



Vol. 66, Issue 18

Thursday, May 5, 2022

New AHA Report Highlights Dramatic Spike in Health Care Input Costs

The American Hospital Association (AHA) has released a [new report](#) that examines the tremendous growth of a variety of input costs for hospitals and health systems. The report includes national data on the dramatic increases in expenses for workforce, drugs, supplies and equipment, in addition to skyrocketing economy-wide inflation.

Among the highlights included in the report are the following data points:

- Hospital employment is down approximately 100,000 FTE (full-time equivalent positions) from pre-pandemic levels, according to Bureau of Labor Statistics data. At the same time, labor expenses per patient increased 19.1% through 2021 compared to 2019 levels.
- Median hospital drug expenses by the end of 2021 were 28.2% higher than pre-pandemic levels through the end of 2019 and 36.9% higher per patient. This has been exacerbated by drug manufacturers' decisions to illegally stop paying [340B discounts](#) at hospital community contract pharmacies.
- Overall, supply expenses for hospitals were 15.9% higher by the end of 2021 compared to the end of 2019 and 20.6% higher per patient.
- The average length of a patient stay increased 9.9% by the end of 2021 compared to pre-pandemic levels in 2019, leading hospitals to have to devote more staff time and expenses per patient episode.
- Data from Kaufman Hall, a consulting firm that tracks hospital financial metrics, shows that by the end of 2021, total hospital expenses were up 11% compared to pre-pandemic levels in 2019. Even after accounting for changes in volume that occurred during the pandemic, hospital expenses per patient increased significantly from pre-pandemic levels across every category.
- According to U.S. Bureau of Labor Statistics data, hospital prices have grown an average 2.1% per year over the last decade, about half the average annual increase in health insurance premiums.

The report's release coincided with WHA's [recent visit to Washington, D.C.](#), where one of the main topics WHA's health care advocates covered was the [mounting fiscal challenges](#) Wisconsin hospitals and health systems are facing in the wake of a COVID-19 pandemic that has disrupted the health care system for more than two years. The fiscal challenges are tightly intertwined with hospital and health system [workforce challenges](#), particularly when considering that labor accounts for up to 60% of a hospital's operating budget.

Despite all these challenges, hospitals have worked hard to hold down costs and have limited options to raise revenue to meet cost growth, particularly with stagnant Medicare and Medicaid payments. Even commercial payments can only be increased outside of a contract year, and there are increasing pressures from employers to limit growth in health insurance premiums, which have consistently outpaced hospital price increases over the last decade. Further exacerbating these issues are Medicare sequestration cuts which kicked back in at 1% on April 1 and will resume at 2% on July 1 unless Congress acts to retroactively extend sequestration relief.

WHA will continue to educate the Wisconsin congressional delegation on these challenges to make sure they understand how they relate to the need for regulatory and financial relief.

Contact WHA Vice President of Federal and State Relations [Jon Hoelter](#) with questions.