

Strata's New Financial Forecast Guidance Report Provides Insight into Cost Inflation for Labor, Drugs and Supplies

Data from over 300 hospitals reveals contract labor as a percentage of total labor expense is approaching 6%

CHICAGO – June 28, 2022 – [Strata Decision Technology](#) (Strata), a pioneer and leader in the development of cloud-based financial planning, analytics and performance tools for healthcare, today revealed key insights from its June 2022 Financial Forecast Guidance Report. The guide, developed by analyzing data from over 300 hospitals, revealed that **cost inflation for labor and drugs has approached 7% and 10% respectively, whereas supply costs have risen by 3%**.

Labor costs have been a major concern for U.S. hospitals as they continue to face [staffing shortages](#) exacerbated by the COVID-19 pandemic. As a result, many hospitals have expanded the utilization of more expensive contract labor as an alternative to hiring full-time staff. According to Strata's Financial Forecast, the median for **contract labor as a percentage of total labor expense is approaching 6% as of February 2022**. The largest increases in contract labor have occurred in hospitals with over 500 beds, in critical access and short-term acute care hospitals and in hospitals located in the South, Northeast and West regions. Meanwhile, overtime as a percentage of paid hours remains consistent with 2021 year-end levels.

Although outpatient visits are only slightly lower than 2019 volumes when COVID-19 testing and vaccinations are excluded, hospitals and health systems have seen a large decrease in inpatient admissions. The Financial Forecast shows that after excluding patients with COVID-19, inpatient admissions and emergency department visits are well below 2019 levels. Annualized 2022 year-to-date data suggests this trend will likely continue.

This is partially driven by the fact that several procedures that were historically performed in an inpatient setting are being performed on an outpatient basis. For example, **74% of primary knee replacements were performed as inpatient procedures in 2019 compared to just 28% in 2021**. This trend continued through the first quarter of 2022.

"Keeping close track of costs across service lines and identifying areas where prices are rising is crucial for hospitals' financial health," said Steve Lefar, Chief Strategy Officer at Strata. "The goal of our Financial Forecast is to offer information to our customers – and the healthcare community at-large – about the areas where spending may fluctuate so they can make informed decisions about their financial planning. We are uniquely poised to offer this insight because of the data we have from our network of hospitals and health systems that use Strata's solutions. Access to this kind of detailed information enables hospitals to focus on what's really important – offering the best patient care possible."

Strata's Financial Forecast Guidance report was developed by analyzing data from Strata's StrataSphere® customer base of more than 1,100 hospitals. The full report can be viewed [here](#).

About Strata Decision Technology

Strata Decision Technology provides a cloud-based platform for software and service solutions to help healthcare providers better analyze, plan and perform in support of caring for their community and

reducing the cost of care. Our customer base includes over 2,000 hospitals and over 400 healthcare delivery systems. Founded in 1996, our mission is to *Help Heal Healthcare™*. For more information, please go to www.stratadecision.com.

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