

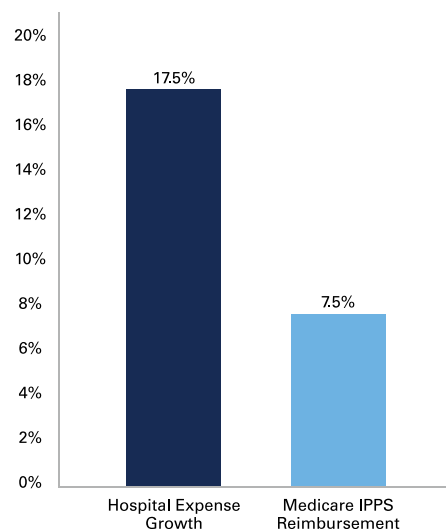
# The Financial Stability of America's Hospitals and Health Systems Is at Risk as the Costs of Caring Continue to Rise

After treating millions of patients, including over 6 million COVID-19 patients over the last three years, America's hospitals and health systems are facing a new existential challenge — sustained and significant increases in the costs required to care for their patients and communities. The increase in expenses for drugs, supplies, and labor, as well as the costs associated with administrative burden, have been met with continued underpayments from government payers. In fact, the growth in hospital expenses is more than double the increases in Medicare reimbursement for hospital care (See Figure 1). As a result, Kaufman Hall's Operating Margin Index has showed that over half of hospitals ended 2022 operating at a financial loss.

A new AHA report highlights the key drivers of these increases for hospitals, their magnitude and their impact on the ability to provide care. View the [full report](#) here and other data highlights below.

- Hospitals' labor expenses, which on average account for about 50% of a hospital's budget, are up 20.8% from 2019 to 2022. This is in large part due to a greater reliance on contract staffing agencies to address workforce challenges, which has resulted in a staggering 258% increase in hospitals' contract labor expenses in 2022 compared to pre-pandemic levels.
- For the first time in history, the [median price of a new drug](#) exceeded \$200,000 in 2022 – more than triple the median annual household income in the U.S.. At the same time, price increases for existing drugs continue to outpace inflation, which helped drive an 19.7% increase in drug expenses per patient between 2019 and 2022.
- Hospital supply expenses per patient increased 18.5% between 2019 and 2022, outpacing increases in inflation by nearly 30%. Specifically, hospital expenses for emergency services supplies – which include ventilators, respirators, and other critical equipment – experienced a nearly 33% increase during the same time period.
- Purchased service expenses, which are expenses hospitals incur to create operational efficiencies such as IT, environmental services and facilities, and food and nutrition services increased 18% between 2019 and 2022.
- The burden associated with insurer-required administrative tasks also contributes to rising expenses and negatively affects patient care. Nearly three-fourths of nurses reported increases in insurer-required administrative tasks for medical services over the last five years. In addition, nearly 9 in 10 nurses reported insurer administrative burden had negatively impacted patient clinical outcomes.

**Figure 1. Cumulative Hospital Expense Growth is More Than Double the Cumulative Increases in Medicare IPPS Reimbursement, 2019-2022**



Source: FY 2020-2022 IPPS Final Rule

**Without additional congressional action and support from the Administration, patients' access to care is at risk. As the hospital field continues to maintain its commitment to care in the face of these multiple challenges, it is time for policymakers to demonstrate their commitment to protecting the health and well-being of patients and communities by ensuring America has strong hospitals and health systems.**