# The Current State of Hospital Finances: Implications for the Workforce

June 2023

# Key Takeaways

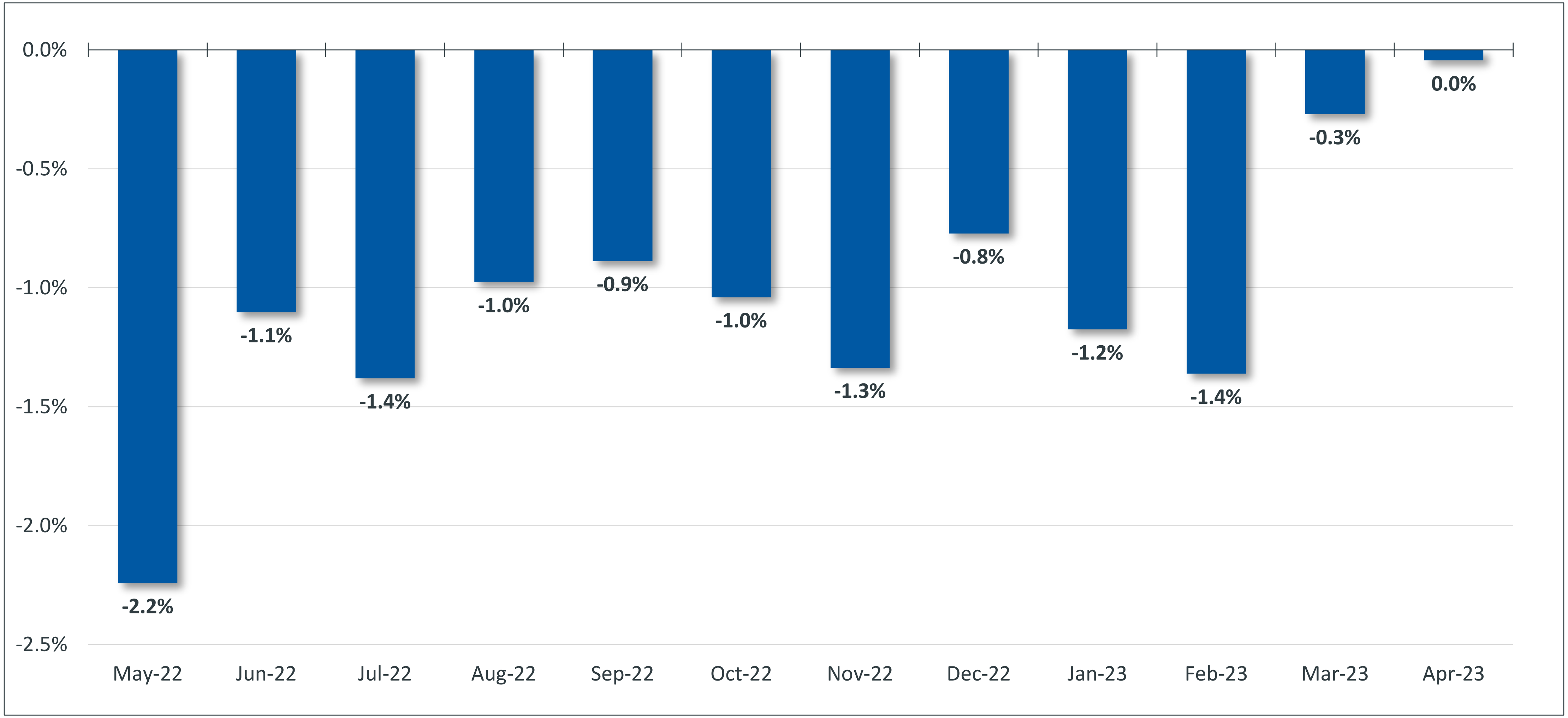
1. **Hospitals broke even in April.**
   The median operating margin for hospitals was 0% in April, leaving most hospitals with little to no financial wiggle room.

2. **Volumes dropped while lengths of stay increased.**
   Hospital volumes dropped across the board—including inpatient and outpatient. Emergency department volumes were the least affected.

3. **Effects of Medicaid disenrollment could be materializing.**
   Hospitals experienced increases in bad debt and charity care in April. Combined with anemic patient volumes, experts note this data could illustrate the effects of the start of widespread disenrollment from Medicaid following the end of the COVID-19 public health emergency.

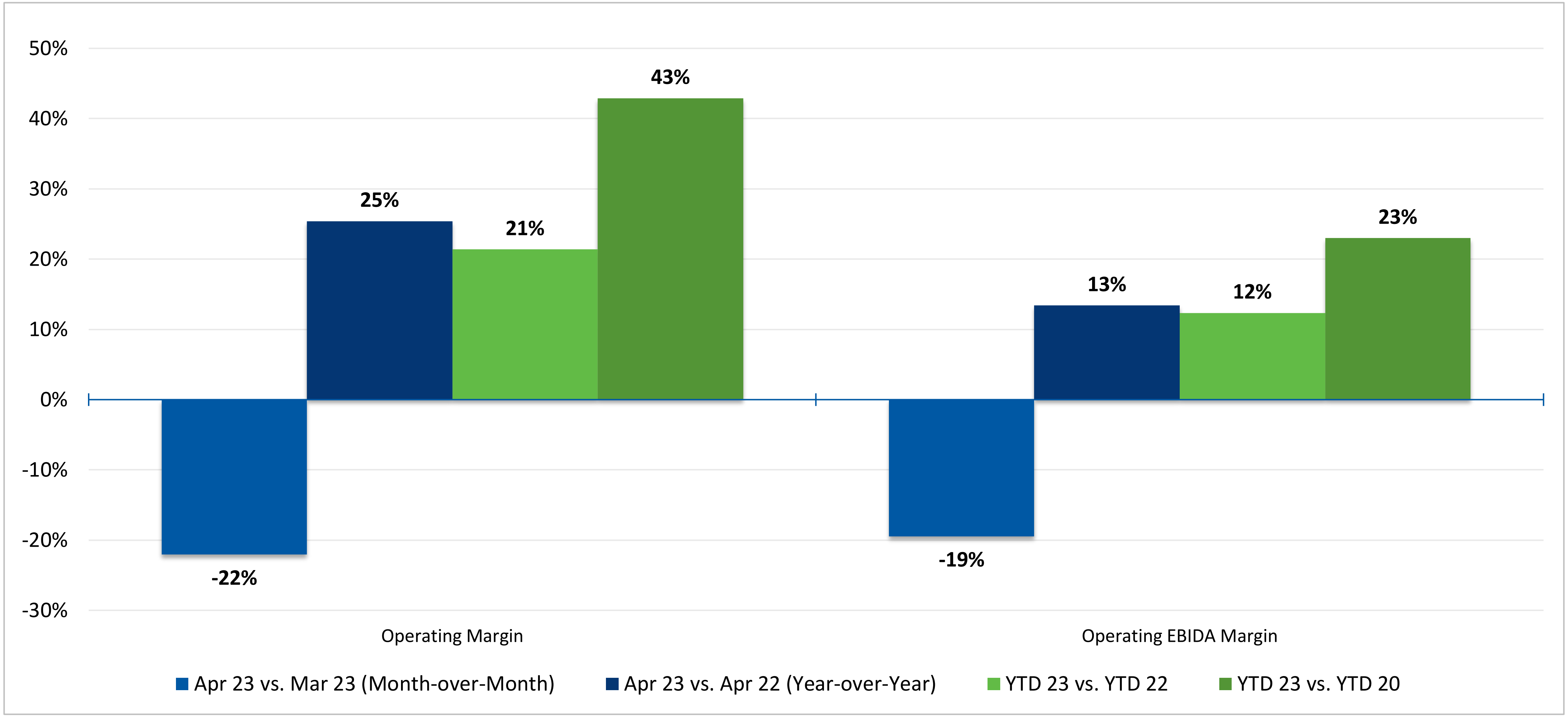
4. **Inflation continued to throttle hospital finances.**
   Labor costs jumped in April and the costs of goods and services continued to be well above pre-pandemic levels. Though expenses generally fell in April, revenues declined at a faster rate.

# Kaufman Hall CYTD Operating Margin Index

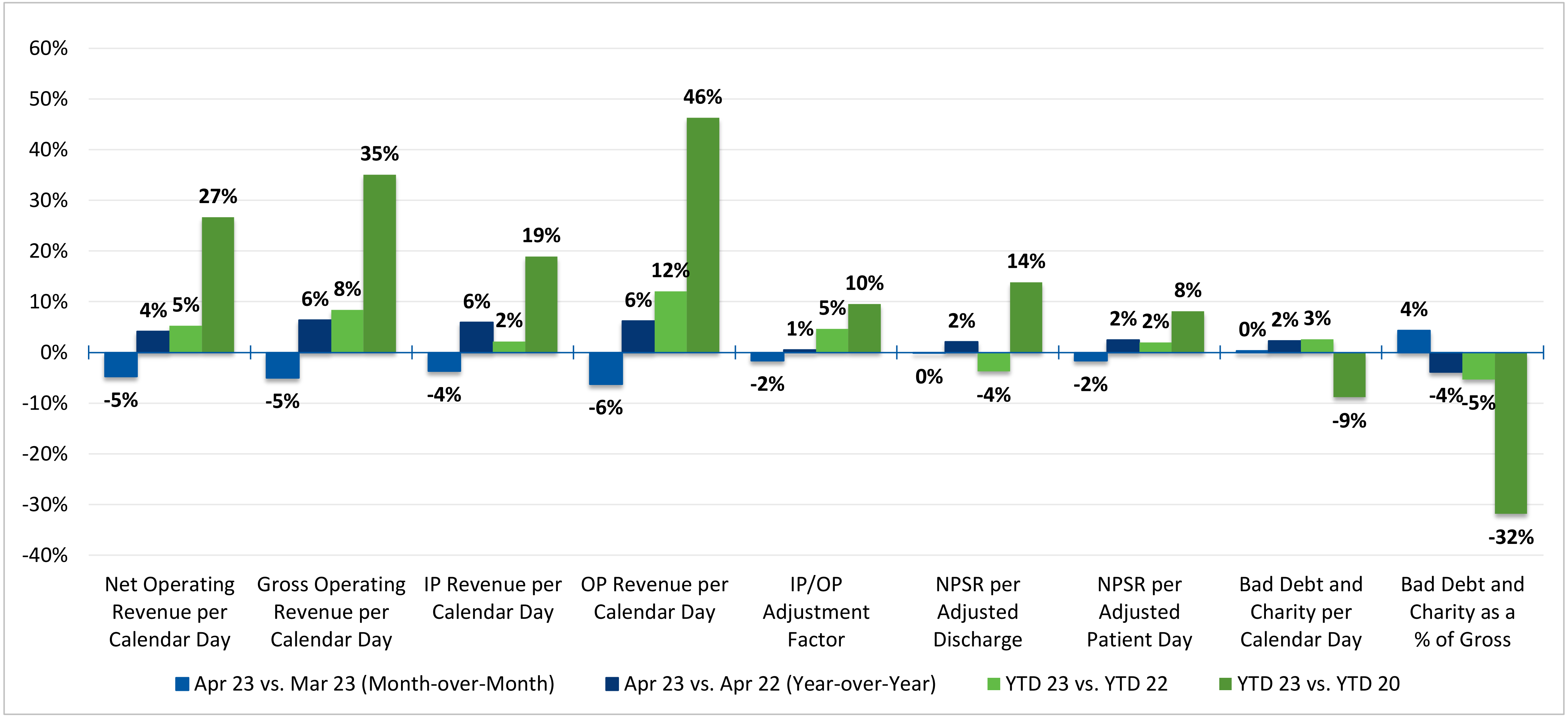



* Note: The Kaufman Hall Hospital Operating Margin and Operating EBITDA Margin Indices are comprised of the national median of our dataset adjusted for allocations to hospitals from corporate, physician, and other entities.

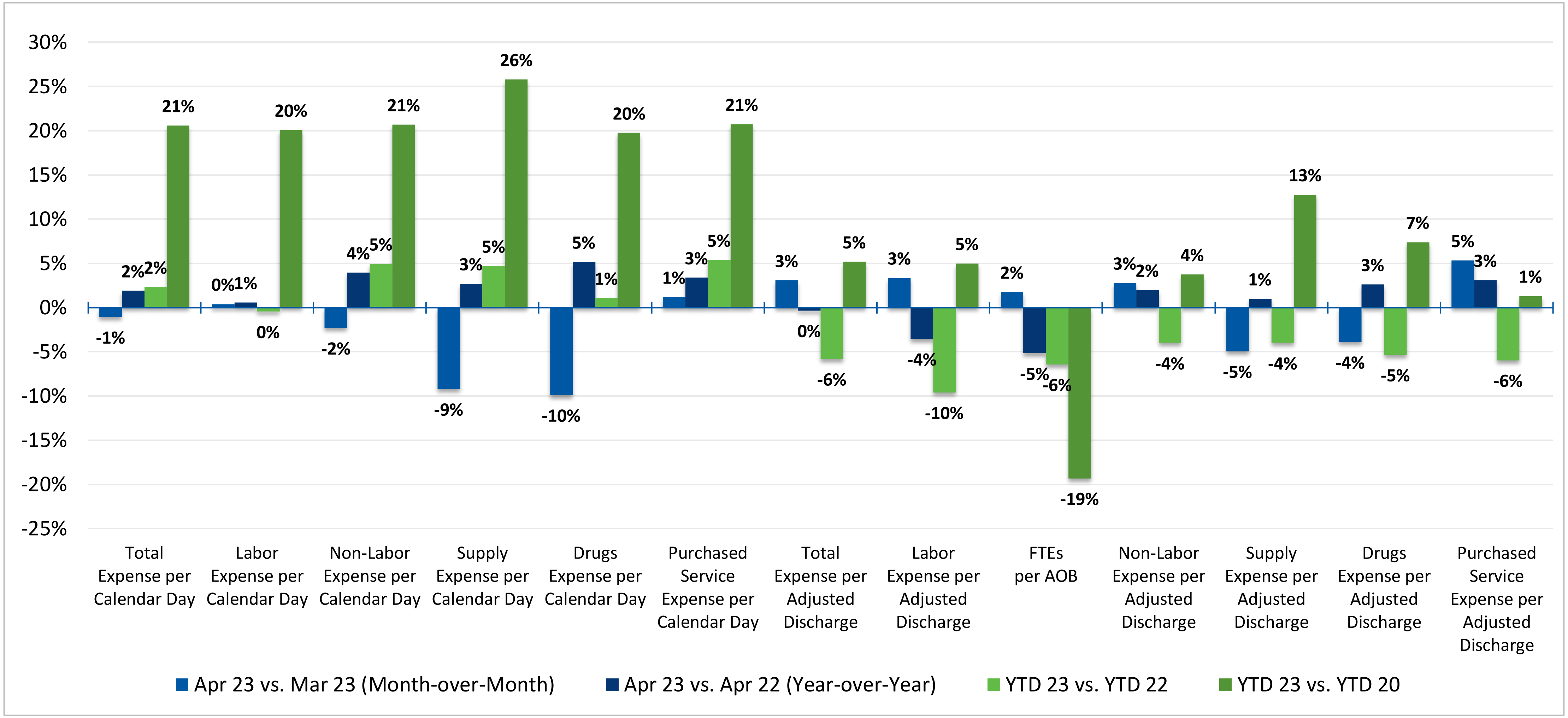
# National Profitability Data for April 2023



# National Revenue Data for April 2023



# National Expense Data for April 2023



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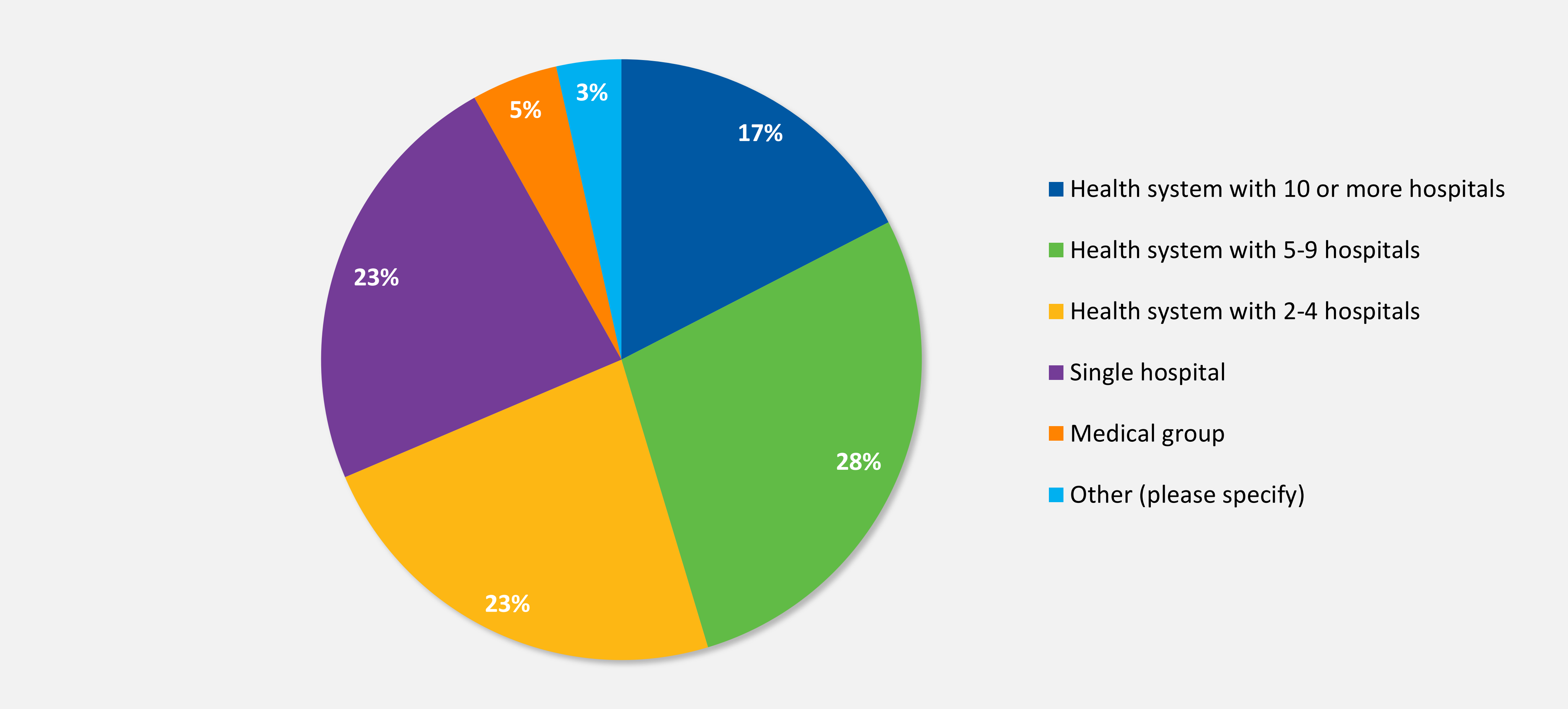
# 2022 State of Healthcare Performance Improvement

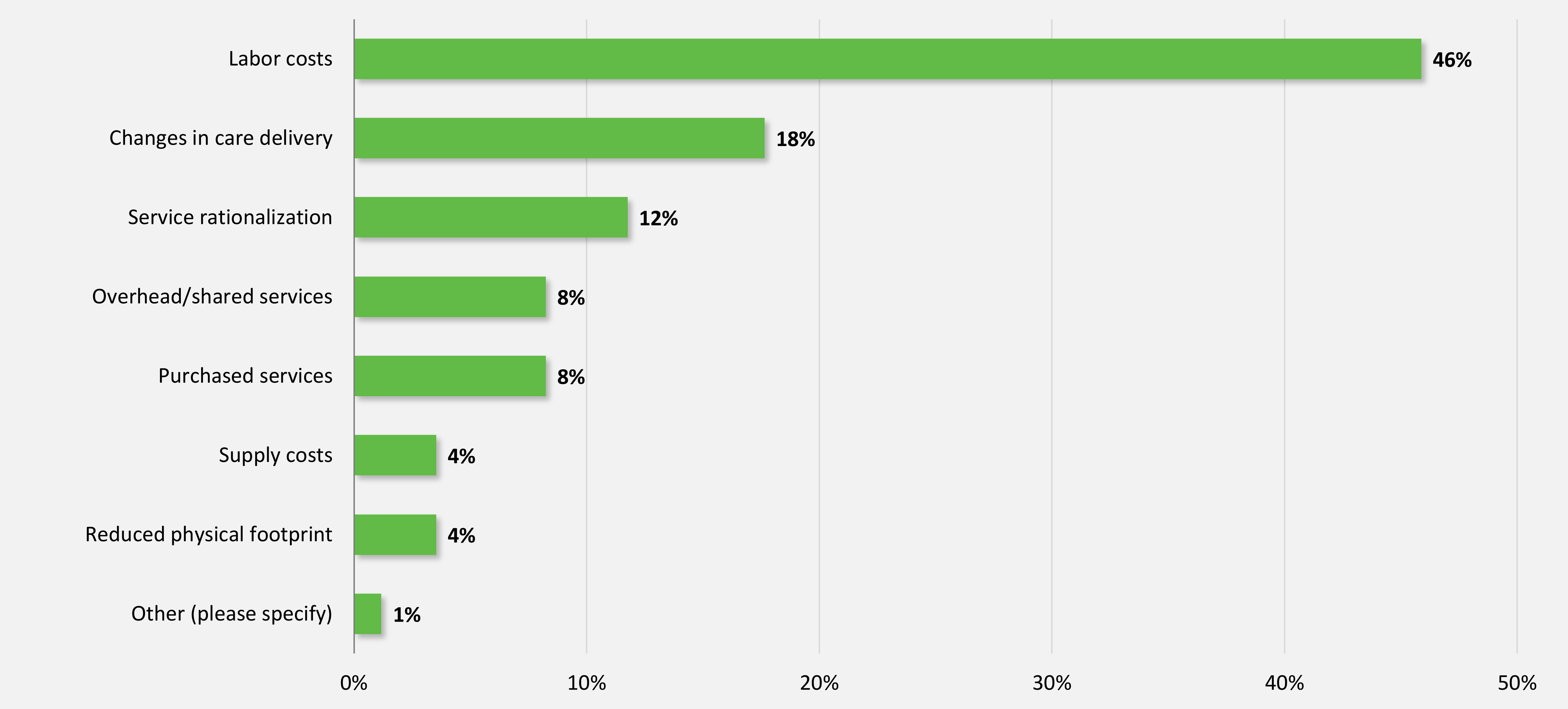
# Size and Type of Respondents' Organization



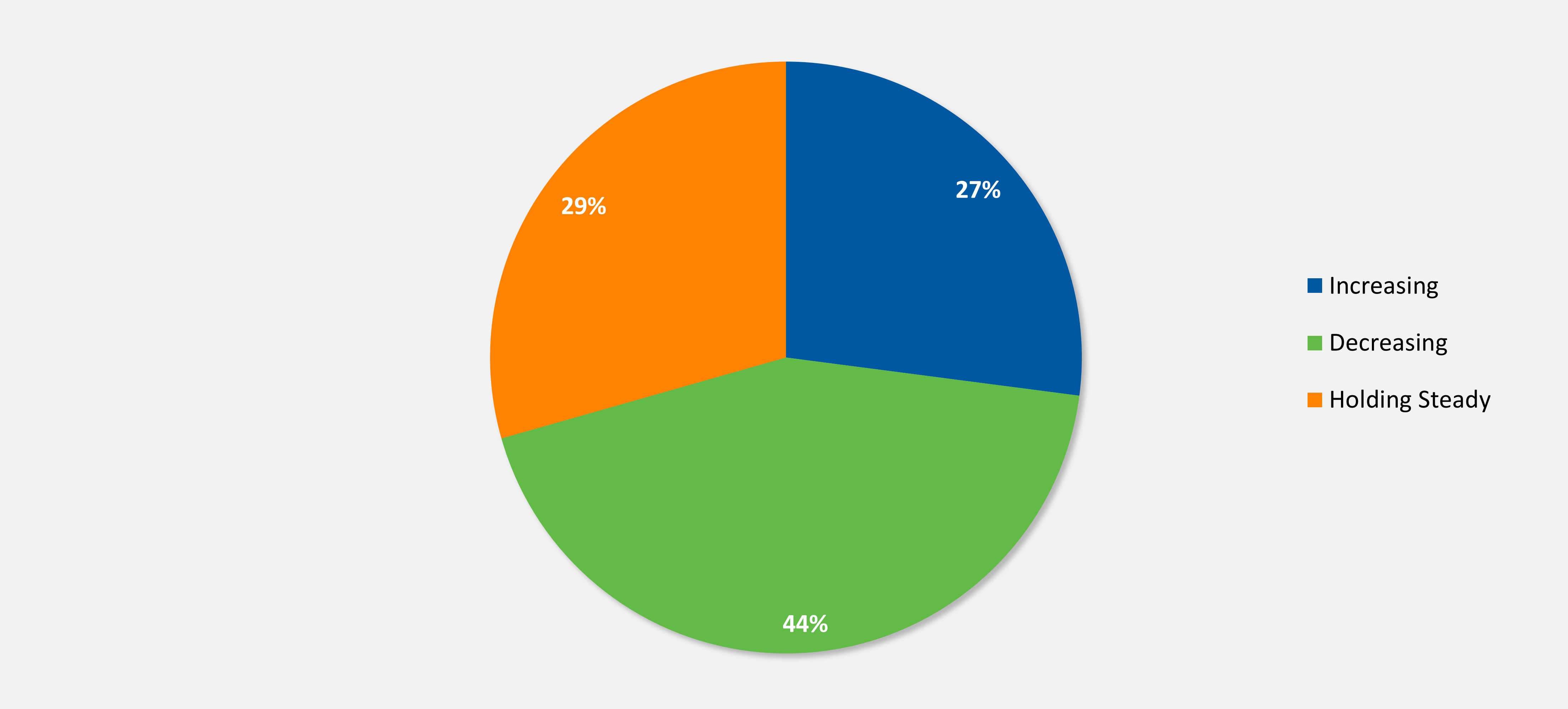
# Survey Highlights

| | | |
|---|---|---|
| 100% of respondents have adopted some type of recruitment & retention strategy | 98% have raised starting salaries | 69% report an increase in LOS over past year |
| 67% report an increase in claims denials | 66% have run at less than full capacity because of staff shortages | 63% have pursued at least 1 outsource solution |
| 22% have seen non-labor expenses raise by > 15% | Only 9% report no supply chain disruptions | 18% report a significant level of investment in automation technologies |

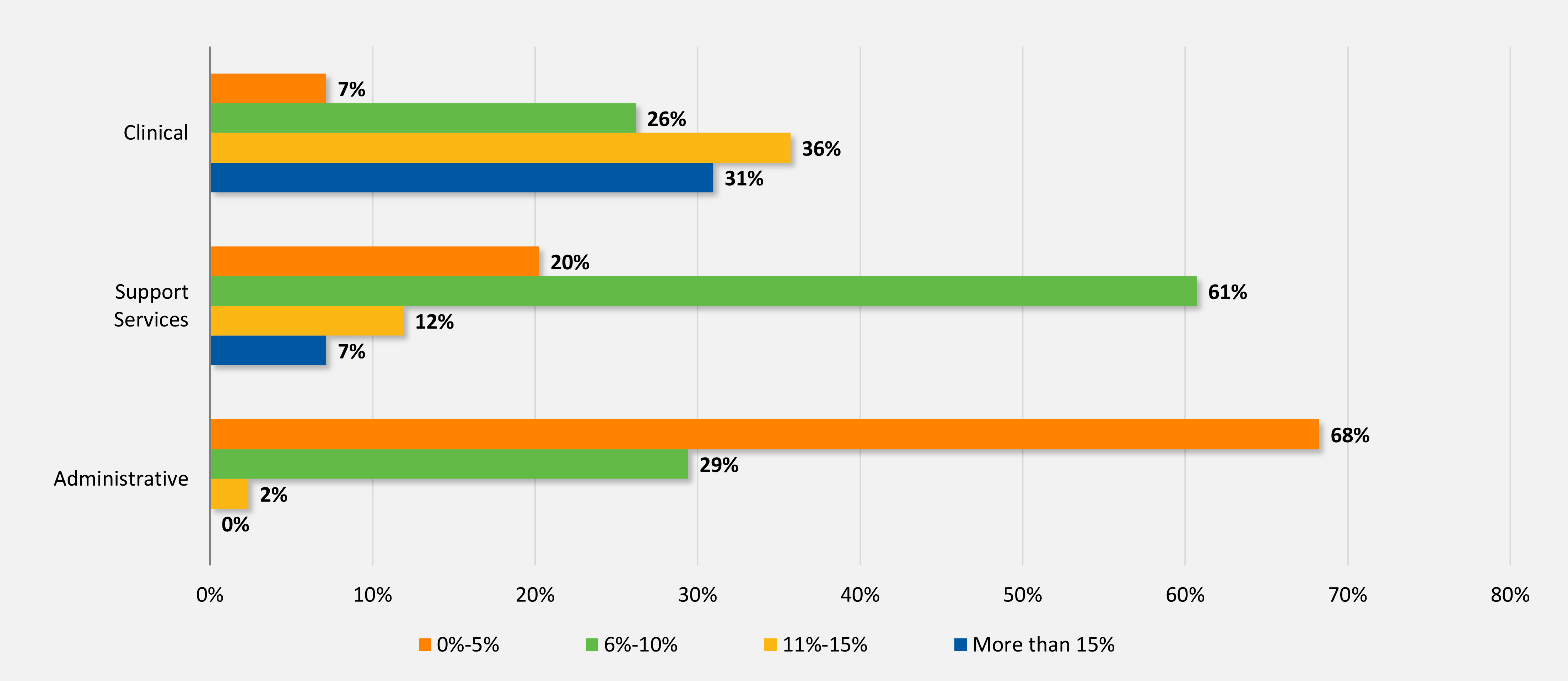
# Greatest Opportunities for Cost Reduction



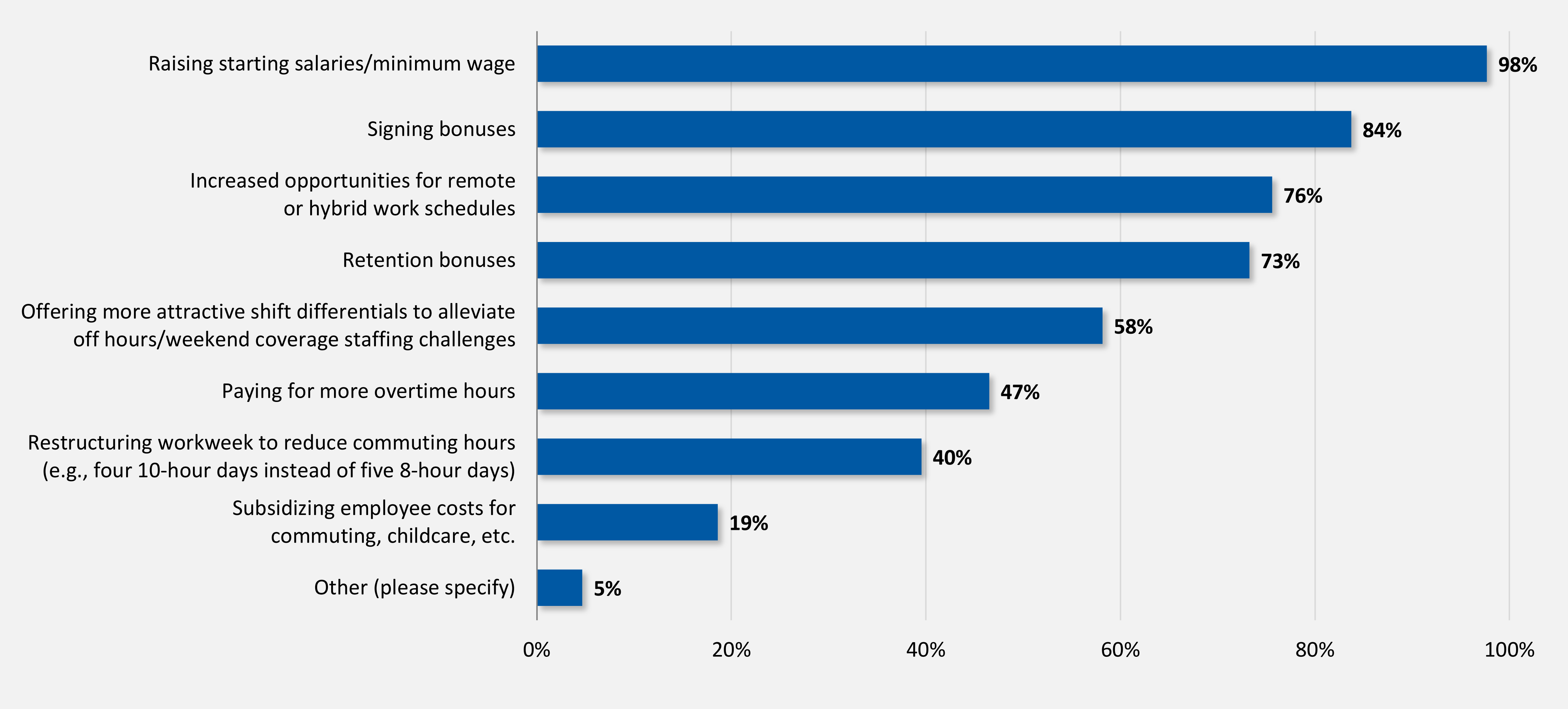
# Utilization of Contract Labor



# Percentage Increase in Wages for Administrative, Support, and Clinical Staff over the Past Year

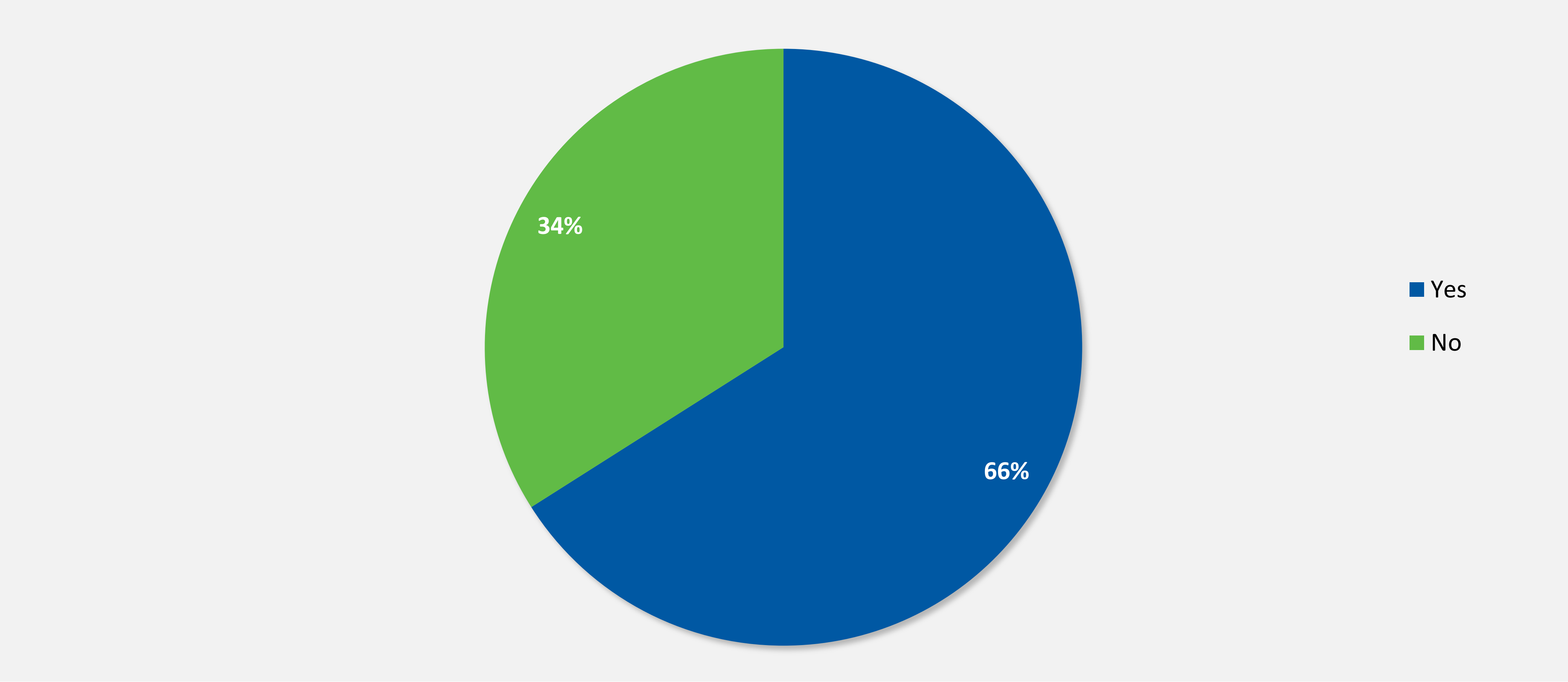


# Adoption of Recruitment and Retention Strategies



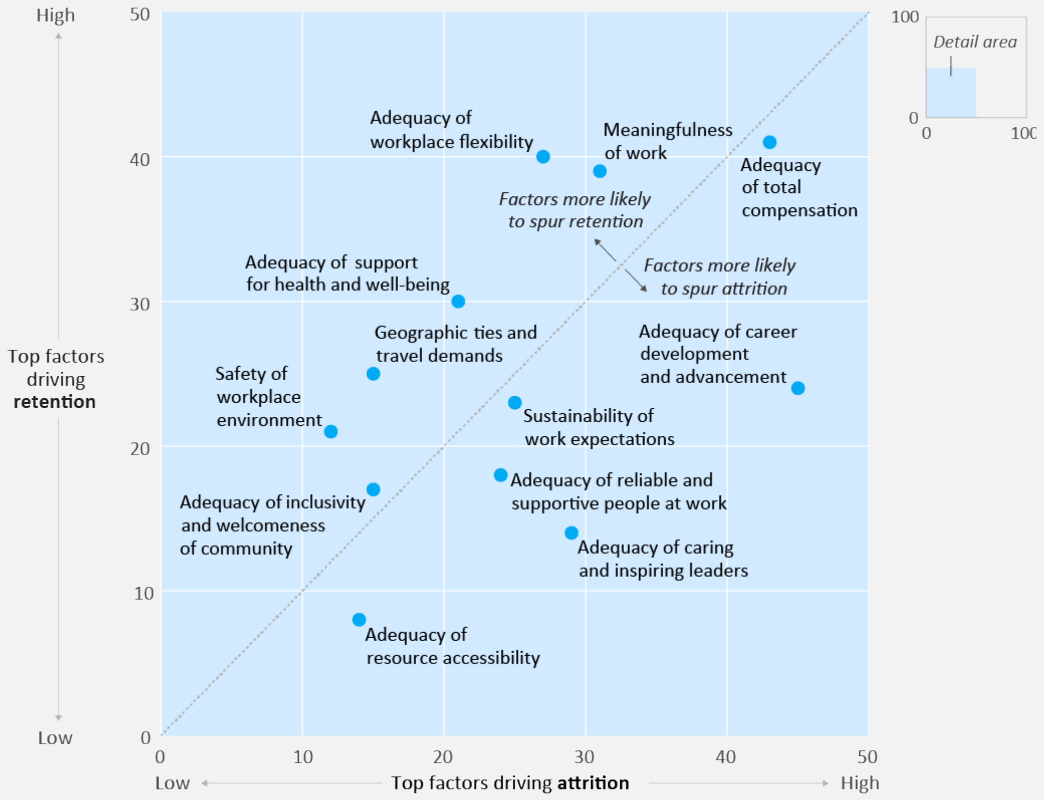

Note: Respondents were asked to choose all that apply.

# Staffing Shortages Have Required Organization to Run at Less than Full Capacity

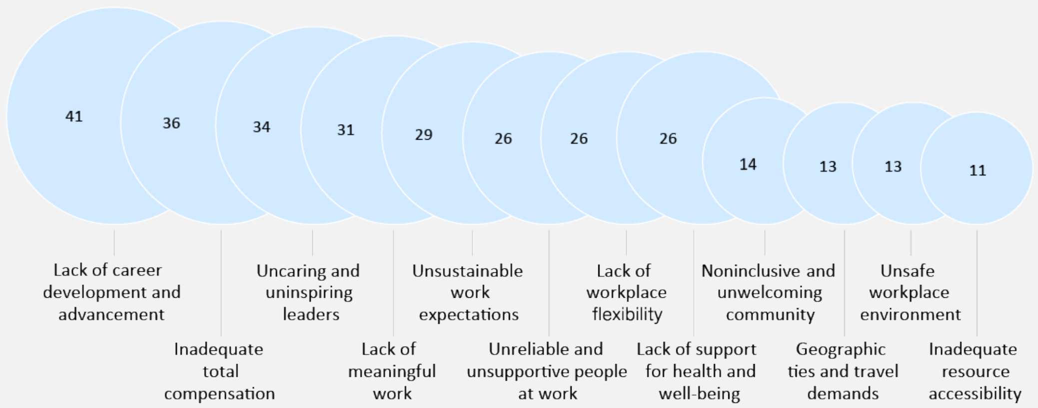


# Strategic Workforce Issues: Push & Pull (McKinsey, 2022)

## Employee experience factors driving attrition and retention,[1] % of respondents




## Top reasons for quitting previous job, Apr 2021–Apr 2022, %




Source: Subset of respondents from McKinsey's 2022 Great Attrition, Great Attraction 2.0 global survey (n = 13,382), including those currently employed and planning to leave (n = 4,939), those currently employed and planning to stay (n = 7,439), and those who quit their previous primary jobs between Apr 2021 and Apr 2022 (n = 1,154)

# Required Strategic Interventions

- **Legislative/ Regional**
- **Enhancing the Pipeline**
- **Recruitment**
- **Retention**
- **Model of Care**
- **Technology & Digital Enablement**

**DE & I STRATEGY**

**SEGMENT STRATEGY BY EMPLOYEE TYPE: SUPPORT STAFF, TECHNICAL, PROFESSIONAL**

# Re-Calibrate Data Requirements: Next Level Requirements for Next Level Interventions

- Re-imagine the workforce
- Strategic supply & demand analysis (projections)
- Job architecture
- Career paths & learning management
- Housing market analysis: Understanding the burden on employees & candidates
- Cost to hire
- Compensation & benefit analysis
- Scaled retirement planning