Where hospital margin is won or lost.

An executive playbook for **financial performance.**

*This playbook leverages **The Nordic Margin Performance Model** – built from deep, healthcare-specific experience across systems, workflows, and care delivery.*

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Contents.

By the end, you'll have a clear view of where margin leaks and how to fix it.

The problem: costs are rising faster than revenue.

Hospital margin performance is determined by how effectively systems, workflows, and operations capture revenue and control cost across the entire care delivery process.

Health systems are under growing pressure.
Costs are rising faster than reimbursement, and revenue is harder to capture.

Most organizations respond in one of three ways:

1. Cut costs
2. Grow volume
3. Improve revenue cycle

But despite these efforts, margins do not improve.

Because the real problem is not just cost or revenue.

It is how care gets delivered.

- **Total hospital expenses grew 7.5% in 2025, more than twice the rate of growth in hospital prices according to the AHA.**
- **Also, the biggest cost driver has not changed: an estimated 60% of total hospital expenses go to workforce, with workforce costs up 5.6% in 2025.**

The reality: what drives hospital margin performance.

Most financial problems start in operations, even when they show up in finance or revenue cycle.

They are driven by breakdowns across:

systems **workflows** **care delivery**

Breakdowns happen in:

- **Access to care**
- **Scheduling and coordination**
- **System and workflow alignment**
- **Variation across departments, service lines, and locations**
- **Gaps between strategy, operations, and technology**

These breakdowns compound across the system, slowing throughput, increasing rework, underutilizing resources, and making it harder to capture revenue or control cost.

Addressing them requires more than functional expertise. It **requires a healthcare-native understanding** of how systems, workflows, and care delivery connect.

Administrative costs account for more than 40% of total expenses hospitals incur in delivering care, and points to insurer requirements (denials, prior authorization, documentation requests) as a major driver.

In fact, hospitals spent $43B in 2025 trying to collect payments from insurers for care already delivered

Where revenue is lost (before it's ever realized).

This rarely shows up as a single issue. It is a pattern across the system.

Patients move through the system. Teams do the work. Systems capture and process it. Along the way, work gets delayed, repeated, or lost.

Revenue loss shows up as:

- Inconsistent workflows
- Misaligned systems
- Gaps in documentation and charge capture
- Delays, denials, and rework

The impact builds:

- Revenue leakage and cash flow delays
- Higher cost from rework and redundancy
- Underutilized staff, space, and technology
- Limited ability to scale without adding cost

This is not a single issue to fix. It is a pattern of breakdowns across your operations, where performance slips and financial results follow.

Denials are where cost and revenue collide most visibly.
The AHA reports that average denial rates typically range from 9% to 12%, and an estimated 84% are avoidable, driving more labor, longer A/R days, and slower cash.

Client results:

Nordic's healthcare-exclusive teams have helped organizations **reduce incoming denials by 25%** and **cut denial resolution time by 50%,** improving both cash flow and cost to collect.

Where cost quietly builds.

Cost does not rise only from external pressure.
It builds inside the system.

It shows up in:

- **Redundant systems and applications**
- **Inefficient ERP and supply chain workflows**
- **Manual work and rework**
- **Unmanaged variation across departments and sites**

These issues do not just increase spend.
They slow execution, making it harder to capture revenue, improve throughput, or scale efficiently.

In 2025, hospitals spent **$43B** trying to **collect payments** from insurers **for care already delivered.** **AHA**

Improvements are often tied to **system and workflow changes**, not just cost-cutting initiatives - particularly in complex, highly integrated environments like ERP, EHR, and supply chain **where healthcare context is critical to getting execution right.**

Client results:

Nordic has helped organizations reduce non-treatment spend, including $2M in cost savings by bringing outsourced services in-house and eliminating redundant processes.

Why cost and revenue strategies fail.

Most teams work in silos, but problems do not.

- **Revenue cycle focuses on collections**
- **Finance focuses on reporting**
- **Operations focuses on throughput**
- **IT focuses on systems**

Each team improves part of the process, but the breakdowns happen across it. That is why improvement efforts need to cut across functions, not just optimize within them.

You cannot:

- Improve revenue if patients do not complete care
- Reduce cost if workflows create constant rework
- Increase margin if systems, data, and operations are not aligned

Fixing one area in isolation often shifts the problem somewhere else.

Most traditional strategies struggle to deliver full impact because execution remains fragmented.

The Nordic Margin Performance Model.

Financial performance does not improve from one initiative.
It comes from fixing how the system operates.

Most organizations move through four stages:

1. Find it.

- Identify where margin is lost
- Quantify impact across systems and workflows
- Prioritize the few changes that move margin

2. Build it.

- Connect and configure ERP, EHR, revenue cycle, and data platforms, so work can happen the right way
- Turn strategy into operational execution

3. Improve it.

- Capture more revenue and reduce cost
- Eliminate rework, variation, and workflow friction
- Improve throughput, utilization, and coordination

4. Sustain it.

- Protect gains over time
- Reduce run cost and eliminateredundancy
- Manage third-party and cybersecurity risk

Client results:

Organizations that have taken this approach see measurable results **from $28.5M in accelerated cash flow to multi-million-dollar improvements in net revenue and cost reduction.**

Where margin is won or lost (operational plays).

Recover.
Capture revenue already in motion

- Reduce leakage from documentation, coding, and process gaps.
- Strengthen conversion across access and care journeys (referrals, scheduling, registration).

Client result: $5.8M net revenue lift and $10M+ in recovered claims

Reduce.
Eliminate unnecessary spend or cost created by workflow failure

- Remove redundant systems and applications driving ongoing spend
- Fix ERP and supply chain workflow friction that creates hidden cost

Client result: $2M reduction in operating cost

Realize.
Unlock existing capacity without adding labor

- Improve utilization of staff, space, and schedules without adding headcount
- Reduce delays, handoffs, cancellations, and rework that slow care delivery

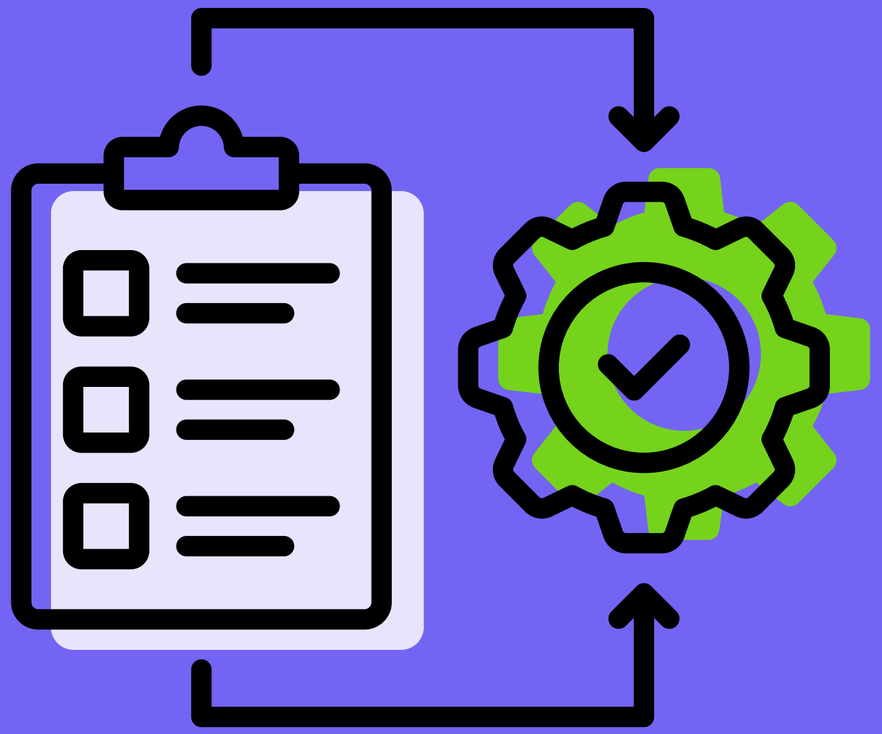
Client result: $1M in annual savings while improving access and utilization

Sustain.
Prevent margin loss from returning

- Stabilize operations and system performance
- Reduce ongoing cost and operational risk

Client result: $28.5M accelerated cash flow

These gains do not come from isolated fixes. They come from improving how the system works end-to-end, across teams, workflows, and technology.



Where to start and how to execute.

Most organizations do not need another initiative.
They need a clear sequence and the ability to execute it across the system, where the real root cause and opportunity lie.

Start by focusing on what will move margin:

- **Identify where revenue is leaking and cost is being created**
- **Prioritize the few changes that will have the biggest financial impact**
- **Build the right systems and workflows to support execution**
- **Then optimize how work is done inside them**

Then stay with it:

- Turn improvements into standard workflows
- Measure performance continuously
- Prevent issues from reappearing

Client results:

Nordic has helped health systems achieve measurable results across this lifecycle, including $70M reductions in DNFB, millions recovered in claims, and sustained net revenue gains tied to workflow and system improvements.

Bottom line.

Margin does not improve through isolated efforts. It improves with consistent execution across the system.

Sustained results require governance, adoption, and performance management, not just system changes.

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Nordic helps healthcare organizations identify where margin is lost and turn that insight into action by connecting systems, aligning workflows, and delivering measurable, sustained operational and financial performance.

Find your margin gaps.

Common questions about hospital margin.

What is hospital margin performance?
Hospital margin performance is the result of how effectively an organization captures revenue and controls cost through its systems, workflows, and operations, not just through pricing, volume, or cost-cutting strategies.

Where is hospital margin most often lost?
Margin is lost across operational breakdowns in access, workflows, and system alignment, not just revenue cycle or cost structure.

Why don't cost-cutting or revenue strategies improve margin?
Because they address isolated functions rather than the connected system where cost and revenue interact.

What actually improves hospital margin?
Fixing how care is delivered by aligning systems, workflows, and operations to reduce cost and capture revenue.