CRITICAL CONDITION:
How Mounting Hospital Pressures Put Patient Care at Risk

MASSACHUSETTS Health & Hospital ASSOCIATION
NOVEMBER 2026

Massachusetts hospitals and health systems have withstood their share of crises, but the massive pressures closing in on them will soon result in reduced patient services and access. The strains are emerging from every angle. The population is aging and patient needs are evolving rapidly. The cost of delivering care is outpacing revenue for many providers, with unprecedented financial disruptions lurking around the corner. Hospitals' essential role as employers of more than 200,000 workers and around-the-clock sources of high-quality care is under threat. This snapshot illustrates the pressures rattling the mission of local hospitals and health systems, the real impacts of persistently low operating margins, and just a few of the immediate solutions needed to create a more affordable, resilient system.

WHAT'S IMPACTING CARE TODAY

Patient care expenses for acute care hospitals have skyrocketed by 54% since 2020. Hospitals are struggling to absorb these costs while maintaining accessible services.



MAJOR DISRUPTION TO COME

$1.7 billion hangs in the balance for local hospitals in the next year due to a historic confluence of coverage losses and federal policy changes.

CONSEQUENCES AFFECT EVERYONE:

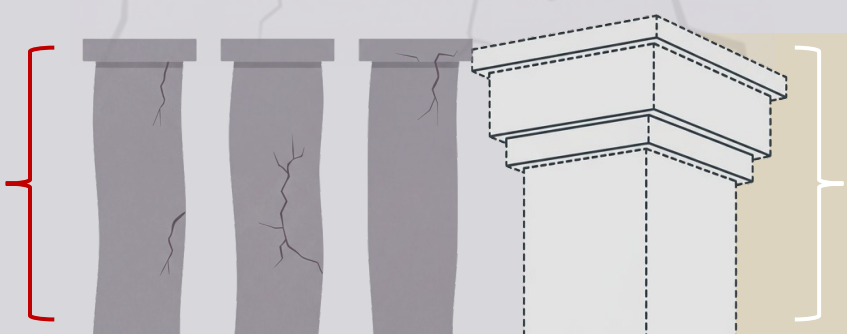
Longer wait times
Service reductions
Workforce reductions

Higher costs
Caregiver burnout
Access challenges

KEEPING CARE AFLOAT

Hospitals are using levers within their reach to withstand the crush of financial challenges, including:

- Reducing workforce and service lines
- Technology-enabled efficiencies
- Purchasing and supply chain changes
- Delivering care differently



CRITICAL SUPPORTS NEEDED

- A bold approach to the state's upcoming 1115 Medicaid Waiver proposal
- Sustainable affordability reforms
- Financial protections and supports
- Long-term Health Safety Net stabilization
- Empowering innovative care

WHAT'S IMPACTING CARE TODAY

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54% increase in acute care hospitals' patient care expenses since 2020.

All sectors of the Massachusetts economy have experienced increased expenses due to rising labor and supply costs, tariffs, and more. Hospitals – which are usually the largest employers in their communities – are especially vulnerable to the enormous spike in input costs. Because these expenses are essential to maintaining patient care services, hospitals are painfully absorbing them to their own financial detriment, leading to the negative or razor-thin operating margins seen today.

- **Skyrocketing Labor, Drug, and Supply Costs:** Acute care hospital labor costs increased 45% over a period of just four years. Other patient care supplies and services increased 60%, and pharmaceutical spending, the fastest-growing cost in Massachusetts healthcare, rose 80% over the same time period.
- **Evolving Patient Needs & Care Bottlenecks:** The population is aging, requiring more complex care and longer stays in hospitals. Care payments are determined by a patient's condition, not by length of stay, meaning that the longer a sick patient stays in a hospital, the financial demand on hospitals grows, as can their losses. Discharge delays to post-hospital facilities – a persistent problem – keep patients in inpatient beds even when they no longer need hospital care. Such filled beds are essentially taken offline; they can't be filled by patients needing care, causing backups in emergency departments. MHA has determined these delays cost hospitals $400 million annually.
- **Administrative Waste:** Massachusetts hospitals and physician practices incur as much as $1.75 billion in unnecessary administrative costs from billing and insurance-related practices each year, according to a 2023 report. The Healey-Driscoll administration is advancing important measures to ease insurance prior authorization requirements, which hospitals hope can spark additional administrative improvements through cross-sector collaboration.
- **Shifting Insurance Dynamics:** Each year, public payers – Medicaid and Medicare – are responsible for coverage of more and more individuals, meaning that higher-paying commercial insurers are being replaced by lower-paying public programs. Also, thousands of people are dropping or are losing coverage in public programs. This places more stress on hospitals and health systems, which are not adequately compensated for the care they provide to these growing public-payer and uninsured populations. Ultimately, this dynamic ends up affecting commercial rates, higher premiums, and care affordability for all.



Four-Year Growth in Patient Care Expenses for Massachusetts Acute Care Hospitals *(2020-2024)*

LABOR	DRUGS	OTHER PATIENT CARE SUPPLIES & SERVICES
+45%	+80%	+60%

TOTAL PATIENT CARE EXPENSES: +54%

SOURCE: MHA analysis of the Center for Health Information and Analysis' 2020-2024 cost report data

WHAT'S IMPACTING CARE TODAY

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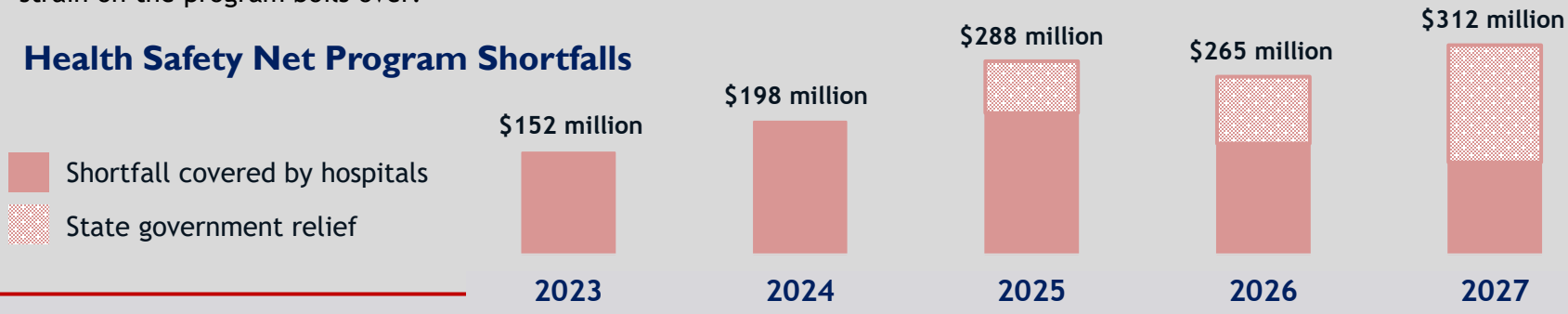
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A broken safety net.

The state's Health Safety Net program covers care for low-income patients who are uninsured or underinsured. Increased demand for the program in recent years has resulted in record Health Safety Net deficits of approximately $300 million annually before accounting for additional, one-time government funding. Because these shortfalls are covered *by hospitals alone*, the fraying safety net is one of the most urgent financial pressures hospitals are now facing. The program's deficits are expected *to increase by $500 million* in the coming years as federal policy changes take hold *(see page 4)*.

State leaders have stepped up in recent years to support the Health Safety Net through $350 million in short-term relief. Knowing those one-time relief efforts are an unsustainable solution, it will be essential to evaluate what changes are necessary to keep the program viable as the strain on the program boils over.

Health Safety Net Program Shortfalls



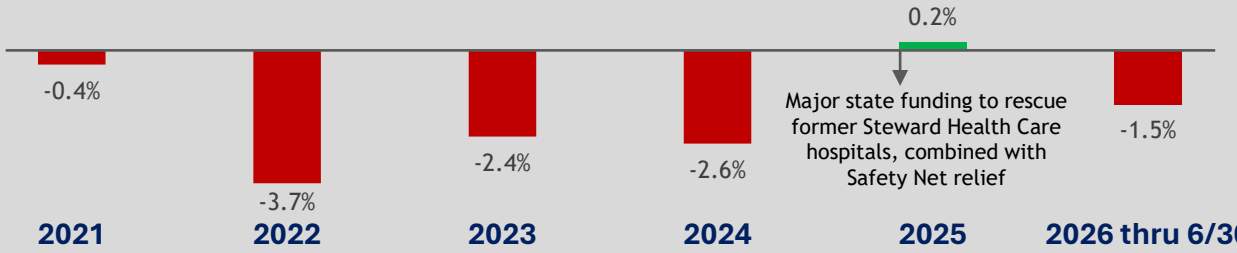


Provider operations are suffering.

Because many providers' patient care expenses are growing faster than their revenue, they are operating with little or no margin.

Hospitals need a modest operating margin to keep their doors open, maintain accessible services, and preserve caregiving jobs. As seen in recent months, persistent losses force them to make difficult decisions affecting patients and workers.

Massachusetts Hospital Health System Median Operating Margins



SOURCE: Center for Health Information and Analysis; "Hospital Health Systems" include affiliated physician practices

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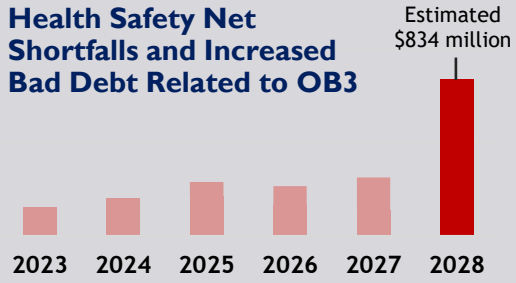
MAJOR DISRUPTION TO COME

$1.7 billion is at risk for local hospitals in the next year due to new and proposed policies driven by federal dynamics. **That number grows to $2.3 billion by 2030.**



On top of *existing* cost pressures, Massachusetts hospitals and health systems are now bracing for the most significant confluence of financial challenges in their history. Taken together, these disruptions – driven primarily by federal policy changes – will further weaken providers' ability to stabilize, maintain care access, and withstand any additional policies that undercut revenue sources.

- **Major Coverage Losses:** As provisions in the *One Big Beautiful Bill Act (OB3)* and other policies cause 300,000 people in Massachusetts to lose coverage, the Health Safety Net's record deficits are expected to grow by $500 million or more in the years ahead. Hospitals bear the sole responsibility of covering those shortfalls.



- **New Payment Restrictions:** Also through *OB3*, Massachusetts hospitals are slated to lose as much as $600 million by 2030 through restrictions on "State Directed Payments," which for a decade have allowed states to direct how Medicaid managed care organizations reimburse providers under certain conditions. MHA has warned that these funding losses, used primarily to help safety net hospitals, will cause "irreparable harm" to the broader healthcare system.

- **Drug Discount Losses:** The federal 340B Drug Pricing Program has existed for 34 years and allows hospitals and community health centers to buy discounted outpatient medications directly from drug companies, while putting the savings (drawn solely from pharmaceutical profits) toward essential care services. New attacks on the program by pharmaceutical companies – as well as erosive state and federal government policies – are of grave concern to providers.

- **Local Impact:** The MassHealth Acute Hospital Request for Applications (RFA) is the primary annual contractual agreement and policy framework between MassHealth and acute care hospitals. Numerous changes in the new RFA – including the elimination of hospital reimbursement for telehealth medical visits and a post-payment utilization review for outpatient claims – will lead to further reimbursement reductions, care access limitations, and increased administrative burden. Looking ahead, MassHealth is considering additional RFA payment policies such as a "72-hour rule" that could further reduce payments for services provided to MassHealth patients.

PROTECTING MASSACHUSETTS HOSPITALS & CARE SERVICES

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The mission of Massachusetts hospitals and health systems remains unchanged, but their ability to deliver on that mission is being tested like never before. Hospitals are open 24/7 to every person who walks through their doors – no matter their need or ability to pay. As the squeeze around the system tightens, every patient and community stands to feel the consequences.

Meanwhile, provider organizations are continuing to exhaust the creative – and sometimes painful – solutions within their own control, often with little or no margin left to tap into. **Massachusetts' ability to sustain and evolve its world-renowned healthcare community for patients through an era of disruption will depend on its ability to seize upon several stabilizing measures.**

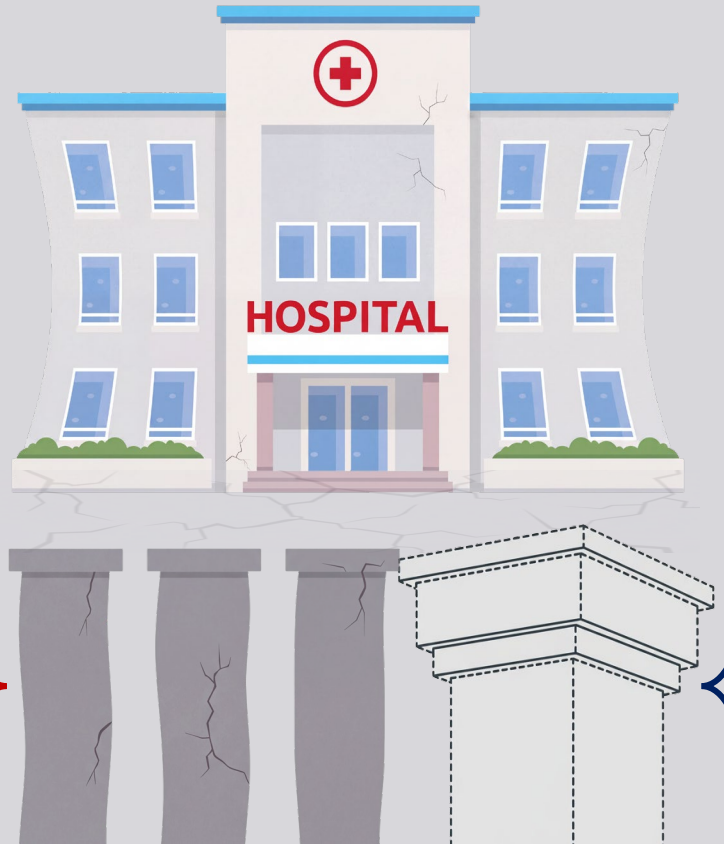
ONGOING HOSPITAL EFFORTS

TOUGH DECISIONS:
As seen in recent months, the impacts of persistently low margins are not hypothetical. Hospitals have been forced to make workforce reductions and reassess certain care services to protect their overall viability.

WORKFORCE:
Providers have leaned into predictive staffing and smart scheduling technology, while reducing reliance on expensive overtime and temporary labor.

OPERATIONAL & ASSET EFFICIENCY:
Hospitals are auditing and evaluating non-clinical overhead costs, improving supply chain management, and standardizing product purchases to find savings.

TECHNOLOGY SUPPORT:
Hospitals are leveraging new technology to limit repetitive finance department tasks, assist with documentation submission, simplify payer follow-up, and reduce claims that escalate into appeals.



CRITICAL SUPPORTS NEEDED

A BOLD MEDICAID WAIVER:
A bold approach to the state's upcoming 1115 Medicaid Waiver proposal should center around safety net supports, achievable innovation incentives, and fully optimizing federal funding.

SUSTAINABLE AFFORDABILITY REFORMS:
Hospitals especially endorse the Healey-Driscoll administration's recommendations around innovative care, care transitions, workforce investments, and responsible technology adoption.

PROTECTIONS & SUPPORTS:
Local policy reforms should focus on supporting provider organizations, rather than inadvertently creating more disruption or eroding hospitals' remaining revenue sources. Protection of hospitals' 340B resources is especially critical.

ADVANCING INNOVATION:
Models like hospital-at-home, mobile integrated health, and non-emergency transportation need the right reimbursement and regulatory policies to grow.

RECOVER, REALIGN, REIMAGINE.

A Framework to Support More Affordable Massachusetts Healthcare

Given the extraordinary challenges weighing on patients and the healthcare sector today, the commonwealth is rightfully focused on solutions to improve care affordability. Massachusetts hospitals share this sense of urgency and are proud to support many of the recommendations already issued by the Healey-Driscoll administration.

As policy discussions continue, hospitals and health systems urge stakeholders to consider reforms that both control costs and allow provider organizations to withstand – and grow through – an increasingly fragile operating environment. This broad framework provides a lens through which meaningful, sustainable patient affordability actions can be addressed.



RECOVER

Stabilize the fragile healthcare system and reduce root pressures that drive up costs.

- Control the fastest-rising cost drivers such as prescription drugs, labor, and supplies
- Stabilize coverage and strengthen financial support for safety net care
- Improve patient flow and care transitions
- Support care investment without increasing administrative burden

REALIGN

Align incentives, payment modes, and administrative systems around value.

- Simplify administrative processes and reduce frictions between each component of the sector
- Redesign insurance and benefit structures
- Ensure patients have comprehensive coverage that minimizes cost-sharing exposure and medical debt

REIMAGINE

Transform care delivery to reduce costs and improve long-term system performance.

- Redesign frontline care delivery
- Strengthen and modernize primary care delivery
- Shift care to lower-cost, high-value settings

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