

December 2025

2025 Health System Performance Outlook: *Redefining performance in an era of financial pressure*

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Introduction

From managing non-labor expenses to strengthening the workforce, expanding access and navigating payer reimbursement, health systems shared the key challenges shaping their focus this year—and their planning for the year ahead.

Non-labor expense increases, alongside uncertainty related to tariffs, have most respondents (83%) taking steps to quantify the impact of tariffs—and, indeed, many of the hospitals we interviewed shared they had set up tariff workgroups to manage these increases. Despite these tariffs, however, almost 60% of respondents report non-labor expense increases between 6% to 10% over the past year—similar to the increases noted in our 2023 report.

Workforce strategies remain crucial for health systems, with at least 70% of organizations pursuing widespread efforts to optimize staffing. More than half of respondents said they were pursuing outsourcing alternatives in food and nutrition, revenue cycle, IT and environmental services. In areas where the competition for talent is more intense (particularly clinical workforce), 83% are raising salaries, and 81% are offering signing bonuses—among other financial incentives.

Access and capacity continue to be major challenges for health systems: 91% of respondents said they couldn't accommodate patients in a timely manner.

“The turnover and the staffing situation is one of the biggest complexities we face in improving quality results.”

— Survey Respondent



Introduction (continued)

Of those, 42% say patients wait too long. Additionally, 77% say emergency department (ED) holds continue to be the most significant capacity constraint, followed by delays due to insurance referrals and approvals (57%).

Payer reimbursement—especially its impact on Medicaid—emerged as the most significant challenge raised in our interviews. Although many organizations are starting to see signs of stabilization, payer policies and the legislative implications of the One Big Beautiful Bill remain top concerns heading into the next year. To navigate what lies ahead, health systems will need to strengthen their approach to managing claims denials. At the hospital level, respondents identified front-end breakdowns—such as authorization, eligibility and benefits verification—as the leading contributors to denials (26%), followed by delays in payer response times (19%) and limited denial tracking and root-cause analysis (15%). At the physician level, incomplete or missing documentation leads the list (26%), with prior authorization gaps (15%) and issues involving bundled or separately billed services (15%) also contributing.

Taken collectively, these pressures signal a critical moment for health systems to strengthen their operational footing and position themselves for long-term resilience.



Survey highlights

Almost 60% of respondents report non-labor expense increases between 6% to 10% over the past year.

83% of respondents have taken steps to quantify the impact of tariffs.

52% of respondents are not using AI in supply chain operations.

More than half of the respondents have pursued outsourcing alternatives in food and nutrition (65%), revenue cycle (58%), IT (58%) and environmental services (58%).

Advanced practice providers (APPs) are a clear value add at 42% of respondent organizations; the same percentage say the value of APPs is highly variable across the physician enterprise.

77% say ED holds are the most significant capacity constraint.

At the hospital level, 26% of respondents say the top challenge regarding denials is front-end issues.

At the physician level, the top challenge for denials is incomplete or missing documentation.

Of the respondents who invested in clinical documentation integrity (CDI) technology in recent years, 30% reported a material ROI and 26% said the return is unclear.

44% of respondents cite a lack of resources and time to focus on performance improvement as a barrier.

Only 30% of respondents expect to improve cash balances over the next 12 months.



Non-labor expenses/supply chain

Health systems are under growing pressure to strengthen financial resiliency—making greater visibility into supply chain and non-labor expenses essential.

According to the [Kaufman Hall National Flash Report](#), non-labor expenses (8%), supply expense (8%), drugs expense (11%) and purchased services expense (9%) per calendar day increased in 2025 through September compared to the same time frame in 2024. This data aligns with what survey respondents reported—nearly 60% of whom reported non-labor cost increases of 6% to 10% over the past year, with interviewees pointing to tariffs and payer reimbursement dynamics as contributing factors. Some organizations noted that multi-year contracts have temporarily buffered them from tariff impacts.

For context, the [2023 Kaufman Hall State of Healthcare Performance Improvement](#) report found similar trends, with 55% of respondents citing non-labor increases of 6% to 10% and 29% reporting increases above 11%—suggesting that 2025 findings may reflect broad inflationary pressure rather than abnormal spikes. Even so, 83% of this year’s respondents have taken steps to quantify tariff-driven cost impacts.

Looking ahead, the Vizion summer [2025 Spend Management Outlook](#) forecasts continued upward pressure, projecting 2.41% supply chain price inflation and 3.35% pharmacy inflation between January and December 2026.

FIGURE 1: Overall, over the past year, how much have you seen non-labor expenses increase by? Select one.

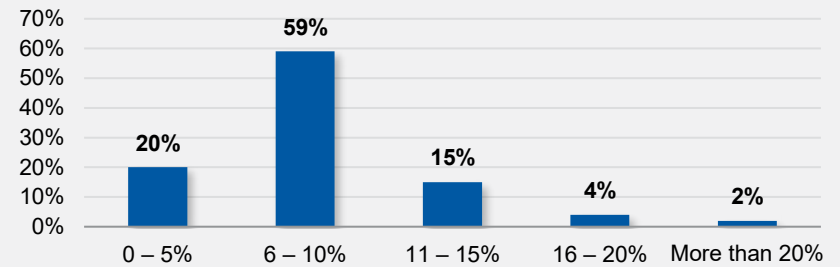
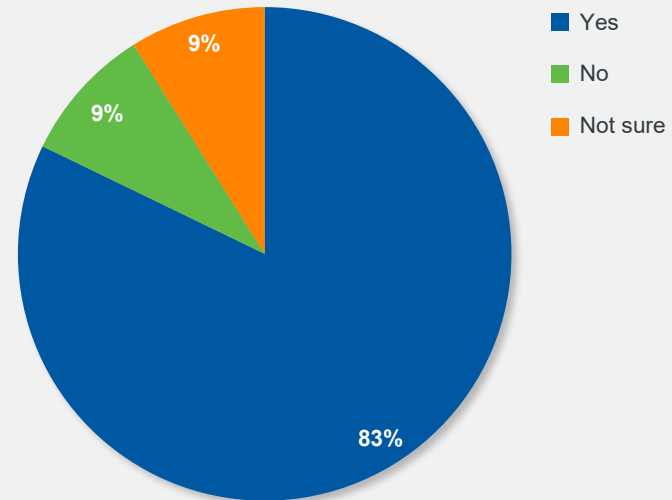


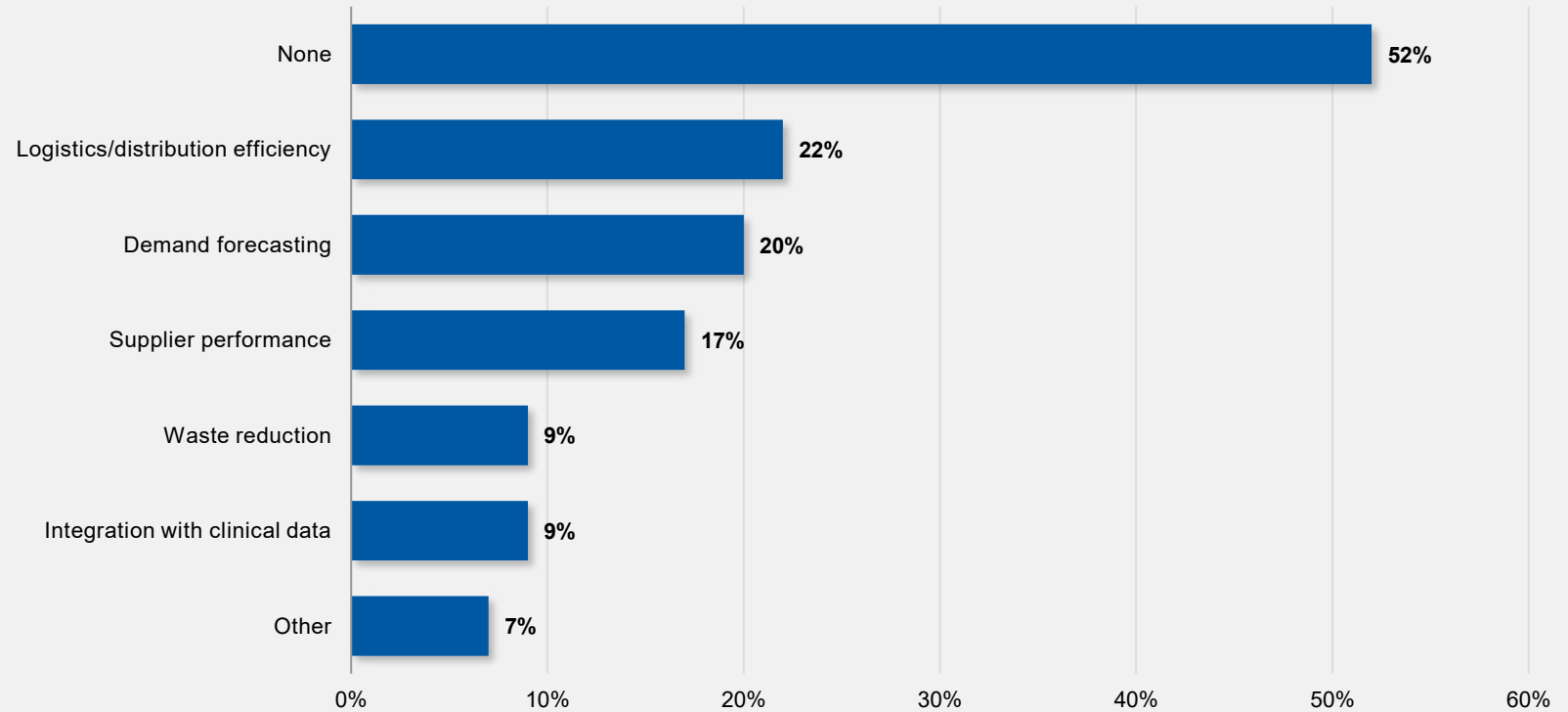
FIGURE 2: Has your organization taken steps to quantify or understand the potential impact of tariffs? Select one.





Non-labor expenses/supply chain (continued)

FIGURE 3: Where is your supply chain department using artificial intelligence (AI)? Select all that apply.





Non-labor expenses/supply chain (continued)

Artificial intelligence

Surprisingly, more than half (52%) of this year’s survey respondents do not use AI in supply chain operations. Of those who do, the greatest areas of focus are logistics/distribution efficiency (22%), demand forecasting (20%) and supplier performance (17%). As health systems face rising non-labor expenses and ongoing supply chain volatility, AI-based tools represent a significant opportunity to enhance visibility, reduce waste and strengthen financial resiliency.

“Pharmaceuticals and supply costs—we’re very worried about their creep.”

— Survey Respondent

Action Steps: Non-labor expenses/supply chain

- Establish a strong governance structure that includes executive engagement to encourage urgency and ensure accountability.
- Strengthen financial visibility by standardizing and centralizing non-labor expense data across departments to better track inflationary pressure, tariff impacts and category-level cost drivers.
- Conduct a targeted spend analysis to identify savings opportunities, especially in areas with rising exposure to tariffs or payer-related reimbursement shifts.
- Implement performance tracking and vendor accountability metrics to sustain long-term value.
- Build organizational readiness for AI adoption by upskilling staff, evaluating technology partners and establishing governance structures that ensure appropriate data quality, cybersecurity and responsible AI use.

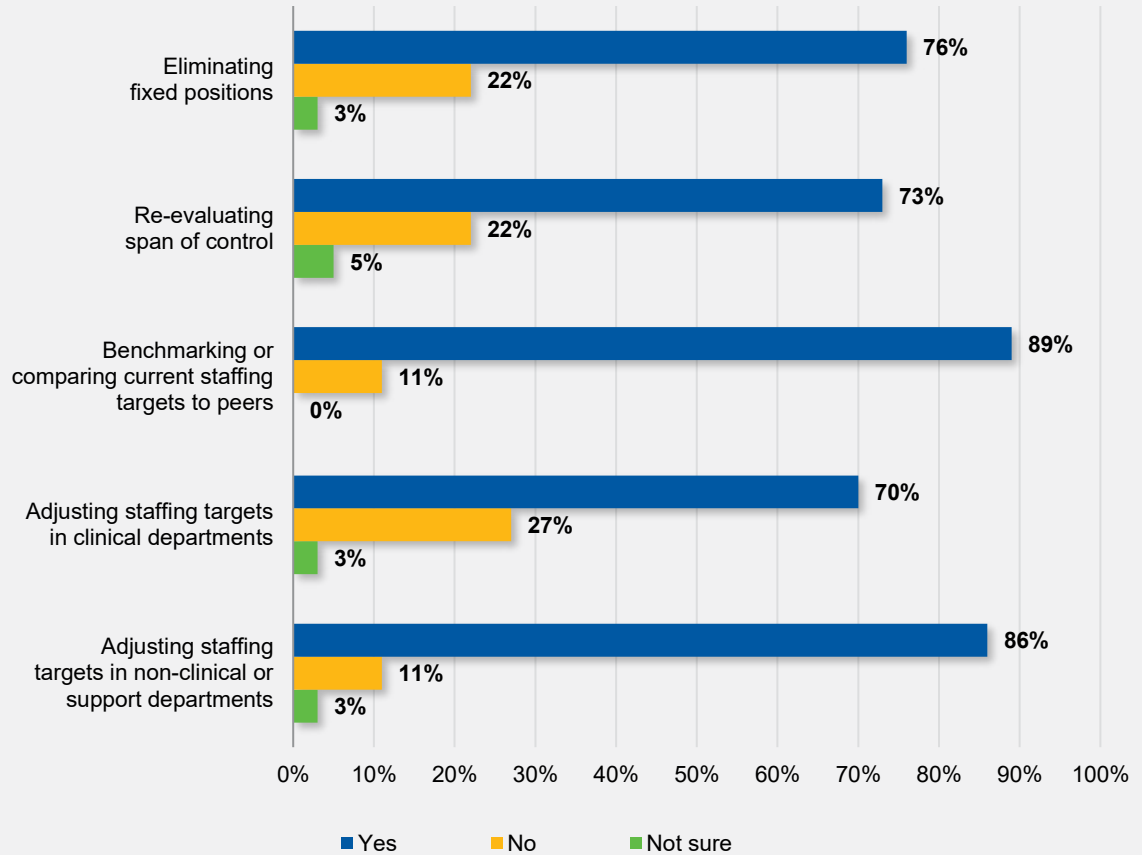


Labor expense/workforce

Labor continues to represent the largest share of operating costs for most health systems and, in the current financial environment, remains a top challenge. According to the [Kaufman Hall National Flash Report](#), labor expenses per calendar day are up 5% in 2025 through September compared to the same time frame in 2024—underscoring why at least 70% of survey respondents are pursuing widespread efforts to optimize staffing.

Corporate services—or indirect spend and purchased services—is where health systems are now realizing the most potential for savings. According to Vizient Supply Analytics, indirect spend and purchased services make up nearly a quarter of a hospital’s total expenses—with more than 90% of health systems and hospitals outsourcing up to 10 services per department. This data aligned with more than half of survey respondents who say they have pursued outsourcing alternatives in food and nutrition (65%), revenue cycle (58%) and environmental services (58%)—roles particularly challenging

FIGURE 4: Given the current financial environment, have you considered the following?





Labor expense/workforce (continued)

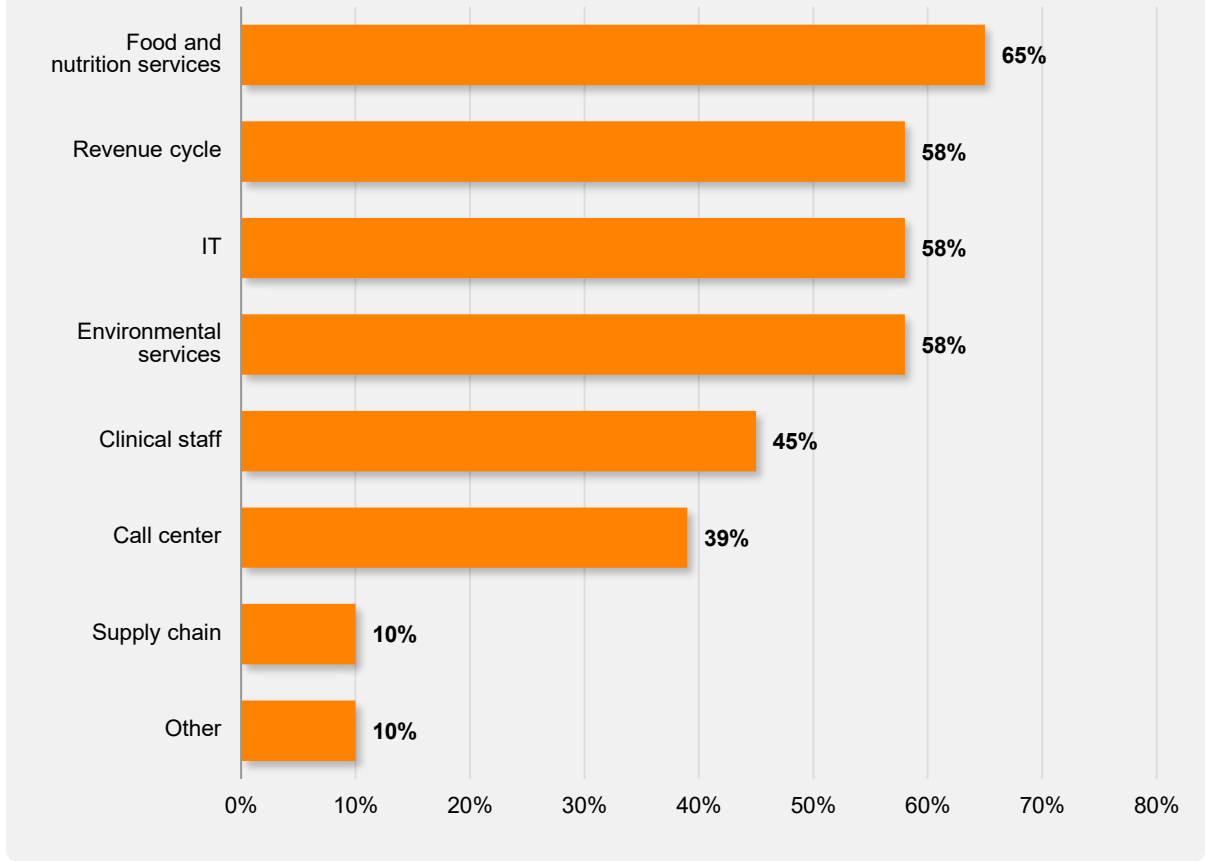
to recruit talent in due to salary competition. Information technology (58%), as well, is seeing a rise in outsourcing due to AI.

That said, the use of contract labor is decreasing for 54% of respondent organizations and increasing for just 11%. It's staying about the same for the remaining 35%.

At the same time, health systems are employing widespread use of retention and recruitment strategies for clinical teams, with financial incentives like raising starting salaries/minimum wage (83%) and offering signing bonuses (81%) leading the way. Several interviewees cited that increased compensation within local markets is driving competitive salary adjustments in both clinical and non-clinical teams.

“We are at a disadvantage in the labor market because we don’t have the same flexibility other industries have to raise wages.”
— Survey Respondent

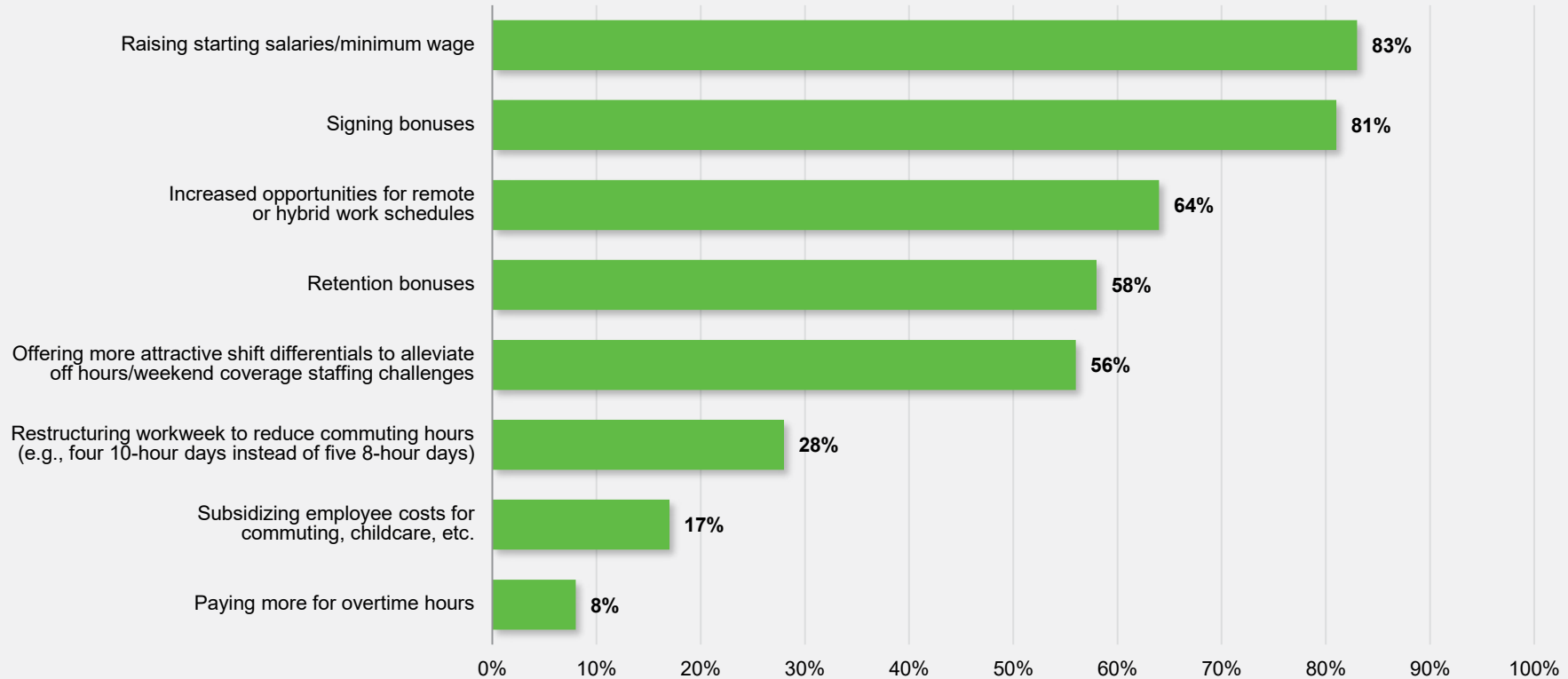
FIGURE 5: Select each area where workforce staffing challenges or the need for cost reductions has led your organization to pursue outsourced solutions. Select all that apply.





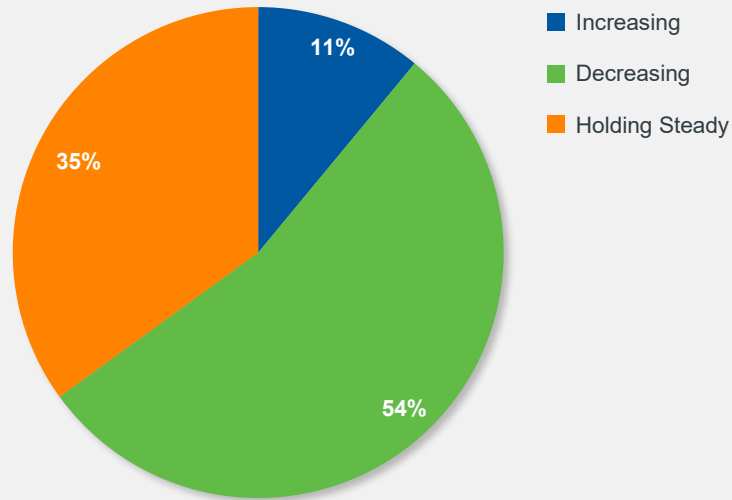
Labor expense/workforce (continued)

FIGURE 6: Which of the following recruitment and retention strategies has your organization pursued? Select all that apply.



Labor expense/workforce (continued)

FIGURE 7: Which best describes your utilization of contract labor?
Select one.



Action Steps: Labor expense/workforce

- Create demand-based staffing models to more closely align staffing resources with demand throughout the course of the day.
- Evaluate models of care and opportunities to better align skill mix.
- Minimize premium labor expenses by modeling flexible staffing pools to provide coverage for PTO, FMLA, demand variation and vacancies.
- Utilize data from payroll and HR systems to proactively identify drivers of burnout leading to turnover: call outs, not taking PTO, leaving late, skipping breaks, excessive floating.



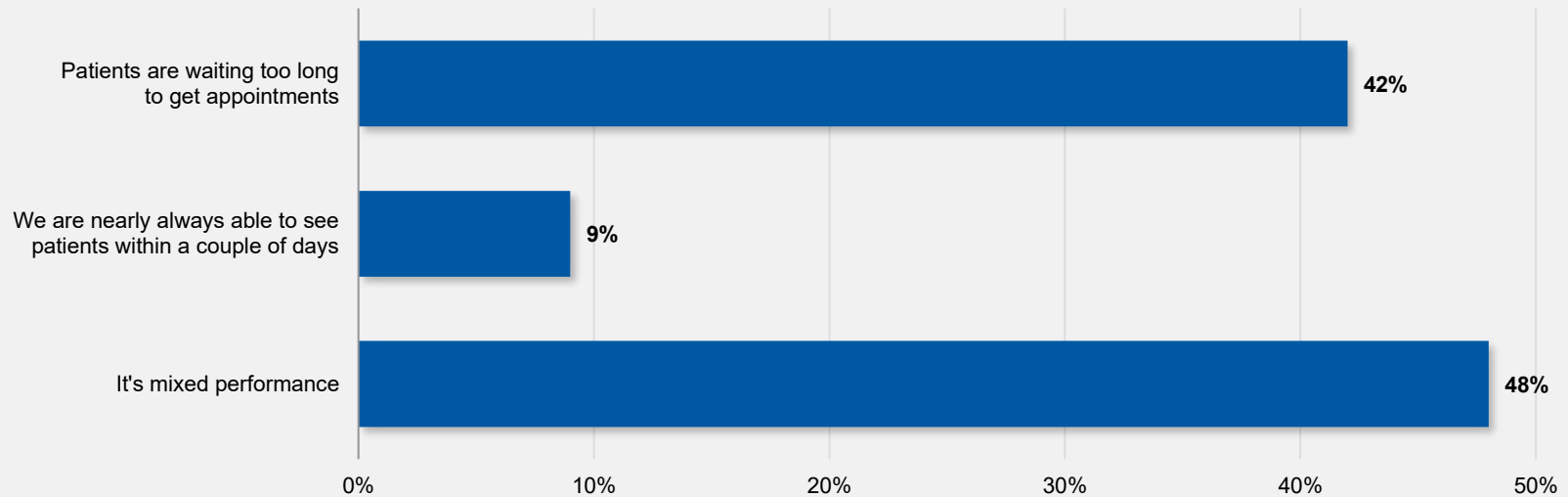
Physician enterprise

Access remains a critical issue, with only 9% of respondents saying they can see patients within a few days—or said another way, 91% of respondents said they couldn't accommodate patients in a timely manner. Of those, 42% say patients wait too long and 48% say they have mixed performance, with material variations in specialties across the physician enterprise. Based on our work with clients, we've noticed 1 in 5 appointments go unfilled due to late cancellations, no-shows

and scheduling limitations. Re-evaluating and simplifying processes and points of entry can unlock new ways to improve access across the system.

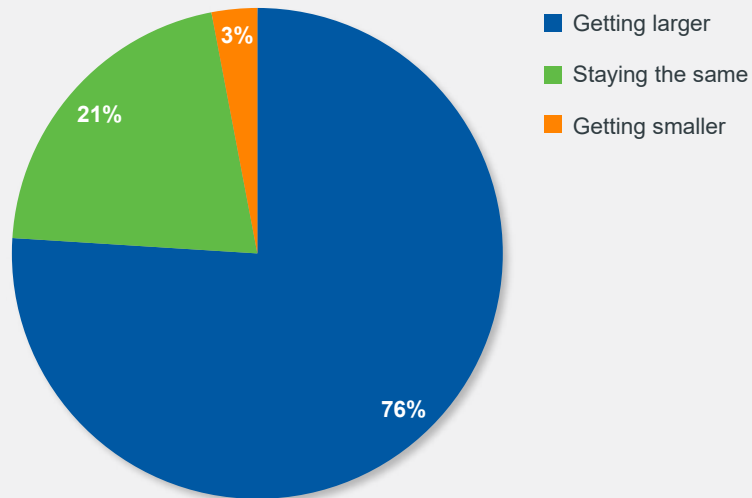
Many healthcare organizations are leaning more heavily on physicians to support patient access. Three-fourths of respondents report subsequent increasing subsidies, while only 45% say downstream margins are sufficient to offset these costs.

FIGURE 8: How would you describe patient access at your organization? Select one.



Physician enterprise (continued)

FIGURE 9: Which best describes your investment/subsidy per physician/provider? Select one.



Likewise, interviewees said they are putting more focus into acute areas like neurology and cardiology and are seeking ways to improve their ambulatory strategy in high-demand areas like dermatology and gastroenterology.

Use of advanced practice providers (APPs) is a popular solution. While APPs are a clear value add for 42% of respondent organizations, the same percentage say the value of APPs is highly variable across the physician enterprise—signifying that health systems have yet to crack the code on how best to utilize APPs. The number of APPs is expected to double within the next decade, forcing health systems to rethink how they integrate these clinicians into the workforce. Incorporating APPs into perioperative care, new patient intakes and routine follow-up, for example, makes it possible for physicians to work at the top of their license and improves patient access.

“We’ve really been focused on growing the number of APPs and moving to a team-based model.”

— Survey Respondent



Physician enterprise (continued)

FIGURE 10: How does your downstream margin compare to your physician/provider subsidy? Select one.

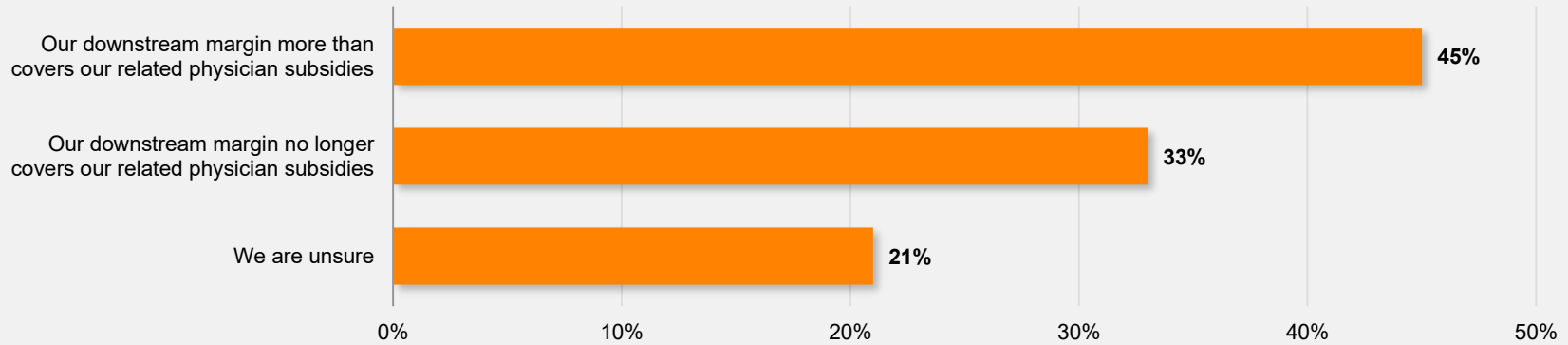
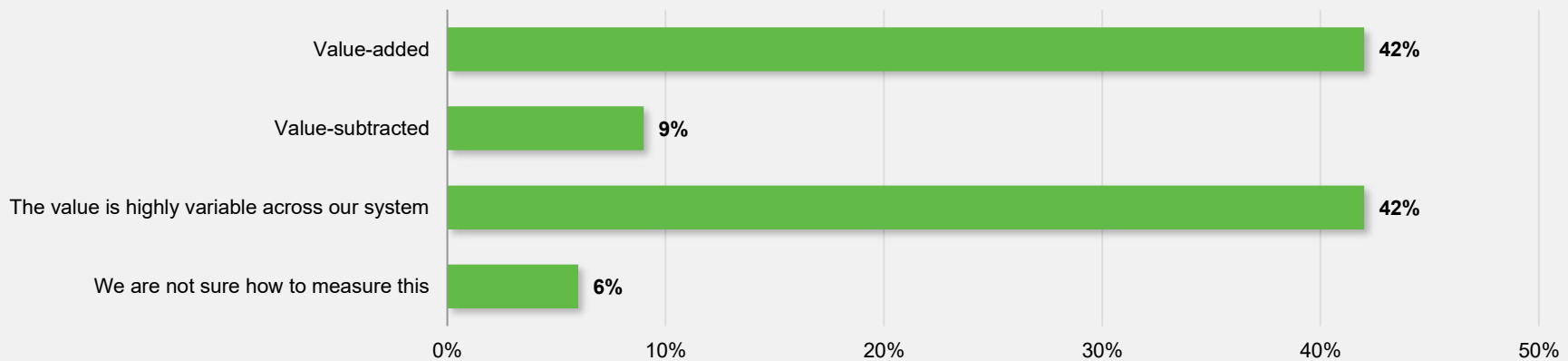


FIGURE 11: Which best describes your advanced practice providers' (nurse practitioners & physician assistants) contributions? Select one.





Physician enterprise (continued)

Action Steps: Physician enterprise

- Simplify scheduling and referral pathways by activating patient self-scheduling, reducing decision-tree complexity and enabling cross-departmental referrals to improve timeliness and reduce no-shows.
- Reduce unused appointment capacity by tightening operational processes through streamlined scheduling and improved template utilization.
- Standardize and redesign the provider care teams so physicians and APPs work at the top of their license—improving access, reducing variation and increasing clinical capacity.
- Shift to team-based productivity and aligned compensation models to eliminate misaligned incentives, accurately accounting for care teams that include APPs but are driven by physicians.



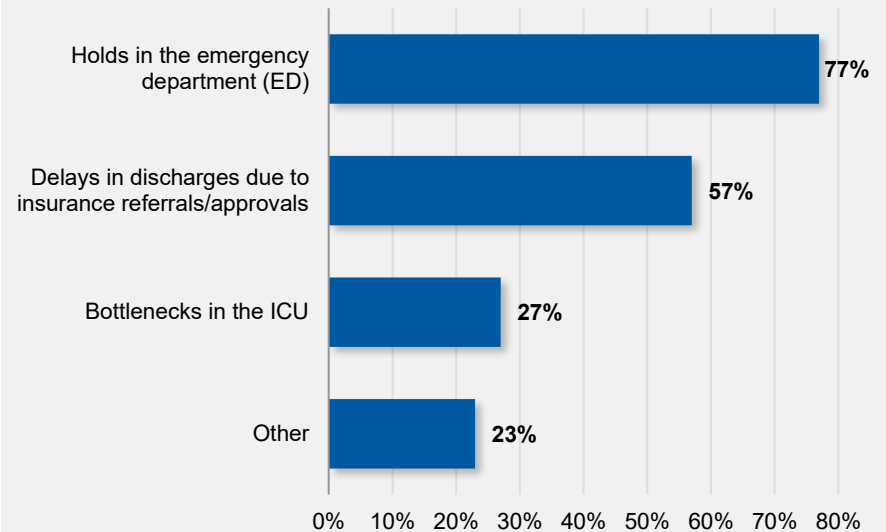
Care transitions and patient throughput

Capacity remains a significant challenge across health systems, with ED holds (77%) and insurance-related referral or approval delays (57%) cited as the top constraints. Nearly three-fourths of respondents (73%) reported capacity issues that led to ED boarding. These pressures align with the rising acuity, aging population and complexity of patients, which is driving longer lengths of stay in both the ED and inpatient settings. As the aging population and chronic disease burden continue to increase, these issues are expected to intensify.

According to the 2025 Sg2 Impact of Change, [adult inpatient utilization is projected to increase 5% over the next decade](#), driven largely by rapid expansion of the 65+ population. By 2035, seniors are expected to account for more than half of all inpatient admissions, further straining available inpatient resources.

Length of stay (LOS) meetings have become a valuable tool in tackling these challenges. Nearly two-thirds of respondents (64%) report holding biweekly LOS meetings to identify discharge barriers and coordinate action across care teams. While capacity and throughput challenges are multifaceted, structured, cross-disciplinary collaboration remains essential to improving patient flow and overall patient outcomes.

FIGURE 12: Which of the following are constraints to your capacity? Select all that apply.



“Forty percent of our ED visits are people who do not need to be in the emergency room— they just can’t get into primary care.”

— Survey Respondent



Care transitions and patient throughput (continued)

FIGURE 13: Does your organization utilize biweekly long length of stay (LOS) discussions or meetings to address LOS that exceeds 5 days or longer? Select one.

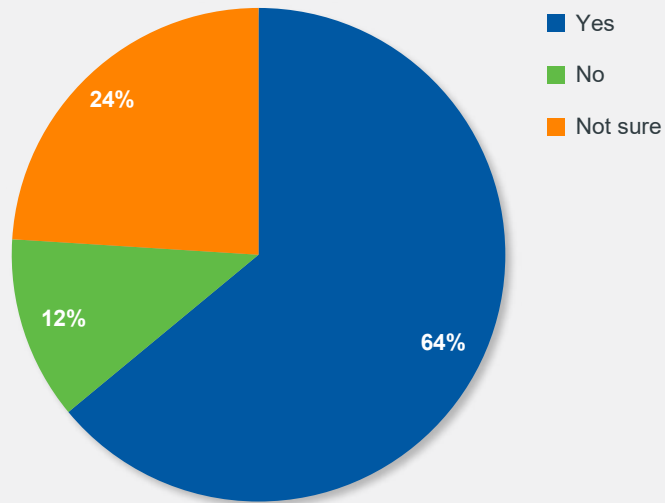
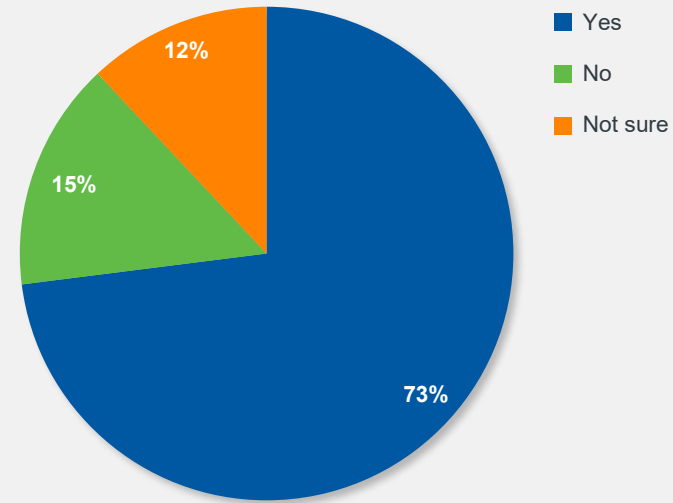


FIGURE 14: Does your organization experience capacity constraints that result in ED boarding? Select one.



Action Steps: Care transitions and patient throughput

Emergency department (ED):

- Conduct regular reviews of ED hold data.
- Strengthen care coordination with outpatient and primary care settings.
- Implement quick sort and care zones.
- Align staffing to demand. Use historical and real-time volume data.

Inpatient care:

- Start discharge planning on admission.
- Hold effective multidisciplinary rounds.
- Set and track expected discharge dates.
- Follow up on action items from rounds.
- Leverage data to identify patterns and guide process improvement.



Revenue

Denials continue to create significant operational and financial strain for health systems, with challenges emerging at both the hospital and physician levels. At the hospital level, the most pressing issues stem from front-end breakdowns such as authorization, eligibility and benefits verification (26%). Delays tied to payer response times (19%) and ineffective denial tracking and root-cause analysis (15%) further compound the problem, limiting the organization's ability to prevent repeat denials and improve performance over time.

Physician-related drivers also play a critical role. Twenty-six percent say incomplete or missing physician documentation is the leading challenge, followed by failures to obtain prior authorizations (15%) and issues related to services that are bundled or billed separately (15%). These findings highlight the need for stronger alignment between clinical workflows, documentation practices and revenue cycle requirements.

Challenges with denials extend into managed care relationships as well, with 44% citing high denial rates and administrative burden as the top challenge. Reimbursement rates that are not aligned with rising costs (30%) and difficulties renegotiating commercial contracts (11%) were second and third.

Respondents also pointed to leadership and capability gaps within utilization management (UM) teams (19%), a disconnect between UM and broader revenue cycle activities (19%) and insufficient reporting or visibility into pre-claim UM activities (15%) as key barriers. These gaps limit organizations' ability to proactively address medical necessity issues and manage avoidable denials upstream.

Most organizations—approximately three-fourths—rely on an in-sourced utilization management physician advisor (PA) role. However, respondents cited several barriers to fully leveraging PA effectiveness, including unclear role definition (35%), limited reporting on PA activities and outcomes (24%) and low call or success rates (24%). These challenges signal opportunities to strengthen PA engagement, improve accountability frameworks and elevate UM's strategic impact across the organization.

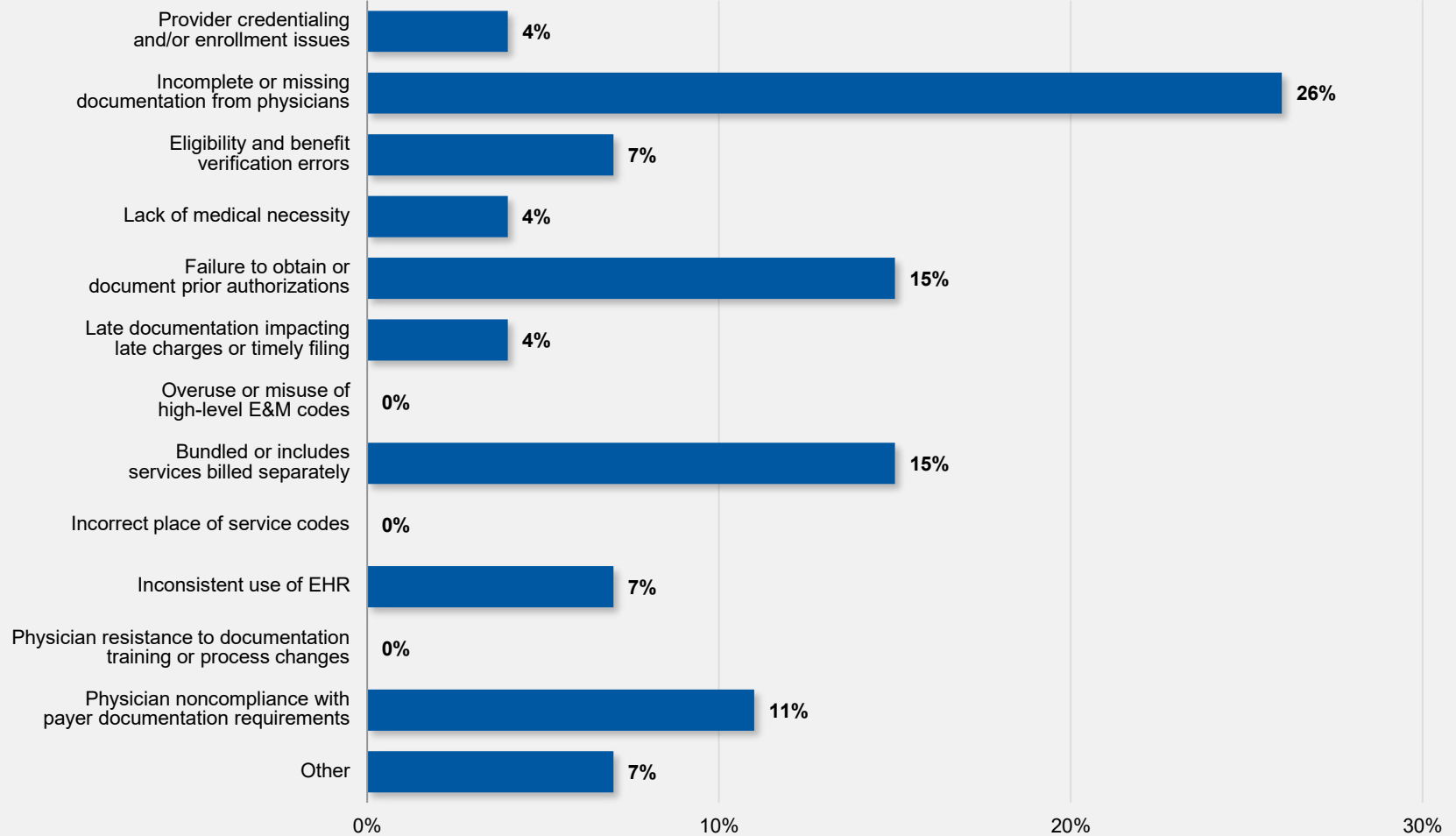
“Without any substantial movement from the payers, we’re not going to be able to sustain our present model.”

— Survey Respondent



Revenue (continued)

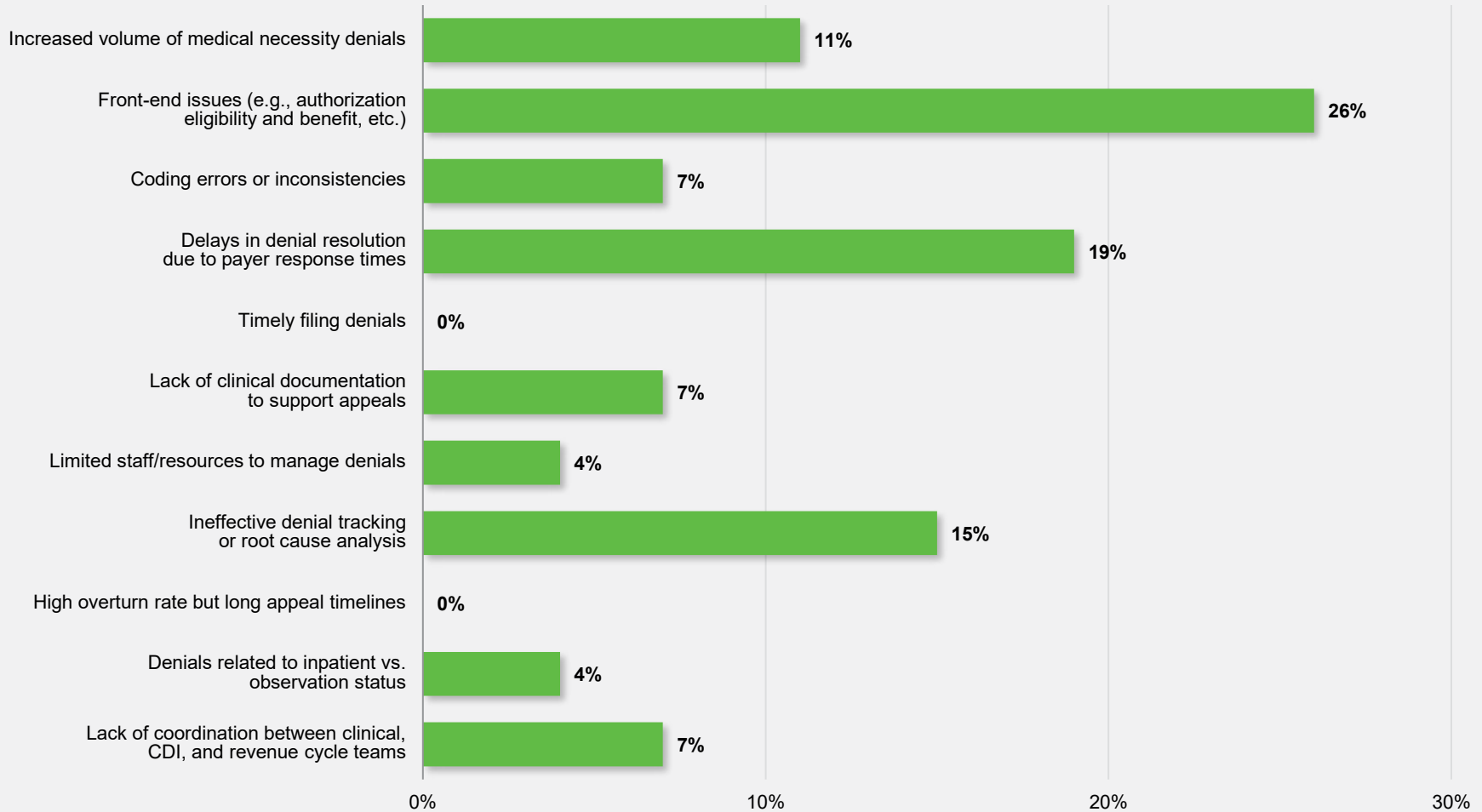
FIGURE 15: What is the most significant challenge your organization is currently facing related to denials in relation to the hospital? Select one.





Revenue (continued)

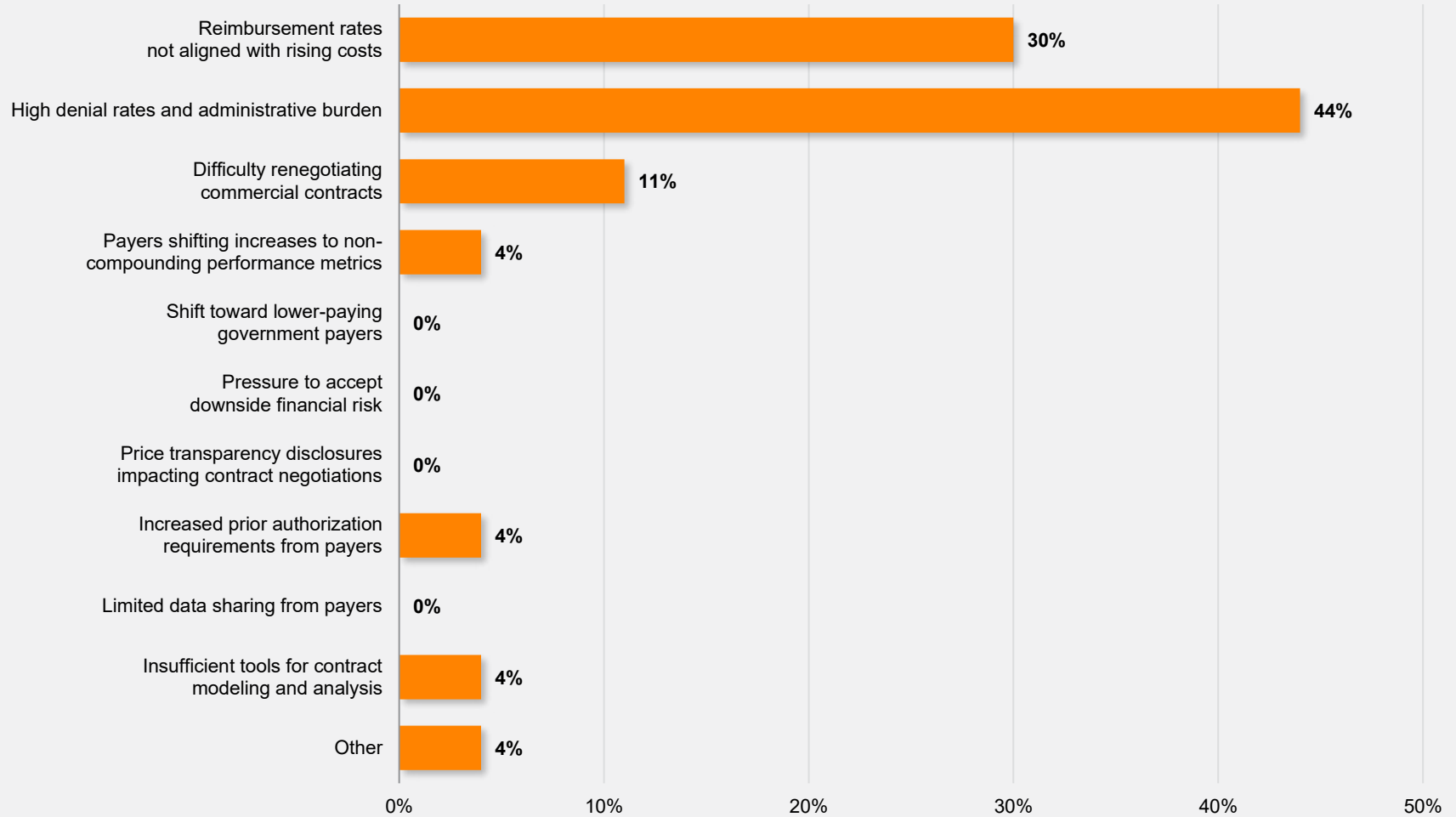
FIGURE 16: What is the most significant challenge your organization is currently facing related to denials in relation to physicians? Select one.





Revenue (continued)

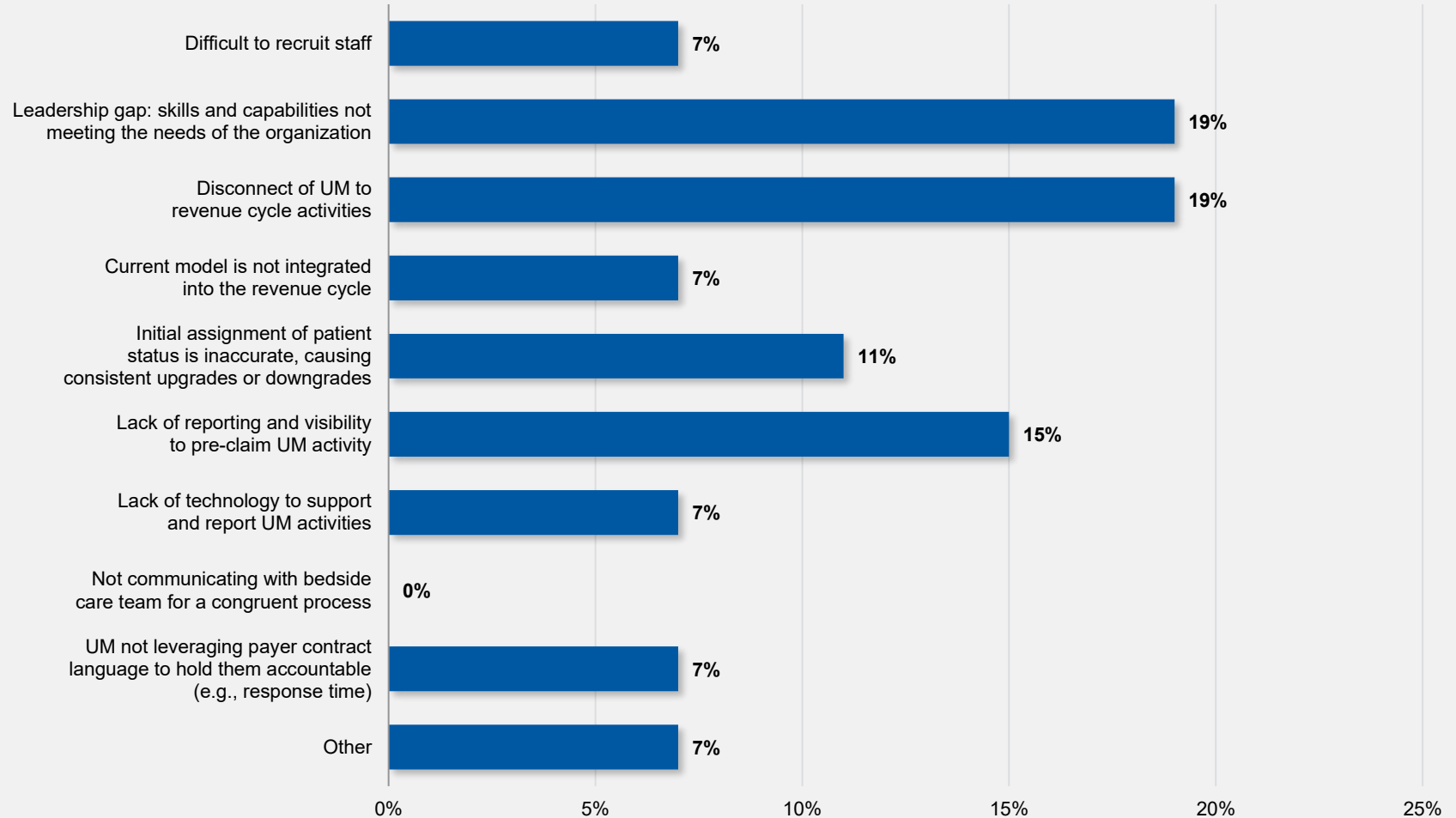
FIGURE 17: What is the most significant challenge your organization is currently facing related to managed care? Select one.





Revenue (continued)

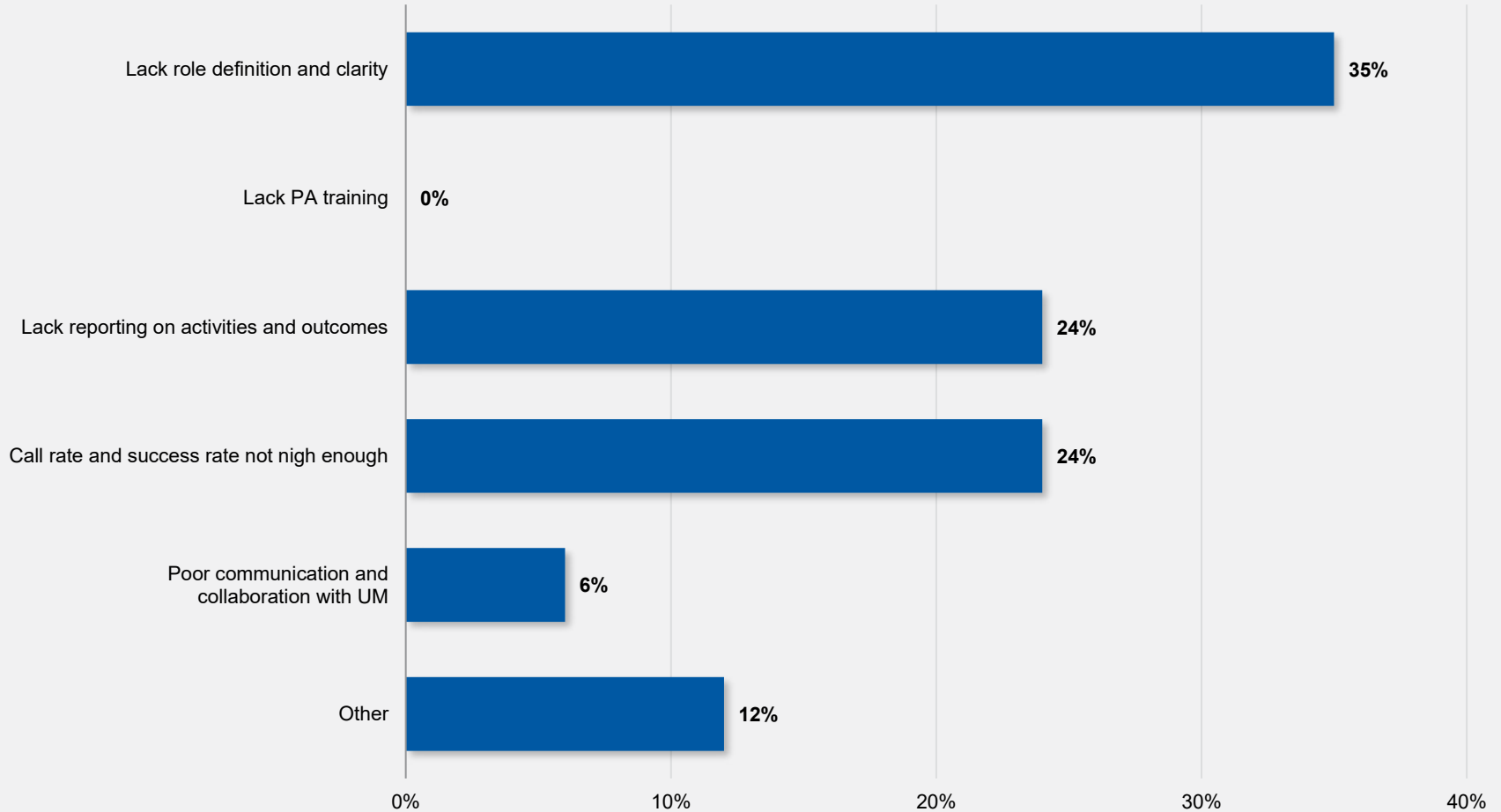
FIGURE 18: What is the most significant challenge your organization is currently facing related to utilization management (UM)? Select one.





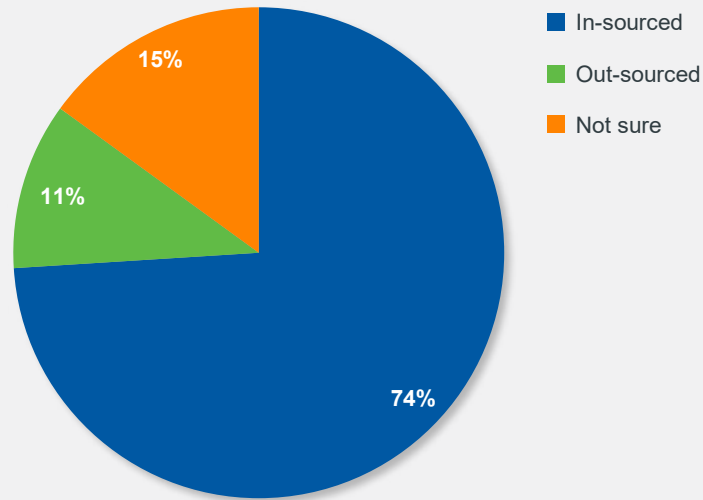
Revenue (continued)

FIGURE 19: What is the most significant challenge your organization is currently facing with respect to its in-sourced physician advisors (PA)? Select one.



Revenue (continued)

FIGURE 20: Is the utilization management PA role at your organization in-sourced or out-sourced?



Action Steps: Revenue

- Work with patient access to improve the authorization and patient financial services processes.
- Ensure accurate patient status at all points of entry.
- Educate physicians on medical necessity documentation to tell the story to the payers about why the patient needs to be in the hospital.
- Review denial management processes and structures, including denial prevention unit and department roles and responsibilities.
- Track denial rates by health plan and utilize joint operating committee structures to escalate payer behavior issues.
- Implement a medical necessity outreach process for utilization review to reinforce medical necessity documentation with physicians.
- Focus the PA resources on utilization review and patient throughput issues.
- Centralize utilization review activities to enhance coverage and manage the complex payer landscape.
- Analyze payment yields by key commercial contract to understand the impact of denials.

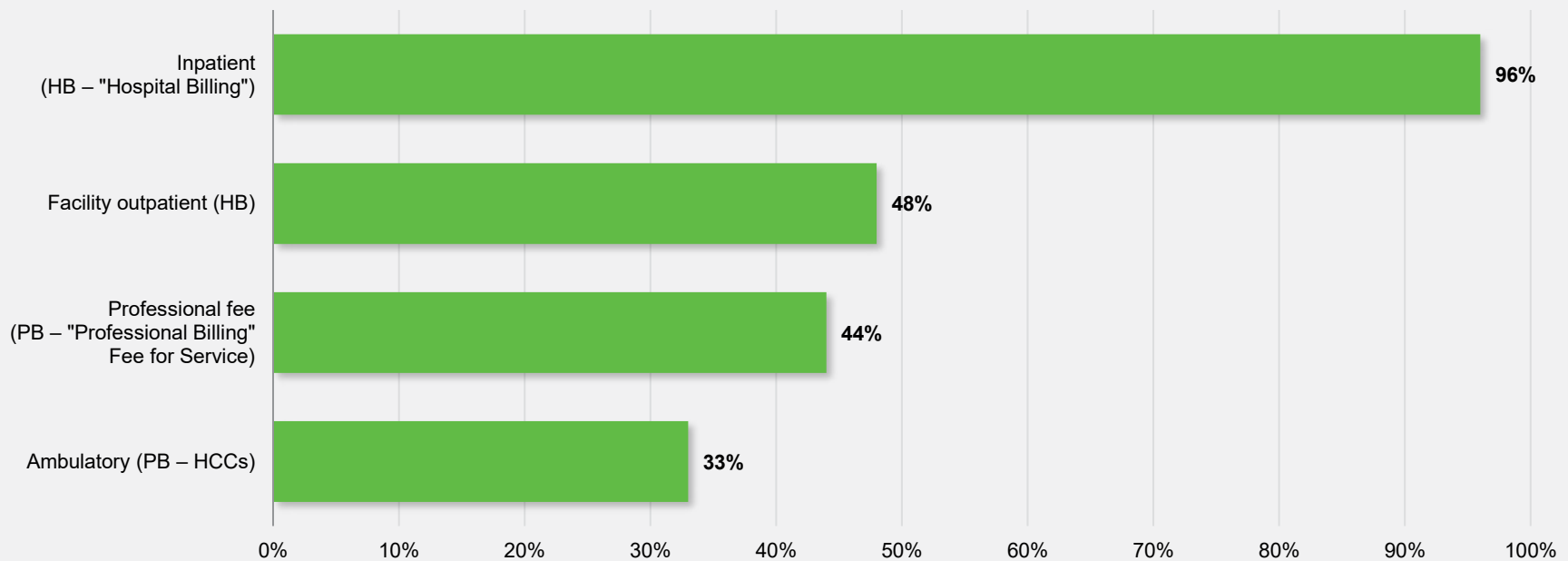


Clinical documentation integrity (CDI)

Compliance with documentation, coding and charging remains a critical aspect of both patient care quality and accurate payer reimbursement. Nearly 90% of respondents reported that their CDI programs are designed to improve quality outcomes, strengthen revenue integrity and ensure compliance.

For 96% of respondents, CDI efforts are concentrated on the inpatient setting of care. Far fewer systems have expanded CDI programs into other care settings such as facility outpatient, professional fee or ambulatory—indicating opportunities to broaden CDI impact across the continuum.

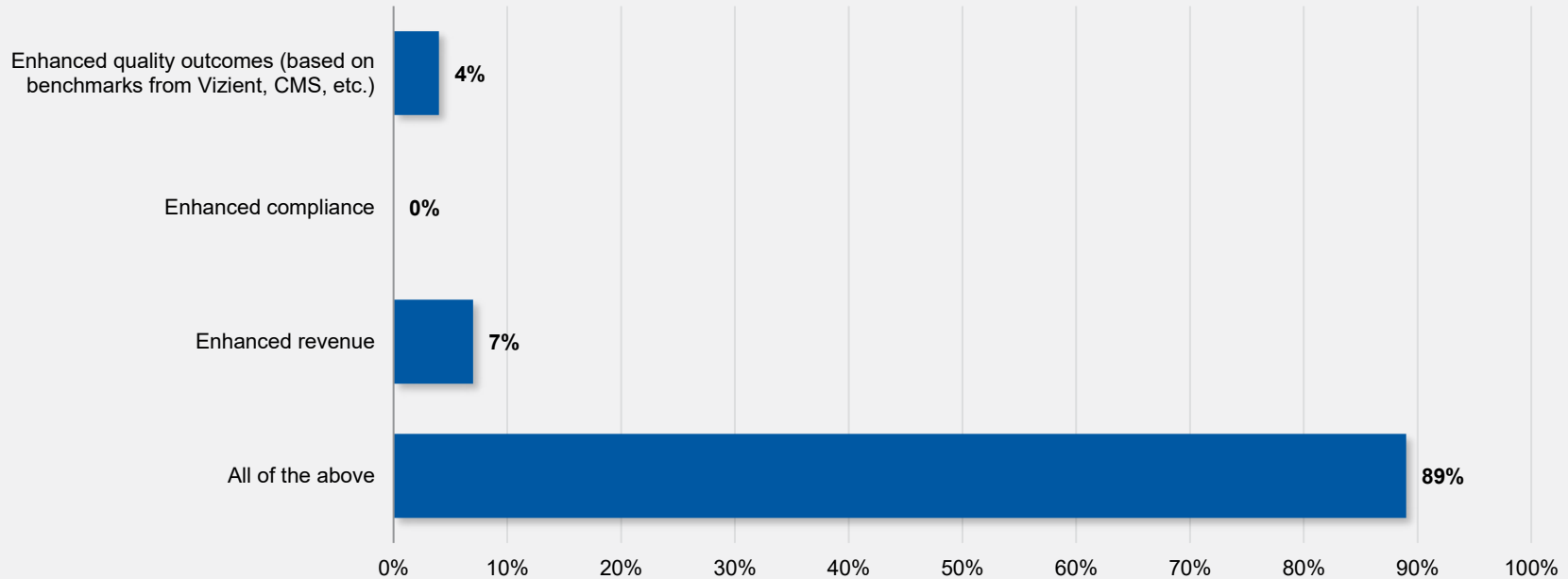
FIGURE 21: What setting(s) of care is your clinical documentation integrity (CDI) program currently staffed for and focused on? Select all that apply.





Clinical documentation integrity (CDI) (continued)

FIGURE 22: What is the overall objective of your CDI program?



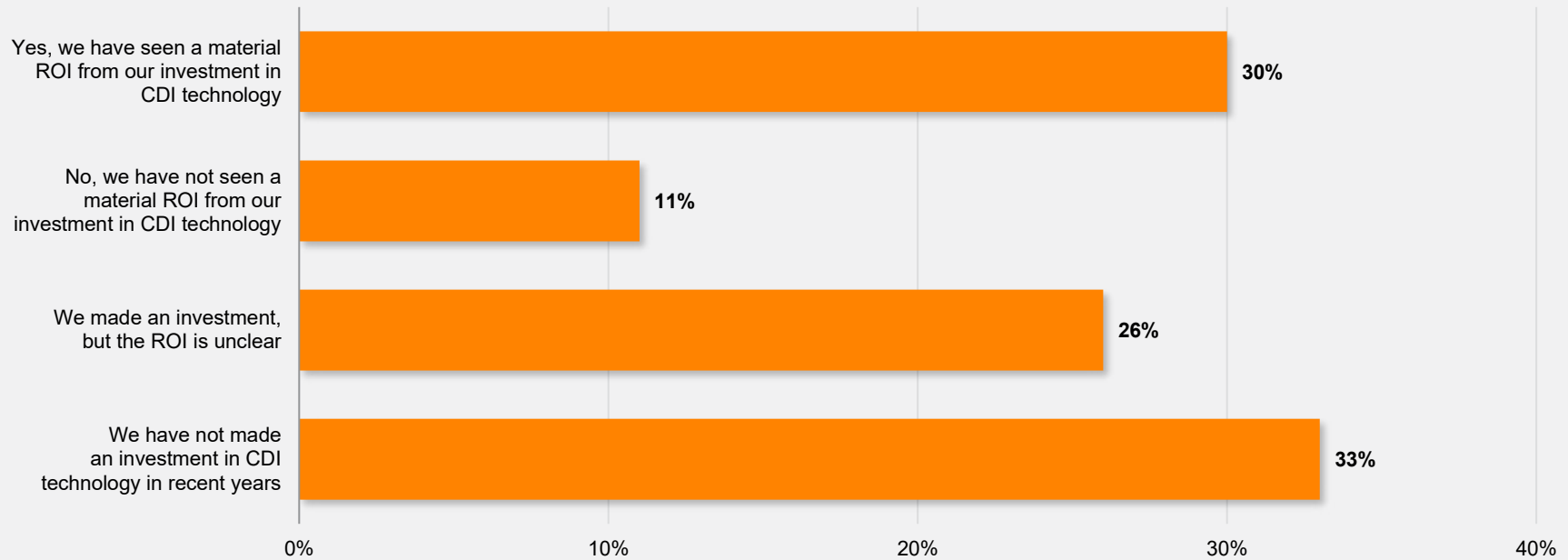
Physician involvement remains essential to advancing CDI performance. Nearly half of respondents (48%) employ CDI PAs, and another 33% rely on informal physician champions. This highlights a significant opportunity for health systems to formalize and expand physician advisory programs to support care management, strengthen documentation integrity and drive improved patient outcomes.

Technology adoption, however, remains mixed. One-third of respondents have not invested in CDI technology in recent years. Among those who have, 30% reported a material ROI, while 26% said the return is unclear and 11% have not seen meaningful results. These findings underscore that while AI and automation can enhance documentation workflows, technology alone is insufficient. The greatest impact occurs when people, processes and technology are intentionally aligned and integrated.



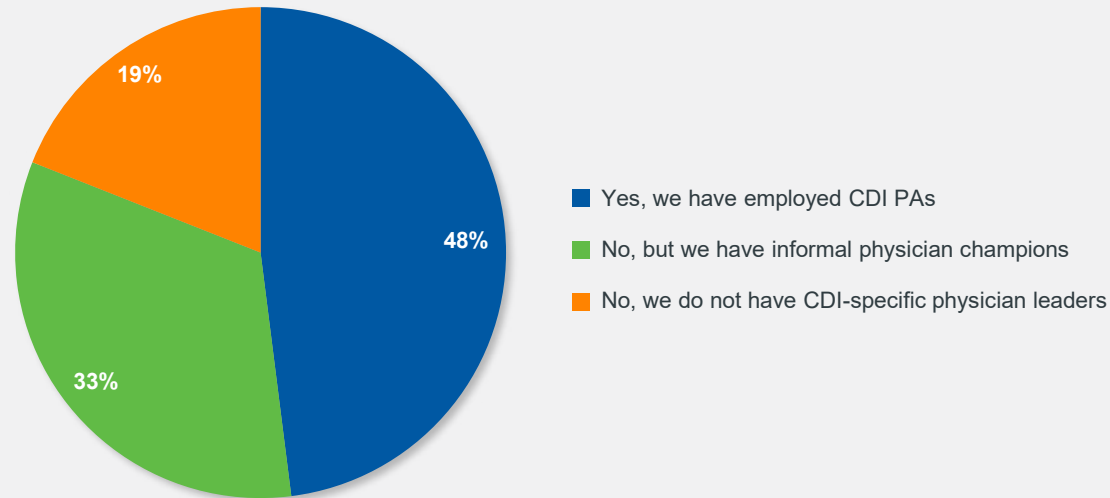
Clinical documentation integrity (CDI) (continued)

FIGURE 23: Has your organization achieved a material return on investment (ROI) from an investment in technology to support your CDI program? Select one.



Clinical documentation integrity (CDI) (continued)

FIGURE 24: Do you have a formal CDI physician advisor (PA) program? Select one.



Action Steps: Clinical documentation integrity (CDI)

- Ensure alignment of people, processes and technology. Effective CDI performance requires a balanced, integrated approach—not just investment in new tools.
- Expand CDI efforts into other care settings, such as facility outpatient and the physician office for ambulatory services, to help accurately reflect patient acuity and quality of care across the continuum.
- Develop a structured PA program that partners closely with the CDI team, including ongoing education and clear integration of PAs into documentation and quality improvement efforts.

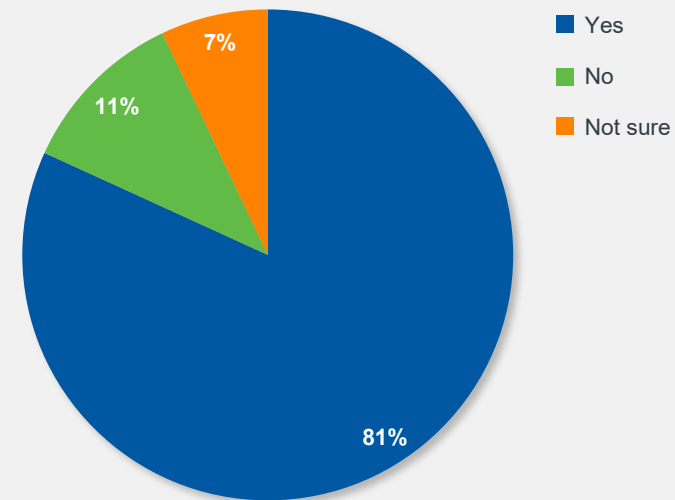
Project management

With regulatory changes on the way and margins just starting to level out, health system leaders recognize that performance improvement is essential. Eight in 10 respondents say they have an evolving portfolio of performance improvement initiatives aligned with strategic goals, and three-fourths have a formal performance improvement infrastructure. However, a lack of resources and time to focus on performance improvement is cited as a barrier for 44% of respondents, with a lack of accountability (22%) and a lack of stakeholder engagement (15%) trailing as the second and third most significant barriers.

Interviewees said data gaps make performance improvement initiatives challenging while others have turned to outside firms for guidance. Others shared that a strong, embedded culture of performance improvement—from frontline to C-suite—is necessary for success.

Taken together, this gap between the scale of initiatives and available resources suggests organizations may struggle to fully execute their priorities without new operating models or enhanced cross-functional capacity. Conducting comprehensive assessments now can help providers mitigate governance and cultural gaps and identify tools needed to improve performance initiatives.

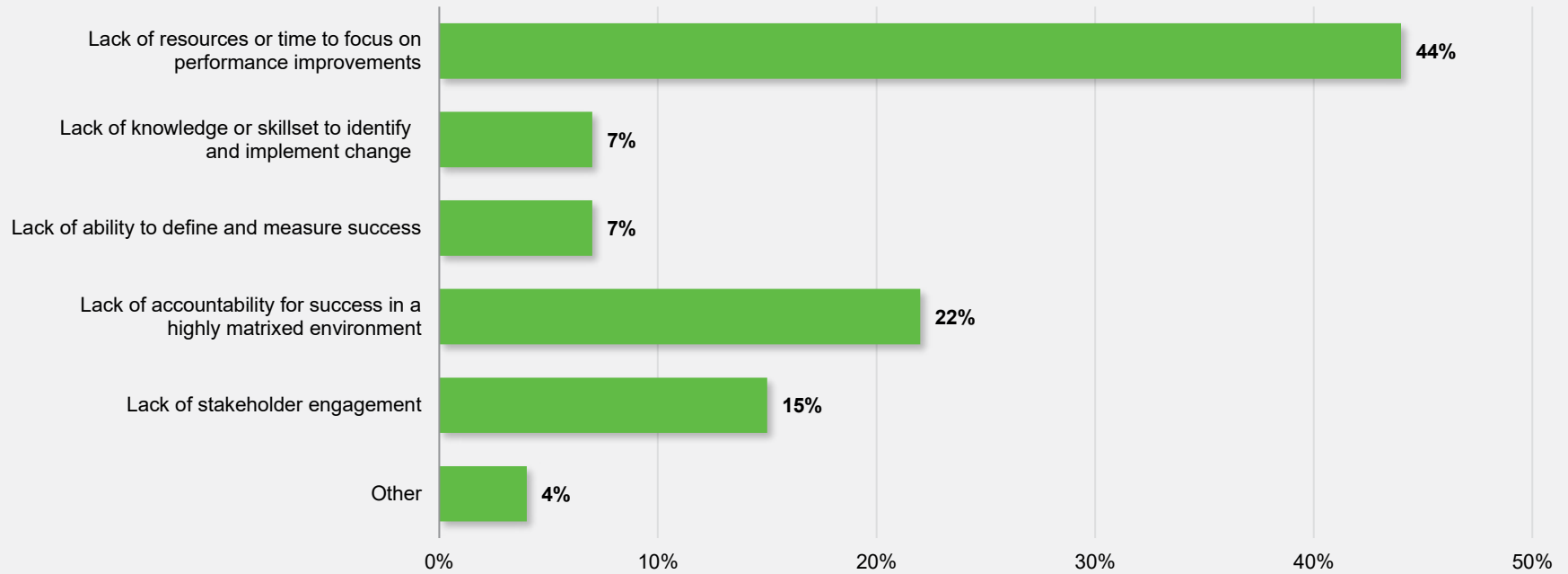
FIGURE 25: Does your organization consistently have an evolving portfolio of performance improvement initiatives that are aligned and integrated with the organization's overall strategic goals and objectives? Select one.





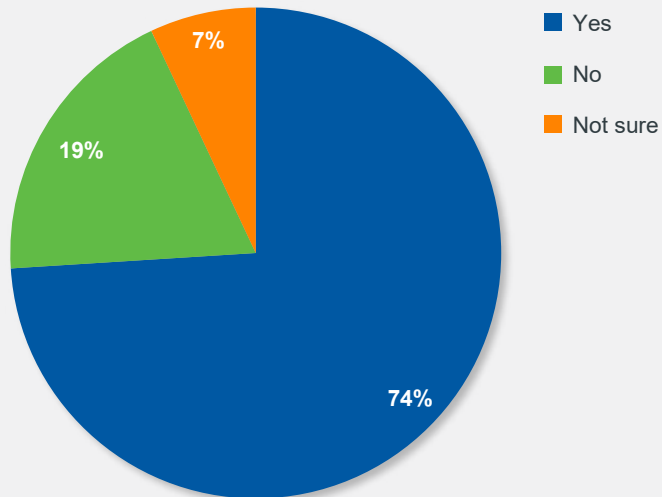
Project management (continued)

FIGURE 26: What is the single greatest barrier to successfully executing organizational performance improvement efforts? Select one.



Project management *(continued)*

FIGURE 27: Do you have a formal performance improvement infrastructure with a defined process, dedicated resources and tools? Select one.



Action Steps: Project management

- Establish a transparent governance structure with defined prioritization criteria tied to clinical, financial, compliance and operational impact.
- Standardize the Project Management Office (PMO) tools, templates and methodologies to improve project predictability, cross-team coordination and stakeholder visibility.
- Track and report meaningful metrics and use data to drive decisions.
- Build strong relationships between the PMO and clinical and operational leaders and act as collaborative partners.
- Invest in staff development and change management.

Balance sheet and treasury operations

Only 30% of respondents see cash balances as improving over the next 12 months, with 30% projecting lower levels and the remaining 40% seeing little change. The wide split highlights the relative uncertainty health systems have about the future, citing the competitive landscape; regulatory changes including the One Big Beautiful Bill, ACA tax subsidies and tariffs; reimbursement; and operational and workforce challenges. Interviewees say they've also slowed down on capital spending and are closely monitoring regulatory changes to Medicaid. Ensuring adequate access to external working capital solutions can help bolster liquidity, especially in times of uncertainty.

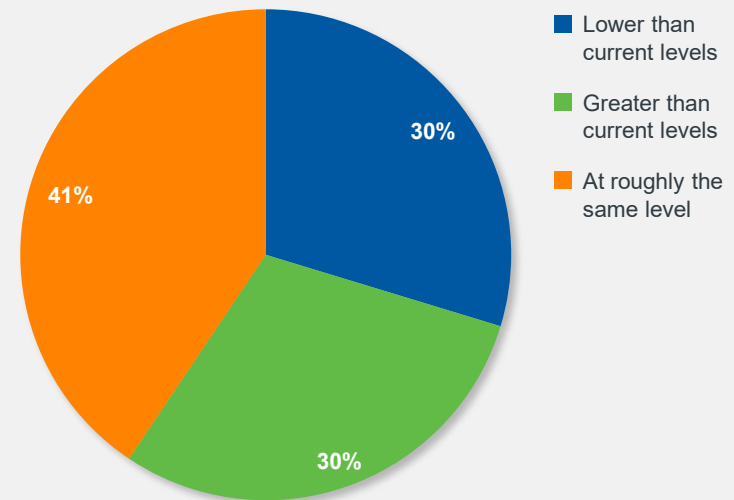
Treasury operations

When it comes to banking, 85% of respondents reported they have fewer than three operating banks. Heavy concentration in one or two banks introduces a high degree of counterparty risk to an operating environment—such as what many health systems experienced with Change Healthcare in 2024 or when Silicon Valley Bank collapsed—and could leave health systems with an inability to collect cash, make payroll or pay vendors. Health systems should diversify their portfolio and build in redundancy and contingency plans to guard against cyber-attacks and other potential threats.

Equipment lease management

Eighty-one percent of respondents say they have a centralized process for tracking and managing all equipment leases, but when managing those leases, 48% of respondents cite a lack of standardized lease terms as a significant challenge, 44% say other internal priorities have delayed

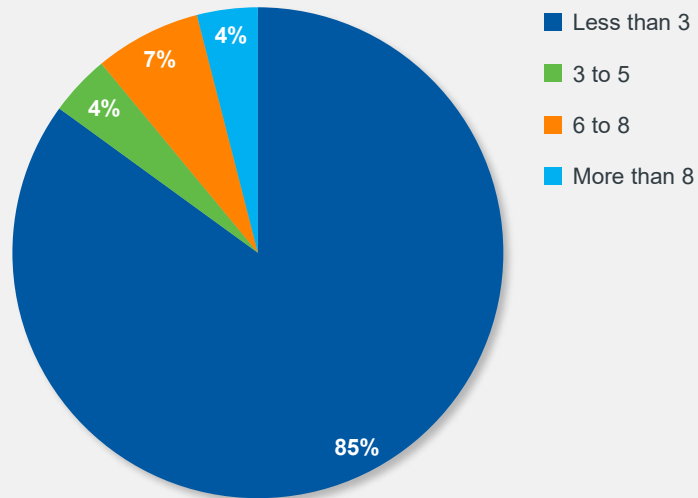
FIGURE 28: Where do you project operating cash balances to be over the next 12 months? Select one.





Balance sheet and treasury operations (continued)

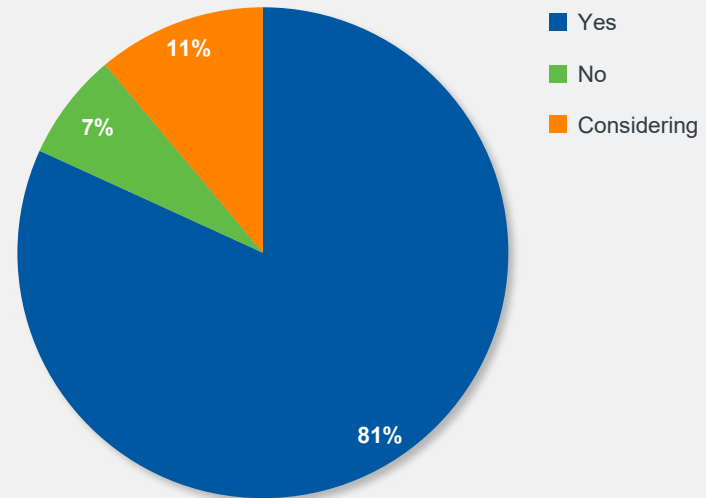
FIGURE 29: How many operating banks (depository holders and/or treasury services providers) do you maintain? Select one.



lease review and 33% have difficulties in tracking asset locations and usage—yet only 4% say they’re paying above-market rates.

The reality is that software alone won’t solve these challenges and the likelihood of paying above-market rates when facing a lack of standardized terms, delayed review or tracking issues increases.

FIGURE 30: Does your organization have a centralized process for tracking and managing all equipment leases? Select one.



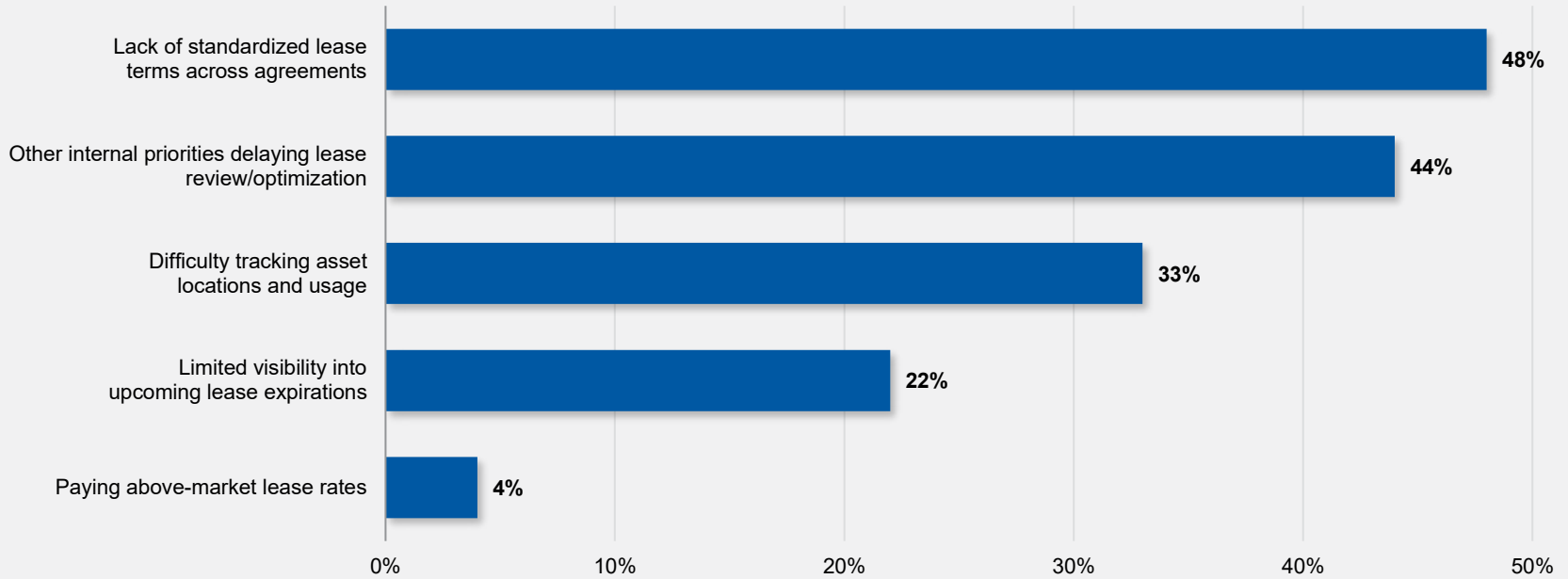
Health systems need both a software system and a reviewer to ensure these lease agreements and terms are managed properly.

Health systems also need to rationalize the number of counterparties they work with and ensure they’re negotiating the terms to fully understand the total cost of a product.



Balance sheet and treasury operations (continued)

FIGURE 31: Which of the following challenges have you experienced in managing your equipment leases? Select all that apply.





Balance sheet and treasury operations (continued)

Action Steps: Balance sheet and treasury operations

Treasury operations:

- Evaluate current state treasury banking providers to understand operational and financial improvement opportunities, taking into consideration creating a sustainable bank group.
- Assess the enterprise's layers of liquidity to ensure an efficient operating structure to maximize yield while maintaining adequate levels of operating cash.
- Implement comprehensive business continuity plans to ensure critical activities can be maintained during a substantial disruption and evaluate where redundancy can be leveraged to reduce overall risk.

Equipment leasing:

- Assess the current equipment lease portfolio. Conduct a deep-dive analysis to identify all lessor counterparties, key terms and conditions within each contract, and the total cost obligation associated with every lease.
- Review the existing capital equipment plan or develop one. Understanding which vendors will be used across major areas such as imaging, surgical or information technology will help inform which lessor counterparties are best aligned with your strategy.
- Select three to six preferred lessors and negotiate the Master Lease Agreement (MLA) terms and conditions and an equipment schedule template.
- Review transactions and lease schedules as they are executed. Ensure each new schedule complies with the negotiated template.
- Conduct portfolio-wide reviews on a biannual or annual basis. Confirm the portfolio is performing as expected and identify opportunities for continuous improvement.



Improvement insights

Interviews with a small group of survey respondents—representing a range of health system sizes and geographies—provided insights on how to optimize the success of performance improvement initiatives and adapt to a rapidly evolving healthcare environment.

Rising non-labor expenses: Across interviews, health system leaders described significant strain from rising non-labor expenses, including pharmaceuticals, supplies and technology investments. Tariffs emerged as a consistent contributor, prompting some organizations to question whether vendors are using tariff impacts to justify broader price increases. While many systems have been shielded temporarily by multi-year contracts that cap cost escalation, leaders noted that these protections are starting to expire, leaving hospitals exposed to rising baseline prices and unpredictable supply chain pressures.

To manage these increases, organizations are leaning heavily on group purchasing, vendor consolidation and value-analysis teams that reduce clinical supply variation. Several interviewees emphasized re-evaluating outsourced services including environmental services, nutrition, IT and biomed to determine whether consolidation or insourcing could unlock savings. Others are more aggressively challenging vendors on tariff-related price changes and scrutinizing whether increases are justified. These tactics are helping systems mitigate cost escalation—but leaders agreed that current trends signal a need for longer-term structural strategies.

“Nothing short of saying we have to reinvent our business model ends up being the answer.”

— Survey Respondent

Workforce recruitment, retention and optimization: Workforce instability surfaced as one of the most defining challenges for every organization interviewed. Leaders described significant pressure recruiting and retaining essential clinical staff—particularly nurses, CRNAs, surgical techs and behavioral health clinicians—while simultaneously attempting to optimize non-clinical roles. Many systems have raised wages, expanded signing and retention bonuses, adjusted staffing models and invested in engagement strategies to remain competitive in a labor market where alternative industries often offer similar or better pay with fewer demands.



Improvement insights (continued)

Interviewees highlighted the importance of optimizing the workforce—not just expanding it. Several organizations have benchmarked staffing levels, reduced overstaffing in support areas or reinvested savings into compensation for hard-to-fill clinical roles. Many systems are relying more heavily on APPs to expand access and build team-based care models. Leaders also underscored the importance of work-life balance, flexible scheduling, remote work options for non-clinical staff and a renewed emphasis on cultivating a culture of performance improvement. Across interviews, workforce strategy is not simply about filling roles, but rather, about rethinking how care teams function in a more constrained labor environment.

Access, capacity and payer reimbursement pressures: Every interviewee highlighted growing access and capacity constraints that prevent their organizations from seeing patients quickly, particularly in high-demand specialties and behavioral health. Leaders pointed to a combination of workforce shortages, limited scheduling flexibility and throughput challenges that slow patient flow. Many

systems are investing in strategies such as team-based care models, expanded hiring in high-need specialties, APP-led follow-up care and improved scheduling practices to reduce no-shows and fill last-minute cancellations. Others are working to expand community or regional capacity so that tertiary hospitals can focus on the most acute patients.

Payer reimbursement concerns—especially denials, Medicaid pressures and legislative uncertainty—layer added complexity onto these access challenges. Hospital and physician leaders described rising denial rates, slower payer response times and documentation gaps that complicate revenue capture. In response, organizations are strengthening front-end authorization workflows, expanding CDI initiatives, improving coding accuracy and forming joint operating committees with payers to troubleshoot recurring issues. Though many systems report small improvements, leaders agreed that sustainable progress requires structural payer changes, stronger advocacy and continued investment in denial prevention rather than downstream appeals.



About the report

This year's report was based on responses from 103 hospitals and health system leaders from across the country. Most respondents are in executive leadership (60%) or finance (16%) roles; operations and quality functions also are represented.

Interviewees' insights are distributed throughout the report. Virtually all the survey respondents (96%) are in single hospitals or hospital-based systems. The remaining respondents (4%) identified as being part of a health plan organization. Respondent organizations serve urban (36%), suburban (44%) and rural (20%) populations.

FIGURE 32: What best describes the type of entity where you work? Select one.

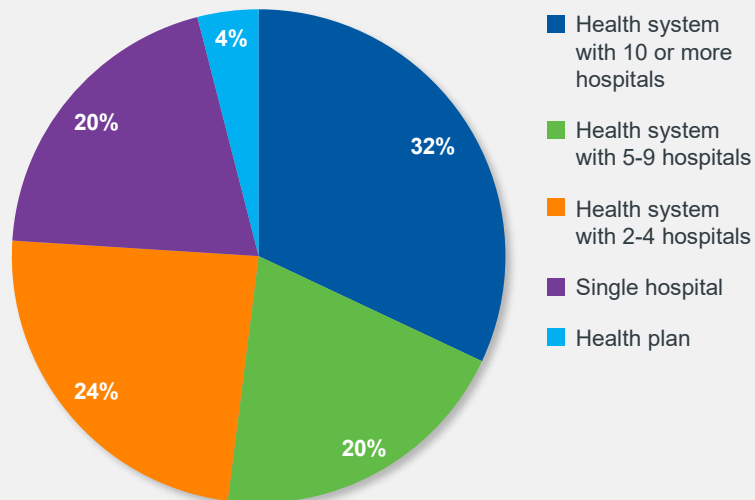
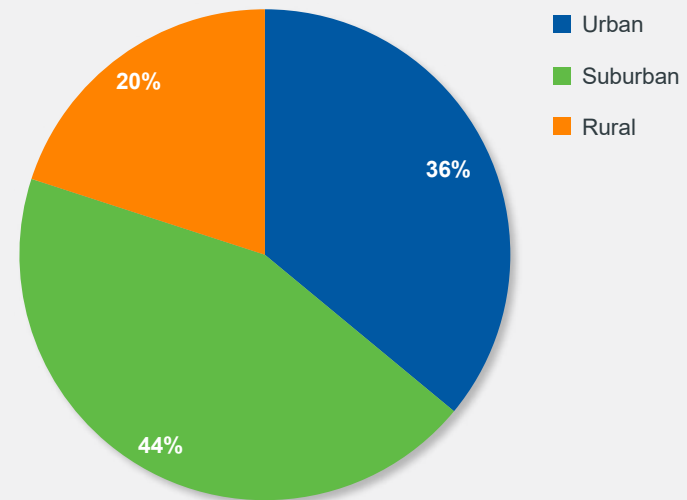


FIGURE 33: Which of the following best describes your market?





About the report (continued)

FIGURE 34: Which best describes your business discipline? Select one.

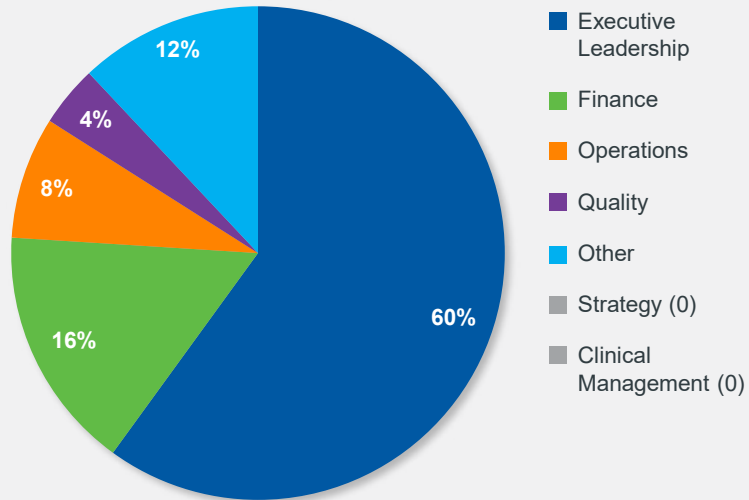
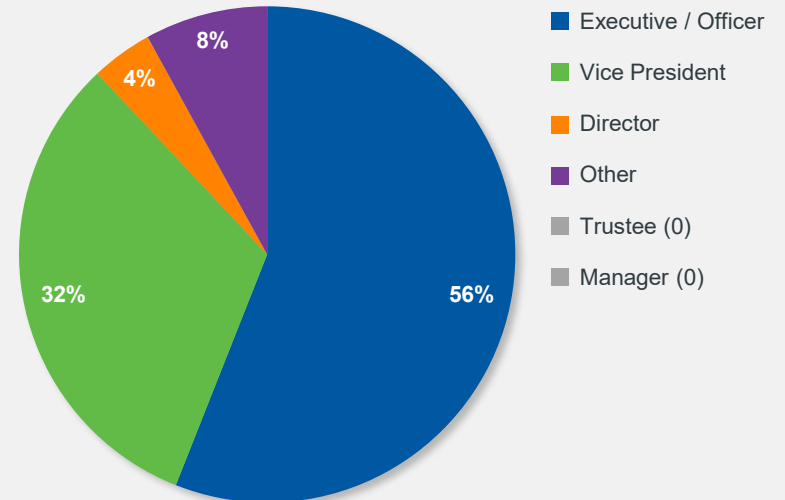


FIGURE 35: What is your role? Select one.



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