

Health System Leader Expectations for 2024

A VMG Health Survey



Introduction

Health systems have faced challenging times in recent years due to material increases in costs for labor and supplies, difficulty recruiting for physician specialties, and trouble retaining talent. In addition, increased competitive moves by private equity and other non-traditional competitors have been on the rise and are expected to continue impacting the health system environment.

To better serve our health system client base and to help prepare for 2024, VMG Health developed our first Health System Leader Expectations survey.

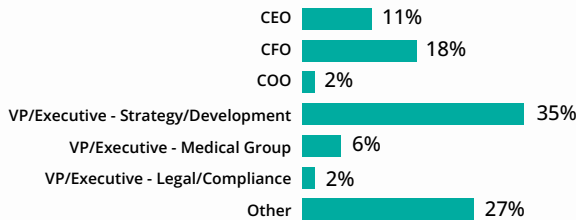
Our goal for this report is to provide guidance and insight to help increase the understanding of perceived challenges, issues, and growth areas. **There are many valuable takeaways from this survey, however, one key theme is that strategic activity for 2024 is expected to be robust.**

We look forward to continuing to support both existing and new health system clients as they navigate future opportunities. We plan to conduct this survey on an annual basis to identify trends over time and to continue offering timely, valuable industry insights.

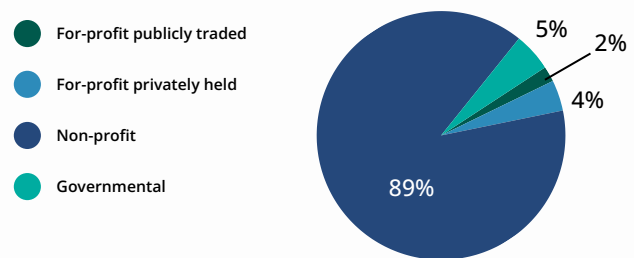
Methodology

In November 2023, VMG Health’s leaders invited their health system contacts to complete an online survey. In total, there were 141 survey responses. Respondents held leadership positions and were from various entity types. Below is an overview of the respondent profiles. Please note that reported percentages may not add up to 100% due to rounding calculations.

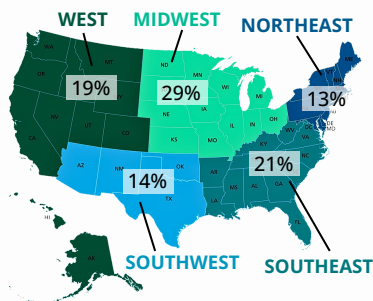
Role/Title



Type of Healthcare Organization

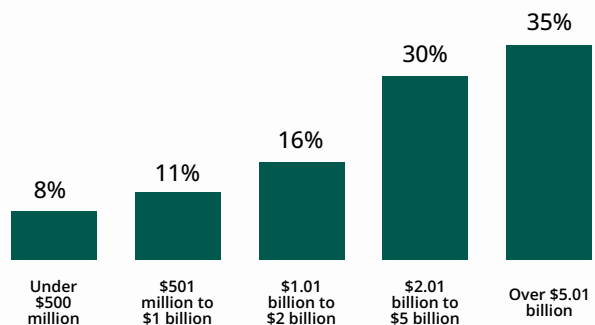


Geographical Region



Note: 4% of respondents indicated they are national or multi-regional

Approximate Net Revenue



Healthcare leaders are optimistic and expect substantial strategic activity in 2024. Most notably, 59% of leaders expect financial performance to improve in 2024, compared to 2023.

Key Takeaways for 2024

01

Physician strategy will be a major area of focus.

Nearly 70% of survey respondents expect to allocate significant financial resources to physician alignment in 2024. Expanding provider networks and medical group organization ranked as the top two physician strategies.

02

Service line strategies will include enhancing expertise and focus across the continuum of care.

Survey respondents expressed interest in pursuing service line partnerships in all major sectors, including outpatient surgery, behavioral health, post-acute care, imaging, physician services, urgent care, hospital-at-home, and laboratory.

03

Expansion in existing service areas will be a key avenue for growth.

Approximately half of the survey respondents plan to invest in initiatives in existing service areas such as de novo projects and on-campus service line expansion.

04

Mergers & acquisitions will continue to be a staple for strategy.

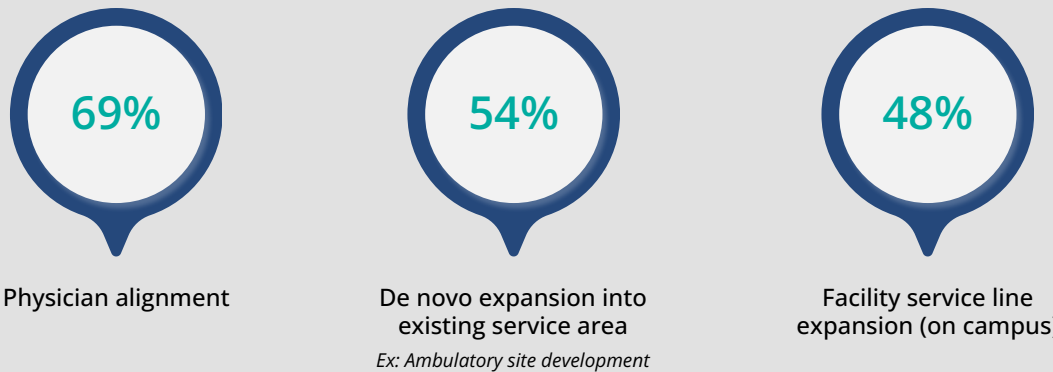
Only 15% of survey respondents expect less M&A activity in 2024 compared with 2023, and 27% of respondents expect more activity. Notably, only 15% expect their M&A strategy to include a private equity firm.

Financial Outlook

Compared to 2023 financial performance/EBITDA in 2024 is expected to be:

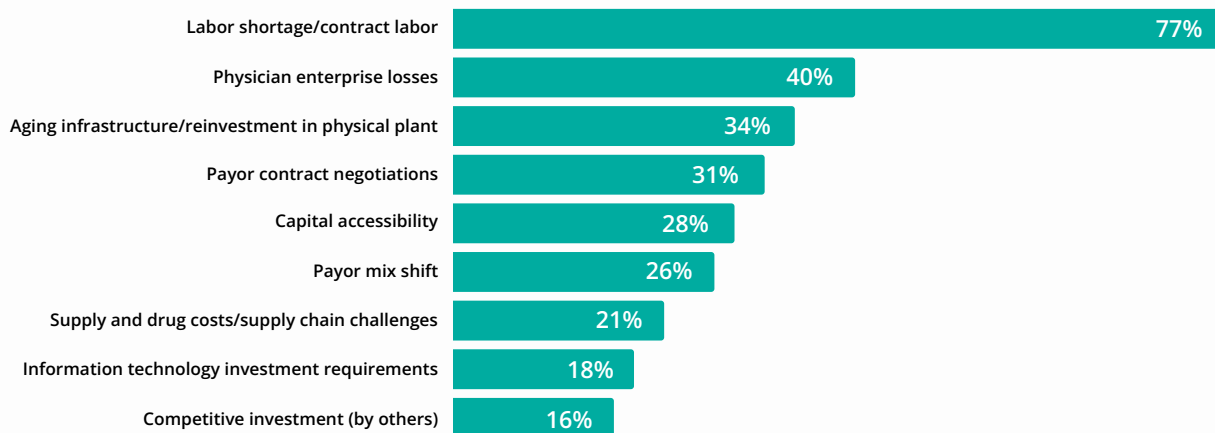


Relative to strategic investment, the following respondents expect to allocate significant financial resources in 2024 to grow the indicated areas:



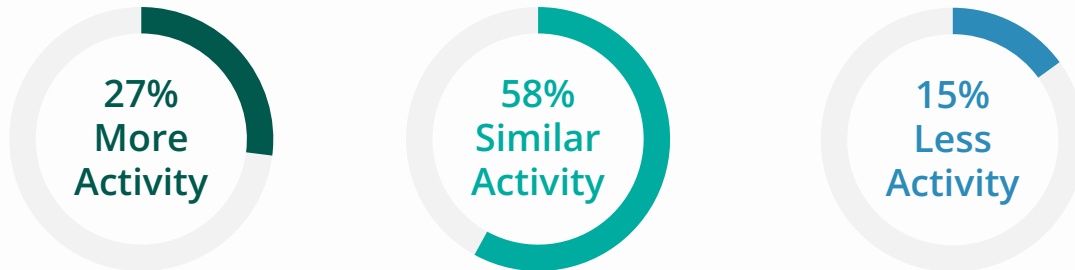
Other responses included: Digital care/information technology (41%); Merger & acquisition within existing service area (29%); Merger & acquisition in new markets (18%); and de novo expansion into new markets (14%).

The most prominent financial challenges expected for 2024 will be:

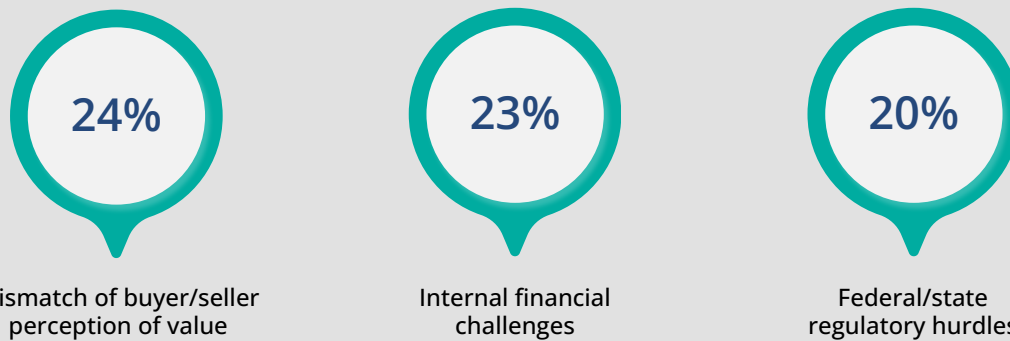


Transaction Expectations

Compared to 2023 expected M&A activity in the market for 2024 will be:

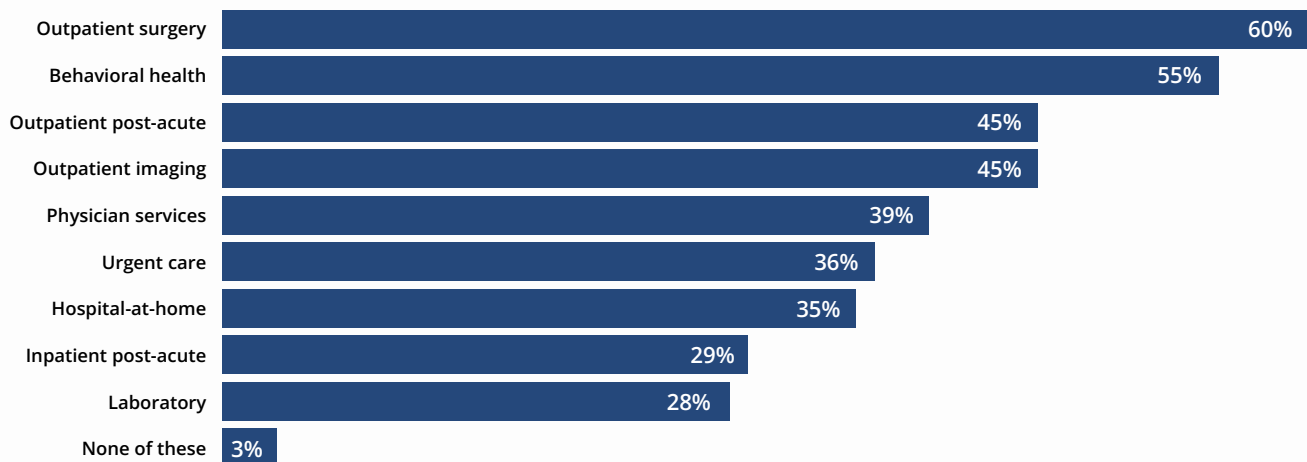


The #1 expected acquisition-related challenge for 2024 is:



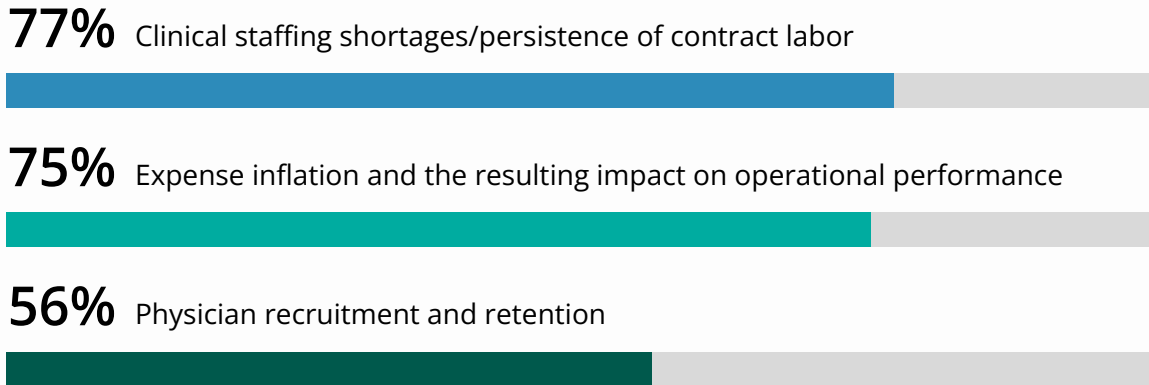
Other responses included: Capital accessibility (16%); Increased competition (11%); and N/A (6%).

Respondents indicated they would consider a joint venture partnership in the following service line areas:



Operational Strategy

The top three most significant operational hurdles expected in 2024 are:



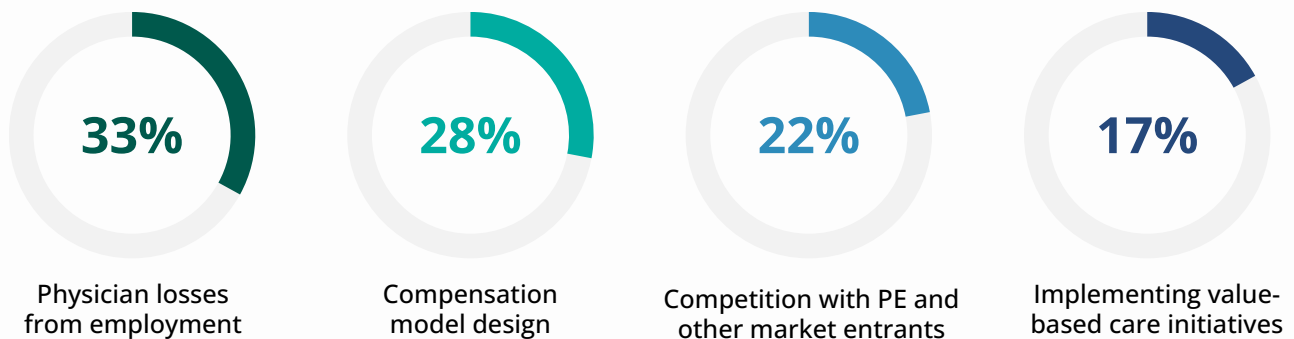
Other responses included: Ambulatory migration from hospital to lower margin ambulatory settings (42%); Competition in the ambulatory setting from new market participants (30%); Finding qualified administrators and/or leaders (6%).

The top two physician strategies for 2024 are:



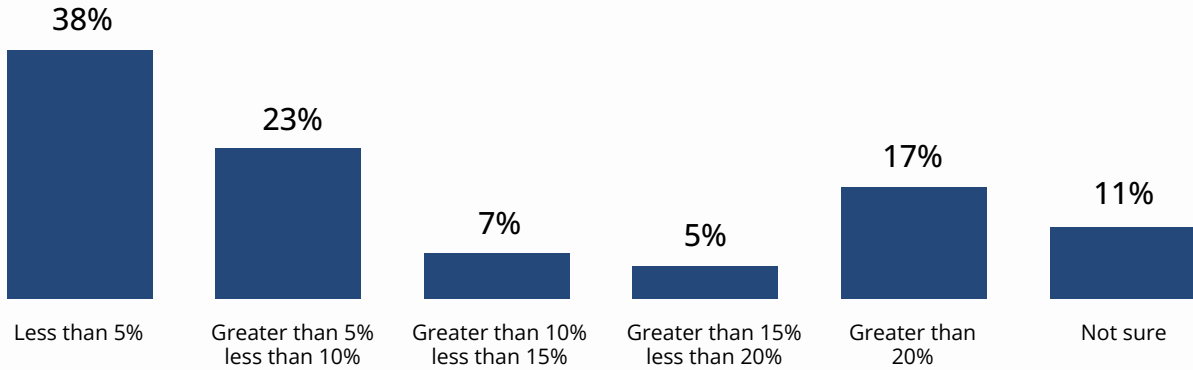
Other responses included: Reduce operating investment in physician strategy (21%); More strategic independent contractual arrangements (19%); Reorganize medical group, including divestiture of key services with remodeled equity-based relationships (12%); None of these (4%); and divestiture of affiliated physician practices (2%).

The #1 challenge associated with physician alignment strategy is:

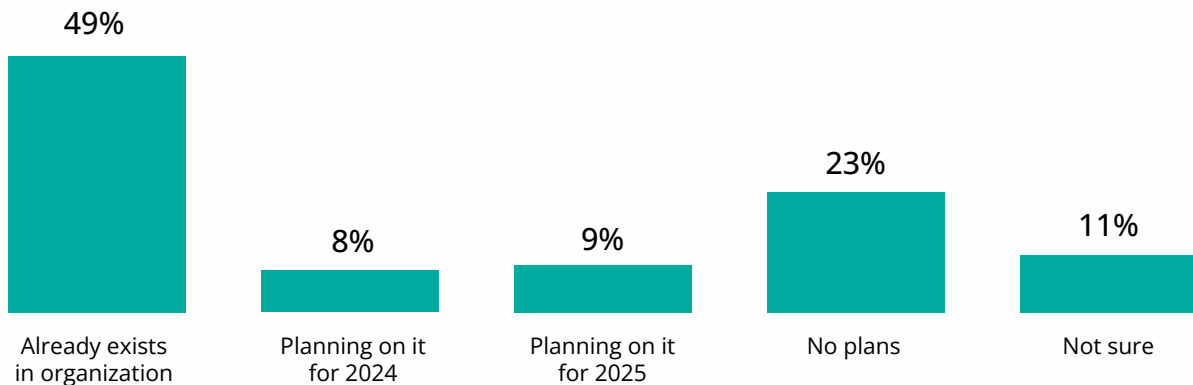


Trending Topics

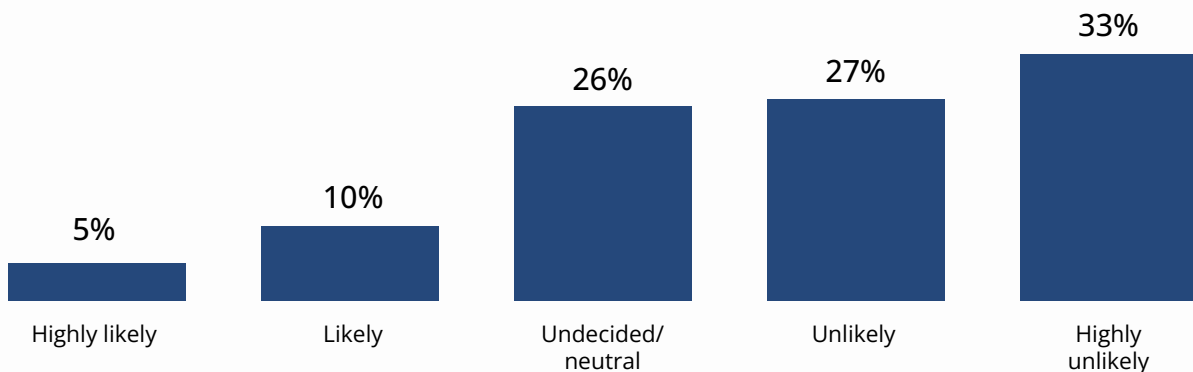
➤ **Value-Based Payments:** Percentage of current net patient service revenue that reflects value-based payments (capitation, shared savings, APM payments, etc.) as opposed to traditional fee-for-service:



➤ **Care-At-Home/Hospital-At-Home:** As it relates to respondents' plans for care-at-home and/or hospital-at-home they indicated:



➤ **Private Equity Partnership:** Respondents' likelihood of considering a private equity partnership across traditional health system service line offerings is:



Strategic Areas of Focus for 2024

Based on the results of this survey, it is clear healthcare leaders will have a highly active 2024. Before pursuing a successful growth plan, it will be critical to understand the latest strategies, competitive landscape, new market participants, and regulatory hurdles.

The following four categories show the strategic initiatives for health systems to consider in 2024. While some organizations will focus on one or two initiatives, others will pursue all four. Regardless, being equipped with in-depth market knowledge and a detailed plan of action will be crucial for success.



VMG Health has the expertise you need to help you achieve your desired outcomes and to move your strategy forward.



For questions or to be connected with a VMG Health expert, please contact:

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