Oregon Acute Care Hospitals: Financial & Utilization Trends Q1 2022

Transparent reporting on the financial health of Oregon hospitals and trends in the use of hospital services helps policymakers and the public understand the role of hospitals in driving health care costs, responding to emergencies like the COVID-19 pandemic, and meeting the needs of their communities. This summary analysis accompanies the first quarter 2022 update of the Oregon Hospital Financial and Utilization Dashboard, OHA’s interactive dashboard for hospital financial and utilization data.

Key Takeaways Compared with Q1 2021:

- In a continuation from the 4th quarter 2021 trends, rapid growth in operating expense, particularly payroll amounts, is significantly impacting operating margins.
- Operating margin (profit) fell -302.7 percent to -$103.5 million.
- Net patient revenue rose +8.2 percent to $3.78 billion.
- Total operating revenue rose +10.9 percent to $4.13 billion.
- Total operating expense rose +15.2 percent to $4.23 billion.
- Total margin fell -123.4 percent to -$30.7 million.

Net patient revenue growth is slowing while total operating expense grows, and the gap is widening.

While net patient revenue (NPR) amounts have returned towards expected level, the growth is slowing. NPR was $3.78 billion in Q1 2022, up $285.5 million (+8.2%) from Q1 2021, but down $50 million (-1.3%) from Q4 2021. Over the past four quarters, NPR has been effectively flat. Total operating revenue was $4.1 billion in Q1 2022, up $404.6 million (+10.9%) from Q1 2021 but down -$32.8 million (-0.8%) from Q4 2021.

Total operating expense was $4.23 billion in the 1st quarter, up $559.1 million (+15.2%) from Q1 2021 and up $104.6 million (+2.5%) from Q4 2021. Total operating expense exceeded NPR by over $450 million in Q1 2022, approximately $150 million greater than the gap in Q4 2021 ($300 million). Payroll was $330 million of the total $560 million growth (+59%) in total operating expenses.

Key Terms

Net Patient Revenue
Money a hospital receives from providing health care services to patients.

Total Operating Revenue
The sum of net patient revenue and other operating revenue, which is money a hospital receives from services not related to patient care such as grants, gift shop sales, cafeteria sales, or federal CARES Act funds.

Total Operating Expense
All expenses incurred from operating the hospital, including patient care, supplies, salaries, etc.

Operating Margin
The sum of net patient revenue and other operating revenue (including CARES Act and other grant funds) minus total expenses.

Total Margin
The net sum of all revenue sources (operating and non-operating) minus all expenses. This includes investment income.

*Data are self-reported by hospitals and subject to change. Shriners Children’s Hospital is excluded due to data issues.
Payroll drives the expense increase.
Statewide, payroll expense was $1.74 billion in Q1 2022, up $329.6 million (+23.4%) while payroll hours were down -2.5 percent compared with Q1 2021. DRG hospitals drive this expense increase as they account for $1.44 billion in Statewide payroll expenses, an increase of $292.9 million (+25.5%) from Q1 2021. When converted to a rate, hospitals paid +26.7 percent more per FTE, per month, for labor in Q1 2022 than Q1 2021.

Margins remain low due to continued expense growth.
Due to the continued growth of expenses, the first quarter operating margins (profit) are down from the previous year. Statewide operating margin fell to -$103.5 million in the 1st quarter and -$154.6 million (-302.7%) compared with Q1 2021.

Total margin, which includes investment income, fell to -$30.6 million in the 1st quarter, which is down -$161.4 million (-123.4%) from Q1 2021 and down -$132.6 million (-130.1%) from the previous quarter.