

Hospital Finances See More Gains While Expense, Revenue, and Volume Trends Show Signs of Shifting, According to New Strata Data

Infectious disease patient volumes rose above 2023 levels in March

CHICAGO – April 26, 2024 – U.S. hospitals and health systems showed strong performance throughout the first quarter as organizations benefitted from healthy revenue growth so far in 2024, according to [new data](#) from [Strata Decision Technology](#).

The median, year-to-date hospital operating margin was 4.7% in March, as organizations saw an 11th consecutive month of year-over-year (YOY) increases across gross operating, inpatient, and outpatient revenues. Looking at fluctuations in the metric over time, the median change in operating margin was relatively steady, down just 0.1 percentage point YOY and down 0.3 percentage point month-over-month.

“Hospitals and health systems across the country had promising financial performance in the first quarter, as operating margins appear to have stabilized for the time being,” said Steve Wasson, chief data and intelligence officer at Strata Decision Technology. “At the same time, we saw some notable shifts in key expense, revenue, and volume growth metrics in March. If these changes persist in future months, it could signal that long-running industry trends are switching course.”

Hospital expenses continued to rise across most metrics. Looking back over the past few years, labor expenses spiked due to significant demand during the pandemic, but high inflation caused non-labor expenses to grow at a faster rate starting in late 2022. In March, however, YOY growth in labor expenses again outpaced non-labor expenses for the first time in 18 months, suggesting that the effects of inflation may be easing.

Total labor expense rose 3.5% versus March 2023, while total non-labor expense increased 2% YOY. Total expense was up 2.7% YOY. Supply expense was nearly flat with an increase of just 0.1% compared to the same month last year, while drugs expense decreased 2.8% over the same period — representing a reversal after both metrics saw double-digit YOY growth the month before. Total expense per adjusted discharge rose 2.5% YOY.

Hospitals also saw a shift in revenues as growth in inpatient revenues surpassed outpatient revenue increases for the first time since late 2021, reflecting tremendous growth in outpatient services in recent years. Inpatient revenue rose 3.7% versus March 2023, outpatient revenue was up 2.4% YOY, and overall gross operating revenue increased 3.1% YOY. Net patient service revenue (NPSR) per adjusted discharge rose 2.5% from March 2023 to March 2024.

To further reinforce the change in revenues, hospitals also saw inpatient admissions rise 3.9% YOY while outpatient visits dropped 5.1% YOY for the month. Implementation of the Two-Midnight Rule for Medicare Advantage patients starting in January 2024 by the Centers for Medicare and Medicaid Services (CMS) contributed to the increase in inpatient admissions. The rule limits the number of days those patients can be held in observation status before they must be admitted as inpatients. At the same time, observation visits decreased 4.2% versus March 2023 and emergency department (ED) visits rose 2.6% YOY.

Looking at specific service lines, Infectious Disease had the biggest YOY volume growth in both inpatient and outpatient visits with an increase of 35.6% versus March 2023. Contributing factors likely include

higher [instances](#) of respiratory syncytial virus (RSV), COVID-19, influenza, and measles. From February to March 2024, however, infectious disease volumes decreased 8.2%.

Read Strata's [Monthly Healthcare Industry Financial Benchmarks](#) to learn more.

About the Data

This report uses data from [Axiom™ Comparative Analytics](#) and Strata's [StrataSphere®](#) database. Comparative Analytics 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 1,600 hospitals. Axiom Comparative Analytics also provides data and comparisons specific to a single organization for visibility into how their market is evolving. 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. This report incorporates data from 619 hospitals from 119 health systems with [StrataJazz® Decision Support](#), as reported in the [National Patient and Procedure Volume Tracker™](#).

About Strata Decision Technology

Strata Decision Technology provides a cloud-based platform for software and service solutions to help organizations better analyze, plan, and perform in support of their missions. With the combination of Syntellis Performance Solutions' Axiom solutions, more than 2,300 organizations rely on Strata to provide their financial analytics, planning, and performance solutions. Strata has been named the market leader for Business Decision Support for 18 consecutive years. By uniting these two industry leaders, Strata continues to deliver market-leading solutions and world-class service, with an increased focus on accelerating innovation. For more information, please go to www.stratadecision.com.

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