

Oregon Acute Care Hospitals: Financial & Utilization Trends Q4 2022

This brief summarizes the fourth quarter 2022 update of the Oregon Hospital Financial and Utilization Dashboard. [Click here](#) for OHA's interactive dashboard for hospital financial and utilization data.

[Click here](#) for the glossary of key terms. These data are self-reported and subject to change.

Note: Shriners Children's hospital is excluded since it is a charity children's hospital.

Key Takeaways

Compared with Q4 2021:

- ↓ Operating margin (profit) **fell** 341.1 percent from \$35.3 million to -\$85.2 million.
- ↑ Net patient revenue **rose** 7.4 percent from \$3.84 billion to \$4.12 billion.
- ↑ Total operating revenue **rose** 6.3 percent from \$4.17 billion to \$4.43 billion.
- ↑ Total operating expense **rose** 9.2 percent from \$4.14 billion to \$4.52 billion.

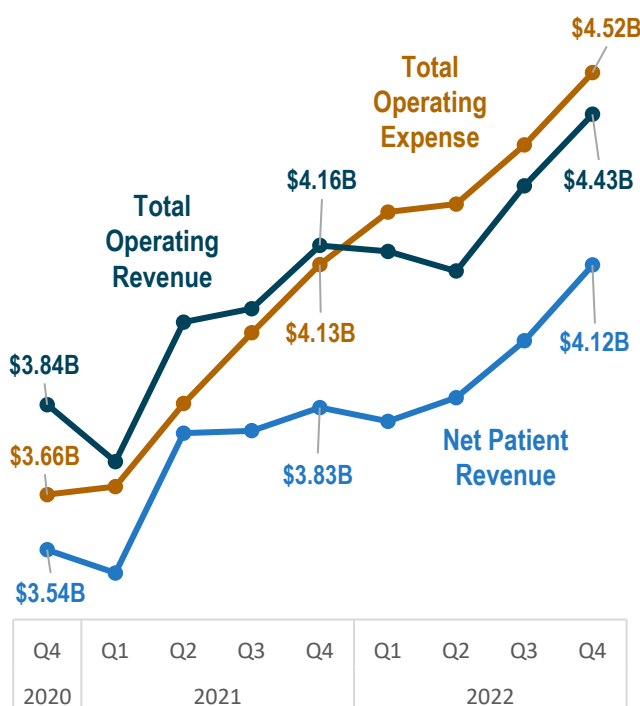
Total operating revenue, net patient revenue growth trail behind operating expenses in the 4th quarter.

Operating expense growth continues to outpace revenue growth, resulting in the fourth consecutive quarter of statewide operating margin losses. In total, hospitals **lost** \$85.2 million on operations during Q4 of 2022. Despite these operational losses, hospitals saw increases in total margin (all sources of income). The resulting **gains** in the quarter, including non-operational amounts, were \$66.2 million.

Net patient revenue was \$4.12 billion in the fourth quarter, **up** 3.7 percent from Q3 and **up** 7.4 percent from the fourth quarter of 2021. **Total operating revenue** was \$4.43 billion, **up** 3.2 percent from Q3, and **up** 6.3 percent from the fourth quarter of 2021.

Total operating expenses grew 3.1 percent from Q3 and 9.2 percent from Q4 of 2021. Year-to-date, total operating expenses **increased** by \$1.74 billion compared with the previous four quarters of 2021, while total operating revenue **grew** by \$1.05 billion during the same time.

Total operating expense continues to exceed **net patient revenue** and **total operating revenue**.



Total payroll expense showed minor growth in 2022.

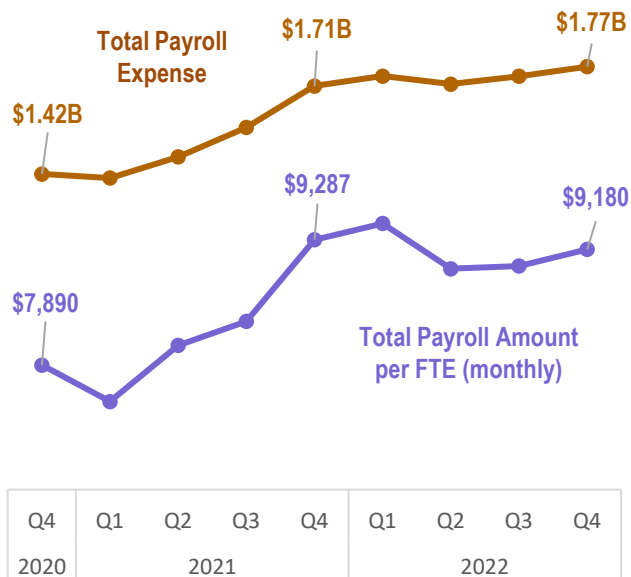
Throughout 2022, payroll expenses continued to drive overall expense growth. Operating expenses **grew** 2.8 percent from the last quarter, **up** 9.6 percent from Q4 2021. Over the past year, quarterly **growth** in operating expenses has averaged 2.3 percent.

Although payroll remained a leading cause of expense growth, **total payroll expense** showed little growth overall in 2022.

Total payroll hours are **down** 0.3 percent (887,000 hours) from the third quarter, compared to a 3.7 percent (1.6 million hours) **increase** from Q4 2021.

Total payroll amount per FTE (full-time equivalent) per month remained mostly flat, **growing** 2.1 percent from the previous quarter, compared to 1.1 percent **decrease** from Q4 2021.

Total payroll expense and **total payroll amount per FTE per month** showed minor growth in Q4 .

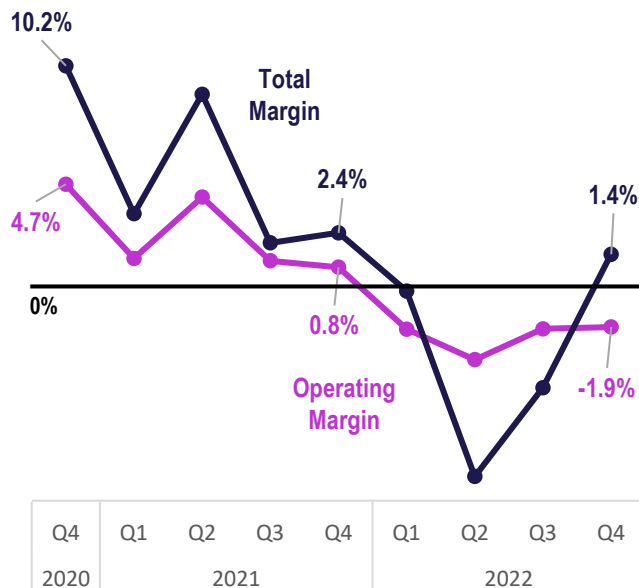


Negative operating margin persists in Q4, despite total margin improvement.

Despite net patient revenue growth, **operating margin** was -\$85.2 million, a decrease of 341.1 percent compared to Q4 of 2021. As a result, **operating margin** remained negative in Q4, as expenses continued to exceed growth in revenue.

Statewide, hospitals **gained** \$147.7 million from non-operational sources, including investment activities. These sources include stock and bond values, retirement account values and purchasing of new investments. **Total margin**, which includes these non-operational investments, was **up** \$66.2 million in Q4 of 2022, **up** \$263.8 million from Q3 and **down** \$37.2 million from Q4 2021.

Losses in **total margin** as a percent of revenue continue to improve, **total operating margin as a percent of revenue** remains negative in Q4.



Hospital Financial 2022 Year End Trends

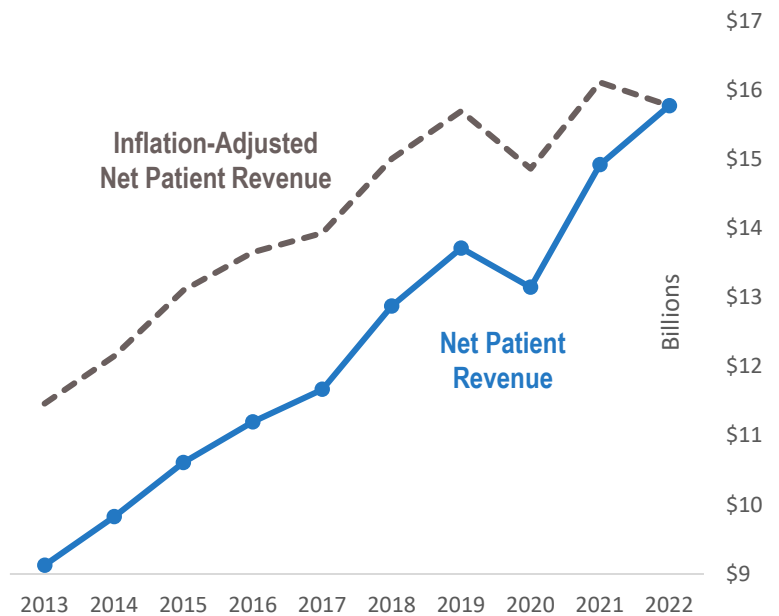
The following charts present 2022 year end totals for key financial metrics and ten year trend lines. The metrics are presented in nominal amounts (amounts as reported in the year they were reported) and amounts adjusted for inflation to the purchasing power of the 2022 dollar. Inflation adjustment was performed using the CPI inflation index. Average annual growth rates for the ten year period were calculated using the Compound Annual Growth Rate (CAGR) method.

Net Patient Revenue compared to Inflation-Adjusted Net Patient Revenue

Hospitals ended 2022 with \$15.8 billion in **net patient revenue (NPR)**, an increase of 5.7 percent from 2021.

Between 2013 and 2019, NPR grew steadily, averaging 6.0 percent annual growth. At the onset of the COVID-19 pandemic, NPR fell sharply. However, it quickly rebounded in 2021, growing 13.5 percent compared with 2020. Overall trends indicate NPR has returned to expected long term norms.

When adjusted for inflation, NPR has averaged 3.6 percent growth in the time period, indicating growth above that expected from inflation.

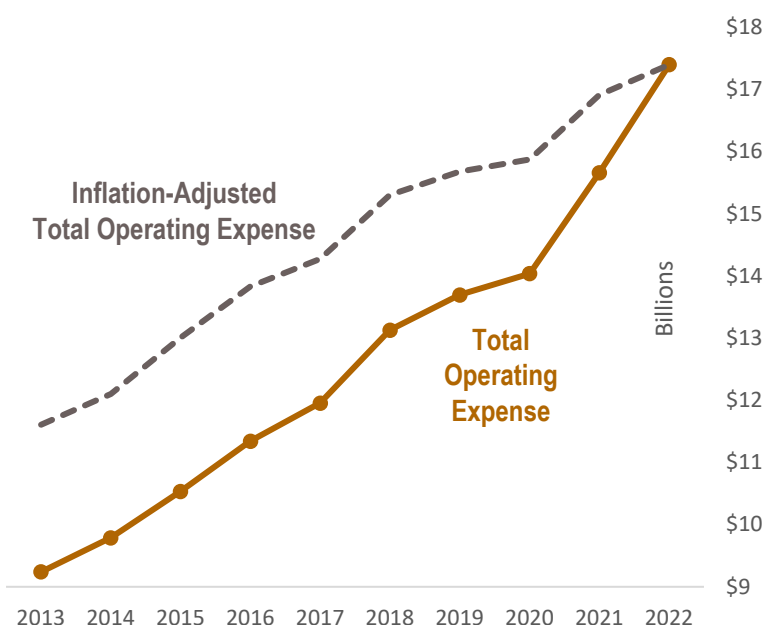


Total Operating Expense compared to Inflation-Adjusted Total Operating Expense

Hospitals ended 2022 with \$17.4 billion in **total operating expenses**, an increase of 11.1 percent from 2021 and nearly double the rate of growth of NPR.

From 2013 to 2019, total operating expenses grew at an average annual rate of 5.8 percent, slightly below that of NPR. Since 2020, however, total operating expenses grew 11.3 percent per year and 24 percent in total. Where NPR has appeared to return to historic norms, total operating expenses are exceeding those norms.

Like NPR, expenses have grown at a higher rate than inflation. From 2013 to 2022, hospitals have averaged 4.6 percent annual growth when adjusted for inflation.



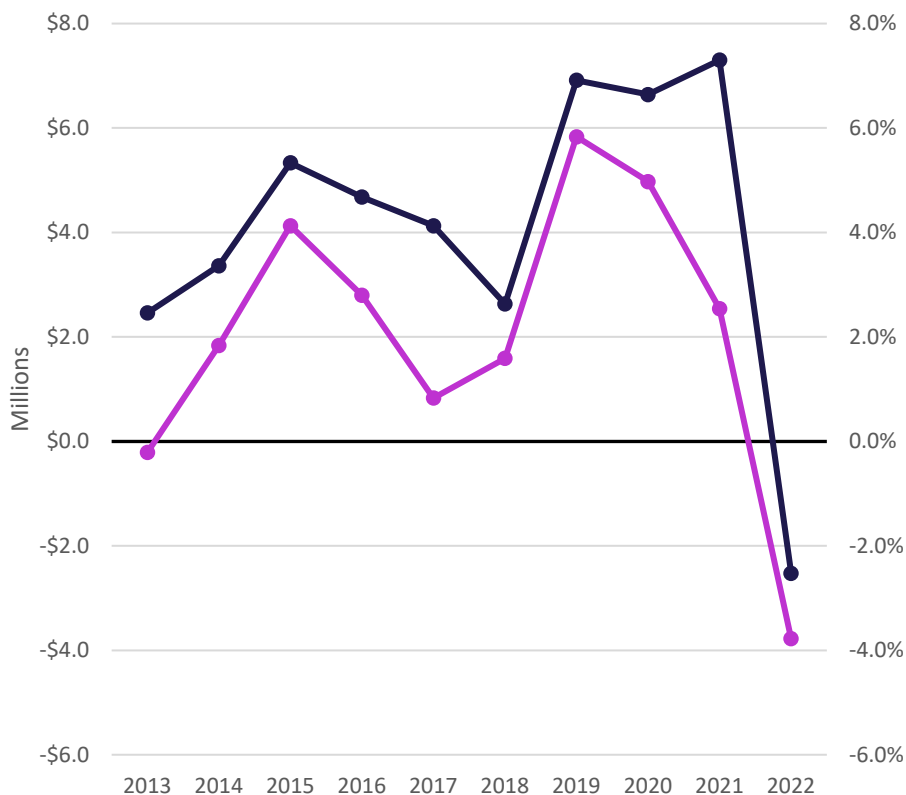
Hospital Financial 2022 Year End Trends

Median Operating Margin compared to Median Total Margin as Percent of Revenue

Median operating margin and **median total margin** represent the point where half the hospitals had a figure above the value and half the hospitals had a figure below the value. Historically, most hospitals saw positive margins until 2022. This sharp decline was the result continued increases in spending, decreases in patient revenue and stock market losses. Prior to this, hospitals experienced modest growth with noticeable increases in 2019 and 2021, where stock market gains drove up operating and total margin.

In 2022, **median total margin percent**, which accounts for all revenue sources (operating and non-operating, including investment income) also fell, from around 7 percent in 2021 to -2 percent.

In 2022, statewide **median operating margin**, or profit (net patient and other operating revenue minus expenses), was negative for the first time since 2013, the result of operating expenses that continue to outpace patient revenue.



Glossary

Net patient revenue

Total amount collected for patient care minus uncompensated care and contractual amounts

Operating margin

Operating income minus operating expenses

Total margin

Total income including investments, tax subsidies, and operations, minus expenses

Total operating expense

Sum of all expenses from operating the health system

Total operating revenue

Sum of revenue from all operating sources, excluding investment income and tax subsidies

Total payroll amount per FTE

Monthly amount earned standardized to number of hours worked by a full-time employee

Total payroll expense

Sum of employee compensation expenses including wages, salaries, and benefits