

Uneven operating margin recovery for national health systems

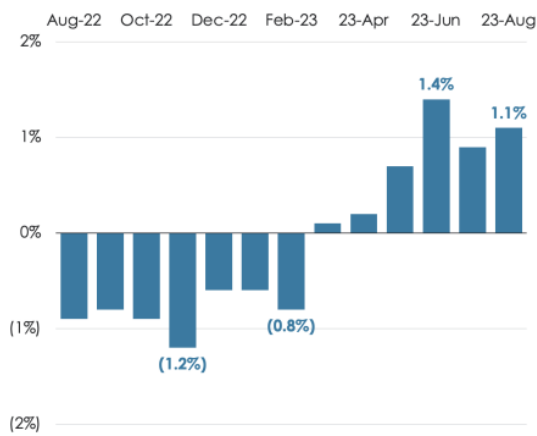
Using data from Kaufman Hall's latest [National Hospital Flash Report](#) and publicly available investor reports for some of the nation's largest health systems, the graphic below takes stock of the state of health system margins. **After the median hospital delivered negative operating margins for twelve-straight months, 2023 has made for a positive but slim year so far, with margins hovering around one percent.** Amid this breakeven environment, **fortunes have diverged between nonprofit and for-profit health systems.** The largest for-profit systems, HCA Healthcare and Tenet Healthcare, posted operating margins of around 10 percent between July 2022 and June 2023, while the three largest nonprofit systems, Kaiser Permanente, CommonSpirit Health, and Ascension, suffered net losses. Although Kaiser Permanente's margin bounced back in the first half of this year, CommonSpirit and Ascension's margins continued to decline, more than doubling the operating losses of the prior six months. **One key to the recent success of the largest for-profit systems is their diversification away from inpatient care.** Case in point: almost half of [Tenet's profits](#) in 2023 have come from its ambulatory division, driven by its United Surgical Partners International (USPI) ambulatory surgery center network, which has posted 40 percent margins over the past several quarters.

Hospital Margins Ticking Up in 2023 After Persistently Negative 2022

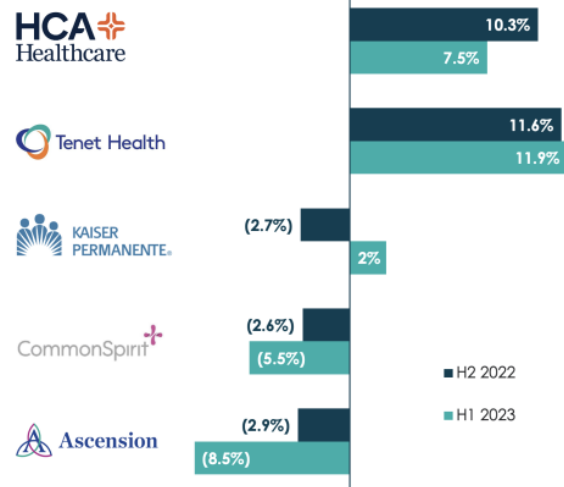
Largest Nonprofit Health Systems Reporting Far Worse Operating Margins Than For-Profit Counterparts

Median Hospital Operating Margin, by Month

n = 900+ hospitals



Largest National Health Systems' Operating Margins, H2 2022 v. H1 2023



Source: National Hospital Flash Report™, Kaufman Hall, October 2023; Publicly available investor forms, various health systems; Gisi Healthcare analysis.