



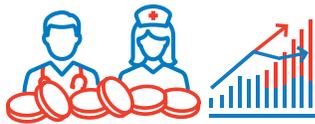
Spurred by factors ranging from inflation to high utilization and worker burnout, hospitals all over the U.S. continue to face cost containment challenges. Contrary to attempts to blame hospital inefficiency or an overzealous focus on facility profits, these rising expenses reflect **price increases in the goods and services hospitals purchase and the wages they pay** to maintain a highly skilled workforce. Labor shortages, increasing demand, administrative burden and complex supply chains also combine to push the cost of care upward.

## Hospital Expenses Outpace Inflation

- Total hospital expense in 2024 **rose by 5.1%, well exceeding the overall inflation rate** of 2.9%.<sup>1</sup>
- Expense growth slowed during 2025 but continues to be elevated. In national data for November 2025, total expense per calendar day rose by 5% year over year.<sup>2</sup>
- Persistent expense growth **threatens hospitals' viability and their ability to offer comprehensive services.**

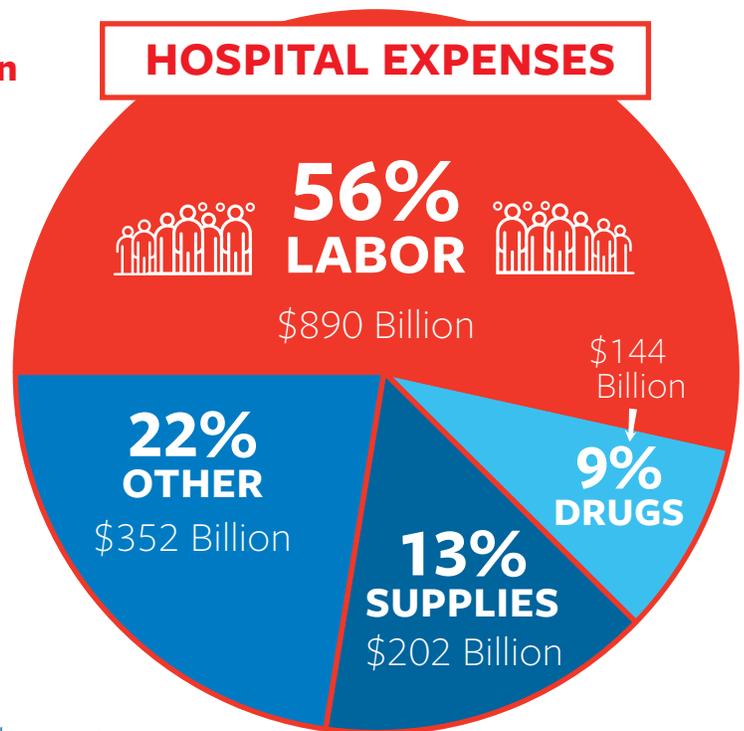
## Workforce: The Biggest Spend

Shortages in the hospital workforce – driven by burnout and increased incidence of workplace violence – have made it paramount for hospitals to offer competitive wages to drive recruitment and retention. An April 2025 analysis by the American Hospital Association showed:



- Labor is the **largest single category of hospital spending**, accounting for 56% of total hospital costs in 2024.<sup>1</sup>
- Advertised salaries for registered nurses **outpaced inflation by 27%** over the previous four years.<sup>1</sup>

## HOSPITAL EXPENSES

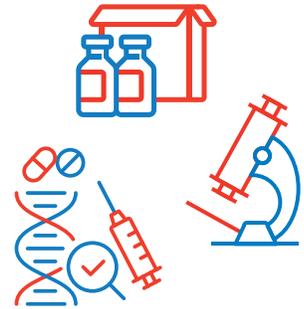


*Source: American Hospital Association, The Cost of Caring, April 2025. Labor is inclusive of purchased services and professional fees. Average expenses estimated by industry benchmark data from Strata Decision Technology, LLC.*

## Supplies and Drugs: The Fastest-Growing Spend

Supply and drug costs – the second- and third-largest hospital expenses, respectively – continue to increase. Since 2022, supplies and drugs have overtaken labor as the fastest-growing hospital expenses.

- From November 2024 to November 2025:<sup>2</sup>
  - Drug expense grew 11%
  - Supply expense grew 8%



Recent research showed that the **median annual net launch price for 154 new drugs increased 51%** between 2022 and 2024.<sup>3</sup>

## Other Key Pain Points for Hospital Costs

- Insurer prior authorization requirements and other administrative burdens, particularly with the increased prevalence of Medicare Advantage plans.
- Government payers (e.g., Medicare/Medicaid) do not cover the full cost of care, and the government payment environment is increasingly unpredictable. When payments are interrupted, some hospitals are pushed to rely on costlier methods of financing operations, such as taking on debt.
- Complex supply chains that involve securing medical goods from both domestic and international sources. **Almost 70% of medical devices marketed in the U.S. are manufactured exclusively overseas**, and the majority of N95 and other safety respirators are manufactured in China, which also supplies significant shares of other personal protective equipment.<sup>1</sup>



**Bottom Line:** The cost of care for hospitals is a complex, multifaceted issue. As policymakers seek lower costs for patients, it's important to consider the entire health care system and the array of factors driving today's cost of providing care for Texans.

<sup>1</sup> American Hospital Association, *The Cost of Caring*, April 2025: [aha.org/system/files/media/file/2025/04/The-Cost-of-Caring-April-2025.pdf](https://www.aha.org/system/files/media/file/2025/04/The-Cost-of-Caring-April-2025.pdf)

<sup>2</sup> Kaufman Hall, *National Hospital Flash Report*, Nov. 2025: [kaufmanhall.com/insights/research-report/national-hospital-flash-report-november-2025-data](https://www.kaufmanhall.com/insights/research-report/national-hospital-flash-report-november-2025-data)

<sup>3</sup> Institute for Clinical and Economic Review, *Launch Price and Access Report*, Oct. 2025: [icer.org/wp-content/uploads/2025/10/ICER\\_2025\\_Launch-Price-and-Access-Final-Report\\_For-Publication.pdf](https://www.icer.org/wp-content/uploads/2025/10/ICER_2025_Launch-Price-and-Access-Final-Report_For-Publication.pdf)