

Industry Update

2026 Outlook

- As not-for-profit (NFP) health systems look ahead to 2026, leaders face a year of rapid change.
- Pressures on margins, rising consumer expectations, shifts in care delivery area all coming together to reshape priorities.
- Leadership teams will need to protect their finances and reputation while guiding their organizations through transformation, ensuring financial plans, operations, and mission stays aligned.



56%

Workforce Share of Total
Hospital Expenses
(2024)



2.9%

Hospitals Median Operating
Margins With Allocations
(Sep 2025)

Industry Themes

Sustainability Through Strategy: Reinventing Costs and Workforce in 2026

Rethinking Costs for Long-Term Stability

- After years of ups and downs, NFP hospitals are moving beyond quick fixes.
- In 2026, finance leaders will focus on multi-year cost strategies: modernizing care sites, speeding up the move to outpatient and virtual care, adjusting capital plans, and using predictive analytics to improve productivity.
- The goal is sustainability—not just short-term survival. At the same time, daily pressure to improve efficiencies will remain.

Workforce Strategy As a Competitive Edge

- Staffing challenges aren't going away, but the approach is changing. In 2026, workforce planning will be seen as key to financial strength.
- Systems will invest in career development, education programs, and scheduling tools to cut premium labor costs.
- AI powered staffing models will predict turnover, optimize schedules and support efficient operations
- After attending this year's HFMA conference in Denver, it's clear AI will soon touch every part of workforce management.

AI, Automation, and Data as Margin Drivers

- 2026 will mark the shift from small AI pilots to full-scale adoption.
- Leaders will push technologies that improve financial and operational workflows—like automated coding, smarter denials management, supply chain automation, and real-time forecasting.
- Data platforms that combine clinical, financial, and operational insights will become a major advantage.
- The adapters will treat digital tools as a way to grow margins, not just as an expense. This change won't be easy, and success will vary in the short term.

Automated
Coding

Smarter
Denials
Management

Supply Chain
Automation

Real Time
Forecasting

Evolving Payer Strategies and Partnerships

Smarter Payer Strategies and Risk Readiness

- As payers move toward narrow networks, site-neutral payments, and risk-based models, health systems need more sophisticated strategies.
- Expect deeper analysis of service line profitability, proactive contract modeling, and more investment in outpatient and home-based care to lower costs.
- Systems will have to balance short-term revenue protection with long-term positioning as old reimbursement rules gradually fade.
- With tighter budgets and less government support ahead, this evolution is critical.

Growth Through Partnerships and Joint Ventures

- Partnerships that used to be optional will become essential and those that once might not have been considered will become realities.
- NFPs will increasingly team up with payors, physician groups, tech firms, and retail health companies to expand reach, diversify revenue, and gain capabilities faster.
- Most importantly, these models share risk, but they also speed growth in areas like surgery centers, urgent care, behavioral health, rehab care, imaging, and home-based services.
- Boards will need education to embrace the vision of some of these new partnership models.

Balancing Mission, Access, and Financial Discipline

- In the coming year, the tensions between mission and money will only increase.
- Leaders will focus on investments that expand access, promote equity, and meet community needs—while ensuring strong returns and long-term sustainability.
- Boards will expect finance teams to show how each project supports both community benefit and financial health.
- Conflicts will exist and continue to emerge. The vision and cohesion of leadership will be essential.

The Bottom Line

Looking Ahead to 2026:

- NFP health systems must juggle cost transformation, workforce stability, digital acceleration, partnerships, and capital discipline.
- The organizations that succeed will be those whose leaders embrace this broader role—helping their systems to not just survive but to shape the future of care.