

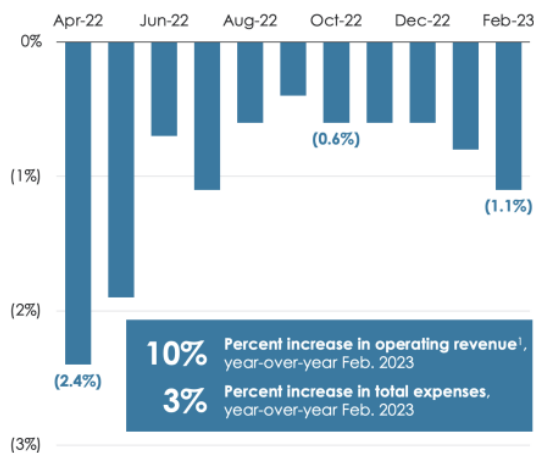
A new normal for hospital margins?

Using data from Kaufman Hall's [National Hospital Flash Report](#), as well as publicly available investor reports for some of the nation's largest nonprofit health systems, the graphic below takes stock of the current state of health system margins. **The median US hospital has now maintained a negative operating margin for a full year.** Some good news may be on the horizon, as **the picture is slightly less gloomy than a year ago, with year-over-year revenues increasing seven points more than total expenses.** However, **the external conditions suppressing operating margins aren't expected to abate**, and many large health systems are still struggling. Among large national non-profits Ascension, CommonSpirit Health, Providence, and Trinity Health, **operating income in FY 2022 decreased 180 percent on average, and investment returns fell by 150 percent on average**, compared to the year prior. While health systems' drop in investment returns mirrors the overall stock market downturn, and is largely comprised of unrealized returns, systems may not be able to rely on investment income to make up for ongoing operating losses.

A Year of Persistently Negative Hospital Margins

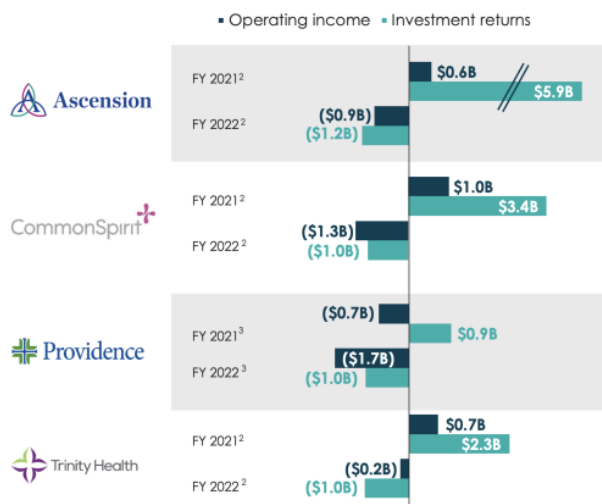
Investment Losses Compound Dwindling Operating Incomes for National Nonprofit Health Systems

Median Hospital Operating Margin, by Month
n = 900+ hospitals



1. Less CARES Act funding.
2. Fiscal Year July 1 through June 30.
3. Fiscal Year January 1 through December 31.

Select National Nonprofit Health System Operating Incomes and Investment Returns, FY 2021 vs FY 2022



Source: Kaufman Hall, "National Hospital Flash Report," Mar. '23; Publicly available investor forms, various health systems; Gist Healthcare analysis.