

**KaufmanHall**

MARCH 2021

# National Hospital Flash Report

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

*Based on February Data from Over 900 Hospitals*

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# Key Observations

February was another challenging month for U.S. hospitals and health systems, as margins were affected by continued low outpatient volumes combined with declining inpatient volumes following January's record-high COVID-19 hospitalizations. As COVID-19 metrics begin to wane and much of the country turns to talk of a possible forthcoming end to the pandemic, hospitals and health systems remain in a tenuous position. Organizations continue to bear the high costs of fighting the unpredictable virus as many non-COVID patients remain reluctant to seek outpatient services. As a result, February expenses rose while margins, volumes, and total revenues all fell below levels seen in February 2020—the last month before the start of the pandemic disrupted everything.

COVID-19 metrics showed promising signs with hospitalizations falling 64% by month's end from an all-time peak of 132,474 on January 6, according to [The COVID Tracking Project](#), which completed its final analyses in early March. COVID-19 hospitalizations were down to 47,352 on February 28. While still high, it is the lowest they have been since late October 2020. New daily admissions of infected patients dropped 74% from a high of 18,009 on January 5 to 4,772 on February 28, [Centers for Disease Control and Prevention](#) (CDC) statistics show. Meanwhile, the number of new cases continued to decline in February as daily vaccinations surged. More than 39 million Americans were fully vaccinated as of March 16.

## Median Change Jan.-Feb. 2021 from Jan.-Feb. 2020

<b>Margin</b>	Operating Margin (w/out CARES)	<b>(4.2 percentage points)</b>
	Operating Margin (w/CARES)	<b>(3.3 percentage points)</b>
<b>Volume</b>	Adjusted Discharges	<b>(17%)</b>
	OR Minutes	<b>(13%)</b>
	ED Visits	<b>(26%)</b>
<b>Revenue</b>	Gross IP Revenue	<b>(1%)</b>
	Gross OP Revenue	<b>(9%)</b>
<b>Expenses</b>	Total Expense per Adjusted Discharge	<b>24%</b>

*Key Observations (continued)*

February hospital margins remained slim to negative. Not including federal CARES funding, the median Kaufman Hall hospital Operating Margin Index\* was -0.5%. With the funding, it was 0.4%. The median Operating EBITDA Margin was 4.1% without CARES and 5.4% with CARES.

Operating Margin fell 30.8% (3 percentage points) from February 2020 to February 2021 without the federal aid, while Operating EBITDA Margin was down 22.6% (3.2 percentage points). With CARES, Operating Margin fell 23.4% (2.6 percentage points) and Operating EBITDA Margin fell 18.3% (2.4 percentage points) year-over-year (YOY). Looking at year-to-date (YTD) results, Operating Margin declined 48.0% (4.2 percentage points) without CARES and 36.0% (3.3 percentage points) with CARES.

Volumes remained down across most metrics, largely due to decreasing COVID-19 hospitalizations and other consumers delaying or avoiding care for fear of infection. Adjusted Discharges fell 16.8% YTD and 13.8% YOY, Adjusted Patient Days declined 8.8% YTD and 8.3% YOY, and Operating Room Minutes fell 13.0% YTD and 6.9% YOY.

Emergency Department (ED) Visits—which have seen double-digit declines every month since the start of the pandemic—continued to see the largest volume declines, down 25.6% YTD and 26.8% YOY in February. Meanwhile, Average Length of Stay was up 8.5% YTD and 7.3% YOY, but declined 3.4% compared to January, reflecting a decline in high acuity COVID-19 patients requiring longer hospital stays.

February revenue results varied, with declines in overall revenues but increases in adjusted revenues. Gross Operating Revenue (not including CARES) dropped 5.2% YTD and 4.6% YOY. Continued declines in outpatient visits drove Outpatient Revenue down 8.8% YTD and 5.5% YOY, falling below prior-year levels for the tenth time in 11 months. Inpatient Revenue was down 1.3% YTD and 4.4% YOY. After adjusting for the month's low volumes, Net Patient Service Revenue (NPSR) per Adjusted Discharge rose 16.9% YTD and 14.9% YOY, and NPSR per Adjusted Patient Day rose 7.1% YTD and 7.6% YOY.

Total expenses showed relatively low increases overall, but jumped significantly once adjusted for volume levels. Total Expense was up 2.6% YTD and just 1.1% YOY. Total Labor Expense rose 3.9% YTD and 1.0% YOY, and Total Non-Labor Expense increased 1.2% YTD and 2.2% YOY. Total Expense per Adjusted Discharge, however, was up 24.4% YTD and 19.6% YOY. Labor Expense per Adjusted Discharge increased 25.4% YTD and 18.8% YOY as hospitals maintained elevated staffing levels. Non-Labor Expense per Adjusted Discharge rose 22.1% YTD and 20.7% YOY, driven in part by a 29.1% YOY increase in Drug Expense per Adjusted Discharge and a 24.3% YOY increase in Purchased Service Expense per Adjusted Discharge.

In the broader economy, concerns around increasing bond yields and rising inflation led to a brief sell-off of U.S. Equities during the last two weeks of February, but stocks have since recovered. The unemployment

\* 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.

## *Key Observations (continued)*

rate remained nearly unchanged at 6.2%, but non-farm payrolls beat expectations, rising 379,000. Fed Chairman Jerome Powell reiterated that the economy is far from achieving the dual mandate of price stability and maximum employment. He said current accommodative monetary policy will remain as appropriate, and indicated he does not view potential acceleration of price increases over the coming months as a long-term inflation threat.

Despite recent, encouraging declines in COVID-19 cases and hospitalizations, February's performance metrics from hospitals and health systems nationwide illustrate the ongoing uncertainty stemming from a devastating pandemic. Upcoming issues of the *National Hospital Flash Report* may show gains as the year-over-year figures shift from

comparisons to pre-pandemic data to comparisons to March 2020 results and beyond, but those gains will need to be considered in an appropriate context. In the coming months, hospitals and health systems face the challenges of managing declining inpatient volumes as consumer reluctance continues to stress outpatient volumes, and a shift from acute to less acute patients. The pace of these dynamics will vary over time, impacting volumes, revenues, and expenses.

As many push for a rapid return to "normal," hospital and health system leaders face a hard reality that there may never be a return to the old normal. The pandemic likely will have long-lasting repercussions on patient behavior, volumes, and the role of telehealth in an evolving healthcare landscape.

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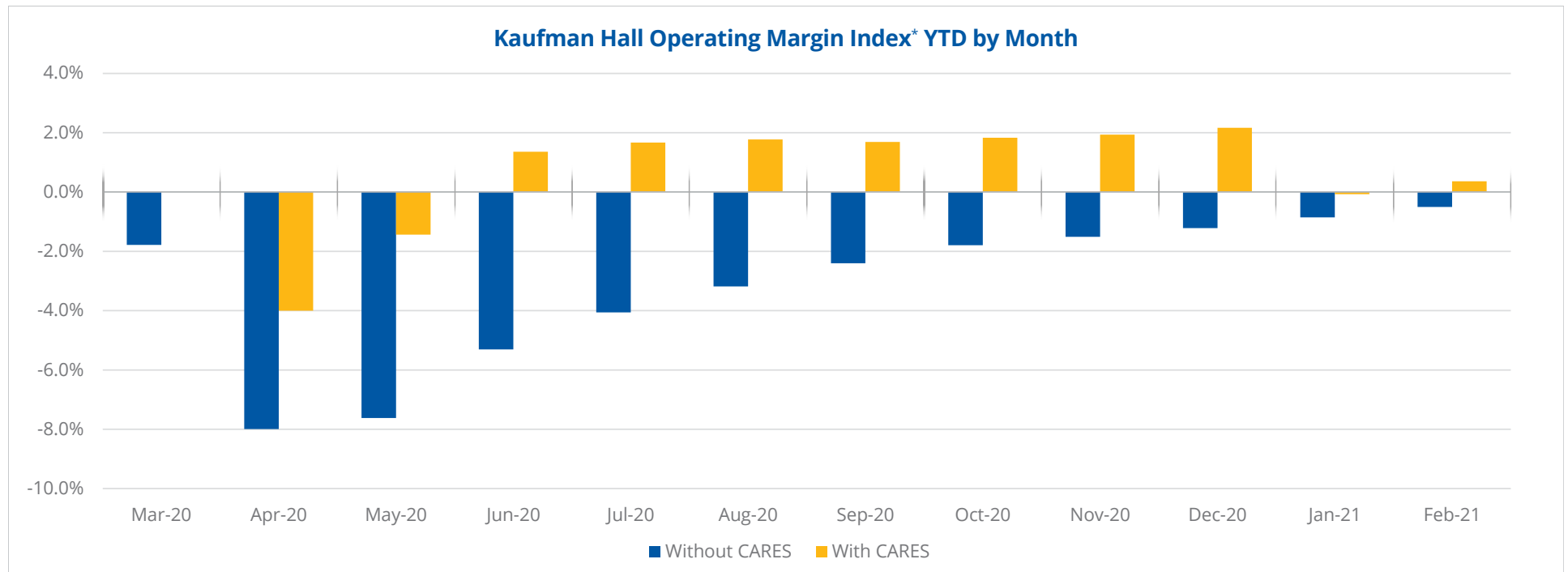
# Margins

## National Margin Results

MARGIN % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-to-Date
Operating EBITDA Margin Less CARES	-27.1%	-4.0%	-22.6%	-32.7%
Operating Margin Less CARES	-35.2%	-7.5%	-30.8%	-48.0%

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

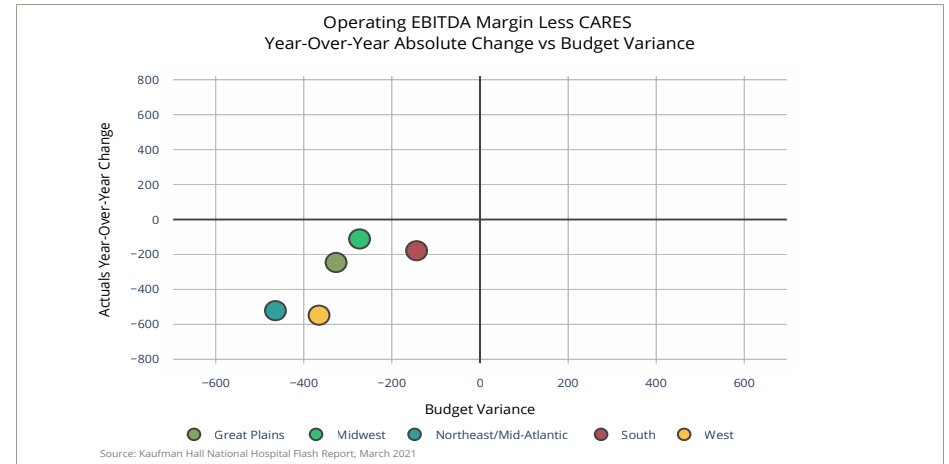
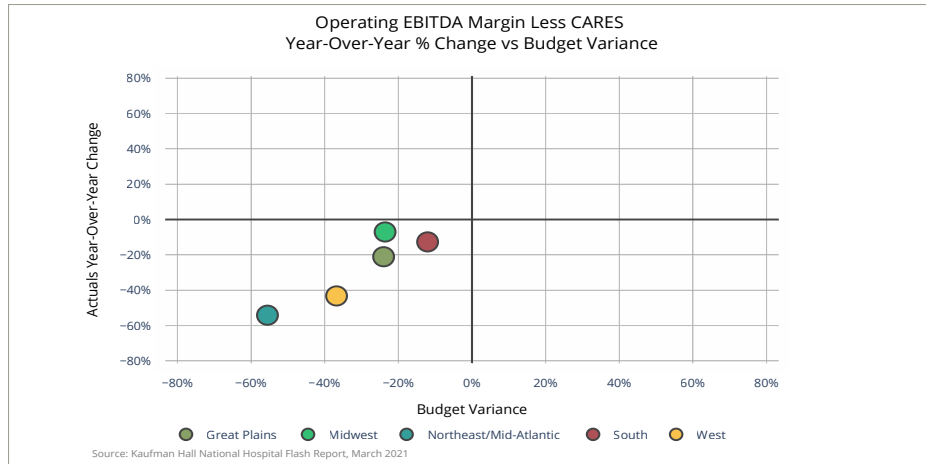
MARGIN ABSOLUTE CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-to-Date
Operating EBITDA Margin Less CARES	-283.4	-43.9	-322.4	-396
Operating Margin Less CARES	-282.5	-64.5	-301.9	-415



Source: National Hospital Flash Report (March 2021)

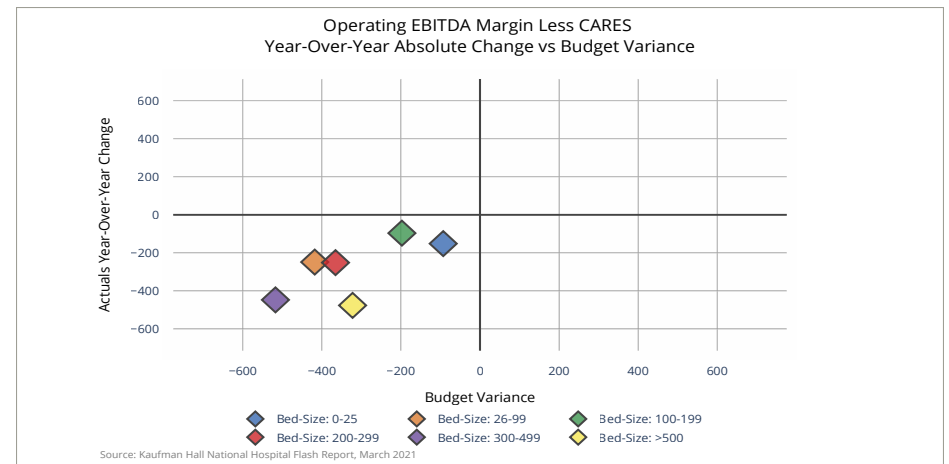
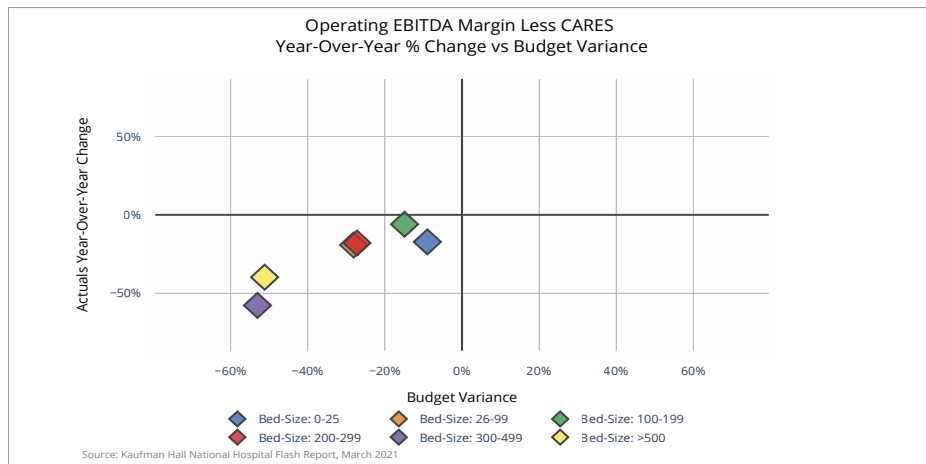
\* Note: The Kaufman Hall Hospital Operating Margin and Operating EBITDA Margin Indices are comprised of the national median of our dataset adjusted for allocations to hospitals from corporate, physician, and other entities.

## EBITDA Margin by Region



Not including federal CARES aid, Operating EBITDA Margin fell year-over-year (YOY) and below budget for hospitals across all regions in February. Hospitals in the Northeast/Mid-Atlantic saw the greatest YOY drop for a fourth consecutive month, falling 54% from February 2020 and 56% below budget.

## EBITDA Margin by Bed Size



Hospitals of all sizes saw Operating EBITDA Margin fall YOY and below budget in February, not including CARES aid. Hospitals with 300-499 beds had the biggest declines, falling 58% YOY and 53% below budget.



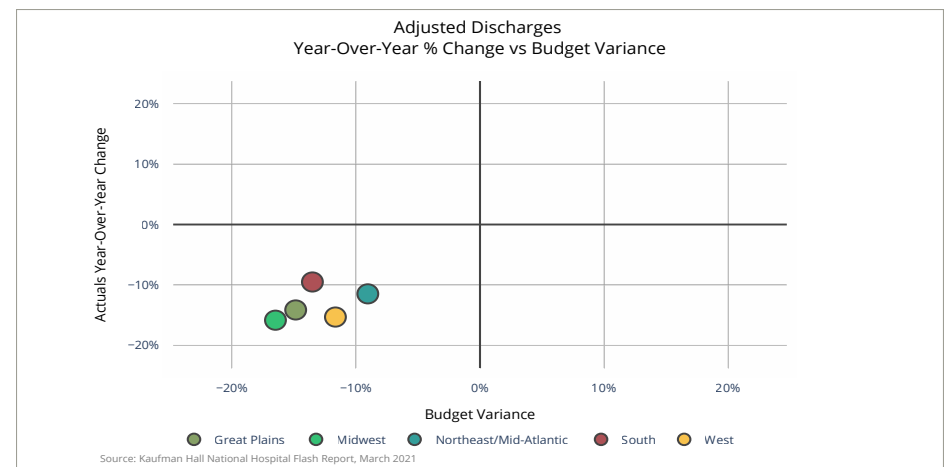
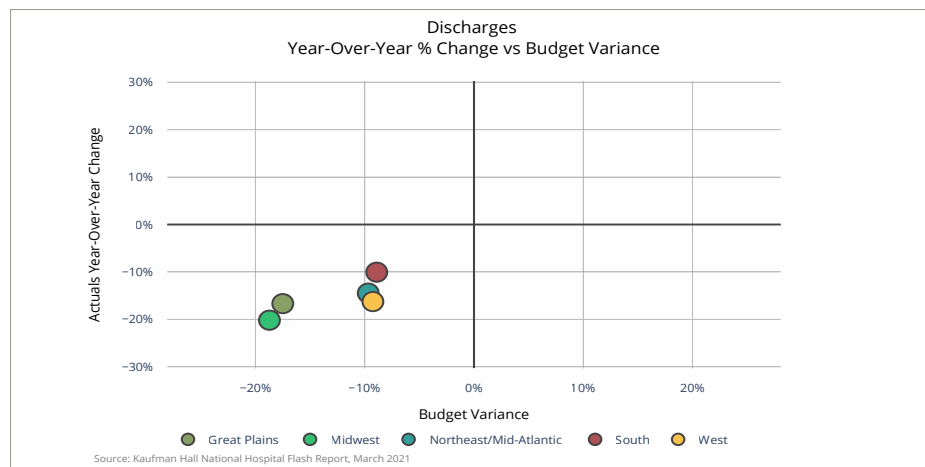
# Volumes

## National Volume Results

VOLUMES % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-to-Date
Discharges	-13.7%	-9.5%	-14.7%	-12.9%
Adjusted Discharges	-14.2%	-2.7%	-13.8%	-16.8%
Adjusted Patient Days	-5.7%	-7.6%	-8.3%	-8.8%
Average Length of Stay	8.4%	-3.4%	7.3%	8.5%
ED Visits	-21.1%	-10.7%	-26.8%	-25.6%
Operating Room Minutes	-7.9%	2.3%	-6.9%	-13.0%

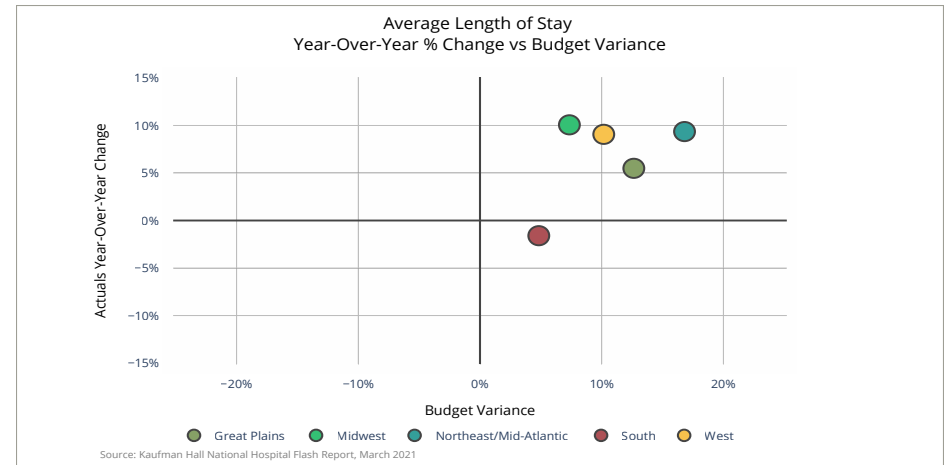
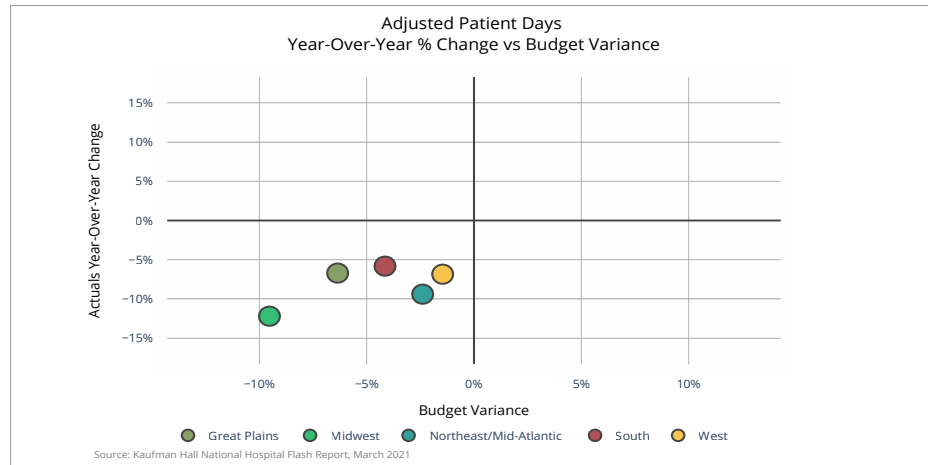
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## Volume by Region

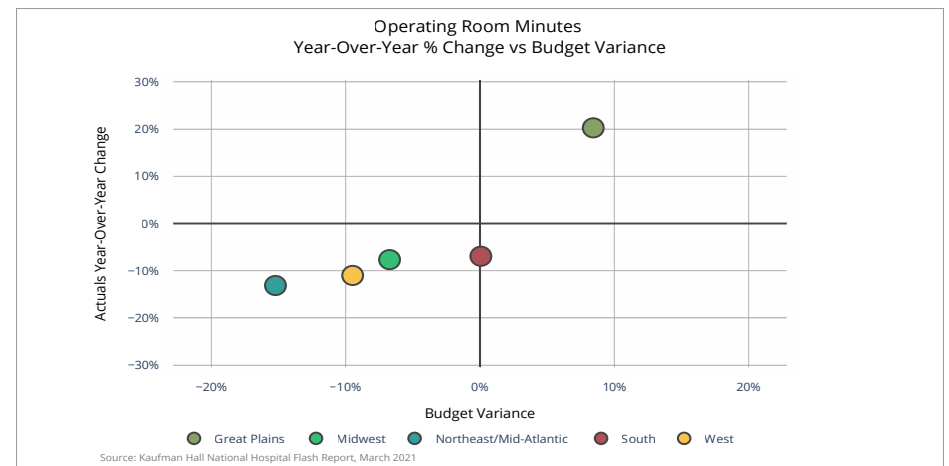
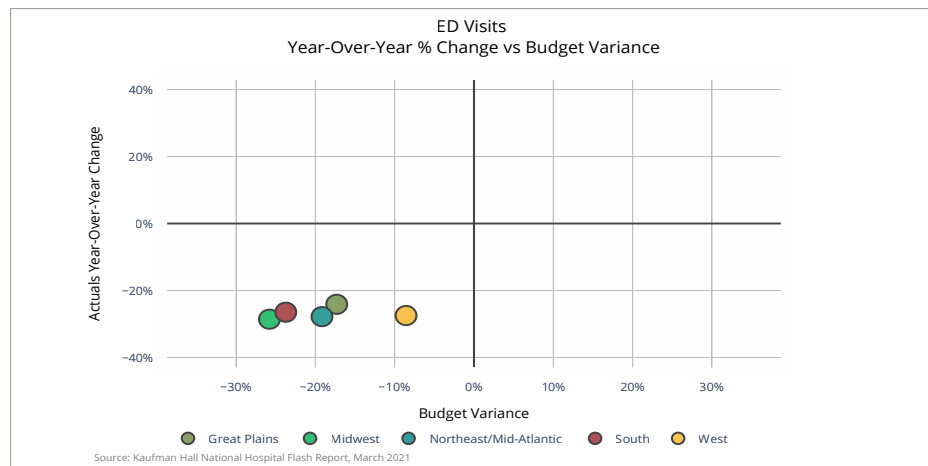


February Discharges and Adjusted Discharges fell YOY and below budget for hospitals across all regions. The Midwest saw the greatest declines for both metrics, falling 20.2% YOY and 18.7% to budget for Discharges and 15.8% YOY and 16.5% to budget for Adjusted Discharges.

Volume by Region (continued)

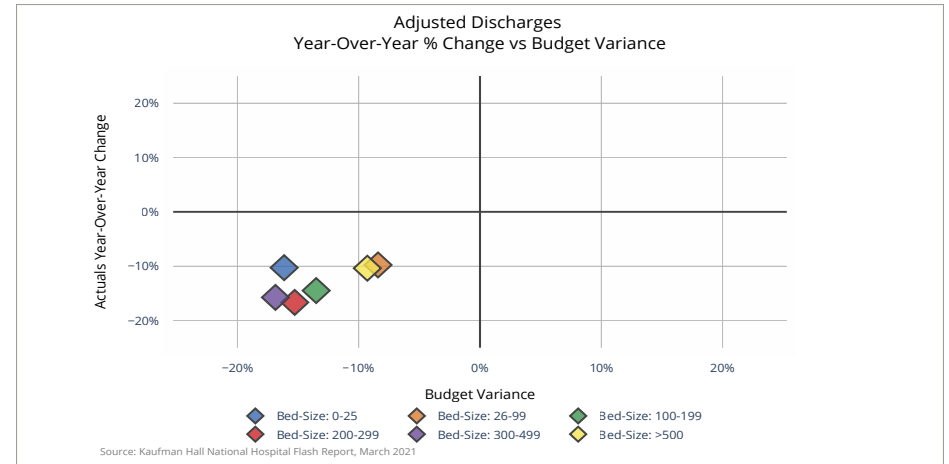
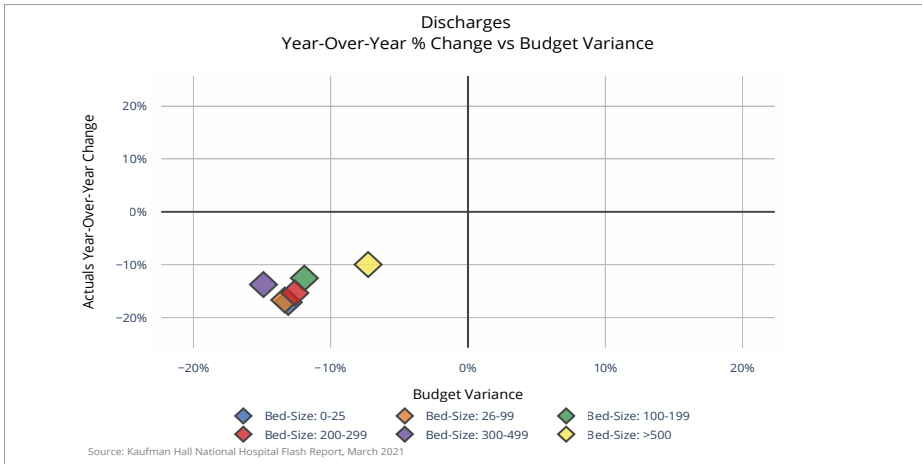


Adjusted Patient Days also fell YOY and below budget for all regions. The Midwest again had the greatest declines, down 12.2% YOY and 9.5% below budget. Average Length of Stay (LOS) rose YOY and above budget for four of five regions. The South fell 1.6% YOY but performed above budget.

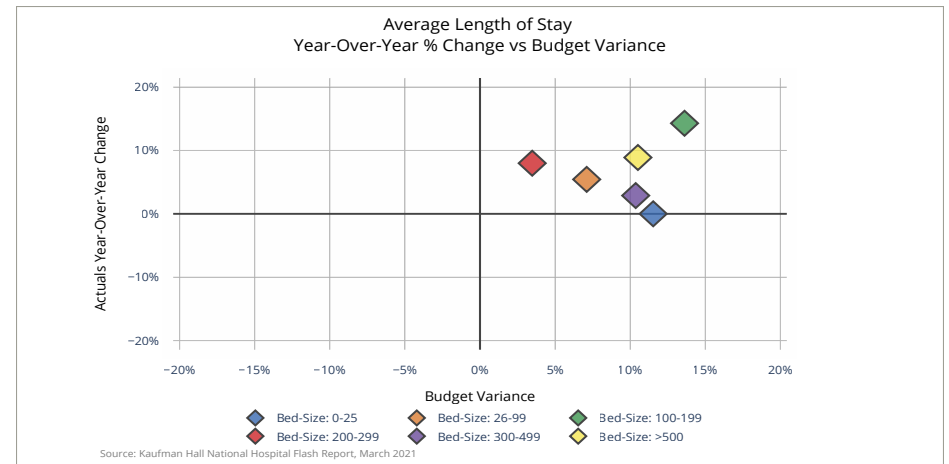
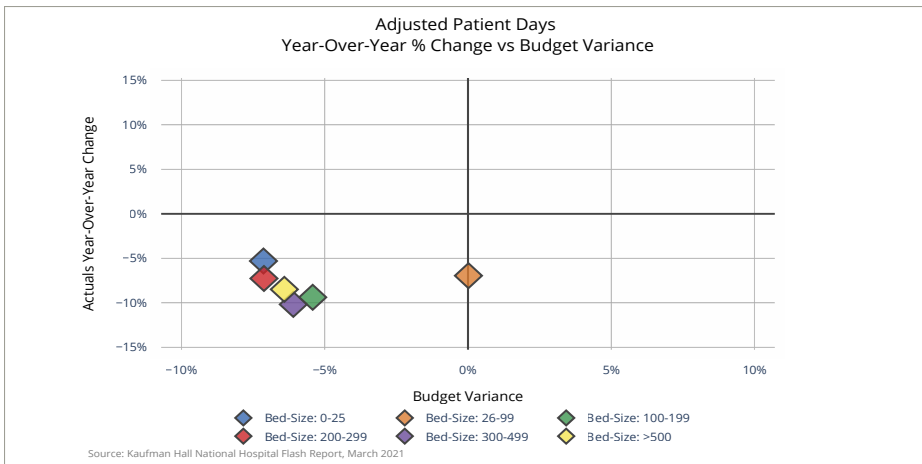


Emergency Department (ED) Visits fell below budget and down 24%-29% YOY for all regions. Operating Room Minutes fell YOY and below budget for three regions and were down YOY but flat to budget in the South. The Great Plains was an outlier, jumping 20.3% YOY and 8.4% above budget.

## Volume by Bed Size

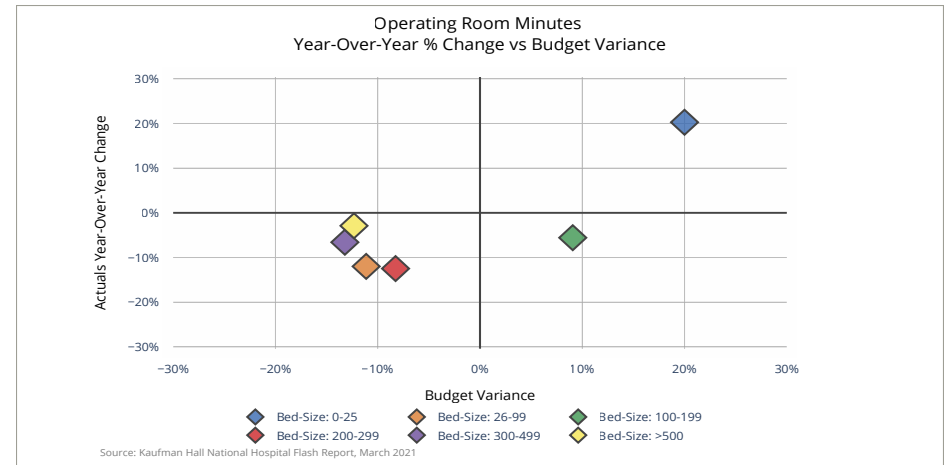
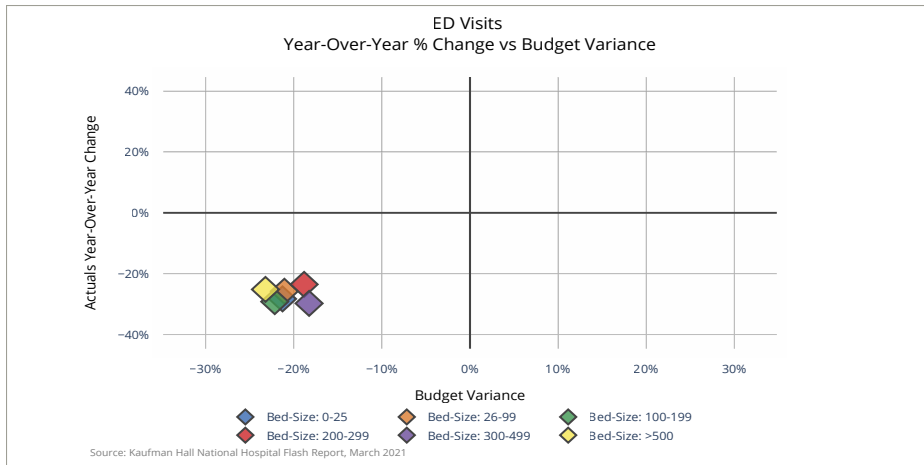


Discharges and Adjusted Discharges dropped YOY and below budget for hospitals of all sizes in February. The smallest hospitals (0-25 beds) had the biggest YOY drop for Discharges at 17.1%, while hospitals with 200-299 beds had the biggest YOY drop for Adjusted Discharges at 16.7%.



Five bed-size cohorts were down YOY and below budget for Adjusted Patient Days. Hospitals with 26-99 beds were the exception, falling 7% YOY but in line with budget. Average LOS rose YOY and above budget for five cohorts, while 0-25 bed hospitals were flat YOY and rose 11.5% above budget.

Volume by Bed Size (continued)



ED Visits fell below budget and 23%-30% YOY for hospitals of all sizes. Operating Room Minutes fell YOY and below budget for four cohorts. Hospitals with 100-199 beds were down YOY but above budget while hospitals with 0-25 beds jumped 20% both YOY and to budget.

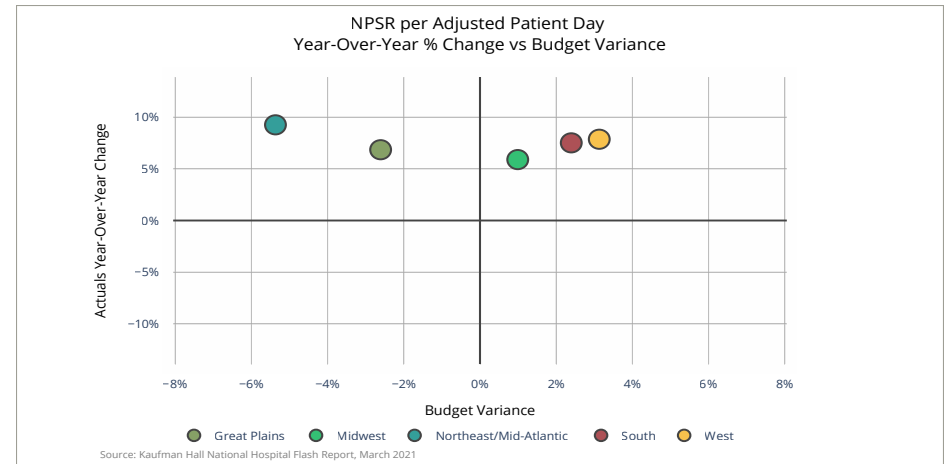
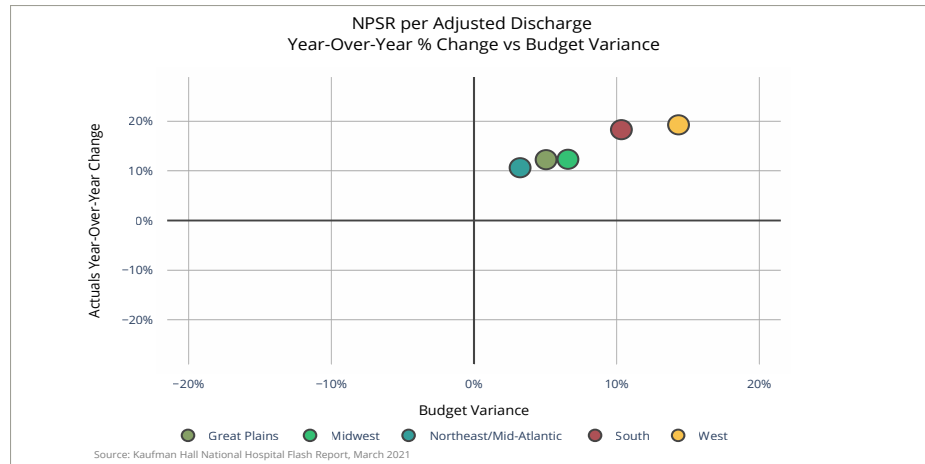
# Revenues

## National Revenue Results

REVENUE % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-to-Date
Gross Operating Revenue Less CARES	-5.0%	-6.5%	-4.6%	-5.2%
IP Revenue	-5.0%	-12.7%	-4.4%	-1.3%
OP Revenue	-5.6%	-1.9%	-5.5%	-8.8%
Bad Debt and Charity	-22.5%	-5.3%	-16.2%	-21.4%
NPSR per Adjusted Discharge	8.2%	-3.0%	14.9%	16.9%
NPSR per Adjusted Patient Day	1.1%	0.5%	7.6%	7.1%
IP/OP Adjustment Factor	-1.6%	5.2%	-1.8%	-4.2%
Bad Debt and Charity as a % of Gross	-16.4%	0.6%	-14.5%	-15.9%

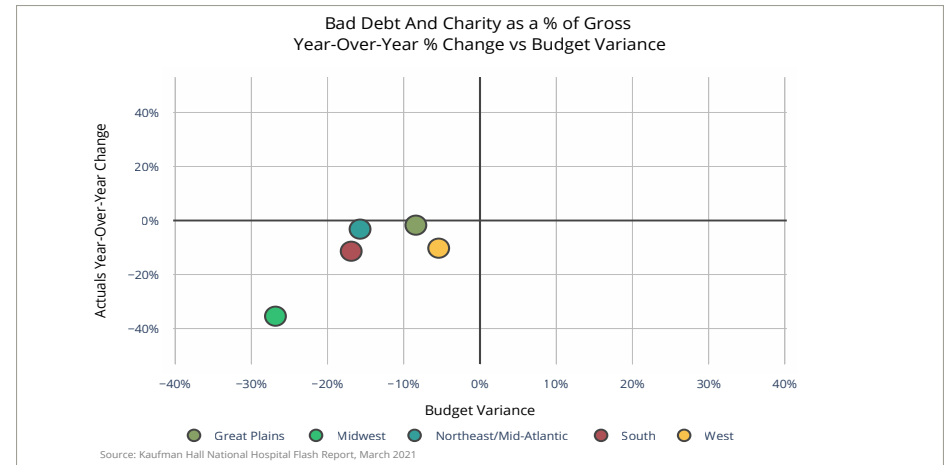
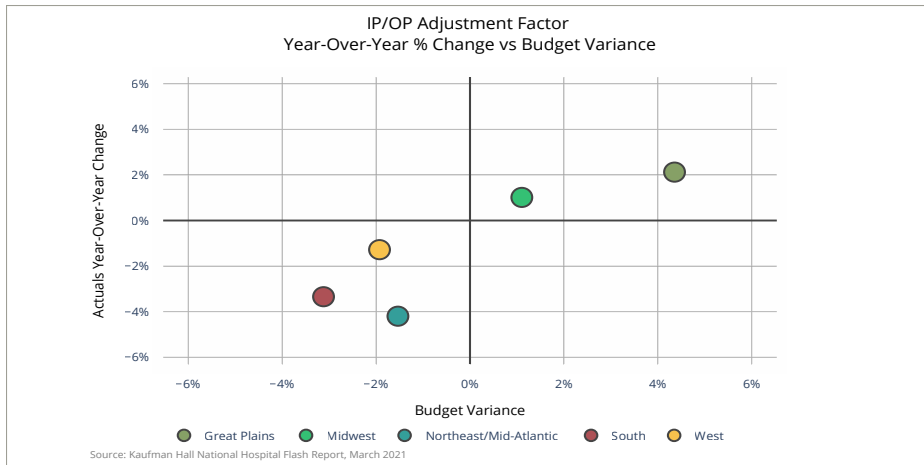
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## Revenue by Region



Net Patient Service Revenue (NPSR) per Adjusted Discharge rose YOY and above budget for all regions. The West had the biggest increases at 19.3% YOY and 14.3% to budget. NPSR per Adjusted Patient Day rose YOY and above budget for three regions, and was up YOY but below budget in two.

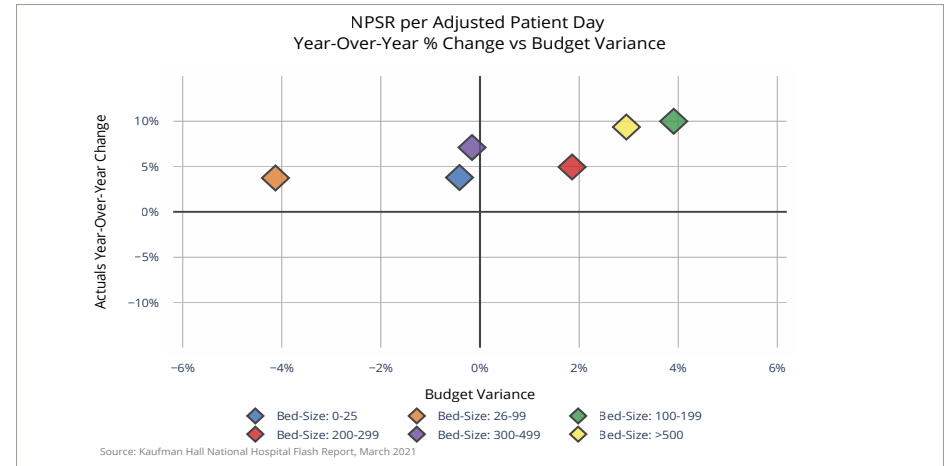
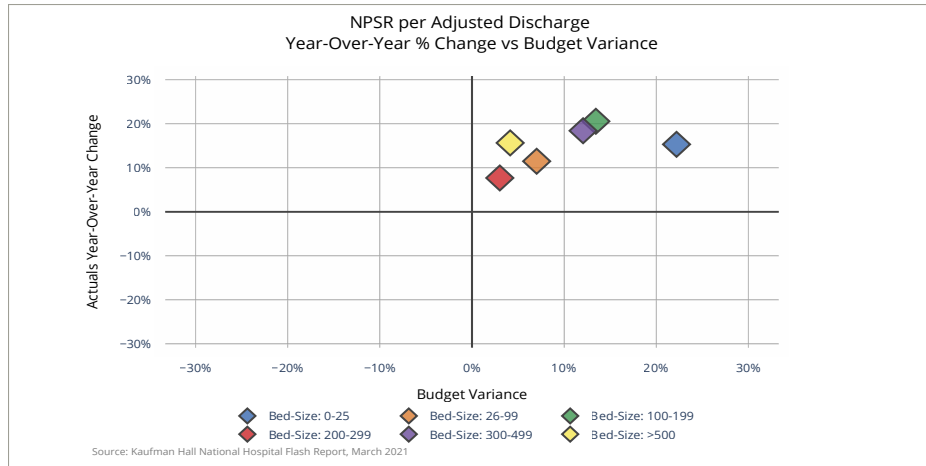
Revenue by Region (continued)



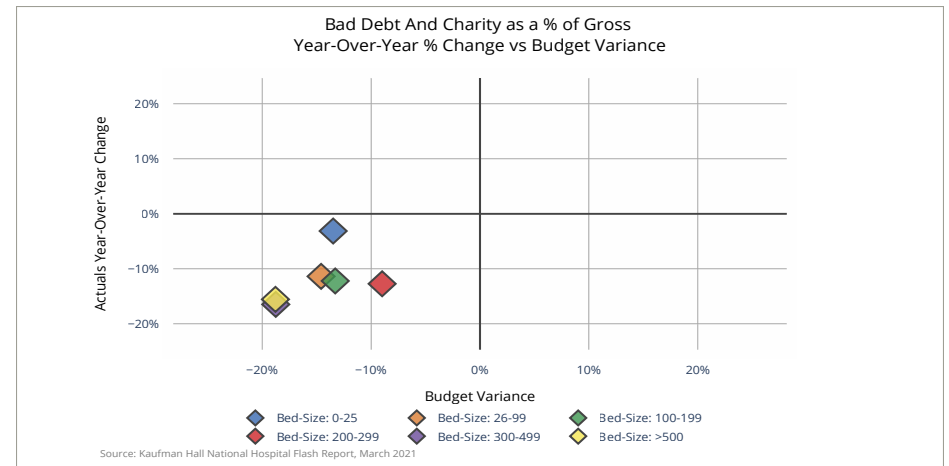
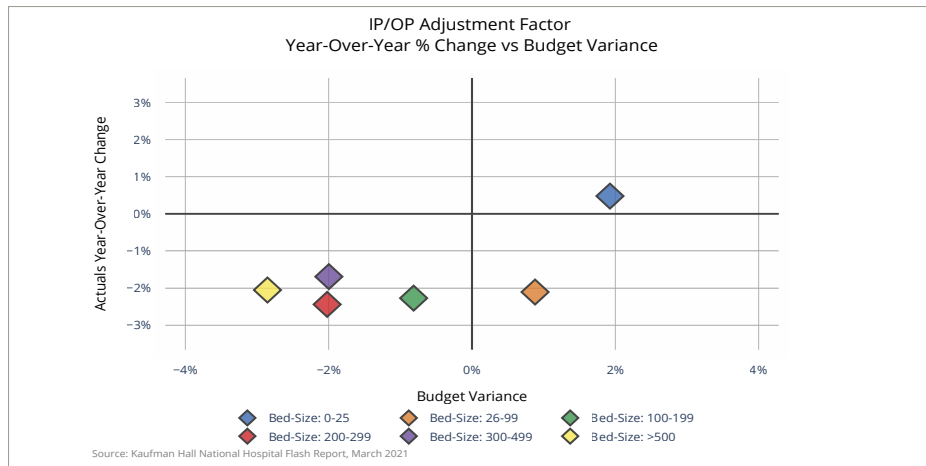
The Inpatient/Outpatient (IP/OP) Adjustment Factor was down YOY and below budget for three regions, but up across both measures for the Midwest and Great Plains. Bad Debt and Charity as a Percent of Gross fell both YOY and below budget for hospitals in all regions.



## Revenue by Bed Size



NPSR per Adjusted Discharge rose YOY and above budget for hospitals of all sizes. NPSR per Adjusted Patient Day was up 3%-10% YOY for all bed-size cohorts, but three cohorts were above budget while three fell below budget.



The IP/OP Adjustment Factor was down YOY and below budget for four cohorts, down YOY but above budget for one, and up slightly YOY and above budget for 0-25 bed hospitals. Bad Debt and Charity as a Percent of Gross fell YOY and below budget for hospitals of all sizes.

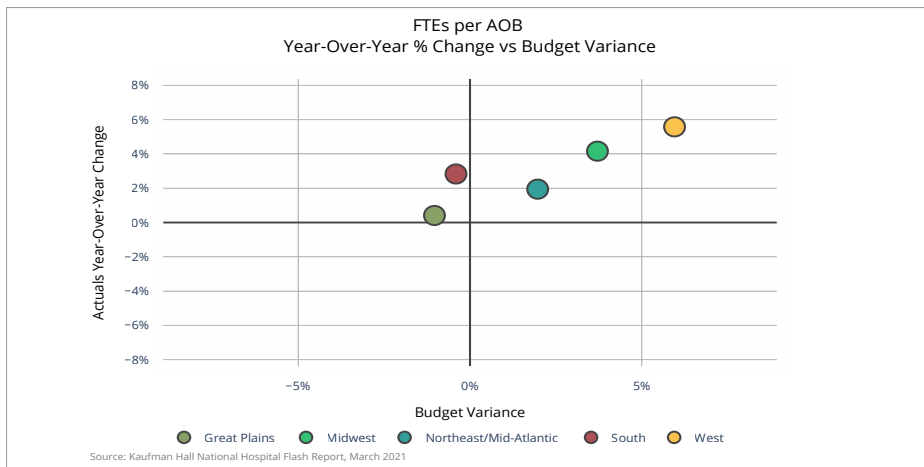
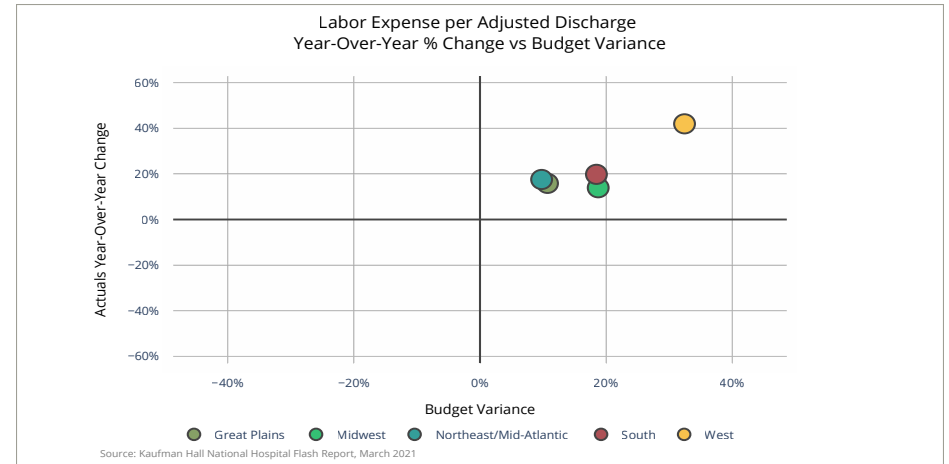
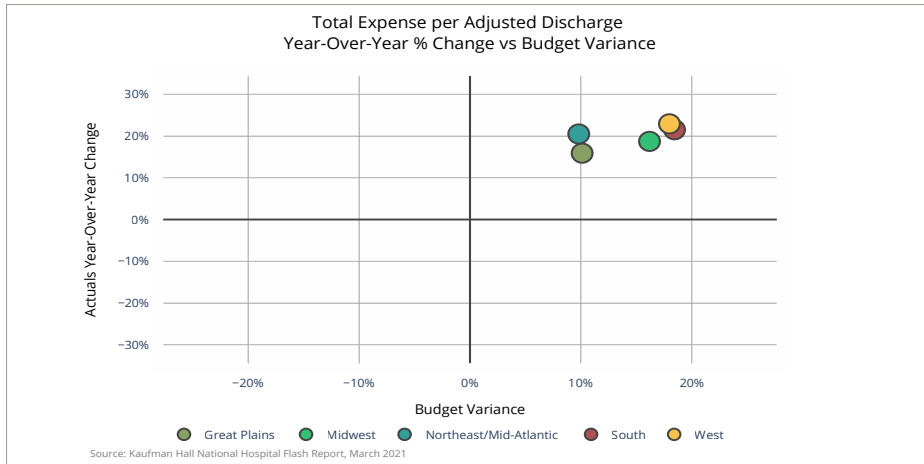
# Expenses

## National Expense Results

EXPENSES % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-to-Date
Total Expense	-0.3%	-5.7%	1.1%	2.6%
Total Labor Expense	1.0%	-9.5%	1.0%	3.9%
Total Non-Labor Expense	-1.7%	-3.3%	2.2%	1.2%
Supply Expense	-3.3%	-5.9%	-0.5%	-0.9%
Drugs Expense	-2.4%	-10.6%	7.9%	9.3%
Purchased Service Expense	-0.5%	-2.8%	3.1%	5.2%
Total Expense per Adjusted Discharge	15.4%	-2.4%	19.6%	24.4%
Labor Expense per Adjusted Discharge	16.7%	-7.6%	18.8%	25.4%
FTEs per AOB	1.8%	-2.8%	3.6%	5.9%
Non-Labor Expense per Adjusted Discharge	14.9%	0.9%	20.7%	22.1%
Supply Expense per Adjusted Discharge	12.1%	-2.6%	18.0%	20.3%
Drug Expense per Adjusted Discharge	16.4%	-7.1%	29.1%	32.5%
Purchased Service Expense per Adjusted Discharge	15.2%	0.1%	24.3%	28.1%

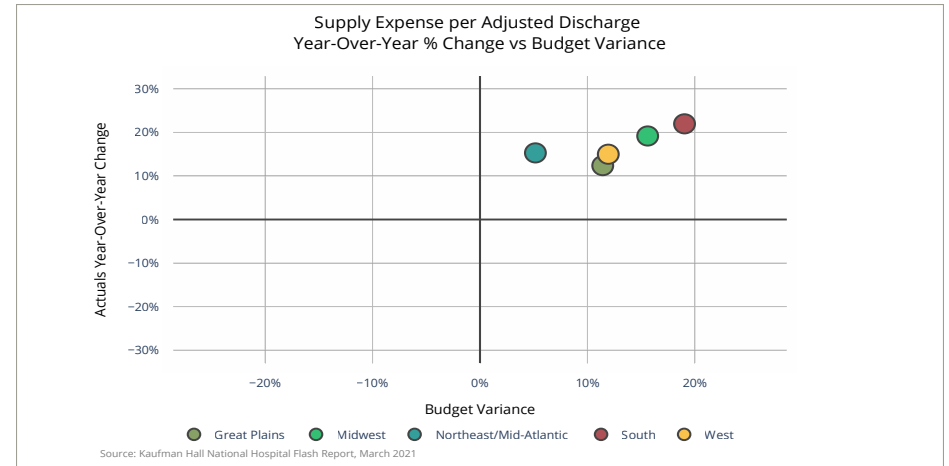
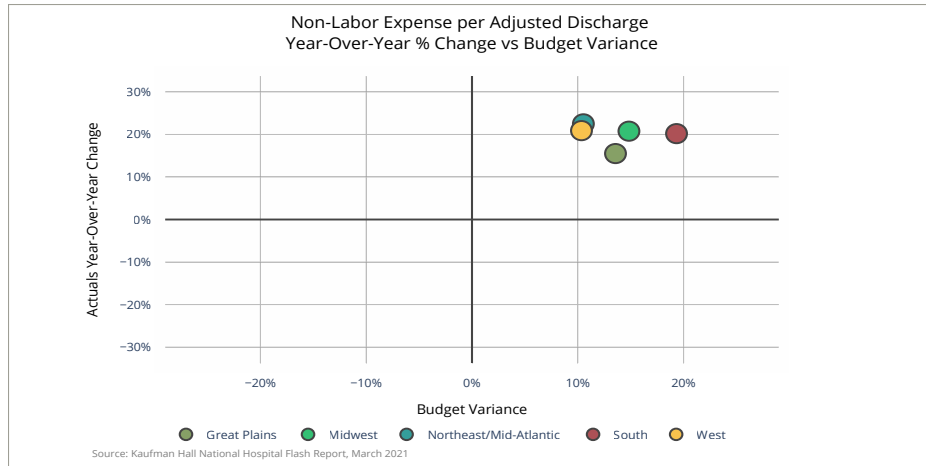
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## Expense by Region

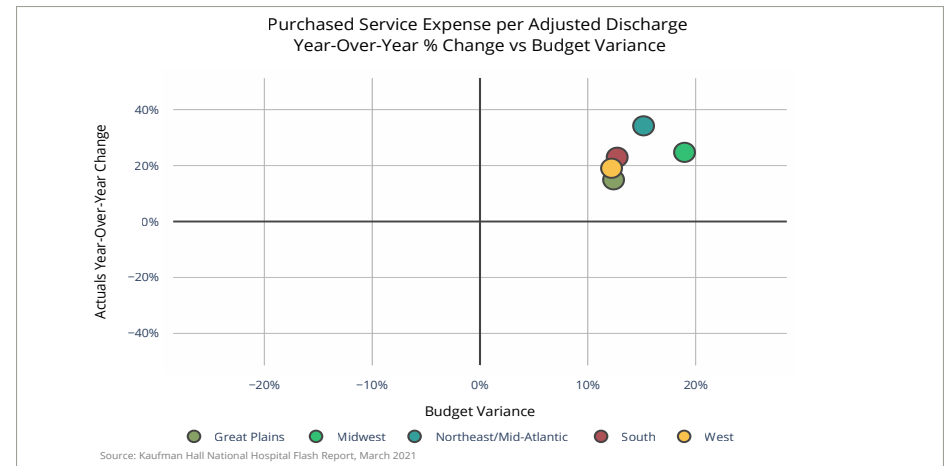
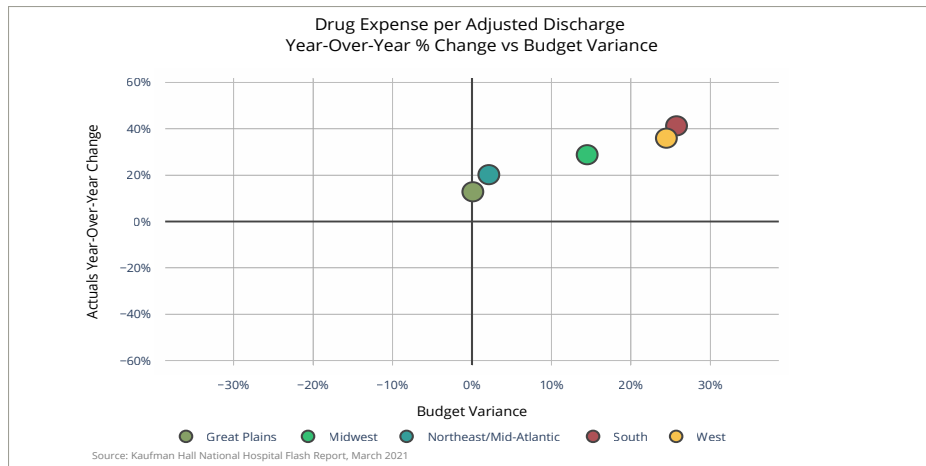


All regions saw Total Expense and Labor Expense per Adjusted Discharge rise YOY and above budget for a fourth consecutive month. Full-Time Equivalents (FTEs) per Adjusted Occupied Bed (AOB) rose YOY and above budget for three regions, and rose YOY but fell below budget in the South and Great Plains.

Expense by Region (continued)

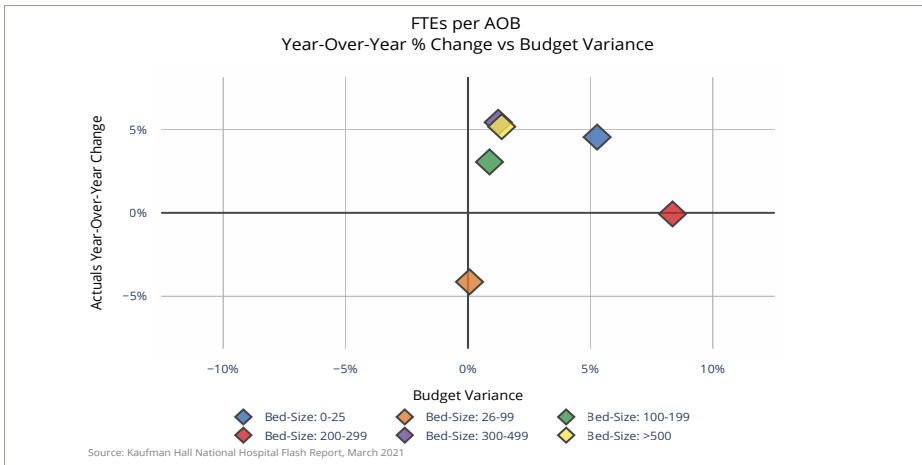
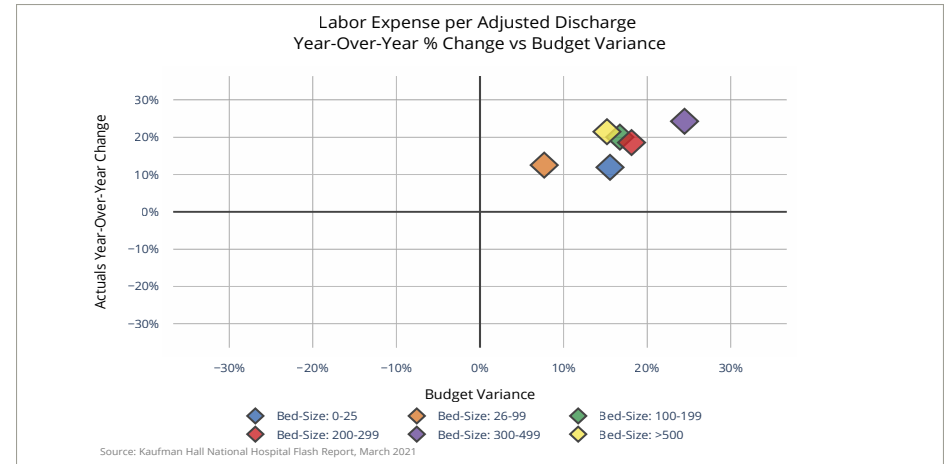
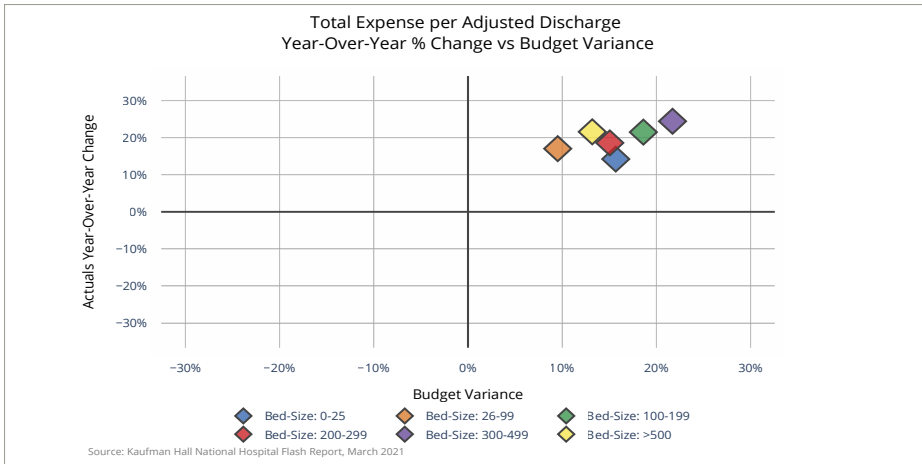


Non-Labor Expense per Adjusted Discharge rose YOY and to budget for hospitals nationwide, with the Northeast/Mid-Atlantic seeing the biggest YOY increase at 22.5%. Supply Expense per Adjusted Discharge also rose YOY and above budget for all regions, with the South seeing the biggest increases.



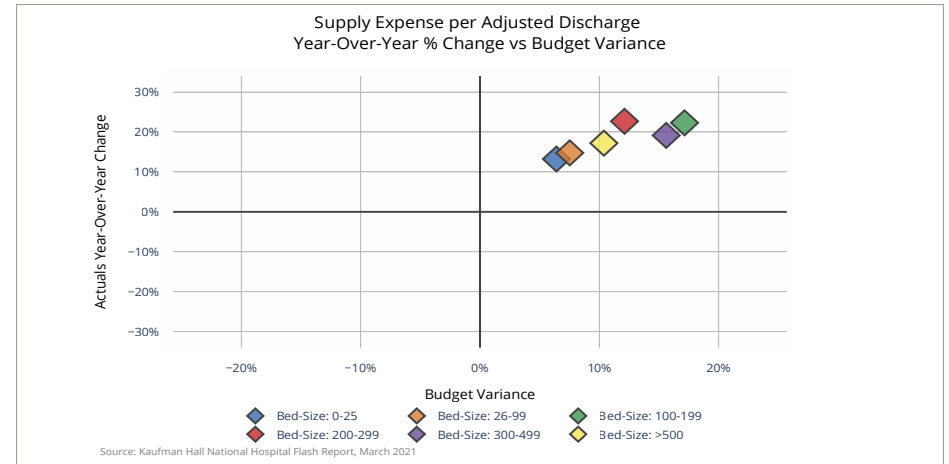
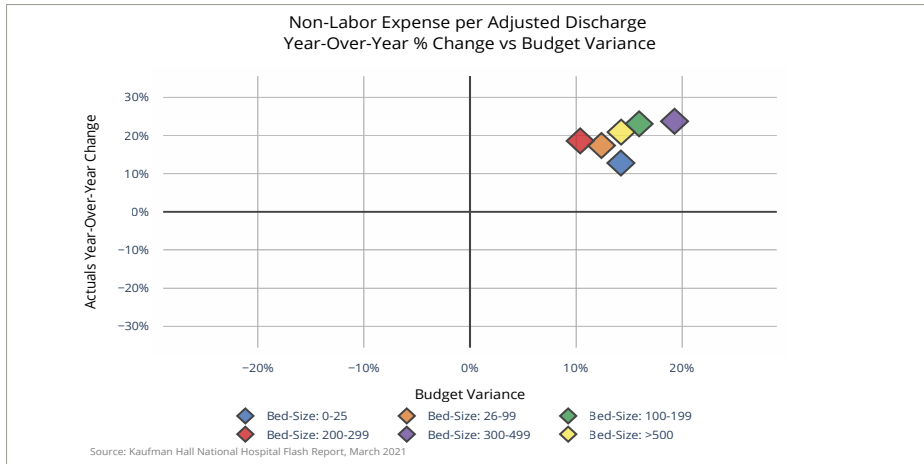
Drug Expense and Purchased Service Expense per Adjusted Discharge rose YOY and above budget for all regions. The South had the biggest increases for drugs at 41.3% YOY and 25.7% above budget, while the Northeast/Mid-Atlantic had the biggest YOY increase for purchased services at 34.2%.

## Expense by Bed Size

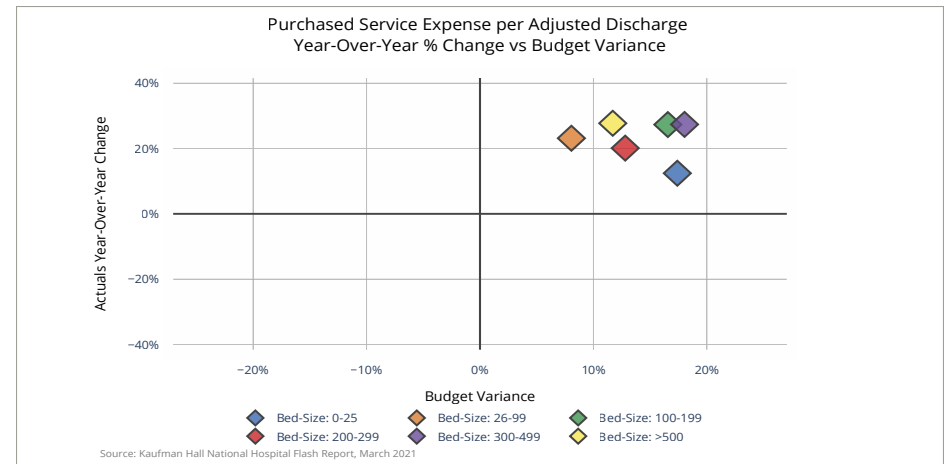
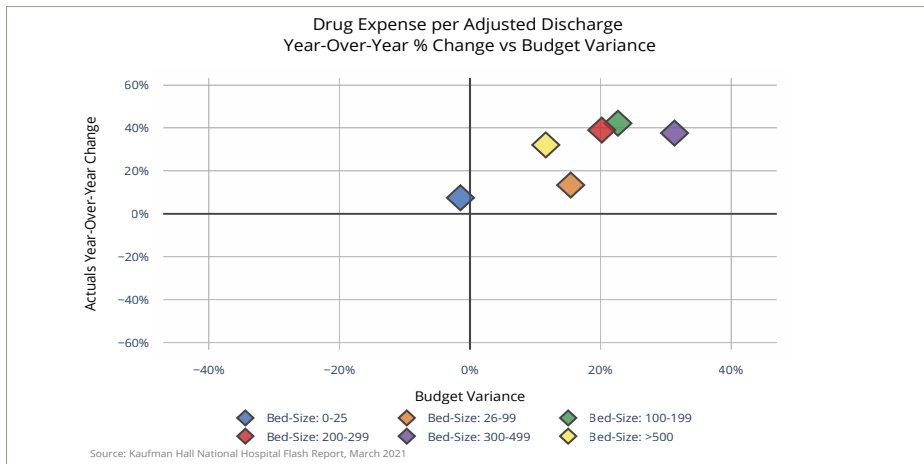


Hospitals of all sizes saw Total Expense and Labor Expense per Adjusted Discharge rise YOY and above budget for the seventh month in a row. FTEs per AOB rose YOY and to budget for four cohorts, were down YOY but flat to budget in one, and flat YOY but above budget in another.

Expense by Bed Size (continued)



All cohorts rose YOY and to budget for Non-Labor Expense and Supply Expense per Adjusted Discharge for a fourth consecutive month. Hospitals with 300-499 beds had the biggest increases for non-labor expenses, rising 23.7% YOY and 19.3% above budget.



Drug Expense per Adjusted Discharge rose YOY and to budget for five of six cohorts, and was up 7.5% YOY but 1.5% below budget for 0-25 bed hospitals. Purchased Service Expense per Adjusted Discharge rose YOY and to budget for hospitals of all sizes in February.

# Non-Operating



## National Non-Operating Results

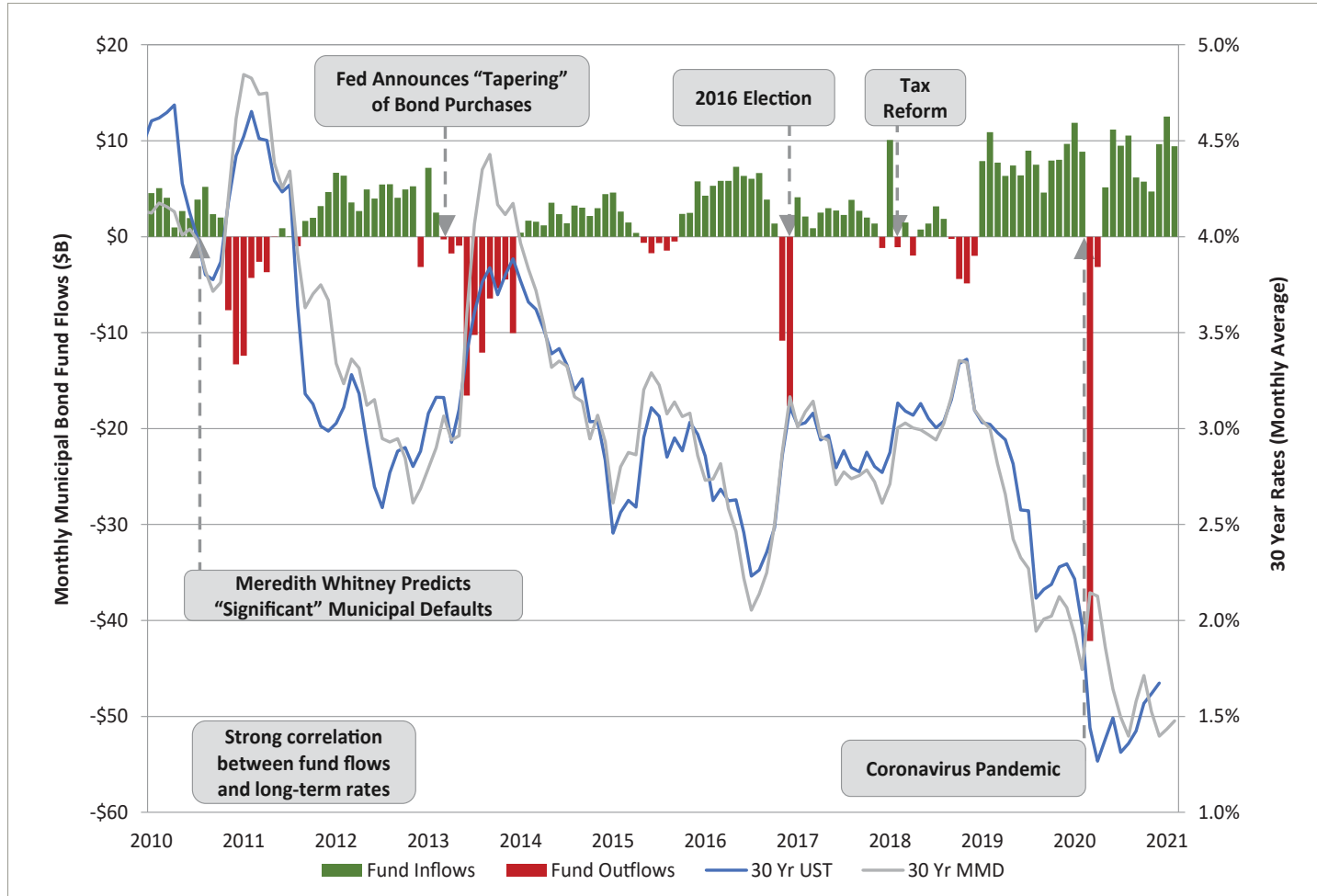
	February 2021	Month-Over-Month	Year-Over-Year
<b>General</b>			
GDP Growth†	4.1	n/a	n/a
Unemployment Rate	6.2%	-0.1%	+2.7%
Personal Consumption Expenditures (YoY)	1.5%	n/c	-0.3%
<b>Liabilities</b>			
1m LIBOR	0.12%	n/c	-140 bps
SIFMA	0.03%	-1 bps	-112 bps
30yr MMD	1.36%	-2 bps	-16 bps
30yr Treasury	2.15%	+32 bps	+48 bps
<b>Assets</b>			
60/40 Asset Allocation*	n/a	+0.8%	+18.0%

† U.S. Bureau of Economic Analysis, Q4 2020 "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

# Non-Operating Liabilities

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



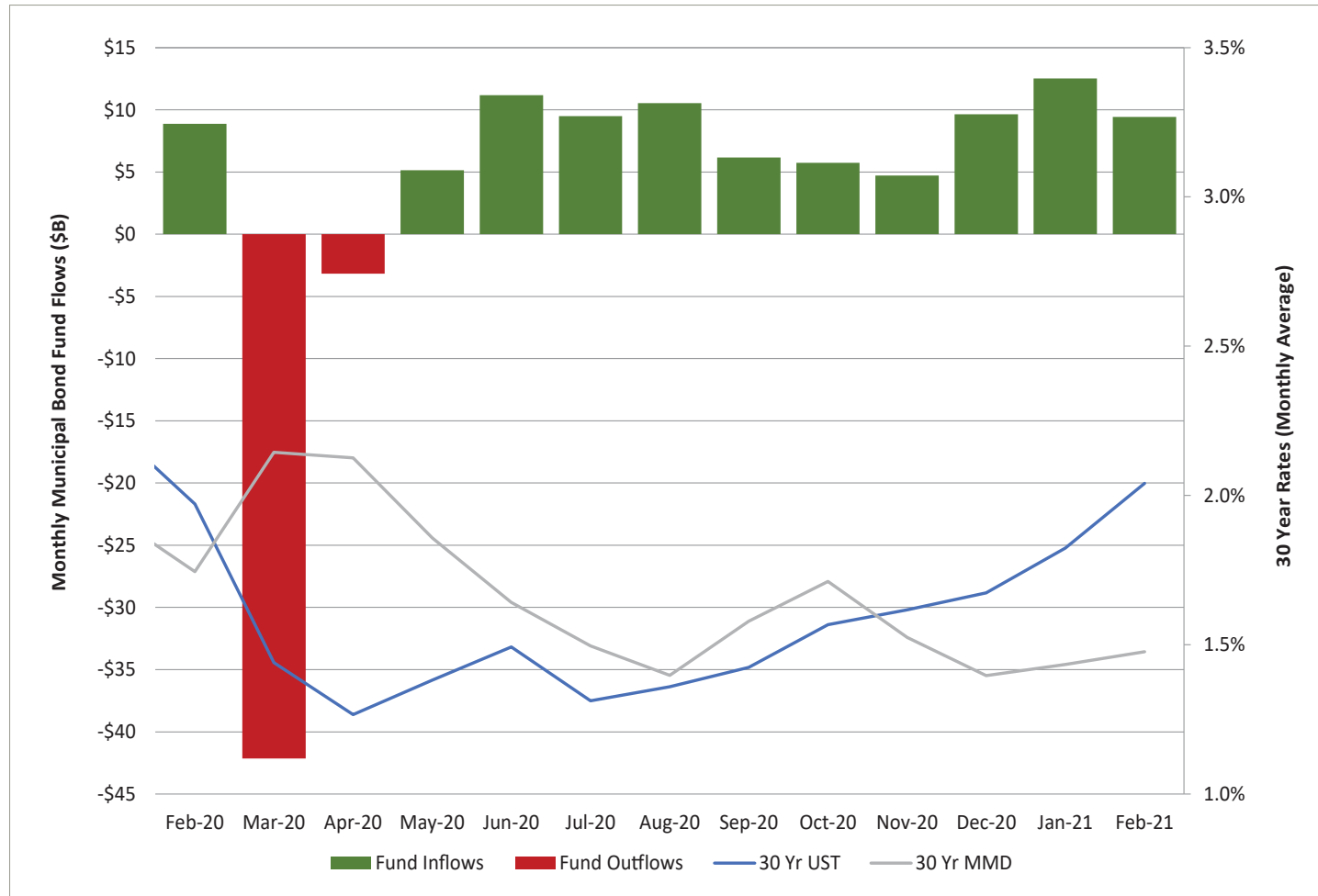
The 30-year U.S. Treasury rates continued to rise in February, continuing the upward trend from January. They ended February at 2.15%, up 32 basis points (bps) from the prior month. Municipal bond fund flows remained positive—with \$9.4 billion entering funds throughout the month—but were down from a 12-month high of \$12.5 billion in January.

Kaufman Hall, National Hospital Flash Report (March 2021)

Note: Taxable and tax-exempt debt capital markets, as approximated here by the “30-year U.S. Treasury” and “30-year MMD Index,” depend on 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 signal generally 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 time.

Non-Operating Liabilities (continued)

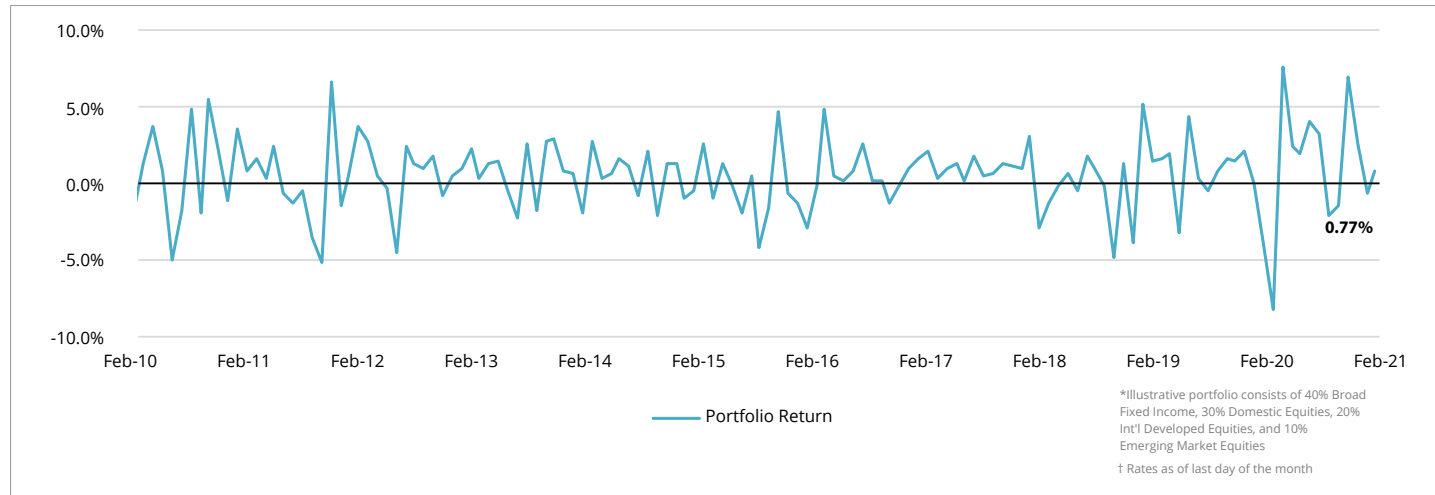
Last Twelve Months - Monthly Municipal Bond Fund Flows with 30-Year U.S. Treasury and 30-Year MMD



Kaufman Hall, National Hospital Flash Report (March 2021)

## Non-Operating Assets

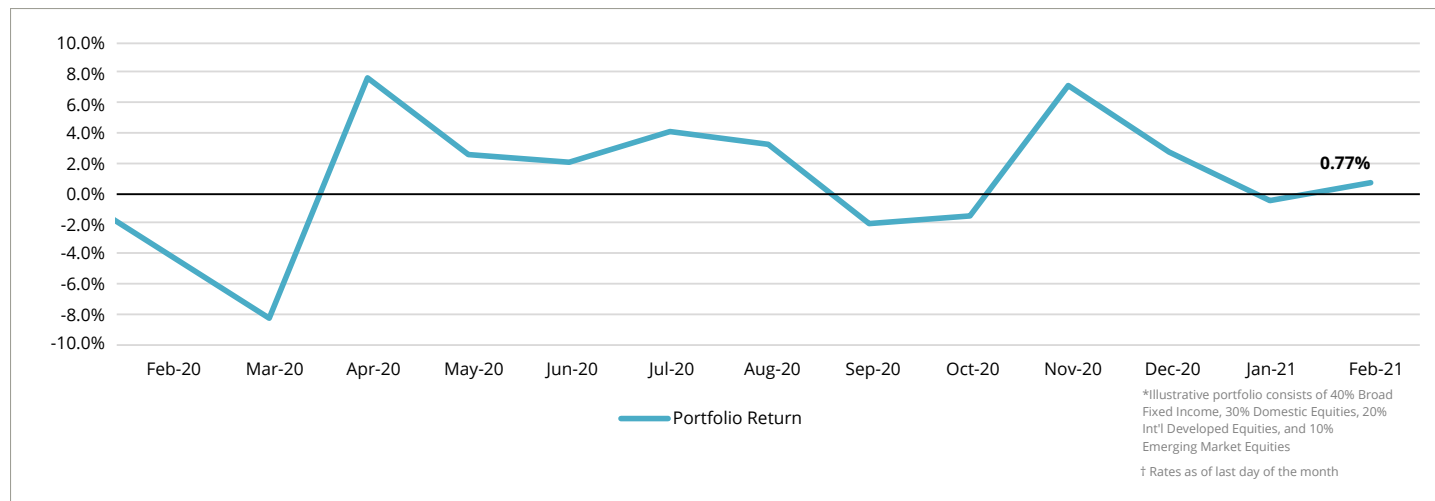
### Long Term – Illustrative Investment Portfolio Returns, Month-Over-Month Change



Kaufman Hall, National Hospital Flash Report (March 2021)

The 60/40 blended asset portfolio ended February up 0.77% month-over-month and up 18.0% YOY. The S&P 500 and MSCI World Index finished the month up 3.72% and 3.50%, respectively. The MSCI Emerging Markets Index was down 2.24% and the Barclays Aggregate Index was down 0.73%.

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



Kaufman Hall, National Hospital Flash Report (March 2021)

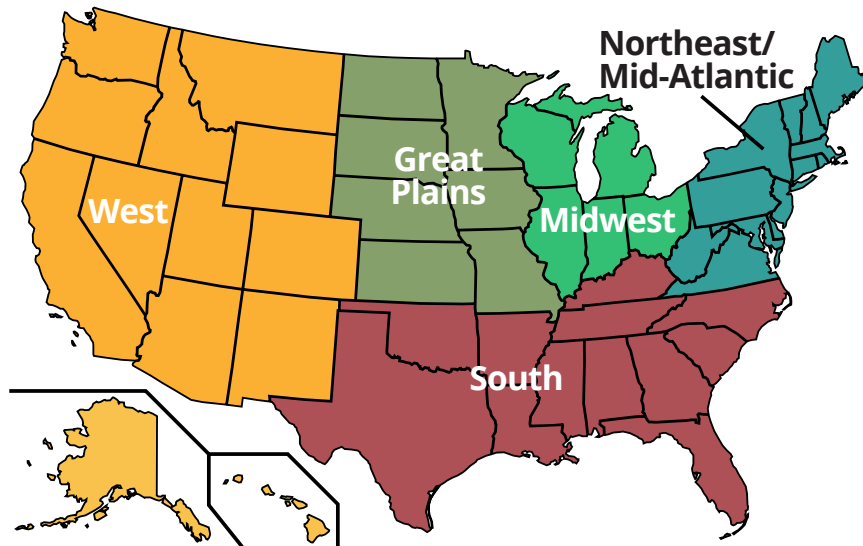
# About the Data

The *National Hospital Flash Report* uses both actual and budget data over the last three years, sampled from over 900 hospitals on a recurring monthly basis from Axiom Comparative Analytics 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, Axiom Comparative Analytics from Syntellis Performance Solutions also contains this 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.

[See more information about data.](#)

## 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  
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Kaufman Hall is pleased to introduce the *Physician Flash Report*, featuring insights on current industry trends with national data from nearly 100,000 providers from **Axiom Comparative Analytics from Syntellis Performance Solutions**.

**Read the quarterly report [here](#).**