



EXECUTIVE INSIGHTS

Removing Barriers to Healthcare Growth: Leveraging Strategic Review to Address Constraints

Key takeaways

1. An organisation-wide review, encompassing clinical services and support functions, often reveals key inefficiencies and missed opportunities for expansion.
2. Activity-based costing (ABC) and zero-based budgeting (ZBB) provide the granular insights needed to differentiate between essential and expendable services.
3. Strong cooperation between clinical leaders and operational/financial stakeholders is key to successfully implementing any necessary changes.
4. Underperforming services can be restructured through partnerships, consolidation or rightsizing to maintain patient access while reallocating resources for core growth.

Healthcare organisations face increasing pressure to optimise operations, expand access and enhance patient outcomes against a backdrop of changing regulations, tariff pressures and evolving patient needs. For multi-service healthcare providers — often juggling multiple specialties, facilities and care delivery models — identifying and resolving constraints that hinder core service growth is critical to clinical excellence, operational performance and financial sustainability.

This *Executive Insights* draws on L.E.K. Consulting's recent project experience to illustrate how a structured strategic review can uncover underperforming or non-contributory services and streamline clinical support functions and overheads.

Beyond merely cutting costs, a strategic review lets healthcare organisations redeploy resources where they are needed most, improve care pathways and deliver a better patient experience.

Context and analysis

For many healthcare providers, constrained resources — clinical workforce shortages, insufficient facility space and tight budgets — can hamper the development of core services. This was especially true for one large healthcare network we advised, where loss-making service lines eroded profitability and impeded much-needed investments in higher-value clinical areas.

A comprehensive strategic review uncovered multiple non-contributory or underperforming service lines and under-optimised support functions. Taken together, these areas diverted resources away from promising growth segments, leading to inefficiencies and hindered patient outcomes.

Approach

A structured methodology — tailored to the complexities of both clinical operations and administrative services — is critical for sustainable improvements. This involves establishing clear financial visibility, identifying underperforming areas and aligning resources with the organisation's strategic priorities.

Care delivery

A key first step is to establish a financial baseline using activity-based costing (ABC). Shared cost centres — such as pharmacy, imaging, operating theatres and wards — often obscure the financial contribution of individual services. ABC clarifies how each service line contributes to overall margins, helping to identify high-impact areas for strategic reallocation or redesign.

Once financial clarity is established, the next step is to review improvement potential by assessing demand, patient needs, market opportunities and performance gaps. This holistic perspective allows organisations to determine which service lines should be repositioned, reinvested in or discontinued. Making these data-driven decisions ensures that brand equity is preserved while strengthening the hospital's long-term market position.

Some further steps healthcare providers can take to improve care delivery include:

1. Strengthening revenue streams

- Enhancing scheduling, patient experience and follow-up processes to improve patient throughput
- Addressing inefficiencies in internal and external referrals to reduce patient leakage and improve resource utilisation
- Reviewing physician incentives to align with quality, productivity and patient experience objectives

2. Optimising resource allocation

- Assessing potential volume reallocation, specialisation and efficiency improvements
- Optimising theatre utilisation, reducing average surgical times and shifting minor surgeries to procedure rooms to enhance efficiency.
- Improving inpatient ward organisation through better coordination with operating theatre and admissions teams, aligning staffing levels with demand, and actively managing patient length of stay.

Care support

Beyond clinical operations, optimising administrative and support functions is essential to reducing inefficiencies and reallocating resources effectively. A zero-based budgeting (ZBB) review provides a structured approach to evaluating support services from the ground up. This method helps eliminate redundant processes, redeploy staff and identify opportunities for outsourcing non-core functions.

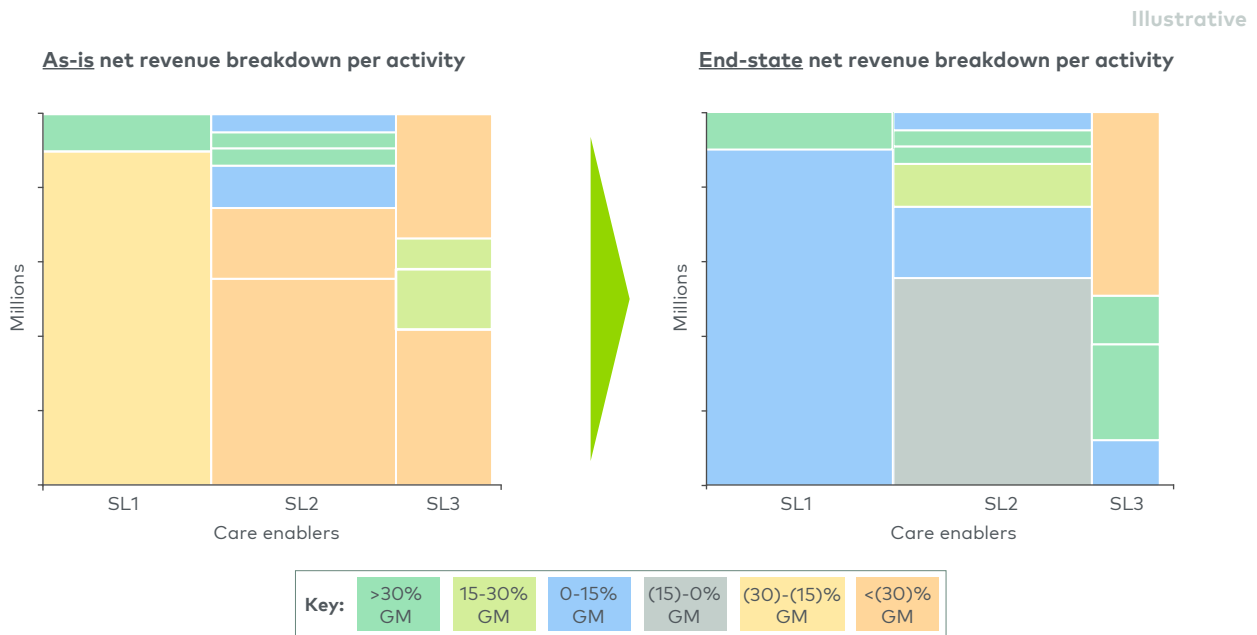
A ZBB review should address key questions such as:

- Are we doing the right thing?
- Are we using the right resources?
- Do we need to evolve our ways of working and care models?

By systematically reviewing these areas, organisations can streamline administrative tasks, increase utilisation of critical staff and reduce non-value-adding expenses (see Figure 1).

Figure 1

Zero-based budgeting enables a clear view of your as-is state and the impact of improvements



Note: GM=gross margin, SL=service line

Source: L.E.K. research and analysis

Some growth opportunities include:

- **Optimising group vs site-level overheads:** Centralising support functions such as finance, HR and administrative tasks helps reduce duplication and frees on-site teams to focus on activities that add value.
- **Embracing digital and AI-driven solutions:** Quick wins include implementing generative AI for call-centre interactions (automating scheduling and routine enquiries), AI-enabled physician scribes to handle documentation and mobile platforms for real-time data capture.
- **Supply chain management:** Consolidating procurement and centralising stock management can cut costs, reduce on-site storage needs and improve overall resource utilisation.
- **Outsourcing non-core functions:** Third parties can often handle facilities management, biomedical equipment maintenance and transaction services (e.g. call centres, billing) more cost effectively.
- **Simplifying, standardising and digitising medical records:** Reducing reliance on paper records minimises workload for administrative teams, consolidates storage needs and improves retrieval times, ultimately enhancing patient care and operational efficiency.

Success factors

Achieving meaningful improvements requires balancing financial, operational and clinical considerations.

A dual approach is essential for aligning with stakeholder priorities. Findings and recommendations should be tailored to different audiences — financial stakeholders, for instance, may focus on ward workforce optimisation, while clinical leaders prioritise nurse-to-bed ratios. Effective communication across these groups fosters acceptance and smoother project execution.

Strong clinical buy-in is also crucial to ensure alignment. While increasing outpatient and inpatient volume may be straightforward, operational changes require deeper collaboration. Additionally, success should be measured not just through financial outcomes but also through improvements in the patient pathway.

Enhancements such as streamlining reception and pre-registration processes, optimising bed discharge procedures and expediting admissions contribute to improved patient experience and higher throughput.

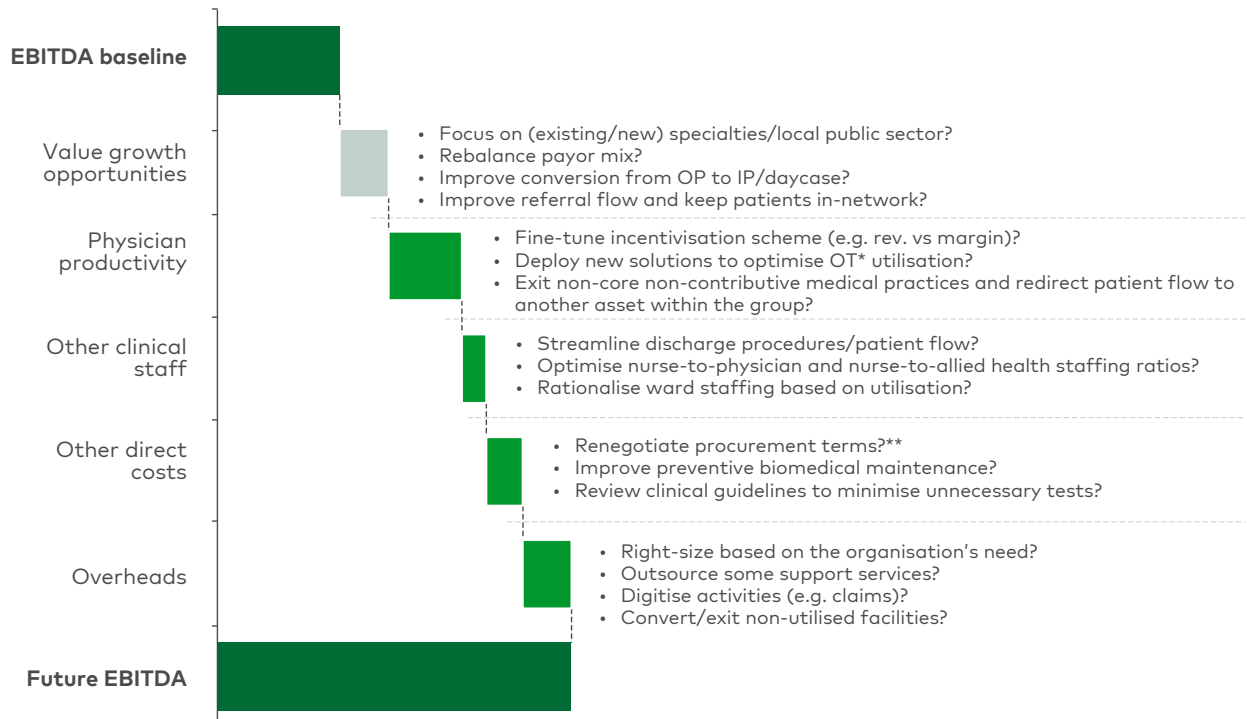
To take a holistic view of each service line, you must consider the following:

- **Market potential:** Our client had a renowned service line that had recently become loss-making due to regulatory changes. Rather than cutting back, we reviewed market potential and rethought the care model to improve patient throughput and patient mix to preserve core capabilities and enhance profitability.
- **Core capabilities:** Certain services are essential for maintaining the hospital's overall appeal and capabilities, even if their standalone profitability is questionable.
- **Indirect contributions:** Even a non-core loss-making service can still bolster walk-ins or diversify payer exposure, contributing positively to overhead coverage. It can also support fixed-cost structures (e.g. specialty clinics). A thorough evaluation is required to understand the direct and indirect benefits of specific services and their overall contribution.
- **Transfers, not closures:** If an activity truly cannot be optimised or sustained, consider transferring it (via partnerships or network consolidation) rather than eliminating it altogether.

L.E.K.'s strategic review not only eliminates barriers to healthcare growth but also empowers management teams to thrive (see Figure 2).

Figure 2

Key themes and questions to address at the hospital level



*Operating theatre

**For instance, for pharmacy, consumables and implants

Source: L.E.K. research and analysis

Conclusion

Reviewing and realigning your strategy is more than a cost-cutting exercise, as it enables you to focus on ensuring long-term sustainability and enhancing care delivery. By systematically addressing constraints, healthcare organisations can seize new growth opportunities, optimise operational efficiencies and ultimately deliver superior patient care.

At L.E.K., we specialise in helping healthcare organisations define their optimal service portfolios and implement growth strategies tailored to their unique challenges. Contact us to explore how our structured approach and industry expertise can help you succeed.

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About L.E.K. Consulting

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