

March 2026

Hospital Operating Profit Margins

State of Michigan
Trends 2019-2024



Provided by Michigan Health Purchasers Coalition

mihpc.org

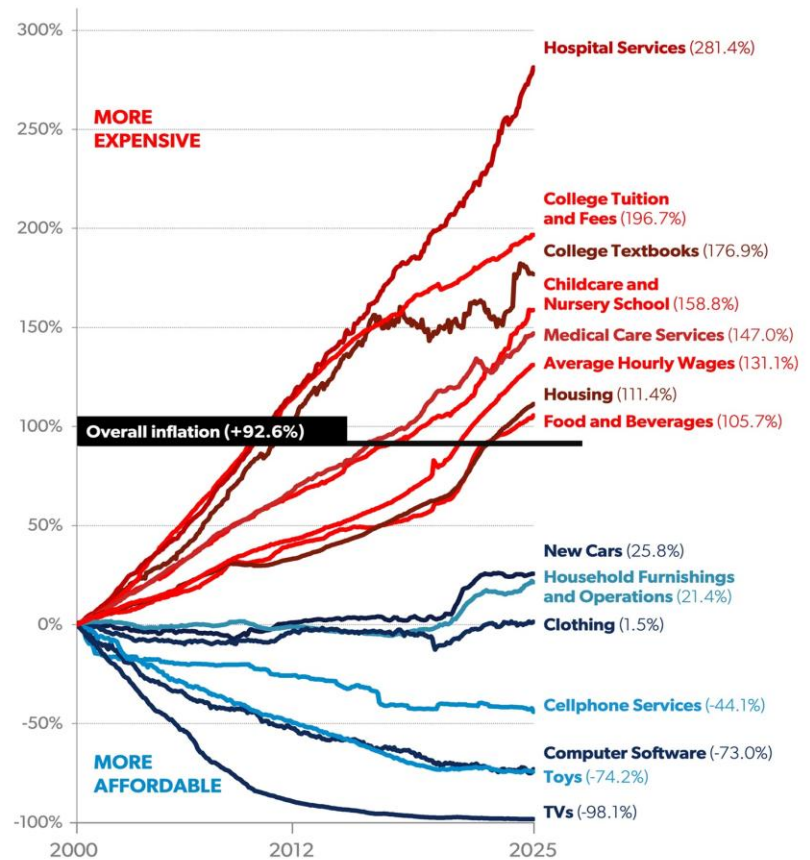
Understanding Hospital Operating Profit Margin

Since 2000, the cost of hospital services has increased faster than the cost of college tuition, childcare, and housing. In Michigan, **47 cents on the dollar of commercial health plan premiums is spent on hospital services**. For employers, this means higher annual premium increases, reduced ability to invest in wages and workforce growth, increased cost shifting to employees, and greater difficulty recruiting and retaining talent. Healthcare costs are now a workforce and economic issue.

Since 2000, hospital services have increased more than 281%, far outpacing overall inflation (+92.6%), wage growth (+131.1%) and other notable services and goods such as college tuition, childcare, food and housing.

Price changes (Jan. 2000–Dec. 2025)

Selected US Consumer Goods and Services, and Wages



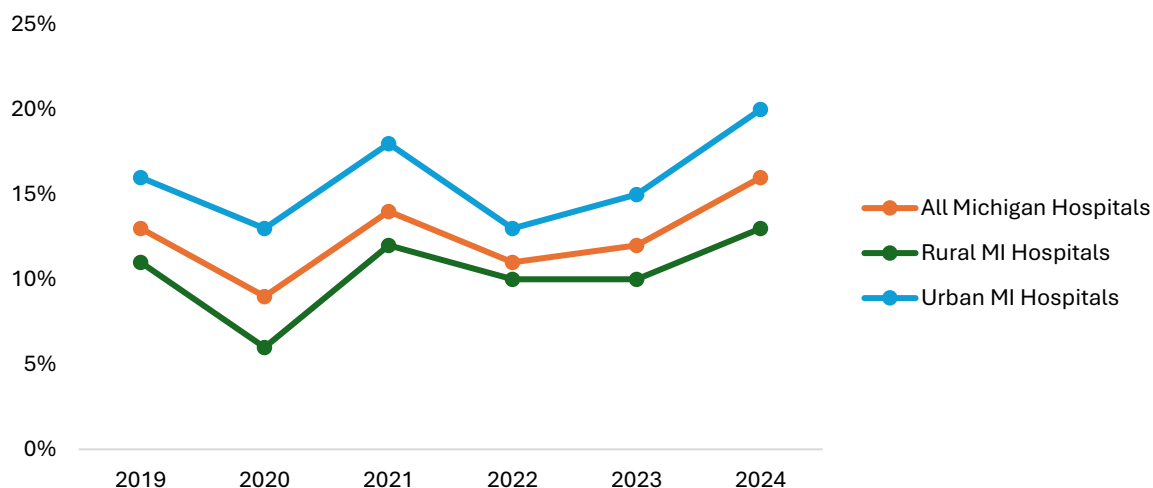
Source: Bureau of Labor Statistics

Mark J. Perry

Understanding Hospital Operating Profit Margin

While hospitals are vital to our communities and need to generate profits to sustain their services, the high costs associated with hospital care are making it challenging for some patients to access necessary treatment – especially for those who struggle to afford their care. Simultaneously, hospitals continue to report substantial profits from patient care, according to Medicare cost reports submitted annually by hospitals.

Michigan Hospitals Operating Profit Margin Trends



Operating profit margins is defined as net patient revenue minus hospital operating costs and captures the earnings hospitals generate from patient care and related services. In Michigan, those earnings are reaching historic highs. Financial performance has strengthened markedly, with the **average operating margin climbing from 12% in 2023 to 16% in 2024**. At a 16% margin, hospitals earn \$16 in profit for every \$100 in net patient revenue—an exceptionally strong return by historical standards.

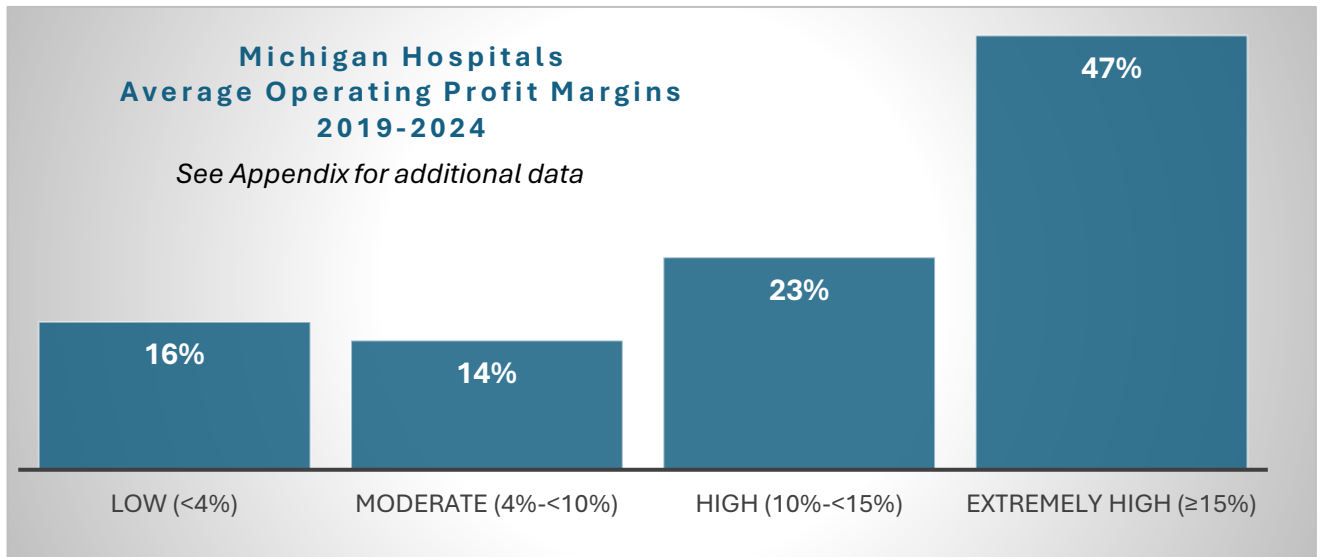
At the same time, this financial strength is not evenly distributed. Rural hospitals continue to lag behind their urban counterparts. In 2024, **rural hospitals posted an average operating margin of 13%, compared with 20% for urban hospitals**—a substantial gap. Still, aside from the disruption in 2020, operating margins have consistently remained at or above 10% statewide for all hospitals, underscoring the overall strength of hospital finances.

**In Michigan,
over 80% of
hospitals operate
as “nonprofit.”**

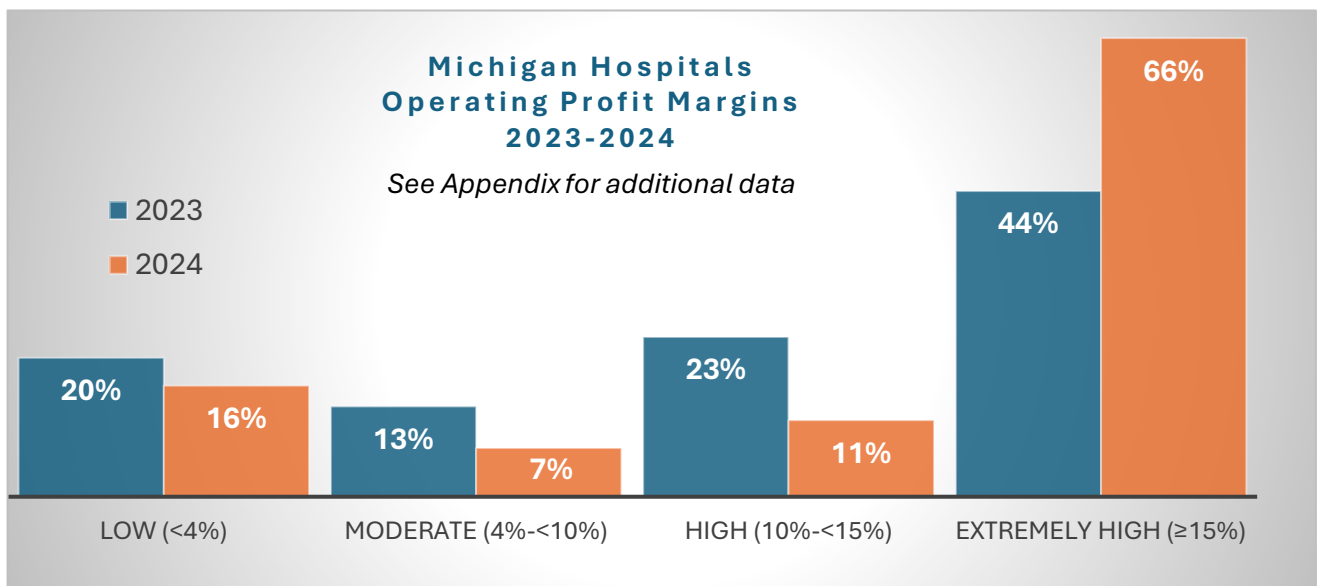
Hospital Operating Profit Margins

Michigan

Seventy percent of hospitals (81 of 116) maintain a six-year average operating margin of at least 10%. Twenty-seven of those hospitals have average operating profit margins between 10 and 14 percent, and fifty-four of those hospitals are 15 percent or greater. **Only 16% of hospitals fall into the low-margin category (<4%),** many of which are small, rural hospitals.



The financial performance improvement between 2023 and 2024 was broad-based. There was a 22% increase in hospitals with operating profit margins 15% or above. Overall, **eighty-nine hospitals experienced increased** operating margins during this period.



Hospital Operating Profit Margins

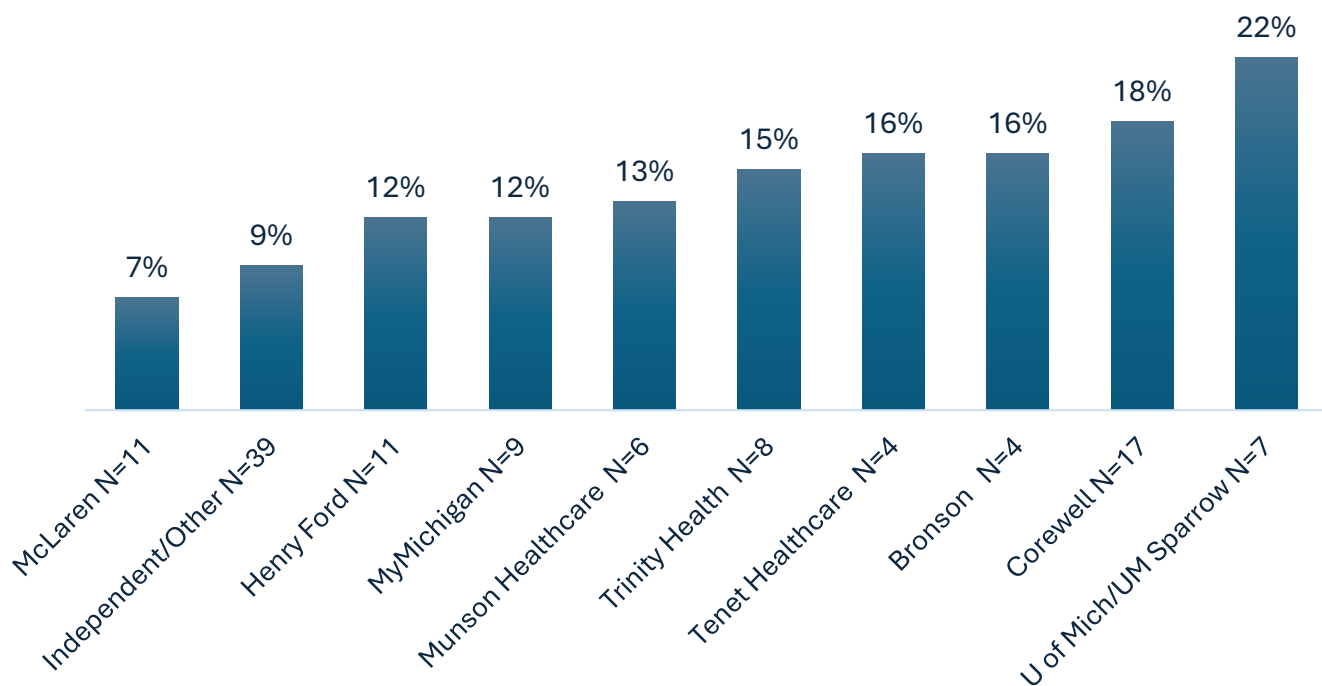
Michigan

Hospitals with the highest operating margins in Michigan are disproportionately affiliated with large health systems. Larger systems often benefit from greater negotiating leverage with commercial insurers, allowing them to command higher reimbursement rates compared to smaller or independent hospitals.

Independent hospitals or those affiliated with smaller and/or rural systems have an average operating profit margin of 9%. In contrast, larger Michigan health systems located in urban areas report operating margins above 10%, apart from McLaren Health, which operates hospitals across a mix of rural and urban markets.

For employers and purchasers of healthcare, **market consolidation can reduce competition among providers.** When large systems dominate regional markets, they can negotiate higher prices without necessarily delivering corresponding improvements in quality or patient outcomes. Over time, this dynamic can contribute to higher healthcare costs for employers, employees, and health plans.

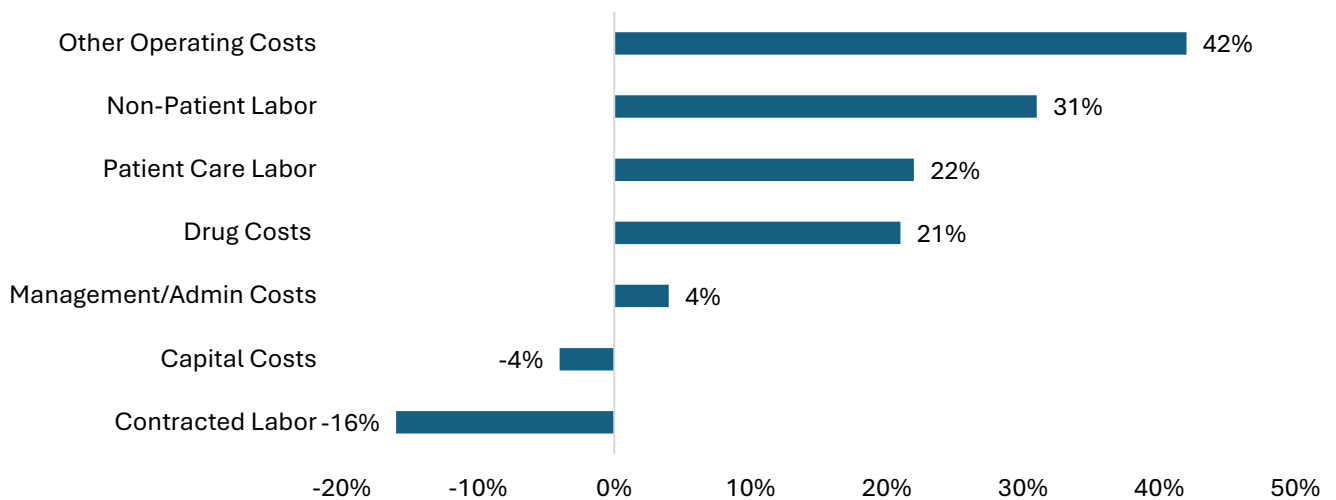
Michigan Hospital Systems
Average Hospital Operating Profit Margins
2019-2024



Hospital Revenue and Expense Growth Michigan

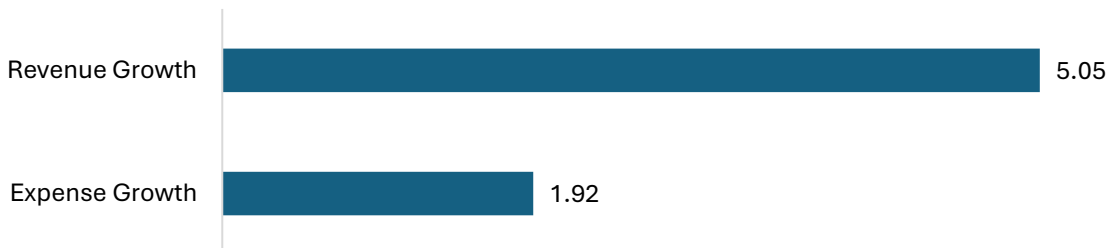
Although several expense categories increased from 2023 to 2024, **revenue growth outpaced expense growth**. From 2023 to 2024, total expense grew from 33.7 billion to 35.6 billion, a 1.92 billion increase. Other operating costs and non-patient labor makes up 73% of the cost growth, while patient care labor makes up only 22% of cost growth.

Net Patient and Cost Category Change 2023-2024
Percent Distribution



During the same period, total revenue growth grew from 35.6 billion to 40.6 billion, a 5.05 billion increase.

Revenue & Expense Growth
In Billions
2023-2024



Total operating expense costs increased 6 percent, while total net patient revenue increased 14 percent, exceeding operating expense growth by 8 **percentage points** statewide, and thus accounting for the sharp rise in profit margins and reflecting the improved operating leverage. In other words, **financial performance gains were driven primarily by revenue growth rather than cost containment**.

Conclusions

Across Michigan, most hospitals report strong operating profit margins, especially those part of large health systems. Average operating margins increased significantly from **12% in 2023 to 16% in 2024**, reaching record levels. These margins raise questions about whether above-market commercial prices are still necessary. At the same time, many rural hospitals continue to face financial challenges.

The recent growth in profitability has been driven largely by **revenue growth rather than cost control**. Between 2023 and 2024, hospital net patient revenue increased **14%**, while operating expenses increased only **6%**, leading to higher margins across the state. Overall, hospital revenue grew by **\$5.05 billion**, far exceeding the **\$1.92 billion** increase in expenses. This suggests that stronger financial performance is mainly tied to higher revenue rather than reduced costs.


However, hospital profitability is **not evenly distributed** across the state. Hospitals affiliated with large health systems, especially those in urban markets, consistently report the highest operating margins. Larger systems often have greater negotiating leverage with commercial insurers and stronger market positions, which can lead to higher reimbursement rates. In contrast, independent hospitals and those affiliated with smaller or rural systems report lower margins, averaging about **9%**, and rural hospitals continue to trail urban hospitals in financial performance.

These trends raise important considerations for employers and healthcare purchasers. Hospital consolidation and strong system negotiating power can reduce competition, allowing dominant systems to command higher prices without clear improvements in quality or outcomes. As hospital systems continue to report sustained double-digit margins, the need for ongoing price increases deserves closer scrutiny.

Hospital pricing is not only a healthcare issue—it is also a workforce and economic issue affecting Michigan employers, families, and public budgets. Rising hospital costs contribute to higher insurance premiums, increased employee cost-sharing, and pressure of wages and employer budgets. Because employer-sponsored insurance covers more than half of Michiganders, employers remain central stakeholders in discussions about healthcare pricing and affordability.

Improving healthcare affordability will require **greater transparency, stronger competition, and careful oversight of pricing and consolidation trends** to ensure hospital prices reflect the cost and value of care rather than market, while maintaining access to care and supporting a financially sustainable healthcare system for Michigan employers, workers, and families.





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APPENDIX



Hospital Operating Expense Definitions

Michigan

Hospitals operating expenses are complex and span multiple categories:

- Patient Care Labor includes nurses, hospital-employed physicians, therapists, and clinical support staff. These expenses are directly tied to quality of care and staffing ratios.
- Non-Patient Care Labor includes IT, human resources, finance, facilities, security, and other operational support staff. While not directly involved in bedside care, these roles are necessary for hospital operations.
- Drug Costs include inpatient and outpatient pharmaceuticals, specialty drugs, oncology therapies, and biologics. Drug inflation can significantly affect margins, making pharmacy management increasingly important.
- Other Operating Costs include supplies, rent, small equipment, maintenance, housekeeping, food services, laundry, social services, and administrative support across inpatient, outpatient, and ancillary departments.
- Management and Administrative Costs include executive leadership, corporate overhead, and compliance functions. While typically a smaller share of total expenses, these costs are often central to transparency and efficiency discussions.
- Contracted Labor includes agency nurses, temporary physicians, and travel nurses. These costs often spike during workforce shortages and are typically higher than the cost of employed staff.
- Capital Costs include debt payments, depreciation, facility expansion, and equipment purchases, reflecting long-term investment in infrastructure and services.



Hospital Operating Profit Margins Michigan

Rural Hospitals Operating Profit Margins Six-Year Average 2019-2024

Hospital Name	2019	2020	2021	2022	2023	2024	Average
ASCENSION ALLEGAN HOSPITAL	-13%	-59%	-22%	-7%	6%	16%	-13%
ASCENSION BORGESS-LEE HOSPITAL	-10%	-3%	11%	4%	-10%	-2%	-2%
ASPIRUS IRON RIVER HOSPITAL & CLINIC	3%	-2%	0%	0%	-4%	2%	0%
ASPIRUS IRONWOOD HOSPITAL	10%	9%	16%	15%	11%	20%	14%
ASPIRUS KEWEENAW HOSPITAL	17%	11%	9%	11%	14%	11%	12%
ASPIRUS ONTONAGON HOSPITAL	-3%	2%	-4%	-6%	-18%	-33%	-10%
BARAGA COUNTY MEMORIAL HOSPITAL	-3%	-18%	-5%	1%	0%	2%	-4%
BELL MEMORIAL HOSPITAL	41%	39%	43%	39%	38%	41%	40%
BRONSON LAKEVIEW HOSPITAL	11%	13%	28%	23%	32%	29%	23%
BRONSON SOUTH HAVEN	-13%	12%	19%	22%	23%	19%	14%
COREWELL HEALTH BIG RAPIDS	18%	15%	25%	20%	18%	27%	21%
COREWELL HEALTH GERBER	10%	12%	22%	23%	27%	32%	21%
COREWELL HEALTH GREENVILLE	13%	14%	19%	19%	24%	23%	19%
COREWELL HEALTH LUDINGTON	7%	9%	12%	15%	9%	20%	12%
COREWELL HEALTH PENNOCK HOSPITAL		17%	23%	24%	29%	32%	25%
COREWELL HEALTH REED CITY	17%	22%	29%	23%	25%	31%	25%
COREWELL LAKELAND COMMUNITY HOSP WATERVLIET	6%	9%	22%	15%	12%	24%	15%
DECKERVILLE COMMUNITY HOSPITAL	2%	3%	3%	2%	1%	0%	2%
DICKINSON COUNTY HEALTHCARE SYSTEM	24%	9%	19%	16%	16%	23%	18%
EATON RAPIDS MEDICAL CENTER	17%	10%	2%	9%	12%	22%	12%
HARBOR BEACH COMMUNITY HOSPITAL	9%	-8%	-3%	-3%	-2%	-4%	-2%
HELEN NEWBERRY JOY HOSPITAL	7%	6%	7%	-4%	-2%	8%	4%
HENRY FORD RIVER DISTRICT	-8%	-5%	-4%	-26%	-35%	-51%	-21%
HILLS & DALES GENERAL HOSPITAL	11%	15%	14%	17%	27%	29%	19%
HILLSDALE	11%	11%	12%	14%	7%	18%	12%
KALKASKA MEMORIAL HEALTH CENTER	7%	-4%	2%	6%	-3%	-1%	1%

Hospital Operating Profit Margins

Michigan

Rural Hospitals Operating Profit Margins Six-Year Average 2019-2024

Hospital Name	2019	2020	2021	2022	2023	2024	Average
MACKINAC STRAITS HEALTH SYSTEM INC	8%	4%	4%	10%	10%	11%	8%
MARLETTE REGIONAL HOSPITAL	14%	9%	19%	15%	14%	21%	15%
MARQUETTE GENERAL	41%	32%	38%	29%	28%	31%	33%
MCKENZIE HEALTH SYSTEM	21%	15%	16%	13%	9%	17%	15%
MCLAREN CARO REGION	14%	-19%	-19%	-8%	-3%	-5%	-7%
MCLAREN CENTRAL MICHIGAN	6%	7%	-23%	-23%	-25%	-24%	-14%
MCLAREN NORTHERN MICHIGAN	11%	7%	14%	10%	12%	14%	11%
MCLAREN THUMB REGION			-18%	-19%	-6%	2%	-10%
MUNISING MEMORIAL HOSPITAL	-8%	-1%	9%	2%	-10%	-3%	-2%
MUNSON HEALTHCARE CADILLAC	17%	12%	21%	15%	17%	20%	17%
MUNSON HEALTHCARE CHARLEVOIX HOSPITA	16%	7%	21%	18%	19%	23%	17%
MUNSON HEALTHCARE GRAYLING	9%	1%	10%	4%	7%	13%	7%
MUNSON HEALTHCARE MANISTEE	13%	-3%	8%	8%	15%	19%	10%
MUNSON HEALTHCARE OTSEGO MEMORIAL	15%	7%	12%	11%	11%	17%	12%
MUNSON MEDICAL CENTER	16%	11%	15%	7%	7%	14%	12%
MYMICHIGAN MEDICAL CENTER ALMA	6%	15%	11%	16%	17%	17%	14%
MYMICHIGAN MEDICAL CENTER ALPENA	11%	13%	16%	13%	15%	24%	15%
MYMICHIGAN MEDICAL CENTER CLARE	16%	11%	14%	19%	11%	21%	16%
MYMICHIGAN MEDICAL CENTER GLADWIN	12%	-8%	12%	20%	19%	21%	13%
MYMICHIGAN MEDICAL CENTER SAULT	25%	25%	24%	17%	13%	8%	19%
MYMICHIGAN MEDICAL CENTER TAWAS	14%	5%	0%	6%	3%	9%	6%
MYMICHIGAN MEDICAL CENTER WEST BRANCH	2%	-14%	2%	5%	13%	15%	4%
MYMICHIGAN STANDISH MEDICAL CENTER	15%	-4%	1%	-2%	-2%	0%	1%
OSF ST. FRANCIS HOSPITAL	14%	-6%	12%	16%	16%	14%	11%
PAUL OLIVER MEMORIAL HOSPITAL	3%	3%	8%	5%	1%	5%	4%
SCHEURER HOSPITAL	5%	2%	3%	2%	6%	11%	5%
SCHOOLCRAFT MEMORIAL HOSPITAL	6%	-2%	7%	6%	13%	9%	7%
SHERIDAN COMMUNITY HOSPITAL	-24%	30%	38%	9%			13%
SPARROW CARSON- UM HEALTH	8%	6%	8%	3%	1%	16%	7%
SPARROW IONIA HOSPITAL	18%	14%	25%	21%	25%	27%	22%
STURGIS	-5%	-31%	-23%	-41%	-52%	-63%	-36%
THREE RIVERS HEALTH	31%	20%	22%	16%	22%	28%	23%
TRINITY HEALTH LIVINGSTON	25%	-1%	23%	32%	32%	31%	24%
UM HEALTH-SPARROW CLINTON HOSPITAL	38%	36%	42%	34%	34%	39%	37%
UM HEALTH-SPARROW EATON	29%	22%	36%	34%	38%	38%	33%

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Urban Hospitals Operating Profit Margins Six-Year Average 2019-2024

Hospital Name	2019	2020	2021	2022	2023	2024	Average
ASCENSION BORGESS	18%	14%	11%	-1%	-11%	-7%	4%
BRONSON BATTLE CREEK	-24%	8%	10%	5%	10%	11%	3%
BRONSON METHODIST	-7%	28%	30%	27%	28%	28%	22%
COREWELL HEALTH DEARBORN	16%	7%	14%	8%	11%	20%	13%
COREWELL HEALTH FARMINGTON HILLS	22%	21%	23%	18%	27%	22%	22%
COREWELL HEALTH GRAND RAPIDS	30%	31%	35%	30%	33%	35%	32%
COREWELL HEALTH GROSSE POINTE	9%	5%	12%	8%	8%	18%	10%
COREWELL HEALTH ROYAL OAK	18%	11%	12%	15%	7%	20%	14%
COREWELL HEALTH TAYLOR	14%	12%	18%	12%	12%	7%	12%
COREWELL HEALTH TRENTON	22%	15%	23%	15%	12%	23%	18%
COREWELL HEALTH TROY	19%	14%	15%	13%	12%	15%	15%
COREWELL HEALTH WAYNE	20%	1%	9%	8%	10%	14%	10%
COREWELL HEALTH ZEELAND	17%	25%	21%	21%	30%	34%	25%
COVENANT MEDICAL CENTER	33%	28%	32%	28%	29%	32%	30%
DETROIT RECEIVING	19%	19%	25%	6%	18%	28%	19%
HARPER- HUTZEL	3%	5%	16%	12%	14%	21%	12%
HENRY FORD DETROIT	25%	10%	18%	22%	24%	27%	21%
HENRY FORD GENESYS	17%	2%	11%	0%	0%	2%	5%
HENRY FORD HEALTH MACOMB	24%	21%	23%	18%	21%	23%	22%
HENRY FORD HEALTH WYANDOTTE	20%	18%	23%	21%	23%	27%	22%
HENRY FORD JACKSON	22%	19%	24%	23%	24%	29%	23%
HENRY FORD MACOMB-OAKLAND	19%	13%	12%	2%	2%	6%	9%
HENRY FORD PROVIDENCE	21%	16%	20%	9%	9%	12%	15%
HENRY FORD PROVIDENCE ROCHESTER	13%	8%	12%	2%	6%	-1%	7%
HENRY FORD ST JOHN	17%	11%	17%	12%	13%	17%	14%
HENRY FORD WEST BLOOMFIELD	-12%	-21%	24%	24%	23%	26%	11%
HOLLAND	12%	9%	2%	10%	9%	7%	8%
HURLEY MEDICAL CENTER	19%	17%	18%	8%	4%	15%	14%
HURON VALLEY-SINAI	18%	17%	23%	15%	19%	17%	18%
LAKE HURON MEDICAL CENTER	13%	12%	6%	4%	16%	12%	10%

Hospital Operating Profit Margins Michigan

Urban Hospitals Operating Profit Margins Six-Year Average 2019-2024

Hospital Name	2019	2020	2021	2022	2023	2024	Average
MCLAREN BAY REGION	16%	8%	10%	7%	2%	2%	8%
MCLAREN FLINT	14%	8%	12%	13%	11%	18%	13%
MCLAREN GREATER LANSING	18%	12%	18%	9%	16%	16%	15%
MCLAREN LAPEER REGION	24%	16%	19%	9%	16%	20%	17%
MCLAREN MACOMB	22%	13%	15%	13%	16%	18%	16%
MCLAREN OAKLAND	18%	13%	10%	20%	22%	27%	18%
MCLAREN PORT HURON	12%	6%	9%	13%	11%	17%	12%
MEMORIAL HEALTHCARE	19%	14%	13%	14%	18%	31%	18%
MONROE REGIONAL	11%	3%	4%	3%	12%	29%	10%
MYMICHIGAN MEDICAL CENTER MIDLAND	27%	20%	19%	19%	19%	27%	22%
OAKLAWN	21%	17%	11%	11%	19%	23%	17%
PONTIAC GENERAL	26%	9%	22%	-7%	30%	35%	19%
PORTAGE HEALTH SYSTEM	33%	31%	32%	27%	22%	30%	29%
PROMEDICA HICKMAN	21%	8%	22%	14%	12%	24%	17%
SINAI-GRACE	19%	18%	7%	11%	13%	23%	15%
SPARROW LANSING	27%	13%	15%	11%	20%	26%	19%
TRINITY CHELSEA	28%	21%	23%	19%	23%	24%	23%
TRINITY HEALTH ANN ARBOR	24%	17%	21%	21%	23%	19%	21%
TRINITY HEALTH GRAND HAVEN	-5%	-2%	0%	3%	0%	16%	2%
TRINITY HEALTH GRAND RAPIDS	-38%	7%	19%	18%	13%	21%	7%
TRINITY HEALTH LIVONIA	28%	22%	26%	22%	19%	23%	23%
TRINITY HEALTH MUSKEGON	1%	2%	9%	7%	4%	12%	6%
TRINITY HEALTH OAKLAND	21%	15%	22%	18%	13%	21%	18%
UNIVERSITY OF MICHIGAN ANN ARBOR	9%	2%	9%	9%	7%	13%	8%
UNIVERSITY OF MICHIGAN WEST	22%	23%	73%	22%	19%	22%	30%

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About MIHPC

Michigan Health Purchasers Coalition (MIHPC) is a 501(c)(4) established to mobilize employers, families and other healthcare stakeholders across the state to rein in the excessive prices paid for employer-sponsored healthcare for over half of all Michiganders.

MHPC initiatives include increasing hospital price transparency, prohibiting anti-competitive contracts and billing, increasing oversight on consolidations and mergers, and incorporating fair pricing among all payers of healthcare.

To view detailed hospital price details in Michigan, go to www.mihpc.org and click on the Hospital Price Transparency Dashboard.



www.mihpc.org