



## EXECUTIVE INSIGHTS

# Value Creation: The Prescription for Hospitals Looking To Deliver Excellent Care and Healthy Returns

### Key takeaways

- While private hospitals benefit from growing demand, public sector constraints and growth in private pay, they also face pressures from payors and patients who prefer outpatient care settings and digital connectivity.
- Value creation opportunities are there for the taking, but hospitals need to know which levers to apply and how best to do so within their organisation.
- A good understanding of underlying megatrends as well as individual market circumstances are both business essentials, so working with a trusted guide who knows the market is the key.
- With deep experience and a significant commitment to and focus on healthcare, our expert team helps hospitals across Europe adapt to change and develop and deploy the services that patients need – along with the long-term value that investors deserve.

The pressure of ageing populations, shortages of qualified clinicians and a steady growth in chronic disease are testing state healthcare services to their limit. Following the structural strain that the pandemic placed on already stretched public health systems, it comes as no surprise that private healthcare provision is becoming increasingly important across Europe.

With a combination of private demand, whether funded by individuals or employers via private health insurance, and a growing role in the delivery of publicly funded care, there is potential for private hospitals to deliver excellent levels of patient care. They can also deliver healthy

returns for investors, provided they can navigate tariff pressures, the broader out-of-hospital agenda and evolving patient expectations.

So, how can providers make the most of the opportunities presented and address challenges? Recent L.E.K. Consulting research and experience reveals how to create value in this vital sector.

Across markets, there is a clear out-of-hospital care agenda pushed by public and private payors, which is creating the need for hospitals to rethink their participation models. Outpatient delivery is growing rapidly, driven in part by patients demanding more convenience, access and digital connectivity as well as a preference for clinic-based care when possible. This change is facilitated by medical advancements, technology and payors favouring cost-efficient care settings. Numerous providers across Europe have extended into integrated outpatient offerings.

For hospitals, there is a real risk of lagging behind these emerging integrated providers, putting the onus on them to adapt to survive.

Operational efficiency is, of course, under the spotlight, with costs increasing and pressure from payors. In the search for efficiency at both group and individual hospital level, scaled players and platforms look set to win the day. Also, as patient choice increases, so do expectations. This means that providers need to invest in brand building as well as using digital transformation alongside physical touchpoints to deliver better patient pathways.


Understanding the benchmarks in the market today and developing a strategy for long-term value creation for the future have never been more imperative.

### **The global megatrends driving change in healthcare provision**

Below, we highlight the megatrends driving structural change across global healthcare, from evolving funding pressures to advances in treatment and supply chain transformation (see Figure 1). We also explore what this means in context.

Figure 1

Global megatrends driving change in the healthcare sector



Funding	Demand	Disruptors	Supply response
Unsustainable growth in healthcare expenditure	Increasing patient demand	Geopolitical instability and de-globalisation of supply chains	Consolidation, brands and multi-payor operations
Constrained public systems but growing role of multifaceted private pay (employer, insurance, subscriptions, out of pocket)	Consumerism and greater control in managing health	Cost inflation (staff, materials, drugs)	From inpatient to networked outpatient care, prevention and condition management
Stricter licensing and growing support for out-of-hospital models	Preference for private provision	New treatments (GLP-1s and personalised medicine)	Integrated across care continuum (from primary to tertiary, rehab) and settings
Reimbursement pressures from payors and stricter licensing	Greater role for condition management, prevention and holistic health	New entrants (GPTs and big tech)	Digital-first/digi-physical care models and remote monitoring
Risk transfer to provider and greater role of value/outcome payment models	Personalised healthcare momentum	Data, AI and automation	Operational and clinical efficiency (increasingly underpinned by data & AI)
		Cybersecurity risks	Internationalisation

Source: L.E.K. research and analysis

**Funding and policy.** With public healthcare systems constrained by funding challenges and a lack of suitable talent, both individuals and governments are spending more to access and deliver the services they need. The pressure is on from payors looking for right-sized reimbursement, and funders are eager to see value delivered.

**Demand.** Leaps forward in medical science have placed preventative medicine and health screening at the forefront of modern healthcare. Medical innovation continues apace, with exciting new drugs and treatments reaching the market. But an ever-growing number of patients places a growing burden on resources. And with patients looking for a personalised approach to medicine and keen to exercise choices commercially and geographically, keeping up with demand is challenging.

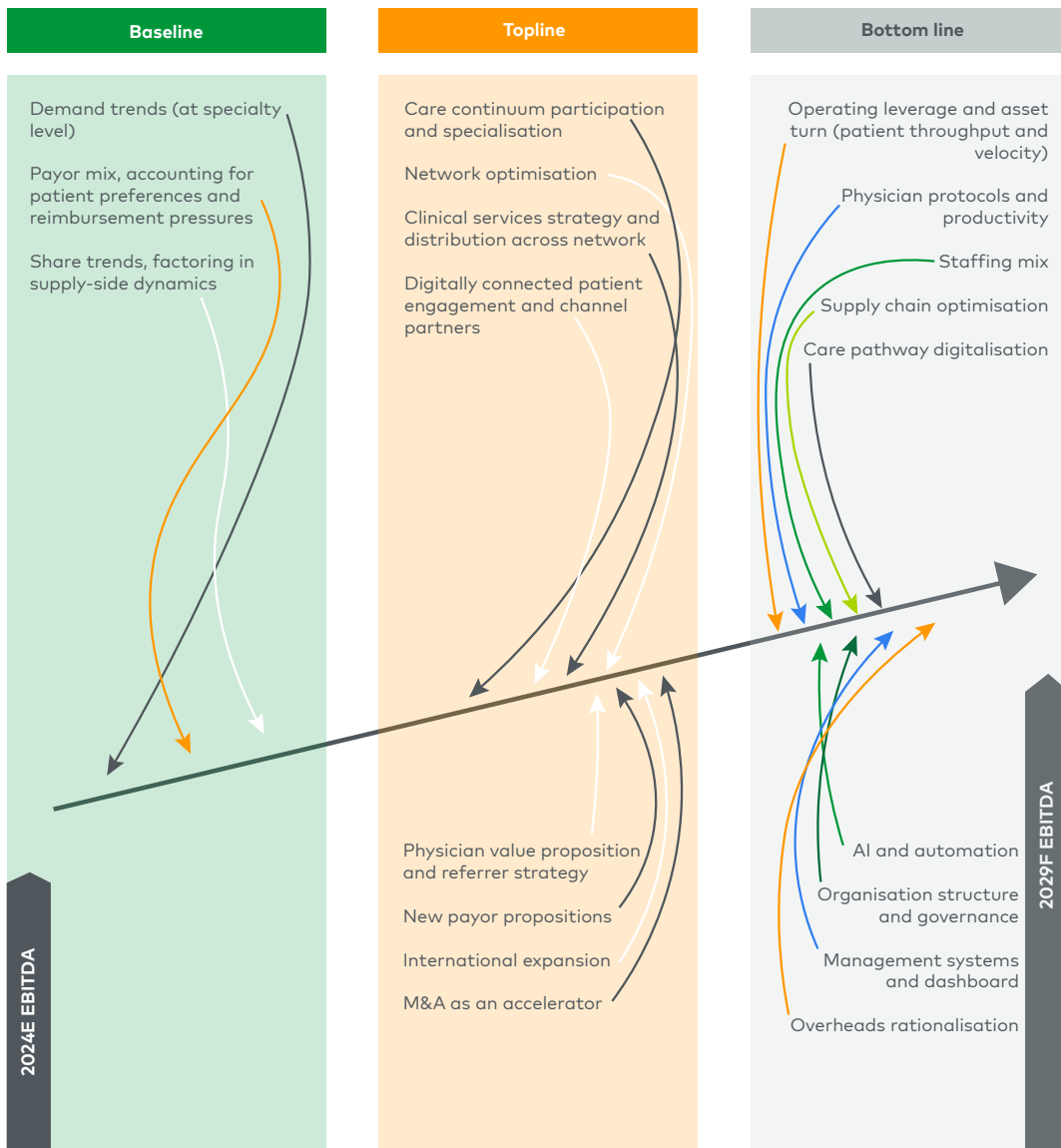
**Disruptors.** The opportunities that AI and automation offer are significant for healthcare providers looking to deliver more services to more people, more efficiently. Meanwhile, advances in data analytics are enabling deeper insights into patient needs and clearer guidance on how providers can structure and deliver care.

**Supply.** The way that patients are treated is changing, with a preference for successful outpatient and day-case medicine rather than hospitals when possible. This is shaking up how hospitals operate, impacts the services offered, and drives the need for consolidation, operational efficiency, digital transformation and supply chain efficiency.

**How the right strategy can create sustainable value**

Understanding the trends is only part of the value creation story. With our recent experience showing that healthcare providers have the potential to double EBITDA over the next three-year period, knowing which levers can create sustainable value and grasping how and when to apply them is key (see Figure 2).

**Figure 2**  
The levers to successful value creation



Source: L.E.K. research and analysis

**Lever 1: Organic growth**

Organic baseline growth has a part to play in value creation. As underlying demand grows and the payor mix diversifies, projecting an accurate baseline trajectory is key.

**Lever 2: Revenue acceleration and offering optimisation**

From network optimisation and the expansion of outpatient services to enhancing patient-centric services and improving referral pathways, providers have multiple opportunities to accelerate revenue and optimise their offerings. A refreshed brand and experience are also key, along with ways to expand the use of data and technologies, as well as the business' international footprint.

**Lever 3: EBITDA margin improvement**

Is your organisation structured and centralised at group level? Are you using your hospital infrastructure well, and are there opportunities to right-size and optimise staffing levels? And how well are you using digital tools to improve operational efficiency, clinical effectiveness and how you manage data? These are all questions to ask in the search for margin improvement.

**How L.E.K can deliver value-creating growth**

By addressing key strategic and operational issues, our expert teams are helping hospitals and healthcare providers across Europe understand the changes in their market and develop a strategy for growth. Working with both providers and their investors puts us at the heart of this industry and makes us the perfect partner for businesses looking to create long-term value by delivering high-quality services.

Please get in touch to find out more about our work and to tell us about your challenges.

"Healthcare is our largest sector, and we're proud to be the trusted adviser to healthcare services organisations worldwide. Our senior team brings more than 70 years of combined consulting experience, dedicated exclusively to healthcare. Over the past decade, we've delivered more than 1,000 engagements, earned multiple awards and, most importantly, built lasting client trust."

— Guillaume Duparc

“At L.E.K., we combine strategic insight with operational expertise to deliver tailored value-creation plans that drive measurable results. We’re hands-on, pragmatic and always ready to help clients navigate the challenges and opportunities of this fast-evolving sector.”

— Jean-Philippe Grosmaître

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Jean-Philippe Grosmaître is a Partner in L.E.K.'s Paris office and a member of the global Organisation & Performance practice. With over 17 years of consulting experience and 10 years in corporate management for private-equity-owned and listed companies, Jean-Philippe has led many transformational projects for small, mid-sized and large companies in an international context, in industries such as food & agribusiness, life sciences and pharmaceutical, automotive, aerospace and business services.



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Guillaume Duparc joined L.E.K. in 2005 and is a Partner in the Warsaw office and a member of the healthcare team. He advises corporate and private equity clients on strategy development, market entry, business planning, organisation and performance, digital transformation, and M&A. Guillaume has developed significant international expertise in healthcare across the care continuum, medtech and digital health.

## About L.E.K. Consulting

We're L.E.K. Consulting, a global strategy consultancy working with business leaders to seize competitive advantage and amplify growth. Our insights are catalysts that reshape the trajectory of our clients' businesses, uncovering opportunities and empowering them to master their moments of truth. Since 1983, our worldwide practice — spanning the Americas, Asia-Pacific and Europe — has guided leaders across all industries, from global corporations to emerging entrepreneurial businesses and private equity investors. Looking for more? Visit [www.lek.com](http://www.lek.com).

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