



Modernizing the Healthcare Operating Model

Healthcare Private Equity Spent a Decade Building Volume. To Drive Performance, It Needs an Operating Model to Match.

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For the past decade, add-on acquisitions have been the name of the game for US healthcare private equity (PE) firms seeking scale in a notoriously fragmented market. While buy-and-build strategies accomplished this goal, the newfound platforms create operational complexities that often outpace organizations' abilities to manage them.

Today's stubbornly high interest rates, ongoing policy uncertainty, and sustained margin pressures raise the stakes—underscoring why now is the time for executives to revisit their companies' operating models to drive performance, improve productivity, and enable employees to take on higher-value work.

Organizations that modernize and monetize nonclinical strategic assets (financial performance management, access infrastructure, digital enablement, clinical intelligence, consumer activation) will stabilize earnings, free capital, and differentiate. Those that delay will face accelerating margin compression and relevance risk.

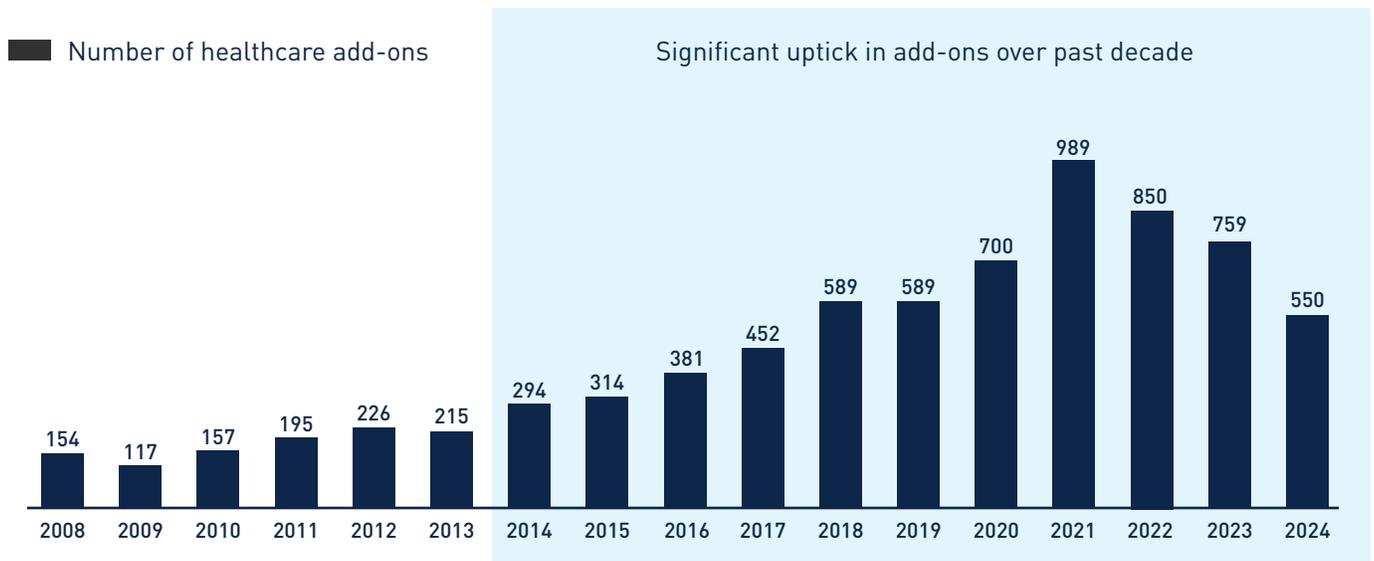
Here's what organizations need to know to get started.

Added Operational Complexity Creates a Material Drag on Performance

For more than ten years, US healthcare-focused PE firms increasingly emphasized rapid platform formation through roll-ups, geographic expansion, and service-line add-ons. One [study](#) shows that add-on deals in the sector grew 35 percent in proportion to buyouts from 2020 to 2023 (as compared to 2014 to 2020), becoming the majority of PE deals in the post-pandemic period.

During this time, deal velocity and market presence were prioritized over operating model integration, with the expectation that scale eventually would justify consolidation. In practice, however, acquisitions accumulated faster than systems, workflows, and governance could be standardized.

US Private Equity Healthcare Annual Add-On Acquisitions



Source: Pitchbook 2024 US Breakdown Summary.

Many organizations now operate with a fragmented operating model, which we tend to see reflected in several common indicators:

- **Spend is not aligned with highest return on investment activities.** For instance, high-value employees spend time on low-value services. Case in point: investment in new technologies across a fragmented operating model may not deliver on their promise of freeing employees to do higher-value work.
- **Poor visibility.** Management lacks timely insight into operating performance.
- **Overlapping functional capabilities across the business.** Organizations are replete with redundancies due to lack of standardization, centralization, and communication.
- **Limited value or efficiency gains.** Corporate services keep the lights on but do not differentiate the business.

The cumulative effect is an organization with limited economies of scale where management lacks timely, reliable insight into operational drivers of performance. This directly impacts a company’s liquidity, margins, and valuation. It creates a self-reinforcing cycle: operational friction drives financial underperformance, which limits the organization’s ability to invest in meaningful transformation.

How Inefficient Operating Models Can Impact Operations and the Bottom Line

Issue	Operational Impact	Financial Impact
RCM inefficiency	Inconsistent workflows, documentation, coding variation, denial management fragmentation	Higher denial rates, slower accounts receivable, increased write-offs, working capital strain
Administrative duplication	Redundant teams, local finance/HR/IT, manual processes	Selling, general, and administrative (SG&A) bloat, limited operating leverage, margin compression
System fragmentation	Multiple electronic health record (EHR)/enterprise resource planning (ERP) systems, interface maintenance, poor data visibility	Overlapping licenses, integration costs, delayed close, limited analytics
Clinical variation	Inconsistent care pathways and documentation	Audit exposure, compliance costs, barriers to value-based contracts
Management bandwidth	Leaders focused on site-level issues and firefighting	Delayed initiatives, slower synergy capture, weaker exit narrative
Consumer experience friction	Access barriers, scheduling delays, limited affordability transparency	Higher acquisition costs, churn, lower lifetime value

Nonclinical Assets: From Overhead to Advantage

Nonclinical strategic assets—financial performance management, access infrastructure, consumer activation, digital enablement, clinical intelligence, strategic supply network, insights, and product strategy—are now performance engines. They:

- stabilize earnings (cash acceleration, revenue yield, SG&A productivity)
- enable the consumer promise (access, personalization, loyalty)
- provide the digital and data backbone for automation and speed to insight
- convert fixed to variable via performance-based partnerships, freeing capital for core clinical investment

Fact base: BRG often sees nonclinical assets make up around 20 percent of net patient revenue in many businesses yet remain under-mature. Modernization funds tomorrow while improving today.

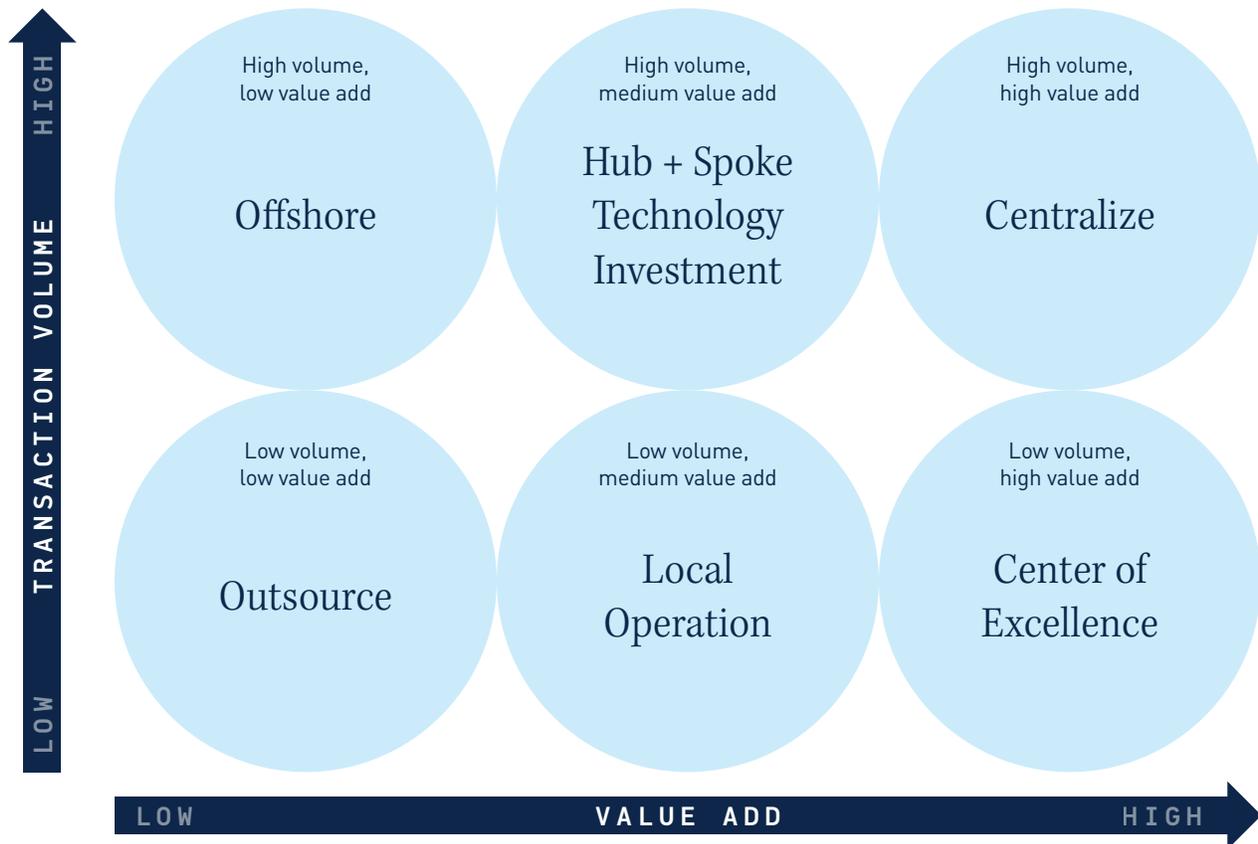
Operating Model Design Choices That Matter

Amid mounting cost pressures and ongoing expansion, healthcare leaders face real choices in how to redesign their organizations' operating models to drive efficiencies and create value.

Rationalization does not equal blanket centralization. The question is where standardization creates value and local flexibility differentiates.

One practical way forward involves assessing activities based on transaction volume and value added to the business, then deciding which service delivery approach works best for each activity.

Operating Model Matrix, by Transaction Volume and Value



How might this play out in practice? Consider these high-level guidelines:

- **Offshored** tasks should be rules-based and repeatable (e.g., invoice processing, payment posting, journal entry preparation). These tasks may also be ripe for artificial intelligence or automation tools.
- **Outsourced** tasks should be specialized and nonstrategic (e.g., compliance audits, technical accounting, cybersecurity monitoring).
- **Hub and spoke with technology investment** involves standardized processes in need of domain-specific knowledge (e.g., centralized coding with local specialty, denial management, scheduling).
- **Local operation** tasks should have proximity make a real difference (e.g., local recruitment and onboarding, site-level management, front-desk collections).
- **Centralizing** standardizes and centralizes high-volume, high-value activity to drive quality and consistency (e.g., financial planning and analysis (FP&A), analytics).
- **Centers of Excellence** should cover strategic, high-risk initiatives (e.g., payor contracting, strategy).

From Platform Building to Platform Optimization

The last decade rewarded size. The next will reward agility and operational excellence.

Optimizing a platform's operating model, however, is no easy feat. It requires choosing the right approach for each activity, clearly articulating clinical and operational rationales to stakeholders, thoughtful engagement from leadership, and tangibly demonstrating benefits to patients and providers. Executives can lead this shift by aligning capital allocation, technology investment, and operating model design around sustainable performance—not continued complexity.

In today's landscape, redesigning the operating model is not a cost-cutting exercise. It is a strategic imperative to protect liquidity and unlock the next phase of value creation in healthcare private equity platforms.

Outcomes of a Modern Operating Model

Agility: faster product/market moves; regulatory responsiveness

Financial resilience: cash acceleration; SG&A productivity; scalable variable cost

Consumer differentiation: access, affordability, and personalization lead to growth and loyalty

Stronger platform equity for physicians, patients, partners, and acquirers

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