



Health System Leader Expectations

for 2025



A VMG Health Survey

Introduction

Health systems have faced challenging times in recent years due to rising labor and supply costs, growing physician losses, and competition by private equity. At the same time, new reimbursement models and innovative partnerships continue to provide growth opportunities in the market.

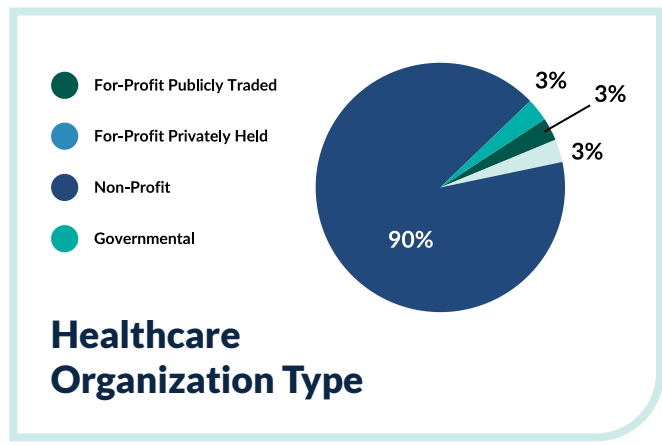
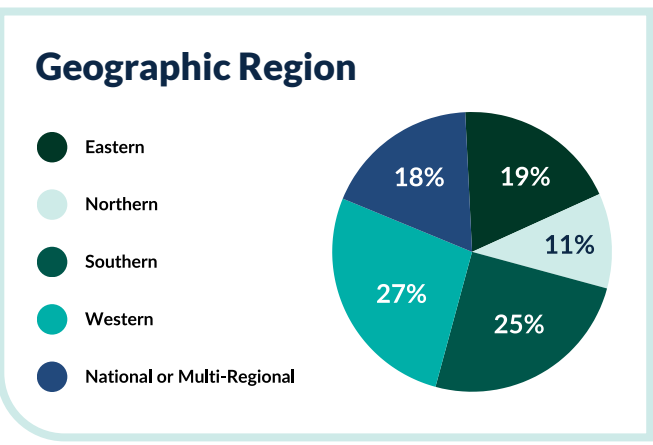
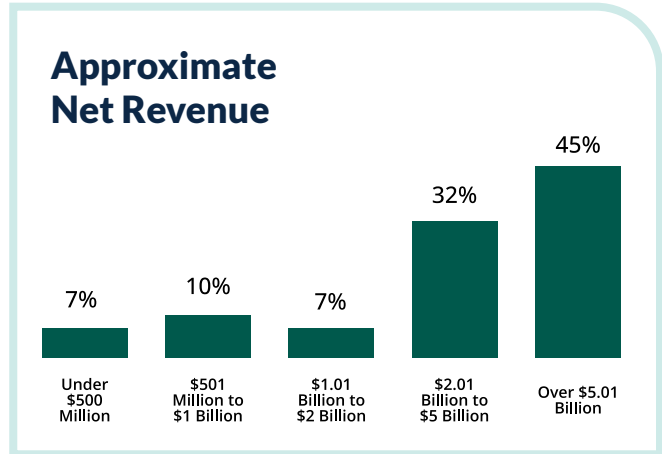
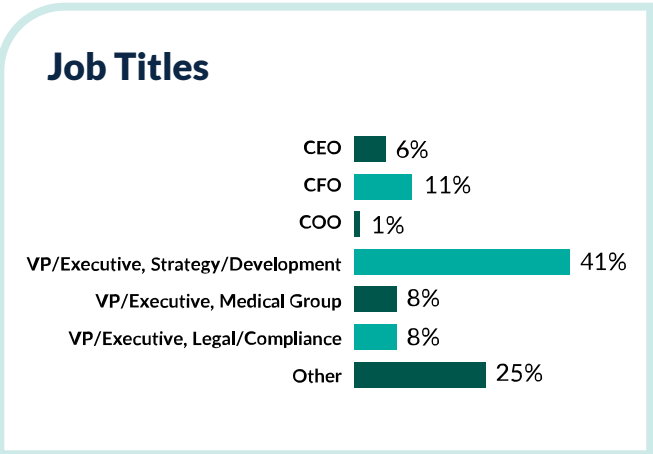
To better serve our health system client base and to help prepare for 2025, VMG Health's Health System Leader Expectations survey report provides important insight into these challenges and opportunities. This report shows the most recent trends in the following key areas:

- Financial Outlook
- Transaction Expectations
- Operational Strategy
- Trending Topics

We look forward to continuing to support both existing and new health system clients as they navigate the ever-changing healthcare landscape.

Methodology

In November 2024, VMG Health invited their health system contacts to complete an online survey. In total, there were 73 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.**



90% of healthcare leaders expect financial performance to be similar to or better than 2024.

Key Takeaways for 2025

01

Physician Landscape Remains Challenging

76% of respondents selected “Expansion of provider network” as their top physician strategy for 2025, which is backed by several findings. First, 68% of respondents selected “Physician recruitment and retention” and “Deploying effective physician alignment strategies” in their top three operational challenges expected in 2025. Further, 64% of respondents selected “Mounting physician losses/subsidies” as their most significant challenge with their physician alignment strategy.

02

Strong Financial Performance Indicators

77% of respondents selected “Increased utilization” as a main driver for their positive financial performance, while “Payor mix shift” and “Success with commercial contracting” were also top selections with 56% frequency.

03

Reimbursement Evolves

As it relates to value-based full or partial risk-based arrangements, 33% of health systems expect more of these arrangements in 2025, and 23% expect more Medicare Advantage contracts.

04

Joint Venture Preferences Vary

While 63% of health system leaders selected “Outpatient surgery” and 56% selected “Behavioral health” as potential areas where they would consider a joint venture partner strategy, only 28% would consider a private equity partnership across traditional health system offerings (e.g., orthopedics, cardiology).

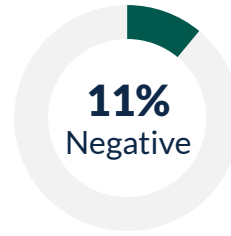
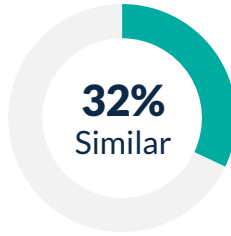
05

Easing Labor Pressure

Compared to last year’s survey, fewer respondents selected labor costs as an expected financial challenge, and 53% of respondents selected “Easing of labor pressure” to account for its positive financial performance. Further, “Clinical staffing shortages/Persistence of contract labor” was selected as an expected operational challenge with 49% frequency, down from 77% last year.

Financial Outlook

Compared to 2024, financial performance/EBITDA in 2025 is expected to be:



Relative to strategic investment, the following respondents expect to allocate significant financial resources to grow the indicated areas in 2025:



Physician Alignment



Facility Service Line Expansion (On Campus)



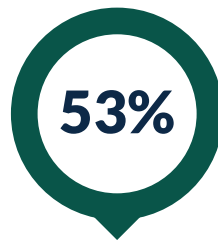
De Novo Expansion into Existing Service Area

Other responses included Digital Care/Information Technology (38%), Merger & Acquisition Within Existing Service Area (27%), De Novo Expansion into New Markets (21%), and Merger & Acquisition in New Markets (19%).

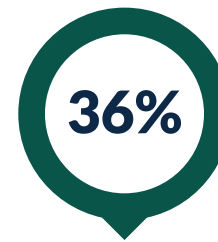
Top three drivers of positive financial performance in 2024:



Increased Utilization



Easing of Labor Pressures



Success with Commercial Contracting

The most prominent financial challenges expected for 2025 will be:



Transaction Expectations

Compared to 2024, expected M&A activity in the market for 2025 will be:



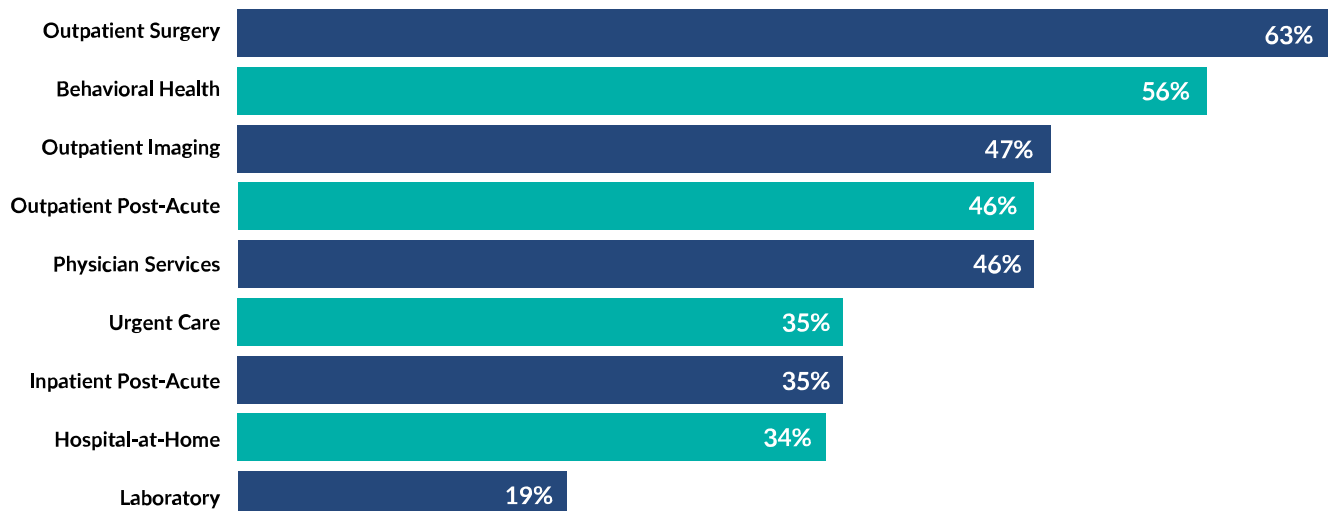
#1 expected acquisition related challenge in 2025:



Mismatch of Buyer / Seller Perception of Value

Other responses included 23% Internal Financial Challenges, 19% Federal/State Regulatory Hurdles, 16% Capital Accessibility, 14% Increased Competition.

Respondents who would consider the following service lines for a joint venture partner strategy:



Operational Strategy

The top three most frequently selected, anticipated operational hurdles in 2025 include:

68% Physician Recruitment & Retention



68% Deploying Effective Physician Alignment Strategies



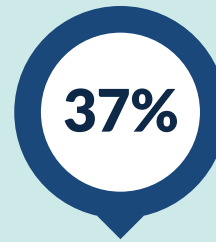
49% Clinical Staffing Shortages / Persistence of Contract Labor



The top two physician strategies for 2025 are:

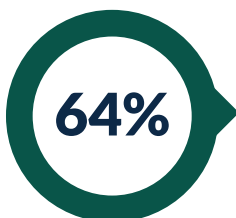


Expansion of Provider Network
(i.e., employment, PSAs)

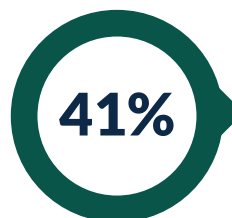


Implement Significant Changes to
Provider Compensation Models

Two most significant challenges associated with physician alignment strategy in 2025:



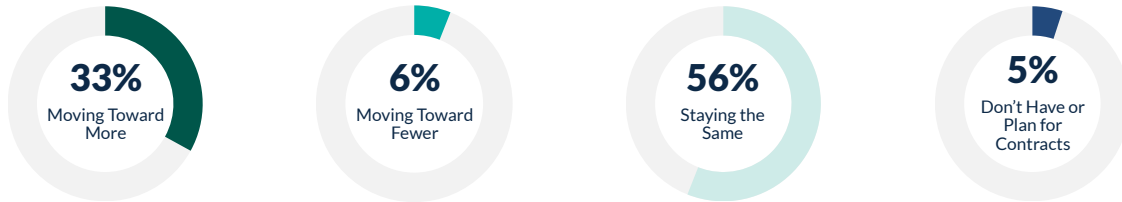
Mounting Physician
Losses / Subsidies



Compensation
Model Design

Trending Topics

As it relates to value-based, full or partial risk-based arrangements, respondents see their health systems:



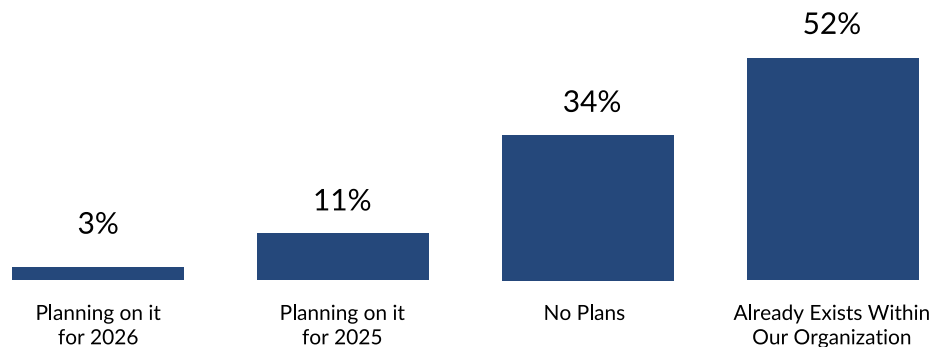
As it relates to expected participation in Medicare Advantage plans in 2025, respondents expect:



The top two expected strategies for addressing staff issues:



As it relates to care at home/hospital at home, respondents fall under the following categories:



Respondents who would consider a private equity partnership across traditional health system service line offerings

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