



Advancing Health in America

Contact: Colin Milligan, cmilligan@aha.org
Sharon Cohen, scohen@aha.org

NEW AHA REPORT: HOSPITALS AND HEALTH SYSTEMS CONTINUE TO FACE RISING COSTS, ECONOMIC PRESSURES

WASHINGTON (May 2, 2024) — The American Hospital Association (AHA) today released a new report showing that hospitals and health systems continue to experience significant financial pressures that challenge their ability to provide 24/7 care for the patients and communities they serve.

In 2023, data show that hospitals and health systems continued to face substantial challenges due to higher costs for labor, drugs, and supplies. At the same time, reimbursements from Medicare and Medicaid did not keep pace with these mounting costs, and hospitals and health systems increasingly encountered challenges navigating onerous commercial insurer practices such as denying and delaying access to and payment for patient care. These headwinds persist in 2024 and have been further exacerbated by the recent unprecedented Change Healthcare cyberattack, forcing many hospitals to dip into their diminishing cash reserves to maintain operations.

Key findings from the report include:

- Economy-wide inflation grew by 12.4% between 2021 and 2023, more than double the 5.2% growth in Medicare reimbursement for hospital inpatient care. This makes it harder for hospitals to maintain access to care and invest in cybersecurity and cutting-edge treatment.
- Hospitals and health systems incurred significant underpayments for several essential and complex health care services in 2023, including:
 - Payments for inpatient behavioral health services were on average 34% below costs across all payers.
 - In the outpatient setting, payments for costly burn and wound services were on average 43% below costs across all payers.
- Hospitals and health systems face mounting administrative burden and costs due to certain commercial health insurer practices like prior authorization and denials. At the same time, health insurance premiums grew twice as fast as hospital prices in 2023.
- Increasing drug prices and workforce challenges continue to cause hospitals financial stress.

- In 2023, the median annual list price for a new drug was \$300,000, an increase of 35% from the prior year.
- 2023 saw the most drug shortages in over a decade; there were an average of 301 drugs in shortage per quarter, an increase of 13% from the previous year.
- Hospitals' labor costs, which on average accounts for 60% of a hospital's budget, increased by more than \$42.5 billion between 2021 and 2023.

“As this report clearly highlights, increased expenses, workforce challenges, and growing administrative burden are unsustainable and creating headwinds and obstacles that threaten access to care for millions of Americans,” **said AHA President and CEO Rick Pollack**. “The AHA urges Congress and the Administration to take action to strengthen hospitals and health systems and bolster access to care for all patients and communities.”

The full report, along with a one-page executive summary, can be found [HERE](#). More information on the AHA's advocacy agenda to support hospitals and health systems can be found [HERE](#).

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About the American Hospital Association (AHA)

The American Hospital Association (AHA) is a not-for-profit association of health care provider organizations and individuals that are committed to the health improvement of their communities. The AHA advocates on behalf of our nearly 5,000 member hospitals, health systems and other health care organizations, our clinician partners – including more than 270,000 affiliated physicians, 2 million nurses and other caregivers – and the 43,000 health care leaders who belong to our professional membership groups. Founded in 1898, the AHA provides insight and education for health care leaders and is a source of information on health care issues and trends. For more information, visit the AHA website at