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Latest data suggest broad-based financial resilience remains elusive for hospitals

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<https://www.chartis.com/insights/latest-data-suggest-broad-based-financial-resilience-remains-elusive-hospitals>

What's trending

A new survey of hospital chief financial officers (CFOs) confirms how little cushion healthcare organizations have, despite improved sector performance. Nearly 3 in 4 CFO survey respondents reported margins of 2% or lower.

Industry analyses confirm that hospital finances were essentially flat in FY2025 as expense growth matched revenue growth. Moody's 2025 preliminary medians for not-for-profit and public hospitals show performance remained above 2022–2023 levels, but profitability remained thin and below historical standards.

In addition, Moody's reported that performance is not evenly distributed. Moody's points to a meaningful divide between stronger and weaker organizations by rating category, while Trilliant Health's latest analysis suggests many hospitals are relying on non-patient revenue to remain profitable. Together, the findings suggest the sector has regained footing but not broad-based financial resilience.

- **Margins remain tight:** Moody's reported a 1.0% median operating margin and a 5.8% median operating cash flow margin for FY2025, indicating that profitability remained thin and slightly below FY2024 levels.
- **Liquidity improved only modestly:** Unrestricted cash and investments increased, but days cash on hand was essentially flat.
- **Volumes continued to recover:** Patient demand stayed positive, though growth was moderate, with observation activity continuing to outpace other utilization measures.
- **Non-patient revenue is offsetting negative operating performance:** Trilliant found hospitals generated an average of \$34.6 million from non-patient-related activities. Nearly 1 in 3 hospitals had negative operating margins but positive net income because of non-patient revenue streams.

- **Health systems remain under pressure:** In a national 2026 survey, hospital finance leaders cited declining reimbursement rates, payer mix changes, reduced government funding, regulatory risk, rising labor costs, underutilized capacity, and inefficient patient throughput as leading drivers of margin pressure.

Why it matters

Many health systems have improved performance through non-traditional revenue streams while volume recovery remains modest and operating margins narrow. The key question for leaders is not whether performance has improved but how durable that improvement really is.

A stronger bottom line does not necessarily mean the underlying care delivery model is fundamentally stronger. Health systems with positive margins should be assessing how much of that performance is coming from patient care activities versus non-traditional sources. In many cases, health systems are continuing to manage through persistently elevated labor costs and ongoing supply expense pressure, among other operational, regulatory, and reimbursement headwinds.

Organizations that appear stable today may still be vulnerable if external conditions become less favorable. CFOs are signaling that federal funding uncertainty and Medicaid cuts are among their biggest concerns in 2026. The expiration of the enhanced Affordable Care Act (ACA) subsidies is already affecting affordability and coverage dynamics. Medicaid policy changes and state budget pressures could create added risk for enrollment, provider rates, and hospital financial performance as implementation unfolds.

Health systems should treat 2026 as an opportunity to prepare for emerging pressures that are expected to build in 2027. Aligning payer strategy, capital plans, physician enterprise performance, and transformation priorities will better position health systems for what comes next. For many, the path forward will require both continued diversification and a more disciplined approach to cost management and operational efficiency.

Priorities include using advanced technology and AI to actively direct patients to the right site of care, and improving throughput and capacity management with real-time insight. In addition, health systems may need to create revenue diversification strategies, such as scaling shared services and other capabilities beyond the traditional care delivery.

For health systems that have regained footing, this is an opportunity to build on—not just preserve—momentum. Organizations that use this period to strengthen core operations will be better prepared for the tougher reimbursement environment and increasing operational challenges ahead.

Sources:

Healthcare Finance:

Modern Healthcare:

Trilliant Health:

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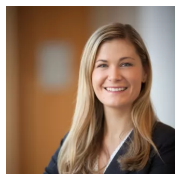
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