



Delaware Healthcare Update

May 13, 2022

Labor Expenses in Hospitals on the Rise

I wanted to make sure you were aware of the [article](#) from *Becker's Hospital CFO Report*, highlighting the significant increase in labor expenses in hospitals.

The pandemic has driven staffing costs through the ceiling and hospital margins through the floor.

Hospitals will continue to be at risk for the foreseeable future. [Read the article below](#) for more.

Wayne A. Smith
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Labor expenses rise 37% from pre-pandemic levels

'A perfect storm': Labor expenses rise 37% from pre-pandemic levels, Kaufman Hall finds

[Becker's Hospital CFO Report](#)

by Marissa Plescia - May 11, 2022

Labor expenses in hospitals have risen by more than one-third from pre-pandemic levels, a May 11 Kaufman Hall [report](#) found.

This equates to a 37 percent increase per patient between 2019 and March 2022, from \$4,009 to \$5,494 per adjusted discharge.

Four additional things to know

1. The biggest increases were in the South and West, but the highest expense levels were consistently in the West and Northeast/Mid-Atlantic.
2. The rise in labor expenses was mostly attributable to contract labor expenses. In 2019, contract labor accounted for 2 percent of total labor expenses and 11 percent in 2022.
3. Contract nurses saw a 106 percent increase in median hourly wages from pre-pandemic levels, at \$64 in 2019 and \$132 in 2022. Employed nurses only saw an 11 percent increase, from \$35 in 2019 to \$39 in 2022.
4. Kaufman Hall's most recent flash report [showed](#) that median hospital operating margins were negative for the first three months of 2022. The median hospital operating margin in March was -2.43 percent, up from -3.99 percent in February and -4.52 percent in January, according to the report.

"The pandemic made longstanding labor challenges in the healthcare sector much worse, making it far more expensive to care for hospitalized patients over the past two years," Erik Swanson, senior vice president of data and analytics at Kaufman Hall, said in a May 11 news release. "Skyrocketing labor costs, decreasing patient volume and lower revenues create a perfect storm for steep declines in profit margins. Hospitals now face a number of pressures to attract and retain affordable clinical staff, maintain patient safety, deliver quality services and increase their efficiency."

Source: [Becker's Hospital CFO Report](#). May 11th, 2022.

https://www.deha.org/getattachment/29a50828-e0f7-46f1-bbc8-8578c8133134/Expenses-Margins-5_2022.pdf.aspx?lang=en-US

[Back to Top](#)

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