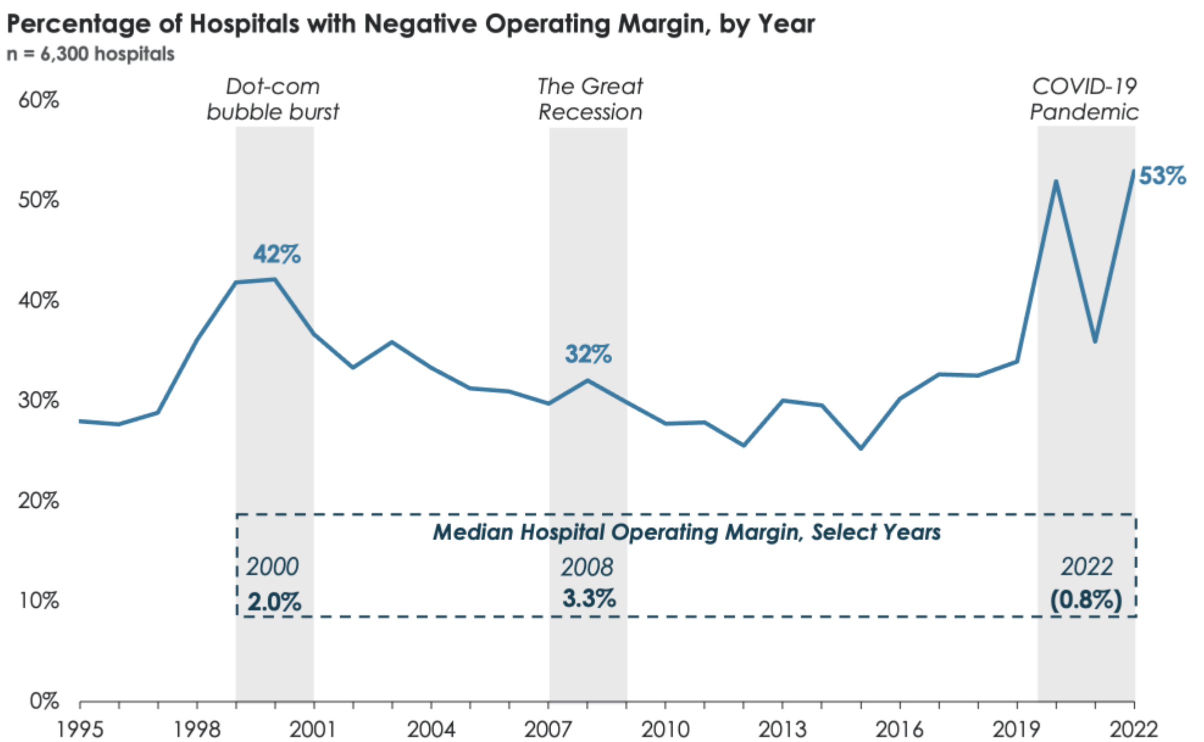
Taking a historical view of hospital operating margins

So far, 2023 is **shaping** up to be a slightly better year for hospital performance, but it comes on the heels of unprecedented financial difficulties for the sector. In the graphic below, we evaluated nearly 30 years of historical data from **Kaufman Hall** and the **American Hospital Association** to provide a broader perspective on hospital operating margins over time. ***2020 and 2022 have been the only years in which a majority of hospitals—53 percent—posted a negative operating margin.*** During the most comparable periods of recent economic hardship, the "dot-com bubble burst" of the late 1990s and the 2009 Great Recession, the share of hospitals with negative operating margins amounted to only 42 and 32 percent, respectively. With this context, ***hospitals' current financial distress is more severe than anything we've seen in the past three decades.*** Healthcare is clearly no longer recession-proof: a four percent operating margin—the level needed for health systems to not only sustain operations but also invest in growth—feels even more elusive as labor costs remain high, surgical care continues to shift to outpatient settings, the second half of the Baby-Boom generation ages into Medicare, and deep-pocketed competitors compete for profitable services.

More Hospitals Losing Money on Operations Than Ever Before



Source: American Hospital Association. "Trendwatch Chartbook 2020". Jan. 2020; Kaufman Hall. "The Current State of Hospital Finances: Fall 2022 Update". 15 Sep. 2022; Kaufman Hall. "National Hospital Flash Report". Jan. 2023; Gist Healthcare analysis.