

CRAFT Report

FY 2023 Second Quarter

Executive Summary

The CRAFT Report is a statistical report compiled and published by Center for Healthcare Solutions (CFHS). This report includes the 6 months ending 12/31/2021 and 12/31/2022 and represents data from 61 hospitals in Western Pennsylvania and Northern West Virginia.

Overall, Net Patient Revenue rose by 5.63%, which included Federal Covid Relief Funding in some hospitals. However, Other Operating Revenue increased by \$45.68 Million. As a result, Total Operating Revenue increased by \$455.2 Million or 5.68% from the prior year.

Volumes have recovered somewhat from what was experienced in the past year. Admissions are 1.54% below prior year, but still much better than the 2.29% decline experienced in prior Fiscal year ended 6/30/21. At 12/31/21 Emergency Room Visits were up 15.45% above prior year. Inpatient Surgeries were 9.08% below the prior year, while Outpatient Surgeries were up 1.61% from the prior year. Operating Margins dropped to 2.61% at 12/31/21, compared to 12/31/20 which was 5.03%. The cumulative decrease in the volume of Admissions and Surgeries have been dramatic and are continuing. Although Emergency volume increased in this quarter, we still have not recovered from pre-pandemic levels. **This Operating Margin was heavily impacted by an overall increase in expenses of 10.27%. Contributing to this expense increase were Salaries & Wages increasing by 10.02% and Purchased Services increasing by 11.16%, as hospitals are dealing with staff shortages, retention, and the use of high-cost staffing agencies. This is particularly concerning given recent reported inflation levels, coupled with annual increases from Medicare of approximately 2%.** See page iv for more comparisons.

Clearly, we have now had an impact from the Covid Pandemic spanning three Fiscal years. Fiscal years, 2020, 2021 and 2022. See a summary of the impacts below.

COVID Impact Summary:

	6 Months YTD 12/31/21 CRAFT Survey	12 Months YTD 06/30/21 CRAFT Survey	12 Months YTD 06/30/20 CRAFT Survey
Percentage of decline in Admissions	(1.54%)	(2.29%)	(7.14%)
Percentage of change in Emergency Room Visits	15.45%	(8.20%)	(9.18%)
Percentage of decline Inpatient Surgeries	(9.08%)	(0.04%)	(7.39%)
Percentage of change in Outpatient Surgeries	1.61%	6.34%	(8.32%)
YTD Operating Margins	3.20%	5.97%	2.53%

We continue to encounter similar trends and issues in the current year that we have experienced over the past few years. But in the last three fiscal years, we see some varying trends that are magnified within certain quarters caused by the surges of the Covid cases hospitals in this region.

The combined Medicare and Medical Assistance volume percentages are 63% for Inpatient and 51% for Outpatient. Both Medicare and Medical Assistance reimburse hospitals well below cost. The percentages for these payors are higher in the Northwest and Eastern regions of the CRAFT survey.