



Strata Performance Trends Report

Market Insights from H1 2026



Executive Summary



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The following report combines financial and operational data alongside market observations from hospitals and health systems nationwide for the first half of 2026. Key findings include:



Operating margins improved from early-2026 lows but remain constrained, even as patient volumes continue to grow.



Labor and supply expense per entity-adjusted patient day remain relatively stable, but persistent differences by region and hospital size point to materially different underlying cost structures.



As outpatient migration continues, inpatient case mix index (CMI) is rising across service lines with a heavy outpatient mix — an expected outcome as lower-acuity cases shift out of the inpatient setting and the remaining inpatient mix becomes more acute.

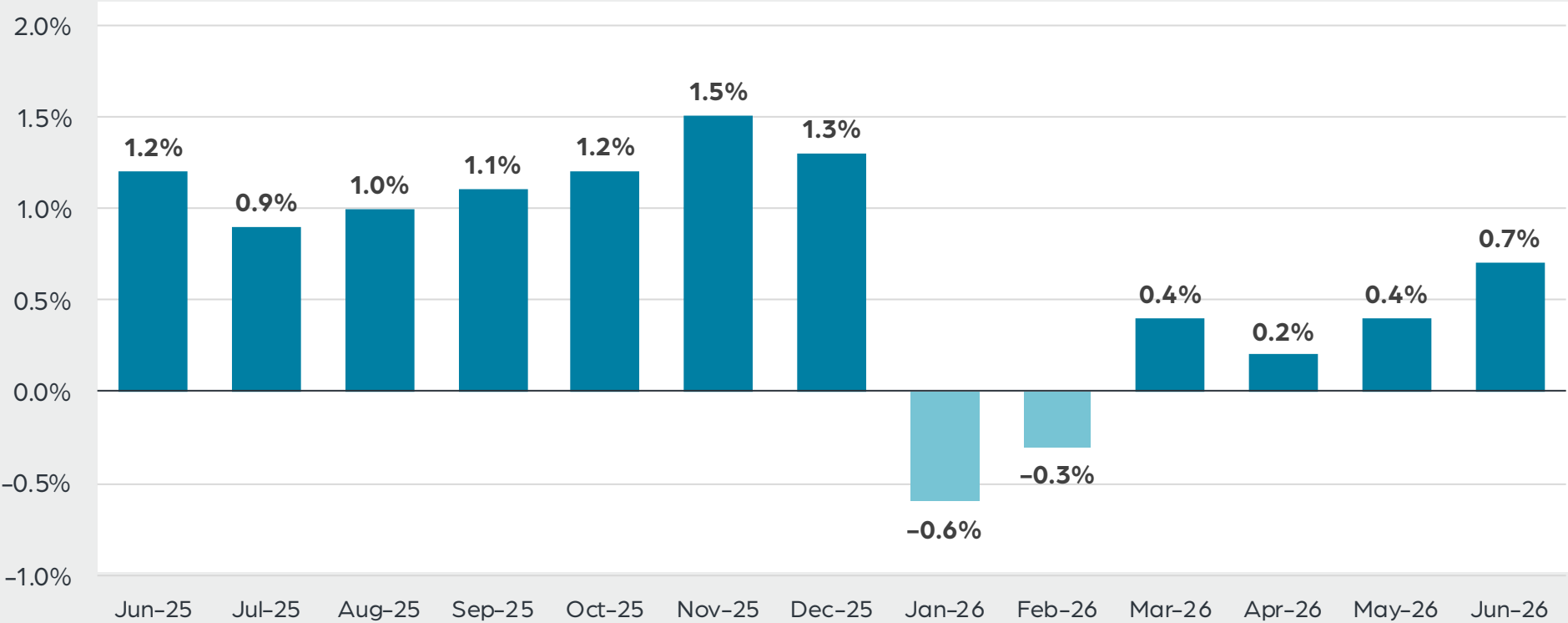


Clinical innovation, patient demand, seasonality, and service mix can produce substantially different growth patterns across service lines, increasing the importance of connecting financial, operational, and clinical data when allocating resources.

Market Overview

Operating margin: After a strong second half of 2025, when health system operating margins held in the +1.0–1.5% range, 2026 opened in negative territory. Margins gradually recovered, turning positive by March and reaching +0.7% in June.

Median Health System Operating Margins
Nationally, Year-to-Date



Expenses: Seasonal Trends by Region and by Hospital Size

Labor and supply expense per entity-adjusted patient day remained largely flat over the past year across all regions, while the West consistently reported levels roughly 50% higher than other regions.

Drug expense tells a different regional story. The Midwest and Northeast generally report the highest expense per entity-adjusted patient day, while the South remains lowest and relatively stable.

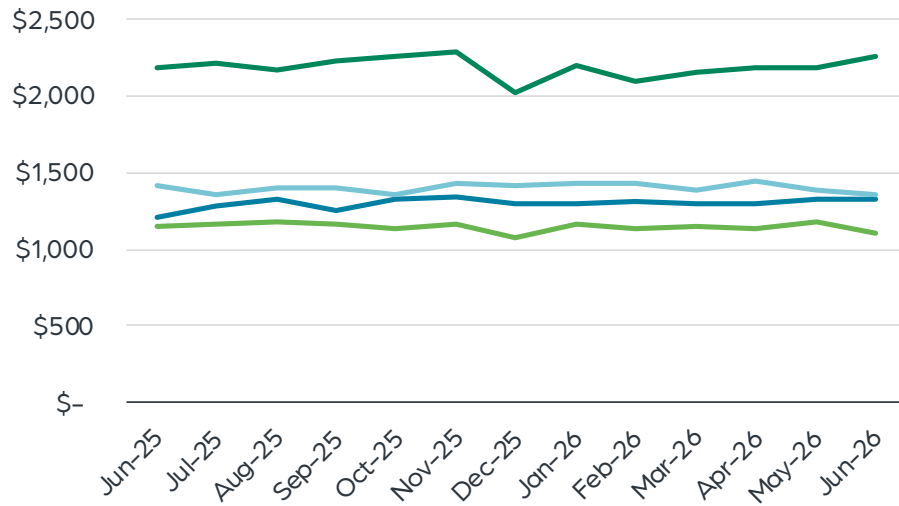
Hospital size reveals a second persistent pattern: labor, supply, and drug expense per entity-adjusted patient day generally increase with bed size. Because these measures are normalized for patient activity, the difference is not simply a function of larger hospitals treating more patients. Differences in acuity, service mix, academic and tertiary capabilities, staffing models, purchasing economics, and other structural factors may contribute to the gap.

Unlike labor and supply expense, drug expense does not follow a consistent regional pattern. Clinical utilization, drug pricing, regulatory changes, payer mix, 340B participation, and other market and operating factors can all influence drug costs, making it difficult to attribute the variation to any single driver.



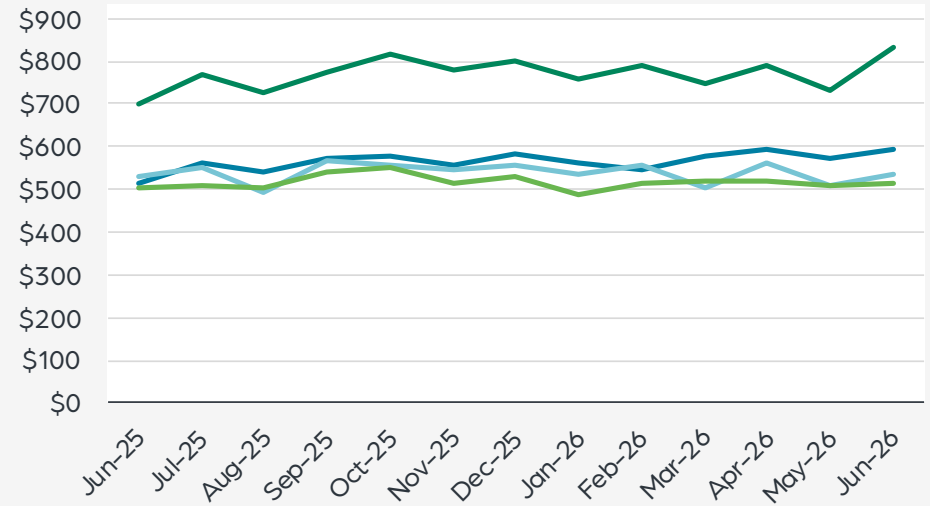
Labor Expense / Entity Adjusted Patient Day by Census Region

June 2025 – June 2026



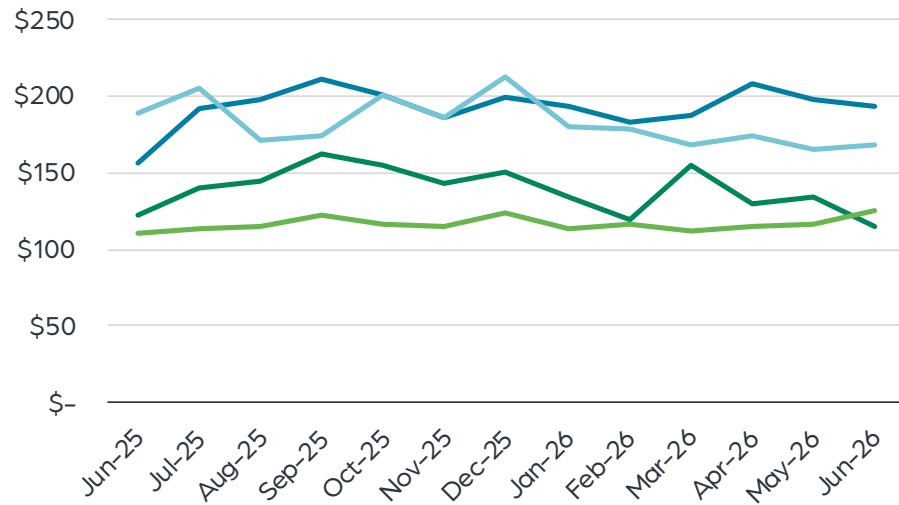
Supply Expense per Entity Adjusted Patient Day, by Census Region

June 2025 – June 2026



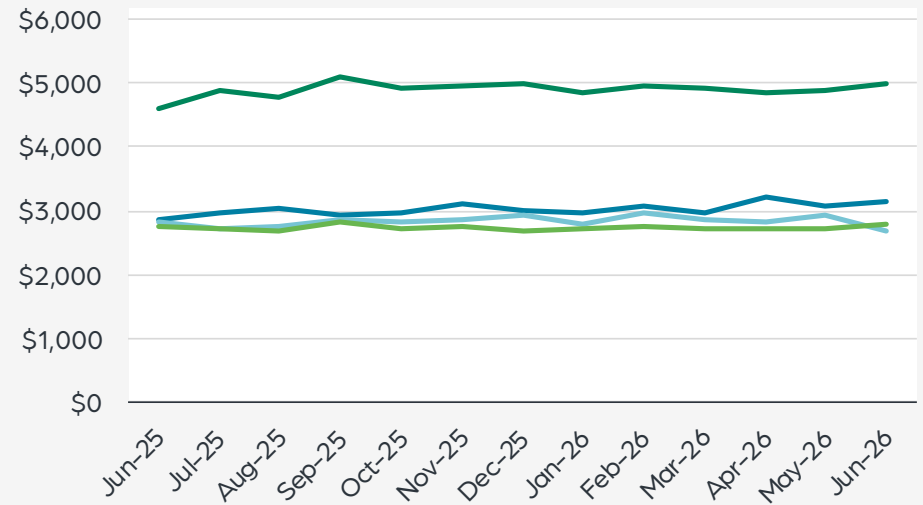
Drug Expense per Entity Adjusted Patient Day, by Census Region

June 2025 – June 2026



Total Expense per Entity Adjusted Patient Day per Month by Census Region

June 2025 – June 2026



■ Census Region: Midwest

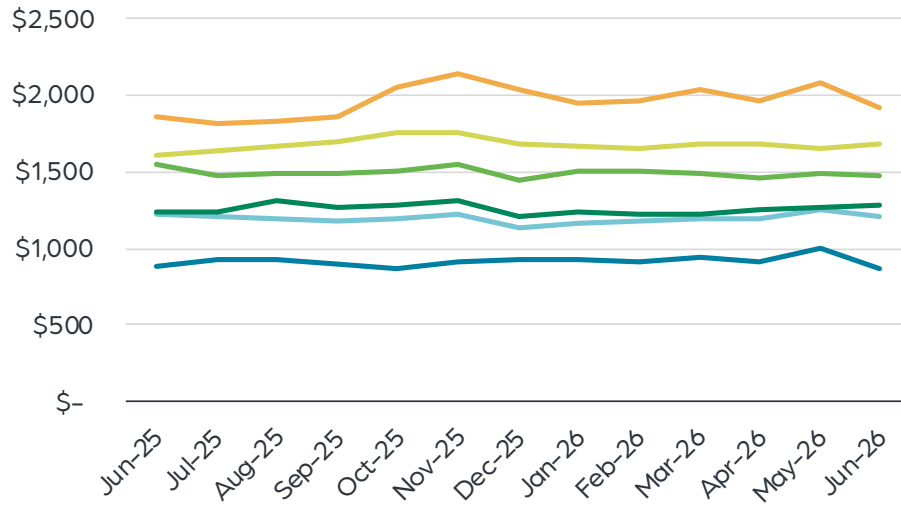
■ Census Region: Northeast

■ Census Region: West

■ Census Region: South

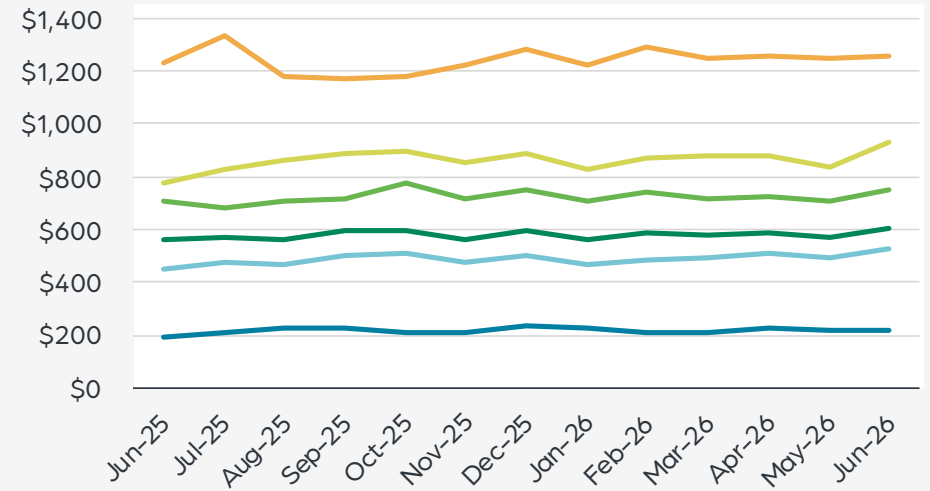
Labor Expense / Entity Adjusted Patient Day, by Hospital Bed Size

June 2025 – June 2026



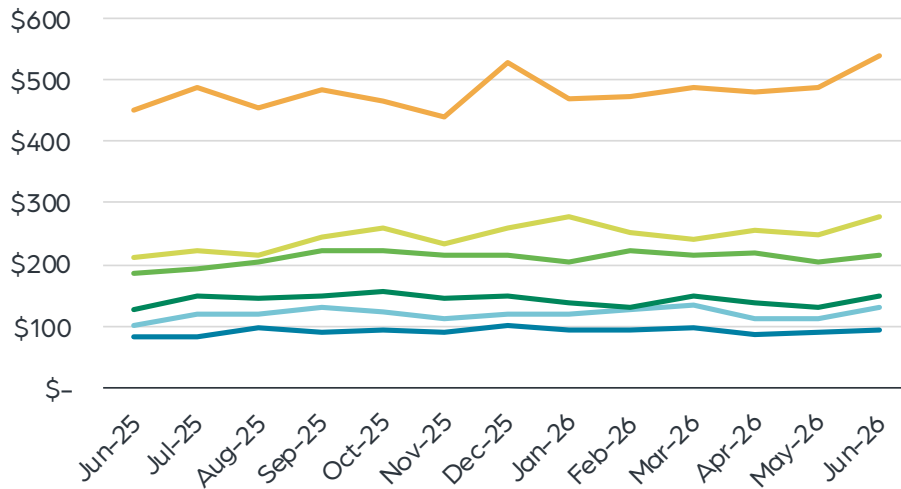
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June 2025 – June 2026



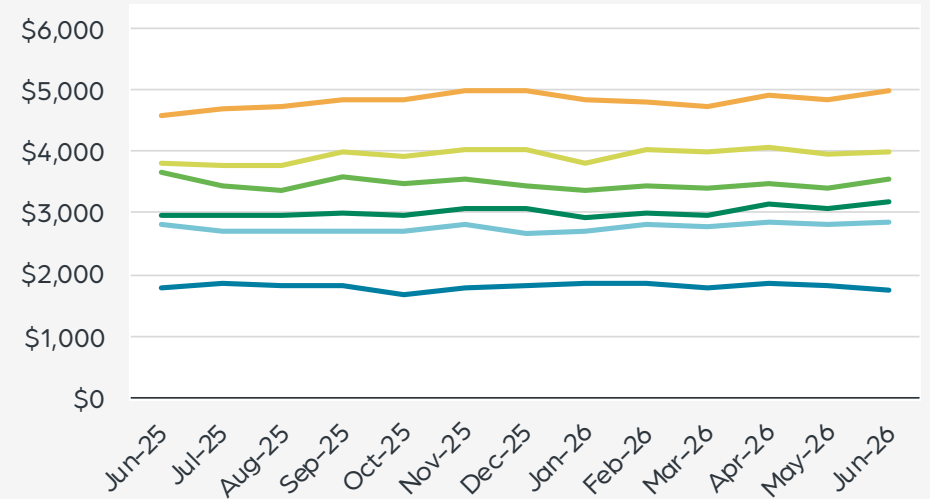
Drug Expense per Entity Adjusted Patient Day, by Hospital Bed Size

June 2025 – June 2026



Total Expense per Entity Adjusted Patient Day per Month by Hospital Bed Size

June 2025 – June 2026



Hospitals – Bed Size: 0–25

Hospitals – Bed Size: 26–99

Hospitals – Bed Size: 100–199

Hospitals – Bed Size: 200–299

Hospitals – Bed Size: 300–499

Hospitals – Bed Size: >500

Revenue: Seasonal Trends by Census Region & Hospital Bed Size

Revenue mix varies materially by hospital size and region. Larger hospitals derive a greater share of gross operating revenue from inpatient care, while smaller hospitals have a substantially higher outpatient revenue mix. Hospitals with more than 500 beds, for example, consistently generate nearly half of gross operating revenue from inpatient care, compared with roughly 10% among hospitals with 25 beds or fewer.

Geography shows a different pattern: Midwest hospitals have the lowest inpatient revenue share and the highest outpatient revenue share of the

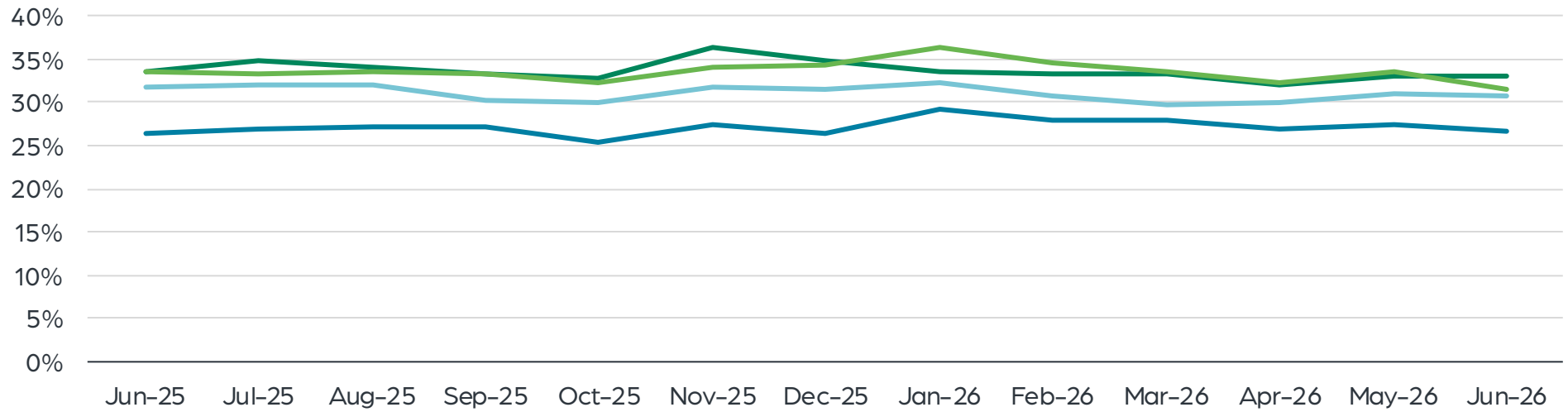
four census regions. These differences do not by themselves indicate stronger or weaker financial performance, but they reinforce how substantially the underlying revenue model can vary across hospitals.

These trends continue to reinforce that margin management does not have one playbook and the right tactics to achieve targets varies depending on your organizations size, service mix, location, recruitment and growth strategies.



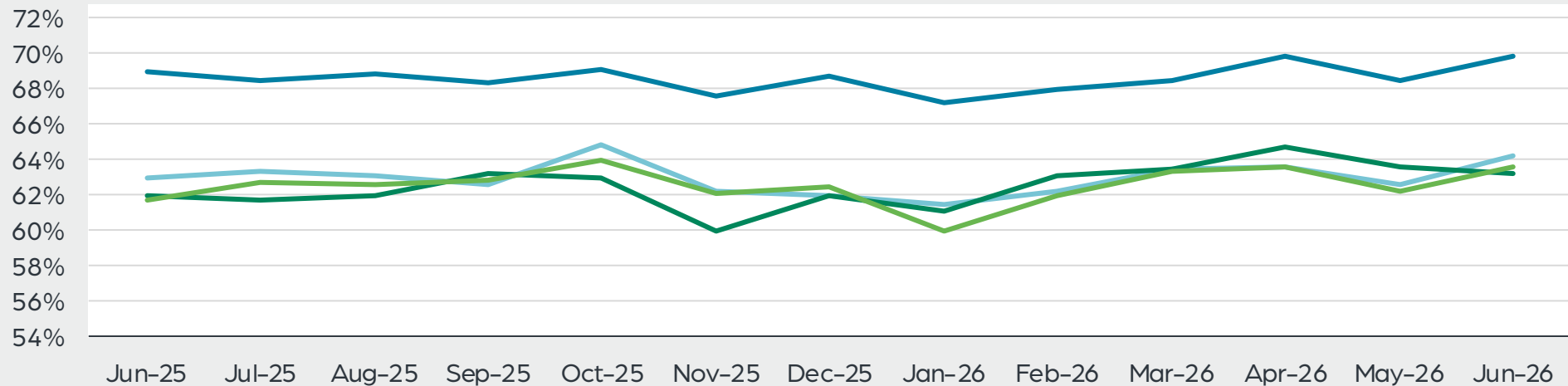
Inpatient Revenue as % of Gross Operating Revenue, by Census Region

June 2025 – June 2026



Outpatient Revenue as % of Gross Operating Revenue, by Census Region

June 2025 – June 2026



■ Census Region: Midwest

■ Census Region: Northeast

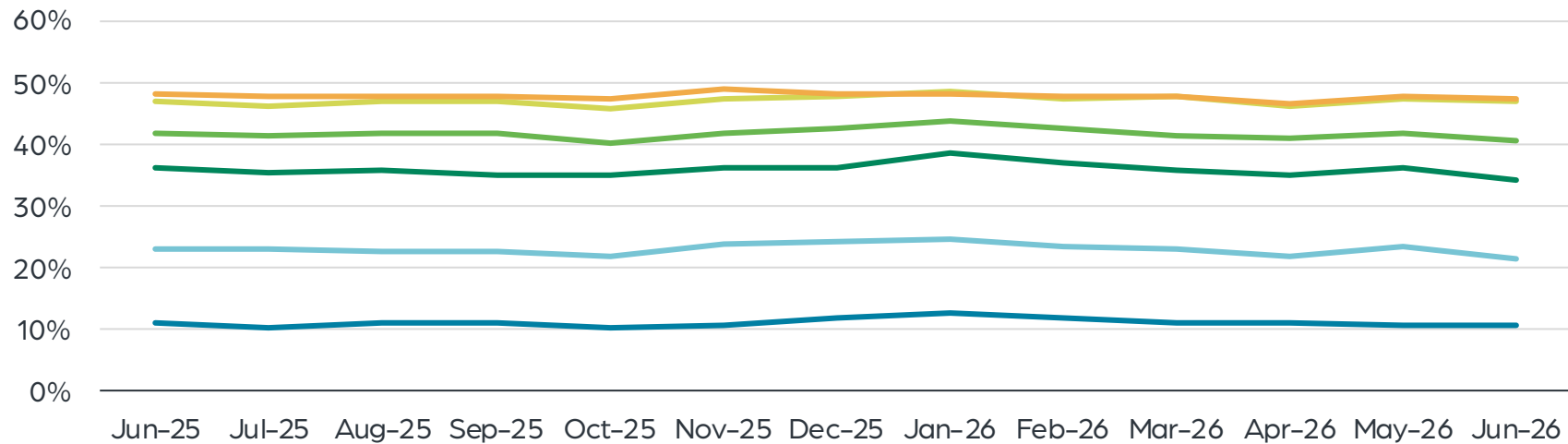
■ Census Region: West

■ Census Region: South

Note: Sum of inpatient and outpatient revenue as a percentage of gross won't always total 100% because some operating revenue isn't patient revenue and due to slight variation in sampled data.

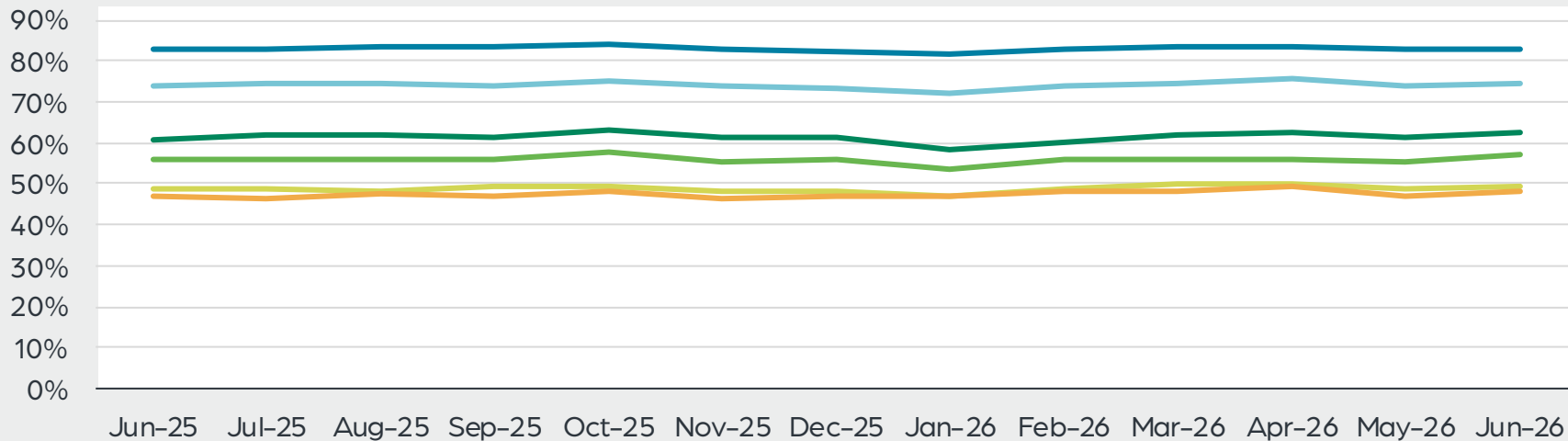
Inpatient Revenue as % of Gross Operating Revenue, by Hospital Bed Size

June 2025 – June 2026



Outpatient Revenue as % of Gross Operating Revenue, by Hospital Bed Size

June 2025 – June 2026



Hospitals – Bed Size: 0–25

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Strata Insights:

Not All Growth Is Created Equal

What these income statement trends underscore is what we are hearing from health system leaders: financial decisions increasingly require cross-enterprise trade-off analysis. Service line growth affects capacity and investment needs; financially unattractive services may support profitable downstream care or important mission objectives; and short-term operating performance determines the ability to fund longer-term investments.

Thus, the strategic question becomes not simply where an organization can grow, but where growth creates sufficient clinical, financial, and strategic value to justify the resources it requires.



Outpatient migration is concentrating acuity in the inpatient setting

Service lines with more than 90% of volume occurring in outpatient settings are continuing to see inpatient CMI rise. This is an expected consequence of outpatient migration: as lower-acuity cases shift to outpatient settings, the patients who remain inpatient are, on average, more acute and resource intensive.

While CMI changes are gradual (~1–3% year-over-year, Q1 2024–2026) and absolute values are relatively small (CMI typically ~1.2–1.8), even modest changes can have meaningful financial implications. The trend reinforces a core operational goal of outpatient migration: align lower-acuity care with lower-cost settings while preserving inpatient capacity and resources for patients who require higher-acuity care.

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There is a huge demand right now in our system for understanding the margin by service lines by procedure.

– SVP Finance, *Academic Medical Center*



Service line strategies are not always about site of care

The outpatient volume trends also highlight how clinical innovation, patient utilization, and seasonality can shape the economics and operating needs of individual service lines and patient populations.

Clinical Innovation

Gynecology inpatient volumes declined 8% in the first half of 2026, underscoring a median CMI increase of 2.17% that we've seen since Q1 2024. That trend is consistent with a broader migration of hysterectomy procedures to outpatient settings as minimally invasive techniques have advanced. [One study of endometrial cancer patients](#) found a 41.3% shift from inpatient to outpatient hysterectomy and identified robotic hysterectomy as one factor enabling outpatient migration.

Patient Utilization Trends

Breast health inpatient volumes grew 17.2% over this period, and the service line also saw the largest increase in CMI, at 3.21%. Broader market trends provide context for this increase, although the Strata data do not identify its cause.

Higher incidence: As a result of education around preventative mammograms, there has been a rise in breast cancer testing and diagnoses. This is reinforced by incidence of breast cancer we've seen increase 1% annually from 2012–2021, with a steeper increase of 1.4% per year among women under 50, according to the [American Cancer Society](#).

Changing surgical patterns: Breast reconstruction has increased substantially over the past two decades, and immediate reconstruction now represents a [large majority of reconstruction procedures](#). These trends may affect the mix and complexity of breast-health inpatient cases,

although the extent to which they contribute to the increase observed in Strata's 2026 data cannot be determined from these data alone.

Seasonality and Patient Demand

A marked 7.5% drop in outpatient visits in May 2026 is consistent with a similar seasonality observed in May–June across 2024 and 2025, where the peak drop was around 10% in June 2024. Nine out of 10 service lines driving the drop are elective/schedulable — physicals, colonoscopies, mammograms, therapy, follow-ups — not emergencies.

The recurring pattern creates a practical planning question. If summer softness in schedulable services persists, organizations can use historical demand patterns alongside service line economics to determine whether to stimulate demand through targeted outreach or align staffing and capacity with expected seasonal volumes.

Organizations positioned to respond to shifts in patient behavior are those that can connect cost accounting and service line data to staffing, capacity, scheduling, and marketing decisions.

For the latest financial performance data on U.S. hospitals, health systems, and physician groups, 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 149,000 providers from over 15,000 practices and 139 specialty categories, and from 500+ unique departments across more than 2,200 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.



