



EXECUTIVE INSIGHTS

How Are Your Operational Efficiency, Supply Chain and Revenue Cycle Strategies Stacking Up? Insights From the 2025 L.E.K. Health System Executive Survey

In L.E.K. Consulting's previous article in the 2025 Health System Executive Survey series, we highlighted the divide in the financial health of U.S. hospitals and health systems, with roughly half of executives reporting that their organization's position is constrained. Across both financially constrained and stable systems, however, most leaders pointed to three key priorities: increasing operational and cost efficiency, enhancing supply chain and purchasing, and improving revenue capture and revenue cycle management (RCM). For systems under pressure, these moves are critical to stabilize performance, while for stronger systems they are equally important in order to protect margin, create capacity and maintain a competitive edge.

This edition of L.E.K.'s *Executive Insights* examines:

- What hospital and health system leaders are doing to reduce costs and increase operational efficiency
- What supply chain and purchasing priorities hospital leaders are elevating — and the immediate cost-cut actions to take
- The continuous improvement playbook hospitals are deploying for RCM
- Pharmacy operations as a case study in advancing all three priorities

Increasing operational and cost efficiency

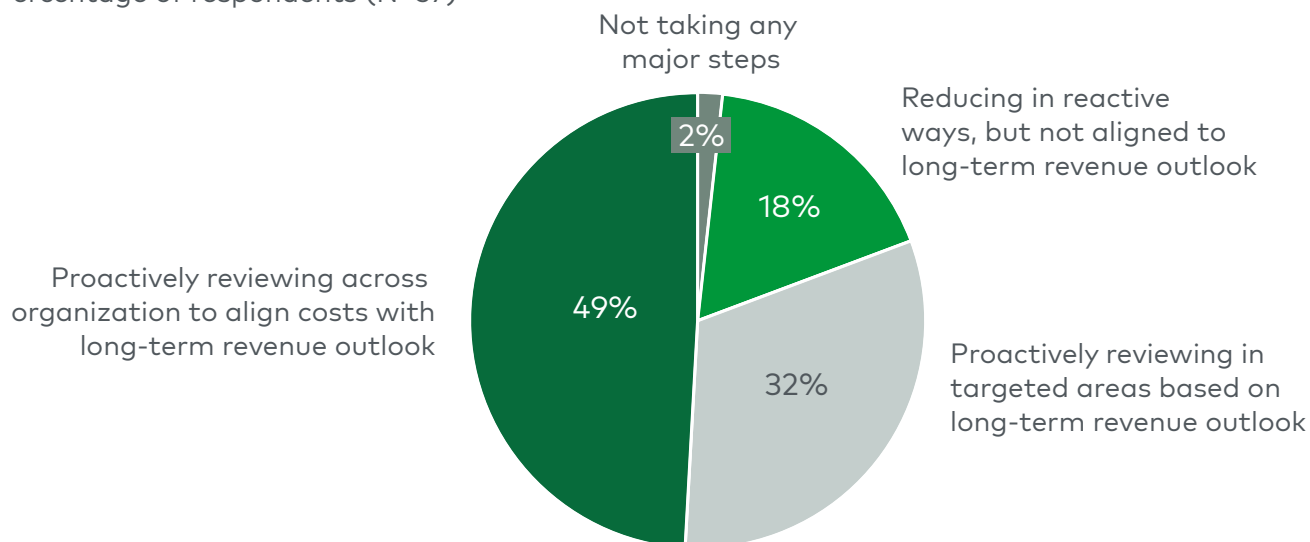
Increasing operational and cost efficiency is the No. 1 strategic priority cited in this year's survey — and today's operating environment leaves little room for reactive cost measures.

In fact, 8 in 10 hospitals and health systems report proactively reviewing costs against their long-term revenue outlook as opposed to reactive reductions (see Figure 1).

Figure 1

Current approach to cost structure optimization (2025)

Percentage of respondents (N=57)*



*Survey question: Which, if any, of the following best describes how your [hospital/health system] currently approaches cost structure optimization (i.e., efforts to realign expenses [labor, supplies, overhead, etc.] with the organization's long-term financial strategy and revenue expectations)? (Select one)

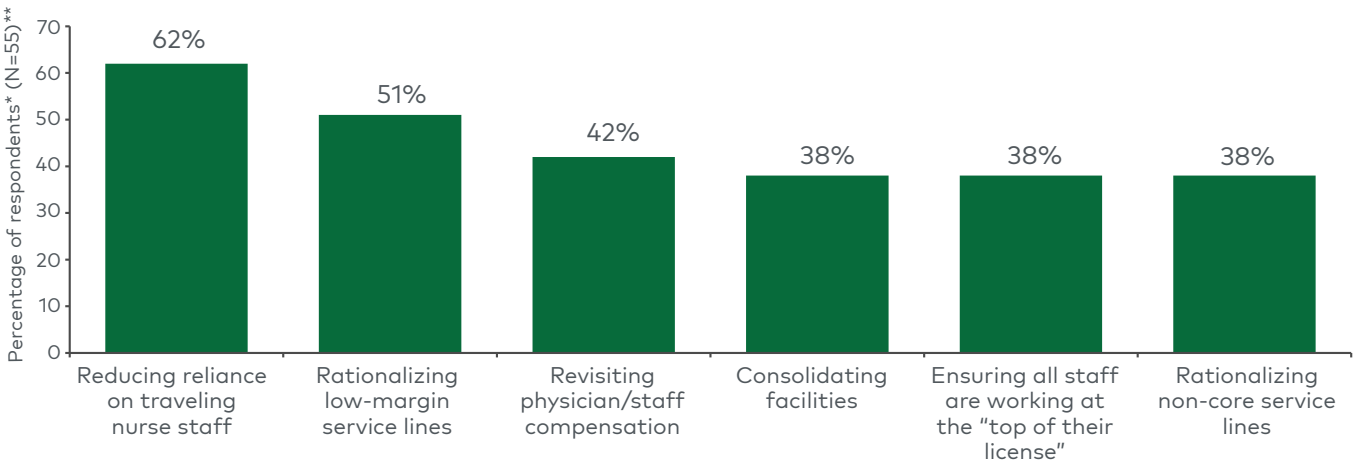
Source: L.E.K. 2025 Health System Executive Survey

Leaders are most commonly prioritizing staffing-, facility footprint- and service line-related levers to optimize their cost structure (see Figure 2):

- **Staffing:** Reducing reliance on travel nurses, ensuring top-of-license practice and revisiting compensation for physicians/staff are among the top levers. Leaders should also ensure they are leveraging advanced practice providers efficiently, optimizing call coverage and assessing areas of overstaffing/underutilization.
- **Facility consolidation:** Co-locating or exiting underutilized sites to concentrate volume.
- **Service-line portfolio rationalization:** Trimming or repositioning low-margin services and/or non-core services. In our experience, this lever should be considered only after the prior two.

Figure 2

Top actions hospitals/health systems are currently taking or planning to take to optimize cost structure



Survey question: Which, if any, of the following actions is your [hospital/health system] currently taking, or planning to take, to optimize its cost structure?

**The question was not asked of respondents who indicated they are not taking any major steps to reassess their cost structure
Source: L.E.K. 2025 Health System Executive Survey

Leaders should also look at their general and administrative (G&A) spend, one of the most overlooked areas of opportunity. Organizations should be reviewing service contracts, bidding them competitively and evaluating outsourcing decisions for non-core functions.

From our vantage point, top-performing healthcare organizations are focusing intensely on cost now, across profit and loss, to ensure sustainable operations for the future.

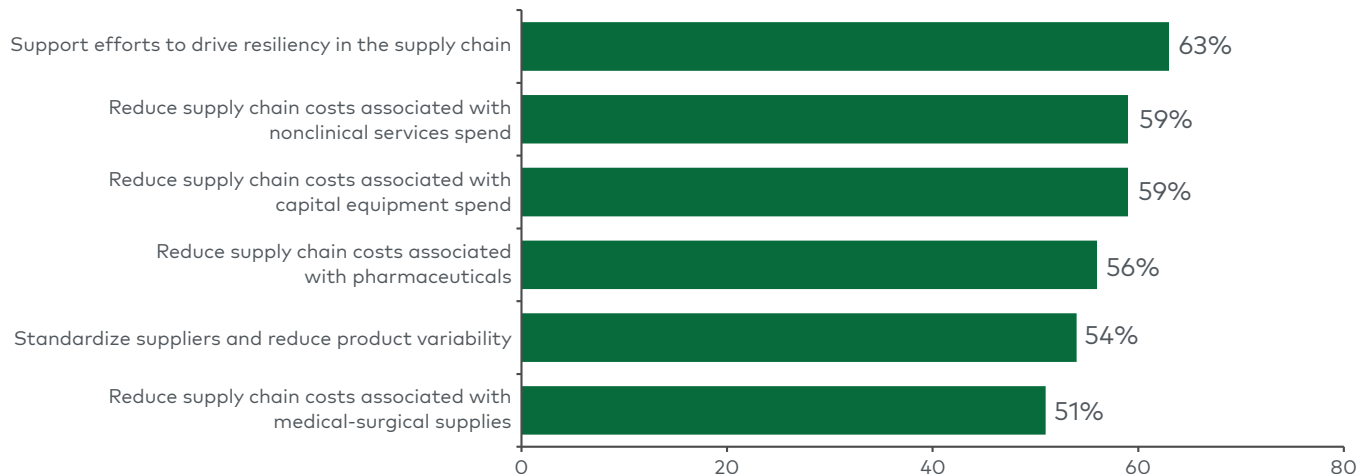
Enhancing supply chain and purchasing

Leaders are applying the same discipline to supply chain, where resiliency and cost reduction are top priorities (see Figure 3).

Figure 3

Top hospital/health system supply chain priorities

Percentage of supply chain executive respondents* who answered 6 or 7, where 7 means priority is "very important" (N=41)**



*Survey question: Which of the following supply chain priorities do you expect to be most important for your [hospital/health system] in the next three years (e.g., by 2028)? Please rate on a scale of 1-7, with 1 meaning "not at all important" and 7 meaning "very important."

**Respondents included purchasing/procurement/materials management leaders (VPs, Directors) or Chief Purchasing or Supply Chain Officers
Source: L.E.K. 2025 Health System Executive Survey

Leaders should consider the following actions to reduce supply chain costs:

- Consolidate redundant vendors
- Standardize contracts systemwide for scale discounts
- Run competitive requests for proposal (RFPs) and renegotiate service contracts using market benchmarks
- Reduce unnecessary utilization
- Tighten value analysis governance
- Leverage group purchasing organizations (GPOs) and distributors more thoughtfully where it improves price and term

To improve resiliency, leaders should consider dual-sourcing critical stock-keeping units (SKUs), preapproving substitutes and setting forward-buy triggers for tariff or shortage risk.

Data and analytics are key enablers of these priorities. Supply chain leaders should integrate clinical and financial data so the item master, preference cards, spend analytics and case costing can be analyzed together. They should also consider using forecasting and procurement automation to help prevent stockouts and reduce cost variability. True insight

into holistic cost of care is the vanguard for effectively managing cost structure, taking risk and evolving the supply chain operation into a competitive advantage — and an emerging generation of analytical tools can help systems achieve this.

Improving revenue capture/RCM

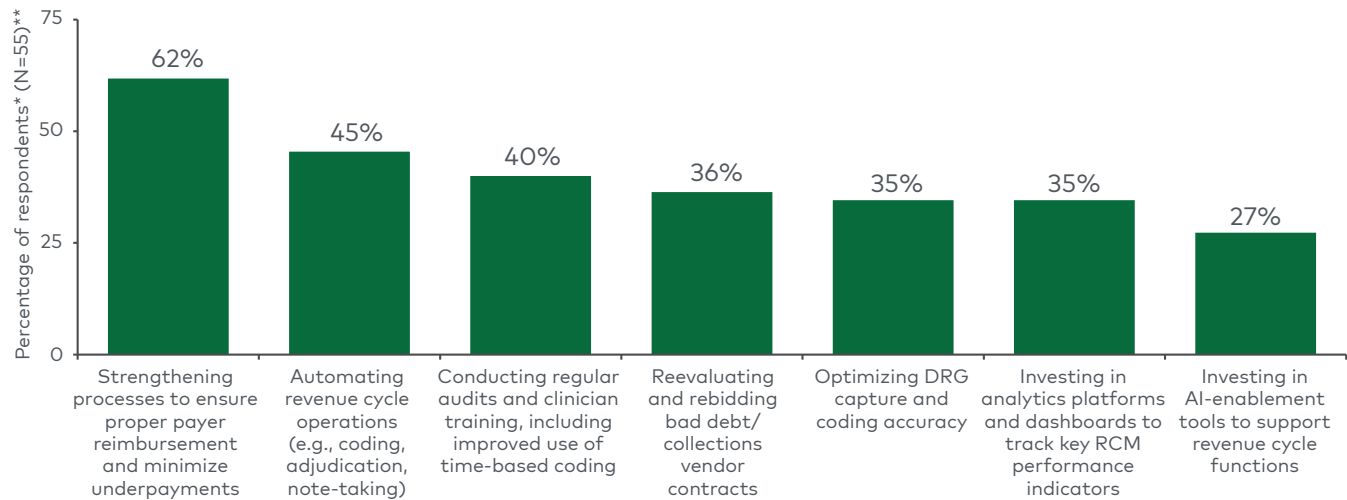
Nearly 60% of executives report an increase in cost to collect over the past three years — and roughly 80% of hospitals report having a continuous improvement plan for RCM. Some see an accelerating “arms race” between payers and providers as artificial intelligence (AI) functionality embeds within RCM processes. For most organizations, now is the time for a sharp look at status quo approaches to avoid being left behind.

The common elements of the improvement agenda in our 2025 survey — and where we see outsized impact — include (see Figure 4):

- Process discipline to prevent underpayment and denials (e.g., order-to-bill integrity, time-based care coding, medical necessity checks, clean claim rates, denial prevention at the source)
- AI and automation (e.g., scribing, coding, adjudication, eligibility checks, prior authorizations) to remove manual rework and errors
- Regular audits and clinical documentation training to ensure coding reflects acuity and services rendered — especially as service settings and workflows diversify

Figure 4

Top actions hospitals/health systems are currently taking to improve revenue capture/RCM



*Survey question: Which, if any, of the following actions is your [hospital/health system] currently taking to improve its revenue cycle management?

**Asked of a subset of respondents marginally more likely to view improving revenue capture/RCM as an important priority (80% rating 6 or 7 out of 7, where 7 is "a significant/top priority" vs. 70% for total sample)

Note: RCM=revenue cycle management; DRG=diagnosis-related group; AI=artificial intelligence

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

Where do you stack up?

The following questions can help assess your organization's operational, cost, supply chain and RCM efficiency.

Operational and cost efficiency

- Do we have a plan to reduce premium labor (e.g., accelerated hiring, internal float pool, flexible scheduling)?
- Are clinicians consistently working at the top of their license?
- Does our compensation align with fair market value, and have incentives aligned with performance?
- Have we optimized our on-call coverage plan?
- Are we optimizing facility utilization before adding new capacity?
- Have we completed a facility and service-line review with clear keep/turnaround/exit decisions?
- Have we reviewed G&A spend, including whether to insource or outsource non-core functions (e.g., human resources, marketing, information technology, pharmacy support) and whether service contracts are competitively bid?

Supply chain and purchasing

- Have we consolidated vendors and standardized contracts where outcomes are equivalent?
- Are we running competitive RFPs and using GPO/distributor leverage when it helps?
- Do we have active value analysis that reduces SKU variation and connects choices to case-cost visibility?
- Have we mapped tariff/exposure risk and put basic inventory controls in place (e.g., weekly cycle counts, enforced reorder points) before layering advanced tools?
- Do we regularly review all overhead expenses, including leasing, equipment and support services?
- Are we accelerating biosimilar adoption and standardizing formularies to reduce drug costs (and where we have leverage, preserving buy-and-bill economics by limiting white bagging)?

Revenue capture and RCM

- Do we have a 95% first-pass clean claims rate?
- Are we reducing the amount of time it takes to get paid?
- Do our highest revenue units have the documentation support needed to code and bill correctly?
- Do we have a systematic approach to root-cause analysis and prevention of recurring denials?
- Have we automated the routine work and introduced AI where possible?
- Are eligible prescriptions consistently captured through 340B channels while staying compliant?

If you answered “no” to any of these questions, your organization may be leaving substantial value on the table.

Conclusion

No hospital is immune to operational and financial pressure in 2025. Our survey shows leaders converging on the same agenda: efficiency to protect revenue integrity and reduce cost per case. The organizations that execute this agenda with discipline and data are more likely to outperform, regardless of macro volatility.

L.E.K. will publish additional insights from its 2025 Health System Executive Survey in the coming months, providing more detail as to the actions health systems are taking in each of these priority areas. Please register [here](#) and select HEALTHCARE SERVICES for these and other future updates.

To discuss how L.E.K. helps health systems determine and execute their strategic priorities, please [contact us](#).

Note: AI was used in the drafting of this article.

About the Authors



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Jenny Mackey is the Director of L.E.K. Consulting's Healthcare Insights Center, where she is focused on generating insights and thought leadership on topics and trends with major impact across the healthcare industry. Prior to this role, Jenny was a Principal in L.E.K.'s Biopharma practice, where she advised clients on a range of issues, including R&D portfolio prioritization, new product planning, forecasting and valuation, and organizational performance and development.

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