

# Healthcare finance leaders face a challenging environment

The United States economy faces mounting uncertainty and multifaceted pressures, leading to disruption and a challenged outlook on the future. Health systems are far from immune, and their leadership feels an increased burden as they prepare to, once again, navigate uncharted waters.

During a closed-door session held in northern California during the 2023 HealthLeaders CFO exchange, the financial stewards of our nation's largest systems shared their concerns, plans and observations with Bank of America, collectively discussing strategies to address the four most pressing headwinds facing the provider space today:

- Competitive pressures from new entrants to the care delivery space
- Controlling costs
- Evaluating, deploying and managing new disruptive technology
- Recruiting, training and retaining talent

Simon Abtalion, National Client Solution Executive, Global Commercial Banking at Bank of America, shares key conclusions from this conversation.

## Q: How has the competitive landscape changed?

Abtalion: Traditionally, providers competed for patients largely based on location and quality of care. With increased transparency driven by patient protection legislation and more readily available pricing information, cost is a new driver. Another factor in the competitive landscape is new entrants to the space — retail giants are directly

entering the home care, telehealth and in-person clinic spaces, which is forcing traditional healthcare providers to adjust their strategies to retain patient flow in critical areas. Featuring an already retail experience, strong consumer penetration rates and tremendous size and scale, national retailers have focused expansion into healthcare on: primary and urgent care, labs, X-rays, EKGs, behavioral health and dental. These are all positioned to continue to be a disruptive force to the bottom line of traditional providers as they challenge them for patients, both in person and virtually.

## Key takeaways

- [Healthcare finance leaders are navigating challenges like market disruptors, escalating costs and staffing issues.](#)
- [Rising treatment costs and reimbursement shortfalls are challenging the financial stability of hospitals.](#)
- [Optimizing the technology they already have is allowing organizations to reduce manual tasks and free up resources.](#)

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**Q: What factors are leading to the heightened focus on cost control?**

Abtalion: A recent report issued by the American Hospital Association (AHA) shared that *hospital* patients are sicker and more medically complex than they were pre-pandemic. I stress, *hospital*, meaning general lower-acuity activities are being siphoned off by new entrants to the space, leaving high-acuity patients with traditional providers (hospitals). This evolving dynamic creates challenges to provider revenue forecasts, as delivering this type of care is subject to the high costs of labor, drugs and supplies.

In short, the cost of treating patients is on the rise and there are fewer revenue streams to offset. This shift, coupled with the mounting financing burden driven by economy-wide inflation and reimbursement shortfalls, is threatening the financial stability of hospitals nationally.

**Q: Healthcare as a percentage of Gross Domestic Product continues to increase. What are the drivers?**

Abtalion: CMS publishes interesting statics on this annually. Most recently, it shared that the U.S. National Health Expenditures (NHE), which include private and public spending on healthcare, are expected to eclipse \$4.6 trillion or \$13,998 per person in 2023 and grow to \$7.2 trillion or \$20,425 per person by 2031. The largest increase to spend nationally has been by the federal government, which increased spend via Medicaid, provider assistance and public health spending throughout the pandemic. While national debt, inflation and foreign policy continue to put a strain on government spending, the AHA has asked for additional relief above and beyond the provider relief funds to help address workforce shortages, labor cost and reimbursement rates that have not kept up with inflation.

**Expected growth in National Health Expenditures**



**Q: Is technology the answer to controlling cost? What solutions were most talked about?**

Abtalion: Technology is an answer, but with it come additional questions and considerations. First and foremost, healthcare technology, or healthtech, has limitless applications focused on every element of the healthcare ecosystem — from telehealth to leveraging robotics in care delivery. While clinical applications are exciting, our focus was on the financial elements. We heard leaders discuss the evolving role that artificial intelligence (AI), robotic process automation (RPA) and machine learning (ML) play in their revenue cycle. It became evident there is an “S” curve of adoption, with many organizations still searching for the right fit and governance for emerging technology.

For the forward-thinking leaders that have empowered their treasury, finance and revenue cycle functions to transform through technology, we found that automated coding, document improvement and addressing the challenges associated with prior authorization were prevalent applications. Automating repetitive manual tasks enables organizations to reduce cost and free up human resources for higher-level pursuits.

**Q: How has the talent conversation changed within healthcare?**

Abtalion: The war on talent in healthcare has reached the level of critical concern in recent years and it does not appear that relief is coming. As a result, the risks have never been greater for healthcare systems and their patients. During our conversations, leaders shared their concerns over the rising cost of talent (traveling nurses topping that list), the nurse shortage, and even shared that, according to a recent study from the Advisory Board, hospitals lose an average of \$90,000 per day in revenue when the facility is understaffed.

Once critical talent is attracted, new challenges such as retention and integration become a major focus. Strategies must be deployed across job functions to keep staffing at an acceptable level, while also providing clear career paths, training and compensation. Leaders are also looking to maintain and create culture in a remote environment, often with frequent changes to staff, a concept that continues to present obstacles.

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