2024 Healthcare Stability Outlook Report

FORGING OPPORTUNITIES FROM CHALLENGES

IBDO

Healthcare has shown incredible resilience over the past several years — but more challenges lie ahead.

The worst of the COVID-19 pandemic may be behind us, but ongoing outbreaks still trouble the industry.

Widespread staffing challenges and financial instability continue to threaten access to care. At the same time, regulatory uncertainty raises questions about the future availability of federal funding and enforcement of key legislation.

In this report, we take a closer look at these challenges and how they will impact healthcare organizations over the next year, as well as highlight new opportunities healthcare organizations can explore.

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.

Ensure that your patient portal offers patients the tools they need to take control of their own care. Your patient portal should make it easy for patients to schedule appointments, ask questions, communicate with providers, view test results, and get credible information on their health conditions.

Optimize your scheduling templates and referral management.

Start by **reviewing your current EHR system** to determine how you can use its capabilities to improve your referral process and ensure continuity of care.

Invest in the patient experience.

With patients showing greater disconnect from their care and **lower rates of engagement with primary care physicians**, now is the time to refocus your investments on projects that promote patient acquisition and retention.

Provide financial transparency.

Patients look for providers who provide clear estimates, understandable bills, and a variety of payment options. Offering a better financial experience can help you retain existing patients and attract new ones.

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.

Work with your insurance providers to **renegotiate the terms** of your VBCs so they are suited to current economic conditions. You should plan to renegotiate your VBCs every 2-3 years to ensure your contracts evolve with your organization and the broader healthcare landscape.

Explore financing opportunities with PE firms.

As economic conditions stabilize, we could see more PE activity. PE firms can provide funding for transformational opportunities to improve revenue performance at a lower operating cost.

Look for tax credits and business incentives.

Healthcare organizations may be able to take advantage of **R&D tax credits** or new credits offered under the Inflation Reduction Act (IRA). For healthcare organizations looking to reduce their carbon footprints, there may be credits available to offset the costs of clean energy projects.

Develop a sustainable revenue strategy.

Many healthcare organizations have focused on cost cutting in the past several years. With those levers already pulled, healthcare leaders now need to develop a **sustainable revenue strategy** that combines cost optimization with strategic investments to secure long-term financial stability.

Rationalize your service lines.

Look at the profitability of your service lines to assess where you should continue investing and where it might make sense to divest. Keep a close eye on the needs of your patient population to avoid divesting from an area that provides a crucial service to your patients.

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.

Analyze the data you have available to help identify and address operational inefficiencies. This tactic will require you to gain an understanding of your organization's data management and analytics tools.

Consider outsourcing options.

For some financially strapped organizations, such as rural or standalone hospitals, it may be worthwhile to completely outsource the purchasing function rather than try to hire full-time staff to keep it in-house.

Bring front-line staff into supply decisions.

Dedicate operations personnel to work directly with front-line staff to understand supply trends and usage and predict upcoming shortages. Use these insights to inform purchasing and vendor 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.

Integrating existing technology and retiring redundant tools allows healthcare organizations to create true interoperability and increase cost savings, which can then be reinvested in the organization.

Introduce automation and self-service applications.

Automating communications and offering patients self-service capabilities makes care more accessible and reduces the need for a call center, which reduces the organization's overall costs.

Invest in artificial intelligence (AI) and analytics.

AI and analytics are useful to virtually every level of an organization, from powering predictive staffing to supporting clinical decisions. Start by building the right foundation for AI so you can get the most value from your AI with the least amount of risk.

Integrate virtual and in-person care.

If you choose to offer your patients both in-person and virtual care, ensure that the experiences are integrated so patients experience continuity of care. You should also explore ways to ensure patients feel connected with their clinicians even across virtual channels.

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.

Digital solutions like automation can lower staffing costs by reducing hours spent on administrative
tasks. Consider ways to reinvest the money you saved into upskilling and reskilling programs,
which can help increase job satisfaction and retention rates.
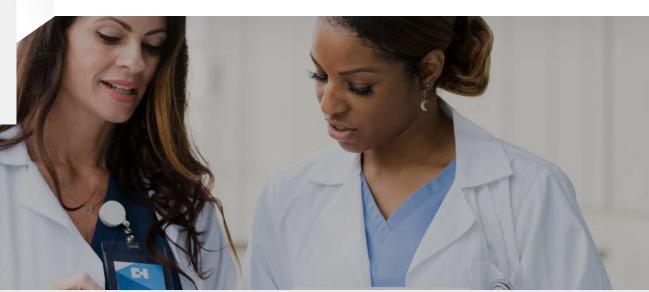
Consider flexible staffing.

Flexible work schedules can be a powerful draw for workers, especially those with responsibilities
like childcare or caregiving, which can impact their work hours.

Implement AI-powered predictive staffing.

Predictive staffing can optimize staffing levels for shifts, especially for nursing, medical technologist,
and medical assistant roles. Using AI can for predictive staffing can increase your model's accuracy
and efficiency, which can lower costs.

Regulation & Reporting

CHALLENGES

▶ **QUESTIONS SURROUND THE NO 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 sunsetting 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.
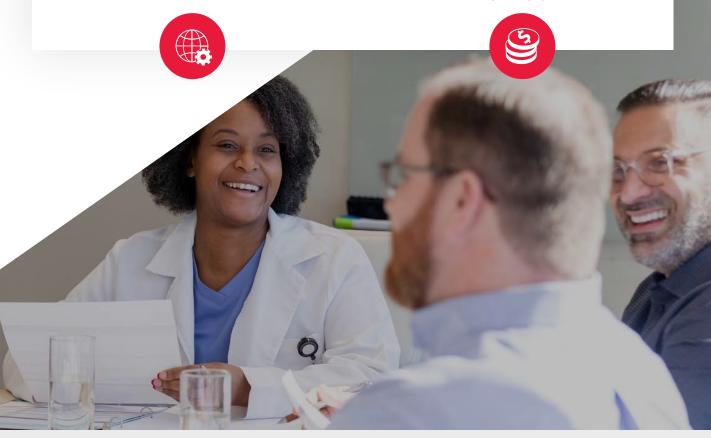
OPPORTUNITIES

Pay attention to global reporting trends.

The U.S. frequently follows international healthcare reporting trends. Staying current on other countries' reporting trends can inform organizations' expectations for their own future reporting requirements.

Plan for the worst when budgeting.

To account for regulatory uncertainty — such as the future of the NSA and federal funding programs — healthcare organizations should budget for their worst-case scenarios, which would provide built-in protection regardless of the outcome of these regulatory questions.

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.](#)

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