

43% of hospitals are in the red: 6 financial notes

August 13, 2026

Hospital margins fell in August as financial pressures mounted and the share of hospitals operating at a loss is growing, according to Kaufman Hall's "[National Hospital Flash Report](#)," released Oct. 13.

The report is based on August 2026 financial performance data from 1,300 hospitals, provided by Strata Decision Technology. The hospitals represent all regions of the country and range from small to large institutions.

Six things to know:

1. The average hospital margin has declined steadily since hitting 5.6% in June. **The average fell to 1.8% in August**, down from 3.8% in July. The year-to-date average operating margin dropped from 3.8% in July to 2.5% in August.

"Mounting financial challenges from increasing bad debt and charity care, payer mix erosion and rising expenses may prompt hospitals to strengthen enterprise margin preservation efforts," the report said.

2. About 43% of hospitals are operating in the red, up from 33% before the COVID-19 pandemic. Hospitals have experienced many challenges in the last six years, including staffing shortages, supply cost increases, tech and AI spend and more.

“As hospitals seek greater long-term financial stability, continued financial pressures may accelerate strategic repositioning and portfolio optimization efforts through partnerships,” the report said.

3. Hospital margins were down 2 percentage points in August compared with the same month last year. By region:

- West: 1%
- Midwest: 1%
- South: -2%
- Northeast/Mid-Atlantic: 5%
- Great Plains: -18%

4. Operating revenue per calendar day rose 6% year over year in August, with inpatient revenue up 6% and outpatient revenue up 9%.

5. Total expenses have risen 21% over the past three years, with labor expenses up 16%, supply expenses up 25% and drug expenses up 29%. Year over year, total expenses rose 6%, driven by 8% increases in both drug and supply expenses. Labor expenses grew just 4%.

6. Bad debt and charity care per calendar day rose 13% year over year and 49% over the past three years. Bad debt as a percentage of gross operating revenue is up 14% since 2023 and 7% since last year.