



# **Lone Star HFMA Winter Conference** *2025 Not-for-Profit Healthcare Credit Trends and Performance Key Takeaways*

**February 19, 2026 | Irvine, TX**

# Agenda for Today's Discussion

1. Credit Trends
2. Introduction to Flash Report Data
3. National Hospital Data Trends
  - a) Volumes and Expenses
  - b) Revenue and Profitability
  - c) Data Trends by Hospital Size
4. South Region Hospital Data Trends
  - a) Volume and Expenses
  - b) Revenue and Profitability
5. Physician Flash Report Trends
6. Questions & Discussion

# Credit Trends

# Credit Trends | 2026 NFP Health Care Outlooks & Key Themes

MOODY'S

**Outlook: Stable**

*\*Note: Moody's is revising its NFP healthcare methodology*

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S&P Global

**Outlook: Stable**

FitchRatings

**Outlook: Neutral**

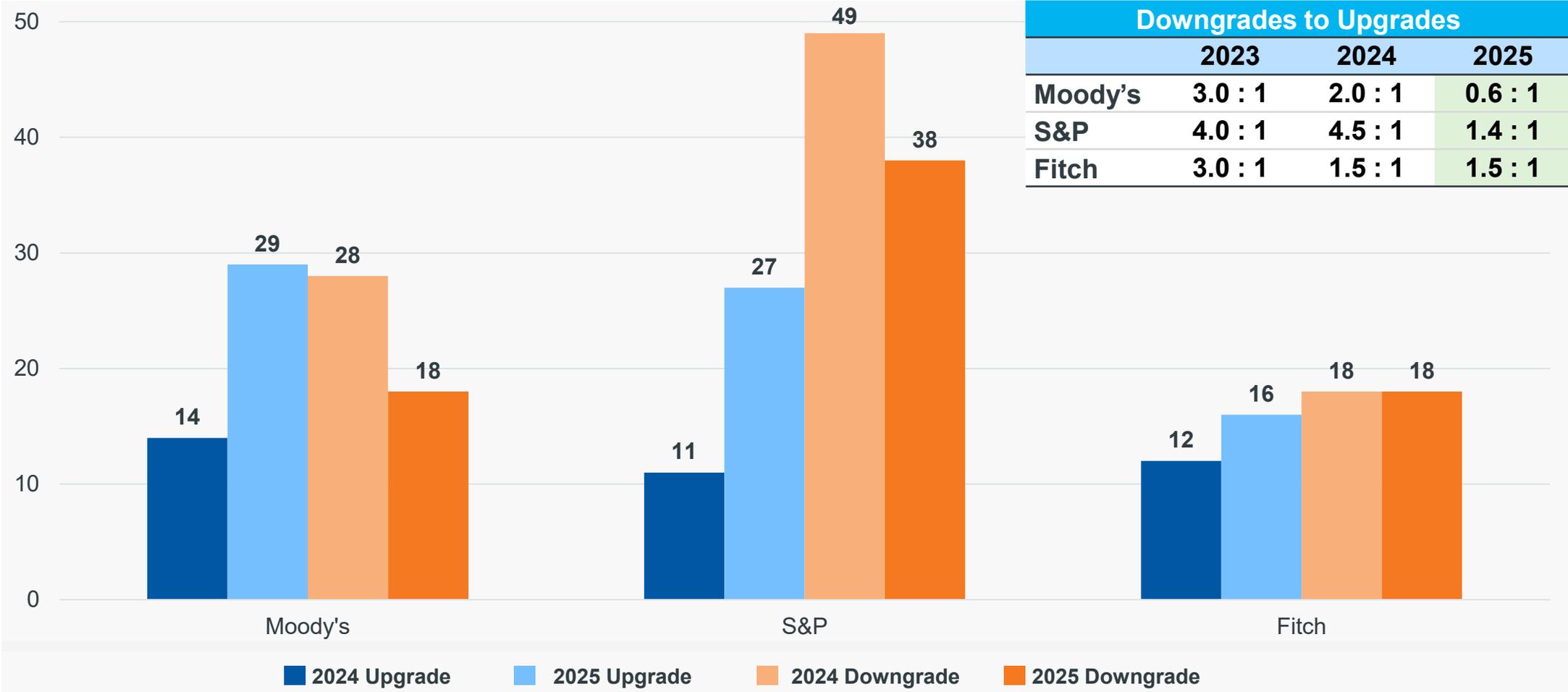
- Median margins are positive with **slow and steady improvement anticipated** in 2026
- Continued **focus on performance improvement**
- **Labor challenges, including increased union activity, remain a concern**
- **Liquidity to remain solid** with modest growth expected in 2026, allowing reinvestment
- Investments focused **expanding high-acuity service lines** to protect margin strength
- **Capital spending** will address capacity constraints, access to care and ambulatory expansion
- **Consolidation activity** to continue in 2026 given uneven recovery
- **Continued regulation and reporting requirements** will increase expenses
- **Growing reliance on supplemental funding**
- **Cyber and environmental events** present growing risk to operations
- **Lower exchange volume** is viewed as largely manageable
- **Slated reimbursement changes** are outside the 1-year outlook period

Sources: Moody's Investor Service, S&P Global and Fitch Ratings

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# Credit Trends | Downgrades Declined in 2025

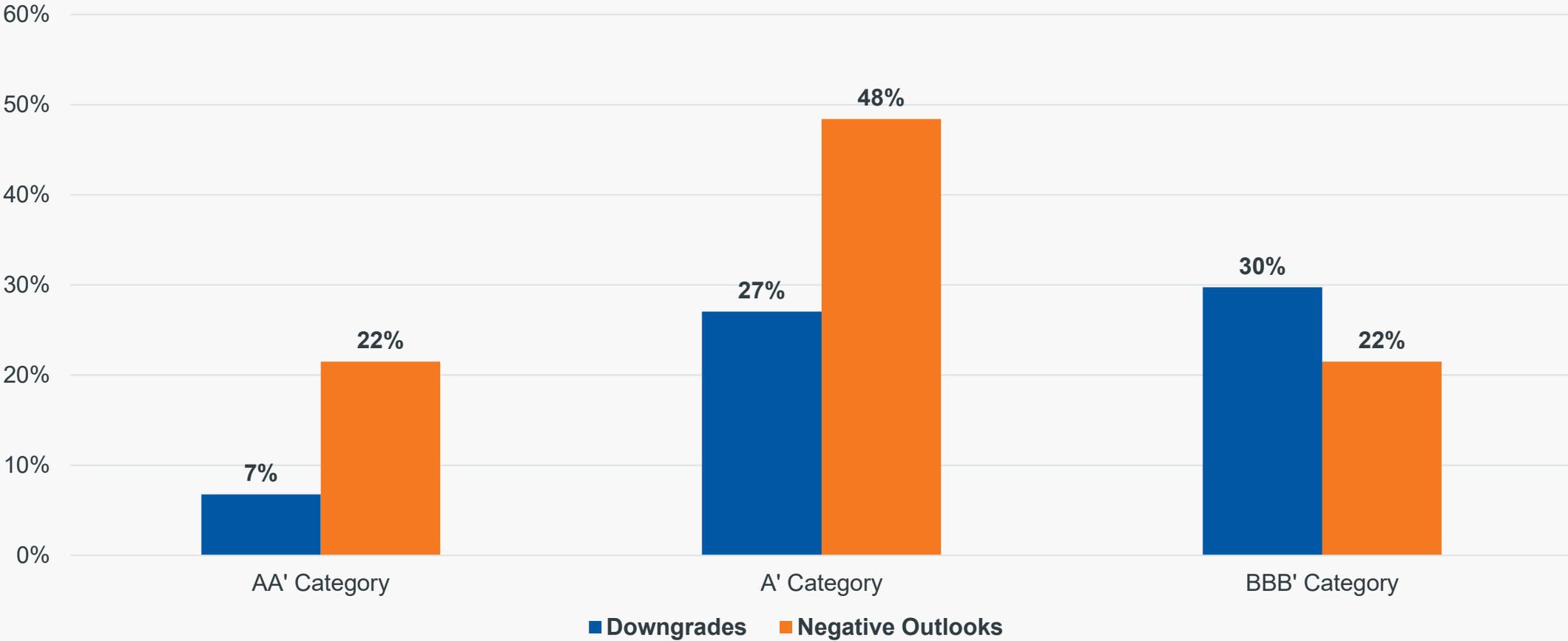
**Moody's Issued More Upgrades Than Downgrades in 2024, While S&P and Fitch Slowed Their Downgrade Pace**



Source: Kaufman Hall internal database; Rating Agency reports

# Credit Trends | Divergence of Credit Normalizes Slightly

'BBB' Category Credits were ~4x as likely to be Downgraded in 2025 as compared to 'AA' Category Credit, down from 8x in 2024



Source: Kaufman Hall internal database; Rating Agency reports

Note: (1) Values may not sum to 100% as actions on sub-investment grade credits are not represented.

# Credit Trends | Stable Outlooks for 2026 but with a Cautionary Tone

## Labor & Expense Management

- Labor remains a key pressure on operating performance, even as contract labor usage has declined from post-pandemic peaks; higher union and work stoppage activity is also cited as a credit concern
- Agencies will focus on management's ability to drive labor productivity gains through recruitment, retention and technology adoption
- Non-labor expense pressures, including drugs, medical devices, supplies and purchased services will also face inflationary pressures and pressure margin growth in 2026

## Liquidity, Capital Allocation & Market Volatility

- Balance sheets remain a core credit strength, providing both a cushion to leverage (cash to debt), operational liquidity (days cash on hand) and a key source of cash flow via investment income
- Capital spending is increasing after a period of deferral, with focus on outpatient and ambulatory surgery strategies to increase access and remain essential
- Agencies expect management to embrace disciplined capital planning, stress-tested liquidity assumptions, and use debt judiciously so as to not over-leverage the organization

## Industry Outlook

- All three agencies **maintain a stable or neutral sector outlook in 2026**, reflecting anticipated margin improvement but at a slower pace than in 2025; margins are predicted to remain below pre-pandemic levels given structurally higher operating costs and a shifting payer mix
- Liquidity is expected to increase given favorable equity markets; days cash on hand will show a slower improvement due to expanding operating costs
- Reimbursement changes, including the elimination of ACA premiums and supplemental funding adjustments, are viewed as manageable in the near-term, but represent longer-term headwinds that heighten the importance of thorough financial and scenario planning, growth via diversification, and execution

Source: Rating Agency 2026 Outlook Reports

# Introduction to Kaufman Hall's Flash Report Data

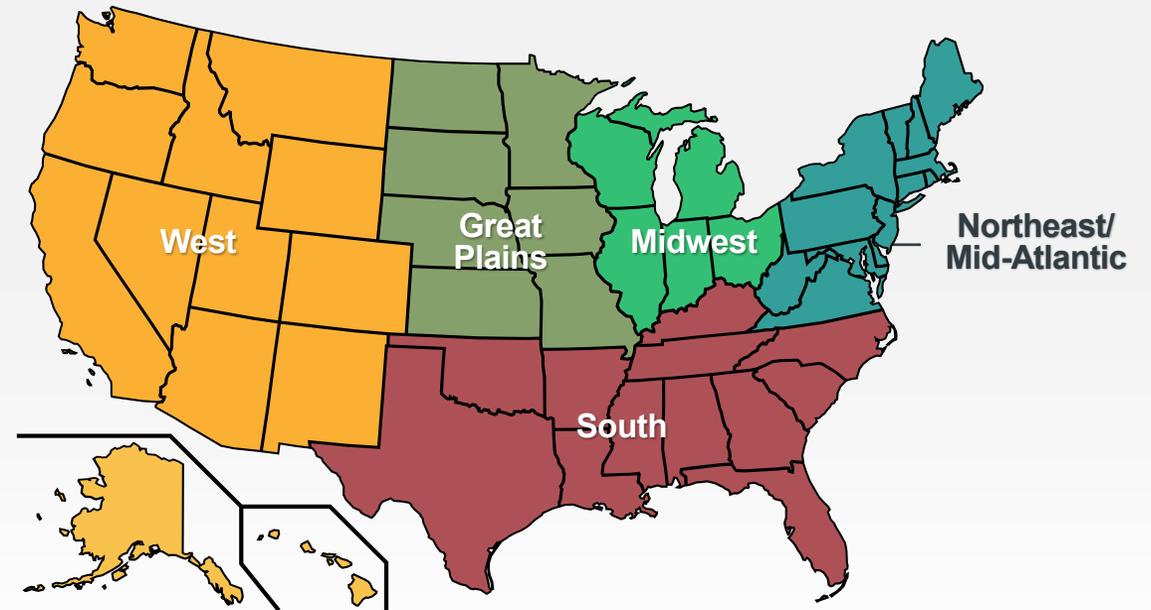
# About the Data

The *National Hospital Flash Report* uses both actual and budget data over the last three years, sampled from more than 1,300 hospitals on a recurring monthly basis from Strata Decision Technology.

The sample of hospitals for this report is representative of all hospitals in the United States both geographically and by bed size. Additionally, hospitals of all types are represented, from large academic to small critical access. Advanced statistical techniques are used to standardize data, identify and handle outliers, and ensure statistical soundness prior to inclusion in the report.

While this report presents data in the aggregate, Strata also has real-time data down to individual department, jobcode, paytype, and account levels, which can be customized into peer groups for unparalleled comparisons to drive operational decisions and performance improvement initiatives.

Map of Regions



# About the Data *(continued)*



[Kaufman Hall](#), a Vizion company, provides management consulting solutions to help society's foundational institutions realize sustained success amid changing market conditions. Since 1985, Kaufman Hall has been a trusted advisor to boards and executive management teams, helping them incorporate proven methods, rigorous analytics, and industry-leading solutions into their strategic planning and financial management processes, with a focus on achieving their most challenging goals.

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Strata Decision Technology, LLC provides an innovative, cloud-based platform for software, and data and service solutions to help healthcare organizations acquire insights, accelerate decisions, and enhance performance in support of their missions. More than 2,300 organizations rely on Strata's StrataJazz and Axiom solutions for market-leading service and enterprise performance management software, data, and intelligence solutions. To learn more about Strata and why the company has been named the market leader for Business Decision Support for more than 15 consecutive years, please go to [www.stratadecision.com](http://www.stratadecision.com).

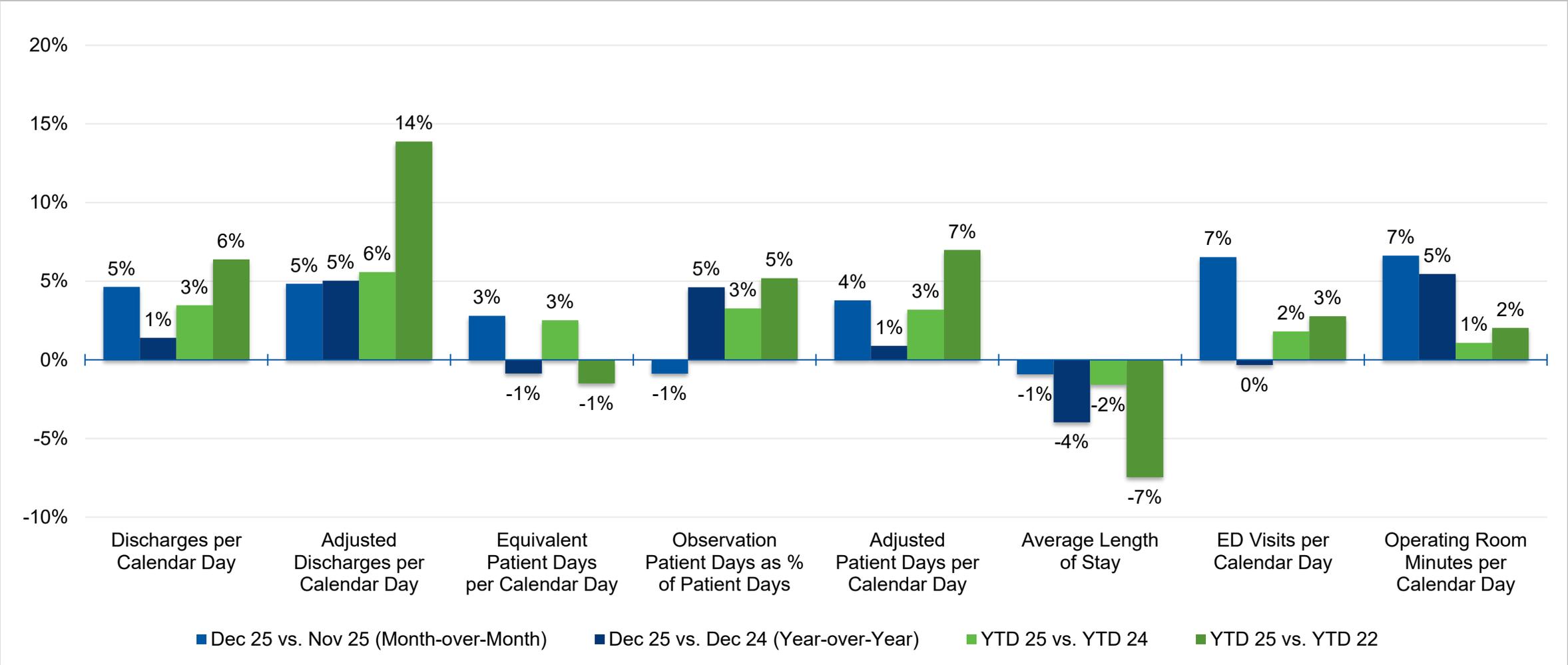
# National Hospital Flash Report

## December 2025 Metrics

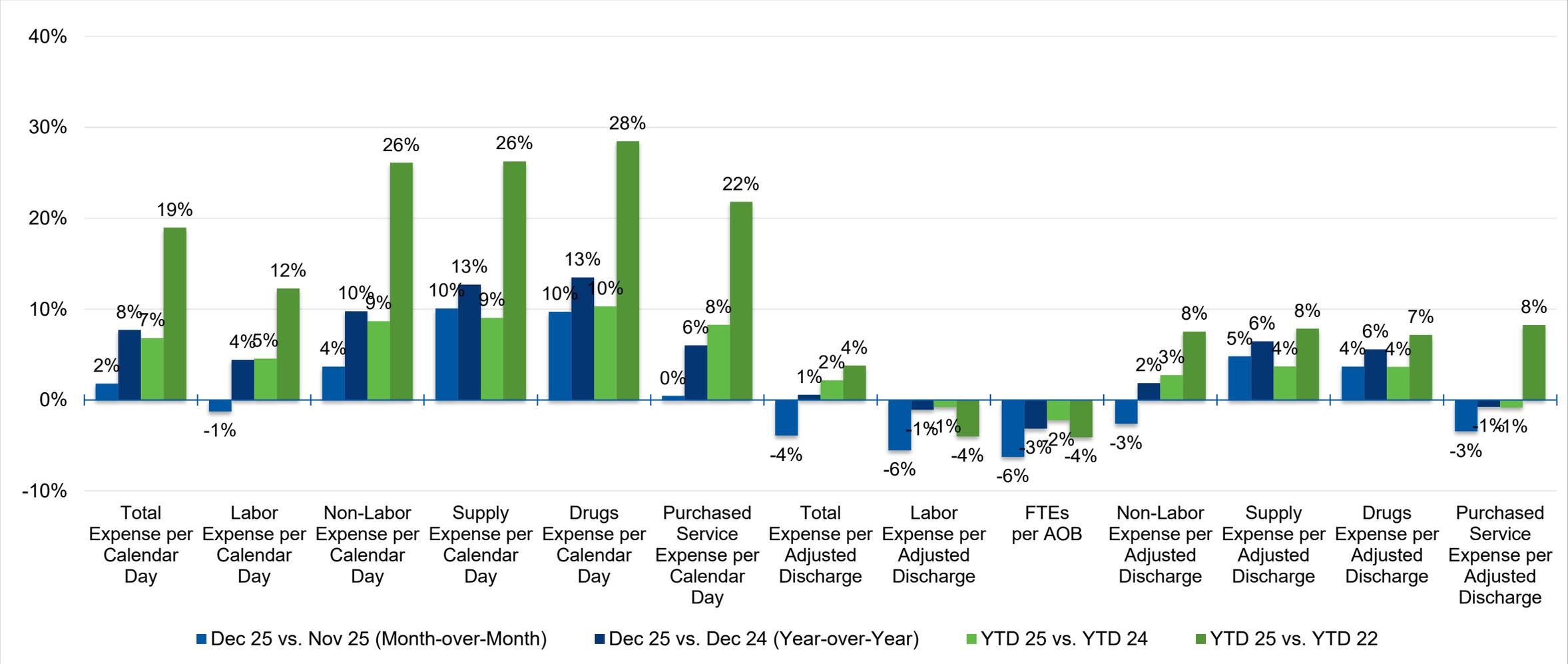
# Key Takeaways

- 1. Hospital performance settled into a “new normal” in 2025.** While margins in 2025 were stronger compared to prior years, hospitals need to be strategic about diversifying services and managing expenses.
- 2. Patient volumes continue to grow across all services.** While outpatient volumes continue to increase, hospitals will likely have a greater proportion of high acuity patients with elevated costs of care.
- 3. There is a persistent gap between gross and net operating revenue, alongside a rise in bad debt and charity care.** This imbalance indicates an eroding payer mix, likely a higher proportion of government vs. private payers, and more uninsured patients.

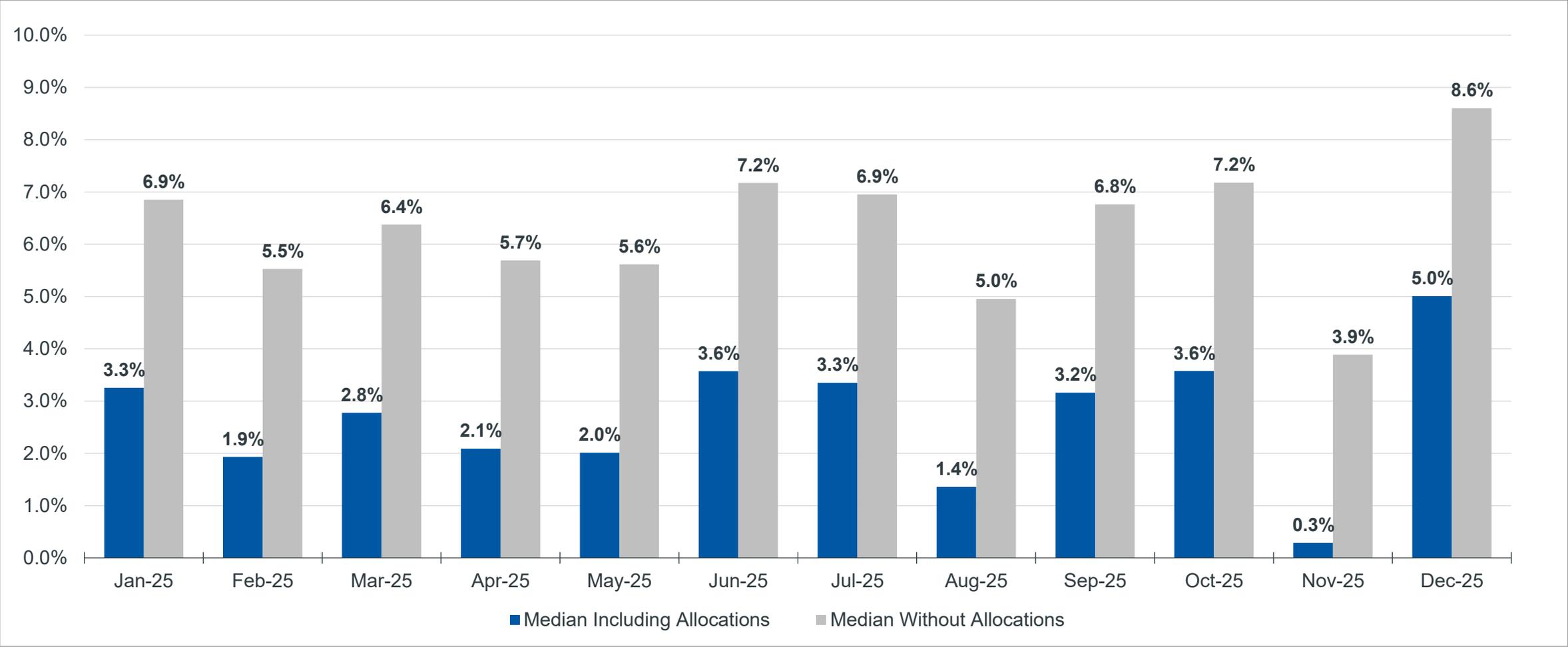
# National Volume Data for December 2025 Metrics



# National Expense Data for December 2025 Metrics

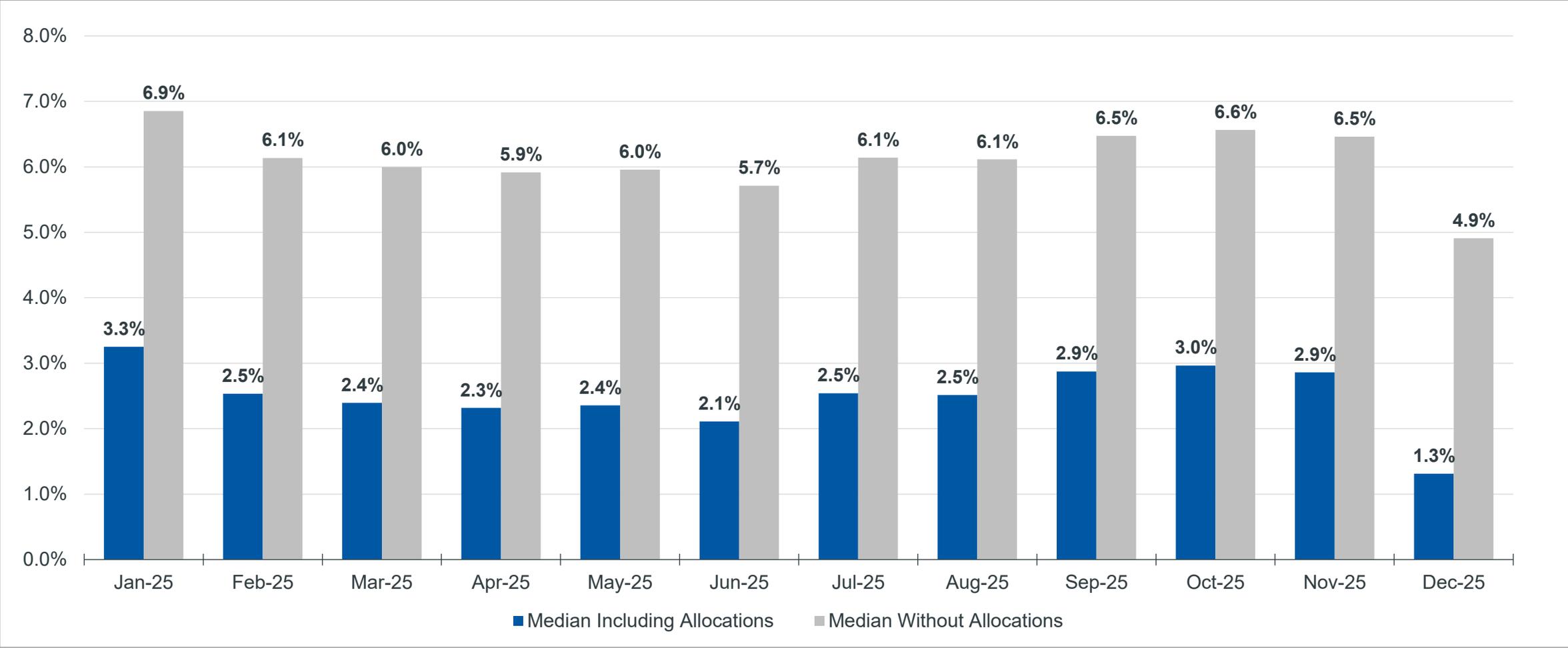


# Kaufman Hall Monthly Operating Margin Index



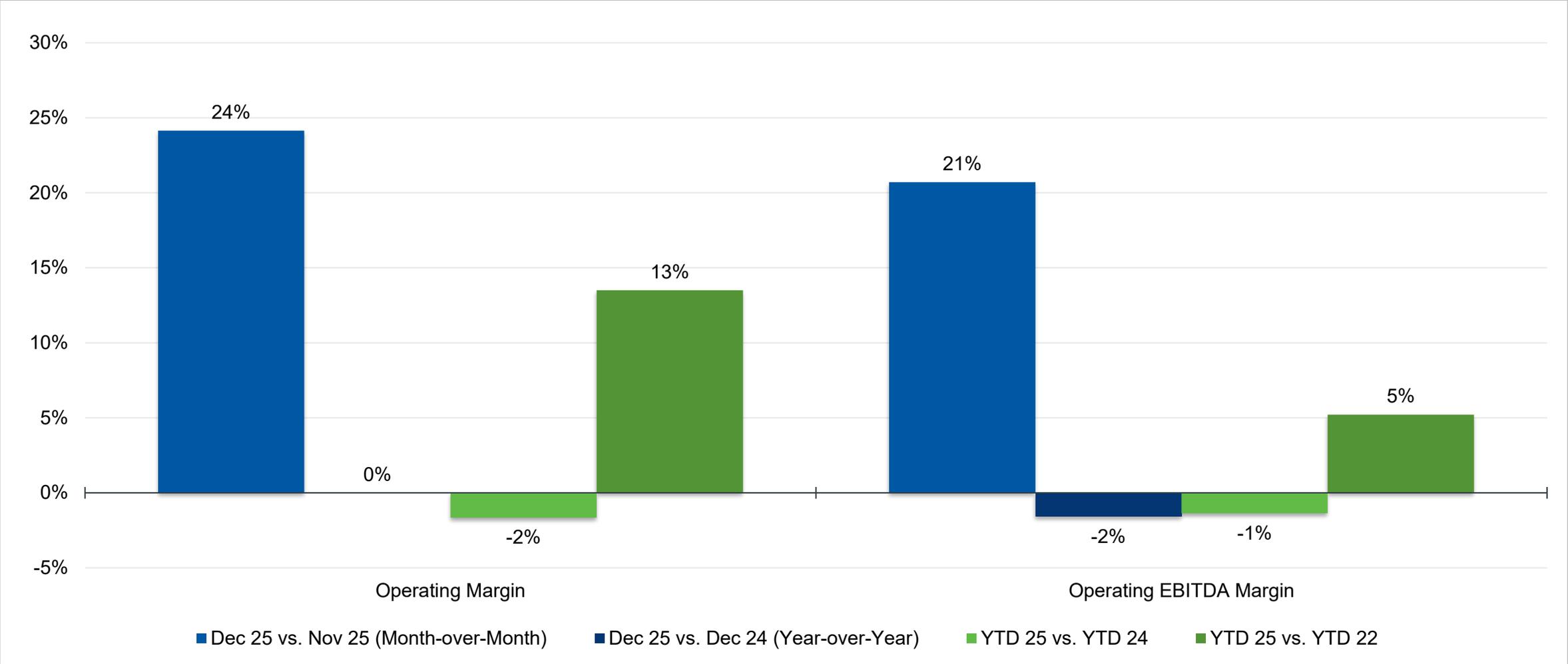
\* Note: Hospitals only. The Kaufman Hall Hospital Operating Margin and Operating EBITDA Margin Indices are comprised of the national median of our dataset, and are displayed with and without adjustments for allocations to hospitals from corporate, physician, and other entities.

# Kaufman Hall CYTD Operating Margin Index

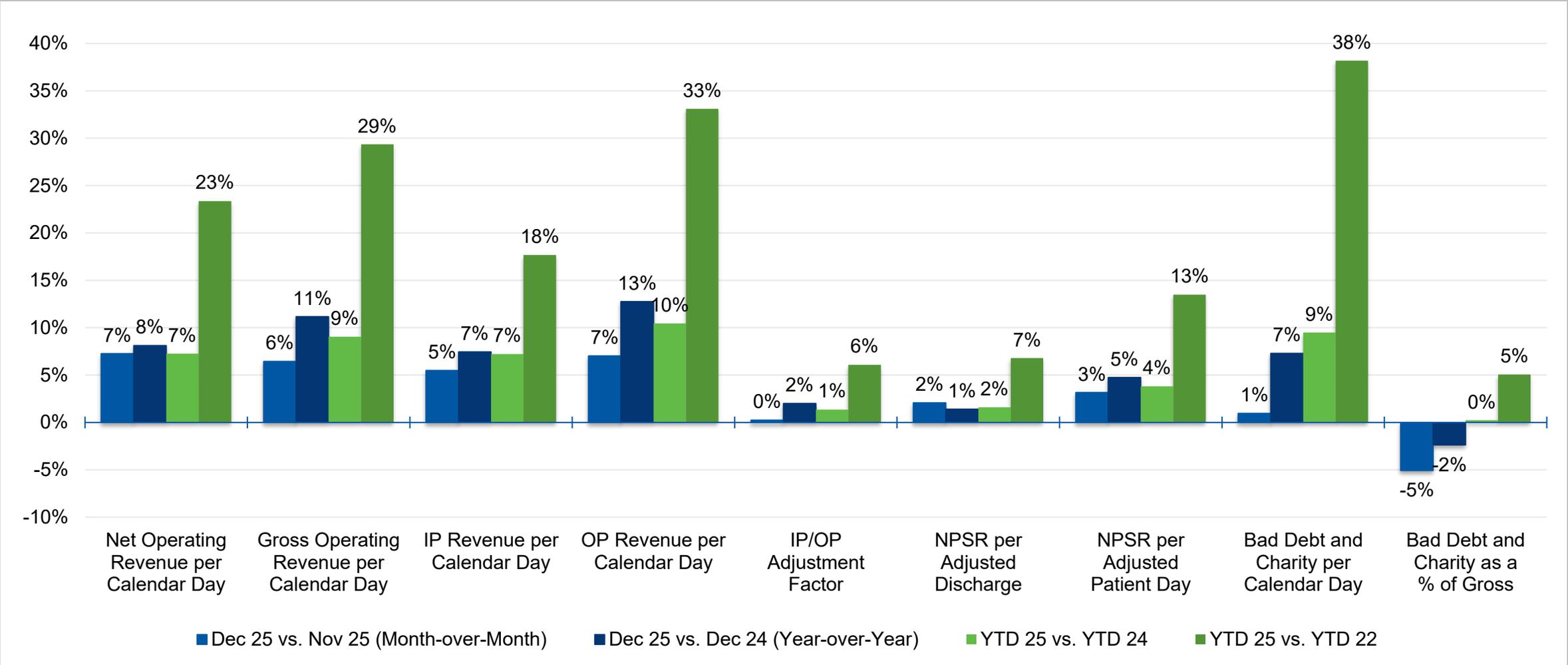


\* Note: Hospitals only. The Kaufman Hall Hospital Operating Margin and Operating EBITDA Margin Indices are comprised of the national median of our dataset, and are displayed with and without adjustments for allocations to hospitals from corporate, physician, and other entities.

# National Profitability Data for December 2025 Metrics



# National Revenue Data for December 2025 Metrics



# National Hospital Data Comparison by Bed Size

Year-to-Date 2025 vs Year-To-Date 2024 Performance (Data as of November 2025)

Hospital Bed Size		0-25 Beds	26-99 Beds	100-199 Beds	200-299 Beds	300-499 Beds	500+ Beds
<b>Margin</b>	Operating Margin	-1.7%	7.8%	4.5%	8.2%	12.1%	-6.5%
	Operating EBIDA Margin	-4.1%	2.8%	6.3%	3.6%	10.7%	-8.1%
<b>Volume</b>	Discharges per Calendar Day	1.6%	5.1%	4.5%	3.3%	3.5%	5.1%
	Adjusted Discharges per Calendar Day	5.5%	4.6%	4.2%	4.4%	5.3%	3.1%
	Equivalent Patient Days per Calendar Day	2.1%	5.9%	2.6%	2.5%	2.1%	0.1%
	Observation Patient Days as % of Patient Days	2.4%	6.1%	5.4%	1.6%	-0.8%	15.0%
	Adjusted Patient Days per Calendar Day	3.6%	5.9%	2.2%	3.4%	3.2%	1.3%
	Average Length of Stay	-1.0%	-0.2%	-2.1%	-0.5%	0.1%	-1.2%
	ED Visits per Calendar Day	1.1%	2.4%	1.1%	1.2%	-0.8%	0.0%
	Operating Room Minutes per Calendar Day	-0.2%	-6.6%	2.6%	2.6%	1.1%	2.2%
	<b>Revenue</b>	Net Operating Revenue per Calendar Day	5.9%	8.5%	6.8%	9.7%	8.5%
Gross Operating Revenue per Calendar Day		8.4%	9.4%	8.6%	10.2%	8.9%	9.9%
IP Revenue per Calendar Day		4.4%	6.7%	7.5%	9.1%	8.7%	9.7%
OP Revenue per Calendar Day		9.1%	9.3%	8.7%	11.1%	10.1%	9.9%
IP/OP Adjustment Factor		2.9%	1.1%	1.4%	-0.1%	0.1%	1.0%
NPSR per Adjusted Discharge		-2.0%	2.3%	0.5%	3.5%	3.5%	4.4%
NPSR per Adjusted Patient Day		0.8%	1.6%	2.3%	4.8%	3.5%	7.7%
Bad Debt and Charity per Calendar Day		14.8%	12.5%	12.1%	12.0%	8.7%	7.3%
Bad Debt and Charity as a % of Gross	5.0%	1.8%	1.1%	2.6%	0.4%	-0.6%	
<b>Expense</b>	Total Expense per Calendar Day	6.1%	6.3%	6.3%	7.6%	7.2%	9.7%
	Labor Expense per Calendar Day	4.4%	4.4%	4.9%	3.4%	5.1%	6.4%
	Non-Labor Expense per Calendar Day	7.4%	8.4%	8.0%	10.1%	7.9%	10.7%
	Supply Expense per Calendar Day	6.6%	8.3%	8.1%	9.0%	7.9%	10.8%
	Drugs Expense per Calendar Day	14.3%	9.0%	6.6%	10.2%	7.9%	18.3%
	Purchased Service Expense per Calendar Day	7.7%	7.1%	6.9%	7.8%	10.0%	10.2%
	Total Expense per Adjusted Discharge	1.5%	2.3%	1.6%	2.8%	3.9%	6.7%
	Labor Expense per Adjusted Discharge	-1.5%	0.4%	0.3%	-1.1%	3.8%	2.8%
	FTEs per AOB	-4.0%	-5.7%	-0.6%	-2.1%	-1.1%	0.3%
	Non-Labor Expense per Adjusted Discharge	2.0%	2.7%	1.5%	7.9%	3.6%	8.5%
	Supply Expense per Adjusted Discharge	0.8%	2.1%	2.8%	3.9%	5.3%	6.9%
	Drugs Expense per Adjusted Discharge	7.1%	7.0%	-1.0%	4.1%	4.1%	12.2%
Purchased Service Expense per Adjusted Discharge	1.0%	0.7%	-0.3%	0.2%	4.6%	6.6%	

Source: Kaufman Hall National Hospital Flash Report – Data as of November 2025

# South Region Hospital Flash Report

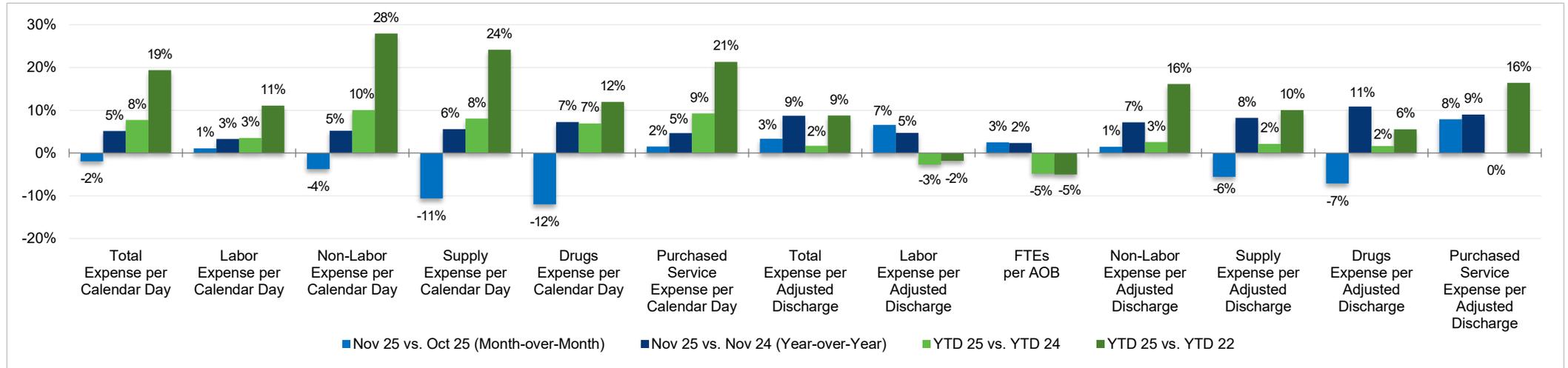
November 2025 Metrics

# Key Takeaways

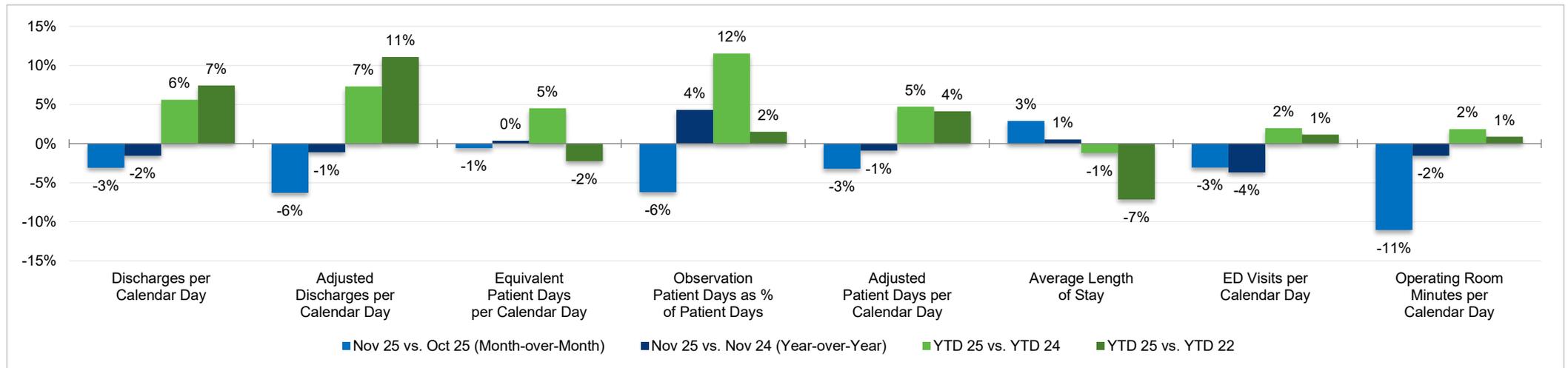
- 1. Hospitals in the South Region (including Texas) generally outperformed broader national trends in 2025.** The South region has generally held strong, strong economic and demographic headwinds have supported acute care operations.
- 2. Patient volumes continue to grow across all services.** Both inpatient and outpatient revenues show favorable year over year trends, reflecting a healthy operating environment.
- 3. Hospitals in the south region have generally avoided increases in self pay and bad debt which have persisted nationally.** This indicates a strong payer mix, likely a lower proportion of government vs. private payers, and more insured patients.

# Hospital Regional Data: South *(continued)*

## Expense

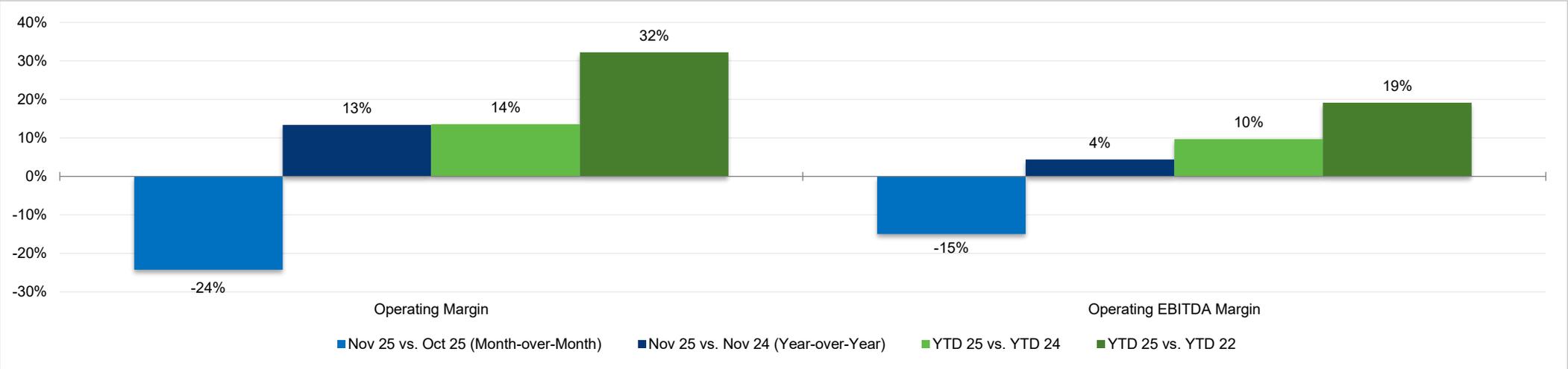


## Volume

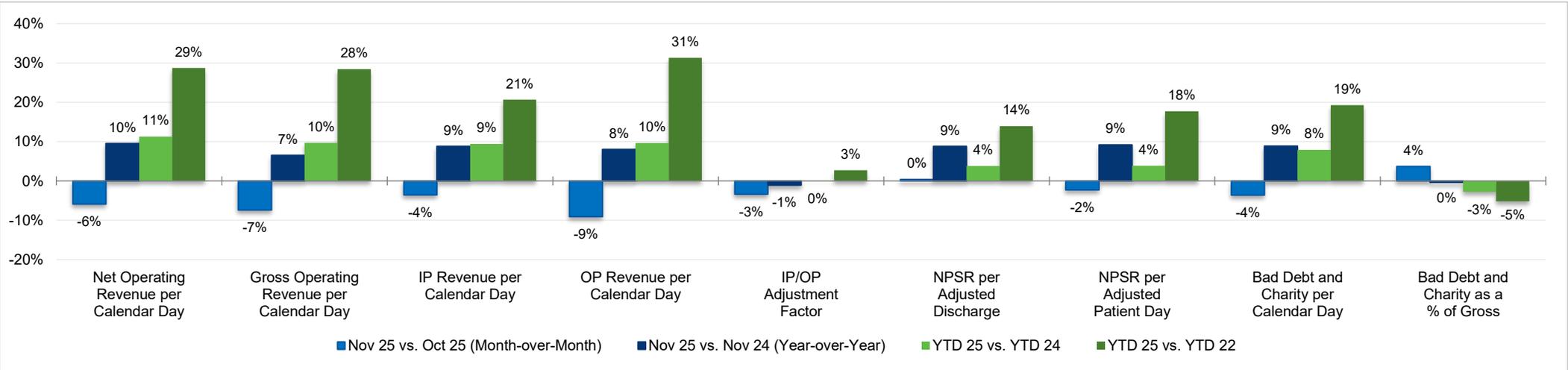


# Hospital Regional Data: South

## Profitability



## Revenue



# Physician Flash Report

## Q4 2025 Metrics

# Physician Flash Report

- Published quarterly, the report uses actual data over the last three years on a recurring monthly basis with data contributions from Strata Decision Technology. The dataset is based on more than 200,000 providers (physicians and APPs) from 100 different practices.
- The sample includes physician data from across the United States ranging from family medicine physicians to neurosurgeons, and from single physician practices to large academic physician groups.
- Advanced statistical techniques are used to standardize data, identify and handle outliers, and ensure statistical soundness prior to inclusion in the report.
- Physician Flash Hub: [Physician Flash Report | Kaufman Hall](#)

# Key Takeaways

- 1. Compensation is not keeping pace with physician productivity.** Physician productivity, as measured by work relative value units (wRVUs), per FTE is up 9% since 2023 while physician compensation is only up 6%.
- 2. Patient demand, as measured by net patient revenue, is up.** But on a per provider wRVU basis, net patient revenue has decreased 1% since 2023, reflecting lower reimbursement rates.
- 3. The proportion of advanced practice providers (APPs) continues to rise.** APPs are now 40.7% of the workforce.

# Key Performance Metrics Summary

Key Performance Metrics (Median)	Q4 2025	Change from Q4 2024 to Q4 2025	Q4 2024	Change from Q4 2023 to Q4 2025	Q4 2023
<b>Margin</b>					
Investment/Subsidy per Provider	\$ 236,290	0%	\$ 235,969	-1%	\$ 239,458
Investment/Subsidy per Physician	\$ 315,358	4%	\$ 304,151	4%	\$ 304,147
APP Percent of Total Provider FTE	40.7%	1.6%	39.1%	3.1%	37.6%
<b>Revenue</b>					
Net Patient Revenue per Provider FTE	\$ 408,018	2%	\$ 401,604	4%	\$ 393,608
Net Patient Revenue per Provider wRVU	\$ 76.84	0%	\$ 76.54	-1%	\$ 77.51
Provider wRVU per FTE	5,119	3%	4,986	7%	4,785
Physician wRVU per FTE	6,576	4%	6,316	9%	6,056
<b>Expense</b>					
Total Direct Expense per Provider FTE	\$ 667,204	3%	\$ 646,565	6%	\$ 630,699
Labor Percent of Total Expense	84.4%	0.5%	83.9%	0.6%	83.8%
Provider Compensation per FTE	\$ 315,252	2%	\$ 308,140	6%	\$ 298,534
Physician Compensation per FTE	\$ 381,513	2%	\$ 372,372	6%	\$ 359,776
Provider Compensation per wRVU	\$ 62.56	1%	\$ 62.03	0%	\$ 62.81
Support Staff per 10k Provider wRVUs	2.98	-1%	2.99	-6%	3.16

# Questions & Discussion

# Contacts

## For more information contact

### CREDIT & CONSULTING QUESTIONS – TODAY’S SPEAKER



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## Talk to us

Have a comment on the Kaufman Hall *National Hospital Flash Report*? We want to hear from you. Please direct all questions or comments to [flashreports@kaufmanhall.com](mailto:flashreports@kaufmanhall.com).

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