

# Oregon Hospital Utilization & Financial Analysis

## 2022 Year-End & Current Trends

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This report aims to provide an analysis of the utilization and financial data submitted by Oregon's hospitals to the DATABANK and INFOH programs and a forward look into current trends.

*The numbers and figures in this report are based on a DATABANK download from February 27, 2023*

*Shriners Hospital for Children is automatically excluded from this report because of their unique status, and wildly fluctuating payer mixes that make comparisons difficult with other community hospitals.*

# Overall Performance

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**Oregon hospitals and health systems ended 2022, three years into the COVID-19 pandemic, in one of the worst overall financial positions seen since the beginning of the DATABANK reporting program (1993).**

- **37 hospitals**, or about 63% of our community hospitals, finished with a negative operating margin for the year.
- Median Operating Margin was a cumulative **-2.8%** in 2022.
- Rising expenses, workforce shortages, and stalled revenue combined to devastate margins.

## Key Insights

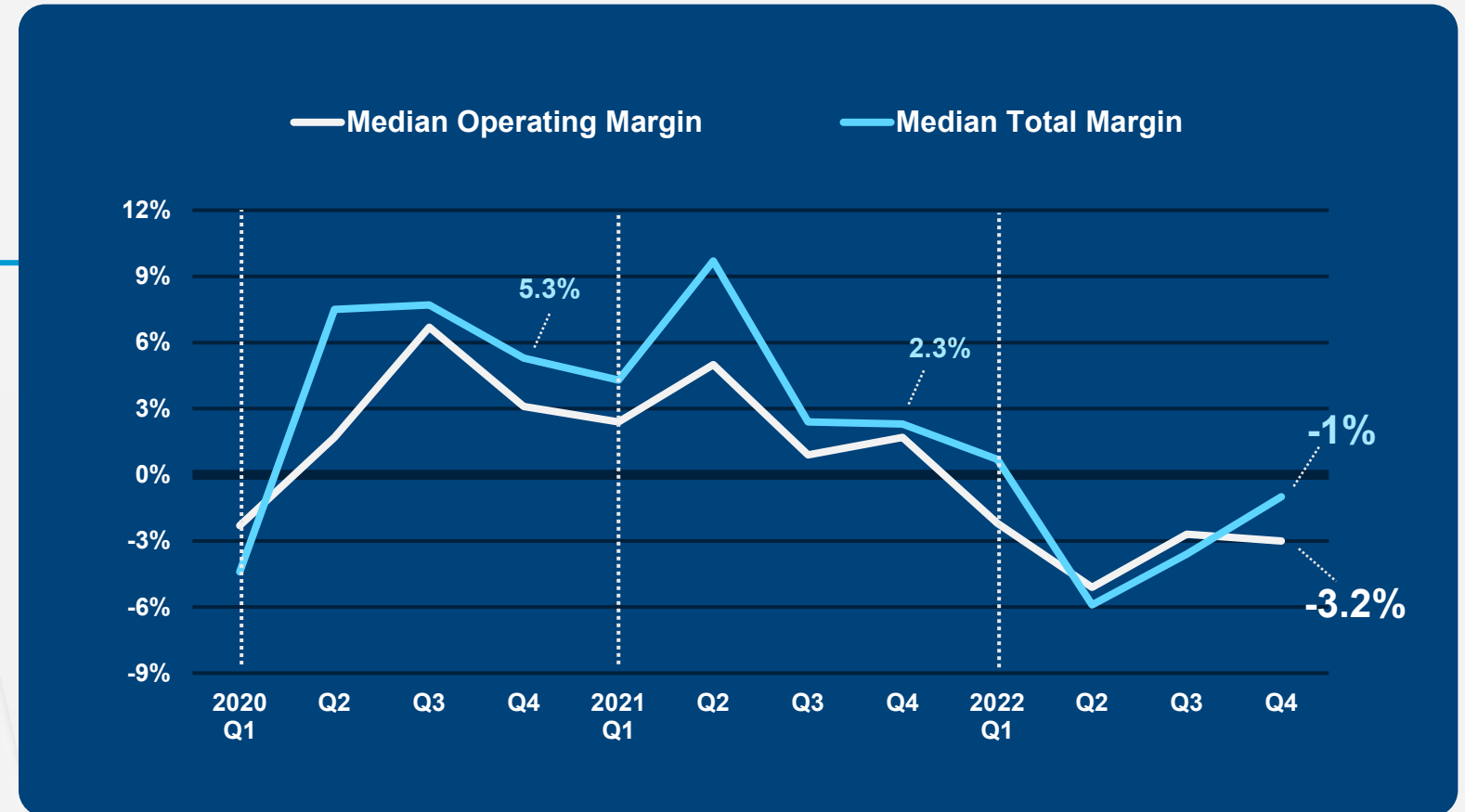
- Oregon hospitals lost money on operations every month in 2022.
- Expenses have outpaced revenues for over two years, or nine consecutive quarters, with a combined total loss of \$382 million for the year from operations alone.
- Labor costs have increased 18% over pre-pandemic levels
- The health care workforce shortage fueled rising labor costs as hospitals were forced into using expensive contract labor to maintain patient care.
- Average Length of Stay reached a new statewide high as staffing shortages affected the entire continuum of care and reduced hospital revenue.
- Recovery in 2023 appears unlikely as many economists forecast continued high inflation and other financial headwinds, with a recession possible.

# Margins Remain at All-Time Lows

## Median Operating Margin vs. Median Total Margin

**2022 Median Operating Margin** saw an aggressive drop from the previous year into new all-time lows. It declined by nearly six percentage points overall from 3.2% in 2021, a year when federal CARES Act dollars propped up hospital margins, to -2.7% in 2022.

**Median Total Margin**, which includes investment income, reflected poor stock market performance with a Q4 margin of -1.0%, a decrease of 3.3 percentage points compared to Q4 2021.



## CY 2022 Median Operating Margin

The Median cumulative operating margin showed not a single month in positive territory.



# DRG Hospitals Continue to Fare Worse Than Rurals

## Negative Operating Margins

Nearly 75% of all DRG hospitals and over half of all rural hospitals had negative Operating Margins in 2022, amounting to a combined total loss of \$382 million from operations alone for the calendar year.

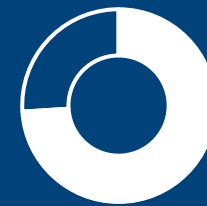
## Median Operating Margins by Year

For 2022, DRG hospitals' Median Operating Margin was -3.9%, compared to -0.3% for 2021, and 1.7% for 2020. By comparison, rural hospitals' Median Operating Margin for 2022 was -2.7%, compared to 3.2% in 2021 and 4.1% in 2020.

## Median Operating Margins in Q4 2022

In Q4 2022, DRG hospitals were again less profitable than rural hospitals, with Median Operating Margins at -3.4% and -2.6%, respectively.

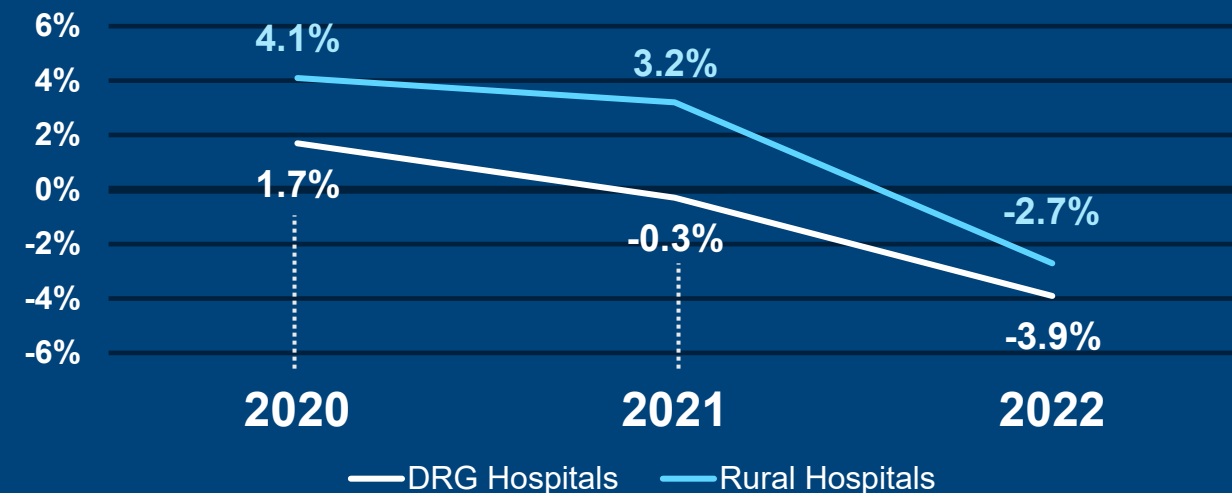
Negative Operating Margins in 2022 for:



Nearly 75% of all DRG hospitals



Over 50% of all rural hospitals

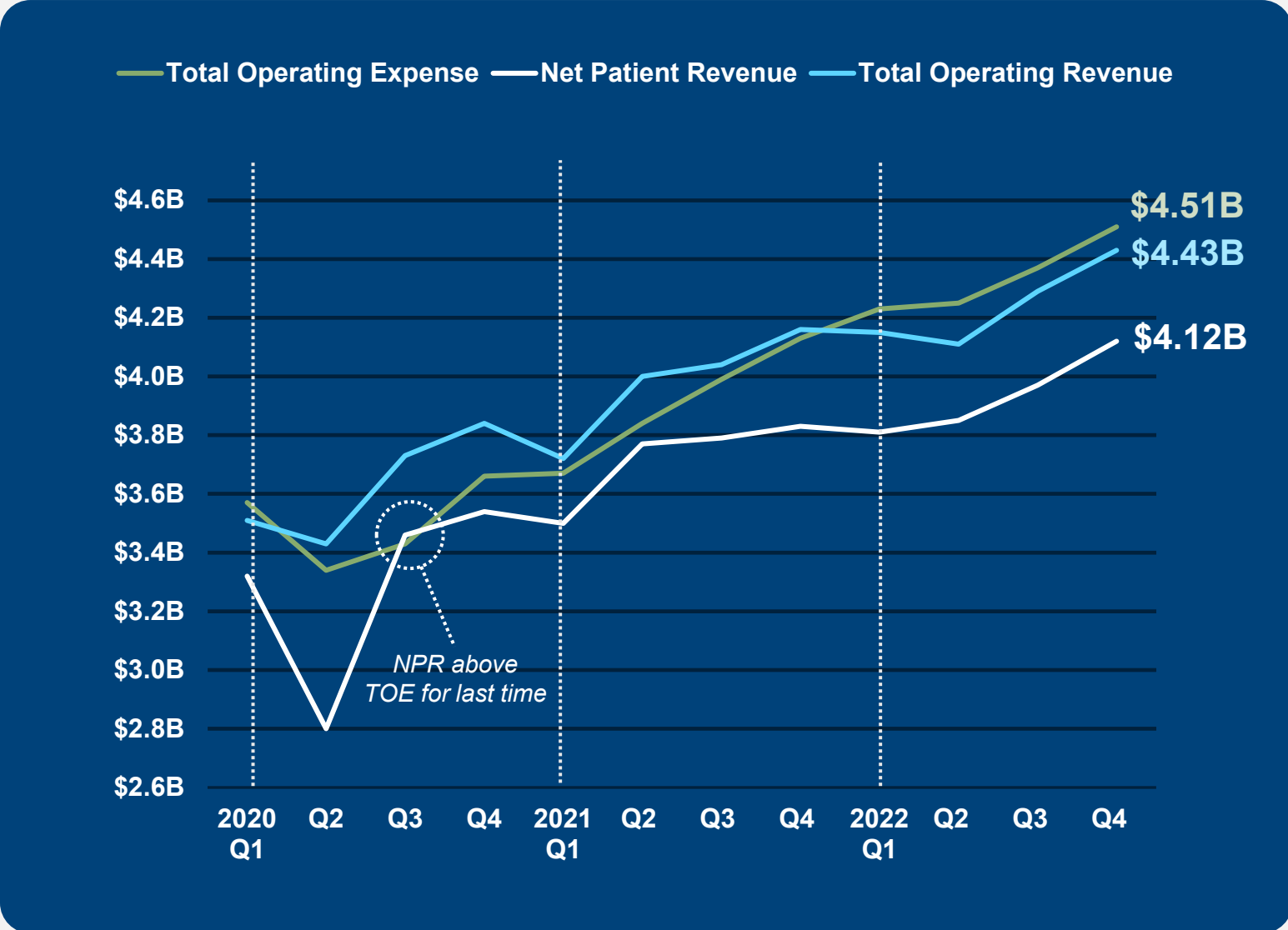


# Expenses Continue to Outpace Revenues

## Revenue vs. Expenses

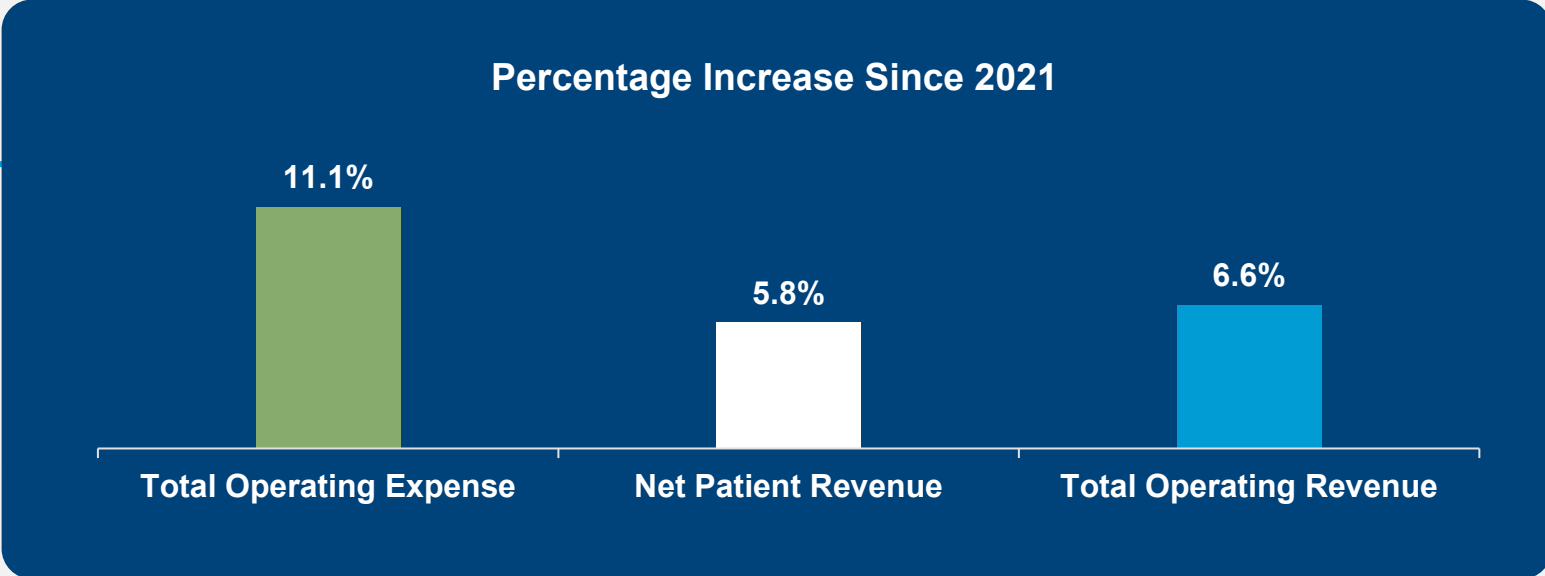
Although **Net Patient Revenue (NPR)** and **Total Operating Revenue (TOR)** increased in 2022, to 5.8% and 6.6% respectively, **Total Operating Expense (TOE)** increased even more, by 11.1%.

The gap between NPR and TOE continued through Q4 2022. It has now been nine consecutive quarters since NPR was above TOE and hospitals were able to cover their expense obligations through their core patient care mission activities.



## Net Patient Revenue vs. Total Operating Expense

With every dollar **Net Patient Revenue** increased, **Total Operating Expense** increased two dollars.



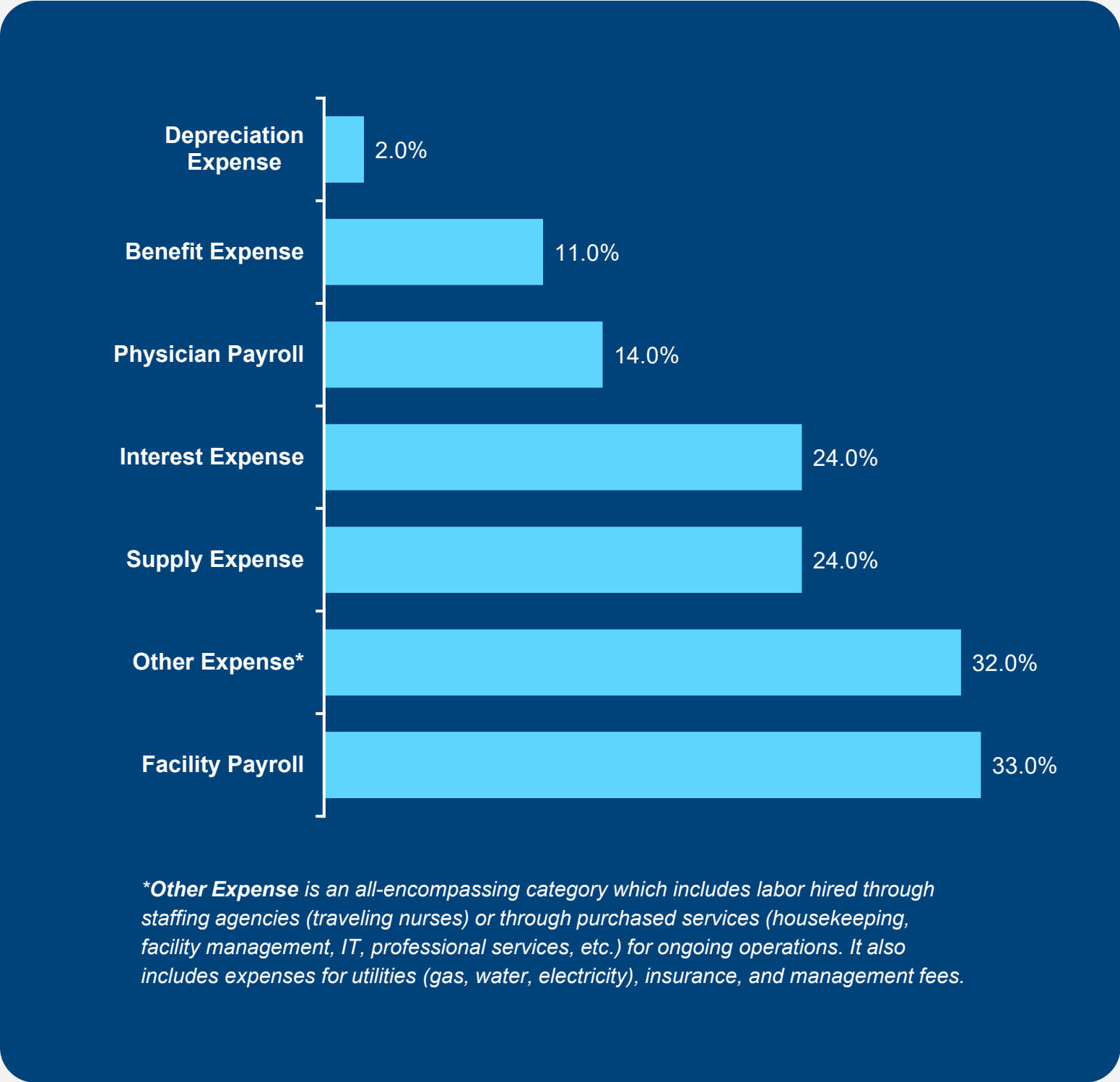
# Labor Costs Continue to Drive the Rise in Expenses

## Hospital Expenses Percent Increase Since Q1 2020

Labor is a hospital’s #1 expense, and the labor cost continued its rise in 2022 as a major contributor to **Total Operating Expense**.

In CY 2022, statewide **Facility Payroll**, **Physician Payroll**, and **Benefit Expense** combined to account for 51% of TOE, increasing by \$1.7B, or 26%, since CY 2020.

**Other Expenses** and **Supply Expenses** also showed large increases, reflecting rising prices due to inflation

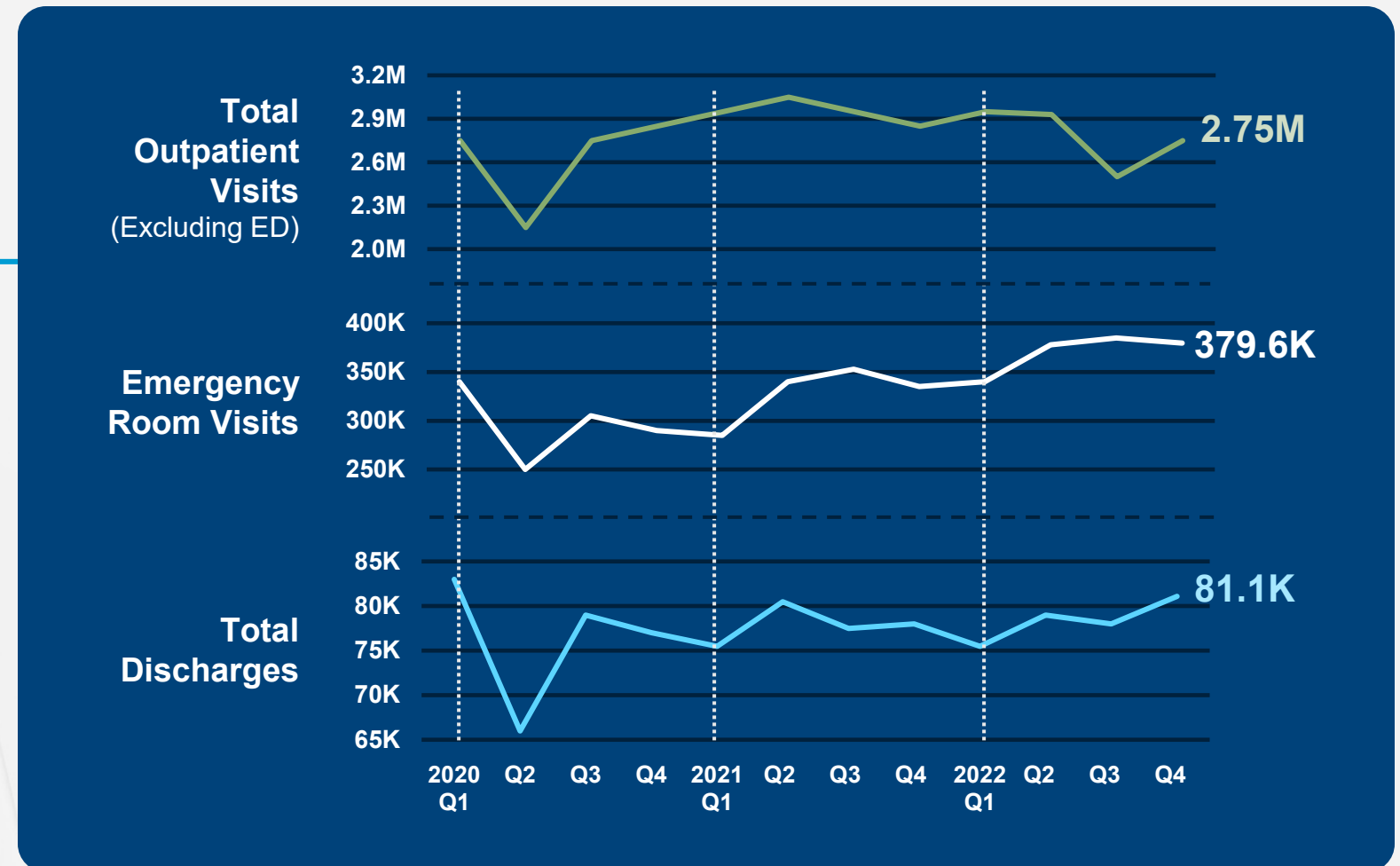


# Capacity Challenges

## Hospital Utilization

**Statewide Inpatient discharges** showed a slight decrease in 2022 vs. 2021 (-0.5%), but inpatient discharges stayed below pre-pandemic levels (-7.7%).

**Emergency Room (ER) visits** rose sharply in 2022 (+12%) and are now 2.4% higher than pre-pandemic levels. ER visits have resulted in longer wait times, extended ER boarding periods, heightened strain on hospital admissions, and increased the need to divert patients due to capacity pressures.

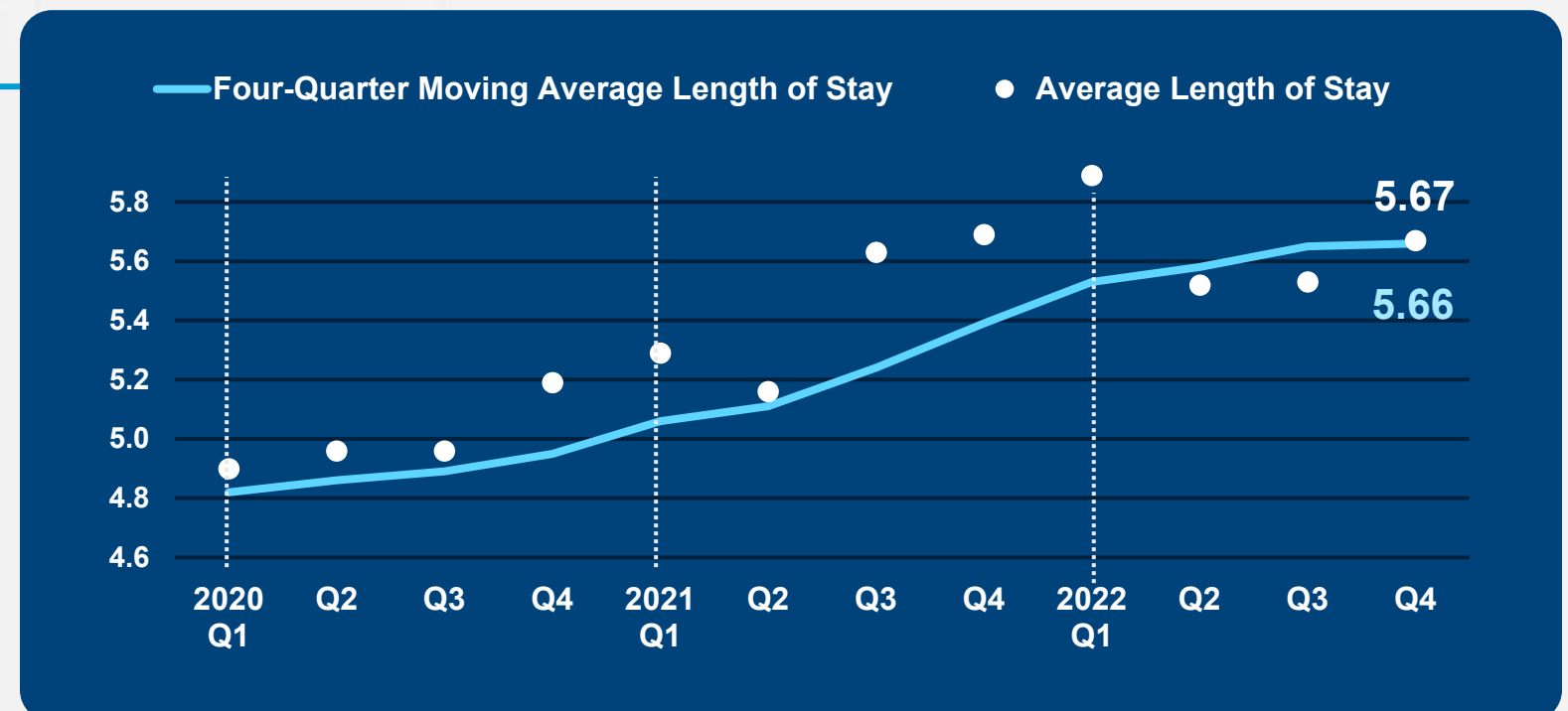


## Average Length of Stay

**Average Length of Stay (ALOS)** for CY 2022 reached a new high of 5.64 days – an increase of nearly 20% compared to pre-pandemic levels.

Staffing shortages and the inability for hospitals to discharge patients to post-acute settings (nursing homes, rehab facilities, skilled nursing) are keeping ALOS high.

Longer ALOS raises the cost of providing care but often comes with no additional revenue for DRG hospitals due to fixed reimbursements for many patients.



# Key Definitions

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## **Net Patient Revenue (NPR)**

The revenue hospitals generate from providing health care services to patients.

## **Total Operating Revenue**

The sum of Net Patient Revenue and Other Operating Revenue, which is from business operations not related to patient care like grants, cafeteria and gift shop sales, or federal CAREs Act funds.

## **Total Operating Expense (TOE)**

All expenses incurred from hospital's operations, including patient care, payroll and benefits, supplies, interest and depreciation, and other expenses.

## **Operating Margin**

The sum of Net Patient Revenue and Other Operating Revenue minus Total Operating Expenses.

## **Total Margin**

The net sum of all revenue sources (Operating and Non-Operating) minus all expenses. This includes investment income and tax subsidies from local governments.

## **Average Length of Stay (ALOS)**

Average number of days that a patient spends in the hospital.

## **Inpatient Visits**

A count of discharges of patients who have been admitted to the hospital to stay overnight.

## **Outpatient Visits**

A count of patient visits to the hospital for diagnosis/treatment without spending the night.

## **Emergency Room Visits**

A count of patient visits to the emergency department who are not later admitted to the hospital as inpatients.