

## Health Care Facilities

**Hospital Survey: Feb accelerates m/m, Q1 est at +3.2% (stable q/q)**

Price Objective Change

**Feb survey predicts Q1 utilization +3.2% y/y for publics**

In our February survey of 50 hospitals, volume growth accelerated m/m in most major service lines. Inpatient admits grew +2.9% on average (vs +2.1% in January). Meanwhile, average outpatient visits accelerated to +4.0% (vs +3.6% last month). We view the m/m acceleration as largely expected given the benefit of leap year and we believe volume growth will decelerate due to tougher comps. The publicly traded hospitals we cover reported +3.2% same store adj adm growth on average in Q4. Using this average and assuming companies see roughly stable trends vs the Q4 average as our survey implies, we estimate publics could see a +3.2% increase y/y in 1Q24. This would be above the average 1-2% that we would normally expect, albeit benefiting from leap year. Given the positive trends, we raise POs for HCA Healthcare (HCA), Tenet Healthcare (THC), and Universal Health Services (UHS). See Exhibit 1 for changes.

**Hospitals expect 3.4% volume growth in 2024, higher m/m**

Hospitals expect adj admits to grow +3.4% y/y in 2024 on average (vs 1-2% LT growth). This is modestly higher than the +3.2% average we surveyed last month.

**Labor a vol headwind for 35% of respondents; stable**

On average, labor was a 1.4% headwind to volumes, stable m/m.

**Professional fee growth ticks up in Feb**

On average, professional fees increased +4.2% y/y in February (vs +3.5% in January). Median growth was +3.0%, accelerating from +2.0% last month. However, over the next 12 months, professional fee growth is expected to moderate to +3.8% y/y on average (+3.0% median).

**Acuity slowed m/m, payer mix remains strong**

Average acuity grew +0.8% y/y, below +2.2% in January. The median of 0.0% also decelerated m/m. We generally expect acuity to slow/decline as volumes normalize, but continued growth, even if moderate, is a positive and is consistent with hospital expectations for acuity to remain strong. We note that payer mix was stronger this month as commercial (+2.5%) grew faster than Medicaid (1.4%) and uninsured (+1.0%) volumes. However, commercial was below Medicare (+3.0%).

**Outpatient utilization continues to outperform inpatient**

Outpatient visits grew +4.0% in February, outperforming inpatient admissions, which grew +2.9%. Given the broad-based, secular shift to outpatient, we would expect outpatient volumes to grow more quickly than inpatient.

**Inpatient and ASC surgeries accelerated m/m**

Our February survey points to inpatient surgeries (+2.6%) outperforming outpatient surgeries (+2.4% y/y). Inpatient surgeries accelerated +40bps m/m, while outpatient surgeries decelerated -30bps m/m. Ambulatory surgery center (ASC) vols were up +3.1% y/y, accelerating +70bps m/m.

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Adj Adm = Adjusted admissions

SS = Same store

THC = Tenet Healthcare

## Feb survey suggests publics to see +3.2% increase y/y

We have typically found a correlation between our survey results and adjusted admission growth; and in the cases where the results are not spot-on, they generally are directionally correct, so we usually take the survey results and make an adjustment to predict publicly traded hospital volumes for the coming quarter.

Using data points from February, our survey suggests that the quarter will see inpatient volume trends of +2.5%, 30bps above the +2.2% we saw in 4Q23. Meanwhile, our survey predicts +3.8% growth in outpatient visits based on the February print, below the +4.1% we saw in Q4. Overall, this yields an average 1Q24 volume estimate of +3.2%, slightly above the +3.1% in our 4Q23 survey and in line with the +3.1% from 3Q23.

Looking to Q1, if we assume hospital companies see volume growth flat quarter over quarter as implied by our survey, this would imply volumes in 1Q24 of +3.2% for the public hospital companies. Volumes of +3.2% would be in line with the +3.2% print we saw in 4Q23 on average but below the +3.8% in 3Q23. Nevertheless, it would be above the average of 1-2% that we would normally expect and bodes well for continued beats and raises. Given the positive trends, we raise POs for HCA Healthcare (HCA), Tenet Healthcare (THC), and Universal Health Services (UHS).

### Exhibit 1: Raising POs for hospitals on positive trends

Price objective (PO) and multiple changes for acute care hospital companies

Company	Old PO	New PO	Old multiple	New multiple	Rationale
HCA Healthcare (HCA)	\$360	\$378	10.5x	10.9x	We raise PO on a higher multiple given positive volume trends in our survey. Reiterate Buy on strong fundamentals with pricing, vols, and labor continuing to improve.
Tenet Healthcare (THC)	\$110	\$116	8.5x	8.7x	We raise PO on a higher multiple given positive volume trends in our survey. Reiterate Buy on recent deleveraging and business mix shift toward ambulatory surgery centers, combined with strong core fundamentals.
Universal Health Services (UHS)	\$195	\$205	9.2x	9.6x	We raise PO on a higher multiple given positive volume trends in our survey. Reiterate Buy on the generally strong pricing and volume backdrop with upside from capital deployment.

Source: BofA Global Research. Price objectives are based on 2024E EBITDA multiples.

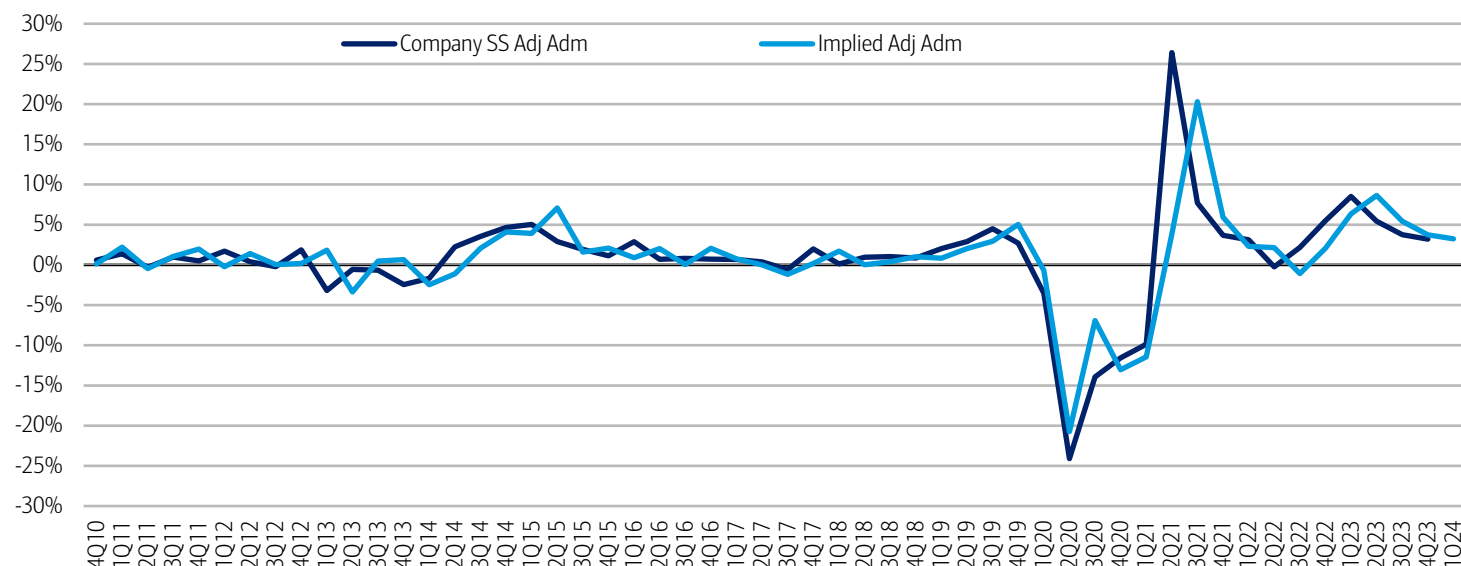
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Below we show what we forecast adjusted admissions would be in the upcoming quarter vs what companies actually reported.

Note: we switched survey data vendors. 2017 and onward reflect results from the new vendor. We made no adjustments to our historical data; therefore historical comparisons in this time frame may be skewed by differences in underlying populations surveyed.

**Exhibit 2: Hospital company adjusted admission growth versus implied vols based on our survey**

Using data points from February, we predict public hospital company vol growth will be roughly stable at +3.2% in Q1



Source: BofA Global Research

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**Company takeaways from survey**

In order to look at the exposure of each company to inpatient volume trends, we categorized states into four categories: 1) positive volume trends (+0.5% average volume growth or higher), 2) flat volume trends (avg. volume change from -0.5% to +0.5%), 3) negative volume trends (volume decline of 0.5% or more), and 4) NA for states that were not represented in our survey.

In this survey, hospital companies were more exposed to positive volumes. This month, UHS seems best positioned as 100% of its beds were in states where we captured strong trends, above 83% for HCA, and 74% for THC. None were exposed to negative volumes in this survey.

**Exhibit 3: Hospitals' Exposure to Inpatient Volume Trends in February 2024**

This month, hospitals were exposed to same positive volume trends than last month

	HCA	THC	UHS-Acute
Positive volume trends	83%	74%	100%
Flat volume trends	0%	0%	0%
Negative volume trends	0%	0%	0%
NA	17%	26%	0%
	100%	100%	100%
% positive volume trends excluding NA	100%	100%	100%

Source: BofA Global Research

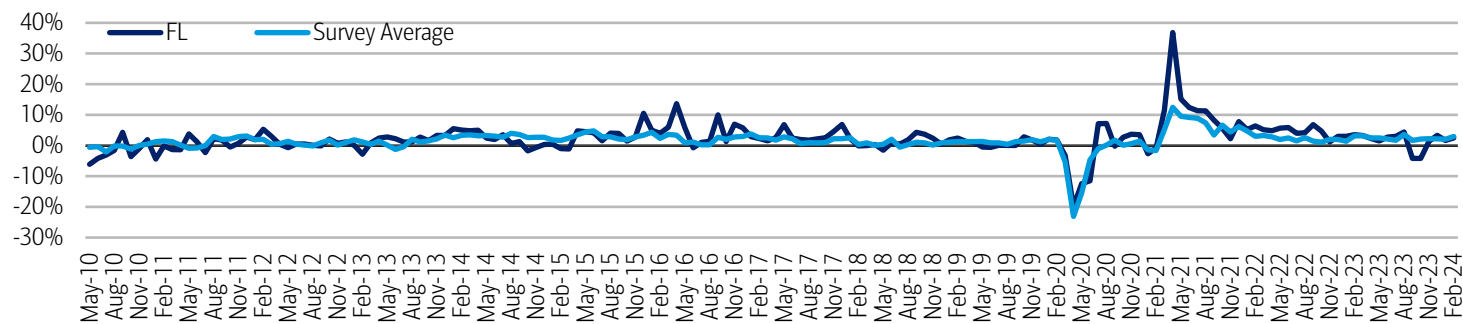
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**Florida volumes at +2.5%, below the survey average**

Florida has historically shown better volume growth than the overall survey. However, in February 2024, Florida's inpatient volumes increased +2.5% y/y on average, -40bps below the overall survey average of +2.9% y/y growth.

**Exhibit 4: Florida results versus Survey Average**

Florida's avg. inpatient growth came in -40bps below the survey average in February



Source: BofA Global Research

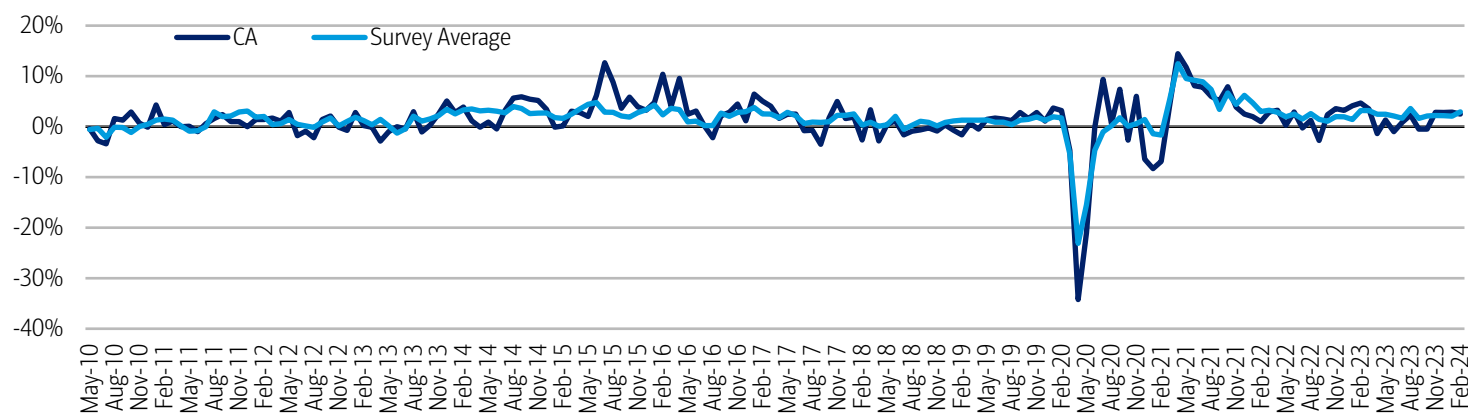
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**California volumes at +2.5% in February, -40bps below the survey average**

California's volume trend relative to the survey's average has been inconsistent over the past few years. This month, CA's y/y inpatient growth of +2.5% came in -40bps below the survey average of +2.9%. The average CA growth this month is below the +2.9% in January and +2.8% in December.

**Exhibit 5: California results versus Survey Average**

California's survey print came in 40bps below the survey average in February



Source: BofA Global Research

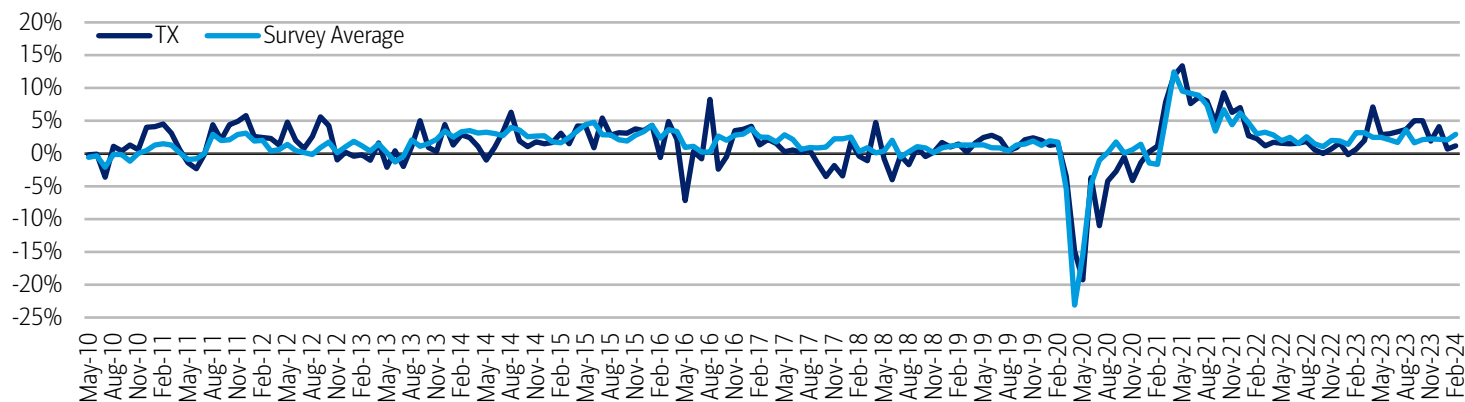
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**Texas volumes at +1.2% in February, above January but below the survey avg**

Texas volume growth came in at +1.2% this month, -180bps below the survey average of +2.9%. For 8 of the last 12 months, Texas had volume growth above the survey overall.

**Exhibit 6: Texas results versus Survey Average**

Texas's avg growth came in -180bps below the survey average in February



Source: BofA Global Research

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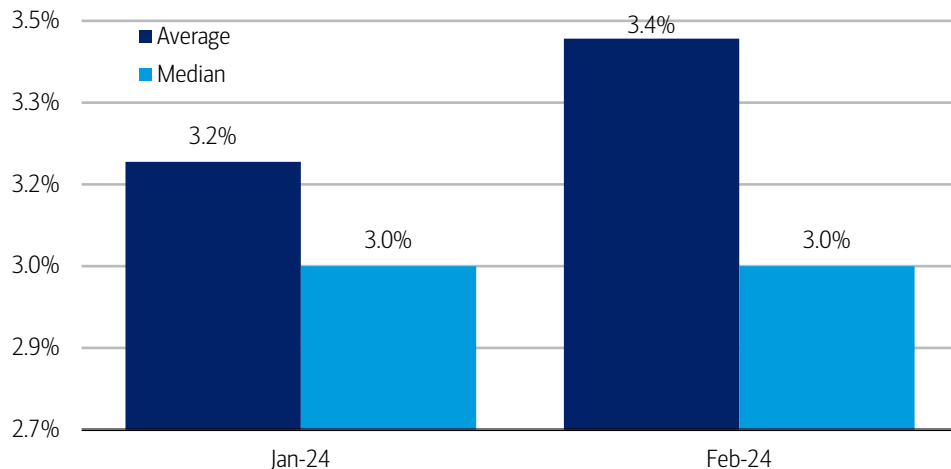
**Survey Results****Adj. admissions growth outlook of +3.4% in 2024 on average**

Please provide your professional estimate for the percent/rate of change for adjusted admissions, year over year, that you expect to see at your hospital in 2024?

On average, respondents expect adjusted admissions to grow +3.4% y/y in 2024, ranging from a -5% decline to a +15% increase, with a median of +3.0%. The +3.4% average is 20bps higher than the +3.2% expected in January. It is also in-line with HCA's 3-4% guidance and above THC's 1-2% guidance.

**Exhibit 7: Adj. adm y/y growth outlook for 2024**

Respondents expect adj adm to be up +3.4% in 2024



Source: BofA Global Research

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**Professional fees were up +4.2% y/y, expected to moderate to +3.8%**

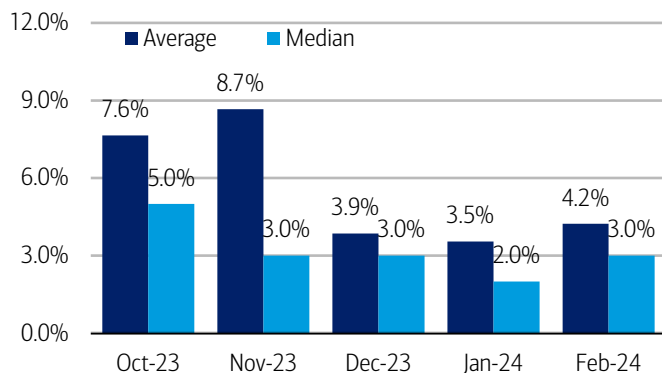
In our October 2023 survey, we started asking respondents what percentage change year over year they were seeing in professional fees (e.g., subsidies paid to hospital-based physician groups such as ER and anesthesia). On average, professional fees increased +4.2% y/y in February for the hospitals surveyed, ranging from a -2% decrease to a +30% increase. Median growth was +3.0%. Based on this, the average and median response accelerated m/m.

Over the next 12 months, respondents reported expecting professional fees to be up +3.8% on average, ranging from a -2% decrease to a +20% increase. Median growth

expected was +3.0%. This points to an expectation that professional fee growth will improve going forward but continue to be a pressure on margins.

#### Exhibit 8: Professional fees were up +4.2% y/y in February 2024

Professional fees y/y change

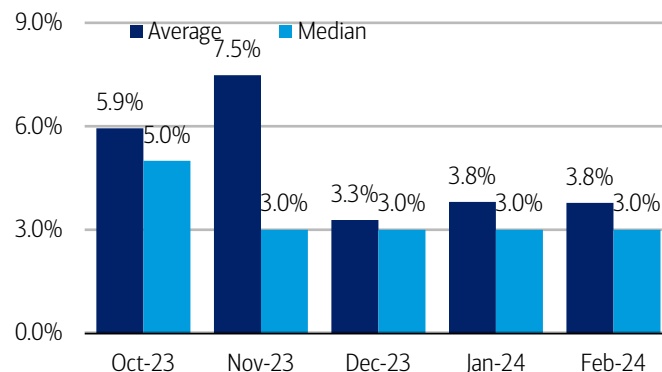


Source: BofA Global Research

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#### Exhibit 9: Over the next 12 months, professional fees expected to be +3.8% y/y

Outlook on professional fees y/y change over next 12 months



Source: BofA Global Research

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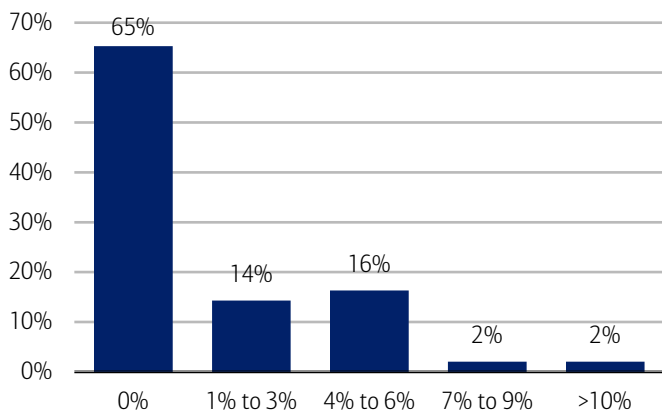
#### 35% of hospitals saw labor as at least a 1% headwind to volumes

In the month of February 2024, what percent of volume was lost, if any, due to inability to staff beds?

On average, labor was a 1.4% headwind to volumes, ranging from a 0% to 10% decrease, with a median of 0.0%. This is in line with the 1.4% average in January. Overall, the survey points to a slow improvement in the labor market.

#### Exhibit 10: 35% of respondents reported labor being at least a 1% headwind to volumes

Headwind to volumes from inability to staff beds

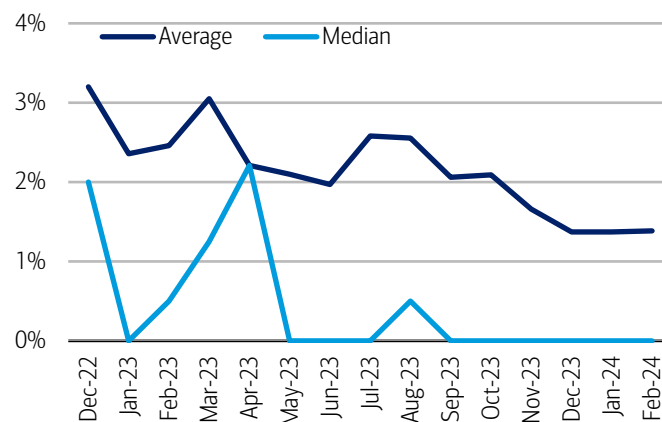


Source: BofA Global Research

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#### Exhibit 11: The average headwind of 1.4% was in line with last month's survey

Average and median headwind to volumes from inability to staff beds over time



Source: BofA Global Research

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#### 42% of hospitals see volumes accelerate in February, above last month

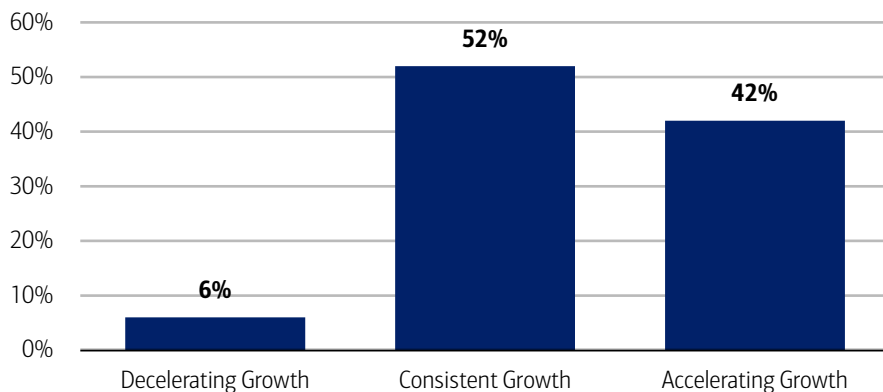
Describe your thoughts on the volume (inpatient and outpatient) trends during the most recent month vs last month – accelerating growth, decelerating growth, consistent growth.

In February, 42% of respondents said that volume growth (inpatient and outpatient) accelerated m/m. This is above our last survey in which 40% of respondents noted that hospital volumes accelerated in January. Meanwhile, 6% saw volumes decelerate this

month (below 12% in January survey), and the remaining 52% saw consistent volume trends.

#### Exhibit 12: Overall volume change 2/2024 vs. 1/2024

42% of the hospitals we surveyed saw m/m vol acceleration in February, above January



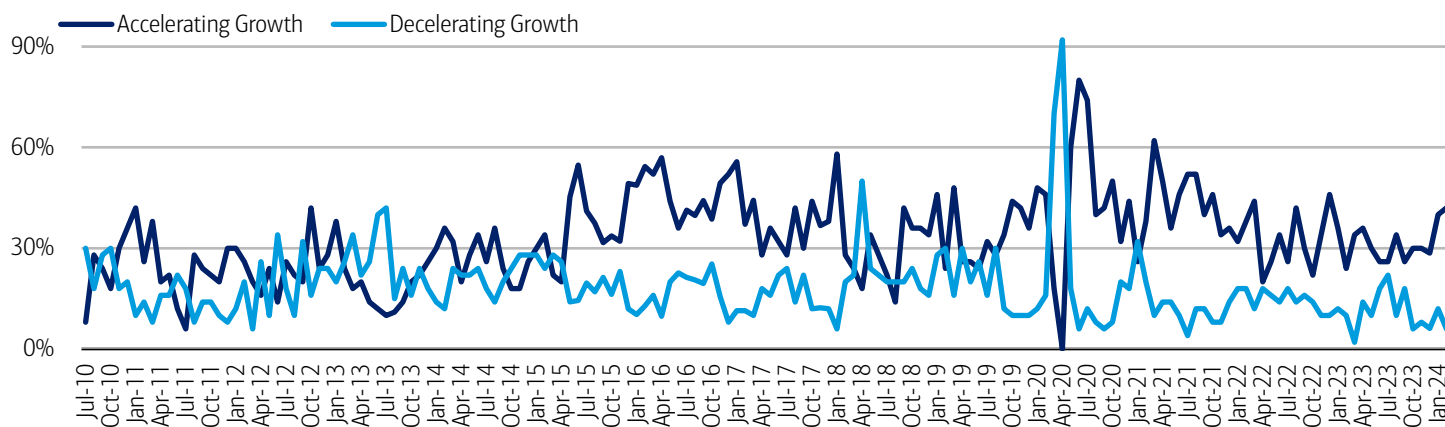
Source: BofA Global Research

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Since May 2015, the number of hospitals reporting accelerating trends has generally been higher than the percentage reporting decelerating volume trends. Overall, we have seen that trend continue as this month more hospitals reported accelerating trends than decelerating trends, with a delta of 36% in this survey (above the 28% in January).

#### Exhibit 13: Overall Volume change July 2010 to February 2024

The % of respondents seeing accelerating m/m growth remains above that of those seeing decelerating trends—with a variance of 36% in February



Source: BofA Global Research

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#### Inpatient admissions rose +2.9% y/y in February on average (+80bps m/m)

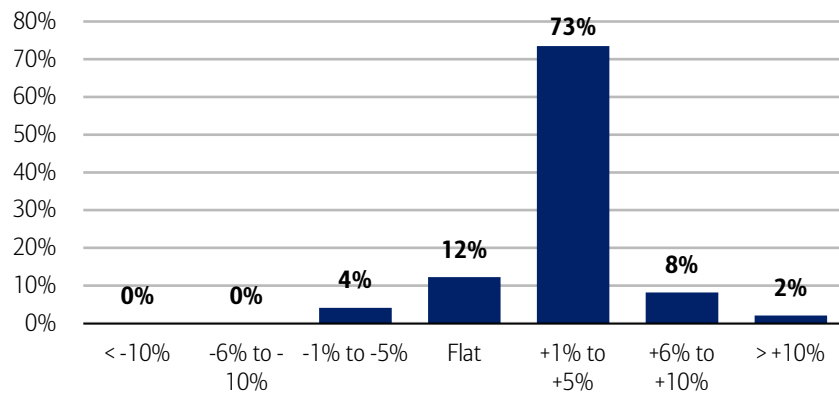
Please describe (quantify % change) actual inpatient admissions during the month of February 2024 versus a year ago?

On average, inpatient admissions increased +2.9% in February for hospitals in our survey, ranging from a -5% decline to a +10% increase, with a median of +2.0%.

This month, a higher share of hospitals saw inpatient admissions grow y/y (83%) than those who saw volumes decline (4%), and the remaining 12% indicated flat volumes y/y. This is above the 80% of respondents who saw y/y volume growth last month.

**Exhibit 14: Inpatient admissions 2/2024 vs. 2/2023**

83% of respondents noted y/y growth in inpatient admits in February, with 2% seeing volumes grow by over 10%



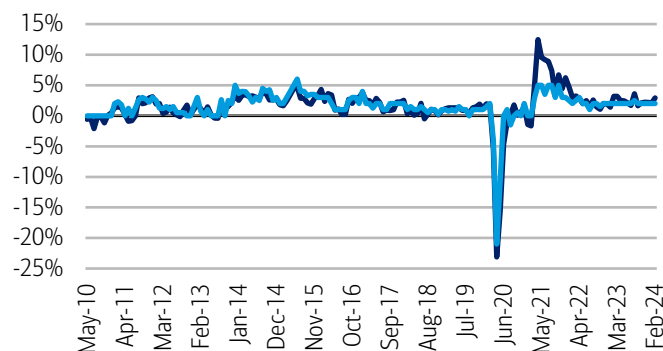
Source: BofA Global Research

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Below we show historical trend data on average and median inpatient volume growth since 2010. After bottoming out in June of 2011, median inpatient volumes showed generally positive trends, with an upward trend through 2015, peaking in June 2015 at +6.0% due to the Affordable Care Act. Inpatient volumes gradually decelerated in the years leading up to 2020 before volumes dropped in 1H as a result of COVID-19 related shelter in place orders, before starting to normalize in 2H20 and into 2021. 2Q21 showed significant growth over COVID-impacted comps but decelerated throughout 3Q21-4Q22 largely due to y/y comps becoming more difficult. Throughout 1Q23, inpatient volume growth accelerated but then decelerated in 2Q23 and remained relatively flat sequentially in 3Q23 and 4Q23. In February 2024, average volumes increased +2.9% (accelerated m/m), and median volume growth was +2.0% (in line with 2.0% in January).

**Exhibit 15: Inpatient Volumes, May 2010 to February 2024**

The avg. inpatient print was above 2018/2019 levels

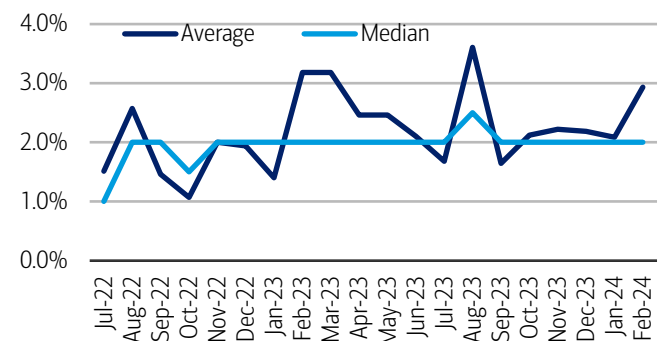


Source: BofA Global Research

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**Exhibit 16: Inpatient Volumes, July 2022 to February 2024**

The avg. inpatient print accelerated m/m



Source: BofA Global Research

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**Commercial admits +2.5% in February on average, above January**

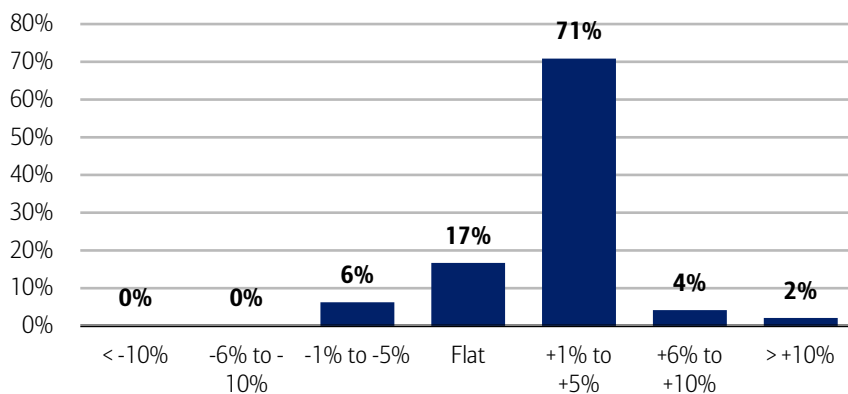
Please describe (quantify % change) actual Commercial inpatient admissions during the month of February 2024 versus a year ago?

On average, commercial admissions increased +2.5% y/y in February 2024, ranging from a -4% decline to a +18% increase for the hospitals surveyed. 6% of survey respondents noted that commercial admits decreased y/y in February; below the 12% in January. Meanwhile, 77% of respondents saw y/y growth, with the bulk of respondents noting modest growth.



**Exhibit 17: Commercial inpatient admissions 2/2024 vs. 2/2023**

77% of respondents saw y/y commercial vols increase in February, with the majority seeing modest growth



Source: BofA Global Research

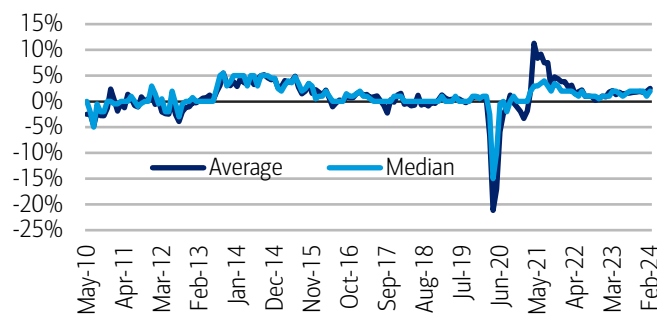
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Below we show historical trend data on the average and median commercial volume growth since May 2010. In February 2024, average commercial volumes increased +2.5% y/y, above the +2.0% in January and the +1.8% in December. Volumes grew +2.0% at the median, above the +1.0% median growth we saw in January. We note that this month's y/y increase in commercial volumes was -40bps below the total inpatient admission growth.

Over the next few years, we expect commercial volume growth to be minimal for the industry, as unemployment is already near record lows, while population growth in the under 65 demographic is only 20-30bps. As a result, this month's result is still above expectations, and is likely aided by strong exchange growth.

**Exhibit 18: Commercial Admissions - May 2010 to February 2024**

The avg. commercial print was above 2018/2019 levels

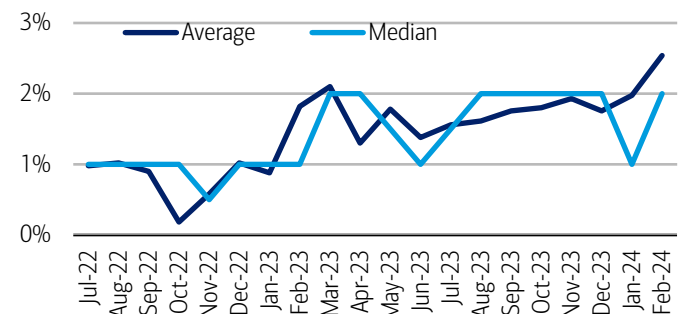


Source: BofA Global Research

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**Exhibit 19: Commercial Admissions - July 2022 to February 2024**

Commercial volumes accelerated from last month but were -40bps below the overall inpatient print



Source: BofA Global Research

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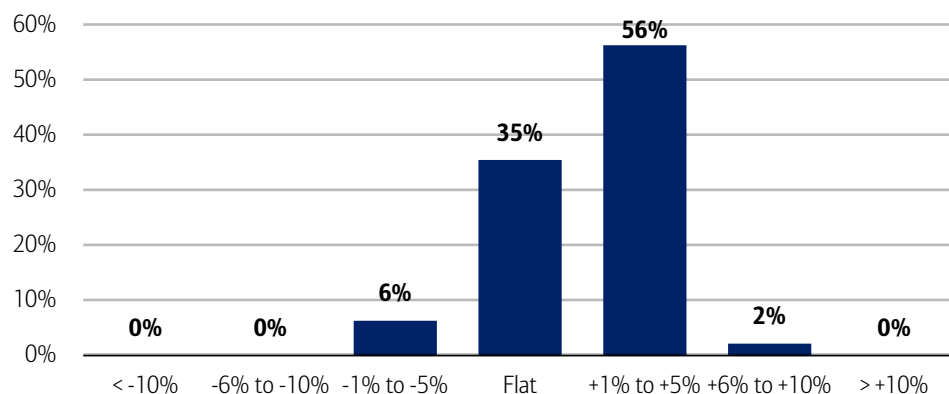
**Average Medicaid admissions saw +1.4% growth in February**

Please describe (quantify % change) actual Medicaid admissions during the month of February 2024 versus a year ago?

In February, Medicaid admissions grew +1.4% y/y—below the January growth of +1.8%. 58% of respondents said Medicaid admissions increased year over year, while 35% said they were flat and another 6% said they decreased.

**Exhibit 20: Medicaid inpatient admissions 2/2024 vs. 2/2023**

58% of respondents saw y/y Medicaid vols increase in February, with the majority seeing modest growth



Source: BofA Global Research

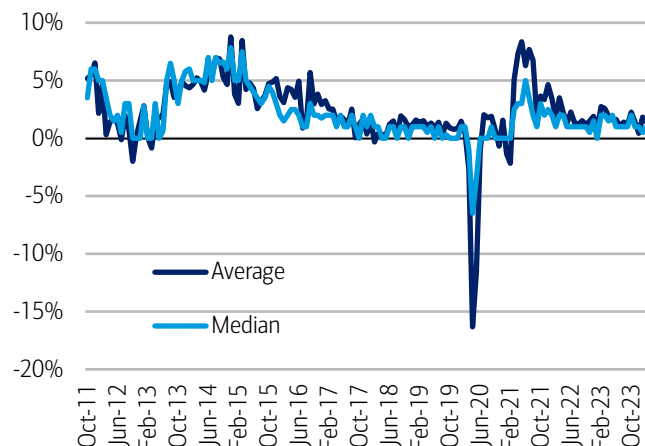
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Medicaid admissions at-large have been decelerating since they peaked at +8.8% growth in December 2014 during the peak impact of the ACA. They spiked again in March 2021 due to easy COVID-impacted comps and an increase in Medicaid enrollment related to the suspension of redeterminations during the public health emergency. This month's growth of +1.4% is below the +1.8% seen in January. We would expect to see Medicaid volumes to slow in coming months as redeterminations put pressure on Medicaid enrollment growth.

Below we show historical trend data on the average and median Medicaid volume growth since October 2011. In February 2024, average volumes came in at +1.4%, below the +1.8% in January. Median growth of +1.0% was above the +0.5% growth we surveyed last month and in line with the +0-1% median range we saw throughout 2018-2019. Medicaid growth came in -110bps below the commercial inpatient admit growth this month, which reads positively for payer mix. We note that Medicaid redeterminations could be having an impact on Medicaid volume growth.

**Exhibit 21: Medicaid Admissions – October 2011 to February 2024**

The average Medicaid print was above 2018/2019 levels

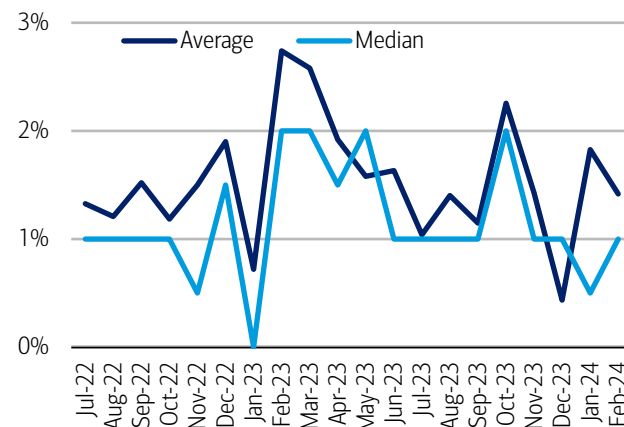


Source: BofA Global Research

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**Exhibit 22: Medicaid Admissions – July 2022 to February 2024**

Average Medicaid growth decelerated m/m to +1.4%



Source: BofA Global Research

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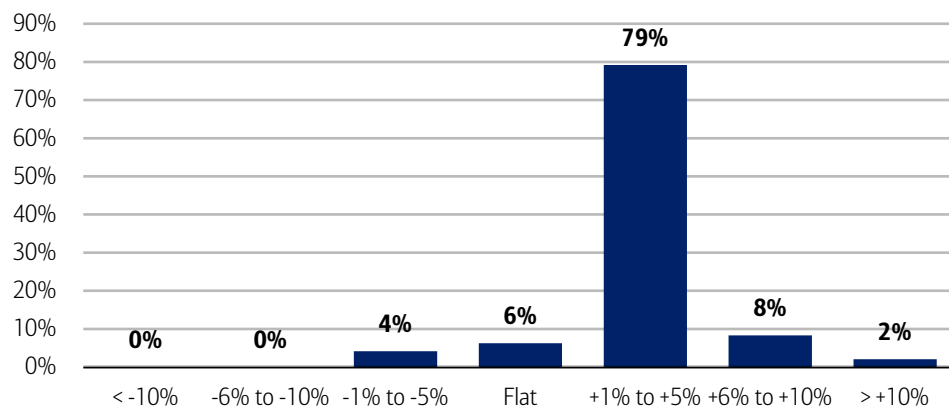
**Average Medicare admissions grew +3.0% y/y in February 2024**

Please describe (quantify % change) actual Medicare admissions during the month of February 2024 versus a year ago?

Medicare admissions increased +3.0% on average y/y for respondents in our February survey with a median increase of +3.0%. This average result is above the +2.9% in our January survey. Among the respondents, 89% in aggregate said Medicare admissions increased (above the 80% in our previous survey) while 4% said they declined y/y (below the 6% in January). The bulk of respondents saw modest growth. We note that Medicare growth is slightly above the +2.9% overall inpatient growth.

#### Exhibit 23: Medicare Admissions, 2/2024 vs. 2/2023

The majority of hospitals saw their Medicare admits grow modestly y/y in February



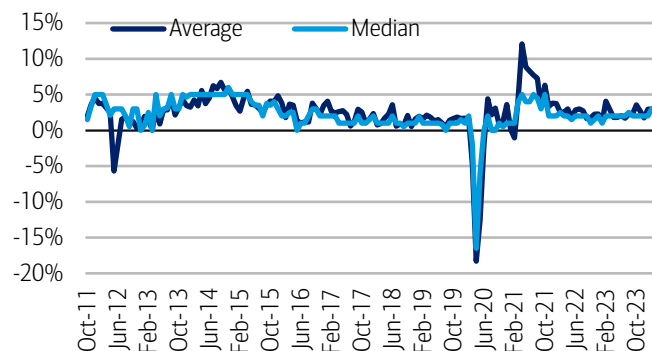
Source: BofA Global Research

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Below we show historical trend data on the average and median Medicare volume growth since October 2011. In February, volumes increased by +3.0% y/y, in line with the 1-3% range where we have seen it trend over the past few years, and above the +2.9% in January.

#### Exhibit 24: Medicare Admissions – October 2011 to February 2024

The average Medicare print was above the averages in 2018/2019

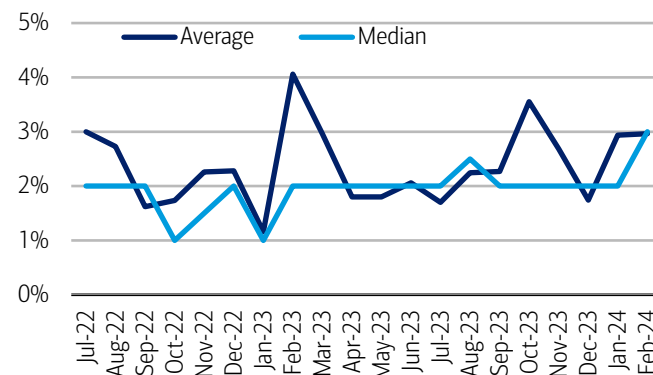


Source: BofA Global Research

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#### Exhibit 25: Medicare Admissions – July 2022 to February 2024

Average Medicare growth accelerated m/m to +3.0%



Source: BofA Global Research

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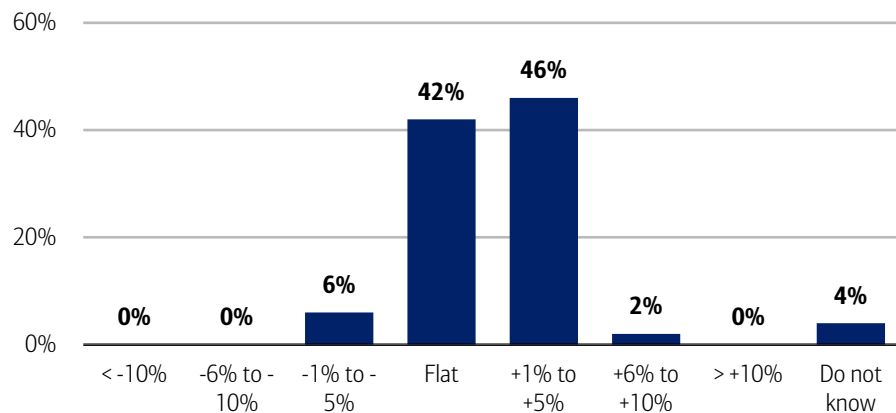
#### Average uninsured volumes increased +1.0% in February, decelerated m/m

Please describe (quantify % change) actual Uninsured / Self-Pay admissions during the month of February 2024 versus a year ago?

On average, uninsured volumes increased +1.0% y/y in February (ranging from a -4% decrease to a +6% increase). This month's average result was below the +1.3% increase we saw in January. Though, median growth of +0.7% was above last month's 0.0% y/y.

**Exhibit 26: Uninsured / Self-Pay admissions 2/2024 vs. 2/2023**

The majority of respondents are seeing uninsured vols flat to modestly up y/y in February



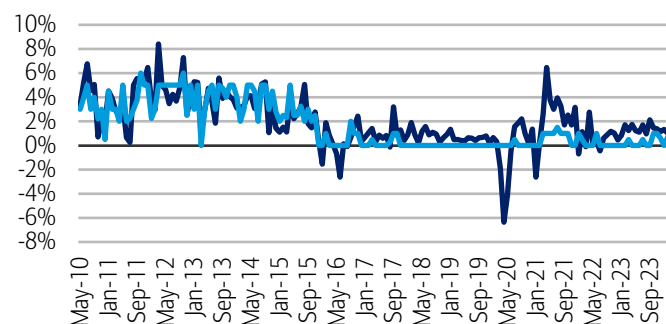
Source: BofA Global Research

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Uninsured admissions have generally been positive since June 2016. Since mid-2018, uninsured volumes have remained in the 0-1% range. Average uninsured admission growth turned positive in July 2020 and our survey results have remained positive since (except in January, March, and July 2022), but have generally been accelerating since August 2022. This month, the +1.0% increase is below the overall inpatient growth in our survey (+2.9%) and below commercial growth (+2.5%), which is a positive for payer mix. We note that Medicaid redeterminations could be putting upward pressure on uninsured volumes.

**Exhibit 27: Uninsured Admissions – May 2010 to February 2024**

Uninsured volume growth has been inconsistent, as prints are compared against COVID-impacted months, but have decelerated since the April 2021 peak

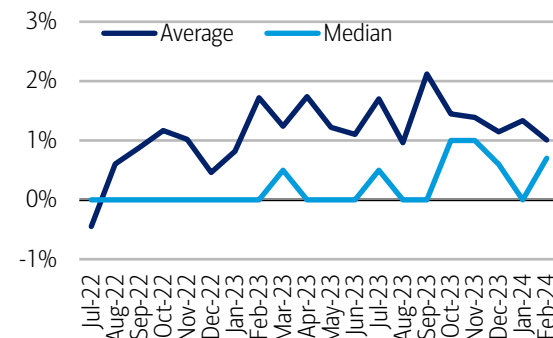


Source: BofA Global Research

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**Exhibit 28: Uninsured Admissions – July 2022 to February 2024**

The average uninsured admissions growth decelerated vs last month



Source: BofA Global Research

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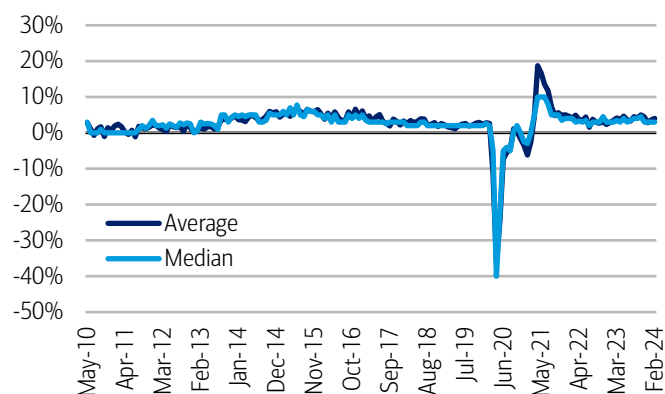
**Average outpatient visits increased +4.0% y/y, above inpatient growth**

Please describe (quantify % change) actual Outpatient visits during the month of February 2024 versus a year ago?

On average, outpatient visits increased +4.0% y/y (+3.0% median) in February 2024 for the hospitals surveyed. This +4.0% increase represents a +40bps acceleration from the +3.6% we recorded in January. Overall, 2% of respondents answered that outpatient visits declined year over year in February (below the 4% in our last survey). Meanwhile, 8% of respondents saw more than 10% y/y growth in outpatient visits.

**Exhibit 29: Outpatient Volumes – May 2010 to February 2024**

Outpatient volume saw prints above 2018/2019 levels on average

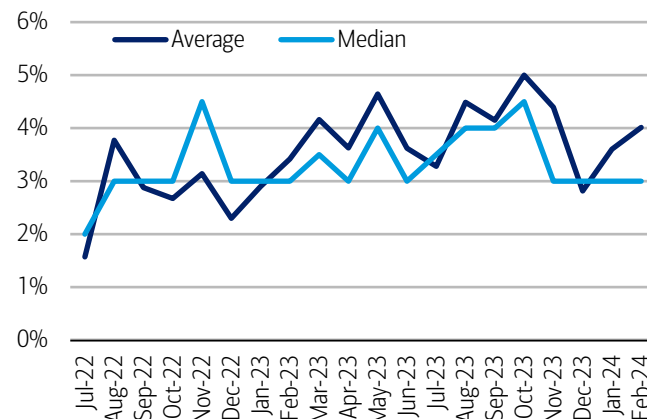


Source: BofA Global Research

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**Exhibit 30: Outpatient Volumes – July 2022 to February 2024**

Outpatient volume growth accelerated m/m



Source: BofA Global Research

BofA GLOBAL RESEARCH

**Inpatient Surgeries +2.6% in February, Outpatient Surgeries +2.4%**

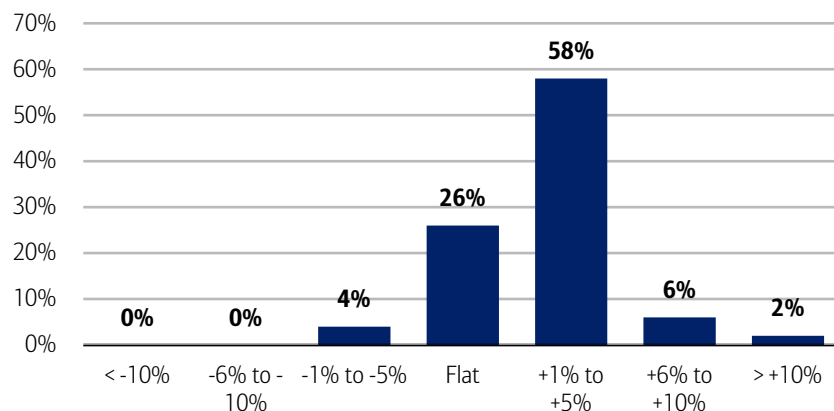
Please describe (quantify % change) actual number of hospital inpatient/outpatient surgeries during the month of February 2024 versus a year ago.

In February 2024, 66% of respondents indicated that Inpatient Surgeries increased compared to last year (above the 62% in January), while 4% of respondents indicated that surgeries declined (below the 10% in our last survey), and the remaining 26% indicated that surgeries were flat y/y.

On average, Inpatient Surgeries saw a +2.6% increase in February, above the +2.2% we surveyed in January.

**Exhibit 31: Inpatient Surgeries 2/2024 vs. 2/2023**

Only 4% of respondents noted y/y declines in inpatient surgery volume in February



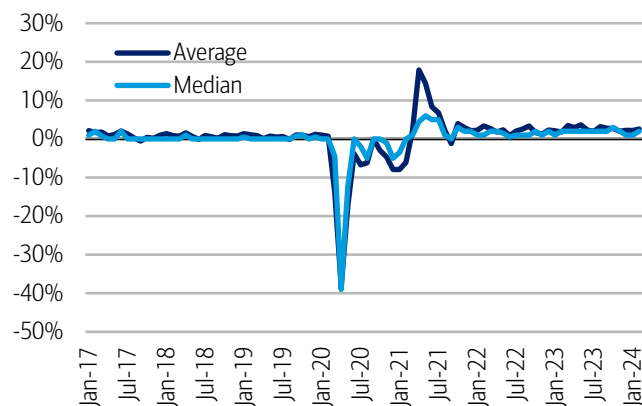
Source: BofA Global Research

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Below we show historical trend data on average and median Inpatient Surgery growth since 2017. The results have been a bit noisy, but overall inpatient surgery growth slowed from 2017 to the pre-COVID period. We saw a V-shaped recovery immediately following the 2Q20 declines, but it has not been linear as we have seen periods of deceleration from June to July 2020 and again from September through early 1Q21, which appears to have been tied to reaccelerating COVID volumes and consumers deferring their procedures. Recent prints have decelerated from 2Q21 highs, likely in part to the increasingly difficult comps. Growth since 2023 has largely been in the 2-3% range.

**Exhibit 32: Inpatient Surgeries, January 2017 to February 2024**

Inpatient surgery volumes saw prints above 2018/2019 levels on average in this survey



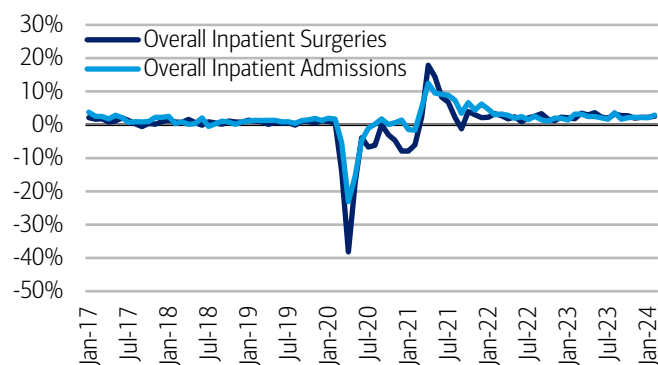
Source: BofA Global Research

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Generally, inpatient surgeries tend to grow modestly slower than overall inpatient admissions. In February, inpatient surgeries (+2.6%) were below inpatient admits (+2.9%) on average, a modest negative for acuity.

**Exhibit 33: Average Inpatient Surgery Growth vs. Average Inpatient Visits Growth, January 2017 to February 2024**

Inpatient surgeries tend to grow slower than inpatient admissions



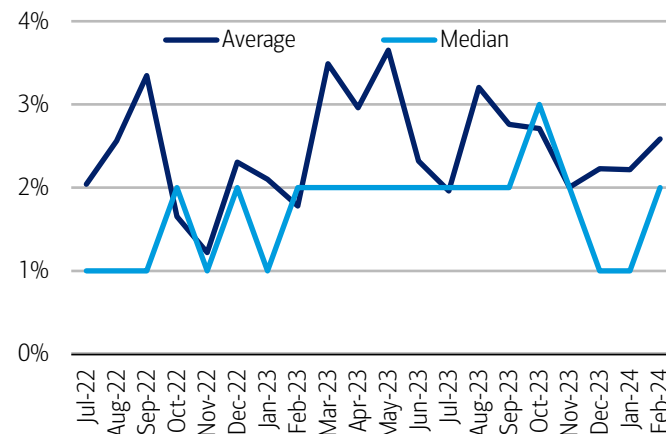
Source: BofA Global Research

BofA GLOBAL RESEARCH

Hospital outpatient surgeries increased +2.4% y/y in February, decelerating from +2.7% y/y growth in January. This month's print is in line with the +2.4% average y/y growth in total outpatient surgeries reported in this survey (including ASCs). In aggregate, 8% of respondents said that hospital outpatient surgeries decreased y/y in February, above the 4% who noted the same last month. Meanwhile, 79% saw y/y increases—with 4% of respondents seeing increases of greater than 10%.

**Exhibit 30: Inpatient Surgeries, July 2022 to February 2024**

Inpatient surgery growth accelerated m/m

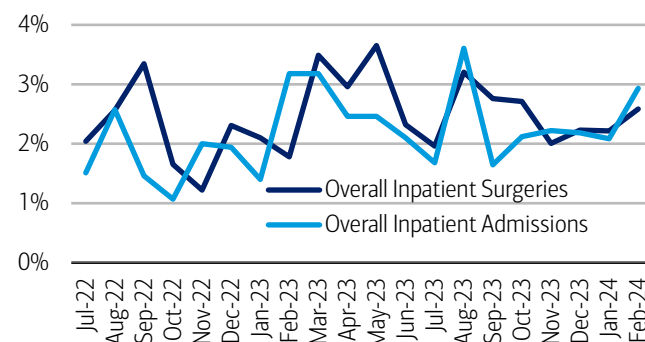


Source: BofA Global Research

BofA GLOBAL RESEARCH

**Exhibit 34: Average Inpatient Surgery Growth vs. Average Inpatient Visits Growth, July 2022 to February 2024**

Inpatient surgery growth was below Inpatient adm growth in February

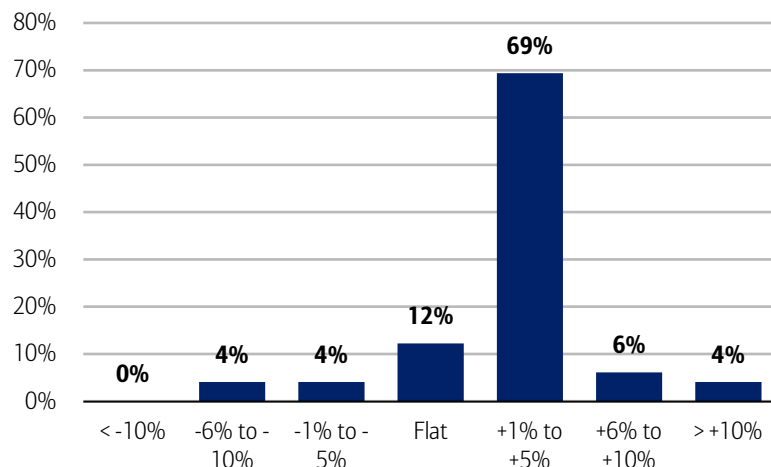


Source: BofA Global Research

BofA GLOBAL RESEARCH

**Exhibit 35: Outpatient Surgeries 2/2024 vs. 2/2023**

8% of respondents saw y/y outpatient surgeries decrease, above last month



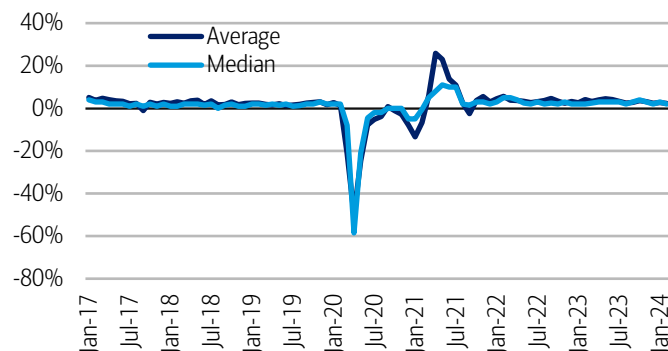
Source: BofA Global Research

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Below we show historical trend data on average and median Outpatient Surgery growth since 2017. Recently, volume growth has been in the 2.5%-4.5% range although growth appears to be decelerating.

**Exhibit 36: Outpatient Surgeries, January 2017 to February 2024**

Outpatient surgery volumes saw prints in line with 2018/2019 levels on average in this survey

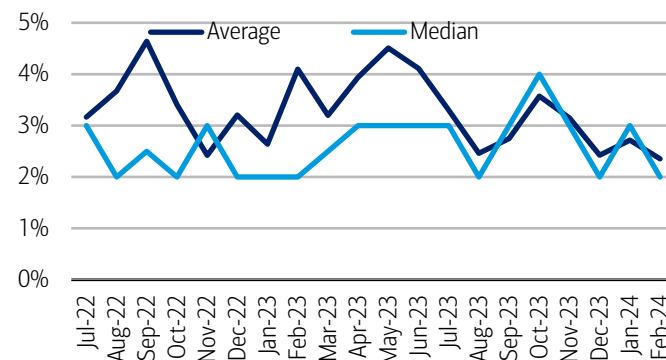


Source: BofA Global Research

BofA GLOBAL RESEARCH

**Exhibit 37: Outpatient Surgeries, July 2022 to February 2024**

Outpatient surgery growth decelerated from last month



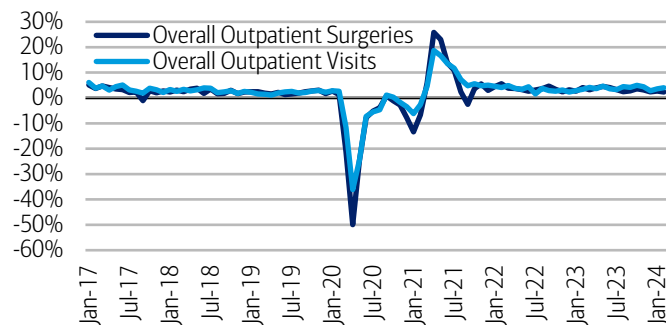
Source: BofA Global Research

BofA GLOBAL RESEARCH

Overall, outpatient surgeries generally grow in-line with/slightly below outpatient visits. This month, outpatient surgeries grew below outpatient visits.

### Exhibit 38: Average Outpatient Surgery Growth vs. Average Outpatient Visits Growth, January 2017 to February 2024

Outpatient surgeries tend to grow in line with/slightly below outpatient visits

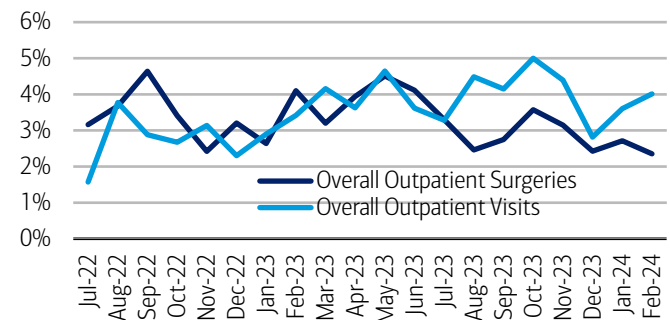


Source: BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 39: Average Outpatient Surgery Growth vs. Average Outpatient Visits Growth, July 2022 to February 2024

Outpatient surgeries saw growth below outpatient visits this month



Source: BofA Global Research

BofA GLOBAL RESEARCH

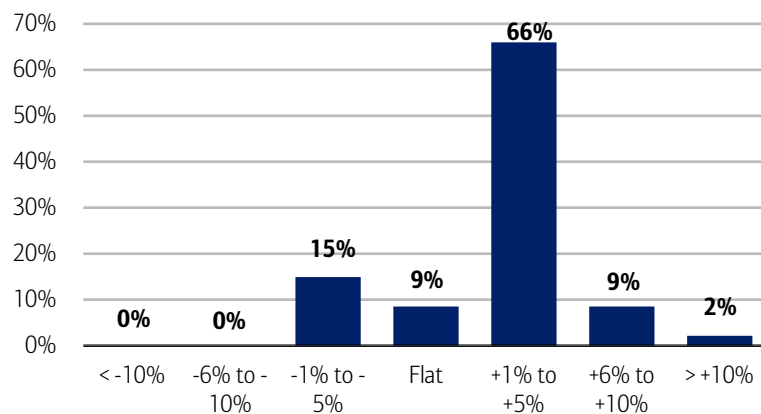
### ER visits grew +2.6% in February, down 140bps m/m

Please describe (quantify % change) actual ER visits during the month of February 2024 versus a year ago?

In February 2024, 15% of respondents saw Emergency Room (ER) visits decline y/y, while 9% said ER volumes were flat, and the remaining 77% said ER visits increased y/y. On average, ER visits increased +2.6% this month, below the +4.1% we saw in January, while median growth was +2.0%, below the +3.0% as of last month.

### Exhibit 40: ER admissions 2/2024 vs. 2/2023

The majority of respondents are seeing modest growth in ER visits



Source: BofA Global Research

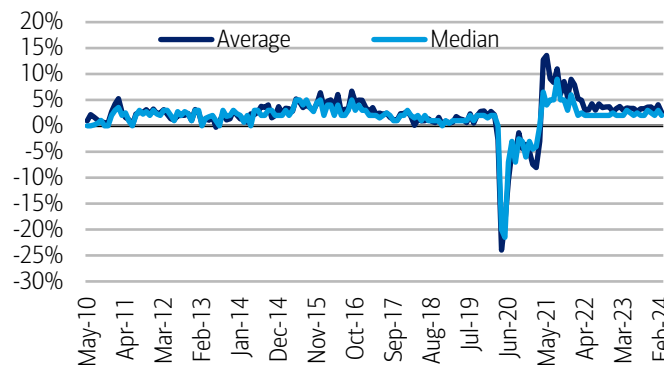
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Below we show historical trend data on average and median ER volume growth since 2010. In February 2024, the median growth of +2.0% was above the +0-1% median we have historically surveyed.



**Exhibit 41: ER Admissions, May 2010 to February 2024**

ER admissions saw prints above 2018/2019 levels on average in this survey

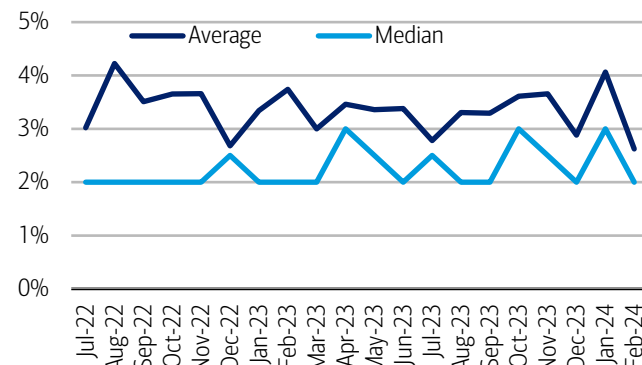


Source: BofA Global Research

BofA GLOBAL RESEARCH

**Exhibit 42: ER Admissions, July 2022 to February 2024**

On average, ER volume growth decelerated m/m



Source: BofA Global Research

BofA GLOBAL RESEARCH

**Average Ambulatory Surgery Center volumes +3.1% In February**

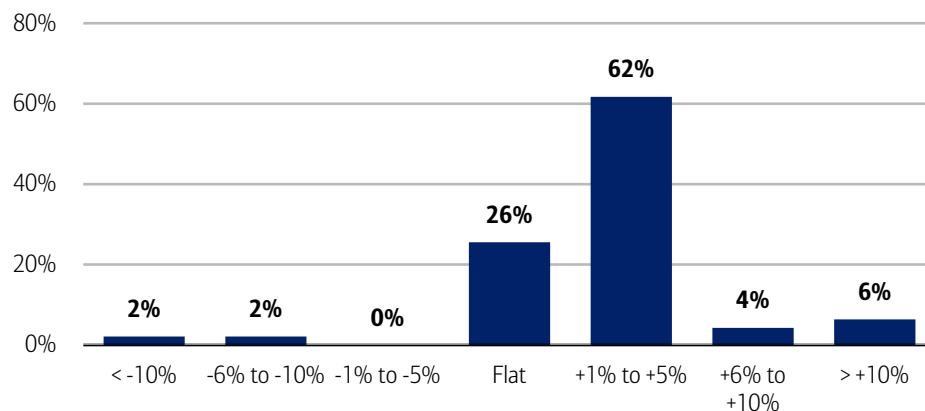
Please describe (quantify % change) actual ambulatory surgical volumes during the month of February 2024 versus a year ago?

On average, ambulatory surgery center (ASC) volumes increased +3.1% y/y in February for the hospitals we surveyed, above the +2.4% in January. Survey results ranged from a -10% decline to a +18% increase, with a median of +3.0%.

In February, 4% of the survey respondents answered that their surgery center volumes decreased y/y, above the 2% last month. Meanwhile, 72% of respondents said that volumes increased y/y, and the remaining 26% saw consistent volumes y/y.

**Exhibit 43: Ambulatory Surgery Center Volume 2/2024 vs. 2/2023**

72% of respondents reported improving trends in February



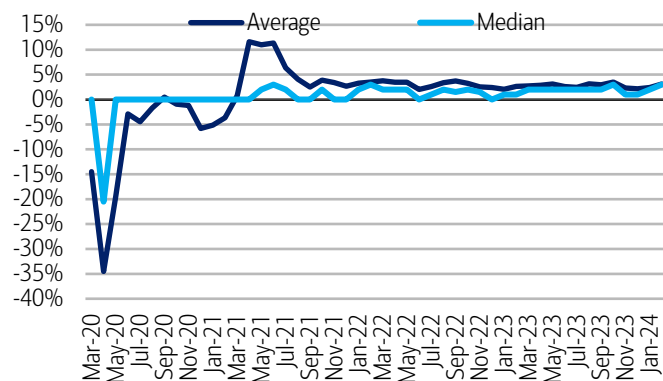
Source: BofA Global Research

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Below we show surgery center volume trends over time. Average surgery center volumes declined significantly in 2Q20 (-35%) as a result of state mandated non-essential procedure deferrals during the initial months of COVID, but they have rebounded since and saw +3.1% y/y growth in February 2024. Median growth was +3.0% this month, above the +2.0% in January.

#### Exhibit 44: Ambulatory Surgery Center Volumes, March 2020 to February 2024

Surgery centers saw steep volume declines in 1H20



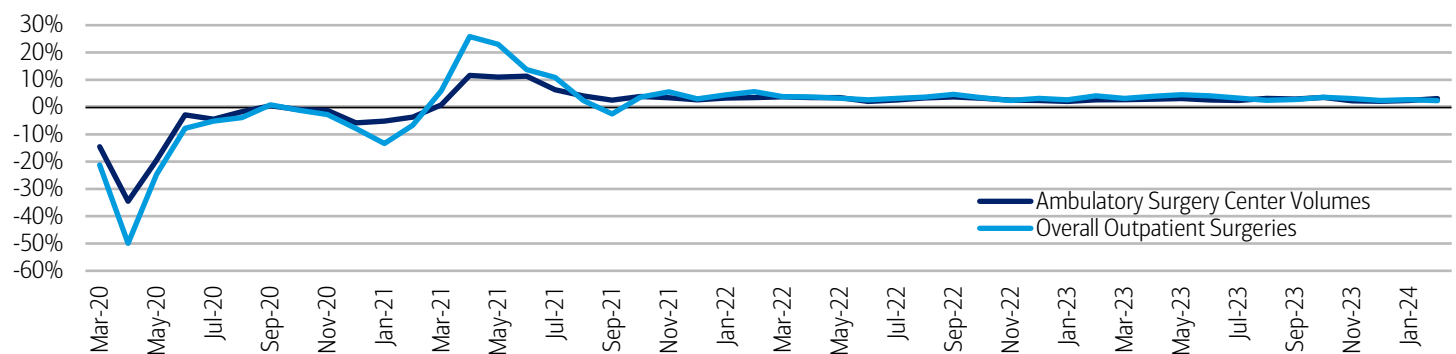
Source: BofA Global Research

BofA GLOBAL RESEARCH

When we compare the y/y growth reported in outpatient surgeries to the growth in surgery center volumes, we see that they have been directionally consistent, as ASC volume has grown in a similar cadence. Hospital outpatient surgery trends saw larger declines in the beginning of the pandemic and have grown faster than ASC volumes in 10 of the last 12 months, likely due to the easier comps. This month, ASC volumes (+3.1%) grew above outpatient surgeries (+2.4%).

#### Exhibit 45: Ambulatory Surgery Center Volumes, July 2022 to February 2024

ASC and outpatient surgery trends have overall trended in a similar cadence since the pandemic began. ASC volumes grew faster in February



Source: BofA Global Research

BofA GLOBAL RESEARCH

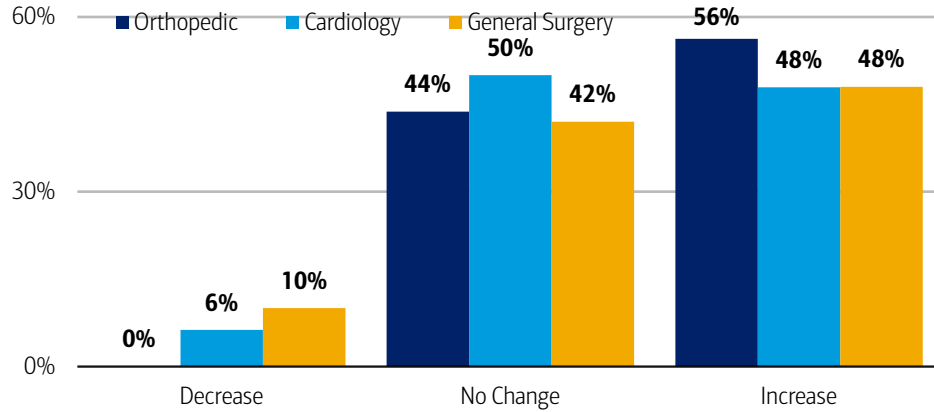
#### Ortho growing above Cardio and General Surgery

Please indicate the change, if any, in the number of the below elective procedures performed at your hospital during February 2024 vs February 2023.

This month, 0% of respondents noted y/y decreases in Ortho procedures (in line with the 0% in January), 10% noted declines in General Surgery procedures (vs 8% in January), and 6% noted declines in Cardiology procedures (in line with the 6% in January). Meanwhile, 56% saw y/y increases in Orthopedic, 48% in Cardiology and 48% in General Surgery procedures. Also, 50% of respondents saw no change in cardio volumes. Our previous surveys have recorded a lower share of respondents seeing decreases in cardio procedures vs General surgery procedures (likely attributable to the difficulty in delaying cardiology procedures for a long time).

**Exhibit 47: Respondents seeing Change in Procedure Volume 2/2024 vs. 2/2023**

Respondents are seeing y/y increases in Ortho above General Surgery and Cardio



Source: BofA Global Research

BofA GLOBAL RESEARCH

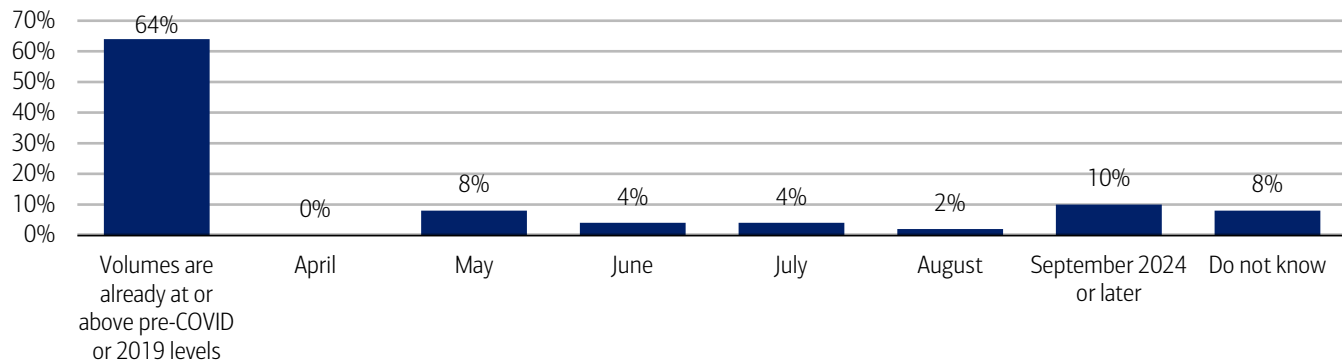
**64% of respondents already seeing overall volumes at/above 2019 levels**

When do you expect to see deferred volumes come back?

In this survey, 64% of respondents said volumes are already at or above pre-COVID or 2019 levels, above the 58% of respondents who were seeing volumes at pre-COVID levels as of last month. Meanwhile, in aggregate, 0% of respondents expect volumes to return by April, 8% by May, 4% by June, 4% by July, 2% by August, 10% by September 2024 or later, and the remaining 8% of respondents are still uncertain.

**Exhibit 48: Survey respondents' expectations of when deferred volumes will return**

64% of respondents are already seeing volumes at or above 2019 levels



Source: BofA Global Research

BofA GLOBAL RESEARCH

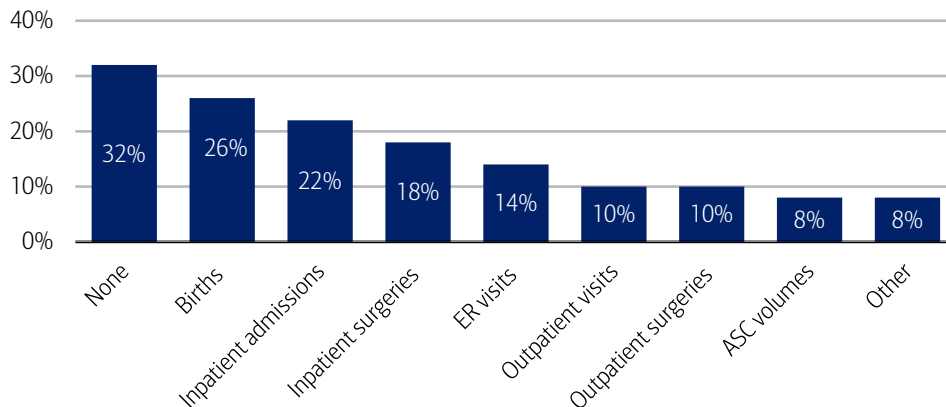
**32% are not worried about permanently lower volumes post-COVID**

Do you believe that any of your hospital's service lines will see permanently lower volumes going forward?

32% of respondents do not expect any of their services lines to see permanently lower volumes as a result of COVID. Meanwhile, 26% expect fewer births, 22% expect fewer inpatient admissions, 18% expect fewer inpatient surgeries, 14% expect fewer ER visits, 10% expect fewer outpatient visits, 10% expect fewer outpatient surgeries and 8% expect fewer ambulatory surgery center (ASC) volumes.

### Exhibit 49: Do you believe that any of your hospital's service lines will see permanently lower volumes going forward?

32% are not worried about lower volumes going forward and 26% of respondents are worried about permanently lower births.



Source: BofA Global Research

BofA GLOBAL RESEARCH

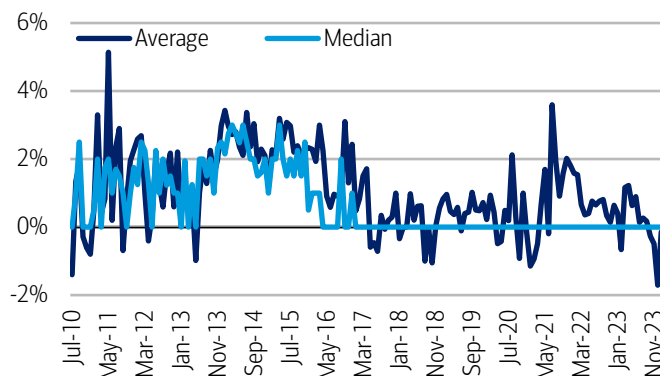
### Births -0.1% on average, median still at +0.0%

Please describe (quantify % change) actual number of births during the month of February 2024 versus a year ago?

On average, birth volumes decreased -0.1% y/y in February (in line with January) for the hospitals surveyed, ranging from a -50% decrease to a +28% increase. Median growth remained flat at +0%.

### Exhibit 50: Births, July 2010 to February 2024

Births saw prints below the 2018/2019 levels on average in this survey

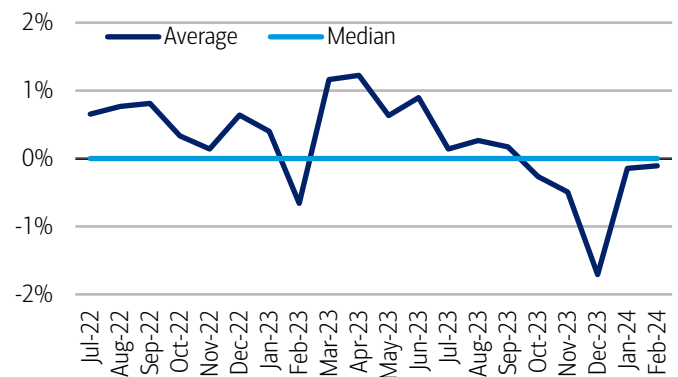


Source: BofA Global Research

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### Exhibit 51: Births, July 2022 to February 2024

Average birth volumes have fluctuated m/m, but the median growth print has remained flat



Source: BofA Global Research

BofA GLOBAL RESEARCH

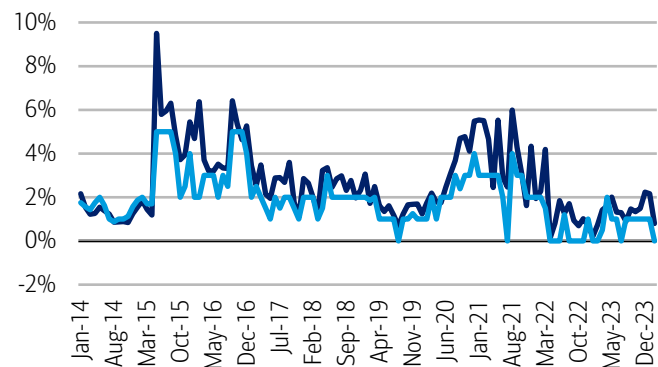
### Acuity +0.8% on average

Please estimate the percent of change/rate of change for acuity of patients treated at your hospital (case mix) in February 2024 versus February 2023?

On average, patient acuity increased +0.8% y/y in February for the hospitals surveyed, below the 2.2% hospitals reported in January. Acuity among responses ranged from a -15% decline to a +12% increase this month, with a median of +0.0%. This median is below the +2-4% we recorded in 2020-21 and below the +1-2% range we generally saw throughout 2019. The expectation is that acuity will slow as volumes normalize, so even modestly positive acuity is still a positive.

**Exhibit 52: Acuity, January 2014 to February 2024**

Acuity was below 2018/2019 levels on average in this survey

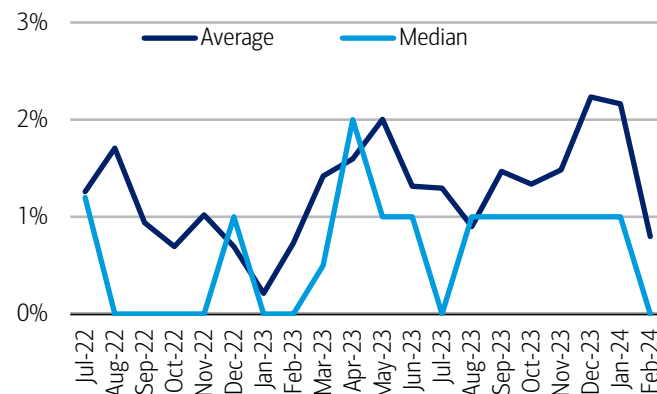


Source: BofA Global Research

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**Exhibit 53: Acuity, July 2022 to February 2024**

Average acuity growth decelerated m/m



Source: BofA Global Research

BofA GLOBAL RESEARCH

## Price objective basis & risk

### HCA (HCA; B-1-7; \$327.17)

Our \$378 price objective is based on 10.9x our 2024E EBITDA, above the high end of its historical 6-9x multiple range, given what we see as a favorable backdrop for hospitals broadly and a strong balance sheet.

Downside risks to our PO are that labor costs continue to rise, volumes recover slower than expected, or margins are pressured if payor mix deteriorates as volumes normalize.

### Tenet Healthcare (THC; C-1-9; \$100.38)

Our \$116 PO is based on 8.7x our 2024 EBITDA less non-controlling interests estimate, above the high end of the company's historical 5.5x-8.5x range. While growth in the Acute care business will likely continue to be impacted by labor headwinds, the company's strong cost control should drive earnings and position the company well heading into the expected ramp in volumes as COVID normalizes. Meanwhile, continued repositioning into Ambulatory Surgery Centers (ASCs) will help both the organic growth and FCF profile.

Downside risks to our PO are: 1) Volume trends rebound slower than expected following COVID-19, 2) Government reimbursement reductions, 3) Margin pressure/integration issues at recently acquired assets, 4) Above average leverage, 5) labor costs pressures.

Upside risks to our PO are: 1) Volumes are better than expected, 2) Continued acuity strength and pricing growth, 3) Better than expected cost controls.

### Universal Health Services (UHS; B-1-7; \$177.30)

Our \$205 price objective (PO) is based on 9.6x our 2024E EBITDA estimate. This represents a multiple near the high end of the company's historical range of 6-10x EBITDA. We see this as justified given the favorable backdrop broadly for hospitals.

Upside risks to our PO are a quicker-than-expected recovery in labor, Acute vols returning faster, larger-than-expected demand tailwinds in the behavioral business.

Downside risks to our PO are a slower-than-expected labor recovery, worse-than-



expected Psych business performance, a slower volume recovery, slowing economies in UHS' other markets, and government reimbursement cuts.

## **Analyst Certification**

I, Kevin Fischbeck, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

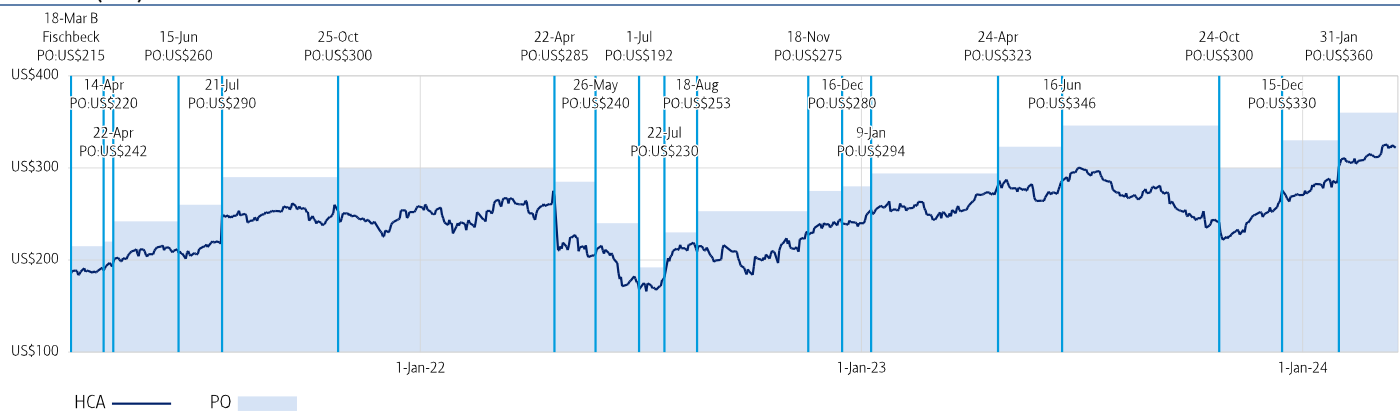
## US - Facilities, Hospitals and Managed Healthcare Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Acadia Healthcare	ACHC	ACHC US	Kevin Fischbeck, CFA
	Addus HomeCare	ADUS	ADUS US	Joanna Gajuk
	Agilon Health	AGL	AGL US	Adam Ron
	Astrana Health Inc	ASTH	ASTH US	Adam Ron
	BrightSpring Health Services	BTSB	BTSB US	Joanna Gajuk
	Chemed Corporation	CHE	CHE US	Joanna Gajuk
	Elevance Health Inc	ELV	ELV US	Kevin Fischbeck, CFA
	Encompass Health	EHC	EHC US	Kevin Fischbeck, CFA
	HCA	HCA	HCA US	Kevin Fischbeck, CFA
	Humana Inc	HUM	HUM US	Kevin Fischbeck, CFA
	Option Care Health	OPCH	OPCH US	Joanna Gajuk
	Oscar Health	OSCR	OSCR US	Adam Ron
	Select Medical Corp.	SEM	SEM US	Kevin Fischbeck, CFA
	Service Corp.	SCI	SCI US	Joanna Gajuk
	Surgery Partners, Inc	SGRY	SGRY US	Kevin Fischbeck, CFA
	Tenet Healthcare	THC	THC US	Kevin Fischbeck, CFA
	The Cigna Group	CI	CI US	Kevin Fischbeck, CFA
	UnitedHealth Group	UNH	UNH US	Kevin Fischbeck, CFA
	Universal Health Services	UHS	UHS US	Kevin Fischbeck, CFA
	US Physical Therapy	USPH	USPH US	Joanna Gajuk
<b>NEUTRAL</b>				
	Alignment Healthcare	ALHC	ALHC US	Adam Ron
	AMN Healthcare	AMN	AMN US	Kevin Fischbeck, CFA
	Brookdale	BKD	BKD US	Joanna Gajuk
	Centene Corporation	CNC	CNC US	Kevin Fischbeck, CFA
	Molina Healthcare, Inc.	MOH	MOH US	Kevin Fischbeck, CFA
	Privia Health	PRVA	PRVA US	Adam Ron
<b>UNDERPERFORM</b>				
	AdaptHealth Corp.	AHCO	AHCO US	Joanna Gajuk
	Cross Country Healthcare	CCRN	CCRN US	Kevin Fischbeck, CFA
	DaVita Inc	DVA	DVA US	Kevin Fischbeck, CFA
	Enhabit Home Health & Hospice	EHAB	EHAB US	Joanna Gajuk
	Pediatric Medical Group, Inc.	MD	MD US	Kevin Fischbeck, CFA

## Disclosures

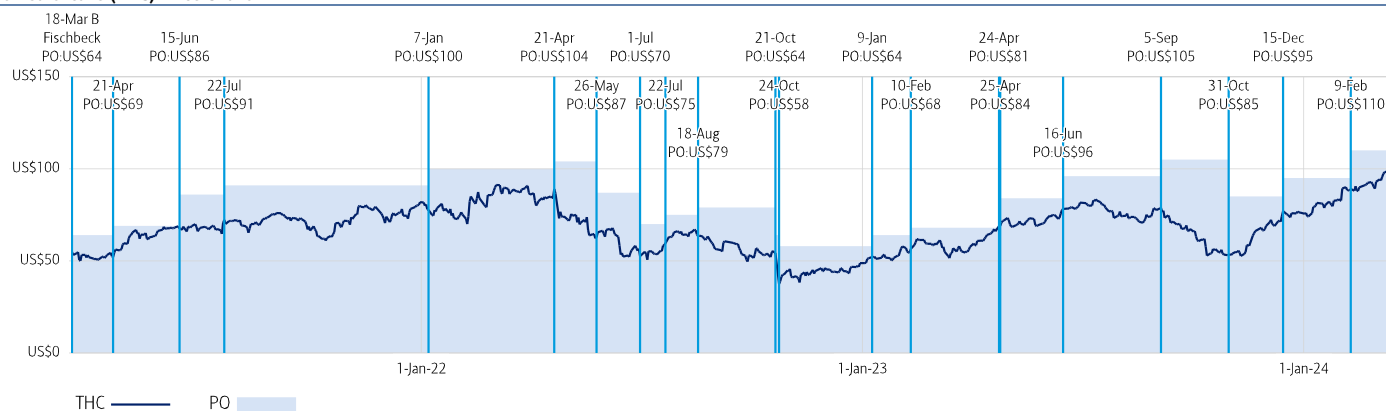
## Important Disclosures

## HCA Healthcare (HCA) Price Chart



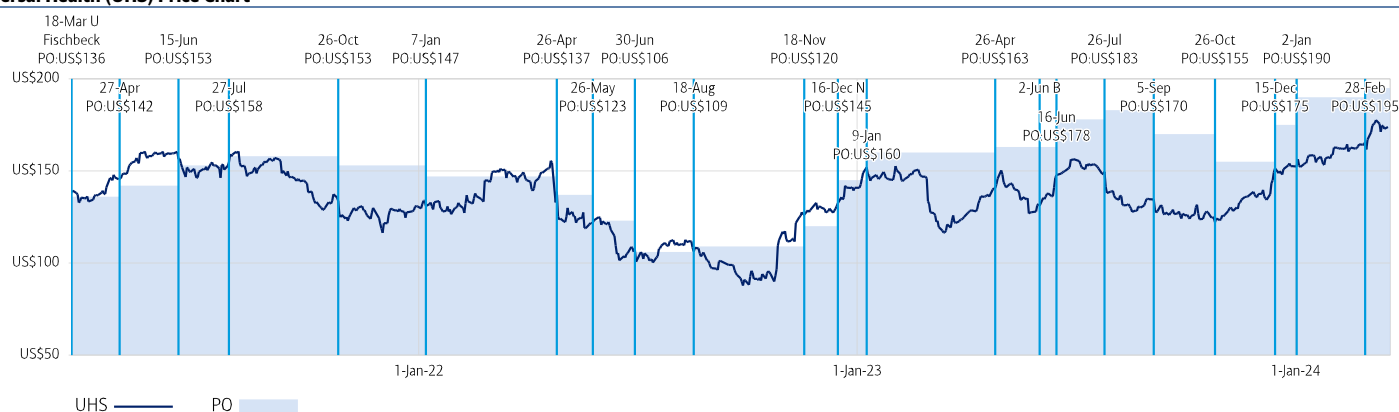
B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

**Tenet Healthcare (THC) Price Chart**

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

**Universal Health (UHS) Price Chart**

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

**Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

**Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.



**FUNDAMENTAL EQUITY OPINION KEY:** Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup>Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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