

Hospital Vitals: Financial and Operational Trends

U.S. hospitals face diminished
reserves, mounting
reimbursement challenges

Q1-Q2 2023

*Presented by Syntellis and the
American Hospital Association*



Executive Summary

The nation's hospitals and health systems are caught in a vise of declining cash reserves and rising reimbursement delays and denials from healthcare payers, including commercial and Medicare Advantage plans. Hospitals and health systems are left increasingly financially strapped as a result. Diminishing cash reserves mean these critical healthcare organizations are less equipped to navigate sudden market shifts and disruptions — which is especially concerning more than three years after the onset of a once-in-a-generation pandemic that underscored the need to prepare for any uncertainty.

The median health system¹ saw cash reserves — measured as days cash on hand — drop 28% from 173 in January 2022 to 124 in June 2023. Rapidly rising expenses across the board exacerbated the declines in cash reserves.

Increasing denials and other administrative delays from healthcare payers compounded financial pressures on U.S. hospitals and health systems. These trends highlight underlying issues as some major healthcare payers face congressional [inquiries](#)² and federal court [lawsuits](#)³ challenging questionable denial practices, including allegations that one payer used computer algorithms to deny claims [en masse](#) without proper medical review.⁴

As payers deny more claims, hospitals are increasingly not reimbursed for medically necessary care provided to patients. They must take larger revenue reductions to account for those [lost reimbursements](#) from commercial payers and Medicare Advantage plans, which cover more than [31 million Americans](#) and make up about half of all Medicare beneficiaries.⁵ The challenges will only worsen as Medicare Advantage enrollment continues to grow.

In addition to mounting delays and denials, hospitals and health systems have experienced significant volatility in accounts receivable — the amount of money owed to them for services already rendered. A recent American Hospital Association (AHA) member survey found that 50% of hospitals and

health systems reported having more than \$100 million in [unpaid claims](#) that were more than six months old.⁶ Variations in accounts receivable reflect unpredictable payments for hospital services, including restrictive prior-authorization requirements and other reimbursement delays from commercial and Medicare Advantage plans.



Accounts receivable from commercial plans fluctuated on a month-to-month basis by as much as \$14,200 for every \$1 million of net patient service revenue (NPSR) from January 2022 to June 2023. As cash reserves decline, hospitals have little cushion to absorb such volatility, resulting in cash flow constraints that can jeopardize hospitals' ability to maintain access to care.

This report examines these trends with analysis of data from a nationally representative sample of more than 1,300 hospitals and health systems by Syntellis Performance Solutions.



¹ Note: Throughout this report, "median health system" is defined as the 50th percentile of systems within each respective metric.

² Rodgers, C.M.: "E&C Republicans Press Cigna for Clarification After Investigative Report Accuses Insurance Company of Denying Claims Without Reading Them." Energy & Commerce Chair Press Release, May 16, 2023.

³ American Hospital Association: "Federal Court Revives Benefits Denial Class Action Suit Against UHC Subsidiary." Press Release, Aug. 29, 2023.

⁴ Rucker, P., Miller, M., Armstrong, D.: "How Cigna Saves Millions by Having Its Doctors Reject Claims Without Reading Them." ProPublica, March 25, 2023.

⁵ Centers for Medicare and Medicaid Services: *Monthly Contract and Enrollment Summary Report*. Sept. 9, 2023.

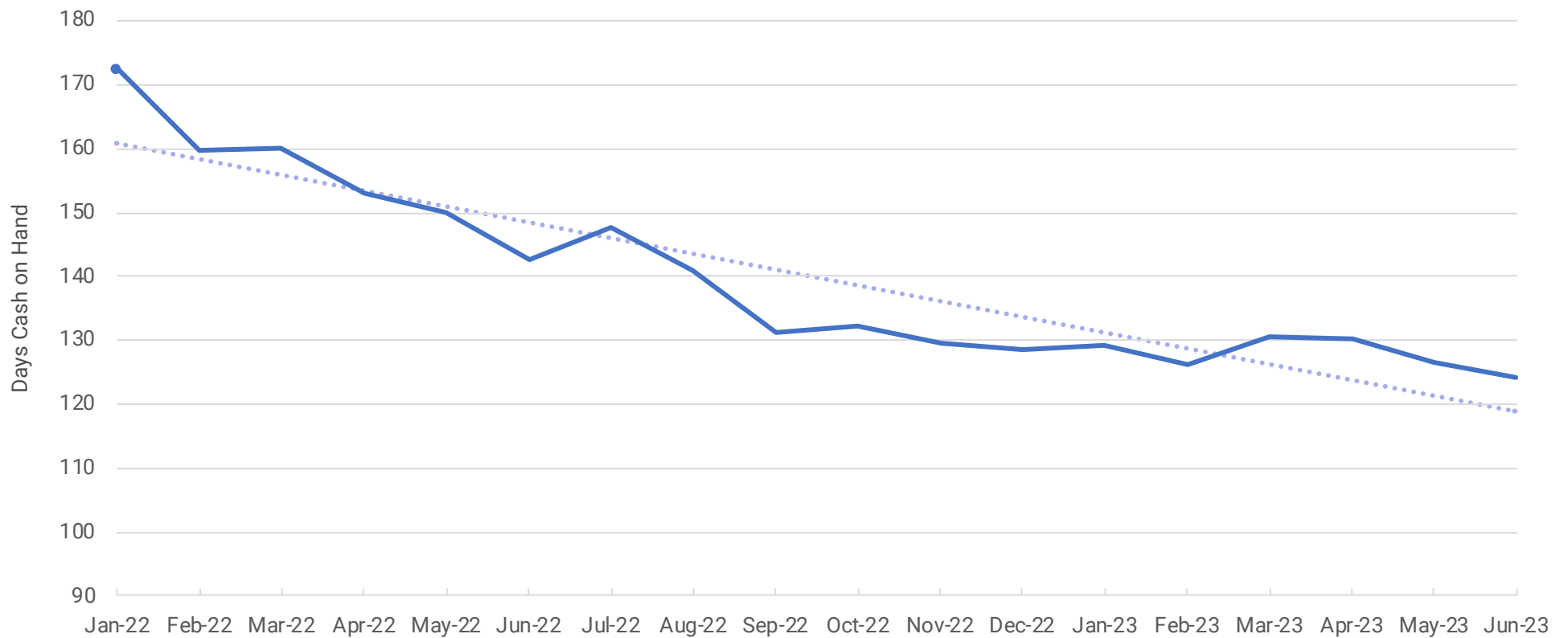
⁶ American Hospital Association: "Survey: Commercial Health Insurance Practices that Delay Care, Increased Costs." Infographic, 2022.

Cash reserves diminishing for health systems nationwide

Days cash on hand is decreasing for hospitals and health systems across the country, leaving them less prepared to navigate sudden emergencies that may arise, such as natural disasters, mass casualty events, or another pandemic. As of June 2023, health systems had a median of 124 days cash on hand, down 28% from 173 in January 2022. Overall unrestricted cash and investments decreased 6.5% for the median health system from January 2022 to July 2023, as contrasted with expense increases over the same period shown in the following page.

Days Cash on Hand Decreasing for U.S. Health Systems

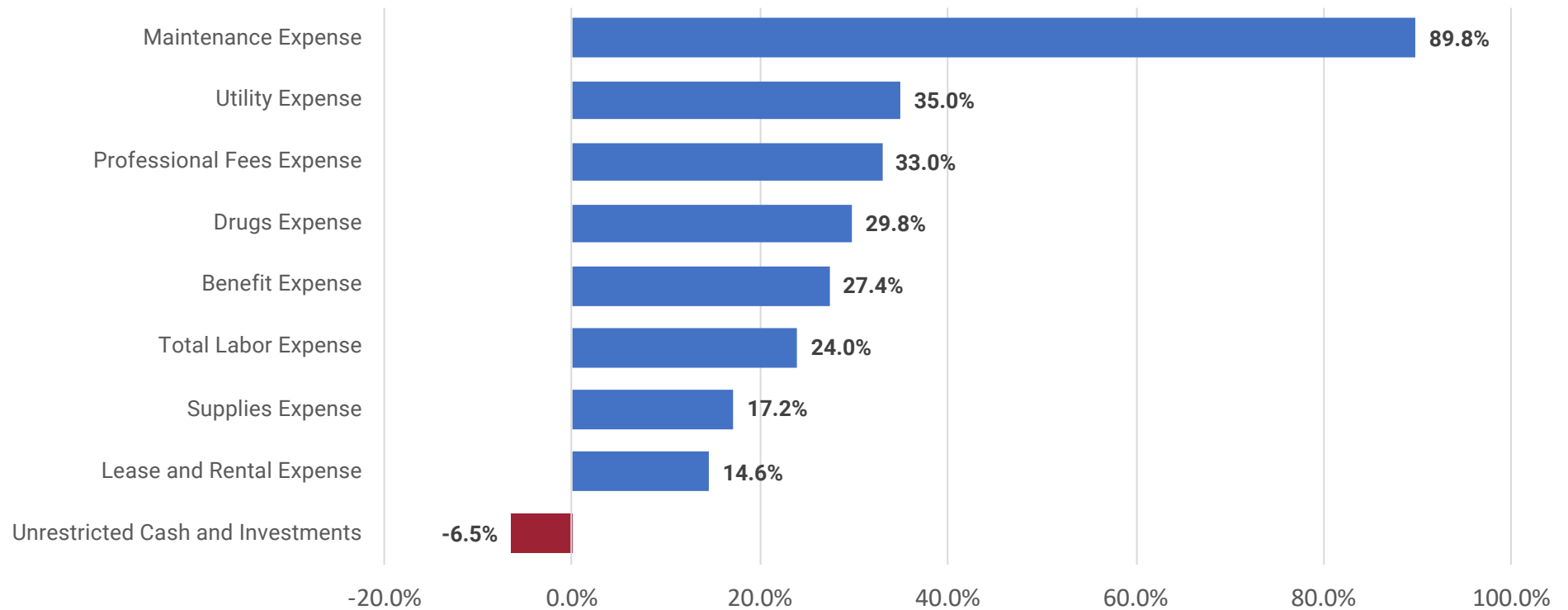
Health Systems Nationwide, 50th percentile



Source: Syntellis' Axiom™ Comparative Analytics

Operating Expenses Increasing

Health Systems Nationwide, % change from January 2022 to July 2023



Source: Syntellis' Axiom™ Comparative Analytics

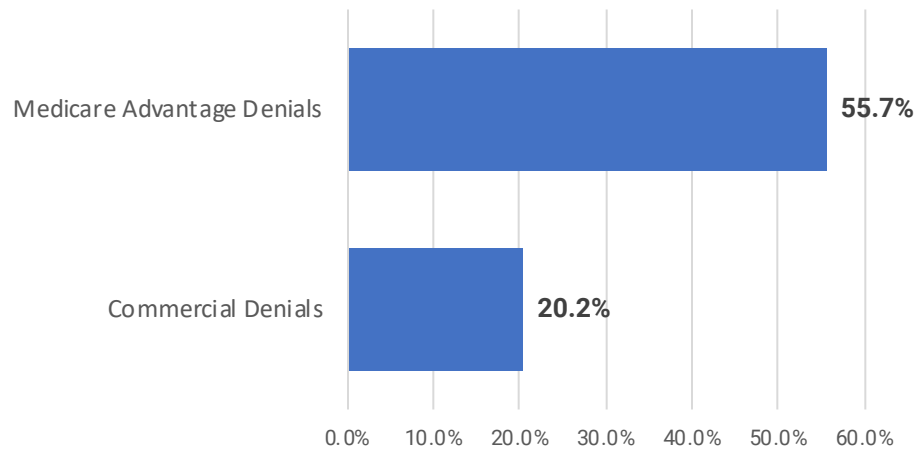
As cash reserves declined, health systems nationwide faced significant cost increases across multiple expense categories. Maintenance expenses had the biggest increases, jumping 89.8% over a 19-month period as many organizations worked to address facility maintenance needs deferred during the COVID-19 pandemic. Utility expenses rose 35%, professional fee expenses⁷ rose 33%, and drug expenses were up 29.8%. Total labor expense rose 24% over the same period as health systems continued to feel the pressures of long-running labor shortages and other [workforce challenges](#).

⁷ Note: Professional fee expenses refer to fees health systems pay for contracted services, such as legal advisors or management consultants.

Commercial and Medicare Advantage denials mount

Total Medicare Advantage and Commercial Denials Increasing

Hospitals Nationwide, % Change from January 2022 to July 2023

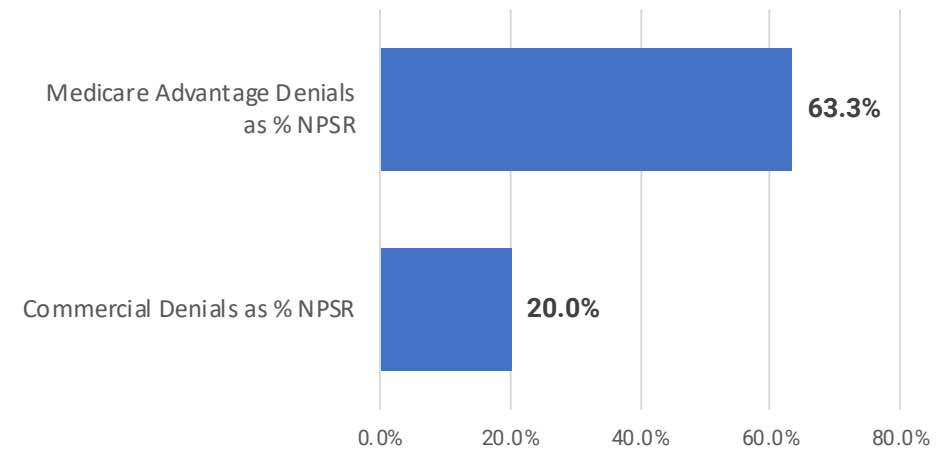


Source: Syntellis' Axiom™ Comparative Analytics

As cash reserves weaken, hospitals also face increasing denials from both Medicare Advantage and commercial payers. The percent change in overall revenue reductions related to Medicare Advantage denials jumped 55.7% for the median hospital from January 2022 to July 2023, while denial-related revenue reductions from commercial payers rose 20.2% over the same period.

Medicare Advantage and Commercial Denials Increasing as % NPSR

Hospitals Nationwide, % Change from January 2022 to July 2023



Source: Syntellis' Axiom™ Comparative Analytics

Hospitals saw similar trends when examining how much denials have increased relative to net patient service revenue (NPSR) for the median hospital. For Medicare Advantage, denial-related revenue reductions per NPSR for the median hospital jumped 63.3% from January 2022 to July 2023. For commercial payers, the metric rose 20% over the 19-month period.

Volatility in hospitals' accounts receivable reflects unpredictable payments

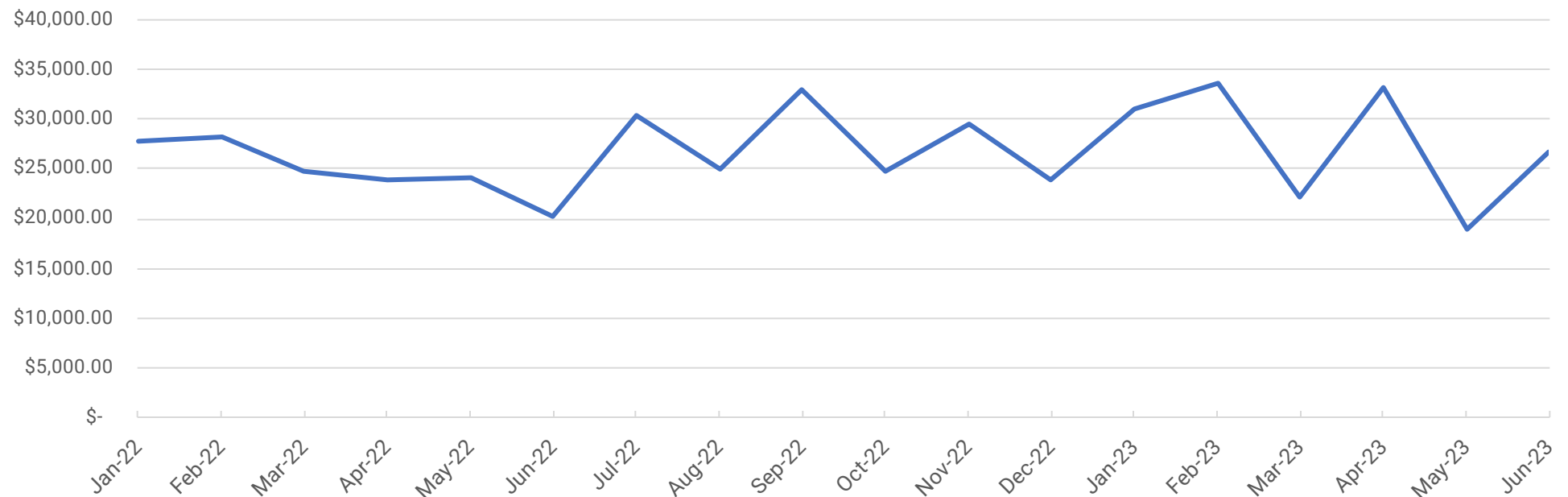
In addition to rising claim denials, hospitals have been subjected to wide fluctuations in accounts receivable from month to month, due in part to delays and unreliable reimbursement practices by healthcare payers. Accounts receivable (AR) refers to the money hospitals are owed for services provided and billed, but not yet paid.

Over the 18-month period, hospitals experienced significant volatility in AR from commercial payers. Measured by every \$1 million in NPSR, the metric ranged from a low of \$18,896 in May 2023 to a high of \$33,598 just three months earlier

in February 2023. From one month to the next, the dollar amounts in AR for every \$1 million in NPSR fluctuated as much as \$14,287 for commercial payers and \$8,872 for Medicare Advantage payers. The AR from Medicare Advantage payers for every \$1 million in NPSR fluctuated from a low of \$15,289 in December 2022 to a high of \$27,443 in June 2023.

Commercial Accounts Receivables Fluctuate Widely

Hospitals Nationwide, Change in Commercial Accounts Receivable per \$1 Million NPSR January 2022 to June 2023



Source: Syntellis' Axiom™ Comparative Analytics

Conclusion

The latest data highlight the persistent challenges that hospitals and health systems face in having the financial resources needed to maintain access to care for their patients, and to be prepared for the next crisis that may arise at any time. Combatting inappropriate payer delays and denials costs these vital organizations valuable time and resources. Payer denials can cost U.S. hospitals and physicians more than [\\$1.5 billion](#) a month,⁸ and can contribute to clinician and workforce burnout. As a case in point, a recent [survey](#) by the American Medical Association found that physicians and their staff spend an average 14 hours per week just completing prior authorization requests — time that could be better spent providing patient care.⁹

American Hospital Association research shows that more than [80% of physicians](#) say burdensome insurance company policies interfere with their ability to practice medicine.¹⁰ These issues compound reimbursement challenges from Medicare fee-for-service and Medicaid, which chronically underpay hospitals relative to the total cost of care. Taken together, a lack of proper and prompt reimbursement has both upstream impacts on hospitals' cash flow as well as downstream impacts on patient care.

Such challenges will only worsen unless regulatory agencies conduct greater oversight of problematic payer practices and address other administrative hurdles that further strain hospital resources, deplete cash reserves, and inhibit medically necessary care.



About the Data

Syntellis' Axiom™ Comparative Analytics offers access to near real-time data drawn from more than 135,000 physicians from over 10,000 practices and 139 specialty categories, and from 500+ unique departments across more than 1,300 hospitals. Powered by Syntellis IQ, Comparative Analytics also provides data and comparisons specific to a single organization for visibility into how its market is evolving.

⁸Robeznieks, A.: "Health Systems Plagued by Payer-Takeback Schemes, 110,000 Denials." American Medical Association, Jan. 19, 2023.

⁹American Medical Association: "2022 AMA Prior Authorization (PA) Physician Survey." Infographic, 2022.

¹⁰American Hospital Association: "New Polls of Nurses and Physicians Find the Majority Say that Health Insurer Policies Are a Barrier to Care." Infographic, July 2023.



About Syntellis

Syntellis Performance Solutions, now part of Strata Decision Technology, provides innovative enterprise performance management software, data, and intelligence solutions for healthcare, higher education, and financial institutions. Syntellis' solutions include Axiom, Connected Analytics, and Stratasan software. These solutions help finance professionals elevate performance by acquiring insights, accelerating decisions, and advancing their business plans. With over 2,800 organizations and 450,000 users relying on its solutions, Syntellis has proven industry expertise in helping organizations transform their visions into reality. For more information, please visit www.syntellis.com.



Advancing Health in America

About the American Hospital Association

The American Hospital Association (AHA) is a not-for-profit association of health care provider organizations and individuals that are committed to the health improvement of their communities. The AHA advocates on behalf of our nearly 5,000 member hospitals, health systems, and other health care organizations, our clinician partners – including more than 270,000 affiliated physicians, 2 million nurses, and other caregivers – and the 43,000 health care leaders who belong to our professional membership groups. Founded in 1898, the AHA provides insight and education for health care leaders and is a source of information on health care issues and trends. For more information, visit the AHA website at www.aha.org.

