



Survey insights: Health system capital spending trends

Data and findings from our 2024 survey of 100+ finance leaders



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**Untangle healthcare's
most pressing challenges**

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01

Introduction

How to use this book

Using this data book



Health system finance leaders should use this data book to understand investment trends and benchmark capital spending against peers and competitors.



Vendors should use this data book to learn where health systems and their finance leaders are spending money and why.



Intended applications



Rightsized capital spending



Informed product strategy

Methodology

Research methodology

- From August 2024 to September 2024, Advisory Board surveyed **102 finance leaders at the director level or higher**. These were leaders at U.S.-based health systems that have two or more hospitals and more than 200 beds within their system.
- Leaders were asked **57 questions** about their capital spending priorities, motivations, funding opportunities, and decision-making.
- This work was sponsored by Optum* Financial. All analysis and summary results were compiled independently by Advisory Board researchers.

Research questions answered

- 01** How are health systems prioritizing capital spending across facilities, service lines, market development, and technology?
- 02** What motivates finance leaders to spend capital dollars in a given area?
- 03** How do health systems make decisions about capital spending, and who is involved in that process?
- 04** How are health systems funding capital spending now and moving forward?

*Advisory Board is a subsidiary of Optum. All Advisory Board research, expert perspectives, and recommendations remain independent.

Methodology (cont.)

Analysis

Data was first analyzed in aggregate and then analyzed based on following three health system segments:



Ownership status¹

For-profit vs. nonprofit

- Nonprofit ownership, n=50
- For-profit ownership, n=46



Operating margin

Q3 '24 year-to-date (YTD) estimate

- Low-margin: Systems with operating margins of -10% to 0%, n=26
- Median margin: Systems with operating margins of 1% to 5%, n=42
- High-margin: Systems with operating margins of 6% to 10%+, n=34



System size

Number of hospitals

- Small: Systems with 2-5 hospitals, n=42
- Medium: Systems with 6-10 hospitals, n=22
- Large:² Systems with 11-50 hospitals, n=30

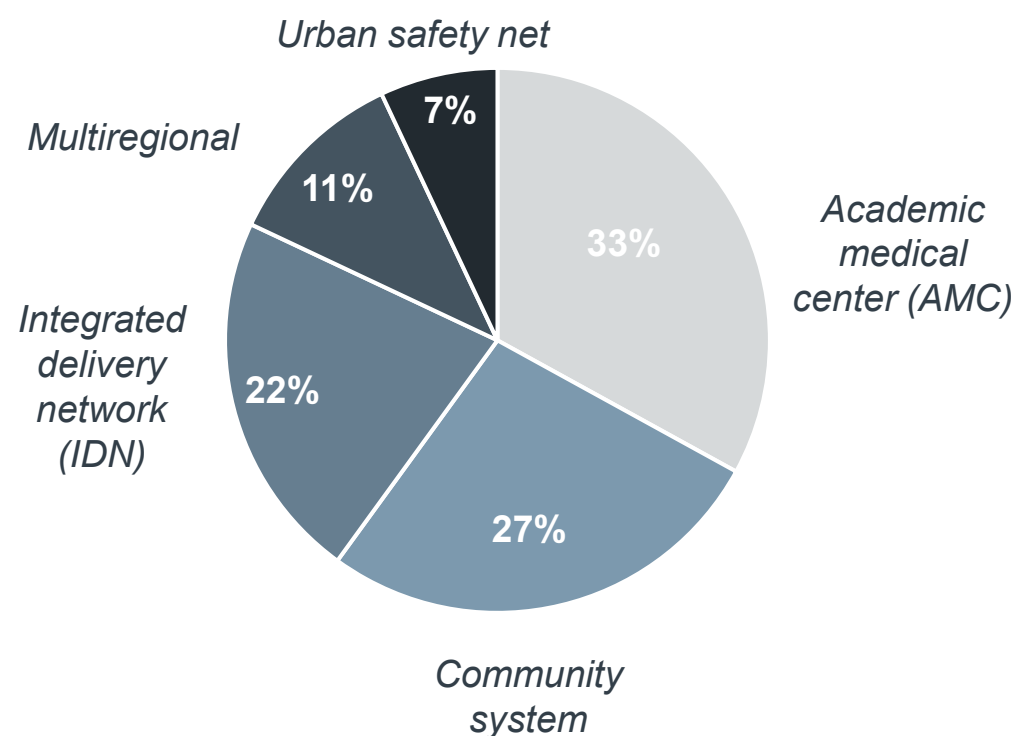
1. Six systems self-identified as government run or funded. These were excluded from segmented analysis.

2. Eight systems operated more than 50 hospitals. These were excluded from segmented analysis.

Overview of survey respondents

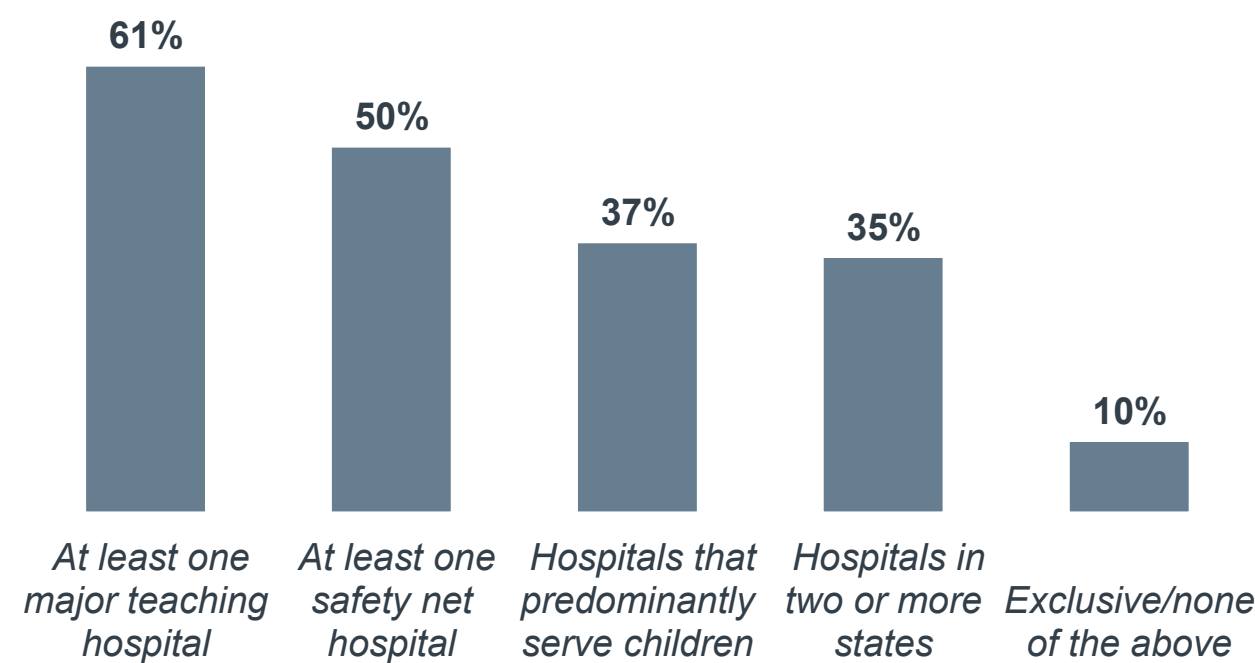
Type of health system¹

Q: Which most accurately represents your system?



Health system makeup

Q: My health system organization is comprised of...
(Choose all that apply)

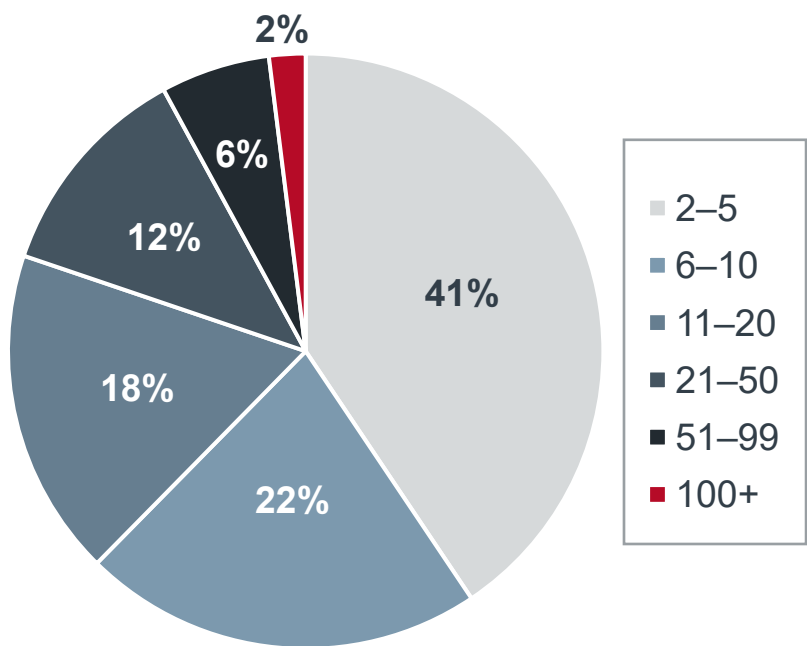


1. 1% of participants were rural safety nets.

Respondent facility footprint

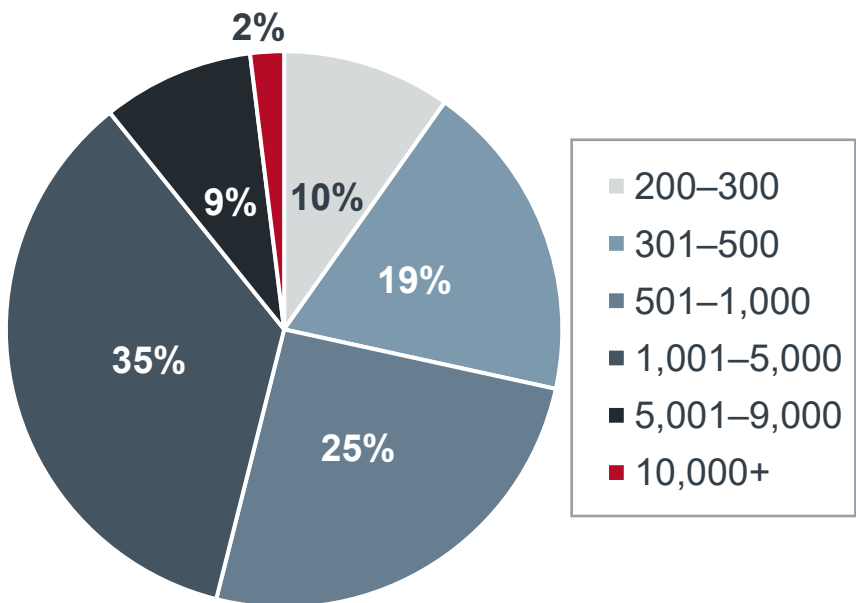
Number of hospitals¹

Q: How many hospitals are in your system?



Number of hospital beds

Q: How many hospital beds are in your system?

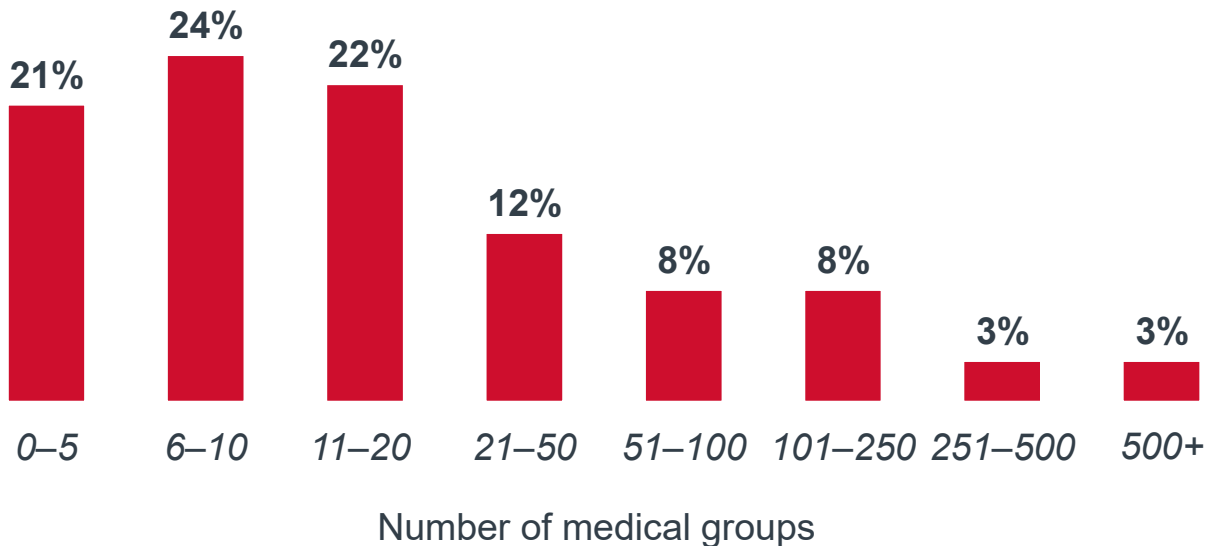


1. This survey was gated to systems with more than one hospital and 200 or more total beds across the system.

Respondent facility footprint (cont.)

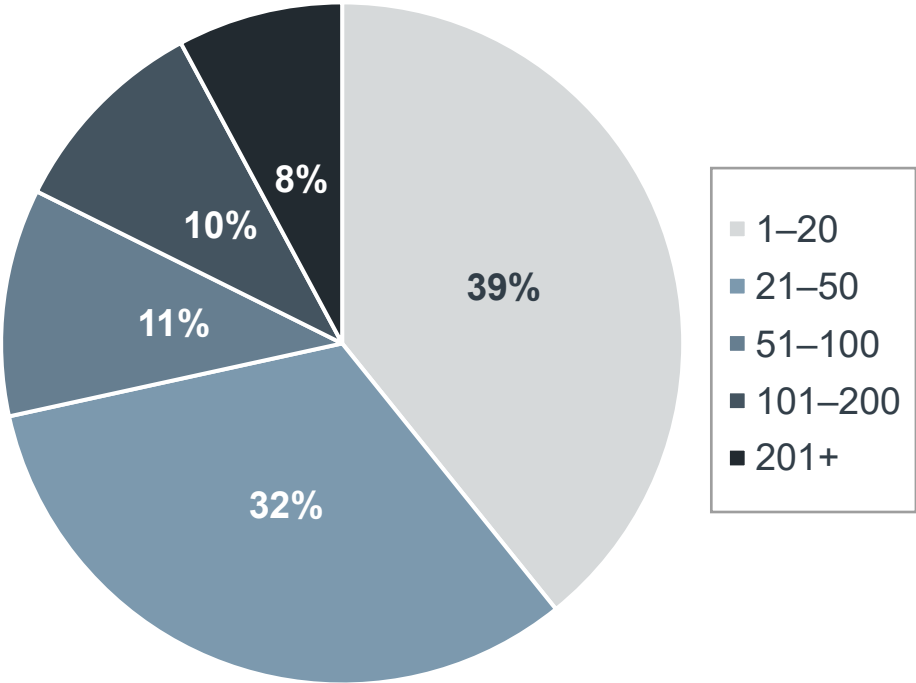
Medical group affiliations

Q: How many distinct medical groups do you directly employ or affiliate/partner with?



Ambulatory facility footprint

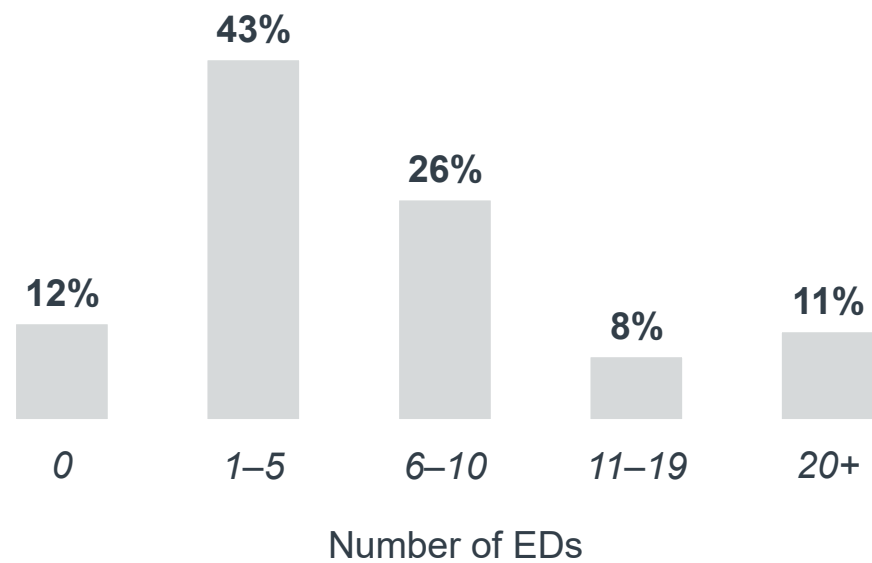
Q: How many stand-alone outpatient care facilities are in your system?



Respondent facility footprint (cont.)

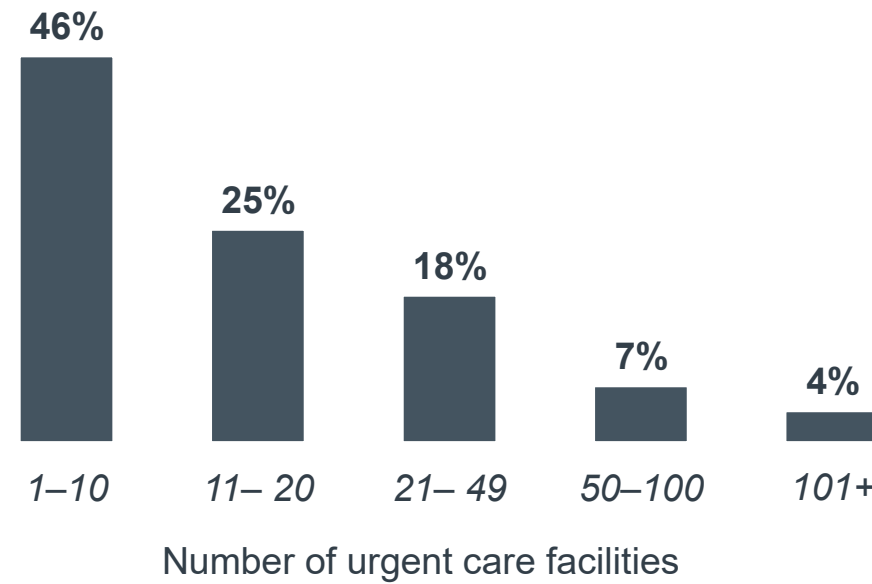
Freestanding emergency department (ED) footprint

Q: How many freestanding emergency departments are in your system?



Stand-alone urgent care footprint¹

Q: How many stand-alone urgent care facilities are in your system?

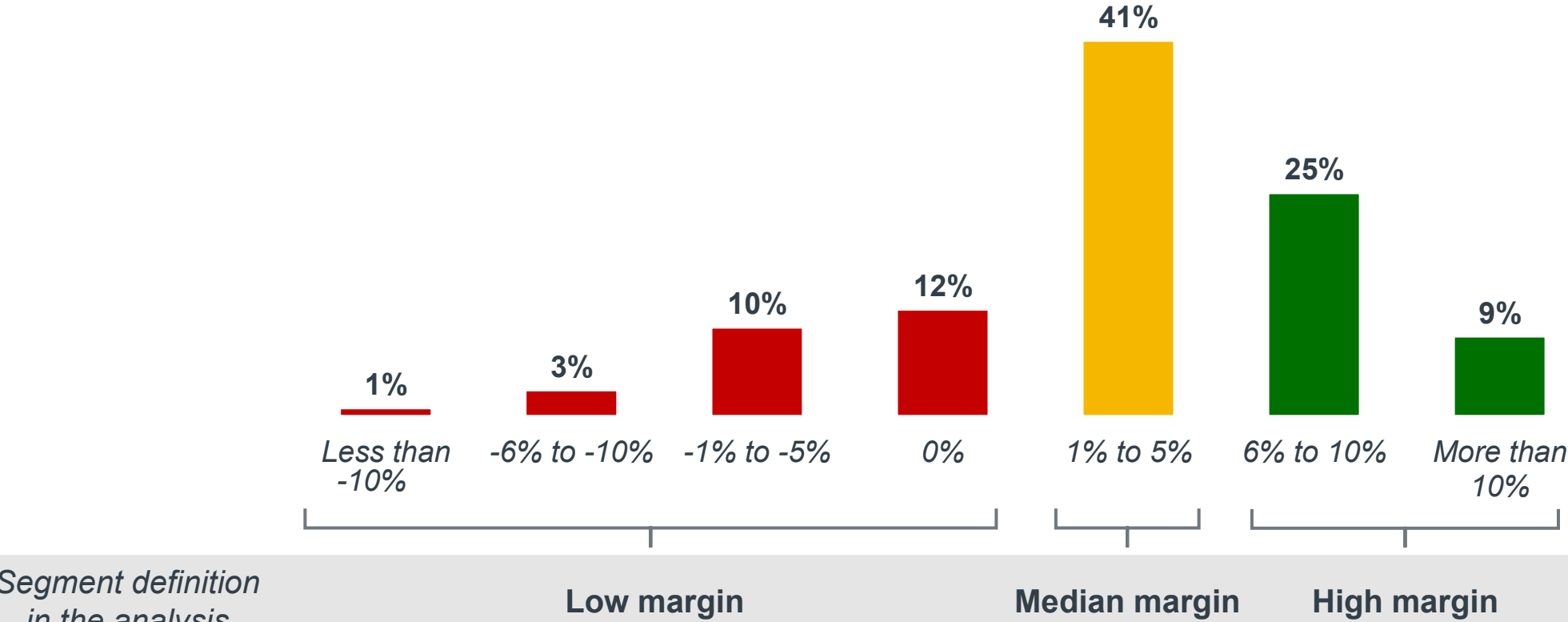


1. No respondents chose zero urgent care facilities.

Respondent financial status

Operating margin

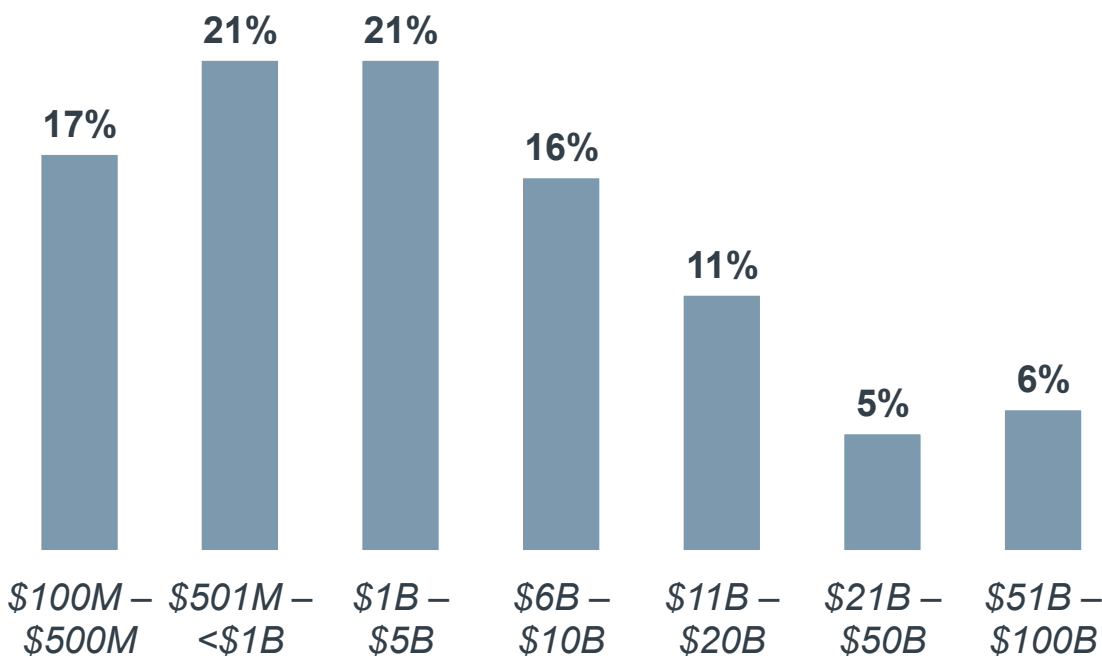
Q3 2024 YTD operating margin estimates



Respondent financial status (cont.)

Revenue

Q3 2024 YTD health system revenue estimates¹



Days cash on hand

Estimated days cash on hand at time of survey

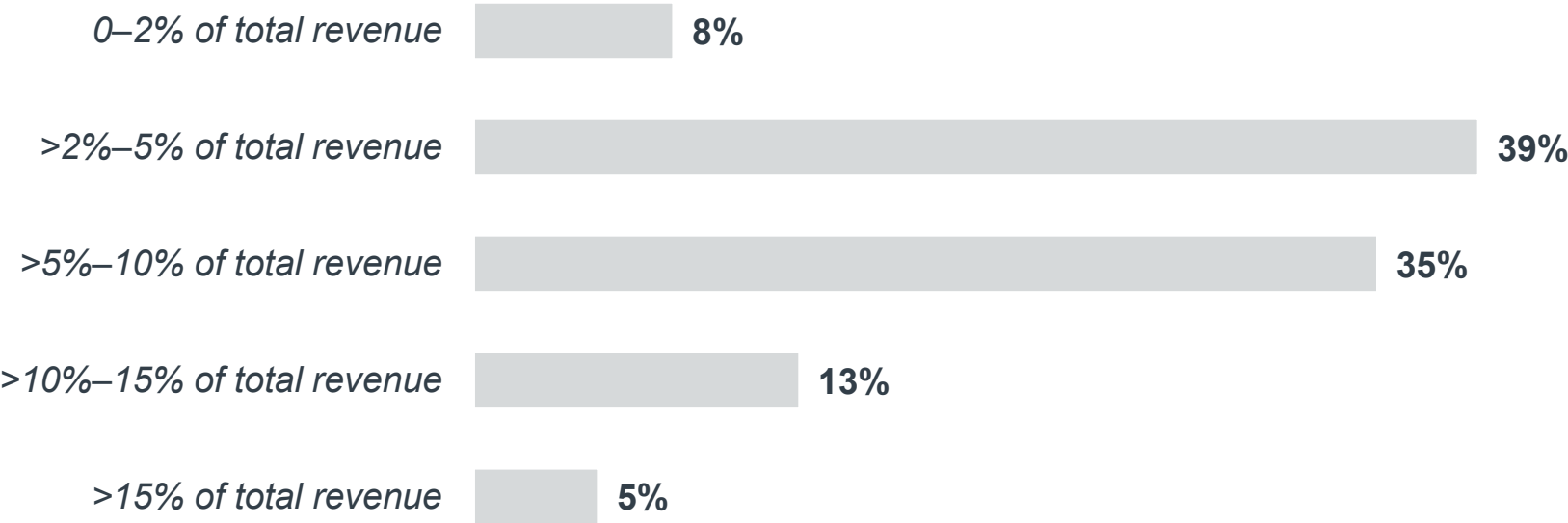
Days cash on hand	Corresponding rating category, S&P Global	Percentage of sample
Less than 70 days	Highly vulnerable	11%
71–100 days	Vulnerable	18%
101–150 days	Adequate	20%
151–200 days	Strong	21%
201–250 days	Very strong	15%
251–300 days	Extremely strong	8%
Greater than 300 days	Extremely strong	7%

1. 2% of respondents had revenue estimates of less than \$100M; 3% had estimates of more than \$100B.

Respondent capital budgets

Capital budgets as a share of revenue

Q: What is the estimated size of your fiscal year (FY) 2024 capital budget as a percentage of total revenue?



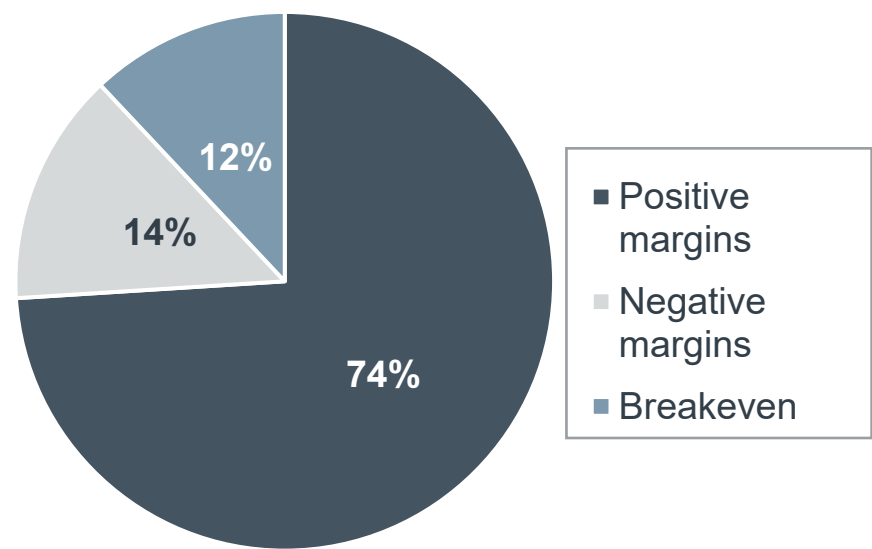
02

Finance leaders' challenges and goals

Positive margins do not ease financial pressures

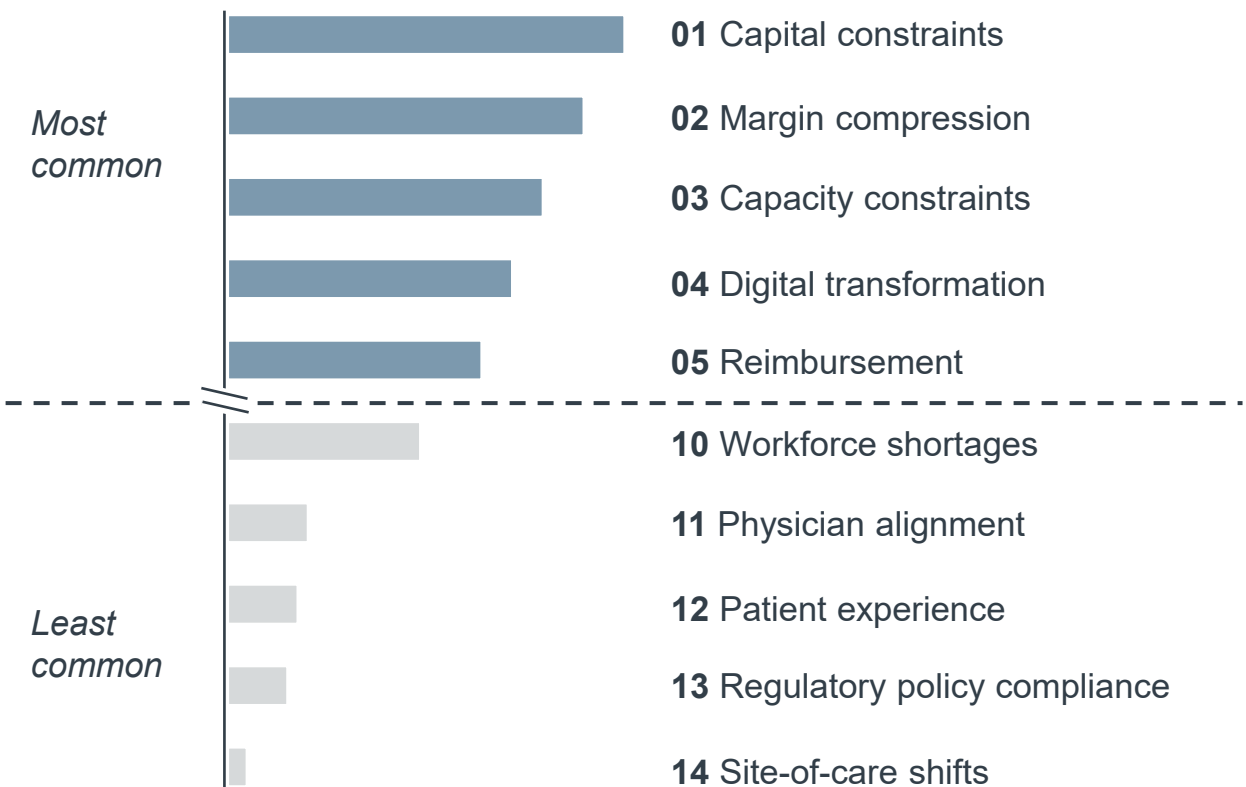
Most respondents have positive margins...

Percentage of respondents reporting positive vs. negative operating margins



...but financial pressures overshadow operational challenges

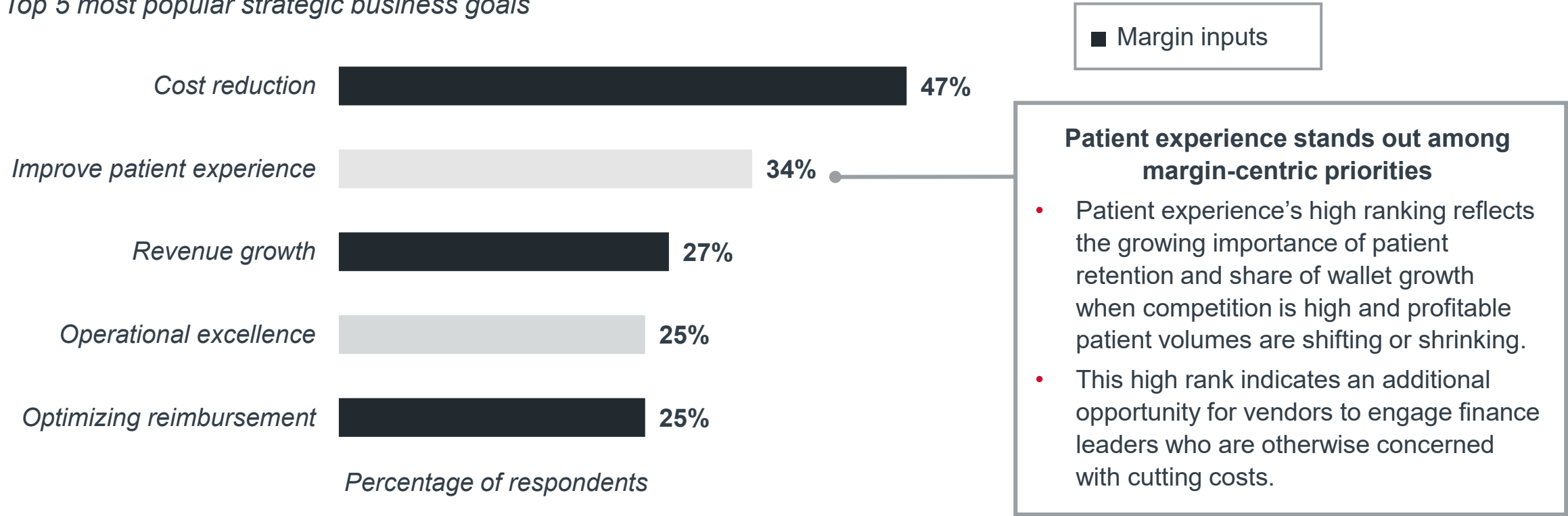
Q: Which of the following would you consider the top challenges for your organization this fiscal year? (Select up to three)



Margin inputs are top strategic goals, with one exception

Finance leaders balance urgent need for cost reduction with consumer goals

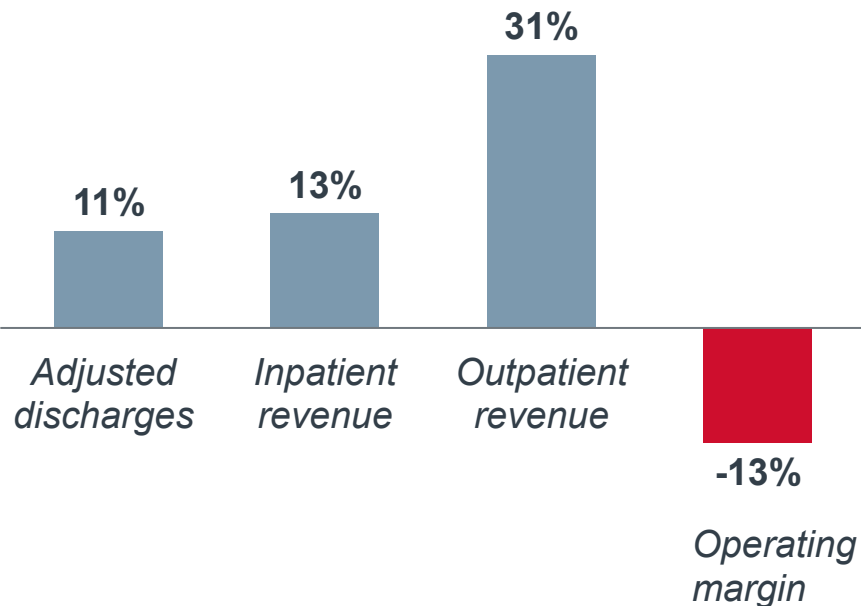
Top 5 most popular strategic business goals



Leaders prioritize revenue over volume as growth lever

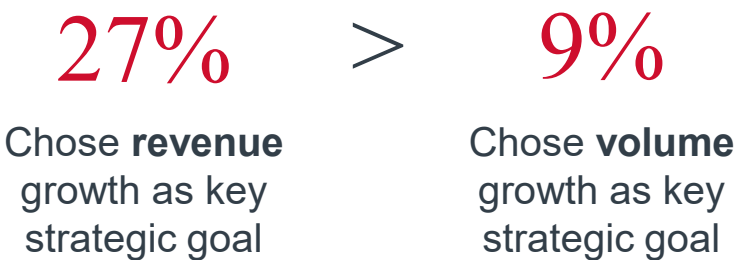
Volume no longer guarantees margin improvement

Change in hospital volumes and revenues per calendar day and margin, YTD Sept. 2021 vs. Sept. 2024



Finance leaders pursue revenue over more volume

Percentage of respondents who chose revenue, volume growth as a key strategic business goal



“Heads in beds,” revisited

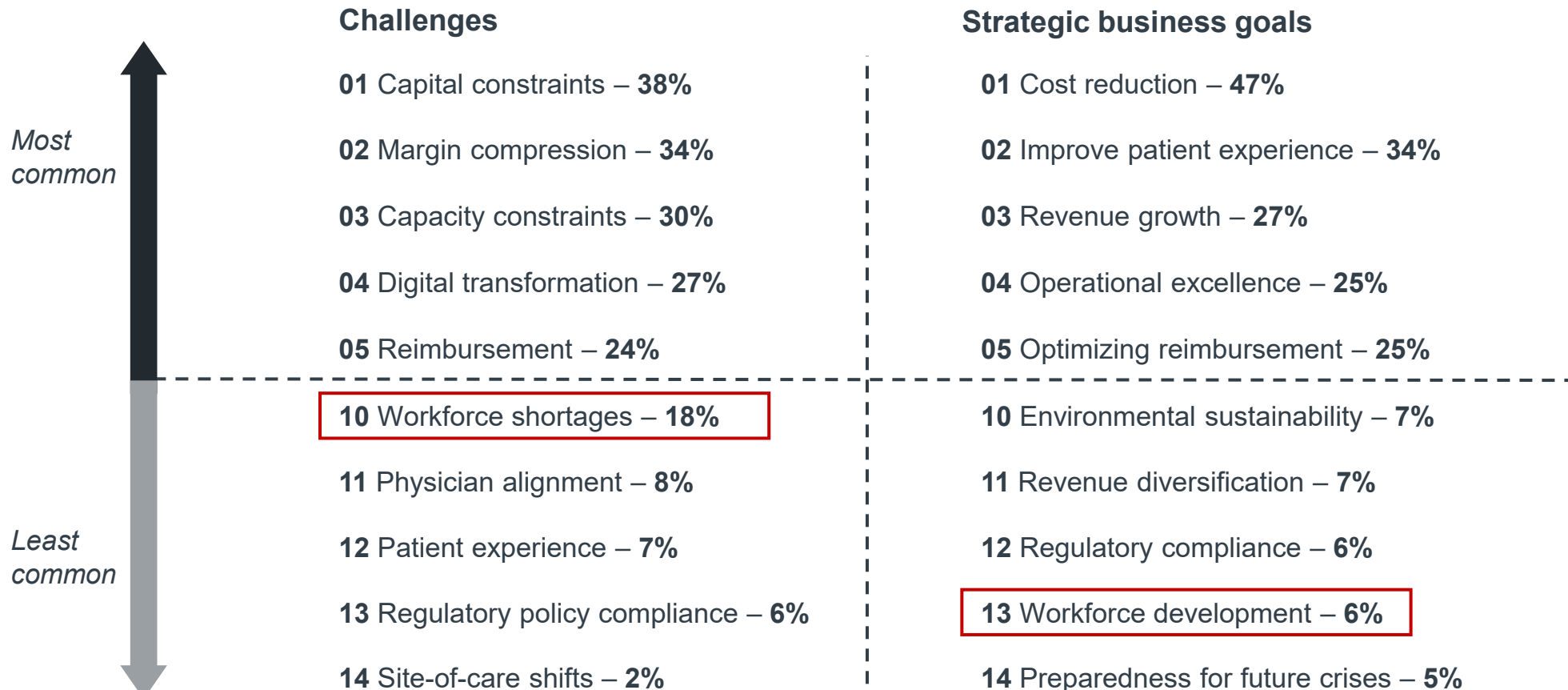
- The emphasis on revenue over volumes suggests that leaders are more interested in courting *optimal* volumes, versus more “heads in beds”.
- Strategies to do so will include top-of-site care, improving payer mix and contracting, and revenue cycle optimization.

Source: Swanson, E. [National hospital flash report: September 2024 data](#). Kaufman Hall. November 24, 2024.

Workforce pressures fall down the list of priorities

Finance leaders rank workforce low on the list of organizational challenges and business goals

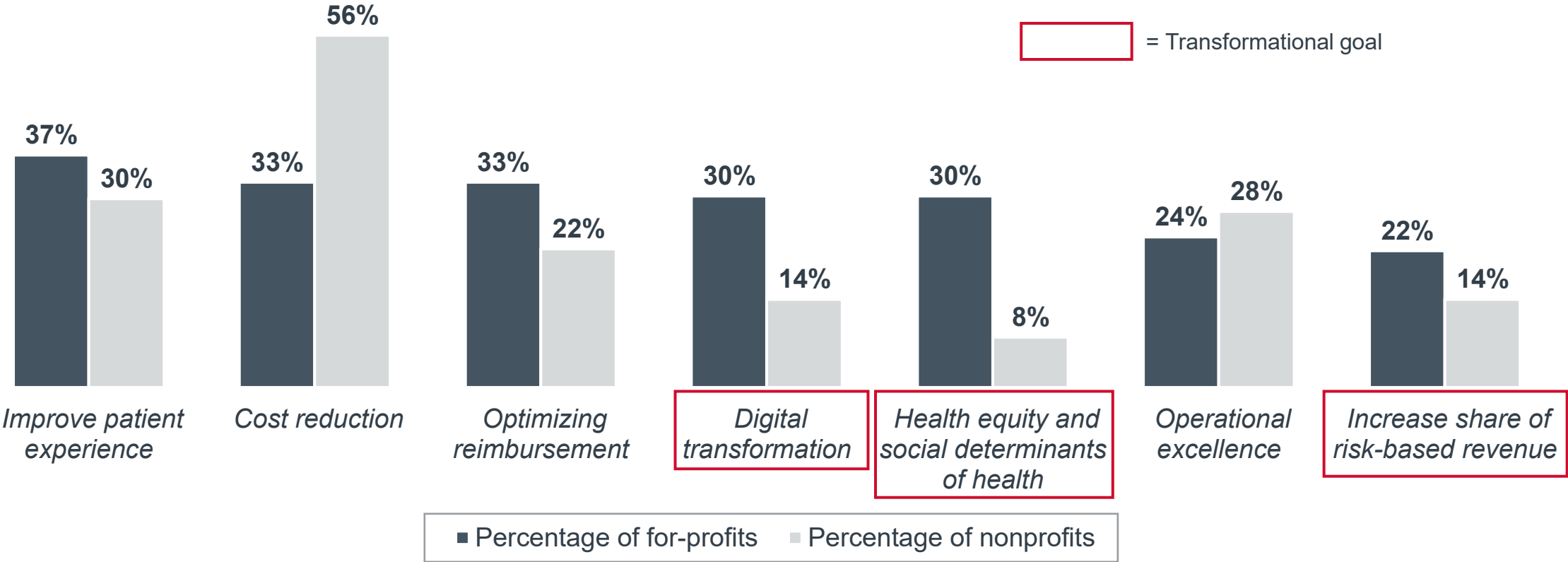
Most and least common challenges and strategic business goals by percentage of respondents



For-profits pursue care delivery transformation goals

For-profits spread strategic focus across all avenues while nonprofits zero in on cost reduction

Q: What are the most important strategic business goals in your health system's most recent strategic plan? (Select up to three)



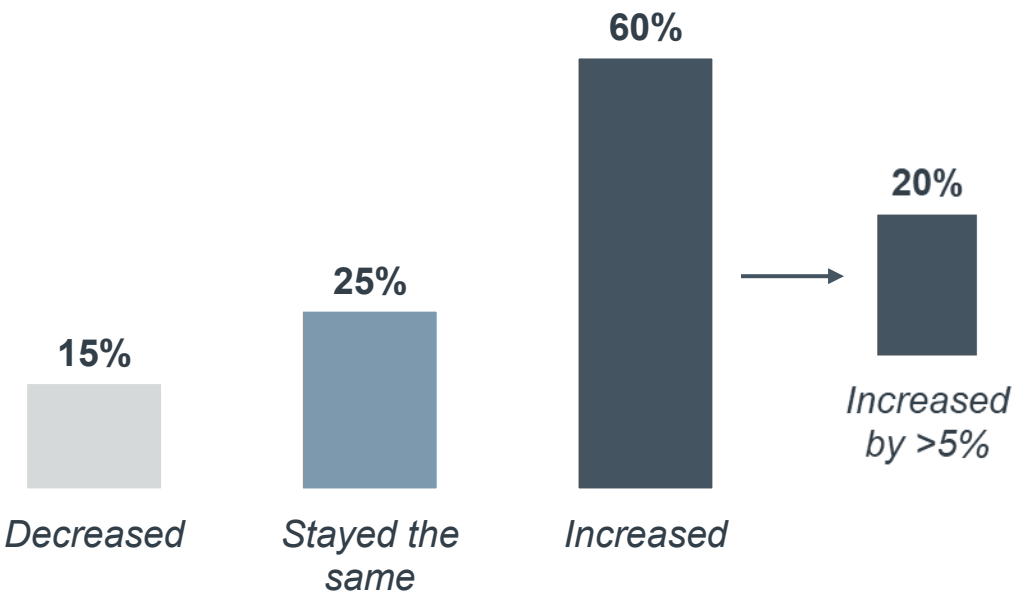
03

Capital spending priorities

Capital spending on the rise despite focus on cost

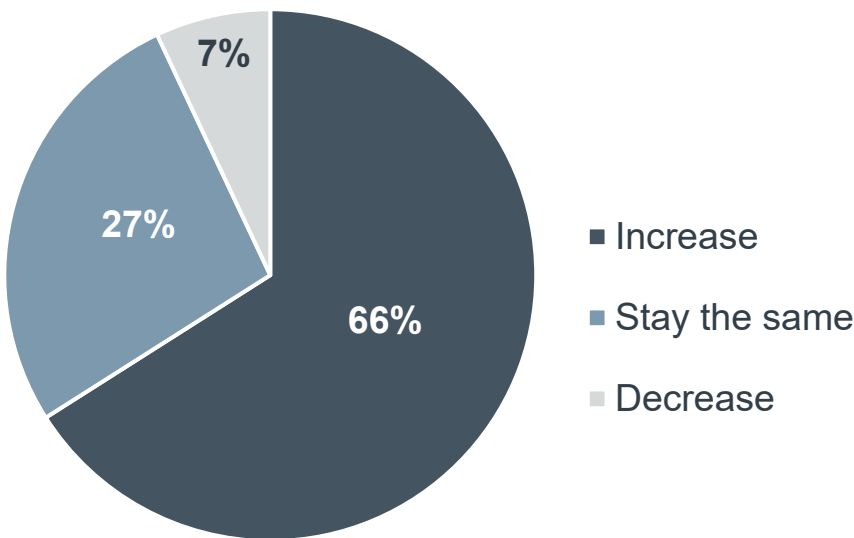
Majority of systems increased capital budget in 2024

Q: How has your overall CapEx budget for this FY changed compared to the previous FY?



Most leaders optimistic about increased spend in 2025

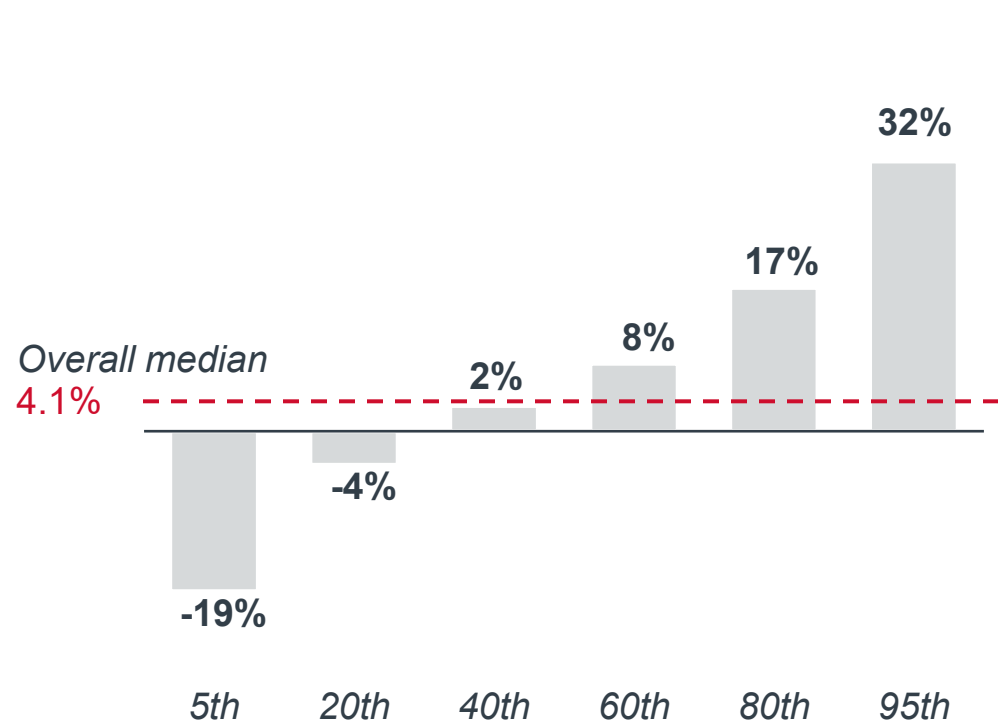
Q: Looking forward to the next FY, do you anticipate that your overall organization-wide spending will increase, stay the same, or decrease?



Wealthier systems putting capital dollars to work

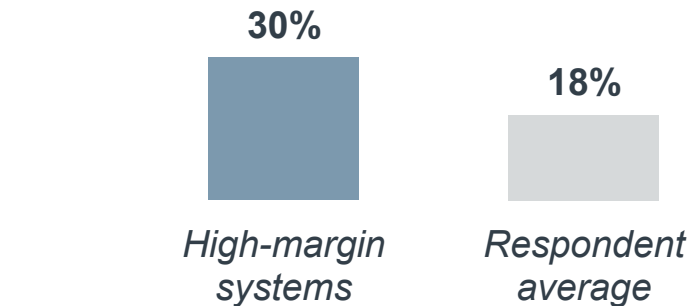
Large gap between high- and low-margin systems...

Median hospital operating margin by percentile
(12-month average), June 2023–May 2024

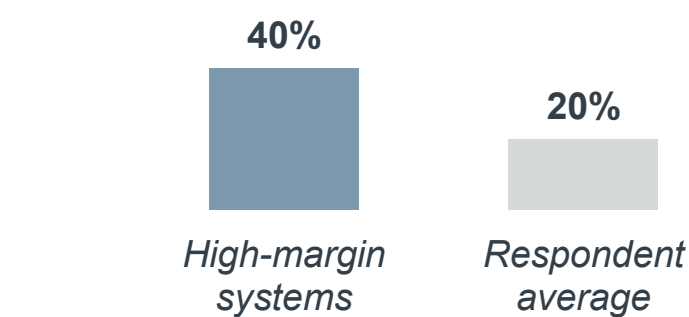


... is mirrored in capital spending budgets

Participants with capital budgets that are greater than 10% of their system's total revenue¹



Participants who increased capital budgets by more than 5% last year



1. High-margin systems are those with operating margins between 6%- 10%+.

Sources: [Market Insights Tool](#). Syntellis. Accessed August 8, 2024.

Service line investment is top engine for growth

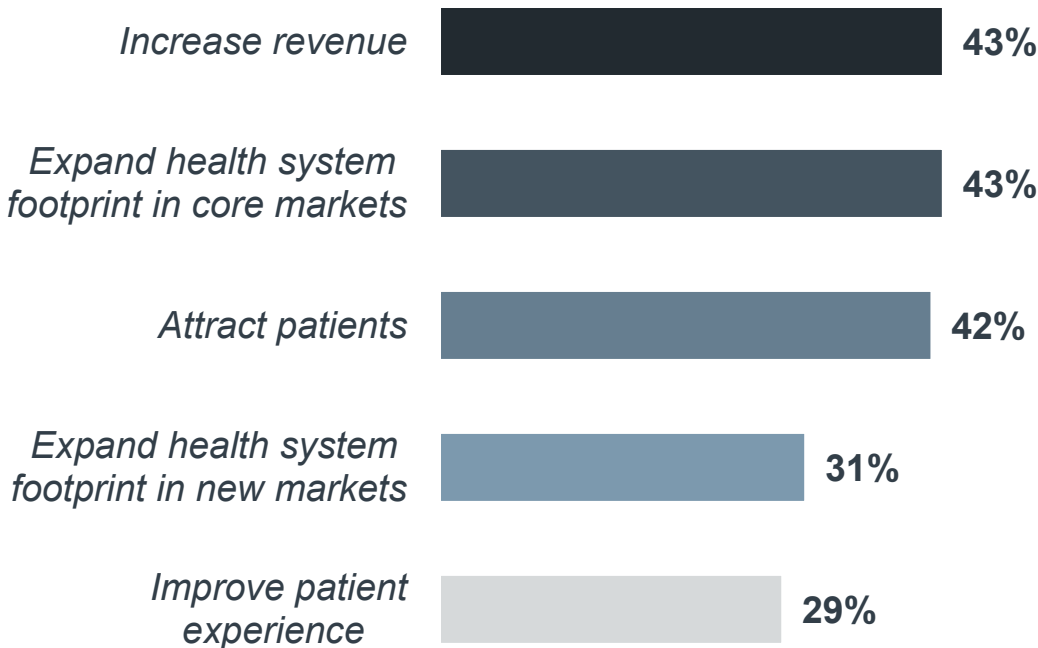
Service lines are the top investment priority...

Weighted rank order of capital investment priorities

- 1 Service lines**
Investments to grow existing and/or new service lines
- 2 Technology investment**
Investments in medical devices, AI, and other information technology
- 3 Market development**
Investments to grow within your current geography and/or grow in new geographies
- 4 Facilities**
Renovating and/or building facilities

...to achieve revenue, footprint, and volume growth

Top 5 motivations for capital investments in service lines, percent of sample



DATA SPOTLIGHT

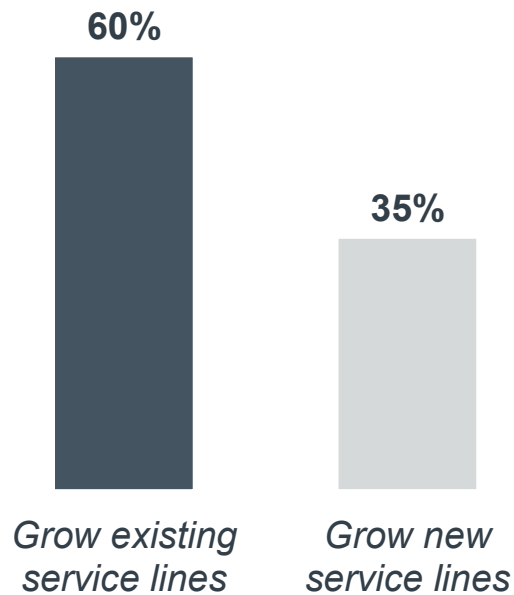
68%

Of respondents increased spend on service lines in 2024 vs. 2023

Systems focus on growing existing service line offerings

Most systems prioritize growth in existing service lines

Q: Which is the primary focus for capital investment in service lines?¹



Service line capital budgets split evenly between inpatient and outpatient

52%

Average percentage of service line capital budget spent on **inpatient** services

48%

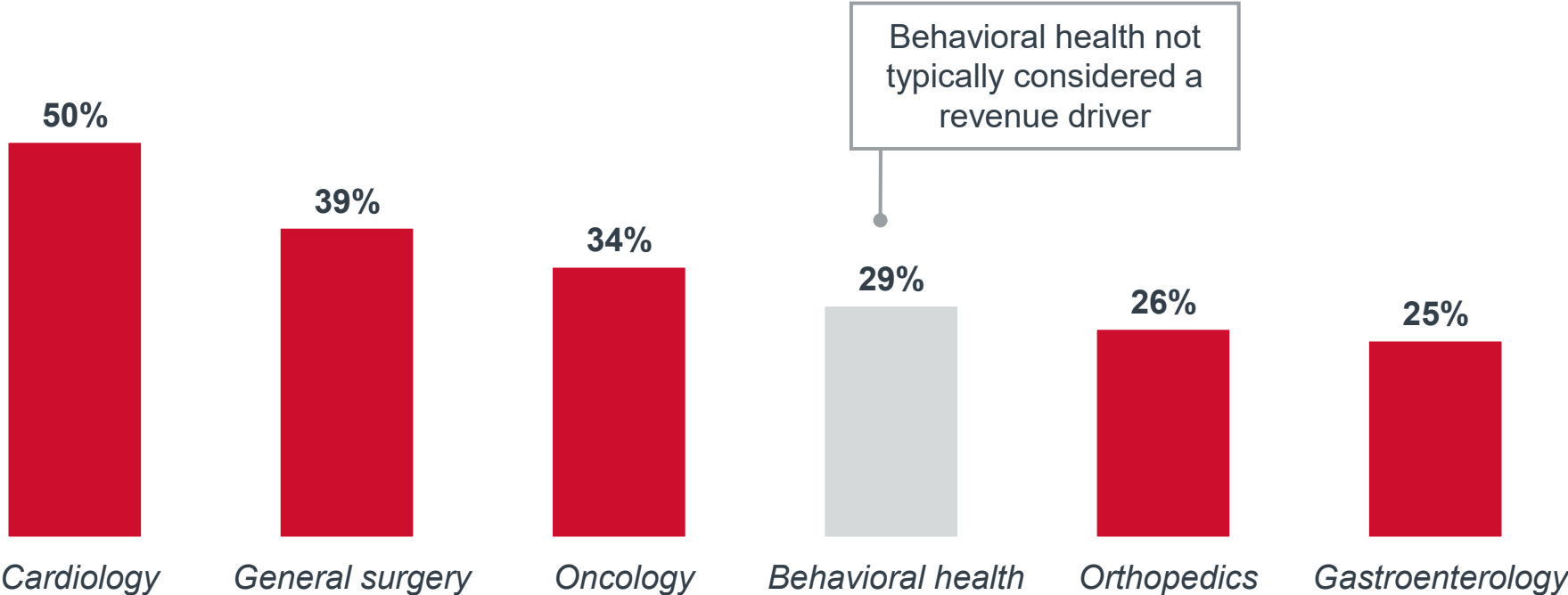
Average percentage of service line capital budget spent on **outpatient** services

1. 5% of respondents are not investing in service lines.

Leaders chase the same high-revenue service lines

Top 6 prioritized service lines are (mostly) revenue engines

Q: Which service lines are you prioritizing for capital investment? (Select up to 6)



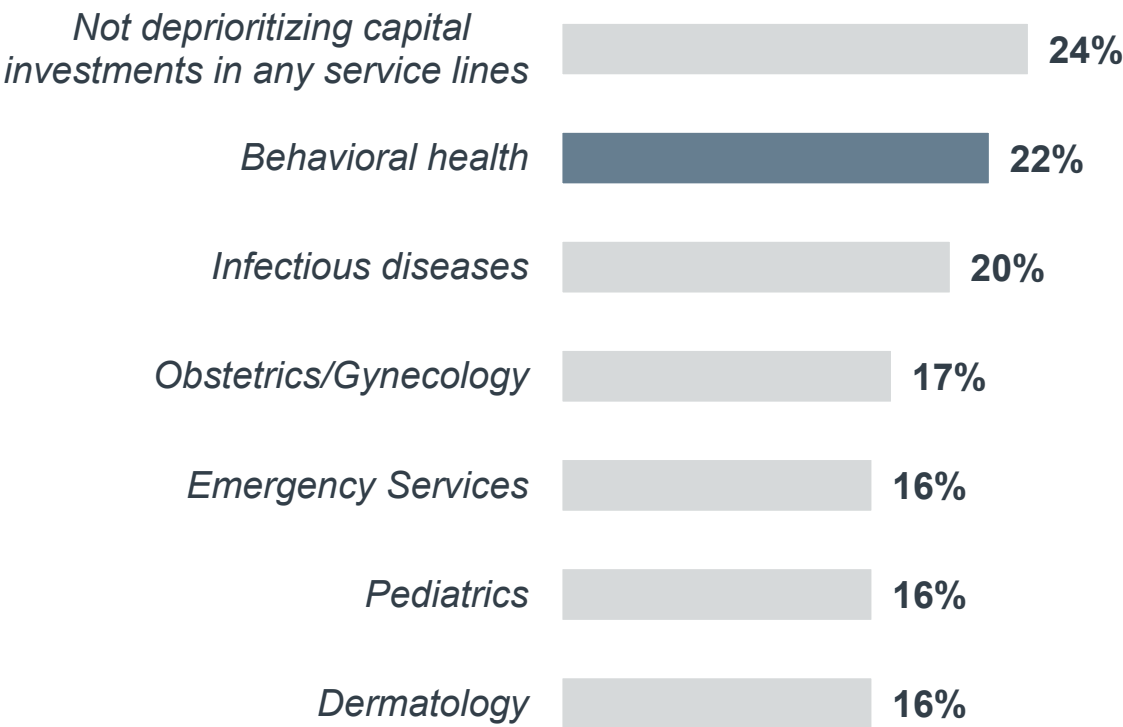
Systems either in or out on behavioral health investment

Behavioral health is commonly prioritized for investment...



...but is also the top area for deprioritizing investment

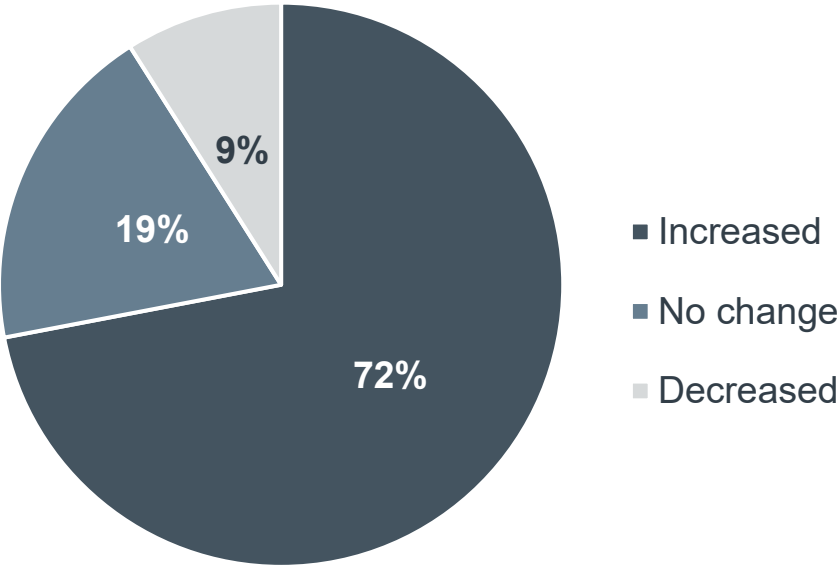
Q: Which service lines are you deprioritizing capital investment in?



Facility spend on the rise to grow footprint, staff

Majority of systems increased facility budget in 2024

Q: How has your capital budget for facilities changed since last year?



Facility spend motivated by footprint, workforce, and consumer goals

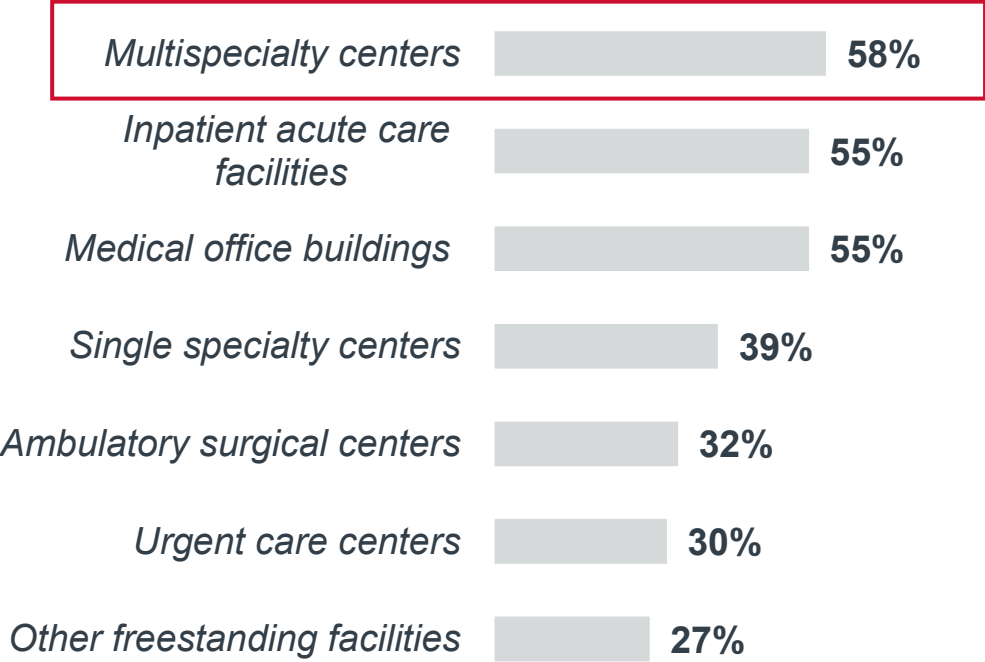
Q: What are the top three goals you hope to achieve through your facility-based capital investments? (Select three)

Goal	Percentage of respondents
Expand health system footprint in core markets	47%
Attract and retain staff	45%
Improve patient experience	43%
Attract and retain patients	38%
Expand health system footprint in new markets	35%

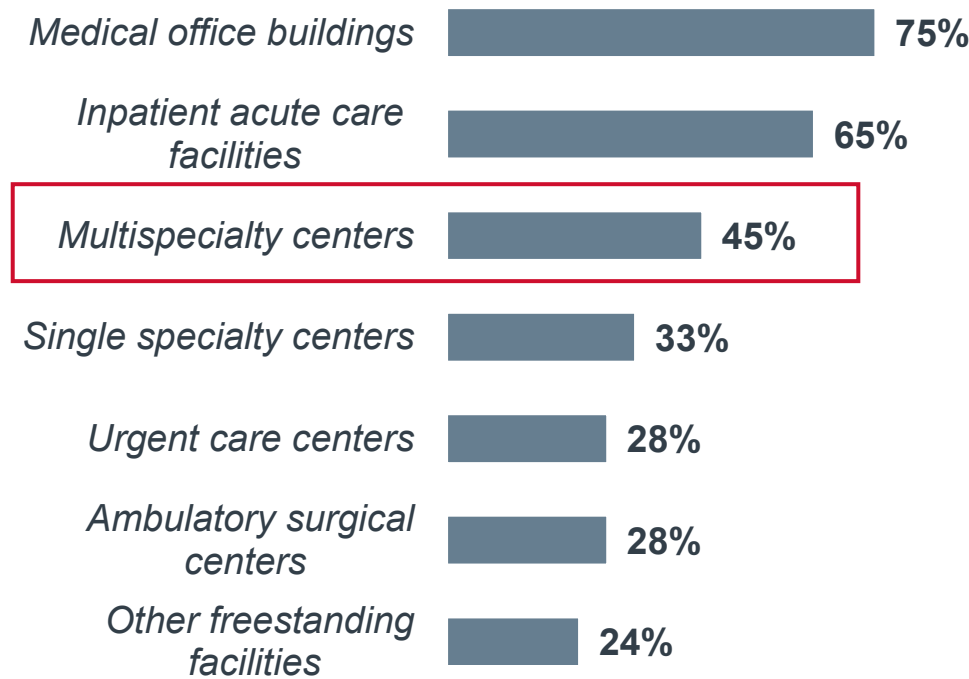
Leaders pursue integrated care sites with facility spend

Multispecialty centers a top target of new builds, renovations

Q: Which facilities are you focused on building?
(Select top three)



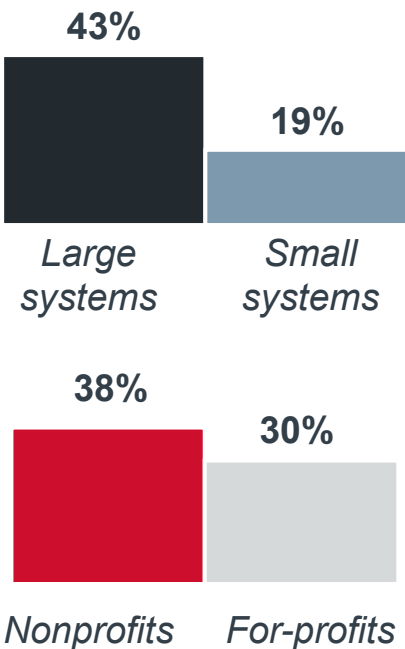
Q: Which facilities are you focused on renovating? (Select top three)



Size and ownership dictate ambulatory growth spend

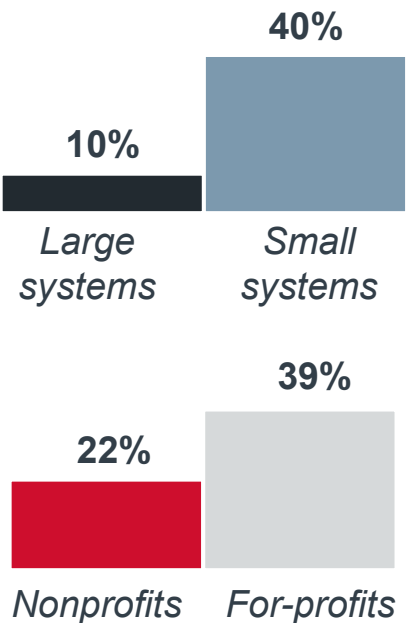
Larger and nonprofit systems prioritize ASC¹ builds

Percentage of respondents who chose ASCs as a top 3 building priority



Smaller and for-profit systems prioritize urgent care builds

Percentage of respondents who chose urgent care as a top 3 building priority

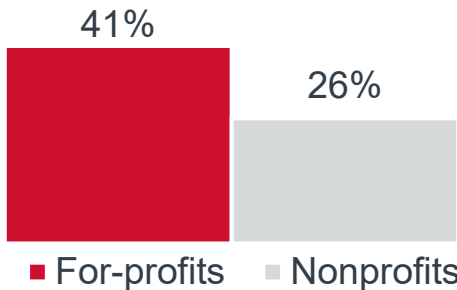


1. Ambulatory Surgical Centers.

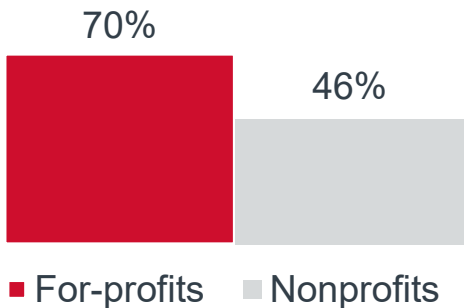
For-profits show greater market expansion appetite

For-profits prioritize new market development

Percentage of respondents who prioritized new market development

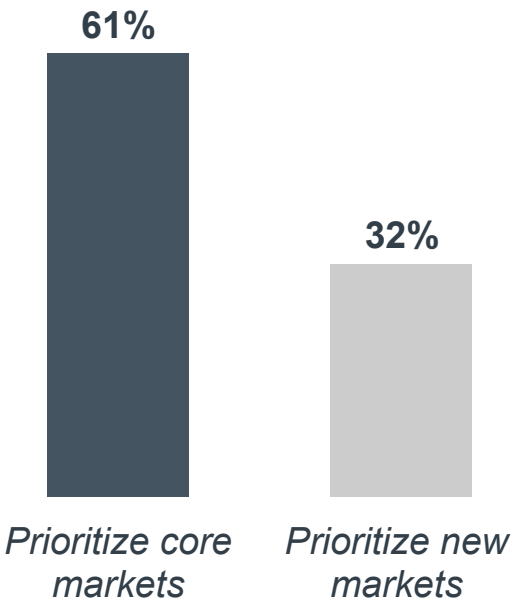


Percentage of respondents who increased spending on new markets



While most systems prioritize growing existing market portfolio

Q: Which service area is the top priority for capital investments?¹

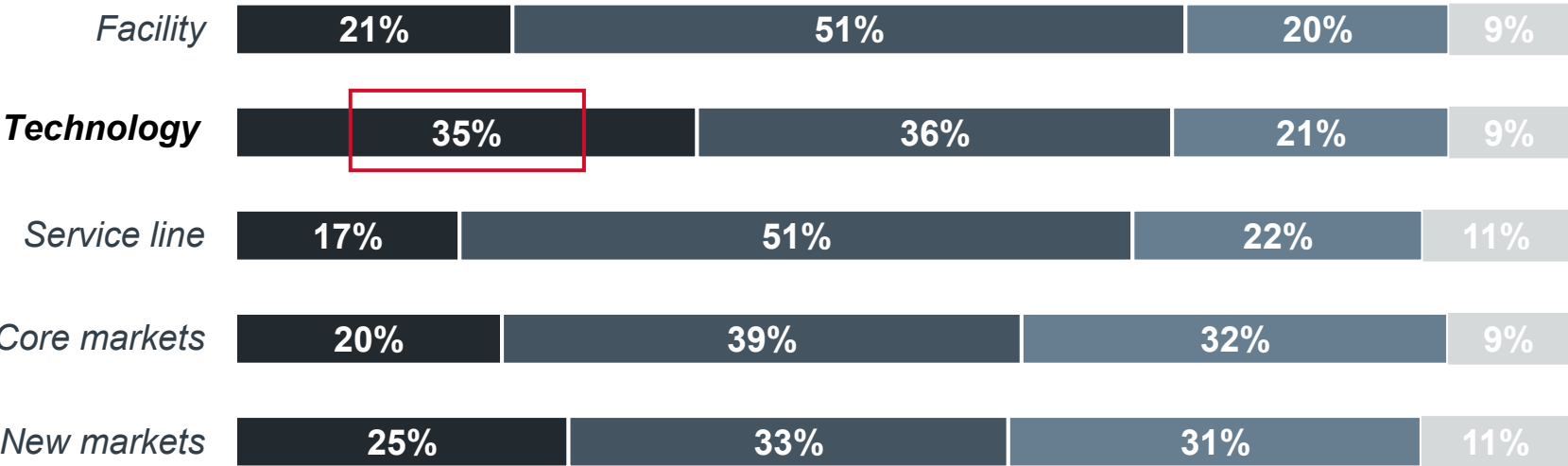


1. 7% of respondents are not prioritizing either core or new markets.

Leaders pour capital into technology budgets

Leaders increase technology spending by a greater increment than other categories

Percentage of participants who increased spending since last year by investment priority

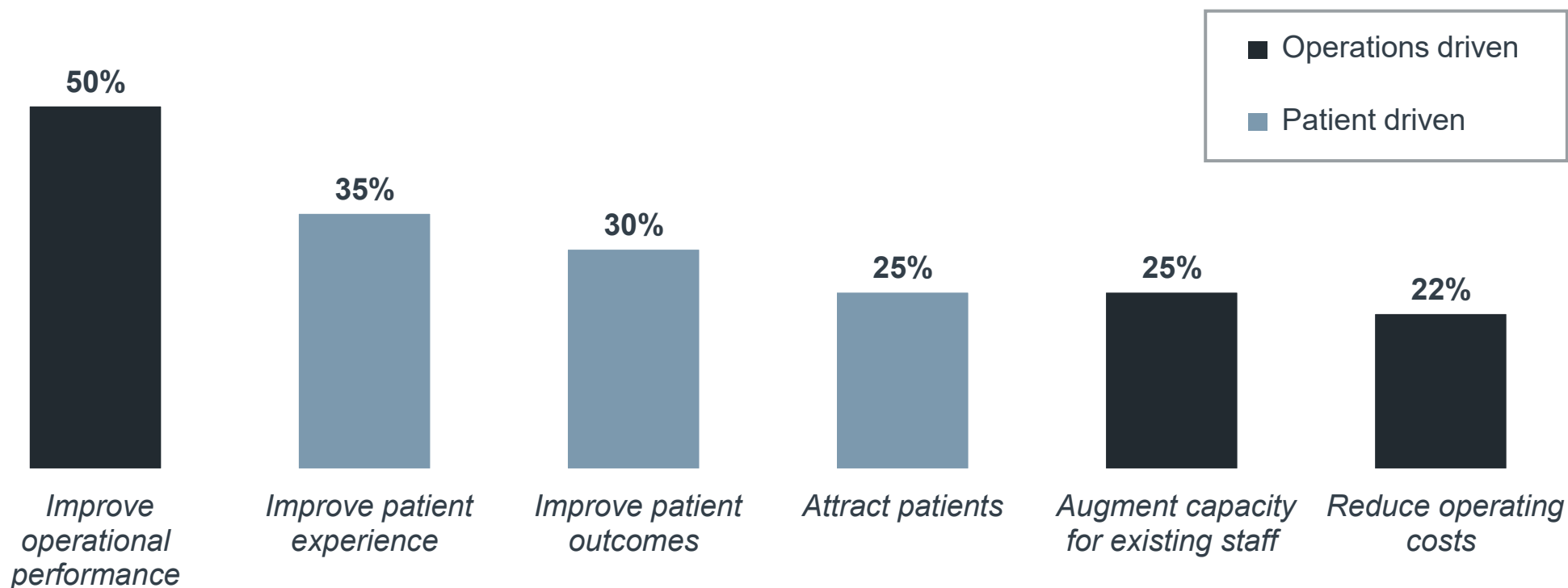


■ Increased spending by >5% ■ Increased spending by <5% ■ Stayed the same ■ Decreased spending

Tech investments target operational, consumer priorities

Operational performance and patient goals drive technology investment

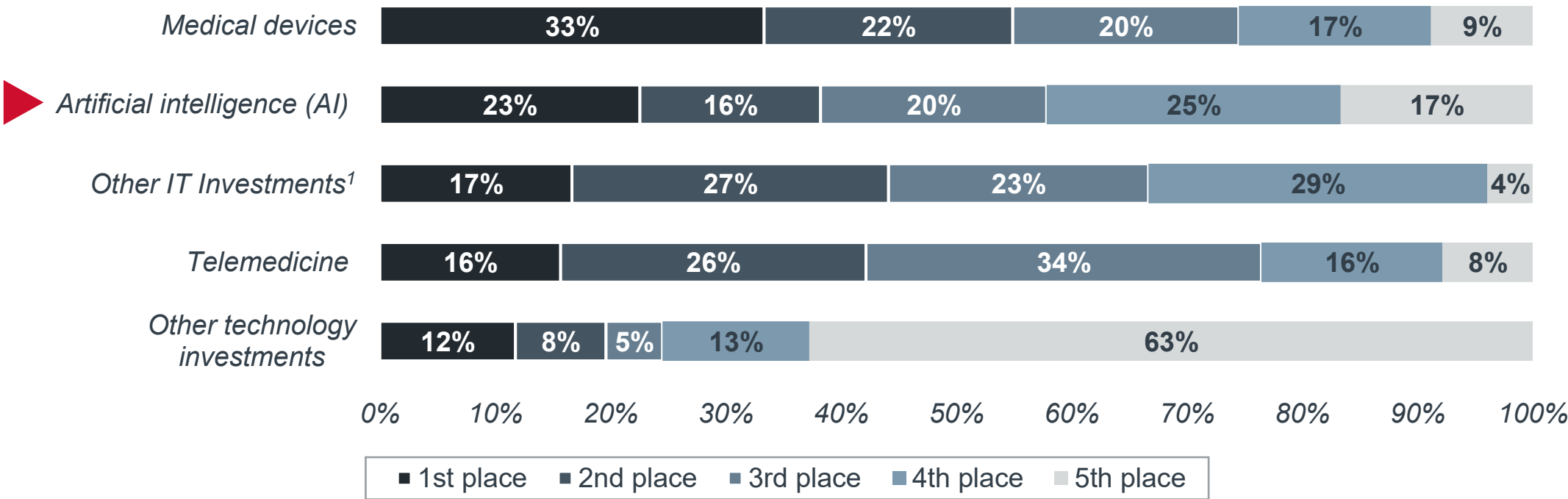
Q: What are the primary motivations behind your technology investments? (Select up to three)



AI is not a universal CapEx priority

No clear consensus on system AI investment prioritization

Q: Please rank these technology investments in terms of prioritization (1 being the highest and 5 being the lowest)

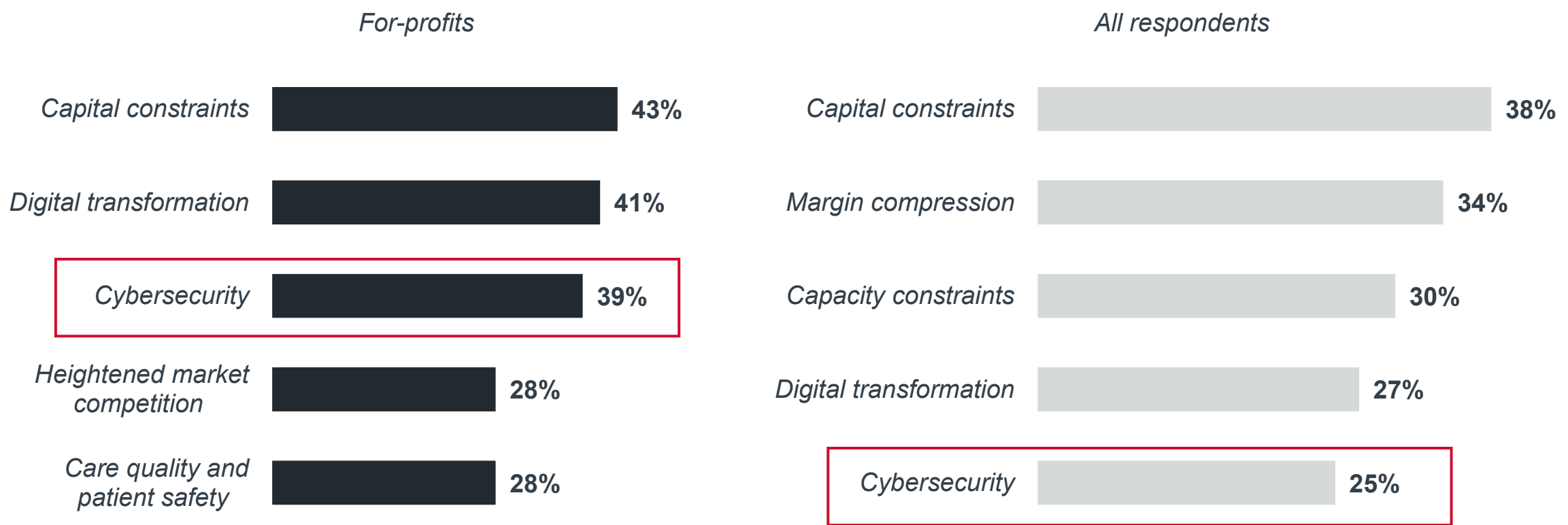


1. Includes software upgrades and purchases for EHR systems, revenue cycle management, performance data and analytics; investments in computers/ servers.

Cybersecurity challenges more common at for-profits

Top 5 organization-wide challenges by percentage of respondents, for-profits vs. respondent average

Q: Which of the following would you consider the top challenges for your organization this fiscal year? (Select up to three)



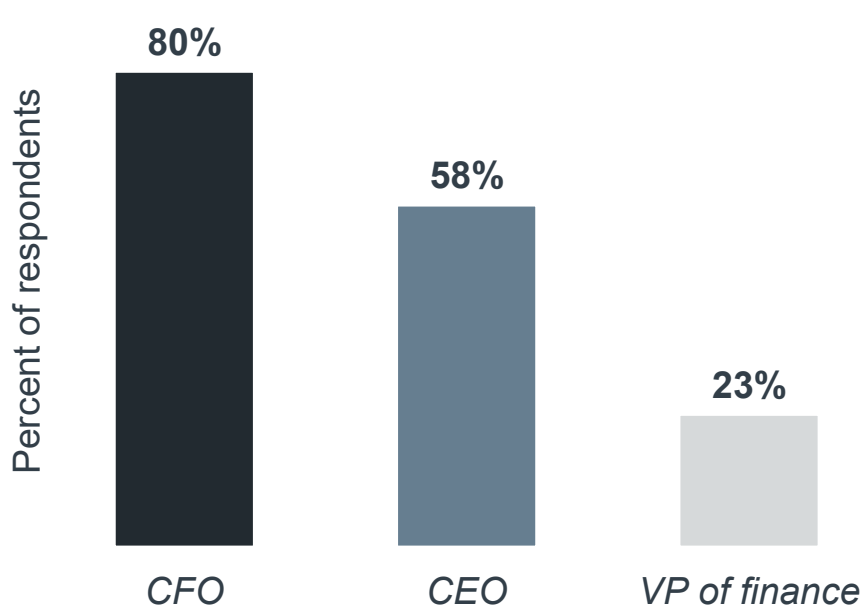
04

Capital planning governance

COO is a core influencer to capital spending decisions

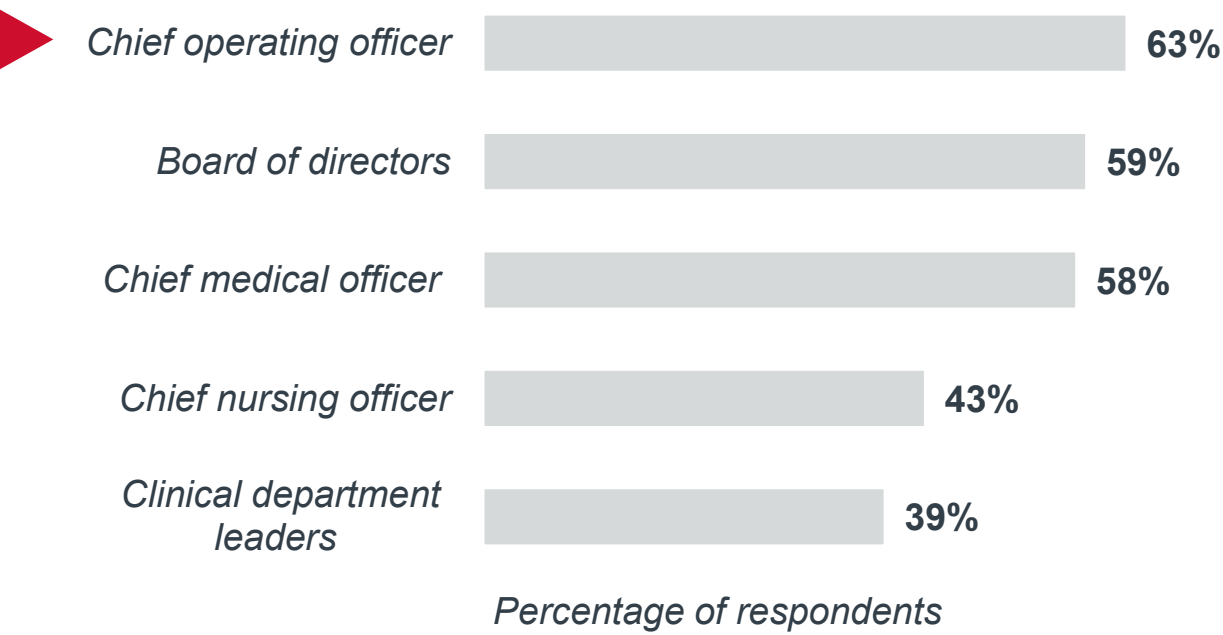
Decision-making power concentrated with CFO and CEO

Q: Who makes final decisions about capital planning and expenditures? (Select all that apply)



COO tops list of capital planning decision influencers, along with Board and chief medical officer

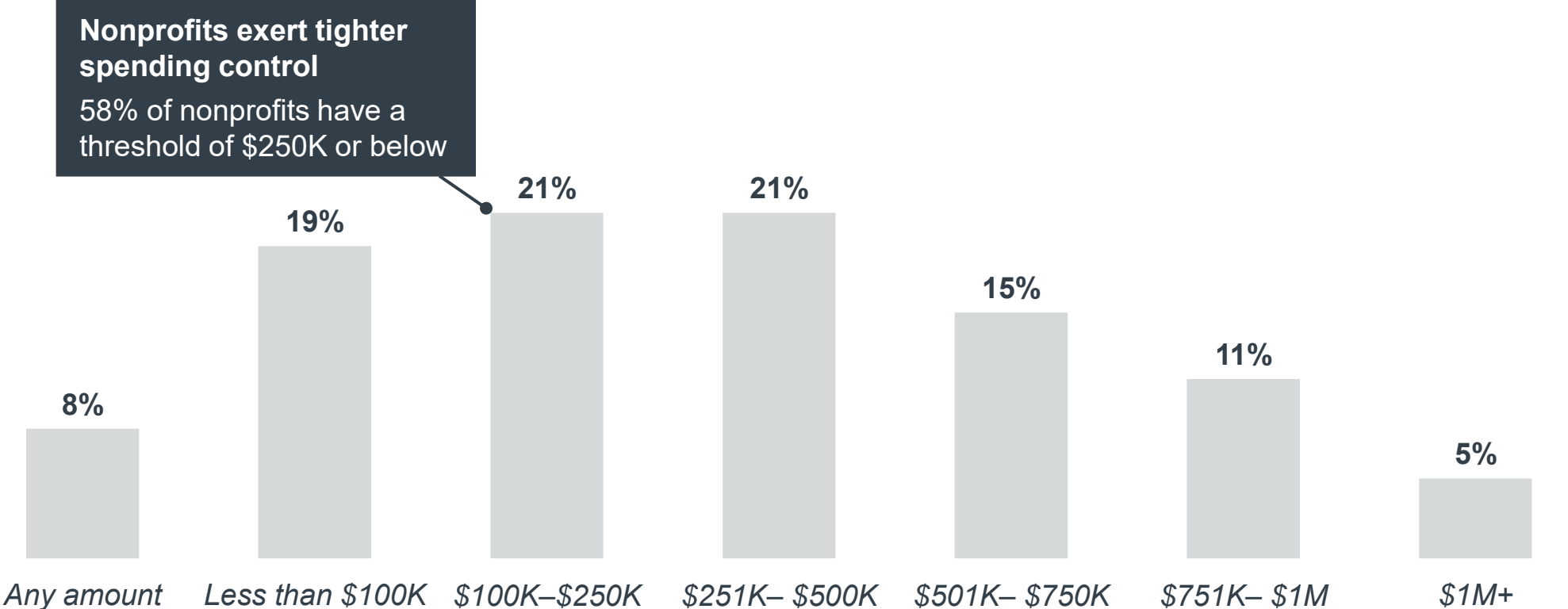
Q: Who influences decisions about capital planning and expenditures in your organization? (Select all that apply)



No universal spend threshold for CapEx committees

CapEx committee involvement thresholds vary widely, although nonprofits trend lower than peers

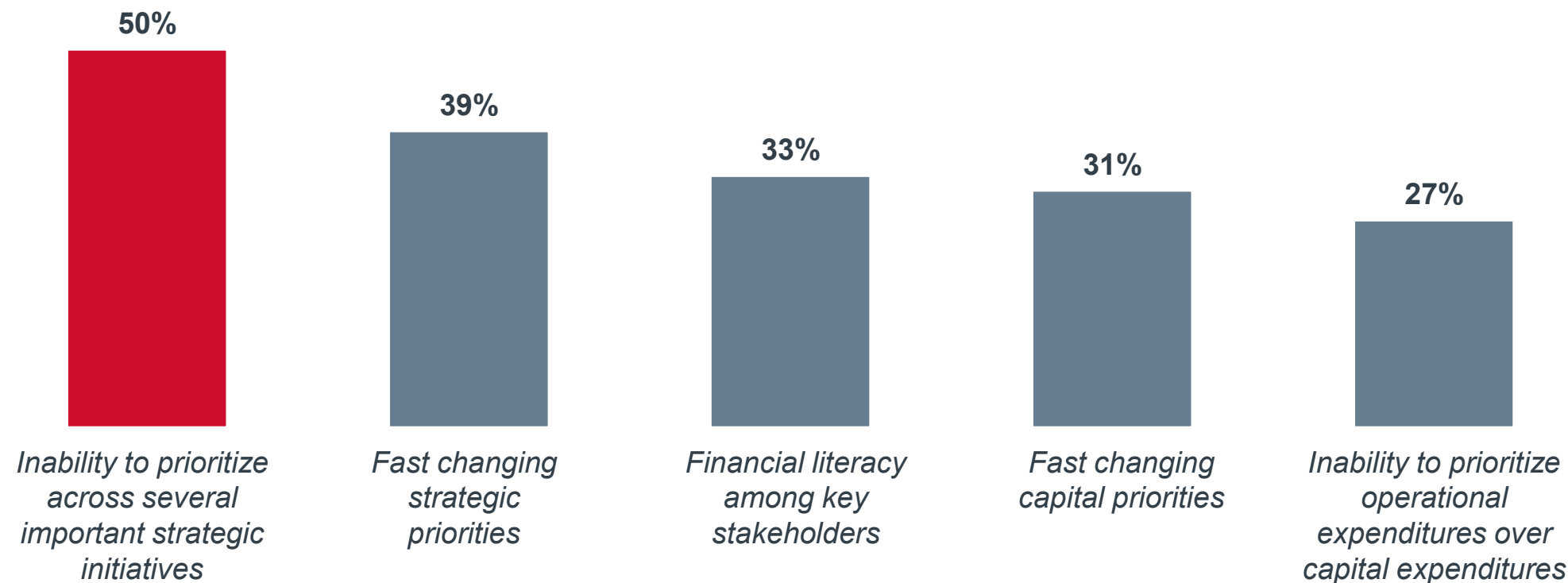
Q: What is the dollar threshold that requires an investment to go before a CapEx committee?



Lack of alignment is the biggest hurdle to planning

Stakeholders struggle to agree, act on strategic and financial priorities

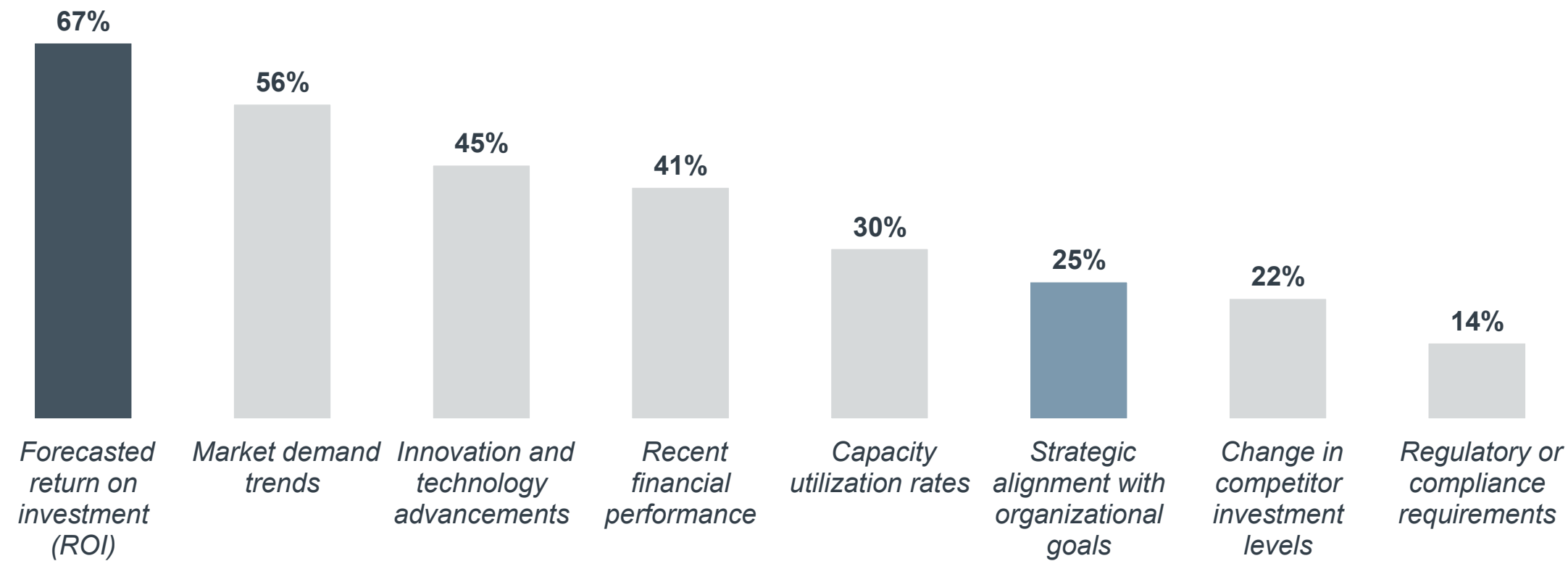
Q: What are the main barriers to effective capital planning at your organization? (Select up to three)



Need for guaranteed returns dictates capital budgets

ROI significantly more important than strategic alignment when determining capital spend

Q: Which indicators do you use to determine when to increase capital budgets for a specific area? (Select top 3)



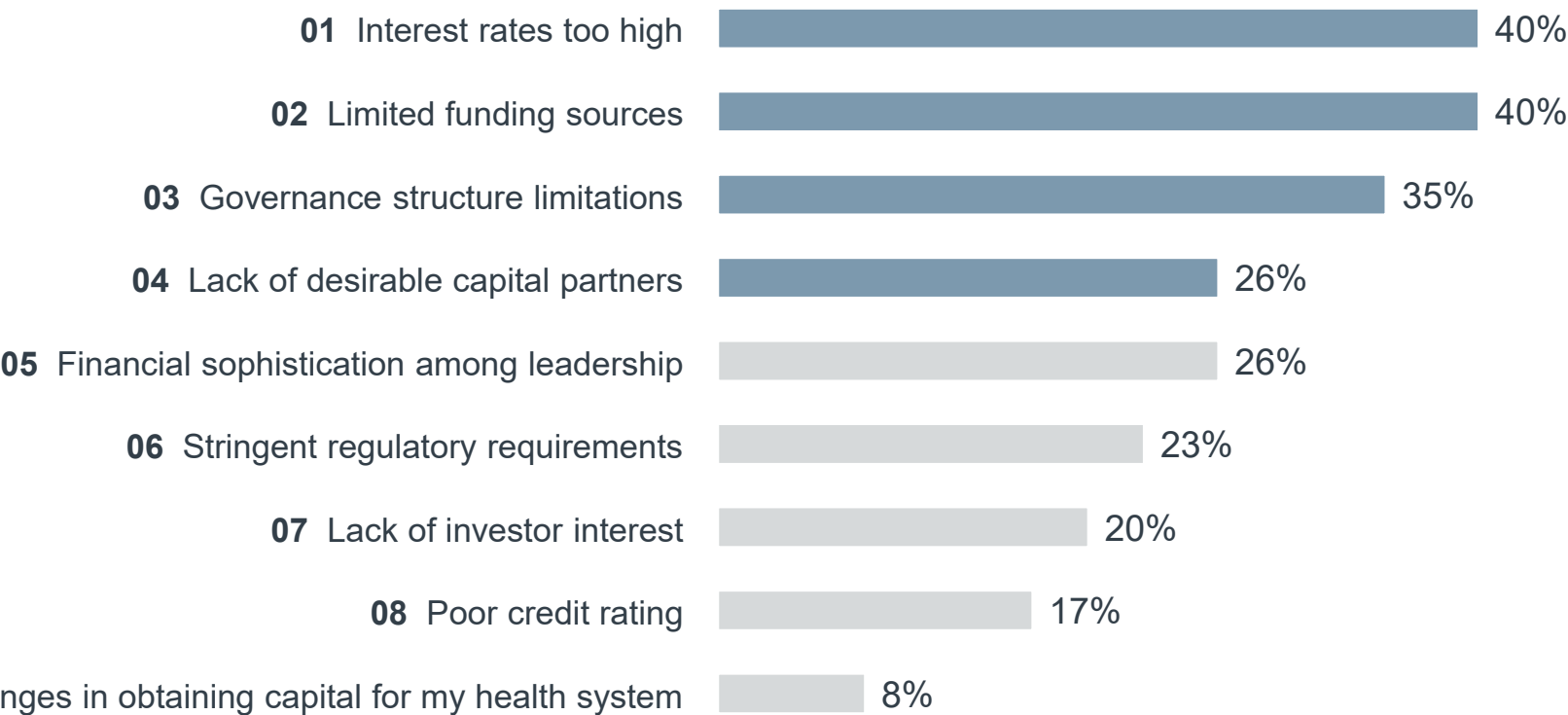
05

Funding capital spend

Funding challenges largely outside of system control

Top 4 barriers to accessing capital are difficult for systems to influence

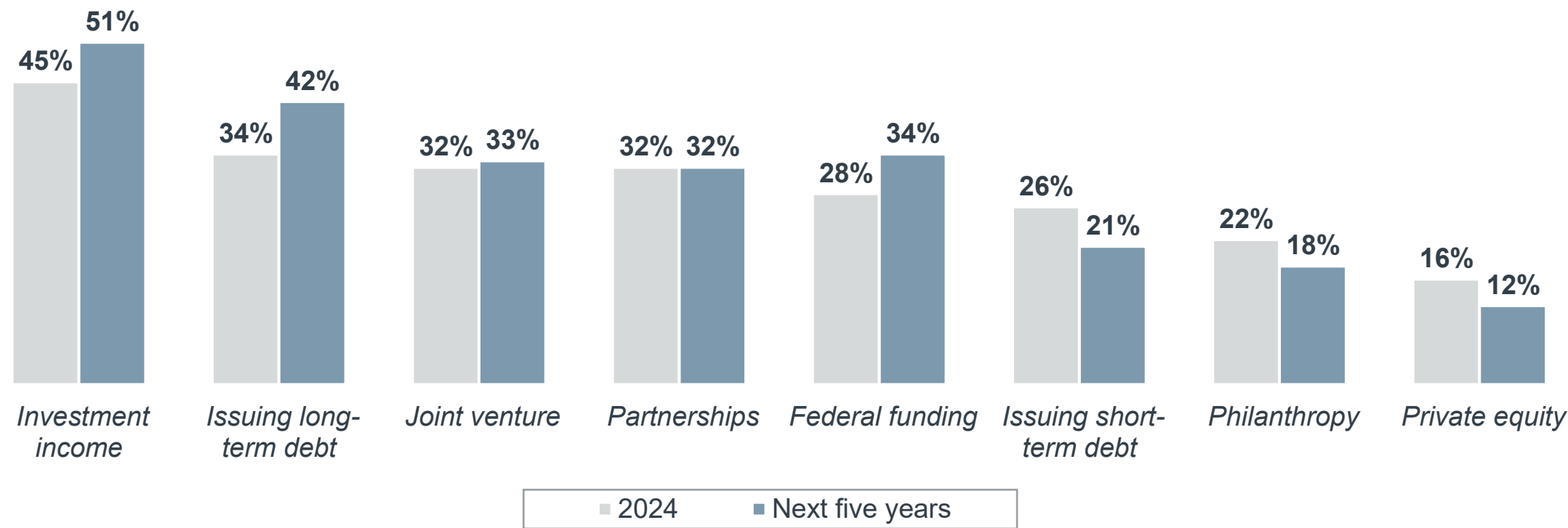
Q: Which of the following barriers does your health system experience when obtaining capital for strategic initiatives? (Select all that apply)



Leaders reliant on bond and equity markets

Future financing likely to come from investments, debt, and federal funding

Q: Which are the most important financing mechanisms for your health system this year (2024) and in the next five years? (Select up to three)



6 major takeaways

1. Systems remain anxious about financial health even as average margin performance improves for the sector.
2. Health systems of all stripes are simultaneously prioritizing cost reduction while also increasing capital spending.
3. The divide between haves and have-nots persists as high-margin and for-profit systems spend more aggressively than low-margin and nonprofit peers to expand and transform their portfolios.
4. Finance leaders are prioritizing capital spend on traditional growth engines, especially high-revenue service lines, in core markets.
5. Growth in technology spend outpaces other CapEx priorities, although leaders lack consensus on AI as an investment priority.
6. All funding options remain on the table, but leaders expect to rely more heavily on equity markets, bond markets, and the federal government for funding in the future.



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