The Arizona Hospital and Healthcare Association (AzHHA) began collecting quarterly data from members earlier this year to better understand hospital financial challenges on an ongoing basis. AzHHA’s 2022 Q3 Quarterly Financial Analysis compiles data from 29 AzHHA member hospitals. You may view historical reports on our website https://www.azhha.org.

Staffing our healthcare workforce
Staffing issues continue to be the top concern for every AzHHA hospital.

Wages continue to escalate, after 6% to 15% wage increases in late 2021, in 2022, targeted positions have required additional 6% to 9% rate increase in 2022 to retain staff; key clinical positions remain unfilled with up to 30% wage rate increases. Additionally, there are key professional positions that seem to be nearly impossible to fill at any price, offers at the 75th percentile and the positions continue to go unfilled.

- Member CFO

- In the 2021 Uniform Accounting Reports, all Arizona hospitals reported an average 15% increase for salaries and wages from 2020 to 2021. AzHHA hospitals report some slowing in 2022 with growth averaging 8% in Q1 and Q2 over the prior year and 4% in Q3.

- After four quarters of growth, contract labor finally saw a decline in 2022 Q3 from the prior quarter. Nevertheless, contract labor increased by 88% from one year prior.
Operating margins

While operating margins improved slightly in 2022 Q3, AzHHA member hospitals report negative operating margins in all three quarters during calendar year 2022. Operating margins fell to (4.6)% in Q1, further decreased to (5.7)% in Q2, and were (4.9)% in Q3.

This large decrease is driven by large increases in expenses, a substantial decrease in COVID-19 relief funds and hospitals repaying their Medicare accelerated payments.

AzHHA hospital data continues to mirror what is happening at the federal level. While hospitals, on average, maintained healthy margins in 2021, 2022 has been a challenging year as increased expenses have eaten away at positive margins for many hospitals.

In its September report, KaufmanHall, which surveys more than 900 hospitals monthly warns that “when taken all together, the expense pressures and volume and revenue declines could force hospitals to make difficult decisions around services they are able to safely provide to patients.”

While 2022 has been troubling for many hospitals, 2022 Q3 was rather profitable for most of the nation’s largest health insurers. UnitedHealth Group and Elevance Health (formerly Anthem) yielded $5.3 billion and $1.6 billion in profits, respectively, or a 28% and 7% increase over the third quarter last year.