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Fitch: Labor Picture Continues to Stabilize for U.S. Hospitals

Fitch Ratings-Austin/Chicago-16 December 2024: Labor cost inflation is cooling while the success rate of holding on to U.S. NFP hospital jobs continues to improve, according to Fitch Ratings in its year-end quarterly labor tracker.

Labor expenses are still elevated and above pre-pandemic levels, though year-over-year average hourly earnings growth for hospitals has been consistently treading below 4% through the first 10 months of 2024. Both the lower inflation and the growth in payrolls are positive signs for hospitals managing labor costs, the largest single expense for health care providers.

“For many providers, patient volumes have rebounded to above pre-pandemic levels, especially in high-growth markets. Even systems in stagnant areas are seeing volume increases, making a reduction in clinical staff unfeasible,” said Director Richard Park. “Effective labor cost management remains essential for long-term financial stability, as recent healthy investment returns cannot be relied upon long-term to overcome profitability challenges.”

Through November, hospital and ambulatory healthcare services (AHS) payrolls have risen for 35 and 46 consecutive months, respectively, resulting in hospital and AHS payrolls being 7.6% and 13.9% above the February 2020 level. The quits rate in the health care and social assistance sector has decreased (favorably) from a recent peak of 2.9% in May 2023 to 2.3% as of October 2024, but remains high compared to the 1.6% average from 2010 to 2019.

Fitch’s ‘Hospitals and Healthcare Systems Labor Tracker: December 2024’ is available at www.fitchratings.com.