman Hall National Hospital Flash Report, September 2022

Adjusted Patient Days increased across all regions, except the South which declined at -1.43% YOY. The Great Plains saw the largest increase in Adjusted Patient Days YOY at 3.73%. All regions declined YOY for Average Length of Stay (LOS), except for the West which increased 0.84%, and the Great Plains which remained flat YOY. The South region decreased the most at -7.56% YOY.



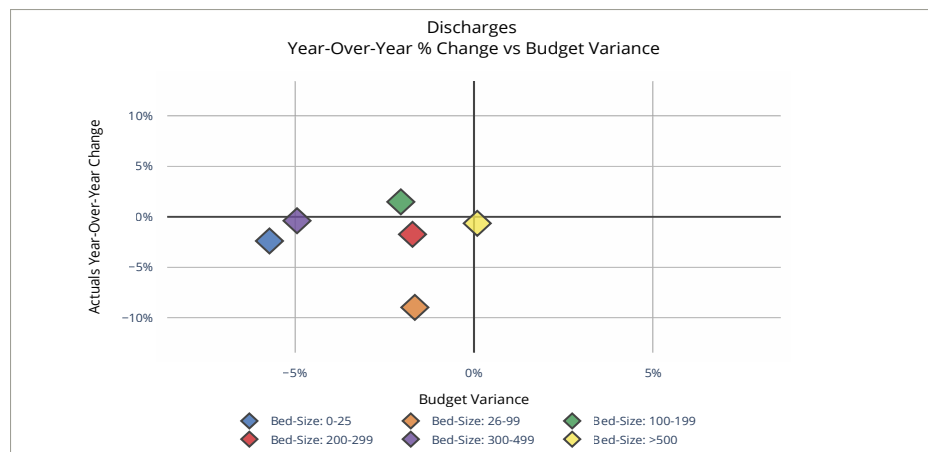
Source: Kaufman Hall National Hospital Flash Report, September 2022



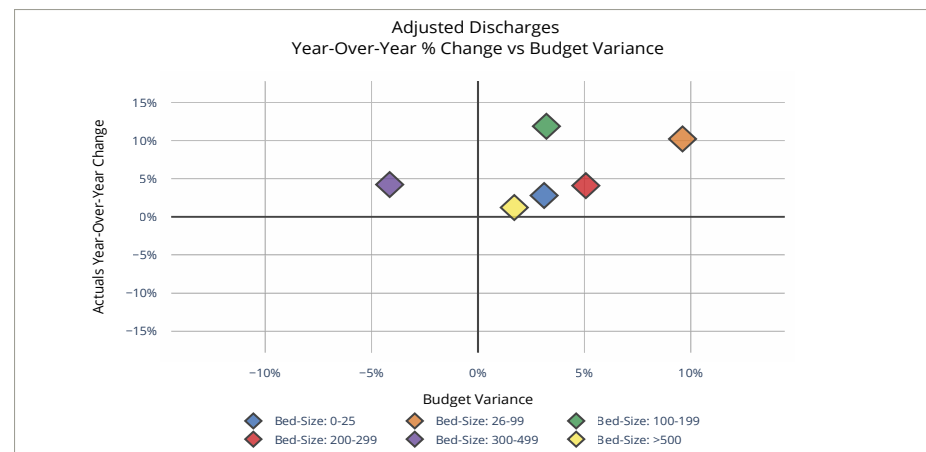
Source: Kaufman Hall National Hospital Flash Report, September 2022

Emergency Department (ED) Visits rose for the Great Plains and West regions, with the largest increase for the West region at 2.43% YOY. The Midwest saw the largest decreases YOY at -4.73%. Operating Room Minutes increased YOY for all regions, except the Midwest which decreased by -1.6%. The South saw the largest increase at 13.78%.

## Volume by Bed Size

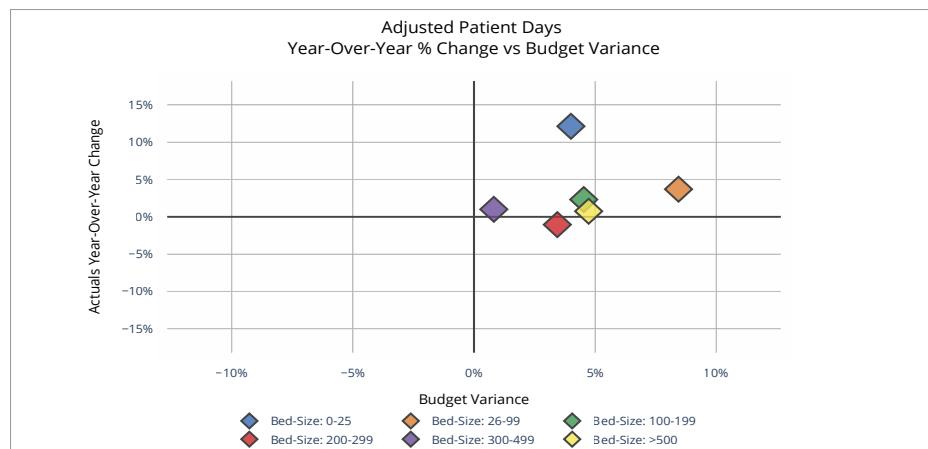


Source: Kaufman Hall National Hospital Flash Report, September 2022

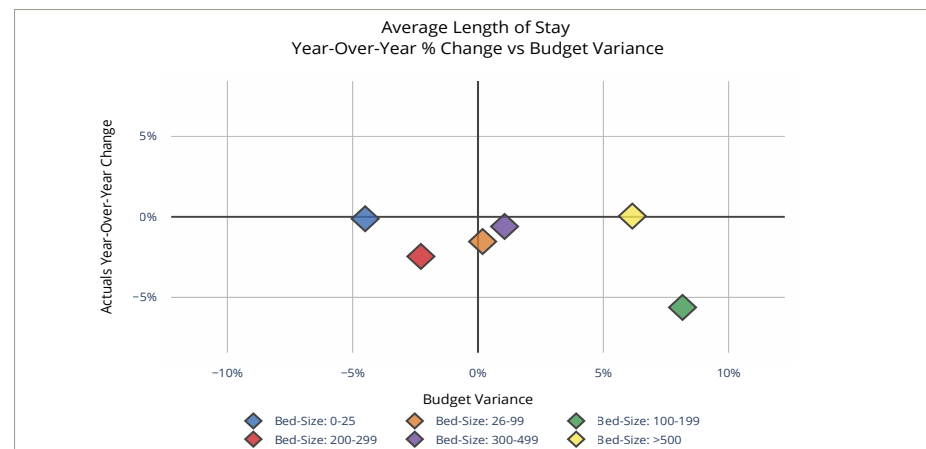


Source: Kaufman Hall National Hospital Flash Report, September 2022

Discharges declined YOY for most hospitals, and the bed-size cohort of 26-99 beds saw the largest decline of -8.97%. Hospital bed size of 100-199 saw the only increase at 1.48%. Adjusted Discharges increased YOY for all bed sizes. The largest increase was for the 100-199 bed size cohort at 11.88% and increased the least for the greater than 500 bed cohort at 1.22%.



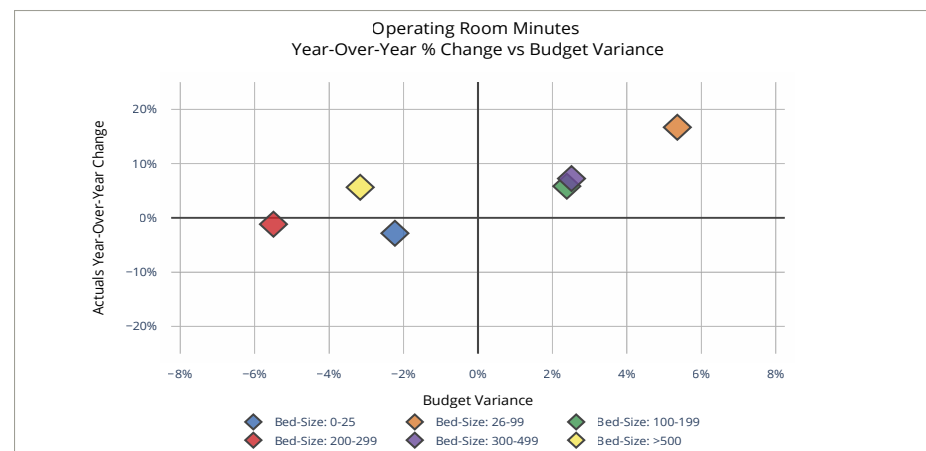
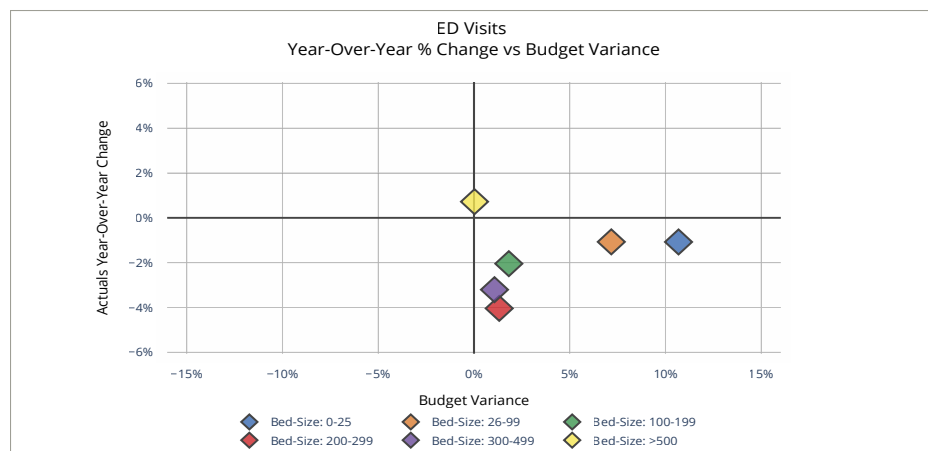
Source: Kaufman Hall National Hospital Flash Report, September 2022



Source: Kaufman Hall National Hospital Flash Report, September 2022

Adjusted Patient Days decreased slightly YOY for hospitals with 200-299 beds at -1.05%. All other cohorts increased YOY, with bed-size 0-25 having the largest increase at 12.14%. Average LOS declined YOY for all cohorts, except those with more than 500 beds which had a slight increase of 0.05%. Hospitals with 100-199 beds had the largest YOY decrease at -5.63%, while hospitals with 0-25 beds had the smallest decrease at -0.12%.

## Volume by Bed Size (continued)



ED visits dropped YOY for most hospitals with 200-299 beds decreasing the most at -4.04% and decreasing the least for bed-size cohorts 26-99 at -1.07%. Hospitals with greater than 500 beds saw the only increase YOY in ED Visits at 0.72%. Operating Room Minutes increased for most bed-size cohorts, with hospitals with 26-99 beds increasing the most at 16.7%. Operating Room Minutes decreased for hospitals with 200-299 beds by -1.18%, and by -2.84% for hospitals with 0-25 beds.

# Revenues

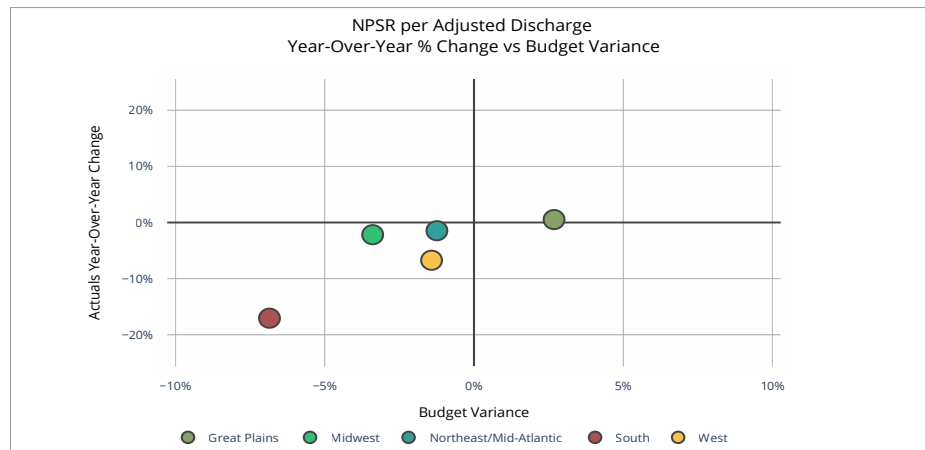


## National Revenue Results

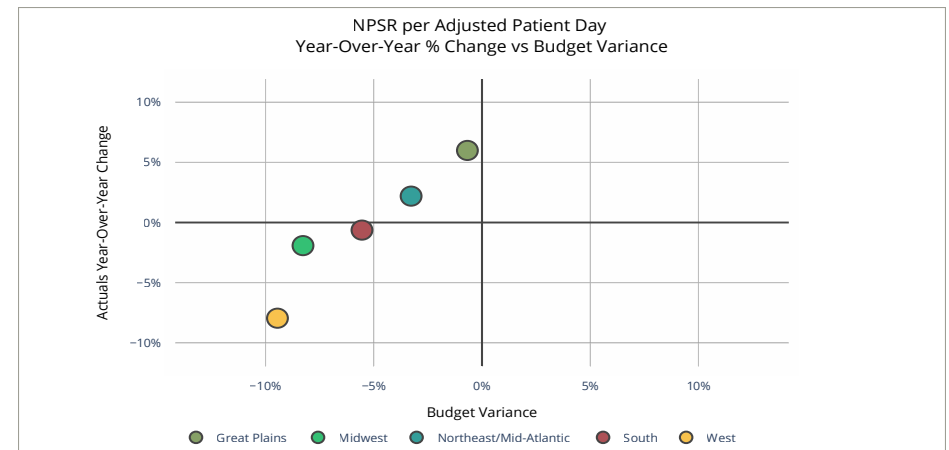
REVENUE % CHANGE	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Gross Operating Revenue Less CARES	9.1%	5.5%	21.8%
IP Revenue	4.9%	-3.5%	8.5%
OP Revenue	10.9%	10.6%	30.0%
Bad Debt and Charity	0.7%	2.2%	3.6%
NPSR per Adjusted Discharge	1.9%	-5.8%	0.5%
NPSR per Adjusted Patient Day	4.8%	0.0%	0.6%
IP/OP Adjustment Factor	3.2%	8.3%	9.4%
Bad Debt and Charity as a % of Gross	-6.9%	-6.9%	-16.8%

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

## Revenue by Region



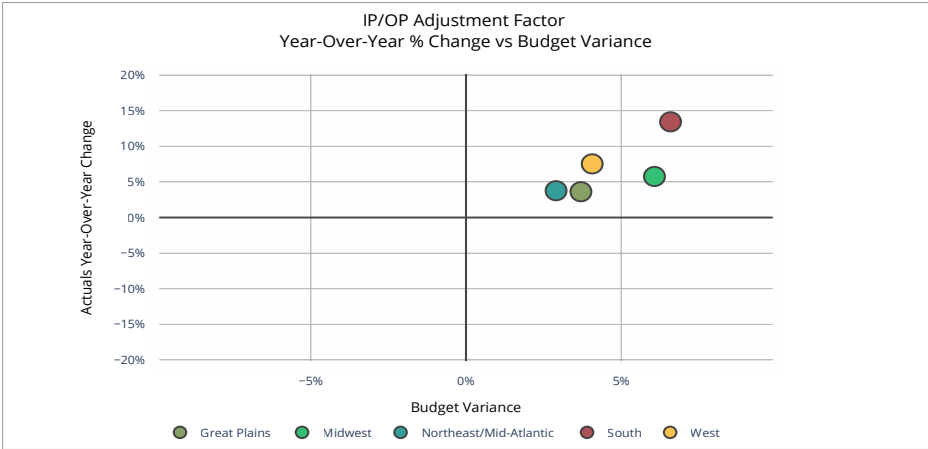
Source: Kaufman Hall National Hospital Flash Report, September 2022



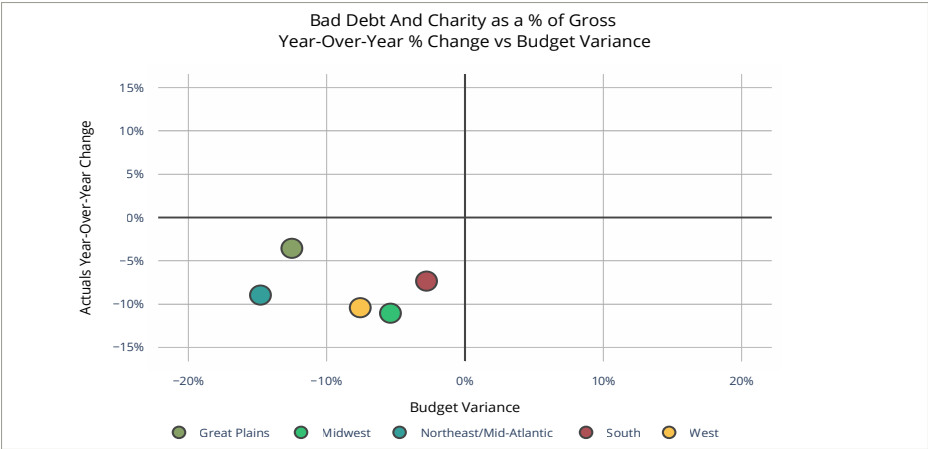
Source: Kaufman Hall National Hospital Flash Report, September 2022

Net Patient Service Revenue (NPSR) per Adjusted Discharge decreased YOY in all regions except the Great Plains which rose 0.52%. The largest decrease was in the South at -17.02%. NPSR per Adjusted Patient Day was down YOY in three of the five regions. The West region saw the largest decrease of -7.94%. The Great Plains saw the largest increase at 5.98%.

Revenue by Region (continued)



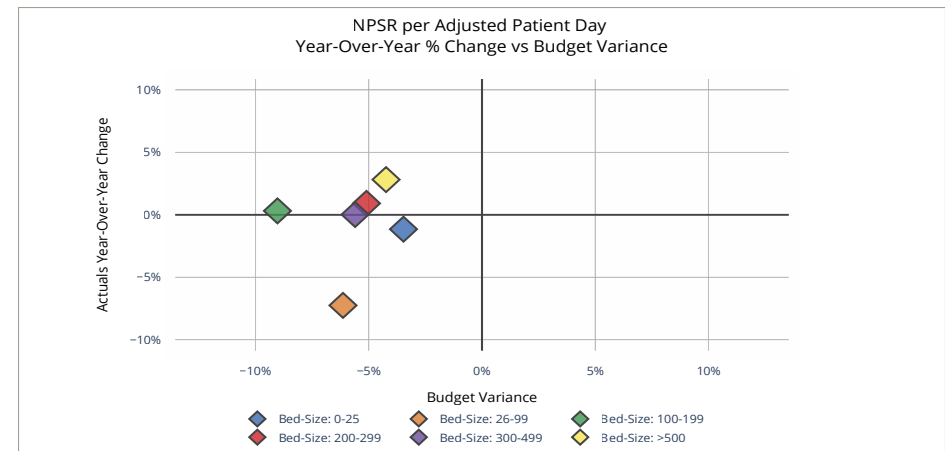
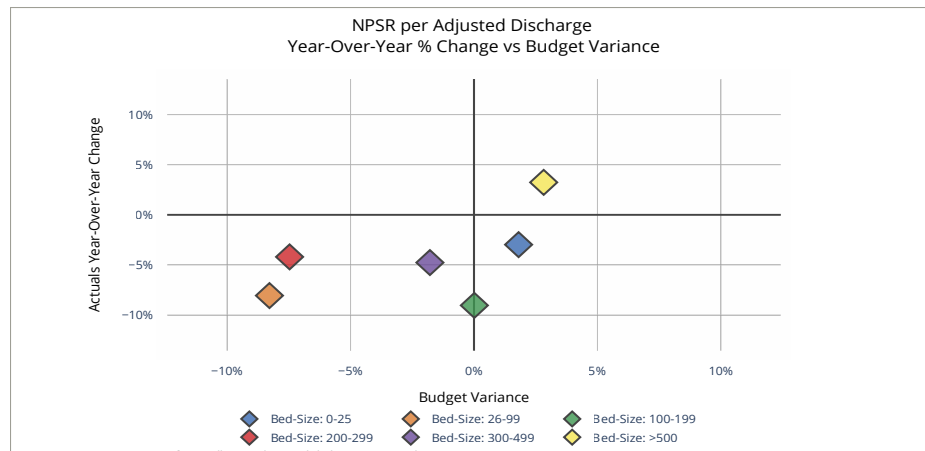
Source: Kaufman Hall National Hospital Flash Report, September 2022



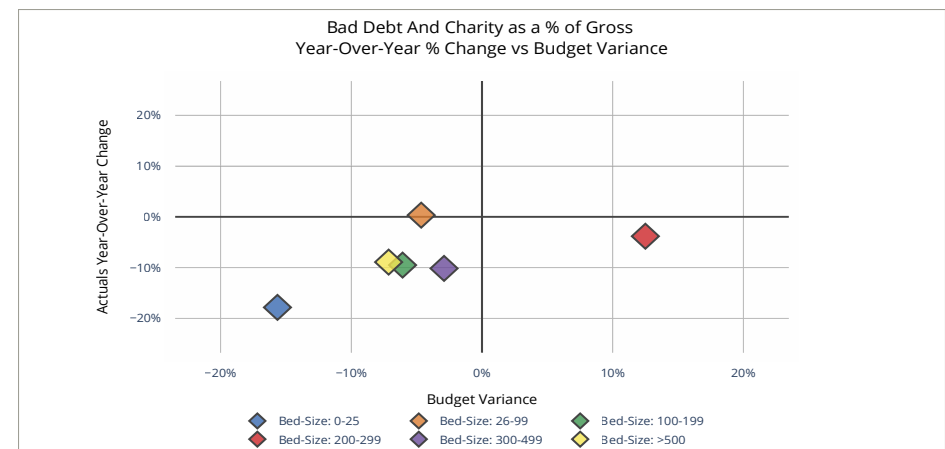
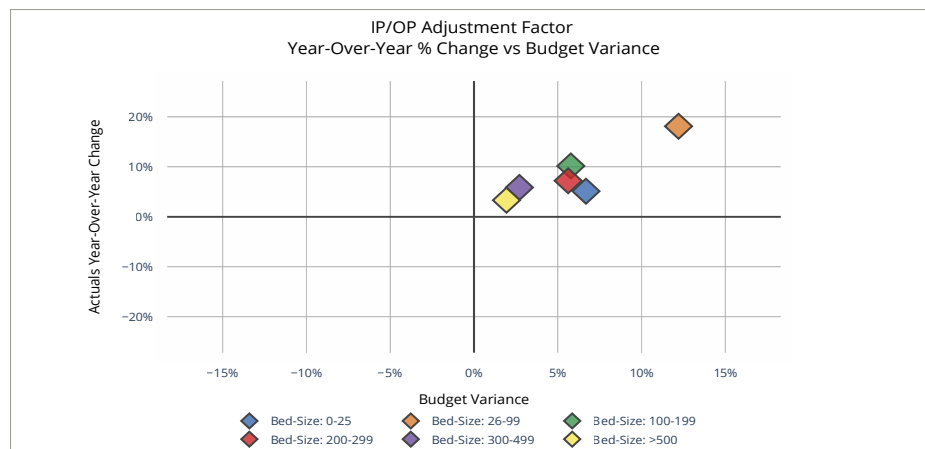
Source: Kaufman Hall National Hospital Flash Report, September 2022

The Inpatient/Outpatient (IP/OP) Adjustment Factor increased YOY for all five regions, with the largest increase in the South at 13.43%. The Great Plains saw the smallest YOY increase at 3.62%. Bad Debt and Charity as a Percent of Gross was down YOY for all regions, with the Midwest seeing the largest decrease at -11.05%, and the Great Plains with the smallest decrease -3.56% YOY.

## Revenue by Bed Size



NPSR per Adjusted Discharge declined YOY for all hospitals with fewer than 500 beds. The largest decline was for hospitals with 100-199 beds at -9.04%. The only increase was for hospitals with more than 500 beds at 3.24%. NPSR per Adjusted Patient Day was up YOY for four of the six the hospital cohorts. The biggest increase was for the cohort of more than 500 beds at 2.82%. Hospitals 26-99 beds saw the biggest drop in this category at -7.25%.



The IP/OP Adjustment Factor increased YOY for all hospitals, with the largest increase being for beds size of 26-99 at 18.13%. Hospitals with more than 500 beds increased the least YOY at 3.32%. Bad Debt and Charity as a Percent of Gross was down YOY for most bed-size cohorts with the largest decrease for hospitals with 25 or fewer beds at -17.83%. The only cohort that had a slight increase was hospitals with 26-99 beds at 0.33%.

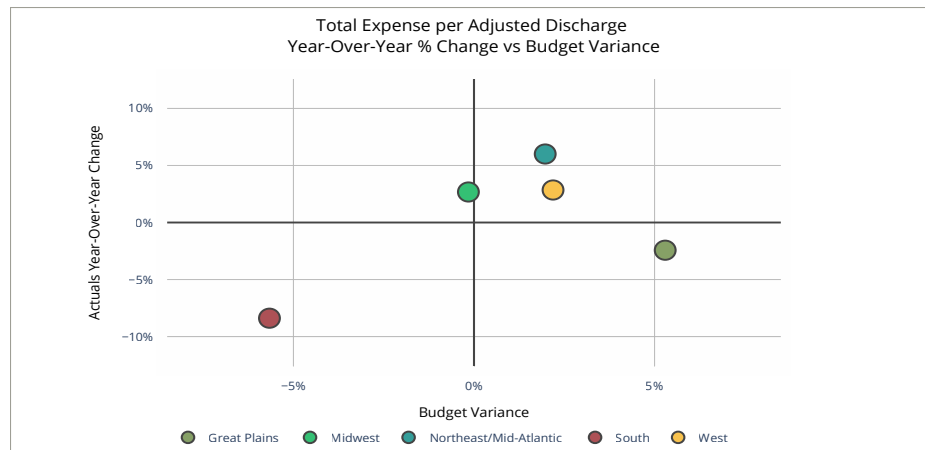
# Expenses

## National Expense Results

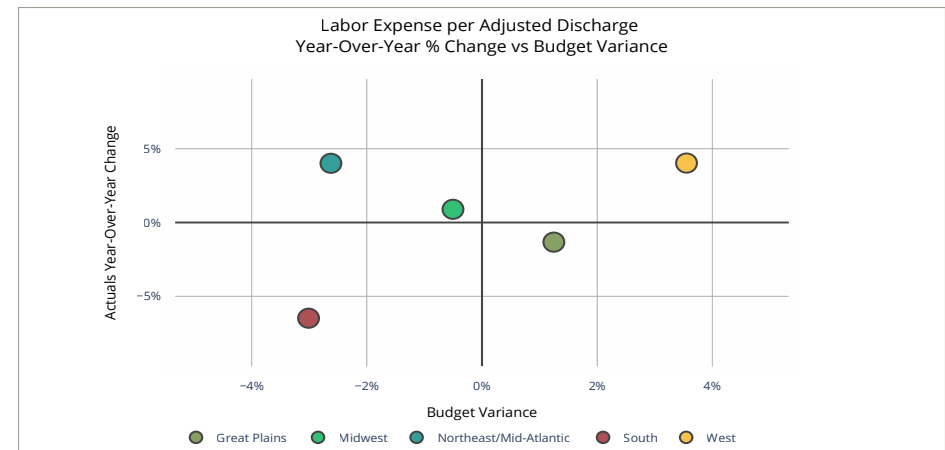
EXPENSES % CHANGE	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Total Expense	3.3%	6.0%	16.7%
Total Labor Expense	1.3%	7.2%	15.8%
Total Non-Labor Expense	5.1%	5.3%	17.0%
Supply Expense	10.7%	0.1%	21.9%
Drugs Expense	8.8%	-9.0%	14.8%
Purchased Service Expense	3.4%	6.4%	16.2%
Total Expense per Adjusted Discharge	-3.8%	-0.6%	1.2%
Labor Expense per Adjusted Discharge	-5.3%	-0.1%	1.3%
FTEs per AOB	-3.3%	-0.1%	-6.7%
Non-Labor Expense per Adjusted Discharge	-2.5%	-2.1%	-1.7%
Supply Expense per Adjusted Discharge	1.7%	-7.7%	6.4%
Drug Expense per Adjusted Discharge	1.8%	-16.9%	3.2%
Purchased Service Expense per Adjusted Discharge	-4.2%	-3.3%	-3.1%

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

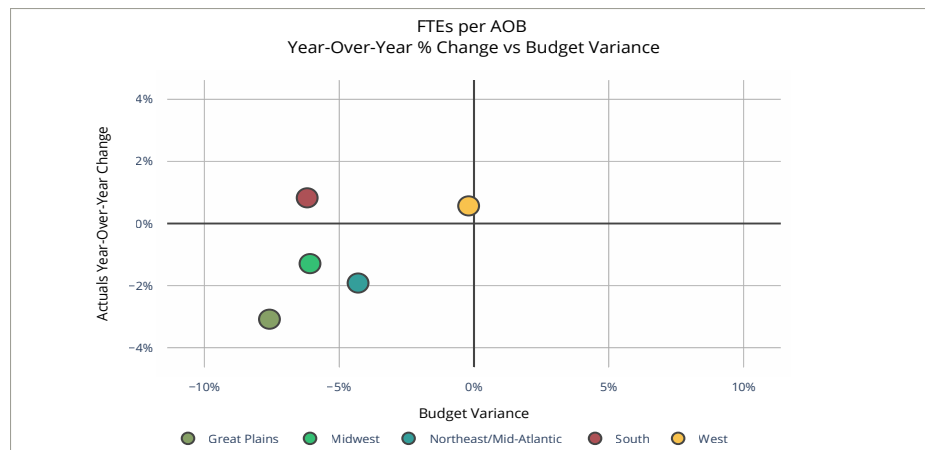
## Expense by Region



Source: Kaufman Hall National Hospital Flash Report, September 2022



Source: Kaufman Hall National Hospital Flash Report, September 2022



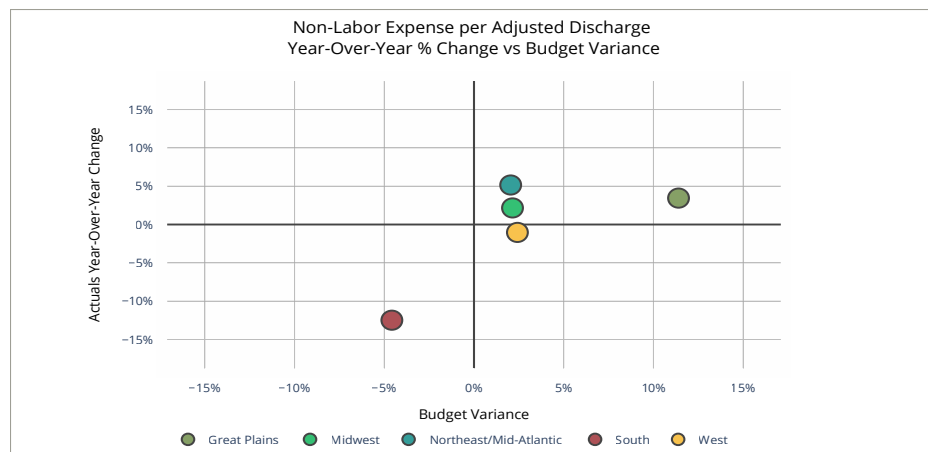
Source: Kaufman Hall National Hospital Flash Report, September 2022

Total Expense Adjusted Discharge rose YOY for three of the five regions, except the Great Plains and the South where Total Expense decreased YOY at -2.43% and -8.38% respectively. The Northeast/Mid-Atlantic region had the biggest increase in Total Expense per Adjusted Discharge at 6.0% YOY.

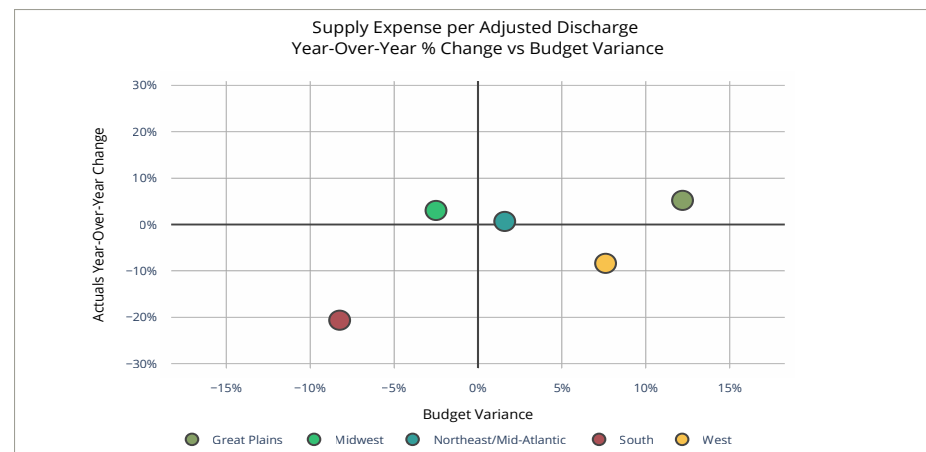
Labor Expense per Adjusted Charge also rose in three of five regions. The West and Northeast/Mid-Atlantic regions saw the biggest increase in Labor Expense per Adjusted Discharge at 4.03% and 4.02% respectively. The South regions had the greatest decline at -6.49% YOY. Full-Time Equivalents (FTEs) per Adjusted Occupied Bed (AOB) declined the most for the Great Plains region at -3.08% and increased the most for the South region at 0.83%.



## Expense by Region (continued)

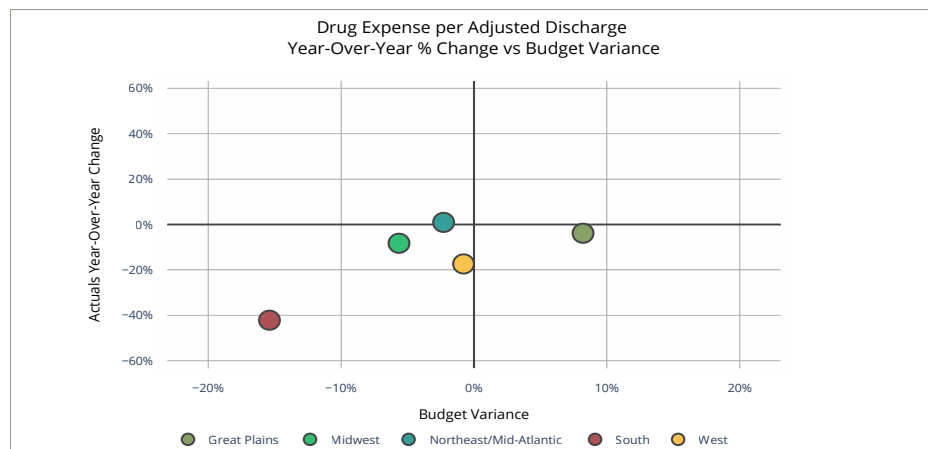


Source: Kaufman Hall National Hospital Flash Report, September 2022

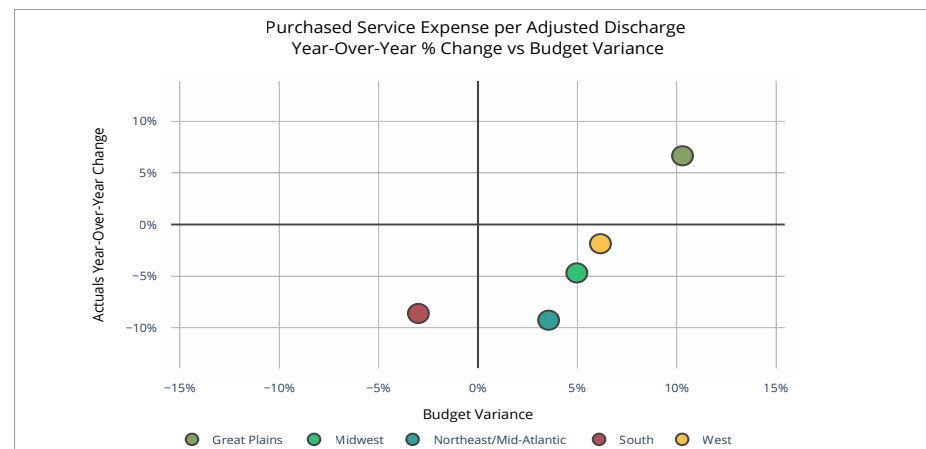


Source: Kaufman Hall National Hospital Flash Report, September 2022

Non-Labor Expense per Adjusted Discharge rose for three of the five regions YOY. The Northeast/Mid-Atlantic had the biggest increase at 5.16%. The South region had the largest decline at -12.48%. Supply Expense per Adjusted Discharge increased YOY for three regions, but not in the South nor West. The Great Plains saw the largest increase at 5.21%, while the South decreased the most at -20.63% YOY.



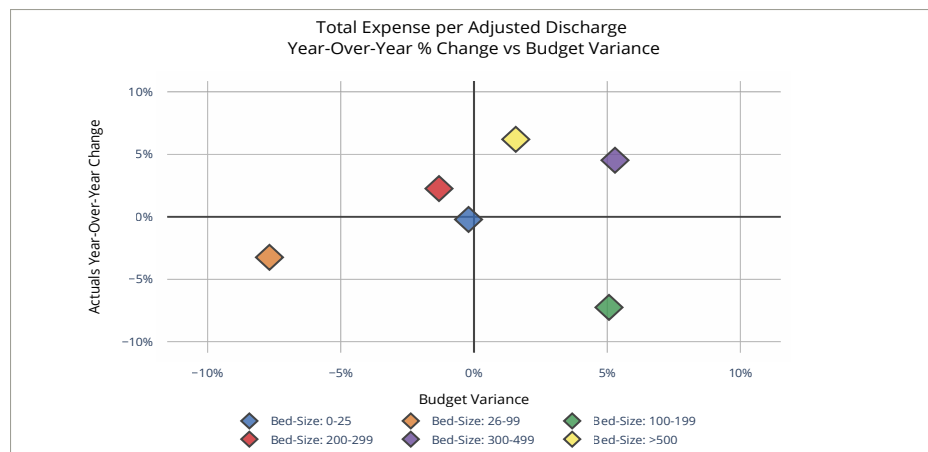
Source: Kaufman Hall National Hospital Flash Report, September 2022



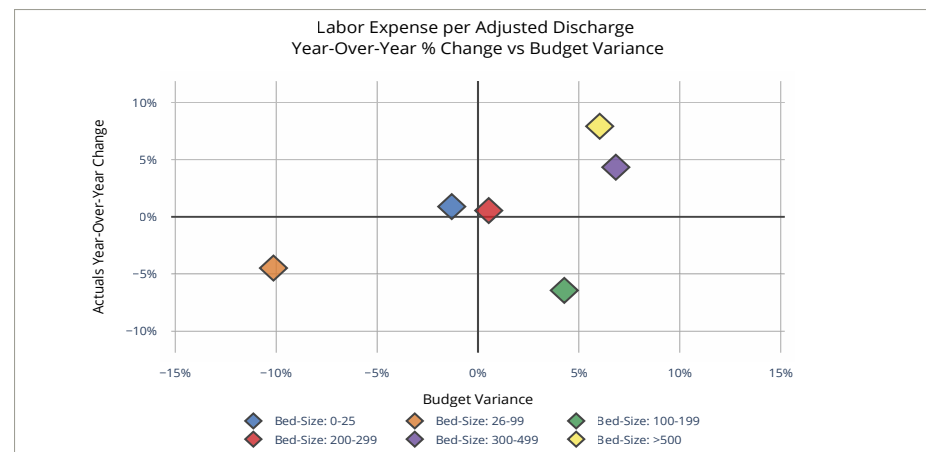
Source: Kaufman Hall National Hospital Flash Report, September 2022

Drug Expense per Adjusted Discharge declined across most regions except the Northeast/Mid-Atlantic which increased slightly at 0.94%. The largest decrease was in the South at -42.13% YOY. Purchased Service Expense per Adjusted Discharge increased YOY only for the Great Plains region at 6.66%. The Northeast/Mid-Atlantic decreased the most at -9.28%.

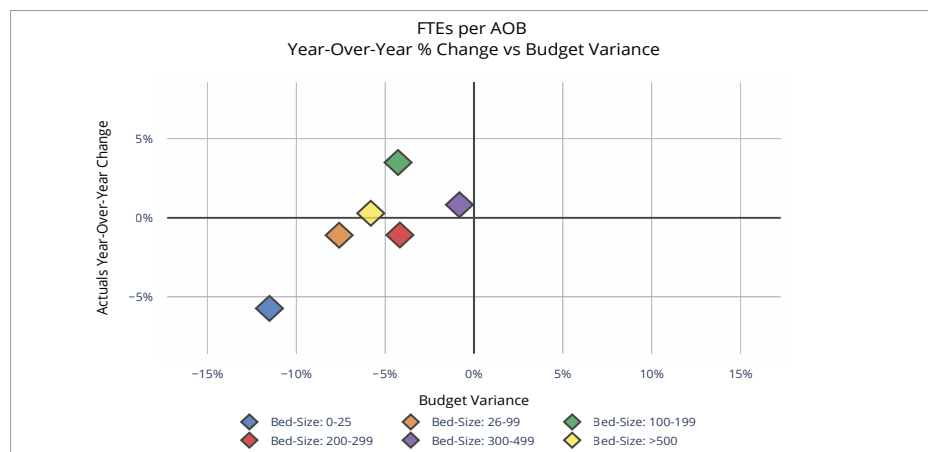
## Expense by Bed Size



Source: Kaufman Hall National Hospital Flash Report, September 2022



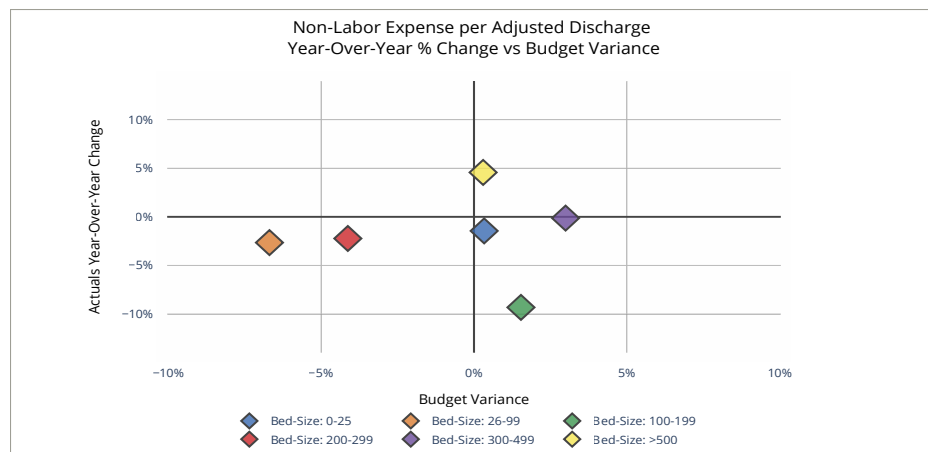
Source: Kaufman Hall National Hospital Flash Report, September 2022



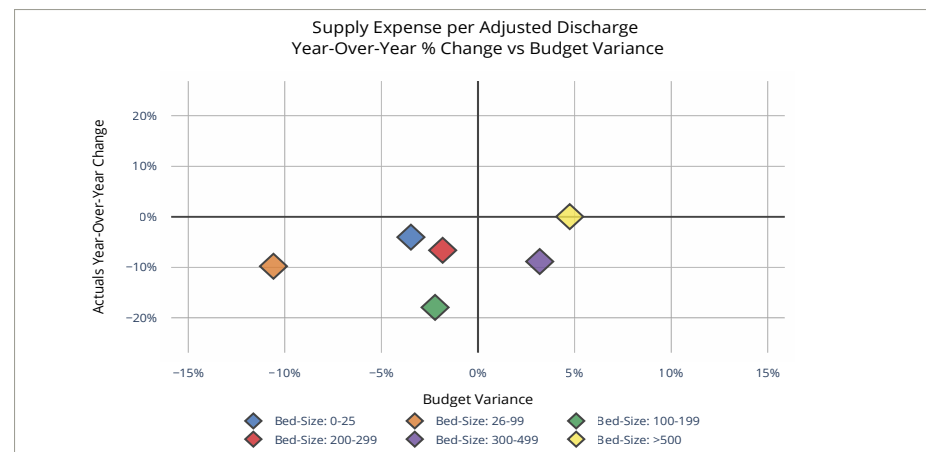
Source: Kaufman Hall National Hospital Flash Report, September 2022

Total Expense per Adjusted Discharge rose YOY for all hospitals with 200 beds or more. Hospitals with more than 500 beds increased the most at 6.21%. The biggest decline was for the 100-199 bed-size cohort at -7.25%. Labor Expense per Adjusted Discharge was up for cohorts of up to 25 beds and 200 or more beds, increasing the most at 7.92% YOY for hospitals with more than 500 beds. FTEs per AOB were up YOY for half the bed-size cohorts, with hospitals of 100-199 beds increasing the most at 3.50%. Hospitals with 0-25 beds decreased the most at -5.72%.

## Expense by Bed Size (continued)

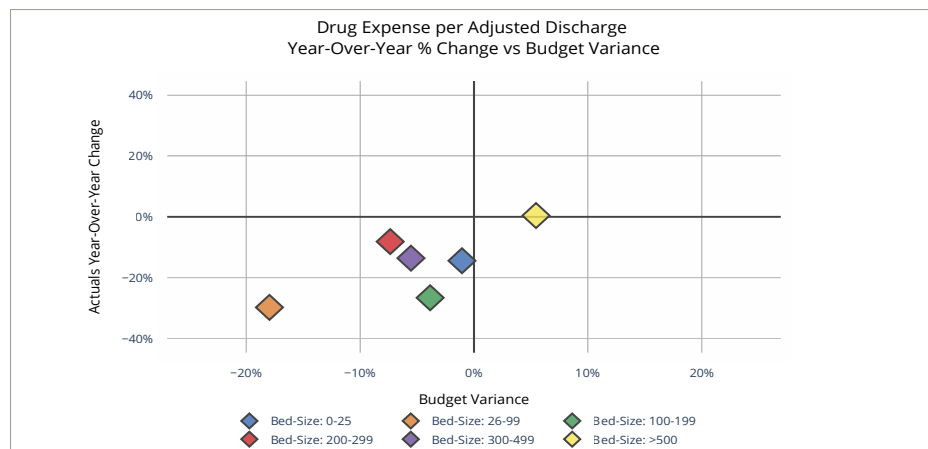


Source: Kaufman Hall National Hospital Flash Report, September 2022

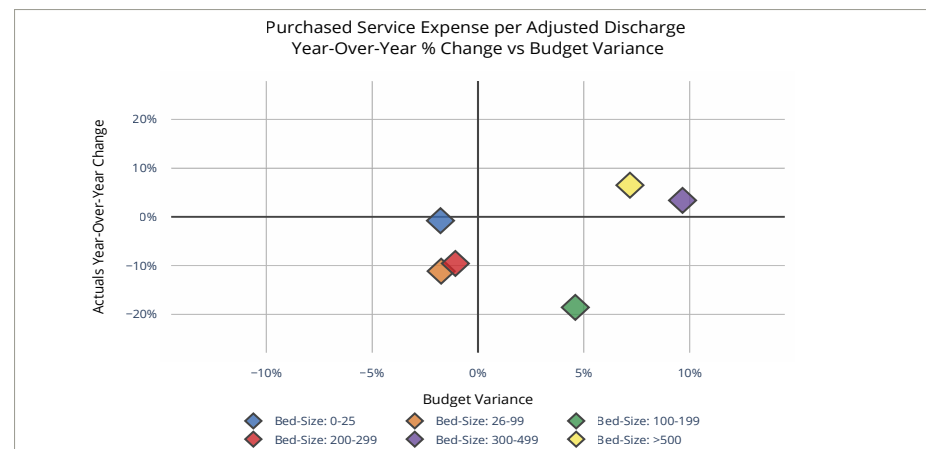


Source: Kaufman Hall National Hospital Flash Report, September 2022

Non-Labor Expense per Adjusted Discharge decreased YOY for all cohorts except those with more than 500 beds which increased 4.57% YOY. Hospitals with 100-199 beds had the biggest decline at -9.32% YOY. Supply Expense per Adjusted Discharge was down YOY for most of the bed-size cohorts — only cohorts with greater than 500 beds increased slightly at 0.04%. Hospitals with 100-199 beds had the largest decrease at -17.92% YOY.



Source: Kaufman Hall National Hospital Flash Report, September 2022



Source: Kaufman Hall National Hospital Flash Report, September 2022

Drug Expense per Adjusted Discharge was down for nearly all cohorts and decreased the most YOY for hospitals with 26-99 beds at -29.76%. Hospitals with more than 500 beds increased slightly at 0.42%. Purchased Service Expense per Adjusted Discharge increased YOY for the two bed-size cohorts with 300 or more beds, increasing the most at 6.49% for those with more than 500 beds. Hospitals with 100-199 beds saw the biggest decrease at -18.58%.

# Non-Operating

## National Non-Operating Results

### Kaufman Hall Perspective

- Inflation rose more than expected in August as the Consumer Price Index (CPI) increased 0.1% for the month and 8.3% from the prior year; the gasoline index fell by 10.6% for the month but was offset by sharp rises in food, shelter, and medical care services
- Nonfarm payrolls rose by 315,000 in August while unemployment ticked higher to 3.7%; August marked the 20th straight month of job growth and employment is now 240,000 jobs above its pre-pandemic level
- Stubbornly high cost of living highlighted the difficult path toward the Fed's inflation target as some policy makers voiced support for the recent 75-basis point rate hike and swap markets pricing more oversized rate hikes as a foregone conclusion
- Fed Chair, Jerome Powell, said last week that the central bank must act "forthrightly, strongly" to achieve price stability
- The S&P 500 was down 4.2% in August, bringing its YTD return to -17.0%; the U.S. equity market tone shifted from July following Fed Chair Powell's warning to investors in Jackson Hole of "some pain" ahead as the Fed attempts to tame inflation

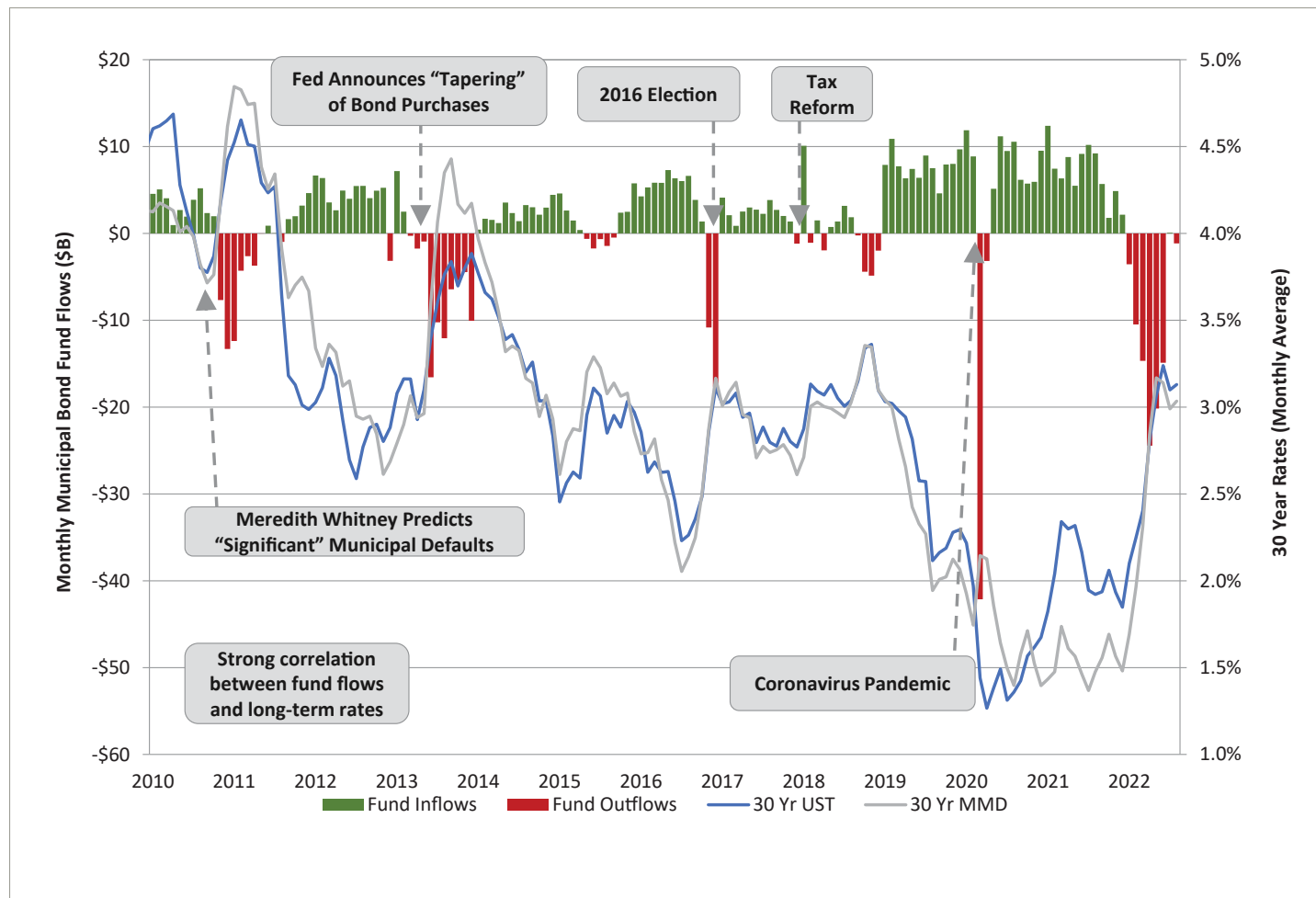
	August 2022	M-o-M Change	Y-o-Y Change
<b>General</b>			
GDP Growth*	-0.6%	n/a	n/a
Unemployment Rate	3.7%	+0.2%	-1.5%
Personal Consumption Expenditures (YoY)	4.6%	n/c	+1.0%
<b>Liabilities</b>			
1m LIBOR	2.55%	+19 bps	+247 bps
SIFMA	1.50%	+17 bps	+148 bps
30yr MMD	3.29%	+40 bps	+177 bps
30yr Treasury	3.29%	+28 bps	+136 bps
<b>Assets</b>			
60/40 Asset Allocation <sup>†</sup>	n/a	-3.3%	-13.9%

\* U.S. Bureau of Economic Analysis, Q2 2022 "Second Estimate"

† 60/40 Asset Allocation assumes 30% S&P 500 Index, 20% MSCI World Index, 10% MSCI Emerging Markets Index, 40% Barclays US 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, September 2022

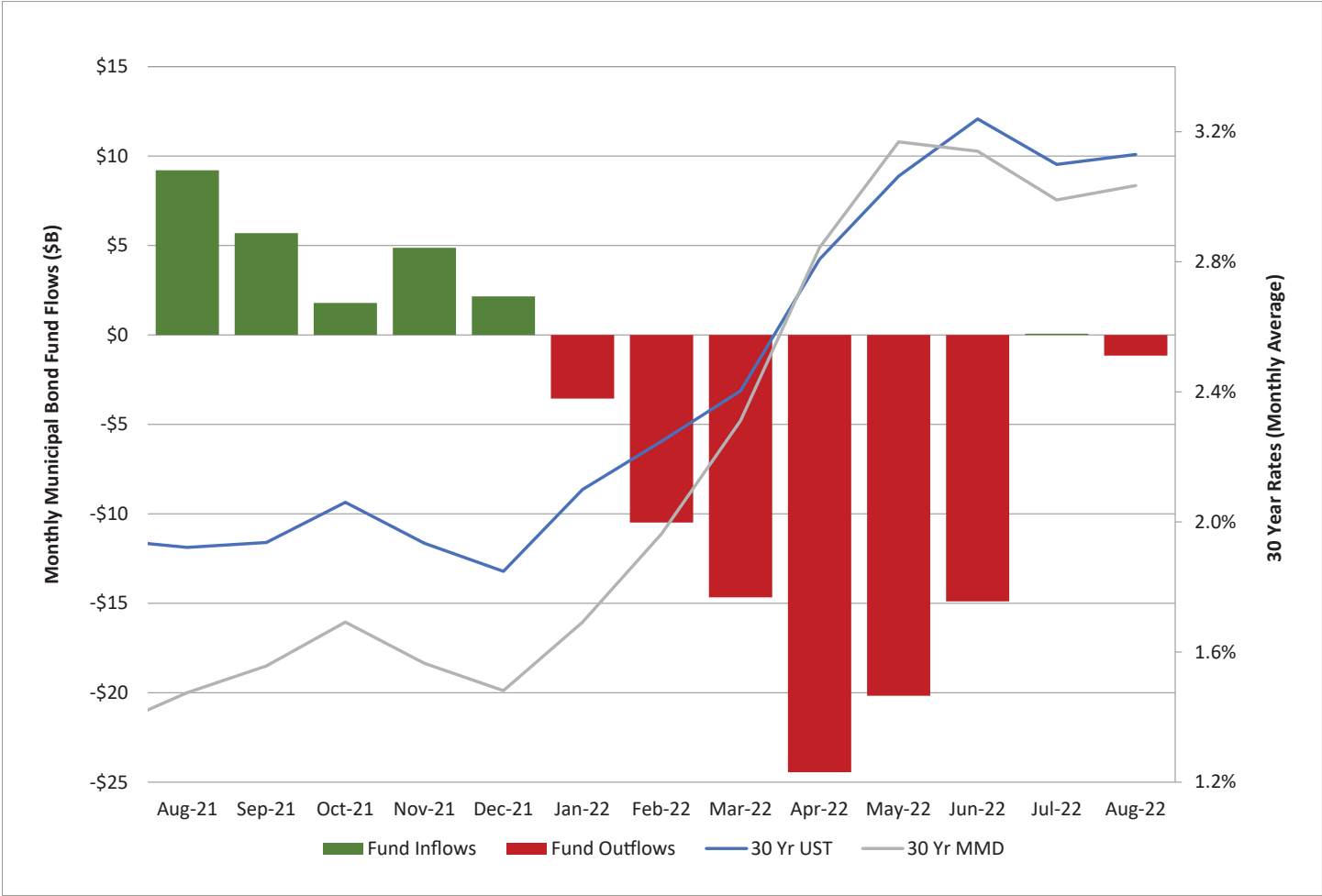
Yields on the 30-year Treasury bond increased 28 basis points in August to 3.29%. Comparatively, yields on the tax-exempt benchmark 30-year MMD rate rose 40 basis points over the last month, up to 3.29% with Muni-UST ratios continuing to vary as the two benchmarks continue to show volatility throughout the curve. August saw \$1.2 billion of outflows from municipal bond funds. Although outflows appear to be slowing, municipal bond flows overall have fallen \$89.3 billion YTD. Primary market issuance remained muted in August with some issuers remaining on the sidelines amid rising rates. Unspent COVID-19 monies and the availability of private loans continue to drive public bond supply down.

Taxable and tax-exempt debt capital markets, as approximated here by the '30-yr U.S. Treasury' and '30-yr 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 investment 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 the demand. Fund inflows generally are moderate and consistent over time while fund outflows are typically 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)

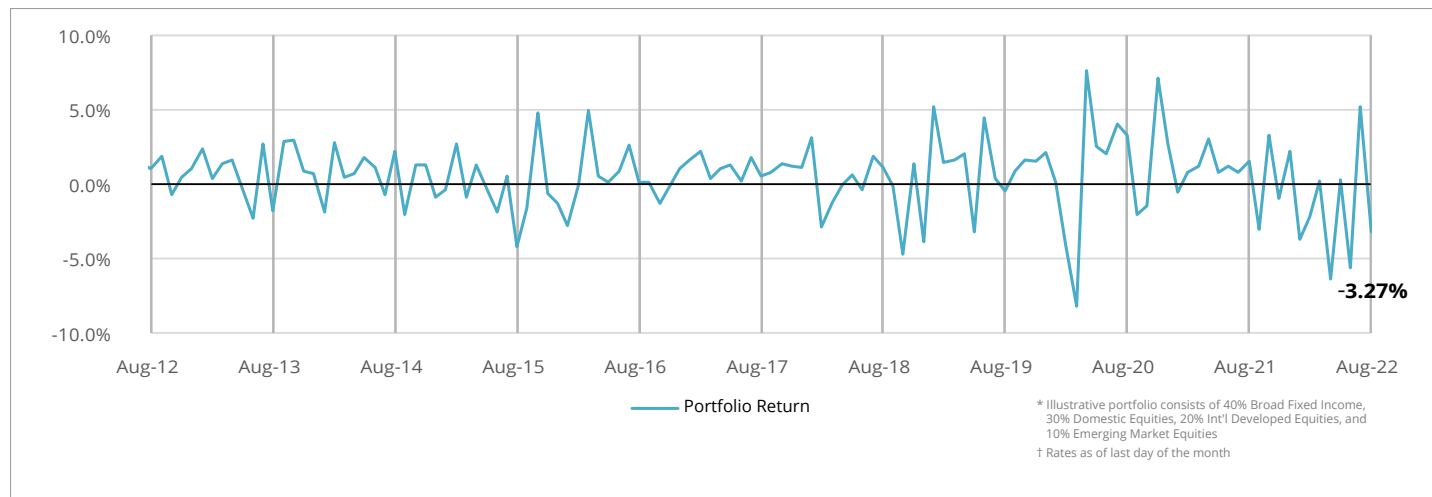
Last Twelve Months – Monthly Municipal Bond Fund Flows with 30-Year U.S. Treasury and 30-Year MMD



Source: Kaufman Hall National Hospital Flash Report, September 2022

## Non-Operating Assets

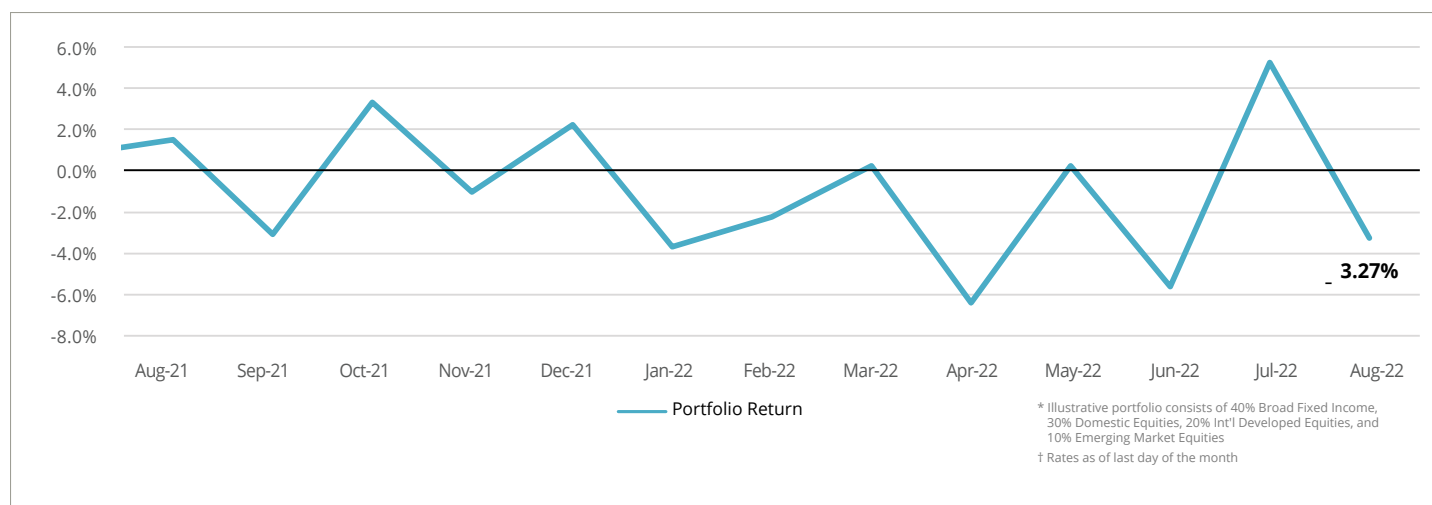
### Long Term – Illustrative Investment Portfolio Returns, Month-over-Month Change



Source: Kaufman Hall National Hospital Flash Report, September 2022

The 60/40 blended asset portfolio ended August down 3.3%. The S&P 500 finished 4.2% lower on renewed fears of higher rates and economic weakening. The MSCI World Index and Barclays Aggregate Index both finished the month down 4.3% and 2.8% respectively, while the MSCI Emerging Markets index finished flat for the month. The 60/40 portfolio is now down 13.9% year-over-year.

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



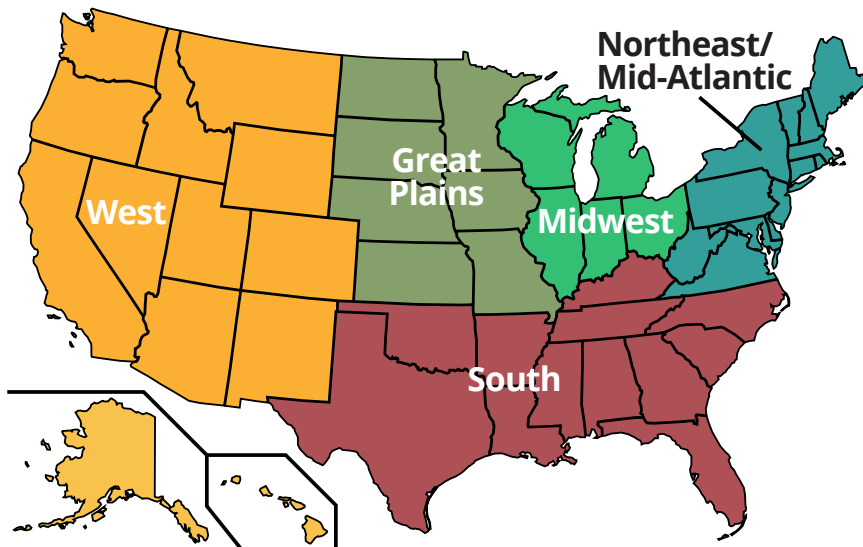
Source: Kaufman Hall National Hospital Flash Report, September 2022

# About the Data

The *National Hospital Flash Report* uses both actual and budget data over the last three years, sampled from more than 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

## For more information contact

Erik Swanson

Senior Vice President

Kaufman Hall

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

## For media requests

Contact Haydn Bush at [hbush@kaufmanhall.com](mailto:hbush@kaufmanhall.com)

## 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)