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Rajiv Leventhal

Macroeconomic conditions aren't stopping healthcare providers from making tech investments

Article

The news: US healthcare providers fast-tracked software investments over the past year and many will continue to do so as they look to improve margins and address labor shortages, according to a new report from KLAS Research and Bain & Company.

Health systems are still spending: The era of economic uncertainty has not dissuaded provider organizations from investing in tech. In fact, many have doubled down on their software system spending.

Key findings from the report include:

- **45% of providers accelerated software investments in the last year**, compared with just **10% that slowed down** their spending.
- Throughout the next year, **over 95% of providers anticipate making new software investments**, with one-third planning for significant ones.
- Investing in software ranks as a **top 3 strategic priority for almost 40%** of providers and a **top 5 priority for roughly 80%**.

What's driving spending during uncertain times? Simply put, providers need tech to improve margins and be more efficient.

Inflation concerns and **labor shortages** are key catalysts driving health systems to ramp up their software investments. Some of these challenges have spilled over from the early days of the pandemic, where healthcare organizations had to address staffing deficiencies and employee burnout due to the intense demand brought on by COVID-19. They're now turning to tech to automate processes and improve productivity.

For example, revenue cycle management (RCM) software solutions got **more top 5 votes than any other tech category** when providers were asked to name their investment area of highest priority, per KLAS and Bain & Co.

This makes sense, considering:

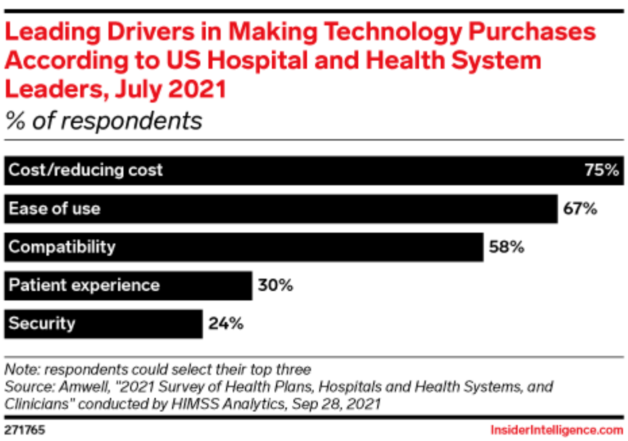
1. Most hospitals are still operating with negative margins that are far below pre-pandemic levels, per Kaufman Hall's September 2022 National Hospital Flash Report. These organizations could help themselves by using RCM software to decrease billing errors and track patient balances, thus reducing their bad debt.

2. Increased labor costs = fewer employees. Labor expenses—which increased 37% per patient between 2019 and March 2022—are driving negative operating margins.

- Some RCM tasks, such as patient collections, are still done manually. Automation will be necessary given health systems' current workforce issues.
- **9 in 10 provider organizations** said they're experiencing a labor shortage in their RCM or billing department, per an October R1 RCM survey.

Not everyone will keep spending in tough times, though: If this era of economic uncertainty prolongs, we will likely see a divide among organizations that continue to aggressively spend on technology and those that pump the brakes.

- About **35% of providers said they plan to spend more than usual** over the next year specifically due to the current environment, as they seek productivity and efficiency improvements.
- **But 30% noted they will probably spend less** than they would in more auspicious conditions over the next 12 months.



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