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As provider organizations plan for the future, industry forces require creative solutions and heightened collaboration

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The Buzz This Week

As healthcare leaders undertake their annual planning, the past year's financial performance paints a grim picture for many provider organizations, with negative margins limiting the ability to invest in new technologies and hampering the ability to support strategic growth opportunities. Workforce challenges have exacerbated financial pressures and put clinical operations and outcomes at risk.

Healthcare providers will need to address these recent challenges while also positioning themselves for future market changes. Forward-looking commentary on anticipated healthcare market dynamics include:

- Continued workforce and staffing challenges, requiring creative solutions beyond the common tactics like contract labor, increased pay, and band-aid approaches to burnout.
- Persistent financial pressures, largely due to reduced patient volumes and associated revenues, while at the same time operating costs have risen dramatically.
- Increased consumer demand for better access, improved quality and outcomes, and more patient-centric care.
- A growing plethora of digital health solutions, which can augment healthcare providers' offerings and/or increase operational efficiency but also are providing the foundation for disruptors to disintermediate referral channels and upset market dynamics.
- The continued shift of many procedures from the inpatient to outpatient setting, bolstered by new coding rules that dictate a change in what hospitals of the future will provide.

- Increased prevalence of value-based care reimbursement models that are pressuring and incentivizing providers to learn and refine their capabilities in disease management and population health management, and explore partnerships and collaborations with payers.
- A continued upward trend of investment in healthcare entities from private equity and venture capital firms, particularly in the digital health space.
- A heightened awareness of racial, ethnic, and economic health disparities, and a recommitment to addressing them.

Why it matters

Entering 2023, the U.S. healthcare system and healthcare providers are severely financially strained. There are limited funds for investment in strategic growth opportunities and much less for other priority areas such as initiatives that promote health equity.

However, the landscape is changing rapidly, and standing in place is not a winning strategy. Innovative health systems, tech providers, and healthcare disruptors are entering the marketplace, offering new and convenient options to consumers. Legacy healthcare organizations will need to reexamine and reimagine how they attract and serve consumers and redesign how they deliver healthcare in order to remain competitive, best serve their populations, and deliver on their organizational missions.

With an increasingly diverse set of actors in the healthcare landscape, partnerships across segments most likely will be required for success and sustainability. Health systems, physician groups, payers, government agencies, non-traditional providers, community-based organizations, private equity-sponsored entities, big tech companies and retail providers all will need to find ways to partner and collaborate with each other, as “going it alone”—owning and operating the full spectrum of healthcare services and/or reimbursement as a single entity—will be a much more difficult road.

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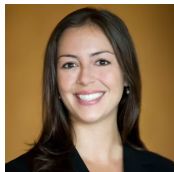
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Alexandra Schumm

Partner and Vice President of Research