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2018 HEALTHCARE OUTLOOK

TREND #4: REINING IN CORPORATE OVERHEAD

“No margin, no mission” emphasizes the need for strong fiscal management for providers to fulfill their missions. With a Navigant analysis showing provider operating margins dropping, 2018 may be the year of reining in corporate overhead.

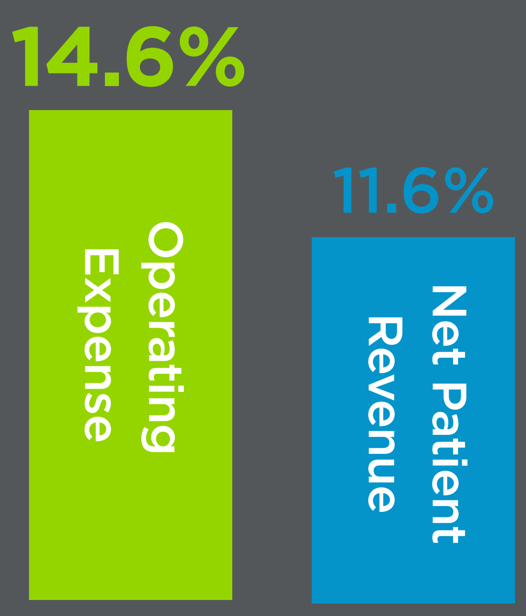
Navigant Hospital Operating Margin Index*

*Based on an analysis of publicly available data from 2,000 hospitals (2015-2017)

Average operating margins dropped from 5.6% to 3.6% =

35% decrease

Growth in operating expense outpaced net patient revenue:



This revenue degradation is a permanent long-term issue for providers, with minimal margin of error for investments that don’t yield positive return

WHAT PROVIDERS NEED TO DO

Transition from a holding company to an operating company mentality

Holding company: decisions made in silos, limits maximizing economies of scale

Operating company: decision rights clear, decision-making centralized, and results scaled = reduced redundancies

OPERATING COMPANY APPROACHES:

Benchmark performance vs. peers for true snapshot of outcomes, improvement potential

Engage staff on strategies so they feel changes are occurring with – not to – them

Identify and reduce duplicative management to drive economies of scale, especially post-M&A

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