

The background of the entire page is a photograph of a female surgeon in a sterile operating room. She is wearing a light blue surgical cap, a blue surgical mask with 'EURONDA' written on it, and blue surgical scrubs. She is wearing white gloves and is focused on her work, looking down at a table covered with a blue cloth. On the table are various surgical instruments, including forceps, scissors, and a mallet. The room has large windows in the background, and the overall lighting is bright and clinical. A vertical red bar is on the left side of the image, and another vertical red bar is at the bottom left corner.

# Healthcare Outlook Report: 2023



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### **What opportunities lie ahead for healthcare providers**

The explosion in digital, data-driven solutions presents healthcare organisations with opportunities for improved efficiency and performance. The question becomes which solutions to implement — and how?

The how is increasingly complex as healthcare organisations simultaneously navigate the influence of an ongoing global pandemic and macroeconomic uncertainty that can destabilise the industry and push providers into crisis mode.

Balancing uncertainties, risks and opportunities for innovation and change requires clear insight. That is why decision-makers should ensure that initiatives addressing new challenges and opportunities align with their organisations' strategic and operational priorities.

## INTRODUCTION

Artificial Intelligence (AI), data-driven analysis and telehealth are some of the latest digital tools empowering healthcare professionals and patients. An exponential shift to increased availability of these solutions coupled with advances in medical science enables healthcare providers to move from a primary focus on reactive care toward proactive prevention.

As patient-centred care begins to become industry-standard, digital tools are instrumental in improving the patient experience. These solutions also enable provider organizations to overcome challenges like treating aging populations, fluctuating labour availability and public spending on healthcare. Solutions like telehealth and patient portals allow providers to deliver care and services at home, which can increase access to care.

But change will take more than just new tools and research: it's critical for these technological advances to be paired with both organisational and systemic support. Implementing or upgrading digital solutions will require investment and upskilling to ensure systems are optimised for practitioner, patient and organisational leadership use. The technology is only useful if it is helping ease patient access, creating efficiencies, and streamlining workflows while remaining cost-effective.

The time to implement these solutions is now. Organisations that wait may risk falling behind on digital transformation, potentially losing patients that can access care more easily elsewhere. These organisations may also lose clinicians to competitors that offer digital solutions that ease their workloads. Healthcare organisations need to have the right technology in place to capitalize on growing healthcare demand and spending.

### Average global healthcare spending as % of GDP

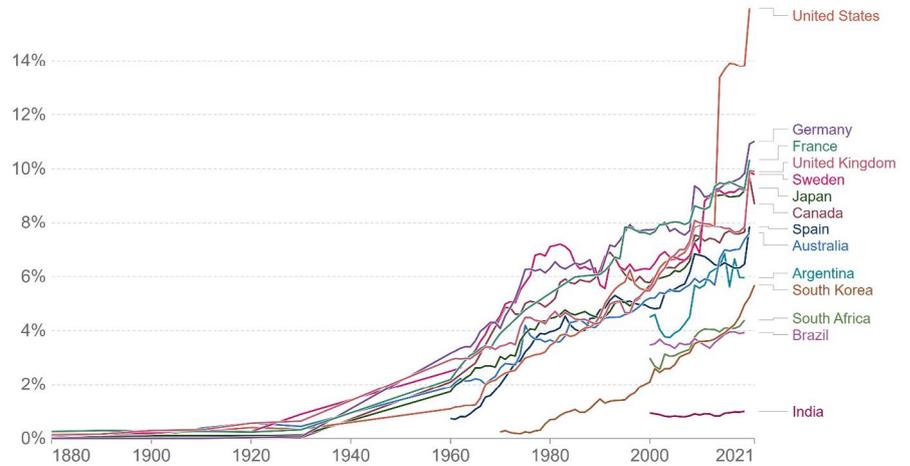


Data: OECD. Graph: BDO. 2021's figures are based on preliminary estimates of health spending for 2021 for 20 countries.

The Organisation for Economic Co-operation and Development (OECD) estimates show average health expenditure grew by 5% in 2020, largely driven by government spending in response to the COVID-19 pandemic. Preliminary data for 2021 shows similar growth in spending, with average health expenditure rising by around 6%. These figures represent the latest stages of long-standing growth in the percentage of GDP countries spend on healthcare.

## Government health expenditure as a share of GDP, 1880 to 2021

This metric captures spending on government funded health care systems and social health insurance, as well as compulsory health insurance.



Source: Our World In Data based on Lindert (1994), OECD (1993), OECD Stat  
Note: Health spending includes final consumption of health care goods and services (i.e. current health expenditure). This excludes spending on capital investments.

Source: Our World in Data.

However, the growing expenditure is counter-balanced by growing complexity, rising costs, and a need to adapt to a very different “new normal.”

Consumer preferences and behaviours have evolved, as have delivery models. Digital solutions are changing how and where we work. Remote care and virtual consultations are new developments that are likely here to stay.

2022 added new risk vectors, such as increased inflation, rising interest rates, and geopolitical unrest.

As a result, many healthcare companies and organisations are facing supply chain issues, talent challenges, and supply shortages that stress care and service delivery.

Healthcare decision-makers face a 2023 where vigilance, operational visibility, and a flexible, digital-first mindset will be crucial—both to deal with ongoing challenges and grasp new opportunities.

There are ways to address the uncertain road ahead, so provider organisations can rise to meet their top business priorities.

## PATIENT ACCESS & EXPERIENCE

### CHALLENGES

▶ **Rising healthcare costs and access challenges.**

More patients need complex and expensive treatments, and the resulting stress on healthcare providers is, in some cases, leading to longer waiting lists which can worsen long-term patient outcomes.

▶ **Quality of care challenges.**

Providers are being pushed to do more with less, as the extra expenses of the pandemic still influence healthcare budgets, and staffing issues persist at all levels, including nursing, allied health professionals, technologists and more.

▶ **More involved patients with evolving requirements.**

Patients are generally becoming more involved in their diagnoses and treatment. Many are looking for more direct contact with healthcare professionals too. As healthcare becomes more patient-centred, it can lead to new challenges, such as increased time spent per consultation. See BDO's publication on [Outcome-Driven Healthcare](#) for more.

### OPPORTUNITIES



▶ **Prioritise patient-centric innovation.**

The shift toward outcome-driven healthcare may require provider organisations to reprioritise previously planned investments. Think about what innovation projects will bring the most significant benefits to your patients right now. What projects can help you meet your patients where they are? Longer-term ROI projects may need to be deferred to preserve capital.



▶ **Streamline referral systems.**

Creating efficiencies in the referral process will reduce friction and improve patient care coordination. Organisations should consider exploring how maximising the value of their EHR systems can facilitate a cleaner process.



▶ **Optimise your digital front door.**

Your digital front door should be intuitive and enable patients to easily schedule appointments, manage their health, and understand the cost of their care. Simultaneously, it should help lower your overall costs.



▶ **Decrease focus on medicalisation.**

Medicalisation of health issues tends to overemphasise the role of healthcare in overall health outcomes and underestimate the influence of social contexts, causes, and solutions, thereby often increasing overall costs.



## FINANCIAL HEALTH

### CHALLENGES

▶ **Potential for less liquidity.**

Healthcare providers may see an impact from macroeconomic developments such as higher interest rates, which could potentially trigger issues meeting the terms of debt covenants.

▶ **Costs on the rise.**

Inflation is already having a widespread impact. It is also likely labour and supply costs will continue to increase and there may be fewer options to reduce expenses.

▶ **Outside assistance may be necessary.**

Private healthcare providers may need to seek non-traditional borrowing options or restructure contractual obligations such as lease payments.

▶ **Liabilities that exceed assets.**

Organisations with solvency issues could receive "going concern" audit opinions.

▶ **Low profit margins.**

Many provider organisations have slim margins and are now up against rising costs, inflation, and high interest rates. Investments and reimbursement for care may lag, making it a struggle to provide the same care with fewer resources.

### OPPORTUNITIES



— **Reassess financial metrics.**

Make sure that financial projections and forecasts take current economic conditions into account.



— **Prioritise investments and funding.**

Commit funding to critical projects related to business continuity and determine which investments can be postponed or cancelled altogether. Organisations may also want to reevaluate investment allocations with their advisors.



— **Minimise revenue losses.**

Consider optimising or investing in systems and processes for streamlining documentation, compliance and effective business operations. Finding efficiencies in [areas such as business office functions](#) and analysing third-party payer contract performance are essential strategies to improve revenue results.



— **Optimise costs.**

While there may be opportunities to [identify and reduce certain high expenses](#), you will likely have more long-term success with an optimisation-focused approach.



— **Consider consolidation.**

[Exploring options such as M&A or consolidating real estate](#) could help achieve long-term financial stability and performance.



OPERATIONS & SUPPLY CHAIN

## OPERATIONS & SUPPLY CHAIN

### CHALLENGES

▶ **Increased operating costs.**

Operating expenses (OpEx) costs will likely rise and options to reduce these costs will be limited, so organisations must have a plan to accommodate these expenses.

▶ **Declining operating margins.**

If high compound annual growth rates (CAGR) continue for drugs and labour costs, operating margins will likely decrease.

▶ **Continuing supply shortages.**

Not only are supply shortages expected to be ongoing for some time, but they may also become more severe, potentially resulting in worse clinical outcomes. In addition, operations technology shortages are expected to continue, making it difficult for providers — especially small- and mid-sized community hospitals — to access some practical technology solutions.

▶ **Loss of vendors.**

Some vendors may go out of business, particularly niche vendors, further exacerbating supply difficulties across the industry.

### OPPORTUNITIES



— **Optimise EHR systems.**

**Explore how optimisation may reduce operating costs.** For example, optimised EHR systems can simplify workflows thereby reducing the duplicative work required by clinicians and support staff, and the need for other software solutions. This can lead to an overall reduction in operating costs.



— **Consider a group purchasing organisation (GPO).**

Working with GPOs can support your supply chain management and help expand access to hard-to-find supplies.



— **Explore lower-cost supplies.**

Work with physicians to standardise supply, device, and implant choices, and optimise volume pricing. It is important to include providers' input, as this may entail moving away from their preferred supplies.



TECHNOLOGY & INNOVATION

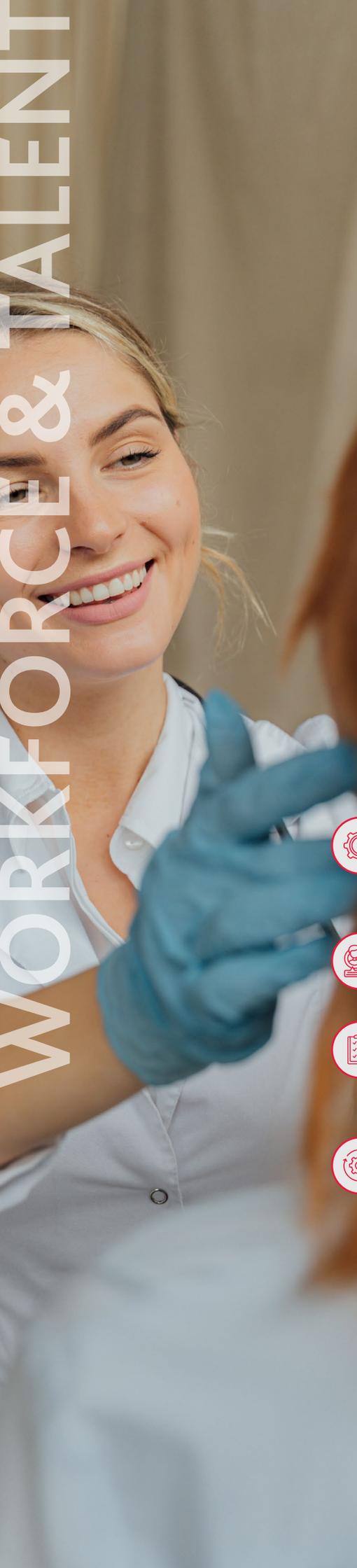
## TECHNOLOGY & INNOVATION

### CHALLENGES

- ▶ **New competition.**  
Privately funded, tech-enabled competitors may enter the healthcare space and offer alternatives at cut-rate prices.
- ▶ **Pivoting innovation priorities.**  
Budgetary constraints and the evolving economy may cause innovation projects to be delayed or abandoned entirely.
- ▶ **Changing healthcare delivery requirements.**  
Patient-centred care includes meeting people where they are and requires continuous innovation. In some cases, this includes serving patients' needs at home instead of in healthcare facilities, which may prevent or shorten admissions.

### OPPORTUNITIES

-  **Revamp digital strategy.**  
Making the most of the digital transformation efforts and integrating new technologies requires a digital strategy that is agile and ready to adapt to continuous evolution.
-  **Review innovation investment.**  
Which innovation projects will drive the most value in the immediate future? Are there any that could be particularly helpful in supporting your organisation and enabling it to grasp new opportunities?
-  **Consider service line and care model innovation.**  
Consider how innovations such as remote care monitoring and hospital-at-home solutions expand patient access and service opportunities. Focus on practical technology innovations rather than on what's shiny and new. Adopt these solutions early to avoid being hampered by potential supply chain issues. Minor or small-scale automation can make a big difference in creating efficiencies and reducing costs.
-  **Increase patients' access to digital solutions.**  
Enable patients to skip the doctor's office entirely or prepare for their doctor visits by facilitating access to their medical information.



## WORKFORCE & TALENT

### CHALLENGES

▶ **Staffing struggles.**

Continued shortages, especially in nursing, are expected to continue. There is also a reduced interest in some healthcare professions, which is exacerbating talent shortages. Provider organisations may have to work with alternative staff-sourcing solutions. As a result, associated fees may cause increased financial strain.

▶ **Boost in burnout.**

Both clinicians and support staff are expected to experience a rise in burnout which could lead to an exodus of healthcare workers from the industry.

▶ **Competition for talent.**

Due to staffing shortages and increased burnout, smaller or independent providers may need to differentiate themselves on vectors other than salary and benefits to access the talent pool.

### OPPORTUNITIES



— **Optimise tech solutions' positive impact**

Optimising areas such as EHR systems can reduce the amount of documentation your staff needs to handle, potentially leading to lower levels of burnout.



— **Explore talent options.**

Look at staffing and identify if there are opportunities to outsource specific roles.



— **Implement predictive staffing and patient planning solutions.**

This technology can help create a more efficient staffing system to reduce burnout and reduce patient waiting lists.



— **Invest in automation.**

Automated solutions can create efficiencies that may combat staffing shortages and high labour costs.



## REGULATION & REPORTING

### CHALLENGES

▶ **Increased financial scrutiny.**

The public is more interested in the cost of healthcare, and as a result, awareness of pricing policies, such as for prescription medicine, is expected to increase.

▶ **Loss of government funding.**

Budgetary constraints and inflation may squeeze financing in some areas of healthcare.

▶ **Potential new reporting requirements.**

Healthcare organisations should prepare for some requirements that could be applicable industry-wide, such as ESG. Additional requirements for specific institutions and sub-industries will likely continue to emerge in the coming years.

### OPPORTUNITIES



— **Enhance cost-estimate capabilities.**

Explore financial data and tech solutions that increase the accuracy of cost estimates. Alternatively, working with external consultants to identify opportunities may be more cost-effective and efficient.



— **Look globally for reporting trends.**

It is important to stay up to date on which trends could be next. For example, Europe is at the forefront of specific reporting trends, especially around ESG.

## The window of opportunity to meet challenges and grasp opportunities is shrinking.

You may face additional strain as a healthcare provider in the coming months and years. Unfortunately, the impact of current challenges can reverberate for years, so it's critical to be appropriately prepared.

Fortunately, providers can help protect themselves by capitalising on the opportunities we've identified over the coming months and years.

Want to make your organisation as resilient as possible?

Download [BDO's Guide to Activating Your Sustainability Journey](#)

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