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2024 Healthcare Stability Outlook Report

FORGING OPPORTUNITIES FROM CHALLENGES

Patient Access & Experience Challenges

- ▶ **CARE IS LESS AFFORDABLE.** Patient financial responsibility for care through high-deductible plans continues to rise along with inflation and interest rates, making it more difficult for patients to afford care. At the same time, more physicians and specialists are opting out of Medicare and Medicaid, presenting more barriers for marginalized populations — especially the elderly — to access care.
- ▶ **PROVIDER TRANSITIONS IMPACT QUALITY OF CARE.** Currently, it's largely the responsibility of patients to navigate transitions in care, which can lead to care disruptions. If patients fail to advocate for themselves and/or do not understand the healthcare

system, they may experience worse care and health outcomes.

- ▶ **TELEHEALTH'S FUTURE IS UNCERTAIN.** Healthcare providers continue to grapple with the legalities of offering virtual care across state lines. It's also unclear how telehealth reimbursement rules may change now that the COVID-19 public health emergency is officially at an end.

Opportunities



Revisit your patient portal



Optimize your scheduling templates and referral management



Invest in the patient experience



Provide financial transparency



Financial Health Challenges

- ▶ **COSTS CONTINUE TO RISE.** Inflation and high interest rates have increased supply costs for healthcare providers while labor costs remain inflated above pre-pandemic levels, making it difficult to close staffing gaps, reduce workloads, and sustain margins.
- ▶ **COMPETITION IS INCREASING FROM NON-TRADITIONAL ENTRANTS.** In particular,

retail and tech companies may be able to offer more accessible or affordable care options, attracting patients away from traditional healthcare providers.

- ▶ **VALUE-BASED CONTRACT (VBC) TERMS MAY BE UNSUSTAINABLE.** Previously negotiated value-based contracts may no longer be appropriate now that economic conditions have changed. Risk-based contracts will likely need to be restructured to be sustainable in the long term.
- ▶ **COVID-19-ERA AUDITS ARE CAUSING FINANCIAL STRESS.** Healthcare providers are now seeing audits for pandemic-era funds, along with government clawbacks of some funding, including the Provider Relief Funds.

Opportunities



Renegotiate your VBCs



Explore financing opportunities with PE firms



Look for tax credits and business incentives



Develop a sustainable revenue strategy



Rationalize your service lines



Operations & Supply Chain Challenges

- ▶ **OPERATING MARGINS ARE DECLINING.** Margins may continue to decline unless organizations make a shift in strategy, especially as inflation, interest rates, and supply costs continue to rise. Declining margins impact an organization's ability to fund much needed capital investments.
- ▶ **SUPPLY CHAIN CHALLENGES PERSIST.** Supply chain issues will remain a key area of concern for healthcare organizations amid international conflicts and economic challenges (e.g., China's recent economic performance).
- ▶ **DRUG SUPPLY SHORTAGES CONTINUE.** Various drugs — especially rare drugs — are in short supply, causing issues for vulnerable patient populations. The problem may be exacerbated by inefficient drug distribution — for example, drugs being prescribed to patients without a clinical need for them.

Opportunities



Put your data to use



Consider outsourcing options



Bring front-line staff into supply decisions



Technology & Innovation Challenges

- ▶ **LACK OF EHR OPTIMIZATION CAUSES CLINICIAN DISSATISFACTION.** Less than one in five CFOs report they are [very satisfied with their current EHR system](#). Unoptimized EHR systems can make it more difficult for clinicians to do their jobs by adding to their administrative burden, which can lead to clinician burnout and turnover.
- ▶ **IT'S CHALLENGING TO DEMONSTRATE TECH ROI.** Quantifying the ROI of tech investments can be challenging, making it difficult to make the business case for future investments. Without these investments, however, healthcare organizations will fall behind the technology curve, which can impact their ability to retain patients and clinicians.
- ▶ **DATA LITERACY SKILLS ARE LAGGING.** Healthcare professionals have varying degrees of data literacy, with many professionals lacking substantial experience in analyzing and interpreting data. As a result, even healthcare organizations with high-quality data often fail to use it to its greatest potential.
- ▶ **REMOTE CARE CAN CREATE MORE DISTANCE BETWEEN PATIENTS AND CLINICIANS.** While remote care options can offer greater accessibility for patients and cost savings for providers, they can also cause some patients to feel disconnected from the care experience and their clinician, which can negatively impact treatment plan compliance and patient satisfaction.
- ▶ **HEALTHCARE IS A POPULAR TARGET FOR CYBER ATTACKERS.** Cyber attackers are taking advantage of healthcare organizations' cyber vulnerabilities to steal patient data and disrupt care in order to secure hefty ransom payments. These attacks can not only violate patient trust and data integrity, but they can also have serious ramifications on healthcare organizations' financial stability.

Opportunities



Rationalize your applications



Introduce automation and self-service applications





Invest in artificial intelligence (AI) and analytics



Integrate virtual and in-person care



Workforce & Talent Challenges

- ▶ **BURNOUT REMAINS HIGH.** BDO's [2023 Clinician Experience Survey](#) found that 61% of healthcare leaders cite burnout as their top clinician morale challenge. Heavy workloads and poorly integrated technology make clinicians' jobs increasingly difficult.
- ▶ **PATIENT DISENGAGEMENT INCREASES THE CLINICIAN BURDEN.** Many patients deferred care during the pandemic, which has resulted in higher levels of acuity in patient populations today. That means clinicians are regularly seeing sicker patients, putting additional strain on their workloads.
- ▶ **THERE'S A SKILLS GAP IN VIRTUAL CARE.** As virtual care use increases, clinicians need to develop new skills to use the technology, assess patients over video, monitor remote devices, and more. Healthcare organizations need to upskill their current staff as well as look for these capabilities in new hires.

Opportunities



Reinvest in your staff



Consider flexible staffing





Implement AI-powered predictive staffing



Regulation & Reporting Challenges

- ▶ **QUESTIONS SURROUND THE NO SURPRISES ACT (NSA).** Enforcement of the NSA has stalled as the dispute resolution process is entangled in multiple legal challenges. Healthcare organizations are left questioning what NSA will look like in its final form and how they should prepare.
- ▶ **GOVERNMENT FUNDING IS SLOWING.** With the sunset of many COVID-19-era relief programs, there's less government funding available to healthcare, cutting off a crucial lifeline that helped stabilize financials for many organizations over the past several years.
- ▶ **PRICING TRANSPARENCY REPORTING IS UNDER INTENSE SCRUTINY.** Organizations that fail to comply with pricing transparency regulations could be subject to expensive fines — an added financial burden that many organizations can't afford at this time.
- ▶ **THE CMS RELEASED ITS FINAL FY24 INPATIENT PROSPECTIVE PAYMENT SYSTEM (IPPS) RULES.** Organizations will need to [understand how changing Medicare policies and updated payment rates](#) will impact their margins.

Opportunities



Pay attention to global reporting trends





Plan for the worst when budgeting



Healthcare's challenges are far from over.

Navigating ongoing and emerging challenges requires agility, resilience, and courage.

Healthcare organizations will need to consider new paths forward and take strategic risks to secure their future. While the road ahead may look daunting, healthcare leaders can help guide their organization by taking advantage of key opportunities to improve stability and staying vigilant for roadblocks ahead.

Looking to secure your organization's future?

Read up on how you can create a more resilient healthcare organization.