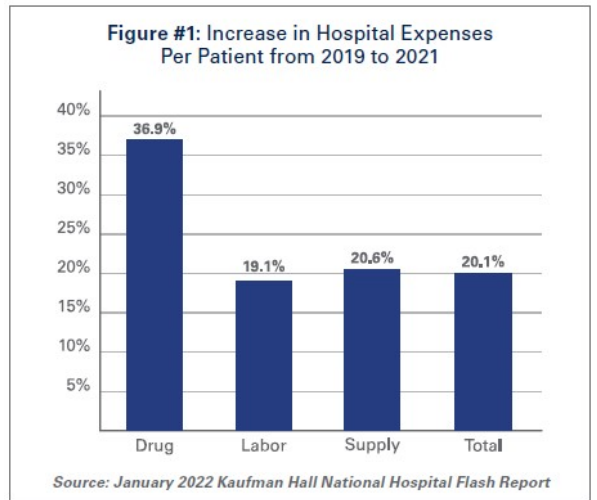


## Massive Growth in Expenses and Rising Inflation Fuel Continued Financial Challenges for Hospitals and Health Systems

### Part 1: Workforce and Contract Labor Expenses

The COVID-19 pandemic has taken a significant toll on hospitals and health systems and placed enormous strain on the nation's health care workforce. During this unprecedented public health crisis, hospitals and health systems have confronted many challenges, including historic volume and revenue losses, as well as skyrocketing expenses (See Figure #1).

A new American Hospital Association (AHA) [report](#) highlights the **significant growth in expenses across labor, drugs, and supplies**, as well as the impact that rising inflation is having on hospital prices.



#### Workforce & Contract Labor Expenses

The hospital workforce is central to the care process and often the largest expense for hospitals. It is no surprise then that even before the pandemic, labor costs — which include costs associated with recruiting and retaining employed staff, benefits and incentives — accounted for more than 50% of hospitals' total expenses. Therefore, even a slight increase in these costs can have significant impacts on a hospital's total expenses and operating margins.

- According to data from the Bureau of Labor Statistics, **hospital employment is down approximately 100,000 from pre-pandemic levels**. At the same time, **hospital labor expenses per patient through 2021 were 19.1% higher than pre-pandemic levels in 2019**.
- Driving the growth in labor expenses has been an increased reliance on contract staff, especially contract nurses, who are integral members of the clinical team. **In 2019, hospitals spent a median of 4.7% of their total nurse labor expenses for contract travel nurses, which skyrocketed to a median of 38.6% in January 2022**.
- Contract staff agencies have increased the rates they bill hospitals significantly. In fact, **hourly billing rates that hospitals pay staffing firms for contract employees increased 213% compared to pre-pandemic levels**.

By the end of 2021, hospital labor expenses per patient were 19.1% higher than pre-pandemic levels, and increased to 57% at the height of the omicron surge in January 2022.