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Your Eye on the Future

2025 Vertical Market Outlook Series:

Healthcare

EQUIPMENT LEASING & FINANCE FOUNDATION
Your Eye on the Future

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Introduction

The U.S. healthcare vertical is a complex and dynamic sector, with providers such as hospitals, physicians, clinics, and allied health professionals responsible for delivering essential care and shaping patient experiences. This vertical touches just about everyone at some point, with per-person healthcare spending reaching $14,570 in 2023 according to the Centers for Medicare & Medicaid Services (CMS).[1] Forces such as cost/affordability pressures, reforms, including the adoption of value-based care and technology integration, will drive strategy and direction going forward.

This paper will provide an overview of the U.S. healthcare vertical with a focus on healthcare providers. It will address such topics as macroeconomic factors, technological innovations, and challenges that will impact the sector.

Executive Summary

The following are some key insights that will be discussed in more detail in this paper.

- Healthcare spending in the United States grew 7.5% in 2023, reaching $4.9 trillion. The three largest segments are hospital care, physician and clinical services, and retail prescription drugs.[2]
- Key healthcare provider segments include hospitals (6,093), integrated delivery networks (1,100 active), and physicians (1,101,735).
- Demographic trends such as the aging population, lowering birth rate, changing family composition, and chronic disease prevalence will all impact the kind of healthcare needed going forward.
- Private businesses, households, and governments finance healthcare in the U.S.; they are the sponsors of private health insurance premiums, out-of-pocket spending, and government program expenditures.
- Federal programs and agencies funding and delivering healthcare include Medicare, Medicaid, and the Veterans Administration.
- Value-based care arrangements tie payment amounts for services provided to patients to the results that are delivered, such as the quality, equity, and cost of care. With many healthcare organizations shifting to this model, purchasing offices will be asked to "place more focus than ever on goods and services that promote demonstrably better patient outcomes while providing financial value."
- Factors that impact and will continue to impact healthcare expenditures going forward include the previously mentioned demographic factors, innovations in drug therapies and medical technologies, provider consolidation, and new models of care. External factors, including the state of the U.S. economy and government regulations, will also have an impact.
- Participants in the medical equipment decision-making process at a healthcare provider will vary depending on such factors as the size, structure of the organization, type of equipment, and the expected purchase amount. In general, hospital and network stakeholders can include physicians and other clinical staff, administrators, directors, department heads, purchasing managers/committees, and C-suite executives. In smaller practices and groups, physicians (as the owners of the practice) and the practice managers/administrators will be involved in the decision.
- A group purchasing organization (GPO) is an entity that helps healthcare organizations realize savings and efficiencies by aggregating purchasing volume and using that leverage to negotiate discounts with manufacturers, distributors, and other vendors. About 97% of hospitals have an affiliated GPO, and research from the Healthcare Supply Chain Association (HSCA) suggests that those GPOs decrease the cost of healthcare by as much as $55 billion each year. Seventy-two percent of medical groups use a GPO.
- Medical equipment was the most financed equipment vertical in 2023, with an estimated 84% of acquisition volume secured by a lease, loan, or line of credit.

- In addition to traditional financing methods, there are further options for certain types of equipment and situations. Pay-per-use, where the manufacturer of the equipment lends the hospital or practice the equipment for free and the hospital is then charged each time the equipment is used, is one such option.
- Healthcare utilization, both inpatient and outpatient, is expected to rise. Technological innovations in diagnostics, minimally invasive procedures, and telehealth, along with patient preference, are some drivers of a shift toward outpatient care.
- Healthcare providers such as hospitals and physician groups have seen some recent improvements in key factors impacting profitability; however, they are still facing several profitability challenges in 2025.
- Healthcare organizations are prioritizing building resilient supply chains to withstand disruptions and ensure access to critical resources.
- Technology can be considered crucial to healthcare's future transformation and has the potential to drive improvements in patient outcomes and operational efficiencies. About one-third of healthcare executives identified technology investments as a priority for 2025, according to one survey.
- There are numerous applications for artificial intelligence, machine learning and big data in healthcare. The FDA authorized 950 medical devices with artificial intelligence features between 1995 and August 7, 2024.
- The healthcare sector is particularly vulnerable to cyberattacks; 60% of health system executives and 50% of health plan executives reported that their organizations are prioritizing cybersecurity enhancements for 2025.
- To meet evolving expectations, healthcare organizations must prioritize digital engagement and innovative care models to ensure their offerings align with consumer needs and preferences.

The HealthCare Vertical Landscape

Definition and Composition

The term healthcare refers to services, practices, and policies that focus on wellbeing through the prevention, diagnosis, treatment, and management of diseases and injuries. The organizations and services that fall under the healthcare vertical umbrella can be defined in a variety of ways. For the purpose of this report, the primary focus will be on segments that provide patient care. Included in this segment are hospitals and networks, physician offices and groups, imaging centers, nursing homes, rehab facilities, urgent care centers, ambulatory surgery centers, assisted living, and retail pharmacies.

Market Size and Future Growth

Just as the healthcare vertical can be defined in several ways, the sector can be quantified and measured in a variety of ways. Expenditures (spending) and revenues for providers and medical device companies are a few metrics used to quantify this vertical.

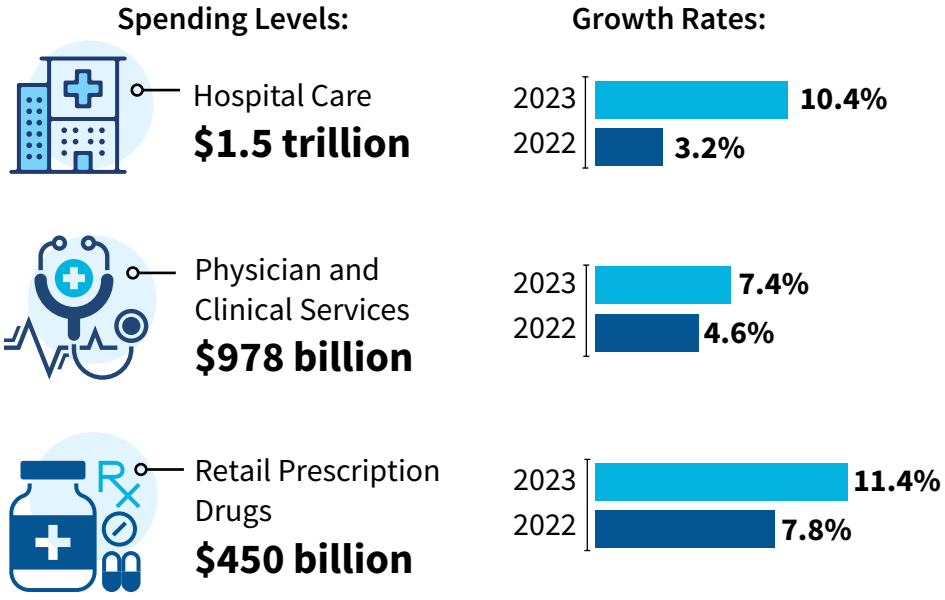
National Health Expenditure Accounts

The National Health Expenditure Accounts (NHEA) are the official estimates of total healthcare spending in the U.S. according to the CMS. The NHEA measures "annual U.S. expenditures for health care goods and services, public health activities, government administration, the net cost of health insurance, and investment related to health care."[3]

U.S. healthcare spending reached $4.9 trillion or $14,570 per person in 2023. This was a 7.5% increase from the previous year. Health spending accounted for 17.6% of the country's gross domestic product.[4] Figure 1 identifies the top three services/products in terms of spending:

Figure 1

Health spending by type of service or product:

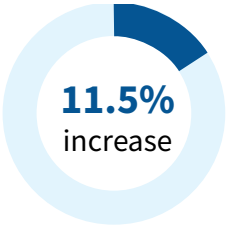


Source: CMS National Health Expenditures 2023 Highlights

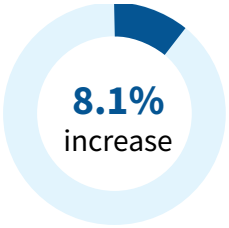
NHEA healthcare spending data can also be analyzed by source of funds (Figure 2).

Figure 2

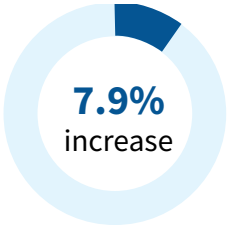
Health spending by major sources of funds:



Private Health Insurance
$1.5 trillion



Medicare
$1.0 trillion



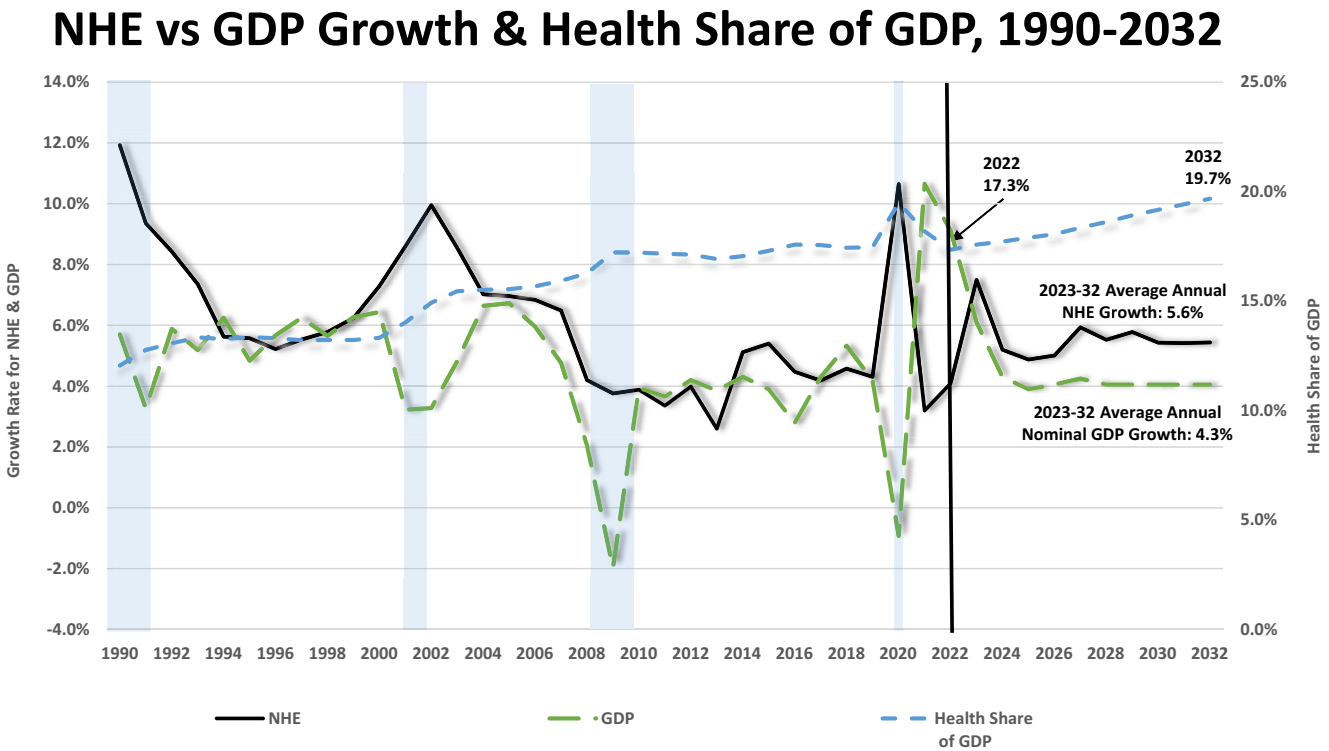
Medicaid
$872 billion

Source: CMS National Health Expenditures 2023 Highlights

The Office of the Actuary (part of the CMS) produces projections of healthcare spending for categories within the NHEA. The latest projections (published June 2024) begin after the latest historical year (2022) and go through 2032:

> Over 2023-32, average NHE growth (5.6%) is projected to outpace that of average GDP growth (4.3%), resulting in an increase in the health spending share of GDP from 17.3% in 2022 to 19.7% in 2032 (Figure 3).[5]

Figure 3



NOTES: Shaded areas represent recession periods. During 2020 there was a short economic recession in March and April.
SOURCES: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group; Bureau of Economic Analysis, and National Bureau of Economic Research.

Healthcare Providers

There were 6,093 hospitals in the U.S., according to the American Hospital Association, accounting for 913,136 staffed beds and 34,426,650 admissions in 2023.[6] The majority of hospitals are considered non-profit.[7] Statista expects hospital revenues to reach $24.84 billion in 2025, with continued growth to $26.14 billion in 2029.[8]

Integrated Delivery Networks (IDNs) "bring together a diverse network of healthcare facilities and providers–hospitals, physician groups, and clinics–under one umbrella."[9] Belonging to a network can provide business advantages such as cost efficiencies, the ability to negotiate more favorable pricing from suppliers, and improved utilization of resources.[10] Definitive Healthcare tracked over 1,100 active IDNs across the U.S. in April 2024.[11]

According to Kaiser Family Foundation (KFF) data (January 2025 timeframe), there are 1,101,735 total "professionally active" physicians in the U.S.; 535,012 are primary care physicians and 566,723 are specialists.[12]

KFF provides the following breakout of physicians by field/specialty[13]:

Primary care

Internal medicine	221,162
Family medicine/General practice	157,080
Pediatrics	96,880
Obstetrics & Gynecology	58, 264
Geriatrics	1,626

Specialist physicians

Emergency medicine	66,544
Psychiatry	59,281
Surgery	57,006
Anesthesiology	53,548
Radiology	50,458
Cardiology	34,427
Oncology	23,774
Endocrinology/diabetes/metabolism	9,099
All other specialties	12,586

Physicians can operate as solo practitioners, can be part of a group practice, or be employed by a provider such as a hospital. Group practices may provide advantages to physicians, including reducing involvement in administrative functions, therefore allowing more time for patients, and possibly providing "increased access to new treatments and technologies as well." [14] An American Medical Association article also makes the point that a physician joining a group practice would take on less financial risk than if starting a solo practice.[15]

There are about 330,000 active physician group practices in the U.S. as of January 2025.[16] Grandview Research projects growth in this market:

> The U.S. physician groups market size was estimated at USD 324.85 billion in 2023 and is expected to grow at a CAGR of 5.14% from 2024 to 2030. The market is expected to grow significantly, driven by government initiatives to improve revenue for physician groups, a shift towards value-based care models, and the growing trend of solo practitioners opting to join

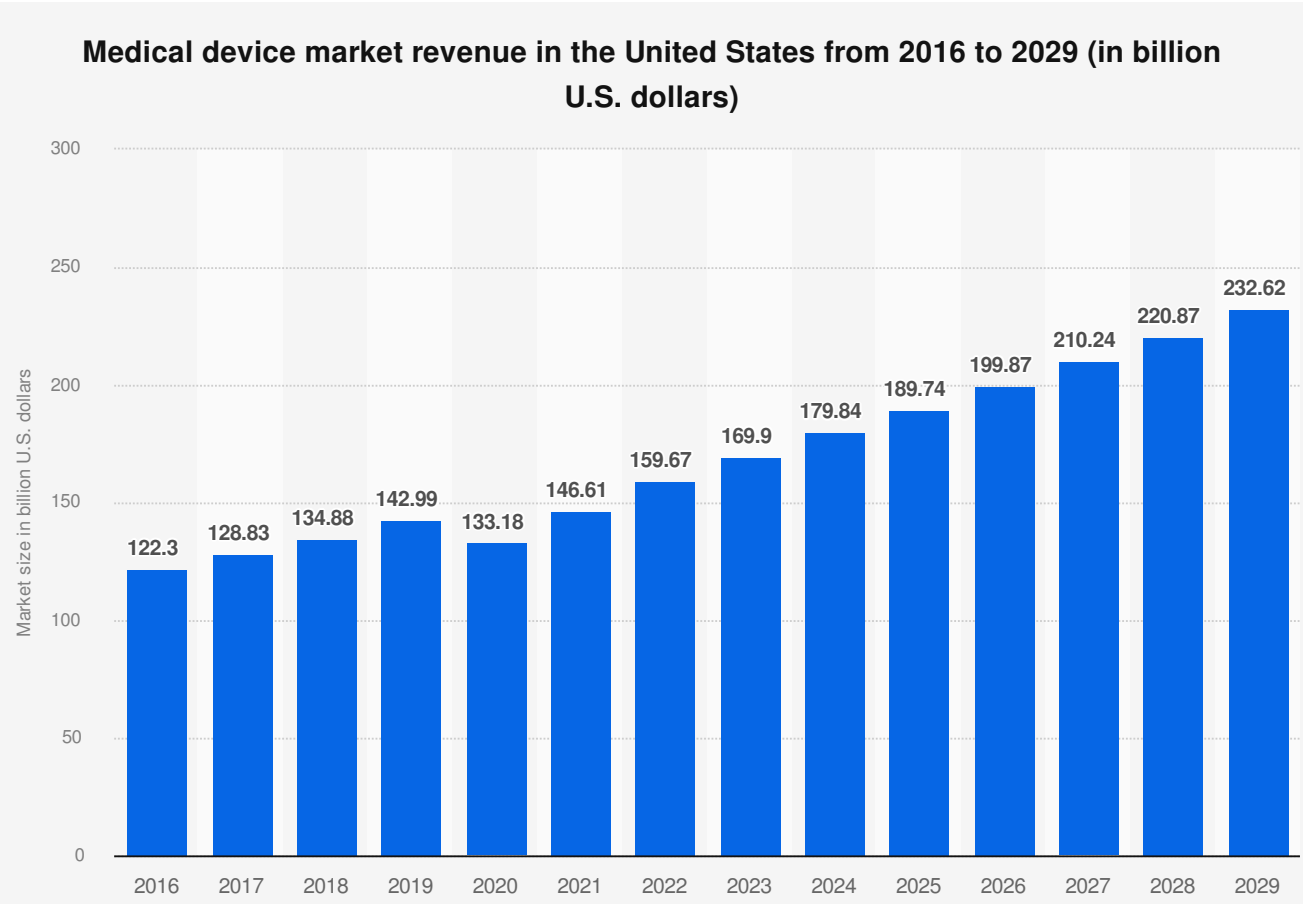
large physician groups. Recently, physicians have shifted towards large healthcare organizations from self-employed or part of small practices.[17]

Medical Equipment and Devices

Another important way to look at this market is in terms of the equipment that is needed. The medical device and equipment category includes such products as "drug delivery devices, in vitro diagnostics (IVD), urology and renal, orthopedics and spine, imaging devices, cardiovascular devices, and endoscopy." [18]

Statista projects that revenues for medical devices will grow through 2029 (Figure 4). Note that according to Statista the medical device market includes instruments and machines for the prevention, diagnosis, and treatment of diseases.[19]

Figure 4



Macroeconomic Environment

Demographics

Recognizing current and shifting demographics is important to understand the need for healthcare going forward. Patient demographics will impact the overall need for certain types of care and the equipment needed to support that care.

As of July 2024, the Census Bureau estimated the U.S. population to be 340,110,988. Of that number, females accounted for 50.5% and males 49.5%. Persons aged 18-64 made up 60.6% of the population, and those 65 and over accounted for 17.7%.

Overall, the American population is getting older. By 2050, the number of Americans 65+ is projected to reach 82 million, a 47% increase from 2022.[20] Additionally, the segment of adults over 85 is projected to triple in size from 6.5 million in 2022 to 17.3 million in 2050.[21] An aging population will continue to present challenges for the healthcare system. Specifically, this older population often suffers from multiple health conditions, and growth in the population will impact the "demand and supply of healthcare and social services."[22]

The change in the makeup of American households also has the potential to impact healthcare needs. These shifts include more one-person households and fewer households with children under the age of 18. The number of one-person households has increased from 19% of total households in 1974 to 29% of total households in 2024.[23] The percentage of families with their children under the age of 18 has declined from 54% in 1974 to 39% in 2024.[24]

The birth rate has also declined, and according to the Census Bureau, "the provisional number of births for the United States in 2023 was 3,591,328, down 2% from 2022."[25]

The incidence of chronic diseases is another factor that will impact the need for healthcare going forward. According to the CDC, an estimated 129 million people in the U.S. have at least one major chronic disease (e.g., heart disease, cancer, diabetes, obesity, hypertension) as defined by the U.S. Department of Health and Human Services. Further:

> Over the past two decades, prevalence has increased steadily, and this trend is expected to continue. An increasing proportion of people in America are dealing with multiple chronic conditions; 42% have two or more, and 12% have at least five . Besides the personal impact, chronic disease has a substantial effect on the U.S. health care system. About 90% of the annual $4.1 trillion health care expenditure is attributed to managing and treating chronic diseases and mental health conditions.[26]

Labor

Shortages

The healthcare sector in the United States is grappling with significant labor shortages across multiple roles, with projections indicating gaps until at least 2037. These shortages can impact equipment use and needs in healthcare settings.

Registered nurses (RNs) are expected to face a 10% shortage in 2027, decreasing to 6% by 2037, equating to a deficit of 207,980 full-time equivalent (FTE) RNs.[27] Non-metro areas will suffer a disproportionate burden, with RN shortages projected at 13% compared to 5% in metro areas by 2037.[28]

Physicians are also in short supply, with a projected national deficit of 187,130 FTEs by 2037, impacting 31 out of 35 specialties.[29] This shortage may be partially mitigated by expanding the scope of practice for nurse practitioners (NPs) and physician assistants (PAs); however, systemic solutions are needed to address these workforce gaps.

Labor shortages in the healthcare sector have the potential to impact the types of equipment needed to avoid gaps in care.

Shifting Roles

The roles of healthcare professionals are evolving rapidly to address workforce shortages and improve access to care. Pharmacists, once limited to dispensing medications, now play a key role in public health, administering more vaccinations than physicians between 2020 and 2021 and gaining prescriptive authority for treatments like naloxone and Paxlovid in all 50 states.[30]

Additionally, they are increasingly employed in various settings, including startups and physician groups, expanding their influence beyond traditional pharmacy roles.[31]

Similarly, NPs have transitioned from working under physician supervision to practicing independently in many states, diagnosing, treating, and managing medical conditions, particularly in underserved areas.[32] This shift has enhanced accessibility, patient-centered care, and cost-effectiveness.

PAs, now increasingly referred to as physician associates, have also seen their roles expand, with many entering leadership, research, and education positions, bridging gaps created by the physician shortage.[33]

As roles continue to shift, training for and access to certain types of equipment will likely evolve.

Financing/Funding/Delivery Models

Healthcare is ultimately paid for in a variety of ways. A December 2024 article in *Health Affairs* provides some detail:

> Private businesses, households, and governments finance health care in the U.S.; they are the sponsors of private health insurance premiums, out-of-pocket spending, and government program expenditures (financed through dedicated taxes or general revenue). In 2023, state and local governments accounted for a higher share of spending than in 2022, whereas the federal government's share was lower as COVID-19-related funding declined and federal Medicaid spending growth slowed. Nevertheless, of the $14,570 per person in health spending in 2023, the federal government accounted for the largest share, at 32 percent ($4,689 per person). Households paid 27 percent ($3,942 per person), private businesses accounted for 18 percent ($2,677 per person), state and local governments another 16 percent ($2,279 per person), and other private revenues the remaining 7 percent ($983 per person).[34]

Consumer expenditures on healthcare

Figure 5 (also provided by *Health Affairs*) breaks out the variety of funding sources by calendar year from 22017-2023[35]:

Figure 5

Source of Funds	2017	2018	2019	2020	2021	2022	2023
Expenditure amount (billions)							
NHE	$3,446.4	$3,603.8	$3,762.1	$4,153.9	$4,327.7	$4,525.8	$4,866.5
Health consumption expenditures	3,263.1	3,411.0	3,563.8	3,953.9	4,109.2	4,298.6	4,627.7
Out of pocket	370.3	386.2	403.0	398.1	440.9	471.5	505.7
Health Insurance	2,493.4	2,609.0	2,717.5	2,811.9	3,028.4	3,245.6	3,558.6
Private health insurance	1,077.8	1,124.3	1,152.9	1,147.9	1,230.3	1,313.8	1,464.6
Medicare	705.0	751.6	804.5	834.6	895.6	952.5	1,029.8
Medicaid	578.5	596.5	615.1	672.3	736.2	807.5	871.7
Federal	361.4	372.3	387.7	460.6	514.5	570.7	591.4
State and local	217.1	224.2	227.4	211.7	221.7	236.8	280.3
Other health insurance program	132.1	136.5	145.0	157.1	166.3	171.8	192.5
Other third-party payers and programs	304.0	316.6	335.0	503.1	428.5	374.7	403.3
Other federal programs	12.2	12.8	14.0	180.6	85.4	33.6	15.9
Other third-party payers and programs less other federal programs	291.8	303.8	320.9	322.5	343.1	341.1	387.4
Public health activity	95.4	99.3	108.2	240.8	211.4	206.8	160.2
Federal	12.6	12.1	13.3	1139.3	101.1	90.2	37.6
State and local	82.8	87.2	94.9	101.5	110.3	116.6	122.6
Investment	183.3	192.7	198.3	199.9	218.5	227.2	238.8

SOURCES Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group; and Department of Commerce, Census Bureau (as published in *Health Affairs*)

Payers such as private insurance and Medicare, with their differing payment models, can significantly impact healthcare expenditures and access to care. The following is a look at some of the key payer categories.

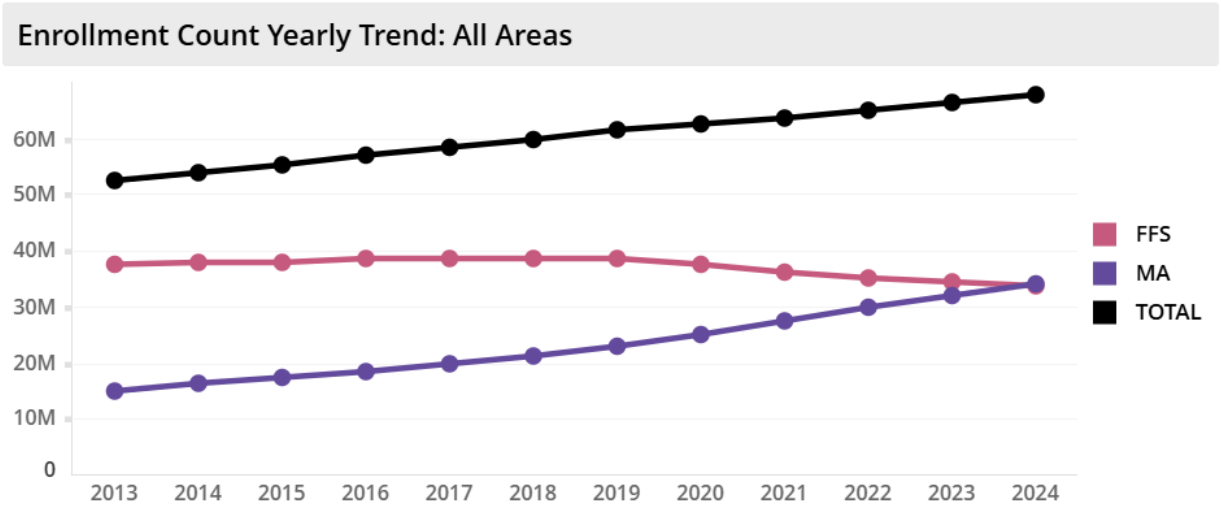
Government – Medicare, Medicaid, VA

Federal programs and agencies include Medicare, Medicaid, and the Veterans Administration.

According to its website, Medicare is a health insurance program for people aged 65 and older, people under 65 with certain disabilities, and people of all ages with End-Stage Renal Disease (ESRD). Medicare consists of four programs: Hospital Insurance (Part A), Supplementary Medical Insurance (Part B), Medicare Advantage (Part C), and Medicare Prescription Drug Benefit (Part D).[36]

Figure 6 shows that as of December 2024, 68.4 million people were enrolled in Medicare: [37]

Figure 6



Source: CMS. MA-Medicare Advantage (see below) and other health plans. FFS – fee-for service

Medicaid and the Children's Health Insurance Program (CHIP) provide free or low-cost health coverage to some population groups such as low-income people, families, and children:

> "Medicaid is a joint federal and state program that helps cover medical costs for some people with limited income and resources. The federal government has general rules that all state Medicaid programs must follow, but each state runs its own program. This means eligibility requirements and benefits can vary from state to state." [38]

> "CHIP provides low-cost health coverage to children in families that earn too much money to qualify for Medicaid. In some states, CHIP covers pregnant women. Each state offers CHIP coverage and works closely with its state Medicaid program." [39]

Over 79 million were enrolled in Medicaid/CHIP as of November 2024 (71,778,950 people were enrolled in Medicaid, 7,255,116 people were enrolled in CHIP).[40] According to the American Hospital Association, Medicaid is the largest single source of healthcare coverage in the United States with the program covering "nearly half of all children, over 40% of births (including nearly 50% of births in rural communities), many low-income elderly and disabled individuals, and working adults in low-wage jobs that do not offer affordable coverage." Each state has its own rules about who's eligible and what Medicaid covers."[41] (Some individuals can be eligible for both Medicare and Medicaid.)

The Veterans Health Administration is "America's largest integrated health care system, providing care at 1,380 health care facilities, including 170 medical centers and 1,193 outpatient sites of care of varying complexity (VHA outpatient clinics), serving 9.1 million enrolled Veterans each year."[42] The VA is both a provider of healthcare services and a payer.

A National Bureau of Economic Research (NBER) Bulletin on Health provides a concise explanation of how the financial differences between VA hospitals and private hospitals accepting Medicare may impact the care received:

> First, the two types of hospitals face fundamentally different financial incentives. Private hospitals rely on fee-for-service reimbursement and, as a result, may be motivated to provide care that is highly reimbursed and avoid care that is not. VA hospitals, in contrast, receive funding based on the needs of the enrolled veterans, not the specific pattern of care that is provided. In addition, care provided by the VA system is integrated across settings, with a long-standing electronic health record system that facilitates coordination of care.[43]

Related to this, two models of payment and delivery, Medicare Advantage and Value-Based Care, are having an increasing impact.

Medicare Advantage is an alternative option for those qualified for Medicare. KFF defines this plan as:

> Medicare Advantage plans are private health plans, such as HMOs or PPOs, that are offered by health insurers that have contracts with the Medicare program to offer benefits to people with Medicare. The plans provide all Medicare-covered benefits under Parts A and B and usually provide Part D prescription drug benefits as well. Most Medicare Advantage plans also provide benefits that are not covered under traditional Medicare, such as eyeglasses, some dental care, or gym memberships."[44]

Medicare Advantage plans are provided by private insurance companies following the rules set by Medicare. From 2013 to 2023, Medicare Advantage enrollment more than doubled, increasing by over 17 million beneficiaries over the course of a decade, according to *Forbes*.[45] However, a December 2024 *Fierce Healthcare* article noted that over the past year, the industry has faced significant headwinds, which have stymied some payers' expansion plans. The challenges mentioned ranged from regulatory changes impacting payments to an ongoing spike in utilization that has led to skyrocketing medical loss ratios.[46]

A disadvantage to these plans is that there are restrictions regarding which healthcare providers the members of the plan can see. (Under traditional Medicare, a patient can see any doctor who accepts Medicare).

Value-based care is designed to focus on the "quality of care, provider performance and the patient experience. The "value" in value-based care refers to what an individual values most." According to the American Medical Association, value-based care arrangements tie payment amounts for services provided to patients to the results that are delivered, such as the quality, equity and cost of care. This can potentially create "more evidence-based, preventive and equitable whole-person care" as well as "better coordination among health care professionals, potentially reducing redundancies, unnecessary or avoidable services and errors."[47]

“Value-based care is really a care-delivery system that rewards for patient outcomes and quality of care, managing a population rather than transactional care. It’s more continuous care, population health and being rewarded for patients who live longer, healthier lives, as opposed to more siloed, transactional care that’s more episodic,” said Maria Ansari, MD (CEO and executive director at The Permanente Medical Group) in a January 2024 AMA Update video interview. [48]

Procurement Partners made the point that with many healthcare organizations shifting to a value-based care model, purchasing offices will be asked to place more focus than ever on goods and services that promote demonstrably better patient outcomes while providing financial value.[49]

Market Dynamics and Trends Impacting the Healthcare Vertical

Factors Impacting Healthcare Expenditures

There are numerous factors that impact and will continue to impact healthcare expenditures in the United States. Some key ones are identified here.

As noted previously, shifts in demographics (such as an increasingly older population) and changing chronic disease prevalence can lead to higher healthcare spending. Innovations such as new drug therapies and medical technologies, which, while beneficial, can contribute to higher expenditures. However, some developments and technologies can act as a deflator according to PwC. They cite two examples:

- The launch and adoption of biosimilars have been generating savings. The new private-label biosimilar model this year may mark a turning point in the market where the potential of biosimilar savings can be more fully realized.
- ...GenAI and artificial intelligence broadly are expected to play a significant role in making healthcare more affordable as payers and providers leverage GenAI across different areas of the value chain.[50]

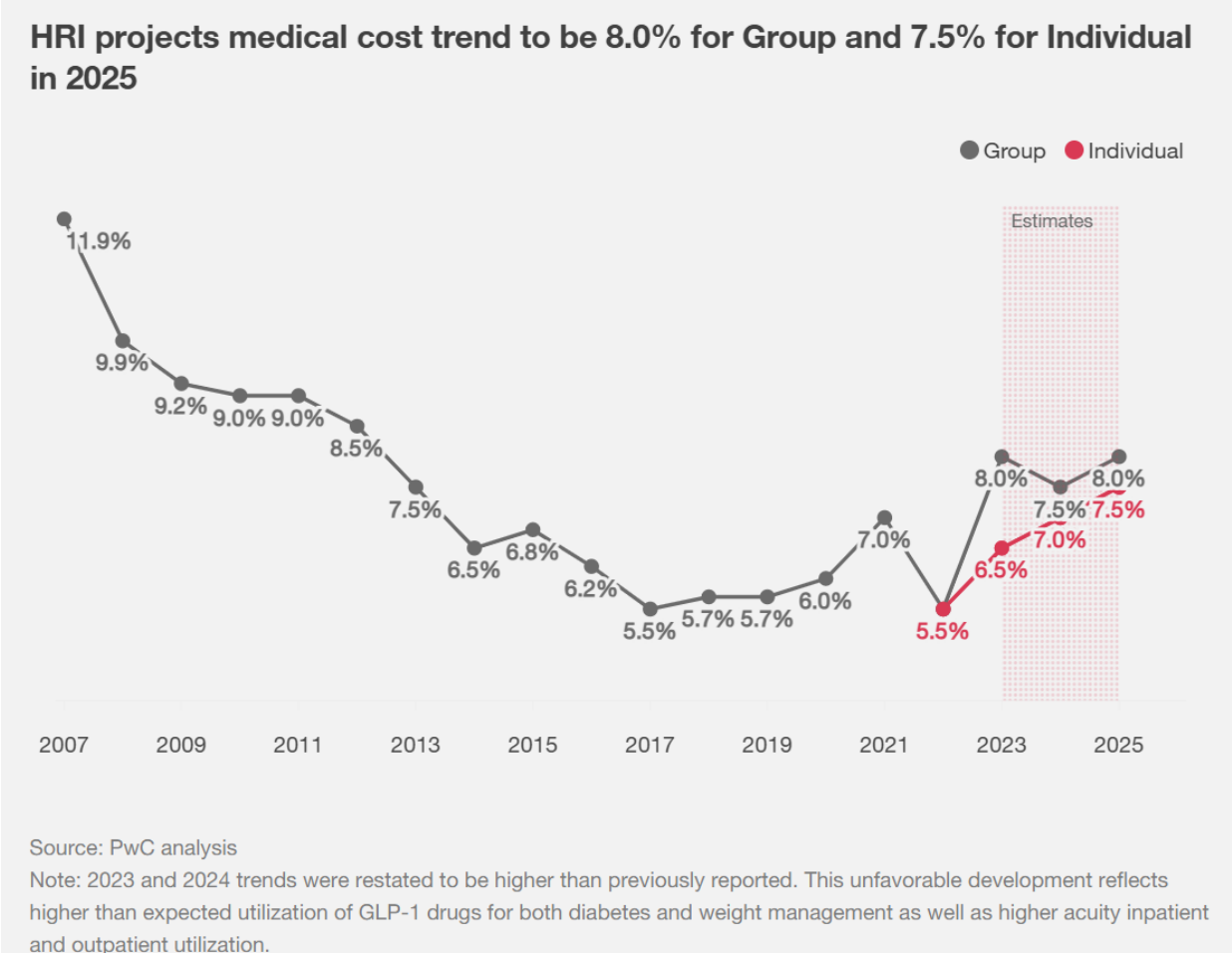
The state of the country's economy can, of course, have an impact as well. Inflation can lead to increased costs for services and supplies. KFF provided an analysis comparing medical inflation to overall inflation in May 2024:

> Inflation in medical care prices and overall health spending typically outpaces inflation in the rest of the economy. However, since 2021, medical prices have grown at a similar rate as in past years, while prices in some other parts of the economy grew much more rapidly than in the past.
>
> While medical care prices increased by 2.2% between March 2023 and March 2024, the prices of all goods and services increased by 3.5%, according to an updated analysis. Prices for hospital services and related services (7.7%) – both inpatient (6.9%) and outpatient (8.3%) – as well as for nursing homes (3.9%) rose faster than for prescription drugs and physicians' services (0.4% and 0.7%, respectively).[51]

Based on some of these factors, PwC is projecting that medical cost growth will rise to the highest level in 13 years. They are projecting "an 8% year-on-year medical cost trend in 2025 for the Group market and 7.5% for the Individual market, driven by inflationary pressure, prescription drug spending and behavioral health utilization."[52] Refer to Figure 7 (next page) for details.

(PwC defines medical cost trend as the projected percentage increase in the cost to treat patients from one year to the next, assuming benefits remain the same.)

Figure 7



Source: PwC analysis

Note: 2023 and 2024 trends were restated to be higher than previously reported. This unfavorable development reflects higher than expected utilization of GLP-1 drugs for both diabetes and weight management as well as higher acuity inpatient and outpatient utilization.

M&A/Consolidation/Private Equity

M&A/consolidation can impact the healthcare landscape in numerous ways. Advantages mentioned in a variety of sources include the ability to provide expanded services and access, improved operational efficiencies and potential cost reductions. Further, the larger organizations created by some deals may have increased bargaining power for purchases. Downsides to M&A often mentioned are reduced competition, concerns regarding quality of care, and potentially higher costs to the patient.

There were 1,373 health services deals in 2024 compared to 1,506 the year before, 1,708 in 2022, and 1,525 deals in 2021, according to PwC data.[53]

Healthcare M&A activity "surged toward the end of 2024 as some health organizations chose to exit specific markets while others sought to increase scale."[54] An analysis of 2024 healthcare deal volume by McKinsey found that "some subsectors (such as pre and post–acute–care and physicians) focused on like-for-like consolidations, while others (particularly hospitals and payers) sought growth in near adjacencies." Interestingly, over 80% of deals in post–acute care were horizontal consolidations; transactions in this area focused on home health and hospice care. These investments reflected broader trends toward at-home care models, which benefit from demographic changes, including an aging population and a growing demand for cost-effective, patient-centered care solutions."[55]

Looking ahead, according to an EY CEO Outlook Pulse Survey (September 2024), 98% of health CEOs surveyed expect to pursue M&A, divestitures, JVs, or strategic alliances in the next 12 months.[56] McKinsey also expects an increase in M&A activity in 2025-2026.

EY identified some M&A trends in a January 2025 analysis.

> National systems are likely to prioritize markets where they have the right to win… Large national systems are likely to redeploy capital to ambulatory networks and further consolidate market share in these prioritized geographies.
>
> Regional health systems are likely to pursue financial sustainability through scale. In contrast to national health systems, regional health systems have signaled the strategic importance of increasing scale in the face of accelerating costs. With Federal Trade Commission (FTC) leadership changes, more health systems are likely to consolidate in the years ahead to secure new patient volume streams, enhance value proposition to patients and payers, and drive down costs for patients.
>
> Retail health and pharmacy organizations are likely to protect their vulnerable core business. The year 2024 was instructive for retail health and pharmacy players. Despite the allure of building a health care "flywheel" to drive volumes between assets, near-term challenges in the low acuity care business model have proven daunting.[57]

Private Equity Buy-outs

Private equity investment in healthcare has "grown dramatically over the last decade."[58] Currently,

> Private equity (PE) funds concentrated their 2024 investments primarily on healthcare services and technology businesses (over 50 percent of all PE-led deal activity). Pre–acute care (such as outpatient behavioral care) composed an additional 10 percent share, as did physician groups. Moreover, PE increasingly targeted tech-driven platforms to scale portfolio companies in add-on acquisitions, particularly those facilitating physician practices, to propel operational efficiencies, optimize economies of scale, and strengthen service capabilities in specialty areas.[59]

Equipment acquisition

Equipment and supplies can be a significant portion of a healthcare provider's expenditures, comprising approximately 10.5% of the average hospital's budget according to the American Hospital Association. The category covers a wide variety of devices and other products, some with very high price tags.[60] Figure 8 from the Association's Cost of Caring report provided some examples of medical device and equipment market prices.

Figure 8

MEDICAL DEVICES AND EQUIPMENT	AVERAGE LIST PRICE
Point of Care ultrasound devices	
Pocket-sized handheld or tablet-based	$8,143
Compact ultrasound systems*	$73,797
Cardiovascular diagnostic and surgical equipment	
Cardiac magnetic resonance imaging (cMRI) machine	$3,230,728
Cardiopulmonary bypass system	$325,442
Joint implant proprietary software and equipment	
Image based planning software	$222,132
Navigation software system (guide surgeons in real-time)	$135,365

*Larger than handheld devices, but still portable. May have more advanced features.

Note: Market prices of medical devices and equipment are courtesy of ECRI, an independent not-for-profit corporation that provides a wide range of services dealing with health care technology.

Chart source: Cost of Caring, American Hospital Association

Some additional examples of high-ticket equipment (as of April 2024) include:

CT Scanner . . . . . $2.7 million

Robot surgical machines . . . . . $2.3 million

3-D Mammography Machines. . . . . $760,000 (machine and software)[61]

The acquisition process for such equipment can be complex with numerous stakeholders having input and a variety of financing options available.

Decision makers

Participants in the medical equipment decision-making process at a healthcare provider will vary depending on such factors as the size, structure of the organization, type of equipment, and the expected purchase amount. There can be multiple stakeholders having varying levels of influence working together to "strike a balance between providing excellent care and managing costs effectively, all while adapting to the evolving landscape of healthcare."[62]

In general, hospital and network stakeholders can include physicians and other clinical staff, administrators, directors, department heads, purchasing managers/committees, and C-suite executives. According to the Advisory Board, "most independent medical groups are governed by three decision-making bodies: the board, C-suite, and shareholders (Shareholders are physicians who own shares in the medical group). Some medical groups also have a corporate executive team involved in decision-making."[63]

In smaller practices and groups, physicians (as the owner of the practice) and the practice managers/administrators will most likely be involved in the decision.

Role of Group Purchasing Organizations

The Healthcare Supply Chain Association defines a group purchasing organization (GPO) as an entity that helps healthcare providers, such as hospitals, nursing homes, and home health agencies, realize savings and efficiencies by aggregating purchasing volume and using that leverage to negotiate discounts with manufacturers, distributors, and other vendors.[64]

The majority of hospitals and physicians' practices utilize GPOs in some capacity. "About 97% of hospitals have an affiliated GPO, and research from the Healthcare Supply Chain Association (HSCA) suggests that those GPOs decrease the cost of healthcare by as much as $55B each year."[65] GPOs emerged as a strategic partner for medical practices in the post-Covid environment of increased cost and increased patient demand according to the Medical Group Management Association (MGMA). Their September 2024 poll shows that 72% of medical groups use a GPO.[66]

GPOS can offer a healthcare provider several advantages including cost savings, a simplified procurement process and access quality supplies and resources such as cost analysis, benchmarking, and category expertise[67]. The MGMA explained that by reducing operational costs, practices can allocate resources to other critical areas, such as adopting new technologies or expanding services, helping them maintain a competitive edge in the healthcare market.[68] However, there may also be disadvantages. These can include a more limited product selection, contractual obligations that require minimum purchasing amounts and loss of free market opportunities.[69]

The traditional function of a GPO ("negotiating contracts to secure cost savings on everything from medical devices to pharmaceuticals") is evolving:

> The next generation of healthcare GPOs is all about seamless integration of technology, data-driven strategies, and collaborative partnerships that go far beyond conventional contract negotiations. By embracing innovations—from AI and cloud-based platforms to sustainability initiatives and telehealth—GPOs can become catalysts for industry-wide transformation. These organizations have the potential to deliver unparalleled value not only through cost savings but also through enhanced patient care, operational resiliency, and sustainable practices.[70]

Equipment Financing

According to the Equipment Leasing & Finance Foundation's (ELFF) 2024 Horizon Report, medical equipment was the most likely equipment vertical to be financed in 2023, with an estimated 84% of acquisition volume secured by a lease, loan, or line of credit. The most frequently used financing method for medical equipment in 2023 was a lease:

Equipment Finance Method for Medical Equipment (2023)

Lease. 32%

Line of credit 22%

Secured loan 18%

Unsecured loan 11%

Credit card (paid in full) . . . 10%

Cash 7%

Source: 2024 Foundation end-user survey; BEA

A look at the financing methods utilized by healthcare & social assistance (as an end-use industry):

Method of Acquiring Equipment and Software by the Healthcare and Social Assistance Industry (2023)

Lease. 26%

Credit card (paid in full . . . 24%

Secured Loan 18%

Unsecured loan 13%

Line of credit 4%

Cash 6%

Source: 2024 Foundation end-user survey

ELFF also looked at type of lender by both equipment and end user verticals:

Type of Lender for Medical Equipment 2023

Independent 30%

Secondary bank. 24%

Primary bank. 21%

Manufacturer/Captive 16%

Fintech. 8%

Other 1%

Source: 2024 Foundation end-user survey

Type of Lender for the Healthcare & Social Assistance industry 2023

Primary bank. 33%

Manufacturer/captive 22%

Independent 22%

Secondary bank. 12%

Fintech. 10%

Other 1%

Source: 2024 Foundation end-user survey

The main reason for using financing over cash or cash equivalent for the healthcare & social assistance vertical was for protection from equipment obsolescence (65%). Other reasons given were tax advantages (46%) and optimization of cash flow (also 46%).[71]

In April 2024, results from a BTIG survey of 40 hospital administrators with purchasing decision power showed that "85% of hospital administrators stated they regularly ask vendors or capital equipment sales representatives for reduced prices, flexible payment plans, and options to lease or rent. Many stated this is a process they always follow and included negotiating service contracts for maintenance, longer warranties, delayed billing, the routine expectation of discounts of 5%-10%, no interest terms, resolving older accounts payable at a discount, and strong value analysis committees."[72]

Looking ahead, hospitals are facing a growing list of capital needs according to the Healthcare and Financial Management Association (HFMA). These include "addressing deferred maintenance, enhancing high-margin service lines, improving access and investing in technologies to stay competitive." HFMA elaborated on these themes in a February 2025 article:

- **Addressing delayed capital projects.** Hospitals must now address many projects postponed during COVID if they are to continue to deliver healthcare services to the community, despite inflation-driven cost escalation for these projects.
- **Prioritizing high-performing service lines.** To improve financial performance, hospitals are focusing on service lines such as cardiovascular, oncology, orthopedics, and neurology/spine services. Although these service lines may offer high returns, they often face stiff competition and require significant capital investment.
- **Shifting outpatient services.** The shift toward outpatient care has caused hospitals to increase their investment in ambulatory platforms (e.g., ambulatory surgery centers).
- **Investing in technology.** Hospitals have a critical need to upgrade electronic medical record (EMR) and patient engagement tools to remain competitive, provide quality care, and improve efficiency.
- **Balancing system versus local capital needs.** Industry consolidation and growth have led many leading organizations to shift from a single-market to a systemwide, multi-market perspective. The organization's capital process should support such a system-level view when prioritizing and allocating capital.[73]

In addition to the more traditional financing methods mentioned above, there are further options for certain types of equipment and situations.

Pay-per-use is one such method. Simply put, in this option, the manufacturer of the equipment, for example, a surgical robot, lends the hospital or practice the equipment for free. The hospital is then charged each time the equipment is used. Several factors go into the decision of utilizing pay-per-use vs. another financing option. These include the anticipated procedure volume for the equipment, the number of physicians or different specialties that will be using it, cash flow/budget and the technology environment. (Will a new model be available in the near future?) If there are concerns about electronic compatibility with existing systems, then pay-per-use might be a better option until optimized connectivity issues can be resolved.[74]

Advantages to the pay-per-use model include reduction of upfront cost to the healthcare provider, increased utilization of resources (ensuring that none are wasted), and getting more equipment "into the field."[75]

A subscription model offers a way for providers to get access to the most up-to-date software associated with equipment, such as an MRI, on a continuous basis. According to Philips, the benefits of this model include:

- Full clinical flexibility with immediate access to advancements
- Lower up-front capital investments with predictable budgeting
- Flexibility to scale with operations and enhance case mix
- Personalized clinical advisory

Further, Philips notes, referring specifically to an MR subscription, that such a subscription moves your updates and upgrades from a capital expense to an operational one. "With a low upfront investment and a recurring fee model, you can ensure access to the latest clinical applications—without the complicated, lengthy budgeting process."[76]

Impact of the consolidation of major healthcare providers (i.e. IDNs) on how purchase decision is made

As noted above, consolidation is going on among healthcare providers and this can have both positive and negative impacts on the purchasing process. Here are some examples:

- Combining with a larger system can potentially lead to lower prices from suppliers due to increased bargaining power and larger volume purchases.
- Consolidation can also lead to the sharing of resources (such as medical imaging equipment); and achieving the scale necessary to participate in value-based payment programs.[77]
- Consolidation can create vertically integrated systems (e.g., hospitals owning physician practices or health plans), which can lead to increased costs and complexity.[78]
- Consolidation can lead to changes in vendor relationships, as larger systems favor certain suppliers or implement new purchasing policies. Larger systems can leverage their size to execute standardized purchasing processes, potentially creating a more streamlined process and reducing waste.[79]

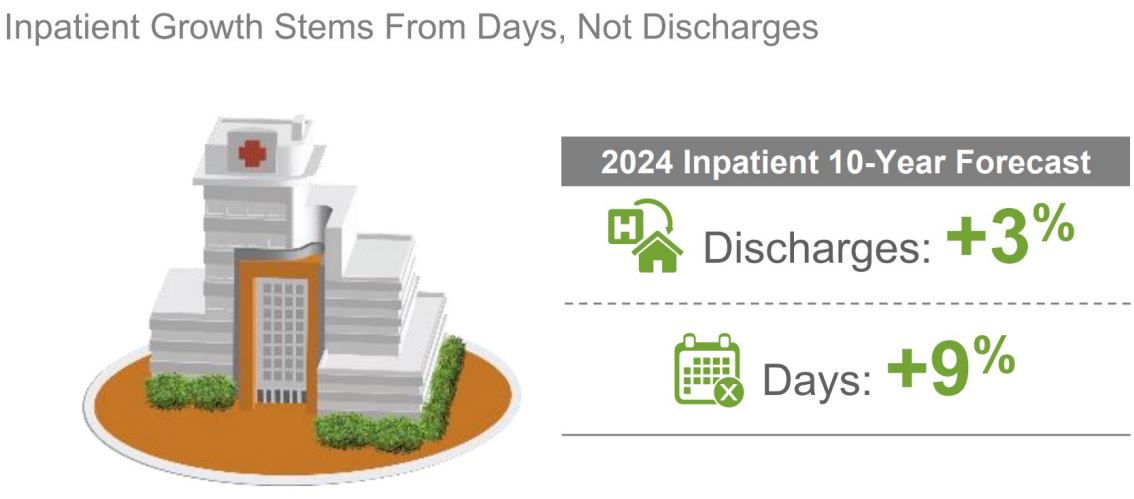
HC Productivity and Profitability

Utilization rates/Shifting sites of care

Healthcare utilization, both inpatient and outpatient, is expected to rise due to factors such as the aging population, increasing incidence of chronic diseases, and the growing need for mental health services.

Inpatient utilization is projected to rise 3% to 31 million annual discharges (2024-2034) while inpatient days will increase 9% to 170 million days, an analysis from Sg2 shows (Figure 9).[80]

Figure 9



Note: Analysis excludes 0–17 age group. **Sources:** Impact of Change®, 2024; HCUP National Inpatient Sample (NIS). Healthcare Cost and Utilization Project (HCUP) 2019. Agency for Healthcare Research and Quality, Rockville, MD; Claritas Pop-Facts®, 2024; Sg2 Analysis, 2024.

Outpatient volumes are expected to increase 17% to 5.82 billion over the same period.[81] The Advisory Board also projects growth in outpatient volume in the U.S. (10.6% over the next five years).[82]

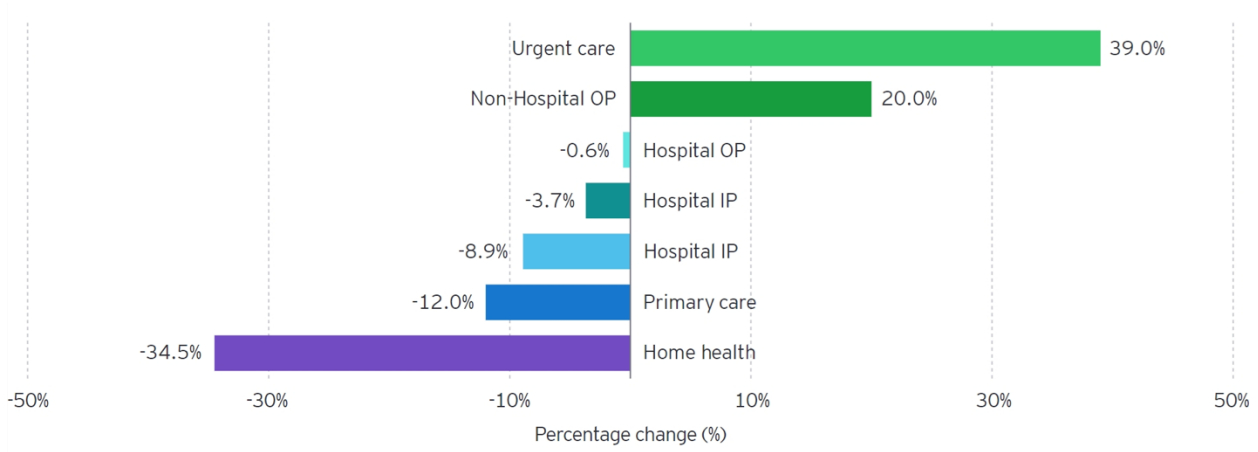
EY provides some additional details:

> Inpatient care will continue to drive significant revenue and margin. However, forward-looking health systems see that the highest growth is occurring outside the hospital. They cite market data that projects that between 2024 and 2034, inpatient volume growth will be more muted (+3%) compared to ambulatory surgery (+21%) and home health (+22%).[83]

Figure 10 provides some additional detail.

Figure 10

Percent change in health care utilization by care setting, 2019 to 2023



Note: Analysis is limited to commercially insured patients. OP denotes outpatient, IP denotes inpatient.

Source: EY, citing Trilliant Health

Technological innovations in diagnostics, minimally invasive procedures, and telehealth, along with patient preference, are some drivers of the shift toward outpatient care. Growth in specific areas of care highlights this.

Ambulatory surgery centers are handling increasingly complex procedures such as total joint replacements, advanced spine surgeries, and certain cardiac interventions. "Between 2024 and 2034, ASC volume will go up 21 percent to 44 million, according to Sg2's 2024 Impact of Change report."[84]

Virtual care "Enabled by greater adoption of technological advances, 23 percent of evaluation and management visits will be delivered in a virtual setting by 2034." Tori Richie, senior consulting director of intelligence at Sg2, stated, "You'll see more uptake in virtual services that are consultative in nature, think chronic disease. Anything that leans surgical, such as orthopedics or spine, will have less virtual uptake."[85]

Hospital at home (H@H) programs provide hospital-level acute care in patients' homes as an alternative to traditional inpatient hospitalization. As of April 2024, CMS had authorized over 320

hospitals across 133 health systems in 37 states to offer acute hospital care at home, and the numbers are increasing. The American Hospital Association has noted that H@H programs save money in the long term by reducing overhead, readmission rates, and other significant cost drivers. However, program implementation can be complicated and expensive. "Organizations must invest heavily in new information technology, staffing, and workflow systems to provide and scale care for a sizable patient population. Provider organizations are offloading some complexities associated with hospital-level home care by partnering with outside technology and services vendors."[86]

Profitability and Challenges

Healthcare providers such as hospitals and physician groups have seen some recent improvements in key factors impacting profitability; however, they are still facing several profitability challenges in 2025.

Erik Swanson, SVP and group leader of data and analytics at Kaufman Hall, stated in a published interview, "2024 was certainly a period of stabilization. However, it was also a year in which we continue to see the variation between the top performers and bottom performers grow. So while overall, the industry seemed to stabilize, the distribution of some of those gains and losses were unequally spread…" "Organizations that have an ambulatory footprint, and for hospitals with substantial hospital outpatient-type departments, the ability to move care into those settings has generally been a way in which organizations have strengthened themselves," he noted. "But not all organizations have that ambulatory footprint, and not all hospitals have that size of outpatient departments. For those that do not have that, they have typically struggled as compared with those who did have a strong ambulatory presence and have generally improved."[87]

As noted previously, labor is a concern for providers, however, the good news is that labor expenses have decreased. *Fierce Healthcare* reported in January 2025 that providers successfully reined in labor expenses throughout 2024, commenting that health systems have taken different approaches to reduce labor costs, including recruitment and retention strategies to diminish reliance on contract workers and using technology to make staff more efficient.[88]

On the other hand, costs have increased for medical supplies, drugs, and purchased services. "The non-labor side of expenses has proven to be quite challenging," Swanson said. Hospitals also are contending with an increase in administrative costs associated with payer requirements, according to Aaron Wesolowski, vice president of research strategy and policy communications at the American Hospital Association (AHA). Providers are also looking at the need for increased investments in cybersecurity and AI.[89]

Another challenge being faced currently by healthcare providers is tariffs. The current administration is in the process of implementing a potentially far-reaching tariff policy (details were not finalized at the time of writing). Multiple sources expect there could be a substantial impact on hospitals and other healthcare providers from these tariffs. "The import taxes are set to impact a broad array of materials necessary for healthcare delivery," said Kevin Holloran, senior director and sector leader of the not-for-profit healthcare group at Fitch Ratings. Prices could rise for medical instruments, including syringes and diagnostic tools, and equipment, such as X-ray machines and personal protective equipment. Holloran continued, in a published interview, "Without the ability to pass these expenses along to the end user (due to being contractually locked in with most payers for a period of years), hospitals will see operating income levels drop commensurately without other cost savings yet to be determined, or other revenue sources yet to [be] initiated."[90]

A January 2025 survey of about 200 healthcare experts* echoed these concerns. The survey found that:

- 82% said they expect tariff-related import expenses to increase hospital and health system costs by 15% in the next six months.
- 94% of healthcare administrators said they foresee buying less equipment or delaying upgrades to mitigate financial strain.

The survey respondents spanned hospital finance and supply chain executives, payers, patients, health market customers, pharmaceutical and medical equipment manufacturers, and physicians and ancillary practice administrators.[91]

Supply Chain

According to Global Healthcare Exchange (GHX) the healthcare supply chain stands at a critical juncture.[92] A 2024 survey by Premier found that the majority of survey respondents see the supply chain as in a permanent state of flux "with issues like persistent product shortages/backorders, geopolitical instability and raw materials availability expected to persist or worsen over the next year." This can have a direct impact on patient care, with almost 40% of providers surveyed responding that they had to cancel or reschedule cases at least quarterly in 2023, due to product shortages.[93]

Several forces are acting on the supply chain to reshape it. These include incorporating AI/automation, predictive analytics (to anticipate future demand, optimizing logistics, and improving resource allocation), and blockchain.

Healthcare organizations are prioritizing building resilient supply chains to withstand disruptions and ensure access to critical resources. Figure 11 identifies some of the strategies that are being focused on.

A *Healthcare Purchasing News* article from December 2024 made an interesting point around the need for "advanced, actionable supply analytics":

> From an operational standpoint, the strongest focus for U.S. health systems today (beyond cost containment) is on innovation and technology. Health system leaders want an actionable, forward-looking understanding of the "life of supply"

Figure 11

PROVIDERS Select which Supply Chain Resiliency strategies your organization is focusing on in 2024.

- 62.1% SKU rationalization within our supply chain
- 54.0% Supplier performance key performance indicators (KPIs)
- 54.0% Multi-sourcing categories for redundant sources of supply
- 51.3% Terms and conditions enhancements within supplier contracts
- 46.0% Disaster preparedness and response program
- 43.2% Increasing inventories on site for critical supplies
- 43.2% Technology solutions (e.g., artificial intelligence, blockchain) and data around supply availability
- 21.6% Geographically diversifying your sources of supply and contract portfolio

Source: Premier 2024 Supply Chain Resiliency Survey

– that is, real-time visibility into supply and demand as opposed to historical numbers in the rearview mirror. Getting to advanced, actionable analytics is the key, and this means leveraging generative AI and other advanced tools.[94]

Members of the GHX leadership team made several predictions around supply chain for 2025:

- Prediction 1: Healthcare Supply Chain Stakeholders Will Navigate a Fragility Crisis That Demands Resiliency Breakthroughs
- Prediction 2: Digital Transformation Will Shift from Implementation to Value Extraction
- Prediction 3: Artificial Intelligence Will Transition from Experimentation to Execution
- Prediction 4: Innovative Supply Chain Models Will Expand to Support Non-Acute Care Growth
- Prediction 5: Healthcare Supply Chains Will Prioritize Workforce Transformation to Attract and Retain Top Talent
- Prediction 6: End-to-End Visibility Will Drive Smarter Supply Chain Decisions and Build Resiliency
- Prediction 7: Healthcare Will Tackle Deeper Layers of Cost with a Focus on Complex Supply Chains
- Prediction 8: Cybersecurity Threats Will Drive New Safeguards and Reshape Healthcare Risk Management in 2025
- Prediction 9: Mergers, Acquisitions, and Divestitures Will Continue Shaping Healthcare Supply Chain Transformation in 2025
- Prediction 10: Healthcare Suppliers Will Continue Streamlining Operations to Improve Cost Efficiency in 2025[95]

Blockchain

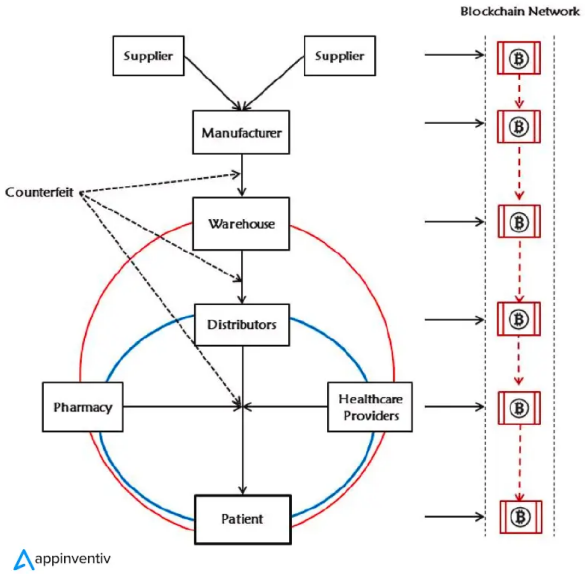
Blockchain can play a beneficial role in the healthcare supply chain by improving traceability and provenance, according to the technology company, Appinventiv:

> Utilizing a decentralized and transparent ledger, the use of blockchain for the healthcare supply chain facilitates the comprehensive recording and tracking of each transaction and movement of healthcare products from manufacturers to end-users. This process establishes a reliable record that affirms the product's authenticity, quality, and integrity.[96]

Use of blockchain can also improve efficiency and lower costs through streamlining processes such as procurement and reducing administrative overhead.[97] Figure 12 shows the role of blockchain throughout the supply process.

Figure 12

Significance of Blockchain in the Healthcare Supply Chain Industry



Role of Technology

Technology can be considered crucial to healthcare's future transformation and has the potential to drive improvements in patient outcomes and operational efficiencies. (More than half of healthcare executives (53%) surveyed by Deloitte cited improving efficiencies and enhancing productivity as priorities for the coming year.[98]) About one-third of healthcare executives identified technology investments as a priority for 2025, according to one survey.[99] Innovations and new applications in this area are constantly ongoing and it is important to note that "understanding the value of new technology" when making a purchasing decision is extremely important, yet can be difficult to achieve. A *Healthcare Purchasing News* article provides some context:

> Supply chain leaders in healthcare are still battling the increasing cost of new technology pursued by doctors who insist on being at the forefront of their clinical fields. Value analysis committees (VACs) were introduced in healthcare to ensure that new (and usually more expensive) technologies were more than just new shiny objects that a physician liked. If they are to be adopted, new technologies should make a difference in terms of patient care quality.[100]

The following are some closer looks at some key technology categories that will have an impact:

Artificial Intelligence (AI) & Big Data

There are numerous applications for artificial intelligence, machine learning, and big data in healthcare. Some key utilization areas include:

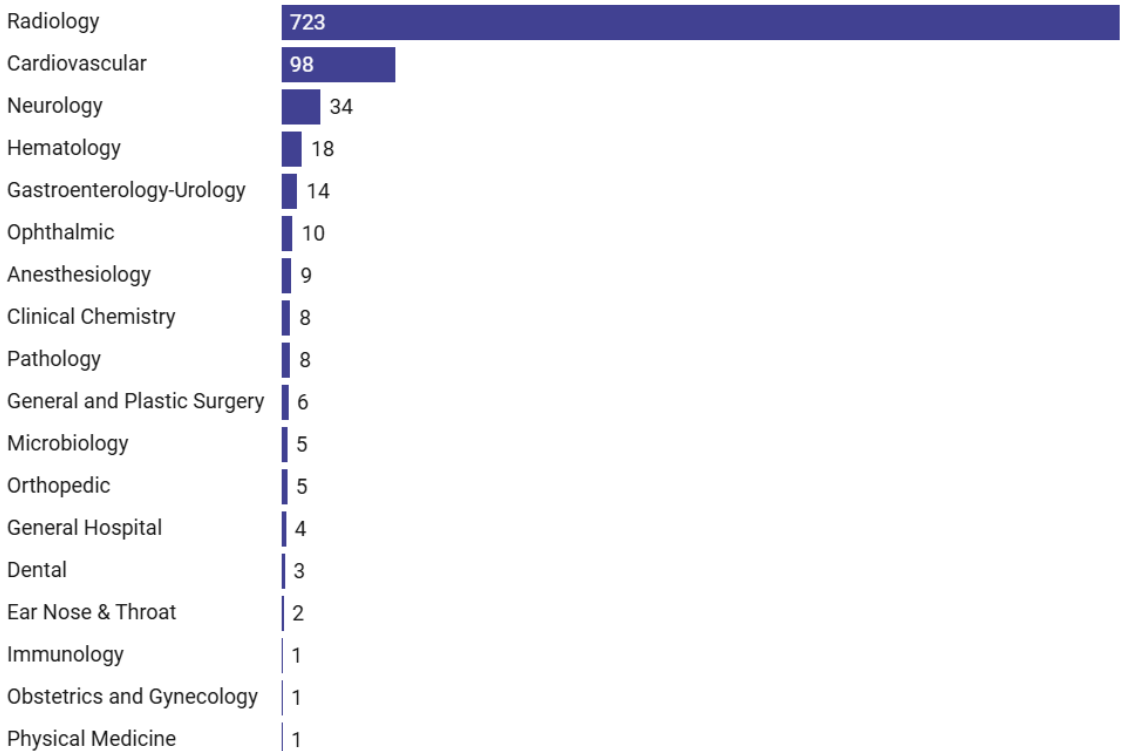
- Diagnostics (Imaging analysis, early disease detection, triage)
- Remote Monitoring (Home-care data collection, chronic disease management)
- Workflow Automation (Documentation, scheduling, claims processing)
- Precision Medicine (Genomics, personalized treatment, drug discovery)
- Patient Engagement (Chatbots, reminder tools, digital communications)
- Operations (Patient flow, resource planning, value-based care)[101]

A closer look at medical device innovations provides a good example of the role and potential of AI. The FDA authorized 950 medical devices with artificial intelligence features between 1995 and August 7, 2024. *MedTech Dive* reported that this trend has been driven by more connected devices, more investment into AI and machine learning, and growing familiarity with how software is regulated as a medical device. "We're definitely seeing huge increases in investment. There's no doubt about that," said Jennifer Goldsack, CEO of the Digital Medicine Society, an industry group for digital health.[102]

Figure 13 (next page) shows that over three-quarters of the AI-enabled devices authorized through August 7, 2024, were in the field of radiology:

Figure 13

The number of FDA authorized AI/ML-enabled devices by FDA panel from 1995 to Aug. 7, 2024, which include hardware or software features.



Source: *MedTech Dive* citing FDA

In a published interview, David Niewolny, Nvidia's director of business development for healthcare, noted that he sees robotics as an emerging field for AI applications. Examples of potential applications were presented:

> Before surgery, software could pull information on a patient's medical history and other relevant data. During a procedure, augmented reality applications could help a surgeon visualize imaging data on the patient in front of them, he said. After surgery, AI could also read video footage to provide analytics or create a report.[103]

Healthcare IT

Definitive Healthcare collected data from over 5,000 U.S. hospitals and found that the average hospital IT expense for U.S. hospitals in 2023 was $9.51 million, and when factoring in IT expenses from 2017 – 2023, the average hospital IT operating expense was about $7.97 million. Hospital IT expenses are estimated to be about 2.29% of a hospital's total operating expense (2023).[104]

McKinsey provided some insight on digital and AI IT applications from an administrative perspective:

> Digital tools should build on established and successful solutions to enhance operations, improve patient and physician experiences, and ensure investments pay off. For example, traditional methods to improve patient scheduling apply uniform guidelines, such as setting fixed visit times based on appointment type and assigning a standardized number of patients to each physician. However, new technologies could help deploy more flexible solutions tailored

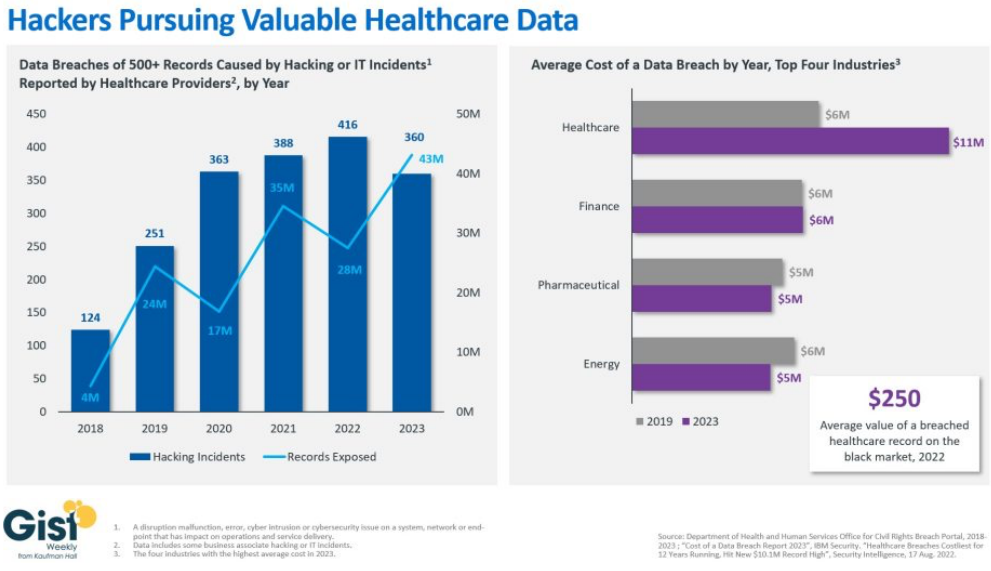
to a provider's specific needs. AI could, for instance, predict patient volume and accordingly create schedules to match. New technologies can also ease the administrative burden. It is estimated that AI technologies available today could generate $24 billion to $48 billion for hospitals and $10 billion to $30 billion for physician groups in annual run-rate net savings from administrative costs within the next five years. Gen AI can build on foundational capabilities like the way providers check in on patients to develop post-discharge summaries, with clinician oversight, that could reduce provider documentation burden and streamline the discharge process.[105]

Cybersecurity

According to Deloitte, the transition to a digital environment has opened healthcare organizations to cyberattacks. Enhancing cybersecurity measures is important not only for mitigating risks and protecting brand reputation but also for safeguarding financial and brand stability. As such, 60% of health system executives and 50% of health plan executives reported that their organizations are prioritizing cybersecurity enhancements for 2025.[106]

The healthcare sector is particularly vulnerable to cyberattacks and ranks low in cybersecurity. 85% of Fortune 500 healthcare companies received a D or F rating, and only 10% achieved an A grade for cybersecurity, based on a Cybernews analysis.[107] "The increasing sophistication of cyberattacks, coupled with the expanding attack surface due to cloud adoption, remote work, and complex supply chains, has made robust cybersecurity risk assessment more critical than ever."[108] Hacking and IT incidents, including phishing, have become the most common types of healthcare data breaches, with the scale of these breaches increasing significantly since 2018.[109] The average cost of a healthcare data breach in 2023 was $11 million, double that of the finance industry, prompting health systems to increase their IT budgets by over 18% between 2019 and 2023.[110] Figure 14 provide some details. Despite investments, the sector continues to face challenges, as highlighted by the recent Change Healthcare cyberattack, which disrupted claims processing and cash posting, underscoring the critical need for effective response plans.[111] Cybersecurity has become a key focus for rating agencies, which now stress-test organizations for cyber risks alongside other potential disruptions like natural disasters.[112]

Figure 14



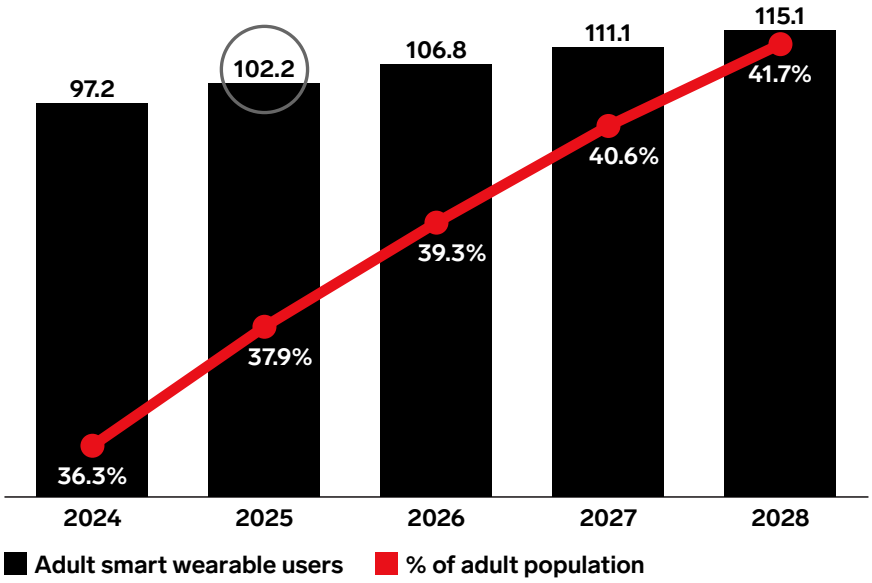
Consumer-Facing Digital Technologies

Consumer-facing digital technology is revolutionizing healthcare by empowering patients to take a proactive role in managing their health. In 2024, 43% of consumers used connected monitoring devices and digital tools, up from 34% in 2022, reflecting a growing demand for personalized health experiences similar to those in banking and retail.[113] Additionally, according to eMarketer, there will be more than 100 million smart wearable users in the U.S. for the first time in 2025.[114] Future projected growth is shown in Figure 15.These tools and devices provide users with actionable health data, enhancing their confidence during clinician interactions, particularly in critical areas like maternal health.[115]

Figure 15

Smart Wearables Will Reach More Than 100 Million US Adult Users for the First Time in 2025

millions of US adult smart wearable users and % of adult population, 2024-2028



Note: ages 18+; individuals who at least once per month wear accessories or clothing that have the ability to connect to the internet (via built-in connectivity or tethering), which in turn collects and exchanges data with a manufacturer, operator, or other connected device; must have features that can be used without being tethered to a smartphone, PC, or other internet-connected device; excludes medical devices and VR headsets
Source: EMARKETER Forecast, Nov 2024

289313 EMARKETER

Over 80% of consumers now utilize virtual care, and nearly half use digital health apps weekly for wellness management, with tools like online portals, telehealth services, and text-based appointment systems leading the way.[116] However, while two-thirds of U.S. adults monitor their heart health using devices like smartwatches, portable blood pressure machines, fitness apps or wearable fitness/movement trackers only 25% discuss this data with their doctors, highlighting a gap in integrating consumer-generated data into clinical care.[117]

To meet evolving expectations, healthcare organizations must prioritize digital engagement and innovative care models to ensure their offerings align with consumer needs and preferences.[118]

Conclusion

Healthcare is a critical component of the U.S. economy, delivering essential care and accounting for 17.6% of the country's GDP in 2023.[119] Healthcare providers operate in an extremely complex environment of mixed public and private financing sources, changing reimbursement, challenges in care coordination/access, rapidly evolving innovations, and uncertainty regarding the direction of the new administration.

Cost and technology have been, and will continue to be, key themes running through every aspect of healthcare. The shift in where care is received will have an impact on equipment strategies and future purchasing plans. As EY has noted, "health care leaders need to gear up for growth through investment, divestment and transformation as the sector and market evolve rapidly." They called out four key emerging themes in healthcare capital priorities:

- The need to prioritize markets, capital deployment, and return on assets
- The need to fund new, diverse growth opportunities
- Investment in AI as adoption ramps up
- Expansion and fortification of physician networks[120]

Healthcare leaders will be facing many decisions as to how best to go forward and where to place their investments.

About Big Village

Big Village is a global advertising, technology, and insights company. Our global market research insights business uncovers not just the 'what' but the 'why' behind customer behavior and trends, unlocking better data and supporting clients' insights needs with agile tools, CX research, branding, product innovation, data & analytics, and more. Big Village secondary research analysts integrate human insight, authoritative published content, and technology to deliver insightful business decision support. Our analysts leverage continuously improving sources that integrate text analytics, AI, and other technologies to deliver cost-effective insights into consumers, B2B customers, markets, competitors, and trends.

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