The Fragile State of Hospital Finances

For America’s hospitals, the bottom line supports our top priority: providing patients the right care, at the right time, in the right place, and doing it on demand, 24 hours a day, seven days a week. But that bottom line is increasingly threatened – at a time when the challenges facing hospitals call for investments not cutbacks. These challenges include:

- **Opportunities to improve quality and patient safety** through investments in information technology.
- **Continual advances in medicine** that open new possibilities for America’s growing and aging population even as they push up demand for care and the costs of providing that care.
- **Worker shortages** that will reach crisis proportions in the coming decades unless we invest in our future workforce now.
- **Lack of staff and space to meet growing demand** leading to emergency department overcrowding and ambulance diversion.
- **The need to be prepared for mass casualty events** with staff, equipment and training.
- **A increasing burden of chronic disease in our population**, including diabetes, heart disease and cancer that will require new approaches to manage care delivery.

But the ability to meet these challenges is compromised by the significant financial pressures facing hospitals.
Sixty percent of hospitals lose money providing patient care; one-third lose money overall.

Hospital total margins are down 34 percent from pre-Balanced Budget Act levels.
Since they cover more than half of care provided, Medicare and Medicaid drive hospital financial performance.

The majority of hospitals lose money treating Medicare and Medicaid patients.
Overall, Medicare and Medicaid pay less than the cost of care provided to their beneficiaries.

Growing government shortfalls are staggering and jeopardize the financial health of hospitals...
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...putting pressure on the private sector to make up the difference.

These financial pressures make it difficult for hospitals to make critical investments and keep up with the cost of caring.
The information technology to promote quality and patient safety costs millions of dollars.

Advances in medicine offer new possibilities, but add billions to the nation's cost of caring.
Hospitals need to invest in workforce development to ensure we have enough caregivers to meet the future needs of patients.

Disaster readiness requires staff, equipment and training.

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**Investment in chronic care management will be the key to controlling future health care costs.**

**Meanwhile the demand for care – and the staff and facilities to provide that care – continue to grow.**
For hospitals, today is a time for investment – not cutbacks.

Critical investments are needed to support:

- Information technology
- Advances in medicine
- Disaster readiness
- Workforce development
- Chronic care management
- Rising demand for care