



Navigating Uncertainty in 2024: Financial Challenges and Opportunities for U.S. Hospitals

The post-pandemic “new normal” has hospitals struggling with unprecedented financial volatility. While small gains have been made in hospital margins, they remain historically low.¹ According to Kauffman Hall, CYTD operating margins at the end of 2023 were 2.3%, up from -0.5% in January of the same year.² However, volatility and uncertainty have become the norm. A report by the American Medical Association and Syntellis found that between January 2022 and June 2023, “for every \$1 million in net patient service revenue, the dollar amounts in accounts receivable fluctuated by as much as \$14,287 for commercial payors and \$8,872 for Medicare Advantage.”³

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Cost Comparison Between January 2022 and June 2023⁴

- Median cash reserves dropped 28%
- Cost of maintenance grew by nearly 90%
- Utilities were up 35%
- Professional fees rose by 33%
- Drug costs grew by almost 30%
- Labor expenses were up by 24%
- Medicare Advantage denials increased by 55.7%
- Commercial plan denials increased by more than 20%

THE YEAR AHEAD

● 2023 ——— ● 2024 ——— ● 2025

The number of hospitals closing, at risk of closing, shuttering service lines, or halting in-patient care is a testament to how dire the healthcare sector’s new reality has become, especially in rural areas. If the first month of 2024 is any indication, the year ahead holds more of the same.⁵

Even with inflation cooling, expenses remain a significant factor, especially for supplies and pharmaceuticals. Labor shortages, too, continue to plague hospitals and health systems. According to Becker’s Hospital Review, staffing will remain problematic in 2024 “due to insufficient academic pipelines for nurses and clinicians, burnout and job dissatisfaction among nurses at the bedside, and clinicians reprioritizing their needs post-pandemic.”⁶ With continuing revenue challenges, offering competitive salaries, exorbitant sign-on bonuses, and more paid time off may not be possible for some organizations, especially smaller and rural facilities. There needs to be a better option, and there is.

¹ <https://www.advisory.com/daily-briefing/2023/10/04/hospital-margins#:~:text=Although%20hospital%20operating%20margins%20are,reporting%20negative%20margins%20in%202022.>

² https://www.kauffmanhall.com/sites/default/files/2024-01/KH-NHFR_2024-01.pdf

³ <https://www.haponline.org/News/HAP-News-Articles/Latest-News/the-financial-challenges-us-hospitals-face>

⁴ Ibid.

⁵ <https://www.beckersasc.com/asc-news/6-hospital-clinic-and-service-closures-in-2024.html#:~:text=Healthcare%27s%20ongoing%20supply%20issues%2C%20labor,have%20been%20forced%20to%20close.>

⁶ <https://www.beckershospitalreview.com/2024-healthcare-workforce-trends-you-can-t-afford-to-ignore.html>

A PROVEN APPROACH TO MITIGATING COSTS AND REDUCING UNCERTAINTY

Rather than cutting staff and services to save money and stabilize the bottom line, hospitals and health systems should consider taking a different approach to operating models and staffing by leveraging nurse practitioners (NPs) and physician assistants (PAs)—collectively known as advanced practice providers (APPs). For organizations without the ability to hire these professionals, partnering with a multi-specialty healthcare management company that does is an excellent option. APPs complement existing staff and can improve productivity by performing time-consuming tasks such as admissions, consults, rounding visits, and discharges. Physicians can focus on higher acuity patients, while APPs can focus on keeping patients moving throughout the continuum.

Now, more than ever, APPs play a vital role in helping providers achieve quality outcomes without hiring additional staff while also offsetting the high cost of physician hospitalists.



A QUESTION OF QUALITY

Multiple studies on the cost-effectiveness of PAs have found that they deliver “the same or better care outcomes as physicians with the same or less cost of care.”⁷ In a recent global review of 39 studies on the subject, 15 showed that PAs delivered care equal to that of the physician, while 18 showed that they delivered care that exceeded that of the physician.⁸ “In total, 29 studies showed that both labor and resource costs were lower when the PA delivered the care than when the physician delivered the care.”

The use of APPs has become an increasingly attractive option; in 2020, more than 83% of hospitalist groups surveyed said they worked with at least one APP.⁹

⁷ <https://pubmed.ncbi.nlm.nih.gov/34723999/>

⁸ Ibid.

⁹ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9305217/#:~:text=The%20percent%20of%20hospital%20medicine,patient%20outcomes%20as%20hospitalist%20physicians.&text=APPs%20undergo%20variable%20training%20in%20hospital%20medicine%20prior%20to%20entering%20the%20workforce.>



HOW TO CHOOSE AN APP PARTNER

There are four critical elements to consider when looking for an APP partner. They include the following:

1

A focus on collaborative care models

First and foremost, hospital leaders should look for a partner that sees itself as playing a vital role in the organization's care team, including the willingness to play an active role in committees and strategic initiatives. They should exhibit quality leadership and be eager to work alongside existing staff and leaders, especially managers and front-line clinicians. Along with a commitment to collaboration, the best partners will embrace the hospital's culture as their own, understanding that each patient encounter is a direct reflection of the hospital's brand reputation.

2

Embrace accountability

In addition to collaboration, the right partner will embrace accountability as a foundational element of the relationship. This should include collecting and analyzing key performance data to help identify opportunities to improve clinical and operational performance. The best partners will be able to demonstrate a track record of proven success in each area they serve.

3

Leverage innovative, ongoing educational models

To achieve and maintain optimal care quality, hospitals and health systems need a partner that understands the critical importance of high-quality, continuous APP education. This should include comprehensive training that incorporates mentorship, supervision, and real-time support. As part of the partner's APP training program, APPs should be paired with an experienced provider mentor to collaborate closely on direct patient care. The best partners will leverage knowledge-based testing, which should be conducted at both the beginning and the end of the training period, as well as monthly evaluations by the provider mentor.

Both recently graduated and experienced APPs new to hospital medicine need formal training that includes both didactic and clinical components. Sometimes lasting for several months, these comprehensive programs can drive tremendous value to even the most experienced APPs.

4

Provide care across the continuum

High-quality care transitions and post-discharge follow-ups are critical to a patient's health and recovery. Yet many patients fail to get the care they need after leaving a facility. This can result in complications, trips to the emergency department, and readmissions. Research shows that nearly 20% of patients experience an adverse event within three weeks of being discharged, 75% of which could have been prevented or corrected. APPs can provide timely, high-quality post-discharge care via telehealth, just as they do on campus.

Hospitals and health systems should look for a partner that employs telehealth and the latest remote monitoring devices to monitor patient vitals. They should follow industry protocols that include intervention and escalation to the appropriate provider when needed.

The best APP partners understand the importance of patient feedback and should leverage patient satisfaction surveys as part of their service.



¹⁰ <https://psnet.ahrq.gov/primer/readmissions-and-adverse-events-after-discharge>

REDUCING FINANCIAL UNCERTAINTY

We need look no further than 2023 hospital credit ratings to understand the challenges hospitals face; there were three times the number of credit rating downgrades as upgrades.¹¹ It should come as no surprise that Fitch Ratings suggests the 2024 outlook for hospitals and health systems is deteriorating.¹² In an attempt to mitigate their financial challenges, numerous organizations have implemented layoffs.¹³ However, this only exacerbates the ongoing labor shortage and adds additional stress to remaining staff. Leveraging APPs is a better approach and Adfinitas Health can help.

Adfinitas Health is a private company focused on driving value for hospitals and health systems by providing high-quality, cost-effective care. Adfinitas is not backed by private equity and is not driven solely by profits.

Adfinitas Health has almost 20 years of experience building and managing high-quality, cost-effective hospitalist and post-acute programs. With a well-seasoned team of recruiters and an intensive, innovative education and training program, Adfinitas is able to create teams of APPs working at the top of their license. Adfinitas APPs have proven to be a game-changer in reducing costs and driving bottom-line improvements without compromising care quality.



PROVEN SUCCESS

1,458

reported national median annual work RVU for APP hospitalists

3,536

median annual work RVU for Adfinitas APP hospitalists

\$198,750

average financial support (not including salary/benefits) per FTE

\$124,000

average financial support per Adfinitas provider FTE

Adfinitas Health works closely with partners to improve outcomes, increase productivity, and extend quality services in each partner hospital and post-acute care center.

- 66 facilities
- 104,702 annual patient visits
- 551,311 annual patient encounters
- 78,568 total admissions
- 290 total active physicians
- 8.0% provider turnover rate (compared to industry average of 20%)

¹¹ https://www.syntellis.com/sites/default/files/2023-11/aha_q2_2023_v2.pdf

¹² <https://www.fitchratings.com/research/banks/most-north-american-sector-outlooks-deteriorating-on-slowing-economy-05-01-2024#:~:text=Fitch%20Ratings%2DNew%20York%2D05,U.S.%20banks%2C%20leveraged%20finance%2C%20retailing>

¹³ <https://www.fiercehealthcare.com/providers/layoffs-ramping-among-hospitals-and-health-systems-heres-34-examples-2023>



Contact us today to learn how Adfinitas Health can help reduce financial uncertainty and drive quality and productivity at your organization.

www.AdfinitasHealth.com