

2023 BDO HEALTHCARE
CFO OUTLOOK SURVEY

Healthcare's Challenging Road Ahead



BDO



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Welcome



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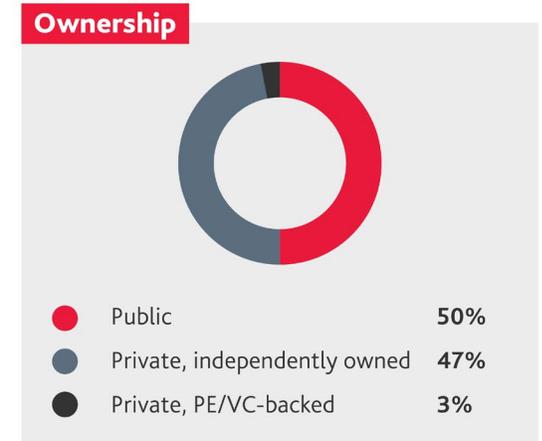
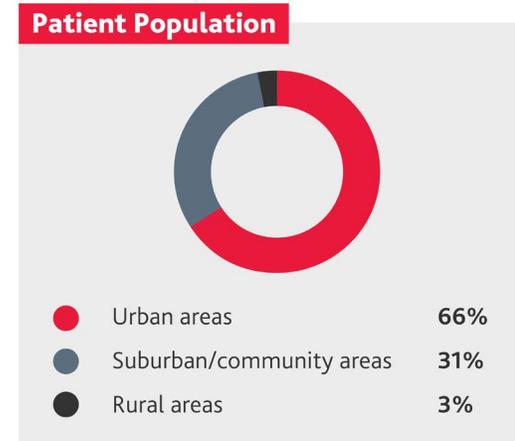
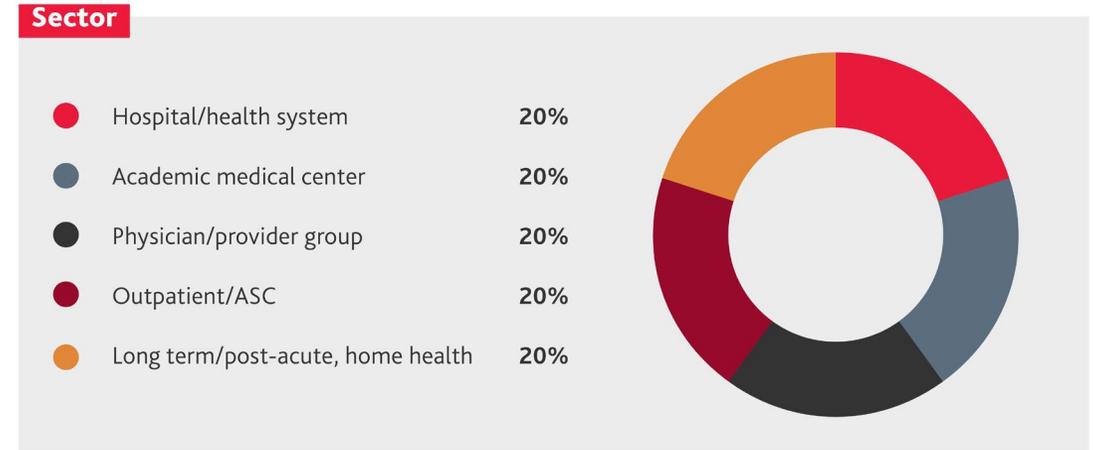
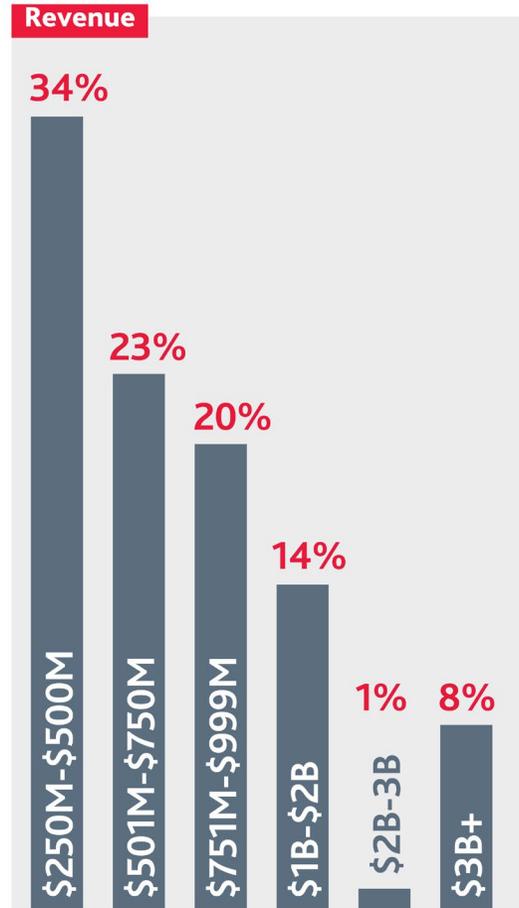


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Methodology

The BDO 2023 HEALTHCARE CFO OUTLOOK SURVEY polled 100 healthcare industry CFOs with revenues ranging from \$250 million to \$3 billion in October 2022. The survey was conducted by Rabin Research Company, an independent marketing research firm, using Op4G’s panel of executives.



Healthcare CFOs' upcoming plans and challenges in the year ahead.

Healthcare's financial recovery is uneven, with some sectors outperforming others.

Financial distress was more severe than expected.

Big deals are going out of style in favor of add-ons, targeted at expanding into new markets or growing market share.

Healthcare shifts priorities on digital.

Healthcare's gaps are widening.

- ▶ Many healthcare organizations struggled to fulfill their financial covenants in 2022.
- ▶ Long-term, post-acute and home health organizations struggled the most, with 75% reporting missed terms and defaults by October 2022.
- ▶ This is likely due to challenges attracting patients after the pandemic pushed patients away from these organizations, as well as high labor costs.
- ▶ At the other end of the spectrum, 30% of hospitals and health systems defaulted or failed to meet terms in 2022.



Poll Question #1



How concerned are you that your organization will default on its bond or loan covenants in the next 12 months?

A

Very concerned (We will almost certainly default)

B

Somewhat concerned (We might default)

C

Not very concerned (We don't think we will default)

D

Not at all concerned (We will almost certainly not default)

E

N/A



As healthcare advances in 2023, these headwinds could increase the divide among sectors.

Healthcare's Top Threats

Supply chain disruption



74%

Regulatory uncertainty



72%

Talent shortage



71%

Natural disasters



71%

Poll Question #2



Which issue concerns you the most, moving into 2023?

A

Margin Improvement

B

Supply Chain Disruption

C

Regulatory Uncertainty

D

Talent Shortage

E

Restoring Patient Confidence

F

Natural Disasters

G

N/A



10 areas where CFOs are investing more, with less healthcare dollars

Healthcare's Investment Plans

INVESTMENT AREA	Increase investment	Decrease investment	Partner with a capital provider or operator
Virtual/telehealth	50%	26%	21%
Behavioral health	49%	23%	25%
Hospice/palliative care	48%	27%	19%
Specialty services	47%	26%	21%
Elder care	47%	16%	31%
Home care	46%	20%	31%
Primary care	45%	21%	31%
Post-acute residential care	44%	30%	22%
Retail properties	43%	24%	28%
Ambulatory service centers (ASCs)	40%	28%	28%

Poll Question #3



What is your 2023
service line strategy?

A

Building New or Expanding Current Service Lines

B

Consolidating Existing Service Lines

C

Exploring New Clinical Partnerships

D

No Changes

E

N/A



Consider the Following

Prioritize financial reporting.

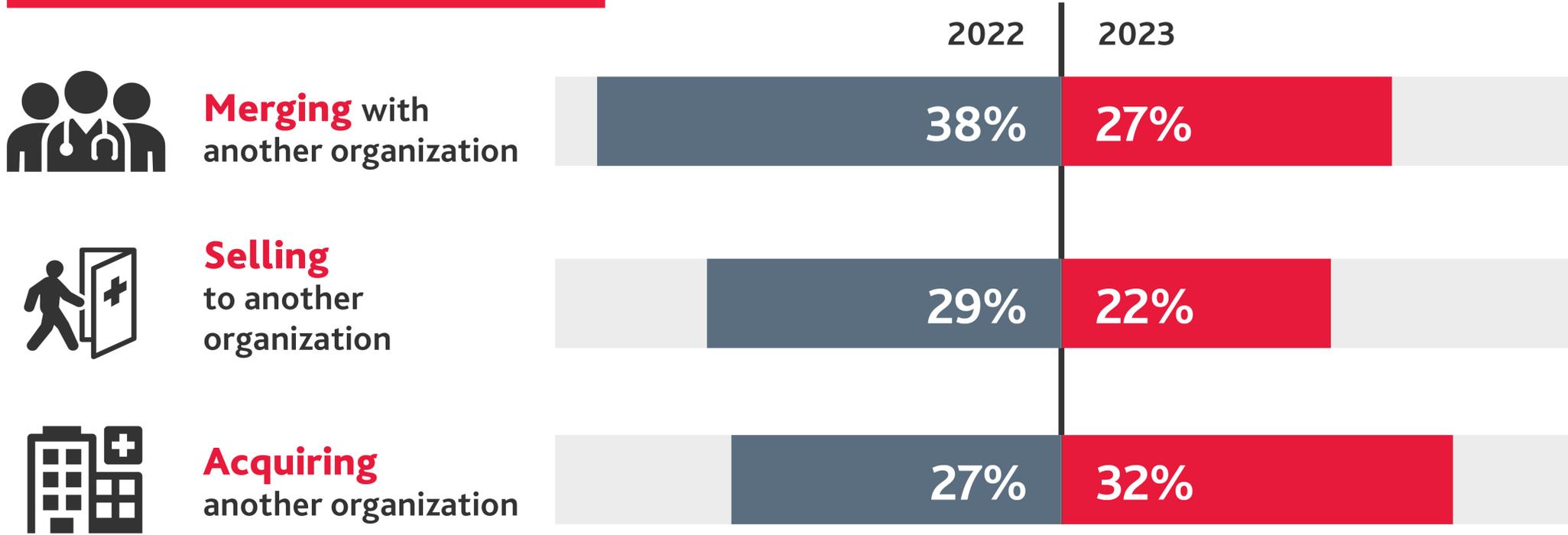
Revisit your employee retention strategies.

Weigh your investment plans against community needs.



Healthcare CFOs aren't so big on big deals this year.

Transaction Plans Year-Over-Year



Top M&A goals in 2023. Digital transformation is likely to drive deals.

Top M&A Goals in 2023

Enhancing digital capabilities



28%

Expanding into a new market segment



28%

Growing/capturing market share



25%

Enhancing product/service offerings



18%

Poll Question #4



Where do you see deal opportunities in the next year?

A

Enhancing Digital Capabilities
(i.e., Health Tech, AI, Robotics, Telehealth, Patient Portals)

B

Expanding into a New Market Segment

C

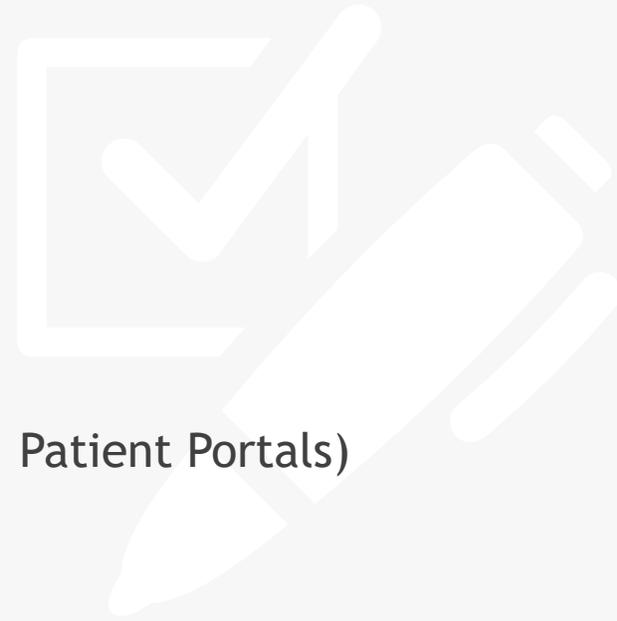
Growing/Capturing Market Share

D

Enhancing Product/Service Offerings

E

N/A



Top deal challenges from those respondents planning a deal in 2023*

Top Deal Challenges*

Navigating the due diligence process 20%

Uncertain ROI expectations 19%

Regulatory compliance 17%

Economic uncertainty 15%

Finding the right target or buyer 15%

Valuation expectation gaps 14%



Poll Question #5



Which aspect of your organization's approach to dealmaking needs the most improvement?

A

Target identification

B

Valuation and Price Negotiation

C

Due Diligence

D

Post-Merger Integration

E

Synergy Capture

F

N/A



Consider the Following

Think ahead to your M&A integration plans.

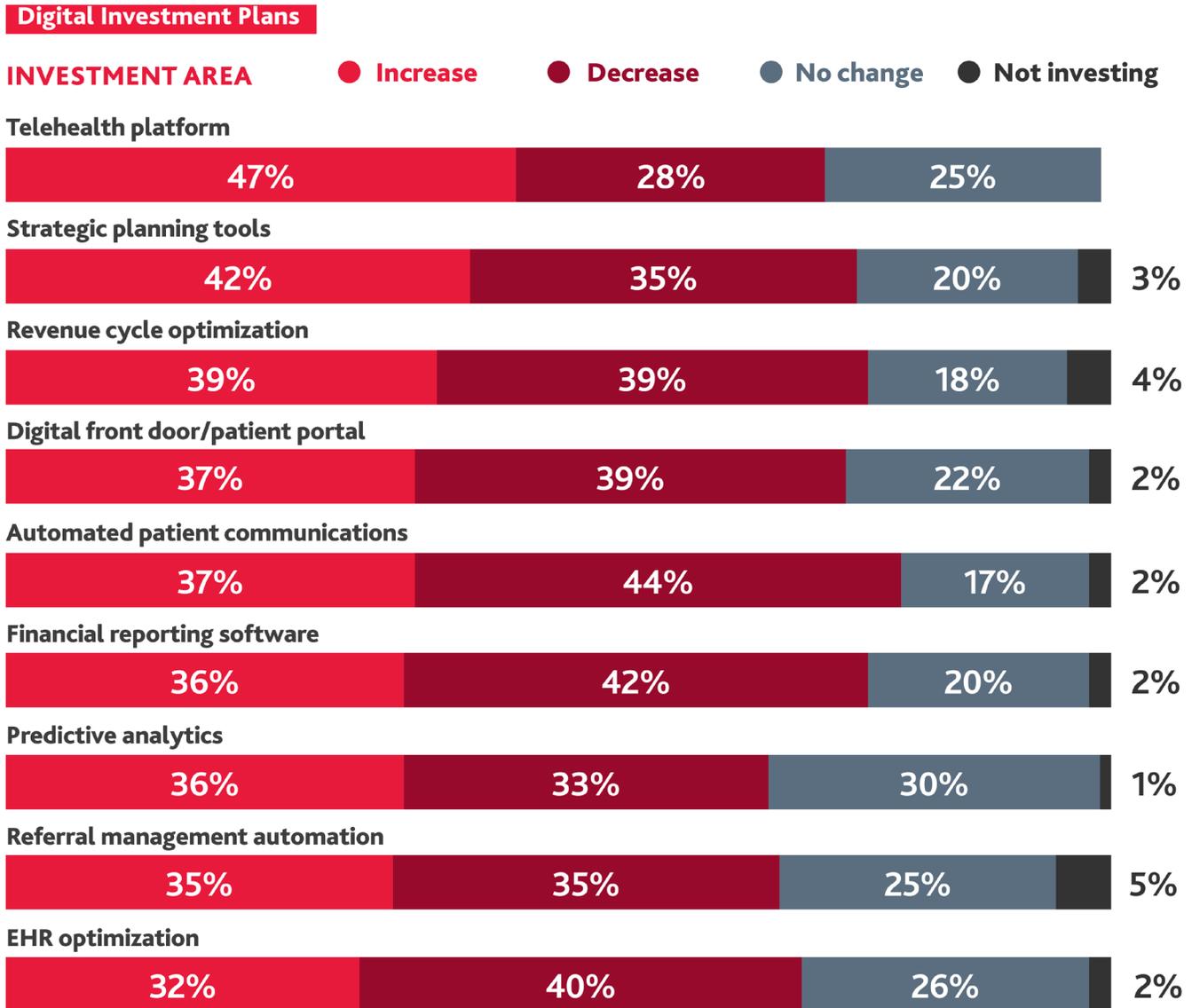
Be prepared to explain your financial statements.

Plan for longer deal timelines.

Don't forget about post-deal integration.



Healthcare shifts priorities on digital investments.



Only 19% of healthcare CFOs are very satisfied with their EHR systems.

Top EHR Challenges

Workflow misalignment

21%

Clinician dissatisfaction

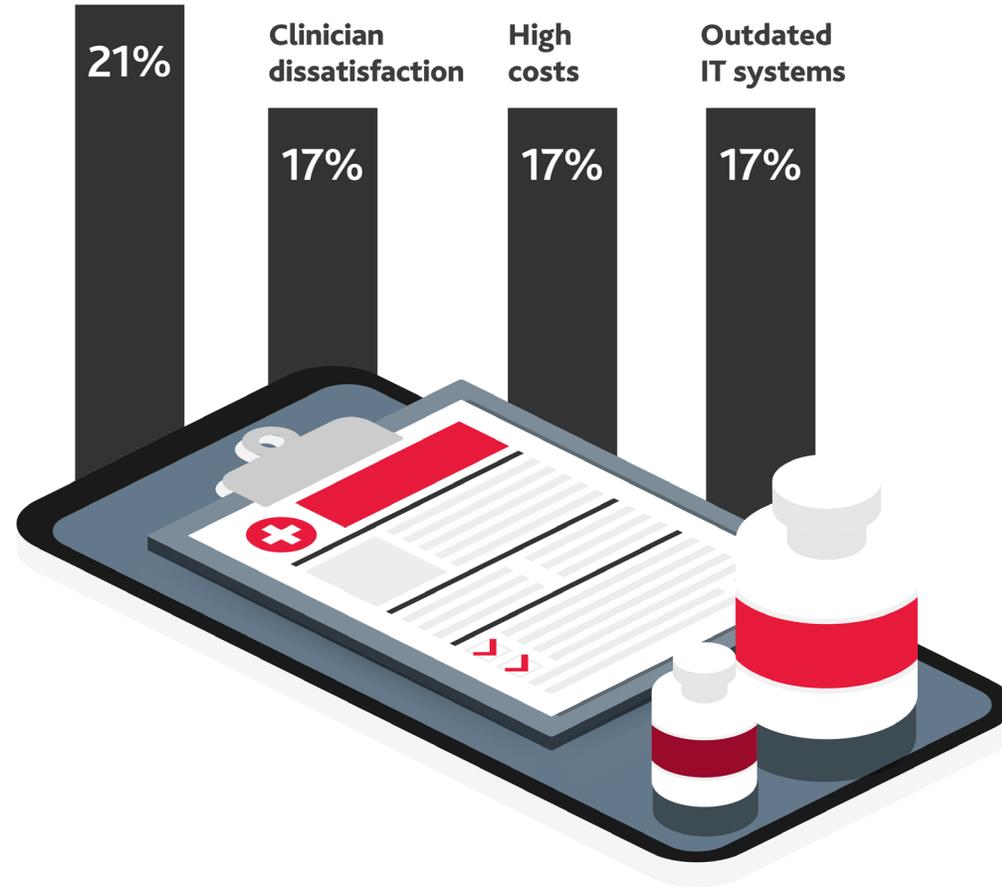
17%

High costs

17%

Outdated IT systems

17%



Poll Question #6



What are your value drivers for digital investments?

A

New Sources of Revenue

B

Operating Cost Reduction

C

Optimized Staffing Models

D

Provider and Patient Satisfiers

E

Value Based Contracting

F

N/A



Consider the Following

Focus on enhancing your patient portal.

Optimize your existing technology before purchasing new solutions.

Consider deals as a way to develop tech capabilities.

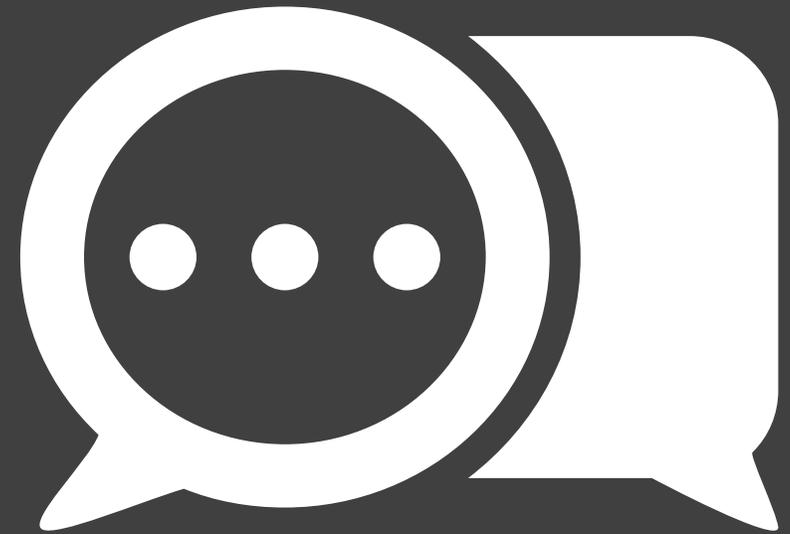


Key Takeaways





Q&A





Thank You!

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