

Hospital Vitals: Financial and Operational Trends

Workforce Pressures Take
Their Toll in 2022

Presented by Syntellis and the
American Hospital Association



Executive Summary

Hospitals and health systems felt the repercussions of nationwide labor shortages throughout 2022, as they grappled with higher labor costs, filling gaps in staffing needed to meet patient demand, and downstream effects on transitioning patients along the continuum of care. Compared to before the COVID-19 pandemic, hospital total expense per patient, as measured by median Total Expense per Adjusted Discharge, rose 22.5% — due largely to a 24.8% increase in Labor Expense per Adjusted Discharge from 2019 to 2022.* Total Expense rose 17.5% and Total Labor Expense jumped 20.8% over the same period.

Many hospitals relied heavily on labor from contract staffing firms to help fill gaps from the long-standing labor shortages, which contributed to higher overall labor expenses. **Total Contract Labor Expense skyrocketed 257.9% from 2019 to 2022** as a result. Contract Labor full-time equivalents (FTEs) jumped 138.5% over the three-year period, and the median wage rate paid to contract staffing firms rose 56.8% as organizations competed for a limited pool of qualified healthcare professionals.

In specific departments such as nursing and emergency services, Contract FTEs increased more than 180% per unit of service from 2019 to 2022. Both employed and contracted hospital personnel worked longer hours, with overtime hours rising more than 15% over the three years in multiple departments.

Hospitals were not the only facilities to endure staffing issues. Labor shortages at skilled nursing facilities contributed to challenges for hospital clinicians trying to transition patients to the appropriate post-acute care setting. Labor Expense per FTE rose 30.8% while FTEs at skilled nursing

facilities declined 18% from 2019 to 2022. The expense increase reflects the magnitude of staffing challenges at these facilities. Those challenges were among multiple factors that contributed to a decline in hospital discharges and longer hospital inpatient stays, with length of stay rising 10.4% over the same period.

Looking at all hospital expenses, the biggest increases occurred in clinical areas, while expenses in many administrative support functions decreased. These trends reflect the challenging decisions healthcare leaders faced on where to focus their hospital's limited resources as they balanced the need to maintain access to high-quality care for the patients and communities they serve.

This report illustrates these trends with analysis of year-end 2022 data from a nationally representative sample of more than 1,000 hospitals and health systems by Syntellis Performance Solutions.

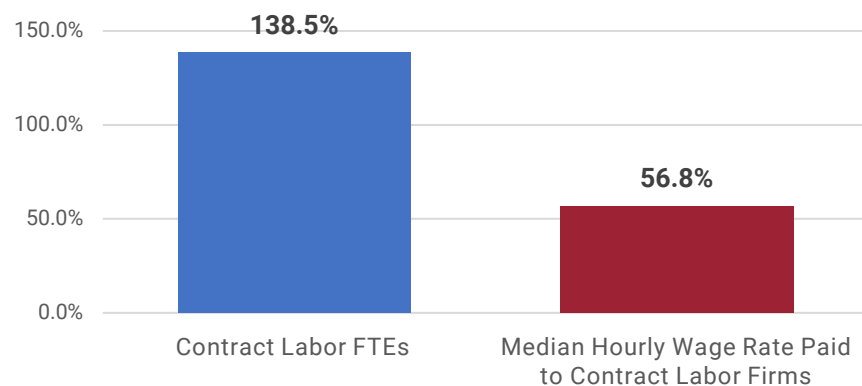
*Note: All comparisons in this report are year-over-year for the 12 months of 2022 versus the 12 months of 2019.



Contract Labor Demand, Costs Rise Amid Workforce Shortages

Contract Labor FTEs and Rates Paid to Contracting Firms Rose

% change from 2019 to 2022



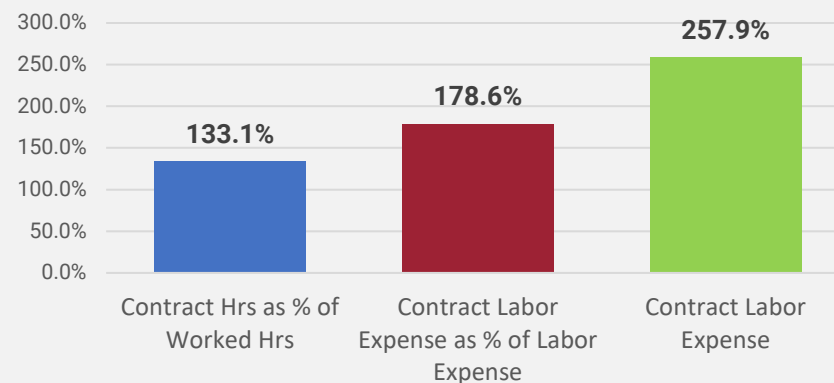
Source: Syntellis Performance Solutions, 2023.

Nationwide labor shortages persisted throughout 2022 and caused many healthcare organizations to turn to contract staffing firms to provide labor to help meet patient demand and fill gaps left from unfilled positions. As a result, the number of contract FTEs jumped 138.5% year-over-year in 2022 compared to pre-pandemic 2019 levels.

At the same time, high demand and tight competition for qualified healthcare professionals pushed up wages paid to contract staffing firms for contract labor. The median hourly Wage Rate paid to such firms rose 56.8% from 2019 to 2022. The wage rates are not the same as those paid directly to nurses and other contracted healthcare workers and include an up to 60% administrative fee. The rates reflect some of the significant cost increases impacting hospitals as they navigate workforce shortages.

Contract Hours and Expenses Increased Significantly from Pre-Pandemic Levels

% change from 2019 to 2022



Source: Syntellis Performance Solutions, 2023.

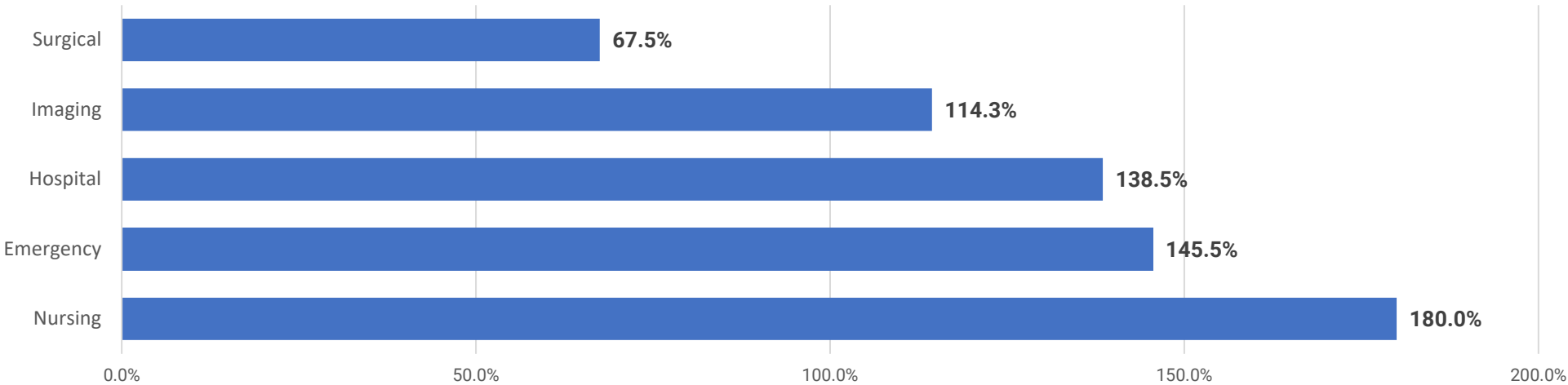
Hospitals and health systems nationwide experienced high labor costs in 2022, due largely to higher costs associated with hiring highly sought-after healthcare professionals on a contract basis. Essentially, organizations had to use more contract labor while also paying exponentially more for the contract labor they used.

Compared to 2019, Contract Hours as a Percent of Worked Hours rose 133.1% in 2022. Contract Labor Expense as a Percent of Total Labor Expense increased 178.6% and total Contract Labor Expense skyrocketed 257.9% over the three-year period.

Looking at specific departments, nursing demanded the largest share of contract labor hours throughout 2022. On average, 46% of Total Contract Hours were used for Nursing. Emergency Services comprised 12%, Surgical Services made up 7%, and Imaging Services comprised 3% of Total Contract Hours.

Contract FTEs Grew in 2022

% change from 2019 to 2022



Source: Syntellis Performance Solutions, 2023.

Looking at increased use of contract labor within specific departments, total Contract FTEs rose exponentially in response to care demands. In Nursing, Contract FTEs grew 180% from 2019 to 2022.

Emergency Departments (EDs) had 145.5% growth in Contract FTEs while Hospital personnel grew Contract FTEs 138.5%. For Imaging and Surgical, total Contract FTEs increased 114.3% and 67.5% from 2019 to 2022, respectively.



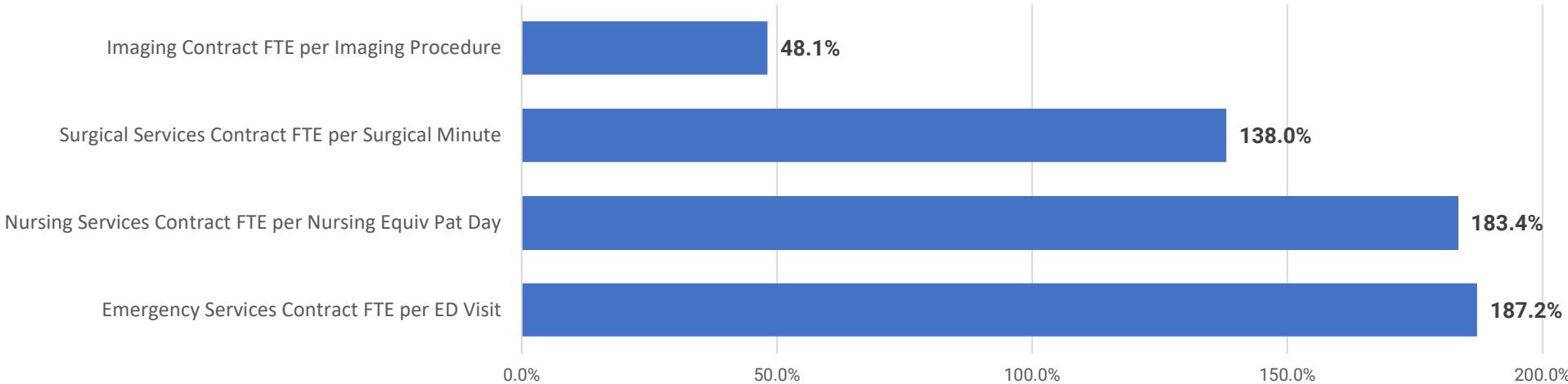
Increased reliance on contract labor also led to significant increases in Contract FTEs per Unit of Service from 2019 to 2022, with contract labor providing a much larger share of overall care services.

Emergency Services had the biggest increase, with Contract FTEs per ED Visit climbing 187.2% over the three-year period. For Nursing, Contract FTEs per Equivalent Patient Day rose 183.4% over the same timeframe. Surgical Services also had a sizable increase, with a 138% rise in Contract FTEs per Surgical Minute from 2019 to 2022. For Imaging, Contract FTEs per Imaging Procedure rose 48.1%.

These trends have impacts across the care continuum. For example, EDs likely saw the biggest increase because they serve as the “front door” to hospitals. They already relied heavily on contract labor and that dependence has grown even greater due to workforce shortages. Patients often turn to EDs when they cannot access care in other areas in a timely manner. EDs are available 24/7 and open to all who need their services, while other hospital departments, post-acute care centers, or outpatient facilities can delay new patient admissions or schedule appointments later if they are understaffed. It also is unsurprising that Nursing Services had the second highest increase, as it is the backbone of a hospital responsible for the largest share of direct patient care.

Large Increases in Contract FTEs per Unit of Service in 2022

% change from 2019 to 2022



Source: Syntellis Performance Solutions, 2023.

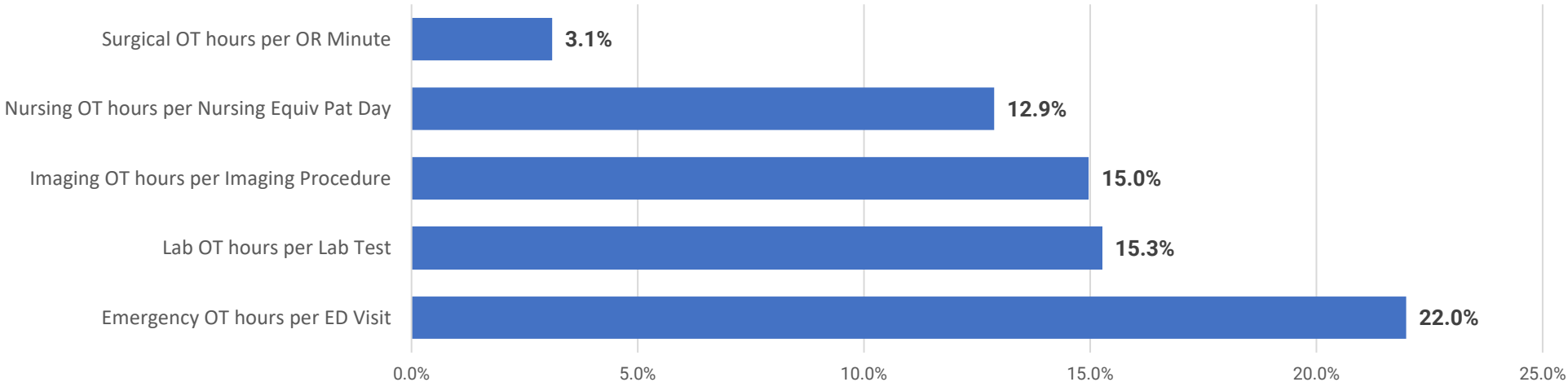
Overtime Hours Increase with Workforce Shifts

Both employed and contracted personnel worked more hours as a result of staffing pressures and higher care demands. Within Emergency Services, for example, personnel worked 22% more Overtime Hours per ED Visit in 2022 compared to before the pandemic in 2019. Lab personnel worked 15.3% more Overtime Hours per Lab Test, Imaging personnel worked 15% more Overtime Hours per Imaging Procedure, and Nurses worked 12.9% more Overtime Hours per Nursing Equivalent Patient Day in 2022 versus 2019.

The rise in overtime illustrates the dedication of clinicians and other healthcare professionals who continue to step up to prioritize patient care amid labor shortages. While this is commendable, it contributes to worker burnout and is not a sustainable long-term strategy for hospitals. Hospital leaders should work to ensure organizational strategies both support the well-being of healthcare professionals and maintain high-quality patient care.

Employed and Contracted Hospital Personnel Worked More Overtime

% change from 2019 to 2022

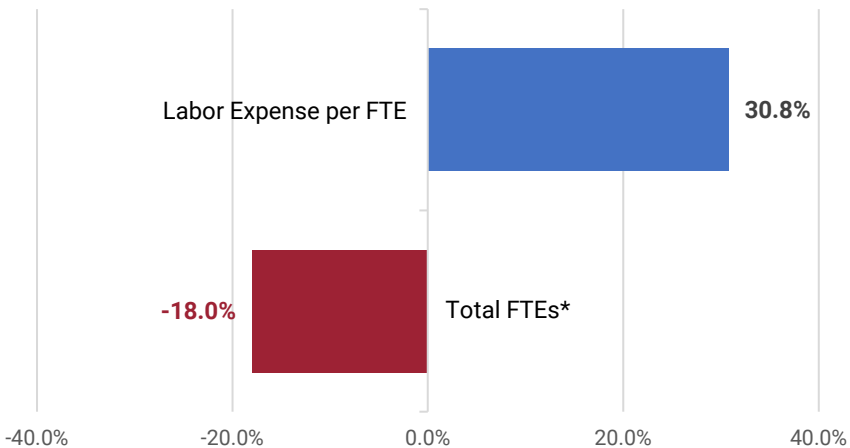


Source: Syntellis Performance Solutions, 2023.

Staff Shortages Contribute to Care Transition Challenges

Skilled Nursing Facilities Saw Total FTEs Drop as Labor Expenses Rose

% change from 2019 to 2022



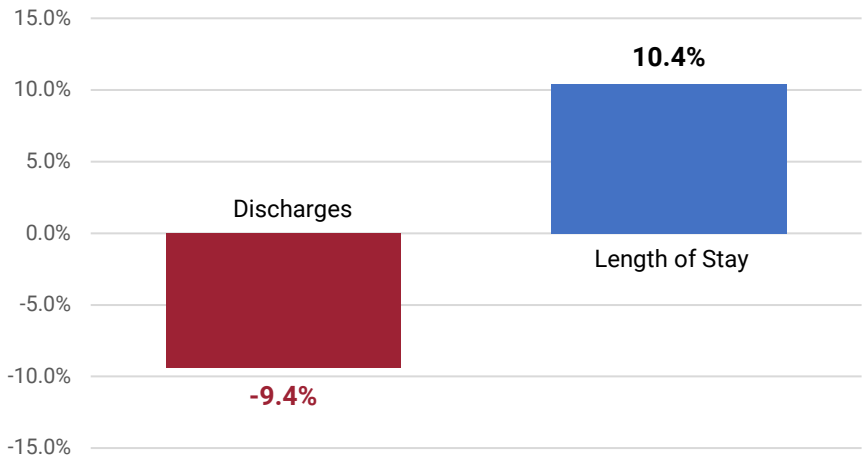
*Total FTEs include both employed and contracted labor at skilled nursing facilities. Source: Syntellis Performance Solutions, 2023.

Labor shortages also had repercussions for moving patients along the continuum of care. Staffing challenges at skilled nursing facilities and other post-acute care settings created difficulties for hospitals trying to discharge patients who required additional care best provided in those post-acute settings.

At skilled nursing facilities, workforce challenges drove up labor expenses, with the median Labor Expense per FTE jumping 30.8% from 2019 to 2022. Meanwhile, Total FTEs at skilled nursing facilities (including both employed and contracted labor) dropped 18% compared to pre-pandemic levels.

Hospital Discharges Dropped as Length of Stay Increased

% change from 2019 to 2022



Source: Syntellis Performance Solutions, 2023.

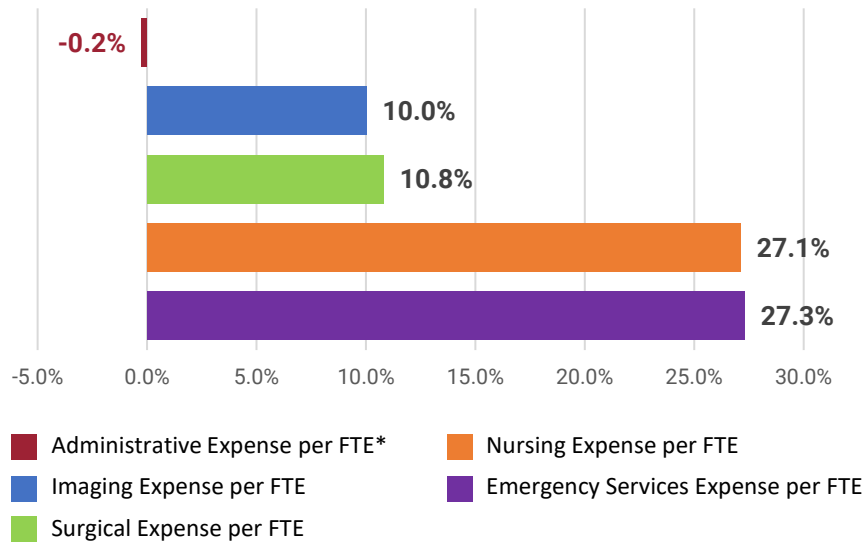
Within hospitals, workforce challenges across the continuum of care and related transfer challenges affected other key metrics. Discharges declined 9.4% from 2019 to 2022, in part because hospital personnel faced delays in discharging patients to post-acute care facilities facing their own workforce issues.

Workforce and transfer challenges also were among numerous factors – such as higher acuity patients – that contributed to longer patient stays. The median length of stay rose 10.4% over the three-year period.

Clinical Expenses See Biggest Increases

Hospital Clinical Expenses per FTE Rose in 2022

% change from 2019 to 2022



* Administrative Expense includes Human Resources, Information Technology, General Administration, Fiscal Services, and Revenue Cycle expenses. Source: Syntellis Performance Solutions, 2023.

Clinical expenses increased significantly compared to 2019. Nursing and Emergency Services Expense per FTE had the biggest increases compared to 2019 at 27.3% and 27.1%, respectively. Imaging and Surgical Expense per FTE both grew about 10% compared to pre-pandemic levels.

In contrast, total non-clinical support expenses, measured as Administrative Expense per FTE, decreased slightly by 0.2%. The growth in clinical expenses suggests hospitals put a priority on ensuring clinical care was not compromised in the face of workforce issues, reflecting the many difficult decisions hospital leaders had to make in light of these challenges.

Conclusion

Over the past three years, hospitals and health systems have been a beacon of resiliency in the face of a series of unprecedented challenges, from the COVID-19 pandemic to historic inflation and critical workforce shortages. As highlighted in this report, 2022 was perhaps the most challenging of all as organizations contended with a confluence of financial and operational factors. The stark difference in clinical versus support expense trends in the previous section suggests just some of the difficult decisions hospital and health system leaders likely must make each day in determining where to invest limited resources.

Many of the challenges that plagued hospitals in 2022 – including workforce issues and rising costs – are expected to persist throughout 2023. As a result, hospital leaders will continue to navigate these and new, yet-unknown challenges in an evolving environment.



About the Data

Syntellis' Axiom™ 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 1,000 hospitals. Powered by Syntellis IQ, Comparative Analytics also provides data and comparisons specific to a single organization for visibility into how its market is evolving.



About Syntellis

Syntellis Performance Solutions provides innovative enterprise performance management software, data, and intelligence solutions for healthcare, higher education, and financial institutions. Syntellis' solutions include Axiom, Connected Analytics, and Stratasan software. These solutions help finance professionals elevate performance by acquiring insights, accelerating decisions, and advancing their business plans. With over 2,800 organizations and 450,000 users relying on its solutions, Syntellis has proven industry expertise in helping organizations transform their visions into reality. For more information, please visit www.syntellis.com.



Advancing Health in America

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.