A survey of provider executives about corporate services spending, expense reduction, and technology optimization trends.

March 2020
Overview

For this survey, corporate services include administration, finance, information technology, human resources, supply chain, revenue cycle, marketing, facilities, real estate, and plant operations.

Respondents: 114

- 31% C-level
- 18% Vice President
- 44% Director
- 7% Other
Corporate Services Survey Results

Q: What is your annual spend for corporate services as a percentage of total operating revenue?

Current Corporate Services Spend

Health systems demonstrated greater corporate services efficiency:
Just 11% of health systems spending at 12%+ vs. 32% of hospitals

Corporate Services Spend as a % of Total Operating Revenue*

OF ALL PROVIDERS SPENDING AT 10%+
OF ALL PROVIDERS SPENDING AT 12%+

*Industry leading practice <10%
3-in-4 Executives Believe Corporate Services Spend Could Decrease, Without Impacting Quality or Efficiency

Q: How much total spend on corporate services do you believe your organization could remove without negatively impacting service quality and efficiency?

- 5% Need to increase spending
- 20% Spending is appropriate
- 39% Could reduce spending up to 10%
- 36% Could reduce spending by 10% or more

75% of executives say their organizations are overspending on corporate services, 36% by 10%+

25% of executives say their organizations’ corporate services spending is appropriate or needs to increase

44% of smaller hospitals overspend by 10%+ vs. 24% of medium-sized and 28% of large hospitals
Corporate Services Budget Projections

Q: How is your organization's corporate services budget projected to change in the next 12 months?

More than half of executives say they’ll be held accountable for reducing corporate services budgets (29%) or holding them flat (26%) over the next year.
Providers Targeting RCM, Supply Chain, and IT for Future Corporate Services Expense Reductions

Q: What is your top priority area for reducing corporate services expenses over the next year?

Almost twice as many small hospitals focused on IT expense reductions as large hospitals (28% vs. 15%)
Few Providers Leveraging Corporate Services Automation

Q: What percentage of your organizational corporate services fall under the following categories?

- Consolidated or centralized: 45%
- Standardized, simplified, or streamlined: 27%
- Automated: 15%
- Selectively outsourced: 13%

Automation of back-office corporate services functions through RPA, AI, and ERP helps reduce costs and improve accuracy and efficiency.

Just 15% of providers have automated their corporate services functions.

Three times more large hospitals are automated vs. small hospitals (18% v. 6%).
ERP Deployment and Optimization

Q: Which choice best describes when your organization might deploy or upgrade its enterprise resource planning (ERP) system?

- Deployed and optimized ERP: 12%
- ERP deployed but not optimized: 20%
- Within the next year: 13%
- Over the next 1-2 years: 18%
- 2 years or after: 28%
- No plans: 9%

32% of providers have deployed an ERP but just 12% have optimized their system.

51% of providers predict they’ll deploy or optimize their ERP over the next 2 years.
“Revenue growth remains a constant challenge for hospitals and health systems due to such aspects as stagnant reimbursement and meager inpatient growth, prompting many providers to grow inorganically via M&A while targeting corporate services for meaningful cost reductions. This economic reality requires providers explore creative opportunities to simplify and streamline a complex organizational structure while consolidating, automating, and outsourcings functions to drive more efficient and effective corporate and shared services delivery.

To uncover potential improvement opportunities, providers must look beyond their facility’s four walls and leverage benchmarking data that compares their corporate services performance against that of comparable peers.”

**Robert T. Green**
*Guidehouse Partner and Leader of its Corporate Services Peer Network and Database, comprised of 55 health systems nationwide*
“New technologies leveraging RPA, ERP, and machine learning have unlocked significant opportunities to drive back office efficiencies. As many providers have learned the hard way, overlaying technology as the ‘solution’ without first reengineering the processes and concurrently embedding a change management program has proven to be frustrating at best, and value-degrading at worst.”

Jeff Palmieri
Associate Director, Robotics Automation, Guidehouse
About Guidehouse Health*

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* Navigant was acquired by Guidehouse, a portfolio company of Veritas Capital, in October 2019.