The Digital Health ROI Report

The metrics that matter most, how ROI is being measured—and whether current solutions are meeting expectations

Plus: Strategies for maximizing the ROI of your hospital's digital health solutions

panda health

Introduction

Digital transformation is well on its way, with hospitals and health systems investing billions in digital health technologies to free up staff, improve the patient experience, enhance remote or virtual care offerings, and more. But are the investments paying off, and are they paying off in the way that hospital leaders hope and expect? If not, are there additional strategies organizations can employ to ensure that their digital health solutions meet, or even exceed, their return on investment (ROI) expectations?

To answer these questions, Panda Health commissioned healthcare consultancy Sage Growth Partners to conduct an independent survey of hospital and health system leaders in June 2024. This report explores ROI from a variety of angles, including the metrics that matter most to hospital and health system leaders, how it factors into their solution evaluations, how they are measuring it after implementing solutions, and how their current solutions are performing.

The report also reveals ROI optimization strategies that every hospital and health system leader should be considering, based on insights from respondents that reported the most positive returns from their implemented solutions.

The ROI Metrics that Matter Most

There are a myriad ways to measure or track ROI and the survey results reflect the diverse ways that health systems are thinking about it. While at first glance it may seem counterintuitive to see 'increased revenue' land fourth overall in these ROI survey findings, the context around this bears mentioning. In a recent HFMA survey, 84% of health systems cite lower reimbursement from payers as a top cause of low operating margins, so the traditional strategy of simply growing patient volumes to increase revenues is unlikely to bring the financial stability that health systems are accustomed to. Additionally, the three ROI measures that ranked ahead of it all directly tie into revenue for risk-bearing provider systems. In 2022, nearly 25% of all healthcare dollars were in some kind of downside risk VBC model where health systems are financially accountable for patient outcomes (e.g., 30-day readmissions, hospital-acquired infections), patient experience (e.g. HCAHPS scores), and the associated quality measures (e.g. HEDIS) contracted into their VBC payer arrangements. For more information on the VBC movement, please download Panda's VBC Whitepaper.

Noteworthy Finding:
Cost savings (clinical and administrative) are among the least important ROI measures for hospital leaders.

Please rank the following ROI measurements from 1 (most important) to 10 (least important) relative to your digital health technology purchases:

Measure	Rank	Percentage
Improved patient outcomes	1	61%
Improved patient experience	2	47%
Improved quality measures sepsis, mortality rates, etc.	3	39%
Increased revenue	4	37%
Improved operational metrics throughput, patient census, etc.	5	37%
Reduced patient harms	6	24%
Improved workforce satisfaction	7	16%
Reduced clinical costs	8	16%
Reduced administrative costs	9	12%
Clinical time savings	10	11%

Percentage represents number of respondents who ranked this in their top 3 most important measures

Role-Based Rankings: Top 3 ROI Measures

While patient experience and outcomes rank as the most important ROI measures among all survey takers, a breakdown of survey responses by role (across CFOs, clinical leaders, operational leaders, and IT leaders) reveals notable differences in prioritization:

CFOs	
#1	Improved patient experience
#2	Improved patient outcomes
#3	Increased revenue and Improved operational metrics *(tied)*

Operational Leaders	
#1	Improved patient outcomes
#2	Increased revenue
#3	Improved operational metrics

Clinical Leaders	
#1	Improved patient outcomes
#2	Increased revenue
#3	Improved operational metrics

IT Leaders	
#1	Improved patient outcomes
#2	Improved patient experience
#3	Increased revenue and Improved operational metrics *(tied)*

For more insight into title breakdowns, see methodology section on pg. 11.

> "Alignment across stakeholders related to top ROI priorities is absolutely critical during solution evaluations. Lack of alignment overly complicates the process, and it increases the risk of falling into a common trap: Selecting a solution that does an OK job at meeting multiple objectives, but fails to really excel in the areas where ROI is most critical."
>
> **- Ryan Bengtson, Panda Health CEO**

How ROI is Factored into Solution Evaluations

ROI is extremely important during solution evaluations, yet most hospital and health system leaders are very skeptical about vendor-reported ROI and many lack a formal evaluation process

Survey responses indicate that many organizations are struggling to accurately and confidently assess ROI prior to implementing solutions. In addition, only 25% have a high level of trust in ROI information shared by vendors. That distrust is likely fueled by previous experience with their vendor partners, as nearly 60% of survey respondents say vendors don't meet ROI promises more than half of the time. Overall, less than half (46%) of survey respondents say their organization has a formal process in place for assessing ROI during solution evaluations.
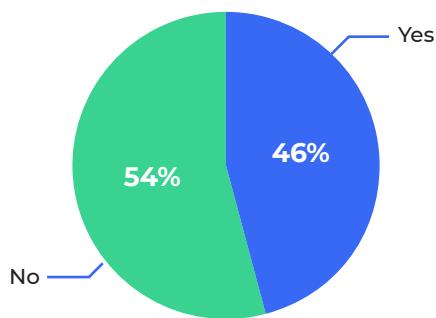
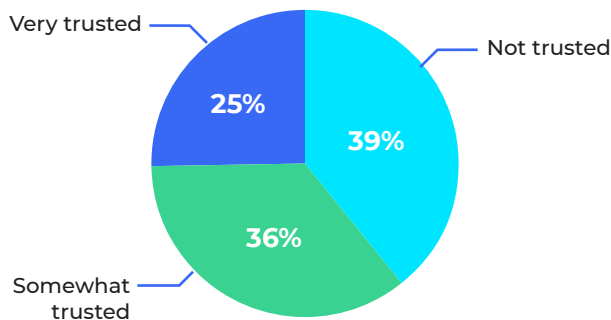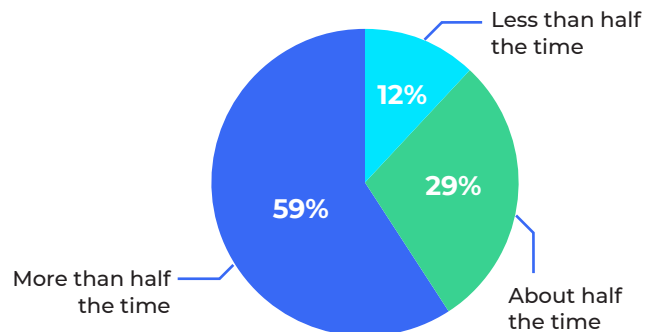**Does your organization have a formal process for assessing ROI when considering purchase of digital health solutions?**

Yes 46%
No 54%

How helpful is it for a vendor to illustrate an expected ROI for your organization during a sales process?

Not helpful 6%
Somewhat helpful 13%
Very helpful 81%
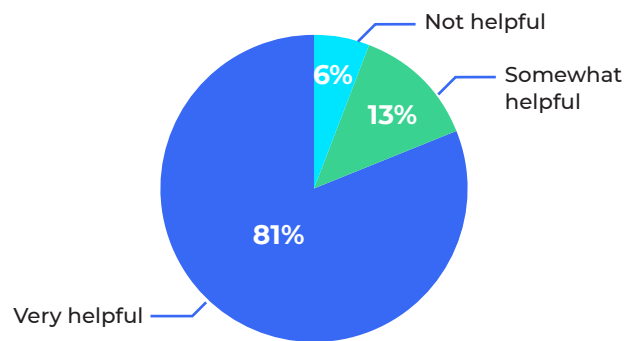
How much do you trust the ROI information shared by vendors during the sales process?

Very trusted 25%
Not trusted 39%
Somewhat trusted 36%

How often do you feel vendors' ROI promises fall short?

Less than half the time 12%
About half the time 29%
More than half the time 59%

About half (54%) of the respondents who decided to "pass" on vetted solutions say that their concern whether the solution would provide adequate ROI was a key factor.

Lower NPR, Higher Skepticism

Organizations with lower net patient revenue (NPR) say vendor-reported ROI data is much less helpful than more financially robust organizations. Among survey respondents, only 50% of organizations with an NPR of less than $350 million say vendor reported data is very helpful during solution evaluations, compared to about 85% of organizations with an NPR greater than $350 million. Similarly, none of the organizations with less than $350 million characterized vendor-reported data as very trusted, while about 50% of organizations with an NPR between $350 million and $1.5 billion characterized it that way.

How Current Digital Health Solutions are Performing

Most hospital leaders say implemented solutions are meeting internal ROI expectations, yet may be missing out on opportunities to further maximize impact

While 59% of survey respondents say vendor-reported ROI measures often fall short of expectations, most also believe their implemented solutions are performing fairly well. What's behind the disconnect? As noted, only 25% of hospital leaders place a high amount of trust in ROI information shared by vendors. As a result, it's likely that most hospital and health system leaders are setting their internal expectations for digital health solutions lower than what's shared by vendors. That's leading to less disappointment and more satisfaction. Overall, nearly two-thirds (65%) say their digital health solutions have met or exceeded their internal ROI expectations.

Also of note, the survey shows that the ROI hospital and health system leaders say their organizations are experiencing aligns well with the most prioritized measures outlined on page 3: improved patient outcomes, patient satisfaction/experience, and quality.

How well have your implemented digital health solutions met your expected ROI?

Over-delivered on expected ROI — **24%**

Under-delivered expected ROI — **35%**

Met expected ROI — **41%**
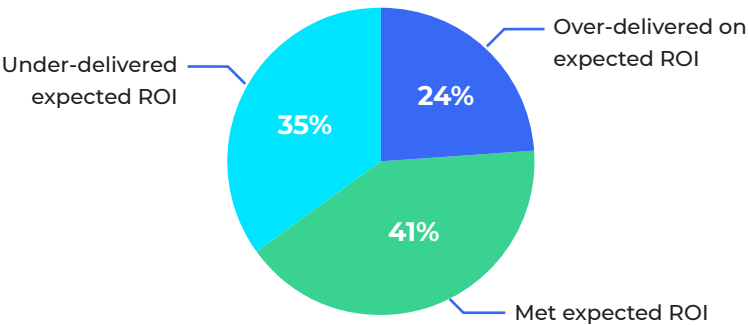
In what ways have your implemented digital health solutions delivered ROI to your organization?
(ranked by most common response)

#	
#1	**Improved patient outcomes**
#2	**Improved patient satisfaction**
#3	**Resulted in clinical time savings**
#4	**Improved quality measures** (sepsis, mortality rates, etc.)
#5	**Increased revenue**
#6	**Improved workforce satisfaction**
#7	**Reduced administrative costs**
#8	**Reduced patient harms**
#9	**Reduced clinical costs**

Almost all survey respondents say they hold their vendors accountable for ROI performance—though the tactics by which they are doing so vary, both in approach and in likely impact. Three of the most commonly cited approaches include prioritizing ongoing vendor engagement, building ROI into the contract, and risk-based contracts. While risk-based contracting is the most powerful way to enforce accountability, less than half (49%) are utilizing this approach. More respondents (58%) report using ongoing vendor engagement, and while this may be somewhat beneficial, it likely yields less meaningful impact.

Spotlight on CFOs: More Vendor Distrust, Less Reported ROI

CFOs are less likely than CEOs, COOs, CMOs, and CNOs to characterize vendor-reported ROI as "very helpful" during evaluations. Only 40% of CFOs characterized it this way compared to about 90% of other C-suite leaders.

CFOs are also less likely to trust vendor-reported ROI data. Only 50% say they trust it, compared to nearly two-thirds of other C-suite leaders.

CFOs are also less likely to report that their implemented solutions over-deliver on expected ROI. Only 10% of CFOs say solutions do, compared to about 32% of other C-suite respondents.

How do you hold vendors accountable for their promised ROI?
(respondents could select multiple options)

Ongoing vendor engagement	58%
Building an established ROI into the contract	56%
Risk-based contract (pay for performance)	49%
We do not hold vendors accountable	8%
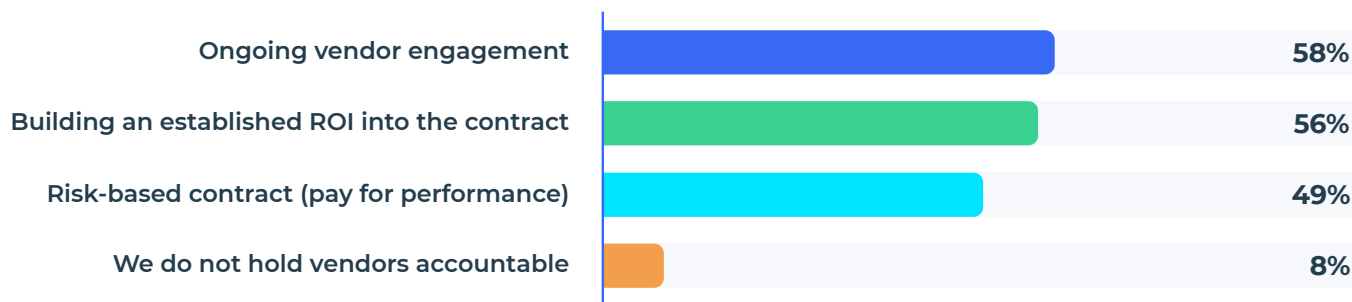
While discontinuing the use of an implemented digital health solution is rare for hospitals (only 16% have done so in the past three years), nearly 67% of those who have say lack of ROI played a role.

Survey Respondents Weigh In

"We have agreed to some measures of success that we hold regular meetings to evaluate. Failure to meet them comes with reductions in ongoing cost."
- Chief Strategy Officer, Integrated Delivery Network

"We are working on measures and metrics with current vendors as there has been some lack of accountability to contracts."
- Chief Nursing Officer, Community Hospital

How to Maximize Your Digital Health ROI

Key findings and lessons learned from health systems saying that their digital health investments meet or exceed ROI expectations

To assess potential differences between the 65% of hospitals whose solutions meet or exceed expectations vs. the 35% who say that their solutions fail to deliver, we compared the survey results of those two groups across five potential ROI maximization strategy questions that hospitals and health systems may consider in the future.

Key: ▮ Meet or exceed deliver expected ROI ▮ Fail to deliver expected ROI

Strategy #1: Prioritize ROI—heavily—during solution evaluations

Note: Percentages represent number of individuals who answered "yes" to these questions

Does your organization consider ROI at the earliest stages of vendor evaluations?

80%
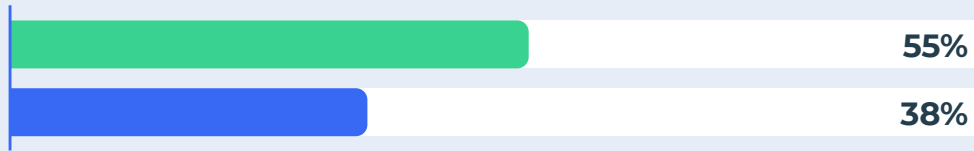64%
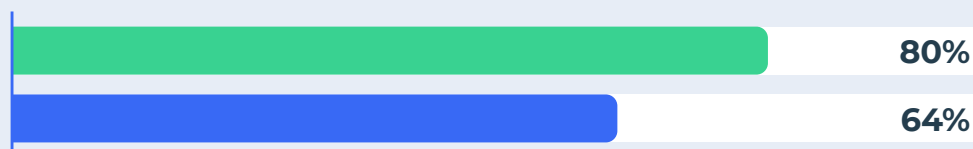
Is ROI critical to digital health decision making?

71%
42%
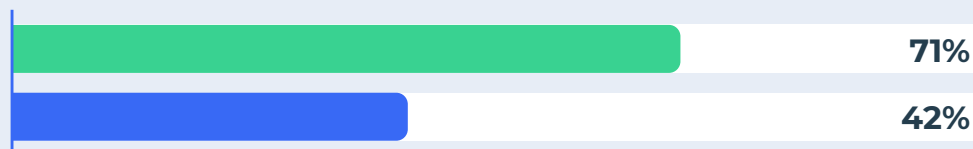
Strategy #2: Implement a formal ROI evaluation process

Does your organization have a formal ROI assessment process?
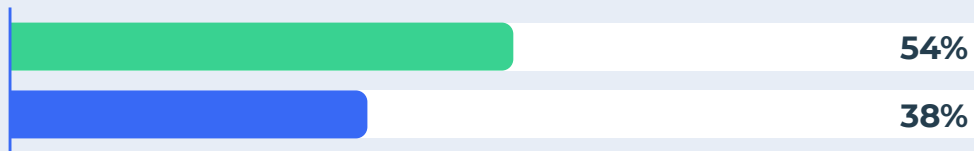
51%
36%
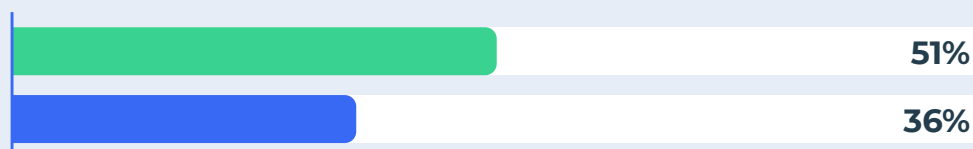
Strategy #3: Take time to evaluate multiple solutions—and don't hesitate to walk away

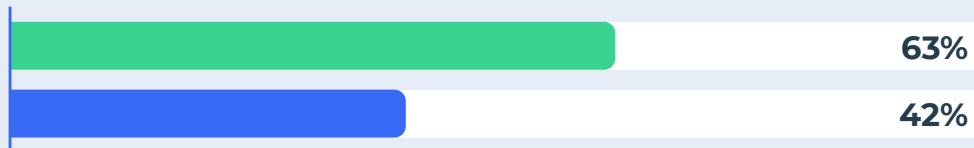**Has your organization vetted solutions that you ultimately decided not to purchase?**

55%

38%

Strategy #4: Hold vendors accountable

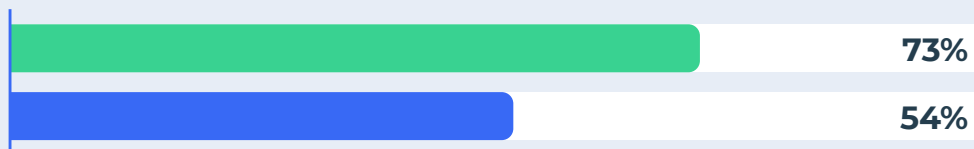**Does your organization engage in risk-based contracts with vendors?**

54%

38%

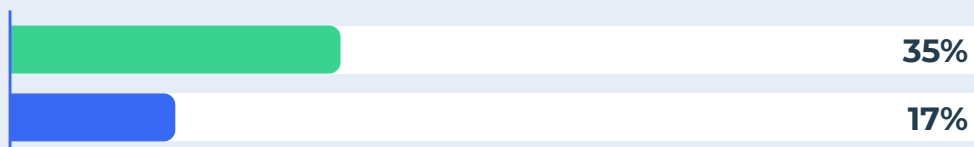**Does your organization build an established ROI target into the contract?**

63%

42%

Strategy #5: Evaluate potential ROI with a variety of inputs

Does your organization consider peer-to-peer recommendations when evaluating potential ROI?

73%

54%

Does your organization consider information gained from conferences when evaluating potential ROI?

35%

17%

Critical ROI Considerations for Hospital and Health System Leaders

As hospital and health system leaders continue their efforts to maximize the ROI of digital health solutions, leveraging key insights from this report can help. Here are some of the ROI enhancement strategies to consider:

1. **When evaluating new digital health solutions, ensure you have clear ROI goals and internal alignment among all stakeholders on the most important ROI measures.** Overall, the top 3 most important ROI measures among all respondents are:

#1 Improved patient outcomes

#2 Improved patient experience

#3 Improved quality

   Still, there are significant differences related to ROI priorities across key stakeholder roles (CFOs, clinical leaders, operational leaders, and IT leaders). In order to ensure a focused and efficient solution evaluation process, all leaders should be on the same page.

2. **When evaluating new digital health solutions, implement a formal process for assessing ROI.** This will go a long way toward ensuring organizations select a solution that will drive a return in the areas that matter most. The survey reveals a formal process for assessing ROI is a significantly underutilized lever for hospitals and health systems, with just 46% of respondents saying they have such a system in place.

3. **During contracting discussions, proactively seek out opportunities to build ROI metrics into vendor agreements.** Fifty nine percent of survey respondents say vendors' ROI promises fall short more than half the time, yet only 49% have engaged in risk-based contracting with vendors—one of the most effective ways to ensure vendor accountability.

4. **During the planning and implementation phase, set quantifiable ROI goals, document them, and implement a process to regularly track and monitor performance.** Also, build-in regular meetings with vendors (such as on a quarterly basis) to discuss performance and identify opportunities for improvement.

Without transparent and honest conversations related to ROI, hospital and health system leaders are less likely to identify which of their implemented solutions are coming up short, and they are more likely to miss out on transitioning to solutions that could serve them better.

Panda Health can help hospital and health system leaders maximize the ROI of digital solutions by providing unbiased expertise and unparalleled support at every stage of digital health transformation. This includes:

- Sharing insights and advice regarding ROI-driving digital health solutions
- Supporting ROI assessments during the solution selection and evaluation process
- Providing ongoing ROI optimization support post-implementation
- Facilitating peer-to-peer conversations regarding ROI-enhancing strategies among the Panda Health Community
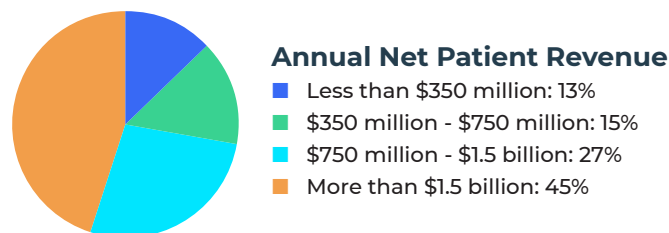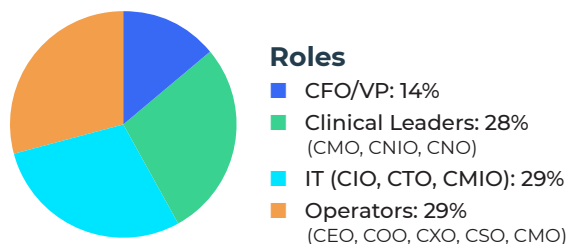
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- Easily compare solutions and find the right fit for your hospital
- Benefit from comprehensive security assessments for safe decision-making

Methodology

This market report is based on an independent survey of 75 hospital leaders commissioned by Panda Health. The survey was put forth by Sage Growth Partners in June 2024. Most respondents represent health systems, integrated delivery networks, academic medical centers, and community hospitals. All were very or moderately knowledgeable about their organization's health IT initiatives and investments.

Roles
- CFO/VP: 14%
- Clinical Leaders: 28% (CMO, CNIO, CNO)
- IT (CIO, CTO, CMIO): 29%
- Operators: 29% (CEO, COO, CXO, CSO, CMO)

Annual Net Patient Revenue
- Less than $350 million: 13%
- $350 million - $750 million: 15%
- $750 million - $1.5 billion: 27%
- More than $1.5 billion: 45%