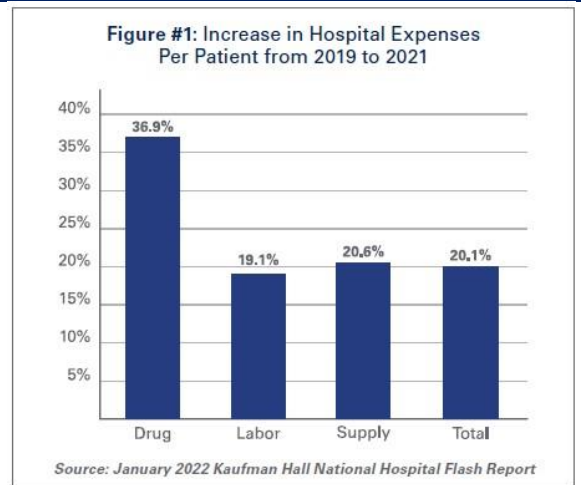


Massive Growth in Expenses and Rising Inflation Fuel Continued Financial Challenges for Hospitals and Health Systems

Part 3: Medical Supply & PPE 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).

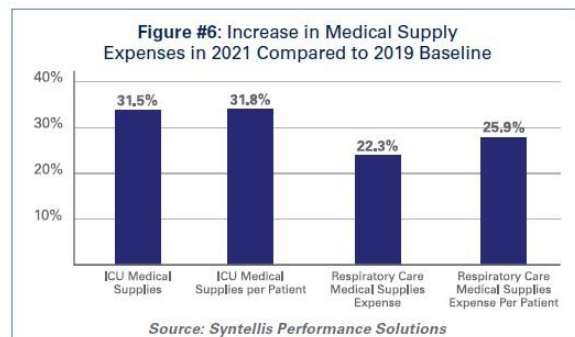
A new American Hospital Association (AHA) [report](#) highlights the **significant growth in expenses across labor, drugs, and supplies, as well as the impact that rising inflation is having on hospitals' total expenses and operating margins.**



Medical Supply & PPE Expenses

The U.S., like most countries in the world, relies on global supply chains for goods and services. This is especially true for medical supplies used at hospitals and other health care settings. Everything from the masks and gloves worn by staff to medical devices used in patient care come from a large network of global suppliers. After the pandemic hit, many factories, distributors and other vendors shut down their operations, leaving hospitals, which were on the front lines facing surging demand, to fend for themselves. In fact, supply chain disruptions across industries, including health care, increased by 67% in 2020 alone. As a result, hospitals turned to local suppliers and non-traditional suppliers, often paying significantly higher rates than they did prior to the pandemic.

- **Medical supply expenses grew 20.6% through the end of 2021**, compared to pre-pandemic levels
- When focusing on hospital departments involved most directly in care for COVID-19 patients, the increase in expenses is significantly higher. **Medical supply expenses in ICUs and respiratory care departments increased 31.5% and 22.3%, respectively.** (See [Figure #6](#))



These numbers help illustrate the magnitude of the impact that increases in supply costs have had on hospital finances during the pandemic.