Q1 2023 Oregon Hospital Utilization and Financial Analysis

2023 Current Trends

This report aims to provide an analysis of the utilization and financial data submitted by Oregon’s hospitals to the DATABANK and INFOH programs and a forward look into current trends.

Data and analyses for this report are provided by Apprise Health Insights, the data subsidiary of the Oregon Association of Hospitals and Health Systems. For more information, please visit www.apprisehealthinsights.com

The numbers and figures in this report are based on a DATABANK download from February 27, 2023.

Shriners Hospital for Children is automatically excluded from this report because of their unique status, and wildly fluctuating payer mixes that make comparisons difficult with other community hospitals.
While margin and revenue showed some improvement, Oregon’s hospitals are still financially vulnerable based on persistent labor stress (increased wages and diminished workforce), increased interest expenses and declining utilization metrics.

Patient volumes are down across the state in all major categories (inpatient, outpatient and Emergency Department), suggesting that bed capacity and workforce shortages continue to limit patient access, with discharge delays and ED boarding still widespread.

Operating expenses increased $255 million Q1 2023, a 6% increase, as wage increases and rising prices for supplies and services are still outpacing revenue and causing losses for most hospitals. Net Patient Revenue has fallen short of Total Operating Expenses for ten consecutive quarters.

Hospitals that are experiencing persistent losses have had no choice but to tap into their financial reserves to cover operating expenses as they continue to provide services to their communities.
**Margins**

**Median Operating Margin vs. Median Total Margin**

Q1 2023 Median Operating Margin saw a slight improvement from the previous quarter, increasing by one-half of a percentage point to -2.2%. Q1 2023 marks the fifth consecutive quarter of negative overall operating margins, as Oregon hospitals have lost a total of $414M from operations since Q1 2022.

Eight out of 12 hospital systems (operating more than one hospital in the state), and 68% of all Oregon hospitals had negative Median Operating Margins in Q1 2023.

Median Total Margin, which includes investment income, saw an increase of roughly 2.2 percentage points from the previous quarter, pushing this measure into positive territory for the first time since Q1 2022.
While both categories posted negative margins, Q1 2023 Operating Margins for DRG hospitals rose above their rural counterparts for the first time since the pre-pandemic era, with Median Operating Margin for DRGs at -2% and rurals at -2.2%.

While Median Total Margin for DRGs and rurals both hovered around 1.2% for Q1 2023, nearly 62% of all DRG hospitals and 73% of all rural hospitals had negative operating margins in Q1 2023.
**Revenue and Expense**

**Revenue vs. Expense chart**

Q1 2023 marks the first quarter where Total Operating Expense saw a decrease from the previous quarter since Q2 2020. While expenses saw a decrease, Total Operating Revenue and Net Patient Revenue both saw small increases from the previous quarter at 0.5% and 1.3%, respectively.

Although the gap between revenue and expenses has narrowed, it has now been 10 consecutive quarters since Net Patient Revenue was above Total Operating Expenses and hospitals were able to cover their expense obligations through their core patient care mission activities.
Hospital Expenses (Percent Change)

Oregon hospitals’ Total Operating Expenses have increased by nearly 26%, or $920M, from Q1 2020 to Q1 2023.

The high cost of labor and critical workplace labor shortages continue to be major contributors to the large increases in Total Operating Expense (TOE). For Q1 2023, statewide facility payroll, physician payroll and benefit expense combined to account for roughly half of Total Operating Expenses. Together, these expenses have increased by $472M, or 27%, when compared to Q1 2020.

Supply expense, at 18% of Total Operating Expense in Q1 2023, has increased by about 31% since Q1 2020, as hospitals continue to pay more for items and goods due to inflation and other factors.

To buffer the impact of their particularly poor financial performance in CY 2022, hospitals have relied on their financial reserves to cover steep operating expenses and downturns on investments. However, given that multiple hospitals/systems experienced downgrades of bond and credit ratings in Q1 2023, the cost of borrowing for needed facility and technology investments has risen.

This is reflected in the increase in interest expense, which has skyrocketed by 30% overall (since Q1 2020).
Utilization

Hospital Utilization

In Q1 2023 total hospital visits dropped by 2.3% when compared to the previous quarter and are down 7.2% when compared to Q1 2022. Emergency Room (ER) visits saw a significant drop from Q4 2022 to Q1 2023 at -7.2%.

Average Length of Stay

The rolling four-quarter Average Length of Stay (ALOS) for Q1 2023 remains flat at around 5.64 days. The past four quarters have had rolling four-quarter ALOS of 5.6-5.65 days, which is roughly 20%-25% higher compared to levels of 4.5-4.7 days seen in the years prior to the pandemic.

Staffing shortages and the inability for hospitals to discharge patients to post-acute settings (nursing homes, rehab facilities, etc.) have continued to keep ALOS high. Longer ALOS costs hospitals more and does not translate to additional revenue due to fixed reimbursements.
Key Definitions

Net Patient Revenue (NPR)
The revenue hospitals generate from providing health care services to patients.

Total Operating Revenue
The sum of Net Patient Revenue and Other Operating Revenue, which is from business operations not related to patient care like grants, cafeteria and gift shop sales, or federal CAREs Act funds.

Total Operating Expense (TOE)
All expenses incurred from hospital’s operations, including patient care, payroll and benefits, supplies, interest and depreciation, and other expenses.

Operating Margin
The sum of Net Patient Revenue and Other Operating Revenue minus Total Operating Expenses.

Total Margin
The net sum of all revenue sources (Operating and Non-Operating) minus all expenses. This includes investment income and tax subsidies from local governments.

Average Length of Stay (ALOS)
Average number of days that a patient spends in the hospital.

Inpatient Visits
A count of discharges of patients who have been admitted to the hospital to stay overnight.

Outpatient Visits
A count of patient visits to the hospital for diagnosis/treatment without spending the night.

Emergency Room Visits
A count of patient visits to the emergency department who are not later admitted to the hospital as inpatients.