

**KaufmanHall**

APRIL 2022

# National Hospital Flash Report

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

*Based on March Data from More Than 900 Hospitals*

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# Key Observations

# Summary

The nation's hospitals and health systems fared better in March following a difficult start to the year due to January's devastating Omicron surge and its aftermath. While repercussions of the surge persist, hospitals saw some early signs of relief as outpatient volumes and revenues returned and expenses eased with fewer high acuity patients.

COVID-19 cases and hospitalizations declined throughout the month. The 7-day moving average of new cases decreased 53.3% from March 1 to 25,559 on March 31.<sup>1</sup> The 7-day moving average of new daily admissions dropped 64.9% over the same period, to 1,506 by month's end.

Even so, the March performance results suggest a long road ahead as healthcare providers struggle with inflation, national labor shortages, and the ongoing impacts of COVID-19 two years after the March 2020 start of the pandemic. Actual hospital margins were negative for a third consecutive month. The median Kaufman Hall year-to-date Operating Margin Index was -2.43% in March, up from -3.99% in February.

## Margins

Hospital margins improved month-over-month and compared to all-time lows seen in March 2020, when hospitals were hit with widespread shutdowns and halting of elective procedures early in the pandemic. The median change in Operating Margin rose 32.7% from February to March

and 85.6% compared to March 2020.<sup>2</sup> The median change in Operating EBITDA Margin increased 26.7% month-over-month and 98.1% versus March 2020.

Year-over-year (YOY), however, the median change in Operating Margin was down 48.7% and the median change in Operating EBITDA Margin declined 37.8% compared to March 2021.

## Volumes

Outpatient volumes improved for the month. Inpatient volumes increased, but at a slower pace compared to recent months. Patient Days rose 4.3% versus February and 1.2% YOY. Adjusted Patient Days increased 12.5% month-over-month and 4.2% YOY, while Adjusted Discharges rose 18% versus the previous month and just 0.5% compared to March 2021.

Average Length of Stay (LOS) was the only metric to decline month-over-month, with a decrease of 6.2% versus February levels due to fewer high acuity patients requiring longer hospital stays. Compared to prior years, Average LOS remained high, increasing 4.6% YOY and 10% versus March 2020.

Surgery volumes increased as patients continued to return after the Omicron surge delayed many nonurgent procedures. Operating Room Minutes rose 17.3% month-over-month, but were down 0.7% compared to March 2021. Emergency Department Visits also increased, rising 16.8% month-over-month and 6.5% YOY.

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

<sup>2</sup> Note: All metrics are exclusive of CARES funding. Due to minimal variances, comparisons of performance with or without federal CARES aid are not included in this issue.

## Summary *(continued)*

### Revenue

Higher volumes contributed to revenue increases in March. Gross Operating Revenue rose 14% month-over-month, 6.6% YOY, and 35.1% compared to March 2020.

Outpatient Revenue had the largest increase as COVID-19 mitigation efforts lifted. Outpatient Revenue was up 16.1% compared to February, 2.7% YOY, and 34.9% versus the first month of the pandemic in March 2020. Inpatient Revenue increased 5.4% month-over-month and 15.8% compared to March 2020, but was up just 0.3% YOY.

### Expenses

Hospitals saw some improvements in adjusted expenses month-over-month as volume growth outpaced expense growth in March, but labor shortages, supply chain issues, and inflation continue to push expenses up relative to prior years.

Compared to February, Total Expense per Adjusted Discharge and Non-Labor Expense per Adjusted Discharge both decreased 9%, and Labor Expense per Adjusted Discharge was down 8.3%.

Compared to the past two years, however, Total Expense per Adjusted Discharge rose 10.8% YOY and 6.1% versus March 2020. Labor Expense per Adjusted Discharge was up 12.6% YOY and 8.7% versus March 2020. Non-Labor Expense per Adjusted Discharge rose 6.4% compared to March 2021 and 2.7% compared to the pandemic's first month.

### Non-Operating

Inflation registered at 8.5% year-over-year in March, its highest rate since 1981. The increase was driven by ongoing supply chain problems, soaring demand, and rising energy prices. The U.S. labor market remained tight in March as unemployment dropped to a two-year low of 3.6% and non-farm payrolls added 431,000 jobs.

The Federal Reserve increased rates by 25 basis points (bps) in March, its first increase since 2018. The Federal Open Market Committee (FOMC) projects six more rate increases in 2022 followed by three more in 2023. Minutes from the FOMC's March meeting signal support for one or more 50 bps increases if inflation remains high. The Fed also indicated it will begin reducing its balance sheet by \$95 billion per month, likely beginning in May. That is significantly more than the peak rate of \$50 billion per month during the previous tightening cycle from 2017 to 2019.

# Takeaways at a Glance

## 1. U.S. hospitals saw signs of improvement in March.

Overall margins improved for hospitals nationwide with month-over-month gains in volumes and revenues and some relief in rising expenses following two months of poor performance spurred by January's devastating Omicron surge.

## 2. Outpatient volumes and revenues rebounded.

Hospitals experienced a resurgence in outpatient care, surgery volumes, and outpatient revenues from February to March as many patients returned for procedures delayed by COVID-19 concerns during the Omicron surge.

## 3. Strains on inpatient care eased.

Hospitals saw lower numbers of high-acuity patients in March, due in part to continued declines in COVID-related hospitalizations. Lengths of stay were down, and the pace of growth in inpatient volumes slowed relative to recent months, contributing to month-over-month expense declines.

## 4. Hospitals still face a long road to recovery.

Despite signs of improvement in March, actual year-to-date hospital operating margins remained in the red for a third consecutive month, and adjusted expenses remain well above 2021 and 2020 levels as healthcare continues to cope with inflation, supply chain challenges, and widespread labor shortages.



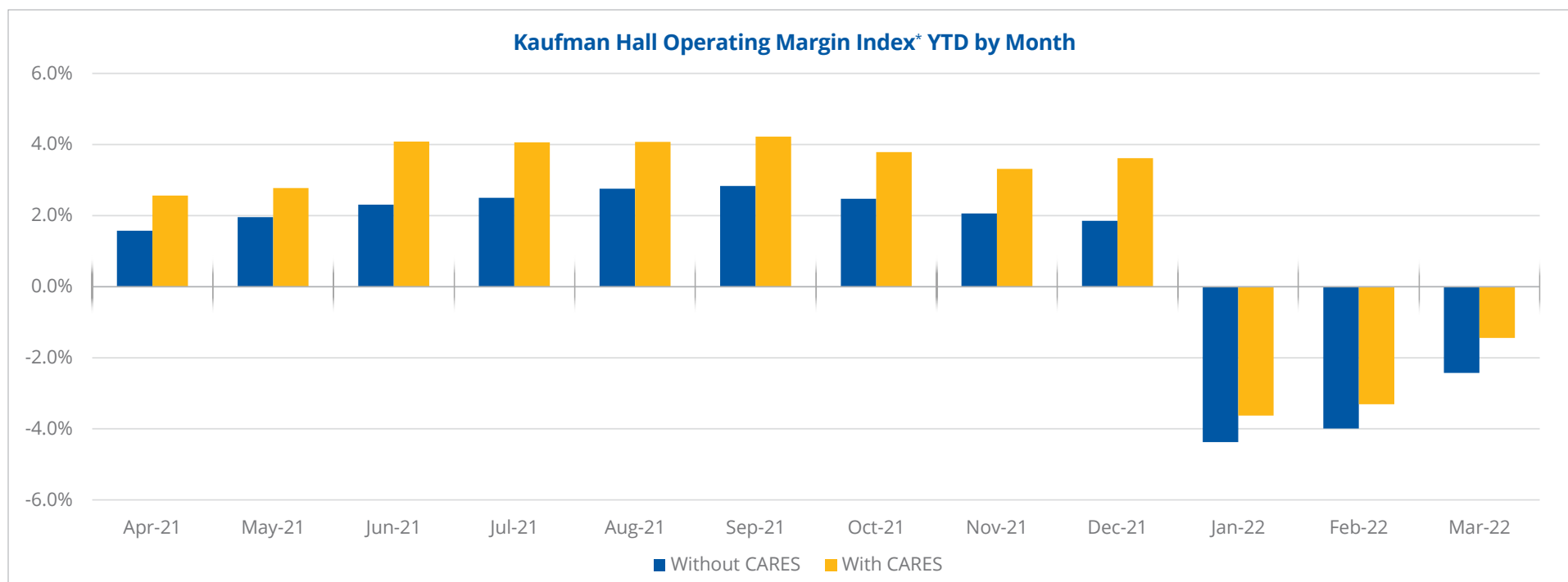
# Margins

## National Margin Results

MARGIN % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Operating EBITDA Margin Less CARES	-27.8%	26.7%	-37.8%	98.1%
Operating Margin Less CARES	-38.1%	32.7%	-48.7%	85.6%

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	(355.4)	211.2	(524.0)	856.5
Operating Margin Less CARES	(317.0)	266.0	(505.1)	962.9

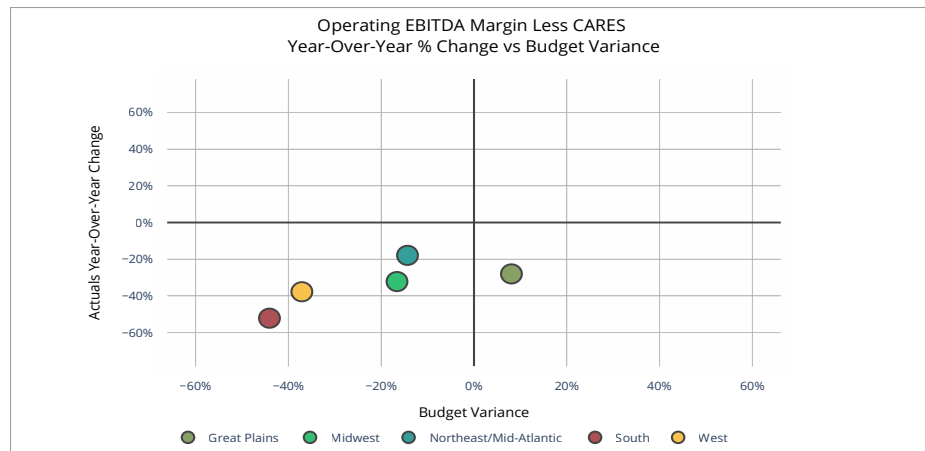


Source: National Hospital Flash Report (April 2022)

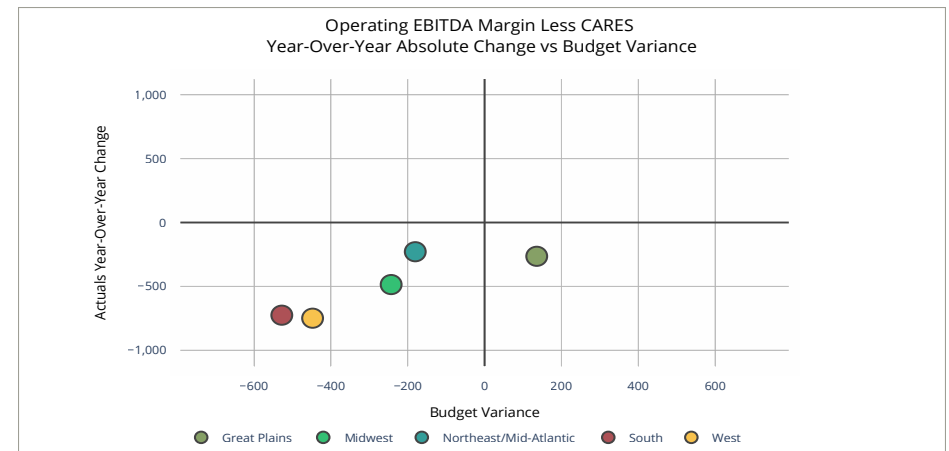
\* Note: The Kaufman Hall Hospital Operating Margin and Operating EBITDA Margin Indices are comprised of the national median of our dataset adjusted for allocations to hospitals from corporate, physician, and other entities.



## EBITDA Margin by Region



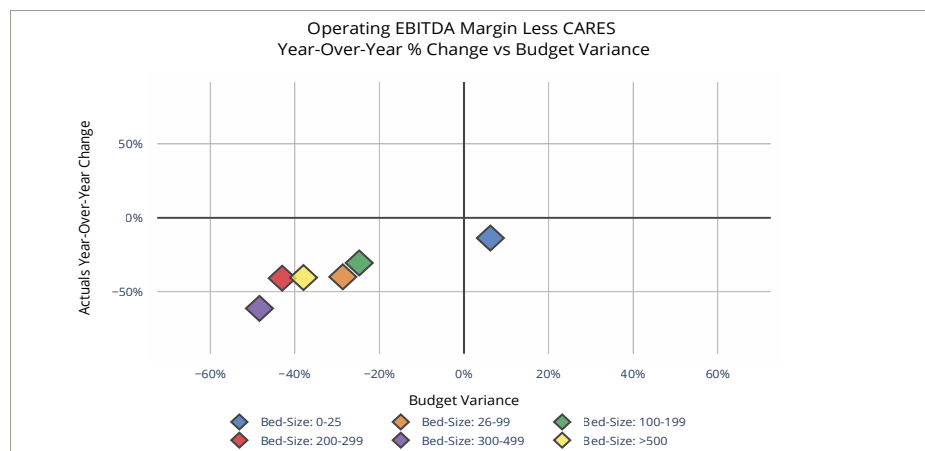
Source: Kaufman Hall National Hospital Flash Report, April 2022



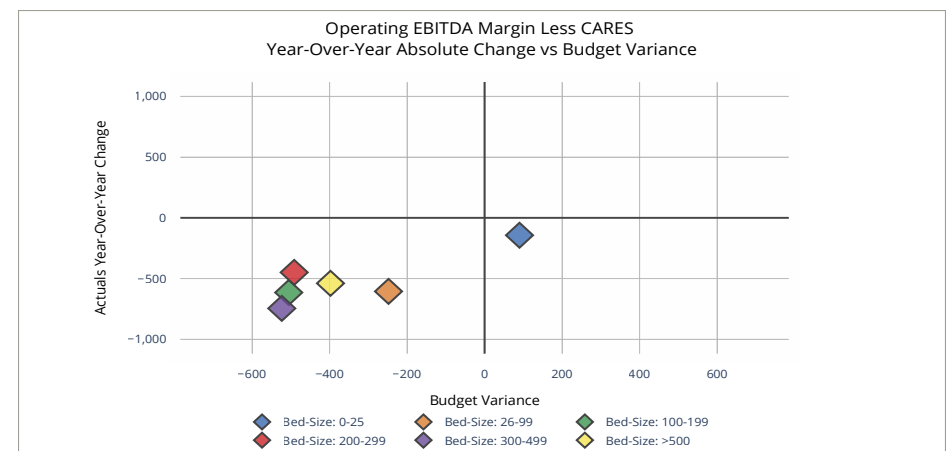
Source: Kaufman Hall National Hospital Flash Report, April 2022

The median change in Operating EBITDA Margin (without CARES) declined year-over-year (YOY) for hospitals across all regions in March. Hospitals in the South had the biggest decrease at 52% YOY, while hospitals in the Northeast/Mid-Atlantic had the least decrease at 18% YOY.

## EBITDA Margin by Bed Size



Source: Kaufman Hall National Hospital Flash Report, April 2022



Source: Kaufman Hall National Hospital Flash Report, April 2022

The median change in Operating EBITDA Margin (without CARES) was down YOY in March for hospitals of all sizes. For a second consecutive month, hospitals with 300-499 beds had the biggest decline at 61% YOY. The smallest hospitals with 0-25 beds had the least decline at 14% YOY.

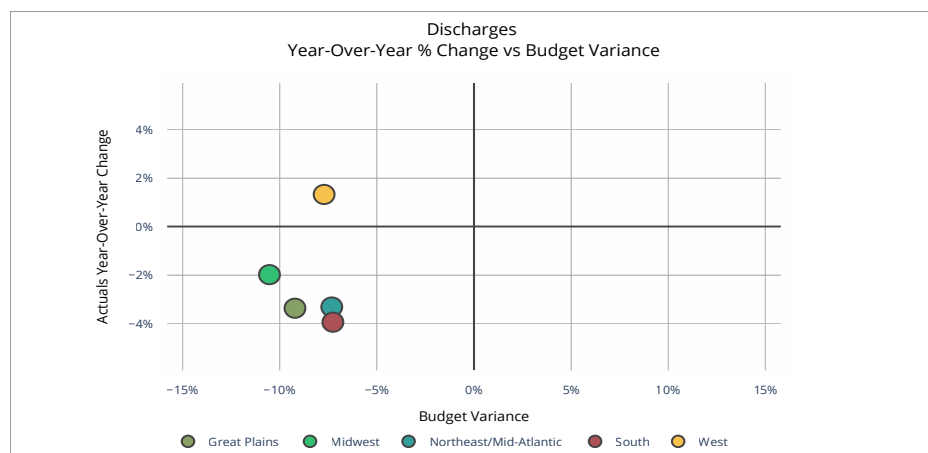
# Volumes

## National Volume Results

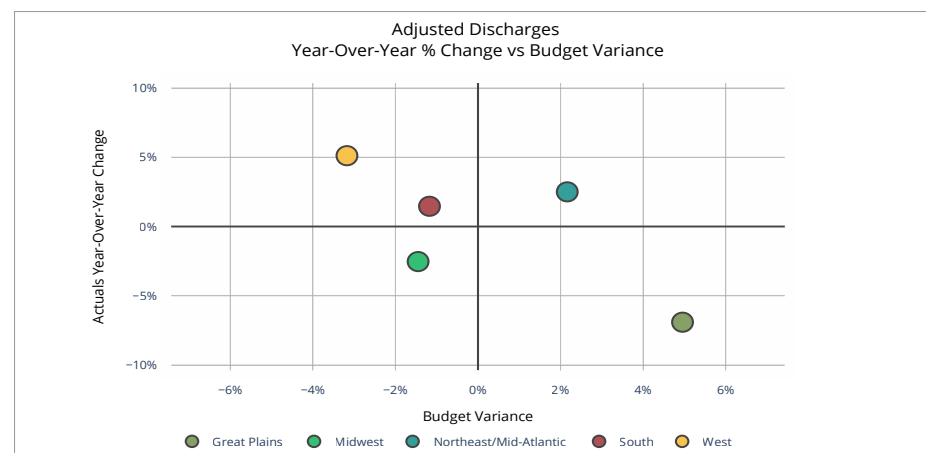
VOLUMES % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Discharges	-7.7%	10.4%	-3.3%	1.1%
Adjusted Discharges	-0.9%	18.0%	0.5%	13.9%
Patient Days	-4.8%	4.3%	1.2%	8.3%
Observation Patient Days as a Percent of Patient Day	11.4%	14.2%	3.9%	13.6%
Adjusted Patient Days	2.6%	12.5%	4.2%	21.5%
Average Length of Stay	4.8%	-6.2%	4.6%	10.0%
ED Visits	-2.5%	16.8%	6.5%	4.9%
Operating Room Minutes	3.2%	17.3%	-0.7%	40.2%

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

## Volume by Region



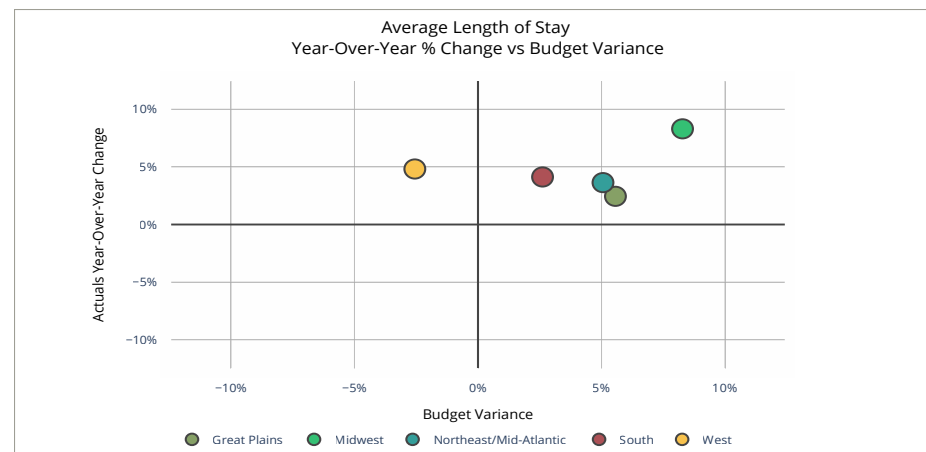
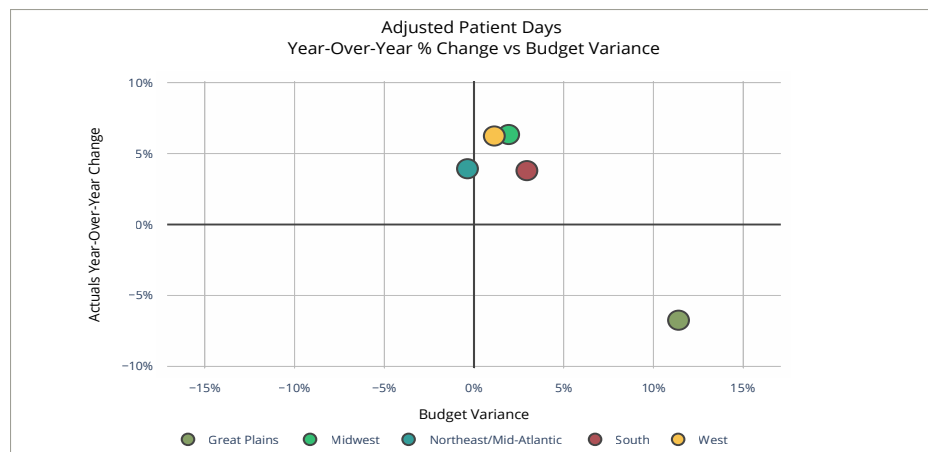
Source: Kaufman Hall National Hospital Flash Report, April 2022



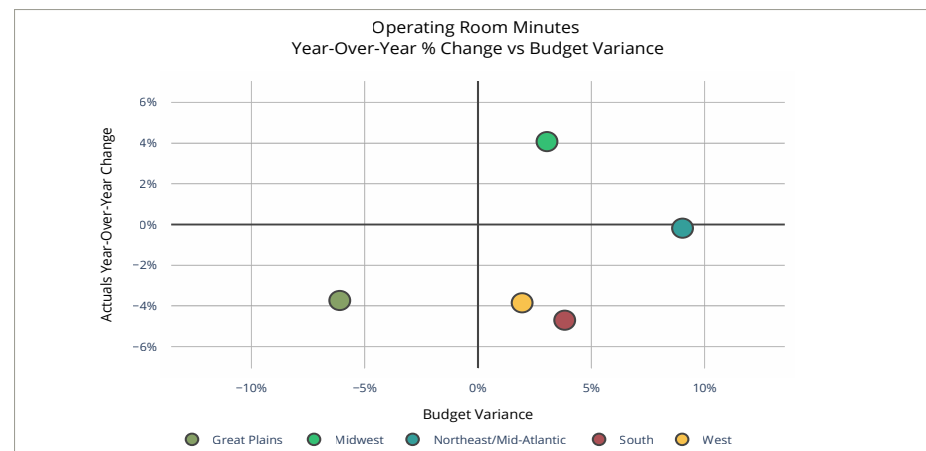
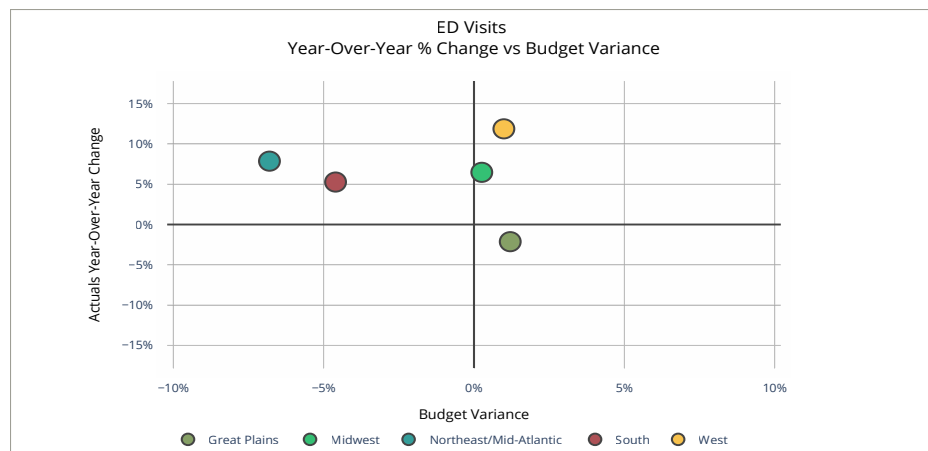
Source: Kaufman Hall National Hospital Flash Report, April 2022

Discharges declined YOY for four regions but rose 1.3% YOY in the West. The South had the biggest decrease at 4% YOY. Adjusted Discharges rose YOY for three regions. The West had the greatest increase at 5.1% YOY, while the Midwest and Great Plains were down 2.5% and 6.9% YOY, respectively.

## Volume by Region (continued)

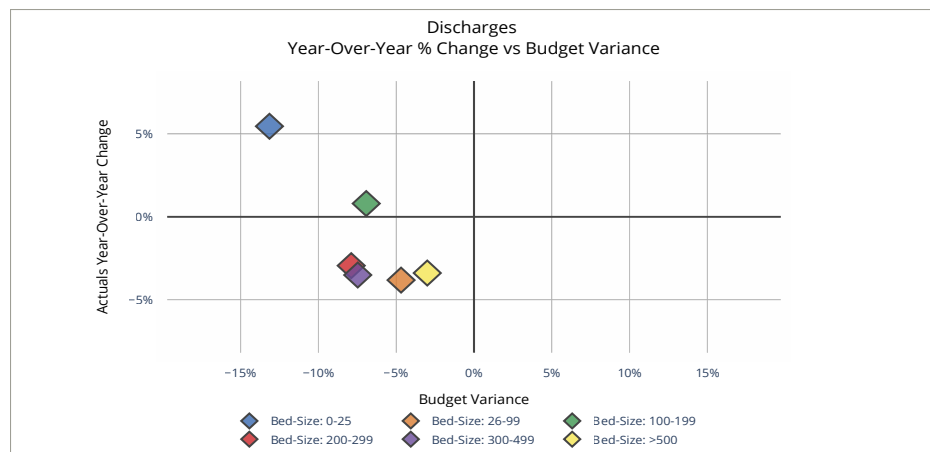


Adjusted Patient Days rose between 3.8% and 6.3% YOY for four regions. The Great Plains was the only region to see a YOY decline at 6.7%. Average Length of Stay (LOS) rose YOY for all regions. The Midwest had the largest increase at 8.3% YOY, while the Great Plains had the least increase at 2.5% YOY.

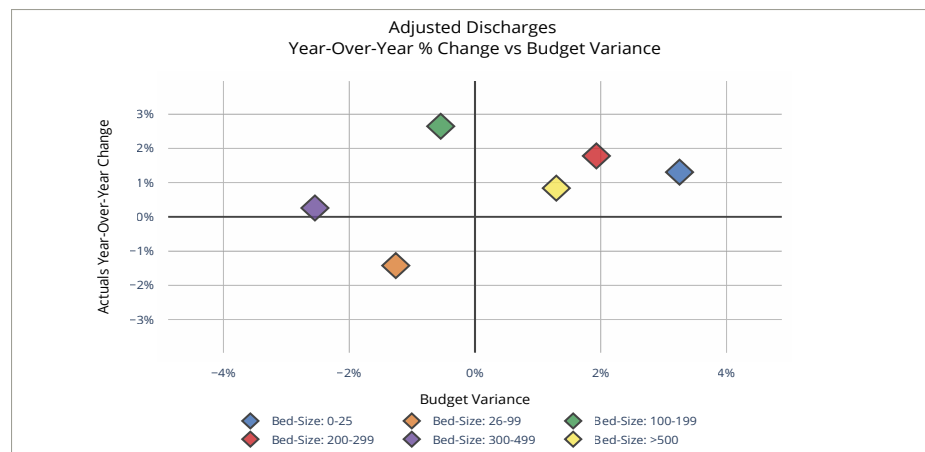


Emergency Department (ED) Visits rose 5.3% or more YOY for four regions. For a seventh consecutive month, the Great Plains was the only region to see a decrease at 2.1% YOY. Operating Room Minutes rose 4.1% YOY for the Midwest, but decreased YOY for all other regions.

## Volume by Bed Size

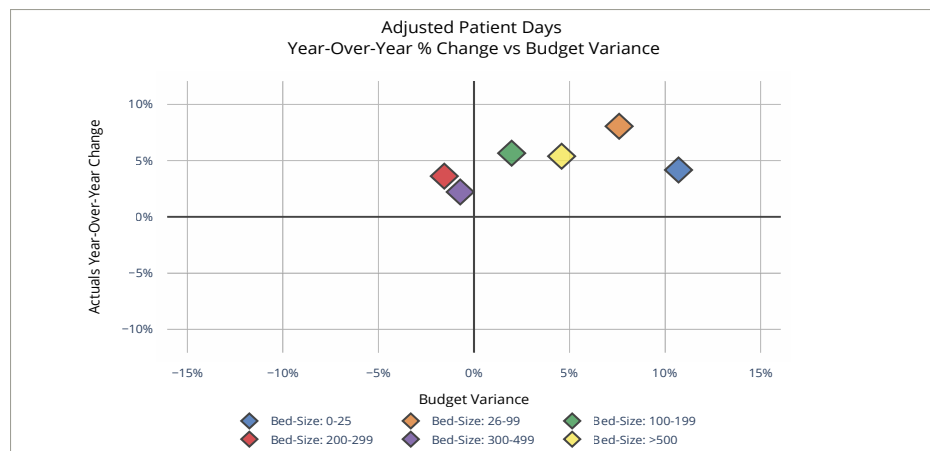


Source: Kaufman Hall National Hospital Flash Report, April 2022

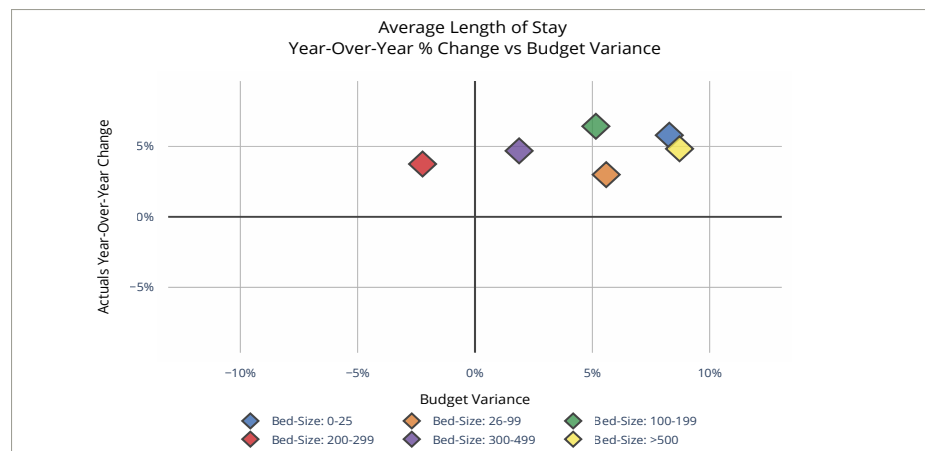


Source: Kaufman Hall National Hospital Flash Report, April 2022

Discharges declined YOY for four bed-size cohorts, but rose 0.8% YOY for 100-199 bed hospitals and 5.5% YOY for 0-25 bed hospitals. Adjusted Discharges rose YOY for five cohorts, but declined 1.4% for 26-99 bed hospitals. Hospitals with 100-199 beds had the biggest YOY increase for the metric at 2.7%.



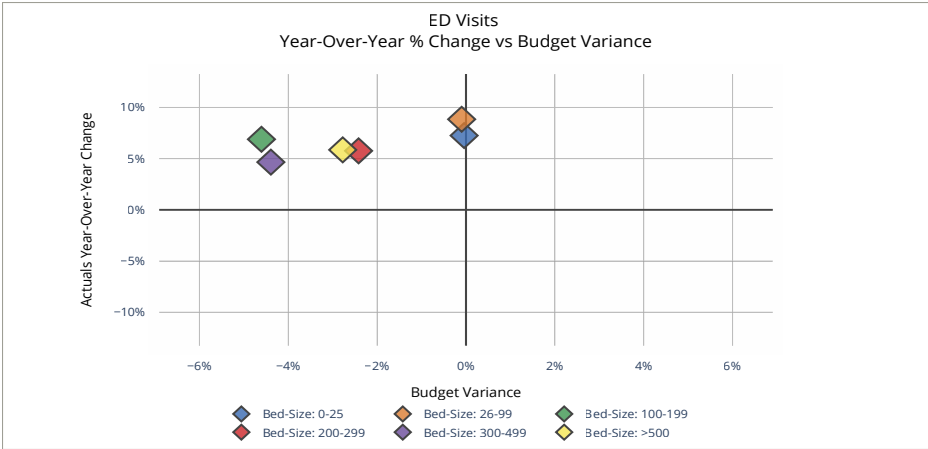
Source: Kaufman Hall National Hospital Flash Report, April 2022



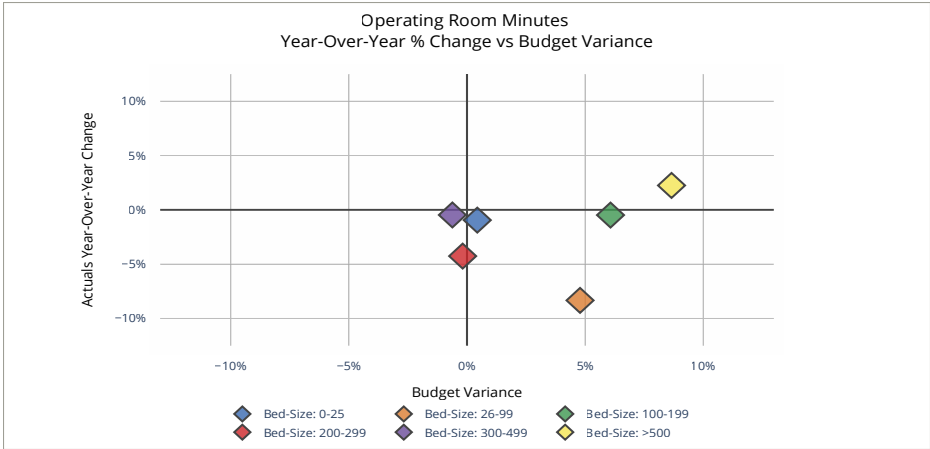
Source: Kaufman Hall National Hospital Flash Report, April 2022

Adjusted Patient Days rose for all cohorts, ranging from a low of 2.2% YOY for 300-499 bed hospitals to a high of 8.1% YOY for 26-99 bed hospitals. Average LOS rose YOY for all cohorts. Hospitals with 100-199 beds had the largest YOY increase at 6.4%, while hospitals with 26-99 beds had the least at 3.0%.

Volume by Bed Size (continued)



Source: Kaufman Hall National Hospital Flash Report, April 2022



Source: Kaufman Hall National Hospital Flash Report, April 2022

ED Visits rose YOY for all bed-size cohorts. Hospitals with 300-499 beds had the least increase at 4.7% YOY and hospitals with 26-99 beds had the largest at 8.8% YOY. Operating Room Minutes were down YOY for five bed-size cohorts, but rose 2.3% YOY for hospitals with 500 beds or more.



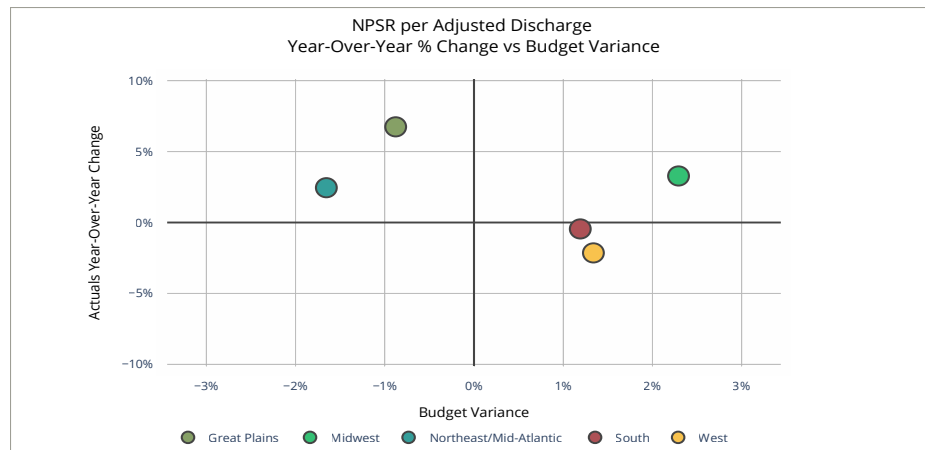
# Revenues

## National Revenue Results

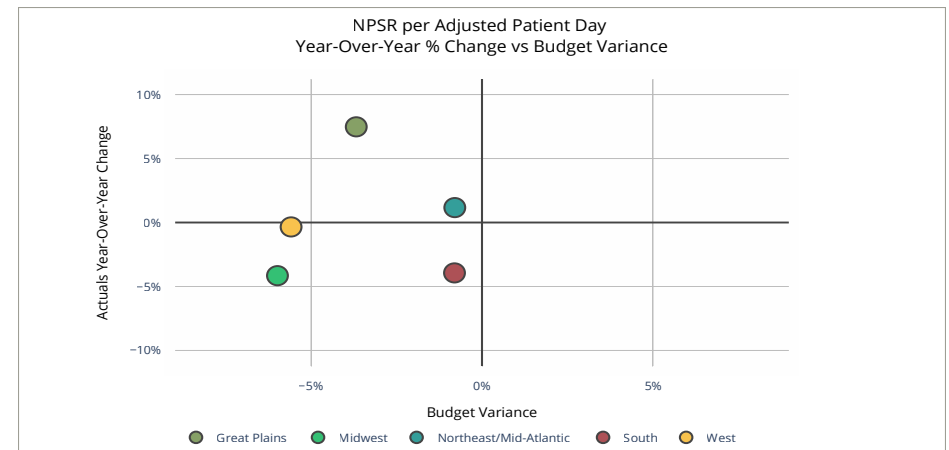
REVENUE % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Gross Operating Revenue Less CARES	2.7%	14.0%	6.6%	35.1%
IP Revenue	-5.6%	5.4%	0.3%	15.8%
OP Revenue	5.7%	16.1%	2.7%	34.9%
Bad Debt and Charity	-80.4%	-58.4%	-59.2%	-91.9%
NPSR per Adjusted Discharge	1.1%	-5.5%	2.3%	19.9%
NPSR per Adjusted Patient Day	-2.2%	-1.6%	-1.3%	8.7%
IP/OP Adjustment Factor	5.7%	6.5%	2.7%	9.2%
Bad Debt and Charity as a % of Gross	-19.4%	-2.5%	-2.8%	-33.6%

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

## Revenue by Region



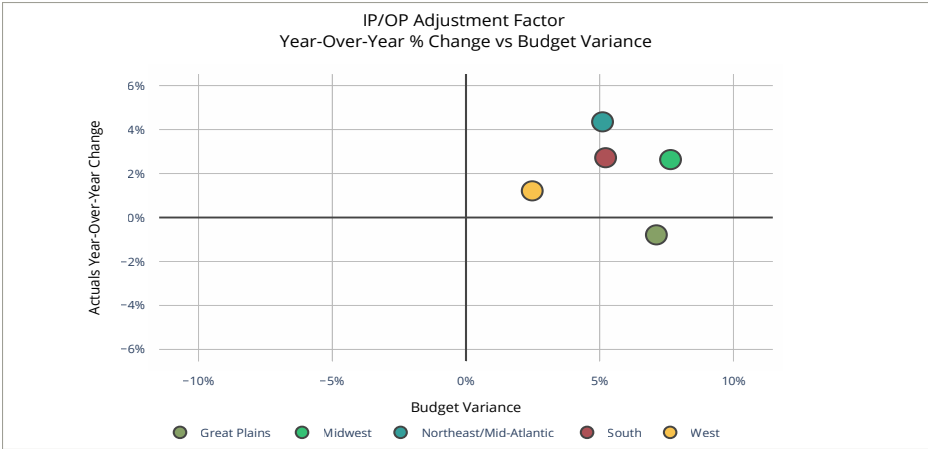
Source: Kaufman Hall National Hospital Flash Report, April 2022



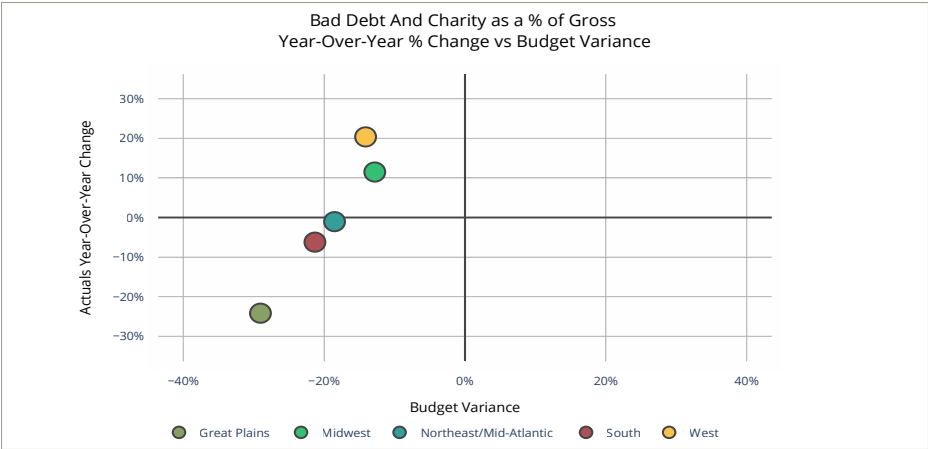
Source: Kaufman Hall National Hospital Flash Report, April 2022

Net Patient Service Revenue (NPSR) per Adjusted Discharge rose YOY for three regions, but declined 0.5% YOY in the South and 2.1% YOY in the West. NPSR per Adjusted Patient Day was down YOY for three regions, while the Northeast/Mid-Atlantic and Great Plains rose 1.2% and 7.5% YOY, respectively.

Revenue by Region (continued)



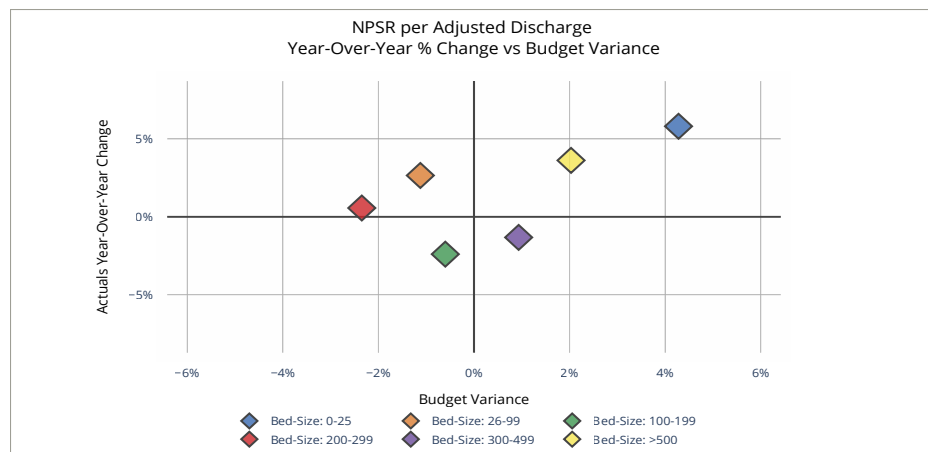
Source: Kaufman Hall National Hospital Flash Report, April 2022



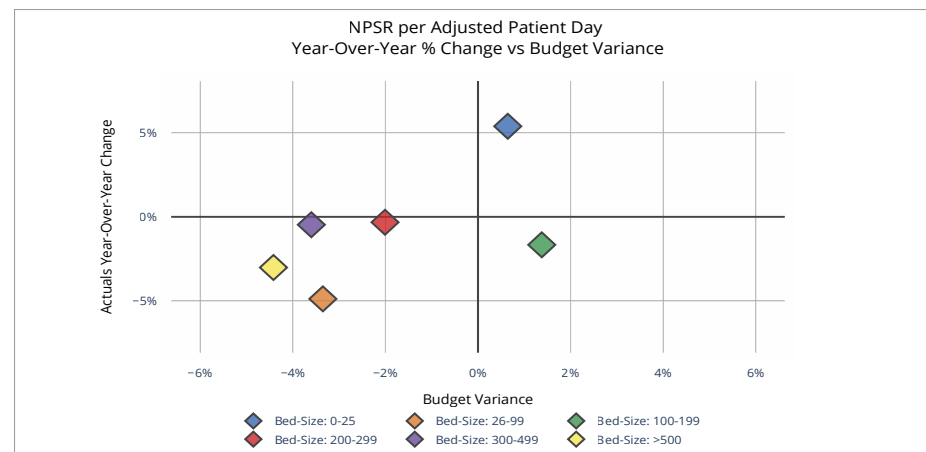
Source: Kaufman Hall National Hospital Flash Report, April 2022

The Inpatient/Outpatient (IP/OP) Adjustment Factor rose YOY for four of five regions. The Northeast/Mid-Atlantic had the biggest increase at 4.4% YOY. Bad Debt and Charity as a Percent of Gross was down YOY for three regions, but rose 11.5% YOY in the Midwest and 20.4% YOY in the West.

## Revenue by Bed Size

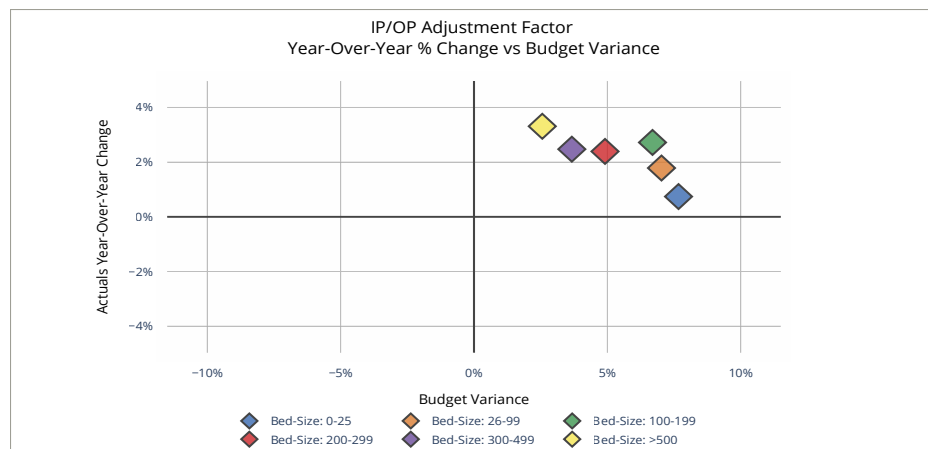


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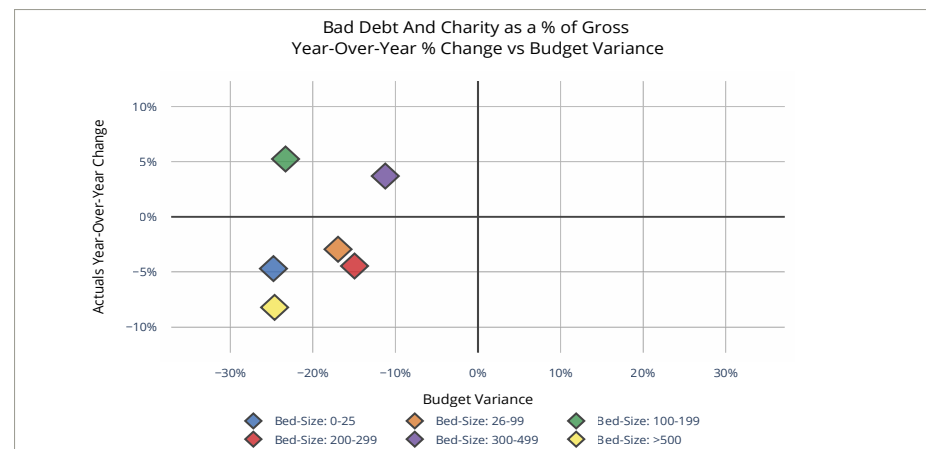


Source: Kaufman Hall National Hospital Flash Report, April 2022

NPSR per Adjusted Discharge rose YOY for four bed-size cohorts, but declined YOY for hospitals with 100-199 and 300-499 beds. Hospitals with 0-25 beds had the biggest increase at 5.8% YOY. NPSR per Adjusted Patient Day was down YOY for five cohorts but rose 5.4% YOY for 0-25 bed hospitals.



Source: Kaufman Hall National Hospital Flash Report, April 2022



Source: Kaufman Hall National Hospital Flash Report, April 2022

The IP/OP Adjustment Factor was up YOY for hospitals of all sizes. The largest hospitals (500+ beds) had the biggest increase at 3.3% YOY. Bad Debt and Charity as a Percent of Gross was down YOY for four bed-size cohorts, but up 3.7% YOY for 300-499 bed hospitals and 5.3% YOY for 100-199 bed hospitals.

# Expenses

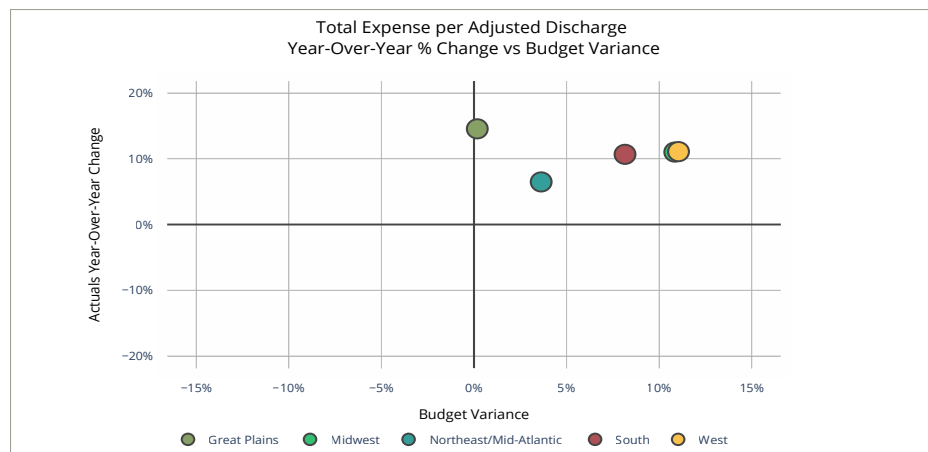
## National Expense Results

EXPENSES % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Total Expense	5.4%	8.1%	10.6%	17.7%
Total Labor Expense	5.7%	9.1%	12.5%	18.5%
Total Non-Labor Expense	3.6%	7.3%	7.6%	15.5%
Supply Expense	5.3%	13.0%	5.4%	24.7%
Drugs Expense	-4.6%	2.2%	-0.8%	11.8%
Purchased Service Expense	4.0%	5.3%	7.6%	15.6%
Total Expense per Adjusted Discharge	8.9%	-9.0%	10.8%	6.1%
Labor Expense per Adjusted Discharge	9.6%	-8.3%	12.6%	8.7%
FTEs per AOB	-6.0%	-2.7%	-4.7%	-18.0%
Non-Labor Expense per Adjusted Discharge	4.4%	-9.0%	6.4%	2.7%
Supply Expense per Adjusted Discharge	7.2%	-3.1%	5.1%	9.7%
Drug Expense per Adjusted Discharge	-0.9%	-11.7%	0.4%	2.2%
Purchased Service Expense per Adjusted Discharge	2.3%	-12.4%	3.3%	4.4%

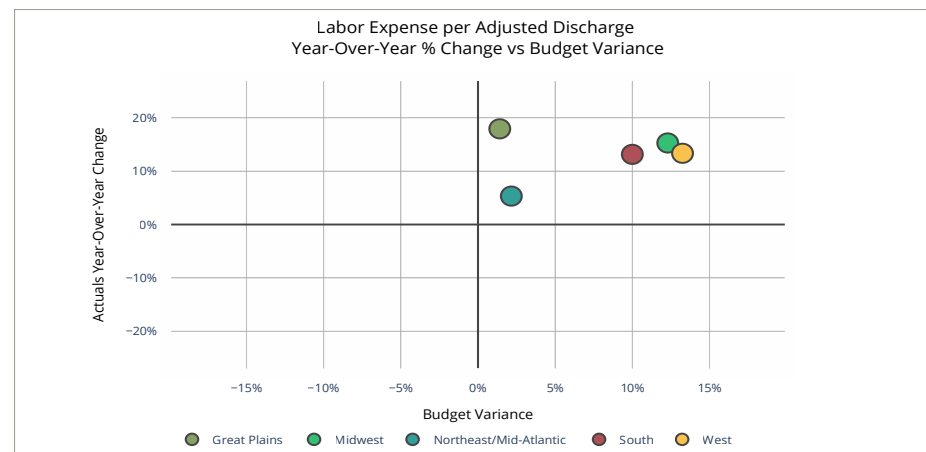
Unless noted, figures are actuals and medians are expressed as percentage change



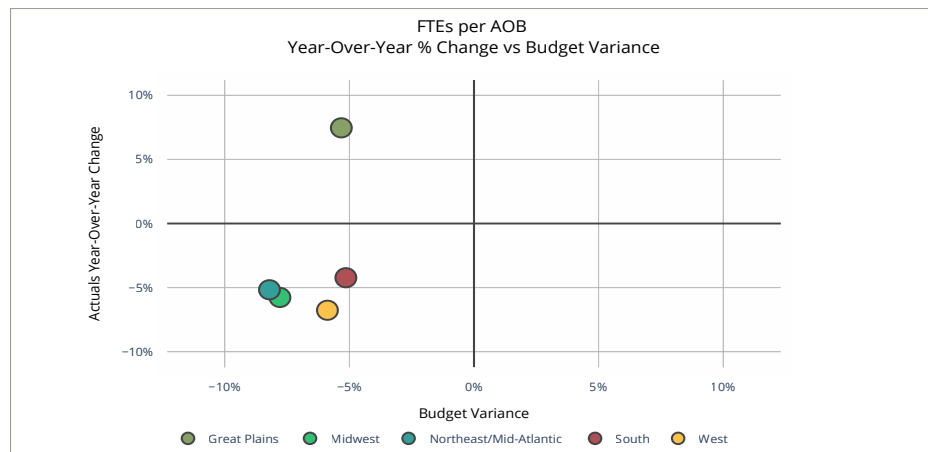
## Expense by Region



Source: Kaufman Hall National Hospital Flash Report, April 2022



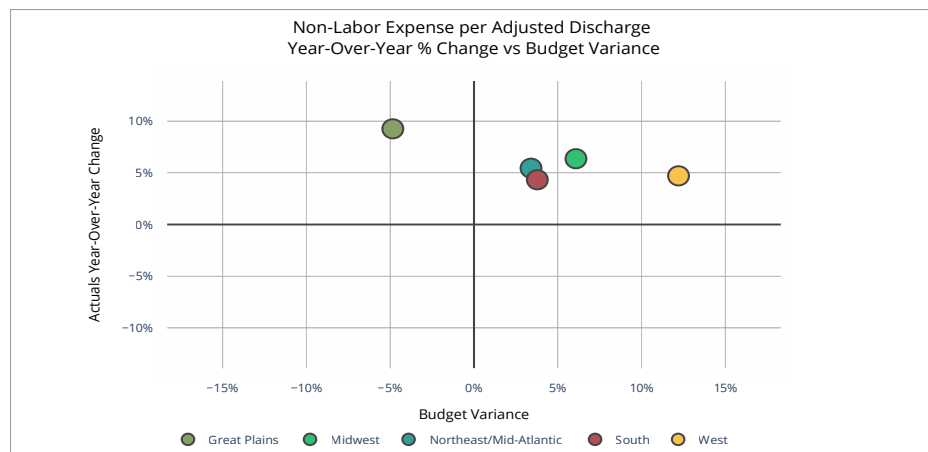
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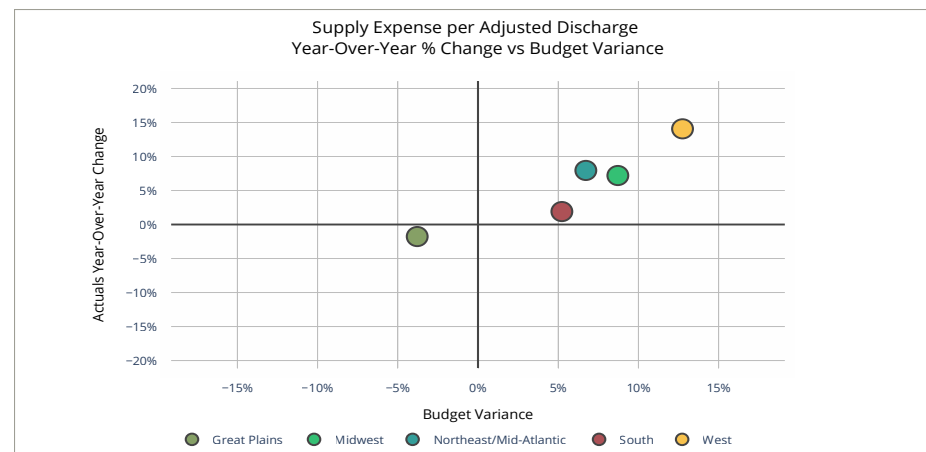
Source: Kaufman Hall National Hospital Flash Report, April 2022

Total Expense and Labor Expense per Adjusted Discharge rose YOY for all regions. The Great Plains had the biggest YOY increases at 14.6% and 17.9%, respectively. Full-Time Equivalents (FTEs) per Adjusted Occupied Bed (AOB) declined 4.2% or more YOY for four regions, but rose 7.5% YOY for the Great Plains.

## Expense by Region (continued)

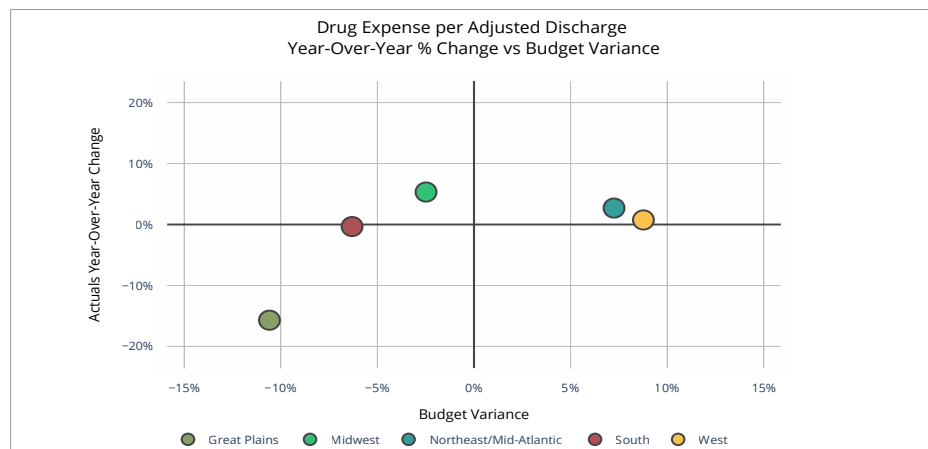


Source: Kaufman Hall National Hospital Flash Report, April 2022

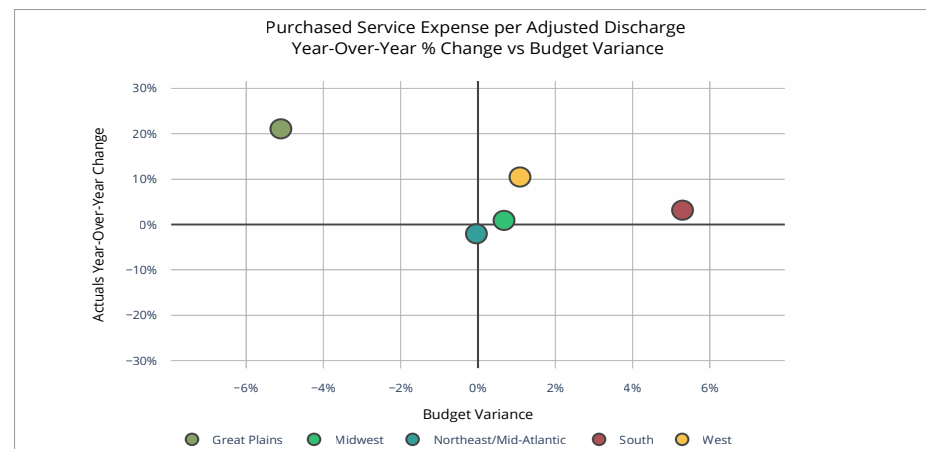


Source: Kaufman Hall National Hospital Flash Report, April 2022

Non-Labor Expense per Adjusted Discharge rose 4.3% or more YOY for all regions. The Great Plains had the biggest increase at 9.3% YOY. Supply Expense per Adjusted Discharge rose YOY for four regions but was down 1.8% YOY in the Great Plains. The West had the biggest increase for the metric at 14.1% YOY.



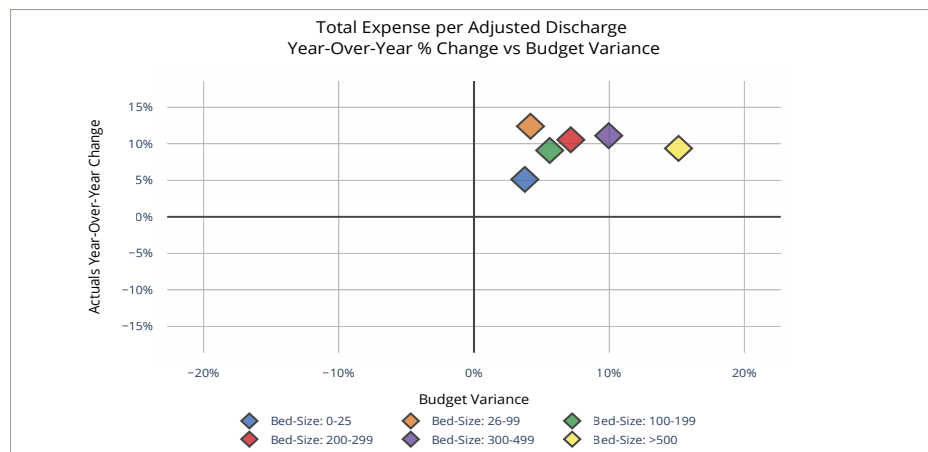
Source: Kaufman Hall National Hospital Flash Report, April 2022



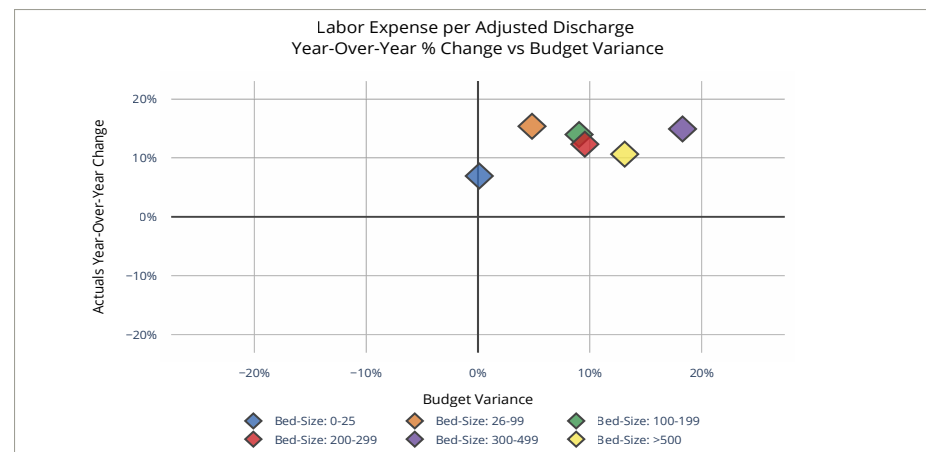
Source: Kaufman Hall National Hospital Flash Report, April 2022

Drug Expense per Adjusted Discharge rose YOY for three regions but was down 0.3% YOY in the South and 15.7% YOY in the Great Plains. Purchased Service Expense per Adjusted Discharge was up YOY for hospitals in four of five regions. The Great Plains had the biggest increase at 21.1% YOY.

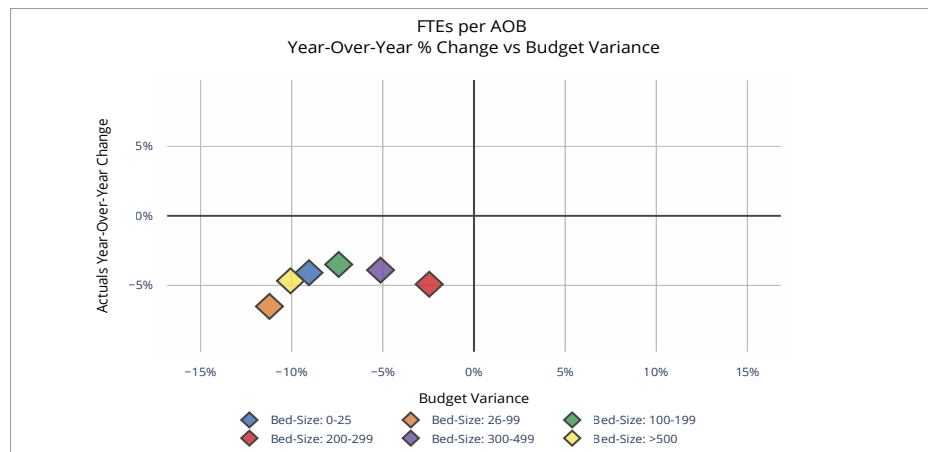
## Expense by Bed Size



Source: Kaufman Hall National Hospital Flash Report, April 2022



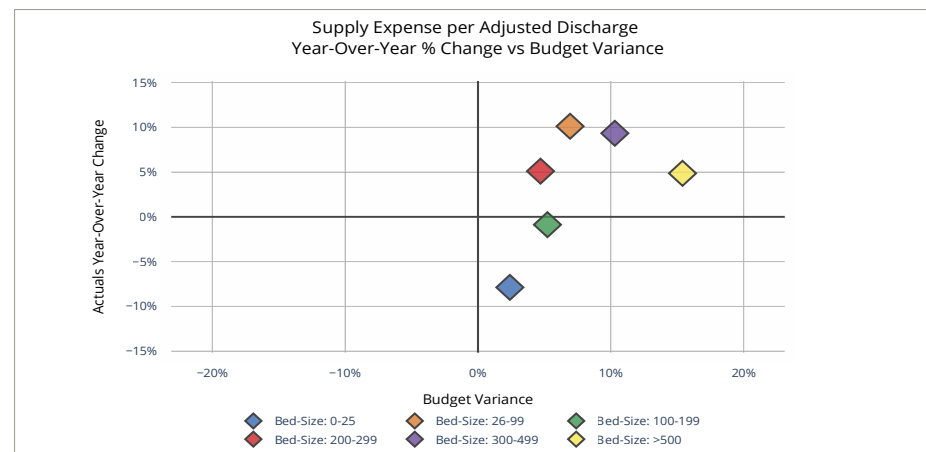
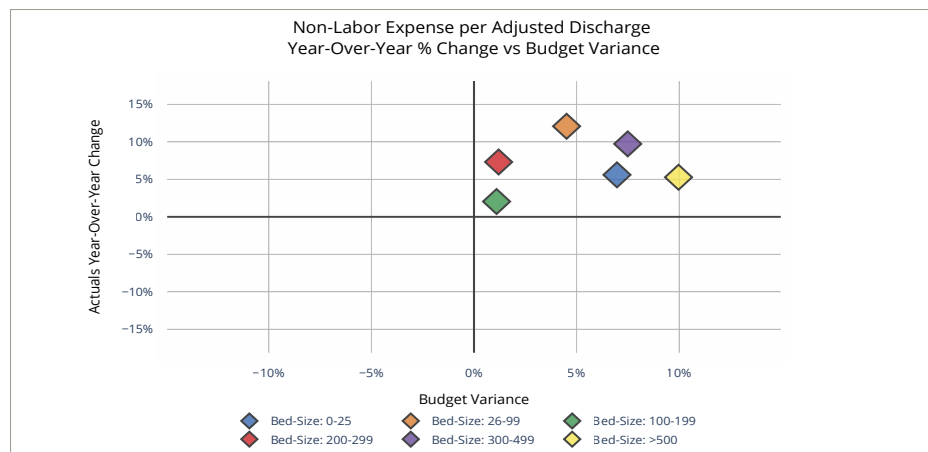
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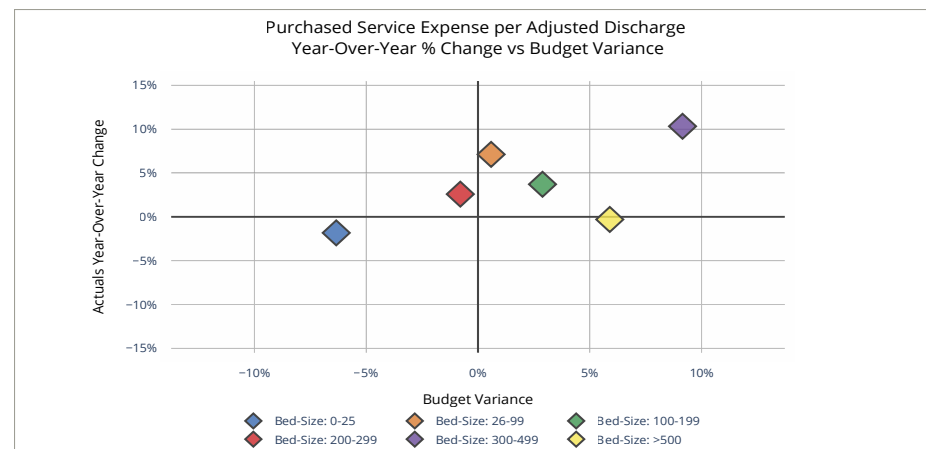
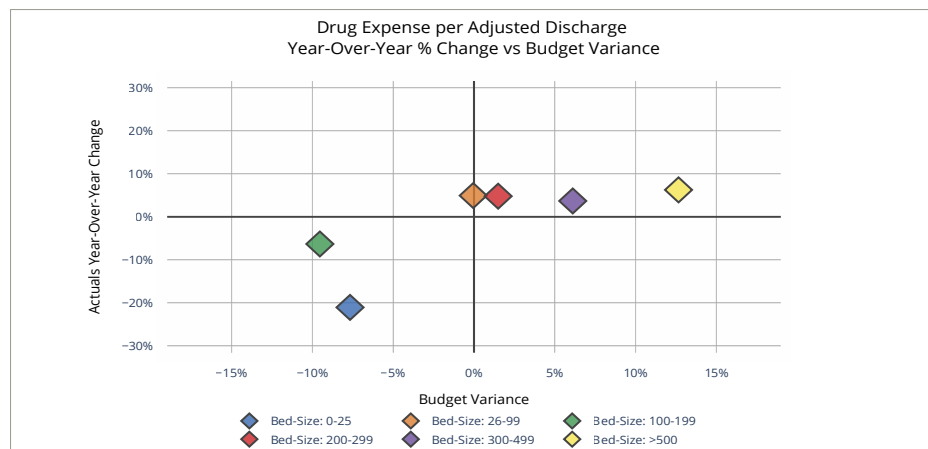
Source: Kaufman Hall National Hospital Flash Report, April 2022

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 12.4%. FTEs per AOB were down YOY for all bed-size cohorts. Hospitals with 26-99 beds had the biggest decrease at 6.5% YOY.

## Expense by Bed Size (continued)



Non-Labor Expense per Adjusted Discharge increased YOY for all cohorts. Smaller hospitals with 26-99 beds had the biggest increase at 12.1% YOY. Supply Expense per Adjusted Discharge was up YOY for four bed-size cohorts, but declined 0.9% YOY for 100-199 bed hospitals and 7.9% YOY for 0-25 bed hospitals.



Drug Expense and Purchased Service Expense per Adjusted Discharge both increased YOY for four bed-size cohorts. The largest hospitals (500+ beds) had the biggest increase for drugs at 6.3% YOY, and 300-499 bed hospitals had the biggest increase for purchased services at 10.3% YOY.

# Non-Operating

## National Non-Operating Results

	March 2022	M-o-M Change	Y-o-Y Change
<b>General</b>			
GDP Growth†	6.9%	n/a	n/a
Unemployment Rate	3.6%	-0.2%	-2.4%
Personal Consumption Expenditures (YoY)	5.4%	n/c	+3.4%
<b>Liabilities</b>			
1m LIBOR	0.45%	+21 bps	+34 bps
SIFMA	0.51%	+31 bps	+44 bps
30yr MMD	2.53%	+55 bps	+78 bps
30yr Treasury	2.45%	+29 bps	+4 bps
<b>Assets</b>			
60/40 Asset Allocation*	n/a	+0.21%	+2.73%

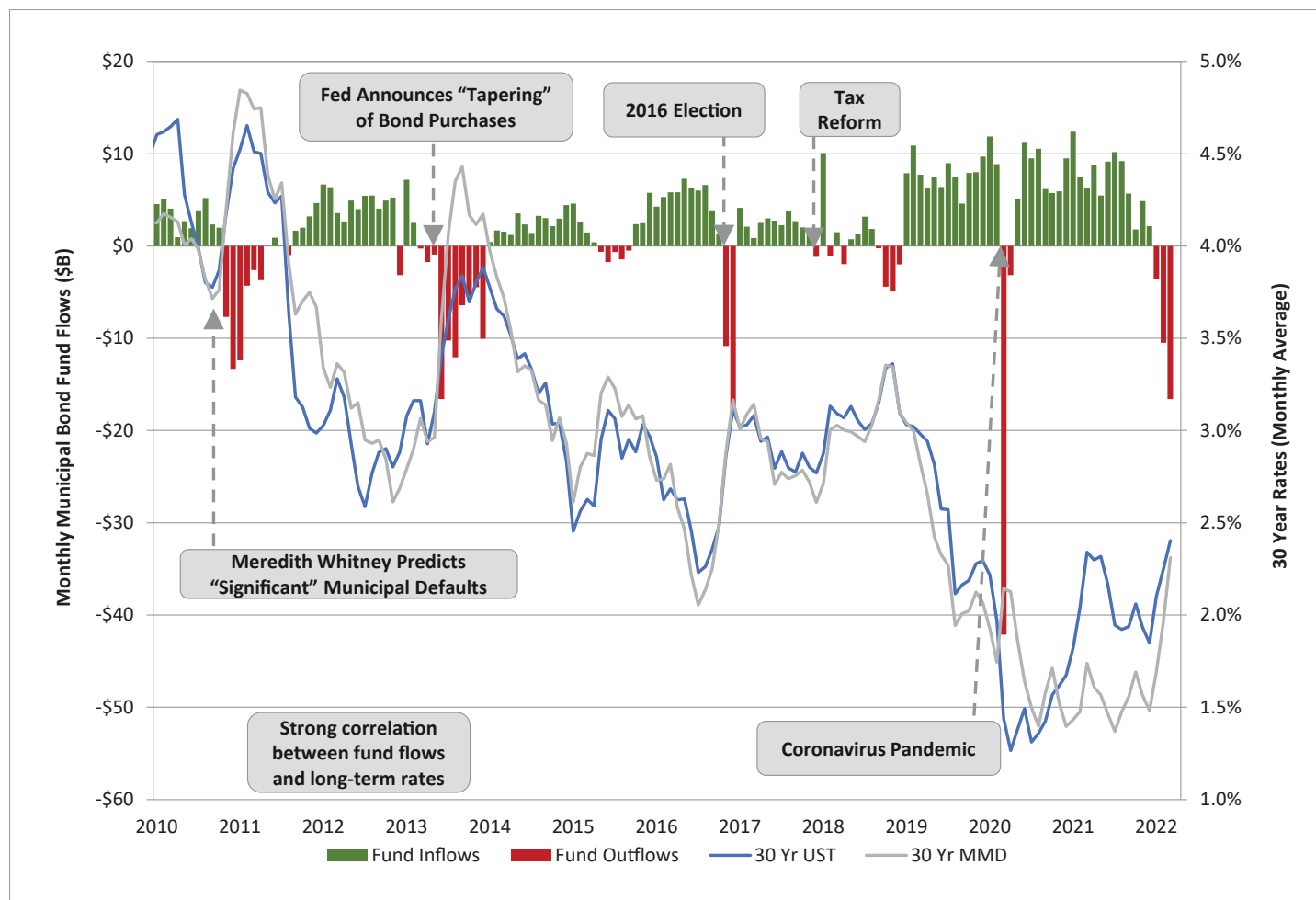
† U.S. Bureau of Economic Analysis, Q4 2021 "Third Estimate"

\* 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



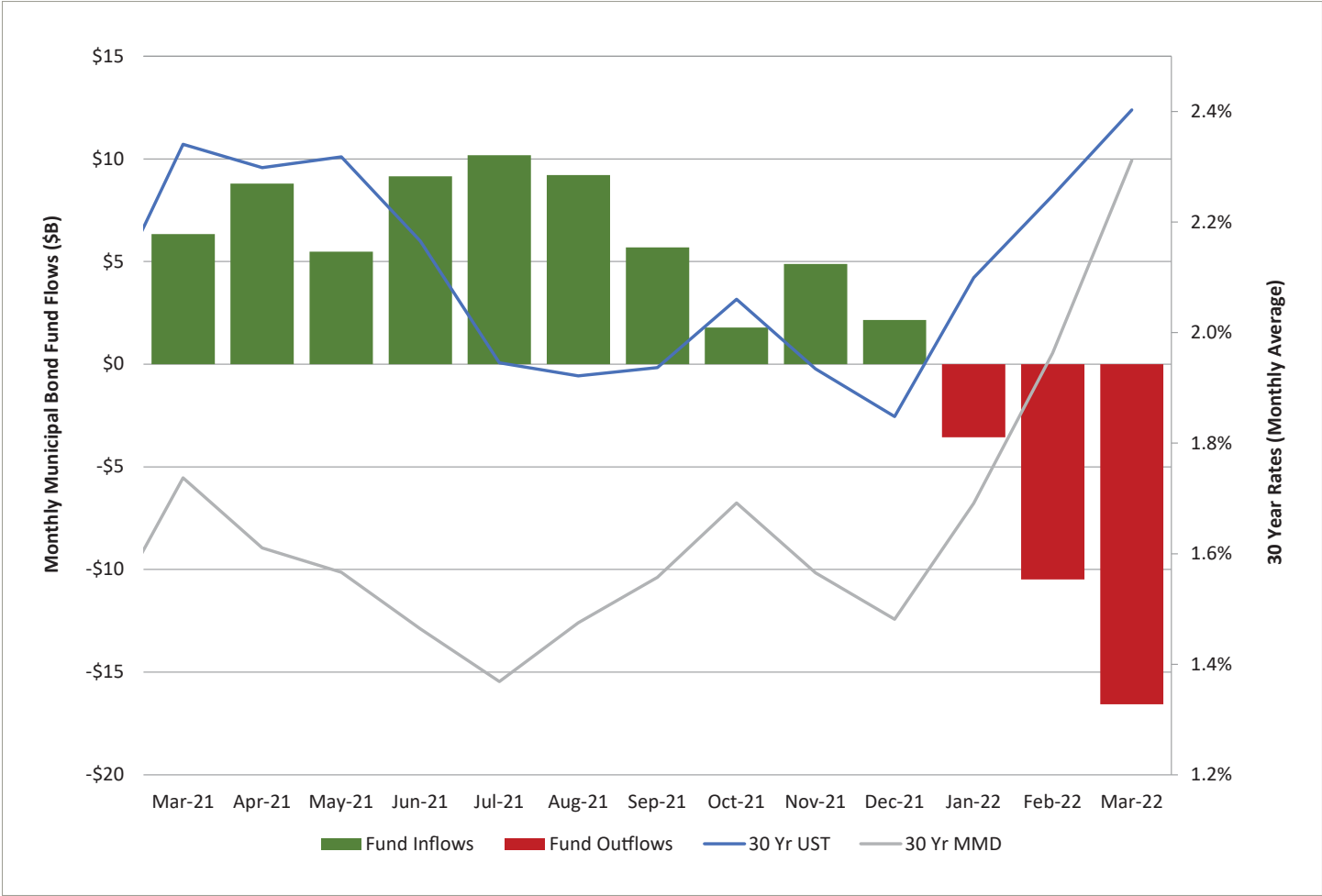
Source: Kaufman Hall National Hospital Flash Report, April 2022

Interest rate increases accelerated in March in the wake of the Fed's first rate hike since 2018. Yields on the 30-year Treasury bond increased 29 basis points (bps) to 2.45%. The yield on the tax-exempt 30-year MMD benchmark rate rose 55 bps over the previous month to 2.53%. Demand continued to weaken as municipal bond funds saw \$16.6 billion of outflows in March, a nearly \$6 billion increase from February.

*Note: Taxable and tax-exempt debt capital markets—as approximated here by the “30-year U.S. Treasury” and “30-year 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 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 Liabilities (continued)

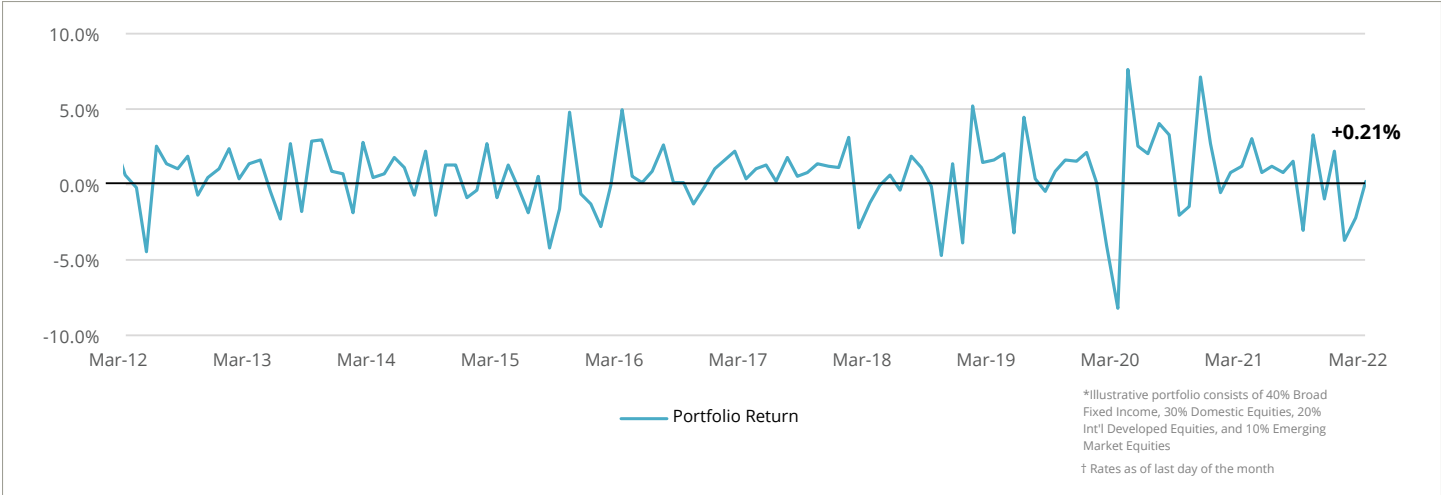
Last Twelve Months – Monthly Municipal Bond Fund Flows with 30-Year U.S. Treasury and 30-Year MMD



Source: Kaufman Hall National Hospital Flash Report, April 2022

# Non-Operating Assets

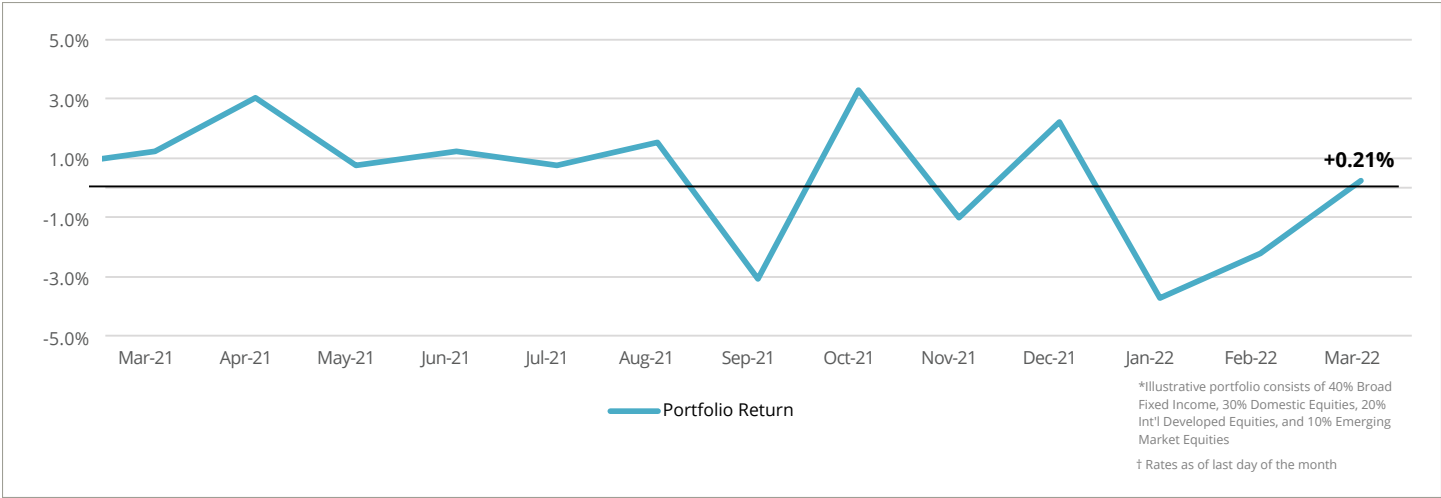
## Long Term – Illustrative Investment Portfolio Returns, Month-over-Month Change



Source: Kaufman Hall National Hospital Flash Report, April 2022

The 60/40 blended asset portfolio ended March up 0.21%. The S&P 500 finished 3.6% higher for the month after ending February down 3.1%. The MSCI World Index finished up 2.5%, while the MSCI Emerging Markets Index and Barclays Aggregate Index both finished the month down 2.5% and 2.8%, respectively. The 60/40 portfolio was up 2.7% YOY.

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



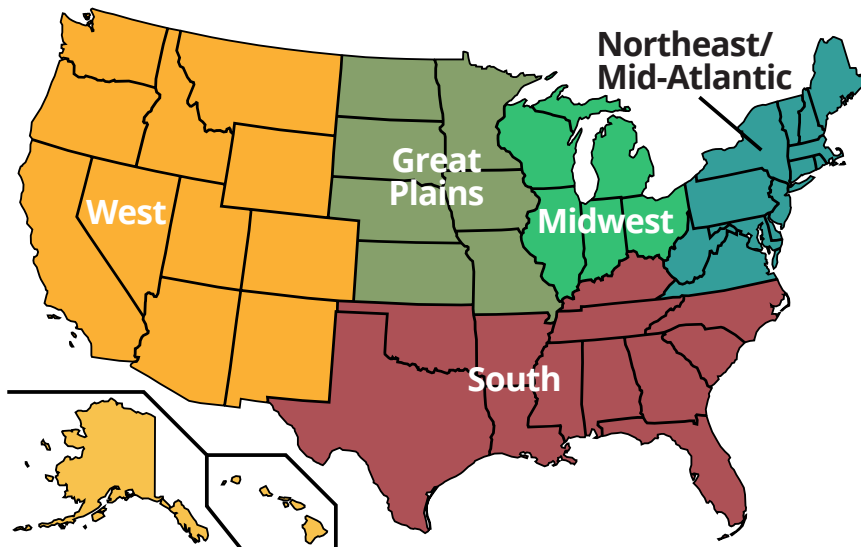
Source: Kaufman Hall National Hospital Flash Report, April 2022

# 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

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