KaufmanHall

DECEMBER 2021

National Hospital Flash Report

Real Data. Real Insight. Real Time.

Based on November Data from More Than 900 Hospitals

Table of Contents

Key Observations . . . 3
Summary . . . 4
Takeaways at a Glance . . . 6

Margins . . . 7
National Margin Results . . . 8
EBITDA Margin by Region . . . 9
EBITDA Margin by Bed Size . . . 9

Volumes . . . 10
National Volume Results . . . 11
Volume by Region . . . 11
Volume by Bed Size . . . 13

Revenues . . . 15
National Revenue Results . . . 16
Revenue by Region . . . 16
Revenue by Bed Size . . . 18

Expenses . . . 19
National Expense Results . . . 20
Expense by Region . . . 21
Expense by Bed Size . . . 23

Non-Operating . . . 25
National Non-Operating Results . . . 26
Non-Operating Liabilities . . . 27
Non-Operating Assets . . . 29

About the Data . . . 30

Contacts . . . 31

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Key Observations

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Summary

Overall performance

Hospitals and health systems nationwide experienced another challenging month in November as COVID-19 cases and hospitalizations rose. The 7-Day Moving Average of new hospital admissions for patients with COVID-19 jumped 25.4%[1] over the course of the month, rising to 6,423 by month's end, according to Centers for Disease Control and Prevention data.

Hospital margins and discharges remained depressed compared to pre-pandemic levels in 2019, and lengths of stay rose as hospitals once again saw increases in higher acuity cases, including COVID-19 patients. Expenses remained well above both 2019 and 2020 levels. Actual hospital margins narrowed, with the median Kaufman Hall Operating Margin Index at 2.7% in November, not including federal CARES funding. With the aid, it was 4.1%.

Margins

November hospital margins remained down relative to pre-pandemic levels but saw some gains month-over-month. Not including CARES, the median change in Operating Margin dropped 22.1% and the median change in Operating EBITDA Margin was down 19.5% versus November 2019.

Month-over-month, the median change in Operating Margin (less CARES) was up 8.1% and the median change in Operating EBITDA Margin without CARES rose 4.3% following two months of month-over-month declines. Performance was mixed across the country. The West, South, and Great Plains all experienced year-over-year (YOY) margin declines in November, while the Midwest and Northeast/Mid-Atlantic saw YOY increases.

Volumes

Hospital volumes softened in November, with month-over-month declines across most volume metrics as concerns over the latest surge in COVID-19 cases caused patients to delay hospital care. Discharges dropped 4.8%, Adjusted Discharges declined 3.9%, and Adjusted Patient Days decreased 2.4% month-over-month.

Average Length of Stay (LOS), however, increased 0.8% month-over-month and 8.6% versus November 2019, reflecting an increase in more complex cases requiring longer hospital stays. Both Discharges and Adjusted Discharges remained below pre-pandemic levels in 2019, down 6.1% and 3.5%, respectively.

Revenues

The month-over-month decrease in volumes contributed to a slight decrease in total revenues, but per-unit revenues rose for the month. Compared to October, Gross Operating Revenue (not including CARES) declined 0.6%, Inpatient Revenue dropped 2.6%, and Outpatient Revenue was down 0.7%. At the same time, Net Patient Service Revenue (NPSR)

1. NOTE: CDC data as of Dec. 23, 2021.

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Summary (continued)

per Adjusted Discharge rose 2.5% and NPSR per Adjusted Patient Day increased 1.7% month-over-month in conjunction with payments for higher acuity patients.

Year-to-date and YOY revenues remained elevated compared to both 2019 and 2020 levels for a ninth consecutive month. Gross Operating Revenue rose 18%, Inpatient Revenue increased 15.8%, and Outpatient Revenue was up 17.3% versus November 2019.

Expenses

Per-patient expenses continued to increase across all measures in November as hospitals continued to feel the strain of nationwide labor shortages and global supply chain challenges. Total Expense per Adjusted Discharge increased 24.7%, Labor Expense per Adjusted Discharge rose 26.4%, and Non-Labor Expense per Adjusted Discharge increased 20.5% relative to pre-pandemic levels in November 2019.

Labor expenses in particular continued to climb, despite lower staffing levels. Labor Expense per Adjusted Discharge rose 2.7% month-over-month despite a 1% decrease in Full-Time Equivalents (FTEs) per Adjusted Occupied Bed (AOB). Hospitals in the West had the biggest increase in labor expenses for the month, with Labor Expense per Adjusted Discharge up 28.8% YOY.

Non-Operating

The capital markets experienced episodes of volatility in recent weeks with continued inflation concerns and renewed COVID-19 concerns sparked by the emergence of the Omicron variant. Jobless claims hit a 52-year low in November as the four-week unemployment claims moving average dropped by 43,000 to 184,000. At the same time, inflation hit a 39-year high as the Consumer Price Index rose 0.6% to 6.8% YOY. Chair Jerome Powell indicated the Fed likely will increase the rate of its tapering — up to nearly $30 billion a month, according to comments from central bank officials.

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Takeaways at a Glance

1. **Overall hospital performance remains well below pre-pandemic levels.**

   Relative to pre-pandemic trends, hospital margins remain depressed, as sustained increases in expenses continue to outpace growth in revenues.

2. **Volumes softened in November.**

   In November, hospitals experienced a softening of volumes overall, with discharges, patient days and ED visits declining from October levels. However, the average length of stay for patients increased, suggesting an increase in case severity.

3. **Consumers may be postponing care unrelated to COVID-19.**

   The decline in ED visits and hospitalizations in November—even as COVID-19 case rates rose nationally due to the Delta variant—suggests that consumers may once again be avoiding or delaying care for non-COVID-19 conditions. The potential impact of the Omicron variant in future months may influence this trend further.

4. **Labor expenses and shortages are posing a significant operational challenge.**

   Hospitals continue to grapple with highly elevated labor expenses and ongoing workforce shortages, which have led to lower staffing levels. Hospitals in the West have faced particularly intense labor challenges.

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Margins

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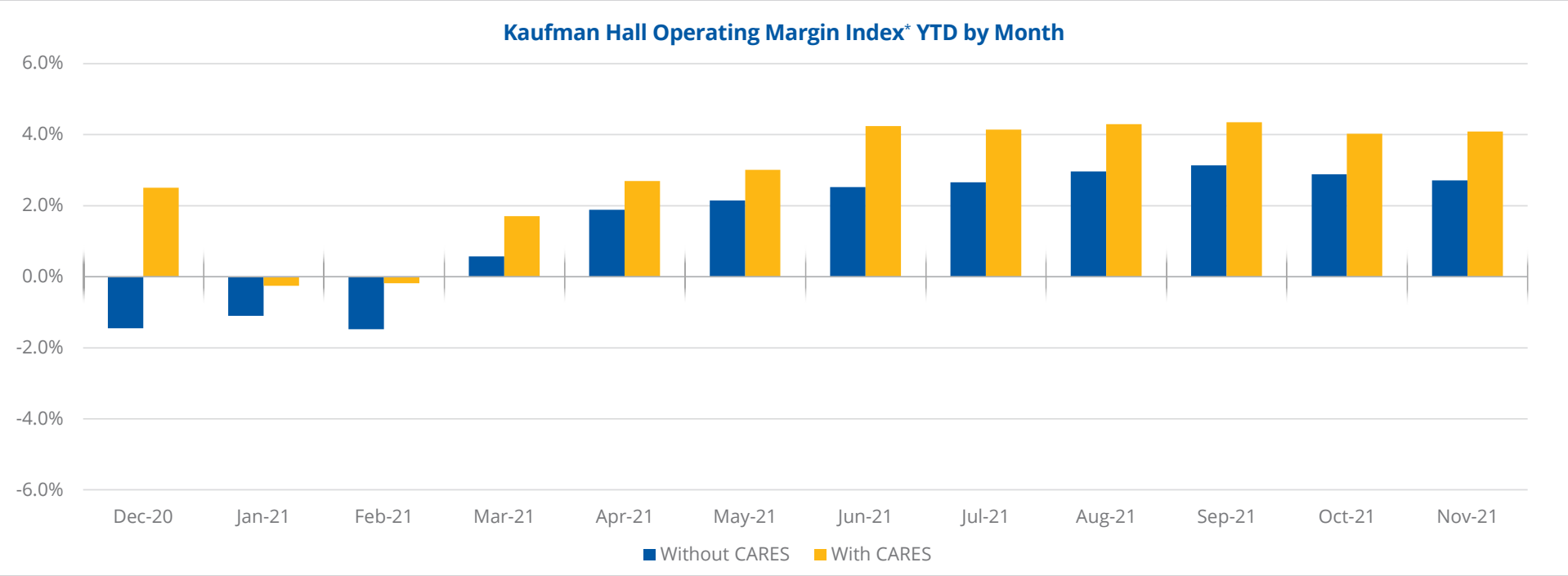
National Margin Results

MARGIN % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-to-Date	Year-to-Date 2019
Operating EBITDA Margin Less CARES	-9.2%	4.3%	-2.7%	28.2%	-5.8%
Operating Margin Less CARES	-6.2%	8.1%	5.5%	51.4%	-3.6%

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

MARGIN ABSOLUTE CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-to-Date	Year-to-Date 2019
Operating EBITDA Margin Less CARES	-85.6	50.1	-16.8	281.3	-75.9
Operating Margin Less CARES	-42.8	58.1	11.5	314.7	-15.0



Source: *National Hospital Flash Report* (December 2021)

** 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.*

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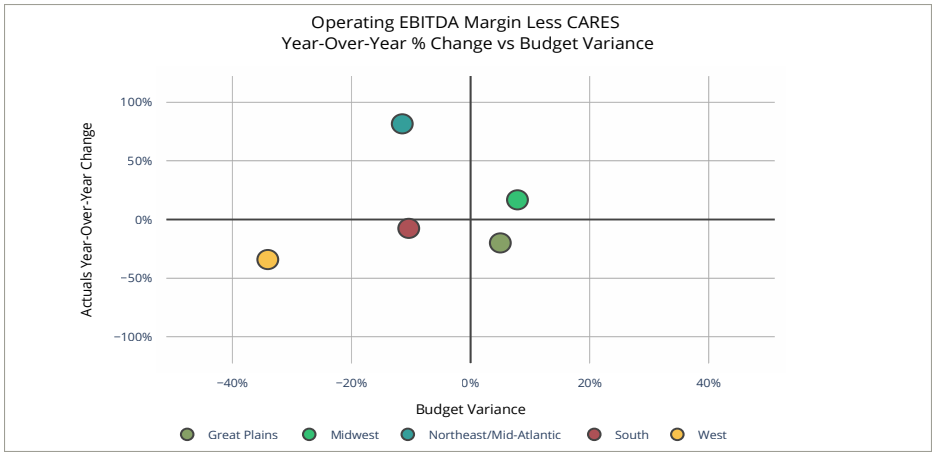
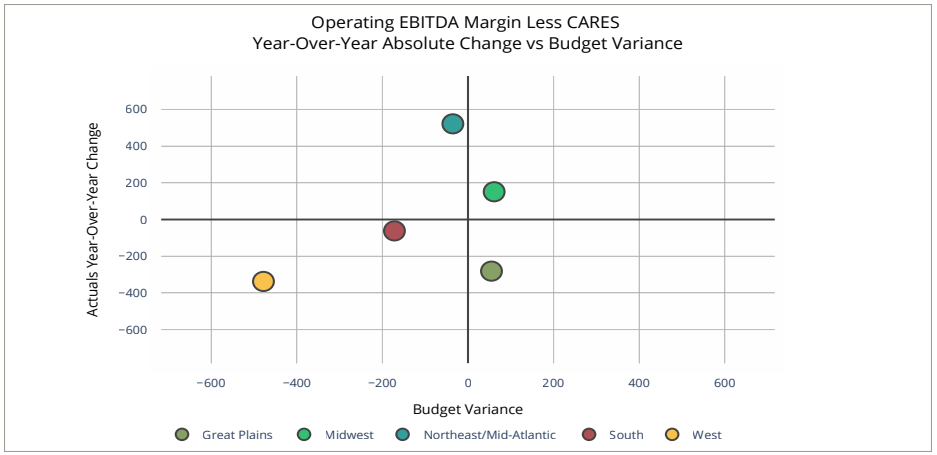
EBITDA Margin by Region



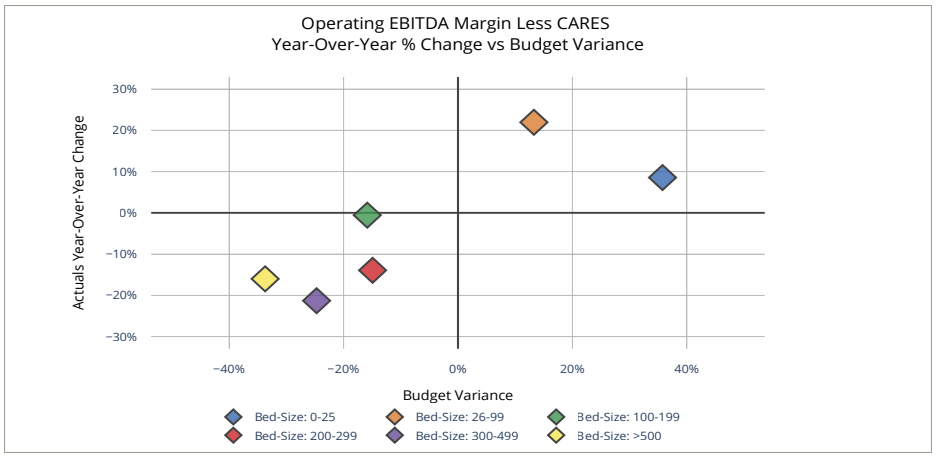
Source: Kaufman Hall *National Hospital Flash Report*, December 2021



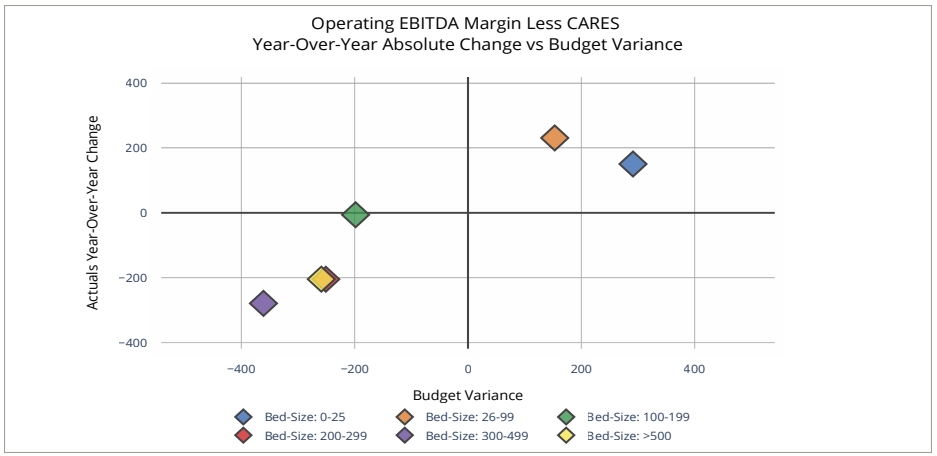
Source: Kaufman Hall *National Hospital Flash Report*, December 2021

The median change in Operating EBITDA Margin (without CARES) declined year-over-year (YOY) for hospitals in the West, South, and Great Plains. The Midwest saw the median change in margins rise 17% YOY and 8% above budget, while the Northeast/Mid-Atlantic jumped 82% YOY but was 11% below budget.

EBITDA Margin by Bed Size



Source: Kaufman Hall *National Hospital Flash Report*, December 2021



Source: Kaufman Hall *National Hospital Flash Report*, December 2021

Not including CARES, the median change in Operating EBITDA Margin decreased YOY and below budget for four of six bed-size cohorts. The smallest hospitals were the exception—0-25 bed hospitals were up 9% YOY and 36% above budget, and 26-99 bed hospitals jumped 22% YOY and 13% above budget.

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Volumes

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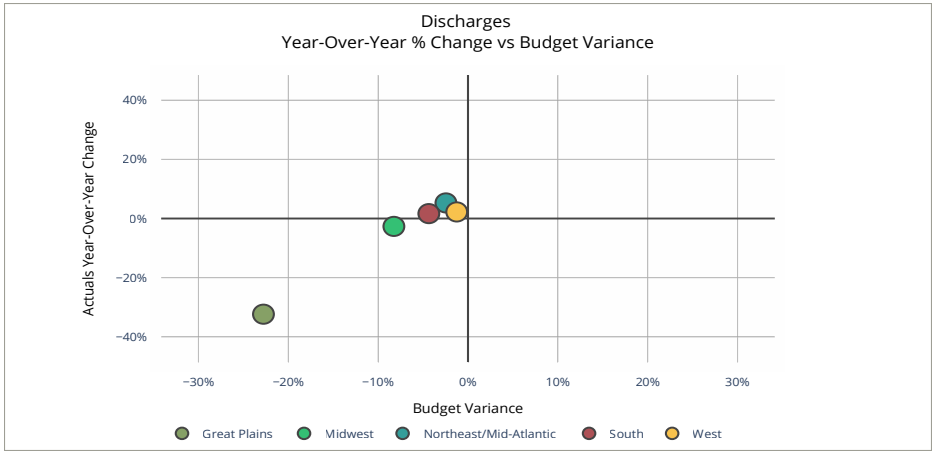
National Volume Results

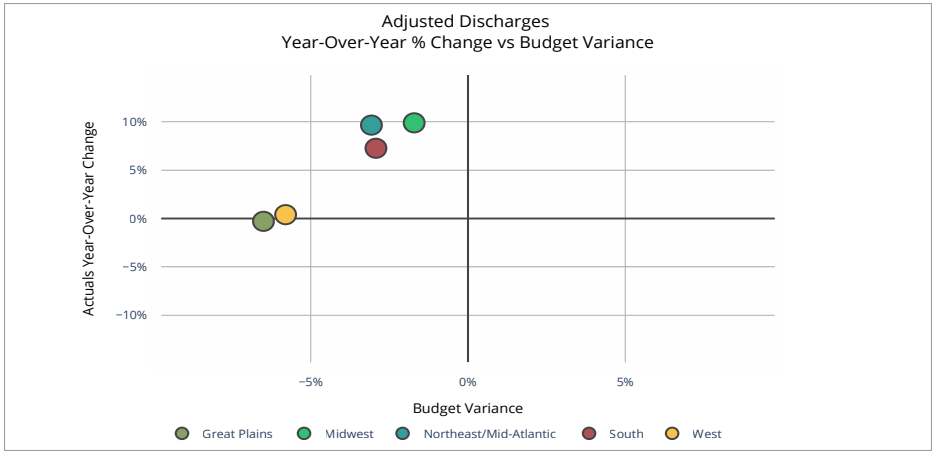
VOLUMES % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-to-Date	2019 Year-to-Date
Discharges	-4.5%	-4.8%	0.6%	2.6%	-5.9%
Adjusted Discharges	-4.4%	-3.9%	6.2%	6.4%	-5.5%
Patient Days	4.2%	-3.3%	2.1%	9.0%	1.3%
Adjusted Patient Days	5.4%	-2.4%	7.9%	11.7%	2.7%
Average Length of Stay	9.5%	0.8%	2.8%	4.2%	8.8%
ED Visits	6.8%	-2.6%	14.2%	10.5%	-8.3%
Operating Room Minutes	-2.0%	1.3%	6.5%	9.8%	-1.9%

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

Volume by Region



Source: Kaufman Hall *National Hospital Flash Report*, December 2021



Source: Kaufman Hall *National Hospital Flash Report*, December 2021

Discharges were below budget for all regions, but rose YOY for three and declined YOY in two. The Great Plains had the biggest decreases, down 32.3% YOY and 22.8% below budget. Adjusted Discharges were below budget but up YOY for four regions. The Great Plains was below budget and down just 0.3% YOY.

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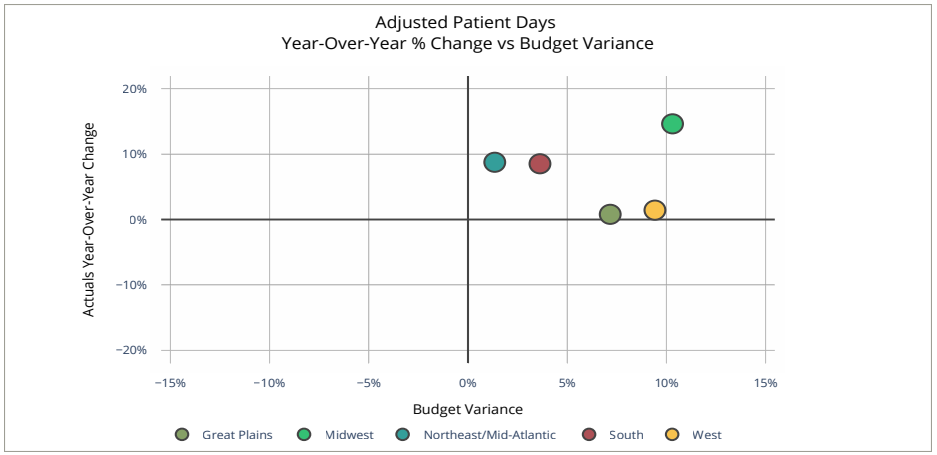
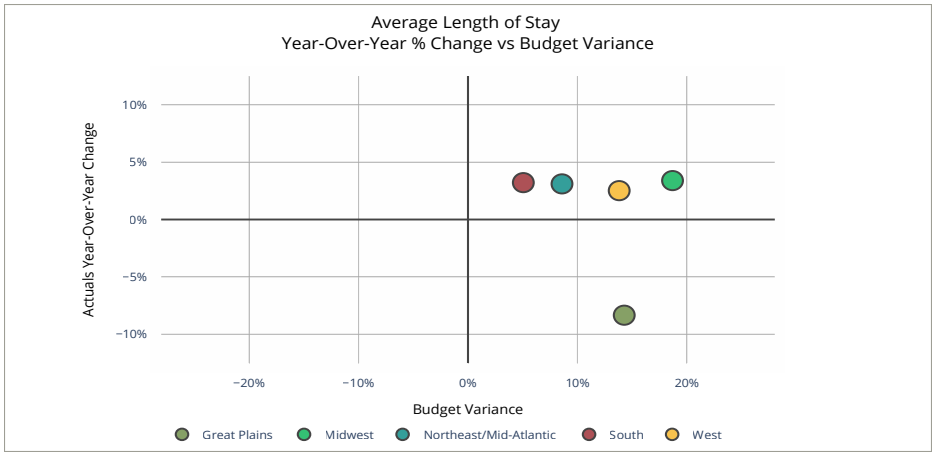
Volume by Region (continued)

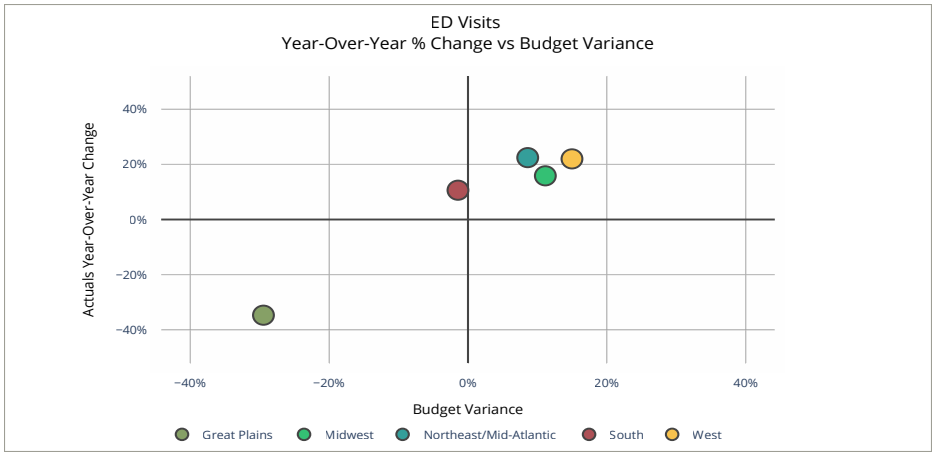


Source: Kaufman Hall *National Hospital Flash Report*, December 2021

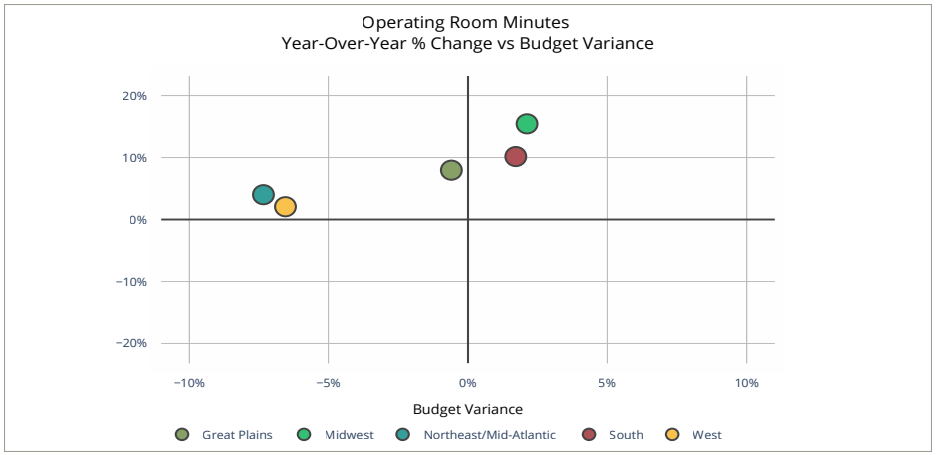


Source: Kaufman Hall *National Hospital Flash Report*, December 2021

Adjusted Patient Days rose YOY and above budget across all regions. The Midwest had the biggest increases at 14.6% YOY and 10.3% above budget. Average Length of Stay (LOS) rose YOY and above budget for four regions, and was 14.3% above budget but down 8.3% YOY in the Great Plains.



Source: Kaufman Hall *National Hospital Flash Report*, December 2021



Source: Kaufman Hall *National Hospital Flash Report*, December 2021

Emergency Department (ED) Visits rose between 10.6% and 22.4% YOY for hospitals in four regions. As in October, the Great Plains was an outlier again in November dropping 34.7% YOY and 29.4% to budget. Operating Room Minutes rose YOY for all regions and were above budget in the Midwest and South.

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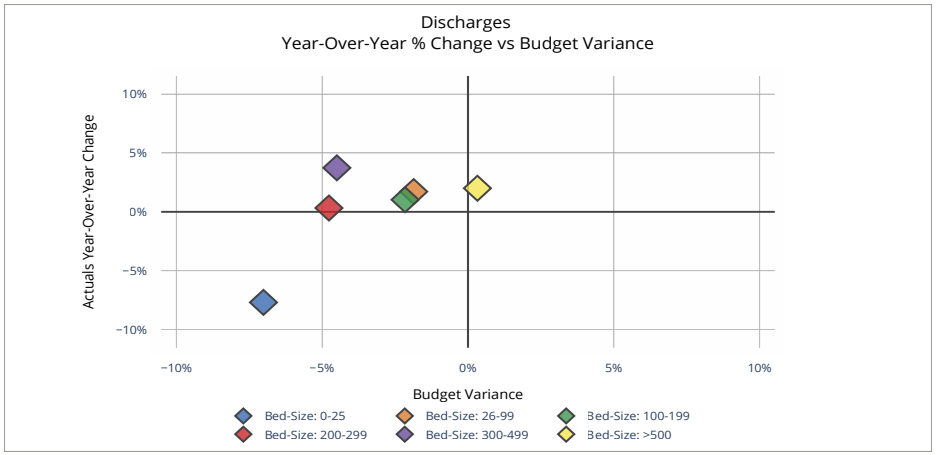
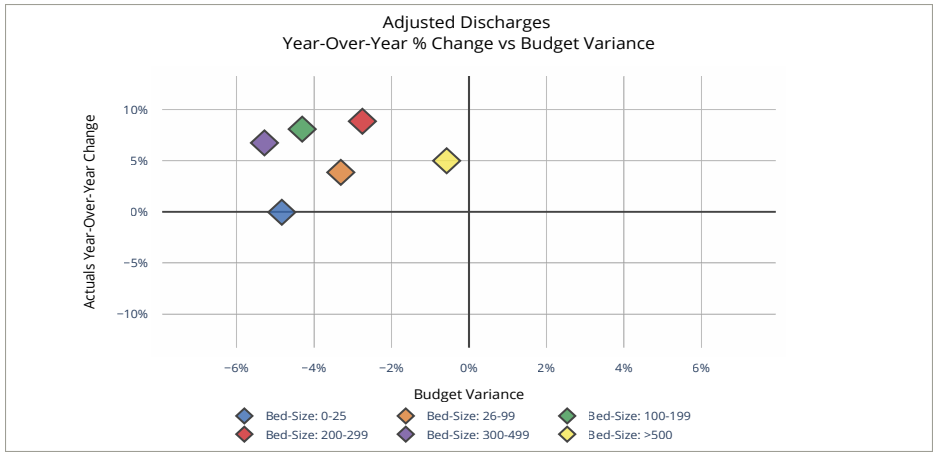
Volume by Bed Size

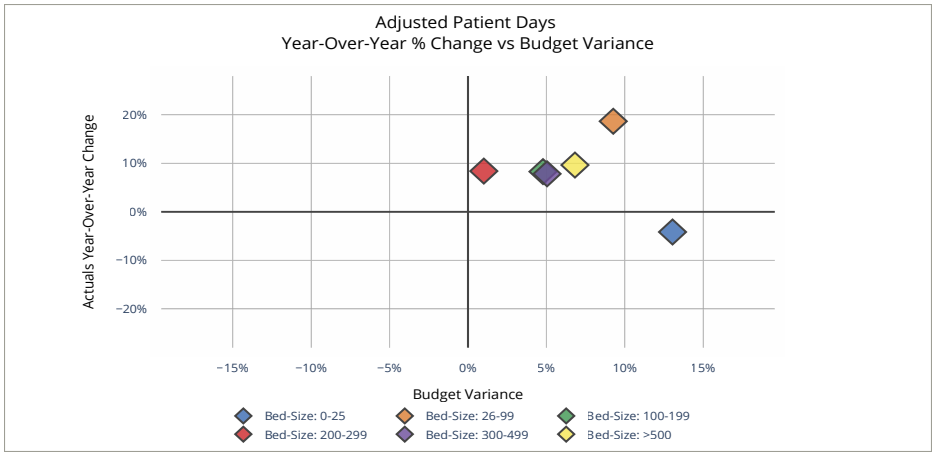


Source: Kaufman Hall *National Hospital Flash Report*, December 2021

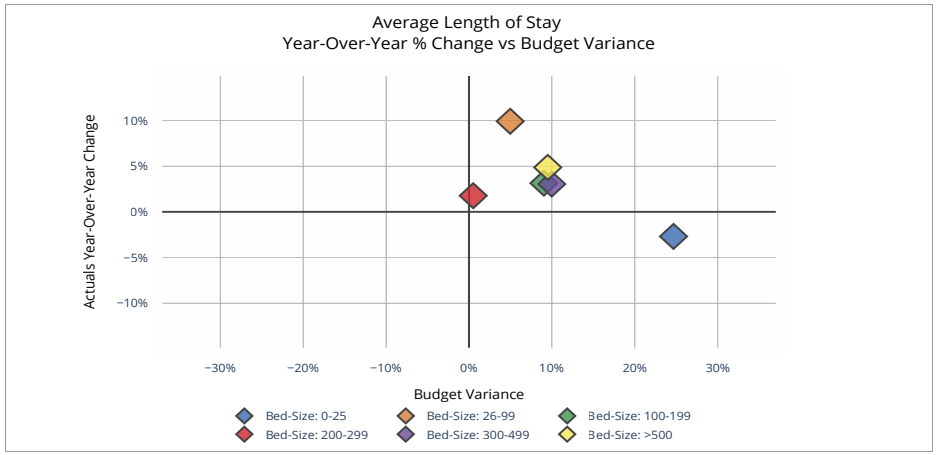


Source: Kaufman Hall *National Hospital Flash Report*, December 2021

Discharges were below budget in five bed-size cohorts, but only 0-25 bed hospitals decreased YOY at 7.7%. The largest hospitals (500+ beds) rose 2% YOY and 0.3% above budget. Adjusted Discharges were below budget and up YOY for five cohorts, and below budget but essentially flat YOY for 0-25 bed hospitals.



Source: Kaufman Hall *National Hospital Flash Report*, December 2021



Source: Kaufman Hall *National Hospital Flash Report*, December 2021

Adjusted Patient Days and Average LOS both rose YOY and above budget for five cohorts. Hospitals with 26-99 beds had the biggest YOY increases for both metrics at 18.7% and 9.9%, respectively. Hospitals with 0-25 beds were the outlier, performing above budget but down YOY for both metrics.

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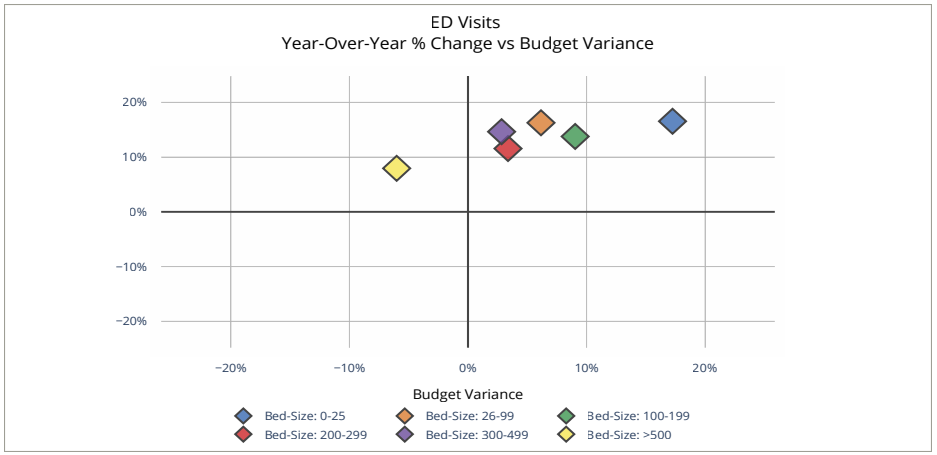
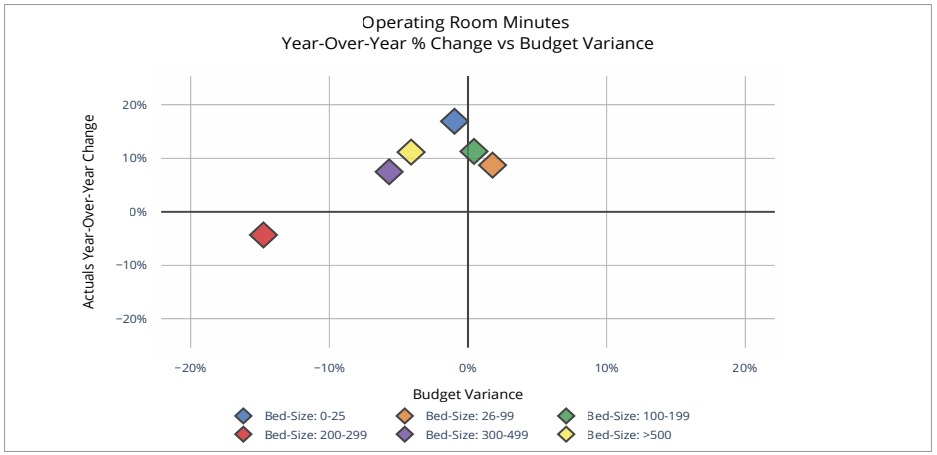
Volume by Bed Size (continued)



Source: Kaufman Hall *National Hospital Flash Report*, December 2021



Source: Kaufman Hall *National Hospital Flash Report*, December 2021

ED Visits rose above budget and more than 11.5% YOY for five cohorts. Hospitals with 500 beds or more rose 8% YOY but were 6% below budget. Operating Room Minutes increased YOY for five of six cohorts, but three of those were below budget. Hospitals with 0-25 beds had the biggest YOY increase at 16.9%.

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Revenues

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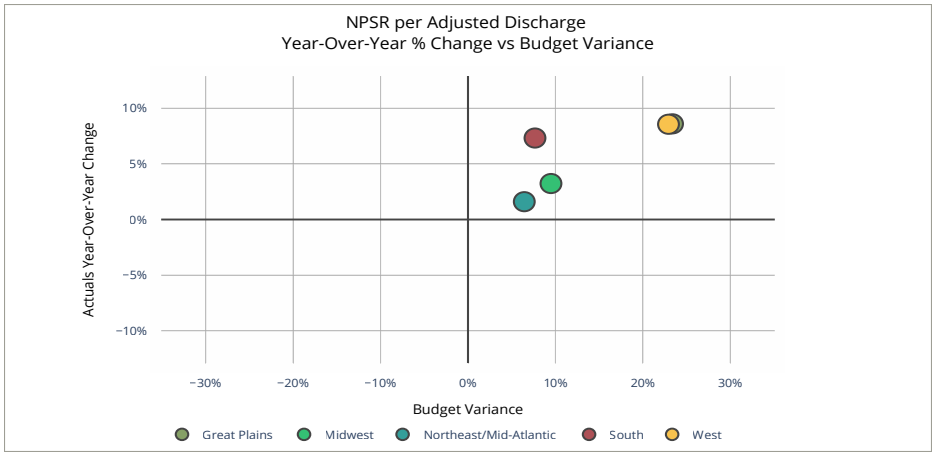
National Revenue Results

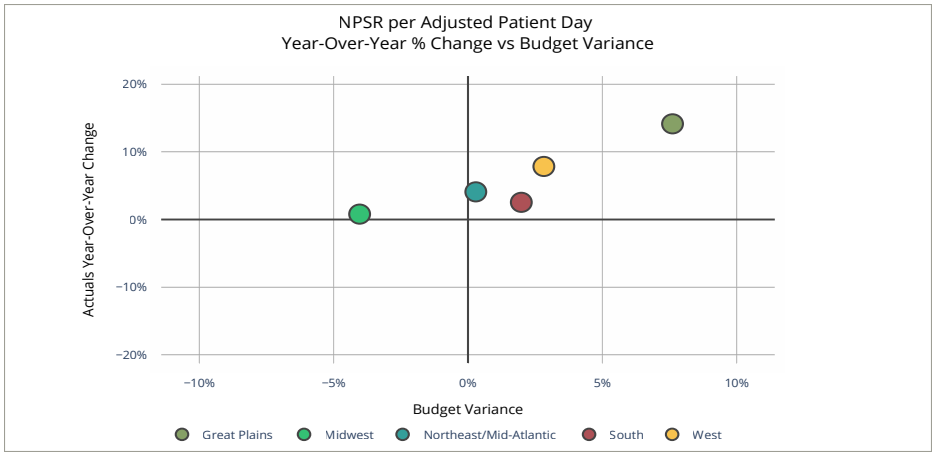
REVENUE % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-to-Date	2019 Year-to-Date
Gross Operating Revenue Less CARES	4.8%	-0.6%	13.5%	16.1%	11.8%
IP Revenue	4.5%	-2.6%	5.7%	12.1%	9.1%
OP Revenue	5.2%	-0.7%	17.3%	18.9%	11.5%
Bad Debt and Charity	-18.2%	-3.4%	-2.7%	0.6%	-7.5%
NPSR per Adjusted Discharge	12.5%	2.5%	5.7%	7.7%	18.4%
NPSR per Adjusted Patient Day	1.5%	1.7%	4.0%	4.3%	8.6%
IP/OP Adjustment Factor	-0.3%	1.0%	5.2%	2.4%	-0.3%
Bad Debt and Charity as a % of Gross	-19.4%	-4.6%	-12.5%	-12.8%	-18.0%

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

Revenue by Region



Source: Kaufman Hall *National Hospital Flash Report*, December 2021



Source: Kaufman Hall *National Hospital Flash Report*, December 2021

For a fourth consecutive month, Net Patient Service Revenue (NPSR) per Adjusted Discharge rose YOY and above budget for all regions. The West and Great Plains had the biggest YOY increases at 8.6%. NPSR per Adjusted Patient Day rose YOY for all regions, and only the Midwest was below budget at 4%.

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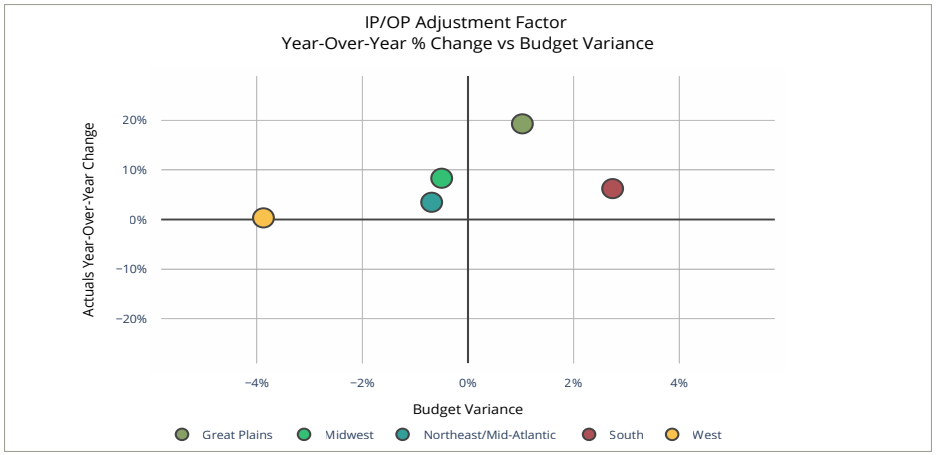
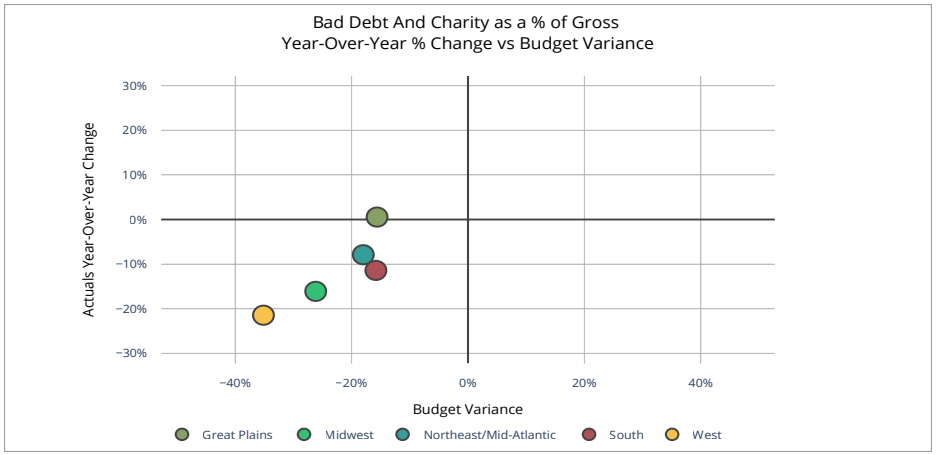
Revenue by Region (continued)



Source: Kaufman Hall *National Hospital Flash Report*, December 2021



Source: Kaufman Hall *National Hospital Flash Report*, December 2021

The Inpatient/Outpatient (IP/OP) Adjustment Factor rose YOY for all regions and above budget for two. The Great Plains had the biggest YOY jump at 19.3%. Bad Debt and Charity as a Percent of Gross dropped YOY and to budget for four regions. The West had the biggest declines at 21.5% YOY and 35.1% to budget.

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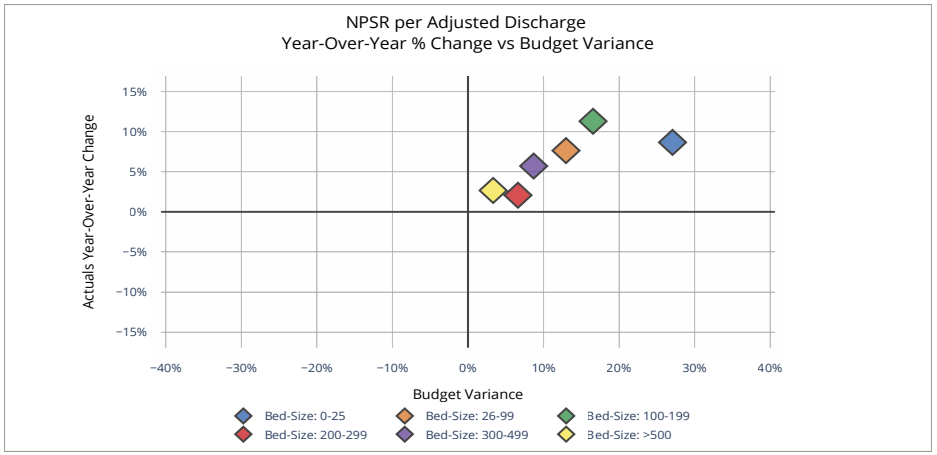
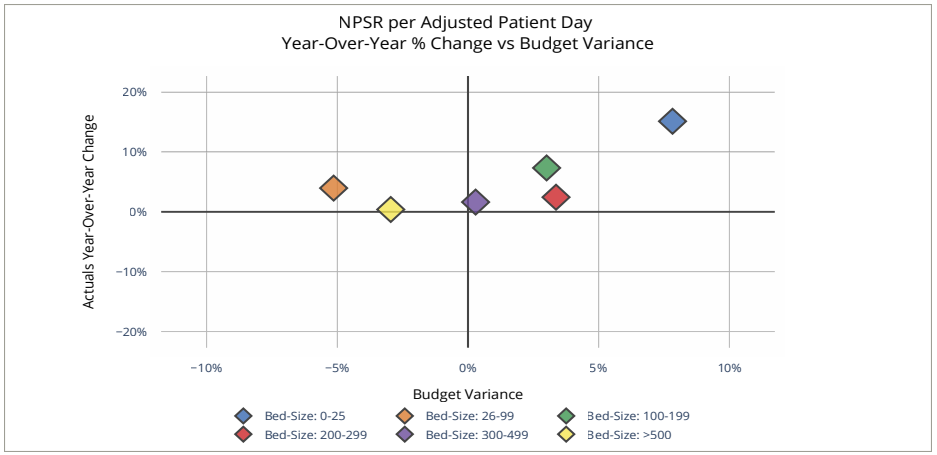
Revenue by Bed Size

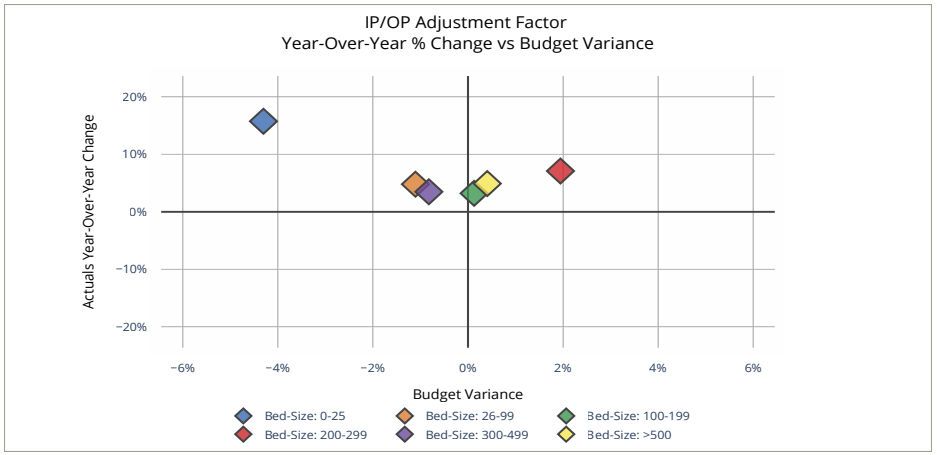


Source: Kaufman Hall *National Hospital Flash Report*, December 2021

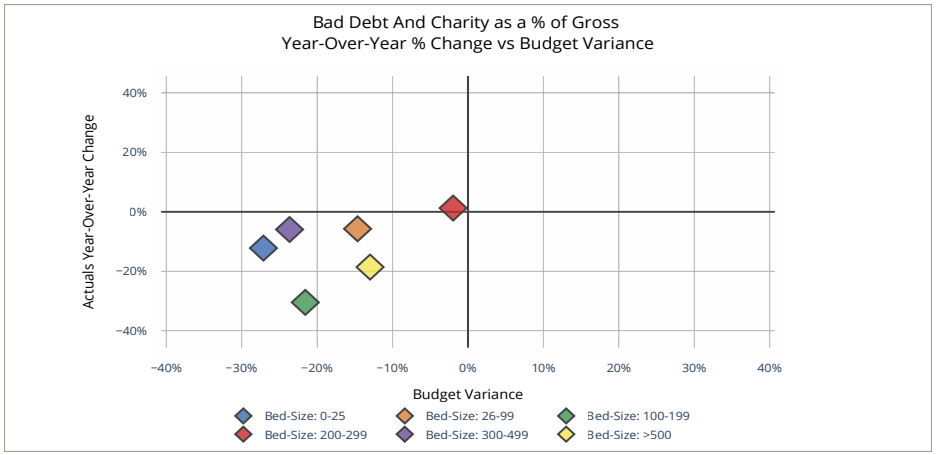


Source: Kaufman Hall *National Hospital Flash Report*, December 2021

NPSR per Adjusted Discharge rose YOY and to budget for all bed-size cohorts for a fourth consecutive month. NPSR per Adjusted Patient Day was up YOY for all cohorts and above budget for four. The smallest hospitals with 0-25 beds had the biggest increases, rising 15.1% YOY and 7.8% to budget.



Source: Kaufman Hall *National Hospital Flash Report*, December 2021



Source: Kaufman Hall *National Hospital Flash Report*, December 2021

The IP/OP Adjustment Factor rose YOY for all bed-size cohorts, but three were above budget and three were below budget. Hospitals with 0-25 beds were 4.3% below budget but had the biggest YOY increase at 15.8%. Bad Debt and Charity as a Percent of Gross was down YOY and below budget for five cohorts.

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Expenses

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National Expense Results

EXPENSES % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-to-Date	Year-to-Date 2019
Total Expense	6.6%	-0.8%	10.5%	9.8%	10.6%
Total Labor Expense	8.9%	-1.2%	13.4%	10.1%	12%
Total Non-Labor Expense	4.3%	-0.1%	8.2%	8.2%	10.2%
Supply Expense	8.3%	1.5%	10.4%	14.5%	16.2%
Drugs Expense	7.8%	-1.4%	9.1%	20.3%	26.3%
Purchased Service Expense	3.4%	1.0%	8.0%	10.2%	14.9%
Total Expense per Adjusted Discharge	11.9%	2.5%	4.7%	3.9%	19.9%
Labor Expense per Adjusted Discharge	16.8%	2.7%	9.5%	5.4%	19.5%
FTEs per AOB	-5.4%	-1.0%	-5.1%	-8.7%	-3.2%
Non-Labor Expense per Adjusted Discharge	8.7%	2.4%	4.0%	2.2%	20.4%
Supply Expense per Adjusted Discharge	12.3%	4.7%	3.2%	5.7%	20.5%
Drug Expense per Adjusted Discharge	16.5%	3.4%	4.5%	12.6%	37.0%
Purchased Service Expense per Adjusted Discharge	7.3%	3.6%	1.5%	5.9%	20.2%

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

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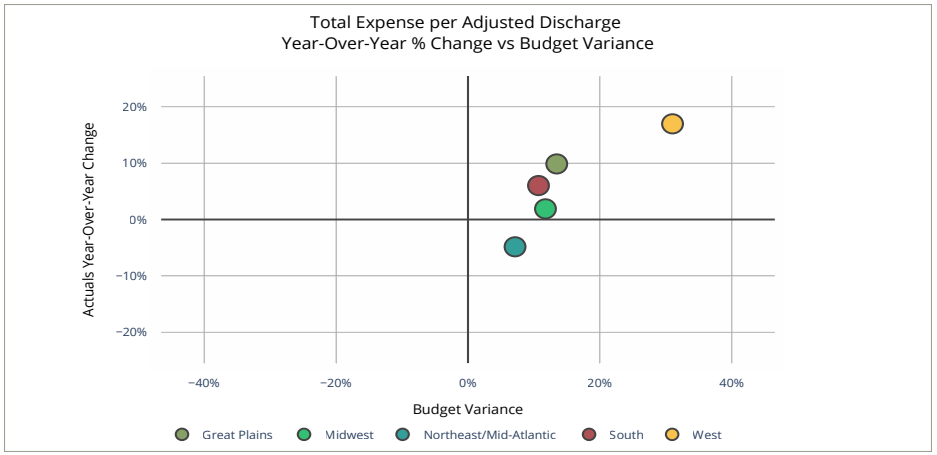
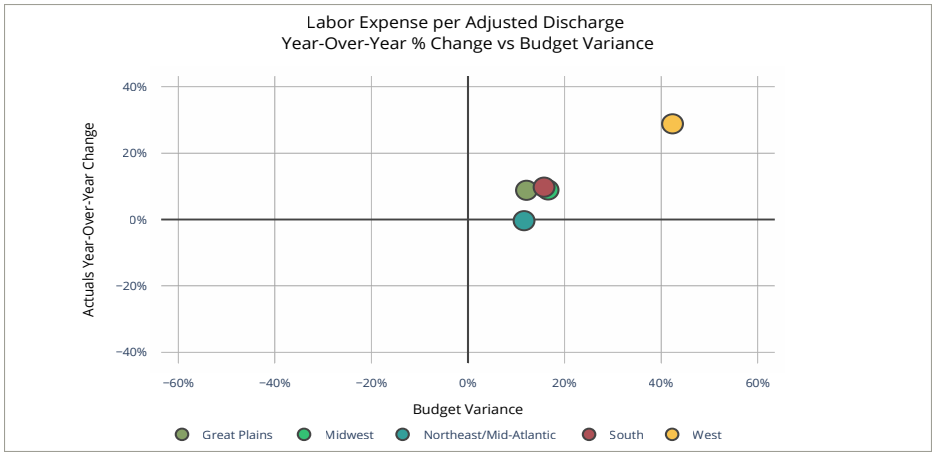
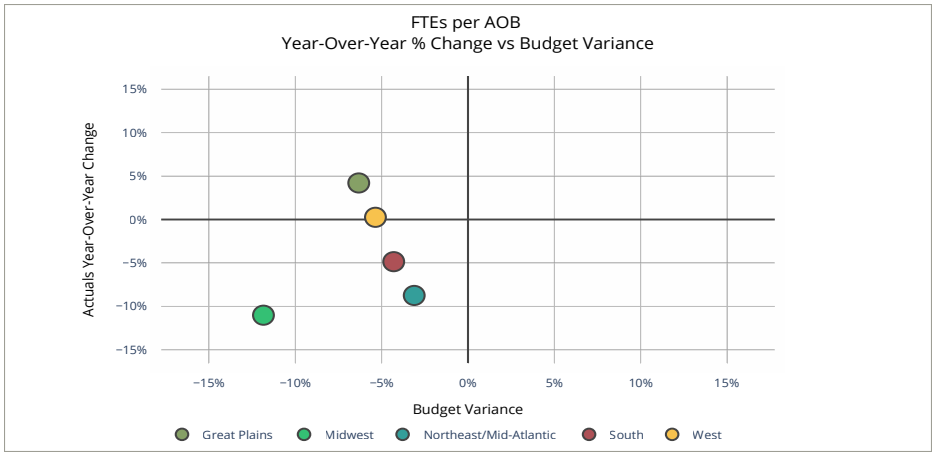
Expense by Region



Source: Kaufman Hall *National Hospital Flash Report*, December 2021



Source: Kaufman Hall *National Hospital Flash Report*, December 2021



Source: Kaufman Hall *National Hospital Flash Report*, December 2021

Total Expense and Labor Expense per Adjusted Discharge both rose YOY and above budget for four regions. The West had the biggest YOY increases, up 17% and 28.8%, respectively. Full-Time Equivalents (FTEs) per Adjusted Occupied Bed (AOB) were below budget for all regions and down YOY for three.

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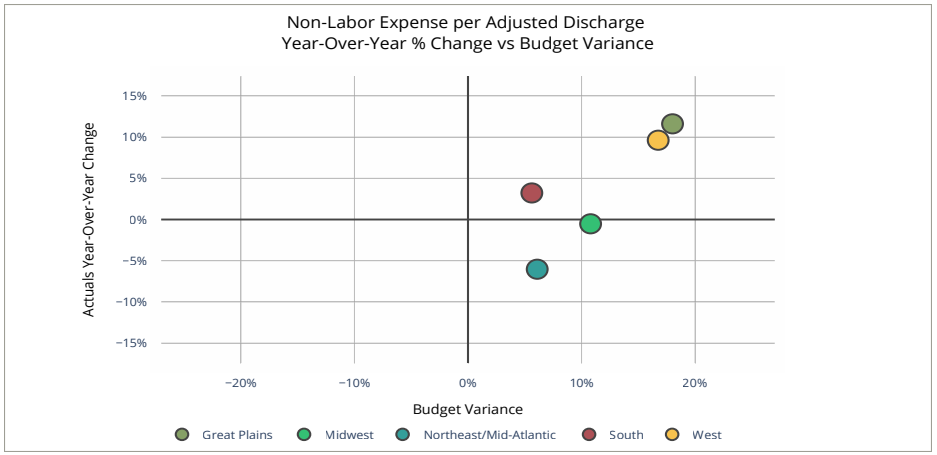
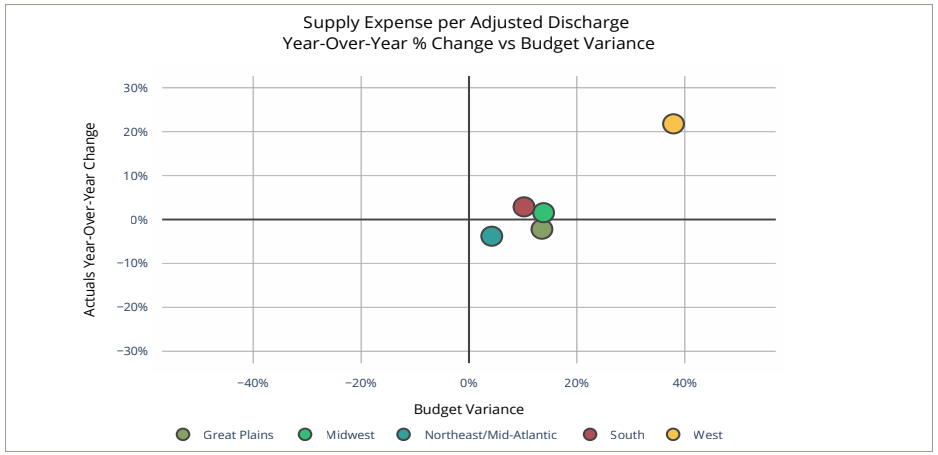
Expense by Region (continued)

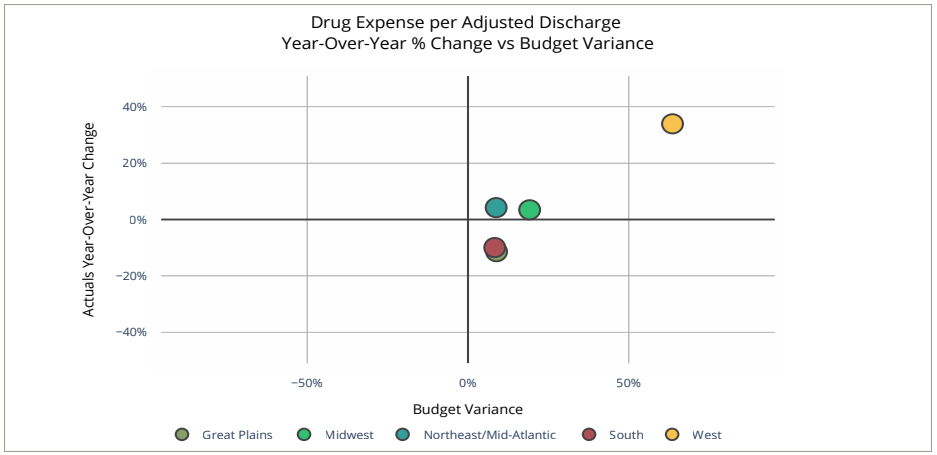


Source: Kaufman Hall *National Hospital Flash Report*, December 2021

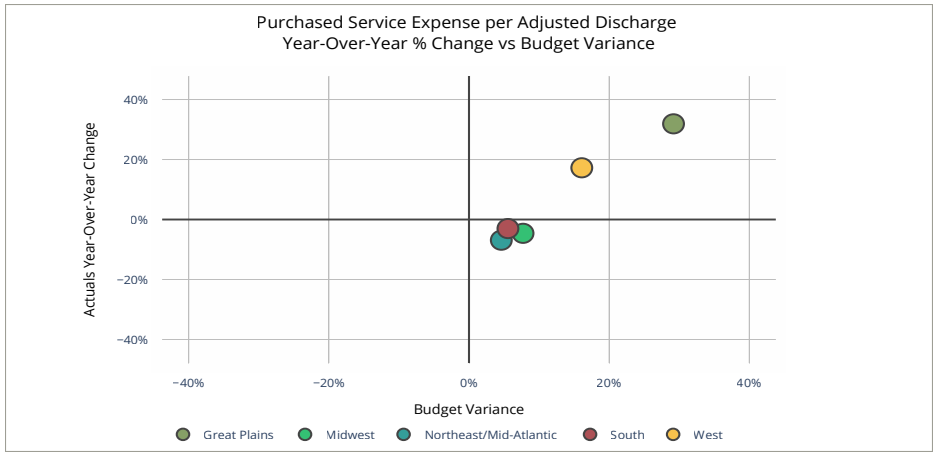


Source: Kaufman Hall *National Hospital Flash Report*, December 2021

Non-Labor Expense and Supply Expense per Adjusted Discharge both rose above budget for all regions and up YOY for three. The Great Plains had the biggest non-labor increases at 11.6% YOY and 18% above budget, while the West had the biggest supply increases up 21.8% YOY and 37.9% above budget.



Source: Kaufman Hall *National Hospital Flash Report*, December 2021



Source: Kaufman Hall *National Hospital Flash Report*, December 2021

Drug Expense per Adjusted Discharge rose above budget for all regions and up YOY for three, with the West having the biggest increases at 33.9% YOY and 63.5% to budget. Purchased Service Expense per Adjusted Discharge rose above budget for all regions but only the West and Great Plains increased YOY.

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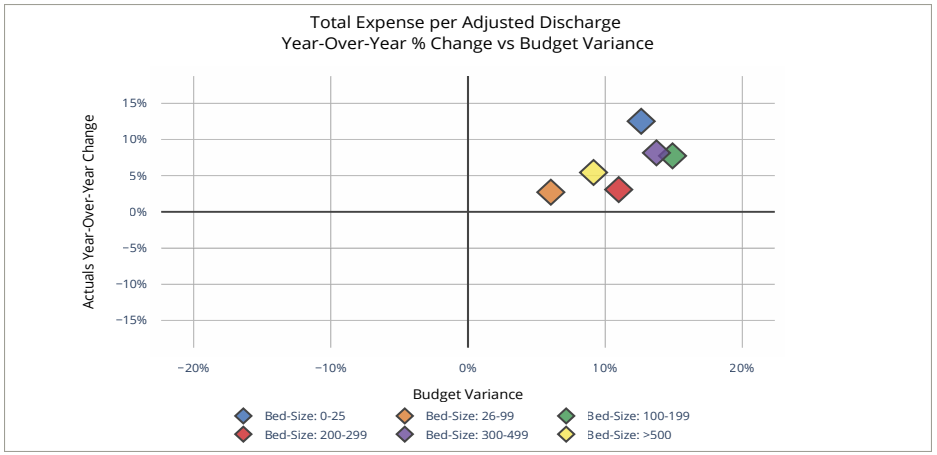
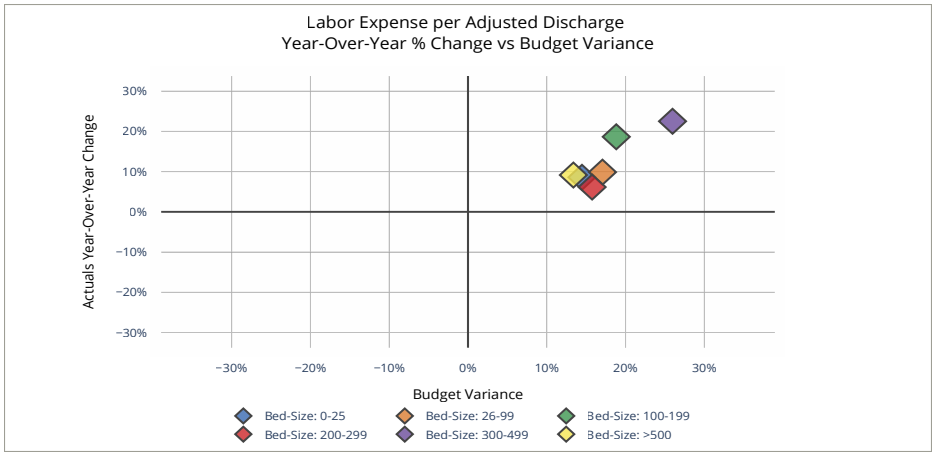
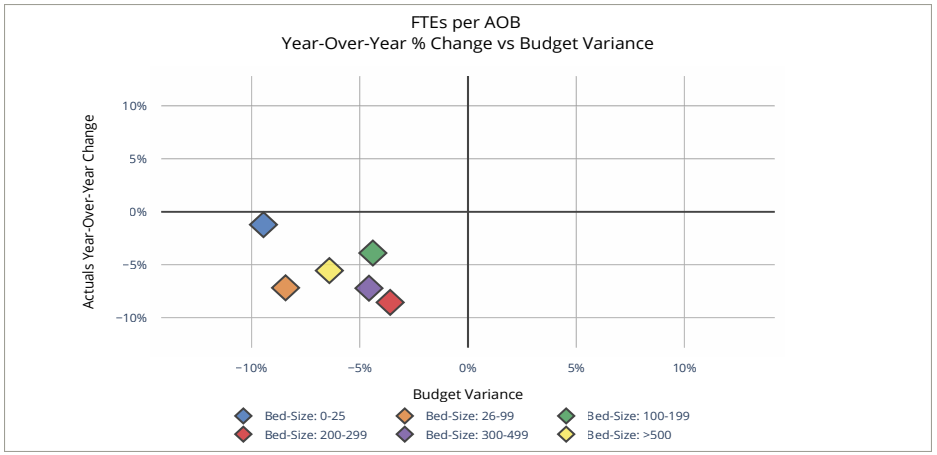
Expense by Bed Size



Source: Kaufman Hall *National Hospital Flash Report*, December 2021



Source: Kaufman Hall *National Hospital Flash Report*, December 2021



Source: Kaufman Hall *National Hospital Flash Report*, December 2021

Total Expense and Labor Expense per Adjusted Discharge both rose YOY and to budget for hospitals of all sizes for a third consecutive month. Hospitals with 0-25 beds had the biggest YOY increase for Total Expense at 12.5%. FTEs per AOB dropped YOY and below budget for all bed-size cohorts.

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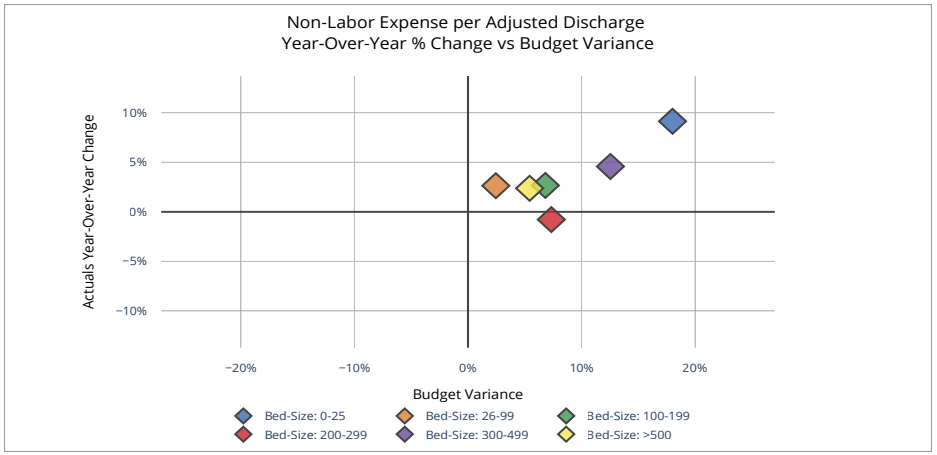
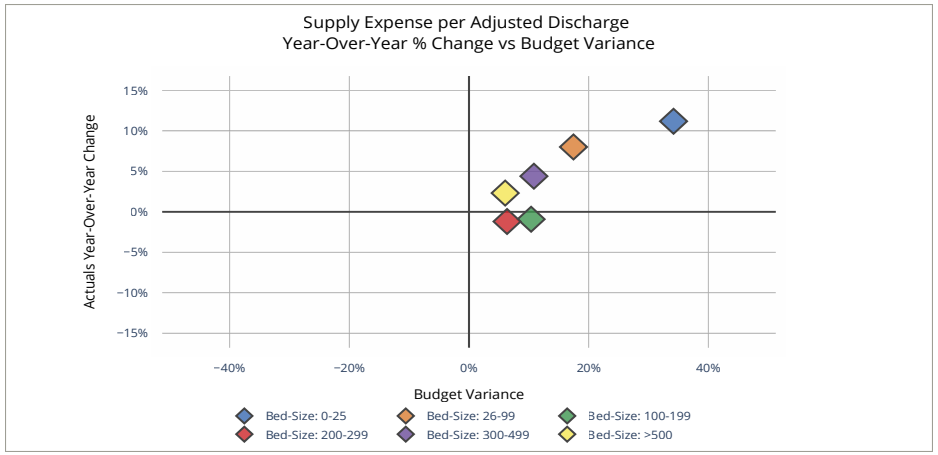
Expense by Bed Size (continued)

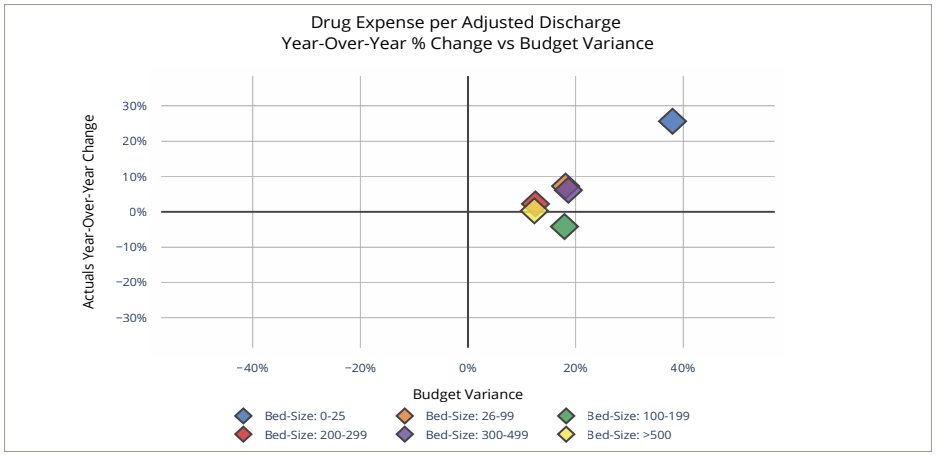


Source: Kaufman Hall *National Hospital Flash Report*, December 2021

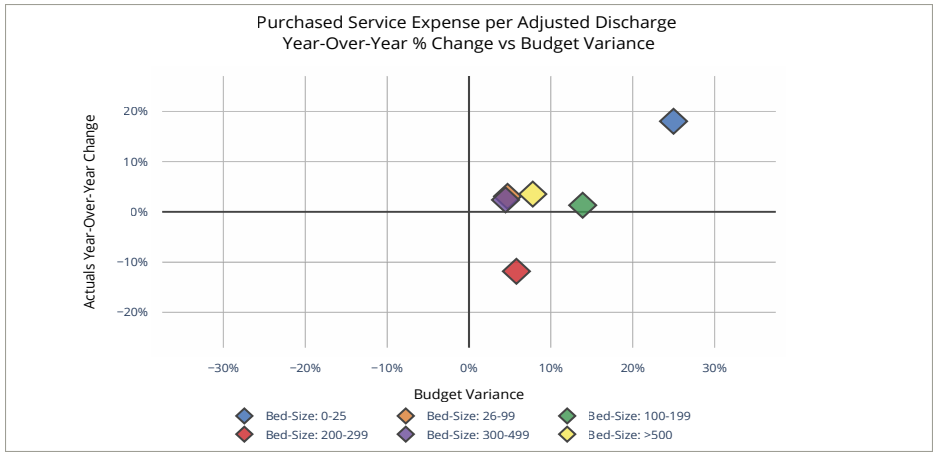


Source: Kaufman Hall *National Hospital Flash Report*, December 2021

Non-Labor Expense per Adjusted Discharge rose YOY and above budget for five cohorts, and was 7.3% above budget but down 0.8% YOY for 200-299 bed hospitals. Supply Expense per Adjusted Discharge rose above budget for all cohorts, was up YOY for four, and down YOY for 100-299 bed hospitals.



Source: Kaufman Hall *National Hospital Flash Report*, December 2021



Source: Kaufman Hall *National Hospital Flash Report*, December 2021

Drug Expense and Purchased Service Expense per Adjusted Discharge both rose above budget for all cohorts and up YOY for five. Hospitals with 0-25 beds had the biggest increases for both metrics, rising 25.7% YOY and 38% above budget for drugs, and 18% YOY and 25% above budget for purchased services.

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Non-Operating

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National Non-Operating Results

	November 2021	Month-Over-Month	Year-Over-Year
General			
GDP Growth†	2.1%	n/a	n/a
Unemployment Rate	4.2%	-0.4%	-2.5%
Personal Consumption Expenditures (YoY)	4.1%	n/c	+2.7%
Liabilities			
1m LIBOR	0.09%	+1 bp	-6 bps
SIFMA	0.05%	n/c	-6 bps
30yr MMD	1.48%	-21 bps	-7 bps
30yr Treasury	1.79%	-14 bps	+22 bps
Assets			
60/40 Asset Allocation*	n/a	-1.0%	+11.0%

† U.S. Bureau of Economic Analysis, Q3 2021 "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

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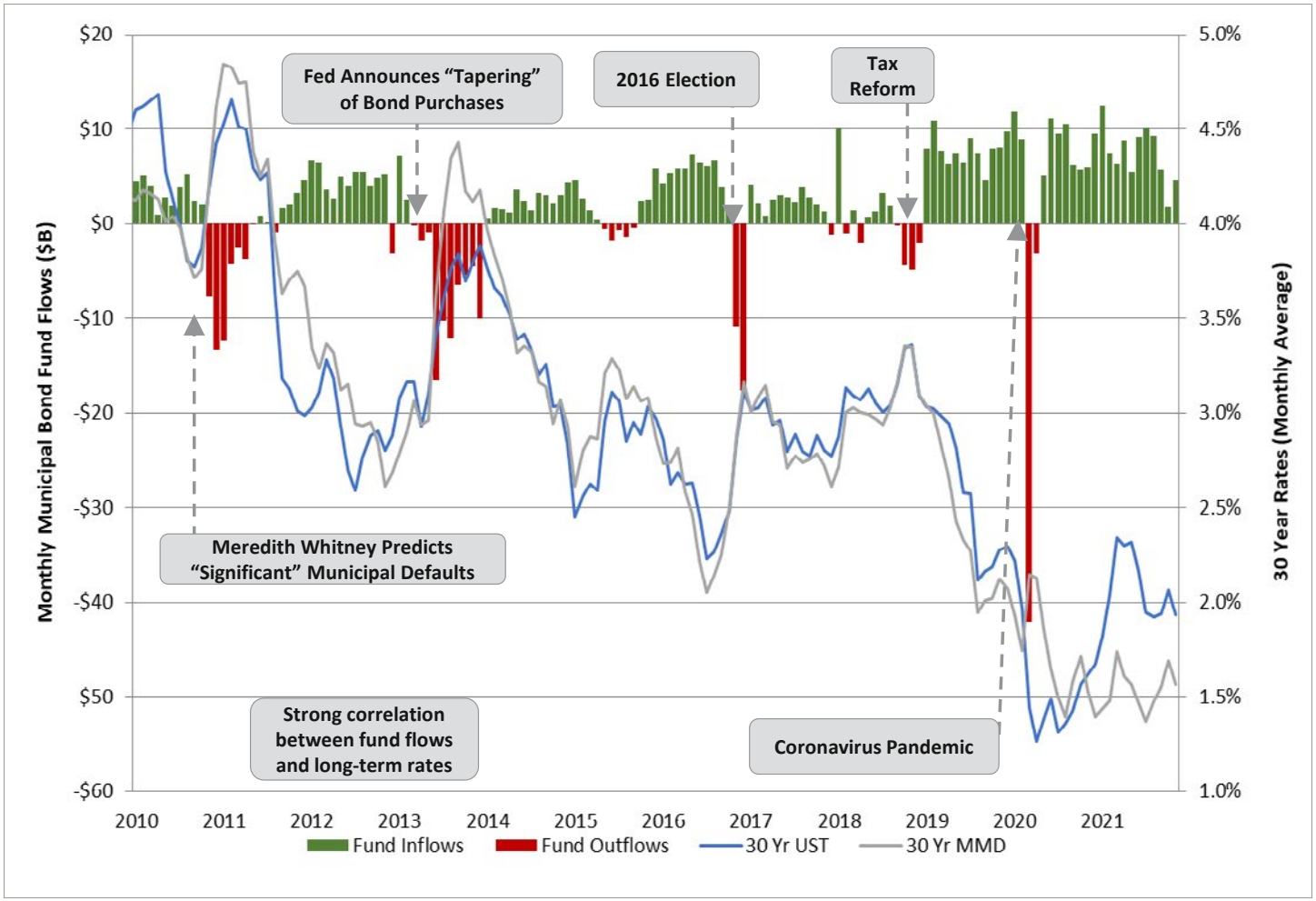
Non-Operating Liabilities

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



Source: Kaufman Hall *National Hospital Flash Report*, December 2021

Yields on the 30-year Treasury bond decreased 14 basis points (bps) to 1.79% in November. Comparatively, yields on the tax-exempt benchmark 30-year MMD rate dropped 21 bps over the course of the month, down to 1.48%. Demand remains strong as municipal bond funds saw $4.7 billion of inflows in November for an 18th consecutive month of positive fund flows.

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 investments 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.

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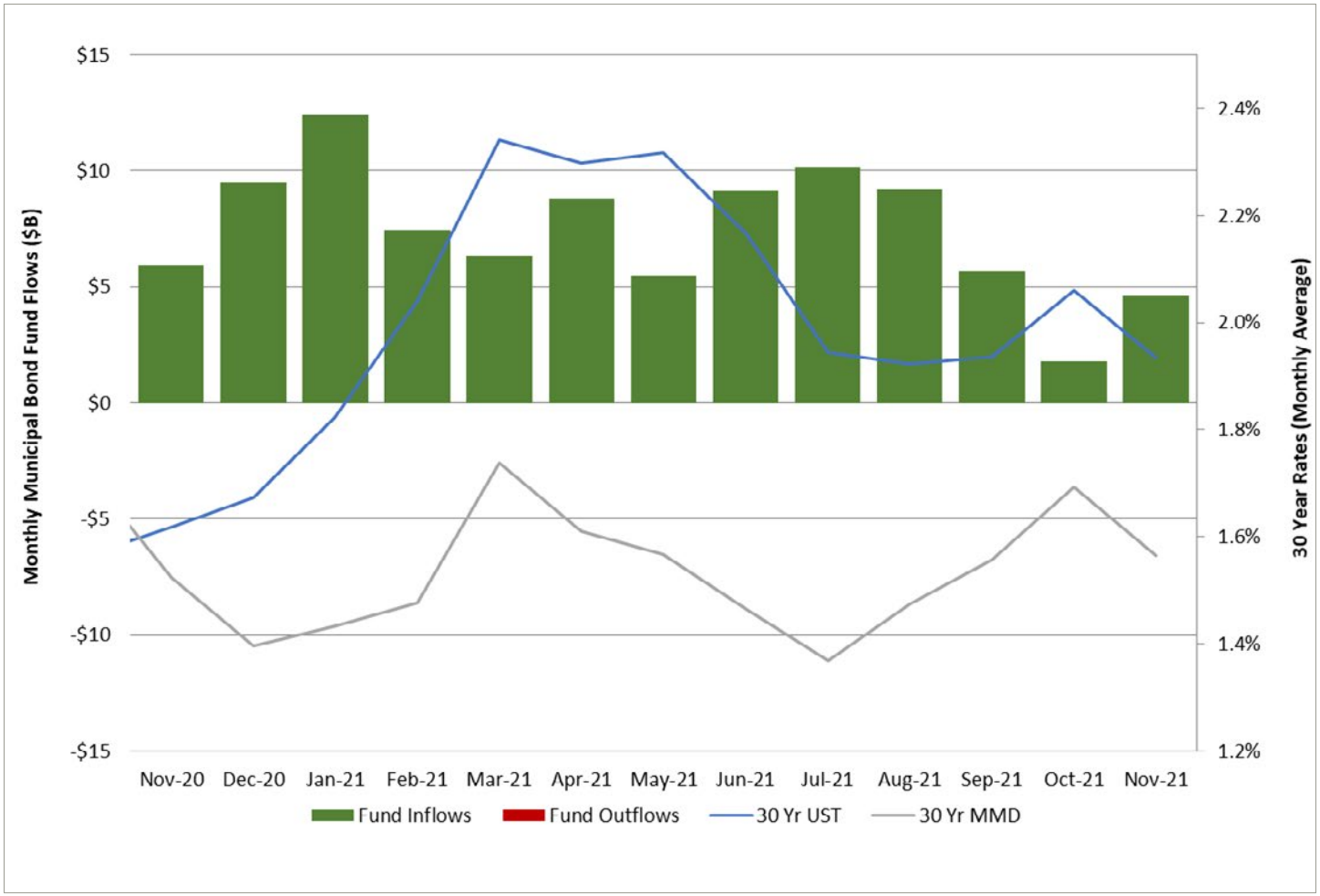
Non-Operating Liabilities (continued)

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*, December 2021

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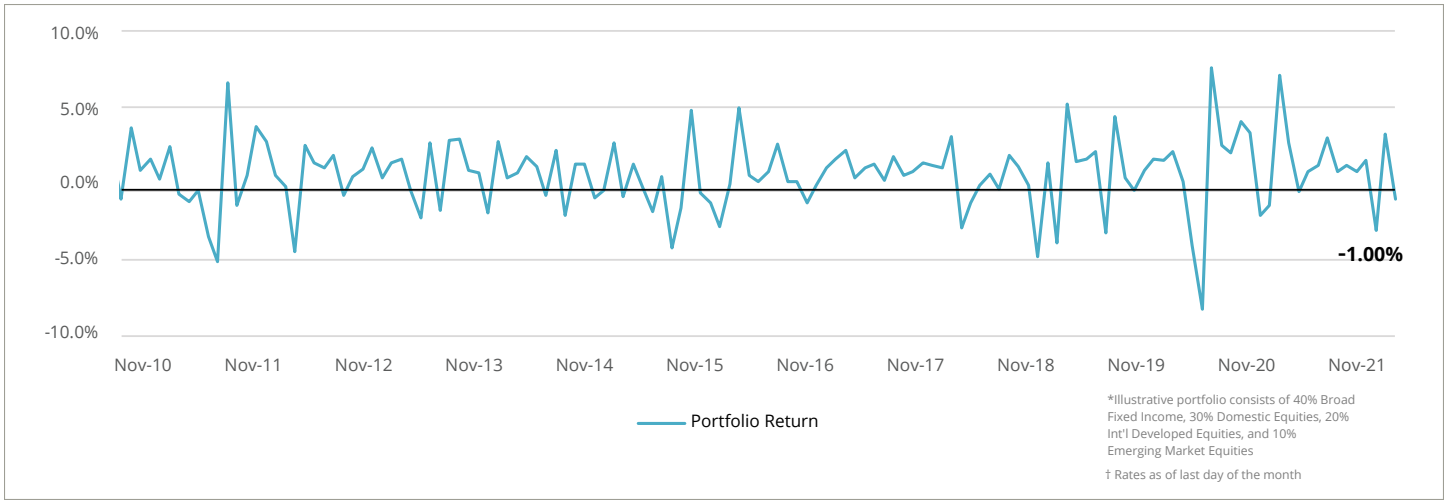
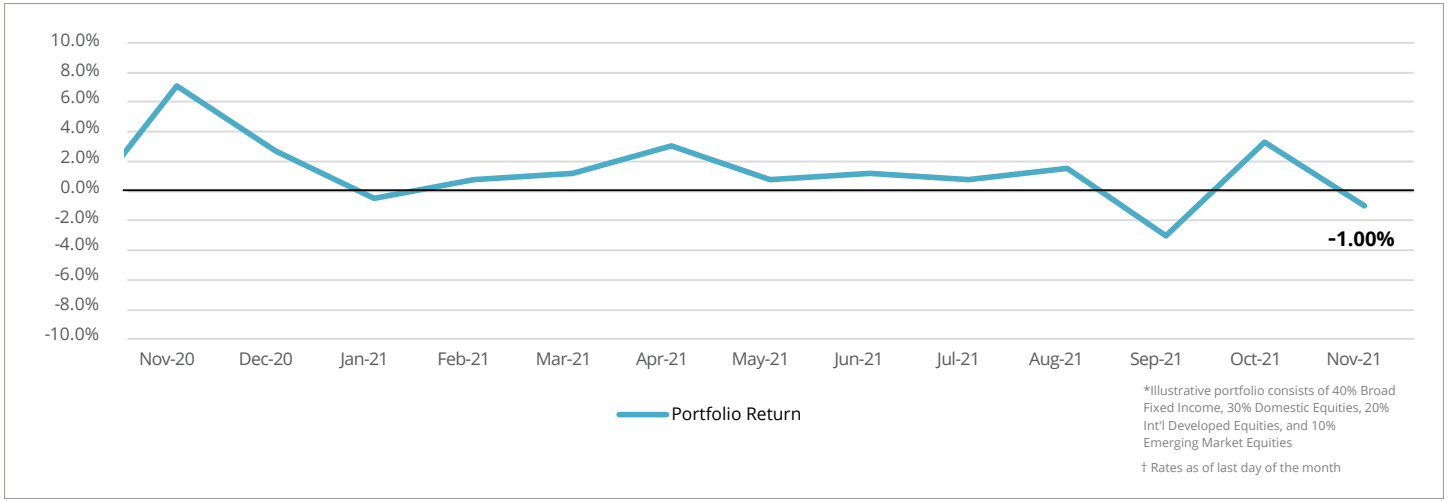
Non-Operating Assets

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



Source: Kaufman Hall *National Hospital Flash Report*, December 2021

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



Source: Kaufman Hall *National Hospital Flash Report*, December 2021

The 60/40 blended asset portfolio ended November lower by 1.0%. The S&P 500 finished 0.8% lower for the month, after increasing nearly 7% in October. The MSCI World Index finished down 2.3%. The MSCI Emerging Markets Index finished November down 4.1% with the Barclays Aggregate Index up slightly at 0.03%. The 60/40 portfolio was up 11% YOY.

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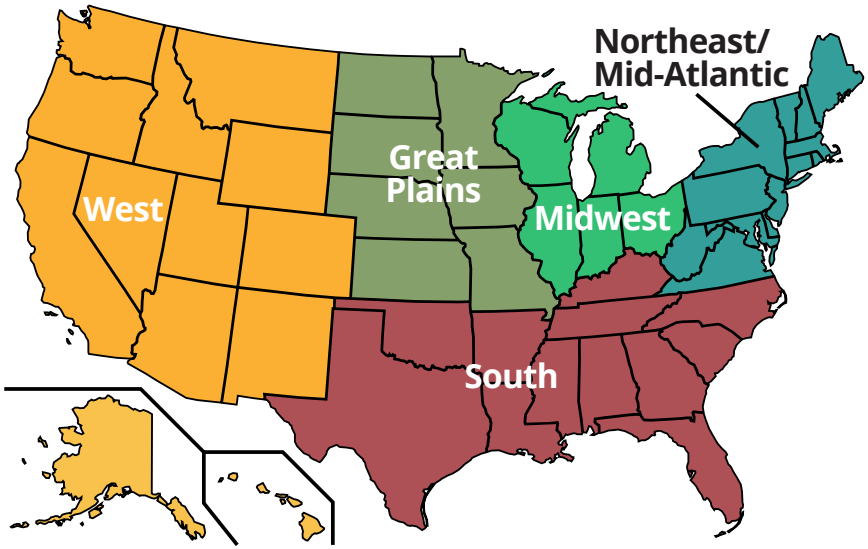
About the Data

The *National Hospital Flash Report* uses both actual and budget data over the last three years, sampled from more than 900 hospitals on a recurring monthly basis from Syntellis Performance Solutions. The sample of hospitals for this report is representative of all hospitals in the United States both geographically and by bed size. Additionally, hospitals of all types are represented, from large academic to small critical access. Advanced statistical techniques are used to standardize data, identify and handle outliers, and ensure statistical soundness prior to inclusion in the report. While this report presents data in the aggregate, Syntellis Performance Solutions also has real-time data down to individual department, jobcode, paytype, and account levels, which can be customized into peer groups for unparalleled comparisons to drive operational decisions and performance improvement initiatives.

Map of Regions



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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