

KaufmanHall

JUNE 2022

National Hospital Flash Report

Real Data. Real Insight. Real Time.

Based on May Data from More Than 900 Hospitals

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Key Observations

Summary

U.S. hospitals and health systems continued to face difficult financial and operational headwinds in May. Operating margins rose from April but remained significantly lower than pre-pandemic levels and May 2021. Volumes were up slightly from the previous month, with rising ED visits close to numbers last seen in 2019 and earlier.

Gross operating revenues rose month-over-month and in comparison to May 2021. But expenses — especially labor costs — were elevated across nearly every metric month-over-month.

Margins

The median Kaufman Hall Year-To-Date (YTD) Operating Margin Index reflecting actual margins was -0.33% through May.

The median change in Operating Margin was up 18.9% from last month but down 45.6% from May 2021. The median change in Operating EBITDA Margin was up 13.5% month-over-month, but down 36.1% from May 2021.

Volumes

Patient volumes rose in May, with Length of Stay (LOS) up 2.3% from April and 5.5% compared to May 2021. Patient Days increased by 4.8% month-over-month but dropped 0.5% versus May 2021. Adjusted Patient Days grew 3.5% from April to May and were 4% above May 2021 levels. Adjusted Discharges rose slightly, at 0.6% month-over-month, but were down 0.3% compared to May 2021. Surgeries barely fluctuated, with Operating Room Minutes down 1.0% from last month and up just 0.1% YOY. Emergency Department (ED) Visits jumped 9.5% from April to May and were up 4.5% YOY.

Revenues

Volume increases resulted in slightly improved revenue performance in May. Gross Operating Revenue was up 3.4% from April and 7.6% YOY, and is up 6.9% YTD. Similarly, Outpatient (OP) Revenue rose 2.2% from April levels, 9.4% YOY and is up 9.1% YTD. Inpatient (IP) Revenue climbed 3.5% from the previous month and 2.6% from May 2021, and is up 4.2% YTD.

Summary *(continued)*

Expenses

Total Expenses continued to climb in May, rising 1.1% from April and 10.7% from May 2021. Inflation and labor shortages contributed to total costs climbing 10.4% YTD.

Labor Expense per Adjusted Discharge inched up by 1.0% from April and has surged 13.6% YTD, while Full-Time Employees Per Adjusted Occupied Bed (FTEs per AOB), is down by 2.7% YTD, indicating that hospitals are spending more on labor costs with fewer hours worked. However, FTEs per AOB rose slightly in May, up 2.8% from April. Total Expense per Adjusted Discharge increased by 0.3% from April, and Labor Expense per Adjusted Discharge rose 1.0% from last month.

Non-Operating

The Federal Reserve raised its benchmark rate by 75 basis points in mid-June, the most aggressive increase since 1994, as inflation hit a 40-year high of 8.6% in May. New projections show The Federal Open Market Committee (FOMC) participants expect the Fed to raise rates to at least 3% this year, with half indicating 3.375%. Labor metrics remain strong with unemployment reading 3.6% in May and employers adding 390,000 new jobs.

Consumer sentiment hit a record low reading of 50.2 in early June, comparable to the low point reached during the 1980 recession. US equities ended May with marginal gains after weeks of volatile trading due to economic data and corporate earnings sowing doubt over the health of the US economy.

Takeaways at a Glance

1. **Nearly halfway through 2022, margins are cumulatively negative.**

While some metrics have normalized, hospitals continue to perform below pre-pandemic levels, and there is an uncertain outlook for the rest of the year.

2. **Elevated labor costs remain a significant challenge.**

Hospitals are still seeing higher labor costs and fewer hours worked, a sign of inflation and an indicator that long-standing labor shortages are likely worsened by increased turnover.

3. **Warmer temperatures and ED visits drove up volumes and revenues.**

Patients often schedule elective procedures during the summer months, which may have contributed to growing volumes. Emergency department visits also spiked this past month as people spent more time outdoors.

4. **Pent-up demand for hospital services also contributed to an increase in patients.**

Sicker patients continued to schedule procedures they had previously postponed, suggesting a return to normalcy as COVID-19 hospitalizations remained relatively low.

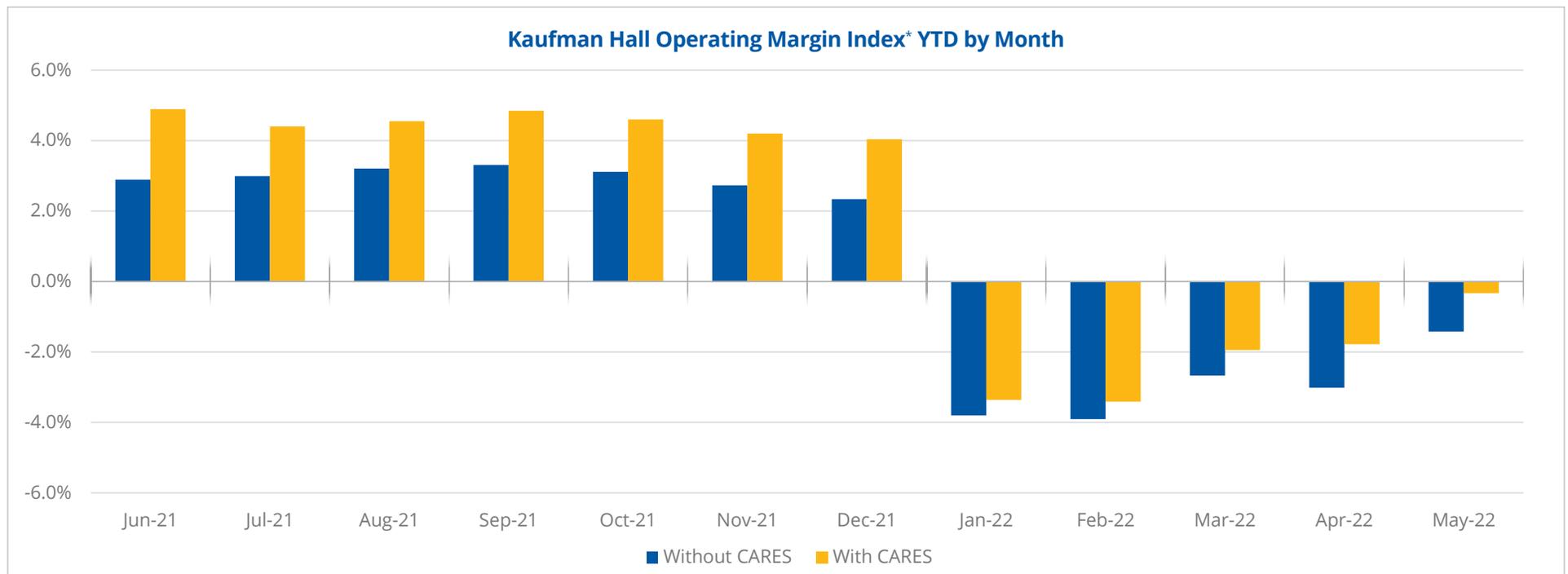
Margins

National Margin Results

| MARGIN % CHANGE | Budget Variance | Month-Over-Month | Year-Over-Year | Year-Over-Year 2020 |
|------------------------------------|-----------------|------------------|----------------|---------------------|
| Operating EBITDA Margin Less CARES | -38.6% | 14.6% | -39% | 37.1% |
| Operating Margin Less CARES | -59.9% | 19.1% | -49.9% | 46.3% |

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

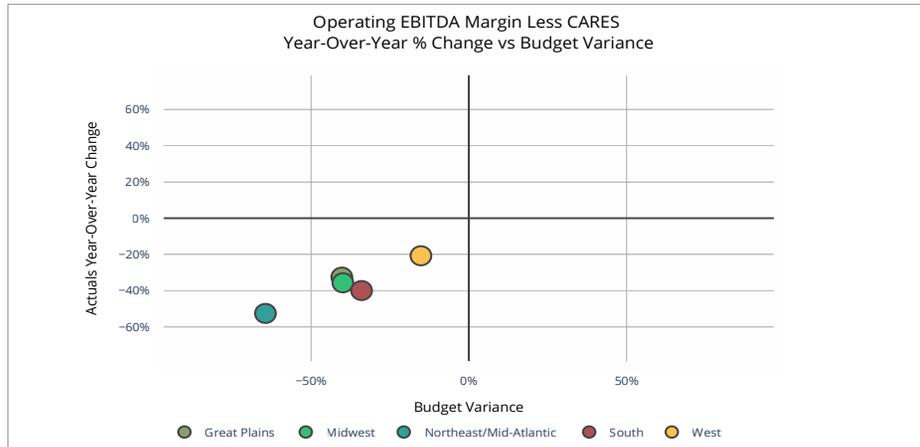
| MARGIN ABSOLUTE CHANGE | Budget Variance | Month-Over-Month | Year-Over-Year | Year-Over-Year 2020 |
|------------------------------------|-----------------|------------------|----------------|---------------------|
| Operating EBITDA Margin Less CARES | -489.0 | 147.9 | -459.9 | 404.2 bps |
| Operating Margin Less CARES | (-481.5) | 159.8 | -485.9 | 546.4 bps |



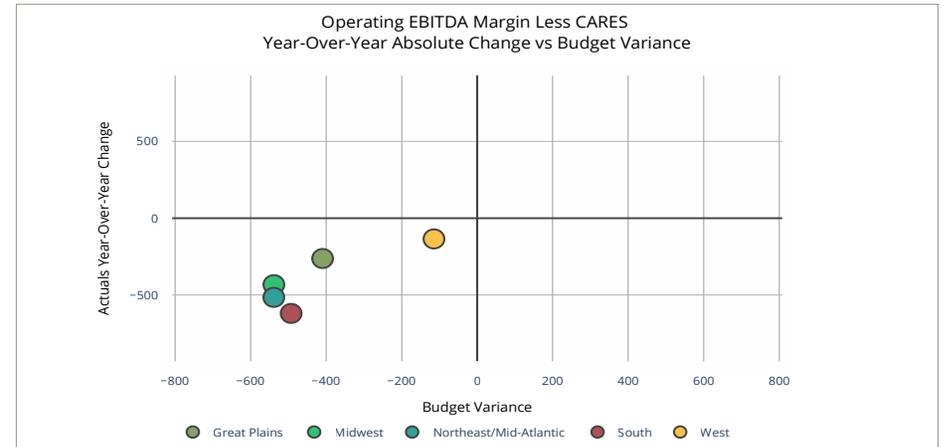
Source: National Hospital Flash Report (June 2022)

* 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



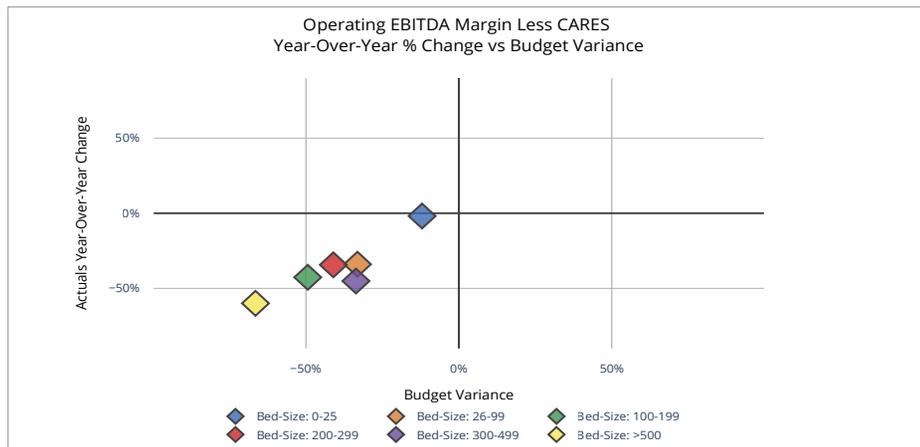
Source: Kaufman Hall National Hospital Flash Report, June 2022



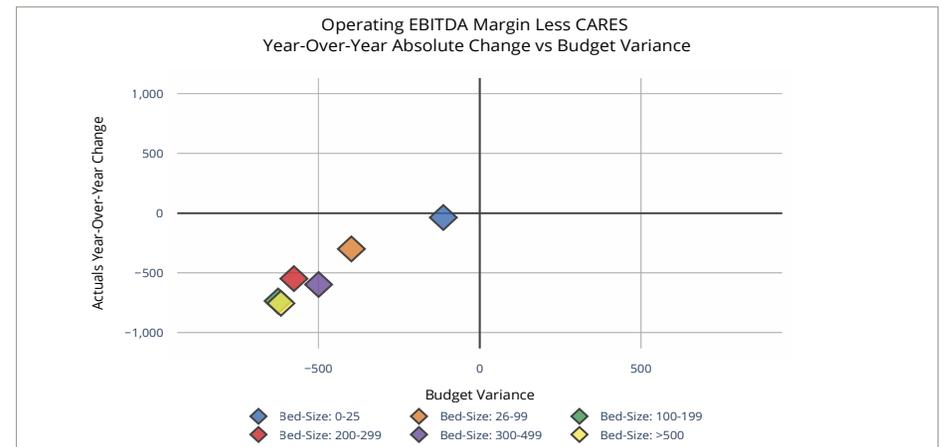
Source: Kaufman Hall National Hospital Flash Report, June 2022

The median change in Operating EBITDA Margin (without CARES) dropped year-over-year (YOY) for hospitals across all regions in May. Hospitals in the Northeast/Mid-Atlantic had the biggest decrease at -52% YOY, while hospitals in the West decreased the least at -21% YOY.

EBITDA Margin by Bed Size



Source: Kaufman Hall National Hospital Flash Report, June 2022



Source: Kaufman Hall National Hospital Flash Report, June 2022

The median change in Operating EBITDA Margin (without CARES) was down YOY in March for hospitals of all sizes. Hospitals with bed sizes in the 500-bed-and-up cohort had the biggest decline at -60% YOY. The smallest hospitals with up to 25 beds had the least decline at -2% YOY.

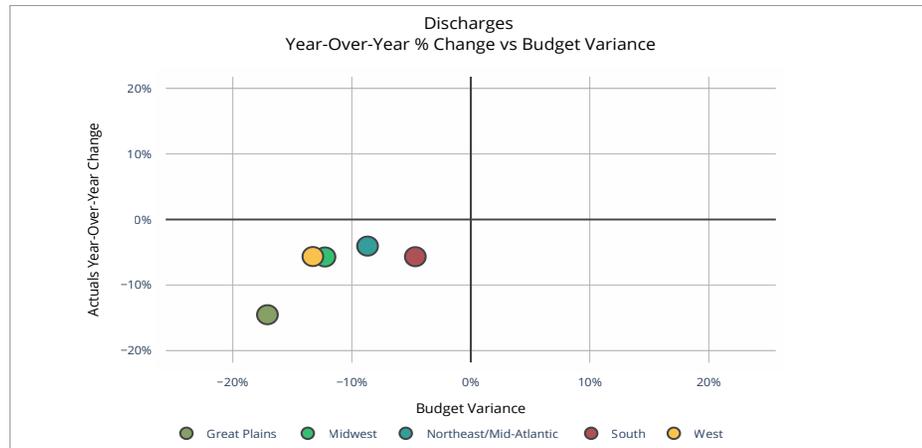
Volumes

National Volume Results

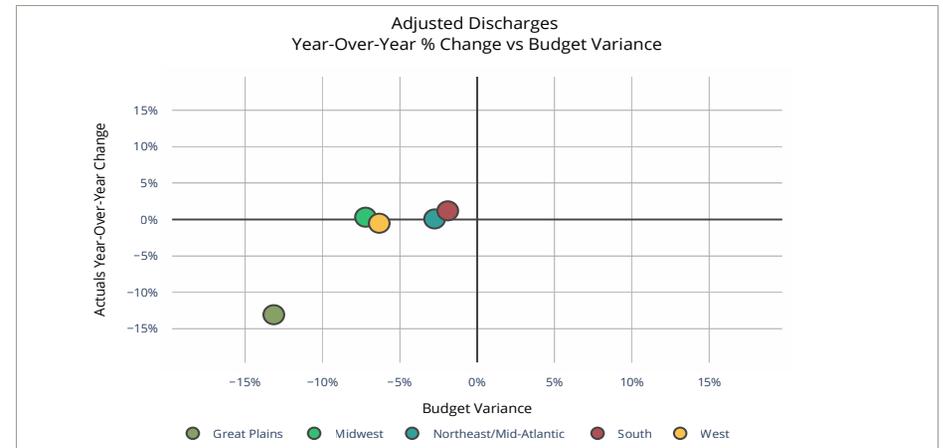
| VOLUMES % CHANGE | Budget Variance | Month-Over-Month | Year-Over-Year | Year-Over-Year 2020 |
|--|-----------------|------------------|----------------|---------------------|
| Discharges | -9.4% | 1.8% | -6.0% | 7.9% |
| Adjusted Discharges | -3.4% | 0.6% | -0.3% | 28.0% |
| Patient Days | -3.9% | 4.8% | -0.5% | 14.8% |
| Observation Patient Days as a Percent of Patient Day | 10.4% | -3.9% | 1.2% | 37.3% |
| Adjusted Patient Days | 2.8% | 3.5% | 4.0% | 34.1% |
| Average Length of Stay | 5.4% | 2.3% | 5.5% | 3.6% |
| ED Visits | 5.4% | 9.5% | 4.5% | 44.1% |
| Operating Room Minutes | -4.3% | -1.0% | 0.1% | 34.2% |

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

Volume by Region



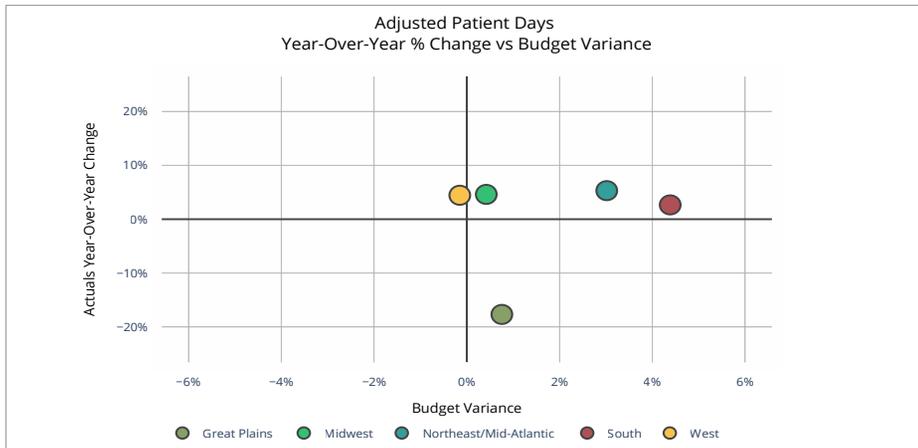
Source: Kaufman Hall National Hospital Flash Report, June 2022



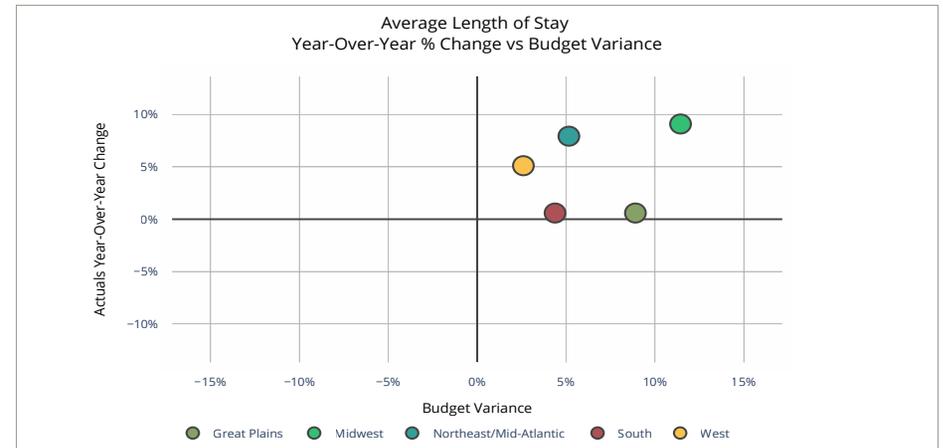
Source: Kaufman Hall National Hospital Flash Report, June 2022

Discharges declined YOY for across all regions. The Great Plains had the biggest decrease at -15% YOY. This region also saw the greatest drop in Adjusted Discharges, at -13%. The South experienced the largest increase in Adjusted Discharges at 1%.

Volume by Region (continued)

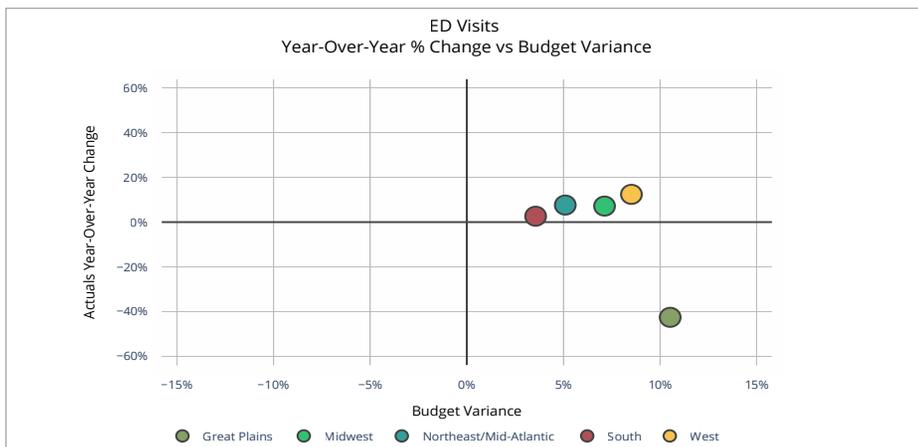


Source: Kaufman Hall National Hospital Flash Report, June 2022

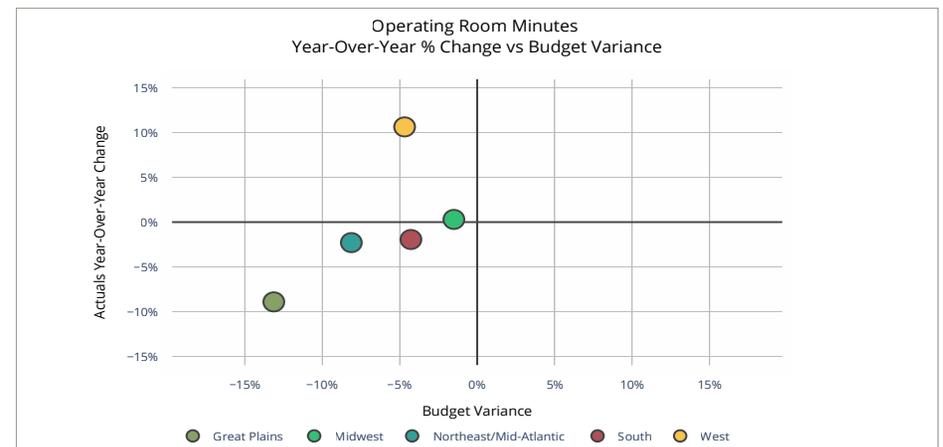


Source: Kaufman Hall National Hospital Flash Report, June 2022

Adjusted Patient Days had the highest increase at 5% in the Northeast/Mid-Atlantic region. The Great Plains was the only region to see a YOY decline at -18%. Average Length of Stay (LOS) rose YOY for all regions. The Midwest had the largest increase at 9% YOY.



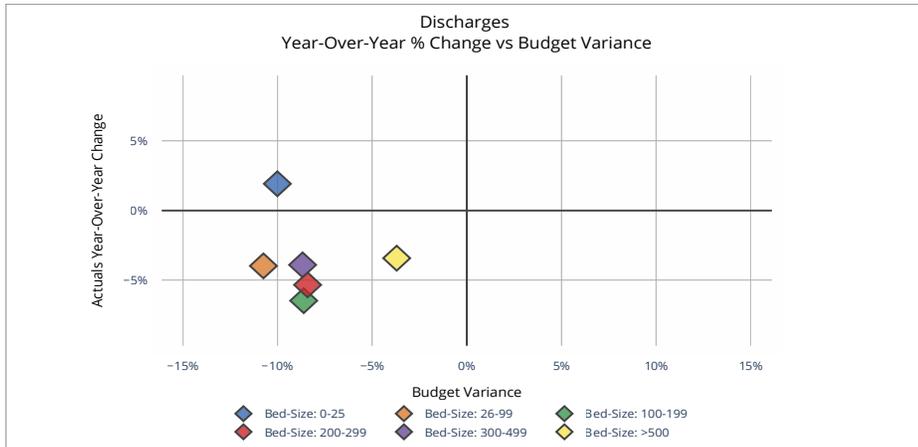
Source: Kaufman Hall National Hospital Flash Report, June 2022



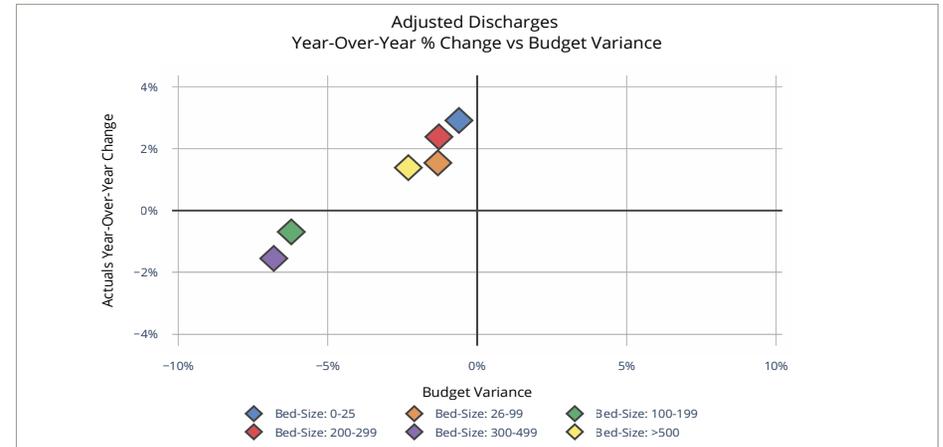
Source: Kaufman Hall National Hospital Flash Report, June 2022

Emergency Department (ED) Visits rose across all regions, except for the Great Plains, which saw a 43% decline. Operating Room Minutes decreased or remained flat YOY for all regions, except the West.

Volume by Bed Size

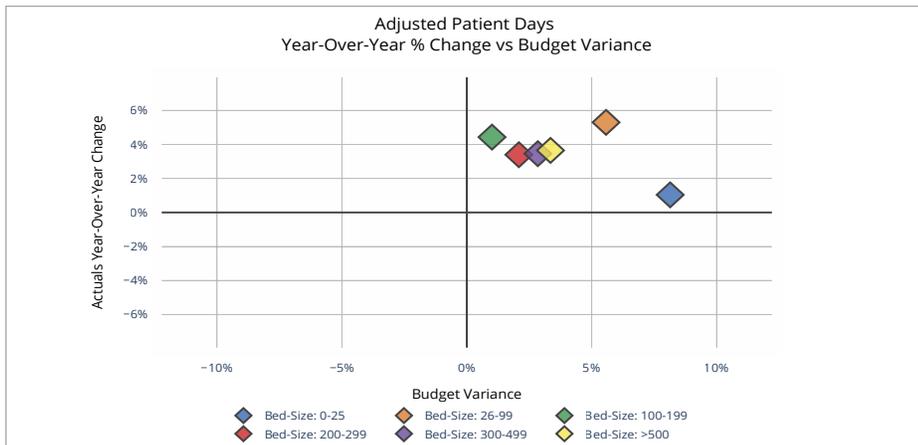


Source: Kaufman Hall National Hospital Flash Report, June 2022

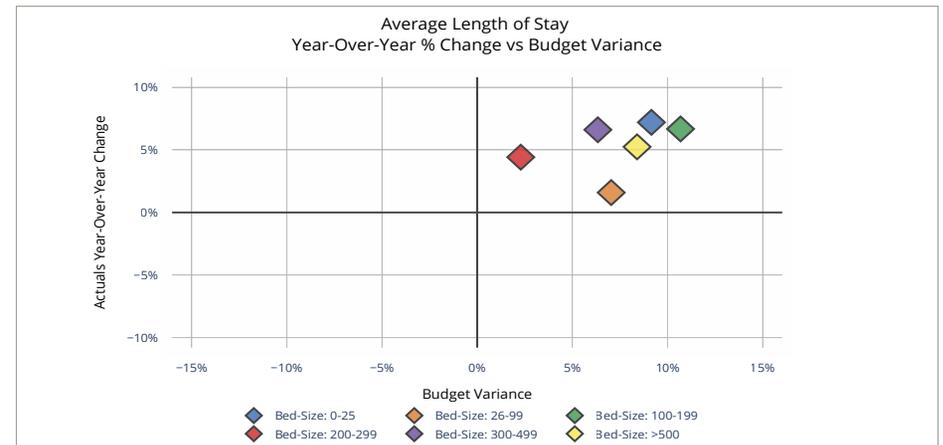


Source: Kaufman Hall National Hospital Flash Report, June 2022

Discharges declined YOY for all bed-size cohorts except for the smallest hospitals (0-25 beds) which saw a 2% increase. Hospitals with 0-25 beds had the highest increase in Adjusted Discharges at 3%, while hospitals with 300-499 beds had the largest decrease at 2%.



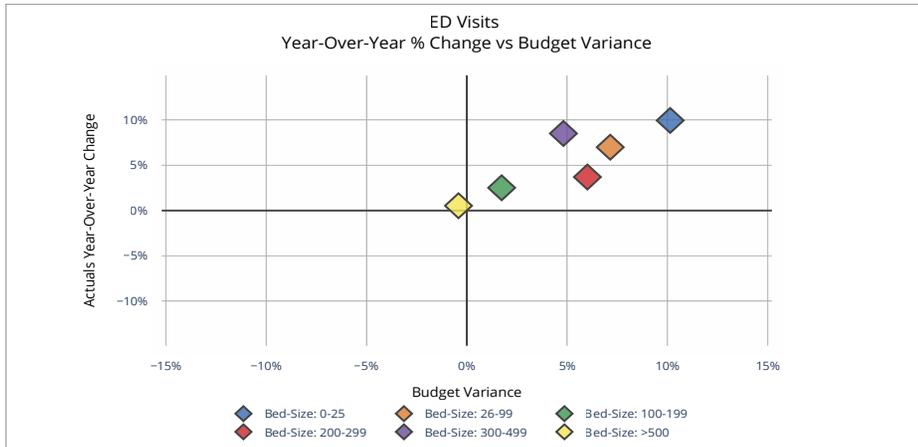
Source: Kaufman Hall National Hospital Flash Report, June 2022



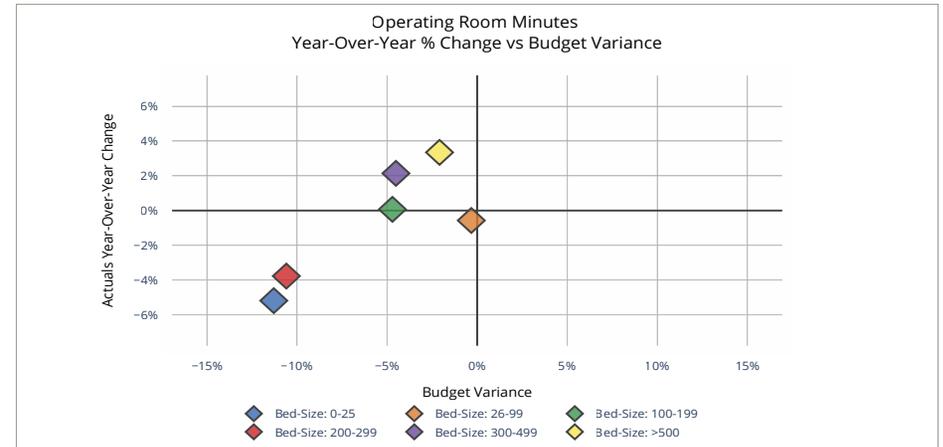
Source: Kaufman Hall National Hospital Flash Report, June 2022

Adjusted Patient Days rose YOY for all cohorts; hospitals with 26-99 beds saw the biggest increase at 5%. Average LOS also rose YOY for all cohorts; hospitals with 0-25 beds had the largest increase at 7%.

Volume by Bed Size (continued)



Source: Kaufman Hall National Hospital Flash Report, June 2022



Source: Kaufman Hall National Hospital Flash Report, June 2022

ED Visits increased YOY for all five bed-size cohorts. Hospitals with more than 500 beds had the largest increase in OR Minutes at 3%, while hospitals with 0-25 beds experienced the largest decrease at -5%.

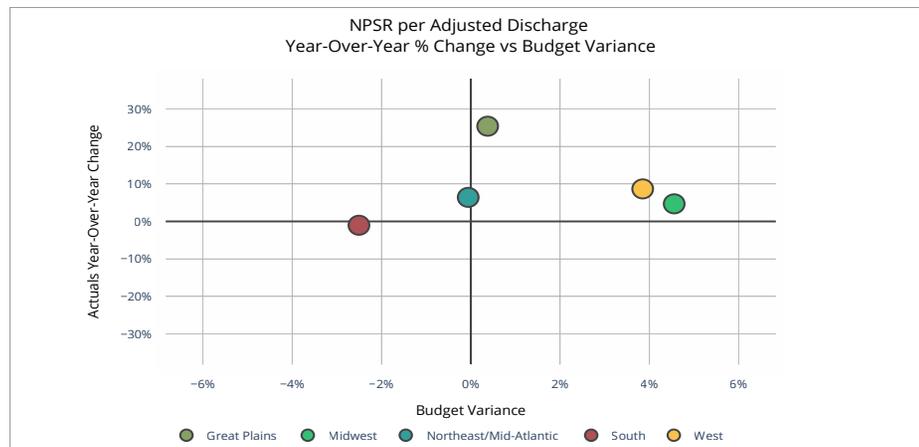
Revenues

National Revenue Results

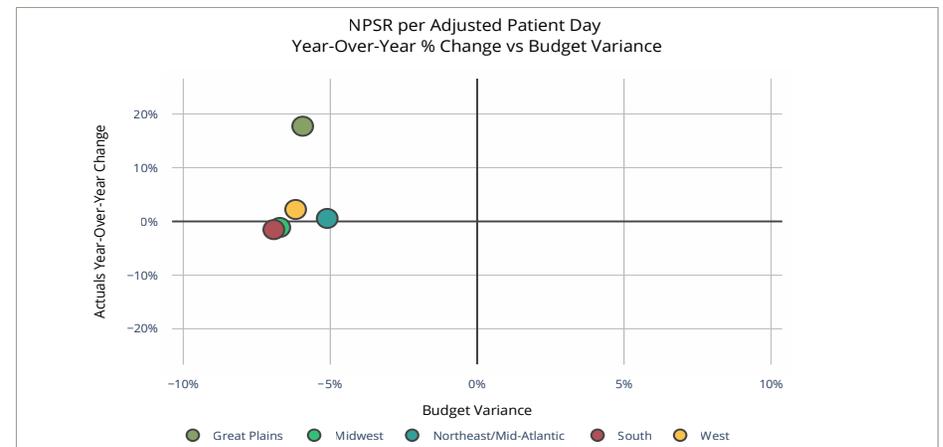
| REVENUE % CHANGE | Budget Variance | Month-Over-Month | Year-Over-Year | Year-Over-Year 2020 |
|--------------------------------------|-----------------|------------------|----------------|---------------------|
| Gross Operating Revenue Less CARES | -0.8% | 3.4% | 7.6% | 40.4% |
| IP Revenue | -6.4% | 3.5% | 2.6% | 20.6% |
| OP Revenue | 1.7% | 2.2% | 9.4% | 58.5% |
| Bad Debt and Charity | -13.3% | 2.0% | -2.2% | 10.0% |
| NPSR per Adjusted Discharge | 0.6% | 0.8% | 4.6% | 9.0% |
| NPSR per Adjusted Patient Day | -6.2% | -1.6% | 0.1% | 0.5% |
| IP/OP Adjustment Factor | 4.4% | -1.3% | 3.5% | 15.2% |
| Bad Debt and Charity as a % of Gross | -11.9% | 1.5% | -7.7% | -18.4% |

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

Revenue by Region



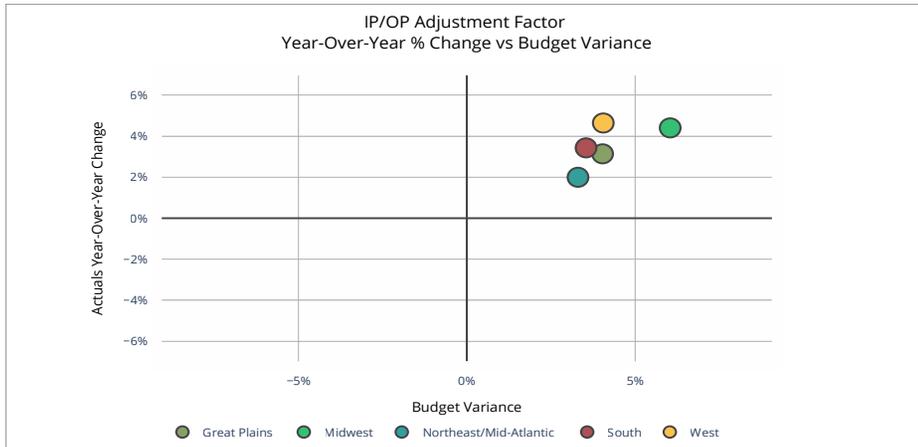
Source: Kaufman Hall National Hospital Flash Report, June 2022



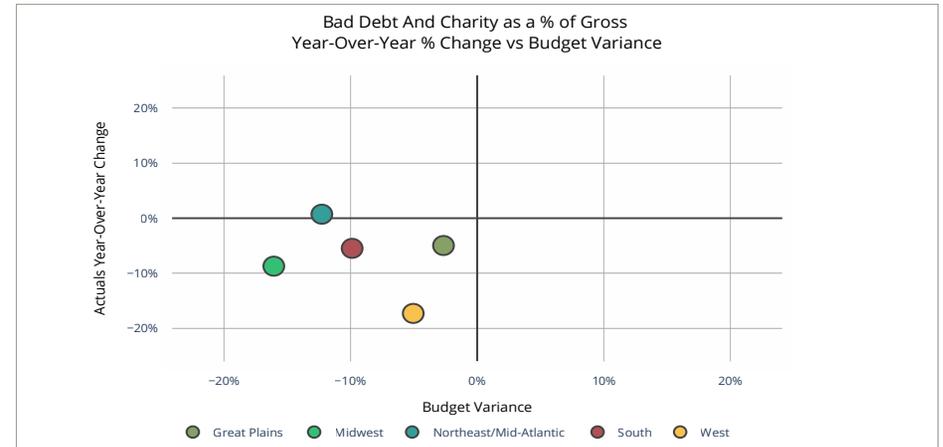
Source: Kaufman Hall National Hospital Flash Report, June 2022

The Great Plains experienced the largest increase in Net Patient Service Revenue (NPSR) per Adjusted Discharge at 25%. Only the South experienced a decline at -1%. NPSR per Adjusted Patient Day rose in all regions except the Midwest and South.

Revenue by Region (continued)



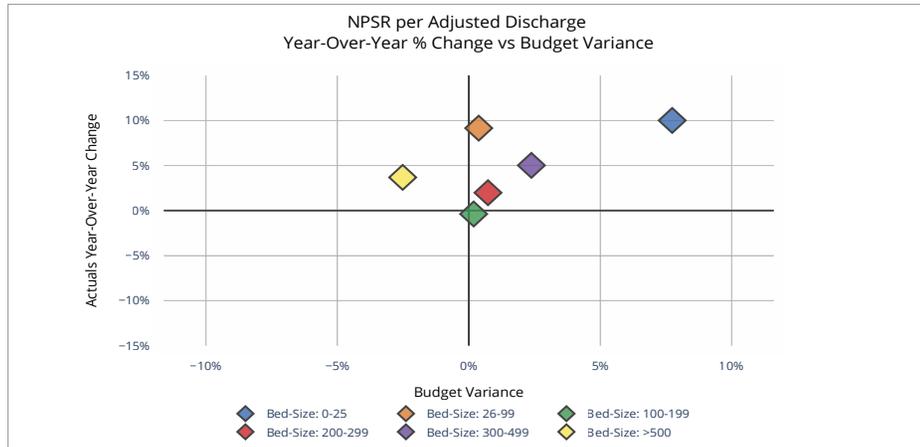
Source: Kaufman Hall National Hospital Flash Report, June 2022



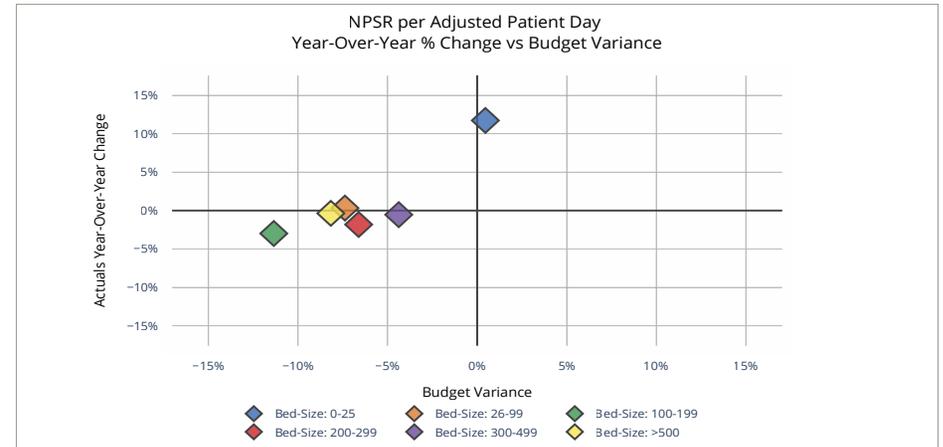
Source: Kaufman Hall National Hospital Flash Report, June 2022

The Inpatient/Outpatient (IP/OP) Adjustment Factor rose YOY in all five regions. The West saw the biggest increase at 5% YOY. Bad Debt and Charity as a Percent of Gross was down YOY for all regions except the Northeast/Mid-Atlantic.

Revenue by Bed Size

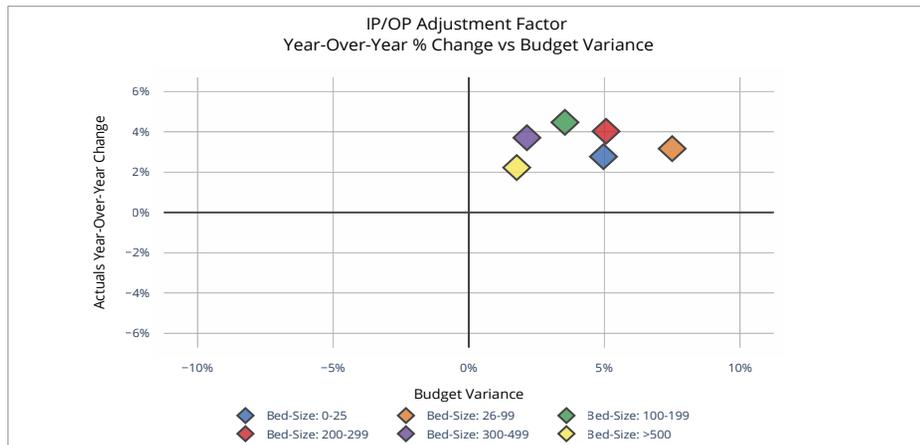


Source: Kaufman Hall National Hospital Flash Report, June 2022

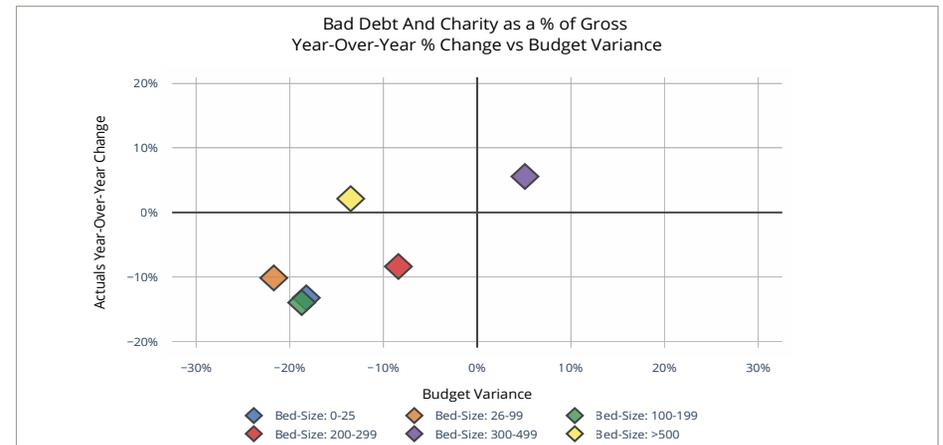


Source: Kaufman Hall National Hospital Flash Report, June 2022

NPSR per Adjusted Discharge rose for all bed-size cohorts except hospitals with 100-199 beds. NPSR per Adjusted Patient Day was down or flat across all cohorts except hospitals with 0-25 beds, which saw a 12% increase.



Source: Kaufman Hall National Hospital Flash Report, June 2022



Source: Kaufman Hall National Hospital Flash Report, June 2022

The IP/OP Adjustment Factor was up YOY for hospitals of all sizes. Hospitals with 300-499 beds saw the biggest increase in Bad Debt and Charity as a Percent of Gross at 6%, while hospitals with 100-199 beds saw the biggest decrease at 14%.

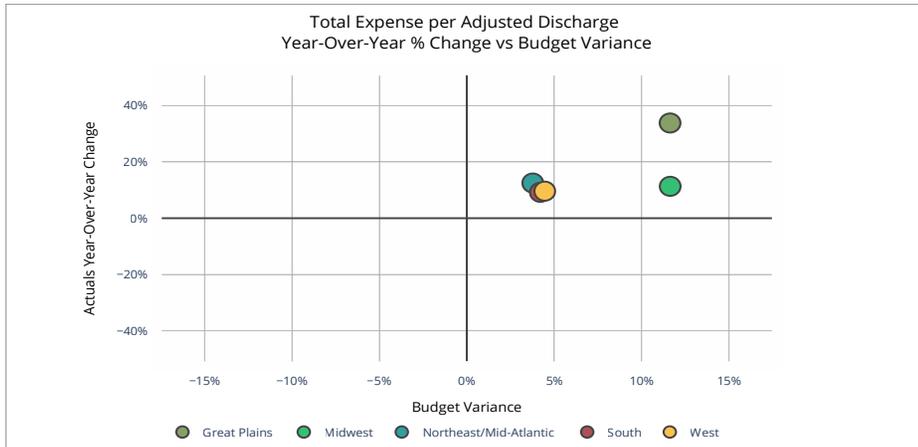
Expenses

National Expense Results

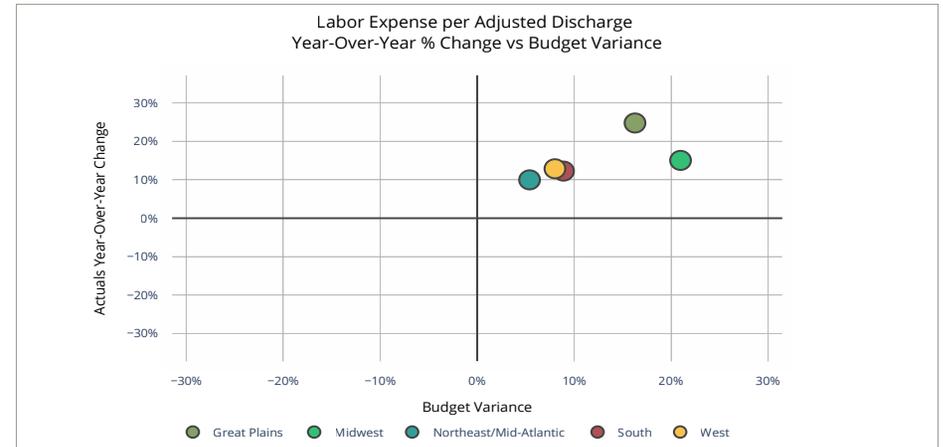
| EXPENSES % CHANGE | Budget Variance | Month-Over-Month | Year-Over-Year | Year-Over-Year 2020 |
|--|-----------------|------------------|----------------|---------------------|
| Total Expense | 3.9% | 1.1% | 10.7% | 25.5% |
| Total Labor Expense | 4.3% | 1.8% | 12.7% | 27.2% |
| Total Non-Labor Expense | 2.0% | 0.4% | 8.8% | 23.9% |
| Supply Expense | 0.0% | 2.7% | 8.6% | 37.5% |
| Drugs Expense | -7.6% | 3.9% | 5.2% | 29.4% |
| Purchased Service Expense | 3.5% | -0.7% | 9.4% | 20.9% |
| Total Expense per Adjusted Discharge | 7.7% | 0.3% | 12.2% | -3.1% |
| Labor Expense per Adjusted Discharge | 9.7% | 1.0% | 13.9% | -0.0% |
| FTEs per AOB | -5.5% | 2.8% | -1.7% | -18.8% |
| Non-Labor Expense per Adjusted Discharge | 4.9% | -0.5% | 11.4% | -5.1% |
| Supply Expense per Adjusted Discharge | 3.5% | 2.3% | 11.3% | 8.5% |
| Drug Expense per Adjusted Discharge | -1.8% | 2.6% | 6.3% | -3.1% |
| Purchased Service Expense per Adjusted Discharge | 7.6% | 0.6% | 15.5% | -2.8% |

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

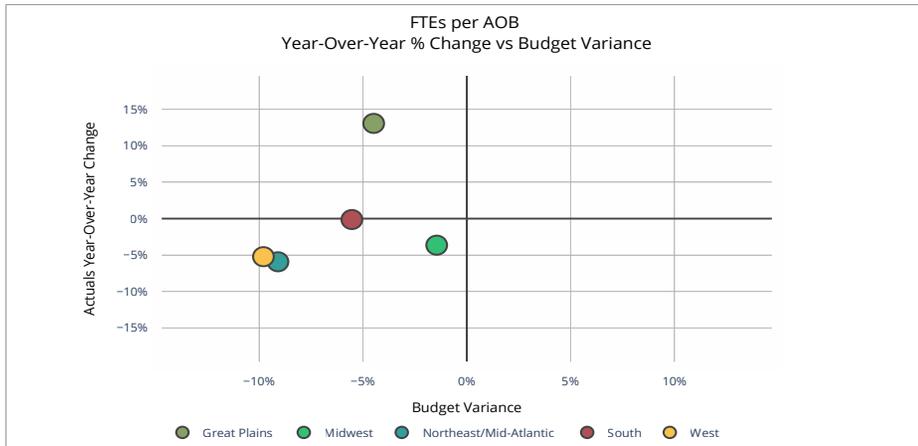
Expense by Region



Source: Kaufman Hall National Hospital Flash Report, June 2022



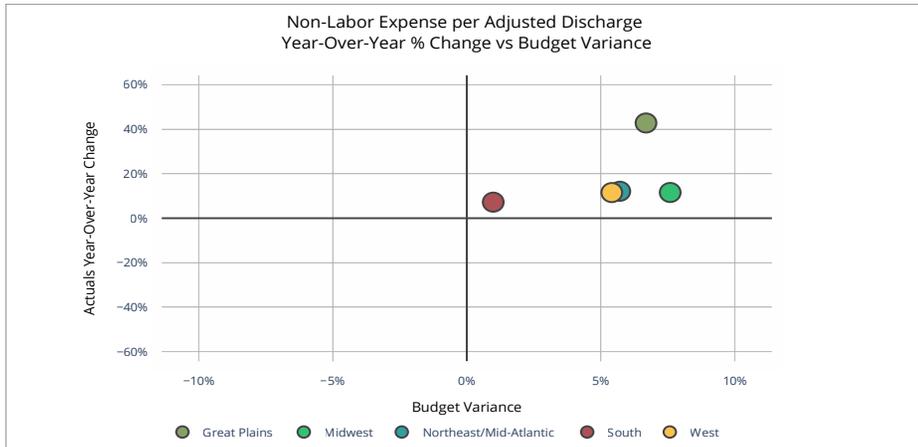
Source: Kaufman Hall National Hospital Flash Report, June 2022



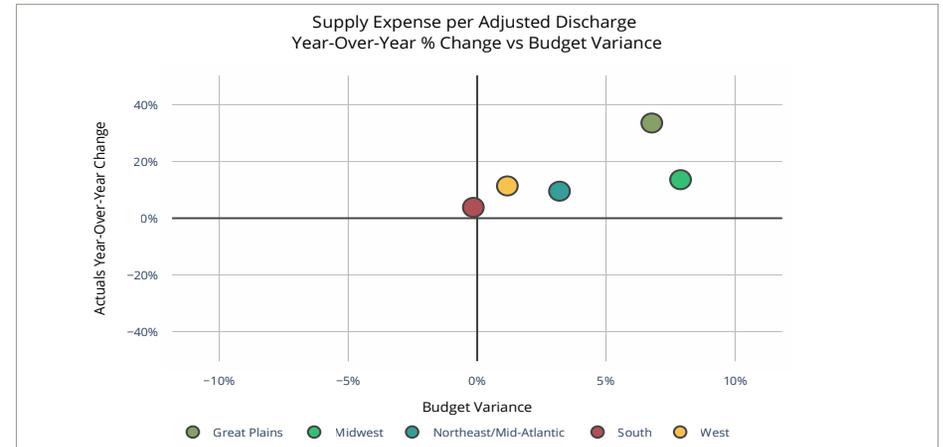
Source: Kaufman Hall National Hospital Flash Report, June 2022

Total Expense and Labor Expense per Adjusted Discharge rose YOY for all regions. Full-Time Equivalents (FTEs) per Adjusted Occupied Bed (AOB) declined YOY in all regions except the Great Plains.

Expense by Region (continued)

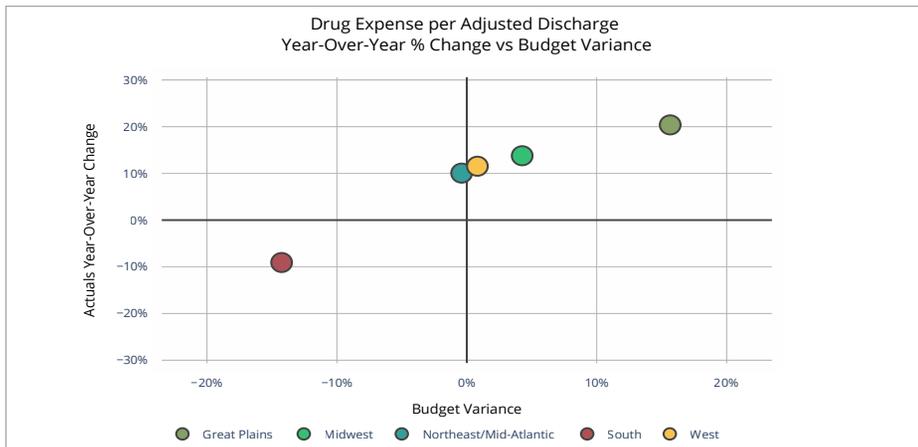


Source: Kaufman Hall National Hospital Flash Report, June 2022

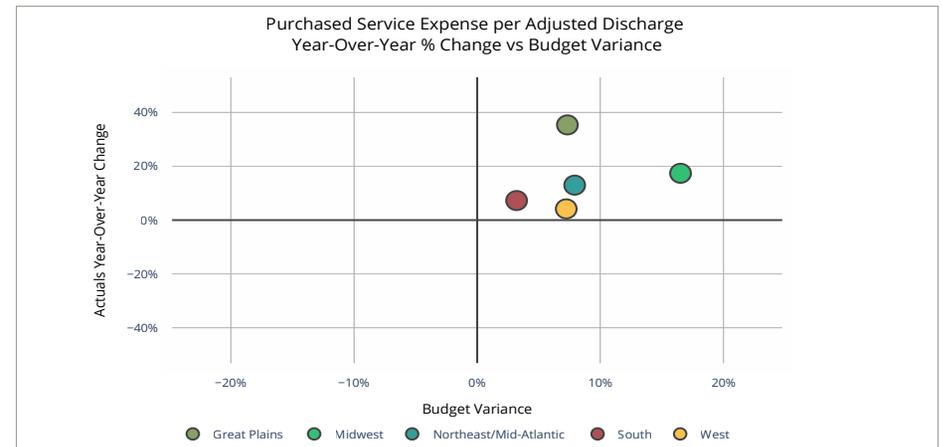


Source: Kaufman Hall National Hospital Flash Report, June 2022

Non-Labor Expense per Adjusted Discharge rose for all regions. Supply Expense per Adjusted Discharge also rose in all regions YOY.



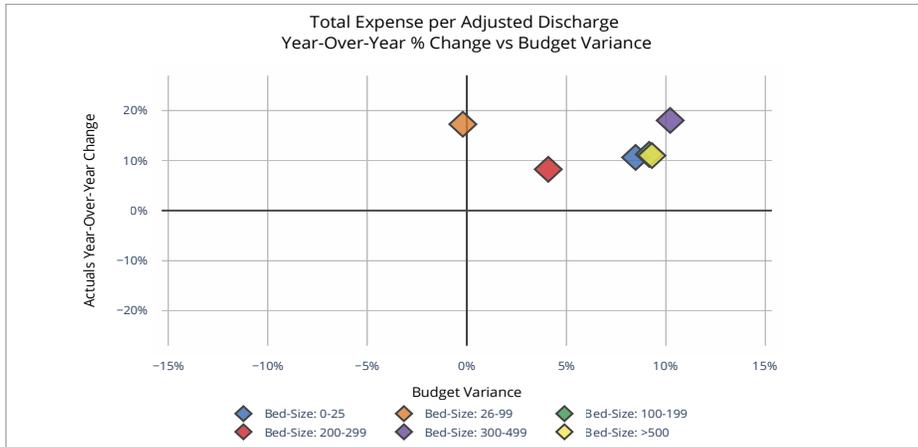
Source: Kaufman Hall National Hospital Flash Report, June 2022



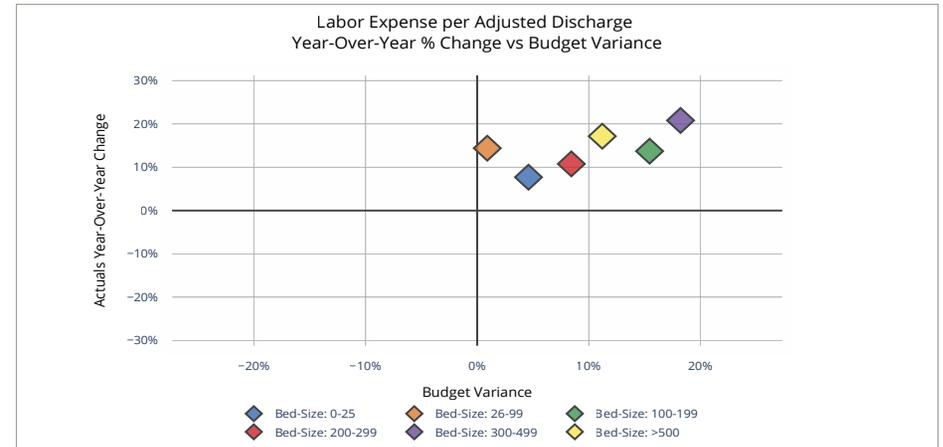
Source: Kaufman Hall National Hospital Flash Report, June 2022

Drug Expense per Adjusted Discharge rose in all regions except the South. Purchased Service Expense per Adjusted Discharge was up YOY for hospitals in all five regions. The Great Plains had the largest increase at 35%.

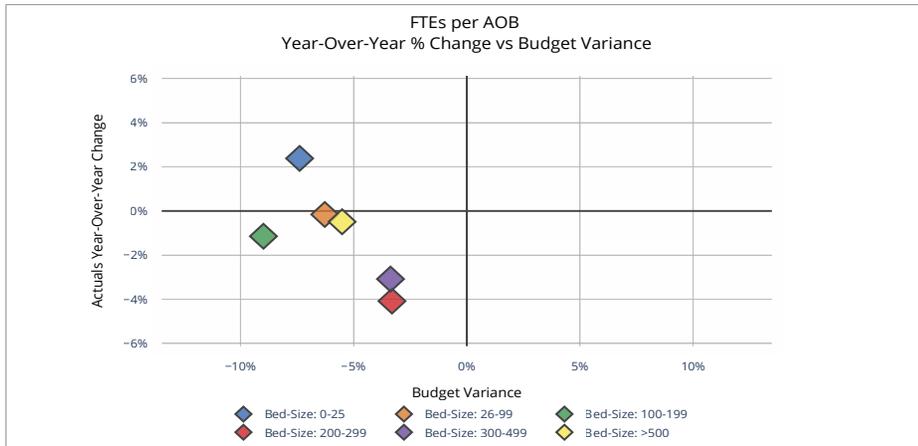
Expense by Bed Size



Source: Kaufman Hall National Hospital Flash Report, June 2022



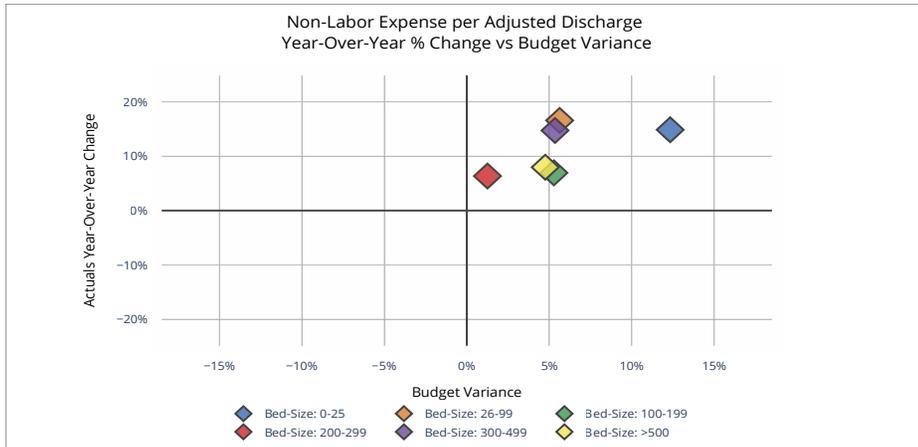
Source: Kaufman Hall National Hospital Flash Report, June 2022



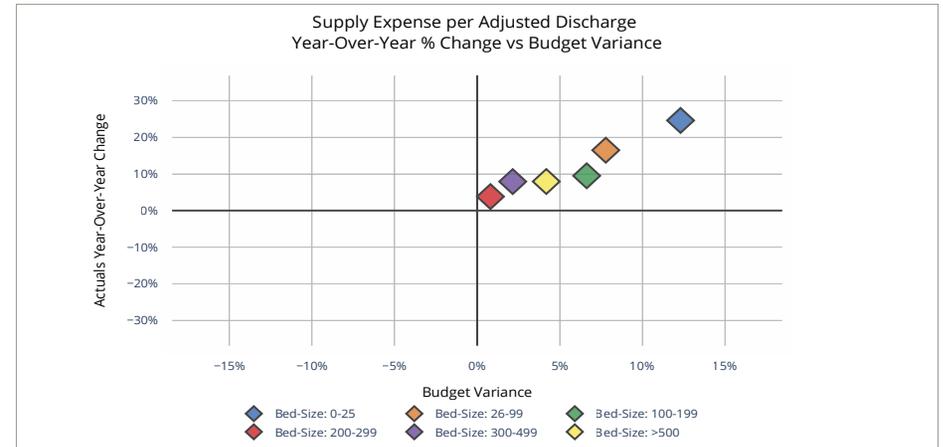
Source: Kaufman Hall National Hospital Flash Report, June 2022

Total Expense per Adjusted Discharge and Labor Expense per Adjusted Discharge both rose for hospitals of all sizes. FTEs per AOB were down YOY for all bed-size cohorts except hospitals with 0-25 beds.

Expense by Bed Size (continued)

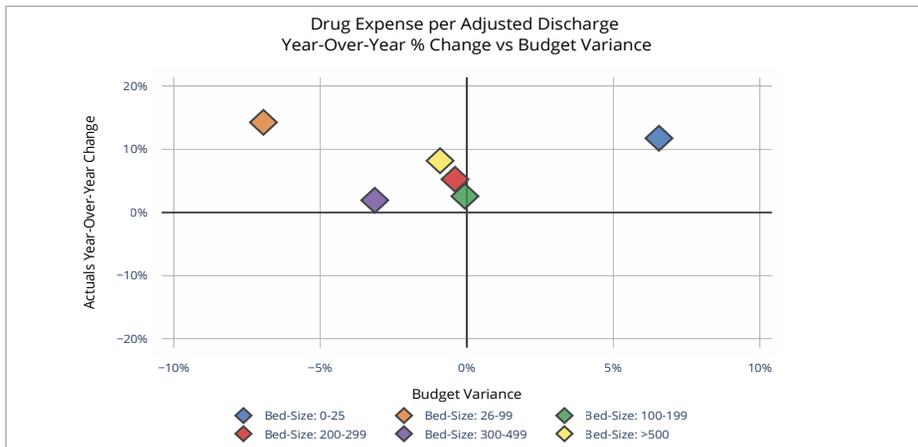


Source: Kaufman Hall National Hospital Flash Report, June 2022

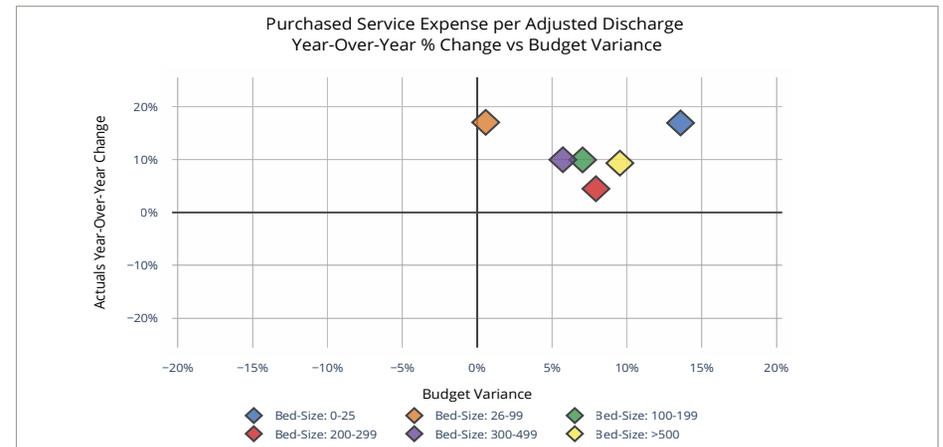


Source: Kaufman Hall National Hospital Flash Report, June 2022

Non-Labor Expense per Adjusted Discharge increased YOY for all cohorts. Supply Expense per Adjusted Discharge was also up YOY for all bed-size cohorts.



Source: Kaufman Hall National Hospital Flash Report, June 2022



Source: Kaufman Hall National Hospital Flash Report, June 2022

Drug Expense per Adjusted Discharge and Purchased Service Expense increased YOY for hospitals of all sizes.

Non-Operating

National Non-Operating Results

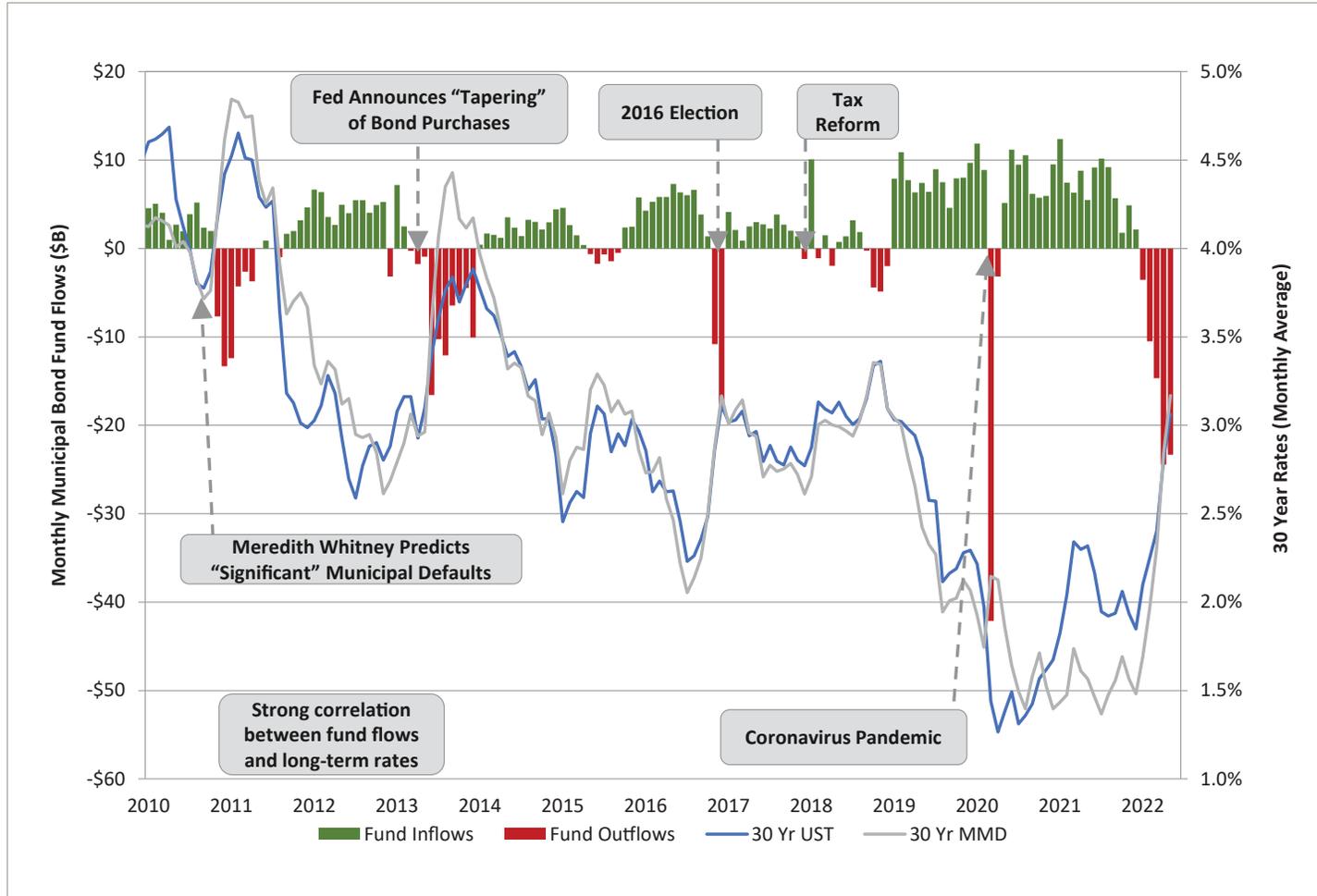
| | May 2022 | M-o-M Change | Y-o-Y Change |
|---|----------|--------------|--------------|
| General | | | |
| GDP Growth* | -1.5% | n/a | n/a |
| Unemployment Rate | 3.6% | n/c | -2.2% |
| Personal Consumption Expenditures (YoY) | 4.9% | n/c | +1.5% |
| Liabilities | | | |
| 1m LIBOR | 1.12% | +32 bps | +103 bps |
| SIFMA | 0.79% | +35 bps | +74 bps |
| 30yr MMD | 2.81% | -24 bps | +130 bps |
| 30yr Treasury | 3.06% | +6 bps | +78 bps |
| Assets | | | |
| 60/40 Asset Allocation† | n/a | +0.24% | -7.17% |

* U.S. Bureau of Economic Analysis, Q1 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



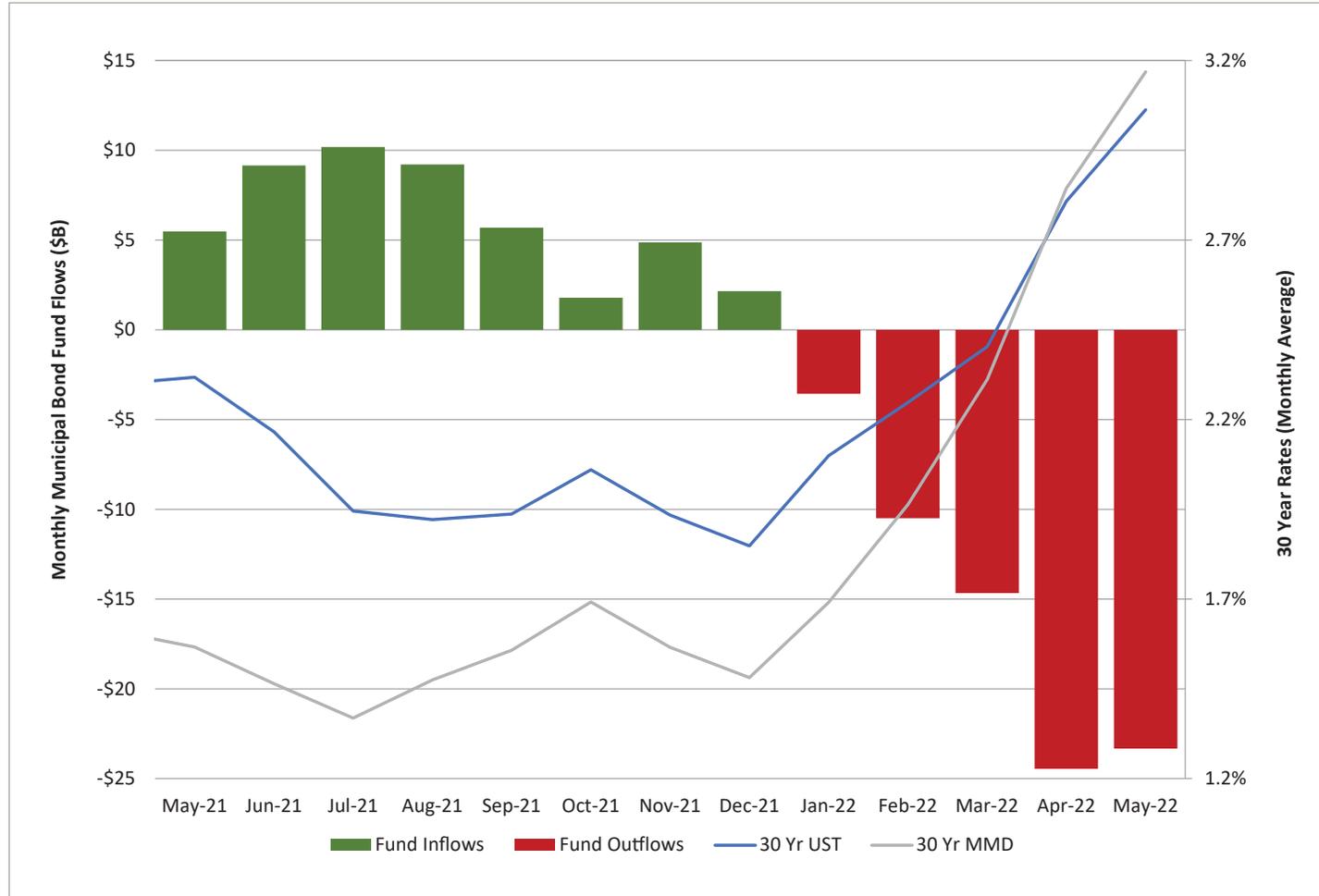
Source: Kaufman Hall National Hospital Flash Report, June 2022

Yields on the 30-year Treasury bond increased 6 basis points in May to 3.06%. Comparatively, yields on the tax-exempt benchmark 30-year MMD rate dropped 24 basis points over the last month, down to 2.81%, as relatively light supply helped drive yields lower. Demand continues to weaken as municipal bond funds saw \$23.3 billion of outflows in May, the fifth straight month of outflows to start the year.

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 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, June 2022

Non-Operating Assets

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



Source: Kaufman Hall National Hospital Flash Report, June 2022

Equity and fixed income markets were flat in May as the 60/40 blended asset portfolio ended the month up 0.24%. The S&P 500 finished 0.01% higher for the month, after ending April down 8.8%. The MSCI World Index finished down 0.16% while the MSCI Emerging Markets index and Barclays Aggregate Index both finished the month up 0.14% and 0.64% respectively. The 60/40 portfolio is now down 7.2% year-over-year.

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



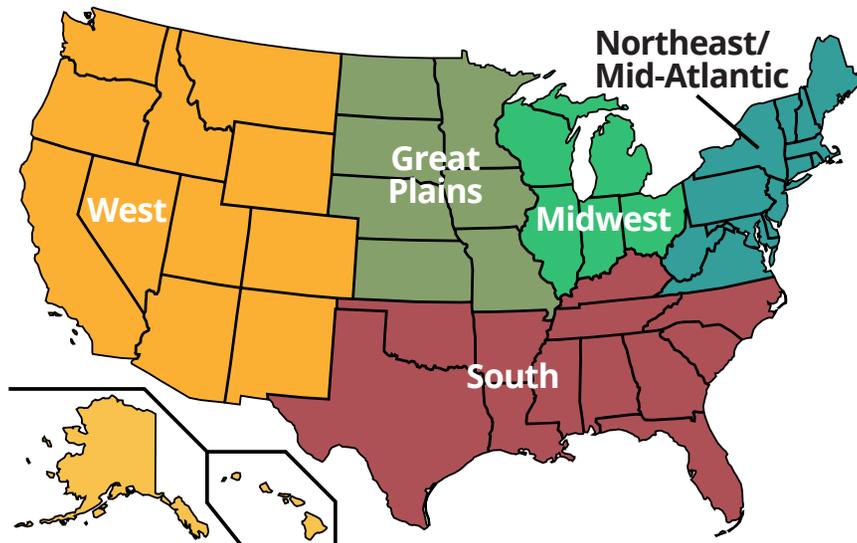
Source: Kaufman Hall National Hospital Flash Report, June 2022

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

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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

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