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Six Steps for Strengthening Healthcare Margins and Organizational Health

The [2024 BDO Healthcare CFO Outlook Survey](#) presents a cautiously optimistic view of the future for healthcare. Despite facing inflation, margin pressures, and elevated labor costs, 79% of CFOs reported an improvement in profitability in 2023. This positive change is attributed to the easing of supply chain issues and revenue enhancements.

However, the path forward is not without its hurdles. Regulatory pressures, COVID-era funding clawbacks, and strict bond and loan covenant agreements pose significant challenges. Even as profitability begins to show signs of recovery, diligent cost management is essential.



BDO can help.

Healthcare leaders are advised to pursue comprehensive strategies that enhance the organization's resilience and long-term stability. These six steps can help identify and execute opportunities that drive margin performance and ensure sustainability:



1. Execute cost and revenue strategies that can differentiate you from the competition and drive margin improvement.

Example: Implementing digital strategies that transfer work into the hands of patients and satisfy their patient experience demands.



2. Advance consumer centric strategies that address the unique needs of your market.

Example: Introducing a patient loyalty program that rewards patients for healthy behaviors, repeat visits, and referrals, which encourages ongoing engagement with your healthcare system and addresses the desire for value-added services in the patient community.



3. Reinvest cost savings in talent development and retention, innovation, and performance improvement.

Example: Allocating funds saved from operational efficiencies to create a comprehensive employee training program focused on emerging healthcare technologies and patient care techniques, thereby improving service quality and employee job satisfaction.



4. Leverage digital technologies and functionality through your Electronic Health Record (EHR) and Revenue Cycle Management (RCM) systems, proceed cautiously with AI investments and focus on data driven analytics.

Example: Integrating advanced analytics into EHR and RCM systems to predict patient health trends and outcomes, enabling proactive care while cautiously exploring AI tools for diagnostic purposes, ensuring they complement rather than replace human judgment.

Learn more about how BDO is helping healthcare leaders and clinicians forge opportunities from challenges in [BDO's 2024 Healthcare Stability Outlook Report](#).



5. Prioritize “collaboration and partnership” business models including outsourcing and managed services to achieve operational efficiencies.

Example: Working with a third-party logistics company to manage inventory and distribution, allowing the business to focus on core competencies and reduce overhead costs associated with warehousing and transportation.



6. Identify balance sheet opportunities to achieve additional financial flexibility.

Example: Refinancing existing debt to secure lower interest rates, thereby reducing interest expenses, and improving cash flow, or leasing equipment instead of purchasing it outright to preserve cash and improve liquidity ratios

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**2024 Healthcare
Stability Outlook
Report**



