## **Hospital Finances Held Steady in First Month of 2025**

In the first month of 2025, hospital revenue and expenses both increased, balancing each other out and resulting in continued steady financial performance for hospitals, according to Kaufman Hall's January 2025 *National Hospital Flash Report*. Revenues grew more quickly in the inpatient setting, as more patients were treated in the hospital and emergency department than in outpatient settings. While expense increases were largely driven by drug costs, the rate of that growth has significantly slowed. This Health Capital Topics article reviews the Report and the current state of hospital operations.

The *National Hospital Flash Report*, a monthly report authored by healthcare management consulting firm Kaufman Hall (which is owned by Vizient, a healthcare data and improvement company), samples hospital data collected over the previous three years from over 1,300 hospitals, of all sizes and types, across the U.S., collected by Strata Decision Technology.<sup>4</sup>

Hospitals' median monthly operating margin index in January 2025 was 8%, the highest margin of the last 12 months.<sup>5</sup> On the revenue side, hospitals experienced increases across a wide swath of metrics in January compared to December 2024, including increases in:

- Discharges per calendar day (5% increase);
- Adjusted discharges per calendar day (2% increase);
- Equivalent patient days per calendar day (6% increase);
- Adjusted patient days per calendar day (4% increase);
- Average length of stay (2% increase);
- Operating room minutes per calendar day (2% increase);
- Inpatient revenue (8% increase);
- Outpatient revenue (3% increase); and
- Net operating revenue (1% increase).<sup>6</sup>

Further, bad debt and charity as a percentage of gross revenue decreased by 6% year-over-year.<sup>7</sup>

On the expense side, total expense per calendar day increased 1%, due in large part to the growth in labor expenses (2%) and drug expenses (1%), which remain high compared to pre-pandemic levels.<sup>8</sup>

For the first time, the January 2025 Report included hospital margin performance as well as all allocations for the cost of shared services received from the hospital's respective health system, e.g., corporate office expenses. The median monthly operating margin index, under this measurement, was 4.4% in January 2025, an increase over December 2024's 3.7% rate as well as the 2.1% rate for the 2024 calendar year. The same strength of the 2024 calendar year.

In a statement following the release of the report, Erik Swanson, managing director and group leader of data and analytics at Kaufman Hall, stated that:

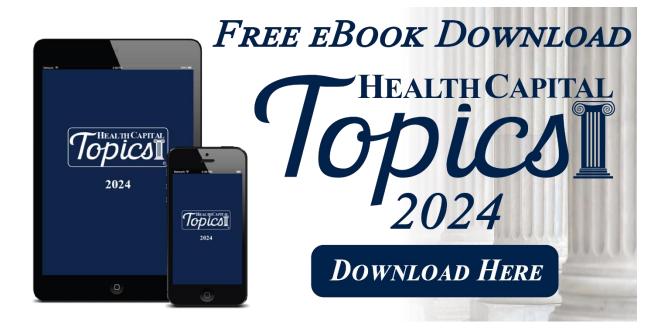
"January was a relatively stable month for hospitals, as more people received care due in part to seasonal challenges like flu and other respiratory diseases. Hospitals are also experiencing more rapid revenue growth from inpatient than outpatient services. Expenses are also rising, driven primarily by drug costs, though the rate of cost growth has slowed." <sup>11</sup>

In a subsequent interview with Healthcare Finance News, Swanson added that: "Hospitals are seeing some relief from extreme cost spikes, but drug and supply chain expenses continue to be a major concern. Many organizations are joining group purchasing organizations, seeking generic substitutions, or exploring biosimilar drugs to control spending." On the revenue side, recent increases in bad debt and charity care, possibly as a result of the post-COVID Medicaid disenrollments, are problematic, with Swanson advising that "Hospitals need to prepare for potential further increases depending on changes in Medicaid policy." 13

Hospitals have been especially slow to financially recover from the COVID-19 pandemic. <sup>14</sup> As recently as November 2024, Kaufman Hall reported decreases in hospital patient volumes across emergency department and outpatient visits, with adjusted discharges per calendar day decreasing 4% during the month, while expenses remained high. <sup>15</sup> While the January 2025 figures are encouraging, hospitals would be well-served to remain vigilant in their operations, with an eye toward state and federal regulatory changes that may decrease revenues and/or increase costs (e.g., Medicaid cuts).

- "National Hospital Flash Report" Kaufman Hall, January 2025, available at: https://www.Kaufman Hall.com/sites/default/files/2025-03/KH\_NHFR-Report-Jan-2025-Metrics.pdf (Accessed 3/24/25).
- 2 Ibid.
- 3 Ibid.
- 4 *Ibid*; "Hospitals kick off 2025 with modest operating margin gains, high inpatient revenue" By Dave Muoio, Fierce Healthcare, March 18, 2025, https://www.fiercehealthcare.com/providers/hospitals-kick-2025-modest-operating-margin-gains-high-inpatient-revenue (Accessed 3/25/25).
- Kaufman Hall, January 2025; "Hospital Margins Stable to Start 2025 Due to Offsetting Rise in Volume, Expenses" By Jay Asser, HealthLeaders, March 24, 2025, https://www.healthleadersmedia.com/ceo/hospital-marginsstable-start-2025-due-offsetting-rise-volume-expenses (Accessed 3/24/25).
- 6 Asser, HealthLeaders, March 24, 2025.
- 7 "Healthcare M&A activity signals shaky financial recovery" By Jacqueline LaPointe, TechTarget, January 14, 2025, https://www.techtarget.com/revcyclemanagement/news/3666179 76/Healthcare-MA-activity-signals-shaky-financial-recovery (Accessed 3/24/25).
- 8 Asser, HealthLeaders, March 24, 2025; "Increased patient volumes stabilize hospitals' financial performance" By Nathan Eddy, Healthcare finance, March 24, 2025, https://www.healthcarefinancenews.com/news/increased-patient-

- volumes-stabilize-hospitals-financial-performance (Accessed 3/25/25).
- Kaufman Hall, January 2025; "Hospital financial performance stable as volumes rise" By Jacqueline LaPointe, Rev Cycle Management, March 18, 2025, https://www.techtarget.com/revcyclemanagement/news/3666209 02/Hospital-financial-performance-stable-as-volumes-rise#:~:text=Hospital%20financial%20performance%20was%20 offset,hospital%20expenses%2C%20especially%20drug%20cost s.&text=Hospital%20financial%20performance%20remains%20 stable,high%20expenses%2C%20Kaufman%20Hall%20reports. (Accessed 3/25/25).
- 10 Kaufman Hall, January 2025; Muoio, Fierce Healthcare, March 18, 2025.
- 11 "Hospital Performance Remains Stable as Greater Volume and Expenses Contribute to Financial Balance" Kaufman Hall, March 17, 2025, https://www.Kaufman Hall.com/news/hospitalperformance-remains-stable-greater-volume-and-expensescontribute-financial-balance (Accessed 3/24/25).
- 12 "Increased patient volumes stabilize hospitals' financial performance" By Nathan Eddy, Healthcare finance, March 24, 2025, https://www.healthcarefinancenews.com/news/increased-patient-volumes-stabilize-hospitals-financial-performance (Accessed 3/25/25).
- 13 Ibi
- 14 LaPointe, TechTarget, January 14, 2025.
- 15 Ibid; Kaufman Hall, January 9, 2025.





## (800) FYI -VALU

Providing Solutions in an Era of Healthcare Reform

- Firm Profile
- HCC Services
- HCC Leadership
- Clients & Projects
- HCC News
- Health Capital Topics
- Contact Us
- Email Us
- Valuation Consulting
- Commercial Reasonableness Opinions
- Commercial Payor Reimbursement Benchmarking
- Litigation Support & Expert Witness
- Financial Feasibility Analysis & Modeling
- Intermediary Services
- Certificate of Need
- ACO Value Metrics & Capital Formation
- Strategic Planning
- Industry Research

## LEADERSHIP









Todd A. Zigrang, MBA, MHA, FACHE, CVA, ASA, ABV, is the President of **HEALTH CAPITAL CONSULTANTS** (HCC), where he focuses on the areas of valuation and financial analysis for hospitals, physician practices, and other healthcare enterprises. Mr. Zigrang has over 30 years of experience providing valuation, financial, transaction and strategic advisory services nationwide in over 2,500 transactions and joint ventures. Mr. Zigrang is also considered an expert in the field of healthcare compensation for physicians, executives and other professionals.

Mr. Zigrang is the co-author of "The Adviser's Guide to Healthcare - 2nd Edition" [AICPA-2015], numerous chapters in legal treatises and anthologies, and peer-reviewed and industry articles such as: The Guide to Valuing Physician Compensation and Healthcare Service Arrangements (BVR/AHLA); The Accountant's Business Manual (AICPA); Valuing Professional Practices and Licenses (Aspen Publishers); Valuation Strategies; Business Appraisal Practice; and, NACVA QuickRead. Additionally, Mr. Zigrang has served as faculty before professional and trade associations such as the American Society of Appraisers (ASA); the National Association of Certified Valuators

and Analysts (NACVA); the American Health Lawyers Association (AHLA); the American Bar Association (ABA); the Association of International Certified Professional Accountants (AICPA); the Physician Hospitals of America (PHA); the Institute of Business Appraisers (IBA); the Healthcare Financial Management Association (HFMA); and, the CPA Leadership Institute. He also serves on the Editorial Board of The Value Examiner and QuickRead, both of which are published by NACVA.

Mr. Zigrang holds a Master of Science in Health Administration (MHA) and a Master of Business Administration (MBA) from the University of Missouri at Columbia. He is a Fellow of the American College of Healthcare Executives (FACHE) and holds the Certified Valuation Analyst (CVA) designation from NACVA. Mr. Zigrang also holds the Accredited in Business Valuation (ABV) designation from AICPA, and the Accredited Senior Appraiser (ASA) designation from the American Society of Appraisers, where he has served as President of the St. Louis Chapter. He is also a member of the America Association of Provider Compensation Professionals (AAPCP), AHLA, AICPA, NACVA, NSCHBC, and, the Society of OMS Administrators (SOMSA).











Jessica L. Bailey-Wheaton, Esq., is Senior Vice President and General Counsel of HCC. Her work focuses on the areas of Certificate of Need (CON) preparation and consulting, as well as project management and consulting services related to the impact of both federal and state regulations on healthcare transactions. In that role, Ms. Bailey-Wheaton provides research services necessary to support certified opinions of value related to the Fair Market Value and Commercial Reasonableness of transactions related to healthcare enterprises, assets, and services.

Additionally, Ms. Bailey-Wheaton heads HCC's CON and regulatory consulting service line. In this role, she prepares CON applications, including providing services such as: health planning; researching, developing, documenting, and reporting the market utilization demand and "need" for the proposed services in the subject market service area(s); researching and assisting legal counsel in meeting regulatory requirements relating to licensing and CON application development; and, providing any requested support services required in litigation challenging rules or decisions promulgated by a state agency. Ms. Bailey-Wheaton has also been engaged by both state government

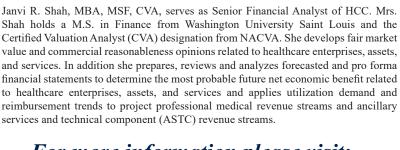
agencies and CON applicants to conduct an independent review of one or more CON applications and provide opinions on a variety of areas related to healthcare planning. She has been certified as an expert in healthcare planning in the State of Alabama.

Ms. Bailey-Wheaton is the co-author of numerous peer-reviewed and industry articles in publications such as: The Health Lawyer (American Bar Association); Physician Leadership Journal (American Association for Physician Leadership); The Journal of Vascular Surgery; St. Louis Metropolitan Medicine; Chicago Medicine; The Value Examiner (NACVA); and QuickRead (NACVA). She has previously presented before the American Bar Association (ABA), the American Health Law Association (AHLA), the National Association of Certified Valuators & Analysts (NACVA), the National Society of Certified Healthcare Business Consultants (NSCHBC), and the American College of Surgeons (ACS).



(





For more information please visit: www.healthcapital.com