



New Report Shows 2022 Will be the Most Financially Difficult for Hospitals and Health Systems Since the Start of Pandemic

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More than half of hospitals projected to operate in the red through 2022, threatening patient access to care

WASHINGTON (September 15, 2022) — A new analysis prepared by Kaufman, Hall & Associates, LLC and released today by the American Hospital Association shows that hospitals and health systems continue to face intense pressure on staff and resources while also dealing with rising expenses for supplies, drugs and equipment, as well as for the workforce. Left unaddressed, these financial challenges have the potential to jeopardize access to essential health care services for patients. The trends are expected to continue through 2022, with losses in the billions of dollars for hospitals and health systems, resulting in the most financially difficult year for the field since the beginning of the COVID-19 pandemic in early 2020.

The first half of 2022 has severely tested hospitals and health systems due to the impacts of COVID-19 surges, increased expenses and a lack of COVID-19 relief funding. As a result, even the most optimistic projections for the entirety of 2022 indicate margins will be down 37% compared to pre-pandemic levels, with more than half of hospitals operating in the red. Under a pessimistic scenario for the rest of 2022, margins could be down as much as 133% compared to pre-pandemic levels, with over two-thirds of hospitals operating in the red.

“While federal support and relief has tapered off, the fight against COVID hasn’t. Managing the aftermath of the pandemic has placed the vast majority of America’s hospitals in serious financial jeopardy as they experience severe workforce shortages, broken supply chains, the Medicare 2% sequester kicking back in and rapid inflation that has increased the cost of caring,” said **Rick Pollack, AHA president and CEO**. “These realities translate into access to services being put in jeopardy. This deserves the immediate attention of policymakers at every level of government to ensure we are able to keep people healthy and maintain essential public services that our communities depend on. America simply can’t be strong without its hospitals being strong.”

Hospital and health system expenses are expected to increase by nearly \$135 billion this year over 2021 levels with a large component of that deriving from expenses related to retaining and supporting the workforce. Employed labor expenses are projected to rise by \$57 billion more than last year and contract labor by \$29 billion. In fact, contract labor expenses alone are nearly 500% higher than pre-pandemic levels, which has played a significant role in driving expense growth for hospitals. The remaining \$49 billion in added expenses in 2022 include those for supplies, drugs and equipment, which have all experienced significant growth from pre-pandemic levels.

To preserve access to care for patients and strengthen America’s hospitals, the AHA is urging Congress to prevent further Medicare cuts from going into effect in 2023; extend or make permanent programs that provide support to rural hospitals; make critical waivers permanent; and hold commercial health plans accountable for policies that increase costs and delay access to medically necessary care.

This report builds on an AHA report released in April (<https://www.aha.org/system/files/media/file/2022/04/2022-Hospital-Expenses-Increase-Report-Final-Final.pdf>) that examined the tremendous growth in a variety of input costs for hospitals and health systems, including expenses for workforce, drugs, supplies and equipment, as well as the impact of skyrocketing economy-wide inflation.

A full copy of today’s report can be found on the AHA website [here \(https://www.aha.org/guidesreports/2022-09-15-current-state-hospital-finances-fall-2022-update\)](https://www.aha.org/guidesreports/2022-09-15-current-state-hospital-finances-fall-2022-update).

Previous AHA Reports:

- [Rural Hospital Closures Threaten Access \(https://www.aha.org/system/files/media/file/2022/09/rural-hospital-closures-threaten-access-report.pdf\)](https://www.aha.org/system/files/media/file/2022/09/rural-hospital-closures-threaten-access-report.pdf)
- [Pandemic-Driven Deferred Care Has Led to Increased Patient Acuity in America’s Hospitals \(https://www.aha.org/system/files/media/file/2022/08/pandemic-driven-deferred-care-has-led-to-increased-patient-acuity-in-americas-hospitals.pdf\)](https://www.aha.org/system/files/media/file/2022/08/pandemic-driven-deferred-care-has-led-to-increased-patient-acuity-in-americas-hospitals.pdf)
- [Massive Growth in Expenses and Rising Inflation Fuel Continued Financial Challenges for America’s Hospitals and Health Systems \(https://www.aha.org/system/files/media/file/2022/04/2022-Hospital-Expenses-Increase-Report-Final-Final.pdf\)](https://www.aha.org/system/files/media/file/2022/04/2022-Hospital-Expenses-Increase-Report-Final-Final.pdf)

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About the American Hospital Association

The American Hospital Association (AHA) is a not-for-profit association of health care provider organizations and individuals that are committed to the health improvement of their communities. The AHA advocates on behalf of our nearly 5,000 member hospitals, health systems and other health care organizations, our clinician partners – including more than 270,000 affiliated physicians, 2 million nurses and other caregivers – and the 43,000 health care leaders who belong to our professional membership groups. Founded in 1898, the AHA provides insight and education for health care leaders and is a source of information on health care issues and trends. For more information, visit the AHA website at www.aha.org (https://nam11.safelinks.protection.outlook.com/?url=http%3A%2F%2Flink.mediaoutreach.meltwater.com%2Fis%2Fclick%3Fupn%3DOYJSCMTyBhNCCTfI0zdws3k4q717QwzY0EjT3KNOjeM-3D30Wi_kFmn947cPXeH4Nw5FKo9qWRARJUhwQXnY03SXbOJmd4fh-2FMf2fQpasllheBrYb-2F8tnjtjNDujBrG4uugreK5OWkDI227pG8YPIYGd-2Boz0WRezRdoSQJc-2FP-2FpAltWiLE9kt9x3HmGblRtjchUG5OSWSpuaJFgpFFXxwau70bV6tmdrqTX-2B-2FRDv5xwMg40Fyd1APx1VM4ifKH4h2eOzlDcry7uQKshCU1dovxfUTOyodgxiLbBaaKnsNnrqF23DKgehZ73ML40Rz2yjjf9J0t0unVJLBFjZsGaG9-2FehMUphNcRXGiSmJCKtu4pxYti-2FsmW6s7PZ01HWtQLCKeH5GYXFsHbnlfAyot6MC-2BAmMueYZdzgJKjvRFRBxIKaG9h2XXz&data=05%7C01%7Ccmilligan%40aha.org%7C667737756df94a3a27ef08da26be4d33%7Cb9119340beb74e5e84b23cc18f7b3)

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