By Jennifer M. Meyerowitz

Driving Revenue in Distressed Health Care: Strategies for Stabilization and Growth

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Health care, long defined by its mission but constrained by persistent financial pressures, is now operating in one of the most challenging environments in decades. Hospitals, senior-living operators, memory-care providers, behavioral health facilities and skilled-nursing facilities face a convergence of rising labor costs, supply inflation, stagnant reimbursement and tightening regulatory demands. The result is widespread distress across nearly every segment of care delivery.

Facilities that engage experienced advisors — applying data-driven planning and implementing targeted operational reforms — are proving that recovery is within reach. With the right expertise, providers can streamline workflows, strengthen payor relationships and expand high-margin service lines — initiatives that directly boost revenue while improving care quality. Guided by strategic insight and disciplined execution, even distressed organizations can convert instability into sustainable growth through operational precision, service diversification and deliberate payor optimization.

Pressures Colliding

Labor shortages pose the most urgent and costly obstacle for health care providers. Competition for nurses, certified nursing assistants and support staff continues to drive wages higher and deepen dependence on expensive contract labor.[1] According to the Bureau of Labor Statistics, the health care sector added more than 600,000 jobs in the past year, yet staffing gaps remain widespread, especially in post-acute and long-term-care settings.

Persistent vacancies in health care positions force facilities to rely on overtime and external staffing, inflating labor costs and pressuring margins. Labor now represents more than 55 percent of total operating expenses in many hospitals, according to a recent American Hospital Association report.[2] Operators that partner with expert consultants can redesign staffing models, streamline workflows and expand higher-margin service lines, turning workforce pressure into revenue opportunity.

At the same time, costs for food, pharmaceuticals and medical supplies continue to climb. In addition, reimbursement rates from Medicare and Medicaid have failed to keep pace with these inflationary pressures, leaving facilities caught between rising costs and fixed revenues. Senior-living and skilled-nursing operators are particularly exposed, operating on narrow margins with limited ability to pass expenses through to residents or payors.

Compounding these pressures is a complex regulatory environment. Health care remains among the nation's most regulated industries, subject to federal and state mandates on staffing ratios, safety, reporting, infection control and quality metrics. Each regulatory change — whether in reimbursement methodology, documentation standards or workforce mandates — demands administrative bandwidth and drains financial flexibility. The regulatory burden also diverts leadership from strategic initiatives, leaving less time to focus on growth.

Therefore, while expense reduction is necessary, it must be done with surgical precision. Across-the-board cuts might reduce immediate spending, but this often degrades care quality, compliance and morale, thus eroding long-term viability. Successful operators instead rely on detailed operational analysis to identify sustainable savings: staffing optimization, procurement standardization, workflow automation, and nutrition or supply efficiencies. Experienced consultants and health care operators can benchmark against peers, implement accountability systems and ensure that reductions enhance patient outcomes.

The core insight for providers is that in distressed environments, revenue recovery is inseparable from operational renewal. The most effective turnarounds are those that simultaneously reduce waste and generate new streams of top-line growth.

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1 *Occupational Outlook Handbook: Registered Nurses*, U.S. Bureau of Labor Statistics (2024), bls.gov/ooh/healthcare/registered-nurses.htm (unless otherwise specified, all links in this article were last visited on Nov. 3, 2025).
2 "Costs of Caring Report," Am. Hosp. Ass'n (2025), aha.org/costsofcaring (noting labor costs now account for about 56 percent of hospital expenses).

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Revenue and Census: The Core of Stabilization

While cost control can slow financial bleeding, stabilization requires revenue expansion. For health care providers, that means driving census growth, diversifying services and building multiple streams of recurring income. Facilities that strengthen both their core occupancy and ancillary services not only recover faster, they also sustain stability through future disruptions.

Consider census management first. A 5-7 percent occupancy improvement can have an outsized impact on cash flow, often turning negative earnings before interest, taxes, depreciation and amortization positive. Facilities that establish clear referral-development programs built around relationships with hospitals — discharge planners and primary care groups — consistently outperform peers in census-recovery. Marketing and outreach strategies must be as disciplined as clinical care, using digital tools, local partnerships and data analytics to attract target demographics.

Revenue resilience also depends on the relationships among census, service mix and payor composition. The most successful operators continually evaluate the profitability of each unit and align admissions with high-value patient profiles. This analytical approach allows for better forecasting and more agile staffing, which stabilizes financial performance.

Service Diversification as a Growth Engine

Diversifying service lines expands access to broader, higher-paying populations. Facilities that once relied solely on long-term Medicaid residents can reposition themselves as multi-service health and wellness centers.

Adding a memory care wing, rehabilitation program, dialysis center or behavioral health service can substantially change both the payor mix and average reimbursement. Assisted living and memory care, often private pay, can offer predictable, inflation-resistant revenue streams. Rehabilitation programs, particularly post-acute short-stay units, attract Medicare and managed-care referrals at higher daily rates.

For example, a 150-bed facility that introduced a dedicated 25-bed rehabilitation unit increased Medicare admissions by 6 percent within a year, translating to nearly $500,000 in additional net annual revenue. Partnerships with regional hospitals were pivotal, aligning the new service with discharge priorities.

Behavioral health, wellness and outpatient therapy programs are also effective diversification tools. They create new revenue channels and expand the facility's reach beyond residents. Group fitness, teletherapy and chronic-care management can all be offered under wellness or specialty care umbrellas. These programs also boost visibility, attracting both new residents and partnerships.

Facilities that successfully diversify typically do so through partnerships rather than full in-house buildouts, collaborating with specialists, physician groups or therapy providers to share startup risk and operating costs. Strategic diversification not only drives revenue, it also enhances mission alignment, supporting whole-person care models that appeal to both regulators and consumers.

Technology as a Revenue-Enabler

Technology investment is no longer discretionary; it is central to revenue-generation and preservation. Telehealth, digital documentation and remote monitoring are reshaping clinical workflows and creating billable opportunities. The Centers for Medicare & Medicaid Services now recognizes hundreds of reimbursable telehealth services, and virtual care is increasingly being integrated into chronic disease management programs.[3]

Predictive analytics platforms can forecast census fluctuations, adjust staffing in real time and identify care gaps. Electronic documentation and AI-assisted billing tools reduce claim denials, accelerate collections and enhance compliance accuracy. Facilities leveraging automation in documentation and coding have reported as much as a 3-5 percent improvement in net revenue capture.

Although implementation requires upfront investment, the long-term benefits are measurable. Facilities that digitize operations often experience faster revenue cycles, reduced audit exposure and improved clinical outcomes, all of which strengthen competitiveness and attract higher-quality referrals.

Revenue-Cycle Precision: The Hidden Accelerator

Revenue growth depends as much on what happens behind the scenes as on the front lines. In distressed operations, weak revenue-cycle management can quietly erode 3-10 percent of potential reimbursement through missed codes, claim denials and authorization delays.

Revenue-cycle precision begins with accurate documentation, timely billing and proactive denial-prevention. Automating claims submission and integrating clinical documentation into billing systems reduces manual error. Facilities should track denial rates by payor, cause and department, then retrain staff based on patterns.

Equally important is cash-flow visibility. Regular aging reviews and real-time dashboards allow leadership to identify reimbursement bottlenecks early. For example, a regional skilled-nursing operator implemented AI-supported claims auditing and reduced denied claims by

3 "Telehealth," Ctrs. for Medicare & Medicaid Servs. (2024), cms.gov/medicare/medicare-general-information/telehealth.

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28 percent within six months, freeing up nearly $1 million in previously delayed payments.

The revenue cycle is not a back-office function; it is a strategic lever. When integrated with clinical operations and payor strategy, it becomes one of the fastest ways to unlock trapped revenue without new investment.

Payor Mix Optimization: A Direct Lever for Growth

For facilities facing reimbursement stagnation, optimizing payor mix is among the most controllable strategies for financial improvement. A small shift, such as increasing Medicare or managed care admissions by even 2-5 percent, can meaningfully enhance daily revenue and stabilize cash flow.[4]

This begins with data. Facilities must conduct a detailed payor-mix analysis, examining reimbursement rates, volume and profitability by service line. Benchmarking against local and national averages can reveal underperformance.

Facilities then can align admissions strategies. Renegotiating managed-care agreements with data on quality and outcomes can secure better rates or performance-based bonuses. Meanwhile, diversifying services such as adding short-term rehab or specialty programs can naturally attract higher-paying patients.

Strong referral partnerships also are essential. Hospitals and physician networks can become consistent sources of higher-acuity, better-paying cases if operators maintain reliable communication and clinical quality.

Operational alignment ensures sustainability. Documentation, authorizations and billing must match payor requirements precisely. Facilities that embed these practices reduce denials and ensure that each new patient improves margins.

Accountability and Execution

Even the best strategies falter without disciplined execution. Turnaround success depends on accountability structures that tie operations directly to revenue outcomes. Leaders must define clear key performance indicators, occupancy growth, payor-mix shifts, denial rates, net collections and revenue per bed, and monitor them through weekly or monthly performance reviews. Dashboards translating these metrics into department-level goals create transparency and motivation.

External advisors and consultants can reinforce accountability through structured audits, performance reporting and leadership training. Aligning staff incentives with such revenue targets as bonuses for achieving census or reimbursement milestones keeps teams engaged in financial recovery.

Cultural transformation is equally vital. Staff must understand how their daily work of charting, scheduling and procurement affects the financial health of their facility. Facilities that build this understanding see stronger morale, lower turnover, increased dedication and better long-term outcomes.

Health Care Market Tailwinds and Demographic Demand

Despite these pressures, long-term fundamentals favor operators who can adapt. The U.S. senior population is growing rapidly. It is estimated that by 2028, the country will require an estimated 550,000 additional senior housing units, growing to nearly 800,000 by 2030.[5] Even though demand is rising, construction remains historically low due to financing costs and supply chain constraints.[6]

This imbalance creates opportunity for existing operators. Facilities that modernize and expand service offerings are poised to capture the demand shortfall. In addition, telehealth, remote monitoring and integrated wellness programs are reshaping how seniors and families define "care," creating new markets for hybrid models that combine residential living with medical support.[7]

Investors and lenders increasingly recognize that distressed assets with strong management and diversification potential can outperform new developments. The key is in the execution. Operators who balance cost control, payor optimization and service innovation can generate sustainable revenue and long-term value-creation.

Conclusion

Health care distress remains widespread, driven by labor shortages, cost escalation and regulatory complexity, yet within these challenges lies the opportunity to rebuild stronger, smarter and more sustainable organizations. Facilities that focus on revenue-centric stabilization anchored in operational efficiency, service diversification, payor strategy and revenue-cycle precision are charting the path forward. These organizations do not view financial recovery as a reaction to crisis but rather as a strategy for reinvention.

The future of health care belongs to those who integrate financial discipline with mission-driven care where every process, partnership and patient encounter contributes not only to outcomes but to economic resilience. In an industry defined by volatility, strategic revenue management remains the most reliable prescription for stabilization and growth. abi

4 Suzanne Long Delzio, "Payer Strategy: How Provider Groups Can Optimize the Payer Mix," MD Clarity (2025), mdclarity.com/blog/payer-strategy.

5 "How Much Future Senior Housing Inventory Is Needed to Meet Demographic Demand?," Nat'l Inv. Ctr. for Seniors Housing & Care (NIC) (2024), nic.org/blog/how-much-future-senior-housing-inventory-is-needed-to-meet-demographic-demand; "Senior Housing Occupancy Rises in 2Q 2025; Inventory Growth at Record Lows," NIC MAP Vision (2025), nic.org/blog/senior-housing-occupancy-rises-in-2q-2025-inventory-growth-at-record-lows.

6 NIC MAP Vision, *supra* n.5.

7 "Fact Sheet: Telehealth," Am. Hosp. Ass' (2025), aha.org/fact-sheets/2025-02-07-fact-sheet-telehealth.