OVERVIEW

The Arizona Hospital and Healthcare Association (AzHHA) began collecting quarterly data from members in 2022 to better understand hospital financial challenges on an ongoing basis. AzHHA’s 2023 Q1 Quarterly Financial Analysis compiles data from 25 AzHHA member hospitals. You may view historical reports here.

A brighter picture

- For the first time in over a year, overall hospital net operating margins were positive at 2.7%.
- While this is an improvement, most experts agree that hospitals need to maintain operating margins of approximately 4%-6% to be able reinvest in their facilities and equipment.
- Hospitals have been pummeled by an increase in expenses across the board. Compared to one year earlier, salaries and wages are up 7%, benefits by 10%, and medical supplies by 14%. Overall operating expenses were up by 8% from one year earlier.
- Operating margins from AzHHA hospitals appear to be mirroring what is happening on the national level.

“Operating margins are improving but we have a ways to go to get back to pre-pandemic margins. Our facilities have seen a significant rise in average hourly rates for all positions. Certain areas such as Cath Lab and Operating rooms are almost impossible to fill, even with significant wage increases. Our biggest cost increase compared to the first quarter of 2022 is hospital-based physician subsidies, with the national physician shortages driving up hourly rates for these physicians.”

- Member CFO
Staffing our healthcare workforce

- As we have reported for the past year, hospital staffing continues to be the number one concern for hospitals.
- Contract labor was ↑12% from the prior quarter ↓23% from a year ago.

![Payments for Contract Labor](chart)

Patient volume

- Overall patient volumes are finally rebounding.
- Compared to a year ago, inpatient admissions were up by 7%, overall outpatient admissions by 12%, and emergency department visits by 10%.
- Although inpatient admissions were up slightly, the average length of stay of our reporting hospitals was down from 5.8 days to 5.4 days from one year ago, suggesting that acuity may be decreasing.
- Observation days were up significantly by 20%. For hospitals, a large increase in observation days can result in lower reimbursement for hospitals and can slow patient throughput. It can also lead to larger copays for patients if they should be discharged to an acute care facility.