This report aims to provide a quarterly analysis of the utilization and financial data submitted by Oregon's hospitals to the DATABANK and INFOH programs and a forward look into current trends.

Oregon Hospital Utilization & Financial Analysis

Q2 2022 & Current Trends

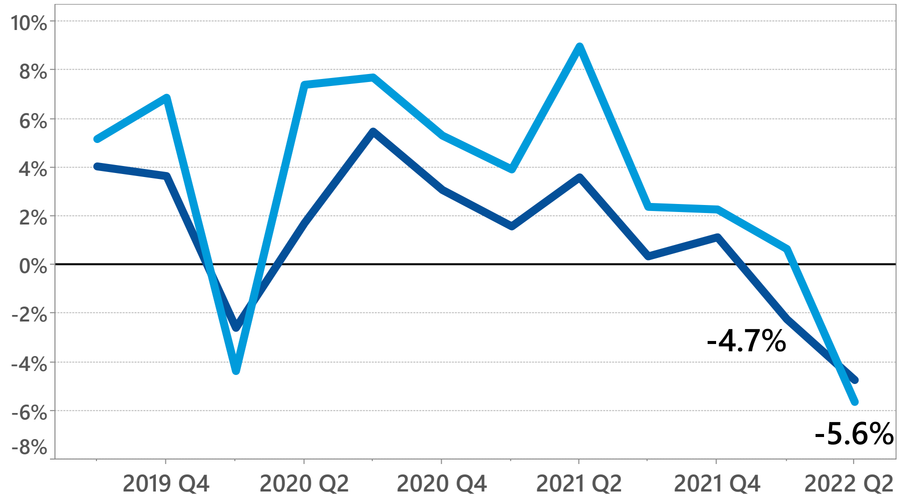
Key Insights

- The demands of the labor market are showing their outsized effects on hospital expenses: in the first six months of 2022, hospitals have spent $586 million more in salaries and benefits compared to last year, a 16% increase.
- Inflation and supply chain issues continue to drive up non-labor expenses as well, where items such as supplies, outsourced services, utilities, insurance and maintenance of equipment and buildings have risen 10% in the first half of 2022 from 2021.
- The widespread downturn in investment markets throughout the economy have driven hospitals' losses down even further. Current financial conditions are worse than at the peak of the Great Recession in 2008.
- Hospitalizations from COVID-19 continue and federal relief funds created to assist hospitals have dried up, further limiting hospitals' ability to regain their financial footing.

Operating and Total Margins continue their sharp declines

- Q2 2022 Median Operating Margin and Median Total Margin dropped to levels lower than experienced during pandemic lockdown conditions in 2020. The continuation of this sharp downward trend would mean that a financial recovery to pre-pandemic levels is out of reach for the year.

Median Operating Margin vs Median Total Margin



- Three additional hospitals had negative Operating Margins in Q2 from Q1, bringing the total to 65% of all hospitals in the red for Q2 2022.
- The Median Operating Margin of -4.7% and -5.6% for Total Margin for the quarter represent historical lows. Hospitals lost $111 million from operations for Q2 and are now at $215 million for the first six months of the year. Factoring in losses from Non-Operating activities such as investments, the losses are at $317 million through Q2 in total.
- Nine out of twelve hospital systems (operating more than one hospital in the state) had negative Operating Margin in Q2 2022. Most are part of multi-state systems where their counterparts outside of Oregon are also suffering large losses, compounding the effects for the systems overall.
- Margins for DRG hospitals continue to drop below their Rural counterparts, with Median Operating Margin for DRGs at -5.2% and Rurals at -3.0%. Median Total Margins for DRGs and Rurals were -6.3% and -4.1%, respectively.

Key Definitions

Net Patient Revenue (NPR)
The revenue hospitals generate from providing health care services to patients.

Total Operating Revenue
The sum of Net Patient Revenue and Other Operating Revenue, which is from business operations not related to patient care like grants, cafeteria and gift shop sales, or federal CAREs Act funds.

Total Operating Expense (TOE)
All expenses incurred from hospital's operations, including patient care, payroll and benefits, supplies, interest and depreciation, and other expenses.

Operating Margin
The sum of Net Patient Revenue and Other Operating Revenue minus Total Operating Expenses.

Total Margin
The net sum of all revenue sources (Operating and Non-Operating) minus all expenses. This includes investment income and tax subsidies from local governments.

Average Length of Stay (ALOS)
Average number of days that a patient spends in the hospital.

Inpatient Visits
A count of discharges of patients who have been admitted to the hospital to stay overnight.

Outpatient Visits
A count of patient visits to the hospital for diagnosis/treatment without spending the night.

Emergency Room Visits
A count of patient visits to the emergency department who are not later admitted to the hospital as inpatients.

-The numbers and figures in this report are based on a DATABANK download from September 1, 2022

-Bay Area Hospital and Saint Alphonsus Ontario have been excluded due to unavailable data

-Shriners Hospital for Children is automatically excluded from this report because of their unique status, and wildly fluctuating payer mixes that make comparisons difficult with other community hospitals.

apprise HEALTH INSIGHTS

This report aims to provide a quarterly analysis of the utilization and financial data submitted by Oregon's hospitals to the DATABANK and INFOH programs and a forward look into current trends.

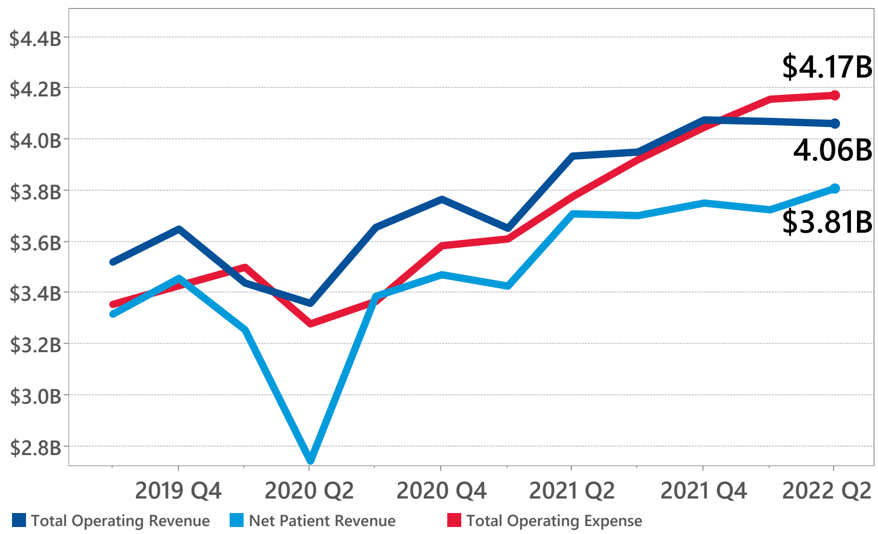
Oregon Hospital Utilization & Financial Analysis

Q2 2022 & Current Trends

Net Patient Revenue continues to lag behind Total Operating Expenses

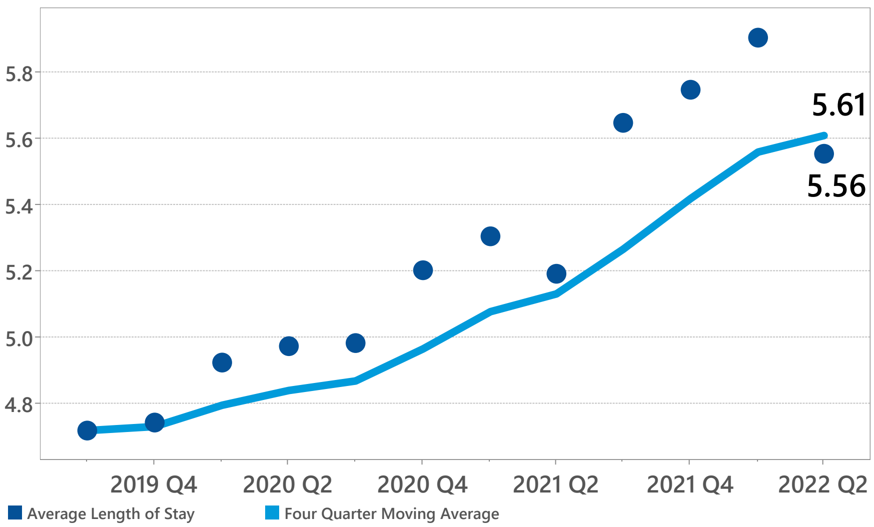
- The considerable gap between Net Patient Revenue (NPR) and Total Operating Expense (TOE) remains in Q2 2022. It has now been seven quarters since NPR was above TOE, meaning that much time has passed since hospitals have been able to cover their expense obligations through their core patient care mission activities.
- The non-salary and benefits expenses have been on the rise through the first six months of 2022. Supplies have increased 8% compared to this time last year. Other expense categories that include purchased services, utilities, and facility maintenance are up 11%. In addition, interest and depreciation of assets has risen 6%. All told, these inflationary pressures on these items have added $357 million in expense compared to a year ago.
- The stock market downturn in Q2 2022 resulted in an aggregate net loss of $161 million for hospitals, which was $243 million decrease from the previous quarter, almost a 300% drop. This accounts for the unusual situation of Total Margin dipping below Operating Margin, and an indicator of increasing liquidity constraints (e.g., making it more difficult and expensive for hospitals to borrow due to their negative margins).

Revenue vs Expenses



Capacity challenges

Average Length of Stay (ALOS)



- The rolling four-quarter ALOS for Q2 2022 is now 5.6 days, a slight increase from the previous quarter. This however is still very high compared to pre-pandemic 4.7 for Q3 2019.
- Staffing shortages and discharge delays that are outside of hospitals' control are keeping ALOS high. This higher ALOS is a contributor to higher per patient costs, affecting margins. Hospitals did see a 5% jump in inpatient discharges in Q2 from Q1 2022.
- Emergency Room visits showed an increase in Q2 2022, up 13% from Q1. Outpatient visits (excluding ER) stayed about the same (-0.1%) which is of concern since Outpatient has been a particular growth area through the pandemic. This stagnation may have arisen from staffing difficulties limiting services.

-The numbers and figures in this report are based on a DATABANK download from September 1, 2022

-Bay Area Hospital and Saint Alphonsus Ontario have been excluded due to unavailable data

-Shriners Hospital for Children is automatically excluded from this report because of their unique status, and wildly fluctuating payer mixes that make comparisons difficult with other community hospitals.

apprise HEALTH INSIGHTS