

Costs of Caring Report

Challenges Facing America's Hospitals as They Care for Patients in 2026

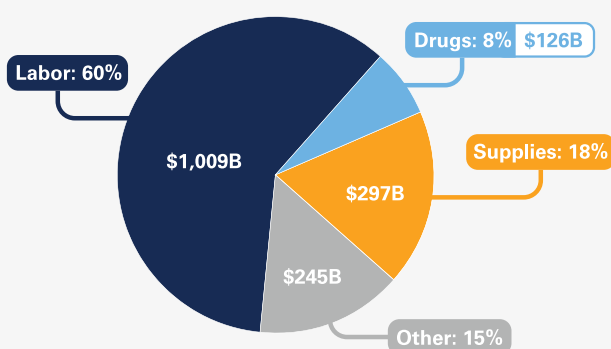
America's hospitals and health systems are the backbone of the U.S. health care system, providing 24/7 care to patients and communities. Hospitals share a deep commitment to affordability and access. However, as they work every day to deliver care to patients and families, hospitals continue to face increases in the cost of the people, supplies, medicines and infrastructure needed to provide that care and services.

The following are five highlights from the Costs of Caring report.

The full report is available at aha.org/costsofcaring.

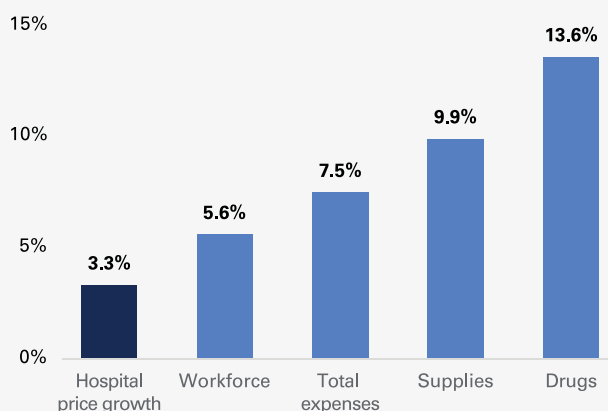
- 1 Workforce Spending Remains Top Expense.** About 60% of hospitals' total expenses went to paying the talented doctors, nurses, specialists and other support staff who allow hospitals to provide around-the-clock care and services. In 2025, workforce costs rose 5.6%.
- 2 Hospital Costs to Care for Patients 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%.
- 3 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% reflects caring for sicker, more complex patients, as hospitals devote more staff time, monitoring and specialized treatment. The rest was from higher input costs, like, labor, drugs and supplies.
- 4 Administrative Burden from Insurer Claims Denials, Prior Authorization.** Hospitals spent \$43 billion in 2025 trying to collect payments insurers owe for care already delivered. Prior authorization, claims denials, repeated documentation requests, and evolving billing and coverage rules have contributed to these expenses, as well as take clinicians away from direct patient care.
- 5 Most Hospital Costs are tied to Service Lines Where Reimbursement Falls Short of the Cost to Deliver Care.** About 56% of hospital costs are tied to services lines where reimbursement falls short, or is less than, the cost to deliver the care, including behavioral health, obstetrics, infectious disease, and burns and wounds. This highlights hospitals' commitment to maintaining access to essential services.

Figure 1. Workforce spending remains hospitals' top expense in 2025



Note: Average expenses estimated by industry benchmark data from Strata Decision Technology, LLC. Labor is inclusive of purchased services.

Figure 2. Hospital Expense Growth in 2025



Note: AHA analysis of industry benchmark data from Strata Decision Technology, LLC. Hospital price growth calculated using BLS PPI industry sub-selector data for hospitals through 2025.