

# Leading the return to growth

Healthcare finance leaders chart  
a digital course to prosperity



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# Executive summary

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As U.S. healthcare emerges from the shadows of COVID-19 and inflationary pressures ease, the sector's medium-term outlook is brightening. While labor shortages, cost pressures and challenges around digital implementation remain, the sector looks poised for substantial growth. McKinsey estimates that total profit across the U.S. healthcare sector will grow at a 7% CAGR to \$819 billion by 2027.<sup>1</sup>

We surveyed 250 finance executives in the U.S. healthcare sector to understand how their finance teams are tackling these challenges and at the same time striving for growth. We also sought to assess how their priorities and perceptions of risk compare with those of finance teams from other sectors.

The research finds that cutting costs continues to be their highest priority in the next 12 months, but driving revenue growth, evaluating business models and financing new investments are moving back up leaders' agendas.

Artificial intelligence (AI) is a particular investment focus. Many in the sector hope the technology will relieve employee workloads and enhance patient experience while also improving diagnoses and treatment going forward. But the research shows that healthcare finance leaders face significant obstacles to harnessing new technologies and meeting these aspirations.

<sup>1</sup> <https://www.mckinsey.com/industries/healthcare/our-insights/what-to-expect-in-us-healthcare-in-2024-and-beyond>



## What we learned from our survey of 250 healthcare finance leaders:

1

### **There's a shift to growth.**

Cutting costs remains a top priority in the sector but there are signs that healthcare finance leaders are gradually refocusing on growth: 40% are targeting new investments, up from 33% in 2023.

2

### **The greatest risk is talent.**

The top risk for healthcare finance leaders continues to be staff shortages, which this year ranked much higher than other challenges such as cyber attacks and high inflation. In the healthcare sector, 44% of leaders say that this is their top concern, compared with 40% in other sectors.

3

### **There's a sharper focus on AI.**

Healthcare finance leaders are actively exploring the ability of AI to identify fraud, manage risk and automate processes; 57% say they are investing in AI. Last year, 45% said the same. For comparison, 50% are investing in this technology in other sectors.

4

### **High aspirations but slow progress for payments transformation.**

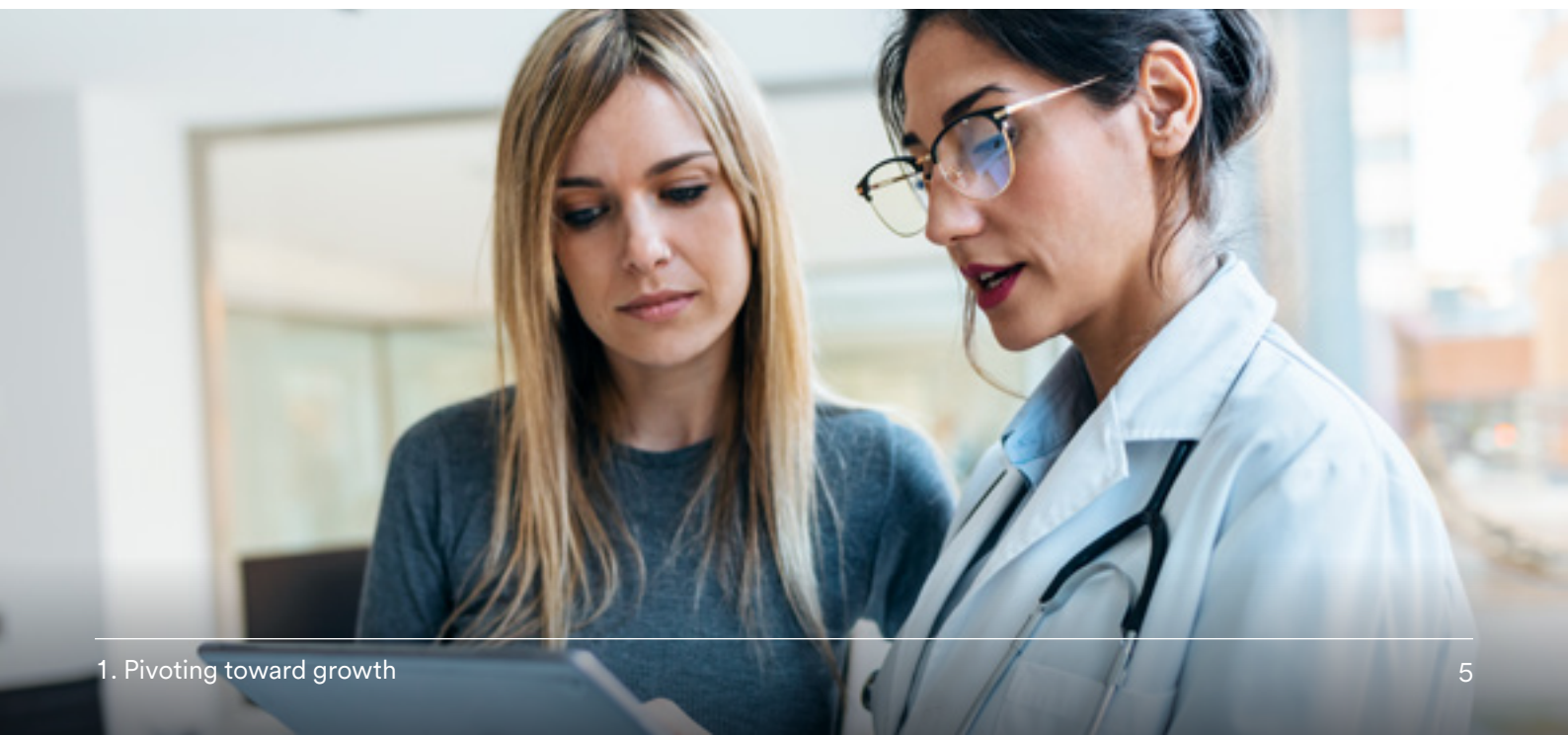
Increasingly, healthcare finance leaders are prioritizing transparency and efficiency in transforming payments. Over half say that their top drivers of transformation in the next year are better use of payments data, risk mitigation and payment automation.

That said, the intricate nature of healthcare payment transactions has led the sector's finance leaders to adopt new payment methods more slowly than their counterparts in other sectors. This slow uptake has also resulted in the delayed adoption of embedded payments. For example, just 26% use application programming interfaces (APIs) to make and receive payments, compared with 31% in other sectors.

# Pivoting toward growth

With the continuing uncertainty of the economic environment, cutting costs remains a top priority for the coming 12 months. Finance leaders continue to plan to cut costs primarily by investing in technology. There is less appetite for reconfiguring the business by restructuring the workforce, outsourcing business functions, or discontinuing low-growth business lines.

“The large hospital systems we work with across the country certainly have unique regional challenges, but everyone is focused on driving operational efficiencies,” says Anu Somani, head of U.S. Bank Global Payables and Embedded Payments. “Administrators know that if they can digitize and automate more of their processes – particularly within accounts payables and receivables – they can drive down costs and improve experiences for customers and employees.”

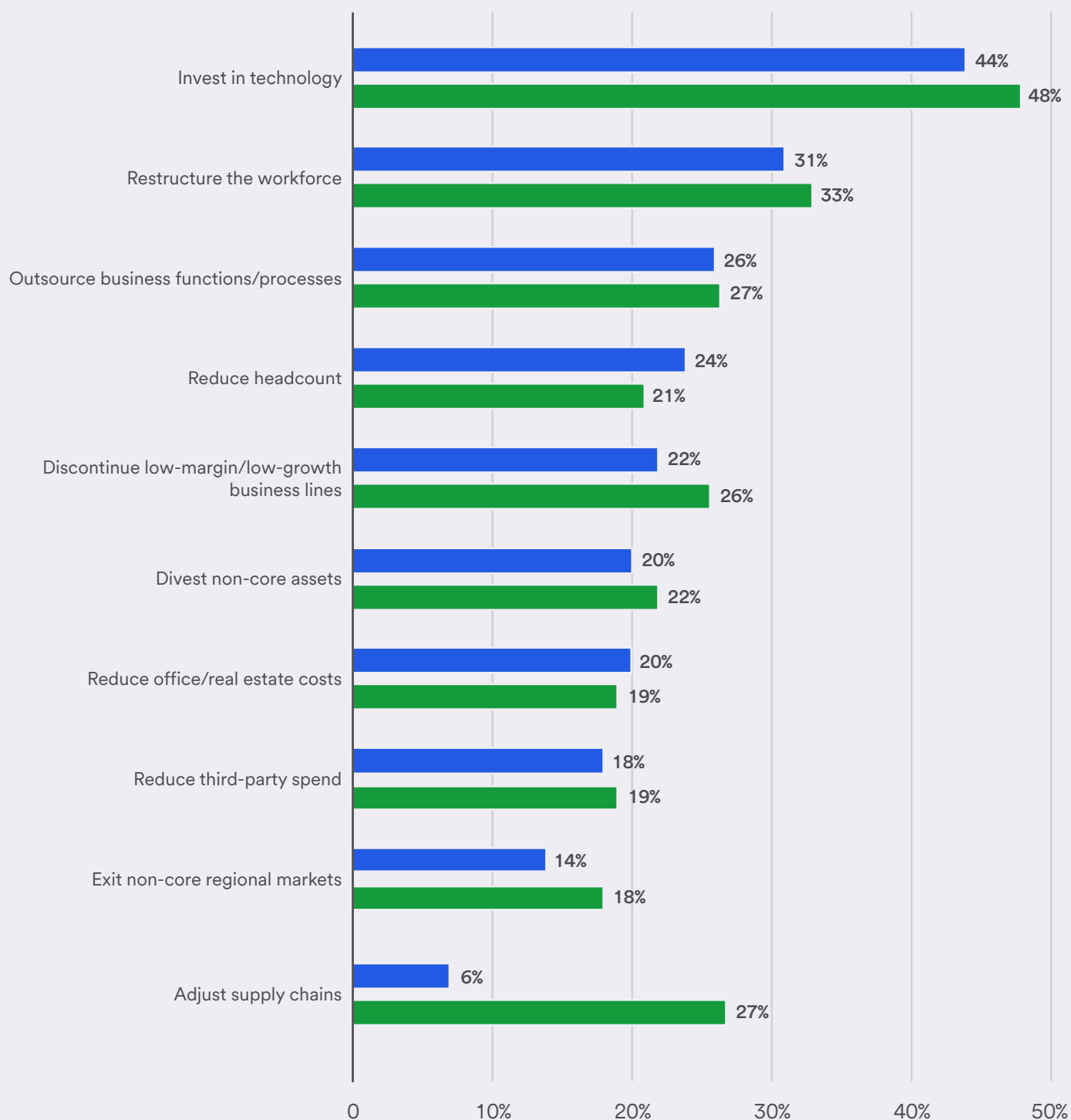


### **Technology is still the preferred way to cut costs.**

% who say that they plan to do each of the following to cut costs and drive efficiencies

● Healthcare

● Other sectors



Cutting costs remains high on the agenda but leaders in the sector are cautiously pivoting toward growth initiatives. For example:

- » **27%** say driving revenue growth is a top-three priority, up from 21% in 2023
- » **33%** are evaluating new business models, up from 25% in 2023
- » **40%** are helping the business finance new investments, up from 33% in 2023

At the same time, healthcare finance leaders are seeking to drive business growth in a very precise, focused way, taking resources away from other areas to create capacity for their prioritized initiatives. Only 29% are increasing budget for product R&D, for example, compared with 49% last year. While the growth priorities of healthcare finance leaders broadly

match those of leaders in other sectors, this is an exception, with 37% of finance leaders in other sectors planning to increase R&D budget to drive business growth.

Other initiatives that have been deprioritized are changing the capital-allocation process and evaluating international expansion opportunities. Since last year, the proportion planning to pursue these initiatives has decreased by 9% and 6%, respectively.

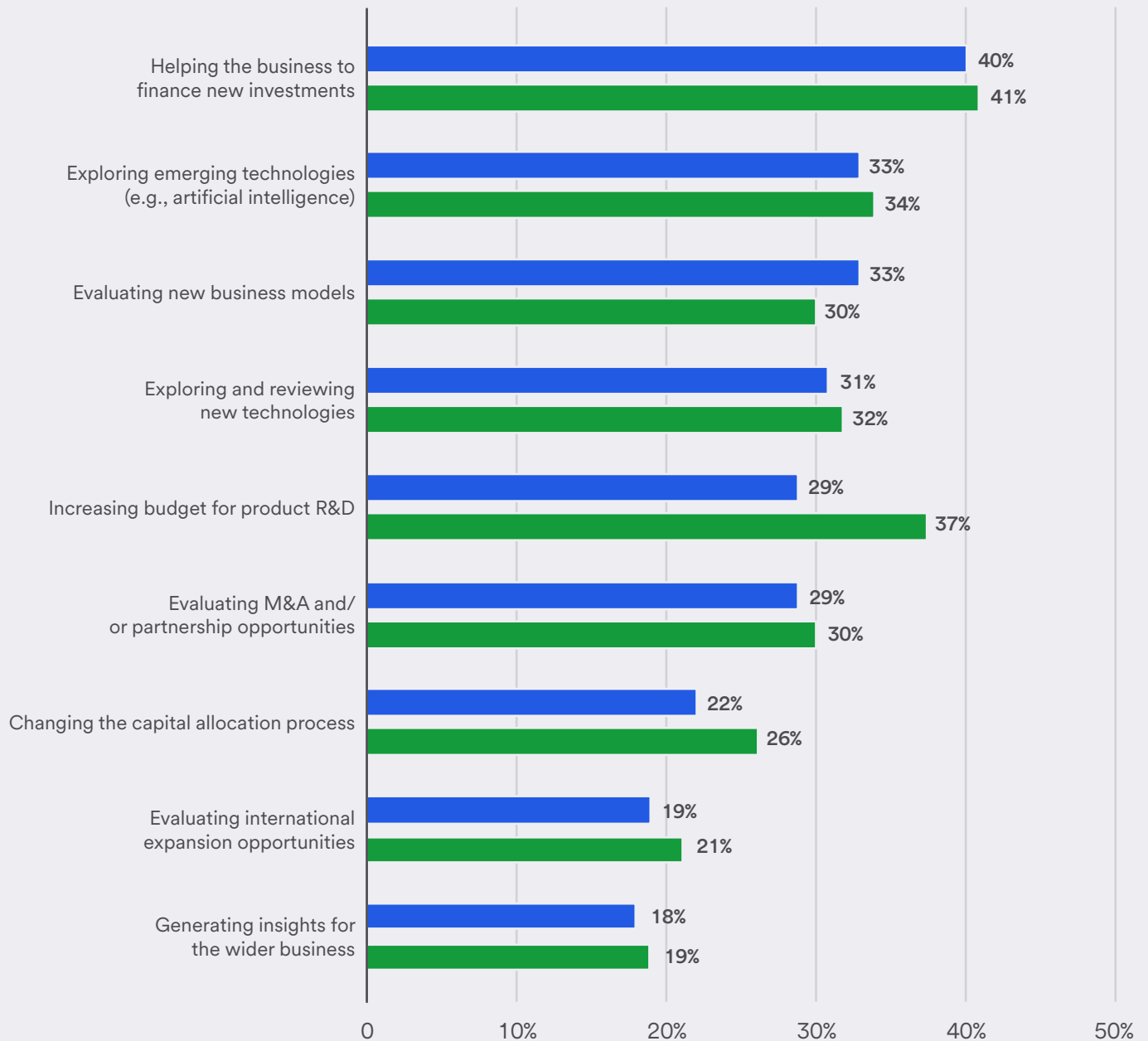


## ***Growth is back on the agenda.***

*% who say they plan to undertake the following activities to drive business growth and transformation*

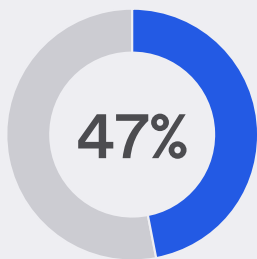
● Healthcare

● Other sectors



## Technology is helping finance leaders balance cost control and growth.

Healthcare finance leaders are better able to balance the need to cut costs and build resiliency with the need to invest in future growth than they were last year. Today, 47% say they struggle to balance these needs, compared with 57% last year. This is largely owing to digital transformation.



**say they struggle to balance the need to cut costs and build resiliency with the need to invest in future growth.**

In recent years, healthcare finance leaders have begun to digitalize their function, automating processes to allow nurses, physicians and caregivers more time to focus on patient care. “We’ve always had a focus on sustainability and growth to meet the needs of our communities, and transformation has been at the core of driving both,” says Greg Hoffman, EVP and CFO at Providence, a nonprofit Catholic healthcare system that operates across seven states. “By transforming manual, fragmented systems into seamless, automated processes, digital tools help us drive growth across fixed asset bases, delivering economies of scale, and most important, supporting our caregivers and patients and expanding our mission to serve those in need.”



# Talent shortages remain a major risk.

Finance leaders in healthcare continue to rank staff shortages as the top business risk. Given historically low levels of unemployment (4% as at June 2024), this is not surprising.<sup>2</sup> A study conducted by Experian Health found that all of the 200 healthcare staffing professionals they surveyed agreed that labor shortages are impacting revenue cycle management (RCM) and patient engagement.

The lack of staffing within the finance function to handle RCM processes is impacting everything from scheduling, patient outreach and operating costs, to payments and reimbursements.<sup>3</sup>

These shortages, combined with the lack of care workers, such as nurses, in the wider organization, have healthcare finance leaders slightly more concerned about talent than those in other sectors (44% vs 40%). McKinsey estimates that, by 2025, the U.S. could face a shortage of 200,000 to 450,000 nurses available for patient care.<sup>4</sup> To address this, healthcare organizations such as Providence are looking to new technology to drive innovation.

“We’ve implemented a co-caring model, where a patient in a bed can hit a buzzer for assistance and a virtual nurse tends to them,” says Hoffman. “The virtual nurse can help them with minor needs such as prescriptions and discharge orders.” According to Hoffman, this model taps into the pool of nurses who are interested in returning to work after a career break but in a less physically demanding capacity than in-person hospital or clinic work. It also improves efficiency, as charge nurses can focus on the most pressing patient needs.

The combination of quicker response times and more focused time from in-person nurses also improves patient satisfaction: “What we find is we have happier patients, happier patient families, and happier nurses,” Hoffman explains.

## 44%

of healthcare finance leaders say that talent shortages pose a major risk to their business

<sup>2</sup> <https://www.bls.gov/news.release/empsit.nr0.htm>

<sup>3</sup> <https://www.experian.com/healthcare/resources-insights/thought-leadership/white-papers-insights/staffing-survey>

<sup>4</sup> <https://www.mckinsey.com/industries/healthcare/our-insights/2024-health-systems-outlook-a-host-of-challenges-ahead>

## **Inflation no longer a top risk but still affecting healthcare.**

Today, only 25% of healthcare finance leaders see inflation as a major risk, compared with 40% last year. But it remains a concern because cost inflation is still higher than reimbursement rates. “Our biggest challenge is ensuring that reimbursement models are in line with cost-trajectory models,” says Hoffman. “Typically, Medicare and Medicaid have a reimbursement rate between 0% and 3% per year. When you have cost inflation going up at 5%, 6%, 7%, you have an imbalance there.”

We see a parallel trend with cyber security. Although only 28% of healthcare finance leaders rank it as a top concern this year compared with 34% last year, it remains a critical issue. Despite this decrease, cyber security is still tied for third place as a major risk, highlighting the persistent and significant concern among healthcare finance leaders.

Conversely, healthcare finance leaders are 18% less likely to rank risks around supply chain disruption highly on their business agendas. This significant decline is unique to the healthcare sector: just 4% flag this as a top-three risk, compared with 20% outside the sector. The supply chain has improved since the height of COVID-19, when the

shortage of personal protective equipment (PPE) was a major concern owing to shipping crises and overcapacity. Leading healthcare organizations are redoubling efforts to ensure good relationships with supply chain partners to mitigate potential risks.

“

“Our biggest challenge is ensuring that reimbursement models are in line with cost-trajectory models. Typically, Medicare and Medicaid have a reimbursement rate between 0% and 3% per year. When you have cost inflation going up at 5%, 6%, 7%, you have an imbalance there.”

**GREG HOFFMAN**

EVP and CFO,  
Providence

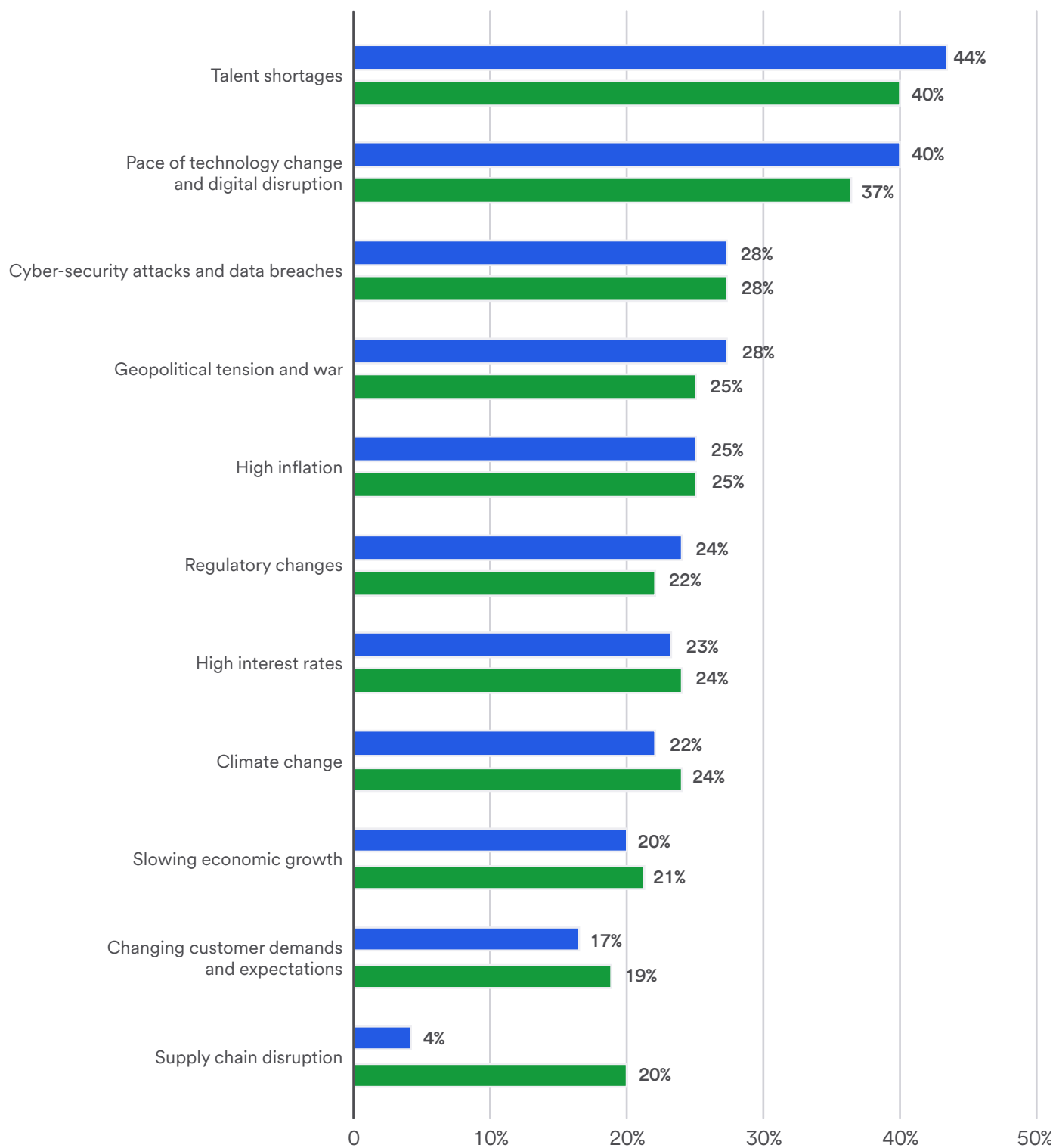


### ***Talent shortages are a major risk.***

*% who say that the following risks are currently top of the agenda for their business*

● Healthcare

● Other sectors





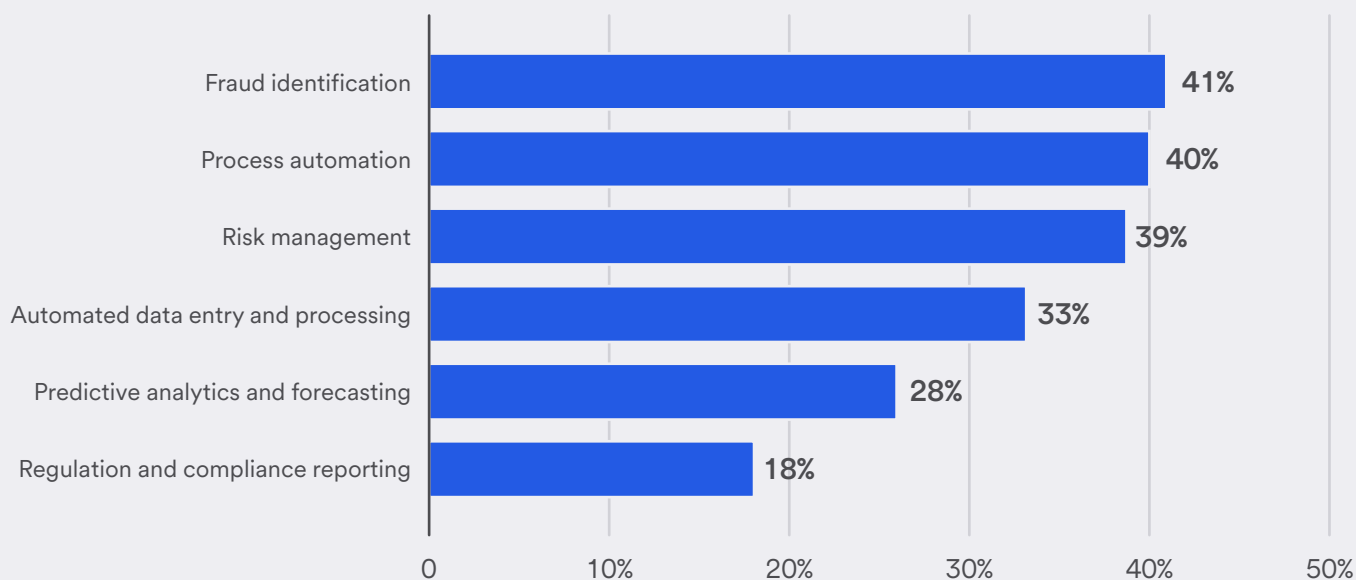
### AI becomes a major focus.

Healthcare finance leaders are exploring emerging technologies to help their businesses grow. As such, deploying technology within the finance function is now the third-most important priority.

Interest in AI, in particular, has surged. In 2023, 45% of healthcare finance leaders invested in AI. In 2024, 57% are doing so. In other sectors, 50% are investing in AI. Healthcare finance leaders are mostly using AI to identify fraud, automate processes and manage risks.

### AI is used to identify fraud and automate processes.

% who say that the following are top use cases for AI in the finance function



“I’m very optimistic about AI,” says Hoffman. “Some estimates show that 25-30% of a doctor’s or nurse’s time is taken up by administrative tasks. For example, healthcare practitioners regularly spend two to three hours every evening answering in-basket messages. To have an AI tool that could pre-read these, look in the electronic health record and pre-craft messages, would be a game changer.”

Notably, interest in software such as enterprise resource planning (ERP) systems has decreased by 10%, perhaps reflecting saturation. But businesses are looking to adapt existing systems with innovative add-ons, such as embedded payments within their ERP systems. Providence, for example, is looking at how it can embed AI into its ERP solution to help streamline employee evaluations.

But companies should be careful not to let the hype push them to make imprudent investments. For Hoffman, it’s important to scrutinize each tool with a healthy amount of skepticism. “For example, we get pitched tools all the time to improve forecasting. I’ve been doing forecasting for years, and so I’m always a little cautious in terms of what the tools can really do,” he explains.

## Leaders must plug digital talent gaps.

Despite the strong interest in technology, progress is slow. Half (50%) of businesses are only at the early stages of digitizing the finance function, up from 43% in 2023. Healthcare finance leaders also fear choosing the wrong major technology program. They rank the pace of technology change and digital disruption as their second-most important business risk, up from third last year.

Although some barriers to digital transformation are shrinking, implementation issues remain. For healthcare finance teams, a lack of technology implementation skills is the number one obstacle to digital transformation initiatives; 38% say this is a top-three obstacle.

The other top barriers to digital transformation include a lack of clear strategy and fears that digital transformation initiatives will interrupt business continuity. To overcome these, the CFO should collaborate with other C-suite leaders to develop a strategy that aligns with the company’s overall technology plans and harnesses its existing capabilities.



# Transparency in payments is paramount.

Payments in healthcare is a complex area with a lot of friction points, especially when finance teams are dealing with commercial health insurers that offer different plans. As such, healthcare finance leaders are increasingly seeking to transform payments in the following ways:

- » **56%** say that better utilizing payments data and insights into payments is important in the next 12 months – up from 52% last year; in other sectors, 52% say the same
- » **55%** say that decreasing risk in payments is important in the next 12 months – up from 49% last year; in other sectors, 60% say the same
- » **54%** say that automating payments is important in the next 12 months – up from 49% last year; in other sectors, 57% say the same

Last year, payments transformation in healthcare was driven mainly by a desire to enhance the patient payment experience. While this has fallen from first to fifth place in order of importance this year, efforts to increase payment transparency and efficiency will ultimately benefit both patients and the business.

“For the patient, it can be confusing to understand how and when to pay,” Hoffman explains. “So, for us, leveraging technology in payments is about improving insights across the value chain, from the initial bill to the final payment, while providing patients with a clear, holistic view.”

## 54%

look to automate payments in the next 12 months

## Healthcare finance leaders are lagging behind on digital payments.

The complexity of making and receiving payments in the healthcare sector means that the industry has been slower to adopt new payment methods:

- » **46%** use instant payments, compared with 52% outside the sector
- » **31%** use push-to-debit card, compared with 41% in other sectors

But this complexity hasn't completely stifled progress. For example, healthcare is ahead of other sectors in using B2C payment methods such as Zelle® and Venmo. Over half (51%) say

they currently use these payment methods, compared with 45% in other sectors.

Hoffman says that there will be opportunities to adopt alternative digital payments platforms within the healthcare sector, but that making these viable will take time.

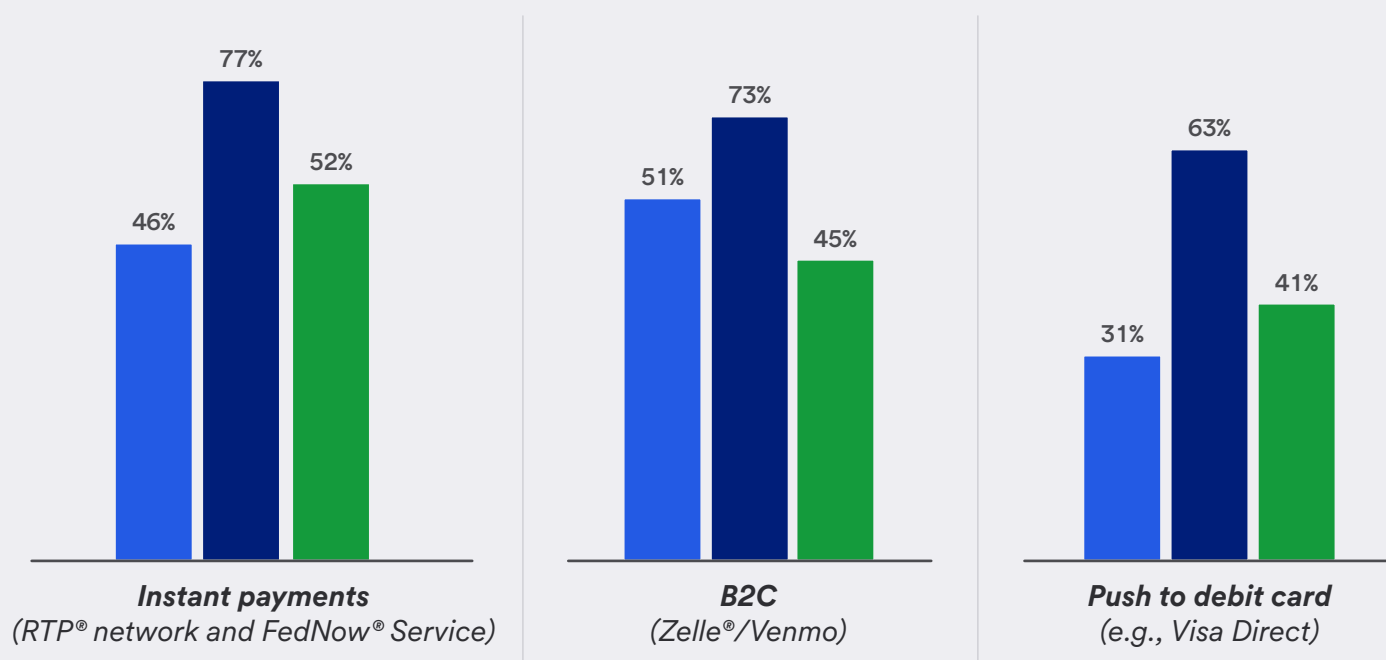
“While healthcare tends to lag in some of that technology adoption, all of it points to easing the way for our patients and achieving greater transparency.”

Despite the caution, aspirations are high. Healthcare finance leaders want to grasp the digital payments opportunity: 77% intend to use instant payments in 2026.

### Healthcare finance leaders are lagging behind on digital payments.

% who say that they currently use or are planning to use the following payment types in their organization

- Healthcare (use today)
- Healthcare (expect to use in two years)
- Other sectors (use today)



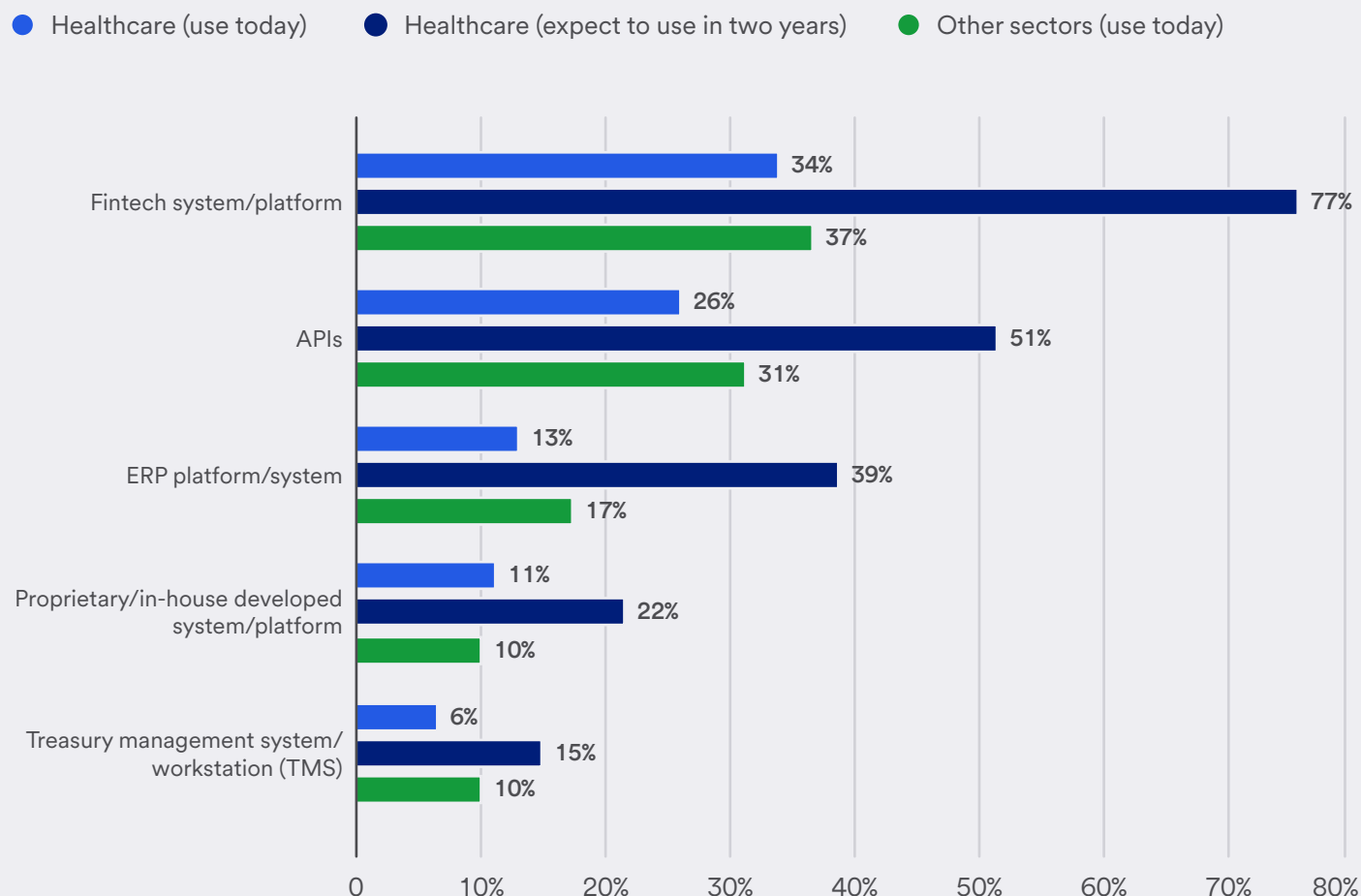
The slow progress on digital payments uptake has resulted in delayed adoption of embedded payments. For example, just 26% use APIs to make and receive payments, compared with 31% in other sectors.

However, many leaders expect to embed payment processes within their existing platforms in the next two years.

“Healthcare organizations are steadily embedding payment capabilities within their existing systems to improve their own efficiencies and provide a seamless and simple experience for customers and vendors,” says Somani. “We expect hospital systems and insurers to continue to explore customized embedded payment solutions to improve money movement throughout their entire operations.”

### **Healthcare finance leaders aspire to embed payments, but progress is slow.**

% who say that their organization currently uses or is planning to use the following to move money, initiate/send payments, or receive payments



# Conclusion

The U.S. healthcare sector has emerged from the challenges of COVID-19 and high inflation on its feet but now faces a complex market landscape. Yet, despite obstacles such as labor shortages and slow digital payments adoption, healthcare finance leaders are embracing technology, particularly AI, to enhance efficiency, transparency and patient care.

Strategic investments and a careful approach to managing current and future challenges are creating a strong foundation upon which to build growth.

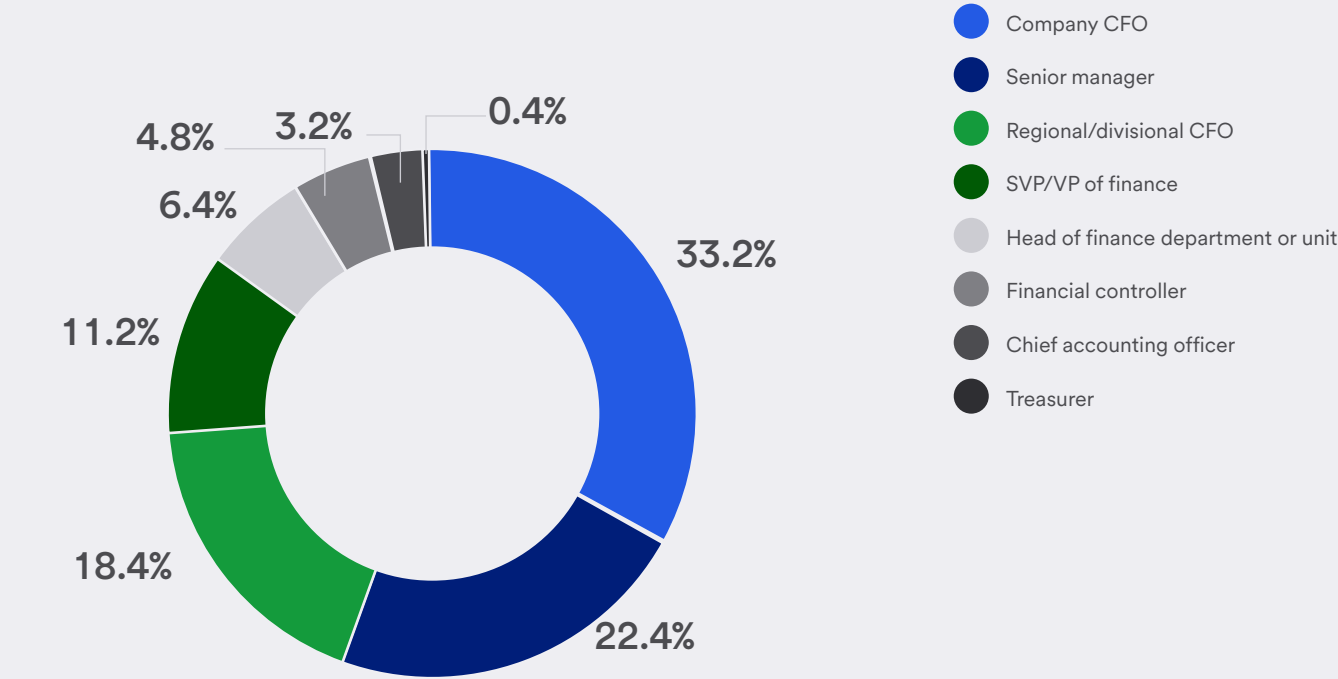
# About the research

This data comes from a survey of 250 senior finance leaders who work in the healthcare sector.

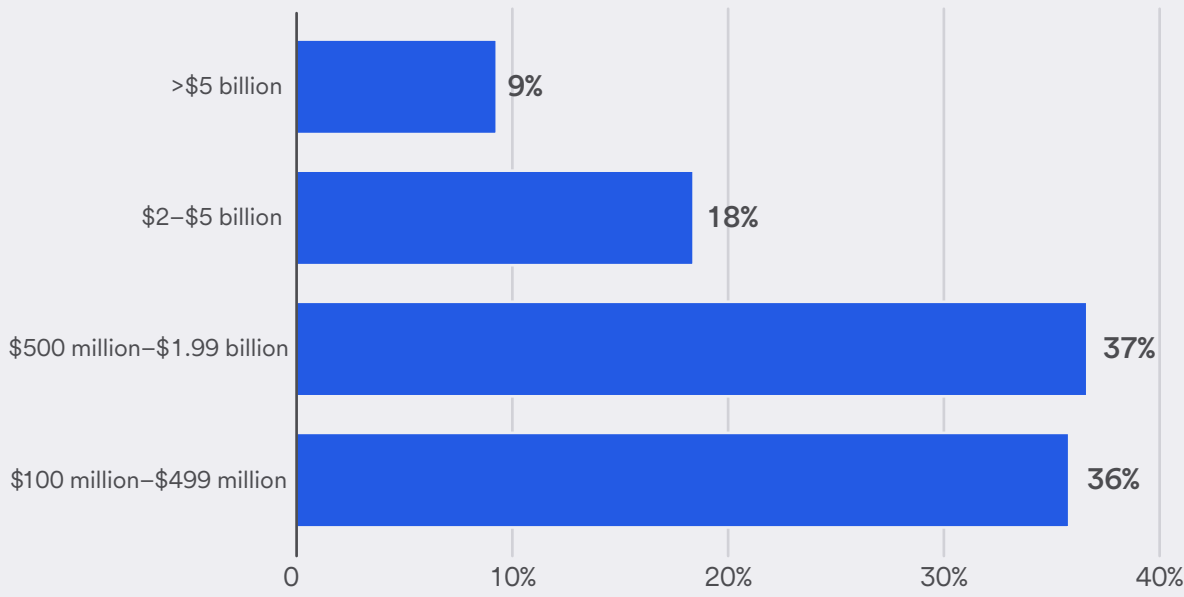
- » **18%** of the survey participants are group, regional or divisional CFOs
- » **100%** work for a business that generates at least \$100 million in annual revenue
- » **18%** work for a business that generates more than \$2 billion in annual revenue

The research is part of a larger study of 2,030 senior finance leaders who work in U.S. businesses. Find out about the larger study here. That report is the fourth in a series and follows “[Leading the transformation](#),” a U.S. Bank survey of 1,420 finance leaders released in 2023. The previous edition of our research, “[Leading through uncertainty](#),” was released in 2022, and we launched the series with “[Leading the recovery](#)” in 2021.

Job title



Company revenue breakdown





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