How margin pressure is redefining the CFO role

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PUBLISHED

July 2026

Policy turmoil, payer friction, labor volatility, rising costs, and AI are changing the provider business model. In response, many organizations are elevating margin management as their top priority. Over the past six months, we spoke with CFOs and senior finance leaders across more than 50 organizations, ranging from large national health systems to independent critical access hospitals, to understand how they're navigating industry changes.

In our conversations, we asked what's keeping them up at night and what strategies they're pursuing to set their organizations up for success across the next two to three years as the impact of One Big Beautiful Bill Act materializes.

The role of the CFO has expanded to include developing and executing strategies to support margin management, with their responsibilities spanning clinical operations, workforce design, and revenue cycle performance. CFOs are no longer just finance experts — they're leaders, messengers, educators, and negotiators.

This piece highlights three moves high-performing CFOs are making to address margin challenges and how we project the role and expectations of the provider CFO will continue to expand.

1. Elevate clinical operational efficiency as a margin management imperative

- **What's the status quo?** CFOs have historically championed initiatives aimed at reducing waste, renegotiating contracts, and consolidating vendors as essential cost-savings levers.
- **What are high-performing CFOs doing differently?** High-performing CFOs now treat these levers as foundational to maintaining financial discipline and are setting their sights on the "more challenging," longer-term goal of improving clinical operational efficiency. These CFOs, alongside their clinical and operational counterparts, are working to elevate and execute patient flow improvement strategies, such as optimizing OR scheduling, reducing unwarranted care variation, and redesigning clinical workflows.
- **Why?** Because legacy cost reduction opportunities are exhausted.
- **What does this mean for the CFO role?** To engage clinicians, CFOs will have to demonstrate how these strategies improve margins, and in turn, how better margins support the organization's mission to deliver better and more accessible care for patients.

2. Co-own workforce strategies to drive staff engagement and productivity

- **What's the status quo?** CFOs recognize labor as a cost and revenue driver and are largely disinterested in indiscriminate headcount reductions.
- **What are high-performing CFOs doing differently?** High-performing CFOs are rightsizing labor costs by (re-)evaluating benefits, flexible workforce models, and investments in productivity tools. For example, one CFO at a community hospital is working in lockstep with their nursing and operational counterparts to co-develop workforce investment strategies and build up frontline clinicians' business acumen.
- **Why?** Because labor remains the largest expense category and shortages make productivity more important than simple headcount reduction.
- **What does this mean for the CFO role?** CFOs will educate and coach non-finance leaders on healthcare finances. In the example above, leaders partnered with frontline staff to help them make the business case for investments in clinical technology that have the potential to enhance productivity. Even if leaders ultimately reject frontline staffs' proposals, they will openly share the reasons why. This enhances transparency and helps to build trust across historically siloed finance and clinical departments.

3. Embrace technology while repairing relationships with payer partners

- **What's the status quo?** Payer-provider abrasion is not new. However, CFOs report that the issue feels more urgent than ever as their organizations process "overwhelming" volumes of prior authorization reversals, first-pass denials, credentialing delays, and peer-to-peer or written documentation requirements. CFOs repeatedly pointed to documentation, coding, and charge capture as constraints on both financial and operational performance.
- **What are high-performing CFOs doing differently?** High-performing CFOs see automation and AI as promising tools to enhance these processes. This is especially true for clinical revenue cycle solutions such as ambient listening or autonomous coding, which may enable more accurate and timely billing and enhance real-time clinical insight to improve throughput and length of stay. However, these CFOs also broadly recognize that automation and AI will be insufficient to address the intrinsically human challenges that underpin tensions with payers. Organizations will also need to rebuild relationships and trust with payer partners.
- **Why?** Because administrative friction is creating material margin leakage.
- **What does this mean for the CFO role?** Relationship building and negotiation will become increasingly critical competencies for CFOs. At one organization, for instance, the CFO is actively working on repairing interpersonal relationships with payer contacts by prioritizing live, in-person interactions, including negotiating over dinner. Others are codifying new, more explicit terms of agreement over AI use into shorter-term contracts.

Parting thoughts

The CFO role is changing. Although many CFOs can point to deepening expertise in one area, all three areas are evolving and will require their attention simultaneously.

The operative words for CFOs are “co-design” and “translation.” So much of the provider status quo is poised to change, and new financial modeling and scenario planning will be critical for organizational transformation.

The CFO sits at the epicenter of these plans and changes. Leaders who thrive in the CFO role will focus on extending their financial knowledge to others while also expanding their clinical and operational expertise. Our research on margin management and leadership is ongoing. We want to know what is keeping you up at night, what you want to learn from your peers, and what you want your peers to learn from you.

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