

**KaufmanHall**

MAY 2022

# National Hospital Flash Report

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

*Based on April Data from More Than 900 Hospitals*

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# Key Observations

# Summary

April was another challenging month for hospitals and health systems, marking the fourth straight month of negative actual median margins this year. Organizations are still trying to regain their footing in the wake of the Omicron surge in hospitalizations last winter. Although March represented an incremental rise in volumes and minor expense relief, this trend reversed itself in April, when volumes plummeted, revenues dropped, and expenses lessened only slightly.

COVID-19 cases and hospitalizations both ticked up throughout the month. The 7-day moving average of new cases<sup>1</sup> grew steadily to more than 57,853 cases at month's end, up from an average of 25,535 cases on April 1. New daily admissions<sup>1</sup> averaged 2,219 from April 27–May 3, 2022.

## Margins

The median Kaufman Hall Year-To-Date (YTD) Operating Margin Index reflecting actual margins was -3.09% through April.

The median change in Operating Margin was down 38.1% from last month and 76% from April 2021. The median change in Operating EBITDA Margin decreased 26.8% month-over-month, and 51.5% from April 2021.

## Volumes

Patient volumes declined in April, as did average Length of Stay (LOS).

Patient Days were down 5.7% month-over-month and 1.8% compared to April 2021. Adjusted Patient Days dropped 6.5% from March to April but were up 1.8% compared to April 2021.

Average LOS dropped 2.2% month-over-month but rose 3.5% compared to April 2021.

Adjusted Discharges decreased 3.3% month-over-month and 0.3% compared to April 2021. Surgeries ticked down from last month, with Operating Room Minutes dropping 8.9% from last month and 6.2% YOY. At the same time, Emergency Department (ED) Visits ticked down just 1.3% from March to April and were up 8.6% year-to-date compared to the same period in 2021.

## Revenue

Volume lags resulted in poor revenue performance in April. Gross Operating Revenue was down 7% from March and Outpatient (OP) Revenue dropped 7% from March levels. However, Gross Operating Revenue is up 6.6% YTD, while OP Revenue is up 8.5% YTD. Similarly, Inpatient Revenue dropped 7.1% from the previous month and is up 5.3% this year.

<sup>1</sup>. CDC data as of May 19, 2022.

## Summary *(continued)*

Gross Operating Revenue rose 1.4% versus April 2021, while Inpatient Revenue was down 1.3% YOY. Outpatient Revenue increased 3.5% YOY versus April 2021.

## Expenses

Total Expenses remained high in April, dropping only 4.3% from March. Expenses have continued to rise compared to 2020 and are well above pre-pandemic levels. As labor shortages and supply chain challenges continued, Total Expenses grew by 8.3% YOY and 9.6% YTD.

Total Expense per Adjusted Discharge was down 1% since March, while Labor Expense per Adjusted Discharge dropped 0.6%, and Non-Labor Expense per Adjusted Discharge dipped 0.9 % from March to April. Despite the drops, expenses remain elevated compared to last year and are especially high versus 2020. However, Full-Time Employees Per Adjusted Occupied Bed (FTEs per AOB) rose 2.2% from March in the wake of ongoing workforce challenges.

## Non-Operating

The Federal Reserve increased its benchmark rate by 50 basis points in early May, the most aggressive increase in 22 years. The Fed is now targeting interest rates between 0.75% and 1.00%, with some Fed officials advocating raising the target close to 2.5% by the end of year.

The Federal Open Market Committee (FOMC) noted that is paying attention to geopolitical risks, specifically mentioning that COVID-related shutdowns in China and economic implications of the invasion of Ukraine by Russia may add “additional upward pressure on inflation” and will “likely to exacerbate supply chain disruptions.”

The Fed plans to reduce its asset purchases by \$47.5 billion per month starting in June, with a planned increase to its asset reductions in September at a steady pace of \$95 billion a month.

The U.S. labor market remained tight in April with U.S. employers adding 428,000 jobs and unemployment remaining at a pandemic low of 3.6%; the labor market has added more than 6.5 million jobs in the past year.

Inflation rose 8.3% year-over-year in April, a 0.2% drop from March’s 40-year high, while consumer prices rose 0.3% this month compared to March’s 1.2% rise.

# Key Takeaways

## 1. The emergency department is no longer the hospital's front door.

More patients are seeking care outside of the hospital, choosing urgent care centers, telemedicine, and even primary care providers instead of the emergency department.

## 2. Patients are sicker and more expensive to treat.

Volumes remained low this past month, as a growing number of infected patients likely remained home to sequester themselves with the virus. Other patients might have delayed care due to perceived danger over rising cases. Relative to last year, patients in April stayed in the hospital for longer periods, while discharges diminished, signaling a trend toward fewer, sicker patients who require more expensive care and are staying longer.

## 3. Expenses are still high from labor and specialty supplies.

Labor shortages have not eased, keeping costs high. In addition, patients with chronic conditions who may have delayed care are now coming in sicker, requiring more infusions, expensive specialty pharmaceuticals, and pricey supplies.

## 4. Extended negative margins are taking a toll.

The first four months of the year have been highly challenging for hospitals and health systems, and do not bode well for the remainder of the year. Even if margins cumulatively return to pre-pandemic levels, many will still end up with substantially depressed margins at year's end.



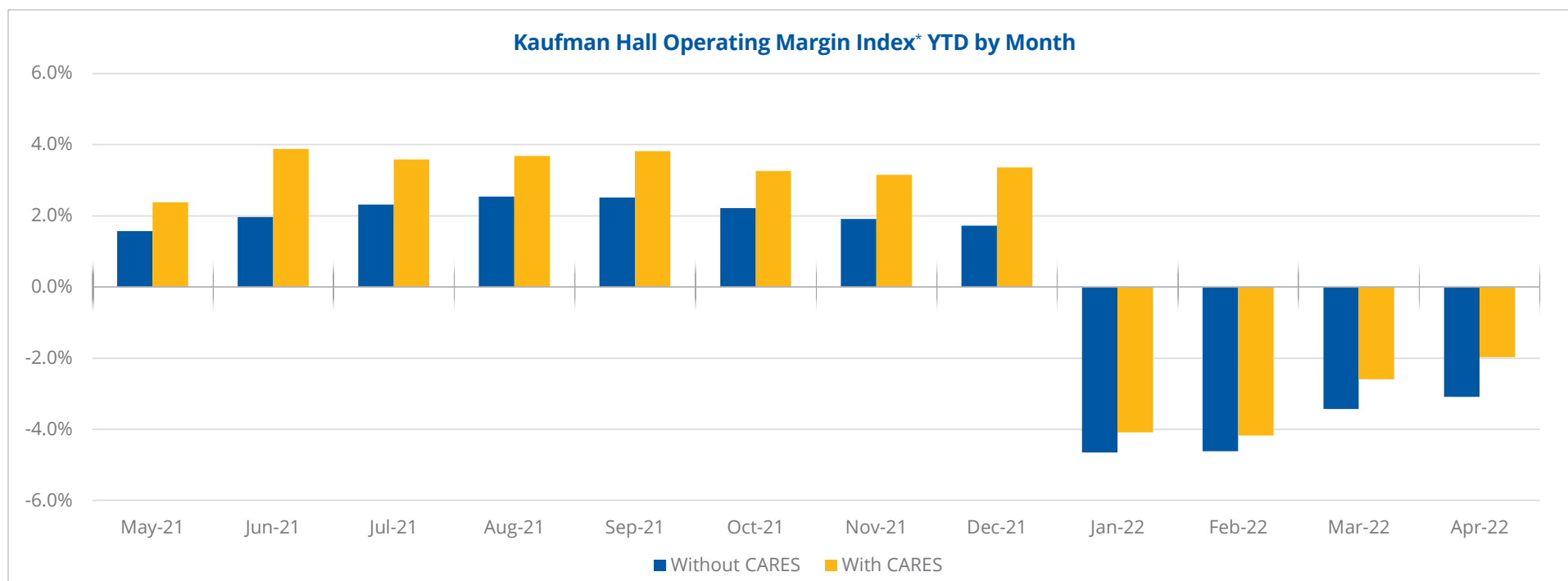
# Margins

## National Margin Results

MARGIN % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Operating EBITDA Margin Less CARES	-47.8%	-29.7%	-56.1%	103.9%
Operating Margin Less CARES	-71.2%	-38.8%	-77.9%	88.1%

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

MARGIN ABSOLUTE CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Operating EBITDA Margin Less CARES	(533.1)	(297.7)	(734.3)	2498.6 bps
Operating Margin Less CARES	(518.7)	(318.8)	(730.7)	2820.4 bps

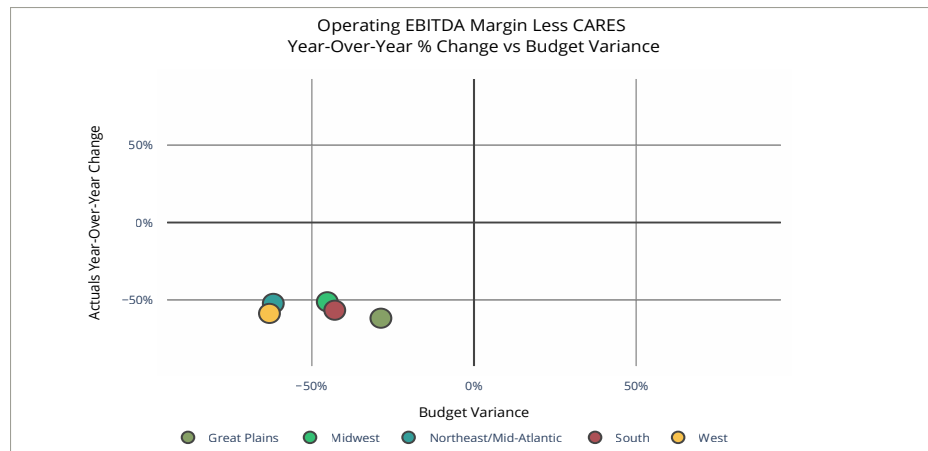


Source: National Hospital Flash Report (May 2022)

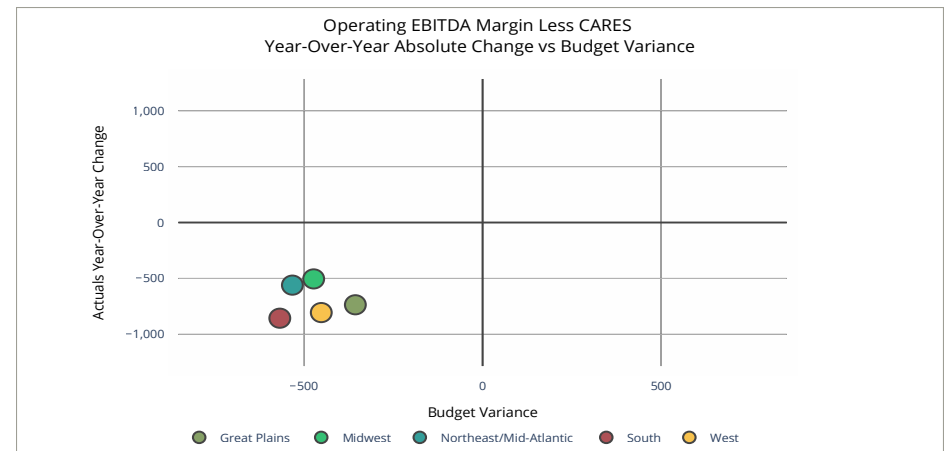
\* Note: The Kaufman Hall Hospital Operating Margin and Operating EBITDA Margin Indices are comprised of the national median of our dataset adjusted for allocations to hospitals from corporate, physician, and other entities.



## EBITDA Margin by Region



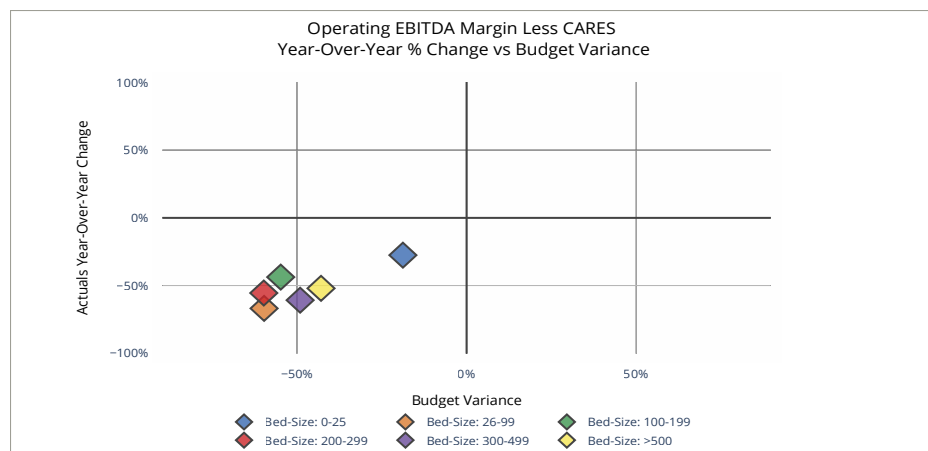
Source: Kaufman Hall National Hospital Flash Report, May 2022



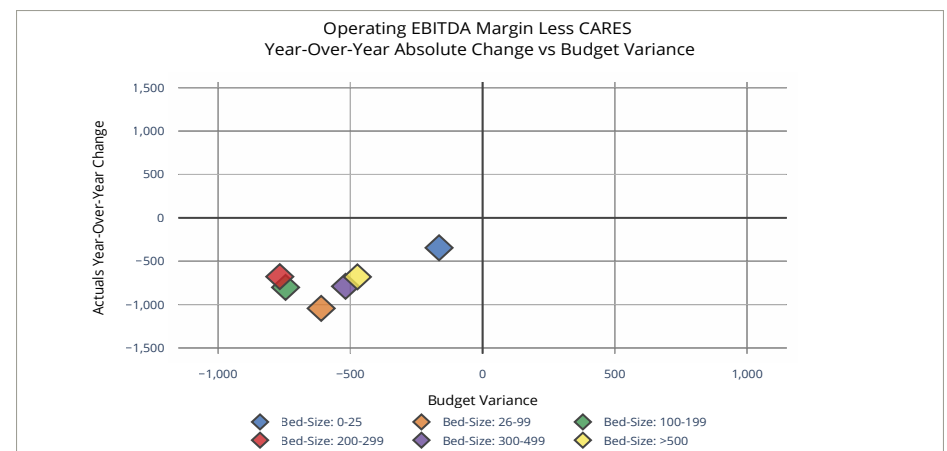
Source: Kaufman Hall National Hospital Flash Report, May 2022

The median change in Operating EBITDA Margin (without CARES) declined year-over-year (YOY) for hospitals across all regions in April. Hospitals in The Great Plains had the biggest decrease at -62% YOY, while hospitals in the Midwest decreased the least at 51% YOY.

## EBITDA Margin by Bed Size



Source: Kaufman Hall National Hospital Flash Report, May 2022



Source: Kaufman Hall National Hospital Flash Report, May 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 26-99 cohort had the biggest decline at -67% YOY. The smallest hospitals with up to 25 beds had the least decline at -28% YOY.

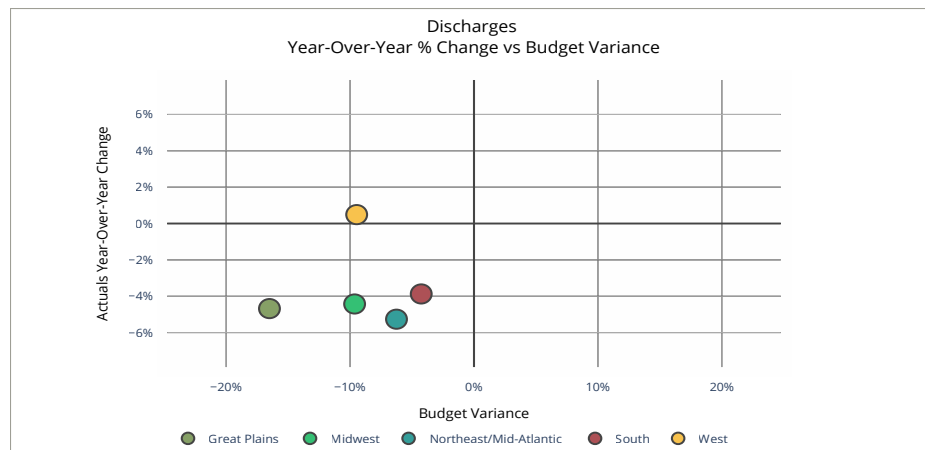
# Volumes

## National Volume Results

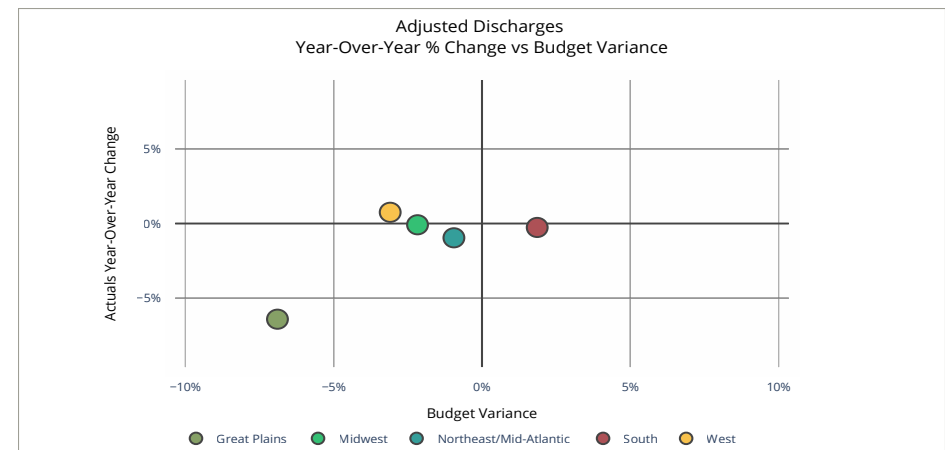
VOLUMES % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Discharges	-7.1%	-3.3%	-4.4%	27.9%
Adjusted Discharges	-0.4%	-3.3%	-0.3%	64.3%
Patient Days	-5.7%	-5.7%	-1.8%	27.4%
Observation Patient Days as a Percent of Patient Day	17.4%	2.6%	7.0%	63.4%
Adjusted Patient Days	0.4%	-6.5%	1.8%	62.2%
Average Length of Stay	2.7%	-2.2%	3.5%	-0.1%
ED Visits	-0.3%	-1.3%	0.8%	58.0%
Operating Room Minutes	-1.9%	-8.9%	-6.2%	156.8%

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

## Volume by Region



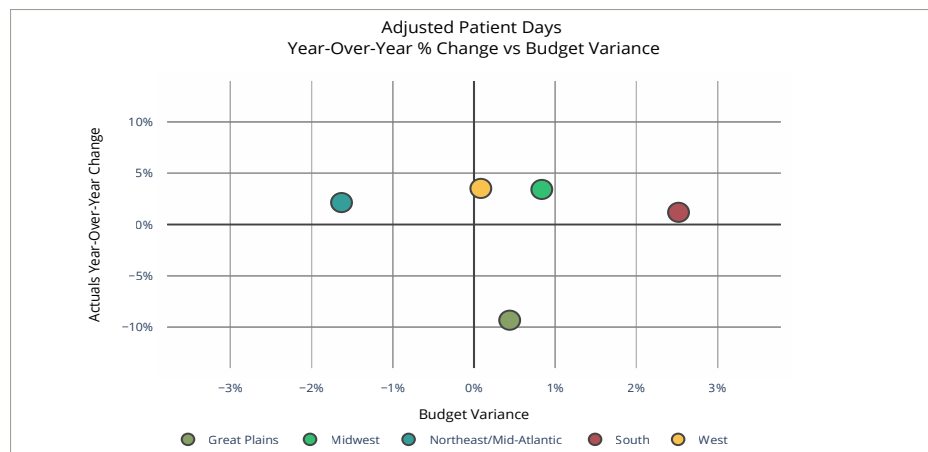
Source: Kaufman Hall National Hospital Flash Report, May 2022



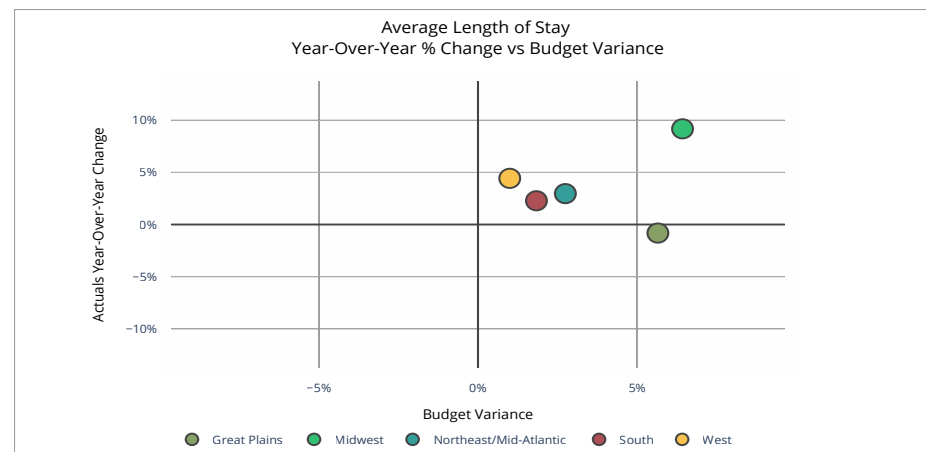
Source: Kaufman Hall National Hospital Flash Report, May 2022

Discharges declined YOY for four regions but remained the same YOY in the West. The Northeast/Mid-Atlantic and the Great Plains had the biggest decreases, both at 5% YOY. Adjusted Discharges did not budge for the Midwest and South regions YOY, and dropped by -1% in the Northeast/Mid-Atlantic. The Great Plains had the greatest decrease at -6% YOY.

## Volume by Region (continued)

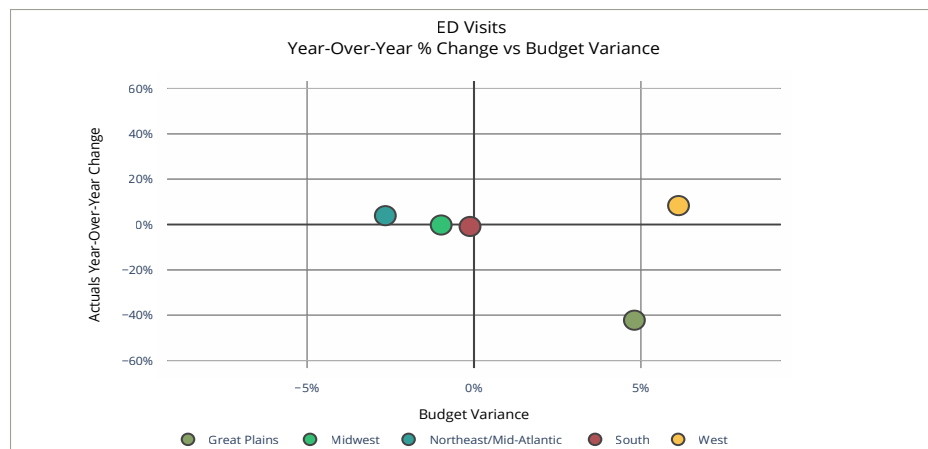


Source: Kaufman Hall National Hospital Flash Report, May 2022

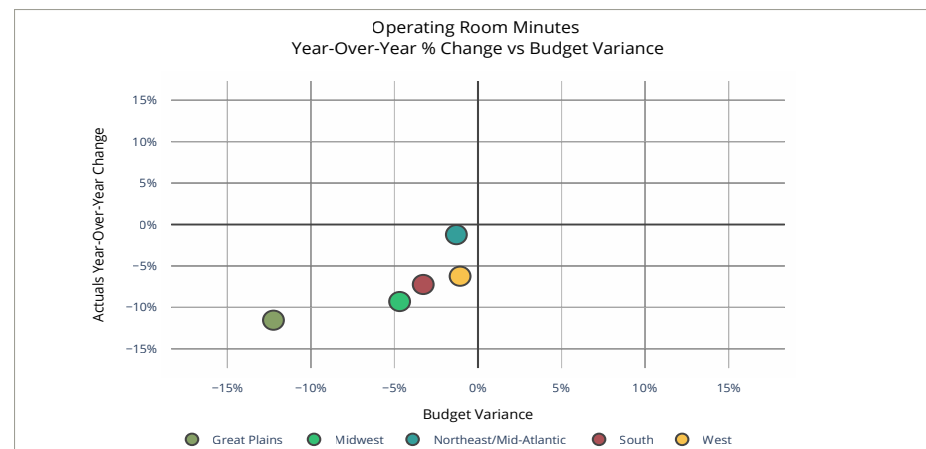


Source: Kaufman Hall National Hospital Flash Report, May 2022

Adjusted Patient Days rose between 1% and 4% YOY for four regions. The Great Plains was the only region to see a YOY decline at -9%. Average Length of Stay (LOS) rose YOY for four regions, but it was down in the Great Plains at -1%. The Midwest had the largest increase at 9% YOY.



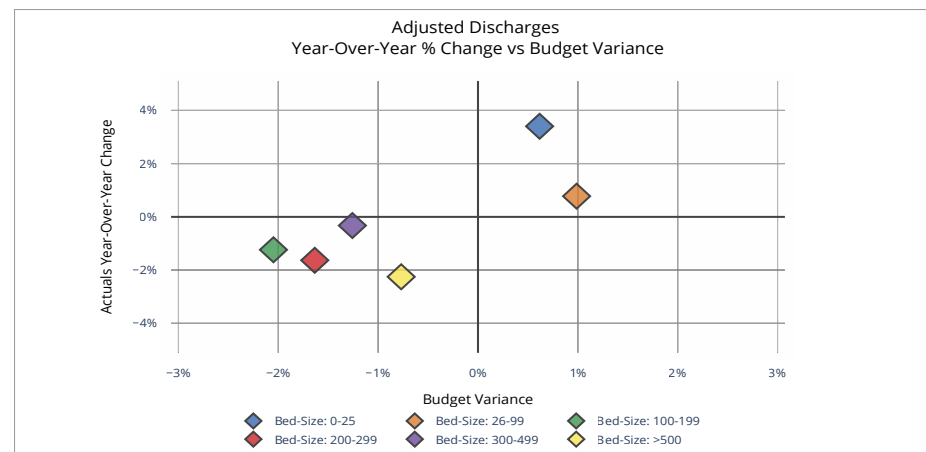
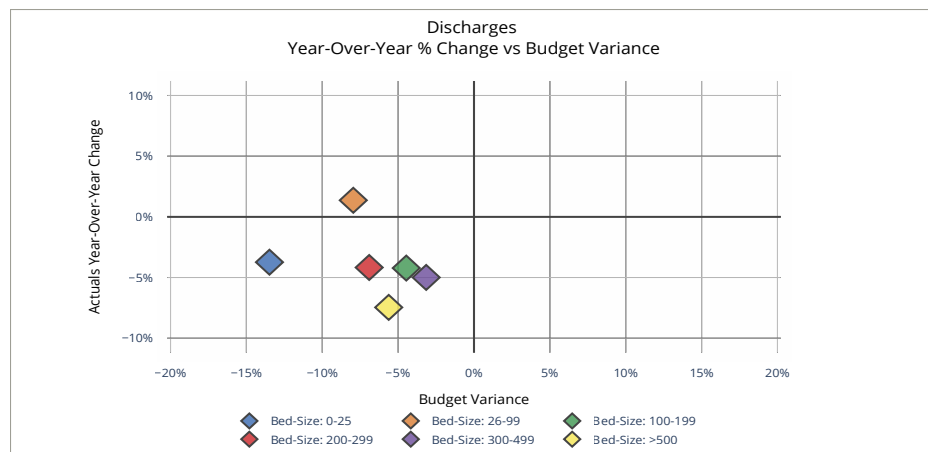
Source: Kaufman Hall National Hospital Flash Report, May 2022



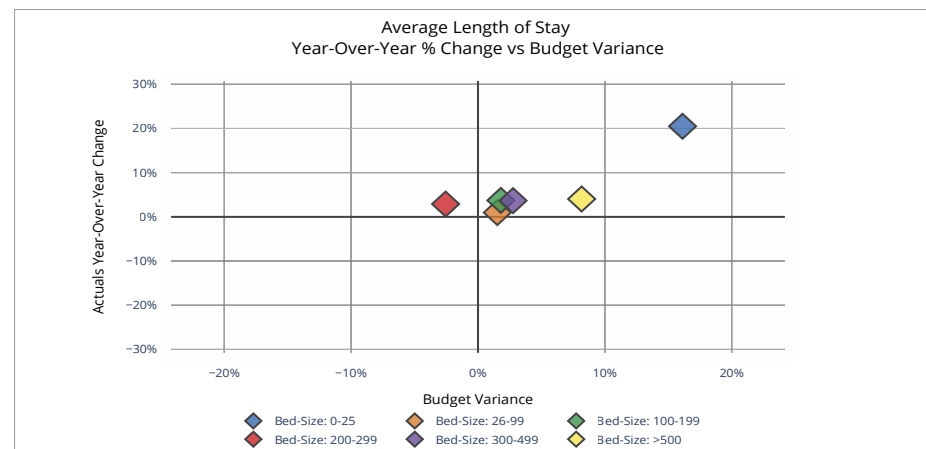
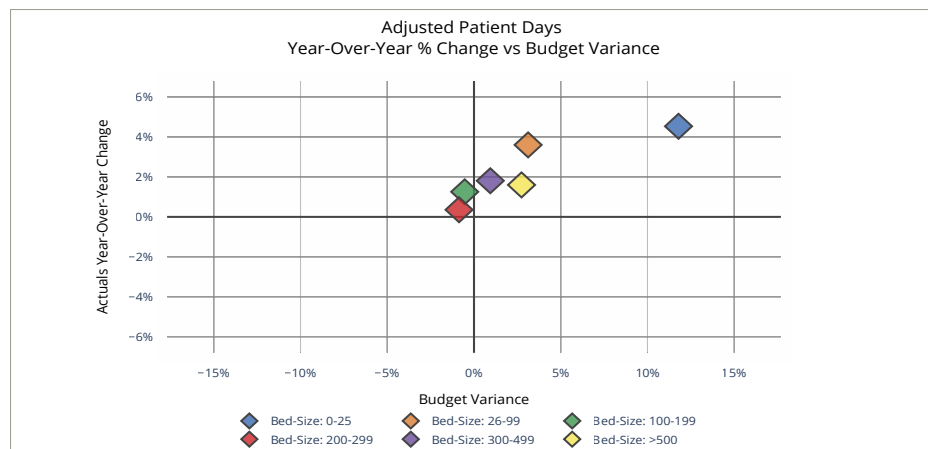
Source: Kaufman Hall National Hospital Flash Report, May 2022

Emergency Department (ED) Visits fluctuated across regions. The Great Plains was the only region to see a major decrease at -42% YOY. Operating Room Minutes decreased YOY for all regions, with the Great Plains seeing the greatest drop at -12%.

## Volume by Bed Size

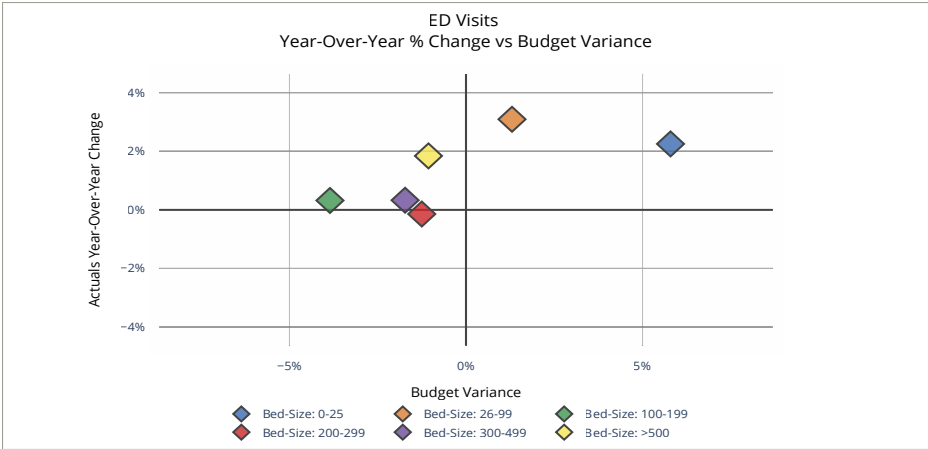


Discharges declined YOY for five bed-size cohorts but rose 1% YOY for 26-99 bed hospitals and dropped 5% YOY for hospitals with 300-499 beds. Adjusted Discharges declined YOY for three cohorts, but rose 1% for 26-99 bed hospitals and 3% for 0-25 bed hospitals.

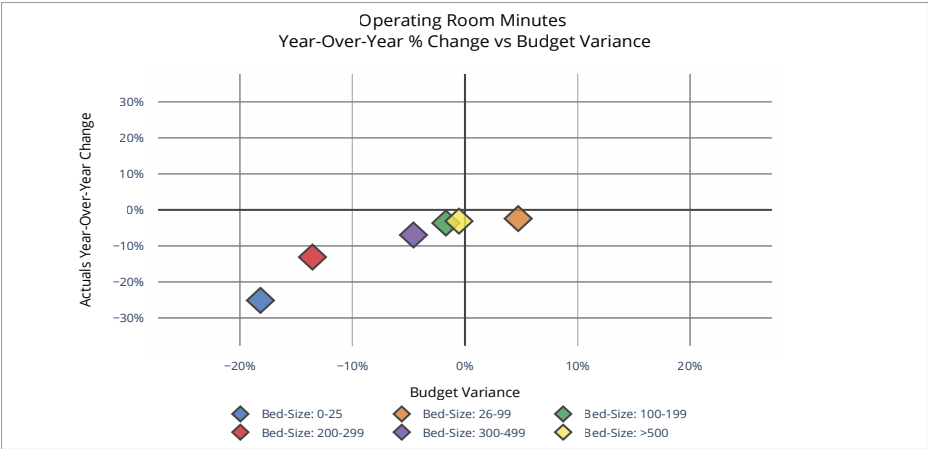


Adjusted Patient Days rose modestly YOY for all cohorts, except the 200-299 bed size group, which stayed the same. Average LOS rose YOY for all cohorts. Hospitals with 0-25 beds had the largest YOY increase at 20%, while hospitals with 26-99 beds had the least at 1%.

Volume by Bed Size (continued)



Source: Kaufman Hall National Hospital Flash Report, May 2022



Source: Kaufman Hall National Hospital Flash Report, May 2022

ED Visits stayed the same or increased moderately YOY for all bed-size cohorts. Hospitals with 26-99 beds had the biggest increase at 3%. Operating Room Minutes were down YOY for all bed-size cohorts. The biggest drops were for hospitals with up to 25 beds, at -25% YOY, and hospitals with 200-299 beds, at -13% YOY.



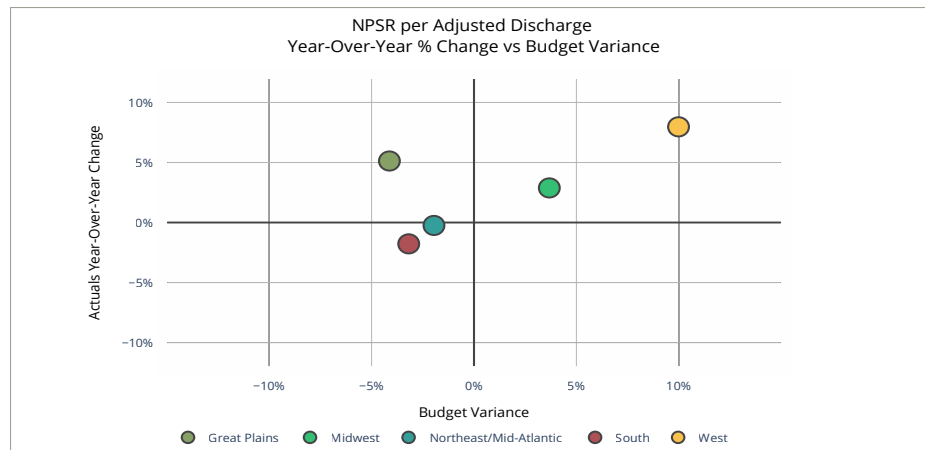
# Revenues

## National Revenue Results

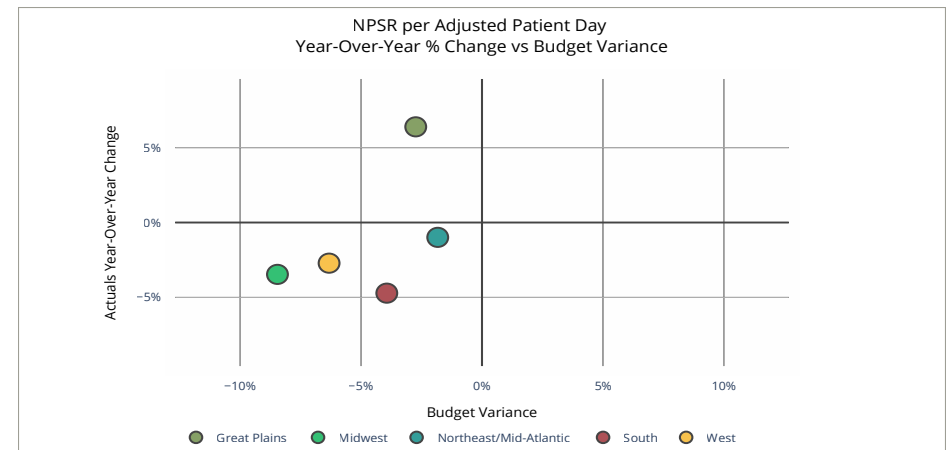
REVENUE % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Gross Operating Revenue Less CARES	-1.5%	-7.0%	1.4%	74.3%
IP Revenue	-7.3%	-7.1%	-1.3%	39.5%
OP Revenue	2.0%	-7.0%	3.5%	124.0%
Bad Debt and Charity	-12.3%	2.5%	1.7%	38.5%
NPSR per Adjusted Discharge	-0.9%	-4.0%	1.4%	6.7%
NPSR per Adjusted Patient Day	-4.2%	-1.9%	-2.2%	5.1%
IP/OP Adjustment Factor	5.3%	-0.4%	2.3%	26.9%
Bad Debt and Charity as a % of Gross	-11.0%	9.2%	-3.0%	-23.1%

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

## Revenue by Region



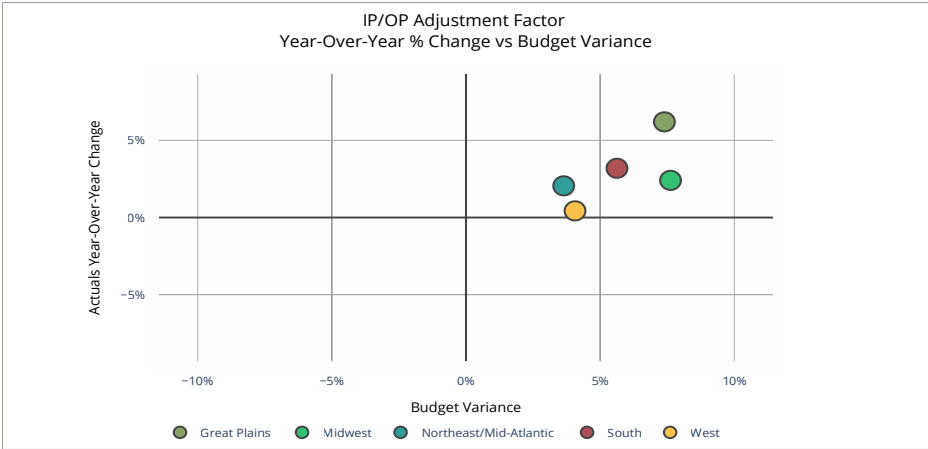
Source: Kaufman Hall National Hospital Flash Report, May 2022



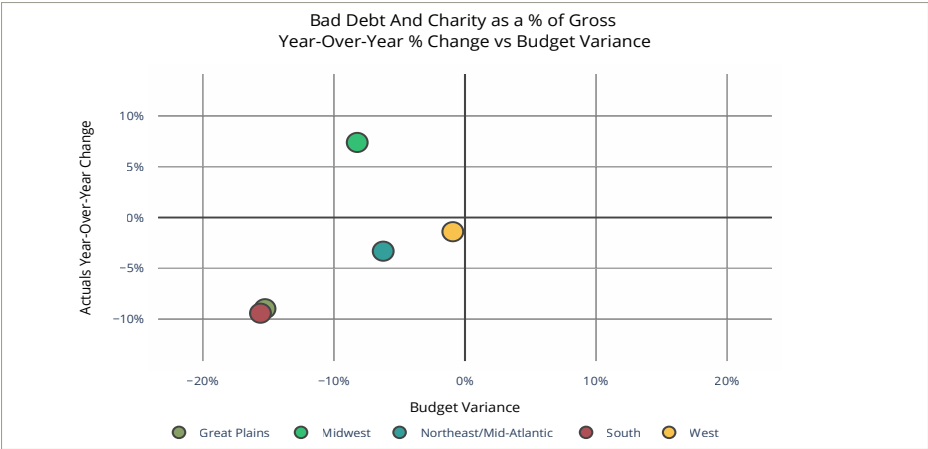
Source: Kaufman Hall National Hospital Flash Report, May 2022

Net Patient Service Revenue (NPSR) per Adjusted Discharge rose YOY for three regions, but declined 2% YOY in the South and remained the same in the Northeast/Mid-Atlantic region. The West saw the biggest increase at 8%. NPSR per Adjusted Patient Day was down YOY in all regions except the Great Plains, which was up by 6%.

Revenue by Region (continued)



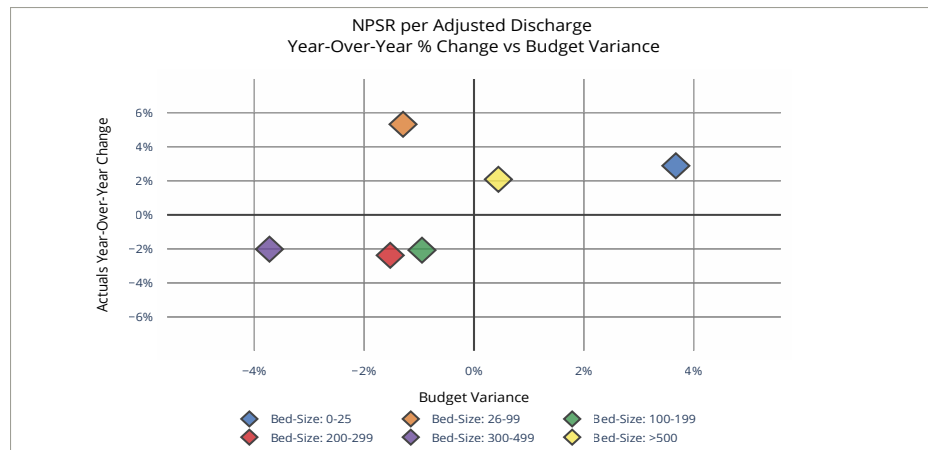
Source: Kaufman Hall National Hospital Flash Report, May 2022



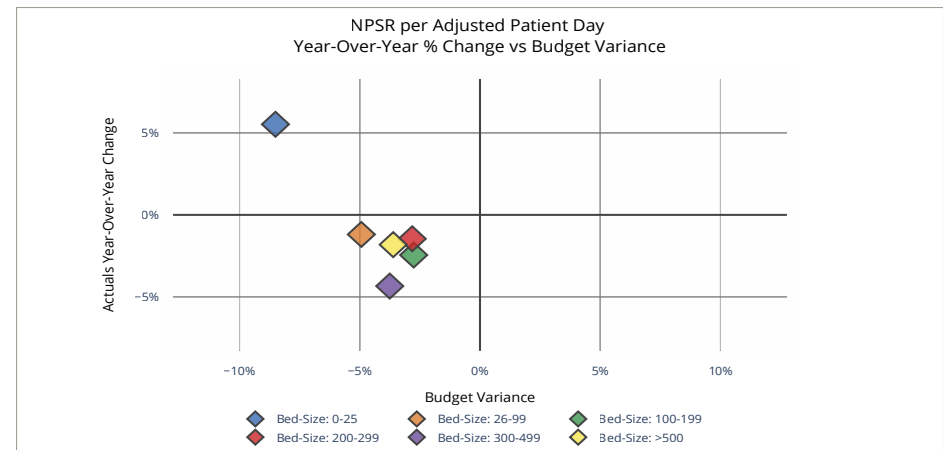
Source: Kaufman Hall National Hospital Flash Report, May 2022

The Inpatient/Outpatient (IP/OP) Adjustment Factor rose YOY for four of five regions, and remained the same in the West. The Great Plains had the biggest increase at 6% YOY. Bad Debt and Charity as a Percent of Gross was down YOY for four regions, but rose 7% YOY in the Midwest.

## Revenue by Bed Size

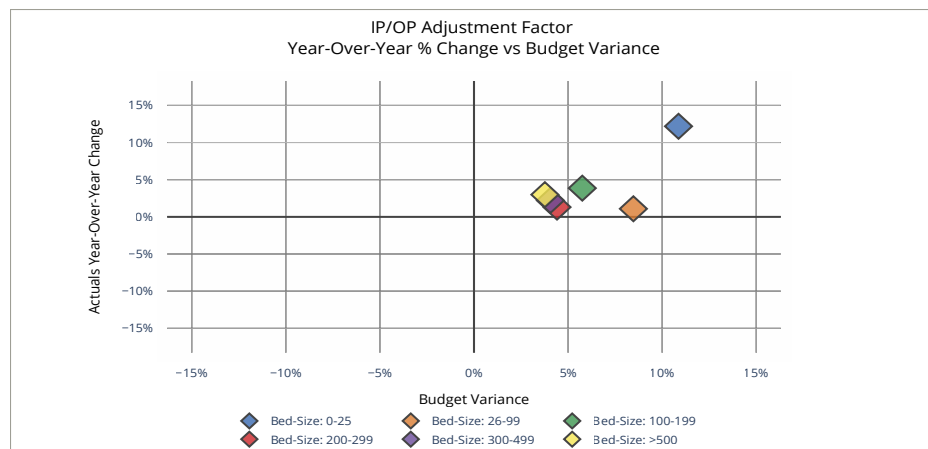


Source: Kaufman Hall National Hospital Flash Report, May 2022

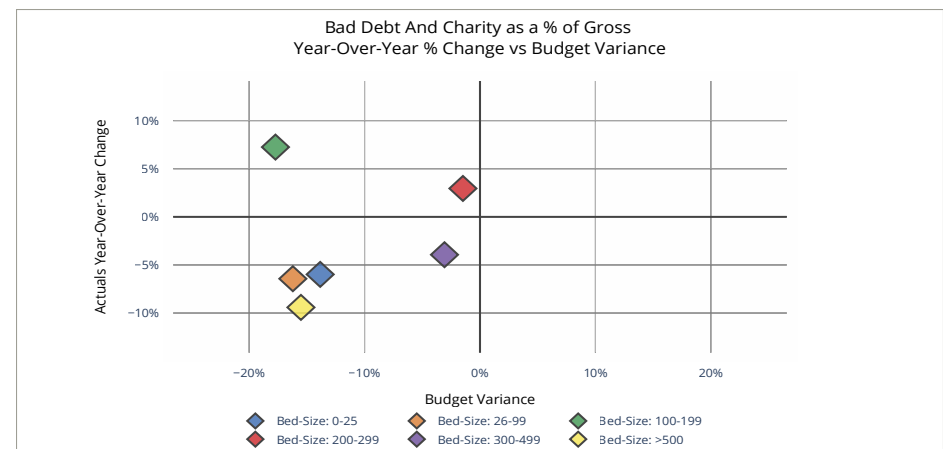


Source: Kaufman Hall National Hospital Flash Report, May 2022

NPSR per Adjusted Discharge rose moderately YOY for three bed-size cohorts, with the greatest increase at 5% for hospitals with 26-99 beds. It declined YOY for hospitals with 300-499 beds, 200-299 beds, and 100-199 beds. NPSR per Adjusted Patient Day was down YOY for four out of five cohorts with the biggest dip for hospitals with 300-499 beds at -4% YOY. Hospitals with 0-25 bed hospitals saw a 6% increase YOY.



Source: Kaufman Hall National Hospital Flash Report, May 2022



Source: Kaufman Hall National Hospital Flash Report, May 2022

The IP/OP Adjustment Factor was up YOY for hospitals of all sizes. The smallest hospitals (0-25 beds) had the biggest increase at 12% YOY. Bad Debt and Charity as a Percent of Gross was down YOY for four bed-size cohorts, but up 7% YOY for 100-199 bed hospitals and 3% YOY for 200-299 bed hospitals.

# Expenses

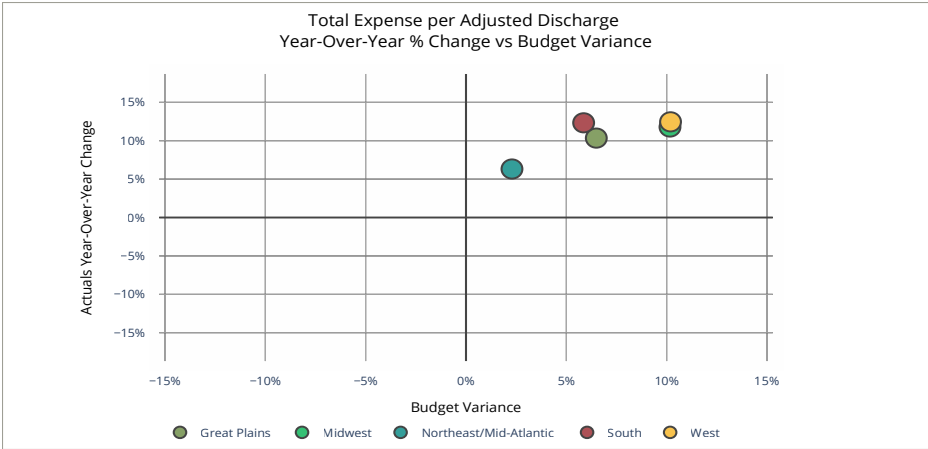
## National Expense Results

EXPENSES % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Total Expense	3.9%	-4.3%	8.3%	25.2%
Total Labor Expense	5.5%	-4.2%	11.1%	26.2%
Total Non-Labor Expense	2.0%	-4.4%	4.5%	23.5%
Supply Expense	-1.4%	-9.2%	0.5%	50.2%
Drugs Expense	-12.6%	-12.4%	-9.3%	14.4%
Purchased Service Expense	2.8%	-3.5%	5.3%	20.0%
Total Expense per Adjusted Discharge	7.3%	-1.0%	10.1%	-21.9%
Labor Expense per Adjusted Discharge	10.2%	-0.6%	15.0%	-23.2%
FTEs per AOB	-4.8%	2.2%	0.2%	-35.9%
Non-Labor Expense per Adjusted Discharge	2.9%	-0.9%	5.5%	-25.3%
Supply Expense per Adjusted Discharge	1.4%	-4.9%	2.9%	-9.5%
Drug Expense per Adjusted Discharge	-8.0%	-5.4%	-5.2%	-27.0%
Purchased Service Expense per Adjusted Discharge	3.4%	1.0%	7.4%	-25.7%

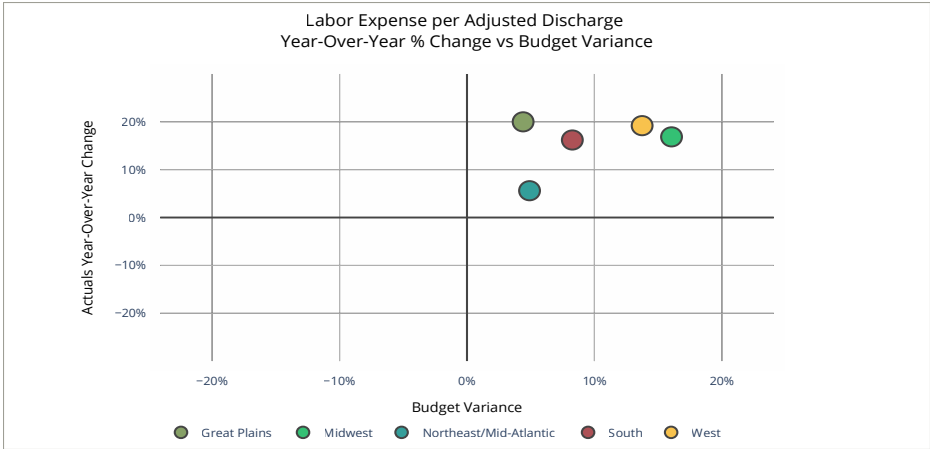
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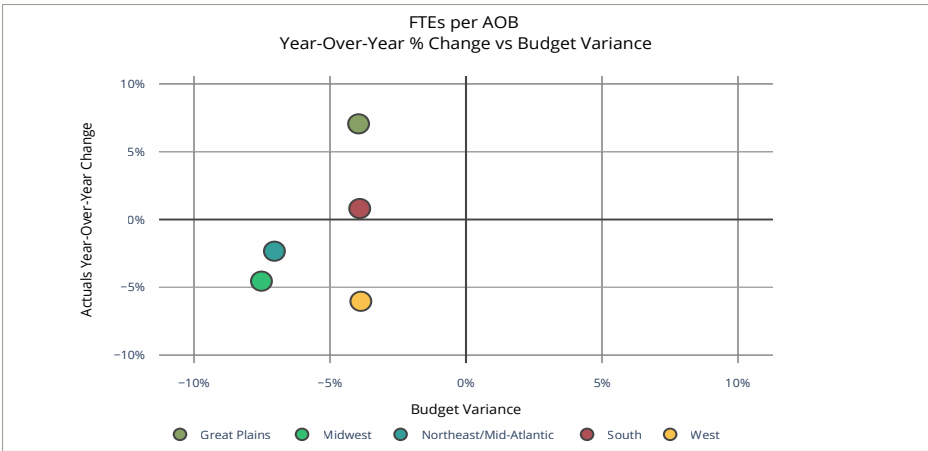
## Expense by Region



Source: Kaufman Hall National Hospital Flash Report, May 2022

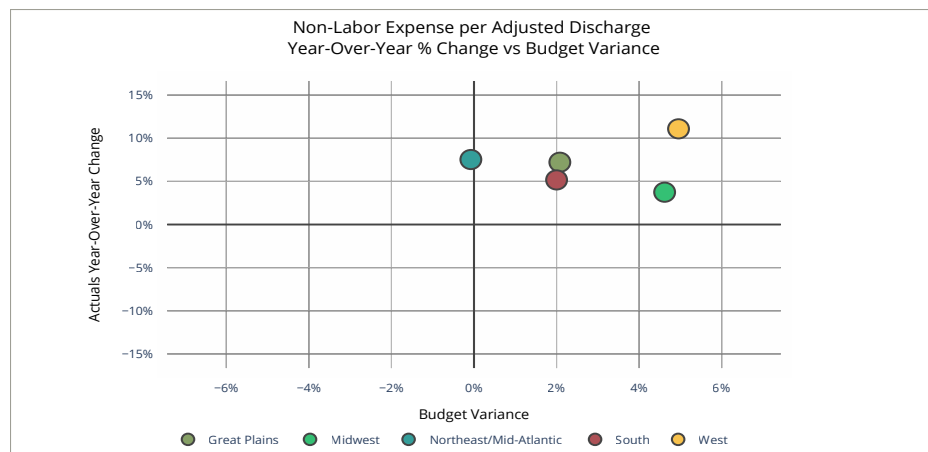


Source: Kaufman Hall National Hospital Flash Report, May 2022

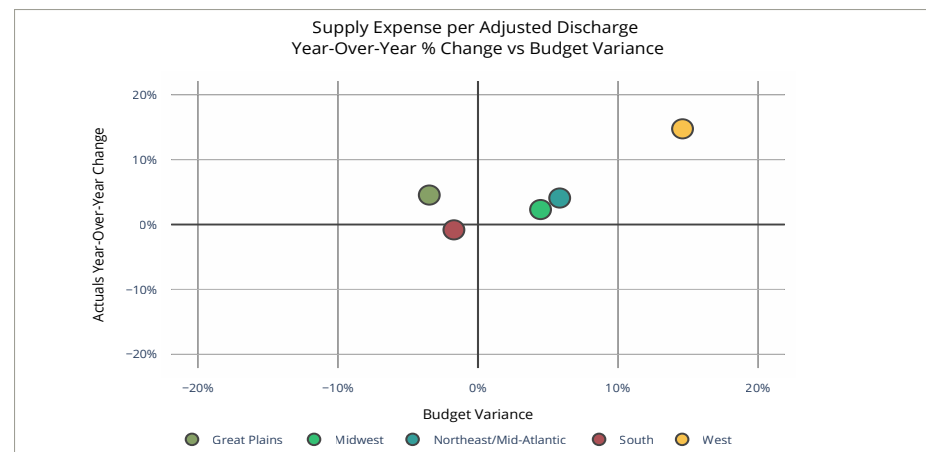


Source: Kaufman Hall National Hospital Flash Report, May 2022

Total Expense and Labor Expense per Adjusted Discharge rose YOY for all regions. The Great Plains had the biggest YOY Labor increase at 20%. Full-Time Equivalents (FTEs) per Adjusted Occupied Bed (AOB) declined for three regions YOY, with the West seeing the biggest drop at -6%, but rose 7% YOY for the Great Plains.

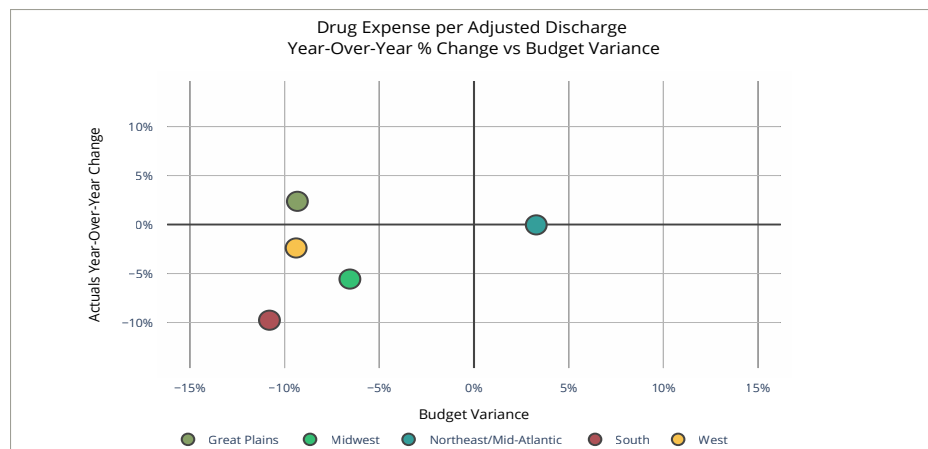
*Expense by Region (continued)*

Source: Kaufman Hall National Hospital Flash Report, May 2022

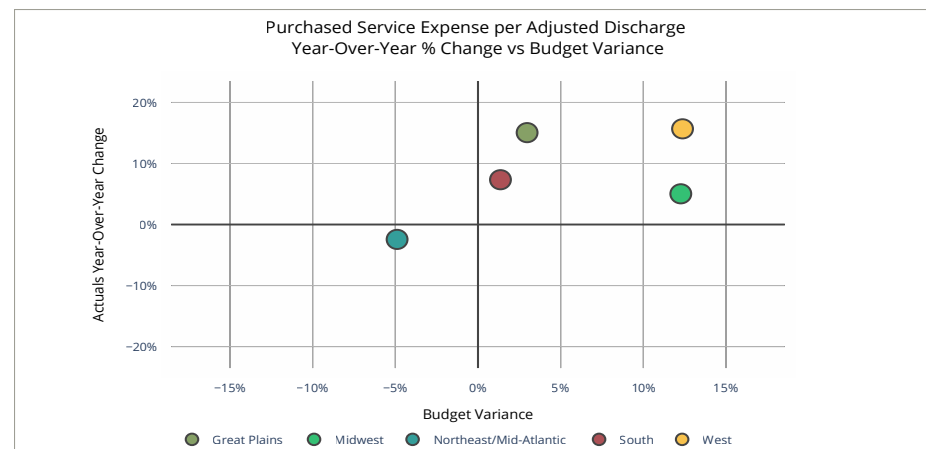


Source: Kaufman Hall National Hospital Flash Report, May 2022

Non-Labor Expense per Adjusted Discharge rose 4% or more YOY for all regions. The West had the biggest increase at 11% YOY. Supply Expense per Adjusted Discharge grew YOY for four regions. The West had the biggest increase for the metric at 15% YOY, while the South came in at -1% YOY.



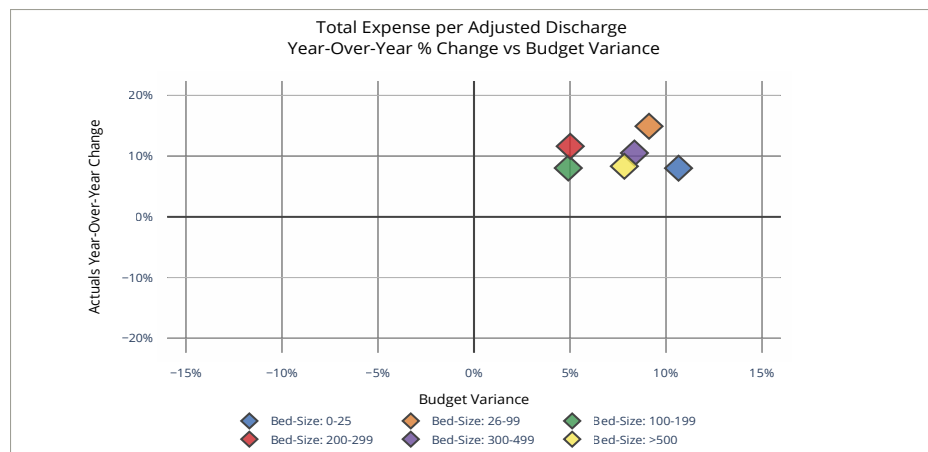
Source: Kaufman Hall National Hospital Flash Report, May 2022



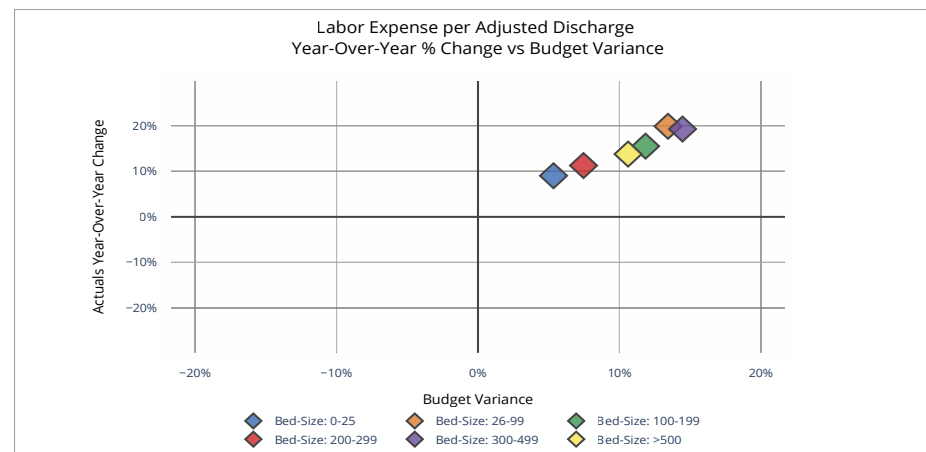
Source: Kaufman Hall National Hospital Flash Report, May 2022

Drug Expense per Adjusted Discharge dropped YOY for three regions, with the South seeing the biggest decrease of -10% YOY. The Great Plains was the only region to see an increase, at 2% YOY. Purchased Service Expense per Adjusted Discharge was up YOY for hospitals in four of five regions. The West had the biggest increase at 16% YOY.

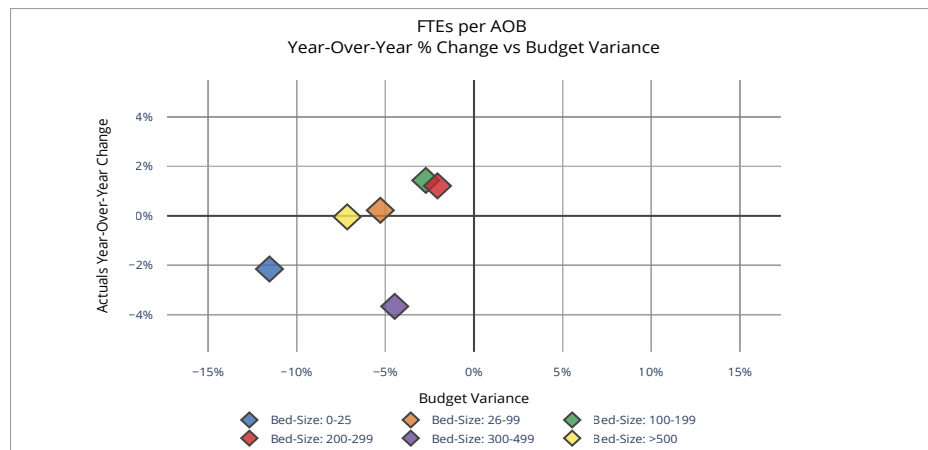
## Expense by Bed Size



Source: Kaufman Hall National Hospital Flash Report, May 2022



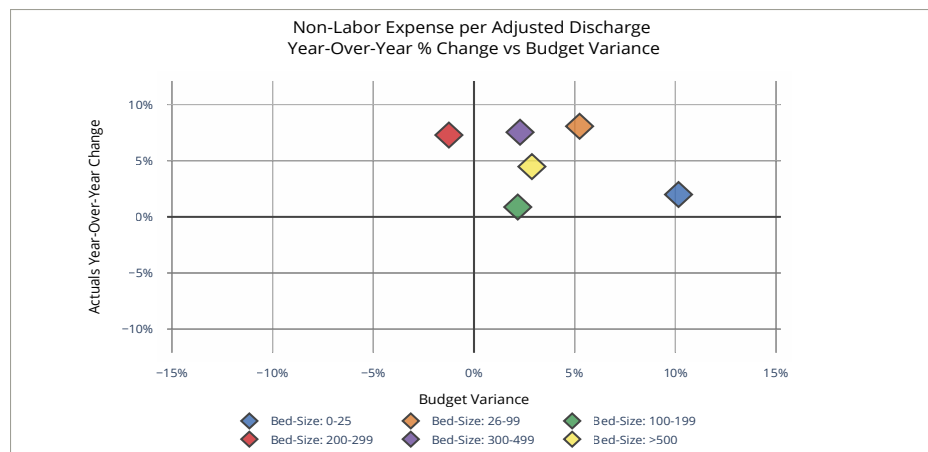
Source: Kaufman Hall National Hospital Flash Report, May 2022



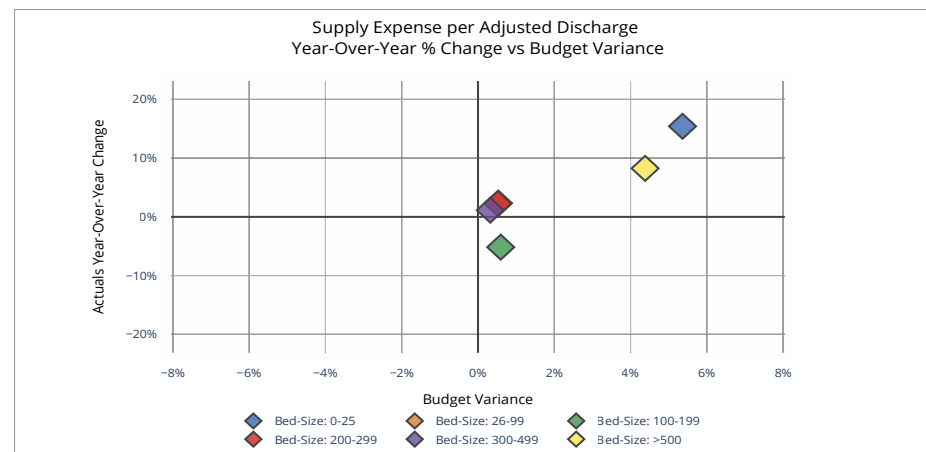
Source: Kaufman Hall National Hospital Flash Report, May 2022

Total Expense and Labor Expense per Adjusted Discharge rose YOY for hospitals of all sizes. Hospitals with 26-99 beds had the biggest YOY increase for total expense at 15%. FTEs per AOB were down YOY for half of all bed-size cohorts, with hospitals in the 300-499 bed size group seeing the greatest drop at -4%. Hospitals with 200-299 beds and 100-199 beds both saw an increase, each at 1% YOY.

## Expense by Bed Size (continued)

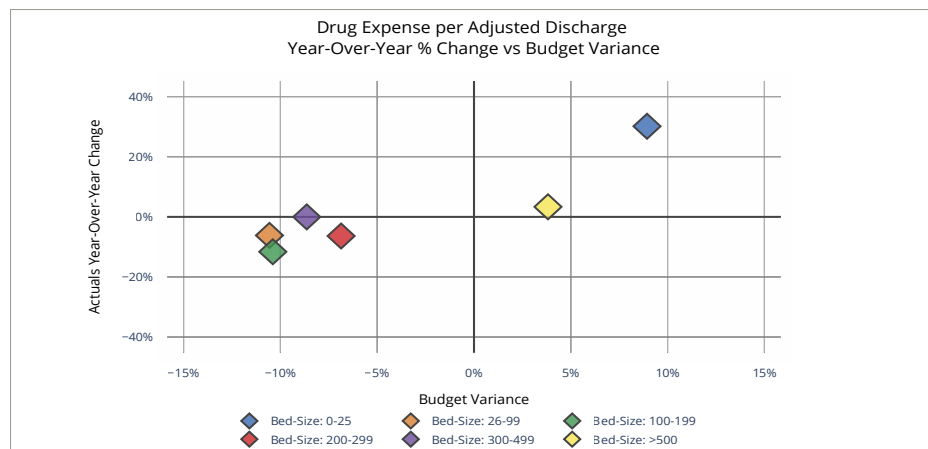


Source: Kaufman Hall National Hospital Flash Report, May 2022

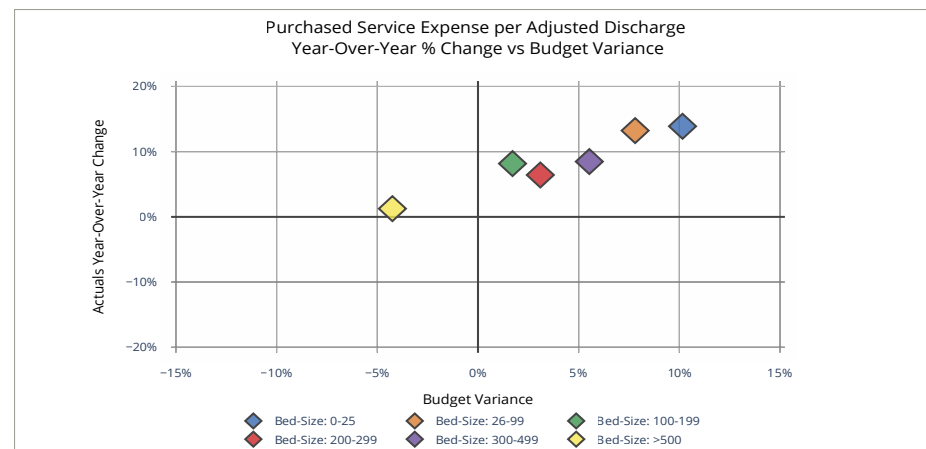


Source: Kaufman Hall National Hospital Flash Report, May 2022

Non-Labor Expense per Adjusted Discharge increased YOY for all cohorts. Hospitals with 26-99 beds and 300-499 beds had the biggest increases — each at 8% YOY. Supply Expense per Adjusted Discharge was up YOY for five bed-size cohorts, but declined 5% YOY for 100-199 bed hospitals. Hospitals with 0-25 beds saw an increase of 15% YOY.



Source: Kaufman Hall National Hospital Flash Report, May 2022



Source: Kaufman Hall National Hospital Flash Report, May 2022

Drug Expense per adjusted discharge was down for three cohorts but up dramatically for hospitals with 0-25 beds, at 30% YOY. Purchased Service Expense per Adjusted Discharge increased YOY for all bed-size cohorts. The smallest hospitals (0-25 beds) had the biggest increase for purchased services at 14% YOY.

# Non-Operating

## National Non-Operating Results

	April 2022	M-o-M Change	Y-o-Y Change
<b>General</b>			
GDP Growth*	-1.4%	n/a	n/a
Unemployment Rate	3.6%	n/c	-2.4%
Personal Consumption Expenditures (YoY)	5.2%	-0.2%	+2.1%
<b>Liabilities</b>			
1m LIBOR	0.80%	+35 bps	+70 bps
SIFMA	0.44%	-7 bps	+38 bps
30yr MMD	3.05%	+52 bps	+146 bps
30yr Treasury	3.00%	+55 bps	+70 bps
<b>Assets</b>			
60/40 Asset Allocation†	n/a	-6.42%	-6.69%

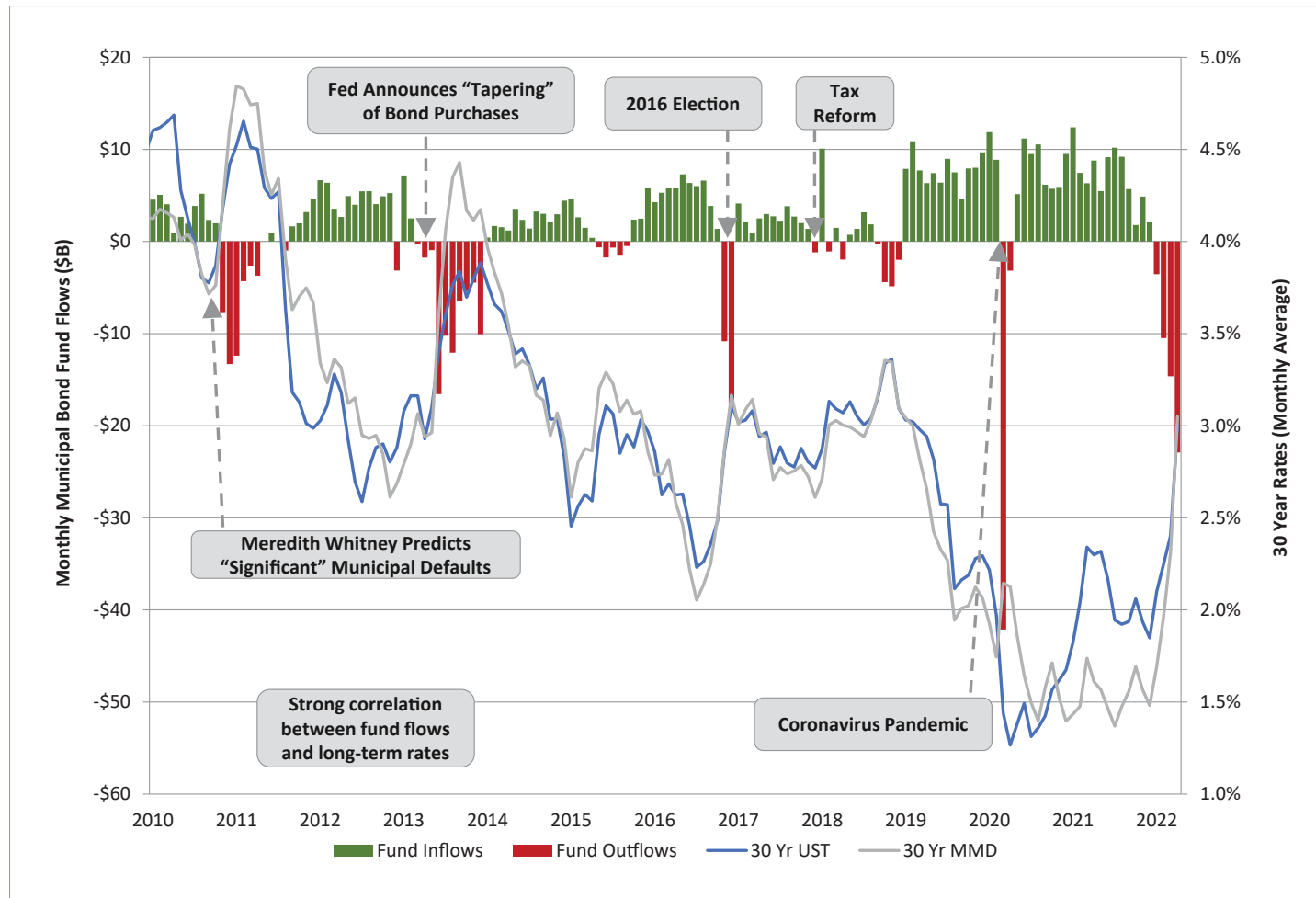
\* U.S. Bureau of Economic Analysis, Q1 2022 "Advance Estimate"

† 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



## Non-Operating Liabilities

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



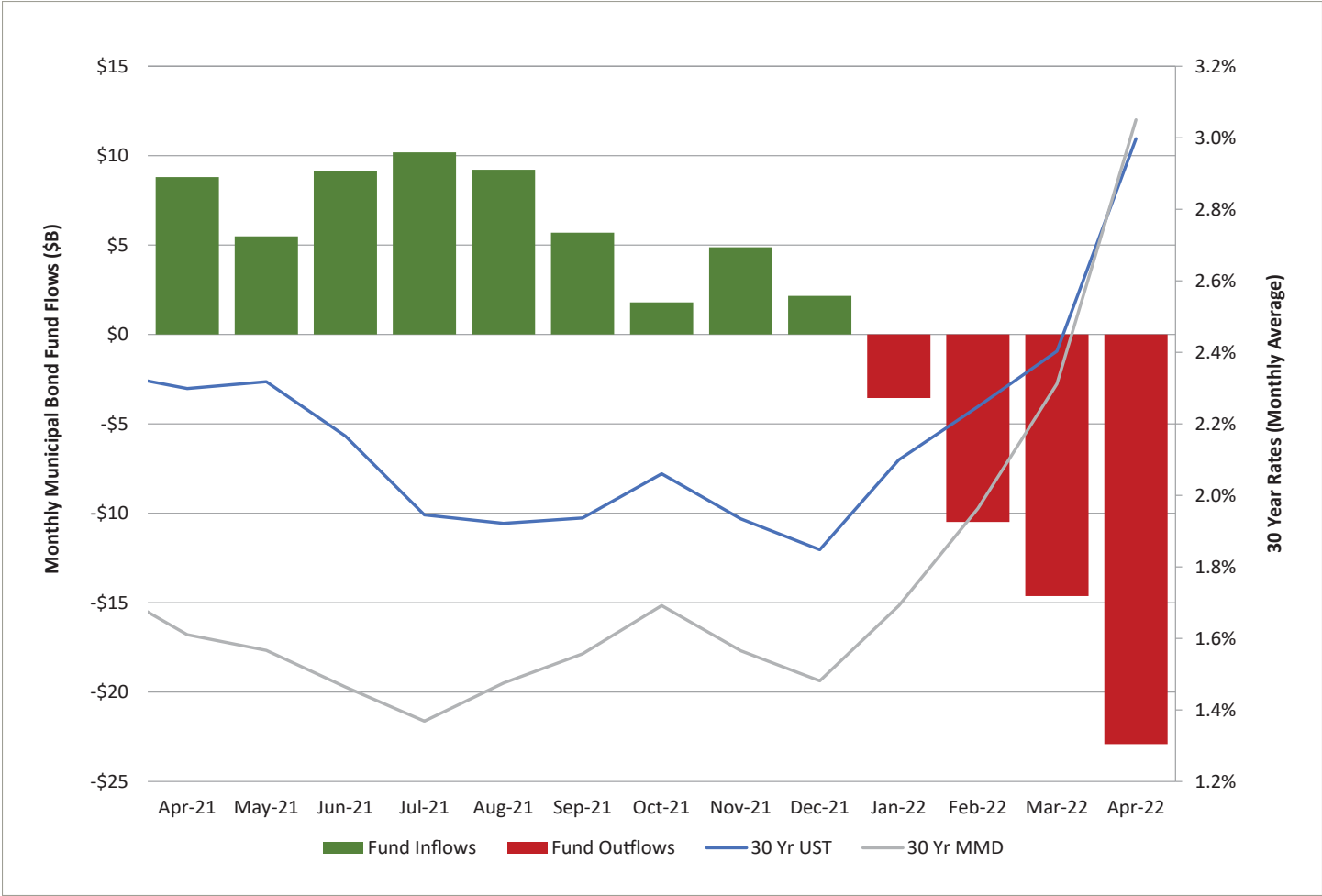
Source: Kaufman Hall National Hospital Flash Report, May 2022

Interest rate increases continued their acceleration in April in the wake of the Fed's largest rate hike since May 2000. Yields on the 30-year Treasury bond increased 55 basis points to 3.00% while the yield on the tax-exempt 30-year MMD benchmark rate rose 52 basis points over the last month to 3.05%. Demand has continued to weaken as municipal bond funds saw \$22.9 billion of outflows in April, an increase of nearly \$6 billion from March.

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)

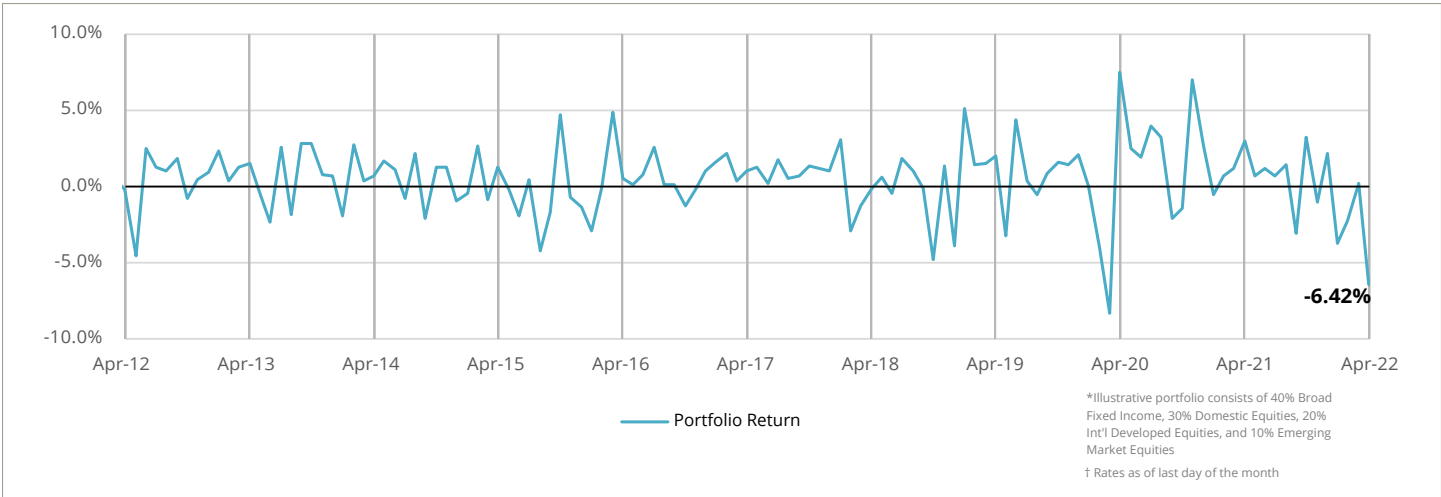
Last Twelve Months – Monthly Municipal Bond Fund Flows with 30-Year U.S. Treasury and 30-Year MMD



Source: Kaufman Hall National Hospital Flash Report, May 2022

# Non-Operating Assets

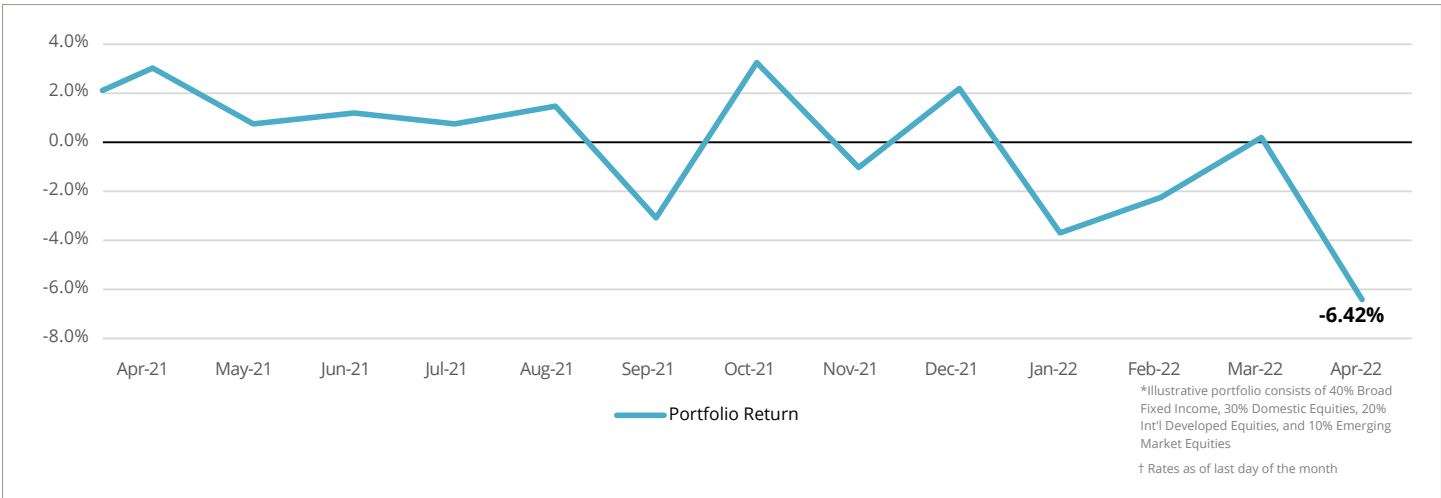
## Long Term – Illustrative Investment Portfolio Returns, Month-over-Month Change



Source: Kaufman Hall National Hospital Flash Report, May 2022

The 60/40 blended asset portfolio ended April down 6.42%. The S&P 500 finished 8.8% lower for the month, after ending March up 3.6%. The MSCI World Index finished down 8.4% while the MSCI Emerging Markets index and Barclays Aggregate Index both finished the month down 5.7% and 3.8% respectively. The 60/40 portfolio is now down 6.7% year-over-year.

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



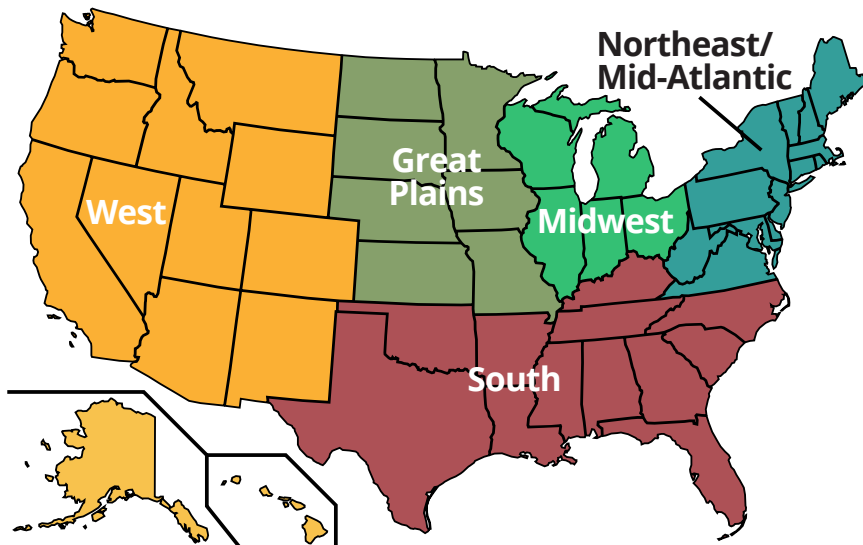
Source: Kaufman Hall National Hospital Flash Report, May 2022

# 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)