

2020 HEALTHCARE CORPORATE SERVICES REPORT

*AN ANALYSIS BY NAVIGANT, A GUIDEHOUSE COMPANY,
OF A SURVEY CONDUCTED BY HFMA*

A survey of provider executives about corporate services spending, expense reduction, and technology optimization trends.

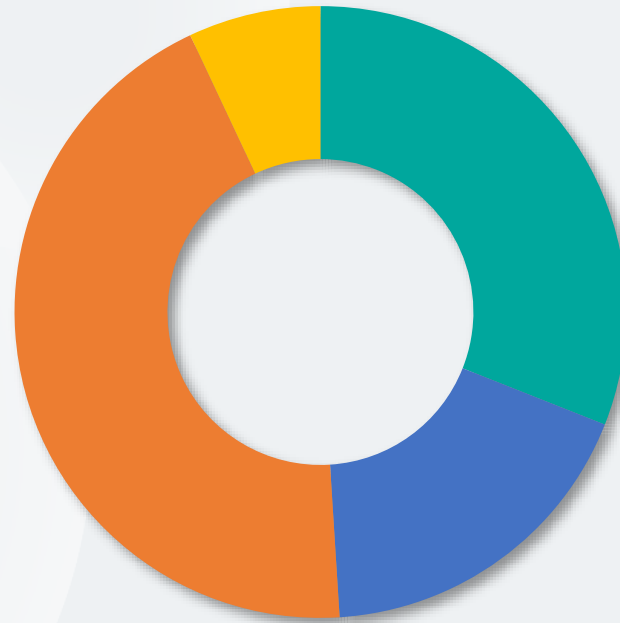
March 2020

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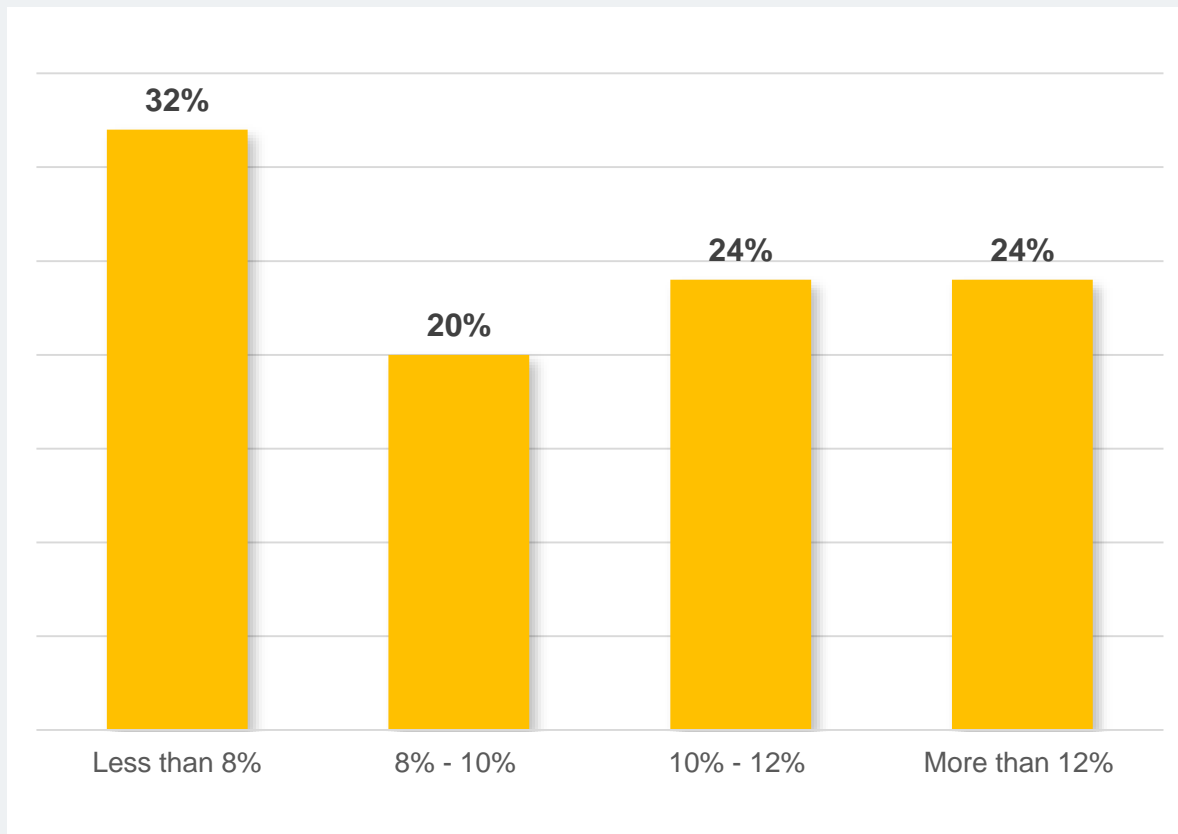
Overview



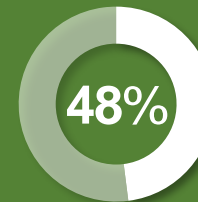
For this survey, corporate services include administration, finance, information technology, human resources, supply chain, revenue cycle, marketing, facilities, real estate, and plant operations.

Current Corporate Services Spend

Q: What is your annual spend for corporate services as a percentage of total operating revenue?



Corporate Services Spend as a % of Total Operating Revenue*



OF ALL PROVIDERS SPENDING AT 10%+



OF ALL PROVIDERS SPENDING AT 12%+

*Industry leading practice <10%

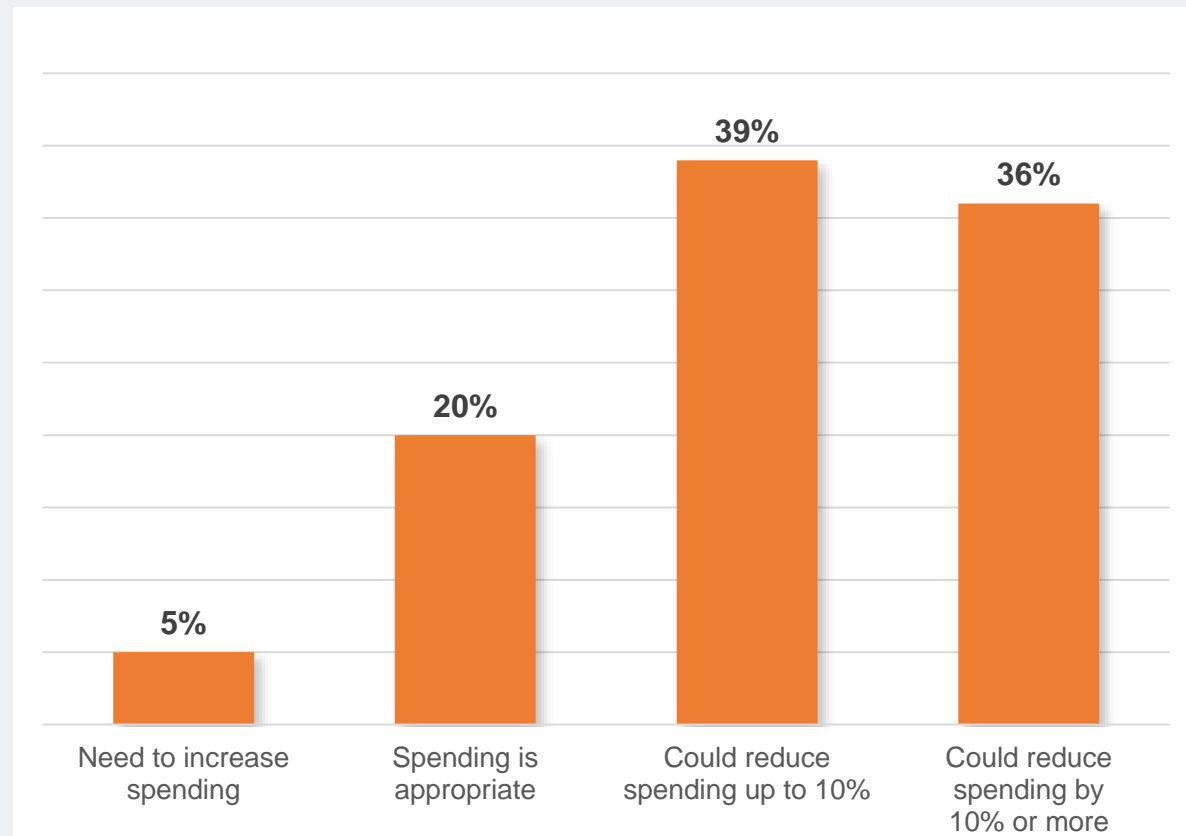
Health systems demonstrated greater corporate services efficiency:

Just 11% of health systems spending at 12%+ vs. 32% of hospitals



3-in-4 Executives Believe Corporate Services Spend Could Decrease, Without Impacting Quality or Efficiency

Q: How much total spend on corporate services do you believe your organization could remove without negatively impacting service quality and efficiency?



75% of executives say their organizations are **overspending on corporate services**, **36% by 10%+**

25% of executives say their organizations' corporate services spending is **appropriate or needs to increase**

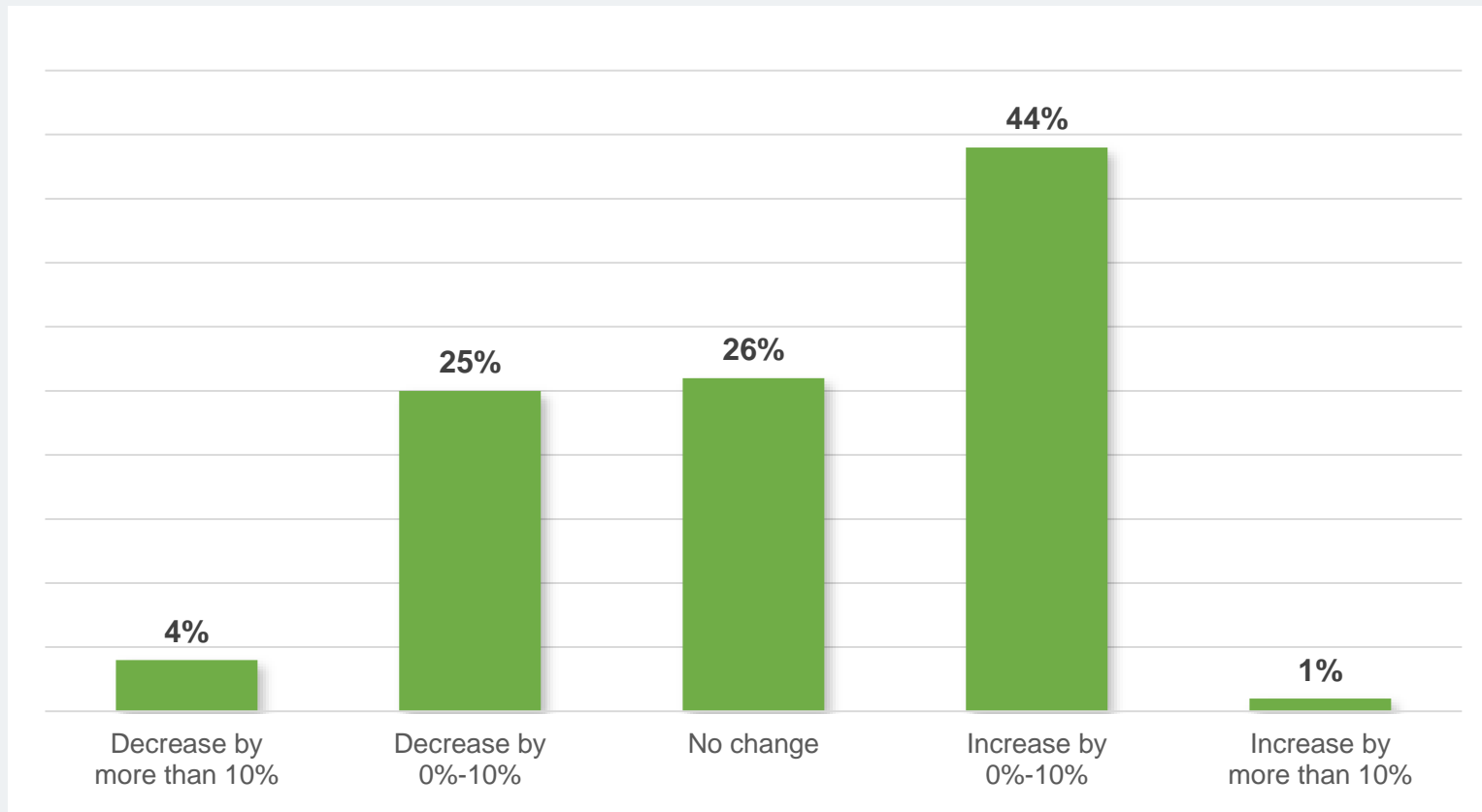


44% of smaller hospitals overspend by 10%+

vs. 24% of medium-sized
and 28% of large hospitals

Corporate Services Budget Projections

Q: How is your organization's corporate services budget projected to change in the next 12 months?


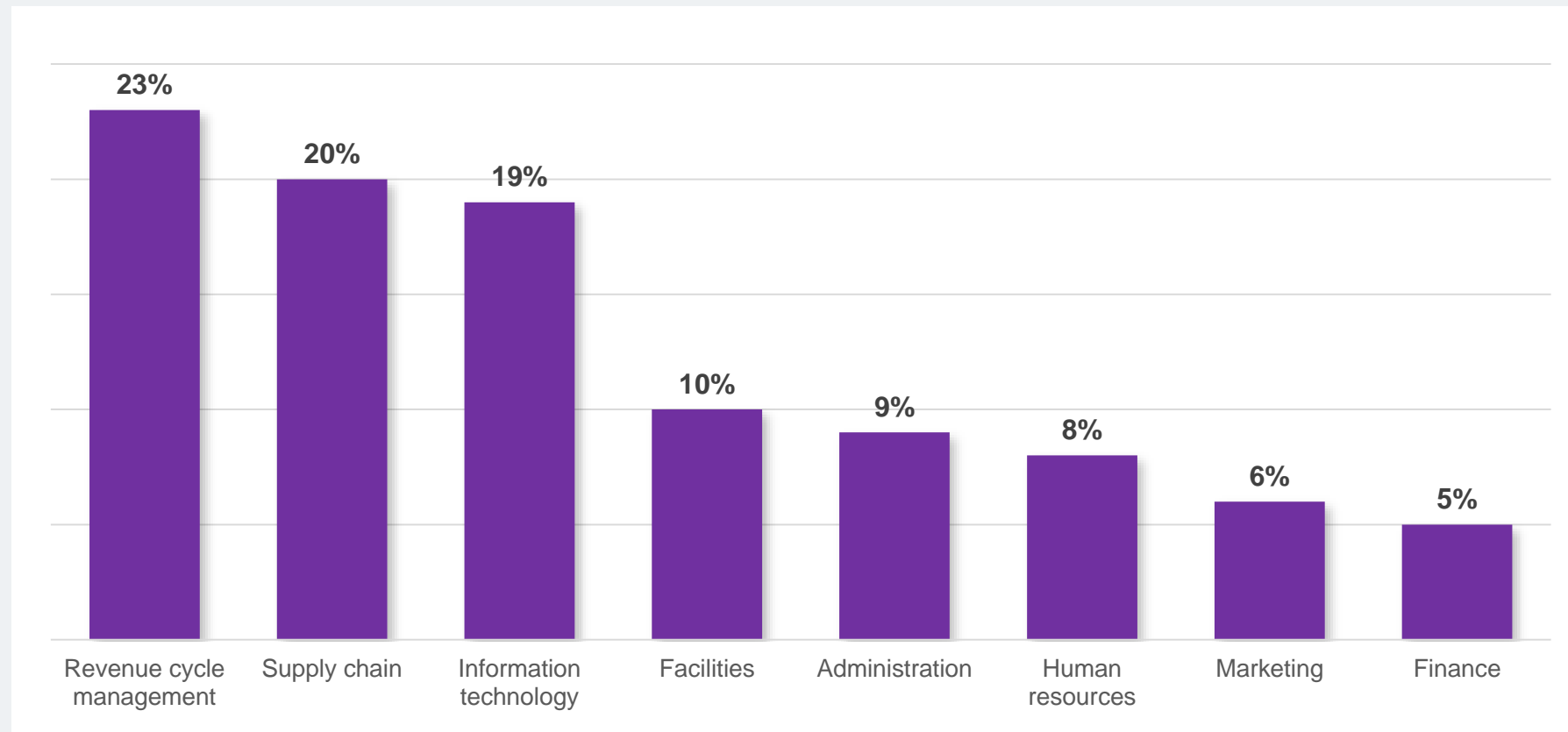


More than half of executives say they'll be held accountable for **reducing corporate services budgets (29%)** or **holding them flat (26%)** over the next year



Providers Targeting RCM, Supply Chain, and IT for Future Corporate Services Expense Reductions

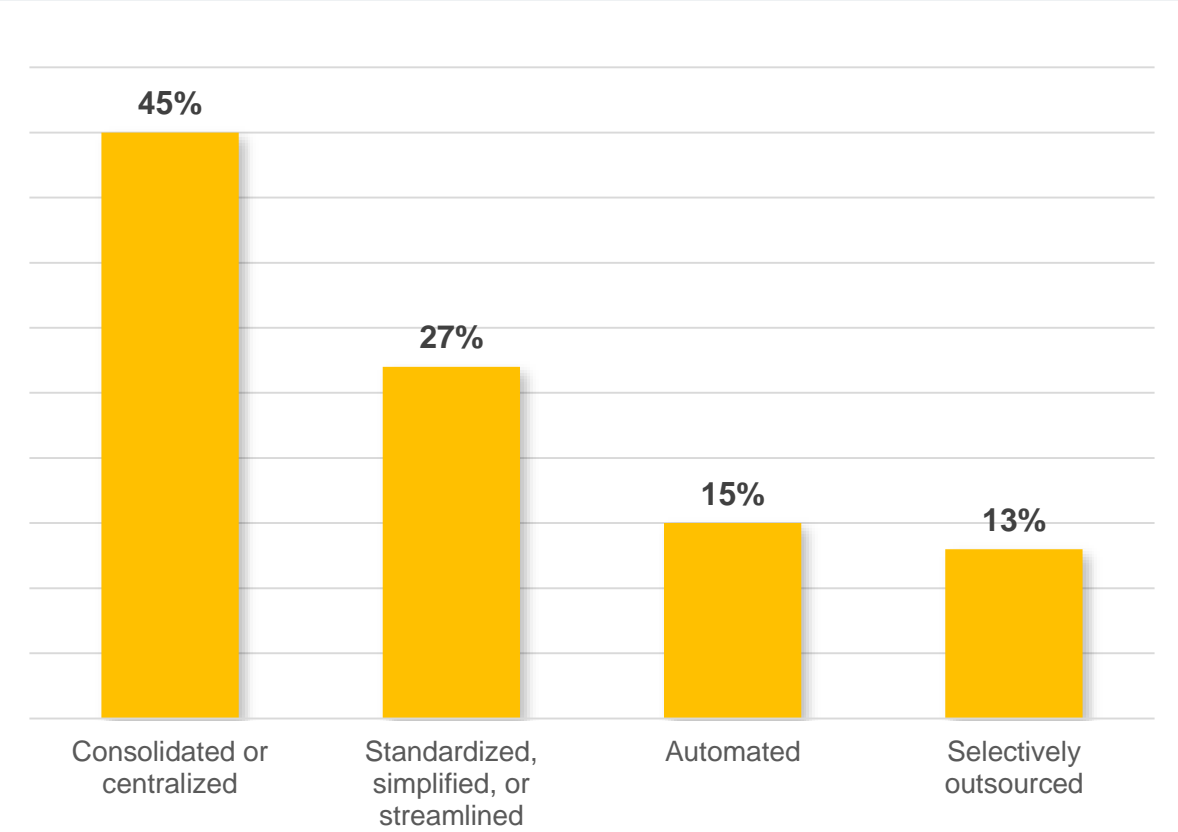
Q: What is your top priority area for reducing corporate services expenses over the next year?



Almost twice as many small hospitals focused on IT expense reductions as large hospitals (28% vs. 15%)

Few Providers Leveraging Corporate Services Automation

Q: What percentage of your organizational corporate services fall under the following categories?



Automation of back-office corporate services functions through RPA, AI, and ERP helps reduce costs and improve accuracy and efficiency.

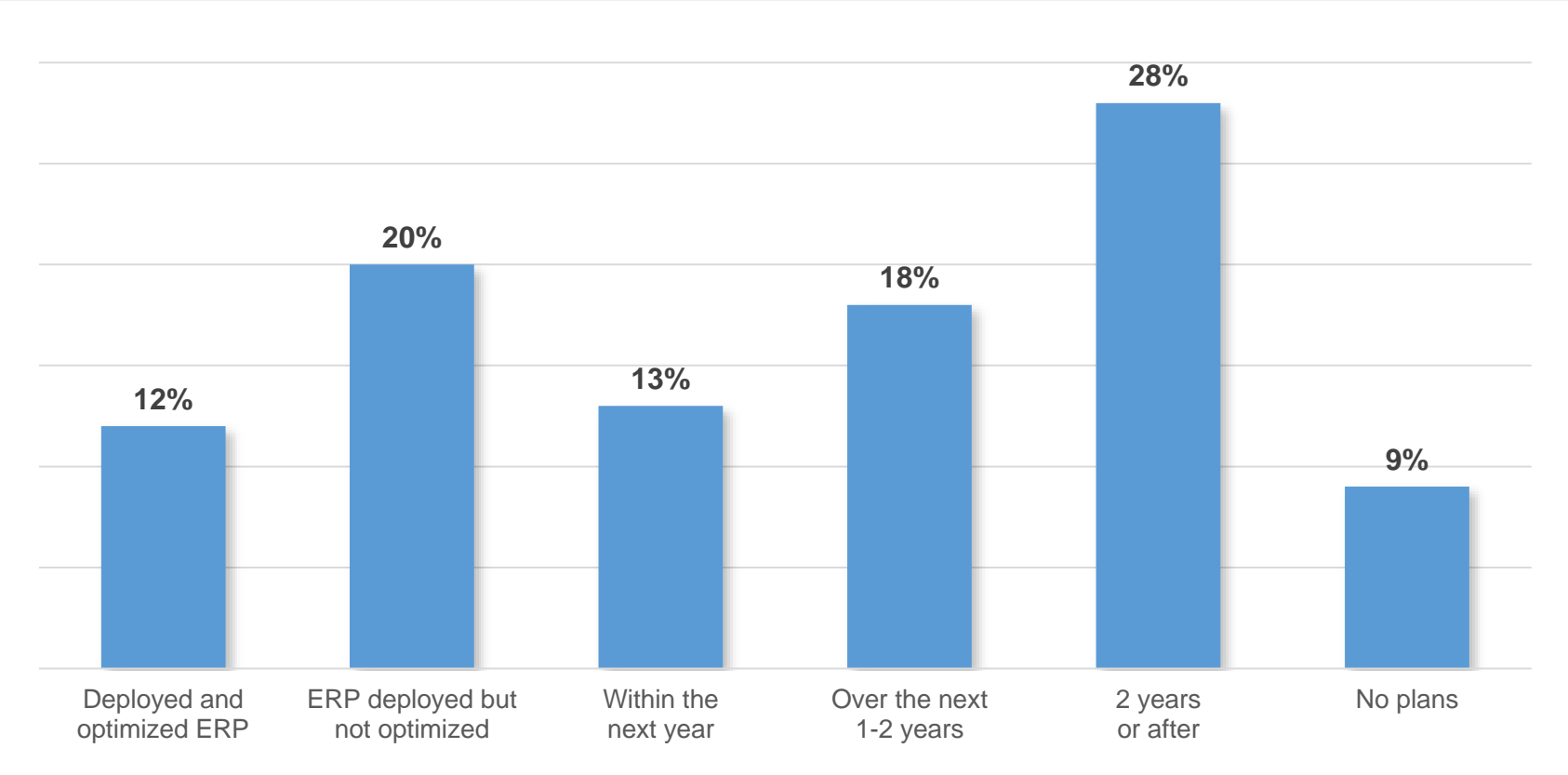
Just 15% of providers have automated their corporate services functions

Three times more large hospitals are automated vs. small hospitals (18% v. 6%)



ERP Deployment and Optimization

Q: Which choice best describes when your organization might deploy or upgrade its enterprise resource planning (ERP) system?



32% of providers have deployed an ERP but just 12% have optimized their system

51% of providers predict they'll deploy or optimize their ERP over the next 2 years



“Revenue growth remains a constant challenge for hospitals and health systems due to such aspects as stagnant reimbursement and meager inpatient growth, prompting many providers to grow inorganically via M&A while targeting corporate services for meaningful cost reductions. This economic reality requires providers explore creative opportunities to simplify and streamline a complex organizational structure while consolidating, automating, and outsourcing functions to drive more efficient and effective corporate and shared services delivery.

To uncover potential improvement opportunities, providers must look beyond their facility’s four walls and leverage benchmarking data that compares their corporate services performance against that of comparable peers.”

Robert T. Green

Guidehouse Partner and Leader of its Corporate Services Peer Network and Database, comprised of 55 health systems nationwide



“New technologies leveraging RPA, ERP, and machine learning have unlocked significant opportunities to drive back office efficiencies. As many providers have learned the hard way, overlaying technology as the ‘solution’ without first reengineering the processes and concurrently embedding a change management program has proven to be frustrating at best, and value-degrading at worst.”

Jeff Palmieri

Associate Director, Robotics Automation, Guidehouse

About Guidehouse Health*

Guidehouse's Health segment is comprised of consultants, former provider administrators, clinicians, and other experts with decades of strategy, operational/clinical consulting, public health, managed services, revenue cycle management, and outsourcing experience. Professionals collaborate with hospitals and health systems, physician enterprises, payers, local and federal government, and life sciences entities, providing performance improvement and business process management solutions that help them meet quality and financial goals. For more information, please visit: www.guidehouse.com/capabilities/industries/healthcare.



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** Navigant was acquired by Guidehouse, a portfolio company of Veritas Capital, in October 2019.*

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