

2024 Hospital and Health System Executive Survey

*Key findings – priorities, strategies, and
implications*

October 7, 2024

DRAFT

These materials are intended to supplement a discussion with L.E.K. Consulting. These perspectives will, therefore, only be meaningful to those in attendance. The contents of the materials are confidential and subject to obligations of non-disclosure. Your attention is drawn to the full disclaimer contained in this document.



Health systems are pursuing consistent priorities with very different strategies; no single “correct” strategy exists, but L.E.K. has identified the traits of likely-successful systems over the next ~5 years

- 1 Health system priorities are centered around workforce, efficiency and quality; still, systems that can afford to, are pursuing a wide range of strategic initiatives, including the following (examples indicative and not reflective of a system's entire strategy):
 - A. Pursuing local market density and share (HCA, Memorial Hermann)
 - B. Expanding to geographies well beyond the core footprint (Advocate)
 - C. Emphasizing alternate sites of care (Tenet, Sutter, Corewell)
 - D. Monetizing internal capabilities, including technology, services and research (Mayo Clinic)
 - E. Focusing on the transition to care financing / VBC (Banner)
- 2 Though a challenging environment for smaller and more traditionally-oriented systems, we expect access will be maintained, and many will seek creative partnerships and mergers with better-positioned “progressives”
- 3 No single “correct” strategy exists – health systems, their capabilities and their market footprints are unique; this said, successful systems within this changing landscape will:
 - A. Possess a deep level of organizational self-awareness and widely understood purpose and strategy
 - B. Partner strategically to increase impact, access better capabilities and focus internal efforts
 - C. Look beyond the conventional provider landscape for partners and opportunities (i.e., participate actively in "swim lane hopping" and support other stakeholders in accessing the provider lane for mutual benefit)

Health system priorities are understandably centered around workforce, efficiency, and quality; however, systems that can afford to experiment are pursuing a wide range of strategic initiatives

1

Health system and hospital executive strategic goals*
(2024)

Average percent of all respondents who answered 6 or 7 out of 7, where 7 means “This is one of my [hospital / health system]’s top priorities”



Note: *Question: To what extent are each of the following goals strategic priorities for your [hospital / health system]? Scale: 1-7, where '1' means “This is not at all a priority” and '7' means “This is one of my [hospital / health system]’s top priorities”; **Respondents who answered “I don’t know” or “Other” were included in N above but excluded from the analysis (0-8 respondents per priority); ^^New strategic priorities were included in the 2024 Hospital Study Survey

Source: L.E.K. 2024 Hospital Study Survey

Building out service lines and expanding acute care footprint are top priorities for most health systems

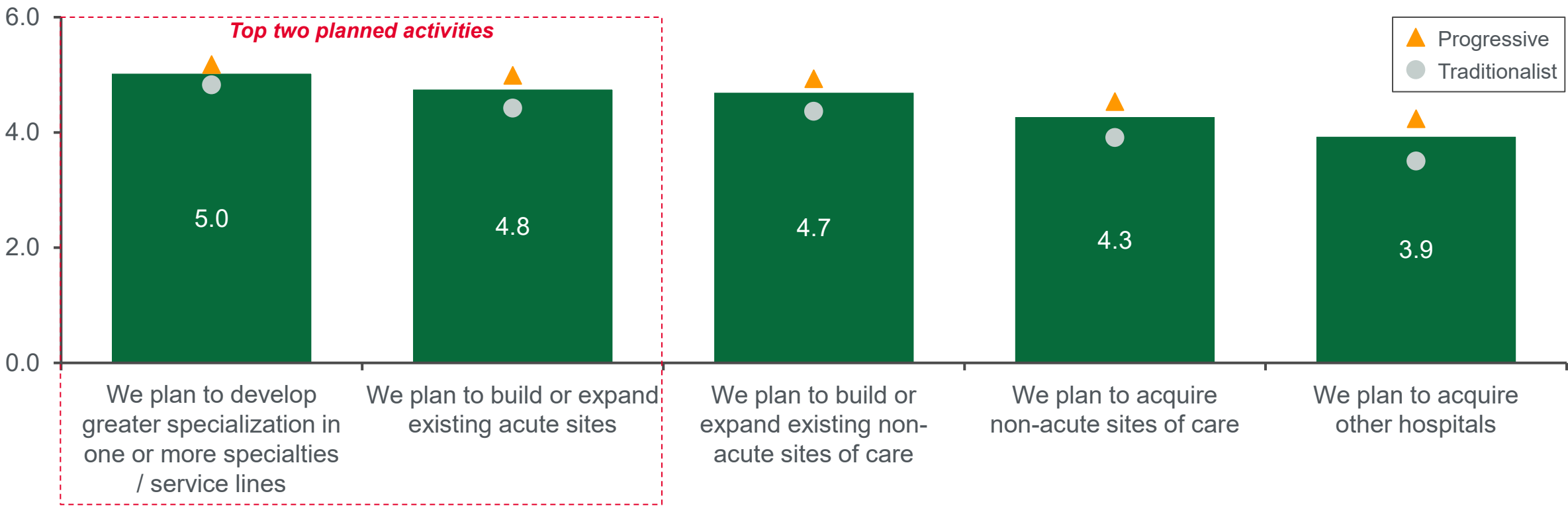
1

A. Pursuing local market density & share

Planned activities by hospitals / health systems over the next 3 years*

(2024)

Average response (1-7, where 7 = "Strongly agree") of non-supply chain C-suite / senior executive respondents (Progressives n=104, Traditionalists n=72)**



Note: *Question: Please rate the extent to which you agree or disagree with the following statements regarding your [hospital / hospital system]'s planned activities over the next 3 years; ** Respondents who answered "I don't know" were included in N above but excluded from the analysis (0-3 Progressives and 2-7 Traditionalists per statement)

Source: L.E.K. 2024 Hospital Study Survey

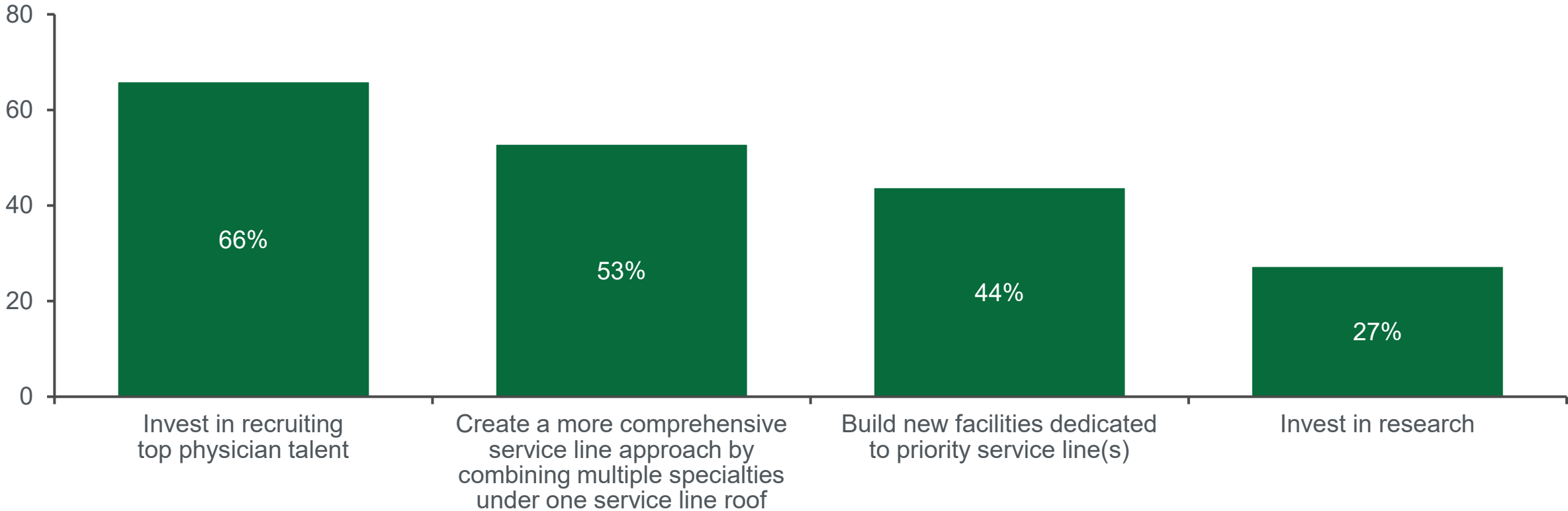
Beyond physician recruitment, health systems plan to gain share by organizing service lines in a more cohesive manner (rather than orienting around departments)

1

A. Pursuing local market density & share

Tactics to gain share in prioritized clinical services over the next 3 years* (2024)

Percent of non-supply chain C-suite / senior executive respondents who ranked response in their top 3 (n=176)**



Note: *Question: What, if any, tactics does your [hospital / health system] plan to pursue in the next 3 years (through 2027), to gain share in clinical service offerings you plan to prioritize? Please select up to three of the tactics you are most likely to pursue; ** Respondents who answered "None of the above" (14 respondents) were included in N above but excluded from the analysis

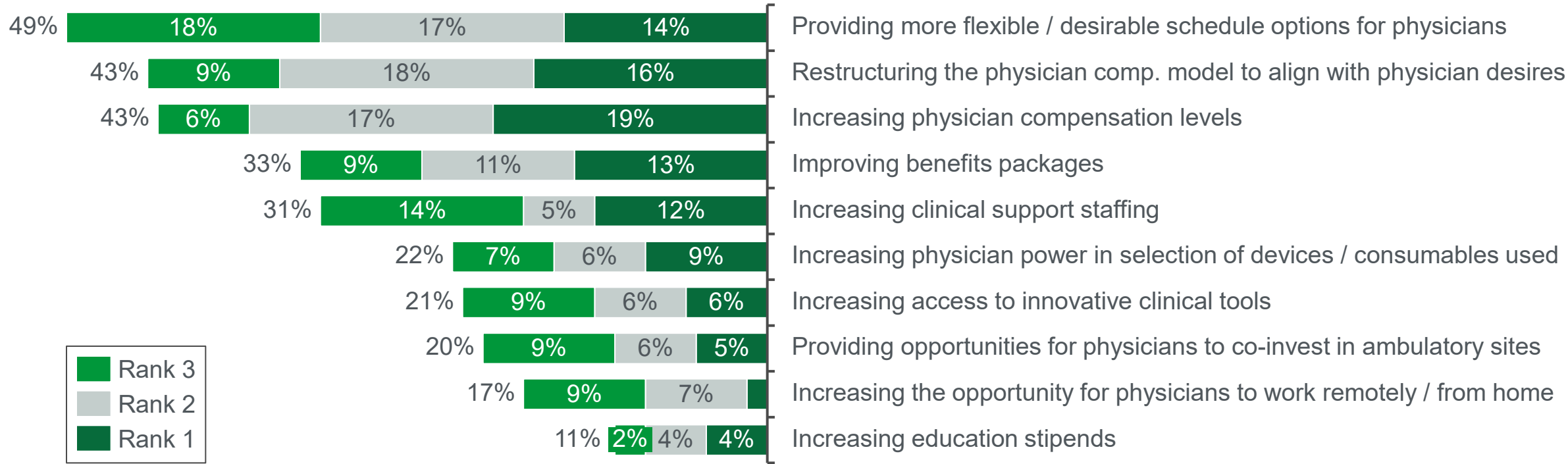
Source: L.E.K. 2024 Hospital Study Survey

Service line development and growth will be challenging in a highly competitive and supply constrained environment; health systems are planning to deploy a range of tactics to address this challenge

1 A. Pursuing local market density & share

Planned tactics to recruit and / or retain physician talent* (2024)

Percent of non-supply chain C-suite / senior executive respondents (n=141)**



Note: *Question: What tactics is your [hospital / health system] prioritizing to better position itself to recruit and retain physician talent? Please select up to 3 reasons in order of importance; **Supply chain / purchasing respondents were excluded from this analysis. Respondents who responded "Other" were excluded from this analysis (0-1 respondent per rank), and respondents who rated the retention of employed physicians / attraction of physicians <4 as strategic priorities (1 respondent) were not shown this question

Source: L.E.K. 2024 Hospital Study Survey

Recent mergers have joined organizations with significant distances between their core geographies

1

B. Expanding well beyond core geos.



Health systems are looking beyond core geographies

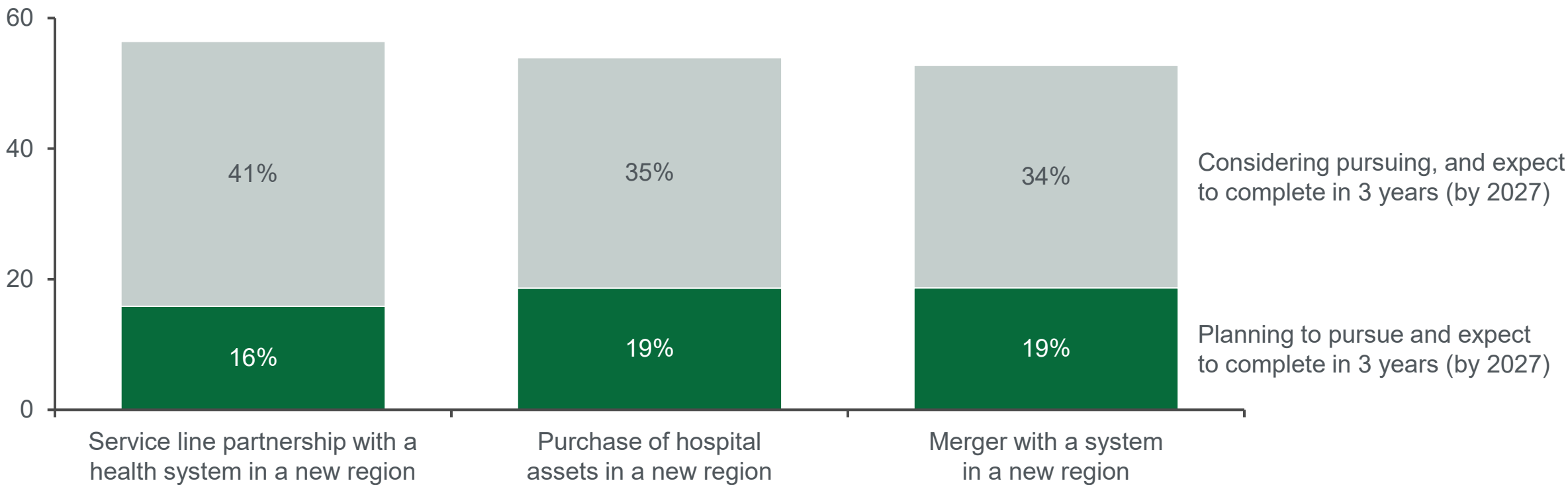
- IL based Advocate Aurora acquired NC based Atrium Health to gain access to new states
- CA based Kaiser Permanente subsidiary, Riant Health, acquired PA based Geisinger Health and NC based Cone Health
- NY based Northwell Health acquired CT based Nuvance Health
- Florida based Orlando Health acquired AL based Brookwood Baptist Health system from Tenet

Our survey indicates that we should expect to see more of this activity, even though the benefits of these combinations are yet to be proven

1 B. Expanding well beyond core geos.

Planned expansion activities by hospitals / health systems over the next 3 years*
(2024)

Percent of non-supply chain C-suite / senior executive respondents (n=176)**



Note: *Question: Which of the below mergers & acquisitions / joint ventures/partnerships do you expect your [hospital / health system] to pursue in the next 3 years (2027); ** Respondents who answered "I don't know" were included in N above but excluded from the analysis (5-10 Progressives and 10-15) Traditionalists per statement)

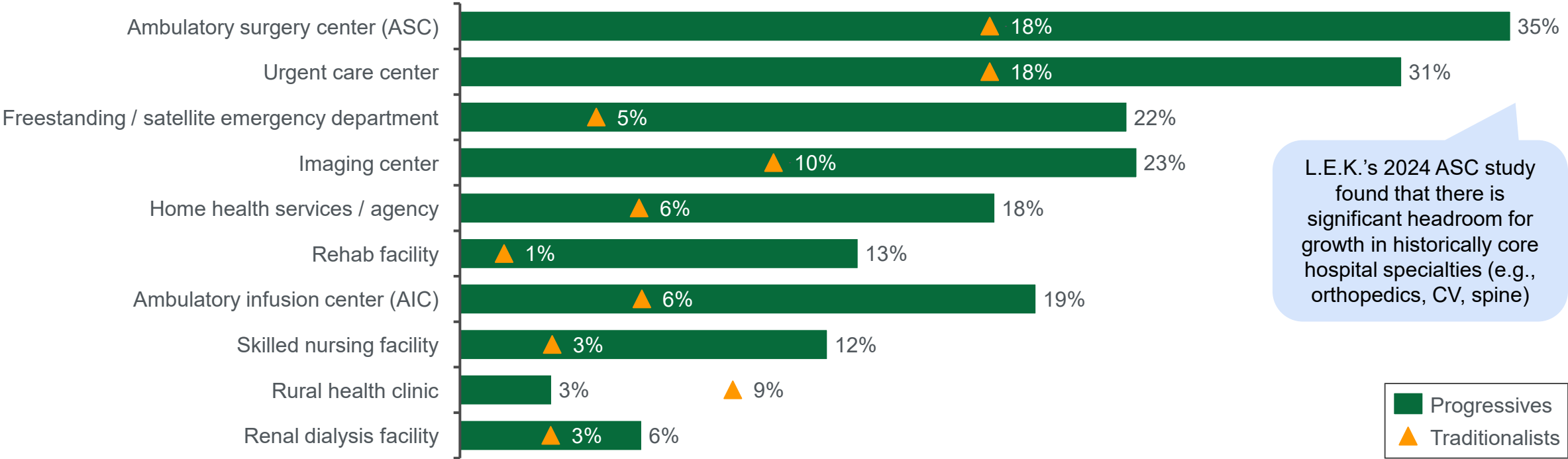
Source: L.E.K. 2024 Hospital Study Survey

Many health systems expect to significantly expand their ASC, urgent care / FSED, and imaging center footprints over the next 3 years

1 C. Emphasizing alternate care sites

Top 10 non-acute care site investment areas over the next 3 years*, excluding physician office locations (2024)

Percent of non-supply chain C-suite / senior executive respondents selected 6/7 minus percent selected 1/2, where 7 = “We expect to increase our footprint / number of facilities significantly” and 1 = “We expect to decrease our footprint / number of facilities significantly) [n= 176]**



Note: *Question: Across the following sites of care, what are your expectations when considering potential investment priorities for your [hospital / health system]'s footprint / facility growth (either through expansion of existing assets or new assets) in the next 3 years (2027)?; **Respondents who answered “I don't know” were excluded from the analysis

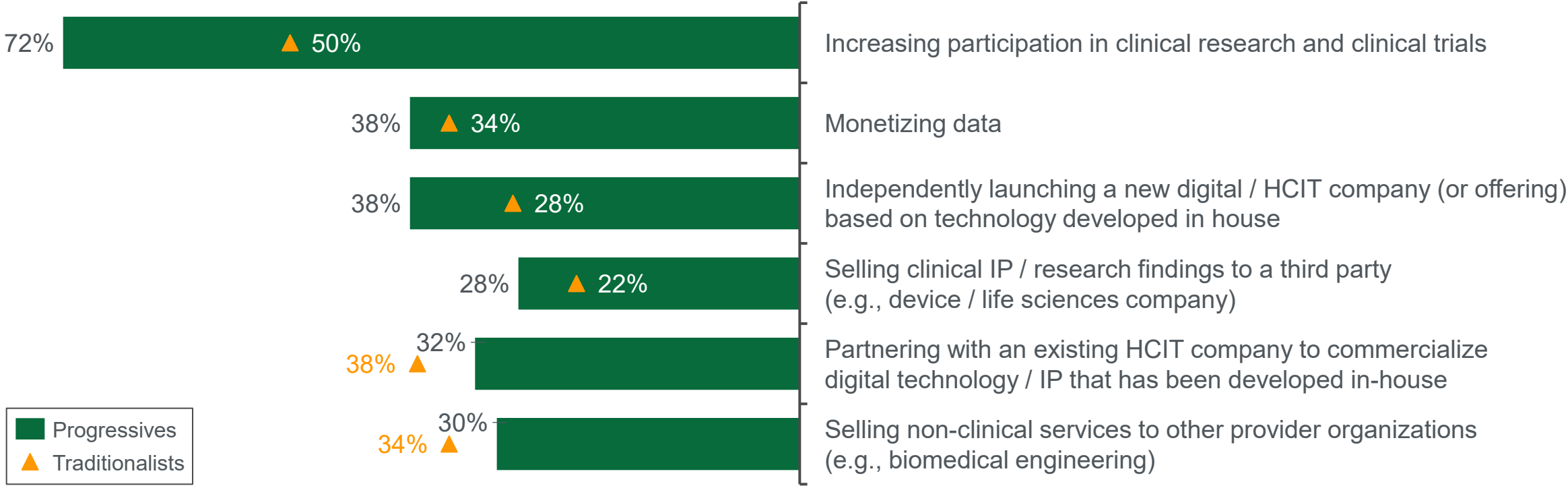
Source: L.E.K. 2024 Hospital Study Survey

Some systems are seeking to significantly expand their presence in clinical trials, monetize their data, and launch new businesses – technology and services

1 D. Monetization of internal capabilities

Prioritized non-clinical revenue streams over the next 3 years (2027)* (2024)

Percent of non-supply chain C-suite / senior executive respondents ranking among top 3 priorities (n=79)**



Note: *Question: What sorts of non-clinical revenue streams do you expect your [hospital / health system] will prioritize over the next 3 years (by 2027)? Please select at least one and up to five activities you are most likely to prioritize, in order of priority ; **Supply chain / purchasing respondents were excluded from this analysis. Respondents who rated "monetizing clinical developments" <6 as a strategic priority were not included in this analysis

Source: L.E.K. 2024 Hospital Study Survey

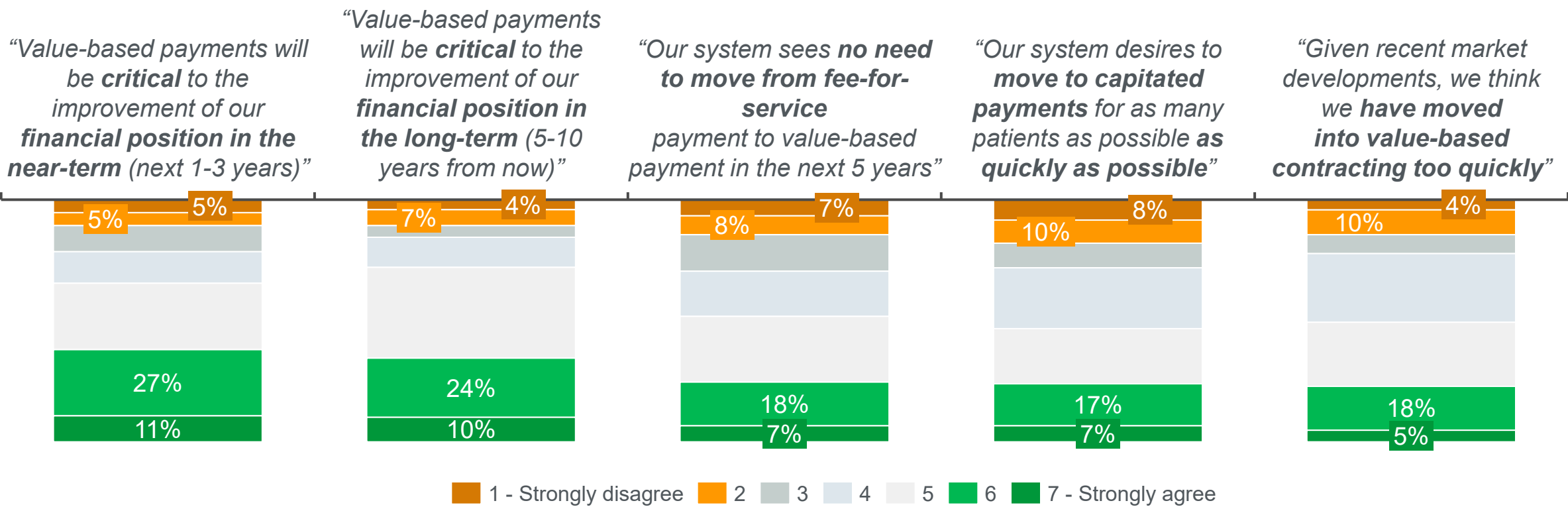
Value-based contracting continues to elicit mixed responses, but some systems are continuing to push rapidly into care financing

1

E. Focusing on progressive payment models

Health system executive perceptions on value-based contracting (2024)

Percent of non-supply chain C-suite / senior executive respondents (n=176)

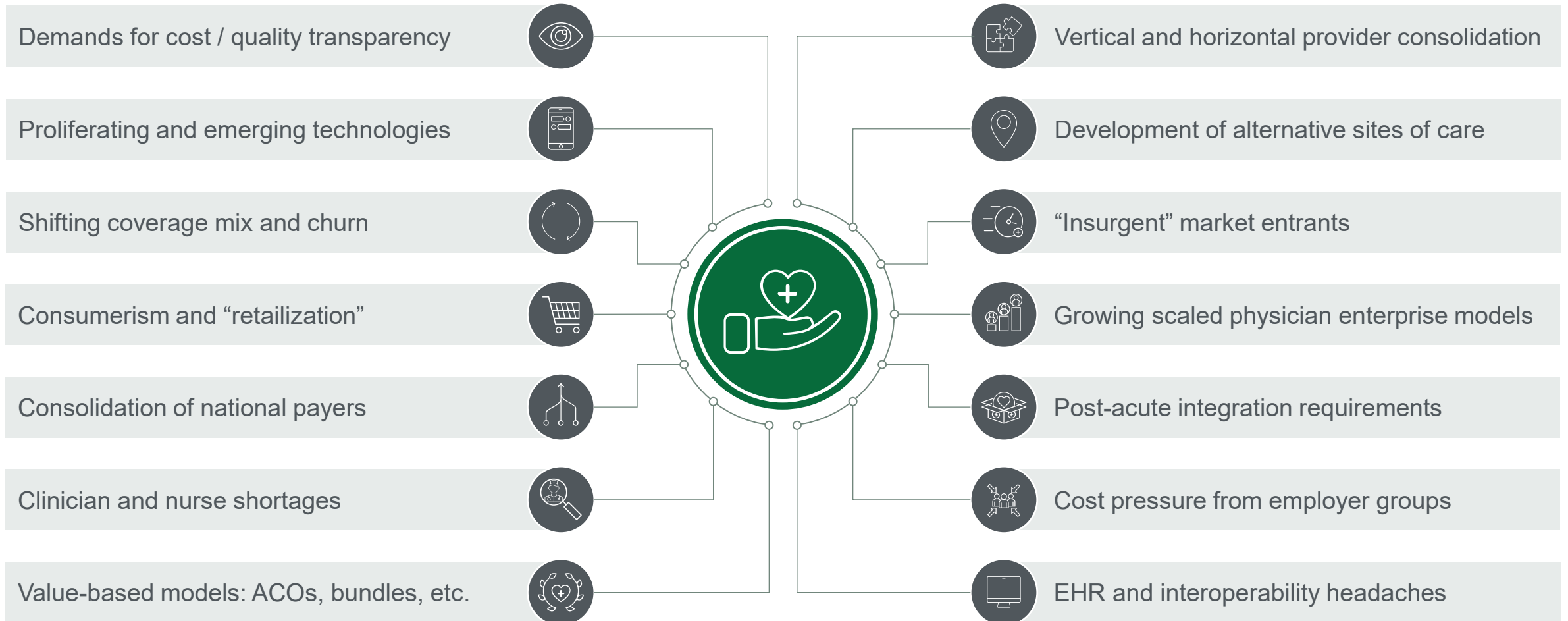


Note: *Question: To what degree do you agree with the following statements regarding your [hospital / health system]'s views of value-based care?
Source: L.E.K. 2024 Hospital Study Survey

The overall environment for health systems continues to be riddled with significant challenges

2

NOT EXHAUSTIVE

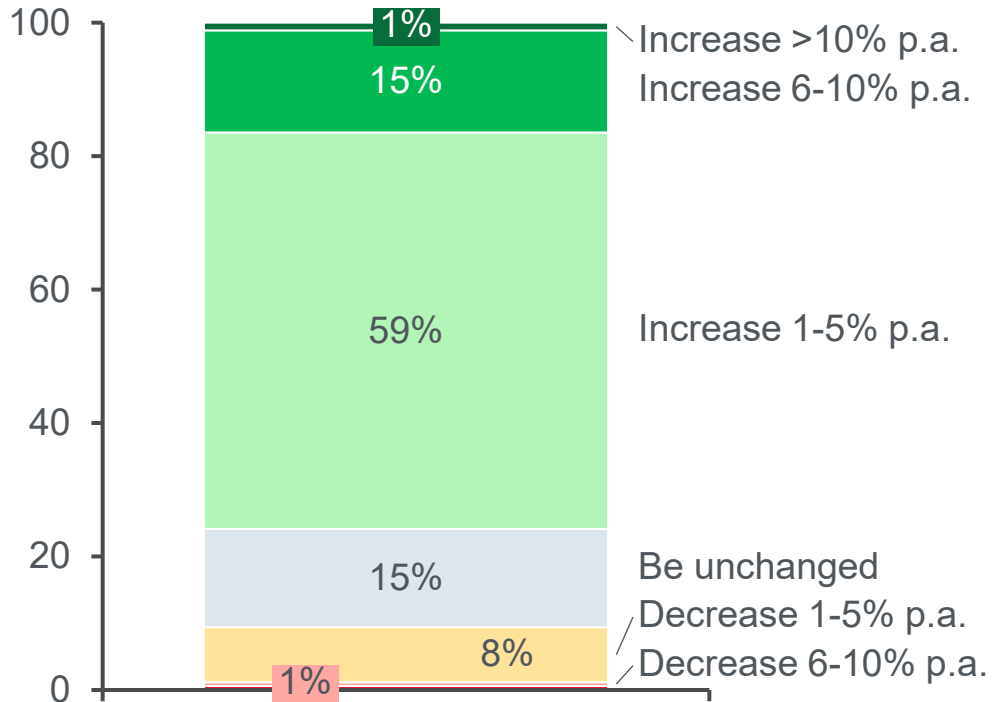


Optimism appears to be growing among many health system executives, but some see declines ahead

2

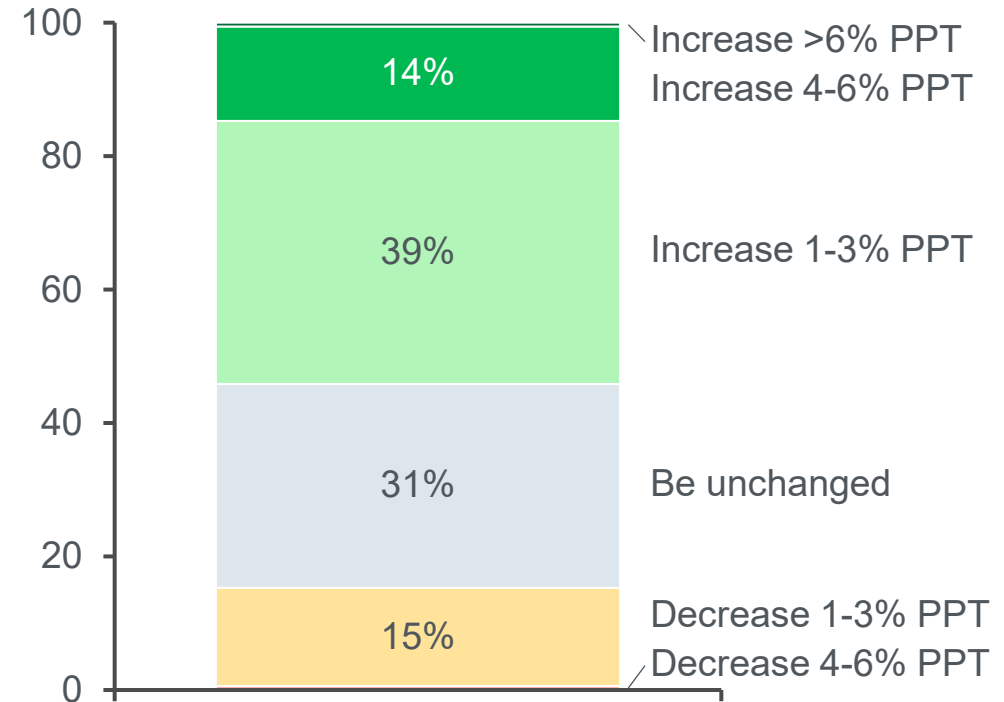
Over the next 3 years, our revenue will...* (2024)

Percent of C-Suite / executive respondents (n=176)**



Over the next 3 years, our operating margin will...^ (2024)

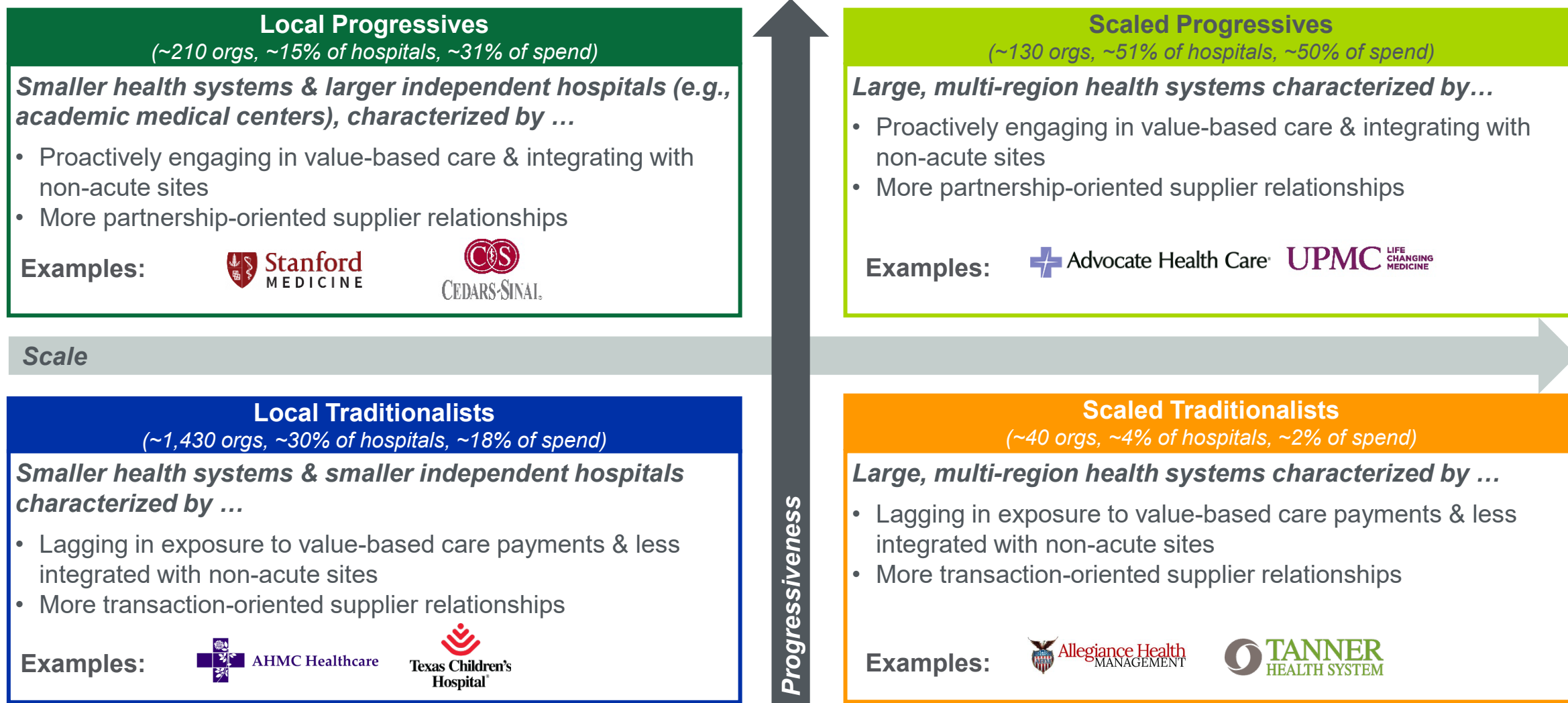
Percent of C-Suite / executive respondents (n=176)^



Note: *Question: How do you anticipate your [hospital / health system]'s revenue will change over the next 3 years (through 2027)?; **Respondents who answered "I don't know" were included in N above but excluded from the analysis (1-3 system respondents, 0 independent hospital respondents); ^ Question: How do you anticipate your [hospital / health system]'s operating margin will change over the next 3 years (through 2027)?; ^^ 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. 2024 Hospital Study Survey

In our experience, this sentiment is well predicted by a system's scale and "progressiveness"

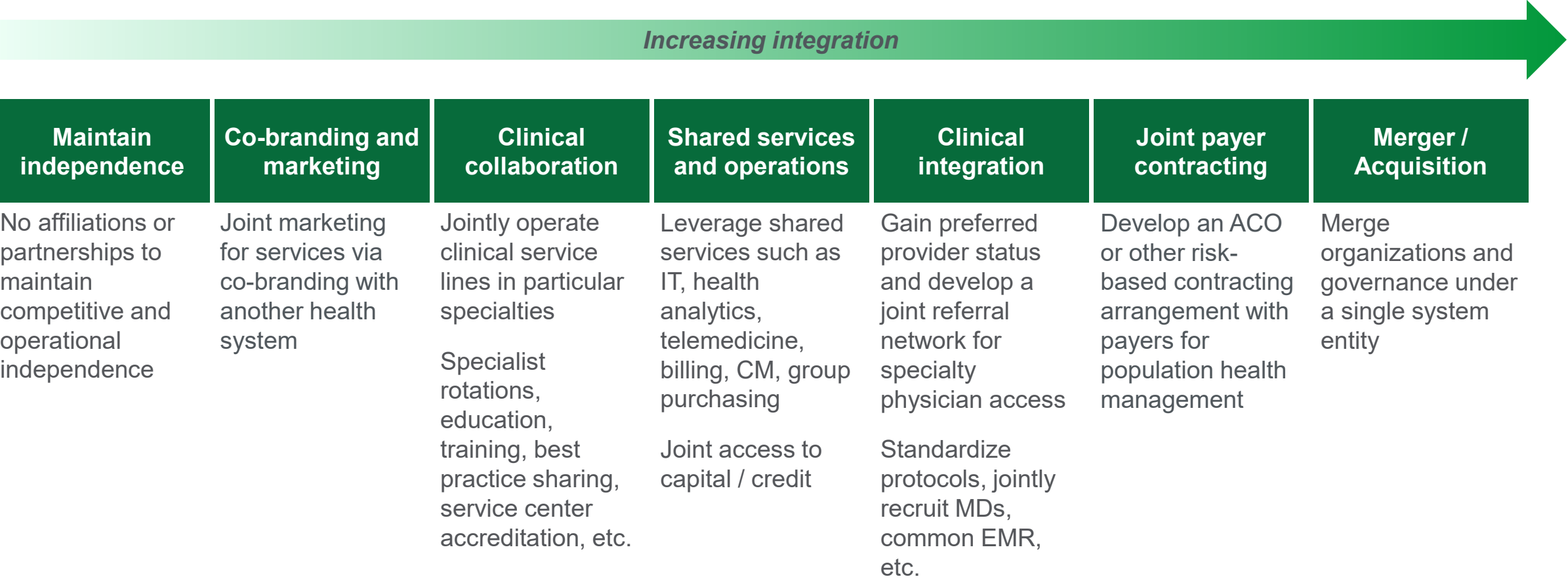


Source: Provider Pulse; L.E.K. research and analysis of American Hospital Association (AHA) and Definitive Healthcare (DHC)

We expect this will continue, but access will be maintained as many challenged traditionalists seek creative partnerships and mergers with better-positioned “progressives”

2

Partnership / integration models available to challenged traditionalists



There is no single “correct” strategy to pursue, but systems that are most successful within this changing landscape will:

3

Possess a deep level of organizational self awareness

Including a widely held understanding of their market(s), their mission and goals, and strategy (and the enablers of that strategy)

A

Partner strategically

To increase their impact, access better capabilities, and focus internal efforts

B

Look beyond the conventional provider landscape

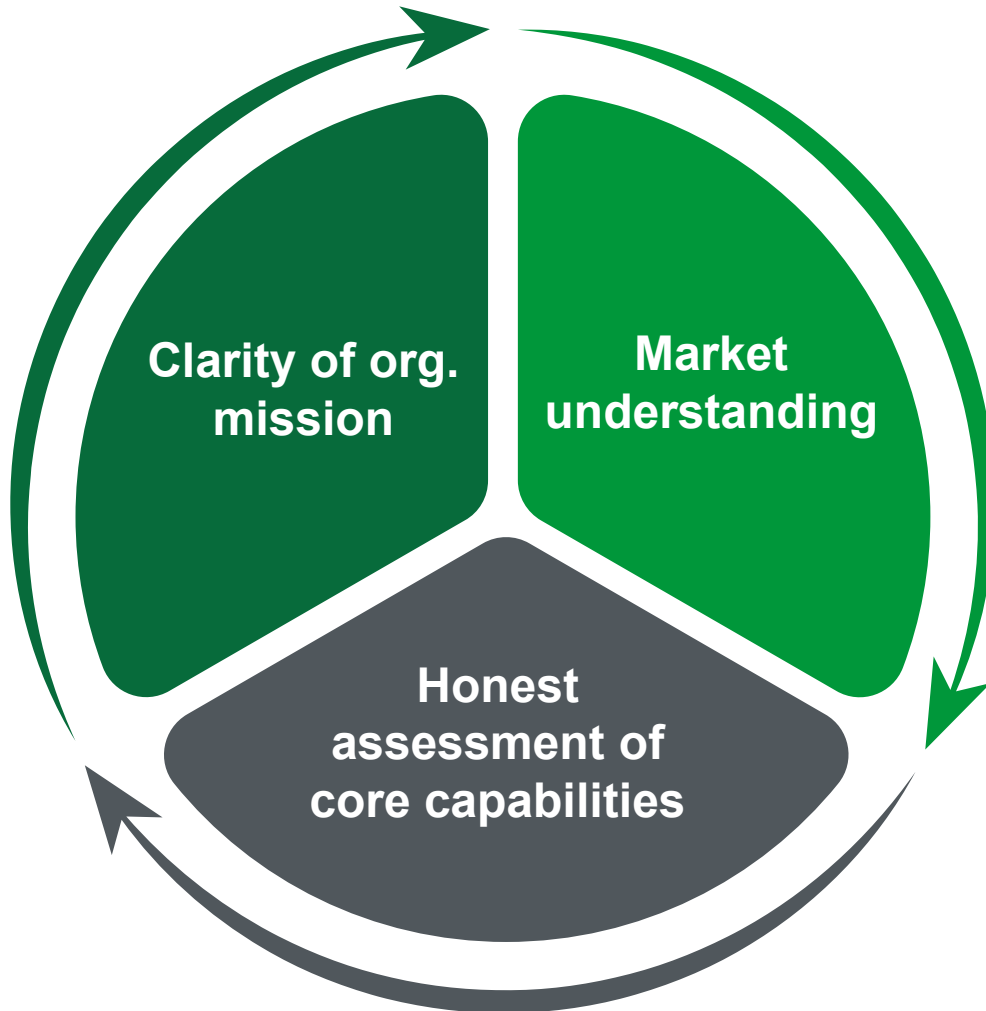
In identifying partners and opportunities (participate actively in ‘swim lane’ hopping and support other stakeholders in accessing the provider lane)

C

A well-articulated strategy based on deep self awareness is essential to the success of any system

3

A. Deep organizational self awareness



Clearly define the organization's mission and goals



Develop a nuanced understanding of key markets and the organization's differentiators



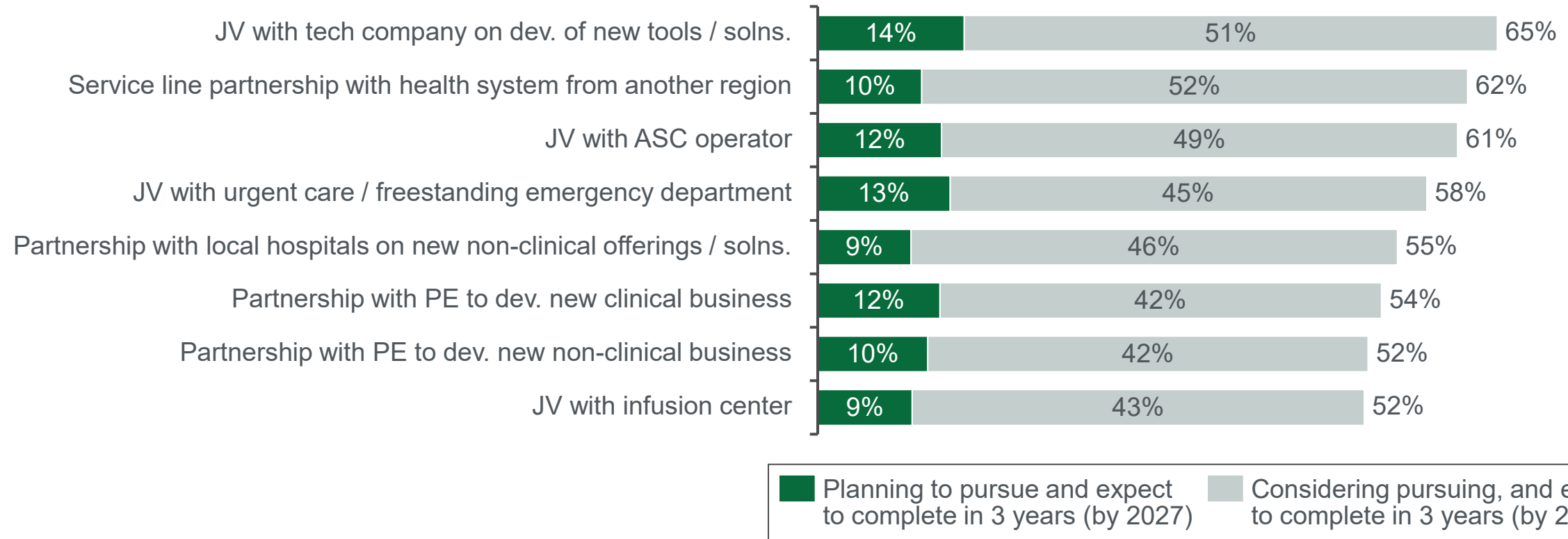
Critically assess the organization's capabilities to identify strengths and areas for improvement in core functions

JVs and partnerships are expected to underpin execution of strategic priorities for many systems

3 B. Extensive partnerships

Planned M&A / JVs / partnerships by hospitals / health systems over the next 3 years* (2024)

Percent of non-supply chain C-suite / senior executive respondents (n=176)**



Note: *Question: Which of the below mergers & acquisitions / joint ventures / partnerships do you expect your [hospital / health system] to pursue in the next 3 years (2027)?; ** Respondents who answered "I don't know" were included in N above but excluded from the analysis (12-23 per M&A / JV / partnership type)

Source: L.E.K. 2024 Hospital Study Survey

Traditional healthcare organizations’ ‘swim lanes’ – payer, provider, and vendor, are breaking down; successful systems will participate in this trend – offensively, and defensively

3 C. Wide aperture for partnerships

EXAMPLES ONLY

Increasing competition and entrants in the care delivery landscape



Source: L.E.K. research and analysis

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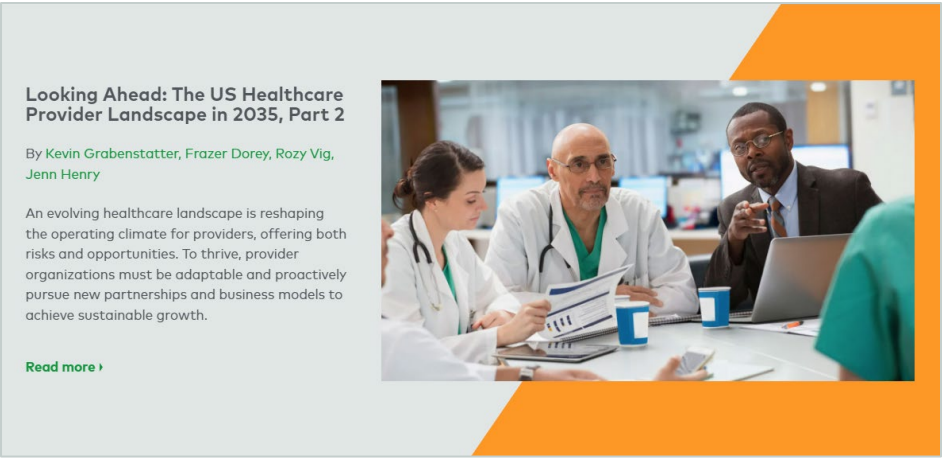
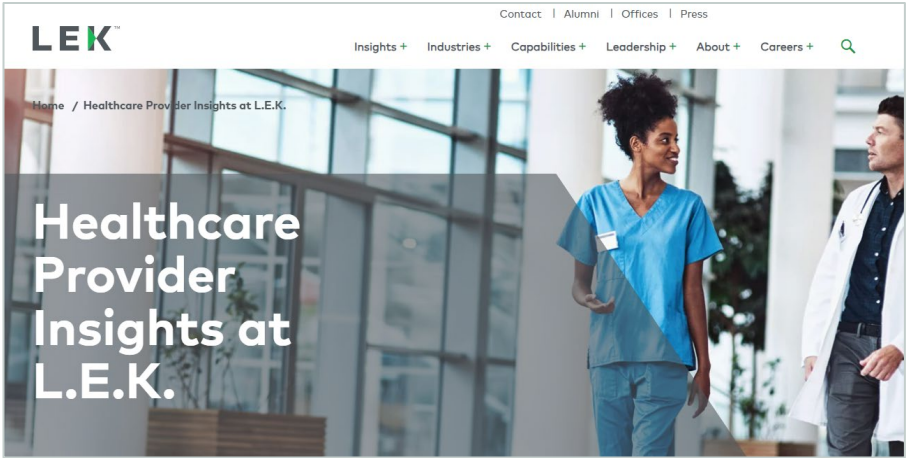


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