

WHITEPAPER

Stabilize to transform: How to rapidly improve financial performance while designing the health system of the future

<https://www.chartis.com/insights/stabilize-transform-how-rapidly-improve-financial-performance-while-designing-health>

Healthcare's financial landscape has fundamentally changed. Leaders face an urgent imperative: stabilize immediate performance while simultaneously transforming the care delivery model to ensure long-term sustainability.

In 2024, the median operating margin for not-for-profit and public health systems was the highest since the pandemic funding support of 2021—but still at a razor-thin 1.5% for 2024.¹ Organizations have once again been thrown into a vicious cycle of constant cost-cutting, turnaround efforts, and reimagining the deployment of clinical staff and assets. But in this volatile environment, traditional cost-cutting approaches won't suffice. Burnout and stress levels are high as executives find themselves constantly fighting operational fires, unable to also focus on strategic issues.

What is the answer for climbing out of this hole—sustainably? How can health systems adapt and reinvent?

First, health systems must **stabilize** operations by immediately addressing their most salient sources of opportunity. Examples include patient throughput across sites of care, workforce and span of control inefficiencies, and sub-scale sites or service lines. But executing only these traditional financial improvement efforts is no longer enough.

To achieve lasting financial sustainability, health system leaders must boldly **transform** their care delivery model, portfolio of clinical services, and physician enterprise. And they must do so in a manner that defends against intensifying market forces and harnesses novel and emerging solutions, such as those listed below.



Health system executives must navigate these market forces head on while simultaneously embracing an expanded slate of innovations to stabilize operations and reshape the enterprise. Our playbook discusses three imperatives to actualize this aspiration—and provides examples of initiatives and actions organizations can deploy.

The transformation playbook: Three imperatives



Imperative 1: Start with the end in mind

Organizational strategy must drive the transformation plan. Improving near-term financial performance is important, but creating a health system that is strategically differentiated and financially sound for the foreseeable future is paramount. To do both these things, leaders must first develop a high-level blueprint for the enterprise's future strategic positioning. While the ensuing work typically requires 1 to 3 years to fully execute, leaders should complete the initial planning exercise rapidly (i.e., 4 to 6 weeks)—not over several months like traditional strategic planning efforts.

Consider launching a rapid planning process with a small group of executives. It should be informed by targeted market and internal analytics, and oriented around the following questions:

- What unique role do we desire to play in our market(s)? How will our financial improvement plan enable (and not encumber) that vision?
- What is the most rational scale and mix of clinical services we should provide in our market(s)? This decision should align the intensity of services offered with the acuity of the community's health needs—and ensure financial sustainability.
- How should we deploy our employed physicians and APPs differently to achieve performance goals while creating a differentiated patient experience?
- How should we rebalance or reconfigure our asset portfolio to accelerate our strategic and financial improvement goals?
- What assets, clinical programs, and corporate functions should we fully own vs. joint venture (JV) or partner on vs. divest? Leaders should base this decision on their answers to the previous questions and longer-term growth considerations.

Imperative 1: Start with the end in mind

Example actions and decisions health systems should consider:

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| <ul style="list-style-type: none"> ■ Exit poor-performing markets that have limited future strategic value and economic upside. ■ Reconfigure smaller acute care hospitals into free-standing emergency departments (EDs), ambulatory surgery centers (ASCs), or multi-specialty ambulatory centers. ■ Consolidate select assets, clinical services, and/or administrative functions (e.g., centralized transfer/referral center). ■ Prioritize and channel outsized investment into three or four service lines that represent the greatest profitable growth opportunity. Sustain, partner on, or downsize remaining ones. ■ Form partnerships on specific assets (e.g., JVs on ASCs, affiliations with specialized private entities to operate behavioral health hospitals). | <ul style="list-style-type: none"> ■ Transform the care model, with APPs and pharmacists providing primary care services in difficult-to-recruit markets. ■ Reduce locums, call pay, and premium labor in markets or sites where roles are not critical to sustaining the operation, enhancing access, or driving strategic growth. ■ Develop virtual consult capabilities in rural markets to maintain access while optimizing specialist capacity and limiting travel and call burden. ■ Diversify the business model by expanding in value/risk if there is a compelling business case, given population and market dynamics. ■ Outsource select corporate functions to a third party, such as components of revenue cycle and IT. |
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While these example actions often require a longer timeframe to implement, leaders should develop high-level hypotheses within the first few weeks of the transformation planning process. They can then use these hypotheses as an overarching strategic framework to prioritize and “screen” the more immediate financial improvement interventions described below.

Imperative 2: Link near-term stabilization actions to long-term strategy

When in the throes of a financial turnaround, organizations must avoid building a performance improvement plan in a vacuum. Rather, leaders must develop the plan in the context of where the organization is trying to go long-term. Once leaders develop their high-level strategic direction, they should rigorously analyze, prioritize, and implement a set of immediate interventions. These interventions should ensure speed to value (i.e., realizable within roughly 60 to 120 days), materially improve cash flow, and shore up sources of reinvestment to channel into the longer-term strategy.

As one example of linking stabilization actions to the long-term strategy, leaders should avoid assigning wholesale expense reduction targets across each department. Instead, they should protect highly strategic programs that have a meaningful and quickly realizable growth thesis or return on investment. In turn, they should assign disproportionate expense management targets to other areas that do not carry the same value proposition.

Imperative 2: Link near-term stabilization actions to long-term strategy
Example actions and decisions health systems should consider:

- Immediately institute position control review. Develop and adhere to data-driven productivity dashboards to inform decision-making.
- Pause provider recruitments in markets or sites the organization does not consider immediate growth priorities, or does not anticipate will have longer-term returns on investments.
- Defer salary market adjustments or bonuses/incentive payments for the workforce or specific segments of the workforce.
- Mandate capital freezes to preserve cash flow and liquidity.
- Discontinue material discretionary expenses, such as travel, leadership retreats, and internal events.
- In markets or sites with long wait times or patient backlog, expand bed and clinic capacity by optimizing performance of the current care team model and deepening the capabilities of APPs and virtual solutions.
- Rapidly benchmark major functional areas (IT, HR, finance, revenue cycle, supply chain, etc.) to illuminate immediate expense reduction opportunities. But ensure actions do not conflict with the long-term strategy.
- Reduce revenue leakage by building robust controls throughout the revenue cycle. These include charge capture and reconciliation processes, a denial prevention program, and consumer-centric patient payment strategies.
- Consolidate and competitively bid key purchased services and med/surg supply categories. The goals are to standardize operations, streamline contract management, and improve pricing for commodities.
- Adopt AI and technology-enabled solutions to drive efficiencies for repeatable administrative and clinical functions, such as components of revenue cycle and clinical documentation.

Imperative 3: Execute with tenacity and speed

The small window between identifying opportunities and implementing them is often where well-intended transformations lose momentum or fall apart completely. To prevent this from happening, leaders should identify several “quick wins” to begin implementing immediately while the broader opportunity assessment is still underway.

These “quick wins” should be a focused subset of the stabilization actions described above, and should satisfy four criteria:

1. They can make a meaningful financial impact.
2. They have low execution risk and resourcing needs.
3. They can create a positive groundswell and momentum for team members.
4. They support the longer-term strategic direction.

Once leaders have identified, prioritized, and sequenced the broader slate of strategic and operational opportunities, they should launch small workgroups to rapidly execute each one. Further, leaders should embrace that it takes a village to pull off a successful enterprise transformation. It requires galvanizing and convening key clinical and administrative stakeholders across the organization to spearhead the work and actualize the value.

Imperative 3: Execute with tenacity and speed

Example actions and decisions health systems should consider:

- Launch a transformation steering committee chaired by a single executive to guide and oversee development and implementation of the transformation plan.
- Establish work teams oriented around key domains of the transformation. These teams identify and quantify opportunities and lead execution.
- Develop and rigorously manage a financial realization schedule with milestones tied to specific dates and dollar amounts.
- Designate physician champions to lead the change across the provider enterprise, clinical programs, and sites.
- Stand up a centralized project management office (PMO) to manage the implementation and address risks and interdependencies.
- Build and adhere to data tools and dashboards that enable real-time monitoring of performance KPIs and financial realization.
- Develop and execute a comprehensive change management and communication plan.

Importantly, changing or transitioning clinical services can be difficult, given community need and health equity considerations. As such, leaders must thoughtfully evaluate identified opportunities in the context of the organization's mission and unique role in the community.

What this playbook looks like in action

A \$3.5 billion health system underwent a comprehensive transformation to return to profitability and strategically navigate market uncertainties. Here's how.

A large integrated delivery network in the Midwest—with more than 20 hospitals and 1,000 employed physicians and APPs—faced intensifying market pressures and industry headwinds. These forces eroded the organization's financial position over the past 3 years, resulting in a \$250 million annual operating loss.

Dozens of team members—from C-suite executives to front-line caregivers—collaborated to develop a comprehensive transformation plan. The plan would not only return the organization to profitability but also redesign its clinical portfolio and physician enterprise to ensure long-term sustainability and mission advancement.

Here’s how the team harnessed this transformation playbook to guide their landmark effort:

Imperative 1: Start with the end in mind	■ Defined guiding principles to crystallize the desired end state (e.g., “Transition our care delivery model from ‘all things to all patients’ to regional hub-and-spokes with focused services to meet the community’s needs and drive profitable growth.”). ■ Identified two under-utilized hospitals to potentially transform into comprehensive ambulatory centers. Also assessed strategic options for a financially challenged market, which led to the decision to exit the market and seek a buyer or partner for all owned assets. ■ Planned expansion of priority service lines in key markets, which they expect to fund from accelerated margin improvement.
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Imperative 2: Link near-term stabilization actions to long-term strategy	■ Developed a plan to mature the provider enterprise, including alignment of disparate medical groups and optimization of physician and APP deployment across the state. Also developed plans to standardize physician compensation and enhance patient retention. ■ Created strategies to address major access constraints across the system, including actions to accelerate bed and ED throughput, enhance ambulatory access, and optimize transfer center processes. ■ Identified material financial improvement opportunities across numerous functional areas, including workforce, revenue cycle, and pharmacy/340B. They anticipate these efforts will enable expanded reinvestment into the longer-term repositioning strategy.
Imperative 3: Execute with tenacity and speed	■ Launched an executive steering committee to oversee the transformation. A dozen workgroups advanced implementation planning across key clinical and functional areas. ■ Stood up a centralized PMO to manage the assessment and implementation process, coordinate across initiatives, identify and mitigate risks, and address interdependencies. ■ Created and managed a detailed financial realization schedule to fully achieve identified opportunities in a timely manner.

Seize the opportunity to adapt and re-invent

Traditional performance improvement initiatives alone can no longer return financially challenged health systems to a steady state. While organizations still must execute incremental operational interventions, they must align them with a longer-term repositioning strategy. This requires boldly reimagining clinical services, assets, and the physician enterprise. It also requires considering partnerships for services and functions that are not core to the organization's mission.

Enterprise-wide transformation is an ambitious aspiration. It requires asking provocative questions, weighing difficult trade-offs, and making audacious decisions. But the rapidly changing healthcare ecosystem and ever-increasing compression of clinical margins requires leaders to act now and seize this opportunity.

If not now, when?

Source

¹ Moody's Ratings: [Medians – Profitability improves as revenue grows faster than expenses](#) August 23, 2025

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