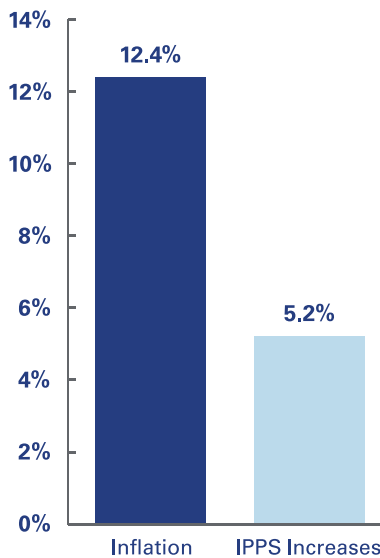


## Executive Summary: Hospitals and Health Systems Continue to Face Escalating Operational Costs and Economic Pressures as They Care for Patients and Communities

America’s hospitals and health systems continue to experience significant financial pressures that challenge their ability to provide 24/7 care for the patients and communities they serve. In 2023, hospitals and health systems again sustained substantial expenses due to high costs for labor, drugs and supplies, ongoing workforce challenges and growing administrative burden (Figure 1). At the same time, reimbursements from Medicare and Medicaid have not kept pace with these mounting costs, and hospitals and health systems have increasingly encountered challenges navigating onerous commercial insurer practices that deny and delay payment for care provided to patients. The recent Change Healthcare cyberattack has only further exacerbated these challenges, forcing many hospitals to dip into their diminishing cash reserves.

This report provides an updated look at the current financial picture of the hospital field and additional headwinds the field is likely to face in 2024. Here are the report’s key findings:

**Figure 2.** Inflation growth was more than double the growth in IPPS reimbursement, 2021 - 2023

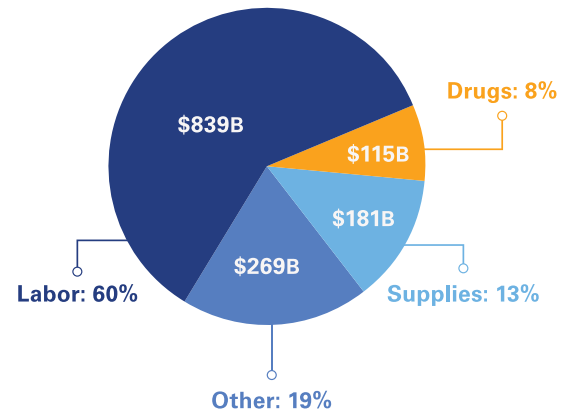


**Note:** Inflation calculated using annual average CPI-U between 2021 and 2023 from BLS. IPPS increase from FY2020-2023 market basket increases net of other adjustments.

- **Inflation:** Economy-wide inflation grew by 12.4% between 2021 and 2023, more than double the 5.2% growth in Medicare reimbursement for hospital inpatient care (Figure 2). This makes it harder for hospitals to pay for supplies and updated technology that improves care.
- **Essential services:** In addition to underpayments from public payers like Medicare and Medicaid, hospitals provide a number of essential services that incur negative all-payer margins, meaning hospitals lose money on the services even after factoring in commercial rates.
- **Costs of caring:** Hospitals continue to manage increasing expenses associated with administrative burden, high drug prices and workforce challenges.

**Hospitals and health systems are dedicated to providing high quality care to all patients and communities; however, they continue to face significant challenges. This report highlights the need for Congress and the Administration to enact policies that support hospitals and health systems so they can continue providing 24/7 lifesaving care to all patients in every community across America.**

**Figure 1.** Labor constitutes largest percentage of hospital expenses.



**Note:** Average expenses estimated by Strata Decision Technology median 2023 values across all hospital spending. Labor is inclusive of purchased services and professional fees.