



What's next for children's health systems?

Market dynamics are influencing mission and margin

By Michael Pou

Change is taking an unconventional trajectory for children's hospitals across the U.S. Unprecedented margin pressure means traditional cost-saving measures and revenue strategies are no longer sustainable, and reputation is being challenged in new ways. All of this leads to a wholesale rethinking of brand value, care offerings, and operating models.

In the months ahead, leaders will take a mindful step back to analyze how their strategies can address mission and margin.

Five dynamics impacting children's health systems

Children's health systems face [challenging market conditions](#) that will continue to inform leaders' actions and decisions.

1. Margins are down, and they are staying down

Healthcare providers are reframing how they approach cost savings, focusing less on what has worked in the past and more on developing creative and cost-improvement initiatives. Over the past few years, many providers have relied on cash reserves to help manage declines in patient volume due in part to the pandemic. Still, as more time passes, leaders recognize the need to change how they operate to reflect the future of healthcare.

2. Care access and care equity are shared priorities

Providers are becoming more purposeful with [care access decisions](#), like reducing patient wait times, streamlining their processes with CRM tools and other supportive technology, and providing virtual visitation options. These initiatives prioritize the patient experience and offer flexible care options that match consumers' lifestyles.

Expanding access doesn't stop there, though. [Care access and health equity](#) are converging as providers consider more intentional outreach initiatives for vulnerable populations challenged by proximity to care facilities or those less inclined to seek care for cultural or financial reasons. Virtual care can help alleviate some of the need. Still, forward-looking leaders are thinking differently

about where they build new facilities and how they use technology and analytics to bring in new patients.

3. Providers are exploring reputation and brand as a source of revenue

Staying ahead also means finding innovative ways for providers to revamp their revenue strategy as they evolve to a changing market. Many are moving away from dated models, which rely heavily on providing the latest specialty services, and toward models that use their brand for new opportunities to attract patients and partnerships. Overall, partnerships will be a significant part of growth and new revenue streams by pushing systems [deeper into existing and emerging markets](#) or [bringing the latest technology to elevate care](#).

Successful healthcare providers will approach growth and development creatively by allocating resources to more purposeful marketing-driven opportunities and technologies that elevate the brand.

4. Seasonality volume is shifting

Historically, children's hospitals see seasonal trends that align with calendar events, such as a peak in flu-related hospitalizations around the start of the school year. Recently, however, those peaks have not occurred where they have in the past. Changes in these trends can make it difficult for hospitals to plan ahead with accurate budgetary and staffing decisions effectively.

Additionally, while the seasonality volume remains "off," hospitals can offset these changes with more flexible staffing models, including larger float pools and bigger-picture adoption of diversified revenue in other nontraditional areas. Leaders are leaning on internal and external data to understand variability between locations of care and referral patterns related to network leakage and retaining existing consumers.

5. Labor challenges are here to stay

The demand for pediatric specialty medical personnel, like behavioral health specialists, nurse anesthetists, and respiratory therapists, will continue to increase. This sub-specialty scarcity is prompting providers to redesign care models and look toward creative solutions like automation and telemedicine, when possible, to help address some of the needs. [Emerging technologies like automation and artificial intelligence](#) will continue to assist in this regard, but there is a broader challenge around medical personnel that remains unresolved for the time being.

Next steps

How can your organization plan for what's next? [Contact us](#) to help benchmark your initiatives and prioritize and identify what opportunities exist within your organization.



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