

KaufmanHall

MARCH 2023

National Hospital Flash Report

Real Data. Real Insight. Real Time.

Based on February Data from More Than 900 Hospitals

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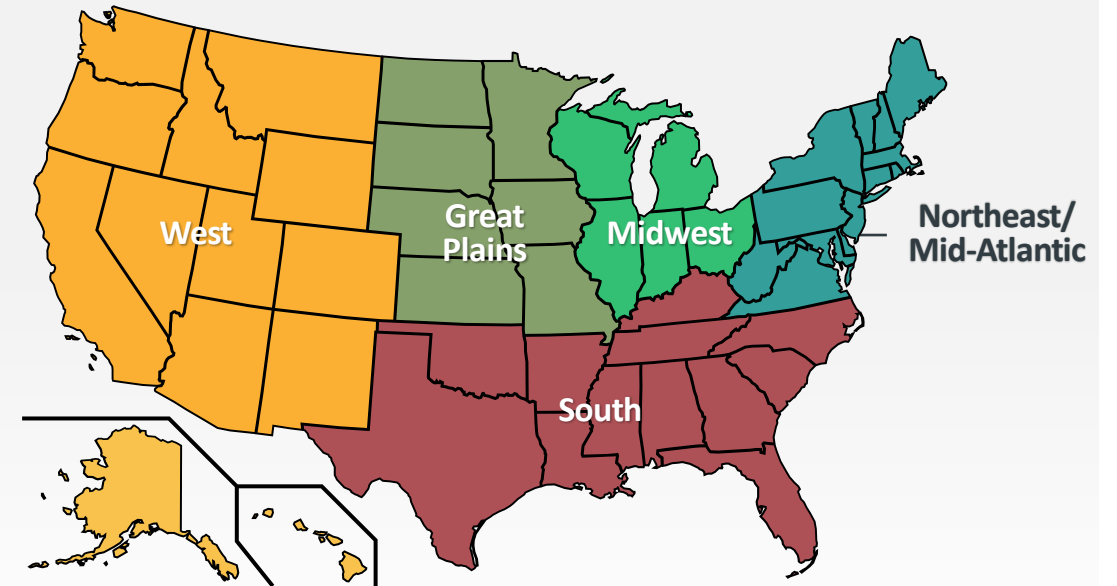
About the Data

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



About the Data *(continued)*

About Kaufman Hall

KaufmanHall

[Kaufman Hall](#) provides management consulting solutions to help society's foundational institutions realize sustained success amid changing market conditions. Since 1985, Kaufman Hall has been a trusted advisor to boards and executive management teams, helping them incorporate proven methods, rigorous analytics, and industry-leading solutions into their strategic planning and financial management processes, with a focus on achieving their most challenging goals.

Kaufman Hall services use a rigorous, disciplined, and structured approach that is based on the principles of corporate finance. The breadth and integration of Kaufman Hall advisory services are unparalleled, encompassing strategy; financial and capital planning; performance improvement; treasury and capital markets management; mergers, acquisitions, partnerships, and joint ventures; and real estate.

About Syntellis Performance Solutions



[Syntellis Performance Solutions](#) provides innovative enterprise performance management software, data and intelligence solutions for healthcare organizations. Its solutions include enterprise planning, cost and decision support, and financial and clinical analytics tools to elevate organizational performance and transform vision into reality. With over 2,800 organizations and 450,000 users relying on its Axiom, Connected Analytics and Stratasan software, combined with No. 1 rankings from Black Book Research and an HFMA Peer Review designation for six consecutive years, Syntellis helps healthcare providers acquire insights, accelerate decisions and advance their business plans. For more information, please visit syntellis.com.

Key Takeaways

1. A new normal continues to emerge.

Hospital margins in February were down slightly from the previous month. This represents the eighth straight month in which the variation in month-to-month margins has decreased relative to the last three years. Due to external economic factors, relatively flat margins are likely to continue in the near term.

2. Volumes stay relatively steady.

Due to the shorter month, discharges, patient days, and ED visits were all down slightly in February compared to January. On a per-day basis, however, hospitals experienced moderate growth in volumes in February. Average length of stay in the hospital was down, and patients continued to shift to ambulatory settings, with ambulatory surgery centers and outpatient operating rooms minutes seeing volume increases last month.

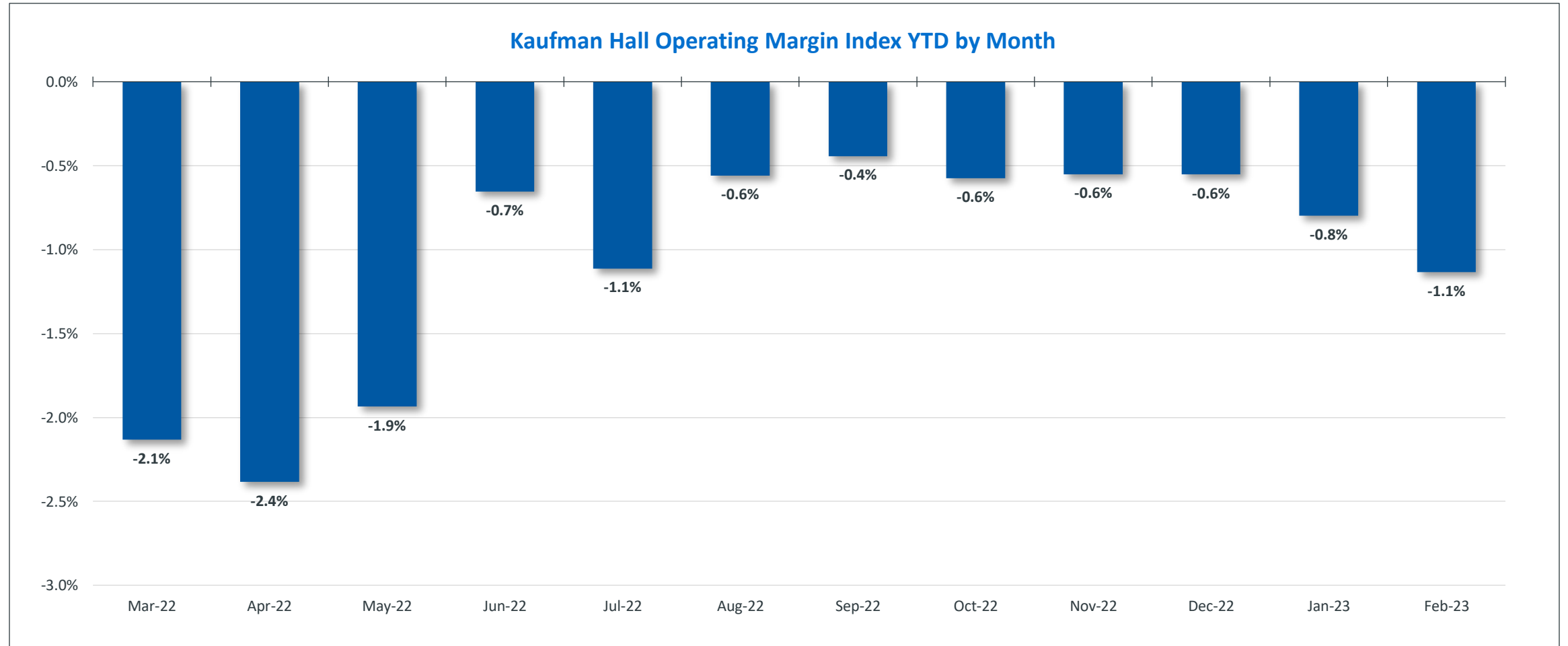
3. Outpatient settings drive revenue.

The onset of the COVID-19 pandemic kickstarted a shift in patient behavior that continues today. Patients continue to seek more of their care away from inpatient settings. This is illustrated in outpatient revenues continuing to grow in early 2023.

4. Costs of goods and services are increasing faster than labor.

Hospitals continue to face labor shortages. Labor expenses, however, appear to be holding steady indicating less dependence on contract labor. Meanwhile, inflation and pricing pressures are leading to significant cost increases in goods and services. This represents a change in what is driving hospital expenses from labor to the costs of goods and services.

Operating Margin



Kaufman Hall, National Hospital Flash Report (March 2023)

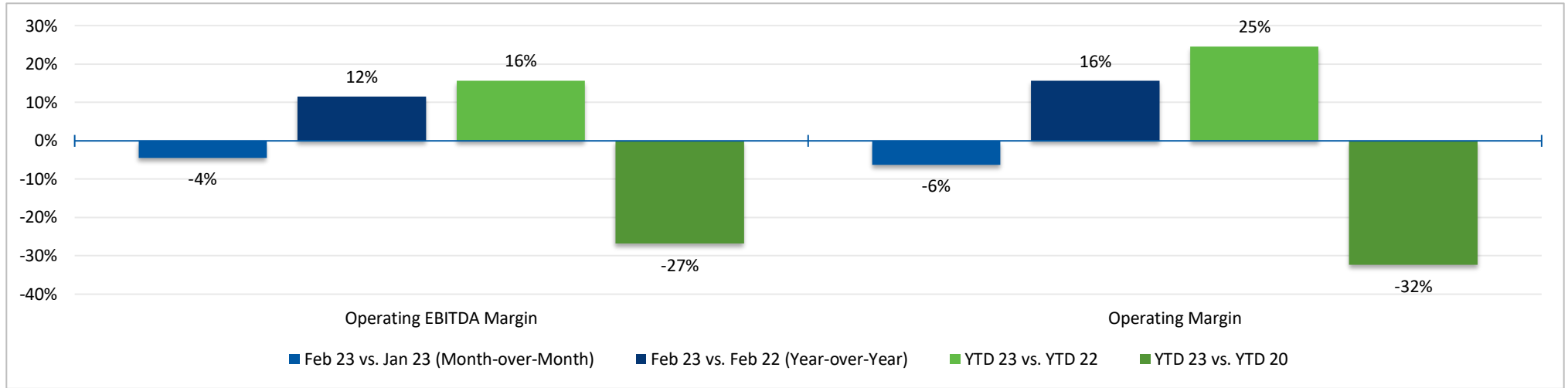
* Note: The Kaufman Hall Hospital Operating Margin and Operating EBITDA Margin Indices are comprised of the national median of our dataset adjusted for allocations to hospitals from corporate, physician, and other entities.

National and Regional Data

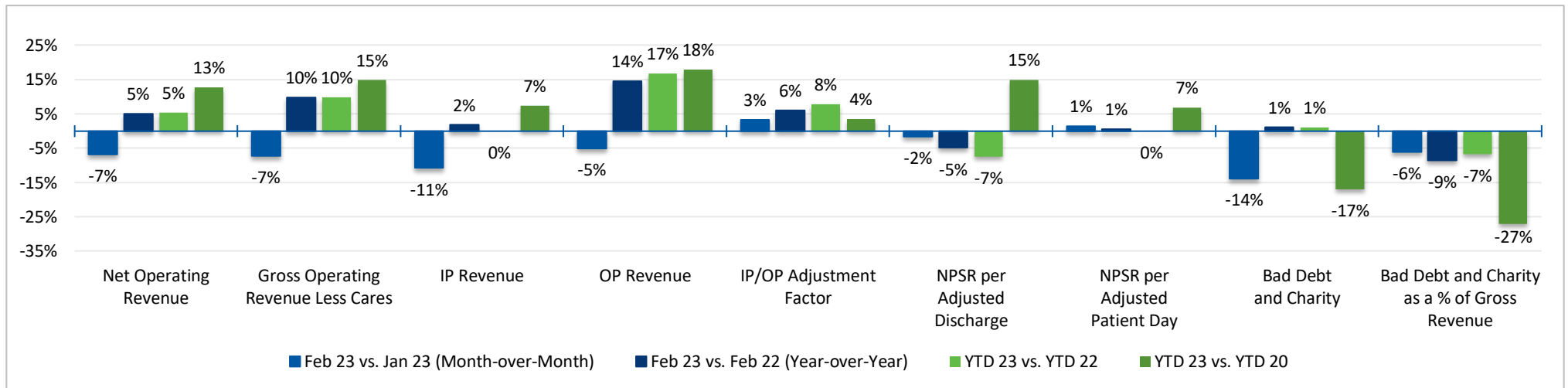
Profitability, Revenue, Expense, and Volume

National Data

Profitability

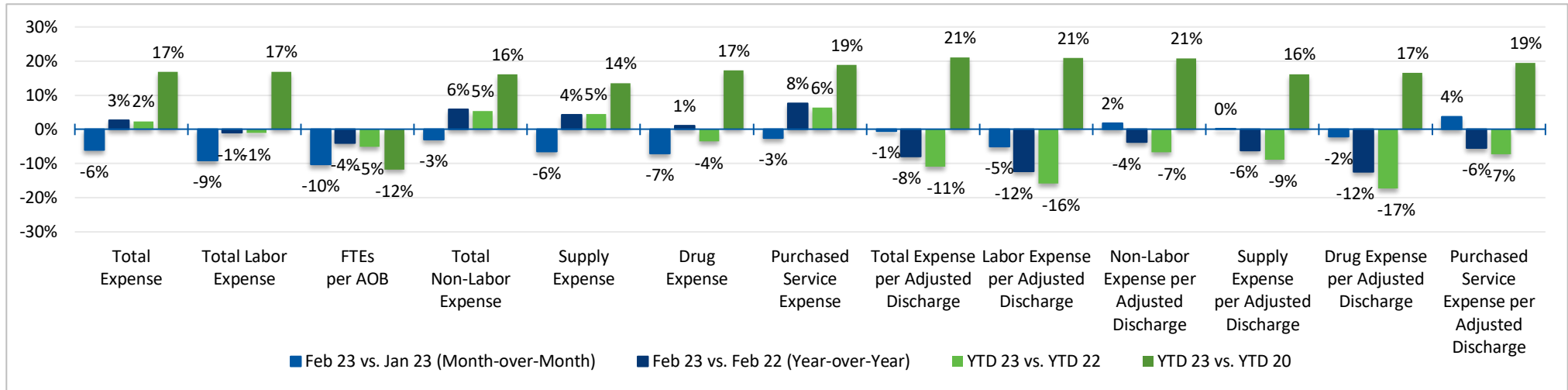


Revenue

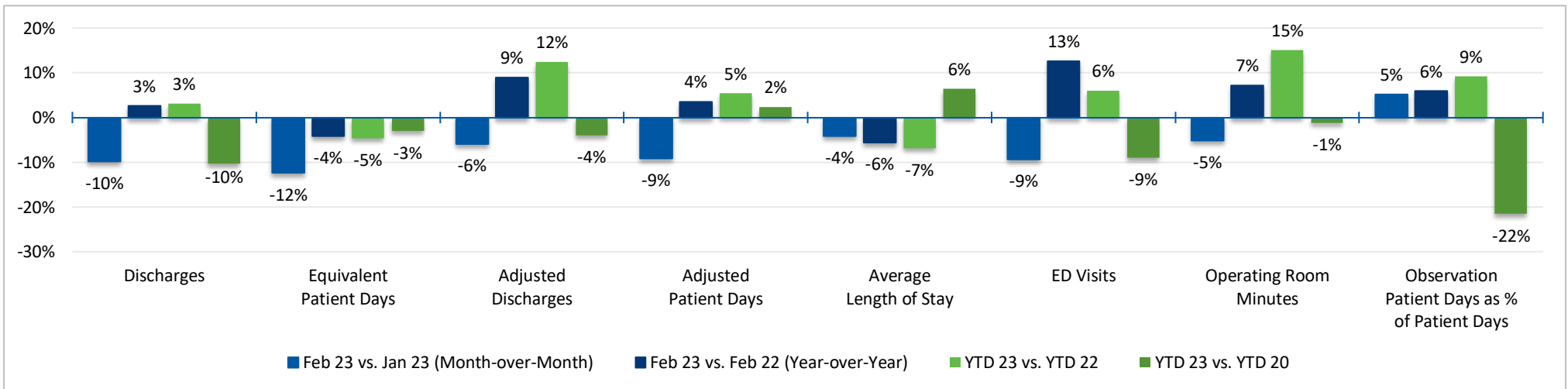


National Data *(continued)*

Expense

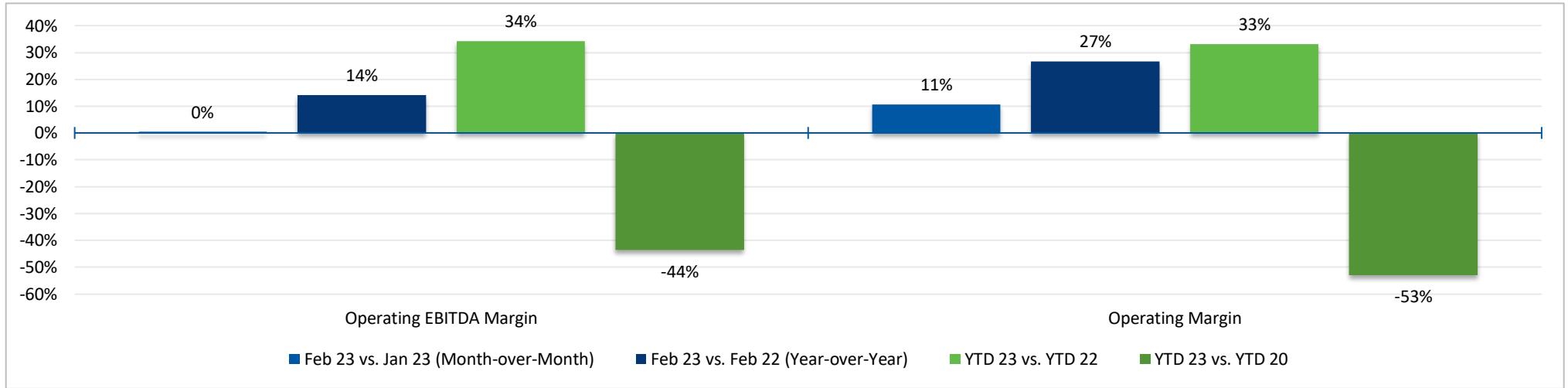


Volume

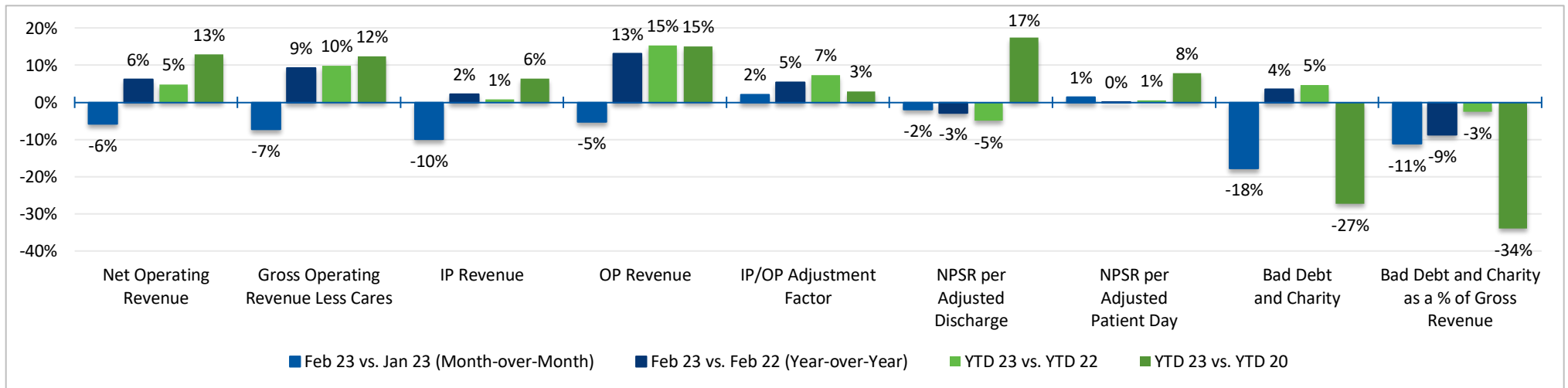


Regional Data: West

Profitability

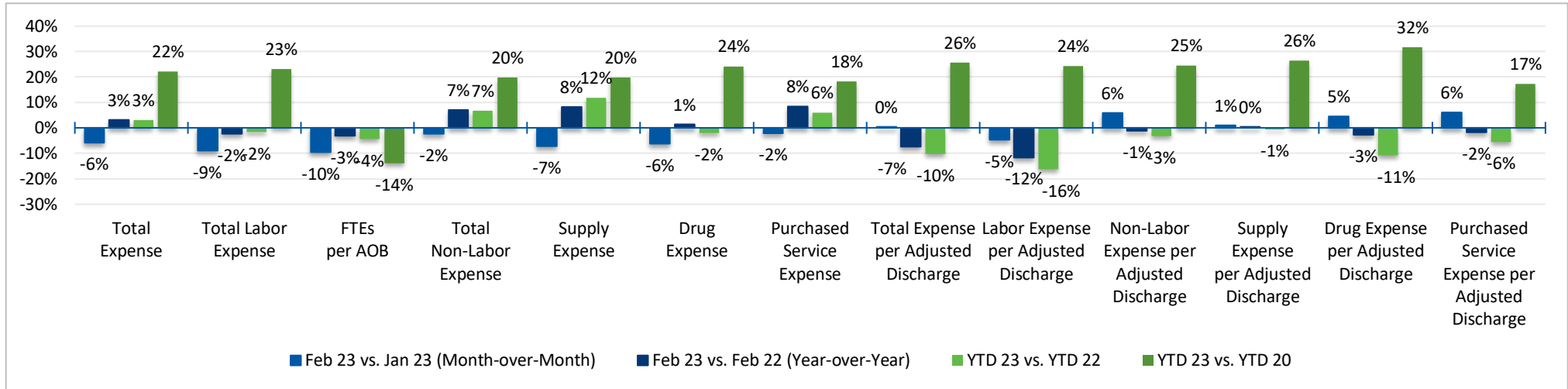


Revenue

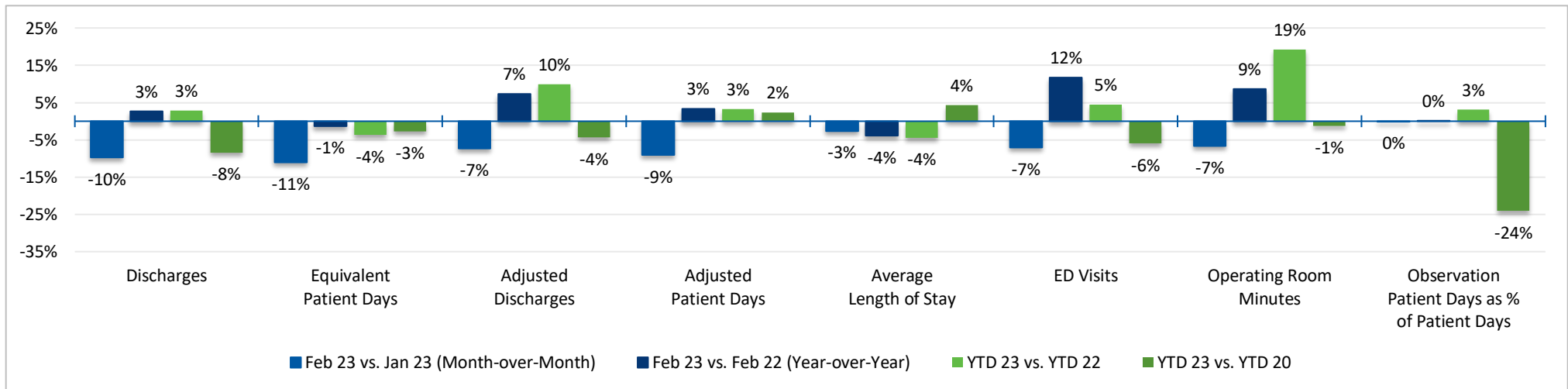


Regional Data: West *(continued)*

Expense

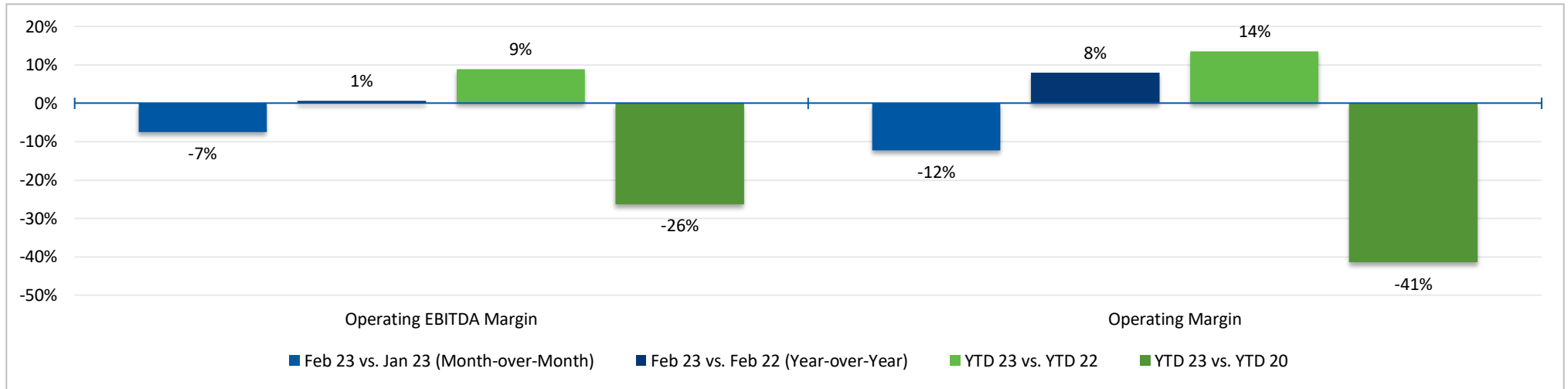


Volume

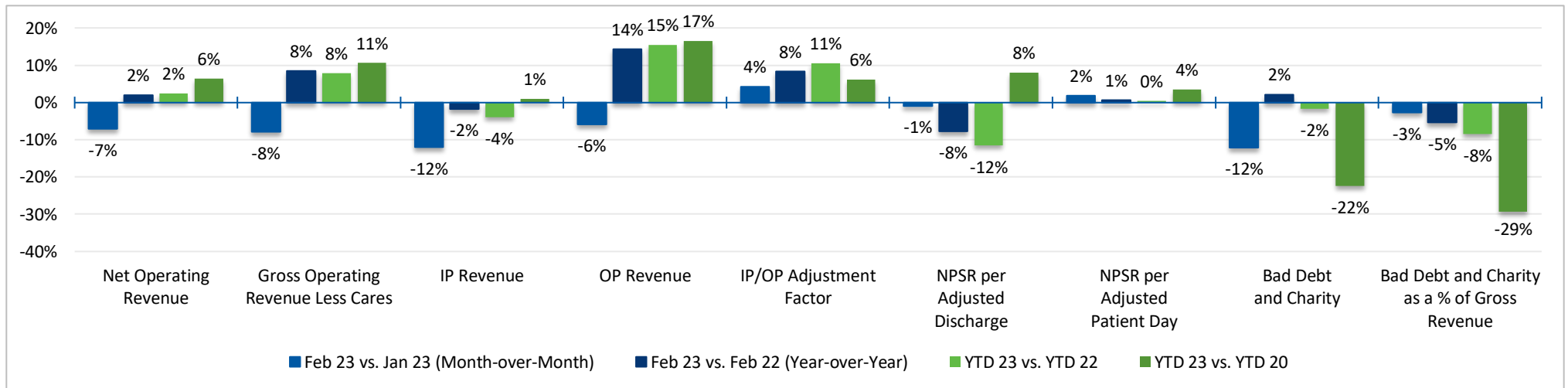


Regional Data: Midwest

Profitability

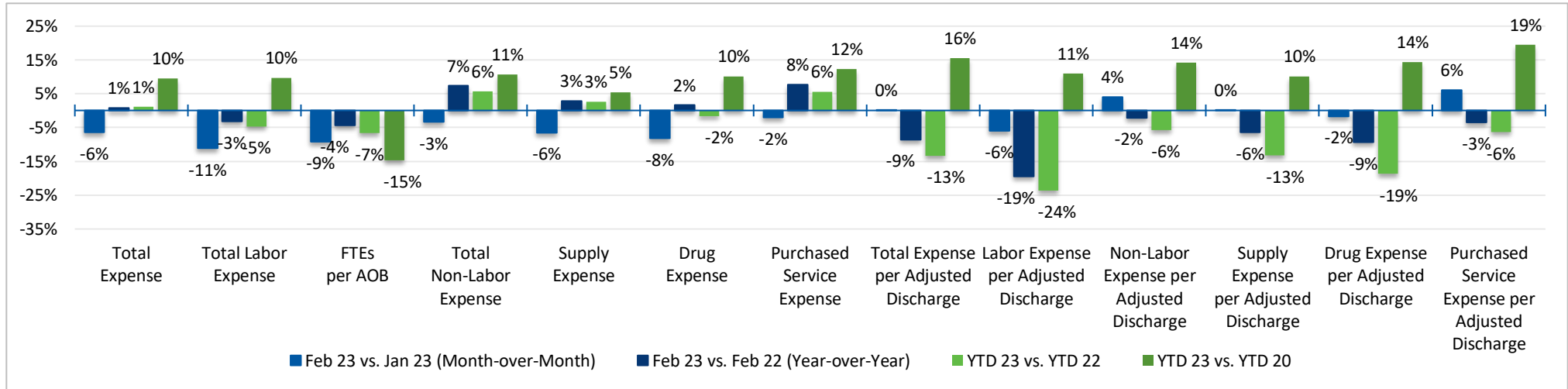


Revenue

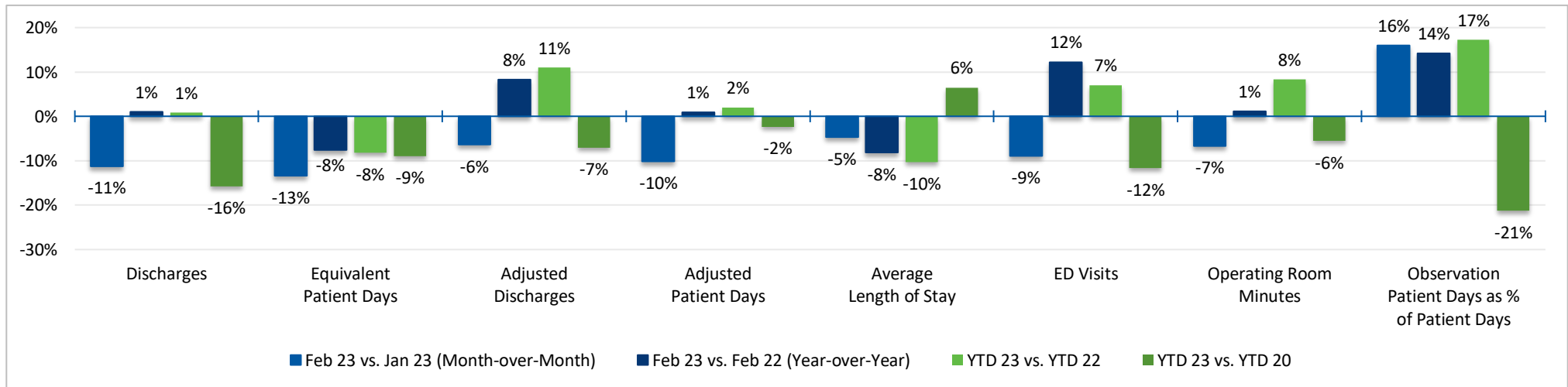


Regional Data: Midwest *(continued)*

Expense

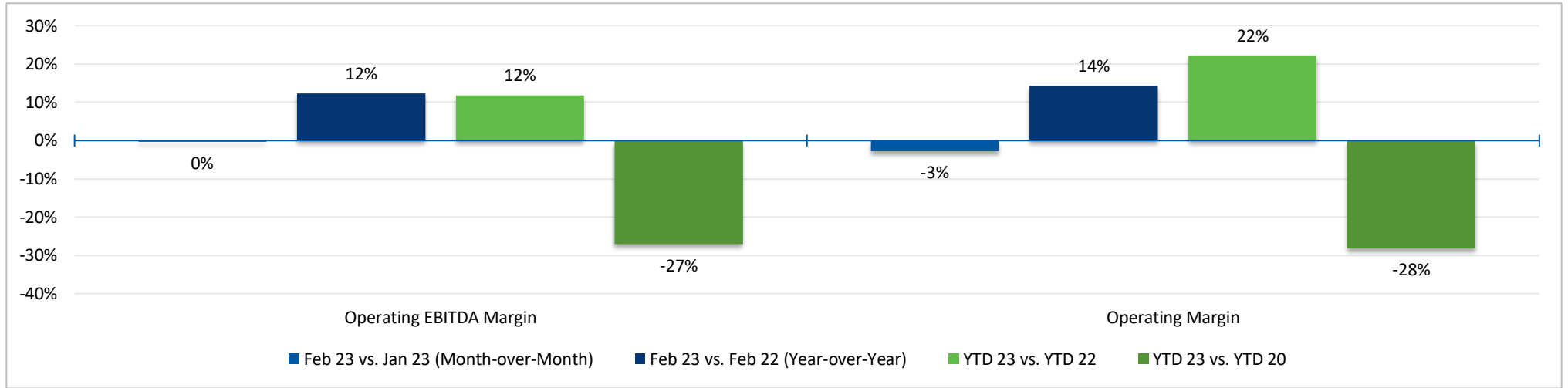


Volume

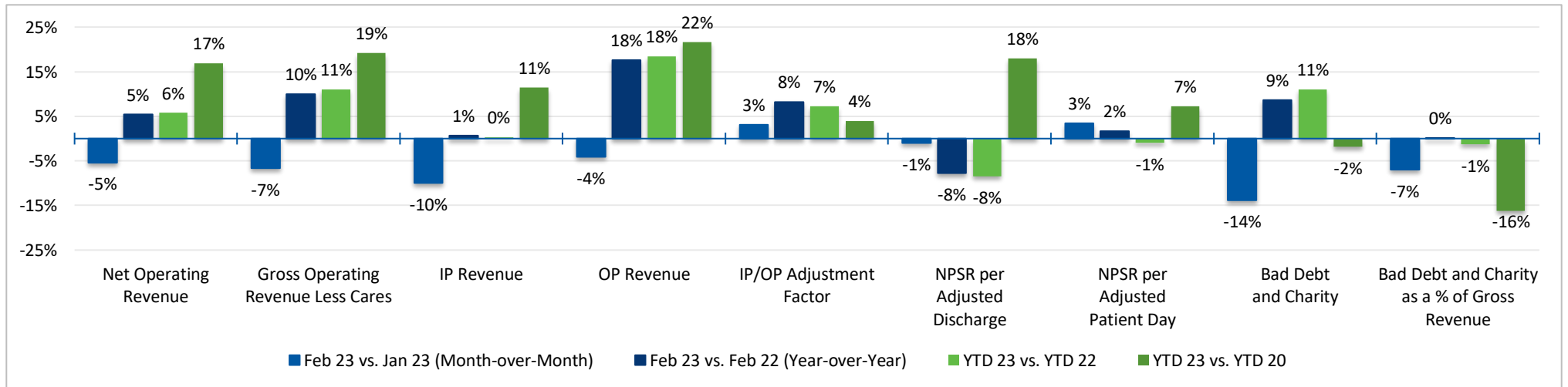


Regional Data: South

Profitability

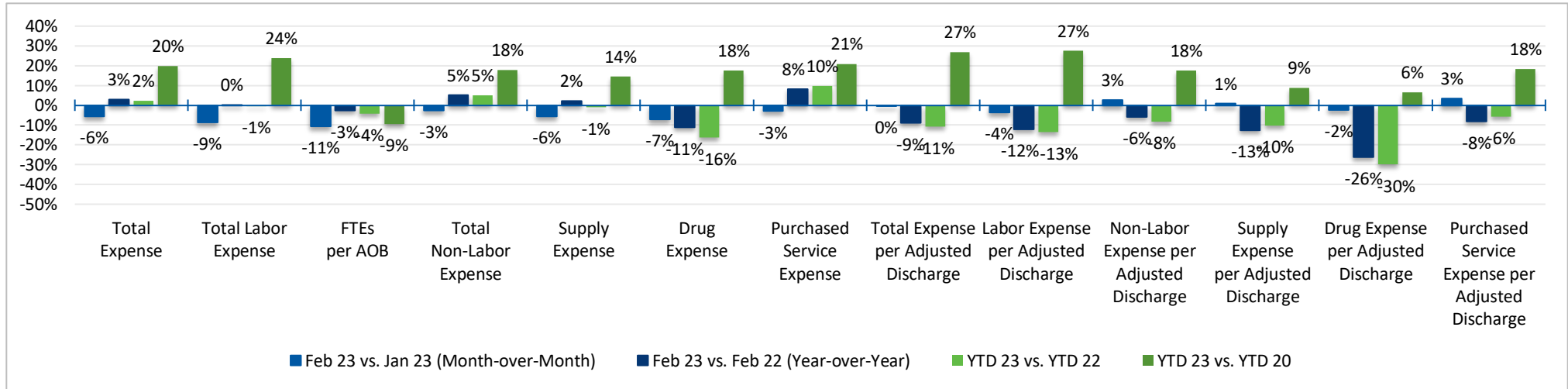


Revenue

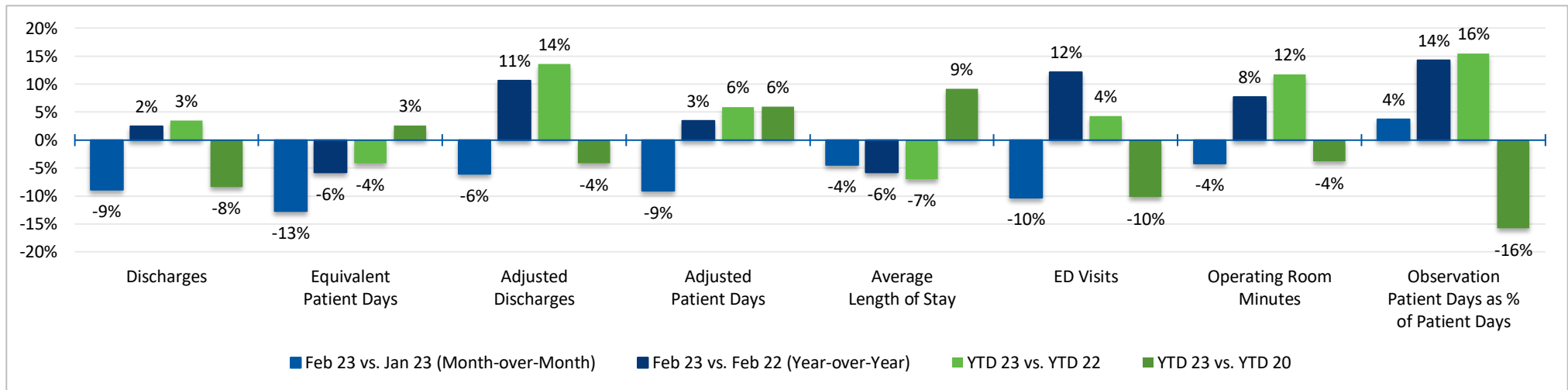


Regional Data: South *(continued)*

Expense

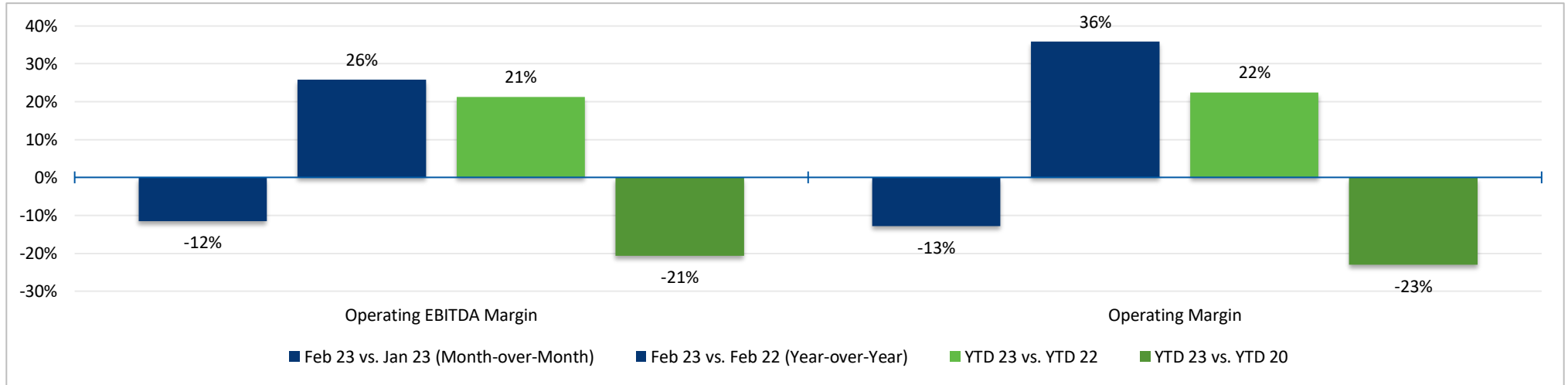


Volume

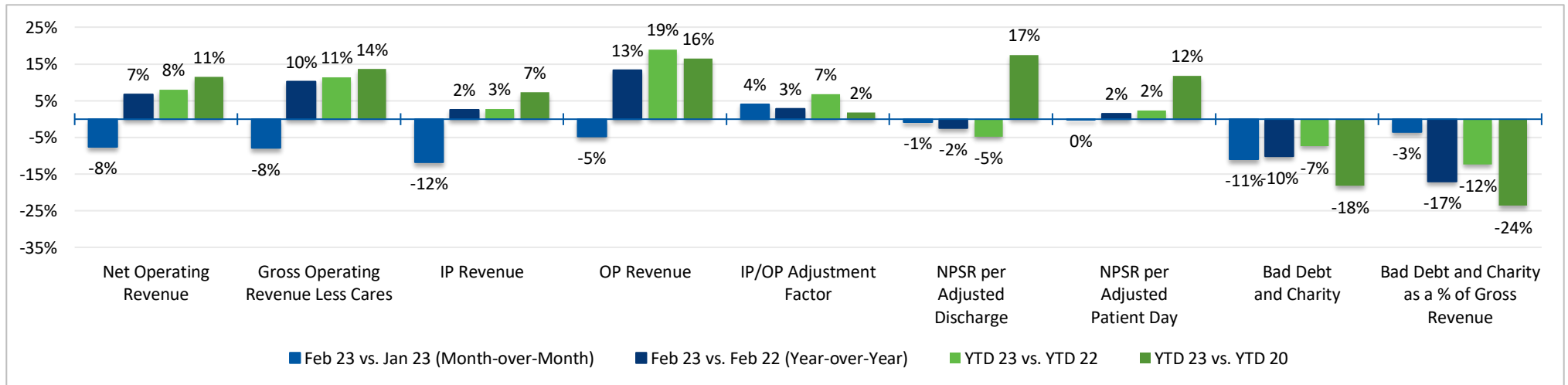


Regional Data: Northeast/Mid-Atlantic

Profitability

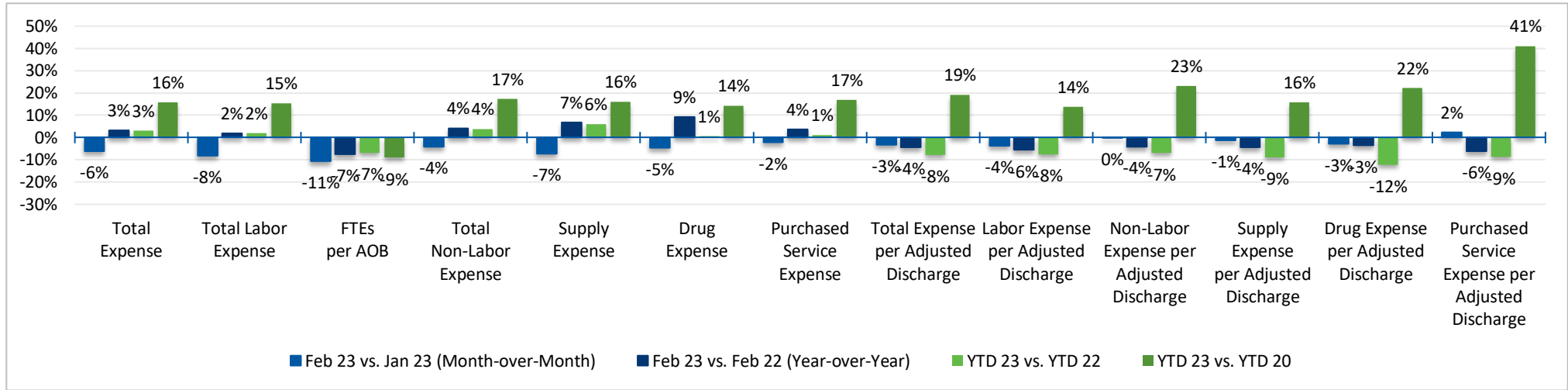


Revenue

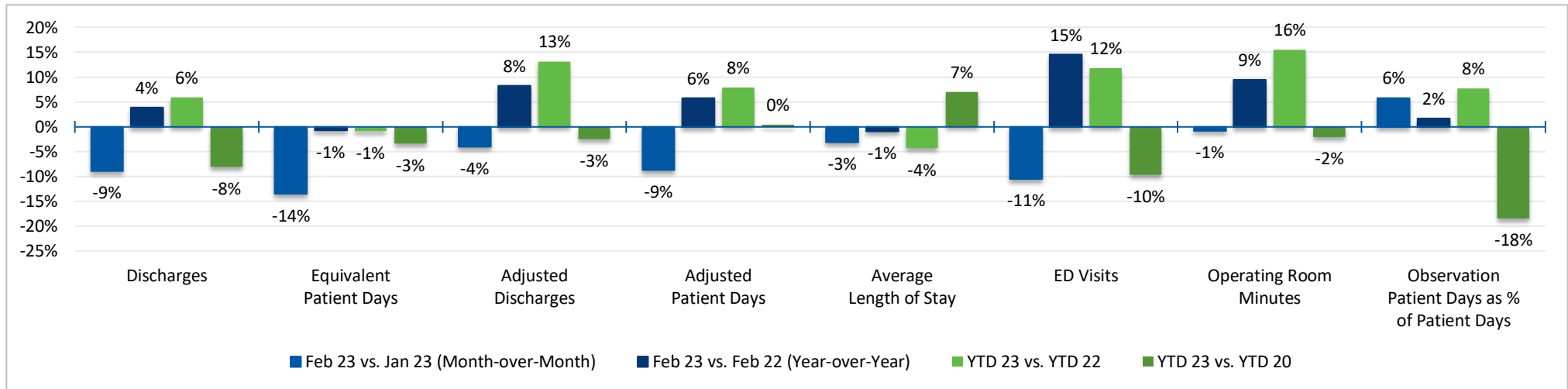


Regional Data: Northeast/Mid-Atlantic *(continued)*

Expense

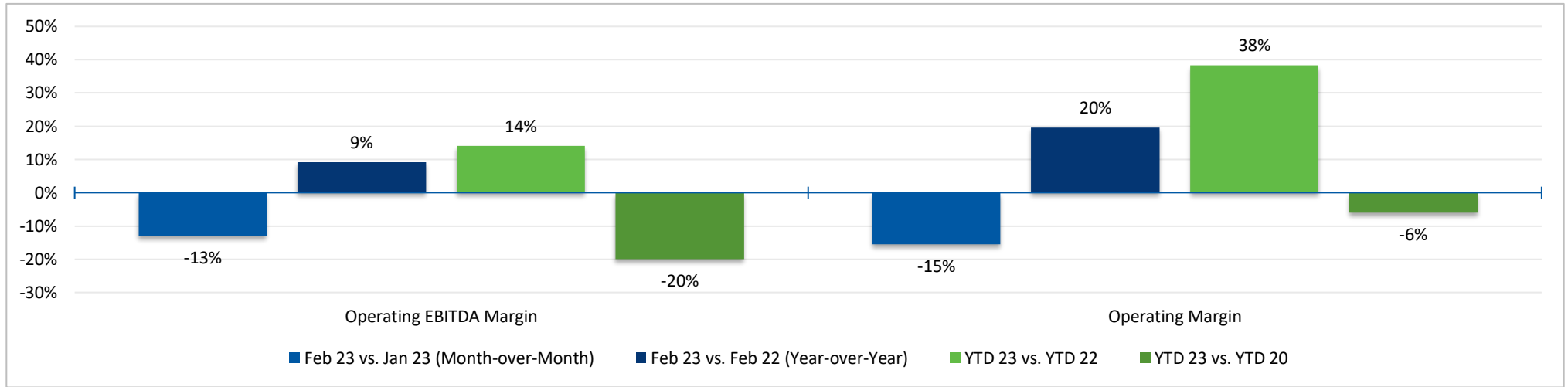


Volume

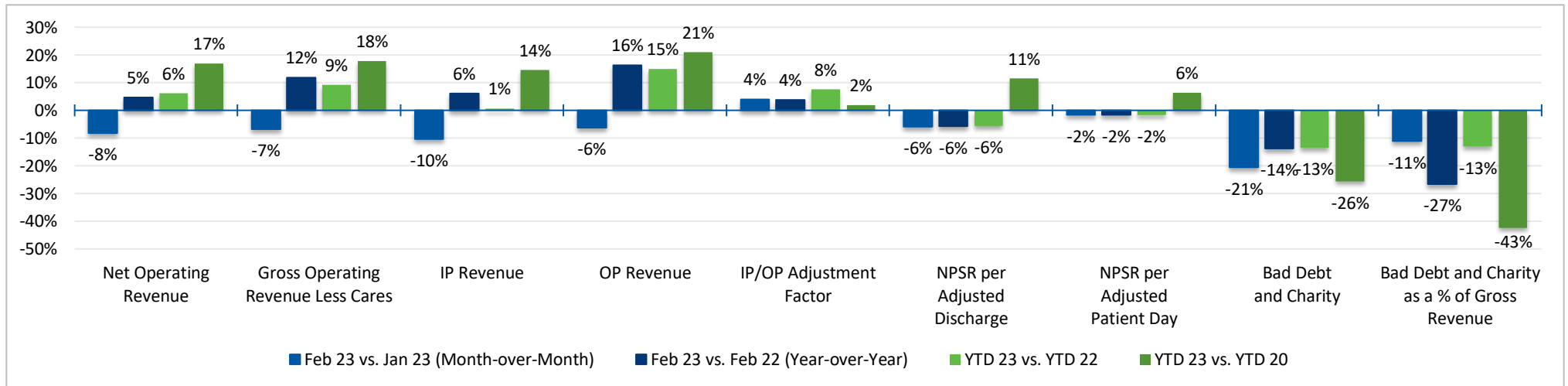


Regional Data: Great Plains

Profitability

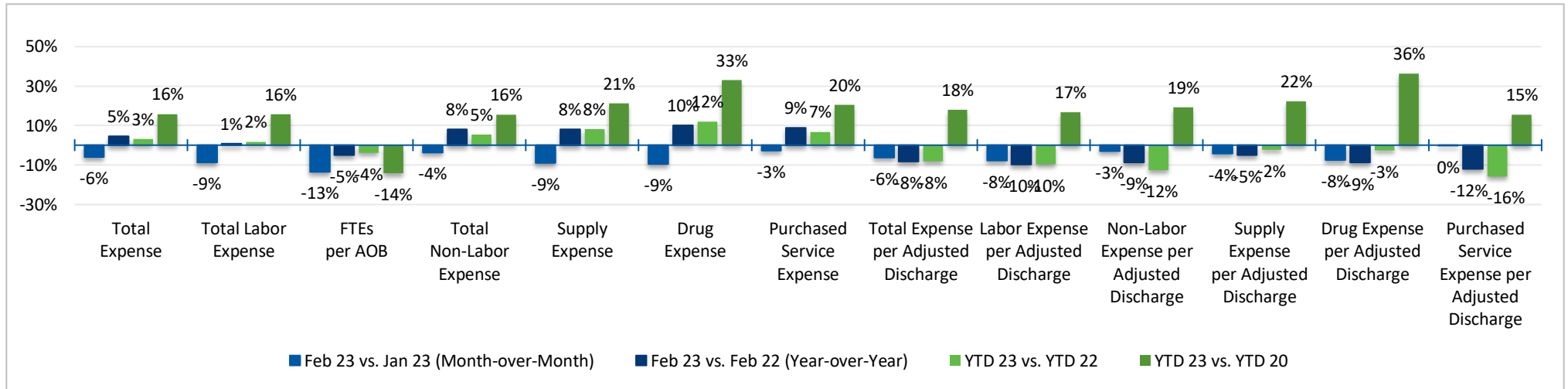


Revenue

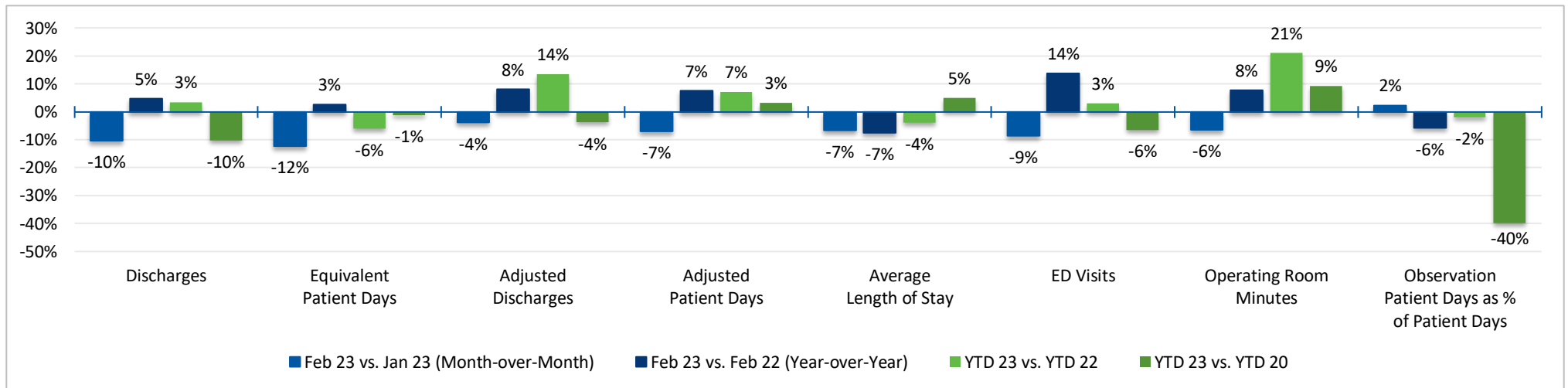


Regional Data: Great Plains *(continued)*

Expense



Volume



Data by Hospital Bed Size

Profitability, Revenue, Expense, and Volume

0-25 Beds

	Feb 23 vs. Jan 23 (Month-over-Month)	Feb 23 vs. Feb 22 (Year-over-Year)	YTD 23 vs. YTD 22	YTD 23 vs. YTD 20
Margin				
Operating EBITDA Margin	-5%	4%	0%	4%
Operating Margin	-13%	2%	1%	17%
Operating EBITDA Margin Less Cares	-9%	4%	1%	4%
Operating Margin Less Cares	-13%	2%	4%	16%
Revenue				
Net Operating Revenue	-8%	3%	4%	17%
Gross Operating Revenue Less Cares	-9%	10%	10%	20%
IP Revenue	-16%	-7%	-8%	-1%
OP Revenue	-8%	15%	14%	23%
IP/OP Adjustment Factor	5%	12%	18%	13%
NPSR per Adjusted Discharge	-5%	-12%	-16%	7%
NPSR per Adjusted Patient Day	-3%	-9%	-12%	1%
Bad Debt and Charity	-15%	4%	-2%	-23%
Bad Debt and Charity as a % of Gross Revenue	-7%	-11%	-9%	-34%
Expense				
Total Expense	-7%	3%	3%	16%
Total Labor Expense	-9%	0%	1%	17%
FTEs per AOB	-4%	-7%	-11%	-22%
Total Non-Labor Expense	-5%	4%	5%	17%
Supply Expense	-9%	4%	7%	20%
Drug Expense	-8%	-1%	2%	24%
Purchased Service Expense	-4%	4%	6%	14%
Total Expense per Adjusted Discharge	-3%	-12%	-17%	7%
Labor Expense per Adjusted Discharge	-5%	-14%	-21%	7%
Non-Labor Expense per Adjusted Discharge	-1%	-14%	-14%	7%
Supply Expense per Adjusted Discharge	1%	-18%	-21%	10%
Drug Expense per Adjusted Discharge	-5%	-14%	-13%	21%
Purchased Service Expense per Adjusted Discharge	3%	-11%	-16%	1%
Volume				
Discharges	-18%	-5%	-3%	-14%
Equivalent Patient Days	-17%	-8%	-10%	-4%
Adjusted Discharges	-8%	15%	19%	3%
Adjusted Patient Days	-13%	6%	9%	12%
Average Length of Stay	-7%	-7%	-11%	2%
ED Visits	-10%	12%	4%	-4%
Operating Room Minutes	-8%	6%	18%	-2%
Observation Patient Days as % of Patient Days	18%	2%	8%	-22%

26-99 Beds

	Feb 23 vs. Jan 23 (Month-over-Month)	Feb 23 vs. Feb 22 (Year-over-Year)	YTD 23 vs. YTD 22	YTD 23 vs. YTD 20
Margin				
Operating EBITDA Margin	-12%	9%	4%	-32%
Operating Margin	-12%	12%	12%	-31%
Operating EBITDA Margin Less Cares	-11%	16%	5%	-32%
Operating Margin Less Cares	-12%	13%	16%	-30%
Revenue				
Net Operating Revenue	-7%	3%	3%	12%
Gross Operating Revenue Less Cares	-7%	8%	10%	15%
IP Revenue	-12%	-4%	-5%	6%
OP Revenue	-5%	14%	17%	16%
IP/OP Adjustment Factor	4%	12%	14%	4%
NPSR per Adjusted Discharge	-1%	-8%	-10%	9%
NPSR per Adjusted Patient Day	0%	-3%	-5%	3%
Bad Debt and Charity	-12%	6%	1%	-16%
Bad Debt and Charity as a % of Gross Revenue	-3%	-5%	-5%	-24%
Expense				
Total Expense	-6%	0%	1%	16%
Total Labor Expense	-9%	0%	-1%	14%
FTEs per AOB	-11%	-6%	-6%	-15%
Total Non-Labor Expense	-3%	3%	3%	14%
Supply Expense	-7%	1%	1%	11%
Drug Expense	-5%	-13%	-10%	14%
Purchased Service Expense	-3%	4%	3%	20%
Total Expense per Adjusted Discharge	0%	-8%	-13%	15%
Labor Expense per Adjusted Discharge	-3%	-14%	-18%	15%
Non-Labor Expense per Adjusted Discharge	3%	-6%	-8%	11%
Supply Expense per Adjusted Discharge	0%	-8%	-10%	5%
Drug Expense per Adjusted Discharge	-1%	-22%	-27%	9%
Purchased Service Expense per Adjusted Discharge	3%	-4%	-8%	23%
Volume				
Discharges	-11%	1%	2%	-10%
Equivalent Patient Days	-11%	-8%	-6%	-2%
Adjusted Discharges	-7%	7%	14%	1%
Adjusted Patient Days	-8%	4%	8%	4%
Average Length of Stay	-4%	-5%	-7%	6%
ED Visits	-10%	12%	4%	-5%
Operating Room Minutes	-2%	8%	13%	-4%
Observation Patient Days as % of Patient Days	6%	46%	56%	-12%

100-199 Beds

	Feb 23 vs. Jan 23 (Month-over-Month)	Feb 23 vs. Feb 22 (Year-over-Year)	YTD 23 vs. YTD 22	YTD 23 vs. YTD 20
Margin				
Operating EBITDA Margin	-1%	8%	26%	-27%
Operating Margin	-3%	16%	27%	-36%
Operating EBITDA Margin Less Cares	-1%	12%	24%	-27%
Operating Margin Less Cares	-3%	16%	25%	-37%
Revenue				
Net Operating Revenue	-7%	6%	5%	15%
Gross Operating Revenue Less Cares	-7%	10%	9%	15%
IP Revenue	-11%	-1%	-2%	8%
OP Revenue	-4%	15%	17%	18%
IP/OP Adjustment Factor	4%	7%	10%	4%
NPSR per Adjusted Discharge	-1%	-4%	-6%	16%
NPSR per Adjusted Patient Day	2%	2%	2%	8%
Bad Debt and Charity	-18%	-5%	-1%	-20%
Bad Debt and Charity as a % of Gross Revenue	-11%	-13%	-6%	-30%
Expense				
Total Expense	-6%	4%	3%	17%
Total Labor Expense	-10%	-1%	-1%	20%
FTEs per AOB	-11%	-4%	-3%	-11%
Total Non-Labor Expense	-3%	6%	5%	16%
Supply Expense	-7%	4%	3%	12%
Drug Expense	-9%	1%	-6%	17%
Purchased Service Expense	-1%	10%	5%	14%
Total Expense per Adjusted Discharge	0%	-7%	-10%	19%
Labor Expense per Adjusted Discharge	-4%	-13%	-15%	19%
Non-Labor Expense per Adjusted Discharge	3%	-3%	-6%	17%
Supply Expense per Adjusted Discharge	0%	-8%	-10%	13%
Drug Expense per Adjusted Discharge	-2%	-13%	-18%	8%
Purchased Service Expense per Adjusted Discharge	7%	-10%	-7%	16%
Volume				
Discharges	-9%	3%	3%	-8%
Equivalent Patient Days	-13%	-5%	-5%	-4%
Adjusted Discharges	-6%	11%	12%	-3%
Adjusted Patient Days	-9%	5%	4%	0%
Average Length of Stay	-4%	-6%	-9%	4%
ED Visits	-10%	14%	7%	-9%
Operating Room Minutes	-5%	6%	15%	-5%
Observation Patient Days as % of Patient Days	4%	5%	8%	-31%

200-299 Beds

	Feb 23 vs. Jan 23 (Month-over-Month)	Feb 23 vs. Feb 22 (Year-over-Year)	YTD 23 vs. YTD 22	YTD 23 vs. YTD 20
Margin				
Operating EBITDA Margin	-10%	4%	29%	-31%
Operating Margin	-12%	16%	27%	-42%
Operating EBITDA Margin Less Cares	-8%	6%	27%	-31%
Operating Margin Less Cares	-10%	19%	27%	-44%
Revenue				
Net Operating Revenue	-7%	4%	6%	9%
Gross Operating Revenue Less Cares	-7%	9%	10%	10%
IP Revenue	-11%	4%	1%	5%
OP Revenue	-4%	13%	16%	16%
IP/OP Adjustment Factor	4%	4%	6%	3%
NPSR per Adjusted Discharge	-1%	-3%	-4%	11%
NPSR per Adjusted Patient Day	3%	3%	2%	5%
Bad Debt and Charity	-11%	0%	1%	-14%
Bad Debt and Charity as a % of Gross Revenue	-2%	-9%	-10%	-26%
Expense				
Total Expense	-6%	3%	2%	17%
Total Labor Expense	-9%	-3%	-2%	14%
FTEs per AOB	-9%	-4%	-6%	-8%
Total Non-Labor Expense	-3%	6%	6%	16%
Supply Expense	-6%	4%	6%	14%
Drug Expense	-6%	-1%	-7%	8%
Purchased Service Expense	-5%	8%	9%	20%
Total Expense per Adjusted Discharge	-1%	-7%	-9%	23%
Labor Expense per Adjusted Discharge	-5%	-11%	-13%	26%
Non-Labor Expense per Adjusted Discharge	1%	-3%	-5%	23%
Supply Expense per Adjusted Discharge	-1%	-5%	-7%	19%
Drug Expense per Adjusted Discharge	-3%	-9%	-14%	16%
Purchased Service Expense per Adjusted Discharge	4%	-5%	-8%	23%
Volume				
Discharges	-8%	5%	5%	-13%
Equivalent Patient Days	-12%	-2%	-3%	-4%
Adjusted Discharges	-5%	9%	12%	-9%
Adjusted Patient Days	-9%	2%	3%	0%
Average Length of Stay	-4%	-4%	-7%	11%
ED Visits	-9%	13%	7%	-12%
Operating Room Minutes	-7%	9%	18%	-1%
Observation Patient Days as % of Patient Days	5%	-2%	10%	-22%

300-499 Beds

	Feb 23 vs. Jan 23 (Month-over-Month)	Feb 23 vs. Feb 22 (Year-over-Year)	YTD 23 vs. YTD 22	YTD 23 vs. YTD 20
Margin				
Operating EBITDA Margin	3%	19%	27%	-45%
Operating Margin	6%	52%	37%	-65%
Operating EBITDA Margin Less Cares	3%	17%	37%	-45%
Operating Margin Less Cares	6%	43%	34%	-66%
Revenue				
Net Operating Revenue	-6%	5%	6%	9%
Gross Operating Revenue Less Cares	-8%	9%	11%	12%
IP Revenue	-10%	4%	5%	9%
OP Revenue	-4%	16%	18%	16%
IP/OP Adjustment Factor	3%	5%	6%	3%
NPSR per Adjusted Discharge	-2%	-3%	-6%	18%
NPSR per Adjusted Patient Day	2%	3%	2%	9%
Bad Debt and Charity	-9%	8%	7%	-21%
Bad Debt and Charity as a % of Gross Revenue	-3%	-4%	-2%	-30%
Expense				
Total Expense	-6%	3%	2%	16%
Total Labor Expense	-10%	-2%	-1%	16%
FTEs per AOB	-10%	-2%	-3%	-8%
Total Non-Labor Expense	-2%	7%	6%	16%
Supply Expense	-6%	6%	5%	13%
Drug Expense	-7%	1%	-3%	14%
Purchased Service Expense	-2%	8%	7%	18%
Total Expense per Adjusted Discharge	-1%	-6%	-8%	27%
Labor Expense per Adjusted Discharge	-5%	-10%	-14%	25%
Non-Labor Expense per Adjusted Discharge	3%	0%	-4%	26%
Supply Expense per Adjusted Discharge	0%	-1%	-3%	22%
Drug Expense per Adjusted Discharge	0%	-7%	-13%	25%
Purchased Service Expense per Adjusted Discharge	3%	0%	-2%	21%
Volume				
Discharges	-9%	2%	3%	-12%
Equivalent Patient Days	-12%	-3%	-2%	-4%
Adjusted Discharges	-6%	9%	10%	-9%
Adjusted Patient Days	-10%	3%	4%	0%
Average Length of Stay	-3%	-6%	-7%	5%
ED Visits	-8%	13%	8%	-14%
Operating Room Minutes	-6%	6%	15%	1%
Observation Patient Days as % of Patient Days	7%	6%	10%	-22%

500+ Beds

	Feb 23 vs. Jan 23 (Month-over-Month)	Feb 23 vs. Feb 22 (Year-over-Year)	YTD 23 vs. YTD 22	YTD 23 vs. YTD 20
Margin				
Operating EBITDA Margin	0%	40%	50%	-28%
Operating Margin	-2%	41%	53%	-27%
Operating EBITDA Margin Less Cares	1%	42%	63%	-28%
Operating Margin Less Cares	-2%	58%	53%	-27%
Revenue				
Net Operating Revenue	-5%	10%	10%	18%
Gross Operating Revenue Less Cares	-7%	12%	14%	17%
IP Revenue	-10%	7%	8%	14%
OP Revenue	-4%	16%	20%	22%
IP/OP Adjustment Factor	2%	3%	4%	3%
NPSR per Adjusted Discharge	-2%	-2%	-1%	21%
NPSR per Adjusted Patient Day	1%	3%	5%	12%
Bad Debt and Charity	-16%	-1%	3%	-8%
Bad Debt and Charity as a % of Gross Revenue	-12%	-10%	-10%	-17%
Expense				
Total Expense	-5%	6%	4%	22%
Total Labor Expense	-8%	1%	2%	22%
FTEs per AOB	-11%	-2%	-3%	-8%
Total Non-Labor Expense	-2%	10%	8%	23%
Supply Expense	-4%	10%	12%	17%
Drug Expense	-4%	8%	9%	28%
Purchased Service Expense	-1%	11%	8%	22%
Total Expense per Adjusted Discharge	-1%	-7%	-6%	27%
Labor Expense per Adjusted Discharge	-4%	-10%	-8%	29%
Non-Labor Expense per Adjusted Discharge	3%	-4%	-4%	23%
Supply Expense per Adjusted Discharge	2%	-1%	-1%	25%
Drug Expense per Adjusted Discharge	-1%	0%	-5%	37%
Purchased Service Expense per Adjusted Discharge	3%	-4%	-3%	34%
Volume				
Discharges	-8%	7%	7%	-4%
Equivalent Patient Days	-11%	2%	3%	0%
Adjusted Discharges	-5%	11%	12%	-2%
Adjusted Patient Days	-8%	5%	6%	5%
Average Length of Stay	-4%	-5%	-4%	7%
ED Visits	-10%	13%	8%	-11%
Operating Room Minutes	-4%	5%	15%	5%
Observation Patient Days as % of Patient Days	3%	-3%	4%	-6%

Non-Operating

National Non-Operating Results

Key Observations

- U.S. headline inflation is now down by one-third from its June 2022 peak as the Consumer Price Index (CPI) increased 0.4% in February and 6.0% year-over-year
- As part of his semiannual monetary policy testimony before Congress, Fed Chair Jerome Powell stated that the “ultimate level of interest rates is likely to be higher than previously anticipated” and reiterated that the Fed will remain responsive to inflationary data and maintain a restrictive monetary stance
- The U.S. economy continued to add a robust number of jobs in February, with gains of 311,000, while the unemployment rate ticked up to 3.6%
- While the labor market remains tight, weekly jobless claims posted their largest increase in five months, suggesting the potential for slight cooling in the labor market
- The S&P 500 index fell 2.6% in February, bringing its YTD return down to 3.4%—impacted by markets reevaluating inflation expectations and the potential for a slowing economy as well as ambiguity in FOMC monetary policy

General Non-Operating Observations

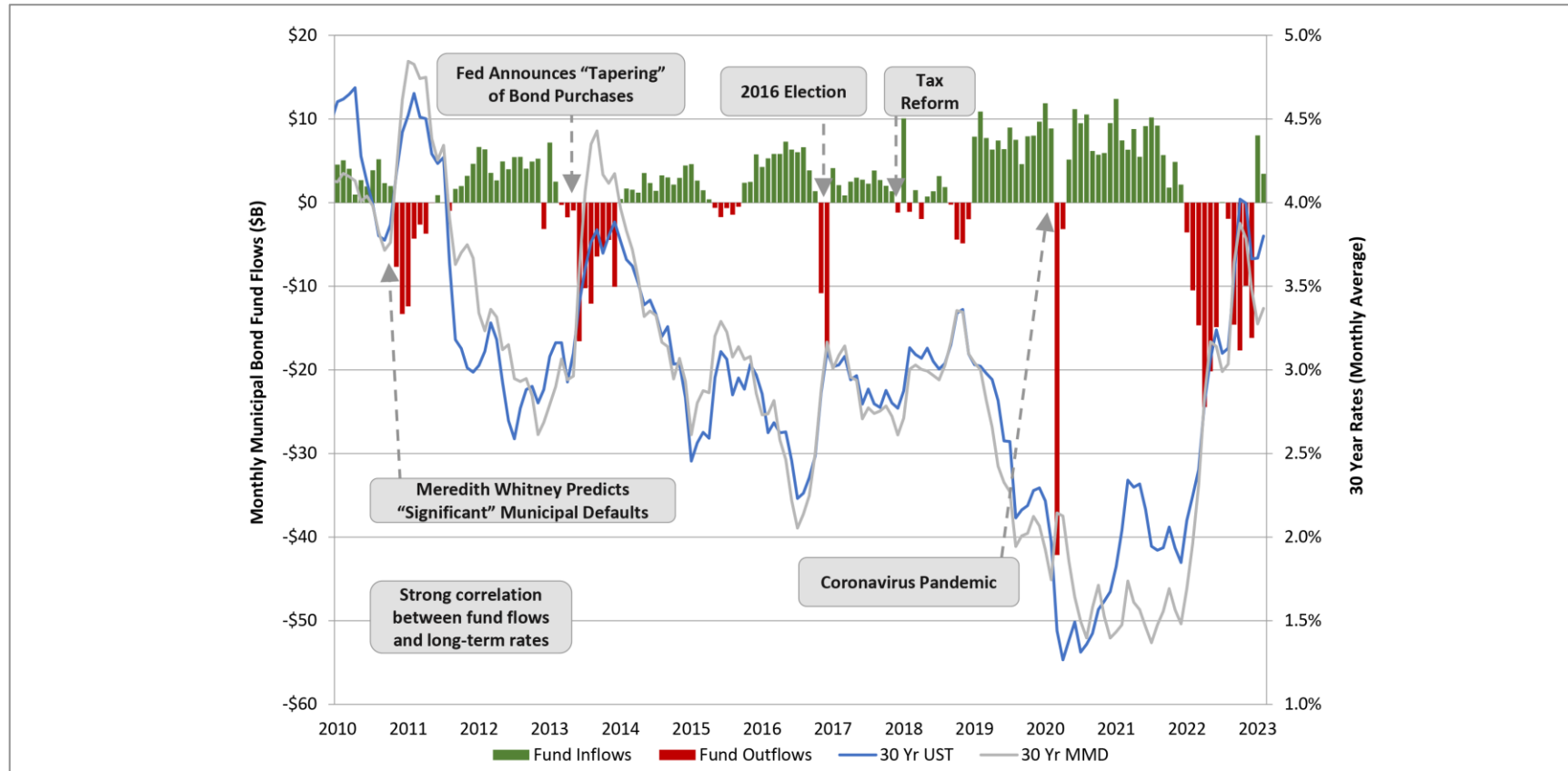
	February 2023	M-o-M Change	Y-o-Y Change
General			
GDP Growth*	2.7%	n/a	n/a
Unemployment Rate	3.6%	0.2%	-0.2%
Personal Consumption Expenditures (YoY)	4.7%	n/c	-0.7%
Liabilities			
1m LIBOR	4.67%	+10 bps	+443 bps
SIFMA	3.42%	+176 bps	+322 bps
30yr MMD	3.56%	+36 bps	+158 bps
30yr Treasury	3.92%	+28 bps	+176 bps
Assets			
60/40 Asset Allocation [†]	n/a	-3.0%	-9.8%

*U.S. Bureau of Economic Analysis, Q4 2022 “Second 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



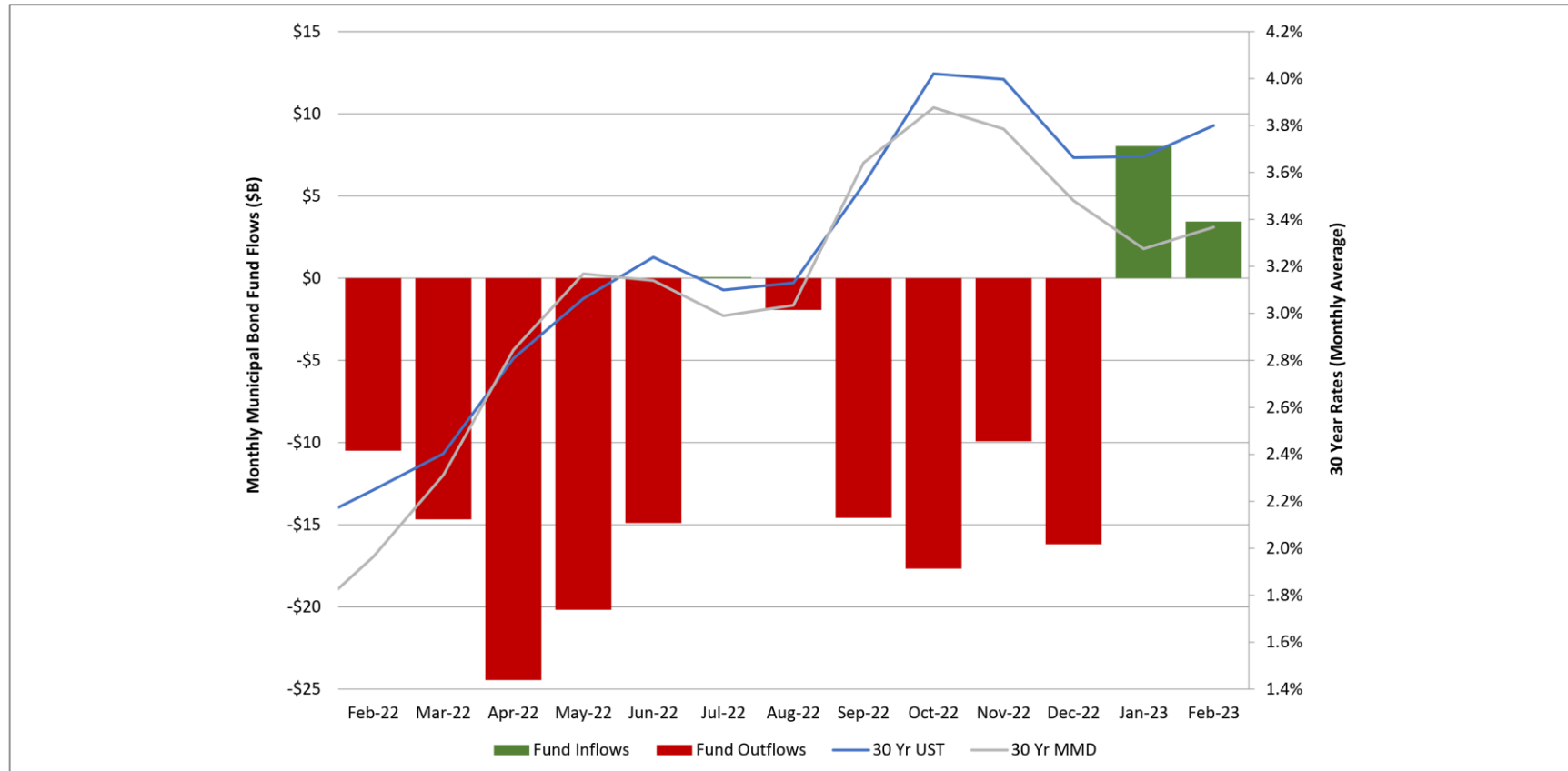
Kaufman Hall, National Hospital Flash Report (March 2023)

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.

The tax-exempt 30-year MMD rate rose 36 basis points in February, closing the month at 3.56%. 30-year Treasury rates increased 28 basis points over the last month, up to 3.92%. Persistent market uncertainty extended into February reflected by total municipal volume of \$18.3 billion, the first February since 2018 with supply below \$20 billion. Compared to February 2022, municipal bond issues were down 42%, led by steep declines in refinancings and taxable issuance. Through the Fed's recent interest rate hike cycle, strong economic news has usually been paired with poor investor reception as it gives fuel for larger and more sustained rates hikes. Healthcare issuers have been tested with higher interest rates as they await stabilizing operations, normalizing labor costs and cooling inflationary pressures to pursue large capital projects and refinancings.

Non-Operating Liabilities *(continued)*

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

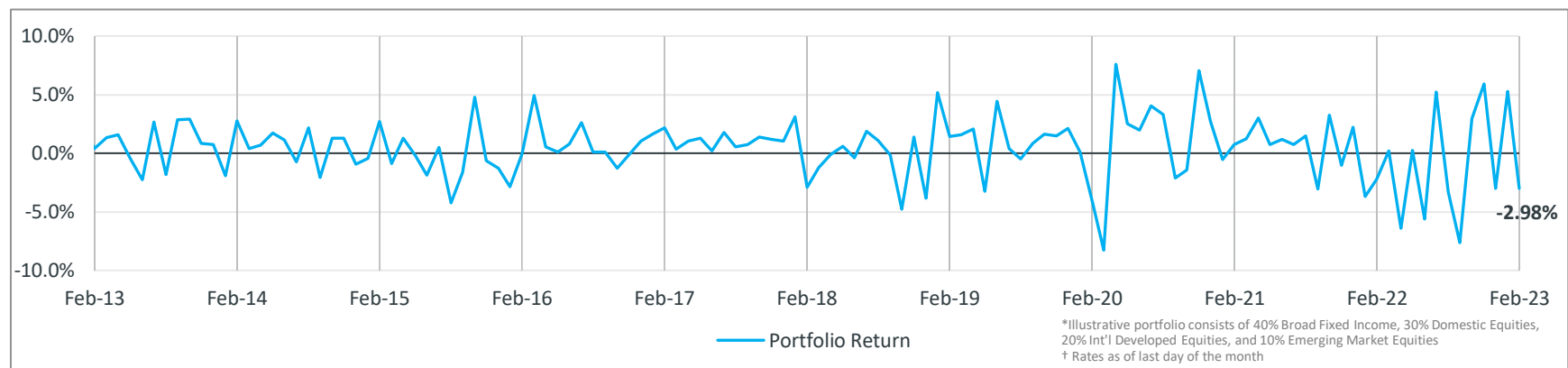


Kaufman Hall, National Hospital Flash Report (March 2023)

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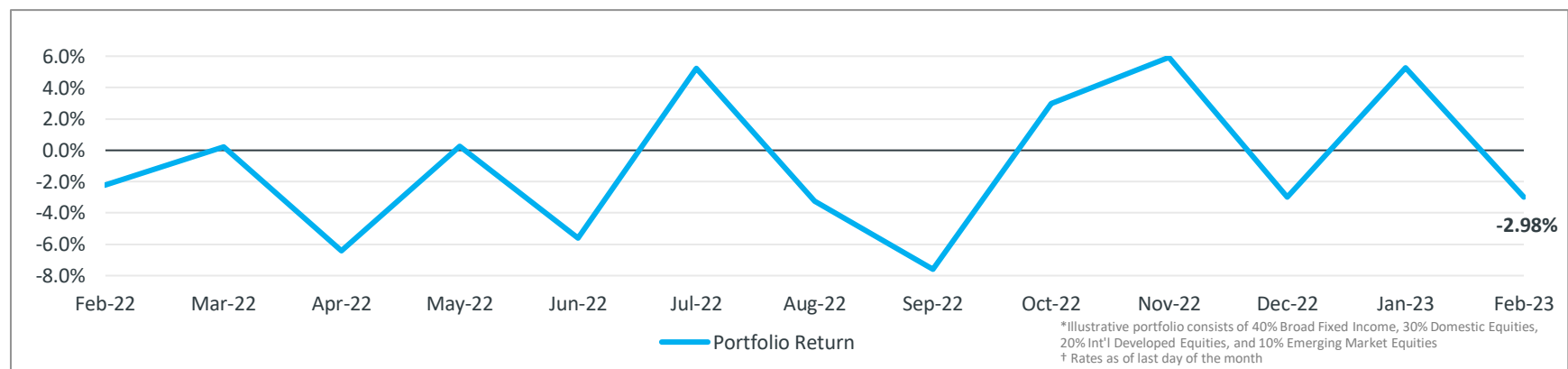
Non-Operating Assets

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



Kaufman Hall, *National Hospital Flash Report* (March 2023)

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



Kaufman Hall, *National Hospital Flash Report* (March 2023)

The equity market gave back some of its year-to-date gains in February as the S&P 500 ended the month down 2.6%, leaving the index 9.2% lower relative to February 2022. While the S&P 500 remains 3.4% higher YTD, negative corporate earnings growth, sticky inflation, and Fed's interest rate hikes have fueled a flight to quality as investors move from risk. The blended 60/40 asset allocation fell 3.0% in February with the MSCI World Index down 2.5% and MSCI Emerging Markets down a notable 6.5%. The Barclays Aggregate Bond Index finished the month 3.0% lower and is now down 9.8% relative to February 2022.

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