



# Strata Performance Trends Report

Market Insights from Q3 2025



# Key findings from our latest data



**Steve Wasson**  
Chief Data & Intelligence Officer  
Strata Decision Technology

The following report combines financial, operational, and claims data from hospitals, health systems, and other healthcare organizations across the country. The data show that financial performance continued to lag in Q3 2025 as organizations experienced widening disparities by system size, patient acuity, and service line mix. Key findings include:



**Hospitals treating the most complex patients saw the sharpest drug expense increases**, with academic medical centers up 21.6% year-over-year to end the third quarter.



**Inpatient obstetrics margins fell further nationwide**, with the smallest hospitals with 25 beds or less posting losses exceeding \$6,700 per case, threatening access to maternity care.



**Revenue gaps widened between large and small health systems**, as the largest organizations posted gains while smaller systems saw revenue declines and deeper margin erosion.



**Academic medical centers faced mounting research strain**, with expenses rising faster than revenue amid drastically reduced grant funding and expanded staffing.



**Bariatric surgery volumes shifted sharply outpatient**, rising 78% since early 2024, while total surgical volumes declined as use of GLP-1 weight-loss drugs grew.

# Strata Insights: Actions to Strengthen Financial Performance

1

## Strengthen pharmaceutical cost controls and contract strategy.

With drug expenses up double digits – particularly for high-acuity patients – hospital leaders might consider reassessing group purchasing organization (GPO) contracts, expanding participation in 340B programs, or implementing tighter formulary management. Cost and margin analytics can be leveraged to identify variations in care, and continuous improvement systems can help automate tracking of cost-reduction initiatives, such as substituting high-cost drugs with therapeutic equivalents. Modeling the potential impact of pharmaceutical tariffs and building contingency budgets also help organizations prepare for drug price volatility.

2

## Reevaluate service line viability, especially in obstetrics.

Steep and worsening losses in inpatient obstetrics highlight the importance of analyzing service line profitability by geography and payor mix, and considering regional partnerships or consolidation where sustainable volume is lacking. For essential but unprofitable services, some organizations are pursuing targeted subsidy negotiations with state Medicaid agencies or community reinvestment funding to preserve access without jeopardizing system margins.

3

## Diversify revenue streams and scale efficiencies.

Smaller systems are seeing margin compression while large systems leverage economies of scale. To compete, finance leaders at smaller facilities might consider pursuing shared services models (e.g., centralized revenue cycle, supply chain, and information technology) and seeking strategic affiliations or management partnerships that improve purchasing power and spread administrative costs. Expanding into ambulatory, outpatient, and digital care delivery can also help stabilize revenue amid inpatient softness.

4

## Tighten oversight on research and grant operations.

Academic medical centers face growing imbalances between research revenue and expense growth. Ensuring cost accountability in research programs, aligning staffing levels to active funding, and improving indirect cost recovery rates from grants are potential strategies to help counteract these challenges. Leaders might consider taking a tiered approach to research investment, prioritizing programs with the highest potential for external funding or translational revenue.

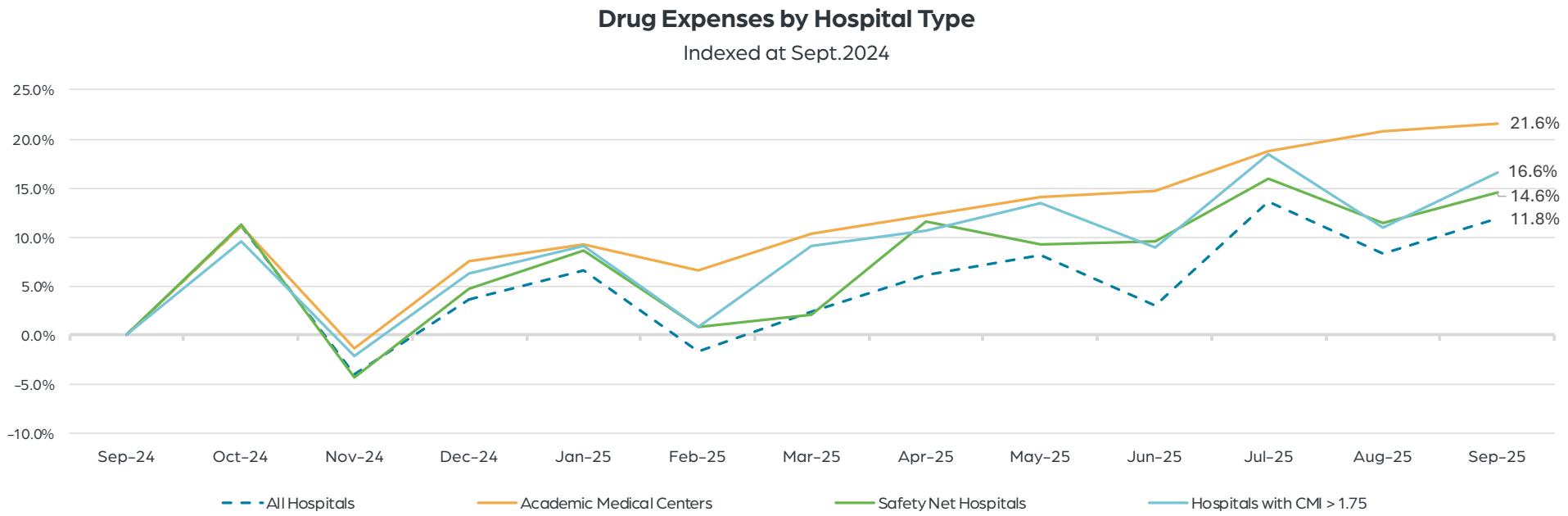
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## Anticipate long-term shifts from GLP-1 adoption and outpatient migration.

As weight-loss drug use reshapes bariatric demand, hospital leaders could reforecast surgical and ancillary service volumes tied to obesity care. Reinvesting in metabolic health programs, endocrinology, and outpatient weight management services can help offset lost procedural revenue. By aligning capital planning with the broader shift toward outpatient and preventive care, leaders ensure investment follows demand rather than legacy inpatient models.



# Hospitals Treating the Most Complex Patients See Accelerated Drug Expense Growth



Source: Strata Comparative Analytics

Note: Case mix index (CMI) measures patient complexity; a higher CMI reflects more severe cases requiring more resources.

Hospitals nationwide continued to see double-digit increases in drug expenses throughout the third quarter, with the steepest increases concentrated among institutions treating the most complex and resource-intensive patient populations. While the pace of growth varied month to month, every hospital category posted higher drug expenses than the September 2024 baseline by the end of the quarter in September 2025.

Academic medical centers led all groups, with total drug expense rising steadily and ending a full 21.6% above the baseline in September, the sharpest increase of any category. Safety net hospitals recorded a 14.6% year-over-year (YOY) increase.

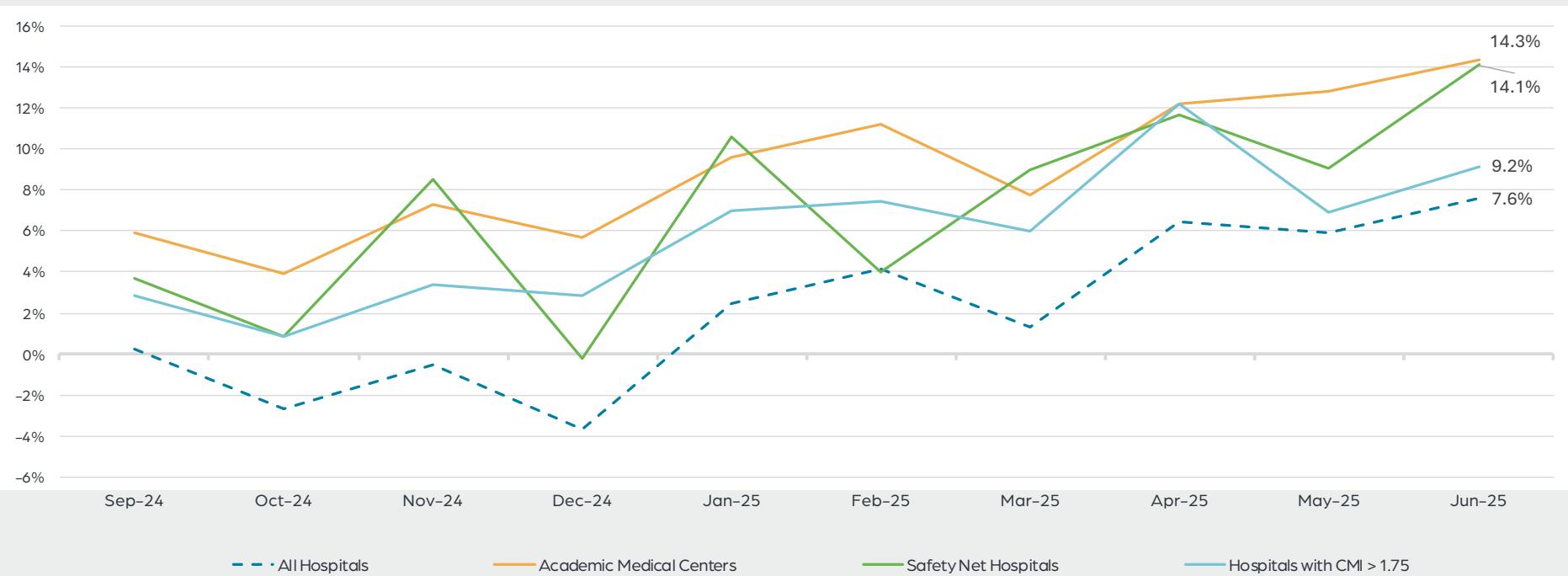
Across all hospitals, those with a case-mix index above 1.75 – indicating they serve a significant proportion of higher-acuity patients – saw fluctuations

throughout the year but finished 16.6% above baseline. Nationally, hospitals overall experienced an 11.8% rise in drug expenses from September 2024 to September 2025.

The broad upward trajectory underscores that escalating pharmaceutical expenses remain a significant and widespread challenge across the sector. These trends likely would be exacerbated if proposed federal tariffs on pharmaceutical imports take effect in the coming year. The federal government continues to threaten to impose tariffs as high as 100% or more on pharmaceutical imports. In response, many global pharmaceutical firms are striking deals with the Trump administration to shift manufacturing and supply-chain investments into the U.S. [to avoid or mitigate](#) the tariff risk.<sup>1</sup>

## Drug Expense per Adjusted Patient Day by Hospital Type

Indexed at Sept. 2024



Source: Strata Comparative Analytics

Dramatic increases in drug expenses held true even after adjusting for patient volumes. Drug expense per adjusted patient day trended upward across all hospital types over the 12 months ending in September 2025. While patterns varied month to month, each hospital category finished the period above its September 2024 baseline.

Once again, academic medical centers posted the steepest sustained increases, with drug expense per adjusted patient day rising steadily throughout 2025 and reaching 14.3% above the baseline by the close of Q3

2025. Safety net hospitals followed closely, ending the period up 14.1% after sharp fluctuations earlier in the year. Hospitals with a case-mix index above 1.75 recorded a 9.2% increase YOY. Across all U.S. hospitals, drug expense per adjusted patient day climbed 7.6% compared to September 2024.

# Inpatient Obstetrics Losses Worsen, Hitting Small and Rural Hospitals Hardest

Inpatient obstetrics margins deteriorated across hospitals of all sizes through August 2025, with the deepest losses concentrated among smaller and rural facilities. While the pace of change varied by segment, every category posted more negative margins than a year earlier, underscoring persistent financial stress for hospitals that provide maternity care.

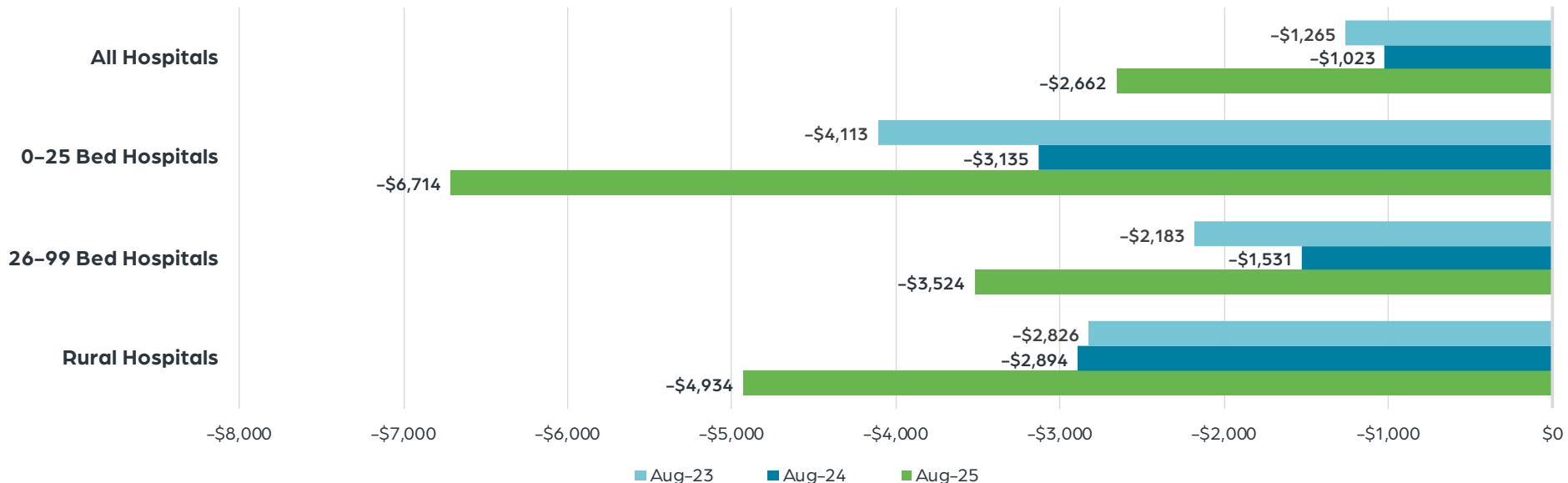
Across all hospitals, the average total expense margin per obstetrics case fell to -\$2,662 in August 2025, down from -\$1,023 in August 2024. The steepest declines occurred among the smallest hospitals. Facilities with 0–25 beds saw margins worsen to -\$6,714 per case in 2025, compared to -\$3,135 the prior year and -\$4,113 in August 2023.

Similarly, hospitals with 26–99 beds reported margins of -\$3,524 per case, down from -\$1,531 in 2024. Rural hospitals also faced persistent losses, with margins slipping to -\$4,934 in August 2025 versus -\$2,894 a year earlier.

These deepening losses signal intensifying financial risk for hospitals offering obstetric services, particularly for smaller hospitals and those in rural markets, where access is most at risk as providing maternity care becomes increasingly unsustainable.

## Inpatient Obstetrics Total Cost Margin per Case

By Hospital Type and Year



Source: StrataSphere

# Financial Gap Widens Between Large and Small Health Systems

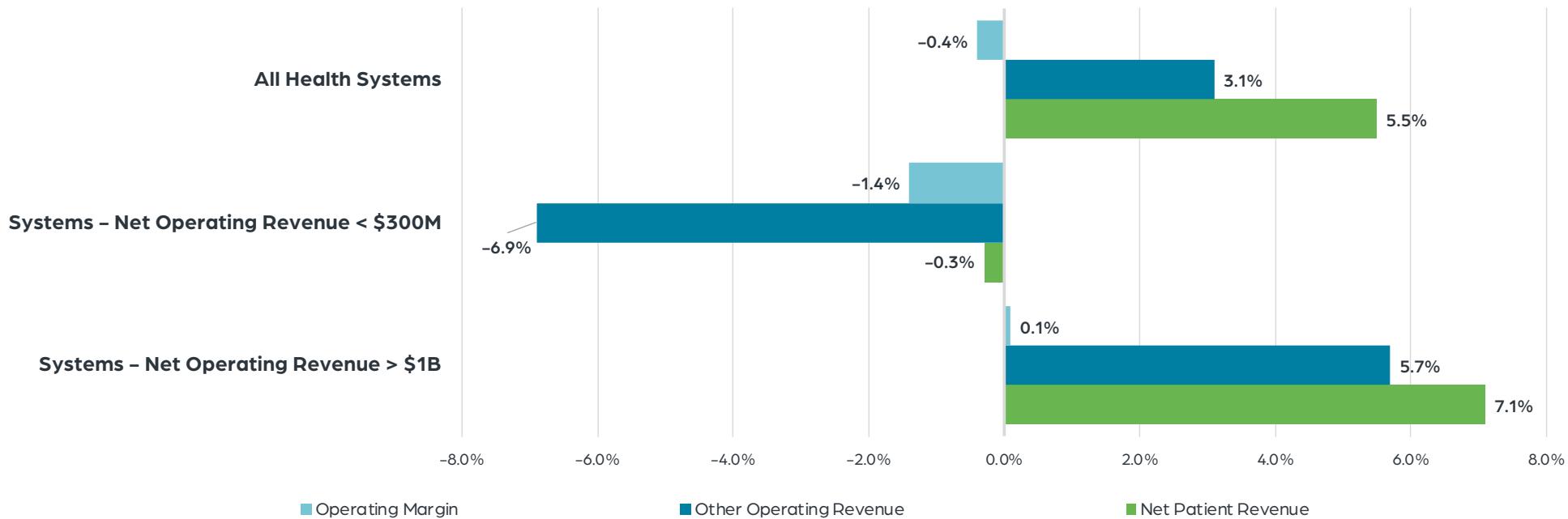
Revenue performance diverged sharply between large and small health systems from January to September 2025 compared to the same period in 2024. Smaller organizations continued to face declining revenue and margin pressures while larger systems posted modest gains.

Across all health systems nationally, net patient revenue rose 5.5% YOY and other operating revenue increased 3.1%, while operating margins slipped slightly by 0.4%. The aggregate results mask stark differences by system size. Health systems with more than \$1 billion in net operating revenue recorded the strongest gains, with net patient revenue up 7.1% and other operating revenue up 5.7%. Operating margins held essentially flat, however, increasing just 0.1%.

In contrast, smaller systems with less than \$300 million in net operating revenue experienced significant declines. Net patient revenue decreased slightly, down 0.3%, while other operating revenue dropped 6.9% and operating margin was down 1.4%.

These results underscore a widening financial gap in the sector, as larger systems leverage scale to sustain growth while smaller organizations continue to struggle under persistent margin pressure.

Revenue Shifts – Jan.–Sept. 2024 vs. Jan.–Sept. 2025



Source: Strata Comparative Analytics

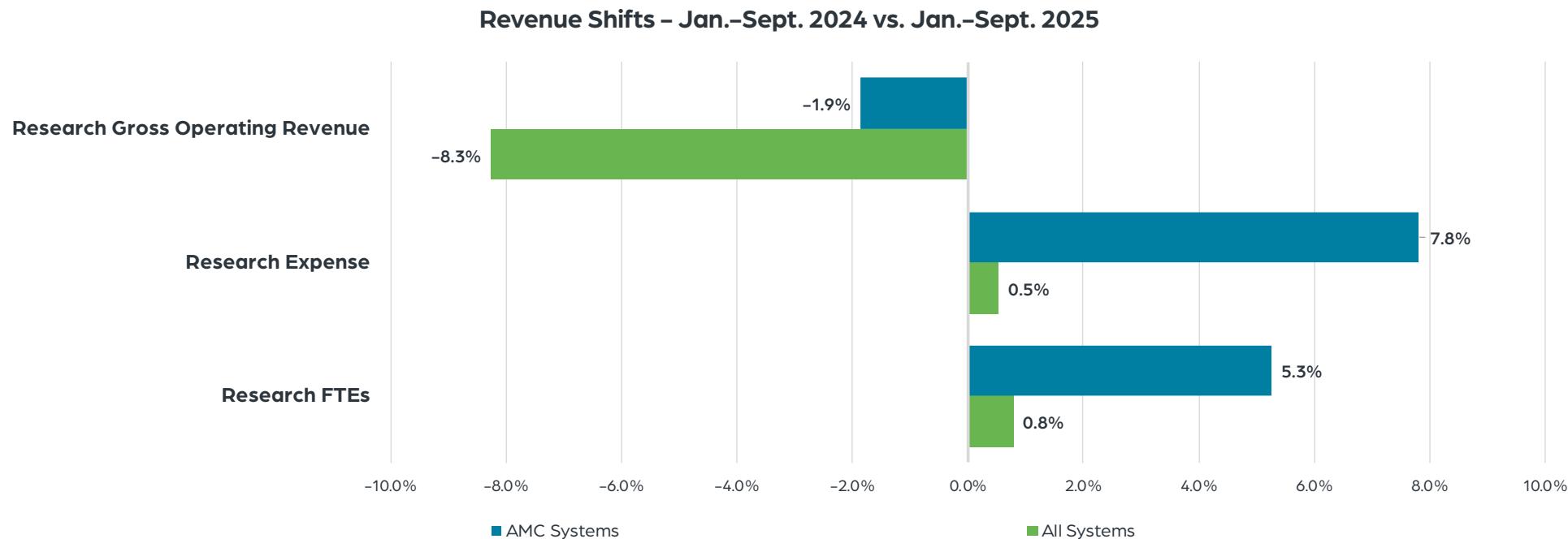
# Academic Research Revenue Falls as Associated Costs Continue Rising

Research activity showed notable divergence between academic medical centers (AMCs) and health systems overall from January to September 2025 compared to the same period in 2024. While overall system metrics held relatively flat, AMCs experienced both significant expense growth and staffing expansion alongside declining research revenue – signaling mounting financial pressure within academic research operations.

Among AMCs, research gross operating revenue fell 1.9% YOY, while expenses climbed 7.8% and full-time equivalent (FTE) research staffing rose 5.3%. In contrast, across all systems nationally, research gross operating revenue declined sharply by 8.3% but was somewhat offset by limited expense growth of just 0.5% and a modest 0.8% increase in staffing.

These trends suggest that AMCs continued to invest heavily in research infrastructure and personnel despite revenue challenges over the past 12 months. This is likely due to obligations these institutions made prior to sizable grant reductions that took place in early 2025, including more than \$2 billion in federal research grants that [were cancelled](#) by the National Institutes of Health.<sup>2</sup> It can take [many months or more](#) to recruit and onboard new research faculty or to wind down research projects already underway.<sup>3</sup>

The imbalance between expense growth and revenue decline will compound fiscal strain for academic institutions in the year ahead.



# Outpatient Bariatric Surgeries Rise While Overall Volumes Drop

Bariatric surgery volumes have shifted markedly over the past 20 months, with outpatient procedures rising sharply even as total surgical volumes decline. The trend reflects both the continued migration of care to outpatient settings in general, and the growing impact of weight-loss medications on bariatric surgical demand.

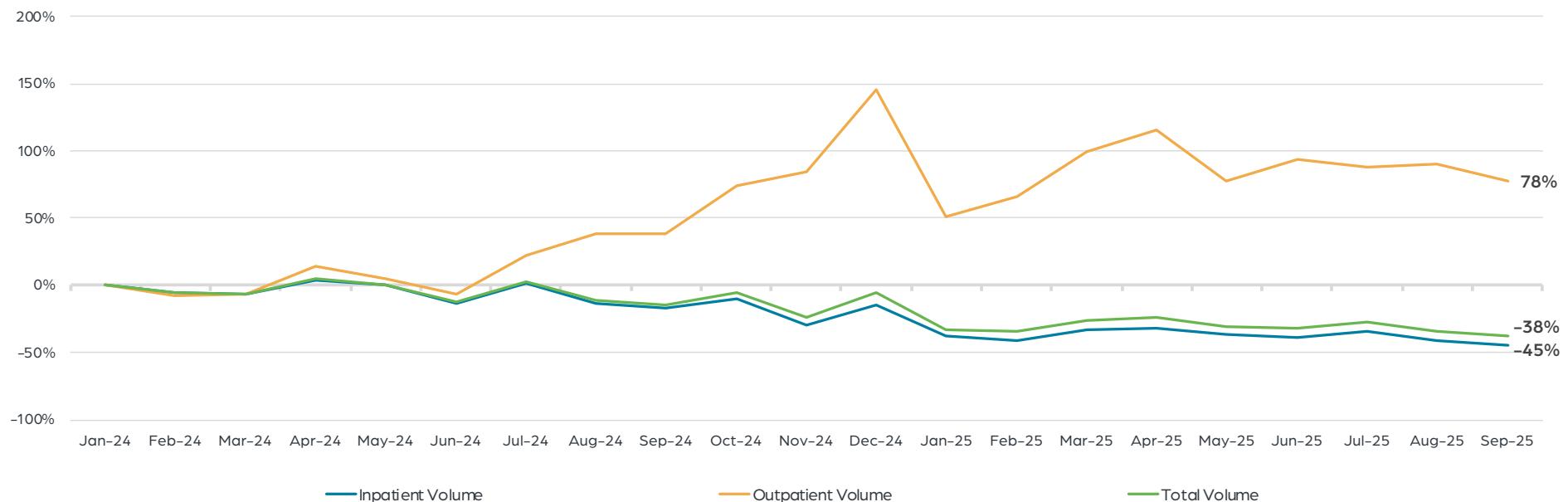
Outpatient bariatric surgery volume surged throughout 2024, peaking at 146% compared to the baseline in December 2024. The metric continued to rise in the first three quarters of 2025, rising to a high of 116% versus the baseline in April 2025. As of September, outpatient bariatric surgery volumes were up 78%

compared to January 2024 levels. In contrast, inpatient volumes fell steadily, down 45% from the baseline by September, while total bariatric surgery volume declined 38% versus January 2024 levels.

The expanding use of GLP-1 prescription drugs appears to be a key factor behind the decline in overall surgical volumes. According to a recent [Fair Health study](#)<sup>4</sup>, the share of U.S. adults using GLP-1 medications rose from less than 1% in 2019 to 4% in 2024. As adoption continues to grow, hospitals may see sustained downward pressure on bariatric surgery demand.

## Bariatric Surgery Volume vs. Jan. 2024

Hospitals Nationally



# Hospital KPIs

SEPTEMBER 2025

The top financial KPIs for U.S. hospitals for September 2025 versus September 2024 were:

Operating margin:

+0.5

PERCENTAGE POINTS

Outpatient visits:

+9.8%

Total expense:

+7.5%

Total non-labor expense:

+9.3%

Outpatient revenue:

+12.8%

## Health System Operating Margins Hold Near 1% Despite Modest Gains

Operating margins for health systems nationally ticked upward for the second consecutive month in September. The median year-to-date (YTD) operating margin rose from 1.0% in August to 1.1% to close the third quarter. Despite the modest increase, margins remained thin – as they have throughout 2025 – hovering around 1%.

For U.S. hospitals, operating margins showed minimal overall movement. The median change in hospital operating margin rose just 0.5 percentage point year-over-year (YOY) in September and was up just 0.4 percentage point from August to September 2025.

Performance varied across census regions. Median YOY changes in operating margin ranged from 0.5 percentage-point increases for hospitals in the South and Midwest to a more substantial

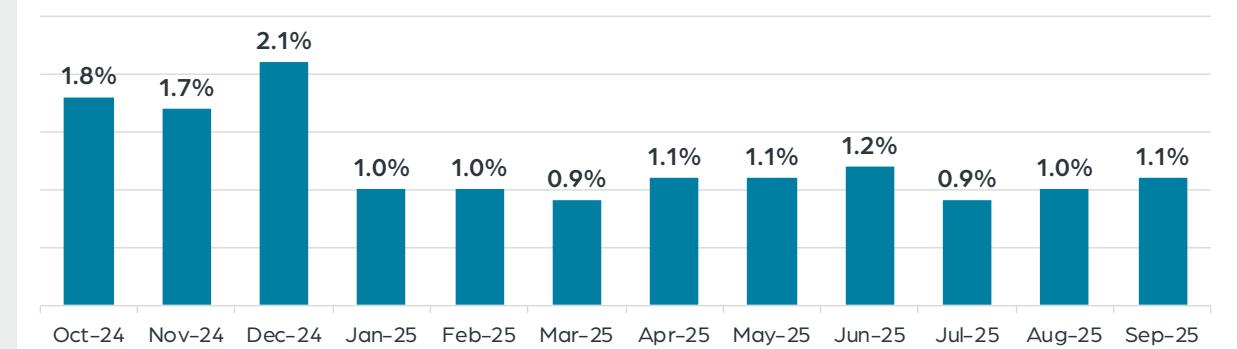
increase of 4.4 percentage points for hospitals in the Northeast. Hospitals in the West, however, experienced a slight 0.3 percentage point YOY decline in median change in operating margin.

Operating margin trends also differed by hospital size. The smallest hospitals (0–25 beds) saw a 0.4 percentage point decrease YOY, while the largest hospitals (500+ beds) reported a 0.5 percentage point increase. Among mid-sized facilities, YOY increases ranged from 0.4 percentage point for hospitals with 200–299 beds to 1.3 percentage points for those with 26–99 beds and 100–199 beds.

Nationally, the median change in operating earnings before interest, taxes, depreciation, and amortization (EBITDA) margin also rose slightly, increasing 0.2 percentage point YOY and 0.4 percentage point month over month.

### Median Health System Operating Margins

Nationally, Year-to-Date



Source: Strata Comparative Analytics

# Total Hospital Expenses Rise 7.5% as Non-Labor Expense Growth Outpaces Labor

Hospital expenses continued to rise for most metrics compared to 2024 levels, with non-labor expenses once again outpacing labor expense growth. Total non-labor expense jumped 9.3% YOY, while total labor expense increased 5.0% YOY. Overall, total hospital expenses climbed 7.5% YOY in September. The growth in non-labor expenses was driven by a 12.8% YOY increase in drug expenses, a 12.1% YOY rise in supply expenses, and an 8.0% YOY increase in purchased service expenses.

Regional trends showed notable variation. Hospitals in the Midwest saw the biggest YOY expense increases, with total non-labor expense up 10.5% and total labor expense up 5.8%. Hospitals in the Midwest also saw the largest jump in drug expenses, up 17.3% from September 2024 to September

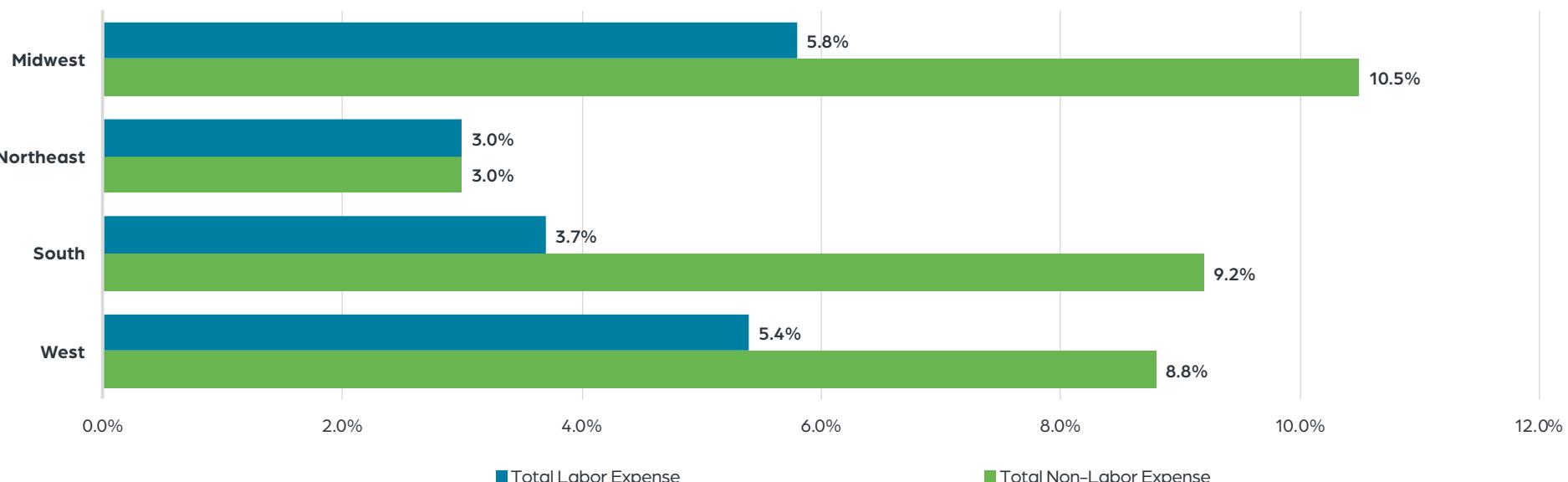
2025, followed by hospitals in the West with a 15.7% increase. Hospitals in the Northeast reported an 8.7% YOY increase, while those in the South experienced a more moderate 3.4% rise over the same period.

At the national level, hospitals showed some improvement month-over-month. Total expense declined 0.5%, and total labor expense was down 1.7%, though total non-labor expense edged up slightly by 0.6% from August to September 2025.

Expense results were more mixed after adjusting for patient volumes. Total expense per adjusted discharge increased 1.8% YOY, and non-labor expense per adjusted discharge rose 3.9% YOY. At the same time, labor expense per adjusted discharge declined 2.1% YOY.

## Total Non-Labor Expenses Growing Faster Than Total Labor Expenses

Year-Over-Year for September 2025, By Census Region



Source: Strata Comparative Analytics

# Hospital Volumes Show Mixed Trends to Close Third Quarter 2025

**Hospital volumes:** Hospitals continued to see mixed results in patient demand at the close of the third quarter. Outpatient visits showed the strongest growth, with patient volumes up 9.8% from September 2024 to September 2025. Inpatient admissions increased 5.3% during the same period, while observation visits rose 1.5%. Emergency visits declined slightly, down 0.5% YOY.

Month-over-month trends were less favorable. Outpatient visits rose 3.6% compared to August, but all other categories saw declines. Emergency visits experienced the largest drop, with patient volumes down 3.3% from August to September 2025, followed by observation visits down 2.1% and inpatient admissions down 0.2%.

Regional performance varied. Hospitals in the South saw the greatest YOY increase in outpatient visits at 11.5%, followed closely by the Midwest at 11.1%. Hospitals in the Northeast reported the largest increase in inpatient admissions, up 7.0% YOY. Compared to September 2023, outpatient visits nationally rose 16.0% in September, while inpatient admissions increased 9.8% over the same period.

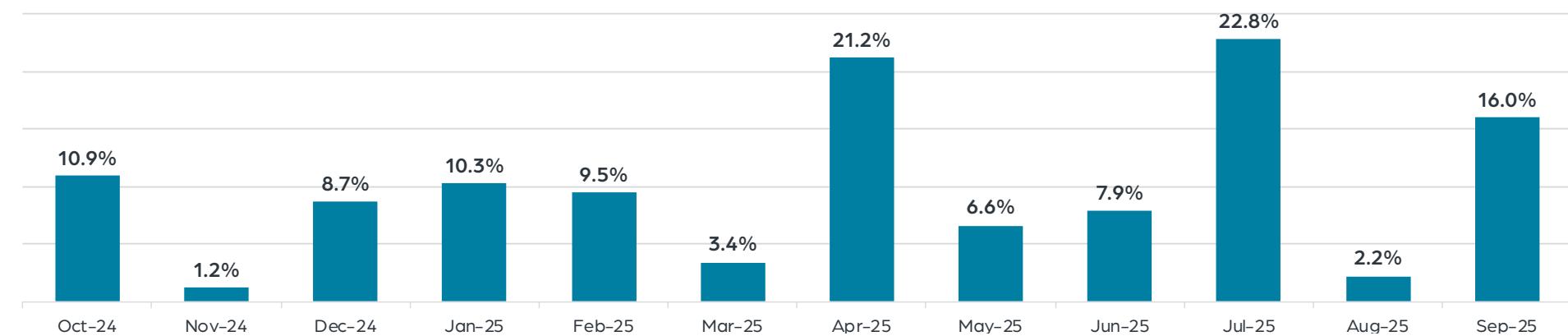
**Service line volumes:** Patient demand showed wide variation across different service lines, according to the latest data from August. The infectious disease service line recorded the largest YOY decline, with patient volumes down 14.4%. Other decreases were more modest, ranging from a 1.6% drop in behavioral health to a 0.1% decline in the endocrine service line. The genetics service line posted the strongest YOY gain, with patient volumes up 5.3%, followed closely by hepatology with a 5.2% increase.

**Procedure volumes:** Among 15 common procedure types, seven saw YOY decreases in patient volumes, while eight experienced increases in August. Outpatient microbiology lab procedures had the largest decline at 10.2% YOY, followed by inpatient primary knee replacement surgeries, which were down 9.7%. Conversely, outpatient positron emission tomography (PET) imaging posted the largest increase at 13.2% YOY.

**Children's hospital volumes:** Children's hospitals also experienced mixed results to end the third quarter. Outpatient visits increased 6.6% from September 2024 to September 2025, while inpatient admissions declined 1.2%. Observation visits rose 3.2%, and emergency visits decreased 3.7% YOY.

## Outpatient Visits

Monthly Volume Changes vs. 2023



Source: StrataSphere

# Hospital Revenues Continue Upward Trend, Outpacing 2024 Levels

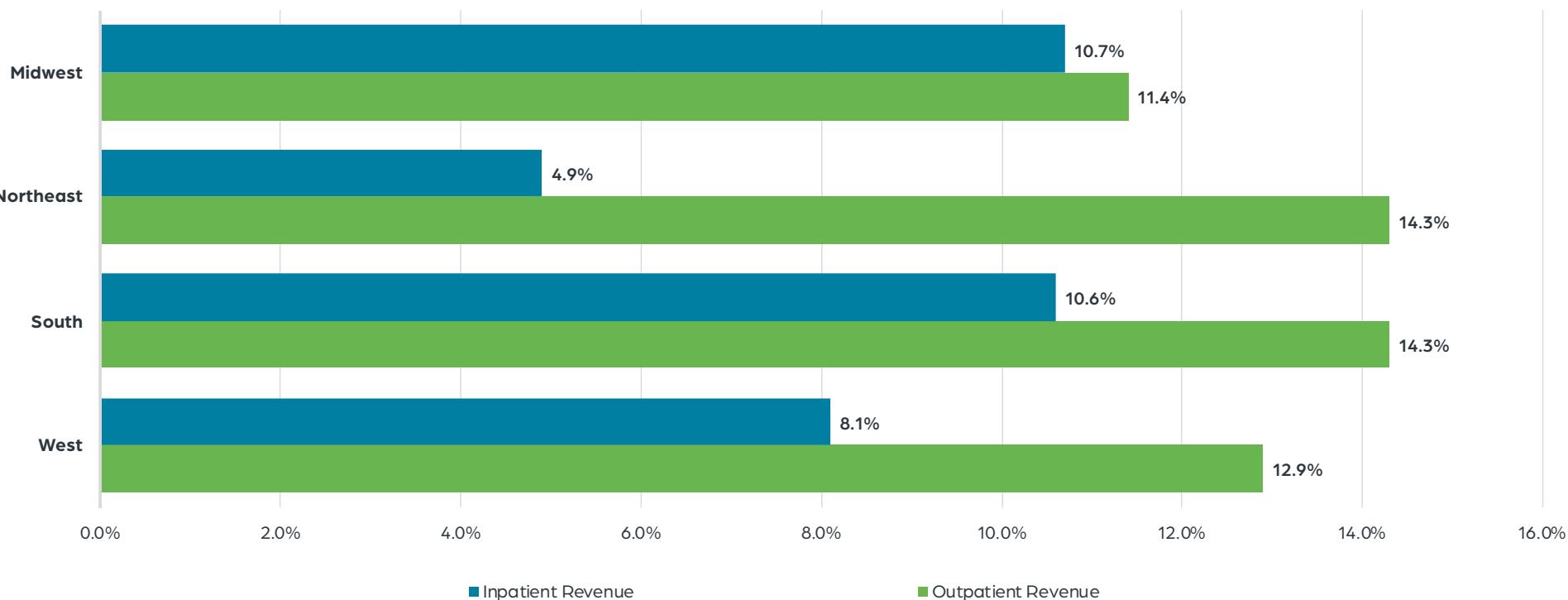
Hospitals continued to see gross revenues rise above 2024 levels in September. Gross operating revenue increased 11.4% YOY, driven by a 12.8% increase in outpatient revenue and a 9.8% increase in inpatient revenue. Month-over-month, gross operating revenue was up 1.0%, with outpatient revenue increasing 1.4%. Inpatient revenue was essentially flat, declining just 0.1%.

Hospitals experienced double-digit YOY growth in outpatient revenue across all census regions. Facilities in the Northeast and South saw the largest increases,

both up 14.3% YOY. The metric was up 12.9% for hospitals in the West and up 11.4% for those in the Midwest over the same period.

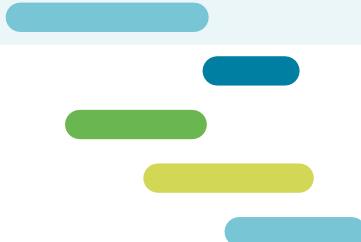
Bad debt and charity care rose 2.2% from September 2024 to September 2025, but decreased 9.9% from August to September 2025 for hospitals nationally. Net patient service revenue (NPSR) per adjusted discharge increased 2.3% YOY and 2.0% month-over-month, while NPSR per adjusted patient day was up 4.7% YOY and 0.5% month-over-month.

**Outpatient vs. Inpatient Revenue Changes**  
Year-Over-Year for September 2025, By Census Region



Source: Strata Comparative Analytics

For the latest financial performance data on U.S. hospitals, health systems, and physician groups, please see our [Monthly Healthcare Industry Financial Benchmarks](#).



## About the data

This report uses data from Strata's Comparative Analytics solution, which offers access to near real-time data drawn from more than 135,000 physicians from over 10,000 practices and 139 specialty categories, and from 500+ unique departments across more than 1,900 hospitals. Comparative Analytics also provides data and comparisons specific to a single organization for visibility into how their market is evolving.

In addition, the report includes data from Strata's StrataSphere database. StrataSphere is a unique and comprehensive data-sharing platform that helps providers leverage the power of a network that represents approximately 25% of all provider spend in U.S. healthcare. The data presented in this report were pulled from the StrataSphere encounter data set, which aggregates hospital billing data from across the U.S. As such, all reported metrics are from the hospital setting, and encounters were categorized by patient type depending on the presence of particular UB revenue codes. Procedures were identified using the Sg2 CARE Grouper. Depending on the specific data requirements for each section, different hospital inclusion criteria were applied.

## References

- <sup>1</sup> Reuters: "[Global Drugmakers Rush to Boost U.S. Presence as Tariff Threat Looms](#)," Nov. 18, 2025.
- <sup>2</sup> Breen, K.: "[Nearly 1 in 30 Clinical Trials, Including Cancer Research, Affected by NIH Cuts, Paper Says](#)," CBS News, Nov. 18, 2025.
- <sup>3</sup> Knapke, J.M., et. al.: "[Issues for Recruitment and Retention of Clinical Research Professionals at Academic Medical Centers](#)," Journal of Clinical and Transitional Science. 6: e80, 1-9. doi: 10.1017/cts.2022.411, May 2022.
- <sup>4</sup> Fair Health: [Obesity and GLP-1 Drugs: A Claims-Based Analysis](#). White paper, May 27, 2025.



