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Thursday, March 12, 2026

Hospital Expenses, Including Costs for Labor, Drugs and Supplies, Grew Twice as Fast as Hospital Prices in 2025

The American Hospital Association (AHA) released the latest edition of its annual Costs of Caring report on March 11 which shows that hospitals and health systems continue to face increases in the costs of people, supplies, medicines and infrastructure needed to provide care and services to their communities. The report outlines key factors that are putting pressure on hospitals as they care for patients 24 hours a day, 7 days a week.

Key findings from the report include:

- **Workforce Spending Remains Top Expense.** Hospitals continue to invest heavily in their workforce. About 60% of total expenses went to paying the talented doctors, nurses, specialists and other professionals who allow hospitals to provide around-the-clock care and services. In 2025, workforce costs rose 5.6% from the previous year.
- **Hospital Costs to Care for Patients Grew Twice as Fast as Hospital Prices.** In 2025, total hospital expenses grew 7.5%, more than twice the rate of growth in hospital prices. Hospital expenses for supplies increased 9.9% and drugs increased 13.6%.
- **Hospitals Are Caring for More Patients Who Are Sicker.** From 2019 to 2024, about 36% of hospital expense growth reflected treating more patients, and about 19% reflected caring for sicker, more complex patients, as hospitals devote more staff time, monitoring and specialized treatment to these higher need patients. The rest was from higher input costs, such as labor, drugs and supplies.
- **Hospitals Spend Billions to Address Administrative Burden from Insurer Claims Denials, Prior Authorization.** Hospitals in 2025 spent \$43 billion trying to collect payments from insurers for care already delivered. Excessive prior authorization, claims denials and delays, repeated documentation requests, and evolving billing and coverage rules have contributed to these mounting expenses for hospitals, as well as taking clinicians away from direct patient care.
- **Most Hospital Costs Are Tied to Service Lines Where Reimbursement Falls Short of the Cost of Delivering Care.** About 56% of hospital costs are tied to service lines where reimbursement falls short of (or is less than) the cost of delivering care, including behavioral health, obstetrics, infectious disease, and burns and wounds. Many of these services are only available in hospitals, so they are essential to the health of the community.

“Rising costs for labor, supplies, drugs, and administrative burdens caused by corporate insurers, combined with caring for sicker patients, have created challenges for hospitals and health systems,” said AHA President and CEO Rick Pollack. “These strains are jeopardizing hospitals’ ability to provide around-the-clock care and services that patients and communities need.”

Read the full report here. The AHA 2026 Advocacy Agenda has more information on how the AHA is supporting hospitals and health systems.

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EDUCATION EVENTS

Mar. 13, 2026

2026 Physician Leadership Development Conference

Mar. 16, 2026

Wisconsin Rural Health and Substance Use Clinical Support (RHeSUS) Program Offerings

Mar. 17, 2026

When Ultrasound Becomes Predictive: Predicting Preterm Birth with AI: Turning Routine Ultrasound into Actionable Insight