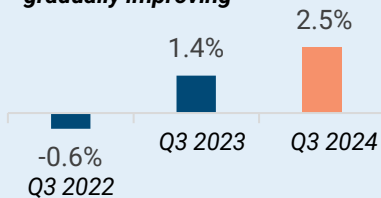


The financial landscape: Health system economics are stronger but in flux.

1 Revenue gains are barely outpacing rising costs, creating concern about long-term economic resilience.

Operating margins have been gradually improving

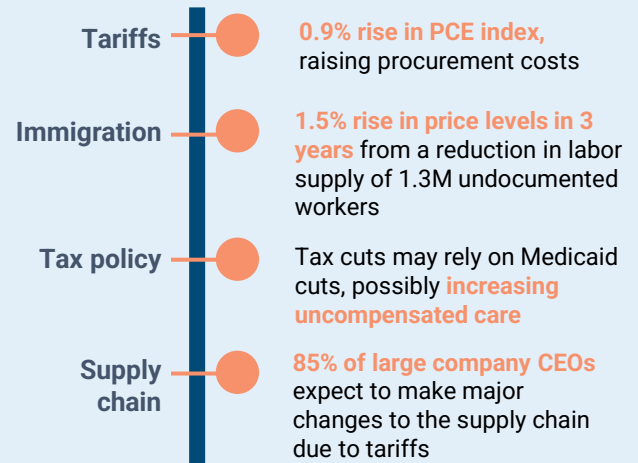


But recovery has been uneven

There's wide variation in Q3 margins (-5% to 12%) among 40 Leading Health Systems.

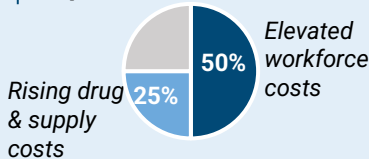
3 HS will need to navigate macroeconomic uncertainty in 2025. The new administration is proposing several initiatives that will impact systems, likely starting with rising inflation.

Potential impact²⁻⁴



2 The "75-75 conundrum": ~75% of health system (HS) expenses are variable while ~75% of revenues remain fixed/flat or are declining¹.

Expenses



Revenue

- 75% of revenue relies on Medicare/Medicare Advantage, Medicaid, & self-pay patients
- Increasing reliance on fixed government revenue streams

2025 HS priorities reflect emphasis on access, costs, and AI transformation.

Access is the highest priority across all executives.

64% of leaders say access is more important than past years

Affordability not a top 5 priority, but HS acknowledge room for improvement.

#1 Highest area for improvement relative to goal across all executives

AI rising as a key priority—helps HS achieve financial & care delivery goals.

#1 AI was the top area executives ranked as higher priority in 2025 than 2024

C-suite leaders are broadly aligned on priorities but with role-specific focus areas.

		CSO	CFO	COO	CIO	CHRO	CPE/CMO	CNE/CNO	CMIO	CNIO
1	Improving access to care	4.77	4.21	4.83	4.69	4.54	4.94	4.64	4.5	4.41
2	Operational efficiency for care delivery	4.59	4.32	4.87	4.69	4.46	4.61	4.73	4.35	4.12
3	Strengthening workforce	4.55	4.46	4.57	4.23	4.61	4.5	4.67	3.90	4.18
4	Strategic cost management	4.36	4.07	4.48	4.54	4.5	4.39	4.58	4.25	4.41
5	AI strategy	4.05	4.04	4.17	4.62	4.13	4.28	4.33	4.65	4.35

The heat map displays each CXO's ranking of priorities on a 5-point scale, where 5 represents the highest priority and 1 the lowest. The priorities are arranged in descending order based on their average score across the entire cohort. THMA 2025 CXO Priorities Survey (n=198).

Patient access is a gateway to mission and growth.

The strategy: Optimize sites-of-care and partner for greater impact.

Key market drivers

- 1 Disruptors have an edge on timely appointments and overall access. For instance, the first available primary care appointment was **1** day on average for disruptors and **17** days on average across 50 HS access centers.¹
- 2 Employers are projecting health care costs to grow **~8-9%** in 2025, surpassing the already-high post-ACA average. They are under immense pressure to pursue new cost control strategies. For instance, ICHRA² adoption is rapidly growing (though it still represents a small market share).
- 3 More sophisticated transparency tools are enabling a new era of steerage, impacting patient choice, referral, and care navigation for employers. These platforms can dictate which providers and sites are deemed “cost-effective,” driving commoditization of services and potentially sidelining HS.
- 4 Many retail disruptors, which were expected to “solve” the access challenge, retreated last year. While some HS now discount the threat, other types of disruptors are growing and impacting patient expectations for convenience. Players with a vested interest (e.g., payers) will find the right approach.

Health system response

- ➔ Segment your population to adopt different access strategies for each segment.
- ➔ Consider direct-to-employer bundles or additional cash pay options to attract price-sensitive patients and employers.
- ➔ Track provider performance to showcase high-value care and protect patient volume.
- ➔ Understand the threat (and opportunity) of market disruption to fill access gaps and meet patient convenience expectations.

Which models continue to grow?



Hybrid/digital care partnerships for scalable, cost-effective access



Site/care adjacent models (e.g., urgent/ ED hybrid models)



Joint ventures as an asset-light alternative to M&A

AI is now delivering long-awaited efficiency and care improvements.

The strategy: Commit to table-stakes uses and secure buy-in from clinicians.

Expectations for health care AI in 2025

A greater focus on “hard ROI” in 2025. Some AI uses will become table stakes while others will emerge as strategic differentiators.

A widening performance divide as systems see large efficiency gains from AI use, and some diversify revenue by commercializing AI tools.

AI will only be as transformative as HS infrastructure will allow.



Table stakes Operational

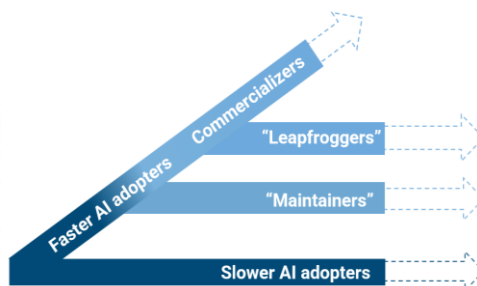
- Rev cycle automation, efficiency
- Claims management
- Staffing/capacity management
- Patient pre-visit prep



Progressive Operational

- Drafting useable patient messages
- Call center automation
- Patient room virtual assistants
- CRM optimization

As AI reaches its own “liminal moment,” systems that don’t maintain AI progress will struggle to keep up with local and regional competitors.



3 key factors shape HS’ speed and magnitude of AI transformation:

- 1 Governance that evolves and scales at the speed of AI
- 2 Technology that accelerates competitive edge and ROI by challenging the traditional EMR-first, build-last approach
- 3 Frontline buy-in to drive adoption and scale impact

1. Secret shopping evaluated access to primary care and screening visits across 50 HS & 4 national retail “disruptors” (Tia, Walgreens, Carbon Health, One Medical).
 2. ICHRA (individual coverage health reimbursement arrangement) is an employer-funded health benefit that reimburses employees tax-free for individual health insurance premiums and qualified medical expenses.