



NOVEMBER 2020

# National Hospital Flash Report

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

*Based on October Data from Over 900 Hospitals*

**KaufmanHall**

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# Key Observations

October was a challenging month for hospitals and health systems nationwide amid ongoing instability spurred by the COVID-19 pandemic. Margins and volumes fell, revenues flattened, and expenses rose as COVID metrics continued to climb and some states moved to retighten social distancing guidelines. As of Oct. 31, the number of daily U.S. COVID cases reached a high of more than [90,500](#) and related hospitalizations surpassed 47,400.

Margins have been down consistently year-to-date (YTD) since the start of the pandemic, but have fluctuated from month to month. Even with

emergency FDA approval of a vaccine, October's downturn likely will continue as COVID rates rise throughout the fall and winter. Hospital and health system leaders are bracing for difficult months ahead, as the combined forces of the pandemic and seasonal flu drive many individuals, and local and state governments to recommit to stricter preventive measures, causing many to delay non-urgent procedures and outpatient care. The result will exacerbate volume declines and could further destabilize hospitals financially, with a potential return to the significant losses seen in March and April.

## Median Change Jan.-Oct. 2020 from Jan.-Oct. 2019

<b>Margin</b>	Operating Margin (w/out CARES)	(6.0 percentage points)
	Operating Margin (w/CARES)	(1.7 percentage points)
<b>Volume</b>	Adjusted Discharges	(11%)
	OR Minutes	(12%)
	ED Visits	(16%)
<b>Revenue</b>	Gross IP Revenue	(2%)
	Gross OP Revenue	(7%)
<b>Expenses</b>	Total Expenses per Adjusted Discharge	14%

\* 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)*

Eight months into the pandemic, the Kaufman Hall median Operating Margin Index\* remained below 2019 performance at 2.4% YTD through October with CARES Act funding, and -1.6% without CARES. The Kaufman Hall Operating EBITDA Margin Index was 7.3% YTD with the federal aid and 3.8% without CARES.

October margins were down compared to 2019 measures, but above budget. Operating Margin fell 69.4% YTD (6.0 percentage points) and 9.2% (1.4 percentage points) year-over-year (YOY), but was 5% (0.5 percentage point) above budget, not including federal CARES funding. Operating EBITDA Margin fell 41.6% YTD and 9.8% (1.7 percentage points) YOY, but was 3.1% (0.3 percentage point) above budget without CARES. With the federal relief, Operating Margin fell 18.7% YTD (1.7 percentage points) and 8.5% YOY (1.2 percentage points), but rose 6.8% (0.7 percentage point) above budget. Operating EBITDA Margin declined 12.8% YTD and 8.1% (1.5 percentage points) YOY, but was 4.2% (0.5 percentage point) above budget with CARES.

Rising expenses and an eighth consecutive month of shrinking volumes contributed to October's poor margin performance. Adjusted Discharges fell 11.2% YTD, 9.3% YOY, and 5.5% below budget, while Adjusted Patient Days decreased 7.7% YTD and 2.9% YOY, but were up 1.4% above budget. Operating Room Minutes fell 11.7% YTD and 5.6% YOY, as patients continued to delay non-urgent procedures.

Emergency Department (ED) Visits remained the hardest hit, falling 16% both YTD and YOY in October. Hospitals did see month-over-month increases in both ED Visits and inpatient volumes, due in part to rising COVID cases. ED Visits rose 1.9% month-over-month while Discharges were up 7.6%. Hospital leaders should be prepared to see mounting increases as cases escalate in the months ahead.

Gross Operating Revenue (not including CARES) also fell 4.8% YTD and 1.4% below budget, but was flat compared to October 2019 levels—a discouraging sign following YOY increases for three of the last four months. Declining outpatient visits were a major contributor, driving Outpatient Revenue down 6.6% YTD and 2.6% YOY for the month. Meanwhile, Inpatient Revenue declined 2.4% YTD but rose 2.6% YOY.

Expenses continued to rise as hospitals replenished staffing levels in light of rising COVID cases, and incurred the costs of drugs, personal protective equipment, and other supplies needed to ensure safe care. Such increases will put hospitals in a tenuous situation if volumes plummet. Total Expense per Adjusted Discharge rose 13.5% YTD and 12.2% YOY in October. Labor Expense per Adjusted Discharge rose 15.2% YTD and 10.8% YOY, as organizations continued to bring back furloughed employees.

### *Key Observations (continued)*

Non-Labor Expense per Adjusted Discharge rose 13% both YTD and YOY, with Purchased Service Expense per Adjusted Discharge seeing the biggest increase at 16.9% YTD and 18.6% YOY. Drugs and Supplies Expense per Adjusted Discharge continued to rise rapidly at 15.1% and 8.9% YOY, respectively. These expenses will increase further as the severity of patients rises, a trend reflected by the 3.8% YOY increase in Average Length of Stay.

The U.S. economy showed some gains in October, with the Gross Domestic Product up 7.4% from the second to third quarters, following a 9% decline between the first and second quarters. The U.S. unemployment rate dropped to 6.9%, its lowest level since March. The Federal Reserve kept monetary policy steady with no changes

to its bond purchases, promising continued aid to the economy. However, Congress' failure to pass another stimulus package is causing many observers to question the economic recovery. U.S. Treasury rates increased in volatility prior to Election Day, with 30-year rates hitting their highest levels since March, up 0.20% month-over-month.

The coming months will be critical for our nation's hospitals, with the virus expected to continue its rapid spread as families gather for the holidays, and activities move increasingly indoors with the onset of colder weather across much of the country. Look for future issues of the *National Hospital Flash Report*, as we track hospital performance through these very challenging times.

# Margins

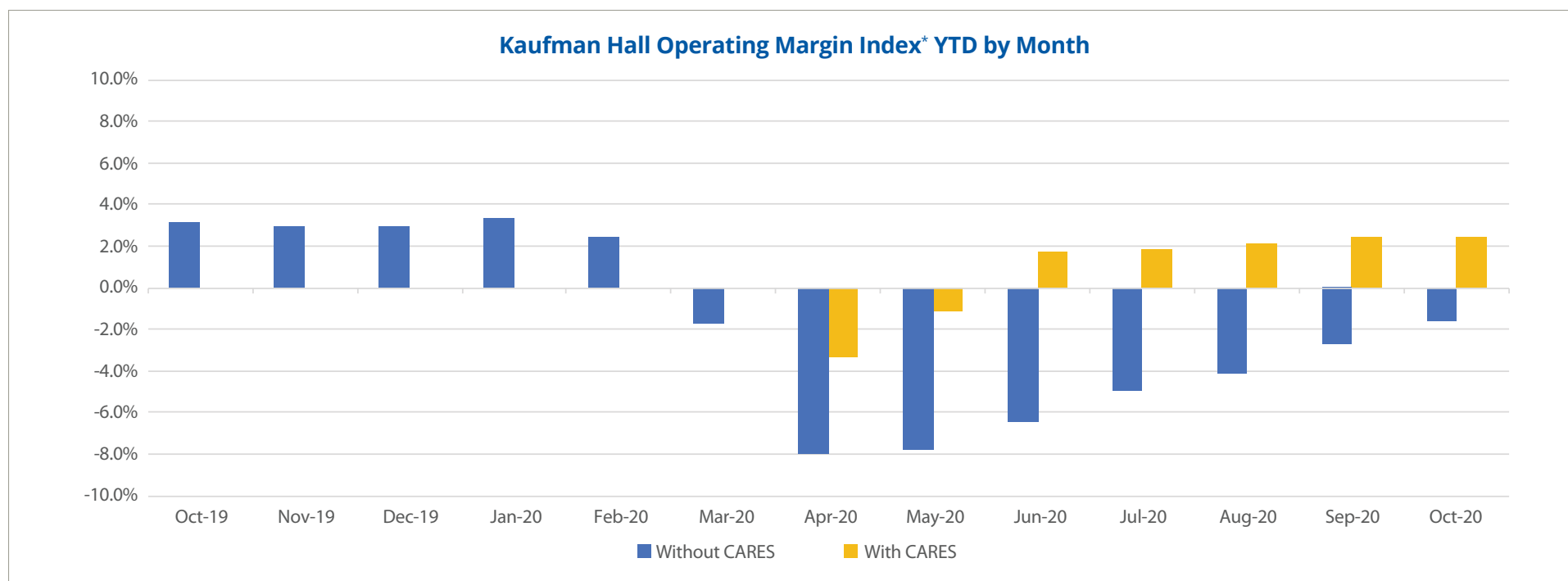
## National Margin Observations

MARGIN % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-to-Date
Operating EBITDA Margin Less CARES	3.1%	0.4%	-9.8%	-41.6%
Operating Margin Less CARES	5.0%	1.2%	-9.2%	-69.4%

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

MARGIN ABSOLUTE CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year
Operating EBITDA Margin Less CARES	33.8	5.8	(169.7)
Operating Margin Less CARES	53.5	16.3	(136.7)

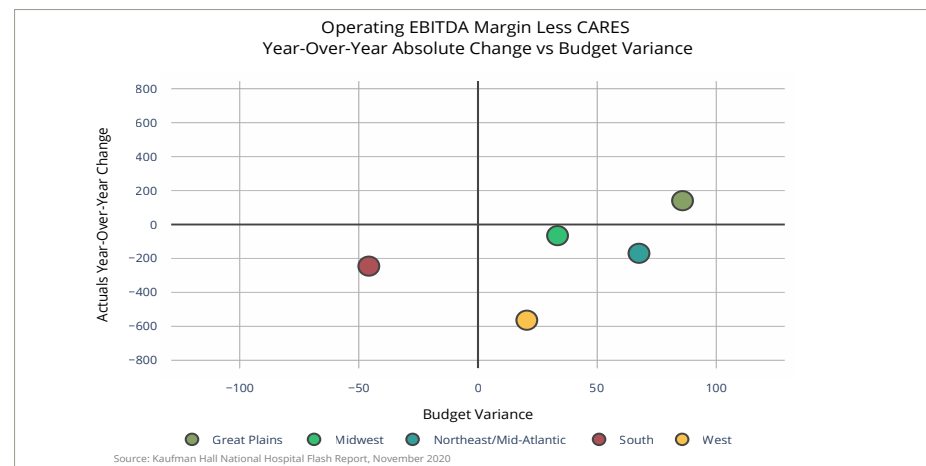
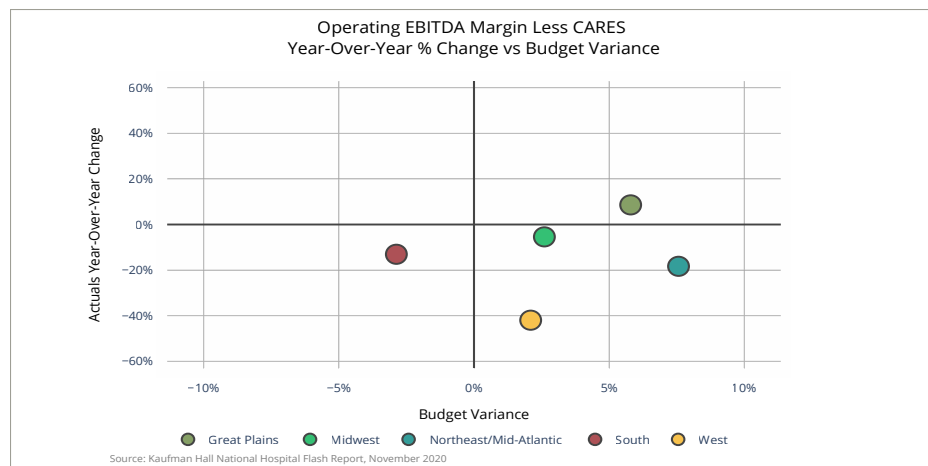
Unless noted, figures are actuals and medians are expressed as percentage change



Source: National Hospital Flash Report (November 2020)

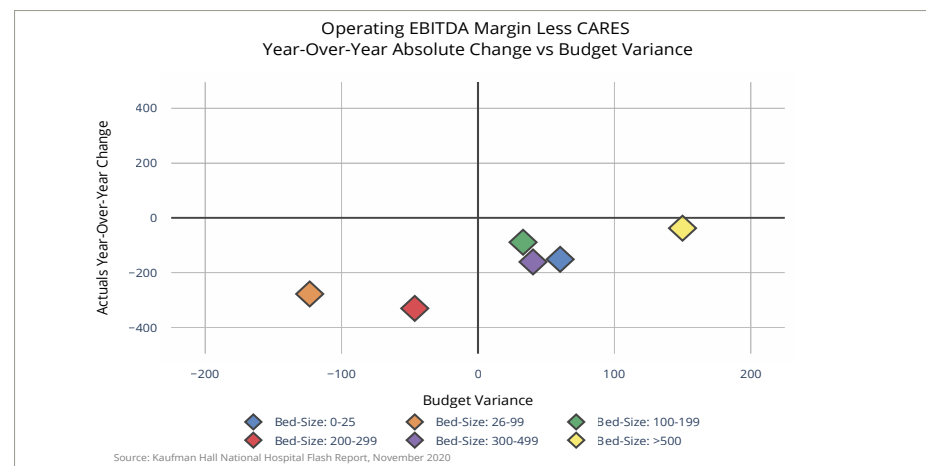
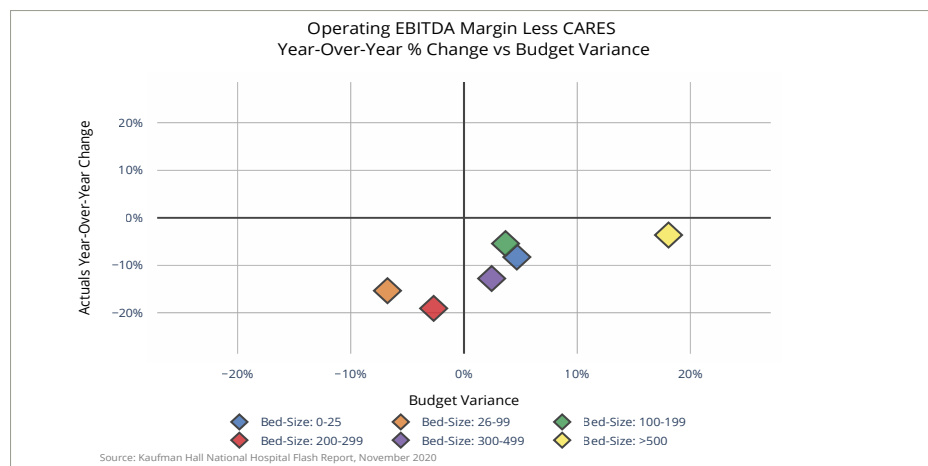
\* Note: The Kaufman Hall Hospital Operating Margin and Operating EBITDA Margin Indices are comprised of the national median of our dataset adjusted for allocations to hospitals from corporate, physician, and other entities.

## EBITDA Margin by Region



Hospitals in four of five regions saw Operating EBITDA Margin fall YOY in October, with the West seeing the biggest drop at 42%, not including CARES funding. The Great Plains was the only region to have an increase at 9% YOY.

## EBITDA Margin by Bed Size



Without CARES, Operating EBITDA Margin dropped YOY for hospitals of all sizes in October, but hospitals with 26-99 and 200-299 beds were below budget while other bed-size cohorts were above budget.



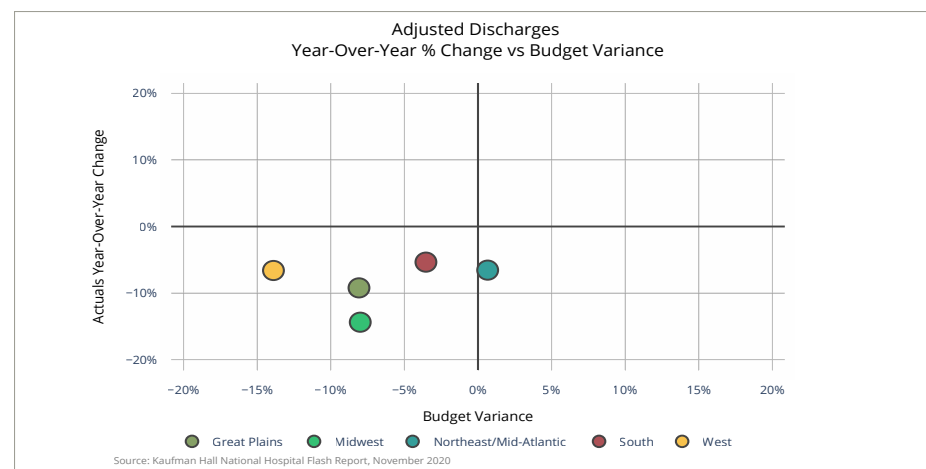
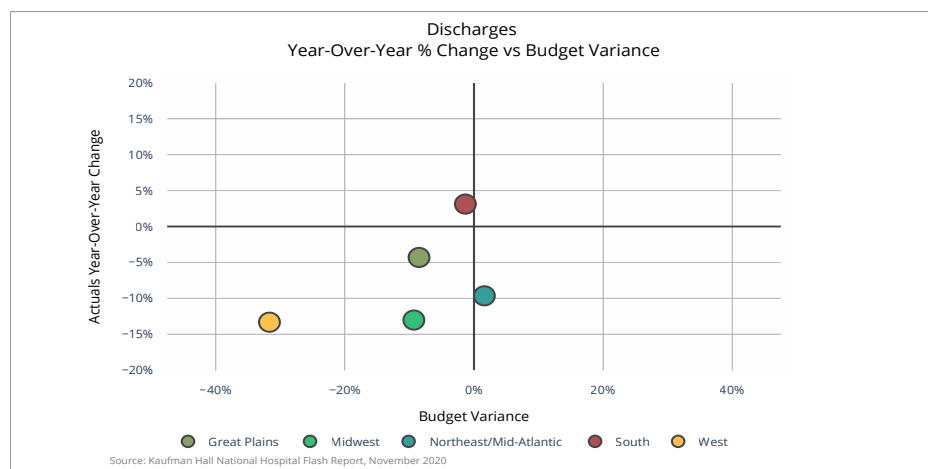
# Volumes

## National Volume Observations

VOLUMES % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-to-Date
Discharges	-4.9%	7.6%	-6.2%	-8.7%
Adjusted Discharges	-5.5%	5.1%	-9.3%	-11.2%
Adjusted Patient Days	1.4%	3.8%	-2.9%	-7.7%
Average Length of Stay	3.2%	0.2%	3.8%	1.7%
ED Visits	-15.6%	1.9%	-15.9%	-16.0%
Operating Room Minutes	-2.3%	3.4%	-5.6%	-11.7%

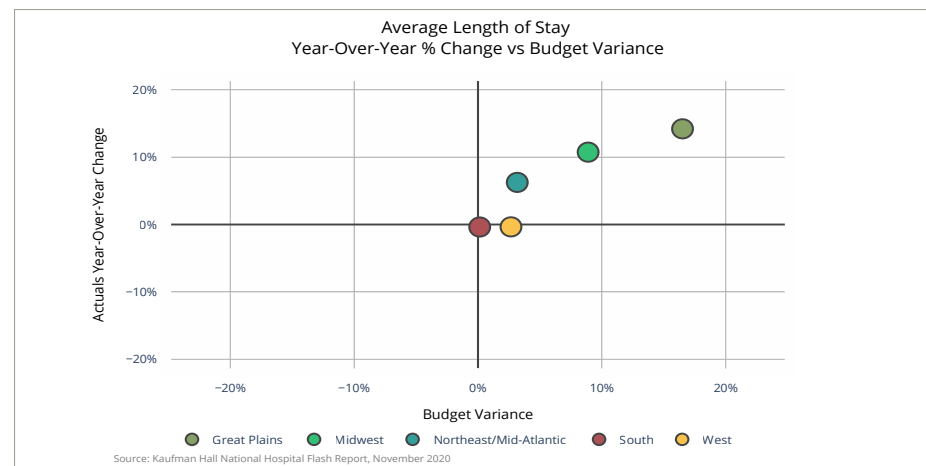
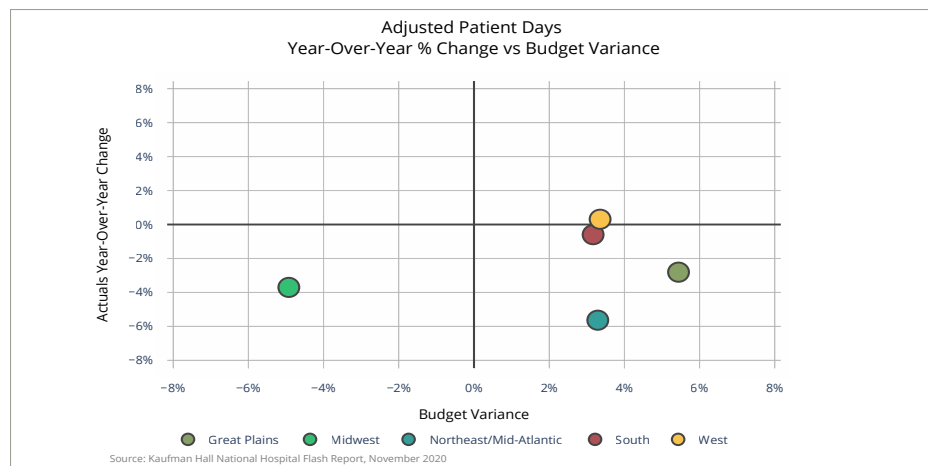
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## Volume by Region

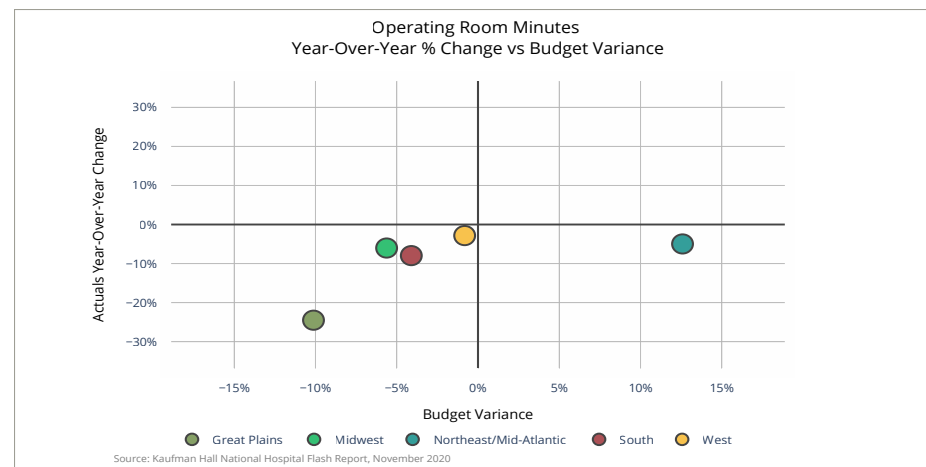
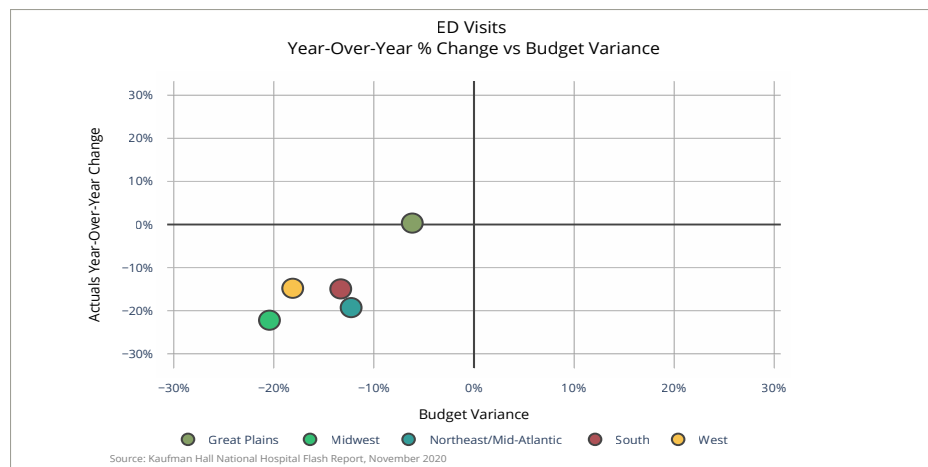


Discharges were down YOY in four of five regions, but rose 3.1% YOY in the South. Adjusted Discharges fell YOY across all regions, and were below budget in four of five regions.

## Volume by Region (continued)

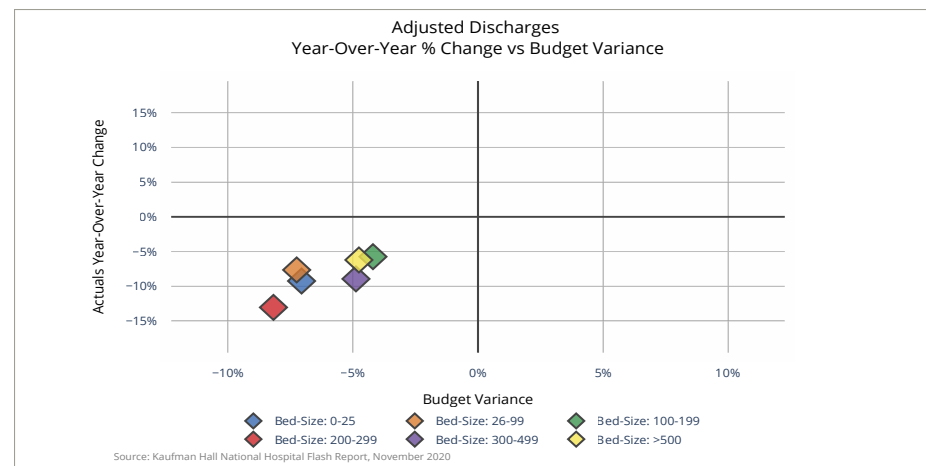
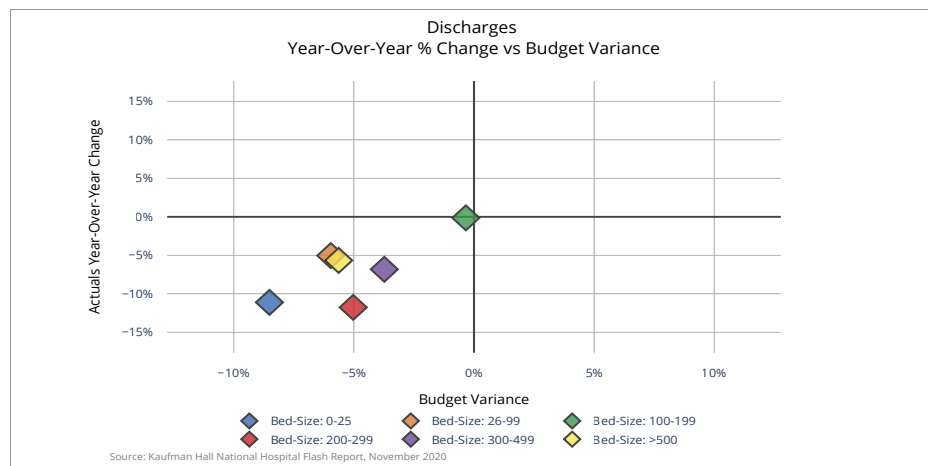


Adjusted Patient Days fell YOY in four of five regions. The West was the only region to see a slight YOY increase at 0.3%. For Average Length of Stay, the Great Plains saw the greatest increases, rising 14.2% YOY and 16.5% above budget.

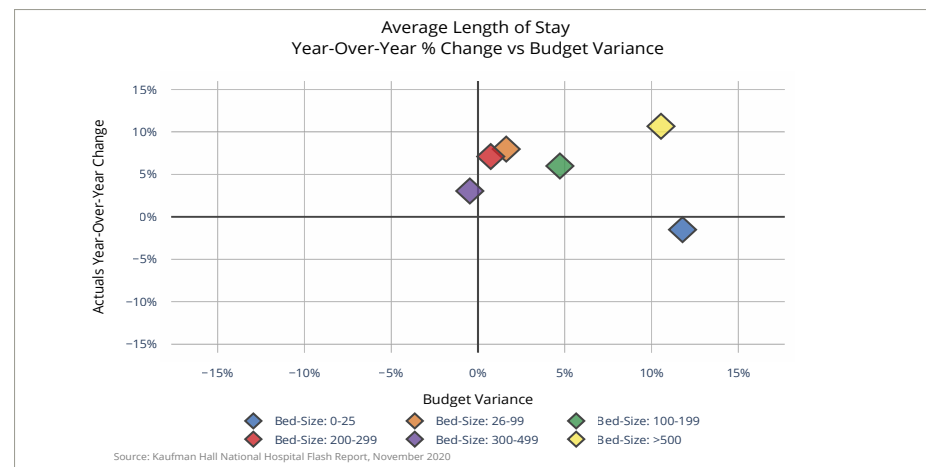
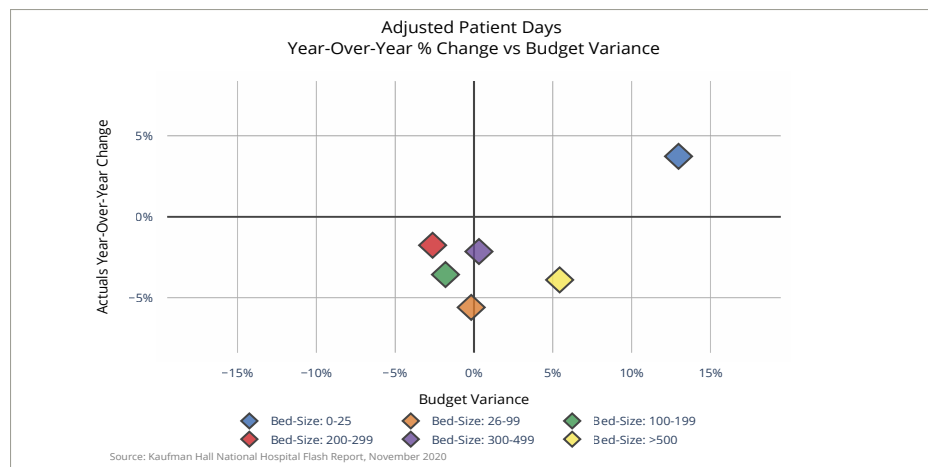


Hospitals in four of five regions saw ED Visits drop below budget and down more than 14% YOY in October. The Great Plains was the only region to see a slight YOY increase at 0.3%. Operating Room Minutes fell YOY across all regions, with the Great Plains seeing the biggest drop at 24.5%.

## Volume by Bed Size

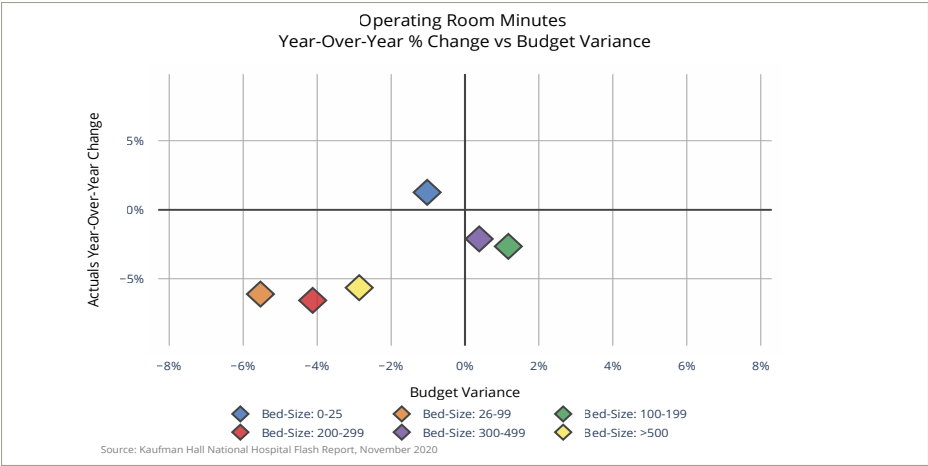
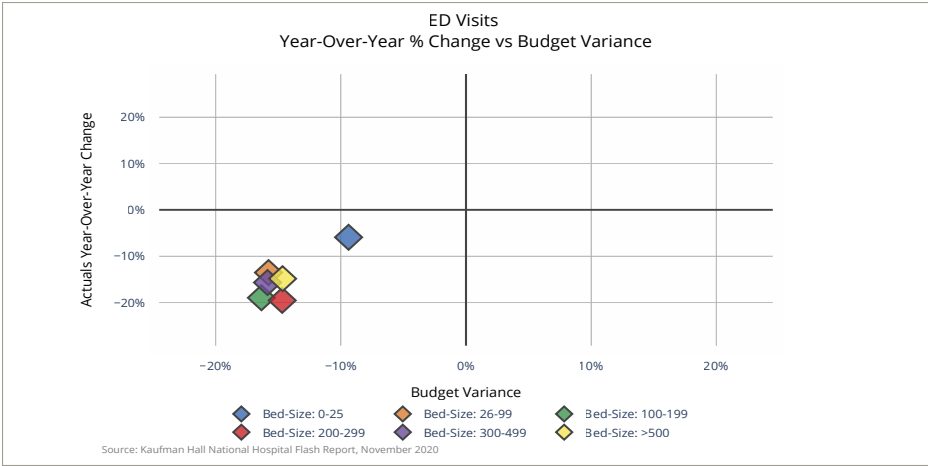


Discharges and Adjusted Discharges fell YOY and below budget across all bed-size cohorts. Hospitals with 200-299 beds saw the biggest YOY drops for both metrics at 11.8% and 13%, respectively.



Hospitals in five of six bed-size cohorts saw Adjusted Patient Days fall YOY in October. Only the smallest hospitals of 0-25 beds saw an increase, rising 3.7% YOY and 13% above budget. Average Length of Stay was above budget and up YOY for four of six bed-size cohorts.

Volume by Bed Size (continued)



ED Visits fell YOY and below budget for hospitals of all sizes, with 200-299 bed hospitals seeing the biggest YOY drop at 19.5%. For Operating Room Minutes, the smallest hospitals of 0-25 beds were the only cohort to see a slight YOY increase at 1.3%.

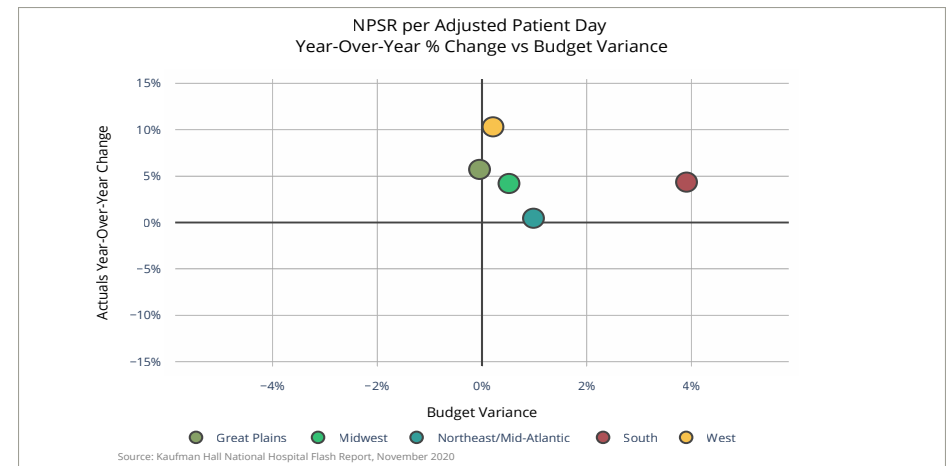
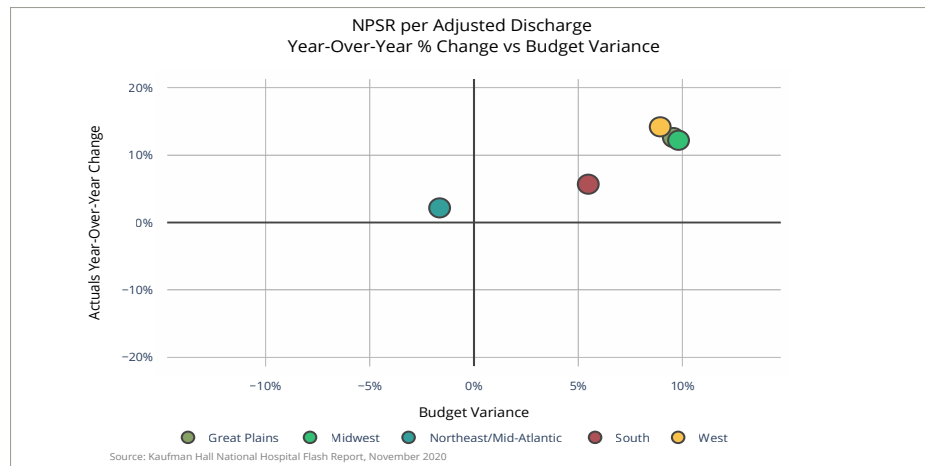
# Revenues

## National Revenue Observations

REVENUE % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-to-Date
Gross Operating Revenue Less CARES	-1.4%	4.1%	0.0%	-4.8%
IP Revenue	-2.0%	6.1%	2.6%	-2.4%
OP Revenue	-2.4%	3.9%	-2.6%	-6.6%
Bad Debt And Charity	-18.0%	7.2%	-12.3%	-5.3%
NPSR per Adjusted Discharge	5.6%	-1.0%	9.5%	5.6%
NPSR per Adjusted Patient Day	1.1%	-0.5%	4.7%	3.9%
IP/OP Adjustment Factor	-1.1%	-0.5%	-2.5%	-2.8%
Bad Debt And Charity as a % of Gross	-14.9%	5.3%	-11.2%	-1.8%

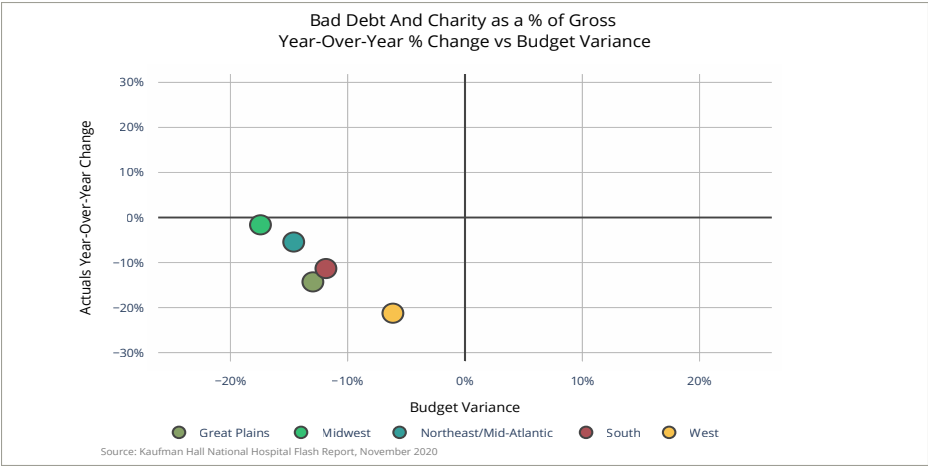
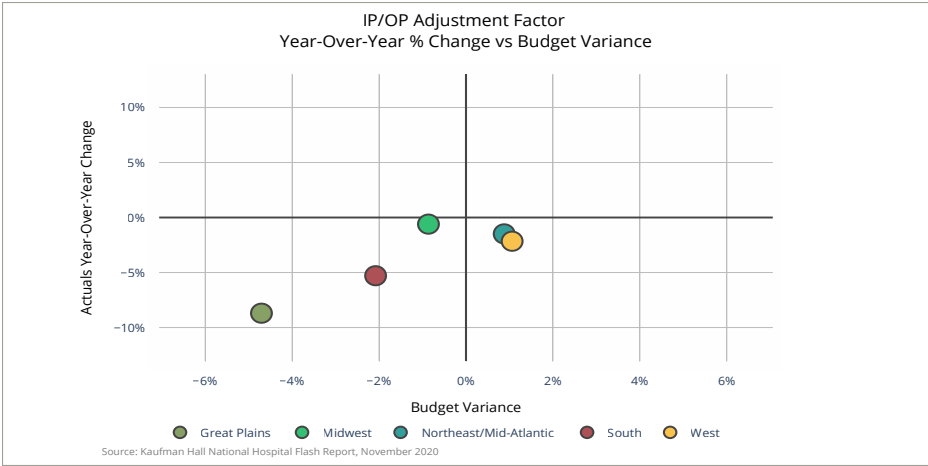
Unless noted, figures are actuals and medians are expressed as percentage change

## Revenue by Region



NPSR per Adjusted Discharge and per Adjusted Patient Day both rose YOY and above budget in four of five regions. The exceptions were the Northeast/Mid-Atlantic, which fell 1.7% below budget for NPSR per Adjusted Discharge, and the Great Plains, which was in line with budget for NPSR per Adjusted Patient Day.

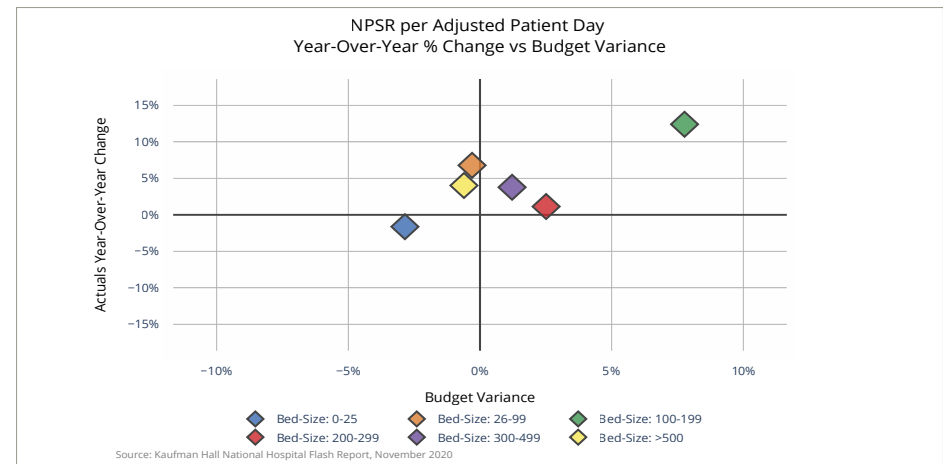
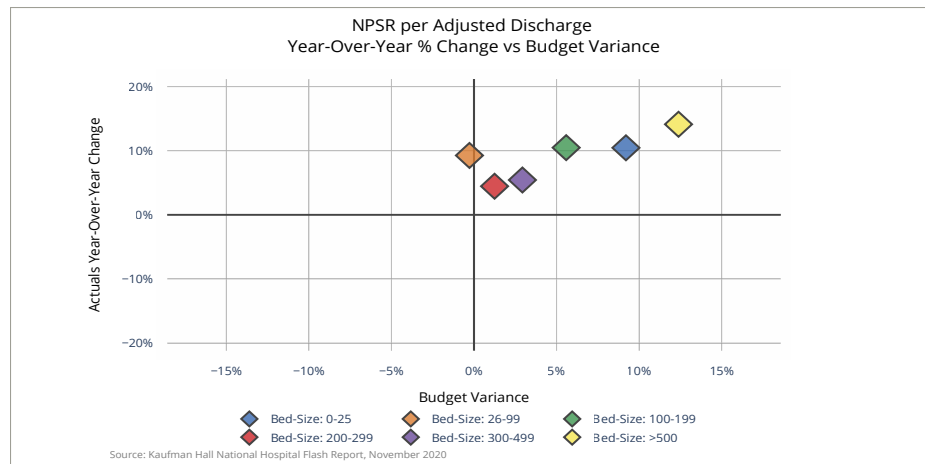
Revenue by Region (continued)



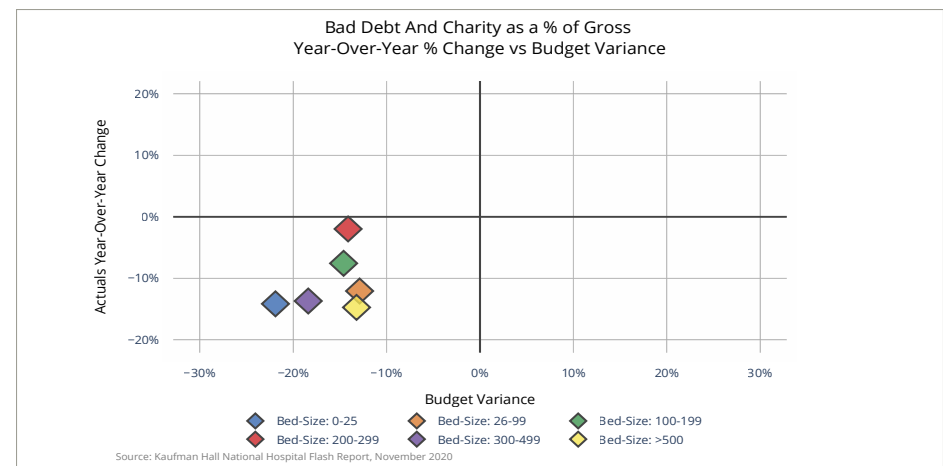
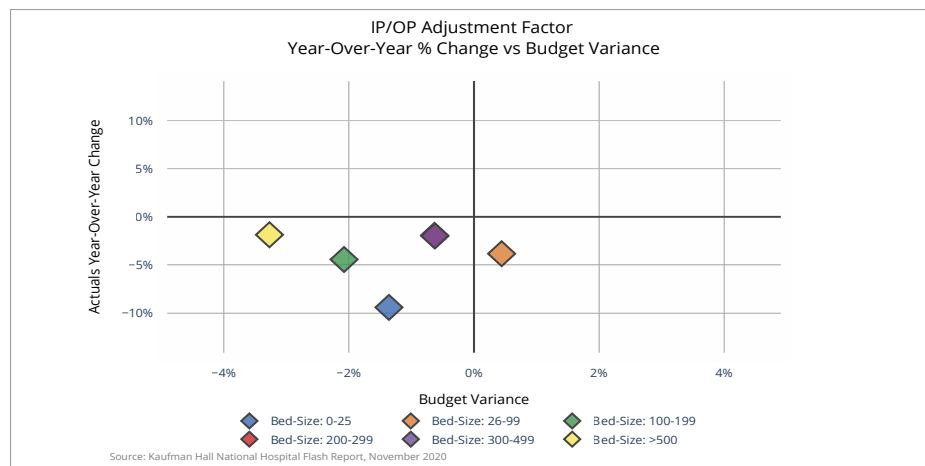
The Inpatient/Outpatient (IP/OP) Adjustment Factor fell YOY across all regions, but was below budget in three regions and above budget in two. Bad Debt and Charity as a Percent of Gross fell YOY and below budget for hospitals in all regions.



## Revenue by Bed Size



NPSR per Adjusted Discharge rose YOY and above budget for five of six bed-size cohorts. Smaller hospitals of 26-99 beds were the exception, rising 9.3% YOY but falling just below budget. Hospitals with 0-25 beds were the only ones to see a YOY decrease in NPSR per Adjusted Patient Day, falling 1.6%.



Hospitals of all sizes saw the IP/OP Adjustment Factor fall YOY in October. Hospitals with 200-299 and 300-499 beds overlapped, with both seeing declines of 2% YOY and 0.6 below budget. Bad Debt and Charity as a Percent of Gross fell YOY and below budget across all bed-size cohorts, with hospitals of 500 beds or more seeing the biggest YOY decrease at 14.7%.

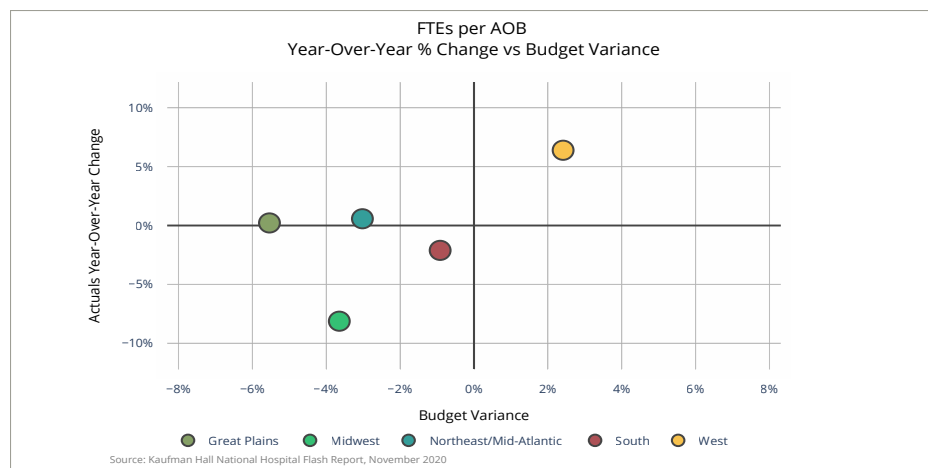
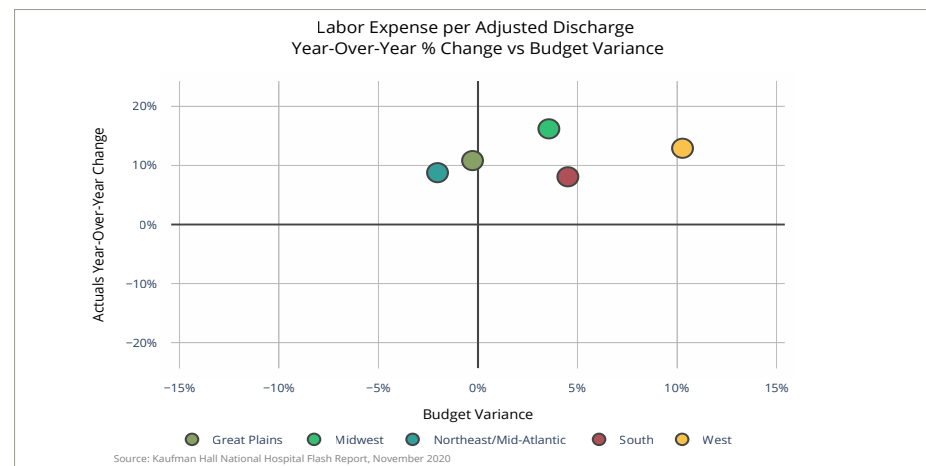
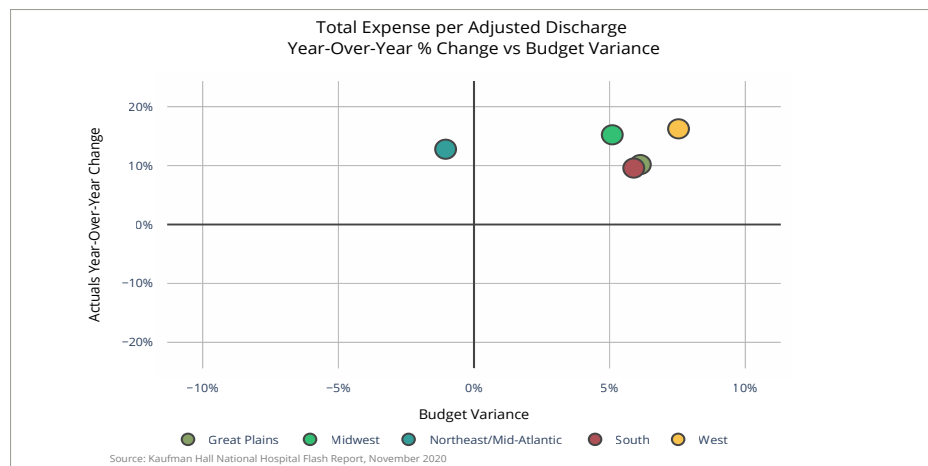
# Expenses

## National Expense Observations

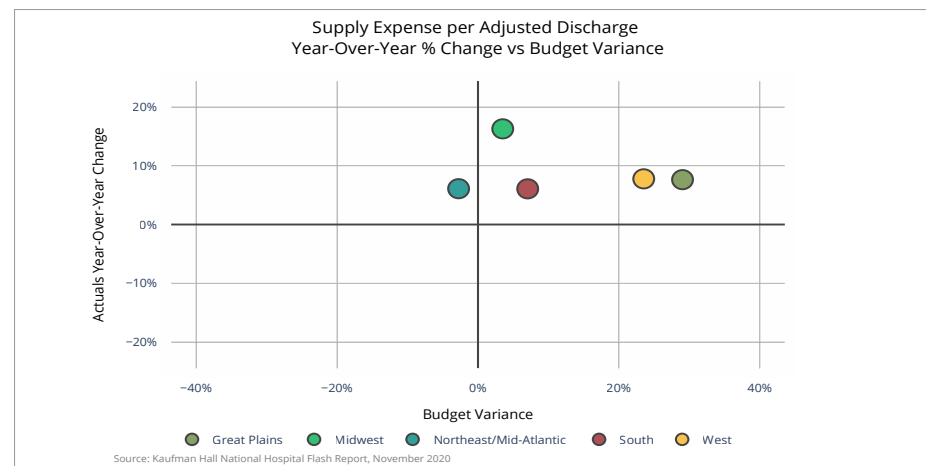
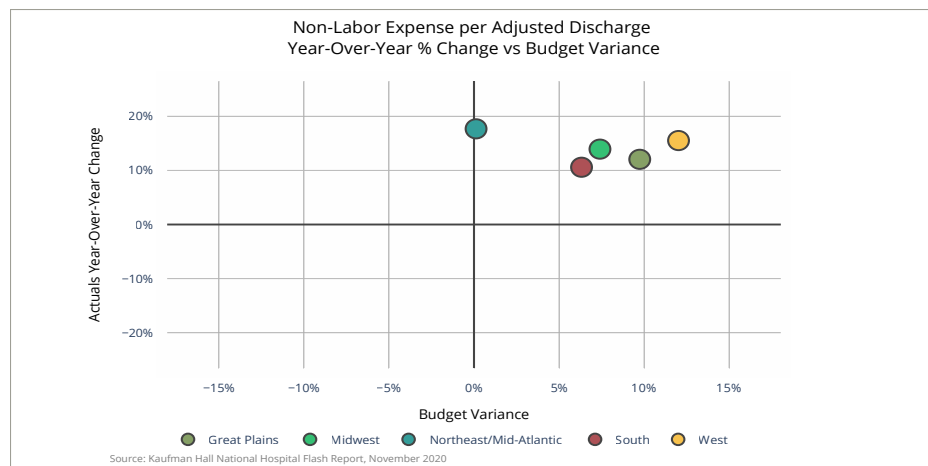
EXPENSES % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-to-Date
Total Expense	0.6%	2.7%	2.3%	1.9%
Total Labor Expense	-1.1%	3.5%	0.1%	2.0%
Total Non-Labor Expense	1.6%	2.1%	3.2%	1.7%
Supply Expense	2.0%	3.3%	1.2%	-0.3%
Drugs Expense	2.6%	4.7%	4.9%	3.4%
Purchased Service Expense	0.8%	1.5%	5.7%	3.9%
Total Expense per Adjusted Discharge	5.3%	-2.9%	12.2%	13.5%
Labor Expense per Adjusted Discharge	3.8%	-0.9%	10.8%	15.2%
FTEs per AOB	-1.4%	-1.6%	-0.3%	5.9%
Non-Labor Exp per Adjusted Discharge	6.0%	-3.8%	13.2%	13.0%
Supply Expense per Adjusted Discharge	6.0%	-3.4%	8.9%	11.2%
Drug Expense per Adjusted Discharge	3.6%	1.2%	15.1%	14.7%
Purchased Service Expense per Adjusted Discharge	6.7%	-1.4%	18.6%	16.9%

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

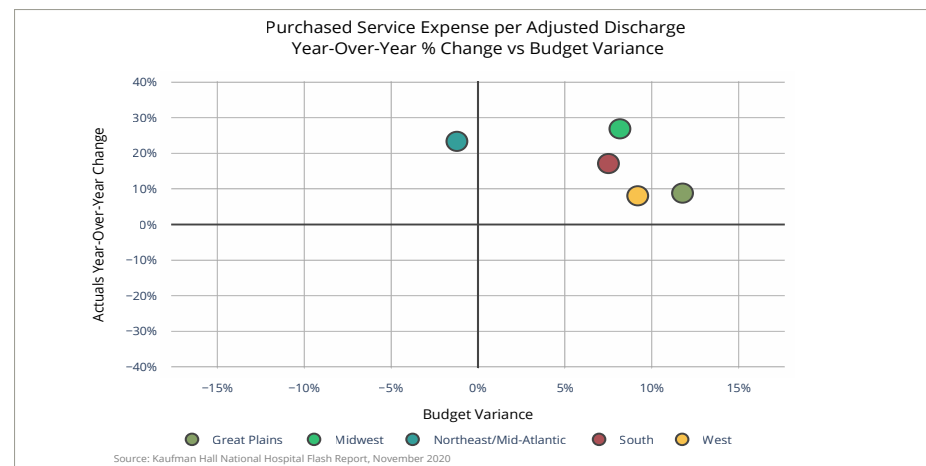
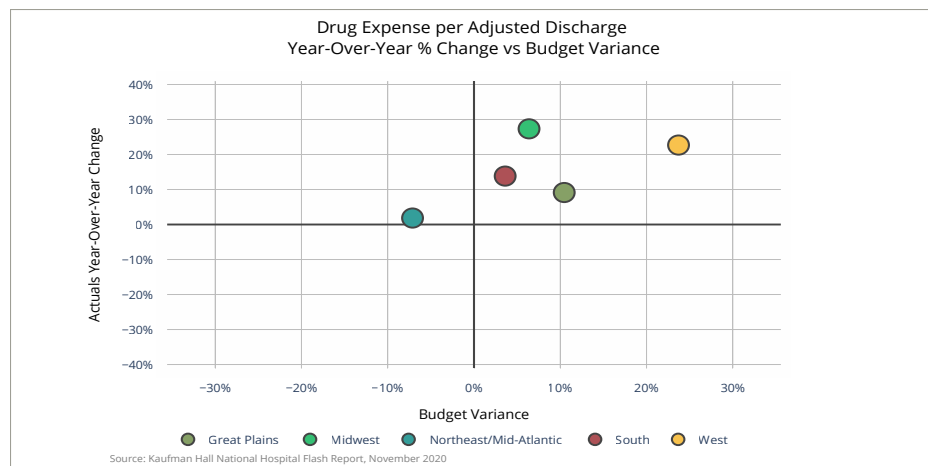
## Expense by Region



Hospitals across all regions saw Total Expense per Adjusted Discharge increase about 10% or more YOY and Labor Expense per Adjusted Discharge increase 8% or more YOY. Full-Time Equivalents (FTEs) per Adjusted Occupied Bed (AOB) fell below budget in four of five regions, but were 2.4% above budget in the West.

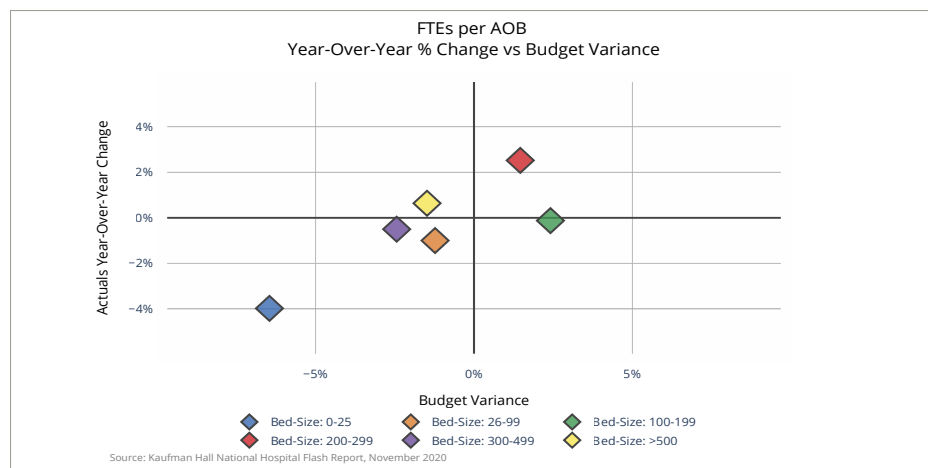
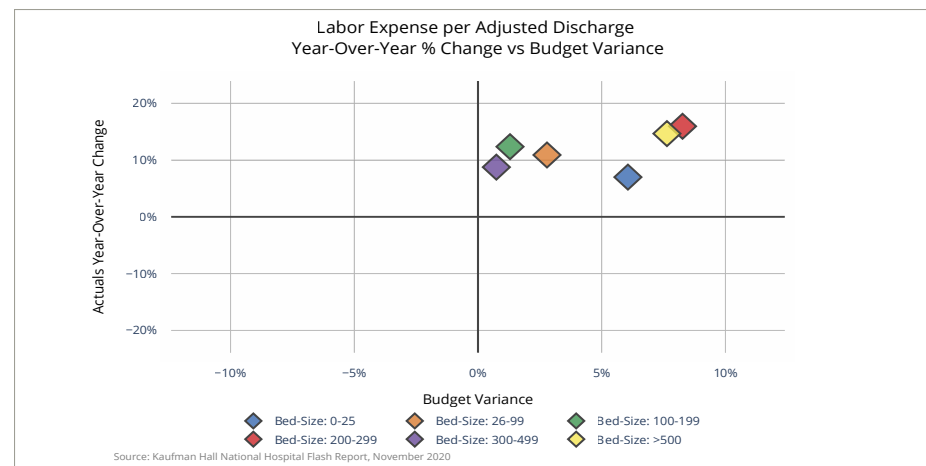
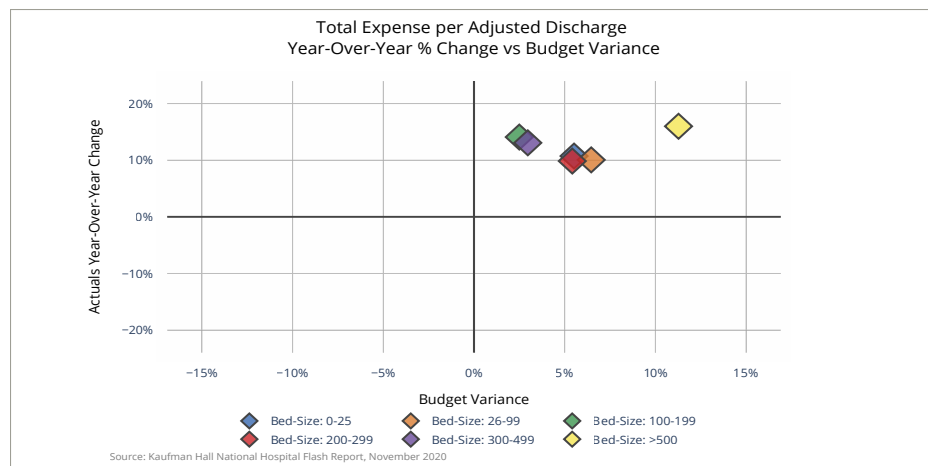
*Expense by Region (continued)*

Non-Labor Expense per Adjusted Discharge jumped more than 10% YOY across all regions, with the Northeast/Mid-Atlantic seeing the biggest increase at 17.7%. Supply Expense per Adjusted Discharge also rose YOY for all regions, with the Midwest having the biggest increase at 16.3%.



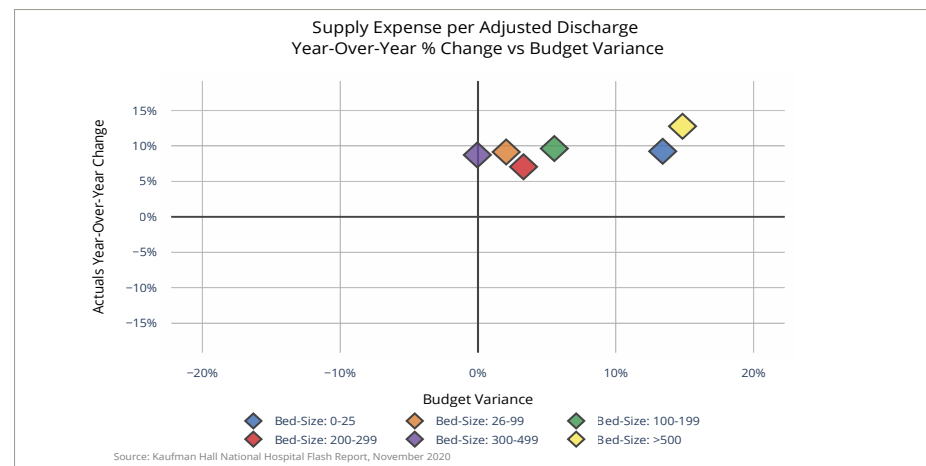
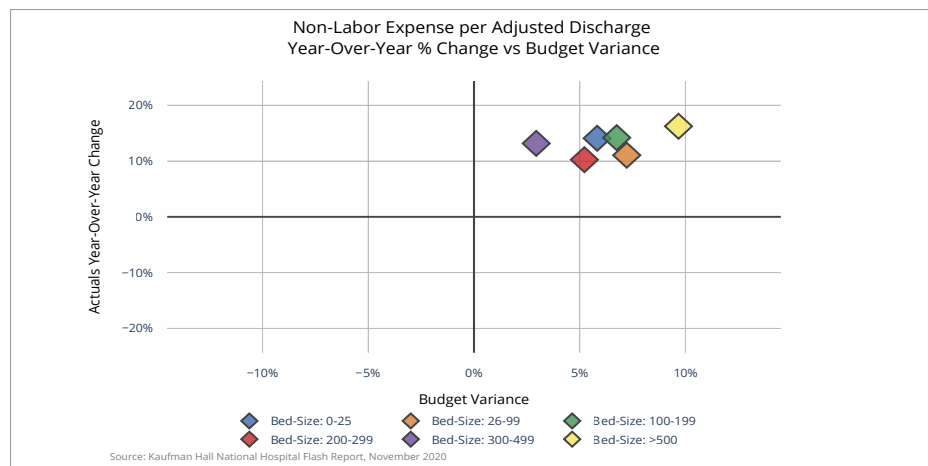
Drug Expense and Purchased Service Expense per Adjusted Discharge both rose YOY and above budget in four of five regions. Both metrics also rose YOY but fell below budget in the Northeast/Mid-Atlantic at 7.1% and 1.2% below budget, respectively.

## Expense by Bed Size

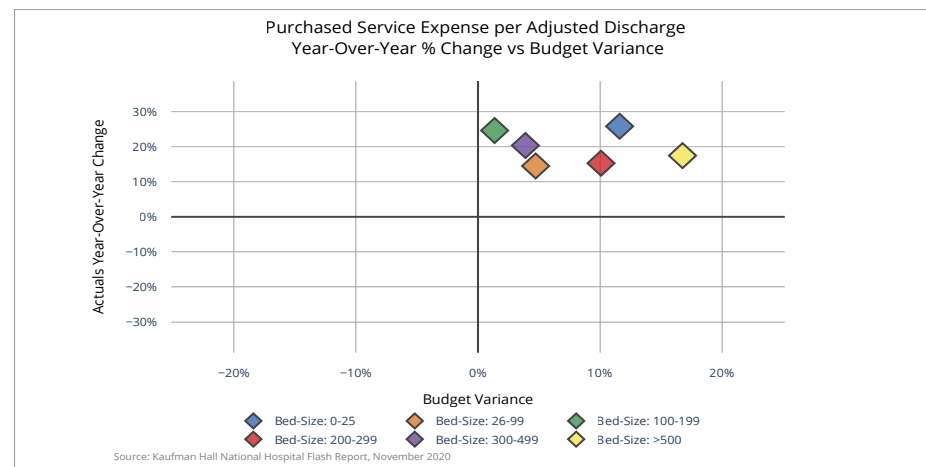
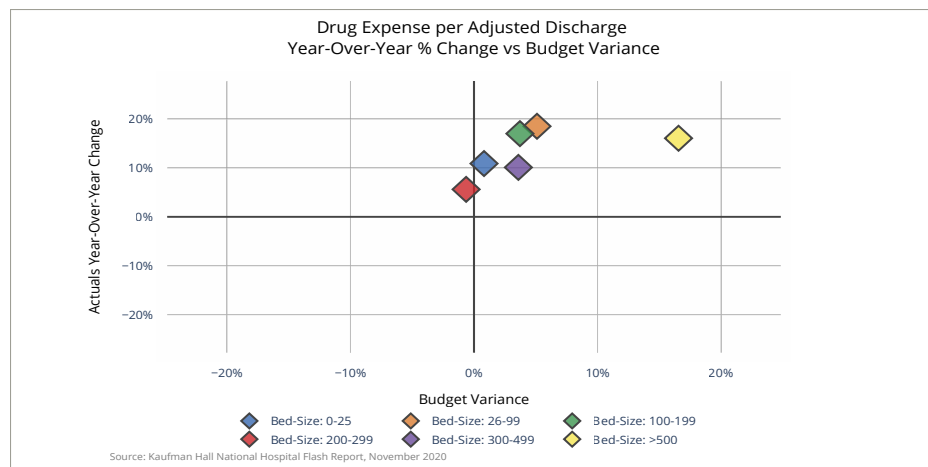


Total Expense and Labor Expense per Adjusted Discharge rose YOY and above budget for hospitals of all sizes. The largest hospitals of 500 beds or more saw the biggest increases in Total Expense per Adjusted Discharge, jumping 16% YOY and 11.3% above budget. FTEs per AOB fell YOY for four of six bed-size cohorts.

## Expense by Bed Size (continued)



Non-Labor Expense per Adjusted Discharge rose YOY and above budget for hospitals of all sizes, while Supply Expense per Adjusted Discharge was up YOY and above budget for five of six bed-size cohorts. Hospitals with 300-499 beds also were up YOY, but were in line with budget for supplies.



Drug Expense and Purchased Service Expense per Adjusted Discharge both were up YOY for all bed-size cohorts in October. Hospitals with 26-99 beds saw the greatest increase for drug expenses at 18.5% YOY, while hospitals with 0-25 beds saw the greatest increase for purchased services at 25.8% YOY.

# Non-Operating



## National Non-Operating Observations

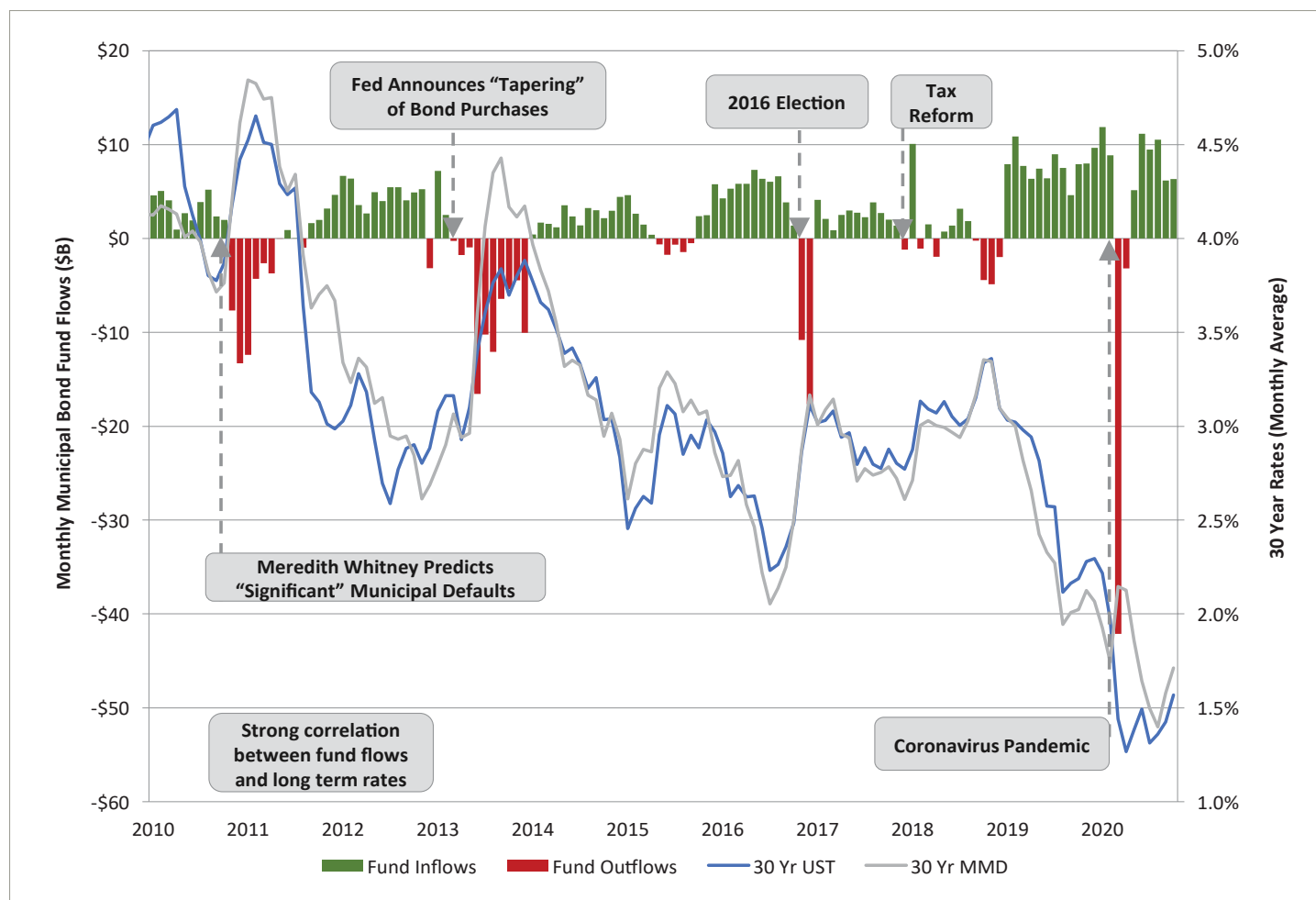
	October 2020	Month-Over-Month	Year-Over-Year
<b>General</b>			
GDP Growth†	33.1%	n/a	n/a
Unemployment Rate	6.9%	-1.0%	+3.3%
Personal Consumption Expenditures (YoY)	1.5%	n/c	-0.1%
<b>Liabilities</b>			
1m LIBOR	0.14%	-1 bp	-164 bps
SIFMA	0.12%	+1 bp	-100 bps
30yr MMD	1.71%	+9 bps	-35 bps
30yr Treasury	1.66%	+20 bps	-52 bps
<b>Assets</b>			
60/40 Asset Allocation*	n/a	-1.44%	+6.59%

† U.S. Bureau of Economic Analysis, Q3 2020 "First 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 US Treasury and 30 Year MMD



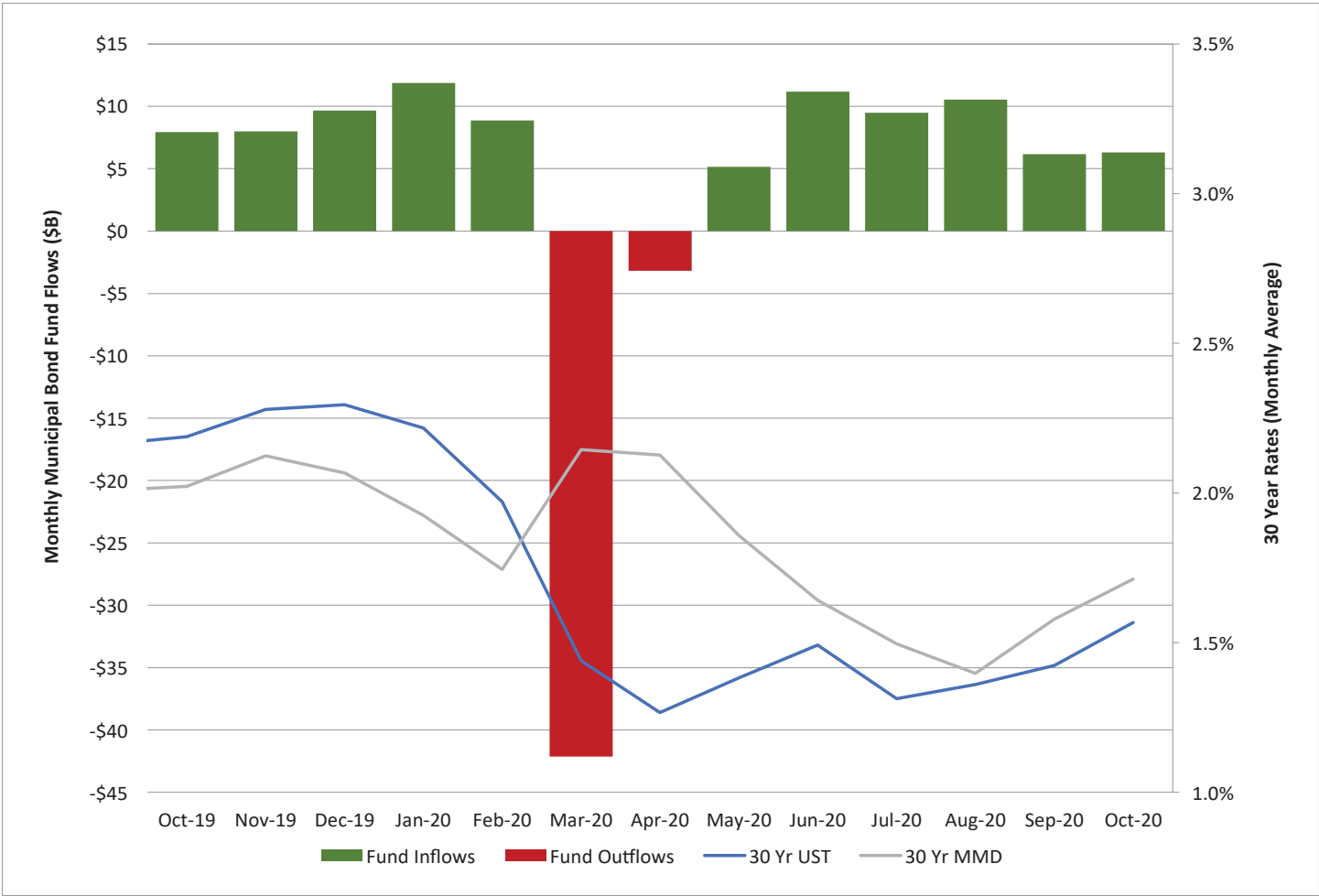
Kaufman Hall, National Hospital Flash Report (November 2020)

Long-term rates continued to rise in October as 30-year U.S. Treasury and 30-year MMD rates ended the month up 20 and 9 basis points, respectively. Fund flows remained strong, with \$6.3 billion entering municipal bond funds for the month. Market participants expect robust demand for tax-exempt bonds through the end of the year now that the supply wave from September and October has been absorbed.

*Note: Taxable and tax-exempt debt capital markets, as approximated here by the "30-yr U.S. Treasury" and "30-yr MMD Index," are dependent upon 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 investment 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)

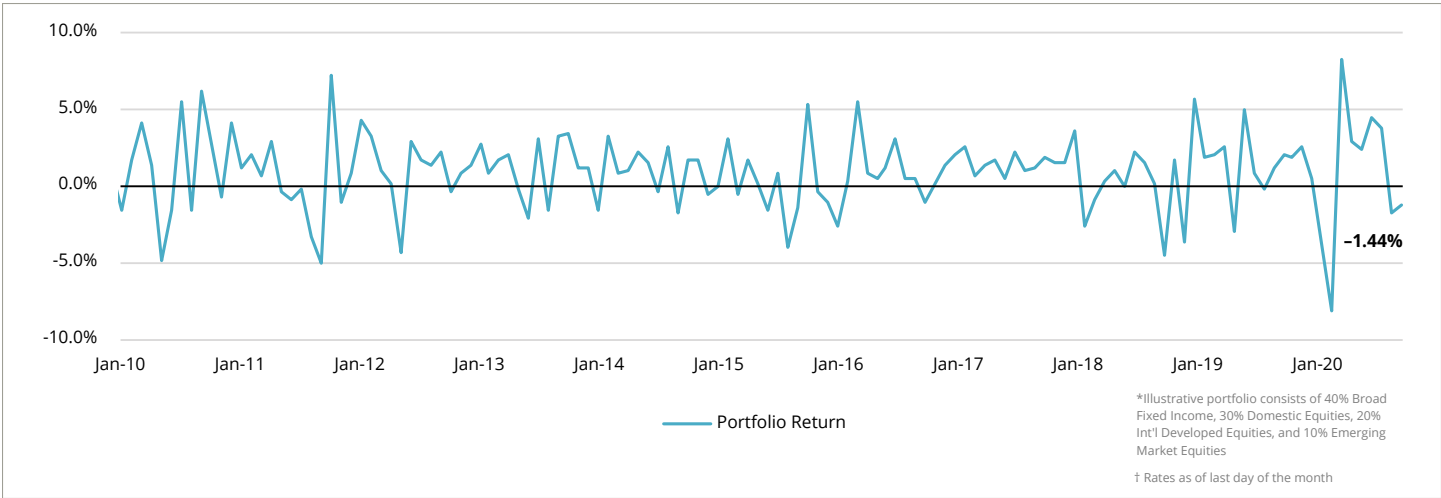
Last Twelve Months – Monthly Municipal Bond Fund Flows with 30 Year US Treasury and 30 Year MMD



Kaufman Hall, National Hospital Flash Report (November 2020)

# Non-Operating Assets

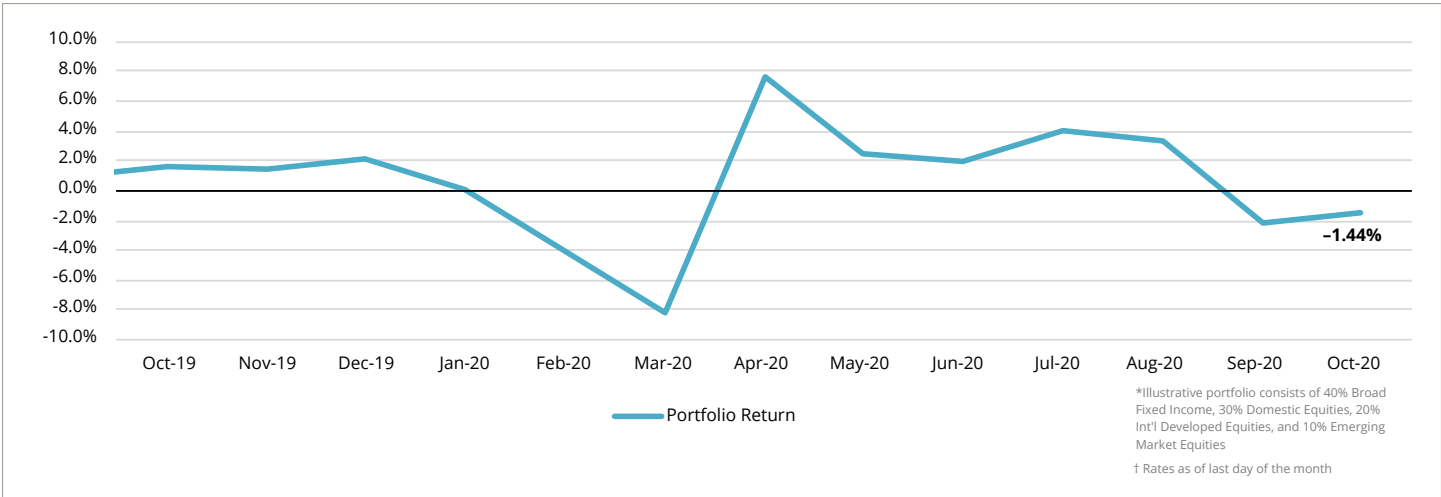
## Long Term – Illustrative Investment Portfolio Returns, Month-Over-Month Change



Kaufman Hall, *National Hospital Flash Report* (November 2020)

The 60/40 Blended Asset portfolio ended October down 1.44%, as the S&P 500 finished down 2.77% and the MSCI World Index was down 3.14%. The 60/40 portfolio is up 2.82% year-to-date.

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



Kaufman Hall, *National Hospital Flash Report* (November 2020)

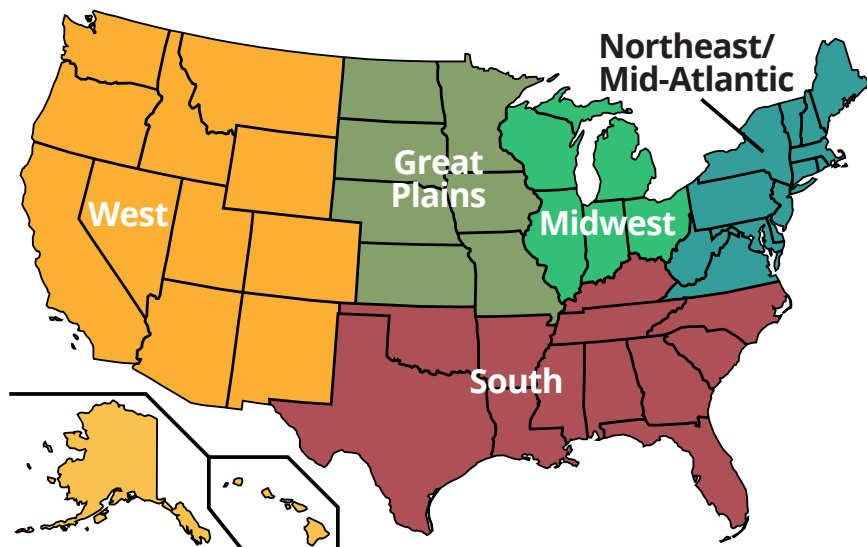
# About the Data

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 the Syntellis Comparative Analytics™ tool. 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, the Syntellis Comparative Analytics™ tool 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 the **Axiom Physician Budgeting Tool**.

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