



EXECUTIVE INSIGHTS

State of the Medtech Customer Base: Insights From L.E.K.'s 2025 US Health System Executive Survey

Introduction

Every year, L.E.K. Consulting surveys hospital and health system executives to understand how their organizations are performing financially, what their purchasing behaviors are and how their strategies are evolving in response to market conditions. This current view, as well as a longitudinal perspective, offers medtech leaders a clear idea of how hospitals are positioned to invest, innovate and partner.

This year's results reflect a medtech hospital customer base that is navigating evolving policy and economic pressures. Tariff exposure and other federal health policies are weighing on hospitals' finances and investment decisions. At the same time, demand for new technology and services has not disappeared, but it is being reshaped by structural constraints and sharper prioritization.

In this article, we summarize what we heard regarding the state of the medtech customer base, including:

- Trends that medtech executives need to know about hospitals' evolving investment constraints and priorities
- How these dynamics are affecting spend outlook and purchasing expectations
- What actions medtech companies can take to stay competitive in this changing landscape

Key trends

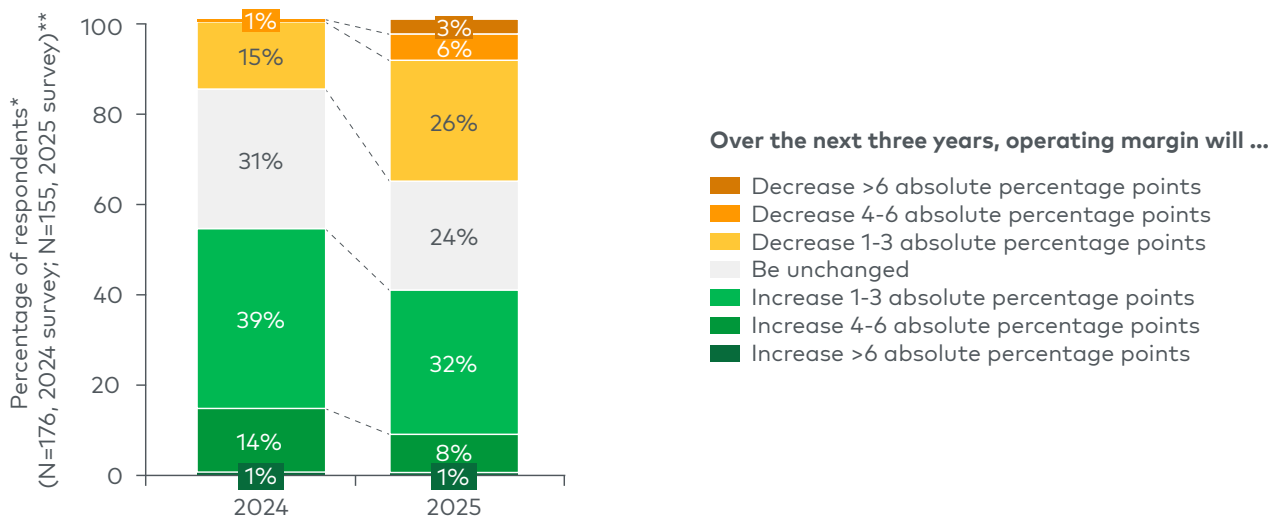
1. The financial divide

This year reveals a divided picture in terms of health systems' financial health. Approximately 50% report that their organization's financial position is solid or strong, and 50% report their financial position is constrained or at high risk. There is also a divide in liquidity, with more than half of respondents reporting that their system holds less than 180 days of cash on hand. A significant portion of the medtech customer base is therefore operating under financial strain, putting downward pressure on medtech companies.

Health systems also have a less optimistic outlook for operating margin growth than they did in 2024. The proportion of systems expecting margins to decrease more than doubled (see Figure 1).

Figure 1

Hospital/health system operating margin expectations over the next three years (2024; 2025)



*Survey question: How do you anticipate your [hospital/health system]'s operating margin will change over the next 3 years (through 2028 compared to 2025E)?
 **Respondents who answered "I don't know" were included in N above but excluded from analysis (1-3 system respondents, 0 independent hospital respondents)
 Source: L.E.K. 2025 Health System Executive Survey

These tempered outlooks reflect a challenging operating environment. Rising costs, tariff exposure and reimbursement uncertainty continue to weigh on hospital margins. Medicaid and Affordable Care Act funding/eligibility changes are expected to reduce covered lives, and potential 340B reform could further pressure income. For hospitals with thinner liquidity and more policy-sensitive payer mixes, these factors amplify risk and limit flexibility for investing in growth.

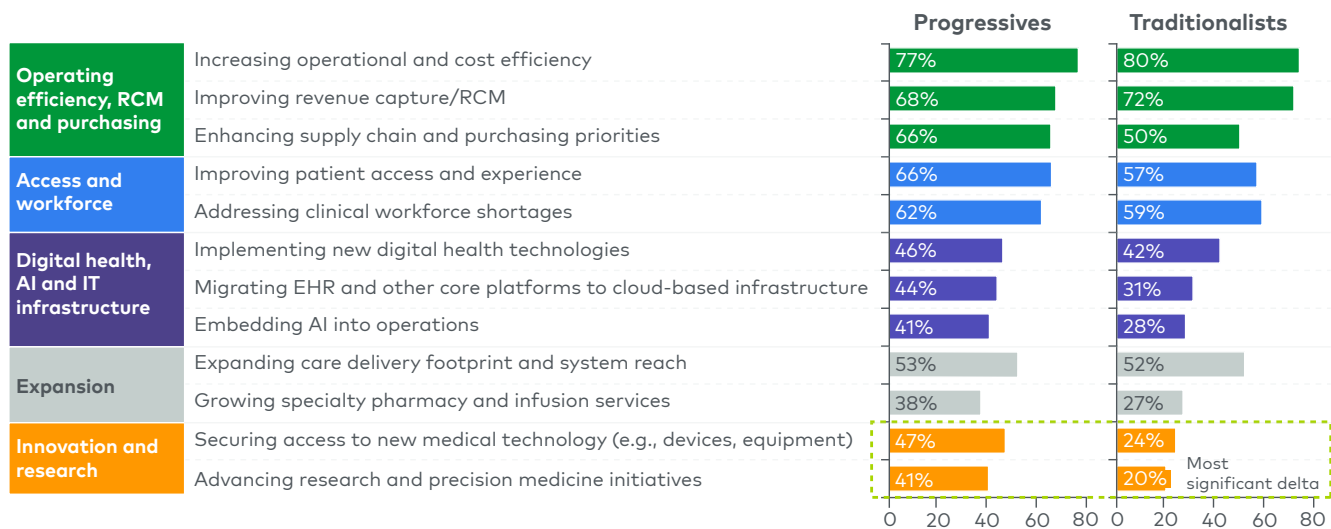
2. Operational and cost efficiency and revenue capture as top priorities

Despite differences in financial health, most health system leaders share a common set of top strategic priorities. Nearly 80% cite operational and cost efficiency as a top priority, while nearly 70% cite improving revenue capture, underscoring a sector-wide push to improve margin performance (see Figure 2). Supply chain resiliency and cost containment also rank high on the list. These priorities span both progressive systems, with diversified non-acute reach and more value-based participation, and traditionalist systems, whose footprints remain centered on acute, fee-for-service care.

Figure 2

Hospital/health system strategic priorities

Percentage of all respondents who answered 6 or 7, where 7 means "one of our top priorities"* (N=200)**



*Survey question: To what extent are each of the following goals strategic priorities for your [hospital/health system]? Scale: 1-7, where 1 means "not at all a priority" and 7 means "a significant/top priority"

**Respondents who answered "I don't know" were included in N above but excluded from the analysis

Note: RCM=revenue cycle management; AI=artificial intelligence; IT=information technology; EHR=electronic health record

Source: L.E.K. 2025 Health System Executive Survey

3. Continued investment in non-acute care sites

More than half of hospitals are also prioritizing expanding their care delivery footprint and system reach, particularly in primary and specialty care and ambulatory surgery centers (ASCs), highlighting the continued shift toward non-acute growth channels and diversified patient access. This continued migration reflects a structural shift in where medtech demand originates. ASCs and freestanding specialty centers require equipment that is smaller-scale, lower-cost and easier to operate. For suppliers, success will increasingly depend on tailoring product design, pricing and service models to these environments.

4. Focus on supply chain resiliency and cost reduction

Two-thirds of progressive systems and half of traditionalist systems identify supply chain and purchasing improvement as a top priority. Specifically, supply chain executives are focused on resiliency and cost containment. To increase resiliency, we expect leaders to dual source critical stock-keeping units where possible, preapprove substitutes and set forward-buy triggers for tariff or shortage risk. To reduce costs, we expect to see them consolidating redundant vendors, running competitive RFPs and leveraging GPOs and distributors more thoughtfully where those measures improve pricing and terms.

5. Divergence in approach to investment and innovation

Progressive systems are significantly more likely to prioritize several initiatives related to innovation and investment, including securing access to new medical technology, advancing research and precision medicine, embedding AI into operations, and growing their specialty pharmacy and infusion services.

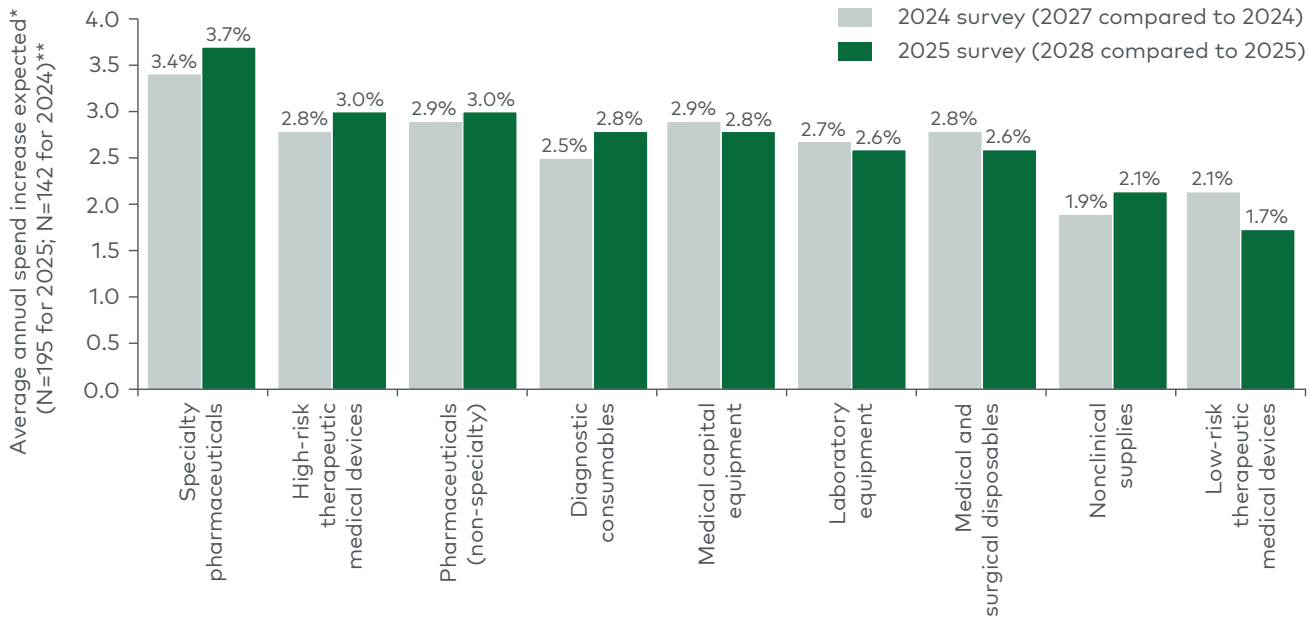
For medtech suppliers, this divergence matters. Innovation demand is increasingly concentrated among those with the scale, coordination and non-acute reach to adopt and integrate new technologies. Financially constrained and acute-centric systems, by contrast, are primarily focused on efficiency and cost control, adopting innovation selectively and focusing on solutions that directly improve efficiency or mitigate risk. As a result, growth for medtechs will come from deepening engagement with the systems best positioned to invest and influence broader market adoption. Deeper engagement can range from more personalized commercial discussions to product or workflow codevelopment, co-marketing partnerships and, in select cases, even joint ventures.

Spend outlook: Stability over expansion

Beyond strategic priorities, the survey also gauged hospitals' expectations for spending on medical supplies, devices and pharmacy. Most expect modest nominal growth of around 2%-4% per annum on average for most product categories (see Figure 3), translating to a stable or slightly contracting picture in real terms — evidence that spending discipline remains a defining feature of the market.

Figure 3

Medical supplies/devices and pharmacy spend expectations over the next three years relative to current



*Survey question: Please indicate your [hospital/health system]'s expectations for spending changes in medical supplies/devices and pharmacy over the next 3 years (through 2028) relative to today (2025)

**Weighted averages reflect respondent distribution across spend expectation categories; assumed annualized rates were -2% for "decrease" and 7% for "increase >5%," with all other categories represented at their midpoints
Source: L.E.K. 2025 Health System Executive Survey

This steady outlook persists despite ongoing tariff exposure, labor inflation and supply chain cost pressure – indicating that hospitals do not expect to absorb major price increases. Instead, they anticipate suppliers will share in cost mitigation, whether by absorbing tariff and input cost impacts or by managing device and supply pricing through contracting discipline, product standardization and sourcing efficiencies such as multiyear agreements or volume-based rebates.

For medtech companies, the implications are clear: Pricing leverage will stay limited, even as demand for clinically essential products holds steady. Hospitals will also look to features beyond clinical performance alone, increasingly assessing how products influence total cost and workflow efficiency. They will favor suppliers that guarantee continuity, offer substitution options and support product standardization. They will also value devices that capture structured data or integrate billable events in electronic medical records to improve coding accuracy and payment integrity.

Positioning medtech for success in this environment

The 2025 L.E.K. Hospital Survey highlights a customer base focused on financial discipline and selective innovation. For medtech executives, four imperatives stand out:

- 1. Lead with efficiency.** Clearly quantify and communicate how products lower total cost — through reduced procedure time, shorter staffing requirements or higher throughput — and integrate this message into commercial, marketing and clinical discussions.
- 2. Strengthen supply chain partnerships.** Collaborate with providers to reduce disruption risk and total cost. This may include premium programs for guaranteed supply continuity, collaborative forecasting or standardization frameworks that balance choice and efficiency.
- 3. Expand value-added services.** With average selling price pressure intensifying, build complementary offerings — such as workflow optimization support, staff training or digital integration services — that create measurable operational value.
- 4. Collaborate closely with innovation-oriented systems.** Medtech growth will increasingly depend on partnerships with providers that are actively shaping care models and technology adoption. Collaboration may include tailored commercial engagement, shared development of products or workflows, or broader strategic alliances.

In upcoming *Executive Insights*, we will explore how hospitals are continuing to expand into ambulatory and other non-acute sites of care, how they are deploying AI and digital tools to improve efficiency, and more.

To discuss these findings — and how your organization can position for success in this evolving environment — please **reach out** to our Medtech team.

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Note: AI was used to support the drafting of this article.

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