May 2020

National Hospital Flash Report

Based on April Data from Over 800 Hospitals

Real Data. Real Insight. Real Time.
Dear Readers,

Our nation’s hospitals are caught in a perilous situation. At the same time that they are serving as the frontlines for the battle against a highly contagious and unpredictable virus, their financial viability is being threatened.

April was the worst month ever for hospitals financially, as shown in this month’s National Hospital Flash Report. The report provides vital insights to just how devastating the pandemic has been thus far, driving steep volume and revenue declines and stubbornly high per-patient expenses for hospitals nationwide. The damage has been swift, pushing the median hospital Operating Margin to –29%, down 326% below budget in April—hospitals’ first full month battling the effects of the COVID-19 pandemic.

April’s steep losses came despite aggressive cost-cutting efforts at individual hospitals. The loss of elective and non-urgent procedures has been a major damaging factor. Yet, even as many states look to restart non-urgent procedures, there is widespread uncertainty as to when patients will return. Research indicates that, along with mandated sheltering and hospitals’ COVID-19 inpatient populations, patient behavior was a significant driver of volume. According to May 2020 Kaufman Hall consumer research, 60% of adults were concerned about the coronavirus directly affecting their health or the health of a family member or other loved one, and nearly 40% said they would be uncomfortable seeking care at a hospital as restrictions ease.
Kaufman Hall continues to track hospital performance to help organizations keep a pulse on this rapidly evolving situation. Next month’s report will provide additional data, incorporating insights into how the pandemic is affecting other outpatient services, such as physician practices and senior care services.

The COVID-19 pandemic is the defining challenge of our times. If these trends continue at our hospitals, the domino effect on the nation’s economy and the broader healthcare system could be catastrophic.

Thanks,

Jim Blake
Managing Director and Publisher
Kaufman Hall

See Kaufman Hall’s Coronavirus page for regular updates.
Executive Summary

April was brutal for the nation’s hospitals as they felt the cascading effects of the first full month of COVID-19’s impacts. Steep volume and revenue declines drove record-poor margin performance for hospitals nationwide, with median Operating Margin and Operating EBITDA Margin, as represented by Kaufman Hall’s indices, falling to –29% and –19%, respectively for April.

Operating EBITDA Margins fell 174% or 2791 basis points (bps) compared to the same period last year and 118% or 1152 bps compared to March, while Operating Margins fell a whopping 282% or 3025 bps year-over-year and 120% or 1344 bps compared to March.

According to the Kaufman Hall’s Hospital Operating EBITDA Margin Index, the median national Hospital Operating EBITDA Margin fell from 6.5% in February to –5% in March, and to –19% in April.

April’s devastating results follow a challenging March, when hospitals first saw the pandemic’s impacts drive across-the-board volume declines starting mid-month. Due to government prohibitions and the desire to stem COVID’s spread, many hospitals were unable to resume elective and non-urgent cases in April, causing year-over-year volume declines more than double those seen in March.

Volumes were down significantly across most metrics in April. As non-urgent procedures continued to be

*Note: The Kaufman Hall Hospital Operating Margin and Operating EBITDA Margin Indices are comprised of the national median of our dataset adjusted for allocations from corporate, physician, and other entities to the hospitals.*
deferred, Operating Room Minutes fell 61% compared to April 2019—more than triple the declines seen the month before. Discharges fell 30% year-over-year, and Emergency Department (ED) Visits dropped 43%.

Revenue results were down across most measures in April, but outpatient services took the biggest hit. Outpatient Revenues fell 50% year-over-year and 51% below budget, while Inpatient Revenues declined 25% year-over-year and 30% below budget.

Expenses remained high in April relative to the much lower numbers of patients. Total Expense per Adjusted Discharge rose 59% year-over-year, while Labor Expense per Adjusted Discharge was up 63% and Non-Labor Expense per Adjusted Discharge rose 58%. While total expenses declined slightly, those decreases did not come close to keeping up with steep volume declines. This suggests that hospitals’ efforts to reduce costs through mass furloughs, significant pay cuts for executives, and other measures have been insufficient thus far to make up for lost volumes.

Looking at Non-Operating performance, equities saw a sharp recovery in April with hopes that the pandemic’s impacts would be less severe than originally predicted, following a historic collapse in March. The U.S. economy continued to falter, however, with more than 30 million unemployment claims filed by early May, as many businesses remained closed.

April saw nearly $4 billion of municipal fund outflows, continuing a streak of withdrawal from March. ISM Purchasing Manager Indexes—economic indicators of the manufacturing and service sectors—soured to 41.5% in April, representing a sharp contraction. Economic uncertainties remain, as Fed Chairman Jerome Powell said in mid-May: “the recovery may come more slowly than we would like.”
National Margin Observations

Hospitals nationwide felt the first full month of COVID-19’s impacts on operations in April, with brutal results. Steep volume and revenue declines and stagnant expenses drove record-poor margin performance. The median hospital Operating Margin plummeted to –29% and median Operating Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) Margin fell to –19%, as represented by Kaufman Hall’s indices. That is about a 120% reduction for both measures from March to April.

Operating EBITDA Margins fell nearly 2800 bps or 174% compared to the same period last year and more than 1150 bps or 118% compared to March, while Operating Margins fell 3025 bps or 282% year-over-year and nearly 1350 bps or 120% compared to March. Both metrics fell massively below hospitals’ budgets for the month, down 2700 bps or 191% for Operating EBITDA Margin, and down more than 3000 bps or 326% for Operating Margin.

Source: Kaufman Hall’s Comparative Analytics, May 2020

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

The results come after a challenging March, when hospitals first saw the pandemic's affects drive across-the-board volume declines. While those trends primarily hit the last two weeks of March, they continued throughout the full month of April.

Unable to resume non-urgent cases in April, many hospitals continued to delay non-COVID related care, causing year-over-year volume declines more than double those seen the month before.

### Margin % Change

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<thead>
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<th>Budget Variance</th>
<th>Month-Over-Month</th>
<th>Year-Over-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating EBITDA Margin</td>
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<td>-118.0%</td>
<td>-173.9%</td>
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<tr>
<td>Operating Margin</td>
<td>-326.2%</td>
<td>-120.1%</td>
<td>-281.6%</td>
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Unless noted, figures are actuals and medians expressed as percentage change

### Margin Absolute Change

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<thead>
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<th></th>
<th>Budget Variance</th>
<th>Month-Over-Month</th>
<th>Year-Over-Year</th>
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</thead>
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<tr>
<td>Operating EBITDA Margin</td>
<td>(2,691.0)</td>
<td>(1,152.0)</td>
<td>(2,791.4)</td>
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<tr>
<td>Operating Margin</td>
<td>(3,004.4)</td>
<td>(1,344.3)</td>
<td>(3,024.9)</td>
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</tbody>
</table>

Unless noted, figures are actuals and medians expressed in basis points
EBITDA Margin by Region

Hospitals across all regions of the country saw Operating EBITDA Margins fall both year-over-year and below budget for the second consecutive month.

Hospitals in the Midwest felt the greatest impact, with Operating EBITDA Margins down 4008 bps or 327% year-over-year and 4456 bps or 300% below budget expectations. Contributing factors included the fact that the region had the greatest volume decreases spanning Discharges, Adjusted Discharges, and Adjusted Patient Days, combined with the highest year-over-year increases in adjusted expenses across all measures.

Year-over-year results for the four other regions ranged from declines of about 1500 to 2840 bps or 101% to 174%.
**EBITDA Margin by Bed Size**

Operating EBITDA Margins fell significantly both year-over-year and to budget across all bed-size cohorts for the second month in a row. Larger hospitals with 300-499 beds saw the greatest relative declines, down 230% year-over-year and 227% to budget, due to having among the steepest volume declines and relatively high expenses across most measures compared to other bed-size cohorts.

Hospitals of 26-99 beds experienced the greatest real declines in Operating EBITDA Margins of 3380 bps relative to last year. The nation’s the largest hospitals with 500 beds or more saw the least real decrease of 1520 bps or 147% compared with April 2019.
Volumes were down significantly both year-over-year and month-over-month across most metrics in April. Surgery volumes saw the most significant declines, as patients and providers continued to defer non-urgent procedures. Operating Room Minutes fell 61% compared to April 2019—more than triple the 19% year-over-year decline seen the month before. Operating Room Minutes fell 51% compared to March 2020, and 63% below budget expectations.

Overall Discharges fell 30% year-over-year and 23% month-over-month, and were 31% below budget. Adjusted Discharges declined 41% year-over-year and 34% month-over-month, and were 43% below budget, while Adjusted Patient Days fell 39% year-over-year, 30% month-over-month, and were 40% below budget.

Emergency Department (ED) Visits declined 43% compared to the same period last year, and were down 36% compared to March, and 43% compared to budget. Average Length of Stay (LOS) was relatively unchanged, down less than 1% year-over-year, up 5% compared to prior month, and falling close to budget expectations.

<table>
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<th>Volumes % Change</th>
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<th>Month-Over-Month</th>
<th>Year-Over-Year</th>
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<td>Adjusted Discharges</td>
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<tr>
<td>Adjusted Patient Days</td>
<td>-40.1%</td>
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<td>Average Length of Stay</td>
<td>-0.3%</td>
<td>5.4%</td>
<td>-0.7%</td>
</tr>
<tr>
<td>ED Visits</td>
<td>-43.3%</td>
<td>-35.9%</td>
<td>-43.0%</td>
</tr>
<tr>
<td>Operating Room Minutes</td>
<td>-62.9%</td>
<td>-51.3%</td>
<td>-61.4%</td>
</tr>
</tbody>
</table>
Volume by Region

Hospitals across all regions of the country saw volumes fall year-over-year and compared to budget for five of six metrics—Discharges, Adjusted Discharges, Adjusted Patient Days, ED Visits, and Operating Room Minutes.

Results were clustered for Discharges. Hospitals in the Midwest had the largest declines at 34% year-over-year and 33% below budget. Hospitals in the West and South saw the lowest year-over-year decreases at 28%, and hospitals in the South saw the lowest decrease to budget, also at 28%.

The Midwest region had the greatest decreases both year-over-year and compared to budget for Adjusted Discharges and Adjusted Patient Days. Hospitals in the region were down 48% both year-over-year and to budget for Adjusted Discharges, and 44% year-over-year and 48% to budget for Adjusted Patient Days. Hospitals in the Great Plains saw the lowest decreases...
Volume by Region (continued)

for Adjusted Discharges, down 31% year-over-year and 34% to budget, while hospitals in the West saw the least decreases for Adjusted Patient Days, down 36% year-over-year and 37% to budget. For ED Visits, hospitals in the Northeast/Mid-Atlantic had the steepest declines, down 46% year-over-year, in contrast to a 34% year-over-year decline for hospitals in the Great Plains.

Hospitals across all regions saw significant declines in Operating Room Minutes. Hospitals in the Northeast/Mid-Atlantic were the most affected, as the region continues to see high rates of COVID-19 and slow returns of non-urgent procedures. Operating Room Minutes in the Northeast/Mid-Atlantic were down 83% both year-over-year and to budget. Hospitals in the West also were significantly impacted, but had the lowest percentage decreases compared to other regions, at 49% year-over-year and 48% below budget.

Average LOS results varied widely across regions. Hospitals in the Great Plains and South were down year-over-year and to budget for this metric, while hospitals in the Northeast/Mid-Atlantic and West both increased year-over-year and to budget. Hospitals in the Midwest were up slightly year-over-year, but saw the greatest variance to budget at 5% below budget.
Hospitals across all bed-size cohorts also experienced declines both year-over-year and to budget for Discharges, Adjusted Discharges, Adjusted Patient Days, ED Visits, and Operating Room Minutes. For Discharges, the nation’s smallest hospitals with 0-25 beds saw the greatest decreases, down 38% year-over-year and 35% to budget. At the other end of the spectrum, the nation’s largest hospitals of 500 beds or more saw the lowest declines, at 28% both year-over-year and to budget.

The smallest hospitals (0-25 beds) also saw the most significant year-over-year declines for both Adjusted Discharges and Adjusted Patient Days, down 47% and 46%, respectively. Hospitals with 0-25 beds had the greatest budget impact for Adjusted Patient Days, down 47%, while hospitals with 26-99 beds had the greatest budget impact for Adjusted Discharges, down 46%. The largest hospitals of 500 beds or more again had the least declines for Adjusted Discharges, down 33% year-over-year and 35% below budget.
For ED Visits, hospitals with 0-25 beds had the least declines at 38% year-over-year and 40% to budget, while hospitals with 26-99 beds had the greatest declines, down 46% both year-over-year and to budget. Year-over-year declines in Operating Room Minutes ranged from 52% for hospitals with 500 beds or more, to 70% for hospitals with 26-99 beds. Declines to budget ranged from 53% for the largest hospitals (500 beds or more) to 74% for the smallest hospitals (0-25 beds).

Average LOS results again were the most varied. Hospitals with 0-25, 100-199, and 200-299 beds all were down year-over-year and compared to budget, while hospitals with 26-99 beds were down year-over-year but above budget, and hospitals with 300-499 and 500 beds or more were up year-over-year and above budget.
Revenue results were down across most measures in April, but outpatient revenues took the biggest hit as patients avoided seeking care for fear of contracting the virus and many non-emergent services remained closed. Outpatient Revenues fell 50% year-over-year in April, fell 40% month-over-month, and were 51% below budget. By comparison, Inpatient Revenues declined slower than Discharges, at 25% year-over-year and 21% month-over-month, and were 30% below budget.

Looking at Total Gross Revenue, performance fell 30% compared to April 2019, 19% compared to March, and 33% below budget expectations. Bad Debt and Charity also declined, but Bad Debt and Charity as a Percent of Gross increased 4% year-over-year, ending the month 3% above budget.

The Inpatient/Outpatient Adjustment Factor decreased 17% year-over-year, 13% month-over-month, and was 16% below budget, reflecting the month’s low outpatient volumes.
Adjusted revenue results varied significantly across different regions in April. NPSR per Adjusted Discharge increased year-over-year and to budget for hospitals in the South, Midwest, Northeast/Mid-Atlantic, and West. The Midwest had the greatest year-over-year increase at 19%, while the West had the greatest increase to budget at 17%.

For NPSR per Adjusted Patient Day, hospitals in the South, Midwest, and West again saw increases year-over-year and to budget. The Northeast/Mid-Atlantic was down year-over-year but close to budget, and the Great Plains was essentially flat year-over-year and slightly below budget for NPSR per Adjusted Patient Day. The Midwest had the greatest increases for this metric, up 14% year-over-year and 6% above budget.
Revenue by Region (continued)

Bad Debt and Charity as a Percent of Gross was up year-over-year and compared to budget in the Great Plains, West, Midwest, and South, with the Midwest and South both having the greatest year-over-year increases at 9%. The Northeast/Mid-Atlantic was an outlier, up 1% year-over-year but falling 13% below budget expectations.

The IP/OP Adjustment Factor fell year-over-year and to budget for hospitals across all regions. The Northeast/Mid-Atlantic had the greatest declines, down 23% year-over-year and 22% below budget. The Great Plains had the least decreases, down 11% year-over-year and 9% below budget for IP/OP Adjustment Factor.
Revenue by Bed Size

Looking at different bed-size cohorts, NPSR per Adjusted Discharge increased year-over-year and to budget for hospitals of all sizes. The smallest hospitals with 0-25 beds saw the greatest year-over-year increase for this metric at 15%, while hospitals with 200-299 beds had the greatest increase to budget, also at 15%. Smaller hospitals with 26-99 beds saw the least increases at 6% year-over-year and less than 1% above budget.

NPSR per Adjusted Patient Day increased year-over-year and to budget for five of six bed-size cohorts. Hospitals with 100-199 beds had the greatest year-over-year increase at 9%, while hospitals with 0-25 beds had the greatest increase to budget at 5%. Hospitals with 300-499 beds were the outlier for this metric, falling less than 1% below April 2019 performance, and 2% below budget.
Revenue (continued)

Revenue by Bed Size (continued)

The IP/OP Adjustment Factor, however, was down year-over-year and compared to budget for all bed-size cohorts. Hospitals with 26-99 had the most significant declines, down 19% compared to April 2019 and 18% below budget.

Bad Debt and Charity as a Percent of Gross saw relatively small deviations year-over-year, ranging from down 8% for hospitals with 0-25 beds, to up 18% for hospitals with 500 beds or more. There was greater variation compared to budget, ranging from 12% below budget for hospitals with 0-25 beds, to 19% above budget for hospitals with 26-99 beds.
Hospitals’ per-patient expenses remained high in April relative to the much lower numbers of patients being treated. While total expenses declined slightly, those decreases did not come close to keeping up with steep volume declines. This suggests that hospitals’ efforts to reduce costs through mass furloughs, significant pay cuts for executives, and other cost control measures have been insufficient thus far to make up for lost volumes, but may have a greater impact in future months.

For example, Total Expense per Adjusted Discharge rose 59% both year-over-year and compared to budget. Total Expenses, however, dropped 7% year-over-year and fell 10% below budget. The same pattern can be seen with labor and non-labor expenses. Labor Expense per Adjusted Discharge was up 63% both year-over-year and to budget, while Total Labor Expense fell just 5% compared to April 2019 and was 8% below budget. Full-Time Equivalents (FTEs) per Adjusted Occupied Bed (AOB) rose 44% year-over-year and was 43% above budget.
Non-Labor Expense per Adjusted Discharge rose 58% compared to April 2019 and was 55% above budget, but Total Non-Labor Expense was down 9% year-over-year and 12% below budget. Purchased Service Expense per Adjusted Discharge had the greatest increases of any expense metric, up 81% year-over-year and 72% above budget.

Drug Expense per Adjusted Discharge also saw significant increases, up 62% year-over-year and 60% above budget expectations, while Supply Expense per Adjusted Discharge rose 25% year-over-year and was 24% above budget.
Expense by Region

Hospitals across all regions saw adjusted expenses increase both year-over-year and compared to budget for all metrics. The Midwest had the greatest year-over-year increases across all measures, while the Great Plains had the lowest increases for most metrics, with the exceptions of Supply Expense and Purchased Service Expense per Adjusted Discharge.

Year-over-year increases for Total Expense per Adjusted Discharge ranged from 41% for hospitals in the Great Plains to 83% in the Midwest. For Labor Expense per Adjusted Discharge, year-over-year increases ranged from 45% in the Great Plains to 87% in the Midwest. These results correlate with the FTE per AOB year-over-year increases, which ranged from 28% in the Great Plains to 60% in the Midwest.

Non-Labor Expense per Adjusted Discharge results ranged from 43% year-over-year in the Great Plains to 73% in the Midwest, while Supply Expense per Adjusted Discharge results ranged from 20% year-over-year in the South to 44% in the Midwest. The Great Plains also had the lowest year-over-year increase in Drug Expense per Adjusted Discharge at 40%, while the Midwest had the highest at 96%. For Purchased Service Expense per Adjusted Discharge, year-over-year increases ranged from a low of 61% in the Northeast/Mid-Atlantic to a high of 89% in the Midwest.
Expense by Region (continued)

Non-Labor Expense per Adjusted Discharge
Year-Over-Year % Change vs Budget Variance

Drug Expense per Adjusted Discharge
Year-Over-Year % Change vs Budget Variance

Supply Expense per Adjusted Discharge
Year-Over-Year % Change vs Budget Variance

Purchased Service Expense per Adjusted Discharge
Year-Over-Year % Change vs Budget Variance

Source: Kaufman Hall's Comparative Analytics, May 2020
Expense by Bed Size

Adjusted expenses were up both year-over-year and to budget across all metrics for hospitals of all sizes in April. For Total Expense per Adjusted Discharge, year-over-year increases ranged from a low of 35% for the nation’s largest hospitals of 500 beds or more, to a high of 68% for the nation’s smallest hospitals of 0-25 beds.

Labor Expense per Adjusted Discharge ranged from 44% year-over-year for hospitals with 500 beds or more to 71% for hospitals with 200-299 beds. Five of six bed-size cohorts saw FTEs per AOB increase between 35%-47% year-over-year, while hospitals with 0-25 beds had a larger increase at about 57%.

Non-Labor Expense per Adjusted Discharge rose 35% year-over-year and 44% to budget for the nation’s largest hospitals (500 beds or more), and 67% year-over-year and 55% to budget for the smallest hospitals (0-25 beds).

Supply Expense per Adjusted Discharge increases ranged from 15% year-over-year for hospitals with 100-199 beds, to 48% for hospitals with 0-25 beds. Drug Expense per Adjusted Discharge increases were more clustered, with a low of 52% for 100-199 bed hospitals and a high of 65% for hospitals with 200-299 and 300-499 beds.

Four of five bed-size cohorts saw Purchased Service Expense per Adjusted Discharge jump 81% or more year-over-year. The largest hospitals of 500 beds or more were the only cohort to see a smaller increase for this metric at 60% year-over-year.
Equities rose across the board in April after suffering one of the most drastic collapses in history in March. Bullish sentiment increased with hopes that the pandemic's impacts would be less severe than originally predicted. The sharp spike in volatility seen in March subdued throughout April and into early May (as of time of publishing).

However, the recovery in the equities market was in contrast with economic realities in the U.S. By early May, more than 30 million workers had filed unemployment claims. Government-mandated restrictions affected almost all industries, forcing businesses to make major workforce cuts. The U.S. unemployment rate jumped more than 10% to 14.7%, the highest level since the Great Depression. The Bureau of Economic Analysis forecasted that the pandemic’s economic ramifications would lead to a 4.8% GDP contraction in the first quarter of 2020, accompanied by a sharp fall in consumer confidence at nearly 32% between March and April.

Congress and the Federal Reserve continued efforts to mitigate the economic impacts. Millions of eligible individuals received their direct cash stimulus as part of the initial $2 trillion stimulus package. Congress also began to roll out relief measures to small businesses heavily impacted by declining revenues. The Federal Reserve continued multiple aggressive measures begun in March to facilitate market recovery, including municipal bond purchases. The Fed’s seemingly unwavering commitment to Chairman Powell’s March

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<th>General</th>
<th>April 2020</th>
<th>M-o-M Change</th>
<th>Y-o-Y Change</th>
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<tr>
<td>GDP Growth†</td>
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<td>Unemployment Rate</td>
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<td>Personal Consumption Expenditures, Y-o-Y</td>
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<th>Assets</th>
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<th>Y-o-Y Change</th>
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† U.S. Bureau of Economic Analysis, Q1 2020 “Advance 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
statement that the Fed is “not going to run out of ammunition” continued to excite many investors in April, contributing to the recovery in equity values.

Tensions between the White House and China flared in early May, fueled by rhetoric that the virus’ spread was attributable to the Chinese government’s mismanagement. Trade tensions between the two global superpowers had been on a brief intermission since a January agreement. International tensions and uncertainty around COVID-19’s future implications continue to keep volatility in the equity markets at a historically elevated state. Despite the recent rally, investors remain skeptical, as the market outlook remains highly uncertain.
Non-Operating Liabilities

The 30-year municipal bond rates continued to rise in April, up 29 bps to 2.28%, as investors flocked to the increasingly attractive equity markets. The Fed continued to prop up bond markets and has grown its balance sheet by $2.3 trillion since March. The Fed also held rates near zero, and maintained that this policy will not change in the near future.

As a result, 30-year Treasury rates declined to 1.28%. 1M LIBOR dropped 66 bps to 0.33% by the end of April, aligning with the Fed Funds rate. So far, May has offered no notable difference, as 1M LIBOR now sits at 0.18%, a low last seen in 2014. The tax-exempt short-term rate SIFMA finished April with a staggering drop of 449 bps to 0.22%—one of the sharpest declines on record. Like 1M LIBOR, SIFMA declined further to 0.19% as of market closing on May 12. Short-term indices are expected to remain in this range, as long as the Fed maintains its 0.00%-0.25% range.

Long Term
Non-Operating Liabilities (continued)

Municipal fund flows returned to a semblance of normalcy, with $3.8 billion in redemptions in April. While negative, the outflows are nothing like the $42.1 billion in outflows observed in March. Municipal bond funds reported $408 million of net outflows for the week ending May 6.

Note: 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 investments and principal and interest payments on existing and maturing holdings. Strong fund flows are desirable, indicating robust demand for the underlying debt securities.
flows signal generally 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 Assets

Equities rallied in April on the tailwind of the CARES stimulus package and substantial Fed intervention. The Dow and S&P 500 both saw their biggest monthly percentage gains since January 1987, up 11.1% and 12.7%, respectively. The Blended 60/40 Asset Allocation finished April 7.6% higher, as world stocks rose. The MSCI World Index was up 10.8% and the MSCI Emerging Markets Index rose 9%. The Barclays Aggregate Bond Index finished the month 1.8% higher, up 10.8% year-over-year compared to -1.1% for the S&P 500.

Skepticism appears to be returning to the markets, however. Fed Chairman Powell's May 13 comment that “the recovery may come more slowly than we would like” sent stocks lower. At publishing time, the S&P 500 was down 3.2% in May and investors have continued to pull money from U.S. equity funds as $8.7 billion of outflows in the first week of May followed $12.3 billion in redemptions the week prior.

Long Term

![Illustrative Investment Portfolio Returns Month-over-Month Change](chart)

*Illustrative portfolio consists of 40% Broad Fixed Income, 30% Domestic Equities, 20% Intl Developed Equities, and 10% Emerging Market Equities
† Rates as of last day of the month
Non-Operating Assets (continued)

Last Twelve Months

Illustrative Investment Portfolio Returns
Month-over-Month Change

-10.0%  -8.0%  -6.0%  -4.0%  -2.0%  0.0%  2.0%  4.0%  6.0%  8.0%  10.0%

Portfolio Return

7.58%

*Illustrative portfolio consists of 40% Broad Fixed Income, 30% Domestic Equities, 20% Int'l Developed Equities, and 10% Emerging Market Equities
† Rates as of last day of the month

Kaufman Hall, National Hospital Flash Report (May 2020)
About Data

The *National Hospital Flash Report* uses both actual and budget data over the last three years, sampled from over 800 hospitals on a recurring monthly basis from the Axiom Comparative Analytics™ tool. 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, the Axiom Comparative Analytics™ tool also contains this 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.

Axiom is the wholly owned software division of Kaufman Hall.

See more information about data.

**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

**Map of Regions**
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